

The Narragansett Bay Commission
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Vincent J. Mesoella
Chairman

Raymond J. Marshall, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	Finance Committee Meeting
Date:	June 6, 2013
Time:	12:00 noon

MEMBERS PRESENT:

Robert Andrade, Committee Chairman
Mario Carlino
Michael DiChiro
Joseph Kimball
John MacQueem
Vincent Mesoella
Joan Milas

MEMBERS ABSENT:

Jonathan Farnum

STAFF AND GUESTS PRESENT:

Raymond J. Marshall, NBC Executive Director
Jennifer Harrington, NBC
Karen Musumeci, NBC
Tom Uva, NBC
Karen Giebink, NBC
Richard Bernier, NBC
Paul Nordstrom, NBC
Joanne Maceroni, NBC
Paul Nordstrom, NBC
Laurie Horridge, NBC

Jamie Samons, NBC
Jaime Leigh Overton, NBC
Shaylyn McCauley, NBC
Sherri Arnold, NBC
Karen Giebink, NBC
Leah Foster, NBC

1. Call to Order

Finance Committee Chairman Robert Andrade called the June 6, 2013 Finance Committee Meeting to order at 12:25 p.m.

2. Approval of Minutes – None

3. Items for Action

A. Review of Monthly Financial Statements and Expenditures

None.

B. Consideration of Purchase Requisition

None.

C. Consideration of Personnel Actions

None.

4. Other Business

Review of NBC's Draft Fiscal Year 2014 Operating Budget

Karen Giebink introduced her staff to the Committee, Leah Foster, NBC's Accounting Manager, Sherri Arnold, Senior Financial Analyst, Shaylyn McCauley, Financial Analyst, and, Jaime Overton, Financial Analyst.

Ms. Giebink advised that the NBC uses the GFOA guidelines to develop NBC's Budget. As a result the NBC has been able to receive the GFOA Distinguished Budget Presentation Award for each of the last eleven years. She stated that we continue to use that format and every year we receive feedback from them and we try to improve the document based on the information that they provide us. She noted that NBC has also received special recognition for capital and performance measures as well.

Ms. Giebink advised that the graph at the bottom of Page 1 details some of the budget considerations used in the financial planning process including the PUC Regulatory Process, Trust Indenture, Restricted Accounts and Mandated Capital Improvements. As a result a review of operational and financial information takes place through the year. This ensures that NBC has sufficient revenues to support its operating and capital needs.

Pages 2 and 3 outline the budget process which begins in August. We compare what we think we are going to need in terms of funding to what we actually have in terms of the approved cost of service from the PUC and because we have to submit those filings so far in advance we incorporate that into the planning process. Last year's budget included a rate increase for debt service and debt service coverage and we made that filing in August of 2012. We began the budget kickoff on October 4 and we were already taking a look at what we might need in 2014 therefore NBC submitted a rate filing to the PUC on October 5th for rate relief on July 1, 2013.

She noted that staff also looks at large line items such as the utility costs and bio-solids. Mid-year budget reviews are done in January. Preliminary budget submittals come in to the Finance Department for review in February and presentations are made to the Executive Director in February as well. We also start working on the Capital Program and review how we are performing with respect to the FY13 budget. The Finance Department comes up with a balanced budget in May and we make a presentation to the Finance Committee in June.

Ms. Giebink next reviewed the Preliminary FY2013 Budget Projections, Projected Revenues, Budget vs. Projected, Revenue Analysis, Operating Budget by Major Line Item, Projected O& M, Personnel and Operating & Maintenance Costs, and Debt Service.

The Committee had some questions regarding billable consumption and user fees all of which Ms. Giebink answered.

Ms. Giebink directed the Committee's attention to Page 11 the FY2014 Operating Budget. She advised that overall we are budgeting at a level that is % above last year. The difference in the operating revenue is the projected rate increase for July 1, 2013. Overall the operating supplies and expenses are projected to be 3.8% higher. Debt service and debt service coverage continue to climb as we continue through Phase II of the CSO program and the nitrogen removal projects. The Operating Capital Outlays are slightly higher than budgeted levels last year.

When we look at developing the budget we try to tie into the Strategic Plan in terms of setting priorities and program objectives and measures. The chart at the bottom of Page 11 shows the actions for achievement by strategic objective. Most of our actions for achievement relate to the core business functions and financial management functions.

Page 12 there is a comparison between the FY 2012 Actual, FY 2013 Budget and the FY 2014 Budget. Ms. Giebink stated that FY 2014 Budget overall, operating revenues are at \$93.2 million, Non-Operating Revenues at \$5.4 million, total O&M Expense at \$38.6 million, Debt Service at \$43.9 million, Debt Service Coverage at \$12.2 million and overall we are able to meet our debt service coverage ratio for budgeting at a level of 1.28 and we need to be at 1.25.

On page 13 with respect to the budgeted revenues, the main changes are that user fee revenues are budgeted \$8.7 million higher than last year or 10.5% and that's a result of several different factors. One is that on January 1, 2013, there was a 7.35% increase in user fees for debt service and debt service coverage and two, the projected increase in the user charge rate 9.5% for O&M and debt effective July 1, 2013. The rate case is still pending with the PUC. The BOD/TSS surcharges were eliminated, a slight increase in sewer connection fees is projected, there is no operating grant revenue, investment income is higher to reflect FY 2013 actuals, no revenue fund balance has been included, and an increase in miscellaneous revenues was budgeted as a result of renewable energy credits. Page 14 shows the rate history, and user fee revenues 2011 to 2014.

Sherri Arnold reviewed Page 15 the FY 2014 Budgeted Expenses. She advised that there is an overall increase of 3.8% in O&M. On Page 16 she reviewed the union and non-union salary increases, union retirement, and health insurance. She noted that the health insurance premiums are offset in part by employee premium co-payments. Overall she noted that budgeted FTEs are 2.5 higher than last year. Ms. Arnold reviewed the O&M costs on pages 17 through 26.

With respect to operating supplies and expenses, the FY14 budget projects electricity \$1.1 million lower, as a result of the impact of the wind turbines, as well as a lower supply rate. Natural Gas is \$33,000 lower based on a 5% projected lower average therm rate as well as projected lower use at Bucklin Point

and the Lab. The bio-solids line item is \$340,000 higher due to higher sludge production at Field's Point and the contracted CPI rate adjustment of 1.9 percent or \$8 per ton. The combined budget for Hypochlorite and Sodium Bisulfate is approximately \$145,000 lower as a result of lower projected usage and cost per gallon. She noted that two new chemicals have been budgeted as part of the nitrogen removal process at Field's Point. Bucklin Point Management contract is \$20,000 higher due to the contracted CPI adjustment of 1.06 percent.

Ms. Arnold also reviewed Page 27 FY14 Budgeting Operating Capital by cost center she reviewed the operating capital outlays that are largely in part from pulled from the asset management program and those are assets that NBC needs to continue 24 hour operations.

Ms. Giebink reviewed Page 28 Debt Service. She advised that budgeted debt service for FY 2014 we are budgeting \$5.6 million higher than last year due to the debt service costs associated with the existing SRF borrowings, the FY 13 revenue bond issue as well as programmed new debt.

This concluded the presentation.

Commissioner DiChiro made a motion to forward the FY 2014 Operating Budget as presented to the full Board. Commissioners MacQueen and Carlino seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

5. Adjournment

A motion to adjourn was made by Commissioner DiChiro, seconded by Commissioner MacQueen and the Finance Committee meeting adjourned at 1:45 p.m.

Respectfully submitted,



Raymond J. Marshall, P.E.
Executive Director/Secretary