

The Narragansett Bay Commission  
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Vincent J. Mesolella  
Chairman

Raymond J. Marshall, P.E.  
Executive Director



## OFFICIAL MINUTES OF:

Meeting of:	Joint LRP-Finance Committee Meeting
Date:	September 24, 2013
Time:	10:00 a.m.

### MEMBERS PRESENT:

Robert Andrade, Committee Chairman  
Richard Burroughs  
Mario Carlino  
Jonathan Farnum  
Joseph Kimball  
Vincent Mesolella  
John MacQueen  
Joan Milas  
Alan Nathan  
Harold Gadon, CAC

### MEMBERS ABSENT:

Michael DiChiro  
Ronald Leone  
Leo Thompson

### STAFF AND GUESTS PRESENT:

Raymond J. Marshall, NBC Executive Director  
Thomas Uva, NBC  
Jennifer Harrington, NBC  
Karen Musumeci, NBC  
Joe Pratt, Louis Berger Group  
Karen Giebink, NBC  
Richard Bernier, NBC  
Deborah Samons, NBC  
Laurie Horridge, NBC  
Linda George, RI Senate

Shaylyn McCauley, NBC  
Sherri Arnold, NBC  
Jamie Samons, NBC  
Cecille Antonelli, NBC  
Leah Foster, NBC  
Patricia Boucher, Bacon & Company  
Paul Nordstrom, NBC  
Diane Buerger, NBC

### 1. Call to Order

Finance Committee Chairman Robert Andrade called the September 24, 2013 Joint LRP-Finance Committee Meeting to order at 10:30 a.m.

**2. Approval of Minutes – Finance Committee – June 6, 2013  
Joint LRP-Finance Committee – June 25, 2013**

Chairman Andrade asked for a motion to approve the June 6, 2013 Finance Committee meeting minutes as written and the June 25, 2013 Joint LRP- Finance Committee meeting minutes as written. NBC Chairman Kimball moved to approve the June 6, 2013 Joint LRP- Finance Committee meeting minutes as written and the June 25, 2013 Finance Committee meeting minutes as written. Commissioner MacQueen seconded the motion. The vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

**3. Items for Action**

**A. Review of Monthly Financial Statements and Expenditures**

Karen Giebink advised that the Committee members have before them the August 2013 monthly financial report.

With respect to Budget vs. Actual NBC is currently spending under budget and staff is keeping a close eye on some of the larger accounts especially the electricity account as large amount to be generated from the wind turbines was included in the budget as an offset.

With respect to Personnel 97% of the budgeted positions were filled as of August 2013. The billings are slightly below what was projected at 97% through August of 2013 and she noted that this figure is before any adjustments. She noted that there was another strong billing at the beginning of September which hopefully will recover somewhat. With respect to the receivables, they are up slightly at \$11.9 million as opposed to \$10.1 million at this point in time last year. She noted that is a result of a larger current billing as well as the over 120 day amount is slightly higher than it was at this point last year. She added that a lien sale is scheduled shortly so that should bring in some additional cash.

On page 3 of the report, cash and investments total \$88.7 million. On Page 4 of the report shows that the VRDB's are still performing very well at around .05%.

Total debt outstanding as of August 31, 2013 is \$571.4 million.

Ms. Giebink stated that Page 5 shows Capital Funds available of \$62.1. She added that NBC is spending a fair amount of cash. Page 6, of the report shows capital payments by month and source and reflects that June 2013 was a very large month with over \$12 million dollars of capital payments. Staff is continuing to monitor the cash flows and prepare for another debt issuance prior to Thanksgiving.

Ms. Giebink noted the attachments to the Monthly Financial Report include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets as well as the detailed Budget vs. Actual report.

This concluded Ms. Giebink's report.

**B. Consideration of Purchase Requisition**

Mr. Marshall stated the Committee members have before them a list of Purchase Requisitions. There are none that require the Committee's approval. There is a fairly long list of them that have been set up over the summer as a result of the beginning of the new fiscal year all the items that are on that list were included as part of the Budget. It is usually the busiest month or two of the year.

The members also have a list of budget transfers for the months of June, July and August, 2013.

**C. Consideration of Personnel Actions**

None.

**D. Review and Approval of Resolution 2013:33; Authorization to Approve and Accept the Comprehensive Annual Financial Report for Fiscal Year 2013**

Committee Chairman Robert Andrade advised that all of the Committee members should have before them The Comprehensive Annual Financial Report for Fiscal Year 2013.

Karen Giebink advised that Patricia Boucher from Bacon & Company is going to review the Report with the Committee.

Ms. Boucher stated that she would be reviewing some of the highlights of the Report and then would be available to answer any questions the Committee might have.

The first item is Pages 13 through 15 which is the independent auditors report is an unmodified opinion. This is a change in wording as it used to be called an unqualified opinion. This is a new auditing standard so it's now unmodified but it still means the same thing as an unqualified, or a clean opinion. NBC's statements are presented in accordance with Generally Accepted Accounting Principles (GAAP).

Pages 16 thorough 22, is the management discussion and analysis prepared by management. It's what would be considered an Executive Summary and it highlights the current year activity in comparison to prior year. She added that her firm reviews this to make sure it meets all the required elements under the standards and also to make sure that all the numbers as presented agree to the audited figures in the financial statements. It is a good source of information and summarizes all the major components of the financial statements.

Pages 23 through 24, is NBC's Statement of Net Position. She noted that this is another change as it used to be called the Statements of Net Assets but now under the new reporting standard under GASB, it's referred to as Statement of Net Position. This change is primarily just a change in title and the statements very similar to the prior year. Overall on Page 23 the total assets of the Commission at June 30, 2013 were \$994 million. The biggest increase in that total asset number is NBC's increase in the capital assets. There was an overall increase in capital assets net of \$93.5 million which reflects a lot of capital activity during the year.

Page 24 is NBC's Liabilities and Net Position. With respect to total liabilities of \$597 million, again the biggest increase was in the loans and bonds payable and increase of about \$80.7 million overall.

She added that on the bottom of Page 24 is the Statement of Net Position which used to be referred to as the Statement of Net Assets. NBC's Total Net Position at June 30th was \$396 million. Of that amount, the biggest component is NBC's investment in capital net of related debt at \$320 million. There was an

increase of about \$22 million from prior year. The unrestricted net position is \$76 million which was a decrease from the prior year in that net figure of \$1.3 million.

Page 25 is NBC's Statement of Revenues, Expenses and Change in Net Position which shows NBC's overall total operating revenues and expenses. It shows total operating revenues of \$80.3 million and operating expenses of \$46.5 million, so NBC had an operating income of \$33.8 million. NBC had non-operating expenses of \$13.5 plus capital contributions of \$354 which brings NBC down to an overall increase in net position for the year of \$20.7 million dollars so that a very positive increase in NBC's net position.

NBC's total operating revenues from prior year increased about \$1.9 and operating expenses increased approximately \$1 million. So that's an overview of Revenues and Expenses.

Page 26 is NBC's Statement of Cash Flows and reflects the inflows and outflows of all the cash transactions during the year. NBC had an overall increase in cash from the cash flows of \$22.5 million dollars for the year. Pages 26 and 27 show all the related cash flows from operating, noncapital financing and capital financing activities. On the bottom of Page 27 NBC has a lot of activity with Rhode Island Clean Water that's broken out in more detail this year.

Commissioner Milas arrives at 10:25 a.m.

She continued to say that next are the notes to the Financial Statements and that the only highlight that should would like to bring to the Committee's attention, and it's not even a note, is on Page 46 and is the supplementary information on the Non-Union Defined Benefit Plan. It reports six years' worth of funding progress on that plan and as of the December 31, 2013 calendar year the valuation of the plan was 60.16% funded. Page 47 shows what NBC's annual required contribution was and what was contributed for the last six years.

Pages 48 through 50 are the Budgetary Statements. It shows Budget and Actual Expenses. Page 50 shows and overall positive budget variance of \$55.6 million. The biggest components of that positive variance were NBC's positive number on electricity about \$1 million, personnel expenses of \$358,000 and then debt service came in positive \$2.7 million and some planned capital outlays vs. budget came in under \$1.6 million.

There were questions from the Commissioners regarding the Defined Benefit Plan funding.

Ms. Giebink answered all of the Commissioner questions.

Ms. Boucher noted that one of things the auditors take a look at and, its one of the requirements on NBC's Bond Indentures and a PUC requirement, is NBC's debt service coverage. She noted that it is disclosed in the report several places. NBC's debt coverage as of June 30, 2013 was at 133% so NBC met the 125% debt requirement.

She added that in the back of the report is the Internal Control Report which is on Pages 71 and 72 and is required under the Government Auditing Standards. NBC has no material weaknesses or significant deficiencies or issues of non-compliance which are required to be reported under those events. She added that again this year there is no management letter.

This completed Ms. Boucher presentation.

NBC Chairman Mesolella made a motion to approve Resolution 2013:33; Authorization to Approve and Accept the Comprehensive Annual Financial Report for Fiscal Year 2013. Commissioner Kimball seconded the motion and the vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

**E. Review and Approval of Resolution 2013:34; Amendment and Restatement Resolution 2013:28 FY 2014 Operating Budget**

Ms. Giebink advised that there are two proposed amendments to the language in the FY 2014 Budget Resolution which are underlined below. First is the inclusion of the following language with respect to the posting and filling of positions –

- 8 b. Personnel Committee review and approval is required for the creation of new positions and the upgrading of existing positions not included in this budget. Finance Committee approval is also required if the action will result in a net increase in operating costs. The Executive Director may post and fill vacancies of existing positions, modified positions or newly created positions included in this budget as well as other changes made as outlined in this item 8b.

The second item is the addition of language that will allow NBC to strengthen its financial position and take advantage of operating efficiencies by using unspent budgeted personnel funds to increase the employer contribution to the non-union defined benefit plan. This is based, in part, on a recommendation from NBC's new Third Party Administrator to bring the plan to fully funded status within 10 years. The additional contribution will be made only if it will not preclude NBC from meeting its coverage requirements.

- 8d. This budget shall include a 5% employer contribution to the non-union defined contribution retirement plan, funding of the employer share of the non-union defined benefit plan and an employer contribution to the union retirement plan at the rate established by the State Retirement Board. Budgeted personnel funds unspent at the end of the fiscal year may be used to increase the employer contribution to the non-union defined benefit plan as long the action does not preclude NBC from meeting its coverage requirements.

Your consideration of this request is appreciated.

Commissioner Nathan made a motion to approve Resolution 2013:34; Amendment and Restatement of Resolution 2013:28 FY 2014 Operating Budget. Commissioner MacQueen seconded the motion and the vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

**F. Review and Approval of Resolution 2013:35; Authorizing the Modification of the Schedule for Redemption of the Outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, Series A**

Ms. Giebink addressed this item and noted that the NBC is preparing to issue revenue bonds in order to finance capital improvements. In order to minimize costs, NBC works with its advisors to optimize the financing structure. As part of this process, it has been determined that it may be advantageous to modify the redemption schedule of the 2008 Series A Revenue Bonds that are currently in variable rate mode. An outward shift of the scheduled redemptions will alleviate capacity constraints and may permit NBC to secure additional proceeds within the constraints of existing revenues at approved rates.

She added that the 2008 Obligations are secured by a direct-pay letter of credit issued by U.S. Bank National Association (the “U.S. Bank Letter of Credit”), pursuant to a Reimbursement Agreement which permits the NBC and U.S. Bank to modify the schedule for redemption of the 2008 Obligations subject to consent of U.S. Bank. This resolution authorizes the Director of Finance and Administration to determine what modifications should be made to the U.S. Bank Reimbursement Agreement with respect to the schedule of dates and amounts of 2008 Obligations to be redeemed. It further authorizes the Chairman and the Executive Director to execute and deliver the documents necessary to effectuate such a modification.

Commissioner Kimball made a motion to approve Resolution 2013:35; Authorizing the Modification of the Schedule for Redemption of the Outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, 2008 Series A. Commissioner MacQueen seconded the motion and the vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

**G. Review and Approval of Resolution 2013:36; Recommendation for Use of Environmental Enforcement Funds**

Mr. Marshall advised that the NBC has received a \$10,000 request for grant funding with Environmental Enforcement Funds for a public information, outreach and education project at the Providence Children’s Museum. The mission of the Providence Children’s Museum is to inspire children to learn through active play and exploration.

The regionally and nationally-acclaimed Museum is located in the Commission’s service area, and targets traditionally underserved communities. Each year, the Museum welcomes more than 160,000 visitors, all of whom had the opportunity to explore the properties of water and the aquatic world through the Museum’s most popular exhibit, *Water Ways*. In 2012, 30% of museum visitors were welcomed for free, providing hands-on early science education to some of our service area’s most vulnerable children and families.

For the past six years, the Commission has provided support to *Water Ways*, which was also featured in the recent Commission video “Environmentalism at Work” as an example of the Commission’s successful education and community outreach activities. This exhibit and related programs provide a high-quality learning experience to serve children’s developmental needs through a variety of learning styles. To ensure that the water in the exhibit is pure and the play surfaces are safe for the children as they learn about water, the exhibit requires constant attention, maintenance and mechanical upgrades which this grant would support. The Providence Children’s Museum will recognize the NBC contribution to support the exhibit.

There are, only a dwindling level of funds available in the Environmental Enforcement Fund to fund this worthwhile project. Therefore it is necessary to limit the level of funding and it is recommended that approval of Resolution Number 2013:36 for funding in the amount of \$500.00 for the Providence Children’s Museum.

Commissioner Kimball recuses himself.

Commissioner Campbell made a motion to approve Resolution 2013:36; Recommendation for Use of Environmental Enforcement Funds. Commissioner Farnum seconded the motion and the vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

**4. Other Business**

None.

**5. Adjournment**

A motion to adjourn was made by Commissioner MacQueen, seconded by Commissioner Kimball and the Joint LRP-Finance Committee meeting adjourned at 10:45 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Raymond J. Marshall".

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