The Narragansett Bay Commission
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Vincent J. Mesolella
Chairman

Raymond J. Marshall, P.E.
Executive Director

OFFICIAL MINUTES OF:

Meeting of:	Finance Committee Meeting
Date:	December 9, 2014
Time:	10:00 a.m.

MEMBERS PRESENT:

Mario Carlino
Jonathan Farnum
Paul Lemont
John MacQueen
Vincent Mesolella
Joan Milas

MEMBERS ABSENT:

Robert Andrade, Committee Chairman l
Michael DiChiro
Joseph Kimball

STAFF AND GUESTS PRESENT:

Raymond J. Marshall, NBC Executive Director
Karen E. Musumeci, NBC
Jennifer Harrington, NBC
Jamie Samons, NBC
Karen Giebink, NBC
Laurie Horridge, NBC
Deborah Samson, NBC
Rich Bernier, NBC
Leah Foster, NBC
Michelle DeRoche, NBC Commissioner
Paul Nordstrom. NBC
Linda George, Senate Policy Office
Karen Musumeci, NBC
Cecille Antonelli, NBC
Joanne Maceroni, NBC
Mark Thomas, NBC
Gail Degnan, NBC
Sherri Arnold, NBC

1. Call to Order

In the absence of Finance Committee Chairman Robert Andrade, NBC Chairman Mesolella called the December 9, 2014 Finance Committee Meeting to order at 10:12 a.m.

2. Approval of Minutes – September 23, 2014 – Finance Committee
October 28, 2014 – Finance Committee

Chairman Mesolella asked for a motion to approve the September 23, 2014 and October 28, 2014 Finance Committee meeting minutes as written. Commissioner Lemont moved to approve the September 23, 2014 and the October 28, 2014 Finance Committee meeting minutes as written. Commissioner MacQueen seconded the motion. The vote taken by the 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 November monthly financial report for FY2015.

She noted that through November NBC's spending is under the year-to-date budget. And that in particular the Operations and Maintenance as well as the Special Services categories are more than 10% under their budgeted levels. She noted that the number of filled positions is 250 so 95% of the budgeted positions are currently filled.

She referred to page two of the report that shows the actual vs. projected billing and noted that NBC continues to have strong user fee billings. As of November, the total user fee billings for the fiscal year were $40.9 million, which is approximately $1.8 million or 5% more than projected. She added that that these figures are gross billings and do not reflect any subsequent adjustments. Ms. Giebink noted that the receivables are shown on the bottom of the page and that the amount outstanding is $14.4 million, which is approximately $900 thousand higher than the total outstanding last year at this time.

Page three of the report shows Cash & Investments total $69.3 million and the Investments are shown under Item B.

Ms. Giebink directed attention to page four of the report that reflects information related to long-term debt. With respect to the VRDBs, they continue to price well and as is shown in the chart have been remarketed very close the SIFMA Index at .05% or less for the past few months.

The total amount of debt outstanding is $607.1million. The available Capital Funds total $51.3 million, which consists of available SRF 17 loan proceeds of $22.8 million, restricted funds of $27.9 million and capital funds of $0.6 million.

The Capital Payments by month and source are shown on page six and were approximately $4 million in November. She added that with respect to the Non-Union Defined Benefit plan assets totaled more than $10.2 million at the end of November with the monthly weighted performance at 1.41%. She noted that the financial statements, the detailed budget vs. actual report and the monthly budget transfers were attached.

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 greater than $10,000. All of these items were included in the FY2015 Budget that was passed in June and therefore none require the Committee's approval.

The members also have a list of budget transfers for the month of October 2014.

C. Consideration of Personnel Actions

None.

D. Review and Approval of Resolution 2014:26; Authorizing the Narragansett Bay Commission to Borrow an Amount Not to Exceed $41,735,500 from the Rhode Island Clean Water Finance Agency

Mr. Marshall advised that the purpose of this memo is to request approval of Resolution 2014:26 which will enable NBC to borrow an amount not to exceed $41,735,500 from the Rhode Island Clean Water Finance Agency (RICWFA) through the State Revolving Fund program. This is the standard annual board authorization and the proceeds will be used to finance a number of NBC capital projects that have been identified through the capital planning process including the CSO Phase II Facilities, Regulatory Compliance Building, Biogas Reuse Energy Project and design of the CSO Phase III Facilities.

Existing rates do not generate sufficient revenue for the additional debt service and debt service coverage associated with this borrowing and therefore approval of a companion resolution authorizing submittal of an application for rate relief with the Public Utilities Commission is required.

With respect to this authorization, the RICWFA has indicated that the loan will be at the traditional subsidized rate of 1/3 of NBC's market rate of borrowing which is determined prior to the closing. NBC will also work with RICWFA to explore alternative amortization structures including a 30-year term. The maximum amount of this borrowing is $41,735,500 and the final borrowing amount will depend upon updated cash flows and outputs from the Reassessment of the CSO Phase III Facilities.

Commissioner Milas motioned to approve Resolution 2014:26; Authorizing the Narragansett Bay Commission to Borrow an Amount Not to Exceed $41,735,500 from the Rhode Island Clean Water Finance Agency. Commissioner Carlino seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

E. Review and Approval of Resolution 2014:27; Authorization to File a Compliance Filing for Rate Relief Related to Debt Service With The Rhode Island Public Utilities Commission (RIPUC)

Mr. Marshall stated that based upon the recent agreement signed with the Rhode Island Clean Water Finance Agency, NBC will receive $41,735,500 in a low interest loan this fiscal year which is nearly $17 million more than was originally projected. Rate relief is required to effectuate this borrowing and meet rate covenants. Accordingly, staff is requesting authorization to file for debt service and debt service coverage using the compliance filing method as established by the RIPUC which requires a filing no later than sixty days prior to the proposed effective date.

This resolution serves to authorize such a filing with a proposed July 1, 2015 effective date for the new tariffs. The NBC's last filing (Docket 4478) supports a total revenue requirement of $95,997,775 and using this figure as a base, I am requesting authority to file a compliance filing for rate relief that will result in an increase of not more than 4% over the currently approved total revenue requirement effective July 1, 2015.

Commissioner Milas motioned to approve Resolution 2014:27; Authorization to File a Compliance

Filing for Rate Relief Related to Debt Service With The Rhode Island Public Utilities Commission (RIPUC). Commissioner MacQueen seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

F. Review and Approval of Resolution 2014:28; Authorization for the Refunding of All or a Portion of the Outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, 2007 Series A

Mr. Marshall advised that recently NBC successfully refunded the 2005 Series A Wastewater System Revenue Bonds resulting in net present value savings of nearly $7.6 million or 16.85% of refunded bond principal. Similarly, NBC has been working with its financial advisor to monitor and determine when and if it is economically advantageous to refund the $42.5 million 2007 Series A Wastewater System Revenue Bonds. Based upon conservative projections, it appears that the current low interest rate environment would result in net present value savings of $4 million or 9.4%. Although the projected savings are lower than that achieved with the 2005 Series A refunding, they are well in excess of the 3% industry norm. Given that it is unclear how long interest rates will remain at these levels, it makes sense to lock in savings now as opposed to possibly missing the opportunity by waiting in an attempt to achieve greater savings.

Resolution 2014:28 authorizes the Chairman and the Executive Director to prepare and execute the documents required to effectuate this transaction should it be determined to be in the best interest of NBC. Depending upon the timing of the transaction, it is possible that the debt service savings could be used to mitigate rate relief required to support the next borrowing through the Rhode Island Clean Water Finance Agency.

Commissioner Milas motioned to approve Resolution 2014:28; Authorization for the Refunding of All or a Portion of the Outstanding Narragansett Bay Commission Wastewater System Revenue Bonds, 2007 Series A. Commissioners Farnum, Carlino and MacQueen seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carries.

4. Other Business

None.

5. Adjournment

A motion to adjourn was made by Commissioner Milas seconded by Commissioners Farnum, Carlino and MacQueen and the Finance Committee meeting adjourned at 10:20 a.m.

Respectfully submitted,

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