

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:	May 27, 2015
Time:	10:00 a.m.

MEMBERS PRESENT:

Robert Andrade, Committee Chairman
Mario Carlino
Michael DiChiro
Jonathan Farnum
Paul Lemont
Vincent Mesoella
Joan Milas

MEMBERS ABSENT:

Joseph Kimball
John MacQueen

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
Harold Gadon, CAC
Mike Stuard, NBC
Joanne Maceroni, NBC
Mark Thomas, NBC
Gail Degnan, NBC

Tom Uva, NBC
Sherri Arnold, NBC
Rich Bernier, NBC
Leah Foster, NBC
Cecille Antonelli, NBC
Joseph DeAngelis, Esquire, NBC

1. Call to Order

Committee Chairman Andrade recognizing a quorum called the May 27, 2015 Finance Committee Meeting to order at 10:08 a.m.

2. Approval of Minutes – April 28, 2015 – Finance Committee

Commissioner Andrade asked for a motion to approve the April 28, 2015 Finance Committee meeting minutes as written. Commissioner Farnum moved to approve the April 28, 2015 Finance Committee meeting minutes as written. Commissioner Carlino seconded the motion. The vote taken by the Finance Committee was unanimous. The motion carried.

3. Items for Action

A. Review of Monthly Financial Statements and Expenditures

Karen Giebink stated that she would be reviewing the April 2015 monthly financial report with the Committee. With respect to the FY2015 budget NBC is spending under budget at approximately 91.7% of the year to date budget. She advised that the major item where we have seen a reduction in expense is related to bio-solids disposal there has been significantly lower dry ton production at Field's Point resulting in significant savings. With respect to Personnel there are currently 253 positions filled.

On Page 2 of the report, the chart with actual vs. projected billings shows the same issue that NBC experiences every year – NBC starts off with strong billings and then when March and April arrive, the billings seem to drop off a little bit. Although NBC had been billing over the projected levels billings are now slightly under the projected levels for this point in the fiscal year.

With respect to the receivables, the total amount outstanding as of April 30th is \$12.8 million. Customer Service is now gearing up for the water shut-off period and the outstanding receivables should be reduced as a result of that.

Ms. Giebink added that on Page 3 of the report, cash and investments total \$83.3 million and that the investments are shown under Item B.

She noted that NBC is now breaking out the debt service reserve fund that was funded with one of our outstanding revenue bond issues. NBC hadn't previously had to fund any debt service reserve funds however with this particular bond issue one was required.

On Page 4 of the report we can see that the VRDB's did tick up a little bit in April after taxes were due. They are now pricing slightly above 0.1% which is still an excellent rate. She added that outstanding debt is \$607.3 million.

On Page 5 of the report it shows that there has not been a lot of capital activity. The total capital funds available are \$38.2 million. NBC has approximately \$10.8 million remaining in the most recent loan from the RI Clean Water Finance Agency.

Page 6 shows the capital payment by month and source and you can see that the Non-Union Defined Benefit Plan assets total approximately \$10.8 million.

Ms. Giebink stated that attached to the report is the statement of net position, statement of revenue, expenses and changes in net position, the detailed budget vs. actual report and the monthly budget transfers that took place in April 2015.

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.

C. Consideration of Personnel Actions

None.

4. Other Business

Review of NBC's Draft Fiscal Year 2016 Operating Budget

Ms. Giebink gave the Committee members a hard copy of the draft FY 2016 Operating Budget. She thanked her staff Sherri Arnold, Gail Degnan, Leah Foster, and Mike Stuard for their help with the draft budget document.

She advised that each year the Finance Department works hard to achieve the GFOA's Distinguished Budget Presentation Award as well as to receive special recognition related to other items. She advised the Committee that last fiscal year the NBC was awarded the GFOA's Distinguished Budget Presentation Award along with awards for all of the possible special recognition items awarded by the GFOA. It was noted that the NBC has consistently spent below budget for the last 22 years.

Ms. Giebink stated that Page 2 of the Budget details the budget preparation process. She noted that it begins every July and is done to define what the anticipated expenditures will be over the upcoming fiscal year as well as the subsequent fiscal year. At this time anticipated revenues are reviewed as well to determine if NBC needs to file for rate relief. If it is determined that rate relief is needed the rate relief process would begin in September.

Page 3 begins the summary of the projected finish for the FY 2015 budget. It is projected that NBC's revenues will finish \$1.4 million under budget for FY 2015. With respect to expenses, O&M and Debt Service are projected to be under budget by approximately \$3.4 and \$3.1 million respectively.

Pages 4 and 5, shows the projected FY 2015 revenue of \$98.7 million broken down by source and a chart of the FY 2015 Budgeted vs. Projected Revenue. Also shown on page 5 is an analysis of the FY 2015 Revenue shortfall and she discussed the trends in billable consumption. Ms. Giebink advised that the variance was due to NBC receiving a lower amount of rate relief than was projected and the effective date of the new rates was not until September 19, 2015. She added that it is anticipated that NBC will finish the year with lower billings on the flat and consumption fees. The combination of all these factors resulted in lower estimated user fees of \$1.4 million.

Pages 6 through 9 of the Budget included an analysis of the FY 2015 year to date and projected expenses. Ms. Giebink reviewed the O&M expenses beginning with Personnel Costs and a discussion regarding turnover. She highlighted variances in the large Operating Accounts including biosolids, natural gas, electricity and chemicals. She referred to page 6 and noted with respect to Debt Service expense, the most significant variance relates to the savings resulting from the successful refunding of the 2005 and

2007 Series A bonds. She noted that this resulted in savings along with the VRDB's pricing very well. She also informed the Committee that NBC will not be closing on the RI Clean Water Finance Agency loan anticipated for this fiscal year until next fiscal year so NBC will not incur any programmed new debt expense. Ms. Giebink stated that in addition to finishing under budget for O&M and Debt Service, Personnel Costs are anticipated to be under by \$1 million, Electricity by \$188,000 as a result of the wind turbines, as well as being under budget for some maintenance and service agreements.

This concluded the analysis of the FY2015 budget results.

Ms. Giebink then directed the Committee's attention to the draft FY 2016 Operating Budget overview beginning on Page 10. She advised that the budget process is driven by the Strategic Plan. The Strategic Plan guides the development of priorities, program objectives and measures. She added that nearly half of the FY2016 Actions for Achievement are related to NBC's core business and financial management objectives outlined in the Strategic Plan.

Ms. Giebink stated that the draft FY2016 operating budget is 3.4% higher than the FY2015 budget. She noted that the FY2016 revenues are anticipated to be 3.4% higher as a result from a projected 2.73% increase in user rates as well as increases in certain non-operating revenues. She noted that the budget reflects a decrease in O&M Expenses and Debt Service Coverage of .8% and .9%, respectively. Debt service is budgeted at 6.7% higher than FY2015, and operating capital outlays are significantly higher than last year at 26.6% over the prior year.

While reviewing the revenues on page 12 she noted that the budget includes an anticipated increase in Operating Revenue of 2.0% and Non-Operating Revenue of 28.5%. She added that the majority of the increased revenue in FY2016 is the result of the April 21, 2015 Debt Service Compliance Filing which is an increase of approximately 2.73% over the currently approved level to be effective July 1, 2015.

Pages 13 through 23 of the FY 2016 Draft Operating Budget were reviewed in detail with the Committee by Ms. Giebink including Adjustments and Reductions, the Long-Term Expense Guidelines, and Significant Changes in the large line items. She reviewed Personnel and the Benefits Comparison. With respect to Personnel, the NBC has budgeted for a total of 272 FTEs including eight new positions at Bucklin Point, one additional position in Customer Service and two less positions in Construction Services. This is offset by an increase in turnover for a net increase of 6 FTEs. She added that the budget includes union step increases and COLAs of 2.50% and comparable level merit increases (3%) have been budgeted for non-union employees. The budget also reflects an increase in health insurance premiums of 5.0% and dental insurance premium of 7.5%. The average budgeted employee co-pay is 20%.

She then reviewed Operating Supplies and Expenses including the large line items related to Bio-solids, Electricity, Natural Gas, Hypochlorite and Bisulfite, Other O&M. She noted that with respect to Professional Services, the FY2016 is \$1.9 million lower than FY2015 as a result of the transition from the Bucklin Point Management Contract to NBC. Ms. Giebink also referred to the chart on page 21 which reflects the comparative budgeted expense related to Bucklin Point on a year-to-year basis.

Ms. Giebink reviewed the anticipated borrowings in FY 2016 and the related debt service.

This concluded the NBC Draft FY2016 Operating Budget presentation.

5. Adjournment

A motion to adjourn was made by Commissioner DiChiro seconded by Commissioner Farnum and the Finance Committee meeting adjourned at 10:40 a.m.

Respectfully submitted,

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

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