

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:	September 20, 2016
Time:	10:00 a.m.

### MEMBERS PRESENT:

Mario Carlino  
Jonathan Farnum  
Paul Lemont, Esquire  
Joseph Kimball  
John MacQueen  
Vincent Mesoella  
Joan Milas

### MEMBERS ABSENT:

Robert Andrade, Committee Chairman  
Michael DiChiro, Esquire

### STAFF AND GUESTS PRESENT:

Raymond J. Marshall, NBC Executive Director  
Thomas Uva, NBC  
Diane Buerger, NBC  
Paul Nordstrom, NBC  
Leah Foster, NBC  
Sherri Arnold, NBC  
Karen Musumeci, NBC  
Jennifer Harrington, NBC

Jamie Samons, NBC  
Deborah Samson, NBC  
Rich Bernier, NBC  
Linda George, Senate Policy  
Gail Degnan, NBC  
Alice Marchessault, NBC  
Kyle Connors, Hague Sahady & Co

### 1. Call to Order

Recognizing a quorum NBC Chairman Mesoella in the absence of Committee Chairman Andrade called the September 20, 2016 Finance Committee Meeting to order at 10:10 a.m.

### 2. Approval of Minutes – June 21, 2016 – Finance Committee

NBC Chairman Mesolella asked for a motion to approve the June 21, 2016 Finance Committee meeting minutes as written. Commissioner DiChiro moved to approve the May 24, 2016 Finance Committee meeting minutes as written. Commissioner MacQueen 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 August 2016 monthly financial report with the Committee. With respect to the budget, NBC is currently spending under budget through August. She noted that staff is keeping a close eye on a couple of line items related to electricity most notably the WED project as well as the LED efficiencies since they will impact electricity line item this fiscal year. With respect to FTE's, 252 of the budgeted positions are filled or 92%.

Page two of the report shows that billings are on target through August of 2016 at 100% of the projected level. With respect to receivables, NBC has reduced the amount outstanding this year vs. last year significantly, by more than \$2 million and that's a great accomplishment. She added that a large portion of the reduction is related to Conopco.

On page three of the report, cash and investments total \$94.9 million.

Page four of the report, the Variable Rate Demand Bonds are still pricing well although the rate has ticked up somewhat. She added that the VRDBs are still remarketing well below 1% which is great. The long term debt outstanding is \$647.7 million.

Page five of the report shows total capital funds available of \$81.9 million. With respect to the restricted available balance, the balance reflects the two WED turbine purchases in July of \$12.2 million as well as a transfer in of \$13.7 million for the prior year debt service coverage carry-forward.

At the top of page six shows the capital payments by month and source. Again the July payment for the WED wind turbines is shown in the red portion in July 2016.

The Non-Union Defined Benefit Plan assets are \$14 million and NBC was able to make an additional contribution of \$1.1 million based upon the budget performance in FY2016. NBC came in significantly under budget so in accordance with the Resolution an additional employer contribution of \$1.1 million was made to the Plan. With respect to the returns through August, the one year return is over 7% and the returns since the assets were transferred to Mass Mutual over 6%.

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.

This concluded Ms. Giebink's report.

Commissioner Milas arrives at 10:25 a.m.

#### **B. Consideration of Purchase Requisition**

Mr. Marshall stated the Finance Committee members have before them a multi-page report listing numerous Purchase Requisitions that are greater than \$10,000 all of which were included in the budget passed back in June and therefore do not require any action and are for reporting purposes only.

Mr. Marshall gave the members an additional list of purchase orders that required the Committee's approval.

He stated that the original budget that was passed by the Board in June for the Operations & Maintenance Division there were three items totaling \$401,000 for a new Vactor truck, replacement of some dryer units and gear boxes. Those items have been reassessed and the Operations & Maintenance staff no longer feels that they need to spend that money on those items.

They would like to reallocate \$161,000 of the \$401,000 for a new dump truck instead of a new Vactor truck. There is also some other gear box work that they would like to do at a cost \$51,000 which offsets costs that were associated with similar work. In the end it is a decrease of \$240,000. The NBC budget resolution requires Finance Committee approval for any changes in items that are over \$50,000.

Ms. Giebink stated that she would like clarify that the Vactor truck was originally in the FY2016 budget but because there was some question as to whether it would arrive before June 30, 2016, it was also included in the FY 2017 budget. Ultimately it was received by June 30<sup>th</sup> so it was charged against the FY 2016 budget.

Commissioner MacQueen made a motion to approve the reallocation of the funds as requested. Commissioner Carlino seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carried.

**C.** Consideration of Personnel Actions

None.

**D. Review and Approval of Resolution 2016:23; Approval and Acceptance of Narragansett Bay Commission Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2016**

Ms. Giebink advised that Kyle Connors of Hague Sahady & Co., the auditing firm that completed the audits this year is here and that he will be presenting the next three items to the Finance Committee.

Mr. Connors advised that it was a very smooth audit process thanks to the great work by the NBC staff and finance team.

He began the review with Page 1 through 8 which is the transmittal letter that is required to be part of the CAFR. It is generated by the Commission and contains a lot of good statistical information. It is an unaudited piece of the financial statements.

The actual audited financial statements begin on Page 13. Page 13 is the Auditor's report it is an unmodified report. There were no proposed journal entries by the auditors this year meaning that the information that your finance team is bringing to the monthly board meetings are pretty accurate. Page 16 is the Management Discussion and Analysis. This summary is created by NBC and we will discuss a lot of what is going on in this Management Discussion and Analysis throughout the rest of the Audit. One very notable comparison is on Page 20 and it is noted that User Fees increased about \$4 million dollars in

FY2016 compared to FY2015 due to a 2.37% rate increase for FY16. The Balance Sheet starts on Page 24. The biggest difference here compared to the prior year is the RI Infrastructure Bank receivable of \$52 million and a corresponding increase in loans from the RI Infrastructure Bank as there were two new loans totaling \$64 million taken out in FY16. That increase is shown on Page 25. Also shown on Page 25 are the ERSRI and the Non-Union Defined Benefit Net Pension Plan liabilities of \$16.9 million and \$4.0 million, respectively.

The total net position for NBC as of June 30, 2016 was \$452 million. Of that amount \$367 million is in capital assets net of related debt and a little under \$86 million of that is unrestricted net position. On page 26 is the Income Statement. There was a turn back of about \$29 million in the current year. The notes to the financial statements begin on page 29. There are no significant changes in accounting policies. On page 32 is the cash deposits and investment note and we are still in discussion with GASB with regard to how this cash note will be shown. Mr. Connors advised that although the note may change a little, the amount of cash in the bank will not. Page 34 shows the Capital Assets note and it describes the type of assets the NBC is investing in and it shows a little under \$966 million of net capital assets.

Pages 35 and 36 show outstanding loans and Mr. Connors stated that two loans were paid off in the current year and two loans totaling \$64 million were taken out with the RI Infrastructure Bank. He added that long-term debt is also shown on Page 38 and added that principal payments for these bonds will not begin until 2021.

Page 40 begins the pension plan information. NBC participates in two pension plans, the State of RI pension plan and a private pension plan. The State plan has a liability of \$16.9 million and he noted that NBC does not have any control over this plan. He also noted that the State is always one year behind so this information as of June 30, 2015 which is allowable per GASB 65. Page 43 shows the plan assumptions. The State's plan assumptions are different from the private plan assumptions. The Non-Union Defined Benefit plan, which is the private plan, uses a more conservative approach than the State plan in terms of the compensation increases, rate of return and mortality tables.

Page 46 is the beginning of the notes related to the Non-Union Defined Benefit Plan and the NBC was able to make an additional \$1.1 million contribution to the plan in FY2016 which increased the funded status from 69% to 77%. Page 50 shows that on June 30, 2016 the total pension liability was \$17.5 million and the Plan's fiduciary net position was \$13.5 million which is 77% funded. He added that this is head and shoulders above most organizations with regard to the funded status and noted that this was an 8% increase from the prior years.

Pages 55 through 60 contain more information comparing pension plans from year to year. Page 61 begins the Schedules of Budget vs. Actual for operating and non-operating expenses. Some of the larger variances were for bio-solids disposal, interest expense, new debt and capital outlay as these items came in under the budgeted amounts.

Page 70 through 90 are statistical schedules required to be in the audit report to qualify as a CAFR. This information is unaudited but it does tie to our financial statement figures so the numbers are accurate.

Page 86 most notably is the NBC's debt coverage ratio which was nearly 1.42 in the current year which is great.

Lastly page 91 is the report on internal controls over financial reporting. This is where we would discuss any significant deficiencies or material weaknesses in internal controls neither of which we have to report this year. NBC's internal controls were very sufficient in the current year.

This completed Mr. Connors' presentation

Commissioner Nathan asked if the NBC has a choice in the asset allocation for the pension plan for the State of RI.

Mr. Connor advised that NBC has no control over the allocation choices for the pension plan for the State of RI.

There were no further questions.

Commissioner Kimball motioned to approve Resolution 2016:23, Approval and Acceptance of the Narragansett Bay Commission Comprehensive Annual Financial report for Fiscal Year ended June 30, 2016. Commissioner Farnum seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carried.

**E. Review and Approval of Resolution 2016:24; Approval and Acceptance of the Narragansett Bay Commission Single Audit Report for Fiscal Year Ended June 30, 2016**

Mr. Connors advised that NBC did not have a Single Audit Report last year but did have one in FY2014. He said that the Single Audit Report is a report that represents and in-depth audit of federal dollars that NBC received in FY2016. He noted that the standards changed this year which raised the threshold for whether or not a single audit is required from \$500,000 to \$750,000. Because the NBC received about \$8.3 million related to the RI Clean Water Revolving Fund Loans, the change in the threshold really didn't have much of an impact.

Chairman Mesolella requested clarification regarding the inception of the single audit report which he believed only began two years ago.

Ms. Giebink stated that he was correct and that reporting on this varies depending on how the RI Infrastructure Bank structures NBC loans and whether those loans include federal funds vs. bond proceeds.

Mr. Connors stated that Page 1 is the auditor's report on financial controls over financial reporting and noted that there were no findings in the current year on the internal controls over the federal dollars.

Page 3 is the report on compliance with federal requirements and a lot of separate areas were tested and most notably there is an emphasis on NBC following proper procurement procedures and there were no issues to report.

Page 6 is the schedule of expenditures of federal awards and it shows the sources of the awards. The US EPA passed through the RI Infrastructure Bank \$8.3 million related to the Clean Water State Revolving Fund.

Pages 8 and 9 are a summary of the NBC audit results. There are no issues to report to the Board no material weaknesses, no significant deficiencies. The financial statements received an unqualified report as did the federal awards.

This completed Mr. Connors' report.

Commissioner Kimball motioned to approve Resolution 2016:24, Approval and Acceptance of the Narragansett Bay Commission Single Audit Report for Fiscal Year Ended June 30, 2016. Commissioner Farnum seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carried.

**F. Review and Approval of Resolution 2016:25;** Approval and Acceptance of the Narragansett Bay Commission Non-Union Defined Benefit Plan (Plan) Financial Report for Fiscal Year Ended June 30, 2016

Mr. Connors stated that a lot of this information is already included in the CAFR and added that this report requires more extensive testing of the actuaries assumptions compared to other actuarial evaluations of similar entities, as well as more research into the net position and the plan assets of the Defined Benefit Plan.

Page 1 is the Independent Auditor's Report and much like the CAFR it is an unmodified opinion.

Page 3 through 6 is the management discussion and analysis and it is important to note on page 4 shows an increase in net position compared to the prior year of about \$2.2 million largely due to the \$1.1 million contribution subsequent to Plan year end. Page 5 shows that while the employee contributions did not increase significantly compared to the prior year, an increase of about \$19,000, the employer went up quite a bit and that is what lead to the funding percentage of 77%.

Page 7 is a breakout of the Balance Sheet which shows where the assets are being invested. Unlike the State of RI Plan NBC has the control to determine where the assets are invested. Page 8 provides a more detailed breakout of the Plan's FY2016 Income Statement. Page 9 through 19 are the notes to the financial statements and there is nothing too different here from what was already reviewed in the CAFR.

Pages 20 through 23 are the required supplementary information and this is the same information that was reviewed in the CAFR.

Finally on pages 24 and 25 we have the Independent Auditors Report on internal controls over the Plan and we have no issues to report.

This concluded Mr. Connors' report.

Commissioner Kimball motioned to approve Resolution 2016:25, Approval and Acceptance of the Narragansett Bay Commission Non-Union Defined Benefit Plan (Plan) Financial Report for Fiscal Year Ended June 30, 2016. Commissioner Farnum seconded the motion and the vote taken by the Finance Committee was unanimous. The motion carried.

**4. Other Business**

None.

**5. Adjournment**

A motion to adjourn was made by Commissioner Kimball seconded by Commissioner Farnum and the Finance Committee meeting adjourned at 10:58 a.m.

Respectfully submitted,



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