



OFFICIAL MINUTES OF:

Meeting of:	Joint LRP-Finance Committee Meeting
Date:	September 24, 2008
Time:	10:00 a.m.

MEMBERS PRESENT:

Vincent J. Mesolella, NBC Chairman
Robert Andrade, Finance Committee Chair
Richard Burroughs
Jonathan Farnum
Leslie Gray, III
Joseph Kimball
John MacQueen
Alan Nathan
Angelo Rotella
Michael Salvatore
Leo Thompson
Richard Worrell
Harold Gadon, CAC

MEMBERS ABSENT:

Richard Brown
R. David Cruise
Michael DiChiro
Richard Oster

STAFF AND GUESTS PRESENT:

Raymond J. Marshall, Executive Director
Thomas Uva, NBC
Pat Boucher, Bacon & Company CPA's, LLC
Jennifer Harrington, NBC
Leah Foster, NBC
Francie Brown, NBC
Sherri Arnold, NBC
Rich Bernier, NBC
Lori J. Vernon, NBC
Anamaria Clarkin, NBC
Dan Smith, NBC

Clara Casimiro, NBC
Steve Whitney, Senate Fiscal Office
Deborah Samson, NBC
Laurie Horridge Bissonette, NBC
Karen Musumeci, NBC

1. Call to Order

Noting that a quorum was present Finance Committee Chairman Robert Andrade called the September 24, 2008 Joint Long Range Planning/Finance Committee Meeting to order at 10:07 a.m.

**2. Approval of Minutes – June 18, 2008 Joint LRP/Finance Committee
August 20, 2008 Long Range Planning Committee**

Chairman Andrade asked for a motion to approve the minutes of the June 18, 2008 Joint Long Range Planning/Finance Committee meeting as written. Commissioner Macqueen moved to approve the minutes of the June 18, 2008 Joint Long Range Planning/Finance Committee as written. Commissioner Rotella seconded the motion. The vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

Chairman Andrade asked for a motion to approve the minutes of the August 20, 2008 Long Range Planning Committee meeting as written. Commissioner Macqueen moved to approve the minutes of the August 20, 2008 Long Range Planning Committee as written. Commissioner Salvadore seconded the motion and 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

Ms. Giebink reviewed the August 2008 monthly financial report. With respect to Budget vs. Actual, we are approximately 16.7 percent of the way through the fiscal year and spending under budget at 15 percent, with respect to filled positions approximately 95 percent of the budgeted positions are currently filled. Page 2 of the report under item 2a shows the net actual billing for July 2008 was approximately 92 percent of what was projected. She noted that NBC is seeing a shortfall on the consumption related billing. It will continue to be monitored and was addressed in the last filing with the PUC. Ms. Giebink reviewed the receivables aging analysis summary located under item B, and stated that the Customer Service Department has been busy with after hour collection call nights and has increased the selection of water shutoff accounts. Approximately 1,100 accounts were selected for water shutoff last month and this month to date an additional 725 accounts, have been selected. Ms. Giebink advised that initiation of the water shutoff process is usually enough to cause payment on these accounts. Noted was that the Customer Service Department has had steady traffic at the window last month collecting more than \$ 2.9 million dollars over the counter. Overall foreclosures have been increasing slightly over time since NBC began tracking foreclosures in February 2007. To date NBC has sent out foreclosure letters on 3,365 accounts.

On Page 3 cash and investment balances total \$ 63.8 million the investments are detailed under item B. Ms. Giebink stated that the Executive Director had forwarded a Memorandum to all Board members detailing where NBC holds their investments. She advised the investments are either collateralized or held in money market funds which are very conservative. The only other item not included in the Memorandum is the investment of the non-union pension plan. Those funds are held with Nationwide Life Insurance in mutual funds and are bonds and equities and are not collateralized.

On page 4, with respect to Notes, Bonds and Loans NBC completed in July of 2008 the refunding of the 2004 Series A Revenue Bonds. The chart on page 4 shows the pricing prior to the refunding and the pricing post refunding. It reflects a huge change in the marketability of those instruments. Ms. Giebink stated that with the events that have taken place in the market over the

past week or two there is a credit crunch which will adversely impact NBC's ability to remarket these bonds. Last week, the VRDB's priced at 5 percent and it is anticipated that it may possibly increase to 9 percent before settling down.

Ms. Giebink advised the Commissioners that NBC's credit rating was upgraded to AA- from A+ which is huge accomplishment especially in the current economy.

Outstanding debt as of August 31st was \$ 430 million. Page 5 the available capital Funds are \$ 40.5 million. Page 6 the capital payments are shown by month and source and we are currently expending our 2007 Series B SRF Funds as well as the 2007 Series A Revenue Bonds.

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

With no questions from the Commissioners this concluded Ms. Giebink's report.

B. Consideration of Purchase Requisition

Mr. Marshall stated that there were no purchase requisitions requiring approval of the Committee. The Commissioners have received a report on the number of purchase requisitions greater than \$10,000 that have already been approved as part of prior action. There is also a listing of year to date budget transfers for the months of July and August 08 none requiring the Finance Committee's approval and they are submitted for reporting purposes.

C. Consideration of Personnel Actions

None.

D. **Review and Approval of Resolution 2008:24**, Recommendation for Use of Environmental Enforcement Funds

Mr. Marshall stated that he has two items. A request from The Blackstone Valley Tourism Council asking for a \$ 2,400 grant to fund 400 scholarships for students from economically disadvantaged communities within Blackstone Valley. They teach a river classroom study program where students learn the history of the Blackstone River, are taken on a boat tour of the river and, perform hands on water quality testing. He noted that this type of project dovetails well with NBC's Woon Watershed program and is a wise use of the Environmental Enforcement Funds.

The second request is from NBC's Public Affairs Department for a \$2,000 grant to partially underwrite a photography exhibit celebrating NBC's Phase I CSO project. Half of the requested funds will be used to rent the Gallery Cahalan from November 10th –November 24th to display photography documenting the tunnel project. The remainder will be used for production of large scale maps and NBC interpretation of the photography. Mr. Marshall stated that it is a good use of the Environmental Funds as this exhibit will educate the public as to what NBC does and how the funds we borrow, are used.

Commissioner Salvadore motioned to approve Resolution 2008:24 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.

E. **Review and Approval of Resolution 2008:25, Authorizing Supplemental Indenture Providing for the Establishment of an Operating Reserve for Revenue Stability Fund**

Ms. Giebink stated that this Supplemental Indenture is required to allow NBC to setup an operating reserve for a Revenue Stability Fund that NBC could tap into should there be significant revenue shortfall and NBC not have the ability to fund all of their accounts in accordance with the Trust Indenture.

She advised when NBC originally proposed this to the PUC in the most recent rate filing we had worked to establish this fund through rates as opposed to the restricted carry forward proposing to fund it up to a level of 25 percent of operation and maintenance costs. The PUC decided to allow funding of the reserve at an amount of \$ 1.5 million per year to be funded through the restricted carry forward so that there was no adverse rate impact. This Resolution allows the Board to formally authorize the execution of the Supplemental Indenture to implement and establish the reserve in accordance with the PUC Report and order.

Commissioner Farnum motioned to approve Resolution 2008:25, Authorizing Supplemental Indenture Providing for the Establishment of an Operating Reserve for Revenue Stability Fund. Commission Thompson seconded that motion and the vote taken by the Joint LRP/Finance Committee was unanimous. The motion carries.

F. **Review and Approval of Resolution 2008:26, Amendment of the Operating Reserve for Revenue Stability Fund Policy**

Ms. Giebink stated that this item is in tandem with the prior item and amends our existing policy to reflect what was approved by the PUC.

Commissioner Rotella motioned to approve Resolution 2008:26, Amendment of the Operating Reserve for Revenue Stability Fund Policy. 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 2008:27, Authorization to Approve And Accept The Comprehensive Annual Financial Report for Fiscal Year 2008.**

Ms. Giebink stated that Pat Boucher of Bacon and Company CPA's, LLP is here today to review the Narragansett Bay Commission's Draft Comprehensive Annual Financial Report for Fiscal Year 2008.

Ms. Boucher stated that last week all of the Commissioners had received a copy of the Comprehensive Annual Financial Report for Fiscal Year 2008 and at this time she would review the report and answer any questions the Commissioners might have.

Ms. Boucher stated the most important item is the audit opinion. Page 10 shows that NBC received an unqualified auditor opinion. Unqualified means a clean opinion presented in conformance with all applicable standards.

The Charter Control and Compliance Report on Page 65 showed no significant deficiencies or material weakness in NBC's internal controls and no instances of non compliance. NBC's bond

indenture and debt coverage requirement is 125 percent, NBC exceeded that requirement at 127 percent.

Ms. Boucher stated that NBC this year as well as last year did not receive a Management Letter.

In regard to the financial statements on page 19 and 20, Statement of Net Assets, NBC's total assets as of June 30th is approximately \$ 728 million, total liabilities including all debt is \$ 441 million leaving net assets of approximately \$ 287 million. Page 20 of the report provides a breakdown of the net assets.

Ms. Boucher stated that page 43 of the report Budget to Actual is the presentation of NBC's true budget with any changes during the year and the actual expenditures on a budgetary basis. Page 45 reflects that NBC's total budgeted expenditures were \$ 65.9 million and the actual was \$ 63.2 million ending the year with a favorable variance on expenditures of 2.7 million. Page 46 are the fund statements required for the bond indenture and shows all the required funding by fund.

In closing Ms. Boucher advised that based on the requirements the GAAP, Budget and Fund statements have all been audited.

Commissioner Salvadore motioned to approve Resolution 2008:27, Authorization to Approve And Accept The Comprehensive Financial Report For Fiscal Year 2008. Commissioner Gray 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 Salvadore and the Joint Long Range Planning-Finance Committee meeting adjourned at 10:35 a.m.

Respectfully submitted,



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