

The Narragansett Bay Commission
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Vincent J. Mesoella
Chairman

Raymond J. Marshall, P.E.
Executive Director



OFFICIAL MINUTES OF:

Meeting of:	Joint LRP-Finance Committee Meeting
Date:	September 25, 2012
Time:	10:00 a.m.

MEMBERS PRESENT:

Robert Andrade
Richard Burroughs
Mario Carlino
Leslie Gray, III
Joseph Kimball
John MacQueen
Vincent Mesoella
Joan Milas
Leo Thompson
Harold Gadon, CAC

MEMBERS ABSENT:

Michael DiChiro
Jonathan Farnum
Ronald Leone
Alan Nathan
Michael Salvadore

STAFF AND GUESTS PRESENT:

Raymond J. Marshall, NBC Executive Director
Thomas Uva, NBC
Jennifer Harrington, NBC
Karen Musumeci, NBC
Joe Pratt, Louis Berger Group
Pamela Ciolfi, NBC
Leah Foster, NBC
Richard Bernier, NBC
Patricia Boucher, Bacon & Company

Linda George, Senate Fiscal Offices
Cecille Antonelli NBC
Jamie Samons, NBC
Talia Girard, NBC
Sherri Arnold, NBC
Deborah Samson, NBC
Karen Musumeci, NBC
Joanne Maceroni, NBC

1. Call to Order

Finance Committee Chairman Robert Andrade, called the September 25, 2012 Joint LRP-Finance Committee Meeting to order at 10: a.m.

**2. Approval of Minutes – May 15, 2012 Joint LRP-Finance Committee
May 22, 2012 Finance Committee**

Finance Committee Chairman Andrade asked for a motion to approve the May 15, 2012 Joint LRP-Finance Committee and the May 22, 2012 Finance Committee meeting minutes as written. Commissioner Kimball moved to approve the both the May 15, 2012 Joint LRP-Finance Committee and the May 22, 2012 Finance Committee meeting minutes as written. Commissioner Carlino 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 she would be reviewing the August 2012 monthly financial report with the Committee. With respect to Budget vs. Actuals we are spending under budget through August. With respect to the number of FTE's, there are currently 248 filled positions. Ms. Giebink stated that Page 2 of the report shows the billings. She stated that we have billed \$20.7 million through September so NBC is billing right around what we had projected, although the figure will come down as adjustments get processed throughout the fiscal year. The bottom of the page shows the receivables aging analysis and it reflects good news as our receivables have come down \$1.4 million from this point last year. This is a result of all the activity that has taken place in collections this summer including water shutoffs.

She stated on Page 3 of the report, cash and investments total \$62.5 million. She also noted that there is a typo under the investments portion and Wells Fargo should read US Bank. On page 4 the VRDB's are pricing at a very attractive rate they are around .16 percent right now. She stated that the total long term debt outstanding is \$492.8 million and that the way it is being presented has changed slightly. She added that Patricia Boucher from Bacon & Company, LLC will be going over that when she discusses the audit and that the presentation change was the result of a request from the State to modify NBC's presentation.

Ms. Giebink stated that Page 5 shows Capital Funds available total \$53.2 million dollars. Page 6, of the report shows capital payments by month and source. She pointed out that in July we spent over \$9 million dollars and that's a significant amount of money. She added that it is anticipated that we will be seeing capital expenditures in that range over the next 12 to 18 months as we move forward with the CSO Phase II facility construction and we finish up the BNR facilities at Fields Point and start BNR at Bucklin Point. 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.

This concluded Ms. Giebink's report.

B. Consideration of Purchase Requisition

Mr. Marshall stated the Committee members have before them a list of Budget Transfer's for June, July and August and noted that there were no Budget Transfers for the month of July. Members also have

before them a list of Purchase Requisitions which are in excess of \$10,000 and do not require the Committee's approval as they part of the FY13 Budget.

C. Consideration of Personnel Actions

None.

D. Review and Approval of Resolution 2012:34; Authorization to Approve and Accept The Comprehensive Annual Financial Report For Fiscal Year 2012.

Karen Giebink stated that Patricia Boucher from Bacon & Company would be reviewing the Annual Financial Report with the Committee. Ms. Giebink also thanked Leah Foster, NBC Controller for all her efforts making sure that everything was available to the auditors in a timely fashion.

Ms. Boucher directed the Committee's attention to the report before them and stated that she would be doing an overview of the document some of the highlights, and advised the Committee that they could ask questions as she reviewed the report or at the end of her presentation.

Ms. Boucher began by directing the Committee's attention to Pages 11 and 12 which contained the Independent Auditor's Report. She stated that it is an unqualified or clean opinion which is what you are trying to achieve. This indicates that the statements were presented in conformance with Generally Accepted Accounting Principles (GAAP). Pages 13 through 19 is the Management's Discussion and Analysis (MD&A) which is prepared by Management, in particular Finance and Accounting, and it is a required element of the report. It is prepared by Management and the auditors compare the financial information included in the MD&A to the audited financial statements to be sure that there are no variances. It's a good source of information with the summary data of the annual financial statements and highlights of prior year vs. current year.

Ms. Boucher advised that the actual financial statements start on Pages 20 and 21, Page 20 is the statement of net assets or balance sheet and it shows NBC's total assets are \$893 million. The majority of those total assets or the \$893million is \$759 million in net capital assets. She advised that if you review the MD&A it contains information from prior year increases. The biggest increase is a receivable due from RI Clean Water. She added that Karen had mentioned that this is a new way that we are presenting the Clean Water Loans this year. It was a request of the Auditor General's Office to NBC and to RI Clean Water to show the loans gross vs. net. In the past the loans were reflected based on what had been drawn down to date. Now they want to show the loans for the gross amount so there is a corresponding receivable. As a result, the \$41 million reflects what's left to be drawn down on the loans as of June 30th. That's the biggest increase in the current assets. There's also an increase in the net capital assets of \$53 million from the prior year.

The bottom of Page 21 reports the net assets. There is \$376 million in net assets \$298 million of that is investment and capital minus any related debt associated with that capital. There is \$78 million in the unrestricted net assets, an increase from the prior year of about \$6 million dollars. Under liabilities, \$79 million, again to mention the biggest increase was \$72 million to reflect the issuance of new loans and also to show any other loans from the prior year that came on for the gross amount as being drawn down. The balance of the rest of the current assets is in the capital and retainage payable because of all the capital activity at the end of the year.

Page 22 contains the Statement of Revenues, Expenses and Changes in Net Assets. Total operating revenues for the year were \$78 million, an increase of \$2.5 million from the prior year. Total operating expenses were \$46 million, an increase of \$1.5 million from the prior year. At the bottom of the page you can see that the overall increase in net assets from the prior year was \$23 million. Based on these financial results, the debt coverage calculation shows that NBC has a debt coverage requirement in excess of 125 percent and that NBC's debt coverage is actually at 140 percent.

Ms. Boucher stated that concludes the overview of the basic financial statements.

The footnotes begin on Page 25. Footnotes are required and contain a lot of information. She advised that the one she would like to highlight is the pension footnote which starts on Page 37. This is for the Non-Union Defined Benefit Plan. Based on annual required contributions as of December 31, 2011 the plan is funded 103 percent, so cumulatively NBC has a negative net pension obligation of \$94,000 which is an asset.

Pages 44 through 46 contain the Budget to Actual statements which the Finance Committee receives and reviews throughout the year on a monthly basis. The total budget expenditures on Page 46 showed a positive variance to the budget of \$5.7 million. The major savings were on the programed debt, the interest on NBC's variable rate debt and the saving on utilities, namely electricity expenses.

Pages 51 through 66 contain NBC's Statistical Information. Page 67 is a letter from Bacon & Company, LLC and it is our report on internal controls and compliance which we are required to issue because NBC's report is being performed in conformance in addition to generally accepted auditing, government auditing standards as well. There were no instances of significant deficiencies material weakness or non-compliance. Also noted was there is no management letter this year.

This concluded Ms. Boucher's presentation.

Commissioner Kimball made a motion to approve Resolution 2012:34; Authorization to Approve and Accept the Comprehensive Annual Financial Report For Fiscal Year 2012. Commissioners Carlino and Burroughs seconded the motion and the vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

E. Review and Approval of Resolution 2012:35; Authorization to Issue Revenue Obligations in an Amount Not to Exceed \$80,000,000 and Approval to Execute a Supplemental Trust Indenture and Other Matters

Mr. Marshall stated Karen Giebink would be reviewing this item with the Committee

Ms. Giebink stated that that the purpose of this memo is to request approval of Resolution 2012:35 for the Authorization to Issue Revenue Obligations in an Amount Not to Exceed \$80,000,000 and Approval to Execute a Supplemental Trust Indenture and Other Matters. The proceeds of the issue will be used to pay for cost of issuance, finance the NBC's capital improvement program and fund an account in the debt service reserve fund if required.

Ms. Giebink advised that over the past few months, staff has been working closely with the Chairman on the capital financing plan. Primarily due to timing considerations associated with updated cash flows, regulatory approvals, credit reviews, market conditions, and other factors, NBC is contemplating the issuance of approximately \$30 million in Bond Anticipation Notes (BANs) in November which will be followed by long-term debt issuance early next year that will "take out" the BANs and provide additional funding up to a total of \$80 million. A second long-term issuance under the \$100 million authorization approved by the Board in June is planned for the summer of 2013.

The 7.35% rate increase resulting from the August 27, 2012 debt service compliance filing with the PUC will be used in part to support the bonds issued under this authorization. No bonds will be issued under the \$100 million Authorizing Resolution until NBC has additional rate relief to support that debt.

Staff will continue to work with the Chairman and the financial advisor on strategies to meet NBC's projected \$254 million in capital funding needs over the next 21 months. She added that she respectfully requested approval of this Resolution.

Commissioner Gray made a motion to approve Resolution 2012:35; Authorization to Issue Revenue Obligations in an Amount Not to Exceed \$80,000,000 and Approval to Execute a Supplemental Trust Indenture and Other Matters. Commissioner Kimball seconded the motion and the vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

F. Review and Approval of Resolution 2012:36; Recommendation for Use of Environmental Enforcement Funds

Mr. Marshall stated that being passed out to the Committee is a sheet which provides of summary of where the Environmental Enforcement Fund now stands.

He advised that some of the funds are committed to particular types of projects such as a The River Restoration Initiative, Earth Day, etc., and then there are some uncommitted funds which amount to about \$24,000 that the requests that are before you today will come out of. The Executive Director drew the Board's attention to the fact that the fund is actually dwindling in terms of uncommitted funds.

The NBC has received a 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 2011, 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 three 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.

Mr. Marshall noted that the request from the Providence Children's Museum was for \$10,000.

There are adequate funds available in the Environmental Enforcement Fund to fund this worthwhile project. Therefore we recommend approval of Resolution Number 2012:36 for funding in the amount of \$5,000 for the Providence Children's Museum.

There was a brief discussion between the Committee members regarding the monetary amount of the EEF requests and the dwindling EEF Fund.

Commission Kimball stated that he is member of the Finance Committee for the Providence Children's Museum therefore he recused himself on this matter.

Commissioner Thompson made a motion to approve Resolution 2012:36; Recommendation for Use of Environmental Enforcement Funds, Commissioners MacQueen and Milas seconded the motion and the vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

G. Review and Approval of Resolution 2012:37; Recommendation for Use of Environmental Enforcement Funds

Mr. Marshall stated that this request was for funds for World Toilet Day. Jamie Samons our Public Affairs Manager had submitted this. She has asked that we put this on hold. She is looking for alternative sources of funding for the project and if she is not able to find any or only a limited amount she may come back to us and ask for help later on. The event will occur in the middle of November and the Gallery Night is November 15. It's a very interesting and creative project and has received a lot of positive press.

H. Review and Approval of Resolution 2012:38; Recommendation for Use of Environmental Enforcement Funds

Mr. Marshall advised that this request for the Governor's Bay Day came in over the summer so we took some money out of operating to cover it. It occurred on Sunday July 29 and was held at India Point Park. We are asking for a reimbursement of \$2,000. The request came in from the Narragansett Bay Estuary Program and the City of Providence. We thought it was a worthwhile undertaking because the activity actually occurred within our district as opposed to many of the Bay Day activities which occur down on the south shore of Rhode Island where a lot of our customers are not to attend. This event was held right here in the heart of Providence. NBC had a booth that was staffed by our environmental monitoring people and we had our environmental scientists there. We had a camera in the water where you could actually see all the marine life activity that was occurring just off the India Point Park area. A lot of people were fascinated by the exhibit. It's living proof that the Bay is much cleaner than most citizens think.

Commissioner MacQueen made a motion to approve Resolution 2012:38; Recommendation for Use of Environmental Enforcement Funds, Commissioner Kimball seconded the motion and the vote taken by the Joint LRP-Finance Committee was unanimous. The motion carries.

I. Review and Approval of Resolution 2012:39; Recommendation for Use of Environmental Enforcement Funds

The NBC has received a request from the Johnston Historical Society for grant funding with Environmental Enforcement Funds. This organization has requested a \$2,500 grant to fund a new educational program for third grade students within the Johnston School System to discover some lessons that children from the early 20th century may have learned in the one-room, rural Belknap School. The

program will touch upon history, geography, hygiene, penmanship, etc. and show children what it was like to attend school 120 years ago. The NBC staff recommends funding \$2,500 to the Johnston Historical Society to support the educational program so that students can participate in this historical and unique program.

There are adequate funds available in the Environmental Enforcement Fund to sponsor this worthwhile project. Therefore, we recommend approval of Resolution Number 2012:39 for funding in the amount of \$2,500 for the Johnston Historical Society.

Commissioner Milas made a motion to approve Resolution 2012:39; Recommendation for Use of Environmental Enforcement Funds, Commissioner Kimball 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 Finance Committee meeting adjourned at 10:49 a.m.

Respectfully submitted,



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