

The Narragansett Bay Commission  
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Vincent J. Mesoella  
Chairman

Raymond J. Marshall, P.E.  
Executive Director



## OFFICIAL MINUTES OF:

Meeting of:	Long Range Planning Committee Meeting
Date:	May 27, 2015
Time:	9:00 a.m.

### MEMBERS PRESENT:

Mario Carlino, Committee Chairman  
James S. Bennett  
Richard Burroughs  
Seth Handy  
Ronald Leone  
Vincent Mesoella  
Alan Nathan  
Harold Gadon, CAC

### MEMBERS ABSENT:

Ronald Leone

### STAFF AND GUESTS PRESENT:

Raymond J. Marshall, NBC Executive Director  
Thomas Uva, NBC  
Jennifer Harrington, NBC  
Karen Musumeci, NBC  
Megan Moody, CDM Smith  
Richard Bernier, NBC  
Laurie Horridge, NBC  
Gail Degnan, NBC

Mike Stuard, NBC  
Sherri Arnold, NBC  
Tom Brueckner, NBC  
Karen Giebink, NBC  
Paul Nordstrom, NBC  
Deborah Samson, NBC  
David Bowen, Wright-Pierce  
Terry Cote, NBC

### 1. Call to Order

Long Range Planning Committee Chairman Mario Carlino called the May 27, 2015 Long Range Planning Committee Meeting to order at 9:10 a.m.

### 2. Approval of Minutes – April 28, 2015 – Long Range Planning Committee

Chairman Carlino asked for a motion to approve the April 28, 2015 Long Range Planning Committee meeting minutes as written. NBC Chairman Mesolella moved to approve the minutes of the April 28, 2015 Long Range Planning Committee as written. Commissioner Handy seconded the motion. The vote taken by the Long Range Planning Committee was unanimous. The motion carried.

### **3. Items for Action**

#### **A. Review of Resolutions 2015:12; Approval of Fiscal Year 2017-2021 Capital Improvement Plan**

Executive Director Raymond Marshall advised that Sherri Arnold would be making today's presentation. He also stated that this is the first year that the Long Range Planning Committee would be the reviewer for this document. It had in previous years been before the Construction/Engineering/Operations Committee but we thought it would be more appropriately moved to the Long Range Planning Committee since it is a Long Range Planning document. He noted that every project in the plan will come back before the Committee and through the Board a number of times for further approval.

Ms. Arnold distributed a hard copy of the Fiscal Year 2017-2021 Capital Improvement Plan.

Ms. Arnold stated that this year's CIP shows planned expenditures of \$153.5 million dollars. The Capital Improvement Program is a planning document it identifies investments which are necessary to comply with current and future regulatory requirements, take advantage of technology, and ensure the integrity of NBC's infrastructure. Engineering and construction staff incorporate the needs identified through NBC's Asset Management Program as well.

This year's CIP identifies a total of sixty projects during the five year period of 2017 through 2021 which is also referred to as "the window".

In addition Capital Expenditures are programmed to be \$33.6 million in FY2016 for a total of \$188.9 million during fiscal years 2016 through 2021.

The majority of the costs relate to the CSO Phase III facilities, interceptor repair and construction projects and a portion for regulatory compliance.

The CIP drives NBC's long term financing requirements and therefore the particulars of each project are an essential component of NBC's financial plan. Projects are analyzed to assess major program changes, overall capital funding needs and the strength of the projects connection to NBC's Strategic Plan. As part of the program development the criticality of each project is assessed and the priority ranking is assigned according to that assessment.

Projects marked with an "A" which the majority are 69% in this year's CIP typically are the most critical, mandated or currently under construction.

The cost estimates in the CIP are based on engineering estimates as well as bid amounts once they become available. The CIP does not include expenses for the acquisition or replacement of long term assets. Construction projects include a 12% contingency based on recent industry experience. Estimates for future design projects include an allocation of 7% for salary and fringe based on historical data.

Financing costs and debt service associated with the new debt for the CIP are not included in the expenditures or the cash flows for the CIP projects. As part of development of the document project managers determine the strategic goals that the projects will address and projects may be aligned with

more than one objective as they address multiple needs. She noted that the majority of our projects minimize NBC's impacts to the environment as well as comply with RIPDES permit and consent agreements.

Commissioner Carlino asked who does the risk scoring or priorities for the CIP.

Ms. Arnold advised that the priorities are done by the project managers. She stated that there is a description of how the projects are prioritized on bottom of Page 20 of the CIP.

NBC's large construction projects are delineated by three phases: planning, design and construction. The CIP also includes some programmed expenses which are not broken down into phases, since they deal with inspection, cleaning and repair of NBC's miles of interceptors or special one-time studies.

The construction phase has the largest amount of expenditures during the window at approximately \$110.6 million and design which is the development of plans and specs has the second largest at approximately \$ 41.6 million.

Commissioner Handy had questions regarding the financing costs and why they are not included in the CIP as it is a significant cost item.

Ms. Arnold stated that financing costs for the CIP are included in the debt section of the operating budget.

There was a discussion between NBC staff and the Committee members relative to the financing costs being included in the Capital Improvement Plan in the future. The Committee felt this would be helpful for planning purposes and prioritization of projects.

It was noted that the approval of the CIP does not grant approval to any specific project. Each project has to go before the appropriate Committee and the full Board for approval. The CIP is a document that changes from year to year as it is only a planning document. It also follows approved projects from year to year from the inception to completion of the project.

It was noted that on a going forward basis the financing costs would be included in future Capital Improvement Plans.

Ms. Arnold stated that of the approximate \$155 million dollars in expenditures, \$104.3 million is allocated for the design and construction of CSO Phase III which comes toward the end of the window towards FY2021. Also included in the CIP on Page 8 is a table which has a comparison of the capital expenditures by functional area from the prior year CIP (2016-2020) to the current CIP before you today.

For planning purposes expenditures programmed expenditures within each project are classified into cost categories. Categories include Administrative, Land and Architectural/Engineering. The most significant project in the window is the CSO Phase III facilities and the balance of the other projects in this year's CIP are shown on the bottom of Page 9 and include interceptor repair, wastewater treatment facilities, renewable energy projects and infrastructure management. Construction on CSO Phase II is approximately 99% complete with an estimated cost of \$178.3 million dollars.

In order to comply with Federal law NBC is legally mandated to proceed with the CSO Phase III. The CIP included the alternative that the Board evaluated over the course of 16 months. The alternative that the Board selected was believed to be the best combination of affordability and water quality improvements. NBC will submit its final reevaluation of Phase III based on that alternative in July of 2015. The estimate for Phase III totals at \$815 million.

Ms. Arnold noted that on Page 12 we have some of NBC's renewable energy projects and we have two projects on the horizon. One of which is the bio-gas reuse which has an estimated cost of \$8.1 million. This project does qualify for \$512,000 in principal forgiveness from the RI Clean Water Finance Agency. In addition NBC has applied for several grants and incentives from various entities. NBC is investigating installing solar energy arrays at Bucklin Point which are estimated to generate approximately 2.3 million kWh of clean renewable electricity. This document also allocates money for NBC's infrastructure and collection system. NBC allocates annually \$1.5 million for interceptor construction and repairs and \$500 thousand for interceptor inspection and cleaning in years that don't have specific projects identified.

NBC completed sixteen capital projects in FY 2015 for a total of \$100.2 million and this year's CIP's identified eight new projects from last year at a total cost of \$9.5 million.

There are 18 capital projects identified in this year's CIP. They are identified in the list on Page 14 and on the map on Page 15.

Ms. Arnold stated that although the primary impact of the CIP on the operating budget is the payment of debt service. Financing costs and debt service associated with the new debt are not included in the CIP expenditures or the project cash flows. Certain capital improvements will directly impact operating costs. These relate to operation of the completed capital improvements and are included in the operating budget and may be for utilities, chemicals, maintenance and service agreements, etc.

The operating expense for the CSO Phase II facilities is \$64,000 in FY 2016 and the majority of the expense is for chemicals at \$39,000. Looking at the window 2017 through 2021 the majority of the impacts related to the bio-gas reuse and solar energy will actually result in cost saving for NBC over the period of time.

Page 18 discusses some of the program funding. NBC is committed to obtaining the lowest cost of financing in order to minimize ratepayer impact while ensuring compliance with regulatory constraints. We identify the capital funding needs and sources to project debt service. NBC maximizes its borrowing from the RI Clean Water Finance Agency to the extent that funds are available. When RICWFA does not have the sufficient capacity we are able and authorized to issue our own debt to finance our CIP. NBC uses our long term financing model to identify the capital needs and sources to project the issuance of debt. NBC is regulated by the PUC. The PUC has restricted the use of prior year debt service coverage allowance to fund only operating capital and capital projects, as well as the Reserve for Revenue Stability Fund.

NBC must take into consideration arbitrage expenditure requirements to avoid financial penalties. We have restrictions on the types of expenditures that may be financed through RI Clean Water SRF, and only projects that have been approved by RIDEM are reachable on the RIDEM's project priority list.

NBC must also expend and manage all of our resources in accordance with NBC's Trust Indenture and Twenty-Two Supplemental Indentures.

On Page 19 and 20 is a summary of the 60 projects in phases. The following pages delineate each individual project the details and the cost of the project over the window.

The appendix contains a schedule for the project managers.

This concluded Ms. Arnold's presentation.

There was discussion among the Committee members and staff concerning the CSO Phase III cost estimate detail, affordability, the purpose of the CIP as a planning document, payback on renewable energy, and on the Committee having an opportunity to weigh in on the prioritization of investments on discretionary projects.

NBC Chairman Mesolella made a motion to approve Resolution 2015:12. Commissioner Bennett seconded the motion and the vote taken by the Long Range Planning Committee was unanimous. The motion carried.

**4. Other Business**

None.

**5. Adjournment**

A motion to adjourn was made by NBC Chairman Mesolella seconded by Commissioner Handy and the Long Range Planning Committee meeting adjourned at 9:45 a.m.

Respectfully submitted,



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