

## South Central Connecticut Regional Water Authority

### Minutes of the May 20, 2011 Meeting

A special meeting of the South Central Connecticut Regional Water Authority was held Friday, May 20, 2011 at the office of the Authority, 90 Sargent Drive, New Haven, CT, Chair DiSalvo presiding.

Present: Authority – Messrs. Bell, Cermola, DiSalvo, Edge (via conference telephone), Marsh  
Management – Ms. Discepolo, Mr. Bingaman  
RPB – Mr. Borowy  
Staff – Ms. Yoder

The Chair called the meeting to order at 8:00 a.m. He stated that the purpose of the meeting was to approve the fiscal year 2012 budgets and authorize the filing of them with the Trustee.

Mr. DiSalvo noted the Representative Policy Board's ("RPB") comments on the fiscal year 2012 budgets, as expressed at the RPB's May 19 meeting and in Mr. Borowy's letter dated May 19, 2011. He summarized the comments of the Office of Consumer Affairs ("OCA") with respect to capital project prioritization and O&M efficiency. Mr. Bingaman requested approval of the budgets for the fiscal year June 1, 2011 – May 31, 2012 and authorization to file the budgets with the trustee, as required by the *General Bond Resolution*. Mr. Bell moved for adoption of the following resolutions:

Resolved: That the Authority's Operating and Maintenance Budget for the Fiscal Year from June 1, 2011 – May 31, 2012 ("FY 2012"), showing on a monthly basis projected Operating Expenses and deposits and withdrawals from the several Funds required by the *General Bond Resolution*, is hereby adopted and ordered to be filed with US Bank, Trustee, pursuant to Section 613 of the *General Bond Resolution*.

Resolved: That the Authority's Capital Improvements Budget for the Fiscal Year from June 1, 2011 – May 31, 2012 ("FY 2012"), including a plan of capital improvements for FY 2012 through FY 2016 and the additional information required by Section 614 of the *General Bond Resolution*, is hereby adopted and ordered to be filed with US Bank, Trustee, pursuant to Section 614 of the *General Bond Resolution*.

Mr. Cermola seconded the motion. The Authority members discussed each of the OCA's comments. Concern was expressed that additional deferral of the tank painting project would pose unacceptable risks. Mr. Bingaman stated management would continue to evaluate each staff vacancy using a business case analysis to determine if it should be filled. He commented on instances where sole source selection of outside services may be preferable to use of a RFP process. After discussion, the Authority members agreed to send the letter to the Office of Consumer Affairs that is attached to the minutes. Additional discussion focused on staffing levels and related metrics, expected capital budget carryover and the status of management's evaluation of establishing a capital program management office. At the conclusion of discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

At 8:15 a.m., on motion duly made and seconded, it was voted unanimously to adjourn the meeting.

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

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C. Anthony Edge, Secretary

Attachment: Letter from Anthony DiSalvo to Jeffrey M. Donofrio, Esq. dated May 20, 2011

May 20, 2011

Jeffrey M. Donofrio, Esq.  
Ciulla & Donofrio, LLP  
127 Washington Avenue  
P.O. Box 210  
North Haven, Connecticut 06473

**RE: The Authority's capital and operating budgets for FY 2012**

Dear Jeff:

Thank you for your May 10<sup>th</sup> letter regarding the Authority's proposed capital and operating budgets for FY 2012. Your comments and observations are appreciated. Mr. Bingaman and his management team continue to focus on capital and operating efficiencies and to work on the issues you have identified.

More specifically in response to your recommendations, we offer the following comments:

**1. Capital Project Prioritization**

Regarding the Saltonstall Ridge Water Storage Tank, we have considered your request to defer the Saltonstall Ridge Tank Painting Project but remain concerned that additional deferral of this work would pose unacceptable risks to our customers. As you may recall, this tank was previously deferred from the FY 2011 capital budget. This is the only storage tank serving some 50,000 residents in parts of New Haven, East Haven and Branford, and it is therefore a critical part of our distribution system.

After 20 years of service, the coating is well past its useful life of 15 years, and the coating on this tank has been in service longer than coatings on any of our other steel tanks scheduled for recoating. In 2008, an inspection of this tank by Underwater Solutions, Inc., found poor interior coating adhesion and 35% exposure on the exterior roof plates.

In 2010, we completed a structural inspection of the interior roof framing system. We performed that inspection based on our concern that the Saltonstall Ridge Tank was of the same vintage and manufacturer as the Grassy Hill Tank in Orange, which we demolished in 2008 due to significant roof framing structural concerns. The 2010 inspection of the Saltonstall Ridge Tank interior by our structural engineer, Harry J. Shepard & Associates, identified lateral torsional buckling in a number of the structural steel roof members that must be corrected.

While these structural issues can be addressed, the correction will result in further damage to the interior, and exterior, coatings. Correcting just the structural issues in FY 2012 while deferring the painting of the project beyond FY 2012 would increase overall project costs by increasing the number of contracts, contractor mobilizations, and the number of tank draining and re-fillings, as well as increase system risks by keeping the tank out of service longer.

Finally, we note that coatings on another seven of our steel storage tanks have reached the end of their useful life; the Saltonstall Ridge Tank is not exceptional in this regard. Deferring this tank painting project will only increase the budgetary stress in later years.

## **2. O&M Efficiency**

The Authority and management recognizes that payroll and benefits are key drivers of the O&M budget. We are keenly aware of the need to continue to become as efficient as possible, and as you know, have made substantial progress to that end. The Authority and management have regular discussions on the efficiency gains made to date and what more could be done without jeopardizing service delivery.

To recap our expense reduction efforts since 2009: Operating efficiencies gained during the last two years include the permanent \$2.23 million reduction in payroll and benefits associated with downsizing of the workforce by about 9%, or 23 net positions; this is in addition to approximately \$975,000 of other costs savings that have been implemented. The Operating Efficiency Strategic Plan Goal Team is continuing to identify strategies to reduce operating expenses without jeopardizing the delivery of quality water and service. At the Authority's meeting on Wednesday, the Goal Team reported an additional \$132,000 in annualized savings for a grand total of \$1.1 million in annualized savings.

Since the downsizing in fall 2009, each staff vacancy is carefully reviewed with a business case analysis conducted to determine if it or another vacancy should be filled; that process will continue to ensure the cost reduction gains made in 2009 are maintained. Additionally, we will keep you apprised of our efforts to retain a consultant to further examine if there are strategies to increase RWA's operating efficiencies and will include your office when the final report is distributed.

Regarding your comment on outside services, we support the principle of issuing an RFP when it is practical and cost effective; for example the engineering services for modification of the Lake Saltonstall intake project was selected through an RFP process that was based on a combination of quality and price. There are instances when a sole source selection is preferential due to the vendor's unique knowledge, skills or history with RWA. However, we will evaluate the need to bid the services of the internal auditor.

Thank you for your attention to the budget documents and your comments. The Authority and Management look forward to continuing the constructive relationship with the OCA and RPB.

Cordially,

Anthony DiSalvo  
Chairperson

CC/Representative Policy Board

Richard Bell  
Joe Cermola  
C. Anthony Edge  
R. Douglas Marsh  
Larry L. Bingaman  
Linda M. Discepolo