

REPRESENTATIVE POLICY BOARD  
**CONSUMER AFFAIRS COMMITTEE  
AND  
LAND USE COMMITTEE**

APRIL 17, 2025

SPECIAL JOINT MEETING TRANSCRIPTION

Mark:

I'm going to call the special joint meeting of the Land Use Committee and Consumer Affairs Committee to order, it's 5:00 p.m. Everybody review the safety moment on their own please, thank you. We're here to review and discuss the proposed capital and operating budgets for fiscal year 2026. It starts June 1st, 2025 and goes to May 31st, 2026. Upon two thirds vote, convene in possible executive session. Do we have to go into executive session now? Does anybody want to do that? Or do we have to right this moment?

Rochelle:

We don't have to right this moment.

Sunny:

And we did the last one without the executive session.

Mark:

So we're not going to go into executive session. And now I turn the meeting over to the members of the Authority to present the capital budget. Thank you.

Sunny:

Only for the commercial, we went into the executive session. So with that, when we get to it, we can actually [inaudible 00:01:26].

Rochelle:

And if there's any confidential questions.

Mark:

Well you guys will have to determine that; which one's are questions that you can't answer.

Sunny:

Sure.

Mark:

Okay. Thank you.

Sunny:

Thank you, Chairman. So we'll just dive right into the capital budget initially, and then go into the O&M. So the prioritization, the introduction, followed by the prioritization plus all the four major areas, and then we'll give a quick summary of the CIP, plus the major points. So that, let's go to next. And it gives you a snapshot from 2000 onwards all the way up to 2030, and the last five-year budget plans are on the right side. The reasons being, some of the major projects are happening, the Whitney Dam, the Spring Street Pump station, the Route 80 Pressure Reducing Valve, the North Branford Tank, some of the big HVAC works are ongoing, as well as the lead service line replacement. So you see these around close to \$60, \$65 million, but if you go to the summary when we finally come to the CIPs over the five years, what was presented in October, as well as last year, you would see there is some improvements to the tune of 5% based on how we have optimized the capital project.

So with that, I'll go to the next one. In terms of the assumptions, the budget for this year is projected to be \$59.4. This is prior to CDOT, contingency, and growth. The five-year, as I mentioned, is lower than the ten-year model that we presented in October 2024. The '26 budget as well as the future budgets do take into consideration the engineer of record, GHD's recommendations. Where it requires, any projects over \$3.5 million, we will see RPB approvals and there's going to be a few applications coming through in the next two or three months. In terms of the project reserve, it's about \$1,022 million and the contingency is \$594,000 and the CIS is about say \$522,000. The CDOT will be self-funded and the municipal redevelopment pipe/non-reimbursable is a funded item.

Going to the introductions, we still continue to see some scheduled impacts to the supply chain challenges, and we are also seeing some impacts on the SRF/Congressionally Directed Spending. At this point with the administrative change, we are not sure exactly how those changes will impact any of those funds, or supply chain on the tariff. We are still watching that very closely. The asset management, the focus is on capital assets for both predictive and preventative maintenance. We have a significant asset management plan that was presented to the authority board. Last year when we examined all of the areas that we need to focus on, the team came up with about say a 110+ recommendations. We are working on this. And then the risk, resiliency, redundancy have all been considered into the prioritization matrix, and that's how the priorities were developed for the projects, and that is part and parcel of how capital planning works. And we continue to refine the model based on the risk and resiliency needs. With that, I'll turn it over to Victor.

Victor:

Thank you Sunny. I'm going to continue on through the prioritization methodology. We do have 49 ongoing projects and programs this year. The prioritization process is updated from October 2024 with the ten-year capital plan. There's two separate matrices that are created to rank the physical infrastructure and technology projects, and the rankings are then determined. The scoring team includes folks from the capital program control team, project managers, and other members of the leadership team. After that, the next slide. So this slide, we see a table of the four main categories of the program capital budget. This budget in total is comprised of 106 projects and programs. And those four categories that break down those projects and programs include natural resources, treatment, transmission and pumping, and general plant.

So with those four categories, we move over to the right side. With the pie chart, we see that we have a total budget into those four categories this year of \$59.4 million. And taking a look at the pie chart, we can cross correlate the different categories with natural resources being the dark blue color in the pie chart, \$3.6 million or 6% of that total budget. The treatment is the... Make sure [inaudible 00:06:31, the

orange at 43% of its total budget at \$25.2 million, transmission and pumping at 45% of the budget, the green color on the pie chart at \$26.5 million. And then rounding off with general plant \$4.1 million and 6% of the light blue color on the pie chart. So moving on through that table, we also have a \$0.6 million contingency. The reserve fund is set at \$1 million. Our state and redevelopment pie program with Connecticut DOT is \$3 million, and the commercial accounts at cost of \$0.2 million, rounding everything off to a total budget of \$64.2 million.

So we're going to move down into the four different categories, starting with natural resources. And the highlights here, we've made continued efforts over the years to enhance the distribution system, making it more reliable to meet demand, providing redundancies, and preparing for emergencies. And with this, we take a proactive approach and I'm going to go down the bullet list here, and review some of the different projects associated with each of the bullets that we have here. So with our watershed protection and land management programs, we're safeguarding public health and promoting recreational uses. At Rose's Brook Water Quality Improvements, we're protecting watersheds and aquatic resources, and increasing resiliency by mitigating watershed runoff.

On to Furnace Pond Water Quality Improvements, we're enhancing water sources to improve the water quality before it goes through the treatment process. At Lake Watrous and the Lake Glen, Aeration System Rehabilitation, we're minimizing the effects on water quality, which results in a reduced water treatment cost. And the last two bullets there, we have most all of our dam projects with the national [inaudible 00:08:39] at Lake Whitney Dam & Spillway, the Peat Swamp Dam, and Lake Chamberlain Dam, where we're mitigating risks of dam failure and making considerations to address increases in rainfall. And a lot of that's associated with changes due to climate change.

Certainly along the way, if there's any questions, feel free to jump in, and stop me at any point. Flipping to the next slide. This is a graph that shows the natural resource of projects. Again, we have 16 projects and programs, and on the left side of the graph, we have each of those locations where those projects are taking place. The blue part of the bar chart there is the fiscal year '26 spending, with the black cost value there shown. The total project over the length of the project, a lot of these are multi-year projects, is shown on the gray side to the right, in the white text. We're going to focus on each of these with the black and blue. This FY 2026 cost. At Lake Whitney Dam & Spillway, we have a \$2.5 million budget this year. This is for improvements to the stability of the dam, increasing the spillway capacity, and addressing the requirements of the regulatory authorities, being Connecticut DEEP and the U.S. Army Corps.

Peat Swamp Dam, this fiscal year is a \$150,000 project. This is another one of the system's historic dams constructed in 1890. The proposed modification will address stability and spillway capacity issues, and improve some valving that we have there. Moving on down the list to Chamberlain Dam, that's \$50,000 project. This is for rehabilitation to increase safety and slope stability of it's Class-C high hazard dam. Rose's Brook Water Quality project is a \$100,000 project for remediation and mitigation system for the watershed that feeds into Lake Gaillard. The Furnace Pond Water Quality Project is a \$96,000 project. Again, this is improvements to raw water quality in the Lake Saltonstall watershed. And rounding off for the rest of the remaining projects of those 16 projects or programs, we have a total of \$704,000 coming into this fiscal year '26 budget.

Greg:

When do you anticipate [inaudible 00:11:16]?

Victor:

Being complete?

Greg:

Yeah.

Victor:

We're anticipating about a three to four year length on the project, but we're looking at, with the regulatory approvals that we have to go through about 12 to 18 months, so until we're even looking to start.

Greg:

Thank you.

Victor:

The treatment highlights. A lot of questions come up as far as why are these improvements needed? And a lot of the reasons fall into the efficiency and redundancy categories, and risk and resiliency. So again, for each of these bullets, I'm going to try to go down a list of projects that are associated with those bullet points. At the Lake Gaillard Water Treatment Plant, we and filter underdrain replacement and a local control console upgrade. So that's a good project for cost savings and operating critical treatment plant processes. For the filter media replacement program, we're ensuring peak performance is optimized. At the West River Water Treatment Plant, replacing and upgrading aging and outdated equipment. At the Lake Saltonstall Water Treatment Plant, we have improvements there to the gravity thickener to meet service level goals and customer expectations.

Onto the future regulatory treatment compliance program, we're meeting compliance with regulatory requirements. The Seymour Wellfield Generator Replacement Project [inaudible 00:12:54] that helps continuous operation during empower outages and maintain treatment capacity. On to the Lake Gaillard and Lake Saltonstall Water Treatment Plant HVAC upgrades, we're decreasing risk of failure of critical infrastructure and equipment. And the Wellfield Improvements Project this year we'll be keeping current with new technology.

So moving through treatment highlights. This year, this is a \$25.2 million program of 26 projects programs in total. You see that they basically fall into these five subcategories, to the left being, the Lake Gaillard Water Treatment Plant, we have about \$10.5 million in projects there. The Wellfield facilities, almost \$4.8 million in projects at those facilities. The Lake Saltonstall Water Treatment Plant, over \$4.1 million in projects. Onto the West River Water Treatment Plant, about \$3.25 million dollars' worth of projects, and following up with the Lake Whitney Water Treatment Plant at almost \$2.5 million in projects.

Moving on to a little bit more of a breakdown for each of those subcategories. At Lake Gaillard, we have again about \$10.5 million in projects. You can see on the left side of the bar chart there again, we're showing the different projects that are associated with Lake Gaillard this year. And again, the black and blue on the bar chart are this FY26 costs. So for the HVAC upgrades, we're looking at about \$3.3 million. The current system there, it's outdated, and not performing efficiently. The new HVAC system would mitigate corrosion to electrical equipment, and piping it would meet service level goals, for

requirements. The roof replacement at Gaillard is a \$3.2 million project this coming year. The replacement is needed due to excessive areas of leakage, so we're going to give protection to equipment and personnel there.

And then moving down the list of some of the, if I can say, smaller value projects compared to at least the first two. We have control upgrades at \$950,000, under drain replacement at \$800,000, filter media replacement at \$800,000. This is an annual program that we initiated in fiscal year of 2016. Chemical feed improvements at \$725,000. The electrical upgrades, this is a shared project with Lake Saltonstall Water Treatment Plant, that approximately \$500,000. Again, this is a multi-year project leading us into about fiscal year 2030. And then miscellaneous, valve, paving and other projects that are rounding up to about \$275,000.

Stephen:

When was the last time any upgrades have been done to [inaudible 00:16:12]? When was the last time it was done?

Sunny:

It depends on the type of work you're doing. So you're going to see the roof and HVAC, we did some upgrades [inaudible 00:16:31], as well as chemical systems and all that. So it is a phased approach. So if you look at even last year fiscal '25, [inaudible 00:16:40] and all those media have been replaced. That was significant project that we did in fiscal '25. So it's going to be a periodic replacement. It's not exactly a lot getting replaced at the same time. We still have a few more big things to look into like, the pumps and motors and all that. So the [inaudible 00:16:59] pump station is something that you'll probably see in the future coming down the timelines.

Stephen:

Sunny, this is Steve. Excuse me.

Sunny:

Go ahead.

Stephen:

I think you sort of answered my question. I was wondering with this project, or any others. What you're showing, is that all the projects for that site? Or are there others that just aren't being funded currently?

Sunny:

There could be other projects coming down. Again, as I said, it's the prioritization that changes. For the time being, when we prioritize based on the needs and risk and resilience, we feel like these are the ones that needs to be done in this phase. Let's say, for example, there is something that happens with one of the pumps, and that needs to be looked into either repair or replace or refurbish, we'll prioritize this. At this point of time you don't really see the pumps, but certainly the pumps are getting old. So for Gaillard, for the next three to four years, all these are there. And some of these... And let's say the rope replacement, Steve, if you look at it, that's only a one-year project. So that will go out. And the HVAC

upgrades, it was in design from 2022, but right now we will move into '26 and most likely all the HVAC upgrades will be done. So those will be out.

But some of the projects will start creeping in as you see the next five to 10 year phasing of the projects, and one of the things will be the pumps and all that. So each of them have different lifespans and life cycles, and based on asset management that we see, they get to be prioritized.

Stephen:

And so they could be varying in cost as well?

Sunny:

Yeah, absolutely.

Stephen:

They wouldn't necessarily be low cost because they were in the future?

Sunny:

Not necessarily. Depending on, I would say, what the asset class is, it could very well be... It could be on the lower end of it or the higher end of it. And let's say we chose to do... See the last year we chose to do a lot of underdrains and filter media replacements for Gaillard and that was because we accelerated, so we could actually get economies of scale by bundling it into one contract. And also avoid a lot of these delays in the operations too. So we have to take the filters out of service. So many things that go into the planning on how we actually phase these projects. And the cost still matters, because when we look at the overall capital plan itself, there are various priorities that come into play. So the service lines, the PFAS and the pump stations, the storage tanks, so which ones to be prioritized? Again, it goes into what's really critical for us. And the project cost varies, the schedule varies and we move things around.

Some of the projects which you would've seen in physical '25 presentations, when we did the budgets moved back and forth. So we moved them up and some of them moved down, I would say, the years. Some of them came into '26, some of them moved out of '26 into '28/29. So even the dams, we go through the same exercise. The pump stations, we go through the same exercise.

Stephen:

Okay. And are you always thinking about what might be affecting these upgrades? Say you had to go to a different kind of treatment, would it affect the tank, that kind of thing?

Sunny:

Typically, the hydraulics [inaudible 00:20:32] the pump stations on the tanks on the distribution side of it. The treatment of the surface water side depends on the water quality, both in the raw water level, and the finished water quality. There is a very few things which we actually do on the water quality side, which will be the TTHMs and all that, based on how long the water resides in the tank. But that's the only water quality issue we will have, or discolored water. Typically once it goes past downstream of the treatment plants on the water quality side, there's going to be only very few issues that we worry about, but in the raw water side there's going to be a much more risk issue that we worry about when we treat the water, and put it out there.

Stephen:

Thank you.

Victor:

All right. So moving into the well field facility costs, we have the five projects associated with this. At North Cheshire facility improvements, these are chemical system improvements with the phosphate sodium chloride systems. That's a \$2.25 million project. Well replacements, it's a one replacement a year that we look at, this is a \$1 million project. Seymour generator replacement, this is a \$830,875 project. This particular generator has been in service for 25 years, and has seen the end of its useful life. The rehabilitation program is a \$500,000 program. This is up to four wells, which are rehabilitated up through mechanical means and chemicals. There's a well screen improvements, pumps, and motors that are replaced as necessary, or serviced that's necessary. Now, other miscellaneous improvements and roof replacement at \$175,000. This includes treatment systems, analytical equipment, hardware, safety improvements, and roofs at the Seymour and North Sleeping Giant Well Field.

And moving on to the remainder of the treatment subcategory there with Lake Saltonstall Water Treatment Plant. Again, this was around \$4.1 million, and specifically here, the major projects there being the gravity thickener improvements. Again, this is the multi-year project with \$1.89 million going into the project this coming year. HVAC improvements at \$1.3 million. The West River Water Treatment Plant, again, this was a total of cost at this location of \$3.25 million. The Drying Bed Improvements project there is the major contender this coming year at around \$2.5 million. And then the Lake Whitney Water Treatment Plant at almost \$2.5 million in total for all the projects going on there, with the Chemical Feed Improvements Project at \$1.9 million being one of the bigger projects going on that water treatment plant.

So moving into finishing up treatment section here, we asked some questions. What if we don't plan ahead? And we want to look at, again, some of these projects that go along with reasoning for what happens if we don't plan ahead? So with the West River dry bed improvements, we're meeting compliance with regulatory requirements. At the lakes, also water treatment plan improvements, the gravity thickener project, we're improving personnel and operator safety. And basically across the board with asset management and sustaining critical infrastructure. There's multiple projects done again across the board, where we're replacing [inaudible 00:24:29] in several cases makes us more safe. Meeting safety requirements makes us more or likely to meet the regulation standards. And in the long run has proven to have shown that a decrease in actual costs for treating the [inaudible 00:24:47].

Onto transmission and pumping. This is the portion of the budget, again, it's 45% of the budget at \$26.5 million. We're looking at about 36 projects and programs here. And again, looking at the little layout I have here, the center red dot there shows the \$26.5 million going into this transmission and pumping section of the budget. Again, remembering that we feel that that \$3 million to the bottom left there for the state of Connecticut redevelopment pipe program, that's a self-funded program with a not to exceed \$3 million. But we look at where the 26.5 million is going in transmission and pumping. If we start up at the top right section of this, we see that we have five programs in the blue box that are projects. Five programs that are over \$1 million each with a total of \$13.4 million going towards the \$26.5 million. Moving over to the left, the lighter blue box, we have three tank projects this year totaling about \$5.3 million.

And then keeping a counterclockwise movement to the 12 project locations in the blue box, to the left side of this diagram. That's a \$3.6 million cost for those 12 projects. We jump all the way over to the

right side of the diagram and we have seven programs that we're working with that are between a half a million dollars and \$1 million each, with a total of \$2.7 million there. And then on the bottom right finishing off with eight programs value that under half a million dollars each. That's totaling about \$1.5 million towards the transmission and pumping box this year.

So we're looking at answering the question of, what are the long-term benefits? So on our capital replacement program we should be seeing a reduction in water loss due to leaks. For lead service line replacement program, we're improving water quality. For the critical pumps and pump station and transmission facility upgrades, we're increasing reliability. Route 80 control valve relocation project is a good cost savings project. We have pump station bypass improvements being proposed to enhance resilience. The service area improvements for the east-west transmission main are supporting growth in the system. And the North Branford tank replacement is promoting sustain [inaudible 00:27:34]. That was again, promoting sustainable water management practices. The Fourth street tank and York Hill tank painting and stair projects, extending the useful life of our assets, enhancing efficiency and safety.

So finishing up with regulatory requirements that... Similar to the asset management section that we discussed, a lot of the projects we work on address the regulatory requirements and making sure that we're keeping up with all the regulatory standard. This next bar chart, or the transmission and pumping, this is showing these five programs that are costed at over a million dollars each, at a total of \$13.4 for this category. We start all the way to the right. We see the capital pipe replacement program. That's about a \$7 million project this year. We're replacing 2.3 miles of pipe in three towns, and this also includes, payment restoration leftover from fiscal year 2025. I kind of cheated a little bit here, and included the capital pipe service connections program all the way to the left-hand side of this chart. It's under a million dollars, that's \$700,000 but these two programs really do go together, and work together in here.

So continuing on from the right hand side of the chart there, we're looking at \$2.5 million this coming year into the lead service line replacement program. This is the EPA mandated program, where we're replacing service lines in the system, identifying and replacing service lines in the system. Then certain other [inaudible 00:29:24] lines in the system depending on if they need the regulatory requirements. Onto the next category there. \$1.9 million, the service connections program, and finishing off with municipal and Connecticut DOT redeveloped pipe program at \$1.3 million.

So the next subcategory here for the three tank projects at \$5.3 million. We're starting off on the left hand side of the chart here showing the North Branford Tank replacement project. This is replacement of the existing tank. This fiscal year we're spending about \$500,000 into that project, and it's a multi-year project estimated at about \$6.8 million. Next up the two York Hill and Forestry tank painting projects and stair addition projects. So this is painting the inside and outside of those tanks and also placing the previously, or the currently existing service ladder with stairs which are much safer. We've introduced this stair system into all of our tanks in the system.

Moving on to finish out the rest of the transmission and pumping, we do still have the 12 projects specific locations, the seven programs in between a half a million and \$1 million, and the eight programs under \$0.5 million. We picked about five different projects here to make up those remaining projects and programs. And the first one there is the Route 80 control valve relocation. This is a \$750,000 cost dedicated to this project for this coming fiscal year. And that's the relocation of the throttling valve facility, and it's the main. We address in personnel safety. The Brooklyn Transmission main is a \$1.5 million project. That's an installation of about 2,800 feet of transmission main in North Branford. And that's to address aged water and water quality in the system.



The cleaning and lining program is a \$600,000 program is coming fiscal year. It's the cement lining is existing cast iron water mains. And that's about four miles worth of pipe in Cheshire being proposed. The critical pump station and transmission facility upgrades and pump station generator replacements are also two of the more bulkier cost projects in the remaining projects that we have left in this category. So I think we can finish off this section with general plan highlights, which I'm going to hand over to Prem.

Prem:

Thank you, Vic. General plant category. So this category we have, as you remember, [inaudible 00:33:03] \$4 million for the total budget for fiscal '26. This is comprising of 6% of the overall budget for general plan category. The biggest changes that you see from this basically to next is basically the bigger CIS project, is getting offloaded. So we have [inaudible 00:33:06] million so you see a big drop for the number. And then looking at the number of projects we have, we have nine projects that we have listed out in here for the general plan category. The first one we have is the, day four system, which is the human resource, HRI system we have. It's going to take off since total cost of the project is 300 K as an estimate, between '26 and '27. So this portion, what you see is for the fiscal '26. We are going to be looking at starting some planning et cetera, in the [inaudible 00:33:26] so we don't want that kind of fall back.

The second one we have is the RWA website development project. Again, we are looking at replacing our CMS, which is [inaudible 00:33:41] timing. So there's a small spend that we have for the project to be completed next fiscal year. Then we have work and asset management. This is for predictive maintenance [inaudible 00:33:51] our prior asset management. We do have a vertical and horizontal assets in one place, and now we're working on predictive maintenance. Small spend on that for making sure that we are able to take care of our [inaudible 00:34:06]. Going on the cyber security enhancements, this is again, as part of our yearly program that we do. So we have two specific areas that we have identified. One is zero trust network access. We are trying to build that, as part of our overall security posture. We also have enhancement for the Deltron technology that we have implemented, all together is \$125,000 in the next fiscal year.

Going on to the next one, which is our recurring program, annual program. [inaudible 00:34:38] This is basically all of our networks, [inaudible 00:34:42] range of devices and everything. [inaudible 00:34:45]. This is something that we are looking forward to finish up next fiscal year. GIS aerial mapping. We actually are trying to do two of these things. As you can see, we are trying to get a little bit more efficient. We are wrapping up phase two of the platform, North Branford flyover data compilation for GIS mapping. We are starting the phase one for Hamden/North Haven next year. After few drops of savings there, we combine some projects [inaudible 00:35:14], but we are looking for [inaudible 00:35:21]. Our HSV, [inaudible 00:35:21], remember we are doing some enhancements, again for [inaudible 00:35:24] and also we are looking at obtaining cycle lease. So that's coming out of the growth fund. We're all for HSV.

SCADA, this is again our [inaudible 00:35:37] upgrade as part of our annual program. So we are doing a paper scale up systems, we're trying to take care of. Last but not least, we have Fleet, \$1.6 million. We have 16 different purchases they're looking at. We are looking at two [inaudible 00:35:58] one small take-up truck, one full-size pick-up truck and one small excavator. [inaudible 00:36:03]

That's all I had. Any questions in the session, general plant category? Or go to budget?

Sunny:

Thank you. This one kind of summarizes, I think the... I would just concentrate just the top bullet points indicating the \$61.1, which includes both contingency and project reserves. And also looking at the five-year plan originally proposed in '25 was \$66.1. And the ten-year model in October '24 was \$64.7. So the teamwork really hard, and we optimized the programs and plans and projects. So we look at the five-year total, the last line, it's \$315.3. And just to put that in perspective, Jennifer, if you want to go to the next slide. That captures the fiscal '26, 5 year capital improvement plan, which is \$315.2, as compared to the five-year CIP, which we presented last year was \$330. And both the base and the target that we presented as a ten-year model in October 2024, one was \$348.4 and the other one was 323.4.

So looking at all those numbers, we have actually reduced it from 330 to 315 by almost 5%. And just I would say, a little bit I would say, good news to that 315 is, that doesn't include the grants. So if you include the grants it could go down by another close to 15 million approximately. So I think there has been an excellent work with the team in re-looking at all the projects, seeing what we really need to do, and prioritizing based on what needs to be done this year, and what we can move towards '26, '27, '28. And also looking at projects that we can move to the six to nine year or 10 year and trying to get as much as grants and any soft loans possible.

So with that, I think that's the summary, or the summary sheet. This captures what again you'll find during the earlier slides as well. It does incorporate efficient and essential funding. The five year plan is lower than the 10 year model that was presented. It includes the cost and timing of large projects thoroughly vetted. Continuing the pursuit of financing alternatives, GHG report recommendations taken into consideration, and always a continued development and implementation of the asset management plan. With that, we come to the end of capital. Any questions on the capital? If not, I'll handover to Rochelle for the operating budget.

So this could be [inaudible 00:39:55]

Rochelle:

The next item that we're going to talk about is what the future success looks like. And this is from an aspirational, when we go through the details, it's from a aspirational perspective. Then Chuck's going to review the details of the fiscal 2026 budget. We're going to also talk about, similar to what we just went through, what if we didn't plan? And then some summary and conclusions. So first the story so far, fiscal 2025 will actually be the 15th year without a draw from the Rate Stabilization Fund. So we're pleased about that. We're also, just to put some things in perspective, we've been able to increase the discretionary reserves. For example, in fiscal 2010, the rate stabilization fund was \$3 million. It's now at its \$10 million target. The general fund at its lowest point was \$158,000. At the end of fiscal 2024, it was actually at \$13.8 million. We've also been able to generate internal funds that are reducing our reliance on debt, and it's reducing our leverage. You'll see that in a minute.

We're proactively pursuing refinancing. I think you know that we just did a successful refinancing in March. We actually did one in May of 2024 as well. We're pursuing low-cost financing and grants. Our pension contributions have been above the actuarial required contributions in fiscal '16. We've developed the growth fund to support our commercial initiatives. Savings, really through the last rate increase, our savings mitigated the rates by about 22%.

Jamie:

When you say savings, are you talking about use of internal generating cash, bonding?

Rochelle:

Actually it includes refinancing, it does include use of internal funds. It also includes operating [inaudible 00:42:34]. From all the--

Jamie:

What time period is that [inaudible 00:42:37]?

Rochelle:

This started in 2009, and it went through when we filed our last rate case,. We didn't update it yet for our savings this year. We also got credit rating upgrades in June of 2016, and continuing to improve our financial position stability. So this is basically what we've done and where we are. Just to highlight some of those factors. So from a debt leverage perspective, back in fiscal 2009, we're virtually a hundred percent not quite debt leverage. It was about 96%. We're projecting to end fiscal 2025 at about 80%.

Then if you go to the next page. Also, I know we talked about as far as our story so far, how we're now using multiple sources for funding our capital projects. So in 2009 you can see it was basically all the finance in fiscal '25. We do have multiple sources. Fiscal '25, how it breaks out is still a projection, and we did not include a pretty sizable grant that we believe we're going to get associated with the lead and service line inventory. We're expecting to get a grant of \$5 million. We're still expecting to get that grant, however it might happen in the early part of 2026, versus the latter part of 2025. So we did include that in the bar chart. But the bar chart demonstrates how we have multiple funding sources, and how we are generating pretty significant part of our capital program through internally generated funds.

So now we want to just share with you our perspective, definitely interested in comments and feedback. What future success would look like. And one of the key things would be, achieving a credit rating upgrade. And we really are proactively trying to get upgraded. We got some favorable comments in our last credit reports, and we believe that the credit rating is not just financial, it's actually operational. They really look at everything. Look at cybersecurity, financial management, operational management. So really want to... Looking out to the future, hoping to achieve further credit rating upgrades. Also, and this is pretty far out in the future, internally, funds between 66 and 75% of the capital program. Pension and VEBA plans being fully funded. And of course continuing to provide high quality water, and maintain a strong financial position. Continue to align spending with the long-term strategic initiatives and successfully execute against their strategic initiatives.

So this isn't what we expect to happen in fiscal '26, but it's really like looking out from a longer term future, and what we're working towards. And with that, I'll turn it over to Chuck.

Charles:

Thank you Rochelle. So I'll walk us through a high level snapshot where we stand in regards to FY26 budget. So the table that's displayed on this slide in the left-hand column shows the FY 2026 budget. Next to it we see the FY 2025 budget. And next to that would be the change between the FY 2026 and the FY 2025 budget. In the right most column shows the FY25 projection of where we believe we're going to stand by May 31st, 2025 for this fiscal year. The key takeaway here is that we don't have budgeted [inaudible 00:46:57] six that's evidenced by, we see total revenue for FY 2026 budgeted total

revenue of about \$149 million. O&M expenses budgeted at \$74 million. Other expenses which was made up of depreciation and pilot payments of \$20 million. Required debt service for [inaudible 00:47:24] of \$54 million. Which leaves us at a versus requirement essentially budgeted revenue greater than those total expenses of about a million dollars. So we have excess above the debt service requirement 114%.

Other notable points here are that our O&M expenses between FY26 and FY25 increased about 3.4%. So we have O&M expenses budgeted at about \$74 million for FY26. From here I'll break down some major assumptions and cost drivers of how our FY26 budget positions us for financial stability going into the future. All right, so starting with revenue assumptions. So our revenue assumptions for FY 2026 are basically based on bill consumption, and they're converted to cash collections. That cash collections conversion is per our bond [inaudible 00:48:43]. So that's why we do that. Revenue reflects existing rates and charges. So effective January 2025, there was a rate increase. So those are included in this calculation. No new rate increase is assumed. Billed water consumption after adjusting for anomalies, including weather-adjusted anomalies, and it's a year-over-year 1% decline. That's consistent with prior years. 1% decline year-to-year. No new customer growth is assumed. The uncollectible factor remains at 2.25%, and outside a year is at \$1.2 million. And lastly, wholesale reckoning with a minimum commitment. It's based on the contract.

So this next slide shows the primary drivers of the change in water revenue from the FY 2025 budget to the FY 2026 budget. As you can see, really the primary driver here is the January 2025 rate increase, which accounts for about \$5.3 million of the increase from FY 2025's budget to FY 2026 budget. Some other notable categories here is to build consumption, 1% decline, which is consistent with previous years. Build consumption normalization, which is related to weather-related adjustments. Buyer service, cash conversion, and interest with CIS conversion. The CIS conversion is actually in regards to a change in interest calculation that we made as UMACS went live. We actually have a hold on interest calcs for a short period of time. So that's going to affect the FY 2026 budget.

So this slide shows the primary drivers of other revenue from the FY 2025 budget to the FY 2026 budget. So the primary driver here, as you can see, is Homeowner safety Valve. Homeowner safety Valve was not included in our 2025 budget. We actually got that in July of 2024. So that's after we set the FY 2025 budget. So that's really the primary driver. It makes up a large amount, the increase. This slide shows a visualization of the key drivers of the O&M budget. The key takeaway here is that the FY 2026 budget increase of 3.4% is primarily driven by pump power, employee benefits, and utilities and the fuel. The increases are partially offset by reductions in IT licensing and outside services. Everything else, every other category is contained in that all other category, and it's actually a relatively small amount.

We'll go into these in the following slides in more detail. But quick note on the outside services adjustment. So we group outside services in about four categories. Specialized expertise, which is project-based, generalized general specialized expertise, business requirement and technology. So the specialized expertise categories, those reductions are primarily driven by the UMass go live. There's a roll-off of backfills and temps. So since we don't need those backfills and temps anymore, you could see a decrease in outside services in those specific categories. The other two categories do increase a bit. Business requirement being related to things like, audit fees and tax fees, trustee fees, regulatory support, and technology being, cybersecurity and other technology-based needs that we have.

We grouped the previous slide and the drivers, those primary drivers of the O&M budget increase this year, into three buckets. This first bucket is external cost pressures, things that are really out of our control, out of management's control. The first being pump power. There is a significant increase in this

O&M category for FY 2026. It's \$1.3 million, about 38.7% increase, which is very, very large compared to the rest of the budget categories. This is driven by Connecticut State mandated public benefits charges. This wasn't included in the FY 2025 budget, because also in July 2024, these charges were put into place. So by the time we did the FY 2025 budget, these were not known to us. We found that these current charges are expected to continue and impact all of them for 2026.

Luckily, we do have generation pricing under contract through December 2027, which helps out the data. Pump power represents the single largest line item in our O&M budget. That wasn't the case in previous years. We'll continue to monitor market conditions for strategic pricing. Utilities and fuel. This is a budget increase of \$354,000, about 18% increase. Reflects known and projected price increases for electric gas and other utility services. This certainly captures the volatility that we may be aware of in the utilities markets, and continued supply chain impacts. Certainly we'll continue to explore energy efficiency opportunities. We actually saw some nice energy efficiency savings related to the DAF project. So we actually do see things come through as we put these energy efficiency projects in place. We do see reductions to our monthly bills. So that was actually fun to see throughout the year.

Administrative building space, this is in regards to 90 Sargent Drive. Basically maintenance contracts and other contracts to maintain security and cleaning services. There was a \$1.2 million increase, or a \$152,000 increase in this O&M expense category. About a 14% increase. It's driven by anticipated cost increases in building operations and services, and it supports a safe, functional, well-maintained environment. The budget maintains continuity of service while ensuring facility compliance and reliability.

Rochelle:

I just want to add one thing about, to clarify. All three of these categories include electric service and the public benefit charge, which is basically the key reason that they're all going up.

Charles:

So the next bucket... We just covered external cost pressures. The next bucket is investing in people. So the two O&M driver categories in this bucket are payroll and employee benefits. So for payroll, our budget for FY 2026 is \$27.56 million, which is an increase of \$278,000 [inaudible 00:58:08]. That's a 1% increase from the budget. But it is notable that it's a 4% increase from our FY 2025 projection. So where we think we're going to be for this fiscal year by May 31st, it's a 4% increase. It supports our evolving business needs, strategic initiatives including infrastructure investments, succession planning, and revenue enhancement. Certainly would include wage and salary increases, and incorporates a mix between the O&M/non-O&M. As an example, the adjustment for post-CIS go-live. So as people, salaried employees, for example, employees roll off CIS, some of those capitalized labor costs may transition more to O&M, because they're not working on a capital project. This reflects staffing efficiency expectations as well.

Stephen:

We're reducing the staff by one?

Charles:

So in regards to the CIS project?

Rochelle:

No, we're not. The staff is... The budgeted pay count for RWA is 295 in 2025, and going down to 291 in 2026. However, we're actually under the 295 budget. So we just did some review of where there could potentially be staffing efficiencies, and we think work.

Charles:

For employee benefits, there's an increase of \$1.5 million over [inaudible 00:59:59] 9% increase, primarily driven by healthcare costs. That's consistent with the market, and isn't a surprise. This reflects a mix between active and retirees. Also 401k and payroll taxes contribute to the year over year increase. This includes a pension contribution of \$3.2 million, which is \$1 million above the ARC. The actual [inaudible 01:00:31] contribution.

Our last bucket is efficiency gains. So in regards to IT licensing and maintenance fees, we actually have a decrease of \$368,000, close to a 10% decrease in this expense category. As you may imagine, the primary driver is related to the CIS go live. So we're eliminating SAP-related hosting storage and licensing. This budget includes UMAX subscription and license fees. It reflects a transition from those prior legacy systems to more cost-efficient cloud-based platforms. The budget prioritizes cybersecurity building systems, and operational software stability. For outside services, we also had a decrease almost a 5.2% decrease. This reduction was driven, again, by the roll off of CIS project backfills. I spoke to that a little bit earlier. The budget includes support from regulatory and business requirements. Managed service costs for IT support and cybersecurity are reflected in this category. Ongoing use of engineering and technical consultants were needed with optimized scope.

And we can move on to, some other assumptions that we included in that initial high level snapshot. So in other expenses, I said pilot payments were included, payment in lieu of taxes. So in order to get budgeted figure for FY 2026, the approach we take is, we base that calculation off our October 1st, 2024 grant list assessment, and estimated mill rates for the towns and cities. For debt service, it's noteworthy that we have a very favorable impact of prior refinancing. So the 38th series tender refunding that we completed in early March has a favorable impact on fiscal 2026.

This reflects the January 2025 rate application and rate increase, and reflects both existing and new DWSRF financing. Depreciation, which was that other component of other expenses, and that high level snapshot. The budget we have here for FY 2026 is \$10.75 million, which is consistent with our January 2025 rate application. In terms of investment income, we anticipate a decline in interest rates. So by the end of FY 2026, essentially May 31st, 2026, we projected to reach 3%. Investment strategy balances short-term liquidity needs with interest rate risk, and we'll continue to monitor market conditions for reinvestment opportunities, as the investments mature. So the maintenance test on this slide is essentially a more expanded detailed version of that high level snapshot. So really the key takeaways here are, number one, we exceed are required coverage of 114%. So in that far right column for FY 2026, we actually see that we're projecting coverage of about 116%, which is over the 114% bond coverage required. Some other notable items are that, for FY 2025, we are projecting to be over our 114% required coverage, and it actually should be about 119% as of right now.

Rochelle:

Maybe just one comment. The key reason that we are over 114 is because of refinancing and it had a particularly high [inaudible 01:05:30], particularly high savings in this 2026.

Greg:

What's common investment?

Rochelle:

Common investment is the dollars that are supporting the commercial businesses in advance of them being [inaudible 01:05:54] that's coming out of basically our [inaudible 01:06:04]. And it would also improve support [inaudible 01:06:09]

Charles:

Opportunities and vulnerabilities. This slide identifies again, things that are out of our control that may impact our fiscal 2026 actual results. Why the budget might not be actual. So from an expense perspective, things like the O&M versus non-O&M mix. Meaning how much payroll may be allocated to capitalized projects, which will take away from the O&M portion of payroll. Medical claims experience, including retiree versus active mix, out of our control. Pricing projections for volatile things like electric service chemicals, fuel, outside services, especially project related and technology related things. Maintenance and repair, driven by things like weather. And DWSRF financing, the timing, grant amount and rates related to that [inaudible 01:07:32].

From a revenue perspective, weather as you can imagine, is a big opportunity in vulnerability for us year to year. Whether we have a cool wet summer versus a hot dry summer really impacts our revenue each year. Billing to cash conversion, how much we're billing and actually collecting during that period. Consumption patterns, other revenues, and interest rates. Again, interest rates are out of our control, but they do greatly affect our investment income results.

What if we didn't plan ahead? So if we didn't plan ahead and go through this detailed, lengthy, coordinated internal process for creating budgets each year, this O&M budget, there's a risk of reserve draws. Again, Rochelle mentioned earlier in this presentation. We have a 15 year record of not drawing on the rate stabilization fund that we're very [inaudible 01:08:51]. Potential failure to meet bond coverage requirements. Again, we are required to meet that 114% of our debt service requirement, that's a potential. Delayed capital investments, increasing future system risk and cost, reduce flexibility to respond to unforeseen circumstances, emergencies, or new regulatory demands that may be put in place. Increased debt needs, driving higher, future rate pressure, and essentially weakened ability to track and retain talent.

All these things above could lead to a credit rating downgrade and an increased cost of debt that would be detrimental. So in summary, the FY 2026 budget is aligned with our mission to provide customers high quality water and services at a reasonable cost. It continues to execute against the strategic plan. Balances, financial resiliency and rate pressure. Continued ability for strong internally generation of funds. Positioned to make proactive, not reactive decisions. Really planning ahead here. Prepared to navigate cost volatility and regulatory uncertainty. Both things we have seen, and to navigate through. And a workforce strategy that supports the section development and continuity.

All right, and that's it. Are there any questions in regards to [inaudible 01:10:41] budget?

Mark:

I'll tell you that was... Both presentations were excellent, I thought. Are there any questions from the group? You laid it out so everybody understood it without asking a lot of questions.

Charles:

Thanks Mark.

Mark:

I guess we need a... What do we need now?

Charles:

We're not finished, Mark.

Mark:

Yeah, we're going to go into an executive session for this.

Charles:

Correct.

Mark:

Okay. Can I get a motion?

Greg:

So moved.

Mark:

Second?

Naomi:

Second.

Mark:

All those in favor of going to executive session, say aye.

Committee members:

Aye.

Mark:

And all the people that are in this group here are invited into executive session.

[EXECUTIVE SESSION FROM 6:43 P.M. TO 6:55 P.M.]

Mark:



Okay, is there anybody that has any questions on the commercial budget that we can talk about in a regular session? Well, then I think the presentation was excellent and I thought the private business presentation was excellent too, and I think your staff and you did an excellent job. Hear, hear.

Committee members:

Mark:

So now I'll entertain a motion to adjourn.

Greg:

So moved.

Joe:

Second.

Mark:

Okay, all those in favor of adjourning?

Committee members:

Aye.

Mark:

Thank you very much, guys.