

**Representative Policy Board**  
**Finance Committee**  
**South Central Connecticut Regional Water District**  
Transcript of Special Meeting of Monday, April 6, 2020

Attendance:   **Committee Members** – Tim Slocum, Tom Clifford, Charles Havrda, Jay Jaser, Jamie Mowat Young

**RPB** – Mario Ricozzi

**OCA** - Jeff Donofriorey Donofrio, Esquire

**Management** – Larry Bingaman, Linda Discepolo, Rochelle Kowalski

**RPB Staff:** Jennifer Slubowski

Start of Meeting: [Inaudible].

Rochelle Kowalski:

I'm now going to move to the P&L. I would guess we have to go not to the page, but to the page with the schedule A1, on the following page, and I'm going to go through the commentary answer, as you are looking at the schedule A1. So the operating revenues are actually under budget by about 507,000 that is less than, they are down by about 1.2 million and that's also a relatively small percentage point. The operating expenses: we are under budget through February by about 4.2 million through this period. We were forecasting that about 45% is not permanent and the rest was timing. Getting to the particular variances on O&M in a little bit, I now want to go down to the bottom part of the page, which is the maintenance test. I don't want to caveat that this was done, I'll call it, business as usual environment, so it was before the COVID-19 kicked in, and we are doing nationally multiple scenarios to look at what that impact will be, and this does predate on that.

Rochelle Kowalski:

At the time this was prepared, although our [inaudible] if you remember what we were about a quarter ago, this is actually an improvement. Based on the current environment, we are projecting an under one. The interest rates are significantly lower. I'm not [inaudible] the market although we are doing what we can to mitigate what that impact is. Also, we were forecasting O&Ms for the current year to be a less than the budget to stay at a favorable impact and we have been talking about for [inaudible] that we've also had a significant terrible impact on the maintenance test, the findings that we had prior to the COVID-19. In past, we were forecasting our coverage of 118,000, under 18%. Any questions before we move on to schedule A2?

Tim Slocum:

Just one. Rochelle Kowalski, I realize this is before because you've expressed that it's before COVID, but is there, is there any gut feeling about COVID and its impact? Obviously people are home and they're not at places of business. Schools are closed. Maybe more people are flushing and doing all that good stuff at home, but what do you think?

Rochelle Kowalski:

Well, we're actually doing a lot of monitoring. But we expected, I mean, one school I thought was actually residential usage would actually go up, but we're monitoring closely is a leading indicator of

reduction. Some of our analysis that we've done, that we're actually preparing for the upcoming Authority meeting is looking not just what we think might happen with consumption, but what we think might be happening with payment patterns, and there is like multiple things to take into consideration. I think it's going to have a negative impact. There's actually quite a wide range depending on what assumptions you make.

Tim Slocum:

Yeah, I guessed as much. But I appreciate your feedback on that.

Rochelle Kowalski:

Going down to the bottom of page A2, here's where we do get into sensitivities. The sensitivity here is the consumption change of 4% of our consumption chain, and you could actually see that from, how much root we have. Just making an assumption about a decline in just the consumption piece with the collection being the same that we've had was about a \$300,000 plus increase. So there's a lot of moving parts including what we are expecting relative to our cash from seeds.

Rochelle Kowalski:

Unless there's any questions, I know I move on to schedule B.

Rochelle Kowalski:

I'm just going to cover the largest variances, if you are going to have any other questions let me know. I'm just going to go through this and from the largest variance to the smaller ones.

Rochelle Kowalski:

Payroll is one of our larger variances and this is primarily due to while we are pretty significantly under our fiscal 2018 account, so that's the primary driver there. Outside services also running under, and you know multiple areas across the business. Employee benefits is lower by about 230,000 is primarily due to actually, the mix between retiree and after the medical you're remembering some of our budget presentations. That's something that is hard to estimate and sometimes it has a favorable impact and sometimes it has an unfavorable impact. Business improvement is lower by about 221,000 and that's a combination of lower anticipated cost as well as timing. Maintenance and repairs lower by about 181,000.

Rochelle Kowalski:

Each variance is lower amount of 209,000 that's primarily due to the reserve requirements workers have, which is really primarily pre-captive is higher by about 181,000. I think I mentioned last quarter and that's primarily being driven by our particular lien. Inventory is lower by about 159,000 and that's primarily due to issues associated with AMI covers. Transportation is lower by about 143,000 that's primarily due to plane reimbursements that we've got as well as the capital of vehicle insurance.

Rochelle Kowalski:

So those are really the major drivers. I will mention that as we're looking at potential revenue impacts due to the COVID-19. Looking at expenses as well. Looking at the expenses that can be reduced given neutral revenue impact. So there'll be that.

Mario Ricozzi:

Rochelle, this is a Mario Ricozzi question?

Rochelle Kowalski:

Yes.

Mario Ricozzi:

Since some of the capital projects are kind of on hold temporarily, do you expect a significant impact on the payroll, operating payroll as opposed to the capital?

Rochelle Kowalski:

I think what we're looking at given potential top line impacts in our house elections where we can reduce the O&M. There is part of our, re-looking at what we really think for fiscal 20 projection.

Mario Ricozzi:

Thank you.

Tim Slocum:

Jeff Donofrio, Did you have a question you're showing us a hand wave?

Jeff Donofrio:

I did have a question.

Tim Slocum:

Okay.

Jeff Donofrio:

There's, there's then on the municipal side, an executive order seven asks from the governor that requires municipalities to offer either a tax payment deferral program or a 3% annual interest rate applicable to a period of 90 days. And the latest that I saw this afternoon from OPM is that the governor is looking to expand that to quasi governmental and utilities. So I don't know if you guys have any information about that or whether you've considered that as a potential impact, or whether you have your lobbyist focused on it or not. But that seems to be in the pipeline for this week.

Larry Bingaman:

Jeff Donofrio, What was the section, what was that executive order number again?

Jeff Donofrio:

7S.

Larry Bingaman:

Frank or Sam?

Jeff Donofrio:

Sam.

Larry Bingaman:

Okay.

Rochelle Kowalski:

Thanks. We'll take a look at that. I guess moving on to capital, which is schedule C, again, I'm just going to cover key variances.

Rochelle Kowalski:

The key variances here are for the Lake Whitney dam and spillway. You'll see that is actually over by about 206,000 and that's really just timing related between from the budget was projected versus how the project is flowing. The variable frequency drive replacement is over extended by amount of 134,000 and that's primarily due to a purchase that was made for B&Bs earlier than was anticipated. Pump station improvements: that's under by about 121,000 and that's a result of manufacturing delays, related to parts availability. Again, I should also mention that this also is pre the COVID-19 impacts. The Lake Saltonstall electric upgrades is under extended by about 264,000 and that's a result of the additional analysis expense needed for that project. I believe we talked about that. The Seymour wellfield backup, we'll say metering, is under extended by about 273,000. You might recall that this was one of the projects that we intentionally accelerated, into fiscal 19, so that is expected funding under budget into fiscal 20. The Branford Hills Service Area improvements, we've talked about that. That's the pending project that's expended by the 611,000 pending the approval and the amendment.

Rochelle Kowalski:

I also just want to mention on the meters that there is an amendment that's pending between the AMI project and the meters. We're now showing the cost associated with the return to utilities under an AMI meter on project numbers. So we're putting things into [inaudible] expenditures.

Rochelle Kowalski:

Covering some of the other variances, the RTU project is also under extended. That is consistent with a prior employer. And primarily due to the initial belief that we had with this is a drinking water state revolving fund project. And then more recently a delay in the contract or invoice saying it is now sent into the under for fiscal 20.

Rochelle Kowalski:

The limbs upgrade project: under run, it's really a contract or invoicing on variance. So those are really the key variances. Unless there are any questions?

Tim Slocum:

I have a question for Larry Bingaman. This is Tim. Has, this effected service operations, how is that impacting our, your ability to perform the job on an outside situation, say a customer has a problem? You know, that type of thing. Is it having impacts on our service end of things?

Larry Bingaman:

You mean the AMI project Tim?

Tim Slocum:

Well AMI, even just a problem? Someone calls with a problem. I know they call about bills and stuff like that and I know you're probably able to handle that. But just the basic operations that go on in a day to day basis where our staff, your staff is going out into the home might have to make some sort of a service related issue. I mean people are supposed to be distancing as we all know. How are you handling those situations?

Larry Bingaman:

Right now field service employees, which are the ones that go out to either install a new meter or check a meter problem or if a customer has a leak: right now they are only going out either in cases of emergencies so there is...

Tim Slocum:

Okay.

Larry Bingaman:

...there are leaks or something like that, or they are going out and doing work outside of the building or in situations where they won't come in contact with the customer. Except we're now starting to get seasonal customers to come into, that are now coming back from Florida and other places that they go to during the winter. So we are requiring that our field service people install meters as people are coming back and are getting ready to take up their residence for the rest of the year. However, they are wearing protective equipment on that. We are asking that the customers distance themselves so that we can maintain social distancing from that, so there'll be no exposure there. We are managing that from an operations standpoint, but they're not having a regular team customer call as they would in the past.

Tim Slocum:

Another, another piece of this I, I know the state for example is fold up, only wants one DOT driver in the vehicle. So you'll see a lot of dump trucks along the side of the road sometimes. And that has a lot to do now with just the winter staffing. But have you addressed staffing at those levels?

Larry Bingaman:

Yeah, we have. We are requiring only one person that you know, in a vehicle. So that is obviously whether it's a two man job or a two person job. For instance, if there's a meter changing a bulb, than it's a two person job because they can't go near the bulb alone, then two people will come in two separate trucks.

Tim Slocum:

Right. So this will have crazy impacts that are hard to measure now, but will be measured.

Larry Bingaman:

Yeah, lots of crazy impacts. But I have to tell you, Linda Discepolo and Prem work together and their staff to create a pilot program where our customer service reps can actually take calls and service customers from home. So we are piloting three employees that are seeing how they can handle their normal customer service duties from home. So they have a laptop that began, begins I think today. They tested that on Saturday and I think that begins this week. Otherwise we're having a small number of customer service reps come into the call center to either handle property closings, which we've had quite a spike in those interestingly enough, or, billing, key billing questions and things like that. But we're making sure that they can be spaced out a sufficient distance to maintain the social distancing rules.

Tim Slocum:

Thank you for that.

Larry Bingaman:

Otherwise.

Tim Slocum:

Okay.

Larry Bingaman:

Otherwise we're on minimum staffing within the building.

Tim Slocum:

Right.

Rochelle Kowalski:

Okay. If you want to show the first page of schedule D. This is our tracking of investment rates and all returns are. So, I think I mentioned earlier that we did a budget, you know for example the skiff listed at 2.44. As of Friday really, we were at .92%. Having said that is I mentioned, we're doing what we can to continue to move available money to earn interest, and we will continue to do that.

Rochelle Kowalski:

If you go to the next page, express to show what our actual cash receipts are versus the budget. So through February we were actually down only like 32,000, and this was primarily due to taking initiatives, like moving money from our Citizens account over to the skiff, as well as doing things like the event when we can, to pay debt service earlier instead of out of the revenue fund. And so, interest when it's in that particular fund, per our general requirement we are doing, what we can to minimize the impact, but their rates are definitely lower than what we assumed at the time that we did the budget, and this is another thing that we're looking at as part of our sensitivity relative to COVID-19 like what we think our interests, our earnings are going to be looking out for the rest of fiscal 20, what was fiscal 20?

Rochelle Kowalski:

That's all I have unless there's other questions.

Tim Slocum:

Thank you. Rochelle Kowalski. Any questions for Rochelle Kowalski?

Tim Slocum:

Hearing none. I assume we can now go on to Linda Discepolo. Who's going to present the quarterly dashboard report.

Linda Discepolo:

Either her or I, you can see the perspective of the customer stakeholders and the target was 96% our results are 96.2 I can also say this is again, this is all these results before the COVID effect. Our rating is still the same with SNP. It's identical. Our water rates: they were updated in the last official statement and they put them on the next one, so the water rates are still the same. With respect to approval or revenues, the results were slightly under what the budget was and again we'll be seeing what that happens as a result of COVID.

Linda Discepolo:

Other net revenues: I'm in the 229 column. Yep. The budget results are 4.66 but we are a little bit above that at 5.32. Revenue projections: we did get above the metric in 03. We've got that there. Sorry, I'm choking. O&M expenditures were, the results were a little under budget, as Michelle had mentioned. Expenditures, they are under 2. And again like I said this is all before COVID. Excuse me...

Tim Slocum:

We have plenty of water.

Linda Discepolo:

Yes I know.

Tim Slocum:

[Laughing].

Linda Discepolo:

[Inaudible] Cash collections, Water & fire: they're running about people to budget. Again, this is something that we're going to be watching. Coverage, prior to COVID, was still [inaudible] 1.18 up above where we initially thought it would be. Off is 0 that we were looking at, at that point in time. And then looking at production: although it's higher than budgeted. I think we've been having some results where production is a little bit under most recently, and I products we're meeting that quarterly basis, and then unaccounted for water X, our target is 10 where at 8.55 which is excellent. Again, that was as of 11/30/2019 and our reservoir levels are 92% versus 82 for the long-term average, so 229.20.

Tim Slocum:

OK. Any questions on the dashboard? Any comments?

Tim Slocum:

I guess if there's none, that brings us on to just a few reminders. We have the upcoming budget review meetings on A, which is Consumer Affairs and whatever LUC is, I forgot, excuse me, Joint Committee Monday on April 20th at 5:30 and finance will do the same on Wednesday, April 22nd at 5:00. correct.

Tim Slocum:

Just to remember, a reminder I should say, and with that, I move on to number seven, which is the committee member attendance at authority meetings. I will confirm that my attendance, unless something deadly happens will be on April 16th. And J that you're showing up for May 20th, and hopefully it can be an in person meeting by then, but perhaps it won't, but at least I'll be involved in a Zoom meeting, Annie, in other words.

Jasper Jaser:

Yeah, that's correct. Yes.

Tim Slocum:

Right.

Jasper Jaser:

I'm hoping, the train goes away and, and we're back in normal circumstances and improving as we go along.

Tim Slocum:

Yeah. Yes.

Jasper Jaser:

Okay. I agree. The hope for it just like you, in all of us.

Tim Slocum:

Okay. That moves us on to number eight, which is new business. Does anyone have any new business?

Tim Slocum:

It's nice to get a peek at everybody's homes, their favorite nooks and crannies and their pictures and credentials, it's all very nice, but beyond that, I hope to return to the normal order as soon as possible. So with that, I will call for a motion to adjourn.

Linda Discepolo:

Great.

Tim Slocum:

Any volunteers? Okay, I'll do it a little bit on, I guess.

Jasper Jaser:

Okay.



Tim Slocum:

J. Thank you. Thank you. Second please.

Tom Clifford:

Second.

Tim Slocum:

Thank you Tom. So with that, you can say goodbye and, and again, a hardy thanks to all of you. I appreciate the time spent and effort that goes into it.