South Central Connecticut Regional Water Authority
June 18, 2020
Meeting Transcription

A regular meeting of the South Central Connecticut Regional Water Authority ("RWA" or "Authority") took place on Thursday, June 18, 2020 via remote access. Chairman DiSalvo presided.

Present: Authority–Messrs. DiSalvo, Borowy, Cermola, Curseaden, and Ms. Sack
Management – Mss. Discepolo, Kowalski, Nesteriak, Reckdenwald and Messrs. Bingaman, Norris and Singh
RPB – Mr. Rescigno
Staff – Mrs. Slubowski

Tony:

Okay. It looks like we're all in. Let's call the meeting to order. We'll begin with the Safety Moment.

Larry:

Yes. And the Safety Moment is questions about drinking water and COVID-19. So useful information there if you get asked by your friends and neighbors.

Tony:

So we can use the tap water for hand washing, but not to drink, right?

Larry:

No, Tony. It's drinkable too.

Tony:

Okay. Thank you very much. I'll entertain a motion to recess the Authority and convene as Environmental, Health and Safety.

David:

So moved.

Tony:

Is there a second?

Suzanne:

Second.

[ENVIRONMENTAL, HEALTH & SAFETY COMMITTEE MEETS FROM 12:31 P.M. TO 1:00 P.M.]

Tony:

On the consent agenda, I have asked for the accounts receivable section to be removed from the consent agenda and would like Rochelle later to walk through it or earlier. I think it's important for us just to know what's going on with that. Otherwise, I'll entertain a motion to accept the consent agenda with that amendment.

Group together:

So moved. Second

Tony:

All in favor, aye?

Group together:

Aye.

Tony:

Opposed? The agenda is approved. Let's move to finance. Rochelle, you want to do the accounts receivable first or the other part of your finance?

Rochelle:

If it's okay. I'd rather do the other part first.

Tony:

Sure.

Rochelle:

Okay. So Jennifer, I'm going to start with a balance sheet that's part of the financial package and I'm just going to cover the highlights, but if you do have any questions, please just ask. I will mention that the financials are preliminary as we go through certain areas I'm going to highlight the items that we know will change as we go through the final year-end process in the audit. So first starting with a utility plant, a net utility plant, as one would expect is up about 2.1 million year over year. In this category, we will be making some final transfers from what's called construction work in progress to utility plant and surface. Although we do that throughout the year, and we'll also be [inaudible 00:31:23] up to a final depreciation number.

Rochelle:

On the non-utility land, just want to mention there that that small year over year increase is due to the DePodesta and the Hendrickson land purchases that were made earlier in the fiscal year. No change in goodwill. Moving down to current assets: here, I just want to mention that you see that there's in cash and cash equivalents, there's a 17.9 million dollar a year over year increase. Please keep in mind that Fiscal ‘19 already reflects the year end disposition. That was done whereas Fiscal ‘20 does not, will be, that needs to go through the approval process. And that's, I believe, the next agenda item. So that's a key driver of the change in cash and cash equivalents as well as I'm just adjusted for the year-end disposition in Fiscal ‘19. We are a bit ahead from a cash and cash receipts year over year.

Rochelle:

The next key item, unless there's any questions, is really unrestricted assets. So it's in the lower left. So restricted assets year over year are down 7.5 million. Here again, Fiscal '19 reflected the year-end disposition and Fiscal '20 doesn't. I will be talking in a couple of minutes about the amount that we're going to be moving into the construction fund, which would fall under our restricted assets. The biggest driver of the change in restricted assets is actually is the construction fund. That's down about 10.3 million a year over year. And, of course, as you know, this is where we fund the capital program out of, the primary place that we fund the capital program out of this fund. The construction fund is made up of both internally-generated fund as well as bond proceeds that we used earlier in the year.

Rochelle:

As we end the year, the bond proceeds have been fully depleted and we've been using internally generated funds for the last several months of the fiscal year. Other drivers of this category is the debt reserve. And I think you're familiar that when we do a new debt financing, as well as now, we do DWSRF financing. We do put money aside for their requirements and our debt reserve. And there's been some other changes of a lesser degree across other areas of our restricted assets. The regulatory assets, this is where our cost of issuance is, as well as our regulatory assets like Hamden remediation, which is still the largest category within our regulatory assets.

Rochelle:

The cost of issuance is actually down about two million and the regulatory assets are down about [unaudible] .4 million, and that makes up the change. The... both the cost of issuance and the regulatory assets we do do amortizations every month, reducing those amounts, and John Hudak and I have been in conversation. We did make a small adjustment to the regulatory asset and liability based on the latest update that he shared on that 4,000,108 and I'll be following up with John regarding some of the ongoing monitoring costs and the best way to handle those.

Rochelle:

The [inaudible 00:08:27], another area I want to bring your attention to is the deferred charge on pension and OPEB. They will be updated based on the 5-31-20 actuarial report. That's part of our process. We do do amortizations throughout the year, but those two categories in particular will be changing based on the actuarial report. Moving on to liabilities on here, just a few key areas to point out. The current revenue bonds are up year over year, keeping in mind that in July of 2019 Fiscal, which is Fiscal '20, we did our 34- series financing. And so that is a key driver of the year over year increase as well as the impact on par value of some of our refinancing that we've done. So that's the key driver there.

Rochelle:

Premiums are down primarily due to amortizations and actually write-offs that are associated with our refinancing. Drinking water is actually, the noncurrent is down slightly year over year. With our drinking-water-state-revolving fund, we actually make principal payments as well as interest payments every month. And for Fiscal Year 20, we actually had one relatively small new drinking-water-state-revolving fund financing. So that's the key driver there. The next two areas, pension liability and OPEB obligation, you see that they're flat year over year. That will change. That will be a result of the 5-30-20 actuarial report and will reflect any updates for our final audited financials.

Rochelle:

Moving down to the current liabilities, you can see that the current portion of our revenue bonds is up year over year. So we're going to be making almost the 19.8 million dollar payment on August 1st. And sort of thinking about some of the economic challenges, I think one of the good things about the general bond resolution is we do make transfers every month. And so even at the end of May, we're very close, just based on how our guidelines work. I have almost all of that payment already sitting in our debt, our reserve funds, our debt service fund. So that's pretty much almost all taken care of, which is good news. The current portion of drinking-water-state-revolving fund, that's up slightly.

Rochelle:

The other probably key area I just wanted to talk to in the current liabilities, you'll see that there's a pretty significant change in the notes payable. So last year in May, we still had the interim financing associated with Great Hill. We actually had two notes, so pretty significant balances. Plus the interim financing associated with the last traunch of AMI. As of the end of May, we do still have two interim financing notes associated with the AMI project. And hopefully in the next couple of months, we'll actually be doing our final traunch of drinking-water-state-revolving fund financing with that fourth and final traunch of the AMI project.

Rochelle:

Just moving on to other categories on the liabilities from restricted assets, it's down about 4.5 million, pretty much just relatively small changes across multiple categories. The other liabilities that you see that is the Hamden, that's our remaining liability associated with Hamden remediation. As I mentioned, we did make a small change on based on the most recent information on the Hamden remediation, and there will be some follow-up, but just about the best way to handle those ongoing monitoring costs. On the deferred inflows, without getting into all the details of how the convoluted pension and OPEB accounting works, those will also be updated based on a 5-31-20 actuarial reports for both pension and OPEB. And so overall, we had net assets increased by 18.8 million. Are there any questions? I was just trying to cover the key items to highlight.

Rochelle:

If there's no questions I would move, Jennifer, you can skip the commentary page, but if you go to page Schedule A-1 and here again, I'm just going to highlight some items, but if there are other questions, definitely ask. So operating revenues are actually off about a million dollars. Keep in mind, this is not cash. This is operating revenue under generally accepted financial reporting, which is actually less than a 1%. You can actually see that from a gross, other proprietary revenue that was considerably over the budget. And that's primarily driven by the lab from a gross revenue perspective, as well as Pipesafe. As far as operating expenses, and I'm going to get into this inner- [crosstalk 00:41:32] detail.

Suzanne:

Rochelle, I'm sorry to interrupt you, but I know you skipped over this other page where you start out with operating revenues, and I just want to know how these two match together. [crosstalk 00:41:44]

Rochelle:

Yeah. Page A-1 is commentary, so instead of going through that I'm just going to talk through that as I walk through, but your question on other net revenue on a page, on that commentary page, it's the net. [crosstalk 00:41:59] So gross versus expenses in this schedule, gross is part of operating revenue and then the expenses are just part of operating expenses.

Suzanne:

I'm not sure I understood what you just said, but that's okay. My question is, is that in the previous one, the commentary, it says that we're going down close to 2% in water usage. So are you saying that based on the fact that that's not gross, that's not a change in the pace, which are [crosstalk 00:42:41] de-escalation of usages?

Rochelle:

Okay. So if you look at on the commentary page, I talk about 2,000,027.

Suzanne:

Right.

Rochelle:

And on 1.7, that's made up of, in the page that Jennifer is showing, it's made up of the 2,000,051, which is mostly metered water revenue. The fire service just being slightly off and then wholesale is slightly up. That's the makeup of the 2,000,207, and then the 1.9% is just metered water.

Suzanne:

Okay. But and how does that compare to the... that we've been talking about water usage going down 1% every year?

Rochelle:

So actually year over year, the... we expected it due to COVID-19, we did expect some additional year over year reduction, but as far as actual bill consumption with metered water revenue, we actually, this year we were running overall a little bit higher than going down the whole 1%.

Suzanne:

Higher than 1% or lower? [crosstalk 00:44:02]

Rochelle:

The reduction is less than 1%.

Suzanne:

Is less than 1%?

Rochelle:

Billed. In billed.

Suzanne:

Okay. All right. So we don't have a trend of it's steadily staying above 1%?

Rochelle:

Not for the bill consumption, but keep in mind, Suzanne, even when we talk about, when we talk about the 1% we're using production indicator billed. This is a bit different, because this is billed what we're actually billing and what we are, what we're earning that we haven't yet billed. So it's definitely a different basis [crosstalk 00:44:44] and we are watching, and I know we'll be talking about this in a bit, but as far as what we're seeing in production, we had anticipated a 5% reduction due to COVID-19. That was our assumption. And so we are monitoring that closely, and we are a little bit better than that 5% expectation since COVID-19 is [inaudible].

Suzanne:

All right, so let me just ask it one other way. So if our production is going down 1% per year in a trend, right, and we're raising rates as we go along, is our revenue making up for the loss of production by staying flat, going up, or going down?

Rochelle:

[inaudible 00:45:38] our meter, our rates, have to make up for the increase in expenses. So the rates tend to go up by more than the production is going down because we have to meet our coverage requirements under our model.

Suzanne:

But in general, are they, so they're generally higher?

Rochelle:

The rates are generally higher because we have to just how, we have to-

Suzanne:

Not the rates, the revenue. [crosstalk 00:46:09] Is that revenue trend in comparison to the usage trend, does the revenue trend stay flat because we raised rates? Does the revenue trend go up? Does the revenue trend go down?

Rochelle:

The revenue trend, generally speaking, goes up.

Suzanne:

Okay.

Rochelle:

It does depend though on, you know, we talk about that 1% year over year decline, but whether it's a big impact and other, there are other anomalies, so it's a long-term trend.

Suzanne:

Sure.

Rochelle:

So you could see, even on the schedule that Jennifer has up, like last year metered water was a hundred million, this year it's like closer to 104. So generally the meter water revenue does have to go up because our expense levels are generally going up.

Suzanne:

Okay. All right. Thank you.

Rochelle:

So an O & M is a down versus budget. That's about a 9% reduction, and I won't get into some more of the details, but I'm sure you'll all recall that keeping expenses low, given COVID-19 and economic uncertainties, you know quite a bit of that was intentional reductions. And then I think also the ability to actually expend, make expenditures and later the COVID-19, and then some other areas which we'll get into a little bit more detail in a minute, but areas like medical, just using that as an example, that did come in less than we had anticipated. I do want to call your attention to the pension expense and OPEB expense lines. We break out the impacts of the accounting E's separate from the operating and maintenance expense. Those two lines are still vying for Fiscal 20. And again, that will be a final year-end entry based on the actuarial report.

Rochelle:

The other thing I want to mention on this page is you can see that interest income is running under, and that is now a combination of the interest in arrears, as well as the interest earnings. The interest rates have definitely, definitely significantly lower than at the time that we did the budget. Then I want to move on to the maintenance test. So Jennifer, if you could just raise the page a little bit. So here to date and this is just to date. So keeping in mind that we're only about two-and-a-half months in to COVID-19 impacts, and there's still quite a bit of uncertainty. We have not seen the severity of what we had anticipated in our cash receipts. Also, just keep perspective, you probably have heard me talk about in the past that May does tend to be a high-cash-receipt month.

Rochelle:

We did experience May being a high cash month. However, looking back at what we... the cash receipts in May in Fiscal ‘18 and Fiscal ‘19, just to give some perspective, the cash in May that we did get as a percent of May billing was about 38%. And in prior years it's been like 3% plus higher. So we are beginning to see some impacts, although at this point, not to the extent that we had conservatively forecasted. We're watching that very closely.

Rochelle:

Interest income is definitely down, not quite to the extent of our forecast, but I will share that the STIFF rates as of yesterday, was like .34 in the original budget. And you'll see that in a minute was based on interest earnings of over 2%. Other net revenue actually did come in better than we had more recently forecasted, including the adjustment that we've talked about related to the lab and the Pipesafe offers are definitely helping to contributing to that higher than forecasted projection. O & M came in lower. So overall we did have a strong end to Fiscal ‘20, and that will put us in a better position, a stronger position financially to address the challenges of Fiscal ‘21. And we'll get into that a little bit more when we go through the year-end disposition.

Suzanne:

That's good news.

Rochelle:

Going on to page, the next page B. Here, I'm just going to highlight some of the key expense items. So payroll, you can see it's one of the bigger underruns. Our head count has remained significantly under what was the Fiscal ‘20 budget. And there were some other factors that are contributing to that as well, but we are considerably under our head count. Employee benefits: I mentioned that is primarily due to lower medical, as well as, and we've talked about this in the past, the mix between active and retiree is also working to our benefit for fiscal ‘20. Some of the other large variances: outside services came in 861,000 under. That is even less than we had anticipated, so that's a contributing factor there. And then unless you have any questions, I won't go through all the details, but overall about 9% under budget and over 1%, I'm sorry, over one million less than what our bottom-up projections had been.

Rochelle:

If there's no questions on that, I'll next get into the capital. So the capital overall, we came in at about like 82%, 82.2% of the budget adjusted for the contingency and excluding state redevelopment. And as you recall, a fair amount of that was intentionally monitoring what we're spending in capital. And then some of it is to do with the projects that were suspended due to COVID-19. And I'm just going to highlight some of the key items. So within the pumping category, one of the big variances is the Lake Gaillard pump station. That's under by over 450,000, and that was due to a manufacturer delay with the supply chain, COVID-19 related. In the treatment category, one of the big variances is the backwash polymer system upgrades. That was almost 300,000 and that was due to the suspension of work at the treatment plant. That's COVID-19 related.

Rochelle:

One of the projects that's actually a little bit over was our well rehabilitations, and there were some just additional work that needed to get done there. Lake Gaillard roof replacements, that's also under due to the suspension of work. Hydrochlorite system at Lake Saltonstall, suspension due to COVID. The chemical treatment also at Lake Saltonstall, that was a suspension due to COVID. The West River, I think we mentioned this at the last quarterly update, that project was under expended, awaiting clarification from DPH regarding the firm capacity at the treatment plant. The West River affluent pipe, again, suspension of work at the water treatment plant.

Rochelle:

[inaudible 00:55:21] the backwash surface wash pump replacement, that's a significant under run. Almost 600,000, that's a result of the suspension at the work at the treatment plant. Going on to transmission and distribution, pipe came in about 758,000. Probably the biggest driver that was main street in Derby. That's under about almost 400,000 and that's primarily a result of DOT design changes and then some scheduling delays and then other pipe projects coming in under budget.

Rochelle:

I just mentioned that meters, you see that that category is under by about 282,000, and that's primarily a result of the suspension of the remaining installations associated with AMI meters. The West River tank painting. You can see that sort of halfway down in transmission and distribution that project is actually over expended. And that's an area that that project has been progressing despite COVID-19.

Rochelle:

Under a general plant, just a few items here to mention the LIMS project, that's a bit under expended. It's a combination of just the timing of contractor invoices, as well as earlier on the projects by additional enhanced scoping that needed to be completed. And for high tech focus, that's under expended and that's primarily due to less than anticipated contractor installations, as well as a salvage credit that we got at the end of the Census contract. So those are the primary drivers of capital, unless there's any questions.

David:

Just a quick question, does this fit in with what we were projecting in terms of what would be carry over and in the new budget?

Rochelle:

So we'll be talking about that in a minute. The carry overs are actually going to be a little higher than what we expected, but we are able to fund that through our year end disposition.

Rochelle:

So this is our investment earnings report. You can see that we originally budgeted the funds that we have in a STIFF of 2.44%. They've consistently been under we're down to that .34%. I would mention that we are trying to manage the movement of monies to try to as best we can make up for the reduction in particular, in the STIFF rate. So even in May, we did have to mature some money to meet upcoming obligations, but we didn't do that until the very end of the month so that we could earn the interest. And really trying to time when we make certain payments.

Rochelle:

I will mention that throughout the year we have been for pre-COVID, we have been transferring over 25 million of money that was sitting in the bank account, each month looking at each month how much we had available sometimes doing mid-month transfers. Also doing things like actually making our transfer for debt service earlier. So it was earning interest for a longer period. And we're going to be continuing to manage the best we can to minimize the impact of the lower interest rates on our interest earnings.

Rochelle:

The second page is just shows from a cash perspective, what the different funds are earning versus the budget. Even though the construction fund doesn't come into play with a maintenance test, we're also watching very closely how much we mature each month. And for the last couple months we've been actually just requesting monies be released for only what we need for each week's funding. So again, we're really trying to monitor and try to preserve as much as possible, our interest income. Are there any questions?

Tony:

Rochelle, are there going to be opportunities for any refinancing, but with the low interest rates?

Rochelle:

I hope so. We're cautiously optimistic. So far what's happening, even with the lower interest, the [inaudible 01:00:46] that issuers are getting are still not favorable, but we have Acacia watching that for us, as well as Piper Jaffrey , who's one of our underwriters is also keeping us apprised. But I'm cautiously optimistic that we'll be able to do a refinancing, which will really help with fiscal ‘21.

Tony:

Okay. Thanks.

Rochelle:

The next item is the year end disposition. So here in ... Jennifer, you might actually want to go to the last page. The last page in the disposition.

Jennifer:

Sorry. I'm not sure what happened. Hold on one second.

Rochelle:

Otherwise I could just talk through it.

Jennifer:

This page? Okay.

Rochelle:

So as I mentioned earlier, just to date, we haven't experienced the severe adverse impact from COVID-19. That doesn't mean that it won't occur later, and we're only about two and a half months in. There's still quite a bit of uncertainty regarding the economic impact, whether or not there'll be a second wave. But because we have not seen that pronounced severe impact, we are ending the year with 14.8 million available for disposition. And that's also driven by, as I mentioned earlier, our O & M expenses coming in even lower than anticipated.

Rochelle:

So what the proposal is, we are proposing to put 8.6 million rounded into the construction fund. And as we talked about, when we went through the revised budget, it was our intent to be able to fund what we expended in April and May. That was a basis for looking at what we would have available in fiscal ‘21 and the early part of fiscal ‘22.

Rochelle:

So we are able to fund that. I'll be talking about in a minute, there are some other critical projects that have come up that we're going to make a proposal to revise the capital budget for. So we'll be able to cover that with about $200,000 to spare. So that's our recommendation to put 8.6 million rounded into the construction fund.

Rochelle:

The other thing that we're able to do is, you probably recall that we said that the non-core billing project would be funded out of the growth fund. And that would've dipped into the current balance in the growth fund of about 5.5 million without counting the interest. And we're able to put in the original estimate of 490,000 for that project, plus another about 250,000 and based on a revised estimate that Prem got, so we're proposing that we'll put 750,000 into the growth fund. We will expect to use that in fiscal ‘21, but at least it won't dip into what the current balance is.

Rochelle:

And then our proposal is to put the remainder into the general fund. And the general fund really allows us to really have maximum flexibility. So for example, if the situation with COVID-19 is consistent with our conservative budget projections, or even if it worsens, I will be able to draw upon that additional monies without it impacting our maintenance tests for fiscal ‘21.

Rochelle:

Alternatively, if the impacts are not as severe, we'll be able to reinstate employee related items that had been suspended. We be able to do that out of the general fund monies, as opposed to a flowing it through our maintenance tests in fiscal ‘21. The other advantage is we can move money from the general fund to the construction fund at any time throughout the year. So if we have an emergency project, that's not within our smaller capital budget for fiscal ‘21, that gives us some flexibility and we can also move money from the general fund to the growth fund.

Rochelle:

So this is the most flexible, but also still keeping it under the general bond resolution. And I think I mentioned at a earlier point, that the comments that we got from Acacia is from a bondholder rating agency perspective. They feel that basically the monies in the growth fund are sort of already outside the general bond resolution. So they're not really available to the bond holders. So we didn't want to put significant more amount of the money in a growth fund at this point, especially since we can move money from the general fund to the growth fund and the general fund will still be available for bondholders.

Rochelle:

So that's our recommendation. You can see that if at the end of fiscal ‘20, if this recommendation is approved, we'll actually have a little over 16 million in the general fund. And again, that will help us weather the challenges of fiscal ‘21. The growth fund would end at about 6.3. But at the end of fiscal ‘21, we'd expect it to go back to the current level. And then for the construction fund, we had actually end fiscal ‘20 at about the same level that we ended fiscal ‘19. And again, all that money needs to fund the capital program up through our next rate application, which is still pretty far out. So that's our recommendation.

Rochelle:

Then Jennifer, if we could go back, we do have a resolutions that need to be approved. So this is the first resolution for the exact amount. The 14.8 million and change going from the revenue fund to the general fund, and then keeping the 5.5 million in the general fund.

Tony:

Entertain a motion to authorize the transfer.

Joe:

So moved.

Tony:

Joe, second.

Kevin:

Second.

Tony:

Kevin. Any discussion? All in favor, aye.

Group:

Aye.

Tony:

Opposed? Next one, Rochelle.

Rochelle:

Yeah, the next one is to move the money into the construction fund from the general fund.

Joe:

So moved.

Tony:

Joe.

Kevin:

Second.

Tony:

Kevin. Any discussion? All in favor, aye.

Group:

Aye.

Rochelle:

The next one is to move from the general fund to the growth fund.

Joe:

So moved.

Tony:

Is there a second?

David:

Second.

Tony:

David. All in favor, aye.

Group:

Aye

Tony:

Opposed? Next one, Rochelle.

Rochelle:

That's it.

Tony:

You don't want to move any more money?

Joe:

Oh, that's it.

Tony:

Oh, thank you, Rochelle. That looks promising.

Rochelle:

I do think it will help us with the challenges ahead.

Tony:

So we got all your resolutions done, Rochelle?

Rochelle:

I have the next ... Within the year end disposition, we have more resolutions with a capital budget.

Tony:

Okay.

Rochelle:

Okay. So Jennifer, if you want to go to, not the letter, not the resolution, but yes, that page. So what we're proposing as far as carryovers, we're proposed thing just under 753,000 as carry overs. You can see a number of the projects are COVID related. Just a small amount related to timing, and then even a smaller amount related to retainage. And I should mention the 753 as well as, Jennifer, if can go down the page some more. No, back. We're also proposing that we're going to add additional monies for municipal pipe, given a known project. We're also proposing to add additional money for Hill Street. And we're also proposing to add a little bit additional money for that Rock Corner satellite system. And 8.6 million that was just approved will cover those projects. And then we're also proposing to increase the amount available for non-core billing, but that will be done out of the growth fund.

Tony:

Okay.

Rochelle:

And then if that's agreeable, the resolution is to allow us to send the revised capital budget to the trustee.

Tony:

Entertain a motion to approve the authorization for the capital budget. [crosstalk 01:11:08] Any discussion? All in favor, aye.

Group:

Aye

Tony:

Opposed? Motion carries. Let's move on.

David:

If I can ask a general question, are we eligible to receive some reimbursement as a political subdivision of the state with regard to expenses related specifically the COVID?

Tony:

I think not, but you want to talk to that Larry?

Larry:

Oh yeah. We're, we're eligible to receive some expenses. We’re keeping track of that and we'll submit an application to the federal government for that. But what we're not eligible for is the payroll protection plan. That we had checked into and we're not eligible for that because we're a political subdivision of the state. So all of that payroll protection money has been unavailable.

Rochelle:

And we've recently got on a FEMA portal. They have electronic processing now to put in COVID related. So we just got set up about a week ago. So we'll be pursuing that.

Tony:

Jennifer, before we go to the committees, can we do the accounts receivable?

Rochelle:

Yes.

Jennifer:

Yep. Give me one second.

Tony:

There you go. Thank you. Rochelle, you want to walk us quickly.?

Rochelle:

Yeah. At first, maybe from a general view that we had actually anticipated from March forward, that there would be even a more significant increase in AR. And we've seen basically a moderate increase, a few percentage points. So that's good news. I think you're aware that we are not doing any proactive collections at this point. So that means that we're not putting on any more receiverships or any more liens. So actually when somebody pays, which is actually good news, there's not any activity currently occurring to, we don't put on more receiverships or more liens.

Rochelle:

Having said that there are drivers that cause, for example, in the earlier timeframe to be over that 25% target. I think Linda in a minute is going to talk about some of those drivers. But I do want to mention also some of the things that are planned. So one of the items that is planned is to do like soft reminder letters. So even though we can't do proactive collections, we can do soft reminder letters. That letter is being revised with the idea that we're going to include in that letter our changes to our affordability program for both the residential, as well as the program for the small commercial and industrial.

Rochelle:

And then when we start proactive collections again, in addition to working the receiverships in the liens, there is a plan to do what I would call like strategic collection activity, where we're really looking at by customer class and by customer where some of the larger balances are, so we can really focus on getting the biggest bang for our buck, with our collection activity. I understand that there's some plans to do some reorganization that will help with a collection effort. We also are working towards some additional reports that would actually give us even more granular information regarding where the balances are between active accounts and inactive accounts.

Rochelle:

So I think, overall given the COVID-19, we really haven't seen, so far and it's still early, the significant increase that we had anticipated. And I think Linda, you were going to talk a little bit about some of the challenges earlier in the fiscal year?

Linda:

Yeah. I think when you look at the receiverships, the court system is manual and they couldn't take the volume of receiverships we wanted to bring in because it was too voluminous for them to process. So they limited us to once a month and limited the number of receiverships we could actually bring in. Fortunately, the court system has gotten more automated and we will be able to hopefully as the year goes on and when we're able to bring receiverships back in, be able to bring in a few more because they're more automated and they'll be able to handle it.

Linda:

The more challenging part of receiverships. I think we're going to find going on is if the customer does not come into the court room, the judge, and they have been very lenient and with COVID-19, customers may not be willing to go into the court system. So they'll just postpone it. So we could, we could see delays and future receiverships just because of the COVID-19 situation. Pardon?

Tony:

Sorry, go ahead.

Linda:

No, go ahead.

Tony:

I was wondering if there was any way we can circumvent some of that.

Linda:

Circumvent.

Tony:

How do we get away with not having to put the court in the position around those receivers?

Linda:

Well, that's the only way we're going to ... I mean that with people don't pay, that's one of the methods we can use to bring them in to force them to collect. So that's one of our options to use and that's the process we must follow.

Tony:

Okay.

Linda:

Go ahead.

Kevin:

Yeah, I think Tony, just to comment on that, just generally speaking, I think it'll be a much longer lag time for collection, and eventually the courts will actually function again and you'll be able to move forward with these cases. But people will be able to take advantage of this for a significant period of time because they're still ironing out how do they, how do they hold zoom meetings? Or how do they address people not showing up? And so on and so forth. So I think you just have to be prepared that it's going to take a much longer time for it to happen, but eventually the courts will get their act together and it'll get back on track. Nobody can answer the question when yet though.

Tony:

So early fall is a hope?

Linda:

I believe so. I mean, I think Rachel at Murtha had thought, well, maybe it may start up in September, but again, as Kevin mentioned, given the delays because people may not show up or whatever the process may be. If we have a phase two, we have no idea.

Tony:

Okay. Thank you

Linda:

With respect to liens. We've had some process improvements. We're just trying to finalize now whereby we are going to automate the process so that we can see instead of manually researching who would be eligible for the lien process, we'll be having more report driven, system driven information. So when we get back on track and begin again with the shuts, we can also again begin with the liens. We're thinking we're not going to be able to really begin the lien process again until January-ish. But at least maybe we'll have a better process for that when that time comes.

Joe:

What do you lien? What amount of build would you lien?

Linda:

I think the minimum is like, they look at a thousand dollars balances.

Joe:

Because under that it costs you more to do the lien than to collect. Yeah.

Linda:

Yeah.

Tony:

So it's a thousand dollars.

Linda:

I believe. So I can get you the exact number. I know we probably could go lower, but sometimes it's just not worth it.

Joe:

Right. What about the multifamily?

Linda:

The multifamily, well that's in the receiverships. I mean-

Joe:

Okay. So those go into receivership.

Linda:

Yeah.

Joe:

You can't lien the property?

Linda:

As part of receiverships, liens lots of times come with it. So yes.

Joe:

Good.

Linda:

But we either put them in one category or the other.

Rochelle:

Right. They can't be in both.

Linda:

They could conceivably have [crosstalk 01:20:06], but we can't put it in both categories. So they're in one versus the other.

Joe:

Right. Okay.

Linda:

And also with collections, Rochelle mentioned this, we are going to try to start to put together a little team within customer service to focus on collections. What we were doing was focusing on implausibles and outsourced, meaning we had had about 3000 daily bills that didn't get out the door because they had to be worked and reviewed. Our focus was getting those bills out the door so we could get the cash in. So now that we've done much better with that. There's not there's approximately on average 500 a day, so we're much lower. So this is good. So now we're going to flip our focus to collections. So that's more to come, but again, that'll wait for when we can get back into the whole sort of not dunning, but dunning and also shutting and that kind of thing. So it's a little bit of hold for that. And the last thing we have is a resource issue in customer service. And we're working on that with HR and trying to work internally on trying to make that a better situation.

Tony:

Thank you, Linda. And thank you, Rochelle. That's helpful, it gives us a picture that things aren't quite going as badly as we feared as they were.

Linda:

Yeah.

Tony:

Thanks. Can we move on now to, what I want to do is just go through the committee assignments and then we'll take a brief break. Okay? On the reporting of the June committee, let's see. Joe, did you go to the Finance?

Joe:

I did. I didn't go to it, but I was there by Zoom. I Zoomed it.

Tony:

Yeah.

Joe:

There was discussion and presentation by management on the interest deferment that we're, I guess tonight will be before the RPB. And then they went through the RPB approved projects and that was pretty much it.

Tony:

Thank you. David, Land Use on the 10th?

David:

Yes. I Zoomed in on them and they approved both of the applications we had before them. Non-substantial land use plan amendments and those are two items on the RPB's agenda tonight as well.

Tony:

Thank you. Kevin, the Consumer Affairs on the 15th?

Kevin:

Yeah, I apologize. I actually Zoomed in on the Finance Committee and wondered why Joe was at the meeting too, because I thought I was covering the Finance Committee this month. So I did not attend the consumer affairs meeting this week.

Tony:

Okay.

Linda:

We also talked about the deferred interest program.

Joe:

Okay.

Tony:

Thanks. I assume that everybody was talking about the same stuff. All right. Let's look on to July and the stake assignments, a Finance Committee on July 13th.

Joe:

I'll take that.

Tony:

Who's that?

Joe:

Joe.

Tony:

Joe. Land use on July 8th?

David:

I can do that.

Tony:

David. Consumer Affairs on July 20?

Kevin:

I can do that.

Tony:

Kevin. Finance on August 10th?

David:

I can do that. I haven't done finance in a while.

Tony:

David. Okay. Land use on August 12th.

Suzanne:

Hi. Can you hear me?

Tony:

Yes.

Suzanne:

Oh great. August 12th. I'll take it.

Tony:

Thank you Sue. Consumer Affairs on August 17th?

Joe:

I'll take it.

Tony:

Joe. Finance on September 14?

Kevin:

I can do that.

Tony:

That's Kevin?

Kevin:

Yes.

Tony:

And Land Use on September 9th?

David:

I can do it if needed, but it'll be two in a row for...

Suzanne:

Yeah, I can do it.

Tony:

Sue, you can do it.

David:

And I'll do Consumer Affairs.

Tony:

David, thank you very much. Okay. Thank you guys. Let's take five minutes and come back and we'll move into updates. Yep. Okay. Thanks.

Tony:

Okay. Oh, I'm sorry. We have to wait for Suzanne.

Suzanne:

Suzanne's here.

Tony:

Oh, good. Thanks. Okay. Let's move on then. Larry, you want to do updates with Beth?

Beth:

Larry, you're on mute.

Tony:

Larry? Hi. You're on mute.

Larry:

Yes, I'm on mute.

Tony:

You know, that was the most brilliant conversation we've had with you.

Larry:

Thank you all for your understanding, I had a senior moment. Yeah, so we'll do some of our standard updates. This will be with all of with members of the leadership team as well. So Beth will kick it off with a COVID-19 update.

Joe:

Through foursquare?

Kevin:

Foursquare, that's right.

Beth:

Oh, I forgot. I should have done a foursquare Joe, I'm sorry. You're missing it.

Joe:

Yeah.

Beth:

Well, the good news about COVID-19 is we currently have zero employees sick from COVID or in isolation. So we've been doing really well with that, which is really good news. From a supply perspective, we've seen no interruption in any of our deliveries of chemicals or other critical equipment. We have PPE, we're equipped with masks, N95 respirators and the like, so we're faring the storm pretty well. Janine and I have been working with a task force and we're calling it our return to work committee. If you remember, last month we showed kind of a very high level overview of our phases. And with Larry's last message he forwarded to the board earlier this week, you can see some of those dates.

Beth:

Phase one would be our first kind of soft opening with limited staff returning to work. And we're focusing on those staff that are having issues at home with either connectivity or technology and people that really need to be in the building to work. So that first phase is scheduled for the end of June. As we prep for that, we've been modifying our building, we've been doing things like installing touchless faucets, working on reviewing workspaces where we can't keep six feet apart, to install separations there. We're also looking at occupancy of conference rooms and editing those and just overall making sure that the building is prepared to have a few more people in it, starting the end of June.

Beth:

The other thing that we're doing, and Janine and Phil Vece have been working on this, is what we're calling an employee playbook and a training resource. So it's a quick guide for employees to understand kind of the rules of the road as they're working within the building, that we're continuing to wear masks as we're walking through the building in common areas, reminders about conference room and still promoting telephone meetings and Zoom meetings and all the like. So that's something that will accompany and we'll kind of welcome our workforce back with that. We're also working on making sure that people have the two face coverings as well as some hand sanitizer. And I think I heard some mints will be thrown in the bag as a welcome back, but the other news is that, 90 Sargent Drive will still remain closed to the public. We're going to watch this and monitor this as we move on through our phases. So as I said, the first phase is slated for the end of June. Our second phase will be end of July. And then our third phase will be after Labor Day. So some of the statistics we'll watch is obviously what's going on outside our four walls in terms of hospitalizations and cases, but more importantly, watch within our four walls around if we do see any kind of uptick in terms of sicknesses. Other than that-

Joe:

On phase one, how many are returning to work?

Beth:

I'd say we'll have another dozen people returning. Right now we have a lot of people part-time reporting. So where people are coming in a few days a week, so we'll probably add another dozen people to that list. So we'll probably have 40 to 50 people in the building, perhaps any one time when we're usually over a hundred. So it's still a pretty small percentage. The rest of the employees are working remotely.

Joe:

And phase two and three, we'll do what?

Beth:

We'll continue to add more kind of part time reporting, but really Joe, we're trying to, if we have the ability to work from home and technology is working for us and we're accomplishing our objectives, we're encouraging people to keep to that. Whereas, if they need to come into the office for printing or scanning or other things they can't do at home, let's do that on a limited basis.

Joe:

So even if there was no more COVID-19, we may still do some work at home?

Beth:

Yes.

Joe:

Frees up a lot of space, for one thing.

Beth:

Yes, it does. And like we mentioned, even as we're looking at our EOC plans and how many people we need to put where if 90 Sargent was hit by a hurricane, it makes it a lot easier when we don't have to move as many people.

Joe:

Right.

Beth:

So yeah. We're taking advantage of that.

Joe:

Good.

Beth:

Some of the other things just from a customer service policy, and Linda and I talked about this, is that, as we mentioned last month, we're looking at expanding our residential assistance program to add a small commercial and industrial grant option for non-essential businesses, primarily that were closed for COVID as well as those essential businesses that could provide documentation of impacts from COVID. So that's something new, but other than that, steady as she goes, and we're making a lot of water, so that's good.

Joe:

We got to sell it.

Linda:

That's right. Oh, they have to pay for it [crosstalk 01:30:16]-

Rochelle:

Yeah, sell and pay for it. Bill it and pay for it.

Larry:

Okay. So if there's no questions on that, I thought I'd have Rochelle run through our COVID-19 dashboard that we've created to monitor the business. This is for the first two weeks of June, ending June 13, so Rochelle I'll turn it over to you.

Rochelle:

Okay. So on this dashboard, as you know, a key driver is water collections. And so the good news, although again it's still early, is through June 12th we were ahead of our COVID-19 projections for the month. We're running ahead about 840,000. But just to put that in perspective, and we're actually looking at what our original budget was versus what our revised budget was so we could really see how we're doing. And for the perspective, I mean, our revised budget's like $2 million less than what it would have been otherwise. So although we're ahead, which is good news, we're still not quite where we would have been. I will mention, as we're talking about water collections, we are assuming, we did assume for the month of June that Yale, our largest customer, would pay. So there was a lot of effort to make sure that the Yale collected bill went out.

Rochelle:

And I just heard today that they did actually make a payment that's being posted that's not reflected here, but again, the good news is we are at this point ahead. And you might recall, last month I talked to you about even being concerned about having to do the first draw from our discretionary funds in June, just because the dynamics of how that works. So I'm cautiously optimistic, that we won't have to do that. The other thing that you see on the dashboard here is we're monitoring our production and production through the end of June 12th is actually up. [inaudible 01:32:32] production is actually quite a bit higher than the prior year. So we're watching that closely as well. We're trying to balance that also with what's happening with a rainfall, it's hard to think back, was last June wet and cool versus now more dryer and hotter. So those are all the dynamics there. We're also looking at consumption by week, but more importantly, we'll be looking at consumption for the fiscal month, as well as the fiscal year.

Tony:

Rochelle and Linda, have you noticed significant drop off in our water use because the colleges weren't in session?

Rochelle:

So what's interesting is, on a preliminary basis, it looks like, yes, Yale is down. I know the Yale bill was actually lower than what we had budgeted, but overall it's so far, not as severe as what we had anticipated.

Tony:

Okay.

Rochelle:

I think the fact that we're highly residential is actually helping us quite a bit.

Tony:

Turning on all the faucets in the college has helped a lot.

Linda:

Well, I think everybody home is helping a lot [crosstalk 01:34:02]-

Rochelle:

Helping to offset. Yeah.

Tony:

They're offsetting it.

Rochelle:

Yes.

Tony:

So far.

Larry:

One of the things that we are struggling with is that, as you know, we reduced our budget and as Rochelle said, we revised our budget to, it's $2 million less than the original budget. And took all of these actions to preserve cash to weather, what could be a very rocky time because of COVID-19. The problem is, some of the employees see that our water production is up year over year, and they're saying, "Well, what's the big deal, we're pumping water, we're producing more than what we did," but they don't understand that the key to that is A, getting paid for it. And that we're only, roughly what, six weeks, maybe two months into the... Yeah, two months into the COVID pandemic, so we haven't really seen the impact of that. And we really don't know after a full quarter of billing for water, whether we're going to get paid for all of that or whether it'll equal our normal collection rates. So it's a [crosstalk 01:35:13] pardon?

Tony:

Talk to me again in September, right?

Larry:

Right. Exactly.

Rochelle:

Even December, because keep in mind when we did the revised budget, we also assumed that the latter part of the fiscal year, we would make up for losses, loss in cash receipts that we had earlier in the year. So we're trying to watch this very closely.

Tony:

Okay. I like that. This is a nice dashboard, can actually understand something.

Larry:

All right. Well, we'll continue to provide that on a monthly basis just so you can see what we're seeing about how the business is doing. So you'll be getting a dashboard that is up to date for the first two weeks of the month that we're meeting in.

Tony:

Thanks.

Suzanne:

Next item is, I know Ted had sent out to you a presentation that John Triana had presented at the Land Use committee. And I thought maybe he just might provide a little more detail, backfill detail, on that in terms of our recreation permit program, because we have had a real effort to try and increase the permit holders and therefore the revenues of the program. And while obviously COVID has had something to do with that, we have been making progress. So Ted?

Ted:

Yeah. Glad to do that. So the presentation that I sent you kind of described the unprecedented increases in the number of permit holders that began in March and continued through May. In fact, at the end of May, we had almost 5,200 permit [inaudible 01:36:59] as compared to an average about 4,000 during the last three years.

Ted:

Most of the increase was from the new permit sales, about 746 for new permits. And then the rest were from, went up 200 or so from renewals. But what this meant in terms of the budget, revenues in May were about $35,000, as compared to the three Mays prior to that of $11,000. So just a tremendous increase. Matter of fact, John Triana who has been tracking this for a while, has never seen these kind of numbers since he's had the recreation program and before. As Larry talked about, there's been some marketing that has gone along with this. Certainly the increases are related to the cabin fever aspect of people wanting to get out during the crisis, the pandemic, but also we've done some marketing and interesting marketing and then good marketing. One of them was the digital billboard on I-95 South in New Haven near Carmax, that was launched in March, to promote the 2020 fishing season, as well as the recreation program. It did both, and it gave our website for the rec program.

Ted:

Also on the recreation page website, we offer now, and been offering since March, a 20% off coupon that can be used when purchasing a permit. So a lot of people have been taking advantage of that every single day in May, between nine and 28 people actually picked up and use that permit. And another one that has been really interesting, at Saltonstall and Maltby, when people have been coming in without permits, the folks there have been saying, "You can't enter, but if you have a smartphone you can buy your permit right now on your smartphone. And show me the permit, now you can download the maps and everything else," and those sales have been crazy. There's a line for people to get in to actually do this, [inaudible 01:39:03] to get the help from the folks. So it has been going really well.

Ted:

The staff really like that. So it's been wonderful to see so many people using our recreation areas to kind of cope with what's going on with the COVID crisis. And now we're looking at, how can we retain these new permittees. This is the time of year that the actual usage, because the drop as it gets hot and humid, and the insects began to get out, you definitely see a drop off. But one bright spot now is that we have held off doing the boat rental program at Lake Saltonstall. We are now, with Jeanine's help in getting some additional part temporary staff, part time staff in the rec program. We will be looking to relaunch the boat rental program by about the middle of July, a lot of fishermen have been asking for that. So there's a tremendous amount of demand for that as we head into the summer. That's my report.

Tony:

Thanks Ted.

Joe:

Sounds good.

Tony:

Jennifer, can we get Tony off before we go into executive session? I don't know if he's hiding or not.

Larry:

I have one more item to report on.

Tony:

Okay Larry, sorry.

Larry:

It's okay. Is Tony Rescigno on the line?

Tony:

He is still there, technically.

Larry:

All right.

Jennifer:

Tony? Yeah, he's here.

Larry:

Okay. Well, reason I ask is that-

Tony:

There he is.

Larry:

... I met earlier this week with Ellen Durnin, who is the Dean of the School of Business at Southern Connecticut State University. And she provided us with her quarterly report on how the public utility management program was faring and really some great news to share. They have 19 full time students enrolled in the fiscal 2021 academic year, 14 of which are freshmen. And that has gone from essentially zero a year ago to almost 20 students in the next academic year.

Tony R.:

Hey Larry, I have been on the line. I just was on muted. So I was muted at the time, but I am here. Tony Rescigno.

Larry:

Oh, okay. Great. Great. Well, I've-

Tony R.:

Heard the report.

Larry:

Yeah. Okay, good. So feel free to chime in Tony, since you're the executive in residence there for the School of Business. So the good news is, is that they've been doing a lot of recruitment. And even though in-person recruitment had been canceled, they have switched that to alternative virtual activities. They've done an online video that they played for all of the admitted students on the first day of the school year about the public utility management program. They had a career day at the Chamber of Commerce Internship Fair. Jim Flynn is working with the school and he has been helping them with marketing. He attended the career fair and presented a program. They had an informational luncheon session for current students, and they are developing marketing literature and documents for students. For the spring fiscal year, they're offering two management classes out of the program. And in the fall, they've got four management and other types of classes.

Larry:

And they've hired a new professor strictly to teach in the program who has a utility background. So lots of good things happening there. They're doing a great job recruiting students and marketing the program. And the last thing she reported is that they are starting a freshmen introductory course in the fall of 2020 on conscious capitalism, which we had been talking to them about doing, and they're going to proceed with that to give students an overview of that particular business philosophy. So school is doing a lot of great things. Tony, you want to add anything to that?

Tony R.:

Just that we appreciate very much Larry your suggestion about maybe going after some other utility companies to see whether they want to do some contributing to this program where we can really sort of accelerate it and get more promotionals work done. So we'll see how that pans out. But yeah, I can tell you from the Dean's point of view, she's extremely pleased with the way this is progressing. So thanks a lot to your dream about all of this.

Larry:

And thank you, Tony. And the last thing is, is that when the program was approved by the Board of Regents three years ago, they were given an interim certification. So this year they're up for review for a final certification. And the Dean feels confident that they'll get approval for this to be a regular degree program at the school.

Tony:

Always amazing to me when things go as you plan them to.

Larry:

It is amazing. Linda, do you want to add anything to that?

Linda:

Yeah. I was thinking of the certification and you just added it in. One of the other reasons why she thinks it's going to be successful is sometimes these new programs come in and there aren't very many students at all, having 19 enrolled is a real plus. So she thinks that they should sail through certification.

Tony:

Thank you, Larry. Thank you, Tony. We're going to go off into executive session. Nice to see you.

Tony R.:

So am I finished?

Tony:

Yes you are. You've been holding on for years.

Tony R.:

Take care you guys.

Tony:

Thank you, Tony. [Crosstalk 01:45:23] All right. I'll entertain a motion to go into executive session.

Suzanne:

So moved

Tony:

Is there a second?

Kevin:

Second.

Tony:

All in favor, aye.

Kevin:

Aye.

[EXECUTIVE SESSION 2:21 P.M. TO 2:35 P.M.]

Adjourn at 2:35 p.m.