

**Representative Policy Board  
Finance Committee  
South Central Connecticut Regional Water District  
Via Remote Access\*\***

**AGENDA**

**Regular Meeting of Monday, August 10, 2020 at 5:00 p.m.**

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1. Safety Moment
2. Approval of Minutes – July 13 , 2020 meeting
3. Input for Ten Year Model Scenarios
4. New Business
5. Adjourn

**Note:** As a reminder, the next meeting of the Finance Committee will be held on Monday, September 14, 2020 at 5:00 p.m. (regular meeting).

<p><b>**</b>In accordance with the Governor Lamont's, Executive Order No. 7B for the Protection of Public Health and Safety during COVID-19 Pandemic and Response, the public hearing will be held remotely under the requirements of Paragraph 1 of Executive Order No. 7B - Suspension of In-Person Open Meeting Requirements. Members of the public may attend the meeting via conference call, videoconference or other technology. For information on attending the meeting via remote access, and to view meeting documents, please visit <a href="https://www.rwater.com/about-us/our-boards/board-meetings-minutes?year=2020&amp;category=1435&amp;meettype=&amp;page=">https://www.rwater.com/about-us/our-boards/board-meetings-minutes?year=2020&amp;category=1435&amp;meettype=&amp;page=</a>. For questions, contact the board office at <a href="mailto:jslubowski@rwater.com">jslubowski@rwater.com</a> or call 203-401-2515.</p>
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**Topic: RPB Finance Committee Meeting**

Time: Aug 10, 2020 05:00 PM Eastern Time (US and Canada)

Join Meeting *(via conference call)*

Dial by your location

+1 312 626 6799 US (Chicago)

+1 646 876 9923 US (New York)

+1 301 715 8592 US (Germantown)

+1 253 215 8782 US (Tacoma)

+1 346 248 7799 US (Houston)

+1 408 638 0968 US (San Jose)

+1 669 900 6833 US (San Jose)

Meeting ID: 897 5337 3980

Passcode: 050105

Find your local number: <https://us02web.zoom.us/j/keAVIk0v1L>

# SAFETY MOMENT

## AUGUST – HEAT ILLNESS PREVENTION

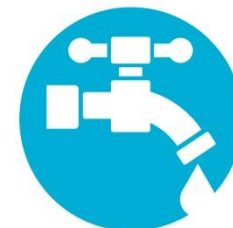
As the summer progresses, the possibility of heat related illness increases. Below are signs and symptoms of heat related illnesses, and methods to prevent them.

**Heat Cramps** are painful muscle spasms caused by sweating while performing strenuous physical labor in a hot environment. To prevent heat cramps eat regular light meals and stay hydrated.

**Heat Exhaustion** is the body's response to an extensive loss of water and salt, usually through excessive sweating. Symptoms include: extreme weakness and fatigue, dizziness, confusion, nausea, clammy moist skin, pale or flushed complexion, elevated body temperature, and fast and shallow breathing. To prevent heat exhaustion rest in a cool, shaded or air-conditioned area, cool down with wet towels or water spray and drink plenty of water or other cool, non-alcoholic beverage.

**Heat Stroke** is the most serious heat-related disorder. It occurs when the body becomes unable to control its temperature. When heat stroke occurs, the body temperature can rise to 106 degrees or higher within 10 to 15 minutes. Symptoms include: hot, dry skin, hallucinations, chills, headache, high body temperature, confusion and slurred speech. To prevent heat stroke move to a cool shaded area, soak clothes with cold water, use fans, use ice packs or ice under the arms, offer water if the person is conscious.

Tap Into  
Safety



Regional Water Authority



Service – Teamwork – Accountability – Respect – Safety

 Regional Water Authority

**Ten-Year Model - Scenario Discussion**  
**RPB Finance Committee**  
**August 10, 2020**



# Model Scenarios – For Discussion

## Focused on:

- Depreciation
- Coverage
- Pension
- Other Post Employment Benefits (“OPEB”)
- Non-Core
- Water Revenue Decline
- Reserve Fund Balances

## Considerations:

- Affordability/Rates
- Capital Requirements
- Allocation of Pension Contribution Reduction
- Impacts of COVID-19

# 2019 Model Scenarios

**Scenarios primarily related to varying level of capital expenditures and depreciation as well as scenarios related to pension and opeb contributions. Recommended scenarios**

- **Scenario #1:Base case**

General & Rate Stabilization Funds each at \$10 million, Growth Fund at then current level, coverage at 114%, Pension fully funded during fiscal 2025 (vs. at end of 2023)

- **Scenario #2: Increase pension contribution**

Pension contribution increased to achieve fully funded level by the end of fiscal 2023

- **Scenario #3: Increase depreciation**

Depreciation increase \$1.5m (7/22 & 1/24), \$1.75m (7/25 & 1/27), and \$2m (7/28)

- **Scenario #4: Allocation of reduction in pension contribution**

Allocated 35% to OPEB/65% depreciation. Recommend partial allocation to depreciation

- **Recommended - Scenario #5: Jan. 2021 rate increase Under 7%**

Y/Y increase in O&M 1% & capital reduction of \$1.5 million to keep increase under 7%



# 2019 Model Scenarios (cont.)

- **Scenario #6: Capital expenditure increase**  
10% increase Jan. 2021 and beyond
- **Recommended - Scenario #7: Capital expenditure decrease**  
10% decrease Jan. 2021 and beyond. Further analysis/risk assessment needed
- **Scenario #8: Capital expenditure increase**  
\$15m increase in Jan 2024 case (infrastructure or technology)
- **Scenario #9: Capital timing**  
Capital expenditures timed for available year-end dispositions (July vs. Jan. cases)
- **Scenario #10: Increase depreciation \$500k over Scenario #3**  
Depreciation \$2.0m (7/22 & 1/24), \$2.25m (7/25 & 1/27), and \$2.5m (7/28)

# Your Thoughts and Comments





# APPENDIX

# 2018 and 2017 Model Scenarios

- **Scenario #1: Base case**

General & Rate Stabilization Funds each at \$10 million, Growth Fund at then current level, coverage at 114%

- **Scenario #2: Increase depreciation**

\$250,000 cumulative depreciation increase (e.g., \$1.5 million, \$1.75 million, \$2 million)

- **Scenario #3: Increase coverage and depreciation**

Coverage to 115% and subsequent \$1.5 million depreciation increase per rate application

- **Scenario #4: Increase OPEB contribution by amount of FY2024 pension reduction**

- **Scenario #5: Same as #4 except allocated between OPEB and depreciation**

- **Scenario #6: Increase in coverage**

1% in next rate application and 1% in subsequent

- **Scenario #7: Increase in pension**

Expense/contribution sensitivity

- **Scenario #8: Additional revenue decline pension**

Revenue sensitivity

- **Additional Sensitivity – to demonstrate achievement of same results (e.g., internal generation of funds and rates) as Scenario #6 through depreciation**

# 2016 Model Scenarios – Focused on Non-core

- **Scenario #1: Base case**

General & Rate Stabilization Funds each at \$10 million, General Fund – Corp. Development at \$2.465 million, coverage at 114%

- **Scenario #2: “Non-core” organic growth**

Y/Y increasing additional net revenue (\$5.4 million incremental increase by tenth year)

- **Scenario #3: Scenario #2 w/net revenue fluctuations**

Up to \$1 million Y/Y fluctuations up and down

- **Scenario #4: Acquisition of a company for \$20 million**

Rule of thumb used for acquisition price and net income, financed w/subordinate debt, General Fund – Corp. Development used for reserve requirements

- **Scenario #5: Acquisition unsuccessful**

Scenario #4 w/reduction in profits – 50% in FY19 and no profits in FY20 and beyond

- **Scenario #6: Investment**

Investment of \$5 million in FY18, financed by Corp. Development Fund and subordinate debt, assumed \$750k net revenues beginning FY2022