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

Monday, November 9, 2020 at 5:00 p.m.
Meeting Transcription

ATTENDEES:	**Finance Committee Members:** Tom Clifford, Charles Havrda, Jay Jaser, Vincent Marino, Tim Slocum and Michelle Verderame
	RPB: Bob Harvey, Mike Horbal, Greg Malloy, Tony Rescigno and Jamie Mowat Young
	Management: Larry Bingaman, Beth Nesteriak and Rochelle Kowalski
	OCA: Jeffrey Donofrio
	Staff: Jennifer Slubowski

Tim:

My atomic clock says 5:00 and Mr. Harvey has joined us. We have all members present, I believe.

Jennifer:

I think everybody's here from the committee.

Tim:

Okay, so that means we have Tom, we have Charles, we have Jay, we have Ben, we have Tim, and Michelle. We have Rochelle. Who else do we have?

Tim:

[crosstalk 00:02:30]

Tim:

And Mr. [Signo 00:02:33]. Thank you, sir.

Tim:

Okay, here we go guys. I wanted to introduce us first of all to the finance committee meeting of November 9, but also to advise members and presenters that we are being recorded and the transcript is being posted on the website.

Tim:

Not sure this is a change, but it was just maybe the first time we've been reminding our members, who are always polite, civil, and very informative.

Tim:

That being said, I'm going to move us on to our safety moment. Safety moment had something to do with Standard and Daylight Savings Time and I think all of us recognized it was time for a time change. It's getting darker earlier and lighter later and all of that good stuff. Take note of those safety things to consider.

Tim:

I will share a really weird and strange story. There's a guy siding my house and he was on the Merritt Parkway the other day, Friday night and he was the fifth car to run over a person who had been driving a motorcycle and somehow messed up on the Merritt Parkway and it was in that dusky hour. It was not his fault or any of the others fault, but it was an awful situation. Something that happens in the dark and something that is awful and he was okay siding my house today. But the other guy didn't make it.

Tim:

Anyway, moving past that rather morbid story, you may have heard about it, it was Friday night, happened on the Merritt Parkway.

Tim:

Anyway, to make a long story short, we're ending with that story and we'll move on to the presentation of the 10 year financial model. Rochelle's going to lead us on that.

Tim:

Rochelle, just a question, you did provide us with two documents. One is very much I would consider a deep dive. Is that correct? That's sort of your backup to your presentation?

Rochelle:

That is correct.

Tim:

Okay, fine. Because I think your presentation will be much more malleable for us to handle.

Tim:

With that, do we want to do that or get into the approval of the minutes just to get it past us?

Tim:

I guess we'll start where we have to start. We'll start with you, Rochelle. Take off.

Rochelle:

Actually, Larry's going to do a brief introduction.

Tim:

Okay, great. Thank you, Larry and Rochelle.

Larry:

Yeah, I want to make a couple of points on the agenda, which in reviewing the 10 year [inaudible 00:05:02], Rochelle's going to look at looking at something a little different this time. Last year, we had a base case and then we started modifying that. This year, we're starting off with a modified base case that actually has a rate increase projected at being less than 7%, but then we also are including a targeted rate case, which has an increase at less than 6 1/2%. That presents some challenges, but Rochelle will go through that.

Larry:

In terms of the capital planning update, we took a holistic view of our capital plan and Ted Norris and Beth Nesteriak and Lisa Burns, who's our new Director of Operations did a full review of the 10 year capital improvement plan and looked at it, not only from the standpoint of the three Rs, which is risk, resiliency, and redundancy, but also are there ways to bundle projects that make more sense in terms of bringing larger projects to the RPB, but it gets more done using essentially the same amount of resources. That's something that we'll talk about a little bit.

Larry:

The other key thing is that not all of our technology projects are included in the 10 year plan, because at this point in time, they are uncertain.

Larry:

Then Rochelle will talk about our leverage and how we plan on decreasing that. I won't steal her thunder there, but there's some good news.

Larry:

Then looking at the opportunities and vulnerabilities that can either mitigate a rate case or might have an impact upon it going forward.

Larry:

Then she'll wrap it up with some reviewing various scenarios with some recommendations and additional sensitivities and then outline the next steps.

Larry:

With that Rochelle, I'll let you take it from there.

Tim:

Larry, if I may just ask a quick question before we dive into this. At our last meeting, you presented some numbers that were a lot brighter than maybe predicted. Is that how some of this is being advanced, based on a bit of a rosier picture, or are we still working on a COVID nightmare scenario, how is this going forward in your planning?

Rochelle:

You want me to answer that?

Tim:

Yes.

Rochelle:

What you're going to see is based on a update to our projection for fiscal '21. It was based on our projection after we had September results so it is a rosier picture than what the budget was, but it does still have a draw that we will continue to need to mitigate, but it's definitely an update from what the fiscal '21 budget was and that's been incorporated.

Tim:

You'd probably describe that as a wise look going forward? Basically. Have a little caution in it?

Rochelle:

Prudence.

Tim:

Prudence, that's the word. Okay, go ahead. Go ahead with your thunder.

Rochelle:

In the first page, I just wanted to review what the assumptions were. What we refer to as a modified base case, which is a case that Larry mentioned was modified to get it under 7% so just to share with you, had we not made adjustments, we would have been about 7.8% for the water rate and just over 7% for the overall rate.

Rochelle:

The key assumptions were that the Rate Stabilization Fund stays at 10 million, the General Fund is at approximately at 10 million. I'll get into that in a little bit more detail. The coverage is at 114 and that remains constant through the planning horizon.

Rochelle:

For the Rate Stabilization Fund, even in the years where we do have draws, which we've had in the past with our models, we are assuming that we reimburse the Rate Stabilization Fund to keep that at 10 million throughout the planning horizon. The Growth Fund, you'll see it's utilized for non-core capital projects and the General Fund, and this is a key assumption, the excess in the General Fund over 10 million, you'll see that after we cover the still projected shortfall in fiscal '21, we'll use some of the available excess to offset the upcoming rate increase. I'll get into that in a little bit more detail.

Rochelle:

For the revenue, we're assuming the 1% year over year decline and we're using the original budget to do that because it didn't make sense to use the COVID adjusted consumption budget to project the outer years, nor did it make sense to use even some of what we're seeing in the earlier months that we believe are impacted by COVID as far as actually the increase consumption. To make it consistent, we adjusted the General approximately 1% year over year decline, we went back to the original fiscal '21 quarterly billing budget.

Rochelle:

Also, the non-core reflects just an organic growth so we did not include or even try to model what potential acquisitions will be. Again, just organic growth in the non-core.

Rochelle:

From a financing perspective, we have incorporated projected DWSRF projects where it is almost certain that we will get DWSRF financing. I have five projects, we have the fourth and final traunch of AMI that was built in to make sure that we're covering the expected debit service from that financing and then we have four more projects that we're assuming are DWSRF and that includes the RTU Project, the Seymour Well Field, Brushy Planes Project. We're also assuming that the West River [inaudible 00:11:50] Project will have DWSRF financing as well.

Rochelle:

As Larry mentioned, we've incorporated an updated capital improvement plan, and we're still making the assumption for modeling purposes that rate applications are every 18 months.

Rochelle:

On the expense side, we did use the Congressional Budget Office projections, they were published in 2020 where they do project out over 10 years. There are some exceptions, and that includes and when I get into the details of the base case, I'll speak to this in a little bit more detail, but exceptions include what we assume for pension, what we assume for medical, OPEB contribution, and some other expenses like outside services that we did make some adjustments for.

Rochelle:

Also, what we did in the modified base model different from what we've done in the past, in the year that the pension reaches it's fully funded level, we've built in to increasing the depreciation as well as increasing the amount of the OPEB contribution. In past models, we've made that a scenario, but at least our perception is that we should take that opportunity when the pension gets to a fully funded level, that we should use that opportunity to make an increased contribution to the OPEB as well as use that opportunity to increase depreciation. Again, I'll get into the specifics shortly.

Rochelle:

With that, moving on to the next page, this is where you can see the projected rate increases and the projected rates. A couple things that I'll point out is you can see that the price per gallon remains at approximately a penny over the 10 year planning horizon. You can also see that through fiscal '27, we are projecting that the rate increases would be less than 7%. There is still time to address sort of what you'll see as some of the nuance where fiscal '28 goes up and fiscal '30 goes down, but that's still pretty far off so we'll have an opportunity to address that as the time gets closer.

Rochelle:

The other thing that I want to mention here is the rate in this model, at the end of fiscal '30 is actually slightly lower than what the rate was in last year's model at the end of fiscal '29. There are actually some improvements as far as what we're projecting in our model this year versus last year.

Rochelle:

Moving on to the next page, this is where we're highlighting what the key drivers are of our rate applications. In January of 2022, you can see in the first bar as well as in the pie chart that cash revenues get service and the decline in interest income are actually the primary drivers of the rate increase, but we do need to keep in mind that the last rate increase was effective in July 2019 and now we're going to be 2 1/2 years out from that time. You can see that there's an increase in making up for the year over year decline in revenue as well as increased O&M and the increased financing that we need, but again keeping in mind with the 2 1/2 year gap to have the rate increase at less than 7% in this model, it'd take some doing and some effort to get to that situation.

Rochelle:

I should mention, as I touched upon earlier that we are using, in the January 2022 case, using monies from the General Fund that are over and above the 10 million to help offset the O&M that's in that 2022 case. We're using just under 1.6 million to help offset the increase.

Rochelle:

For the July 2023 case, you can see that O&M is actually one of the drivers, and that is primarily because we don't have, other than a very small amount of still excess money in the General Fund, we don't have monies to offset that increase in O&M and again, the bars show increase versus the prior case. What's driving the revenue requirement? In July 2023, it's O&M and debt service are the primary drivers.

Rochelle:

January 2025, you can see that there's hardly any impact in O&M and that rate application period includes the period that the pension plan should achieve its fully funded level and that's also impacting the July 2026 case.

Rochelle:

Moving on to the next page, this is what Larry had talked about in the introduction. There was a really thorough review of the 10 year capital plan that was used for this model. It incorporates what we're calling the three Rs, risk, resiliency, and redundancy. The Authority had heard a presentation on this at their April meeting, and there's upcoming meetings scheduled for the finance committee as well as the consumer affairs committee to hear that presentation as well.

Rochelle:

The categories that we use to analyze the capital program that supports the model allowed us to look at the capital from multiple perspectives. Not just the traditional categories that we've used in the past, but it was sorted by the source of supply and it was sorted by service area, it was sorted by activity so activity, an example of that is regulatory compliance or upgrade and rehabilitation so it really allowed for more clarity in how the capital dollars are being allocated and being able to look at the allocation from multiple perspectives to ensure that it was meeting the capital dollars were being used to meet multiple objectives.

Rochelle:

As was mentioned earlier, we believe that this new approach will result in more RPB projects because the projects will be more of a broader perspective, more of a system perspective so there'll be larger budgets, there'll be larger contingencies, but we also believe that this approach will result in our ability to bundle, our ability for more coordination of project administration and management that will make the project management more efficient.

Rochelle:

Also, as was mentioned, the capital budget that was used did not include all infrastructure or all technology projects. Some examples are, if there were rehabilitations, but they have a low consequence of failure, they were not included. Technology projects that were not yet definitive or defined were also not included, however the dollars to include critical infrastructure projects and the sequencing, even across the multi-years of the model were well thought out.

Rochelle:

Just the pie chart down below just shows how at a high level the capital dollars that are in this model break out. If there's no questions, I'm going to move on to the next page which shows our leverage trend.

Rochelle:

A couple key things to point out here, you can see that our trend is continuing to go down. We're projecting at the end of 2030 that we'll be at about 75% and this is the debt to the capital ratio and this is adjusted for any unspent bond proceeds because as you know, we have to get our financing in advance of the expenditures.

Rochelle:

The actual percent will be dependent on what the asset mix will be. For example, the shorter lived projects will be depreciating more quickly versus a longer lived project suck as light pipe and some of the infrastructure projects.

Rochelle:

With the capital improvement plan that was utilized, fiscal 2021 the projected debt is projected to be about 554 million including the DWSRF projects, but in fiscal 2030, their projection is it'll actually go down [inaudible 00:21:57], however we are projecting that our debt will actually peak based on this particular model in fiscal 2025.

Speaker 8:

Rochelle, did you mean, is the slide correct at 545 million? You said 554 so are you looking at the slide?

Rochelle:

Yeah, 545 million. Yes. Sorry.

Speaker 8:

No, you're doing a great job. I couldn't keep it all straight.

Rochelle:

Also, the projected depreciation does exceed the projected principal payments by about 2 1/2%, but overall this is a continuation of the slow and steady decline in our leverage. Also, this modified base model does generate internal funds of about 139 million over the 10 year planning horizon and this is also an improvement over what we were projecting for internally generated funds in last years base model.

Rochelle:

Moving on, really the risk and opportunities, the categories can be risk or opportunity so instead of trying to break them apart, we'll just talk through them.

Rochelle:

Regulatory requirements could result in increases to the capital expenditures. DWSRF, the loans and grants, this actually can be an opportunity or it could be a vulnerability. We are making some assumptions regarding the DWSRF projects that will get financed. We are making assumptions about what those interest rates will be and we're making some assumptions about what the grants will be so that can go in either direction.

Rochelle:

The interest rate environment works the same way. If the interest rates are actually a bit lower, that will actually will pass that through via lower rates. Refinancing is definitely an opportunity versus what we have incorporated in the model. We did not build in any additional refinancing, but we are continuing to monitor the situation working with our financial advisor that we work with for our debt financing so we are keeping an eye on potential opportunities for refinancing.

Rochelle:

Another key initiative that we have is actually seeing if we can get grants, especially for the capital improvement program well beyond DWSRF so that's something that is an initiative for fiscal '21 so there could be some opportunities there.

Rochelle:

Operating expense, always like opportunities or vulnerabilities across multiple categories. From a revenue perspective, non-core growth as I mentioned we have built in only organic growth. The percent of billings collected is both an opportunity and a vulnerability. Billed consumption is as well. Even weather impacts our billings and therefore our revenues and wholesale and interconnection is possibly an opportunity.

Rochelle:

These are things that they're a little too vague to really build in a quantifiable way so they're really just opportunities and vulnerabilities versus the [inaudible 00:25:43], but they do include some things that we're definitely proactively monitoring and initiatives that we're looking at such as seeing if we can get additional grants.

Rochelle:

Moving on to the next page, this is where I'm going to get into a little bit more of the details.

Rochelle:

Scenario one, and this was the detail that Jennifer had sent out, is really our modified base. This is where we're coming up with our rate increase water under 7%. As I mentioned, we're using General Fund monies in excess of 10 million to reduce the O&M impacts that we've built in just under 1.6 million of monies from the General Fund to offset the O&M increase.

Rochelle:

We also built into this model the increases I mentioned earlier in depreciation and OPED when the pension reaches a fully funded level. I should mention consistent with last year's model, we are assuming that the fully funded level is achieved in the fiscal '25 time frame. I will show you a sensitivity where we achieve it in fiscal '23, but based on what that would require we don't think that's a prudent thing to do so we're now looking at fiscal '25.

Rochelle:

Also, at the period that OPEB reaches a fully funded level, we are increasing our OPEB contribution. You might recall that our plan is really to focus on pension first and then focus on OPEB to a much higher funding level than it currently is at.

Rochelle:

Just to keep in mind, we're modeling based on our current set of assumptions, but as we get closer, we'll be able to look at the current circumstances and make decisions about what that rate mix is, increasing depreciation and how much that should be versus putting a different [inaudible 00:27:58] into the OPEB contribution. We'll have an opportunity to do that.

Rochelle:

In this modified scenario, we did not make any adjustments to the capital improvement plan so the plan that I had talked about earlier was fully incorporated and this results in rates being the fourth lowest. The rate in the 10th year is about $995 and the leverage is reduced to about 75% in the 10th year. The model generates about 139 million of internally generated funds.

Rochelle:

That was our modified base, but then we said that really may not be good enough given the pressures on rates and the concern about especially hopefully coming out of COVID, but the financial pressures that has put on our customers, we looked at and this is really the target scenario that Larry referred to earlier where we actually get water to be less than 6 1/2%. What we did here is we slightly lowered O&M by looking at a couple categories again like outside services and some other categories to see if they could be, again from a modeling perspective, reduced a little bit further. We did, in this scenario we did remove in fiscal '22 and fiscal '23 that 1% capital contingency that's in the capital budget and we made a little more aggressive assumption although we don't fully control it about what our pilot increase might be year over year.

Rochelle:

I think the gist of this is it may not come out exactly how we modeled it, but we are going to target keeping the water increase at less than 6 1/2% in the upcoming rate application. Again, this would be the first increase. There would be two and a half year period between the last increase in July 2019 and the January 2022 rate increase.

Rochelle:

Scenario six was another scenario that we looked at, we need to probably do a little bit more review. This is something we can consider for the outer years. The focus here was in fiscal '25 and beyond, we were really looking at how potential changes in the workforce might impact our employee benefits and our payroll including more employees having, let's say an HSA plan and some other ill potential changes. That was really focused on the outer years of the 10 year model.

Rochelle:

Then, based on the input that we got from the RPV members as well as from the Authority Board, we did do some of our normal additional scenarios. Scenario two is where we built in additional depreciation to increase our internally generated funds. For this scenario, we decreased depreciation over the base, an additional half a million into January '25. Our rate application, three quarters of a million in 2026 and three quarters of a million in 2029.

Rochelle:

I know we've talked about in the past, unlike coverage, with depreciation, you have an opportunity, we have to put in the minimum, but what we put in over and above the minimum can be reevaluated in each rate case.

Rochelle:

This scenario resulted in the second highest rates of 1,004 in the 10th year. It definitely results in higher internally generated funds, but what I think is interesting, even with the additional depreciation and the pressure that puts on rates, it only changes leverage in the 10th year by about a half a percent.

Rochelle:

Then additional scenarios that we've looked at, we said what if the capital does increase by 10% starting fiscal 2022. We do know that there's some pressures with the capital program and this results in the second highest internally generated funds, but also the highest rate of 1,012 in year 10.

Rochelle:

Also, another scenario that we looked at, also with capital is instead of assuming a 10% increase in each of the years, what if we have a capital project, it could be an infrastructure project, it could be a technology project, let's say it's 15 million, we actually modeled this last year as well, what would that do to rates?

Rochelle:

If we assume that this happens in fiscal 2027, it would result in a rate of 1,002 in the 10th year. It does result in higher internally generated funds. It does result though in the highest leverage in the end of the planning horizon, however we need to keep in mind had we assumed this would happen in earlier than fiscal 2027, it wouldn't have as much of an impact in the final year of our 10 year plan. It does increase leverage by about 2% in that 10th year.

Rochelle:

The other scenario that we looked at was, what if we did go for a fully funded of our pension plan in 2023. That results in the highest rate increase in January 2022. It'd actually put the increase over 9% and we are definitely not recommending that. We don't think that's a prudent thing to do. We also incorporated into this scenario increasing depreciation in the July '23, January '25, and July 2026 because the pension plan is fully funded earlier, we have more room in these outer applications to put in more depreciation. That was just one of the other modeling that we looked at and I won't get into all of the verbiage here, but you can model this in a few different ways and it would have slightly different outcomes.

Rochelle:

I think one of the things that's apparent when you look at the next page, and this is consistent with what we've seen the last several years that we've done this. You can make sort of these different assumptions, but the impact is really gradual and results in relatively small differences in the rates, but we believe that the scenarios really do help inform the decisions and recommendations. For example, when the pension plan gets to a fully funded level, using that opportunity to put in more depreciation and put in increase in our pension contribution.

Rochelle:

Also, as I mentioned as we get closer to what these decision points are, we can adjust them based on then current circumstances.

Rochelle:

The other thing is, we can take pieces of these different scenarios as I mentioned earlier, the scenario that we targeted getting to under 6.5% in the next rate application, that was really focused on the upcoming rate application, but then that other scenario that I mentioned where we looked at the outer years, we can take pieces of these different scenarios and they can help inform our decisions going forward.

Rochelle:

Then I think overall, this is all about a balance between the financial stability and the impact on customers. For example, how much additional depreciation would we put in knowing that there's increase pressure on the rates so this is all about a balance. The same with the pension. If we stuck with our fully funded level, by fiscal '23 it would result in pretty significant pressure on the rates so it's all about a balance and that's when we came up with our target recommendation which would be to keep the next rate application under that 6.5% level.

Rochelle:

So moving on to what are the next steps. We're going to continue to focus on the execution against our Strategic Plan. We're going to continue to look to mitigate debt service. I mentioned grants, also keeping an eye out on potential refinancing opportunities also using alternative financing when that makes sense. Looking at revenue enhancement which includes non-core. It also include focus on cash collections, possibly wholesale and interconnections. Continue our prudent cost management, process efficiencies and innovative approaches, our workforce engagement, asset management as well as continuing to evaluate our O&M expenditure levels as well as our capital spending.

Rochelle:

Then, also incorporating our fiscal 2021 results into our fiscal '22 budget and our rate application. As I mentioned earlier, we are continuing to monitor our COVID-19 impacts. I mentioned that the modeling incorporated what our projections were through September results so that was an improvement from what that revised budget is and we'll be continuing to monitor that and that will help inform our fiscal 2022 budgets, we're just about ready to enter our fiscal 2022 budget cycle, and also help inform the rate application and also commitment to continue to communicate with all stakeholders.

Rochelle:

I'm not going to get into the details that are in the appendix, but what you see in Appendix A is the results of the various sensitivities, some of the metrics that we're looking at.

Tim:

Rochelle?

Rochelle:

Yes?

Tim:

That kind of concludes your presentation, per se. Are you at a point where you'd welcome some questions?

Rochelle:

Yes.

Tim:

Okay. Are there any questions? I know I have a few. Any questions from members present?

Jay:

Tim, I have one.

Tim:

Okay, Jay.

Jay:

Just to reconfirm, the 114 coverage you said was ongoing. Are you representing that's the average for the 10 year period?

Rochelle:

What we built into the model is that there's no change in the 114 coverage so all the modeling was based on and the rate increases were keeping that coverage at 114 and not increasing it.

Jay:

Okay, that's the way I understood you represented it. Thank you.

Tim:

Anyone else?

Tim:

Okay. Rochelle, my question is this. Obviously, the organization has to be nimble. COVID kind of bears some of that out as have other things. Based on that, how long have we been working with 10 year models per se and how dependable have they been? I realize you've grouped a lot of scenarios here, just to make you as smart going forward as feasible. Could you catalyze that for me? I'm just kind of curious about that.

Rochelle:

I think especially in the last few years, they have actually really helped inform and we have had consistency between, and depending on the timing, but the last time we did the model, the model was very close to what the budget was and was very close to the rate application. We're trying to be, knowing that there's some changes and changing assumptions, I think we are seeing, especially in the last few years, consistency between modeling and budgeting and rate application. Something like COVID, definitely unexpected. That definitely was a variant.

Larry:

Just let me supplement Rochelle's comments. The 10 year model was actually something that Linda [DiCepalo 00:42:21] started working on probably in 2009, 2010 time frame and built a basic model and then when Rochelle came on board as Controller, the two of them worked together to further refine it and actually include in the 10 year model the balance sheet going forward as well.

Larry:

It's been in use for quite some time and this is really something for us to model and look to make decisions by in terms of capital and operating projects and it has guided us for the past several years in terms of what our operating budget and our capital budget should be based on what the projected rate increase might be so it gives us a way to have some real time modeling of what the business would look like based on interest rate environment, inflation, expense budget, capital budget and the like.

Larry:

We've used it proactively to run the business and make decisions.

Tim:

Thank you, Larry.

Tim:

I had one other question and it goes back to one of the scenarios, I certainly don't remember which one. You mentioned capital projects not included so they might have been, obviously recognized but assumed to be less critical. How do they stay on the radar? They're just part of the radar every year?

Rochelle:

As part of the budgeting process what we're entering, believe it or not fiscal '22 budgeting cycle pretty soon and so if there was a project that was not included that the situation is changed or the assessments changed, that's [inaudible 00:44:18] get back on the table for that. We also still have our shovel ready process that we try to incorporate should something come up so this is ever evolving. For upcoming budget, we'll start with a lot of the work that, all the work actually that went into this model, but we will be making some updates based on new information and the updates through the budget cycle.

Rochelle:

[crosstalk 00:44:55]

Tim:

Go ahead.

Beth:

Rochelle, this is Beth.

Beth:

Hi Tim. How are you?

Beth:

If I could just add, a good example of that would be regulatory around [PFOF 00:45:05]. Right now, Connecticut has not set a limit on that. We have a well field that has higher levels, but it's something we monitor in terms of regulatory requirements moving forward, but we didn't want to put a placeholder in the budget without understanding what we would have to achieve from a regulatory, compliance perspective.

Tim:

I got you.

Tim:

[crosstalk 00:45:26]

Tim:

It's there, but it's not factoring into that rate calculation and all that budgetary stuff. Okay.

Beth:

Obviously the priority matrix will help us drive decisions around regulatory compliance being a pretty high ranking point system in that process so it does, as Rochelle mentioned, every annual review allows us to re-look at where we are from those different scenarios.

Tim:

Okay, thank you.

Tim:

That concludes my questions. Are there any others?

Greg:

Rochelle, this is Greg.

Greg:

In scenario seven, you have pension fully funded fiscal year 2023. How underfunded are we in the pension?

Rochelle:

We're not significantly underfunded anymore, but we did want to get to actually 100% funded other than service costs so unfortunately given the latest projections to get to fully funded by fiscal '23, we would have to put in just under six and a half million in '21, '22, and '23 and we do think that's over the affordability and as long as we're moving forward, I know the rating agencies look at this, but to continue to improve our funding, I think that's what's more important. This just has a slight delay in getting to that level.

Greg:

Thank you.

Tim:

Anyone else? Don't be shy.

Jay:

Excuse me, Tim. Jay again, Rochelle.

Rochelle:

Yes.

Jay:

We had as a priority to have defunding to our retirement program to catch up to it and I'm not sure if I missed it in the model, but where are we at the present time and what's our target?

Rochelle:

That's for the pension in the modeling that we're doing here, it would get to fully funded other than annual service costs in fiscal '25 and then the focus would then turn to the OPEB to get that to a more fully funded level over the following, actually several years, but we wanted to work on the pension. The returns have been a little bit of a challenge in recent, like 2020 just based on what's happening in the market, but we are projecting here to get to the fully funded on the pension in '25. The end of '25.

Jay:

Okay. That's very important. I think it's important to the working staff of the corporation. I like 2005, right?

Rochelle:

'25.

Jay:

2005. Yeah, yeah. Okay no fine. Okay. I'm for that. Okay. Thank you, Rochelle.

Rochelle:

Any other questions?

Tim:

Looks pretty fulsome. Good job Rochelle. Thank you for that. Thank you Larry for that and all the other presenters. Beth, thank you. I know it's a big effort.

Tim:

Go ahead, go ahead.

Speaker 8:

Does the price of a penny a gallon, I just can't imagine we're paying that little or that we receive that little for it. Is that nationally the rate that people are charged? Is that about the going rate? Where do we stand in this state and nationally? If you don't know, you can pass. It's not really cogent. I'm just curious.

Rochelle:

Every time we do an official statement, we look at where we are with primarily New England competitors and sometimes we're higher and sometimes we're lower municipalities tend to be on the lower side, publicly traded generally are a little bit higher.

Rochelle:

Nationwide, from my prior experience, it actually has a lot to do with what the water sources are. How much is actually purchased water, what some of the demographics are. That's a little bit harder to assess, but we do watch what our water rates are vis-a-vie the Connecticut water utilities as well as New England, in particular.

Speaker 8:

Thank you, Rochelle.

Tim:

Okay, I hear a pregnant pause here. I guess it's time to move on to other topics. Does that sound about right?

Tim:

I will look for the approval of the minutes of October 19, 2020 meeting. I have a motion?

Charles:

Approve the minutes.

Tim:

Okay, second on that?

Jay:

I second it.

Tim:

Any discussion? General approval before I ask for a vote?

Tim:

Okay, all those in favor.

Group:

Aye.

Tim:

Motion carries, minutes approved. Good job, Jennifer.

Tim:

With that, we move on to setting the calendar for year 2021 regular meeting dates.

Tim:

I assume we're talking Mondays. It says we are. I didn't verify they're all Mondays, but I'm relying on staff. We're not crisscrossing any holidays, correct? Yep, because we moved one in October because of Columbus Day.

Tim:

[crosstalk 00:51:43]

Tim:

Yeah, okay well that's good. That's good.

Tim:

Any discussion? Anybody predictive of which ones they can and can not make? That's not important now, but here we go.

Tim:

I ask for a motion to approve it.

Vin:

So moved.

Tim:

We have a motion for approval. And a second.

Tim:

With that, we'll approve the calendar subject to, as always some kind of change that may come up.

Tim:

All those in favor?

Group:

Aye.

Tim:

Motion carries.

Tim:

That brings us on to new business. Having none, does any member want to bring something forward for future consideration whether we talk about it now? We do have a meeting in December.

Tim:

Hearing none, I'll once again thank all of our presenters tonight and of course the members for showing up and paying such good and careful attention. Good questions.

Tim:

I'll ask for a motion to adjourn.

Jay:

I'll make the motion, Mr. Chairman.

Tim:

Thank you Mr. Jay.

Tim:

Thank you, thank you very much.

Tim:

All those in favor?

Group:

Aye.

Tim:

Meeting's adjourned.