South Central Connecticut Regional Water Authority
April 1, 2021
Meeting Transcription

David: All right. Well, it's nine o'clock, looks like we have everybody here from the authority, everybody here from management. And so why don't we call this special authority meeting for budget review to order at nine o'clock and we'll do a quick safety moment. Jeanine, are you still leading us with the latter?

Jeanine: I am, so in addition to it being April Fool's day, apparently this is the start of Distracted Driving Awareness Month. I think we've all seen it. There were a number of things listed here that are definite no-nos. Apparently, I didn't realize I had never heard this statistic. Nine people die and 100 are injured every day from distracted driving. Please do not do that, and this safety moment is asking you to take the pledge to just drive and not to [inaudible] things that we see people doing daily in our commutes around. So, that's the safety moment.

David: All right. Thank you very much. So then we'll move on to the meat of the meeting. We'll move on to our budget presentations. I believe we're going to start with the Capital Budget. Is that right, Larry?

Larry: That's correct. We'll start with the Capital Budget and I think Jennifer is going to pull that up for convenience purposes. There we go, okay. So if you could take them, go to the next slide, Jennifer. These outlines, what our agenda will be for the day and just to give you an overview. I'll review the first three topics and then Ted, we'll talk about the prioritization and the Natural Resources Category of the budget. Orville, we'll talk about Treatment and then Beth, we'll talk about the Transmission and Pumping section. And then General Plant will be split between Prem and Ted and then Ted will review the Five-year Capital Improvement plan. I'll then wrap it up with a discussion on the new budget categories and the summary. So if you could go to the next slide, this is our Capital Budget history just to give you a snapshot that ranges from 1992 to 2026.

Larry: So it's not only has historical data, but also the projected data and a couple of key points about this slide. The Capital Budget tends to fluctuate depending on the priorities of each fiscal year and in each category. And for instance, you'll see in the period 2000 to 2005, the construction of the Whitney Water Treatment Plant was going on. So you can see that spike there in the treatment category from 2008 to 2011, we add increased spending while we were installing our SAP, our CIS, SAP system. And then from 2016 to 2020, we were spending on the AMI, and then 2018 we had the Great Hill tunnel, which saw a spike in the Treatment and Pumping area. And then of course the 2021 budget went down considerably because of the COVID situation there. So, and then the five-year term, you can see some spikes in the other categories based on what the priorities are coming up and we'll talk about those at the end of this presentation. So if you can move to the next slide, Jennifer.

Larry: So the assumptions that we have for this year for this year's Capital Budget is one that the total budget will be about 42.9 million, which includes projects totaling about 38.7 million. We have a $500,000 contingency then our self-funded DOT work is $3 million.

We have about a $750,000 non-core billing project that we'll be undertaking. And so all of that adds up to 42.9 million, and that does not include our projected carry overs at this point. The FY-22 budget and the future budget take into consideration, the GHD expenditure forecast audit that we did a couple of years ago, where they came in and looked at what we had been spending and then projected what we should be spending in the various Capital Budget categories in order to make sure that we're providing a high quality service and both from a water quality and a service standpoint.

Larry: We're also assuming that the RPB will approve projects where that is needed and we have several that we plan on bringing forth. Including the Whitney Dam project, our Water Treatment Valve Replacement program, our Lake Gail lard clarifies and recycled building and HVAC upgrades are salt installed electrical upgrades, and then our SAP enhancement pack. So we're assuming the RPB will approve all of those projects. Our contingency has been budgeted at $500,000, which is 1.3%. That's a little more than what we have done historically, where it's been about 1%, but we did keep the contingency on the individual projects to be about 5%, except when the project circumstances dictate a higher level. We're going to continue to self-fund our DOT work and we're estimating that will be about $3 million. So, that's part of that revolving account that we established several years ago to fund that work. And then our work within towns to put in a new pipe, or non-reimbursable DOT will remain a funded item within the increased funding level and we have several projects that we are anticipating will not be reimbursable within that particular category.

Larry: Next slide, Jennifer. So, as an introduction and an overview of our Fiscal 22 Capital Budget, we have about 84 projects and programs within the four major budget categories, which is Natural Resources, Treatment, Transmission and Pumping and General Plant. The natural resources is a little higher than it was in our original 21 Capital Budget. We have a significant increase in our Treatment category that we'll discuss a little bit later, it's almost double what it was in the original budget last year. The Transmission and Pumping category is actually combining two previous categories, and so it's a new category and about a little less than what it was last year combined. And the General Plant, there's a significant increase in that area and we'll talk about that as well. So take all that together, it comes up to the $38.7 million that I mentioned when you add the contingency, the DOT work and the non-core billing, it gets us to the $42.9 million. And that compares to the original budget last year of 41.7, so it's very much within the range of what it was last year, originally.

Larry: So Jennifer, you can go to the next slide, please. So, by way of introduction, you'll recall that we had, due to the COVID-19 pandemic and our desire not to have a rate increase in June of last year in the middle of the pandemic, we significantly reduced our Fiscal 21 budget by deferring and delaying projects, and it was actually reduced by some 51%, some $38.4 million to $19.6 million. [inaudible] Somebody saying something? Nope.

David: It's just background noise.

Larry: Okay. We will be going after State Drinking Water Revolving funds both in terms of grants as well as the low-interest loans. And that will encompass our fourth traunch of the AMI project, our brushy planes, system upgrades, and the Seymour well field and backup well and metering to close out Fiscal 22. And then we could be going in for some funding on a late Salton stall Water Treatment Plant, electrical upgrade. And then we're going to try for the Lake Whitney Dam as well and I think Ted will comment a little bit more on that.

Larry: We're going to focus on critical assets and facilities as part of our asset management plan during Fiscal 22 and that will involve expanding our M4 asset management program. And that'll help us prioritize work on critical assets and facilities and linking that M4-GIS system with our underground assets as well, certainly take into account, risk, resiliency and redundancy needs, because in Fiscal 21, you recall in December that we had discussed some failures that we had had within the system. So that's given us a sharpened focus on decreasing risk and increasing resiliency and redundancy within our system. And then we, as I mentioned before, we combined the Pumping and Transmission and Distribution categories because they are like assets. In many times, we do work on the same assets in the same area at the same time, so it just made sense to combine those going forward. So with that by way of introduction, if there are no questions, I'll turn it over to a Ted, who will just talk about our prioritization methodology. So, any questions that Ted and I can answer? Okay. Ted, I'll turn it over to you.

Ted: Thank you, Larry. Good morning, everybody. As we have, since 2011, when we first implemented the prioritization matrix, we had prioritized this year's projects and programs as well. Total of 79 across all categories were included in the matrix, 35 of them were not ranked because there are continuing projects, core programs, or have RP vehicles. Then they total about 26 million, of those ongoing 29 were an infrastructure and six were in technology, we'll talk about that in a second. The list of this year's projects that were prioritized was based the results of the FY 22 tenure model work that was done in October. And so that's where the list was developed from, and then some other [inaudible] came on after that list was developed by five projects. Something new that we did this year was the separation of the infrastructure projects and the technology projects. As you've seen in the past and we certainly know technology projects usually rank low within the matrix because there's a lack of understanding and a lack of... Folks thinking that they are needed as projects.

Ted: So we separated them out this year and ran two different matrices. The infrastructure matrix was ranked by 24 staff members and this is where we [inaudible] something different. Instead of individuals ranking and then combining those ranks, all of the 24 individuals, their team leads, supervisors, folks who are really in the know in terms of the projects we're in a room together and actually openly discuss and share their thoughts about the projects. So a collaborative effort was developed, that gave us the matrix results that we have, and probably the most accurate way to do that as we found out it was a great discussion.

Ted: A lot of people got more understanding of the projects and that worked very well, so we'll probably continue that. And then the IT projects were ranked by seven staff members in Technology and Business planning, and those projects also had about six that were not ranked because they were ongoing, so that was a good way to do that. We didn't combine that, we didn't try to combine the two matrices because that wouldn't make sense because we separated them out to combine and back in would not have worked. So we have two matrices, Infrastructure and Technology that were used. Questions on prioritization?

Ted: And the leadership team again reviewed both of the matrices, after the work was done. Jennifer, next slide, please. And move on to our first category of the four that we have now, natural resources approximately in FY 22, by 1.7 million and 10 project and programs, watershed funding is back in at a decent amount, $125,000 includes about $100,000 for the potential acquisition of 10 acres in Durham. Lake Whitney Dam improvements, as we recently discussed with you, the estimate for this project has gone up to $40 million from $20 million that was carried in the ten-year model. But this, we have another slide later on that more fully discussed to the project, but a couple things on this and FY 22, $600,000 is planning to complete design begin permitting the RPB application as well, and also bidding the project and also value engineering, completed value engineering that was beginning. The project is necessary for the stability that dam, why it's necessary and for the increase of the spillway to carry the storms that we have now to design around.

Ted: Larry mentioned DWSRF, little ways back we submitted this project as a DWSRF project based on our conversations with the folks up at DPH. Well, it's not considered a normal program. They are, DPH to begin to considering putting in dam projects. They have one in there that is not ours, that is moving forward. It requires approval by EPA because it's really outside of the normal DWSRF programming. But as late as yesterday, we talked to them again, DWSRF about the Whitney Dam project, because we are considering using an alternative delivery method, which I will talk about later when we discuss this and we wanted to make sure that they would be okay with that. They seem to be okay with that, but what they told us is that they would really like to fund this project.

Ted: That would be a combination of low interest loans and subsidies, as we've seen before. Likely we don't know that for a fact, but that's probably where it's going to go, but they do require approval by EPA and they will be discussing the dam project with EPA. Now we'd have to also decide how that might change or circumvent any other of the infrastructure funds that are now being set down by Washington. So we'd have to make sure we got the most value out of any of the programs that we take, but it was good to hear DWSRF saying they would like to fund this program.

Ted: We are going to be replacing some of that valve stems and guys at the Lake [inaudible] dam, hard to say, right? And that was a result of a recent inspections and so showed some deterioration out there about $175,000 and 22. We're going to be making some modifications on our dams in order to make and measure the stream flow required, flow releases, that's a program that was implemented by the state deep, where all the utilities required to record and know how much they were actually releasing. So not at our major dams, but at our smaller dams, we need to do some work in order to be able to build weirs, to do that about $150,000 worth of work. And actually that was one project, a minor one that was moved up from later in the budget into 22 to try to alleviate some of what's going on in 23 and 24.

Ted: And then we have a new program Tunnel Diversion and Raw Water Main Rehabilitation, so this covers a bunch of different areas of our raw water system infrastructure improvements. We have about $480,000 planned in 22. We're going to begin reviewing assessment technologies, looking at condition assessments and then we're going to actually begin work at three different diversions that are listed there, [inaudible] Beaver head, and a little golf to make improvements. Most of these related to decreasing, significantly decrease in the amount of sediment that comes out of those diversions and then hits the reservoirs, which of course causes problems with filtering and DBP formation. And then one of the minor categories that you always try on list is fence of Baskerville replacements, about a $100 in three different towns next year plan, so we keep those up and we keep working on those as well. Are there any questions regarding natural resources? Again, we'll come back to the dam a little bit later. All right. Then I will turn it over to Orville, for Treatment.

David: Just so you all know if you're asking questions or wanting to raise your hand to be polite. I can't see everybody because we've got the presentation on the screen so I can only see a few faces, so just don't be shy about speaking up if you have to. Thank you. All right, Orville. Sorry for the interruption.

Orville: No problem, David. Thanks, Ted. Good morning again, everyone. So the Treatment plant I liked as was mentioned by both Larry and Ted, the overall spending on the Treatment facilities started 16.5 mil for the FY 22. And these are broken down in five different categories, more for surface treatment plants, [inaudible], Salton stalled in Whitney and also category for wealth fields. Four of these categories were increased from the original proposed budget with the exception of the Lake Gail lard Treatment plant, and the reason for that we'll get into that a little later, we had pushed out the electrical upgrades so that we could combine it up with the Salton stall.

Orville: There was an increase of $7 million from the FY proposals. If I put one to the now for the two. And the reason for that is the acceleration of the West River Water Treatment Plant improvement projects, which you all know it was approved by RPB. And we had taken on a new approach in terms of multi-project approach to that and also the Lake Salton stall electrical upgrades, and increase. In these new, there are two, sorry, there is the water treatment plant valve replacement program, which we'll dive into a little later in the next slide and also our filter media replacement program.

Orville: Sorry. Jennifer, next slide please. Thank you. So there are 22 projects and programs inclusive, included in the 16.5 million for the Treatment. One is the filter meter replacement at the Lake Gail lard and Salton stall and West River Treatment Plants, which is an annual systematic replacement of four to six filter meters annually.

Orville: That total in of about $500,000 of the FY 22 budget, in new multi-year treatment plan, valve replacement program requiring RPB approval is in the FY 22 budget, anticipated expense in FY 22 is about $110,000 to kick it off, get the budget project design and go through the RPB and maybe even start some implementation of this, to address or influence an isolation valve at the Lake Gail lard treatment plant and to continue that through to FY 24 at other water treatment plants, and as well as buried vows at other treatment facilities.

Orville: These are necessary to decrease on the risk associated with failing valves and give us the ability to operate all valves efficiently and effectively. When we have inoperable valves, it has the potential of disruptive or treatment system of the treatment plants. At the Lake Gail lard Water Treatment Plant, several projects that are included three of these capital project, which is the chemical feed system known as the Potassium Permanganate, the Backwash Palmer upgrade system and the local control console, those three projects were deferred due to the COVID pandemic and will be completed in FY 22, and two of those and the local console, those will start design in 22. The completion in FY 23, those are tallied to be about 700,000, in total.

Orville: The FY 22 budget also includes the Raw Water Control Valves Replacement at Lake Gail lard, which is in for the influent water coming in and give us the opportunity to control, influence water coming into the system. And this is necessary because it gives us the redundancy and resiliency, so not interrupt the process or even source water that is included at 700,000, and that's a single year.

Orville: The two RPB projects that is slated for Gail lard is the, clarify as a recycled building improvements in FY, starting in FY 21 in terms of the design. Some funds were cut from that just because of the pandemic, and we could not get access into children plants. This is going to be continued in FY 22, where we expected to go to RPB. That will be combined as part of the multi-project that we recently did with the HVAC upgrades for Lake Gail lard. These projects are critical to the facility and the treatment function. The clarifies and recycled building is needed for, to maintain proper coagulum and proper...

Orville: Make it sure that we could meet the design capacity of our water treatment plants. And with the HVAC, the HVAC is necessary to maintain humidity and controls in the treatment plant and for the treatment system. Next slide, please.

Orville: And so Lake Salton stall Water Treatment Plants, electrical upgrades would require RPB approval, and this will be combined with the Lake Gail lard, electrical improvement as one IPB package, which gives us a lot of flexibility in our capital program and possibly the Drinking Water State Result Revolving fund consideration for both these projects. This is the anticipated expenditure of about 300,000 or FY 22, but the completion of the Salton stall in FY 24 and the Gail lard, a little further out. Electrical upgrades at these facilities are important because they decreases on the risk of catastrophic failure and potential loss or treatment capacity. And these upgrades typically includes on the replacement of original equipment and our main service into the clients.

Orville: Chemical improvement upgrade, that is an ongoing project at the Salton stall, it's a tri project where we have started the design and because of COVID pandemic, we had to slow down because at deferred further. So that's going to be designed and going out for bid this year and we'll continue that, that includes three chemicals. We are also going to be improving on the elevator at that site, that there is one elevator there that is necessary and needed for treatment to operate and to do their function that elevation, that elevator rather will be upgraded this year because at it's, an extended life and needs to be replaced at this point in time.

Orville: The West River Water Treatment Plant, sorry. Like Whitney Water Treatment Plant, there is an HVAC system and the medication system for chemical treatment system that needs, that's an ongoing project, and that will be completed in FY 22.

Orville: A total of 680,000 is expected to be expense in FY22. The West River Water Treatment Plant, this was a project that was pretty much approved by RPB. The electrical upgrades, the hypo on-site generation system, as well as the DAF which is the dissolved air flotation system. That project is a project that was accelerated, and hence the $7 million is expected in FY22, and this project is expected to be completed in FY24. This project is also slated for DWSRF funding.

Orville: This capital budget also includes $250,000 for filter effluent pipe replacement project that was delayed due to COVID-19 pandemic. That project will be continued into FY22 and expected to be completed. Next slide please.

Orville: The wellfield facilities improvement. Wellfield facilities improvement addresses the upgrades to our agent facilities and chemical treatment system, as well as safety and system reliability. In the FY22 budget, it enclose ongoing project for the North Sleeping Giant wellfield improvements, which is presently ongoing with an expenditure of 1.1 million. This is to totally complete and renovate our chemical system, and also includes a new chemical treatment of caustic, which is needed to help us meet the requirements from legislation.

Orville: Also projected in this cost is a $100,000 replacement for our well number four electrical motor control center. The South Sleeping Giant wellfield improvement is also included in this FY 2022, and that is based on similar needs as the North Sleeping Giant, where the well field chemical system needs total rehaul and rehabilitation.

Orville: Well rehabilitation program is an annual program consist of the mechanical and chemical rehabilitation of four wells and replacements of screen, and sometimes the pumps and motors, depending on if that's needed, and that is needed to maximize our well specific capacity. The FY22 budget includes the rehabilitation of three wells at a price that total in 230,000, and the three wells are the [inaudible] South , North Sleeping Giant well number four, [inaudible], and North Cheshire Well number four.

Orville: Well replacement is a multi-year program that, with this project with 110,000 budget in FY22 to initiate the replacement and backup well for our single well at the Darby wellfield included in the FY22 site and design and RPB application should that be needed.

Orville: The treatment plan graphics upgrades, there is 200,000 in FY22, and this is expected to be completed at FY23. This project is needed to bring all standard system, whether it be at the treatment plants or other facilities, to bring it on the same platform so that we are able to have uniformity in terms of migrating this on our SCADA system.

Orville: Next slide please, Jennifer.

Suzanne: Can I just ask one question? You mentioned that some of the expenses on the last slide were due to regulatory changes. Can you just give a high-level answer as to what kind of regulatory changes and how big of an impact that is on the budget of that project?

Orville: So the impact on the budget of the project for the North Sleeping Giant wellfield, it's not a huge impact. Pretty much we kind of knew that coming down the pike, they would require us to really adjust our pH. Part of the pH adjustment is the caustic system that we're putting in that gives us that much more flexibility, and really that's it from that wellfield perspective. We needed to adjust or maintain our pH as it goes up.

Suzanne: Okay, thank you.

Orville: Thank you, Jennifer. There are small dollar values for our program. We have a treatment plant driver replacement program, as well as the treatment plant roofing program, that is an annual program that we look to replace, whether it be damaged driveways or driveways that is just totally out of whack, and also the chemical treatment system or wellfield where roof needs to be replaced, and so we do annual inspection. Based on inspection, we come up with what needs to be replaced. And so in FY22, there's 100,000 for the [inaudible] driveway and replacement, and a 75,000 for the South Cheshire wellfield chemical building roof replacement.

Orville: Any more questions at this time?

Suzanne: Yeah, I just have one more. So the maintenance of our buildings that aren't necessarily directly related to water treatment are all included in our capital plan, as well as our capital plan related to issues related to our treatment, correct? We don't separate out those capital expenditures, do we?

Ted: This is Ted. Pure maintenance is considered part of the O&M budget, so a replacement of an asset, capital budget, but fixing a broken pump is O&M budget. So those are broken out.

Suzanne: Okay. But capital, as it relates to a paved driveway and other kinds of things, it just gets folded into our capital budget.

Ted: Correct.

Suzanne: Thank you.

Orville: All right. If there are no more questions at this time, I'll turn it over to Ms. Beth.

Beth: Thank you, Orville. So I'm going to walk through our transmission and pumping category. We have approximately $16 million in capital expenditures over a variety of projects and programs. This slide mostly represents a lot of our programs that we typically have annual funding in. Capital pipe, which you're all very familiar with. It's $3 million for the FY22 budget covering just under 1.5 miles of replacement in five towns.

Beth: We also have categories for other pipe, including municipal redevelopment projects. Those are projects that we are ineligible for reimbursement. They could be wastewater projects in the town and the like, and we have a total of $1.6 million identified there. Larry already mentioned our revolving fund for state DOT pipe projects. We have five active projects, and we have budgeted an estimated $2.75 million in that fund.

Beth: We have our capital pipe service connections, which those are the service connections related to any of our reconstructions in our capital pipe program.

Beth: We have general service connections, which is $1.5 million. Those are for identified services that are leaking between the main and the curb.

Beth: We have valve replacements. This is another program that we've established for the past few years, and this program replaces any type of broken valve, whether it's inline in our street or at critical stations, and we've budgeted $300,000 for that.

Beth: We also have a meter budget. Again, this is a typical funding for us at $105,000. This will include funding for large meter replacements. If you go to the next slide, Jennifer, we have also identified $610,000 for our AMI meters. As you are well aware, our AMI project completed majority of our meters, but we do have some outstanding, and this budget covers approximately 2100 meters to be changed out by our staff and the AMI devices to be installed. There's a renewed effort on this now that the restrictions of entering houses has been loosened.

Beth: We also have our hydrants and connections at $125,000. This is for replacement or installation of hydrants that we own.

Beth: [inaudible] service pipe is pipe where we have a project and we decide that there's a requirement to install RWA pipe for our benefit. This is a typical program we budget for every year, and this year it'll be $425,000.

Beth: One of the larger areas we have for this category is our Northern service area expansion. This is a continuation of a project. It will be a multi-year program project completed in phases. FY22, we'll begin design, and we do anticipate RPB approval needed for this project. But this will really extend pipe up Highland Ave. or Route 10 in Cheshire to improve our resiliency in that northern part of our service area.

Beth: And the last one on this slide is general service area improvements in our East-West transmission. If you remember, we've spoken about this in our three-hour presentations about moving the lard water all the way to Milford. So next year we'll start reviewing how we can improve hydraulic capacity in those areas that we have known deficiencies.

Beth: We move to the next slide. RWA has several large-

Suzanne: I'm sorry, but can I ask a quick question?

Beth: Sure.

Suzanne: On the meters, you said that obviously this is a typical part of the capital budget. Did we see any meaningful savings or a lessening of the budget here due to all the replacement of meters that we've already done?

Beth: Yeah, I think these budgets are reduced, but typically we schedule so much a year on a 10-year cycle. Obviously, we've replaced the majority of our meters. This is really to attack those last remaining, really anticipation of monthly billing as well. So this is kind of a final attempt. While we'll still anticipate annual investment in our meter replacement program for larger meters or degradation of meters, this AMI budget is really the attempt to finish everything up before monthly billing.

Suzanne: I'm not talking about the 600,000 for AMI. I'm just talking about your annual meter.

Rochelle: Yes, it was reduced.

Beth: Transmission and pumping highlights continued. We have several large pipe bridges that carry our transmission means over river crossings. State Street is one of those. This is a multi-year project to rehabilitate a 36-inch transmission main crossing over the Mill River in New Haven, a multi-year project with $600,000 in '22 and finishing out in '23.

Beth: Ansonia-Derby tank, we have budgeted $2.75 million in FY22. You're all very familiar with that project. And currently following the legal course of that project to help push this forward.

Beth: West River Water Treatment Plant finished water reservoir improvements. This was a project to rehabilitate our concrete tanks that provide storage at our treatment plants. Next year's budget is slated for $850,000.

Beth: Another program we have is our variable frequency drive program. In FY22, we budgeted $150,000. This is something we do every year, and it's replacement of our VFDs throughout the distribution system. And you can see those stations that we have planned for FY22.

Beth: Last on this slide is our Burwell Hill pump station equipment replacement. This has been a multi-year project. Next year will be the last year of this project, just under $500,000, includes various HVC and electrical upgrades, as well as some SCADA improvements.

Beth: On the next slide, Jennifer, we have a generator replacement at our Rabbit Rock pump station. This generator is one of the only natural gas generators we have. It's reached its end of its useful life, and we will begin to work on that in FY22, starting with the siting of a potential new generator and the necessary design that goes with that.

Beth: We also have next year a program for our critical pump station and transmission facility upgrades. This is again to complement our asset management programs, as we identify those assets that need replacement or upgrades, really at our critical facilities. This is a general program to include valves, motors, electrical equipment with $350,000 budgeted next year.

Beth: Third on the list on this slide is our Spring Street pump station. I think you've all heard about that recently. We've talked a lot about that in our three-hour presentation. This is our pump station that we will start. It will be a multi-year project. Our total estimated cost is about $9.4 million. We have budgeted dollars in FY22 to begin a design of a new station and potentially an alternative location, and we'll start that work next year.

Beth: Lastly on this slide is our water quality improvement program. This is a regular standing budget item where we look in our distribution system for opportunities to enhance water quality in the distribution system. It can include installation of additional chemical treatment. Mostly we've been installing mixing systems and aeration systems to help with disinfection byproducts forming in our distribution system, which is a regulatory requirement. Next year, we plan to install an aeration system in our Woodbridge tank, which is part of a consecutive system because we feed aquarium through that tank.

Beth: If there's any questions, I'd be happy to answer them now. If not, I will turn it over to Prem to go through general plan.

Prem: Thank you, Beth. Overall, for the general plan, we have approximately $4.5 million dollars to spend this year. As you have heard, the reduction of FY21 spend and based on our reduction because of COVID, a lot of the projects have impacts.

Prem: So we started looking at the $4.5 million dollars, and overall we looked at all the must-have projects, if you will, things like technology obsolescence and the ongoing projects. We want to make sure that we continue to invest in those specific projects that are critical. That being said, that's going to a couple of these projects in here. This is enhancements for SAP. This is a minor enhancements at the same lines with other applicants, such as [inaudible]. We have a limbs project going on with a small minor enhancements for existing limb system.

Prem: We also have employee [inaudible], which is basically learning [inaudible] focused on asset management side. We have small minor enhancements for AMI. So all that put together, we put it as a business capability minor enhancements bucket of the work that needs to get done.

Prem: We do have SAP enhancement pack. You probably heard me say multiple times, we've been kicking the can down the road for many years now. So based on the reprioritization and realignment, we're focusing on the monthly billing product to be completed. But right after that, our goal is to really look at overhauling the whole SAP CIS system.

Prem: So that work is starting. There's, I would say, around $250,000 for next year, and we're looking at some multi-year projects. It's been anticipated to be around 30 months project. So we'll be starting that work after the monthly billing. As you have heard from Ted as well, this might end up going to our RPB application based on our direction. This will be in the tail end of our fiscal '22.

Prem: The next bucket we have is the innovation bucket. As you have heard many times, we have set up an innovation hub, a center of excellence. We have quite a bit of reprioritization happening, and the COE, the center of excellence teams that bring in process improvement ideas, a couple of them to name again these are small dollars. We have an innovation bucket. If you heard about the customer sales and marketing initiative, we were trying to bring in a customer portal, a mobile application development happening, very much focused on customer experience next year. We're also doing a lot of work on process automation. Again, this is all driven by the combined group of our teams in the organization. You heard about the four COEs that we had set up. So all the work doing here are based off of the recommendation that comes out of the group.

Prem: Please stop me if you have any questions or any clarifications as I go through this list.

Prem: [inaudible] upgrade. This is purely technology obsolescence because our SQL system, as [inaudible] said database, upgrade behind the scenes for SAP. Again, going back to the old Hong comment I had before this is needed as a prerequisite to move forward with the not election there, or is it the monthly billing project you heard from us many times, we have close to $950,000 in the next year project to kind of wrap up the project. At this time, I think the team is making good progress. We are putting things in place to get ourselves ready for January 2022 go live.

Prem: The next one we have is cyber security enhancement. We've engaged with Blum Shapiro. Again, this is a combined effort. Beth, myself and our teams are looking at improvements across the board from an enterprise level, not just IT, but also OT system. So it starts with an assessment, I would say early summer, and then it goes into implementing the actual enhancement for our SCADA and IT network.

Prem: Data center life cycle, this is a recurring project. There's close to 550K in next year's budget. Again I would like to comment that last year, if you remember, we reduced that from 650,000 to $400,000. Again, we are being very conservative here, making sure that we don't get ourselves in trouble in terms of the systems we have to support. We also have some replacement projects, everything that can be capitalizable. So all of that, we are keeping fixed to foundation, I call it. The projects are part of that [$550,000] for data center life cycle replacement.

Prem: GS, ADL, and watershed mapping, it's a multi-year product. As you know, we have for next year, Tisha and Walcott as the primary candidate for some of the work that we need to get from a GS perspective. That is that project.

Prem: Non-core billing, you heard from Larry earlier on. We are looking to provide that flexibility. As a matter of fact, we talked about the three legs of the stool. If you remember in the [inaudible], not only just billing, but also the sales and marketing upfront, and also the whole claims processing, which is, I would say, the third leg of the stool. There's [$740,000] in this project. We are trying to get it completed. The product is anticipated to go live next year for the first phase, which is in September. When I say next year, next fiscal year. But then we have to continue to work on other two legs of the stool. So that's that project.

Prem: Jennifer, do you want to... So SCADA upgrades, these are smaller. I think $120,000 for SCADA upgrade. This is a regular problem that we need to invest on to keep our distribution system healthy.

Prem: System RTU upgrades. This project is coming to an end at the end of this calendar year. So this is probably around $700,000 that are left in the project to finish up the project.

Prem: That's all I had. Any questions? Ted, you may want to comment on the fleet, as I'm not aware of the fleet project.

Ted: Sure. It's an annual program to replace vehicles that are beyond our criteria for replacement, and that has to do with both mileage and the number of hours. Those criteria were actually increased as a result of implementing the recommendations from GHD's report, which is one reason we see lower budgets in the next several years where before that report we had higher budget. So $400,000 replaced seven vehicles that have either reached 125,000 miles or have 6,000 hours of time on them and where maintenance requirements for the vehicles are increasing.

Prem: So any other questions from any of you for me or Ted on this section?

Suzanne: Hey, Prem. I know that the innovation investments are small. Do they end up creating any savings in the operating budget by virtue of, you know?

Prem: Yes, that's a good question. What we did as far as innovation is we have tangible benefits and intangible. We can track the efficiency. So there are initiatives that come out of that where we have hot savings. Looking at savings [inaudible] dollars on the work we do, our other effect would be the people effect, where we have to relieve people from the responsibility. So we do have tangible benefits. We do track that as part of our innovation bucket.

Suzanne: Thank you.

Ted: I'll move into the five-year. Next slide please, Jennifer. So the five-year plan covers FY22-26 and ranges in dollars from 39.2 million and 22 to a high of 55.2 million and 24. Those 50 numbers that we see in a couple of years in the budget are higher than we have seen in many, many years, actually since I believe since we built the Lake Whitney water treatment plant average on escalated project budgets of 47.7 million per year are part of the five-year plan, compares to 37.8 million for the five-year plan proposed for FY21 originally the pre-COVID plan. So a significant increase in dollars over the five-year plan.

Ted: And of course, funds programs cap projects in four categories, you know what they are, you can see the dollars there. What I want to talk about is what in those categories is actually causing the significant increase. In natural resources about $30 million additional in the five-year plan, almost all of it related to the Whitney dam, which is two slides away.

Ted: Treatment compared with five-year plans last year, and this year, about the same. Transmission and pumping, an increase of about $22 million over the previous five-year plan, and that has to do with Spring Street pump station. We moved that up into cycle from it was a little bit farther out. Also increase with the capitol pipe, which we want to do in quarter two, stay in accordance with what GHD recommended and what we should be doing.

Ted: There's a large project to construct more tank storage, either at Gaillard or near Gaillard. That's a very large project. It is about $20 million included in the five-year plan. We've known that the storage at Gaillard is really inadequate for the needs there. If the plant goes down, we have about two hours max, depending on the day and the timing, to actually make any repairs. That's not the only reason to put the storage out there. That's one reason for additional redundancy and more resiliency in terms of being able to get out of any issues that we have, but really the storage in that area really needs to be increased and put out in the system, if we can find the room in the system to do that, probably more likely the system than at the treatment plant.

Ted: And then general facility upgrades are about $5 million over the five it's decreased to $5 million over the five years plan. As we put this five-year plan together, we saw the numbers that were there, of course, and we as a leadership team and as management folks, we went through the five-year plan with a rigorous abandon so to speak in order to see what could we do to get that down and change it, modify it. So we looked pulling projects up, pushing projects out, or maybe decreasing scope of projects. Some of that is reflected in the numbers you see here that are still high.

Ted: They were actually a little bit higher. We actually moved $2 million from the fire plan into up into FY22, not a big change, but something, and that was as a result of what we thought we could do. So the plan is well scrubbed. It's what we think is the minimum number of dollars that we need over the five years to get what we need done and get that completed. There's a lot of infrastructure investments that are going to be needed over the next five years and beyond the next five years. Our system is now reaching the age where we are going to have to increase the amount of infrastructure. Even without Whitney Dam being in there, that would be the case as well.

Ted: We'll go to the next slide. There's no questions?

Ted: So some of the projects that are on there, the reasons they are on there, the Whitney Dam is of course a $40 million regulatory requirement piece. Swamp Dam is a regulatory requirement as well, about $2 million Lake Chamberlain. We want to fix up the intake there, million and a half bucks stream flow. We talked about $150,000, small dollars. Treatment [inaudible] in the West River Water Treatment Plant improvement projects at 16.3 coming up. The electrical upgrades was mentioned as well. That will be combined with [inaudible] Gaillard will be combined as one RPB application. Clarifier is a new project for us, $4.3 million in the five-year plan. And the water treatment plant valve replacement program, new program, is also included just under $4 million. In transmission and pumping, capital is funded at an average of $3.2 million per year.

Ted: And as we scrubbed the five-year plan, we did not decrease the amount of pipe that we want to put in the ground and replace as a result of where the budgets were. We think that that is a non-starter for us. We can't continue to hold back or try to mitigate the budget increases by hitting the capital pipe, which we have done in the past, which we cannot afford to do that any longer. Municipal pipe has been increased because more of the municipalities are doing projects in their areas and are asking us, "Hey, if you have any improvements to get done, you need to get them done now."

Ted: Actually the one in FY22 in downtown Brantford is a very good example of that, where the town is going to be redoing their downtown area. They said two utilities get in and get out by the end of calendar year '21. So we have a project in there that was actually about a $1.2 million project that came at us fairly quickly.

Ted: Beth mentioned Spring Street pump station, one of the most critical pump stations in our entire system, about 9 million. We would expect that that's going to increase as we get closer to having better estimates.

Ted: Northern service area expansion, about $12 million over the five-year category. We really need to get that [inaudible] all approved 10 to feed the dam areas up there and allow us to potentially get more water to adjacent municipalities. Southington is likely going to need additional water. Gaillard filtered water distribution system storage, I just talked about big project, $20 million project coming up in the latter years of the five-year plan.

PART 2 OF 5 ENDS [01:00:04]

Ted: There $20 million project coming up in the latter years of the five-year plan and then general plan. The SAP enhancement pack talked about non-core 1.4 innovation and then vehicle replacements all make up the largest dollar expenditures in the five-year plan.

Tony: Ted.

Ted: Yes.

Tony: As you start to juggle around some of the projects to end the five-year plan to develop balance, did you ever find yourself short cutting your matrix? Moving one project over another?

Ted: No, this year's matrix, some areas, Tony, has a bottom line dollar amount. We say anything below that's going to get deferred. That happened for several years in a row, a few years back. This last matrix that we did, not that we had, there was not a bottom line dollar amount that hold. There would have been if we were much higher, but we felt that the projects that were on there were needed projects. So we did not need to circumvent what were the results the matrix was.

Tony: So everything that's lying in the five-year plan is in relative order of things that you consider to be priorities?

Ted: Yes, absolutely.

Tony: There are no outliers?

Ted: No, those outliers that don't need to scrubbed this thing, the outliers when, by the way, said

Tony: What?

Ted: There are no outliers in there, Tony.

Tony: Okay. Thank you.

Suzanne: So Ted, if I'm understanding you correctly, if we went back to the last slide, our five-year plan for the capital plan is going to go up about $10 million more than expected originally in the ten-year plan? For each of the five years?

Rochelle: Can we just go back one slide?

Ted: Yeah. We've gotten that right.

Rochelle: Right. So the 477 compared to the 378.

Ted: Right. Those are the average annual expenses in this year's five-year plan and last year's five-year plan. At about roughly about $10 million on average each year over the course of the five-year plans between last year's and this year's.

Suzanne: Right. I'm not really sure how to understand that and what the impact financially is to the way we borrow, the way we'll fund that and the impact on rates and other things.

Larry: We fund a large enough, Rochelle we'll chime in here, but we'll certainly be able to fund a good portion of our capital program through internally generated funds based on some policy changes that we discussed with the boards and they approved in prior years. That'll help with the rate impact. Then we'll certainly be looking for grants, not only in the Biden Infrastructure Program but through the DWSRF, we'll give this grants and low interest loans. We have somebody who's looking for grants continually just for other things in our Capital Program. So that's another way that we'll be able to mitigate some of that increase. But we have come to a point in our Infrastructure, as Ted pointed out, where we are needing to replace things. We can't defer things any longer or kick the can down the road in order to minimize risk and make sure that our system has backup or redundancy as Beth has talked about in the past.

Suzanne: Does this look like a new normal or do we have a couple of projects in here that once complete, you then don't anticipate for the next 10 to 20 years?

Ted: If you go beyond the five-year plan right now, in our 20 year plan, we are roughly at first couple of years out, we're about 40 million, Suzanne. So the fifties is not the new normal, but about the $40 million is the new normal going out.

Suzanne: Starting in the 60, don't you think?

Ted: Yes, exactly. Matter of fact, the 27 budget right now is $40 million, 28 budget is 39.8, that's 40 million. Then the next two are just slightly less than 40 million.

Suzanne: Do we feel like we've had a longer term assessment that really assesses so that projects, like the very large ones we have now, are not on the horizon?

Ted: Correct. Yes, we did. When we went through the ten-year model that was really a very rigorous analysis of what we have in the entire 10 years than I think I've seen it a long time here in order to determine what was really needed. We actually changed categories. We put things together that needed to be put together. We look way out, which is actually one reason that you see the Gaillard tax, the big $20 million come in a little bit earlier as we looked at, we said, we can't wait that long to do that so I've got bumped up. To answer your question, the answer's yes, we did look at it very closely.

Suzanne: Thank you. Also going back to Larry, to your point about internally used funds, is that just the assumption versus passing it on and rates and why is that?

Larry: I'm sorry. Would you state that again, Suzanne?

Suzanne: Sure. I'm asking when you mentioned that to offset this increase over the next five years, we would do use internally used funds that we have available and some other things, but on the internally used funds, is there any reason why we've made that assumption versus going to rates? I know we want to keep our rates as low as possible, obviously, for the benefit of our customers, but is the using up of our internal use funds also create pressure on us down the road or is it all part of the plan and it's exactly what we anticipated doing?

Larry: It's part of plan now. With every rate application, we include depreciation and that increases every time we file a rate case. So, we'll be able to continue to generate internally generated funds in order to use that toward our Capital Program.

Suzanne: Okay.

Rochelle: I would also add, Suzanne, that using internally generated funds is as opposed to debt financing is helping us with our leverage, which we are trying to reduce over time.

Suzanne: Sure, I understand. Thank you very much.

David: We will want to continue to add depreciation as we do rate cases every year and a half, so that we can continue to generate cash directly where we're paying more.

Suzanne: And it sounds like these next five years are particularly critical.

David: Right. Maybe we're going to slow down the improvement on our leverage, but it's going to continue heading in the right direction. Am I correct? In that assumption, Larry or Rochelle?

Larry: Yeah, that's correct. You'll see in our O&M budget that since 2009, when we were just about almost a hundred percent leveraged, we're down around the eighties in the mid-eighties. That's been a terrific decline and that is due partly to that use of internally generated funds. And every time we file a rate application, that depreciation goes up by a minimum of a million dollars. We have the flexibility to increase that if we so desire now that it has a rate implication on it, because it does increase the amount of the rate increase, but we can increase that minimum of a million dollars to a higher number up to 10% of the total depreciation.

David: Okay. Thank you for the clarification.

Ted: There's no other questions then we'll move on to slide number 22, Jennifer, please. Thank you. Well, we did talk about it quite a bit today. We talked about it with the board in the past, increased significantly the impact on a five-year plan, of course, because of Trump $20 million from what we thought it was going to be necessary.

Ted: Construction years, the heavy years of expenditures are between 23 to 25. It's ends in 25. There's nothing in 26. In 23 is 10 and a half. You can actually see it in the chart there. They don't have the numbers on it, but you see the blue is the Lake Whitney Dam amount in the budget versus green, the entire budget. So 23, 10 and a half million dollars, which is about 21% of the entire budget. In 24, about $18.2 million for the dam, which is about 34% of the budget. And in 25, 8.7 million for the dam, which is about 18% of the budget. Probably, I didn't do the math, but as I was out building the treatment plant at Whitney many years ago, this is not unusual when you have a very large project to have a large percentage of the budget allocated to one specific project. It is impactful on the project.

Ted: We did look at a lot of analysis has gone into the Whitney Dam in terms of alternatives, in terms of what we can get done to try to get that number down. We have tried to help places where we could hold. We looked at actually a permutations of 27 different alternatives, which came down to five alternatives that are really scored against a bunch of criteria, including public impact costs, environmental impact safety, handling, maintaining historic structures and being able to operate the Lakewood new water treatment plant during the time that we are doing the dam. Historic structures, you may have seen in the narrative that the dam is part of what is considered the Lake Whitney Gunsight, which includes the dam, the museum, our education facility there, and then two buildings across the street. It's all listed on the national historic registry for places. So keeping that in tag was important.

Tony: Ted? RPBs favorite question is why can't you flatten that out?

Ted: If we went to way to flatten that out, Tony, would be to spread it out over time. We know this, let's just say that $40 million is a good number and it is the good number right now. Then we try to flatten that out, we'd have to extend it out over time. Extending out over time would actually increase the cost of the project because contractors want to get their job done. They don't want to say, "Hey, you know, you're only going to let me spend $7 million a year to get this thing done. It's going to cost you a lot more money because I have to keep my staff there for seven years bond and everything else." It's best to do with this kind of projects as quick as you can. And we did actually look at David's trying to spread it out.

Ted: Even within the dollars there between 2325, what we have here is the best place we could get to with the numbers that we have now in terms of construction.

Tony: Thank you.

Ted: Just briefly, on the alternatives, we looked at five alternatives. They range in price from a low of 24 mate. This is for the construction costs, not the project costs. $24 million to a high of $42 million. The low beam grouting the existing dam, which has been historically drive, we think that's a big risk that we are not willing to take because you don't know what you get when you just dumped route into a dam like that. You might end up with something solid. You might not, but it was an alternative that was considered. The highest one was building a gravity concrete dam upstream of the existing dam, but using cofferdams all the way across the dam to allow working in the dry.

Ted: Cofferdams are very expensive that's why that alternative was $42 million for construction costs alone. Project would have been over $50 million itself. The one we landed on, there was some of that came into $30 million, was again building a concrete dam, like the one I just talked about what we're going to put the concrete cofferdam upstream. Quite a ways up at Davis street, which is about a third of the way up the reservoir, that's where we're going to stop the water. From that point down, it'll be working in the dry. Most of the Lake will be kept full environmentally. That's very good. And then also from that confidante, we'll be able to feed the Lake Whitney water treatment plant by putting in some temporary piping. It hits all the alternative. It's really is the right one to be looking at. We are looking at alternative delivery methods because they have the propensity to decrease the cost of a project.

Ted: Because when you do alternative delivery methods, you usually bring in a contractor and you get the benefit of value engineering. The one we're looking at in particular, and this is ongoing as we speak, is something called construction management, construction manager, general contractor, where you bring in a by RFP process. You're bringing a large contractor who does dams to work with you during the design, and then there's continuous value engineering all the way along. Matter of fact, the first part of the construction manager's work job is to do the value engineering and where we are right now and we are at about 45% of the perfect time to bring somebody in, but we got to move on to that. We are just considering that we haven't gone that way yet because there needs to be more internal discussion regarding that, but it is one way to get the cost down because typically, in construction management and then the construction manager, it's basically taken that the construction manager will be the one who actually builds a plan assuming his bid numbers are correct.

Ted: If not, there's an off ramp out of their contract to be able to go out and do a regular bidding that's a comparison to a method. We haven't done that Metcon method before. We've done design build where the contractor actually designs it, not good for a dam like this because you need much higher level expertise that we're looking at one way to decrease the cost is using that alternative delivery value engineering. If we don't do it within the delivery method of CM/GC, then we will bring somebody in to do value engineering and we were ready to do that. We're also doing a business case evaluation on the project as well. The project is really getting a lot of scrutiny because of the size of the project. It's a very complex project with a lot of different aspects to it.

Suzanne: Ted?

Ted: Yes.

Suzanne: Does the viability of using this delivery method really somewhat hinge on using the same contractor to do the work as is helping in the design simply because you get a new contractor and then they're like, "Oh no, I wouldn't do it that way."

Ted: Yes, that is kind of the deal. You bring that in the CM/GC model, the CM becomes the GC, that's part of the package, but you always have an off ramp in their contract saying if we don't like their price, but we're going to see their pricing all the way along for all the aspects of it, it'd be questioning and all the way along. We don't like their final price and we can't get to a place where we think we need to be then we have an off-ramp saying that we'd go out and actually bid this thing out. They could bid or not remains to be seen.

Ted: We have discussions about that. It is a very viable way to look at this timeline. Helped us put together a analysis of what could happen with this. You are going to decrease risk significantly by using that because you're putting the contractor in place who's going to be looking at risk. That's what they do when they bid a lot of projects. We're going to have a lot of risk mitigation along the way. It was just looking pretty good right now, Suzanne, but we just need to get to a place where we make a decision that needs more internal discussion.

Suzanne: Thank you, Ted.

Ted: Yeah. Any further questions on the dam? I'm sure the RPB will have many as well. All right then we can move to slide number 22 and turn it back over to Larry.

Larry: All right.

Ted: Slide 23.

Larry: Slide 23. Thank you, Ted. The categories that we had previously reviewed with you. The natural resources, treatment transmission, and pumping and general plant, that those categories are generally been the way we have done capital planning for years at the RWA, but they are certainly adequate as a way to categorize your spending. We didn't feel that they took into account the other important drivers of the capital budget nor provide an insight into considering reallocating funds when that might be appropriate.

Tony: Yeah

Larry: Somebody have a question?

David: I think someone coughed.

Larry: Okay. We took a look at the different budget categories and came up with a new set of five different categories that we feel provides a better definition of the budget drivers, and a way to reallocate funds in case we needed to when that is appropriate.

Larry: The five new categories are listed here. One is the growth category, which is a category that would allow us to increase revenues or expand the service area and in the five-year capital plan, which has been categorized using this new system, it about 3% of the expenditures are in the growth area. These are things like the Northern service area, route 10 water main extension, our SAP customer channels, and those kinds of programs that result in the increase in revenues or it help us to expand our service area.

Larry: Long-term planning are those areas that help us decide how we're best going to meet, not only future water demands, but also future service requirements and ensure water quality. In the five-year plan that currently makes up about 12% of the capital budget that would include things like watershed protection, capital pipe, for instance, and our Derby tank would be included in the long-term planning.

Larry: Regulatory compliance, as you would guess, those are investments that we would need to make to ensure that we are in compliance with not only current regulations, but also those coming down the pike that currently makes up about 26% of the five-year capital plan and that would include things such as investments to make sure that we comply with dam regulations.

Larry: Our West river water treatment plant improvements to help us reduce disinfection byproducts, which is a regulatory compliance issue and things like that. Then capital renewal, which is by far the largest area, this is where we would upgrade, replace, or rehabilitate our assets. This would be work to improve our water treatment plants, our pump stations and our programs such as replacing meters, hydrants, service connections, and pipe bridges and things like that and that that is the largest.

Larry: The last category would be technology, which is those investments that allow us to enhance renew and replace technologies that give us better efficiency, better customer service, and improve our cybersecurity. That's currently 6% of the five-year plan that would include things like the SAP enhancements that pram reviewed our monthly billing project, cybersecurity and ongoing hardware replacements.

Larry: Go to the next slide. This is just a graphic picture of how those various categories stack up within the five-year budget. You can see the capital renewal at $124 million, 53% of the budget. Regulatory compliance at 61 million. Long-term planning at 27. Growth at 8 million. Technology at 13 billion there, but that's the allocations. We plan on using these categories when we present our budget next year for the one-year capital program. We think it will be able to give us a little more insight in how we're spending money. And if we need to reallocate dollars, we can determine the best way to do that, to achieve some of our operating goals.

David: Larry, just regarding that, it's implied but is there an industry standard?

Larry: Well, I think generally speaking, you find the five categories we used in terms of how to allocate your assets. It's widely used within the industry because it's easy to understand, it's very easy to put investments in those kinds of categories, but this way, as I said, we think will provide us with additional insights.

David: Okay.

Prem: To add to, I know I'm the new guy covering this whole board, I've seen the same five categories for national grid. I've seen the same five categories in admin grid and I've seen the same prominent approach so it's pretty standard if you knock the thing out of it.

David: Thank you.

Larry: Okay, we can go to the next slide, which is the summary to wrap up things. Management has worked really hard in developing this particular capital budget to ensure that it is meeting our essential funding. Infrastructure needs to ensure coverage of risk, resiliency, and redundancy within the system. We have thoroughly vetted those large projects that are included in the projects and certainly Whitney dam is one of those. We have put a real emphasis on pursuing alternative financing. The one that we've used the most often is the Connecticut state drinking water revolving fund, but we are going after grants at the federal level, as well as the state. Matter of fact, yesterday, I had a conversation with our lobbyists. We are developing a letter for the lobbyists to use with Rosa DeLauro to make sure that we can get into the, at least, be considered for the $110 trillion infrastructure investment program.

Larry: We're pursuing that very aggressively and we'll have a meeting with Rosa sometime next week or her staff to talk about the needs of the RWA and the water industry, in general. We've taken into account the report that GHD did a few years ago, where they projected what we should be spending in each category of the previous five categories that we had to ensure that we're meeting water quality and service needs. We'll also invest to make sure that we have an adequate asset management plan so that we are managing and renewing our underground and above ground assets and taking into account their life cycles so that we are replacing them at the most optimum time. With that, wraps up our capital budget and we'll take any final questions you might have.

David: I'm not seeing flipping through everybody's screen. There we go. Thank you. I'm not seeing anybody with hands. Do we want to take a five minute break and then get going with the operating?

Larry: That would be a good idea if we could.

David: All right. Why don't we get back at 10:30?

Prem: [inaudible].

David: Okay. Well, I was going to compromise seven. That'll be 10:30. All right.

Prem: Thanks.

David: Thank you.

Jennifer: Can everybody see the presentation up?

David: I can. All right. I think we're all back. I don't see everybody's picture, but I see everybody's up. So, all right. Larry?

Larry: Okay.

David: Here we go. Are you ready? We'll do operating. Thank you.

Larry: We're ready. So, Jennifer, there's the agenda. And just to recap how this will play.

Jennifer: Okay.

Larry: I'll do the overview of our financial position and the first three items under there. Rochelle will review the next four items and then I'll do the summary. Ff you could go to the first, the next slide, Jennifer. Thank you.

Larry: As you recall, because of the pandemic, we took a number of actions to shore up our financial position to make sure that we were financially strong and resilient during this pandemic. As we just discussed, we reduced our capital program by about 50% in order to enable us to use just internally generated funds rather than having to use revenue bonds, and therefore impose a rate increase. We also reduced our operating costs, our fiscal 21, original O&M budget was reduced by about $4.9 million with the largest reductions in payroll and employee benefits, primarily the pension contribution and outside services.

Larry: We also asked for shared sacrifices. We are able to keep the O&M expenses at the lower level, by one, asking employees to forego their merit increase for fiscal 20. We eliminated any payout of bonuses and those sacrifices that got us through the most of the year. And then we reinstated those sacrifices in January of 2021. Even with those reinstating those sacrifices, we've been able to meet our coverage requirement without a budget shortfall, which was originally budgeted at $12 million. Now we are not projecting any shortfall at all in order to meet our coverage.

Larry: Then finally at the end of fiscal 20, we contemplated the uncertainties that was associated with COVID-19 and prudently transferred about five and a half million dollars into the general fund, which gives us maximum flexibility to use that money where is necessary. We'll have those funds available as a potential transfer as we close out fiscal 21. We go to the next slide. This shows all of our deferred reserved fund balances. Some of which are discretionary. Others are required under the general bond resolution. As I just mentioned, at the end of fiscal 21, we transferred five and a half million into the general fund, which provides us with maximum flexibility to use those dollars for any lawful purpose that's shown down there in the lower right-hand corner. We also transferred about $750,000 into the growth fund that we anticipated would be used in fiscal 21 for our commercial.

Larry: It would be used in fiscal '21 for our commercial billing project, so that we could bill customers that are not part of the RWA for some of our offerings, whether it's PipeSafe or WellSafe. And then we transferred about $8.6 million to the construction fund to support the capital improvement program. And despite the pandemic, the discretionary fund balances remain very strong, as you can see. And we are in compliance with all of the required fund balances going forward. And this is very important to the rating agent, who has to see that we have this kind of financial flexibility and financial strength so that they can rest assured that we can repay bond holders no matter what the circumstances. So if you can go to the next slide. So this is a takeaway on our fiscal '21 capital sources. And the key takeaway here is that we have been able to postpone our rate application in fiscal '21 because of our strong financial position. In the bar chart on the left, you'll see that in fiscal 2009, we were almost a hundred percent leveraged.

Larry: And on the right shows you the makeup of our funding, now, when we go into a fiscal year and so supported by our governing boards and allowed our capital improvement program to be funded through the generation of internal funds. Which would not have been possible without the policy changes, supported by the boards, as well as prudent financial management. Regarding the bar for fiscal '21, if you'll look there on to the left. $1.75 million of that is in the state and revolving fund. That's that kind of pinkish one.

Larry: The growth fund is $550,000. Interim is about 28.5 and internal funds is about 19.6, making up the majority of that. The $800,000 shown there is for the fourth traunch of our AMI DWSRF financing. And that'll go towards paying off an interim note that we took out in order to finance the program. And then the three loans with Seymour Wellfield Brushy Plains, and the RTU project about $25,000. It was a grant associated with the land purchase in Hampton. So while our leverage is still high, if you'll look to the right there at about 96%, which is where it was in 2009, it is down 10 percentage points to about 86% at the end of fiscal '21. And we have projected that we would not get to that level before until 2030. So we've been able to substantially pay down our debt leverage through using internally generated funds.

Tony: This is not a very good sign. We have to go and borrow.

Larry: Why is that Tony?

Tony: Well, isn't debt the American way?

Suzanne: No. No. No.

Larry: No, no, no. Not [crosstalk]

Suzanne: No. No. No.

David: Not when you're the debtor.

Larry: [crosstalk]

Suzanne: Yeah, that's right. Not when you're the debtor.

Larry: Yeah, that's right. And so with that as an overview of our financial position, I'll turn it over to Rochelle who will discuss the operating budget.

Rochelle: Thank you. And Jennifer, if you can go to the next slide. So this is really a high-level view of fiscal '22 budget. We're calling it operating budget at a glance. A couple of key takeaways at this summary level is one of the items that we're pleased to share is that our ONM expense target is consistent with the targeted model that we shared when we did the ten year model. And we're able to get to that level. We believe without sacrificing anything from an operational perspective. And we're also able to get there without using any of the general fund monies on being part of the 5.5 million potentially that Larry had talked about. When we actually modeled the 10 year, we had actually assumed that we would need some of that general fund money to mitigate the rate increase, but we're pleased that our O&M budget, as you can see here for fiscal '22, we'd be budgeted at 59.7 million.

Rochelle: I also want to mention that under all other revenues, the key change that you see between the fiscal '21 original budget and the fiscal '22 proposed budget. Unfortunately, the reduction there is primarily an interest income. And as I think everyone is aware the rates have stayed very low. We are doing what we can to help protect that interest income, but that is unfortunately a key driver of that reduction in all other. From moving down the chart, the other expenses, really the change here versus both the original budget, as well as the revised fiscal '21 budget is our estimate of upcoming pilot payments. So we are showing an increase there. And the change here in debt is as was mentioned just now, as well as in the capital budget update, we are projecting that we'll be closing on additional DWSRF projects, including AMI, Seymour Wellfield Brushy Planes, and later in fiscal '22, the arts- [crosstalk].

Tony: Rochelle?

Rochelle: Yes?

Tony: Are you anticipating that there's going to be a generalized increase in pilots the way it is for other pieces of the state?

Rochelle: What we do for the upcoming fiscal year, we do project that there's going to be an increase in the mill rate for our payments in fiscal '22. We do already know what our assessment is. So we use that, but yes, we do estimate in an increase in the mill rates. And it is an estimate cause we won't know the mill rates until we actually get our pilot bills. Another key item I want to mention about fiscal '22, we are assuming a forward turn to normal. So that is a key assumption here. Another key assumption is this does not include our anticipated rate application filing. And just to share a little bit more information there, the change in revenue, if the rate application is approved, which we are anticipating with an approval of the rate application, it will offset the shortfall that we're showing of the 299,000.

Rochelle: And also we will see an increase in depreciation. That increase will at a minimum, assuming a million dollar increase in depreciation will have an impact on a fiscal 22 depreciation budget, but we did not include the impacts of the rate application, because we'll be working through what that proposed rate increase would be. Another item I want to mention, I'll get into this in a little bit more detail. I would consider our fiscal 22 budget, a little less conservative than we've done in the past. And I'll talk about really two key items, one on the revenue side, and one on the expense side. That does make it a little less conservative in a minute.

Rochelle: Moving on, if there's no questions on this side. Jennifer, if you can go to the declining consumption. We just wanted to show this slide again. This has been updated now through fiscal 2020. A couple of points here. We do expect that trend to continue at least in the near term. And that's consistent with what's going on in the water industry as a whole. Although there has been an increase due to COVID again, our assumption for fiscal 2022, which we factored in is that we would be back to normal from a consumption perspective. So you can see here that we are still on a declining trend line 1999 to 2020. It comes to approximately an average of 1.1 percent per year.

Rochelle: Okay. Moving on to the next page. Okay. Here I just want to talk about some of the key assumptions that impacted fiscal '22 revenue, which is similar-

Suzanne: Rochelle?

Rochelle: Yes?

Suzanne: I'm sorry. I wasn't quite quick enough on your last slide. My apologies. When you talk about the usage, that the whole housing boom in Connecticut did not reach far enough to improve our anticipation of impact on usage?

Rochelle: Correct. And our customer base is largely residential. We do look at change in our customers. It's been pretty minimal every year for the last several years. So we do not build in an additional assumption regarding customer growth.

Suzanne: Okay. Very good. Thank you.

Rochelle: Similar to prior years, we look at our billed revenue and then we make assumptions regarding how the billed revenue converts to cash receipts. The bill consumption that we built in was a 1% decline. However, we did do our best to estimate what that 1% decline is after we adjusted for the anomalies that were caused by COVID-19. And we've definitely seen very significant change in the pattern, especially in the residential. But we did our best to estimate what that 1% decline would be. We would also adjust for any other known anomalies. For example, if we know that there was some kind of billing adjustment that won't be reoccurring, as I just mentioned, we didn't make any increase or decrease in a number of customers, does not build in any rate changes. A key assumption though, that we did build in, is we did build in the transitional monthly billing. And we built it in under the current plan, which assumes a big bang. And a big bang means that in one month, currently targeted for January of 2022, all customers are going to convert to monthly billing.

Rochelle: And that's a key assumption. It does result in a one-time pickup because of that change. And we also did build in the change in their frequency and billing of our fire service. Somebody might recall that several months ago now we had representatives from the RPB as well as the authority board to give input regarding, for example, changing private fire in what was the New Haven district from billing in advance to billing in arrears. And that was accepted. There was also a change, a recommendation, regarding public fire in the old AVA district. So we did build in all those changes. But again, this is a key assumption because the fiscal '22 budget does include sort of that one time favorable increase. Any questions on this sheet?

David: How much is that? Is that I don't remember seeing that.

Rochelle: It's when you net the changes together, a fire service is actually generally speaking a reduction and then the big bang is an increase. It's about just 1.6 million that we built in.

David: Oh, okay. So one that's [crosstalk] extra for one time, one year, and then it's up at that plateau level. Okay. So that's a factor for the following year to keep in mind.

Rochelle: Right. And you might recall in the business case, we are anticipating that after we convert to monthly billing, we could see perhaps a half a percentage point increase. So we'll be able to monitor that towards the end of fiscal '22 and see how we want to incorporate that change in the pattern for fiscal '23's budget. But that's definitely a key assumption. The other assumption that I want to call your attention to this is another example of the fiscal '22 budget being less conservative than it has been in the past. In past years, we have put in a million dollars for monies outside a year. Those old payments that we get in on very aged invoices. We did increase that to 1.3. We are comfortable doing that based on what we've seen over the past several years, but it's a little more risk in the budget.

Rochelle: Okay. Moving on to the next page. What this is, is a really an attribution that shows starting with the fiscal '21 original budget to the current budget. So keeping in mind last year, the fiscal 21 original budget did also include monthly billing. So really the big driver of the change year over year is the 1% decline that we have factored in for the last few years for our wholesale. I just want to mention, you may be familiar with the arrangement with Connecticut Water and that included getting a 75,000$ reservation fee over the first several years of that contract. However, unfortunately, the last year of that payment's actually fiscal '21. So that's the main driver of the change and wholesale. And also for the pay-as-you-go wholesale contracts, we do also build in the 1% on decline. Although most of our wholesale agreements have a minimum commitments.

Rochelle: You also see the increase of the 300,000 in outside a year. For fire service here, even in the fiscal '21 original budget, we did build in an assumption about changing the billing pattern for fire service. That estimate has changed a little bit for fiscal '22, and we also have seen some increase in connections for private fire. So all those puts intakes netted out to about a $20,000 change and some other small changes. So overall again, without any impact from our rate application, we have a change of about 573,000. You move on to the next page.

Rochelle: This just shows an attribution from what was our revised budget. And really the key driver here is fiscal '22 reflects a full back to normal. So just sort of simplify the attribution here, we just showed, all the COVID adjustments you might remember. We change our assumption regarding cash collections. We change our assumptions regarding consumption. We took out monthly billing that was in the original budget. And other than that, the attribution is roughly the same. Fire service is a little more impacted because we are building in the impact of those when time changes, when we change the frequency. In particular private fire in what was the New Haven district. That's our attribution there. The total change is actually 15.2 million from the revised budget to our proposed fiscal '22.

Rochelle: Any questions on that one? Okay. Moving on to the next slide. This shows the attribution of other revenue. Other revenue here includes other proprietary, as well as just our other water, which is our miscellaneous water related charges. So here some of the key drivers from the original budget to the proposed. We're actually seeing an increase in forestry. It's my understanding that the market is really improved. So there has been an improvement year over year. And the net revenue expected from forestry. PipeSafe is also projecting an increase over what was the original budget. Recreation as well, [inaudible] and some other net changes. I do want to mention here that, although there's about a million dollar increase from our original budget to our proposed fiscal

'22 budget, if you were to compare this to our projection, the increase is more significant. It's about $400,000 improvement from our projected fiscal '21. And that's primarily related to the miscellaneous other water charges, as well as PipeSafe also has a larger increase from the projection for the rest of this year.

Rochelle: So overall about 100,000 dollars, budget to budget. Moving on to the next sheet, this shows the increases from our revised budget and here the key driver really is the other water charges. And that's where our collection related charges are. And so with a COVID assumption, this has come to a pass. We're not billing customers related to collection activity or reconnection fee. So there's definitely been an impact there, as well as the revised budget. It also assumed a pretty significant reduction in back flow. We haven't seen quite that reduction, but that's really the key drivers. And for the other areas like PipeSafe and recreation and [inaudible], are just some relatively small year over year changes. So we're projecting that our budget will be about $7.1 million for other revenue. There's no question, I'll now move into the expenses.

Rochelle: Okay. So again, I think a key concept is that we were able to keep our overall O&M budget proposal consistent with that targeted level. When we did the ten year model. The payroll is actually another area that we are being a little more aggressive than we have been in prior years. One of the changes that we made in the fiscal '22 budget is we have built in a vacancy factor, and that was due to really taking into consideration what our head count level was at the end of February. We are running event well under right now, our fiscal '21 budgeted level. And so without sacrificing the evolving business needs and the strategic initiatives. We said what's really realistic as far as being able to fill the vacancies that we have. So that was factored in. From an O&M perspective that equated to a little over 900,000 and for total gross payroll, probably a little over a million.

Rochelle: So that that's very much a key assumption that we made relative to head count. Another change that we need is, and if you look at the divisional budgets, you might've noticed this is, we also chose to budget all vacancies at the RWA level. We still will be going through position justification. And we thought by putting all the vacancies at the RWA level, they can be filled and allocated based on where the critical needs are within the business. So that's another change that we made. For employee benefits on this category includes the medical expenses. It includes our pension and OPEB contribution. It includes things like payroll taxes, dental, and some other categories. A key assumption that's factored in here for fiscal '22, the fiscal '22 budget is based on the arc. Based on our most recent valuation for a pension.

Rochelle: It does therefore assume that we will make an additional contribution in fiscal 2021. And that will be going before the authority. But we looked at the information that we got from the actuary regarding what that levelized contribution would be to get to that fully funded level by the end of '25. And we are basically going to be recommending taking the difference between the arc and that recommended level and making that contribution in fiscal '21. And we have factored that into our fiscal '21 outward projections. For outside services and professional services, similar to last year, we've categorized this by business requirements, specialized expertise, project-related, and then technology-related. And consistent with last year, we did put the regulatory assets amortizations in their own category. So they're not intermingled with other outside services. If there's no questions on these, I'll be getting into these in a little more detail in a couple slides. So we can move on, Jennifer, to the next sheet.

Suzanne: Rochelle?

Rochelle: Yes?

Suzanne: On the personnel stuff, succession planning, et cetera. I assume it's nothing meaningful that the board hasn't talked through with any adds to staff. Correct?

Rochelle: Can you clarify the question?

Suzanne: Sure. So if there were meaningful adds to staff or restructuring, generally Larry takes the RWA through it before he actually executes it. And I was just wondering is it just going back to full employment and/or is it making any meaningful changes that either we got updates on and I'm not remembering, or will get?

Rochelle: From what I understand, it wouldn't be anything other than what you've already been briefed on.

Suzanne: Okay.

Jeanine: Suzanne, this is Janine. I just like to just add one other thing. There are significant ads at all, but there is realignment and reorganization in the way we're doing things. So that has driven part of that as well. So for instance-

Larry: But those have been reviewed...

Jeanine: Correct.

Larry: ...With the authority.

Suzanne: Okay.

Larry: So this is really going back to full employment, Suzanne. And there will be some redundancy in some cases where we may have two individuals in the same job for a while. While there may be a transfer of knowledge, but generally it's going back to full employment.

Suzanne: Okay. Thank you.

Rochelle: Suzanne, I will mention that actually the head count in the proposed budget for '22 is actually a little under what it was in your original fiscal '21 budget.

Suzanne: [inaudible]

Rochelle: For maintenance and repair as, was mentioned earlier, maintenance and repair is where we put really the routine maintenance. So what's not capitalizable, just the routine repairs. We believe, and you will see that there's an increase in this category that critical, needed maintenance and repairs. We really stress that the budget manager should be submitting that and we believe that they did. So we can really have a focus on making sure that we are continuing with the required maintenance and repairs. Pump power is one of the larger categories on the budget here reflects our existing contract for generation pricing. That contract is in place through December of 2023. Our budget though, does include an estimated increase in the distribution pricing to that electric service distribution pricing. And of course we've included all the previous work that was done relative to electric usage optimization.

Rochelle: IT licensing and maintenances is another key category. This is where posting cost are all the annual maintenance fees associated, not just with SAP, but several other applications. And here the main driver is the additional maintenance costs associated with our technology projects. So there is no O&M component to those. We also build in an estimate of the annual maintenance fees for all our existing applications. For GNA, which is another one of the key categories of the primary driver is a computer and iPad purchases. Also licenses and subscriptions, and then recruitment. Recruitment in the fiscal '22 budget is aligned with our fiscal '21 projection, but it is higher than both the original budget as well as the revised budget. So those are the top categories. They make up about 86% of our overall budget. And if you go the next slide, okay, this is just a attribution of our budget versus the original fiscal 2021 budget, the key driver of payroll. And you can see that...

Rochelle: ...driver of payroll. And you can see that that's actually lower in the proposed budget than it was in the original budget, and that's primarily due to our vacancy factor assumption, partially offset by the normal annual increases relative to wages and salaries. Employee benefits, you can see that's also a reduction versus fiscal 21's original budget. And that's primarily due to, in the original fiscal 21 budget, we did have above and beyond pension contribution built in. So in fiscal 22, as I mentioned earlier, we are budgeting at the arch. However, that doesn't preclude us if we have [inaudible] a good year.

Rochelle: We can do what we've done in previous years, or we can do an additional contribution towards the end of the fiscal year when we're comfortable that we can meet our coverage, and other requirements, even with the additional contributions. You can see that the other categories actually have a relatively small variance relative to the original fiscal 21 budget. And there were some details in the appendix if you want to get into more of the particular attributions, but I would say relatively small changes. And Jennifer, if you can just move up the slide a little bit. Out maybe a little more.

Jennifer: This is the-

Rochelle: [inaudible] the...

Jennifer: Is it getting camera off?

Rochelle: Go back one more. If you can move it up a little bit. So [crosstalk].

David: [inaudible].

Jennifer: Nope.

Rochelle: Okay. That's all right. Hopefully everyone can see it on their Boardpaq. So here for outside services, there is a increase of about 174,000 versus the original budget. And really the increase is in the area of specialized expertise and project specific. And that really includes some of the initiatives that you've heard about. We have Tighe and Bond working with us on both at the end of fiscal 21 as well as in the early part of fiscal 22. We have Jim Corchaine from Tata and Howard working on fiscal 21, and potentially into fiscal 22 as well. We have some planned additional work from GHD relative to [inaudible] work with us on an asset management plan. We also have in that category, a work order asset management assessment, that's part of the O and M budget.

Rochelle: So those are really the key drivers of those that increase in that specialized expertise project related. And in some of these cases, we are incurring outside services in lieu of actually bringing in an employee. And that's actually is beneficial from a financial perspective, so they can work on the project. And then, there was no longer term commitment unless there's another project coming up. So that's really the main reason for that increase in that one particular category. If we look at the next slide.

Rochelle: And I just want to talk to this briefly. This is actually versus the revised budget, so you could see that payroll is higher. Remember when we did the fiscal 21 revised budget, we basically didn't make an assumption that vacancies wouldn't be filled until starting in January. We definitely cut back in that area. We built in the shared sacrifices that Larry mentioned earlier. So there is a increase in the payroll category versus the revised budget.

Rochelle: The employee benefit is actually just slightly lower than the revised budget. The revised fiscal 21 budget also had an assumption that we would just contribute the arch for the pension. So that's consistent with fiscal 22. There was only a very slight change in the pension contribution as [inaudible] for fiscal 22. The assumption on medical is actually a little bit down versus our revised budget. One thing I'll mention about the medical budget, the firm that we work with also had to make some assumptions about normalizing for COVID-19 because as we know, people did defer or forgo certain medical treatments. So they did make an adjustment for that to try to normalize the estimate that they provided us for medical.

Rochelle: Mostly other categories are similar to the variances versus the original budget. And then for outside services, I just want to mention, although there is a relatively large increase, relative to the revised budget, we do need to keep in mind that in the fiscal 21 revised budget, we reduced outside services by just under 950,000. So putting that in context, it's really not a significant increase over business as usual. Any questions before I go to the next slide?

Suzanne: Yeah. Rochelle, I have a couple of questions. In terms of the insurance claims and making an adjustment for a larger contribution to our insurance fund. Is that what you said?

Rochelle: Yeah, pension.

Suzanne: You didn't also talk about insurance? I'm going to ask a question about pension also, but you did not-

Rochelle: I actually didn't talk about insurance, but from an insurance perspective [inaudible], the increases that we're seeing are primarily relative to the market and it's in property and it's in umbrella, and it's not really due to any claims that we've had. It's actually due to the market in general.

Suzanne: Okay. I'm sorry. When you said claims, I thought you were talking health insurance. I'll totally ignore that.

Rochelle: Oh, claims. I was talking medical. Sorry, medical.

Suzanne: Yeah, so you were talking health insurance.

Rochelle: Yeah.

Suzanne: So is our broker recommending that we increase our contribution to our insurance, our self-insured insurance fund because claims, people did not necessarily to get medical attention last year that they will this year?

Rochelle: No. Just to clarify. Yes, we are self-insured. We were pretty much for medical one, more of the pay as you go, but the estimate that they gave us for fiscal 22, normalized for the lower medical that we've seen in fiscal 21, and we've definitely seen lower medical in fiscal 21.

Suzanne: Okay, very good. And then my second question is, how much was taking it down to six and three quarters or six and a half in terms of our target rate for the pension? How much did that increase the arc?

Rochelle: It was very minimal. And with all the changes, the arc for fiscal 22 is three million 220. And our arch in fiscal 21 is three million 171, so very minimal change.

Suzanne: Okay, very good. That's good. Thank you.

Rochelle: Any other questions before I move on? Okay. Jennifer, you can go to the next page. Here's just some other assumptions relative to the fiscal 22 operating budget. So for pilot, what we do is we look at our assessments that we already know for the 10 one 2020 grand list. And as I mentioned earlier, we will estimate the mill rates. For our pilot transfers, we actually have to forecast what our assessment will be in fiscal 23, as well as what the mill rates will be. And I do want to say here, John Tran is very proactive relative to reviewing the pilot information that we get. And if we think there's an inappropriate valuation, we pursue the avenues to get those addressed. So those are continuing to be reviewed from a debt service perspective. This budget does include the favorable impacts from the refinancing that we did for the 34th and 35th series.

Rochelle: As I mentioned that there was multiple DWSRF loans included in the budget. There is not in the budget, any increase in our debt service associated with the water system revenue bonds. We are expecting that we will have new financing associated with our rate application. However, the payments work for those bonds, there won't actually be an additional debt service payment in fiscal 22. There will be some additional debt service transfers. And appreciation also as I mentioned, it's currently 6.5 million. And after the rate application, we will be adjusting our depreciation for fiscal 22 if the rate application is approved. So those are just some other key assumptions. If there is no two other questions we can move on to the next sheet.

Rochelle: Okay. This is our maintenance test. So this is really where it sort of all comes together. So you can see for our fiscal 22 budget, overall, prior to any rate application, we're projecting a relatively small shortfall, about 922,000, but we are anticipating that when new rates go into effect, assuming approval of the rate application, that that will be mitigated.

Rochelle: I shared some of the key assumptions, including the one-time pickup relative to the Big Bang, and the conversion of monthly billing that's reflected. Our fiscal 21 projection here, that's consistent with what you saw when I did the quarterly updates. We'll be continuing to update that through the rest of the year. And here you can see what our original fiscal 21 budget was and our revised fiscal 21 budget. Again, we're pleased that we were able to keep our O and M expenses actually less than the original budget. So that's just the overall picture. If there's no other questions, I'll go to the next page.

Rochelle: I just want to talk through. We did this a little bit differently than in prior years, just trying to focus on what some of the key opportunities and vulnerabilities are that are in the budget. Medical claims since we are self-insured, that can be higher or lower. Also, and you've heard me talk about this at other points. We not only need to estimate what our overall medical claims are, we need to estimate how much of those medical claims are associated with retirees that are under 65 versus active, so that there's always some risk and opportunity relative to how we make those assumptions.

Rochelle: One of the larger assumptions is, when we look at all our payroll and we look at employee benefits in particular, some of the other over categories, we have to build in how much is really O and M and how much is non O and M. So how much of payroll is going to go to capital? How much is going to go to our jobbing or our commercial enterprises that are part of the utility business? So there is an assumption and even a small percentage change can really make a pretty significant impact.

Rochelle: Also, if our outside services comes in a little bit lower, that could be an opportunity. Comes in higher, it could be a vulnerability. Of course, weather related, pricing projections. Probably one of the more critical ones is what's really going to happen to distribution electric service pricing. What's really going to happen to chemical pricing? And then there's potential various other savings across categories from opportunity perspective. On the revenue side, weather is also a factor. We can't control it, but it does impact our revenues for the fiscal year. Conversion of monthly billing, what our billing to cash conversion actually is versus our assumption as well as opportunities relative to other revenues.

Rochelle: And then if you go to the next page, you basically have the flip side of almost everything that I mentioned, that can have an adverse impact on our fiscal 22 budget. The vacancy factor is one that we did have to make an estimate. We did look back at how we were running in prior years. So we are comfortable with our assumption, but that's probably more of a vulnerability than an opportunity. So I just want to call that out. I think with that, unless there's other questions, I will turn it over to Larry for the summary and conclusions.

Larry: Thanks, Rochelle. Well, [inaudible], we're very fortunate that we'll be able to close out fiscal year 21 without a draw from the rate stabilization fund, and that'll be our 11th year that we've been able to accomplish that. As you know, we took some drastic steps with the beginning of the pandemic, and I think that's proved to be appropriate to weather the storm and that's proving out as we close out fiscal 21. Our fiscal 22 O and M budget through some I think aggressive cost management and other actions that we've taken, we've been able to keep that at the ten-year model scenario. And as we close out fiscal 21, we'll certainly balance contributions among the various funds and make pension contributions over and above the arch to the extent that we can. From a expense management standpoint, we'll continue to manage the cost on a company-wide basis.

Larry: We'll balance our expenditures with our revenues so that if we have more revenues than what we are projecting, many times we'll pull dollars into the current fiscal year to pay them early, which will help us. And as Rochelle mentioned, we'll monitor pilot and take aggressive action if we see an increase. We will pursue alternative financing, whether that's DWSRF, or interim financing and monitor our refinancing opportunities that as you see how had a benefit for this particular fiscal year, and we'll continue to monitor that, and pursue grants aggressively, particularly related to capital projects. And we'll match up the strategic plan with the budget and make sure that we execute the two consistent with one another. So with that, we'll take any questions that you might have.

David: Larry, more of a long-term. I think the strategy of recognizing that the vacancies are a reality. Your board report every month tells us how many are actually filled and how many are allowed and all that. What do we have that we're setting up, that might be difficult or good for the following years? The Big Bang will have an impact. There were some early payment on the retirement, will have some impact. Are there any other negative things that we need to be a little bit worried about, and maybe want to save up some nest eggs for the future to smooth things out a little?

Larry: Yeah, that's a good question. I think the capital program is one that there's going to be some uncertainty in that, particularly as we pursue the balancing the risk, achieving redundancy and resiliency in the system. We are finding things that happened either because people were not operating the system according to the way it should be, or particular components or just, they're just wearing out. So that could be a surprise going forward that we'll continue to monitor. I know Beth has got an aggressive plan to make sure that we are getting on top of that as soon as we can this year. She's got a short medium and long-term plan to address that. And I think staffing is an area that we are finding is very difficult from an outside recruitment standpoint.

Larry: For instance, in the engineering field is a very tight market. It's highly competitive, and we are recruiting individuals that are working at companies that provide very competitive wages along with short term cash bonus payouts and long-term equity payouts. And we've got to get creative to figure out how we can recruit some of those individuals, to make sure that we're getting the right talent that we need. That's true in other areas across the organization as well. The operations area, that's true. So it's important as we look at our pay practices that we're paying market rates, that's going to increase costs, because of the payroll, and that we need to maybe get creative about how we compensate people. In the old days, when we had a better than average benefit plan program, while ours are still competitive, there's others that have other things that provide them an edge. So that will continue to be a challenge I think, going forward. Beth, I don't know if you want to expand on that or Rochelle.

Beth: I think from the asset perspective, as Larry mentioned, we have identified some things that have been outstanding for quite some time. I think you've heard me talk about the three Rs in terms of our stress tests that we went through last summer. So we have a significant amount of work to do to understand the condition of our assets, working through the most critical first. And as you heard through our capital program, our infrastructure is aging. A lot of it was put in around the same time. So we're reaching end of life simultaneously in some cases. And really the attention to problematic approaches to maintenance and renewal will be extremely important for this organization moving forward.

Rochelle: I would agree. I think it's the capital, and what we might be seeing to ensure that all the appropriate capital projects are done and not deferred if they really need to be done. And similarly for maintenance [inaudible]. Yeah.

Larry: Just to-

Beth: [crosstalk] that's one of the risks we identified in our risk register was the idea that the funding wasn't available, and the deferral of projects. Whitney Dam is a good example, Spring Street's a good example. Gaillard Storage is a good example. It's time to really accelerate these projects in a way that we can understand the goals that we'll achieve by doing them, and the long-term benefits they'll have, but there's several significant large projects that, I'd love to say I was smart enough to think of them all, but they've been on the books for quite some time. It's time to start to execute against those plans.

Kevin: Just to add, David, right? I know it reflects in this board discussion on some of the dollars. You're looking outside, so is a good example, right? Just want to mention, you're going to see something in the next board meeting about customer care and technology, et cetera. There's been a trend. We're taking the constellation of trend where a lot of this is actually having an impact on the O and M because now it's more subscription-based modeling. If you remember, we had a $26 million capital investment on SAP. We are trying to figure out creative ways to bring it down. So, we're look at nine million from 26 million as investment, which actually balances out on the capital side, but on the O and M side, there's a trend where more cloud means more O and M.

Kevin: So I'm seeing that trend also impacting us from an O&M standpoint, but those things are taken into consideration. It is going to be that shift, and it impacts customer experience. It impacts cloud computing as a technology investment. So there are other things that's going to be looked at as we move forward. So something to kind of think about as well.

David: Interesting. The switch from capital to O and M for some changes. There's interesting comments either way on that. Interesting thoughts on that. Okay, thank you.

Kevin: Larry. [inaudible], we would look at this year's budget in comparison to last year's budget, and say there's an X percent increase or decrease or whatever. It's difficult this year because of the pandemic last year of being able to do year over year comparison, but they're going to ask you for one anyway. Do you have an idea of how you're going to respond to it generally?

Tony: Well, I think Rochelle has done a good job of setting up not only what the revised budget was, but comparing it to the original budget, and then what the projected current budget's going to be. So we really have three comparisons to the existing budget, and we are a little below what the original budget was drafted. So, I think we can respond to that question, but Rochelle, do you want to...

Rochelle: Yeah. Actually, Tony, we do have it. So versus the original budget where lower by 2.1 percent, and versus the original budget, versus the revised budget were higher by 6.3%, but we did indicate at the time we did the revised budget, that that low level was not sustainable.

Tony: Does that include the capital budget as well? That number?

Rochelle: No, that was just O and M.

Tony: Alrighty.

Larry: Yeah. I mean, you'll recall the capital budget's about 50% lower, and that we certainly can't continue at that level, just to maintain the system, let alone some of the extraordinary items that we have to address.

Tony: Okay. Thank you.

David: Are there other budget questions? We do have an item on the agenda.

Suzanne: Yeah. Couple of comments about Tony's thing. I do think that comparison to last year is actually just irrelevant. I know they might ask it, but I do think it's irrelevant. And I think one of the things you might want to have in your back pocket is the previous year, because that's the last sort of normal year and in comparison to that, from a compound basis, how much more are we actually up? And that's a simple answer to the question.

Rochelle: Yeah. And actually, just to share with you, Suzanne, from a budget perspective, the fiscal 20 budget for O and M was comparable almost exactly what the original fiscal 21 project was.

Suzanne: Yeah. Okay, so there you have it.

Kevin: Yeah.

Suzanne: Very good. And can I ask one other question, Beth? You were talking about a lot of projects that need attention, et cetera, et cetera, but you're not talking about anything that we haven't discussed in the capital plan.

Beth: Correct.

Suzanne: Okay.

Beth: More importantly, the 10 year capital plan.

Suzanne: Correct. Thank you.

David: All right. Sensing you're ready to move on to the next and probably quick item on the agenda. We'll move on to the proposed resolution to act on the distribution of the fiscal year 22 capital and operating budgets. Would somebody like to move that we allow these to be distributed to the members of the RPB and the OCA?

Kevin: [crosstalk].

David: Moved by Kevin, seconded by Tony. Any further discussion? All right. All those in favor, signify by saying, aye.

Tony: Aye.

Kevin: Aye.

David: I heard all five voices. All right. I suspect is going to be shorter than the two and a half or three hours. The pension span is a little bit there, so more of a high level would be my guess as usual. Right, Larry?

Larry: Yes. Yes, we will do that.

David: Good. Okay. All right.

Tony: When does lunch arrive?

David: What was that, Tony?

Tony: When does lunch arrive?

David: Oh. I made sure we're out by lunch, so don't look in your driveway.

Tony: That's [inaudible] tradition.

David: Yeah. It was supposed to include breakfast too. Right? Didn't they use to include breakfast and then we'd end with lunch. All right. Well, folks, we went through a lot today. It's important, it's relevant, it's one of the big things that we do. One of the important things that we do, and it's important to keep this information top of mind. So we are aware of what we're doing. The aggressiveness with which we are keeping up to date with our equipment, the aggressiveness with which we're going to be going after grants and all to try to help with some of the offsets to some of this. Having Rosa Delora as our Congresswoman being arguably, one of the most powerful people in Washington right now, is certainly going to help us and hopefully we can use some of our connections with our grant writer and others. And it may be one of those all hands on deck.

David: We may get a letter together or something from some of our chief executives saying they support what we're trying to do as well. So we've got to work on a plan, and Larry and I talked about this the other day. He's got things all moving along towards getting us to be part of that stimulus money for infrastructure. Not stimulus money. Sorry, infrastructure. And that will be significant. It will have significant impact on this.

Tony: Thank you, David.

David: All right. Everybody, thank you so much. I'll ask for motion to adjourn.

Tony: [inaudible] .

Suzanne: Thank you very much. Really good work every year. Very good work. Thank you.

Larry: Thank you everyone. Great job.

David: All right. Motion to adjourn.

Rochelle: Thank you.

David: [crosstalk]. Who is seconding.

Kevin: Second.

Beth: Seconded.

David: [crosstalk] by Kevin. All those in favor signify by saying aye.

Beth: Aye.

David: As is unanimously. Have a wonderful day, everybody. Thanks you.