

**Representative Policy Board
South Central Connecticut Regional Water District
Joint Meeting
Consumer Affairs Committee
and
Land Use Committee**

**April 19, 2021
Meeting Transcription**

Stephen:

Well, hopefully they're going to jump in here soon. And most of our meeting is at the end, but it's 5:31 now. So I will call April combined consumer affairs and land use meetings to open. And we will start with the safety moment, Jennifer. My pet peeve, distracted driving. Lately, I've noticed, too, that some people consider red lights optional so be careful.

Stephen:

Turn signals, also.

Stephen:

You know, all these kind of safety features in cars now, it's taking away responsibility [inaudible 00:02:11] and people think they can do more in cars, but you're the one responsible for that moving vehicle. So I take this all very seriously, as everybody else does.

Stephen:

We're going to move on today to our main topic, which is a review of the budgets before the rest of our meeting. And I will turn it over to Larry for the presentation.

Larry:

Thank you very much, Steve. And we'll do the capital budget first and I'll make a few introductory comments and then we'll proceed from there with other members commenting on the budget. And then after that we'll handle the operating budget. So in terms of what we'll cover tonight, the first three topics I'll provide, I'll make some comments on those. Ted will then comment on the next three topics, budget prioritization to treatment and Beth will talk about our transmission and pumping budget, and then Prem and Ted will talk about general plant and Ted will give an overview of the five-year capital improvement plan. And then I'll wrap it up with a discussion of some new budget categories and then summarize our presentation. So next slide please. So this shows our capital budget history over 34 years from 1992 to projected and the key message about this particular...

Stephen:

Sorry, I got to find where my volume is.

Prem:

Does the budget talk always have a bark in it?

Stephen:

I'm sorry, exit full screen. There we go.

Larry:

A key takeaway on this. As you can see that the budget tends to fluctuate depending on what the priority may be in each budget category. For instance, in the 2000 to 2005 category, we had a large increase in capital expenditures due to the construction of the Whitney water treatment plant, which we'll be showing there, which is the orange bar. From 2008 to 2011, we had increased spending in IT for the SAP program. And that would be the general plant category, which is in yellow. Then from 2016 to 2020, we had increased spending for AMI, which is shown as part of the transmission and pumping category. And in 2018, we had a bump in spending for the Great Hill tunnel, again, transmission and pumping, excuse me, in natural resources. And then our 2021 budget, there goes the pre-COVID budget of \$41.7 million. And then at the end is the projected five-year budget from 2021-26.

Larry:

Well, the next slide. So assumptions for our fiscal '22 capital budget are the following. We are estimating that our budget will be approximately \$42.9 million, which includes \$38.7 million for capital projects, \$500,000 in contingency, plus \$3 million for DOT spending and about \$745,000 for our commercial business billing software and that does not include carry-overs. The fiscal '22 budget and future budgets take into account the recommendations by the engineering firm GHD, which did an audit a few years ago and predicted what we should be spending in the various budget categories with a primary recommendation that we increase our spending on pumping and pipe work. We're also assuming that RPB approved the projects that they need to review where needed and we have some five different projects that we plan on bringing forward in '22.

Larry:

We've increased our capital budget contingency slightly by about 3/10 of a percentage point from 1% of the capital budget to 1.3% and that equals \$500,000. We're also assuming that our Connecticut department of transportation work installing pipe in the highways will continue to be self-funded and we're estimating that will be not greater than \$3 million for those projects that we know about at this point in time. We're also assuming that the municipal redevelopment pipe and that pipe work in the Connecticut DOT will remain a funded item that's not reimbursable. And we've increased that a little bit for the next budget year.

Larry:

Next slide category, please. This gives a breakdown of the amount of money in each one of the four major categories within our capital projects. We have some 84 different capital projects that we plan on undertaking in fiscal '22 for a total of \$38.7 million, as I had mentioned. That compares to about \$38 million in our originally proposed fiscal '21 budget. All of the categories or about the same with the exception of treatment and we have a significant increase in that category. Which we'll explain a little bit later. The general plant category is about half of what it was in the prior year, and again, we'll get into that. And then this shows the contingency, the state redevelopment and the commercial business billing apparatus totaling \$42.9 million compared to \$41.7 million in the previous fiscal budget, or about \$1.2 million higher for the capital budget.

Larry:

Next slide, please. As you recall, because of the pandemic, we significantly reduced our fiscal '21 budget by about 51% from the original \$38.4 million to \$19.6 million and we did that by deferring projects or delaying them going forward. We're also assuming that we will be able to utilize state drinking water revolving funds for four projects and a potential for two additional ones. And I know that we can receive significantly low interest loans at 2%, which is about half of what our normal financing rate is, as well as grants for some of these projects that are eligible.

Larry:

And we're hoping that the Lake Whitney Dam can be included in that, but that is uncertain at this point in time. We also will be embarking upon our asset management program for fiscal '22, including critical assets and facilities in our InforEAM asset management program, which will help us prioritize work on critical assets and facilities and linking that into the InforEAM asset management program system in order to have all the assets in one software program. We're putting a focus on risk, resiliency and redundancy as we look at projects because you'll recall in fiscal '21, we had a number of failures which really sharpened our focus on decreasing risk and increasing their resiliency within our distribution system.

Larry:

And finally, we decided to combine the pumping transmission and distribution categories because they are horizontal assets and certainly like assets that are combined. So that's a little different number than what we've seen in the past. So with that as by way of introduction, I'll turn it over to Ted who will then go through the prioritization methodology.

Ted:

Thank you, Larry. Good evening, everybody. As we have for the past 10 years, we booked the capital budget projects through our capital budget prioritization matrix that we've been using with a little bit of a different twist this year. I'll explain in a second. As in the past, also there were numerous projects that were not included in the matrix because they were either continuing projects, core programs or RPB approved projects. Those total about \$26 million about 67% of the budget, actually less than last year. For FY '22 the list of projects that was prioritized was based on the projects in the ten-year model that you saw last fall. Something new this year was the separation of the infrastructure and technology projects into two major Cs. And we did that because when we score them together, as we've seen the past, the IT projects when scored against infrastructure projects typically ranked low, and then it does not give a real result, real idea of how important those projects are to us.

Ted:

So we separated them out. Also new this year, was the way we ranked the projects. Typically, individuals rank the projects and submit their rankings, which are then compiled. This year for both the infrastructure and technology projects, we ranked them in group meetings. The reason we wanted to try this and it worked out very well, is that this allows a better conversation between team members in terms of what the priorities are, what is really involved in the projects if they didn't have a good understanding of it, and why they may be so important. It also included a better-so it really ended up with a ranking by consensus, which we thought gave it better overall results. And then the leadership

team reviewed the rankings as we have in the past. This year, we did not make changes we have in the past, but not this year. So that's how we handled the prioritization process this year.

Ted:

Next slide, please, Jennifer. We're going to start going through the four categories that we have. Larry talked about them earlier, but before I do, I want to just let you know how we're going to be doing this in terms of what is on the slides that you see. So as we walk through the four categories, we'll be highlighting the most significant projects in each one of the categories. We can certainly discuss other projects if you have anything you would like to discuss in that category. Each line in the projects has a duration fiscal year '22 budget, and then the total amount in the five-year plan. For example, on this slide, streamflow regulations improvements is FY '22 through FY '26.

Ted:

Actually the entire five-year capital budget, \$150,000 in FY '22, \$280,000 total in the five-year plan and that project is to implement requirements that the Connecticut deep invoked in terms of measuring flows at the dams where we do not have measurement capabilities right now. Not a lot of work, but it's regulatory work that we have to get done. In terms of watershed protection there's \$125,000 in the budget in FY '22 to potentially fund a purchase of a piece of land in Durham and about \$525,000 total over the course of the five years. The Lake Whitney Dam project, there's a slide later dedicated just to this project on the five-year plan. But that project as she is now a five years old, FY '17, it'll go through FY '25. That's where the construction ends, \$600,000 this year is for completion of design. We're at 45% right now for going to the regulatory agents, including the Army Corps of Engineers, which has regulatory authority over this project in terms of dams, and also to submit an RPB application. The project totals \$40 million, which is a very significant project, obviously.

Ted:

We're talking a little bit more about that later on. And then finally, under national resources, in terms of highlighting projects, we have a new, multi-year project, Kohler, Tuttle, diversions, and raw water main rehabilitations. They'll go through the entire five-year budget. \$480,000 is slated for this fiscal year. 1.4 over the five-year total budget. And this year is going to be to assess and improve the facilities that are talked about, tunnel diversions of raw water mains. We'll be looking at assessment methodologies, we'll be prioritizing the projects and actually doing three projects at the three of our diversions that lead to our drinking water reservoirs.

Ted:

Next slide, please. Jennifer. Under treatment, \$16.5 million and a lot of projects, 22 projects and programs. This is not atypical of what you have seen in the budgets passed and going down the projects in terms of the largest project, not necessarily the largest, but the ones that are more interesting in terms of each year to plant \$2.8 million for large treatment plant next year. A project that's coming up that'll be going before the RPB is the clarifier of recycled building improvements project \$306,000, \$4.25 million total, and this is to replace 30-year-old clarifying equipment and recycle pumps at the Lake Gaillard water treatment plant, likely this project will be combined with another project out there to have a combination project at the Lake Saltonstall water treatment plant.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Ted:

We have \$2.4 million slated for FY '22. One of the projects coming up, a large project is going to be a \$3.8 million project to improve the electrical upgrades at the Lake Saltonstall plant, \$300,000 plan for this fiscal year in order to get it off the ground and get more design done. That project will likely, also be combined with the Lake Gaillard electrical improvements, which you have seen in the five-year budget and this will be for replacement of the main switch gear and lucrose service into the building, as well as with VFD improvements at Lake Whitney. Not a large budget in terms of overall five years, \$680,000 in FY '22 for a project that combines HVAC improvements, dehumidification and to retake look at the nitrogen boost system that is part of the ozone system, \$765,000 total over the five years.

Ted:

Once river water treatment plants, you just approved a project. It was just approved back in March for the whisper retrieve improvements project, which combines the electric project, DAF as well as chemical improvements to the hydrochloride system. So that project, \$7 million in FY '22, \$16.3 million total, you're familiar with that project. And then well field improvements about \$3.3 million in FY '22, one of the ones that's coming there is the Sleeping Giant well field project, FY '20 through '22, a \$1.7 in '22 and \$1.8 overall. And that's for chemical feed improvements at the Sleeping Giant well field where those pieces of assets are now beyond their useful life. With that I'm going to turn it over to Beth, to talk about transmission and pumping

Larry:

Ted before, before we have Beth take it up. I just wanted to provide Catherine with some more information. Catherine, that was Ted Norris that has been speaking about the budget. He is Vice President of Asset Management and our next speaker will be Beth Nesteriak, and she's our Executive Vice President and Chief Operating Officer.

Beth:

Thanks, Larry and good evening, everyone. I'm going to highlight, as Ted mentioned, our transmission and pumping projects, not only in FY '22 but give you a sneak peek into the five-year and some of those drivers of the five-year capital budget. In this category, we have approximately \$16 million, 23 projects and programs. As all of you are very familiar with, every year we have annual programs that we fund, and these are projects that are must do. And we see them in the budgets year after year. State and municipal pipe is one of those that has an expenditure for next year, slated at \$4.6. This includes our state DOT work which, as Larry mentioned is our revolving fund. And then some of our other projects, we have five active projects in category. Capitol pipe is our investment in our horizontal pipes. This is slated at \$3 million for FY '22 with a five-year budget of about \$16 million.

Beth:

Next year, we're planning about just under one and a half miles of pipe and a variety of towns across five towns. And these projects are picked based on break history, water quality, and the like, to make improvements to those systems. Under that we have our service connections budget. This is for any of our water services that run main to curb bow. Next year, we have a budgeted \$2 million. The five-year total just being over a little over \$11 million, again, an annual program for us. Valve replacements, these are for valves as we work in the street. Working on our infrastructure, we find valves that are either

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

inoperable or need replacing. Next year, we have budgeted \$300,000 in a total of \$1.4 over the next five years. Meters, we have \$715,000 scheduled for FY '22 and a five-year total of \$915,000, as you can see. This FY '22 budget is the last push at any of our remaining AMI installs, as well as some large meter replacements that were not included as part of our AMI project.

Beth:

These numbers will decline over the next five years with FY '22 being at the height. And lastly, hydrants, those replacements are an annual replacement budget for any hydrants that we own and need replacing. So next year it's \$125,000 with a total of \$625,000 over the five years. Some specific projects to draw your attention to. We have our Northern service area expansion. This is a, a large project where we're going to be building a water main up basically through the Northern service area and along route 10. Next year, we have \$1.8 million slated with a five-year total of about \$12 million. And I think this speaks to what Larry mentioned about building our resiliency of our system being able to use surface water as we head north into their service area.

Beth:

We also have our service area improvement. I think we used enough acronyms, or we short-cutted enough of the words to make you have no idea what that means, but that's the answer of service area improvements for our east-west transmission main. As you've heard us talk about this resiliency and the idea of how we move water from all the way from north Branford to Milford, this project has \$200,000 identified for FY '22 with a total of \$400,000 to make improvements in known issues where we have capacity restrictions. The third on the list is our Ansonia Derby tank. We have \$2.75 million in FY '22 budget. As all of you are well aware, we're waiting the court's ruling on the latest petition with a total of \$5.1 million. Critical pump station and transmission facilities program, this is a new line item for us, and this is really to evaluate as we look at that transmission east to west, what else do we need to do from a pump station, any of those critical operating facilities? So we've placed a budget of \$350,000 in with just under \$5 million over the course of five years.

Beth:

And last we have our Spring Street pump station replacement project. This is again a large project driving this budget. We have \$300,000 in FY '22 to be given design and start working on that project with a total of \$9.4 million slated for the next five years. With that, I will turn it over to Prem to talk about general plant.

Larry:

Prem is our Vice President of Customer Care and our Chief Information and Digital Officer.

Prem:

Thank you, Larry. Thank you Beth. Nice to meet you, Catherine, virtually. I'm looking for our organization, I think we are safe for the next week or so. Also for the general plan category, just through a few Reno critical projects. We have close to a \$4.5 million that we have allocated for the project. We have money for different projects and programs. The first one, as you all know our famous SAP enhancement pack, this is something we've been kicking the can down the road. We are trying to address that. I think next year we have a \$250,000 to start an RFP process. We'll be going through an

RPB application. So that's been stated for later in the fall. So when more to come in that space, but really focusing on or hauling some of the SAP challenges we have. We haven't really done any a upgrades as you know. Way back when, after we implemented in 2008 and after that, we never did any investment on that specific technology.

Prem:

So it's going to very much focused on that. Good news is that we'll go through an RFP process to make sure we cover SAP and all other solutions out there. So that is to kick start that project. The second one we have is innovation projects. This is very focused on our center of excellence, as you probably heard. And obviously we will be coming out to talk about in the next consumer affairs. I know this was mentioned in the last board meeting to talk about the customer care area. Just to touch up on a couple of things there, we have for a center of excellence, Meter to Cash, is one of them procure to pay. We have recouped, retired and sourced consumption. So those four areas are focused on process improvements. Just to name a couple of them.

Prem:

We are looking at products such as, for example, in the Meter to Cash process, we are looking to improve our customer portal, a multi-channel experience that we been talking about quite a bit for Meter to Cash. We are also doing a specific improvements, such as lean process improvements and any areas that we are focused on, any new process improvements for those specific areas. So if you think about this product, I know it's one a thousand stated for next year, but this is for an ongoing process improvement. That's why this lines under 2030, focus on all process improvement areas. The next one we have is safety, monthly billing. Again, this is.

Prem:

The next one we have is SAP monthly billing. Again, this is, if you remember, we came through a whole business case, we talked about it. The good news is that we had 1.8 million stated for this project, but through all the improvements we have got better estimates from our vendor, so the cost has gone down to 1.3. So good savings right there. We have yet to finish the project. This is going live in January 2022. This is for the [inaudible 00:27:27] monthly billing. So we are on target on that specific project.

Prem:

Cybersecurity, I know everybody is so much self-aware on the cybersecurity situation we are in right now. We are starting off our project with an assessment from Bloomfield Bureau. We have continuously been evolving on the cybersecurity space. So this is to really make sure that as we complete the assessment, whatever is going to be recommendation will be implemented. That's for the cybersecurity project.

Prem:

GIS aerial mapping. This is, again, a continuous project that we have in making sure that we look at our towns, we do our mapping for our watershed areas and in other areas. This, again, based on COVID, we have reduced the cost to almost around 40%. So this is directly coming off of the actuals we've been spending. We use Robinson as a vendor, for example. So this project is a continuous project.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Prem:

For the RTU upgrades, this is [inaudible 00:28:21] system for our distribution system. So this is to wrap up our project that we started off in 2018. FY22 would be the final... \$700,000 for next year. So we are really trying to wrap up the project.

Prem:

So those are the projects on various channels. I know Fleet, Ted, do you want to comment on that specific project?

Ted:

Sure. I'd be glad to. Thanks, Prem. So Fleet, as you know is our annual program to replace vehicles that have reached their criteria for replacement. This year... Excuse me, in FY22 we were planning to replace seven vehicles that are vans and smaller trucks for a total of \$400,000, about \$3.4 million over the course of the five years.

Ted:

Jennifer, next slide please.

Ted:

And then the five-year plan of capital improvements. The chart that we have, we really like this chart. The chart that we have shows the amount of the capital budget in each one of the five years, that's the top black number going across each top of each bar. And then it shows the percentages of each one of the four budget categories that make up the total of 100% of the budget within that category. And this really tells us a good story. It tells a story about where we are increasing or changing budgets or where our bigger projects are coming in. For example, in FY22 and '23, I see the treatment is about 43 and 34% of the capital budget. Treatment is typically 15 to 20. And that is almost primarily as a direct result of the West River Water Treatment Plant improvements project. That is a total of 16.3 million over the course of the project. So that's why there's an increase in treatment at that time.

Ted:

FY23 through '25, you see an increase in the natural resource category, the blue down the bottom. Natural resource is typically 10 to 15%. And that is a direct result of the Lake Whitney Dam project coming in with its highest expenditures in FY24. The next slide is about that project.

Ted:

And then in FY25 and '26, see a significant increase in transmission and pumping, which usually is about, well, that one varies about 35 to 45% roughly for transmission and pumping, but you see 57 to 64%. We are planning two large projects out in those years. One is the construction of additional storage, either at Lake Gaillard Water Treatment Plant or near that area. We've known for a long time that the storage at Gaillard Treatment Plant is not nearly enough for what our needs are, and it really puts a major stress on us if we have an issue or an upset at the plant where we have a very limited amount of time to get that resolved. But that's not the only reason. The reason is also to have the correct amount of storage in the system as well. So that's a significant project out in that timeframe. As well as the, and Beth

mentioned this one, the northern service area transmission main kicks more into gear and FY25 and '26 as well.

Ted:

So that's what is going on with the budgets. And the general plant typically runs about 20 to 30%. It's down a little bit lower than that in this budget. One of the reasons is result of the decrease in the amount we're spending on vehicles as a result of implementing certain practices and procedures in those categories.

Ted:

Next slide please, Jennifer.

Ted:

And this is the slide that I've talked about. This about the Lake Whitney Dam project. At \$40 million, this dam of course has a significant impact. The five-year budget construction will start in the summer of calendar year '22 and end in the fall of 2024, a three-year construction season. You can see the list of expenditures, the dollars. 600 next year, talked about that earlier. Than 10 and a half, 18, almost 19 and \$8.7 million in the final year. Nothing in 2026, FY26, because that year it's already, it'll be completed before then.

Ted:

But if you look at the chart on the right side, that has the green blue in it, you can see what we're showing here is the natural resource budget, but also... That's in green. And then in blue is the Lake Whitney Dam project, which is... Excuse me, the green is the entire capital, but not the natural resources. And then the blue is the Lake Whitney Dam. You can see that in '23 and '24 and '25, we have numbers such as 21% of the budget for the dam, 34% and 18%. A significant amount of the budget in those years is budgeted for the Lake Whitney Dam project.

Ted:

We are looking at cost control measures, activities. We are looking at an alternative delivery method analysis now. We typically go DBB, which is design, bid, and build is our typical way we do it. Now we're looking at a process called CMGC, which is construction manager, general contractor, where we bring a contractor in during design to take a look at what we have to help us with value engineering to talk about better ways to do things. And what that does is reduce the risks. And then that construction manager submits a price for the project, and if we like the price, we will go with him as a GC. If not, we will put it out to bid. And then value engineering is either part of the construction manager [inaudible 00:34:31] method, or we will begin doing that off on the side like we do with typically with design, bid, build projects.

Ted:

So this project is to of course increase the stability and the strength of the Whitney Dam, which was constructed in 1860. So it's 160 years old. It's a rubble dam, rubble masonry dam, and we are going to be building the chosen alternative that we looked at, the numerous alternatives, five in detail. The one

we selected is the one we're going to... We're building a new gravity dam immediately upstream of the existing dam, and that will allow us to increase the strength as well as to increase the size of the spillway to pass the design storms that we have now in terms of design requirements. So a very big project, very intense project, but project that is badly needed.

Ted:

If there's no questions there I'll turn it back over to Larry to talk about new categories.

Larry:

Thanks, Ted. As we started this budget presentation, we outlined the four major categories that we had for capital expenditures; natural resources, treatment, transmission, and pumping and general plant. We thought that by reorganizing the expenditures into some different categories, it would give us a better definition of budget drivers and allocations. So we have reallocated the dollars beginning with the fiscal '23 capital budget into these five categories. On the lower left in purple is the largest, which is capital renewal, and that is for projects that replace, rehabilitate, or upgrade our assets, such as work at a water treatment plant, pumping programs, meter, hydrants, pipe, service, connections, and things like that. And that is the largest category over the next five years at about \$124 million.

Larry:

The next category is technology, in light blue, which is, excuse me, 13.4 million or eight million over the next five years. And that's about 6% of the budget. That includes technology projects to enhance, renew, and replace our existing technology for improved customer service, better efficiency, and system security, things like a SAP enhancements, monthly billing, cybersecurity, and things like that.

Larry:

Our next category is growth, which over five years would be about \$8 million or about 3% of the budget. And these are capital investments that result in increasing our revenues or expanding our service area. This would be, for example, expanding a water main up route 10 to serve the northern area of our service area, or improving our SAP customer channels, our commercial billing activities and things like that.

Larry:

The next category is long-term planning at about \$27.1 million or about 12% of the capital budget, and long-term planning includes projects that help us meet future demands, achieve service levels within our area, ensuring water quality, such as watershed protection, storage tanks and the like.

Larry:

And our final category, and the next largest is regulatory compliance at about \$61.3 million over the next five years, or 26% of the budget. And these would be capital investments that we would need to make to comply with current and future regulations. Things like stream flow regulations, dam compliance, rehabilitating the Whitney Water Treatment Plant for... or, excuse me, the West River Water Treatment Plant for reduction of disinfection byproducts and the like. So the next time you see our capital budget, it'll be in this format with those particular drivers. And we'll of course review those

categories at the time, but we really felt like this would give us a better idea of the budget drivers and allocation of dollars, particularly if we wanted to rearrange or reduce budget in particular categories.

Larry:

Next slide, please.

Larry:

So with that, I'll wrap it up. Since we did have a reduced budget for fiscal '21, due to the COVID pandemic, we worked really hard to ensure that this budget included a central funding of infrastructure and was an efficient expenditure of dollars. The timing and the inclusion of the large projects that are included in this budget were thoroughly reviewed by budget managers, the capital planning control committee and the leadership team. We are continuing to pursue alternative financing alternatives, like the State Drinking Water Revolving Fund, which gives us low interest loans at 2%, or grants. We are taking into account the recommendations of the engineering firm GHD on how much we should spend among the four categories going forward, particularly within the pipe and the pumping categories. And we'll continue to implement our asset management plan so that we can better determine going forward when assets should be replaced based on a lifecycle plan.

Larry:

So with that, we'll open it up for any further questions.

Stephen:

Any questions for Larry?

Stephen:

Larry, I can start off. You mentioned in the introduction that this capital budget was two billion higher, because last year's budget was reduced by 50%. Obviously all of the projects didn't carry over into this. So are those projects sort of spread out into the next five years?

Larry:

Yes. We looked at the capital budget and first of all, spread them out over the next five years. Fiscal '23 was a very large budget category. So we actually pulled some projects in from fiscal '23 into fiscal '22, but we did spread them out in order to have as much as we could, levelized spending. Although it gets larger in the outer years.

Stephen:

Yeah, I was kind of surprised at how large those capital budgets are coming up on a continuing kind of basis.

Larry:

Well, the Whitney Dam at \$40 million is a large driver of that over the next approximate five years.

Stephen:

Okay. It's my understanding now that the cost of construction for materials especially is increasing. Was that included in these project estimates?

Larry:

They were best estimates, so where we knew that there was an increase in materials or labor, we included that in the project budget. And of course that'll be better defined as we get nearer design and implementation, or if we're doing an application for the RPB.

Stephen:

Okay. And you did mention you think that it was a 25 or 26% increase in the capital budgets coming up. So that wasn't just differed from last year. Is that other things as well?

Larry:

Well, that includes, for instance, the Whitney Dam and some other large projects that we have, the West River Water Treatment DAF project, for instance. So we have some larger projects that are in the budget going forward.

Stephen:

Okay. I mean, I'm just really concerned. We were spending, I don't know, roughly around \$30 million in budgets. We're almost doubling that going into the future.

Larry:

Well, we were actually in-

Stephen:

[crosstalk 00:43:27] continuing to go down for 10 years and no new customers, I mean, that just says rates are just going to start going up.

Larry:

Well, first of all, Steve, our budgets were around 35 to 37, \$38 million. And you remember, we have a very, very old infrastructure that needs to be renewed. The Gaillard Water Treatment Plant was put in place, I think, correct me, Ted, in the late '60s I think it was.

Ted:

Mid '80s.

Larry:

Mid '80s. Thank you. But still, that's an infrastructure that needs to be replaced. The West River Water Treatment Plant, we need to upgrade the technology there in order to comply with the disinfection byproducts. So we have some expensive projects because the infrastructure is aging and needs to be replaced, renewed, or upgraded.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Stephen:

Okay. Do we think we're going to get any of this [inaudible 00:44:27] money coming along for infrastructure renewal or as a response to general infrastructure improvement in the country?

Larry:

Well, I sent a letter to Rosa DeLauro outlining three projects that account for about \$60 million over the next five years I think it is. The Whitney Dam being one, the Spring Street Pump Station being in the other, and... Ted, what was the third one?

Ted:

Northern service area improvements were 10.

Larry:

Northern service area, which is about \$10 million. So we had a conversation with the chief of staff, and they're aware of our request. And she said she'll work with the Congress [inaudible 00:45:11] to see what they can do. We're looking to be included in that. Meanwhile, we're pursuing grants through a grant writer. So we have another resource there that is on contract. And then of course there's a state revolving fund.

Stephen:

Okay. And it looks like we're staying with SAP into the immediate future anyway, with the enhancements.

Larry:

Yeah. With the enhancements, absolutely. We've made, as you well know, made a fairly large investment in SAP when we put that system in place in 2010. We've not done the upgrades that we needed to in order to manage the capital budget size, so we're having to start doing some of those enhancements now. And Prem is evaluating the technology to use within the next few years because we have been delaying that in the past, as we were deciding which technology we wanted to use.

Stephen:

Okay. Thank you. Any questions for Larry? I guess we'll move on to the operating budget.

Larry:

All right, we'll go to the operating budget. And if, Jennifer, you go to slide two, please.

Larry:

So this recaps the agenda, and I will take the first item and review the first three sub points under that. And then Rochelle Kowalski, who is our vice president of financial reporting and analysis will review the next four items. And then we'll do the summary. So with that, if you could go to the next slide, Jennifer.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Larry:

So this is just a review of some of the strategies that we undertook with the beginning of the pandemic. And it was a multifaceted approach to help manage our budgets and expenses. First of all, as you know, as I just mentioned, we reduced our capital program by about 50%. However, we also reduced our operating budget by about \$4.9 million with the largest reduction in payroll, employee benefits, including pension contributions and outside services. And we did that by holding off filling positions, except those that were absolutely necessary, or those in which we had already made a commitment before the pandemic had hit.

Larry:

We also had instituted shared sacrifices, and we were able to keep our O&M expenses at our lower level through deferring the merit increases for the non-union employees. We eliminated any bonuses being paid at the end of last fiscal year. And even though we have implemented some of those sacrifices, we have been able to keep our budget lower in fiscal '21 and be able to meet our coverage requirement without having a budget shortfall [inaudible 00:48:50] the rate stabilization fund.

Larry:

And finally, at the end of fiscal '20, we anticipated the uncertainties that were associated with COVID-19, and we very prudently transferred about five and a half million dollars into the general fund, which allowed us flexibility because we can use those funds going forward for any lawful purpose. And we can certainly use those as we close out fiscal '21, if necessary.

Larry:

Next slide, please.

Larry:

This is a snapshot of our reserve fund balances. Some of which are required under the general bond resolution to have certain amounts of money of that. Others are discretionary. So at the end of fiscal '21, as I said, we transferred five and a half million dollars into the general fund. That provided us with some flexibility. We also transferred, if you'll notice on the right there, \$750,000 into the growth fund for anticipated use in fiscal '21 in our commercial capital project related to our commercial business billing project. We also transferred about \$8.6 million into the construction fund to support the capital improvement program, and that was part of our year-end disposition of funds process in fiscal '20.

Larry:

So despite the pandemic, our discretionary funds remain strong and we are in compliance with all of the required fund balances or exceeding them. So as you can see in the middle there, we have about \$124 million in cash funds spread out among the seven different funds that are listed there on the slide.

Larry:

So if you can go to the next slide, please.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Larry:

This is a snapshot of our sources of funding for our capital program. And you'll notice on the chart on the left, the blue bar represents our capital funding in fiscal year 2009, which was all debt service. So you can see that it was 100% debt financing. We were able to postpone a rate [inaudible 00:51:20] last year in July, which, as you know, finances our capital program, due to the policy changes that we had worked with both boards on, that included things like including depreciation in rates and increasing our coverage, and that allowed our capital improvement program to be funded last year through all internal generated funds, which would not have been possible had we not made those policy changes in the prior years, as well as prudent fiscal management.

Larry:

If you look at the bar to the right of the blue bar labeled FY21, that shows the various sources of funding for our fiscal '21 capital budget. \$1.7 million of that is from our [crosstalk 00:52:18].

Rochelle:

State redevelopment.

Larry:

Sorry, what?

Rochelle:

The State Redevelopment Revolving Fund.

Larry:

Yeah, the state redevelopment funding. The growth fund is about \$550,000. And that is that light sliver blue there. And interim financing is about \$28.5 million, which is a bank note that we have that will be used to pay off a drinking water state revolving fund note. And then we have internally generated funds of about \$19.6 million there, which is that green bar that is shown there.

Larry:

As a result of the changes that we've made in our policy, we have gone from having a debt leverage of about 95% in fiscal 2009 to about 85% in fiscal '21. So we were able to decrease our debt leverage by 10 percentage points since fiscal 2009, even though we had originally projected that in our 10-year model of not reaching that level of debt leverage until 2030. So we are ahead of schedule by about 10 years. So that's good news.

Larry:

So with that-

Stephen:

Larry, this is Steve. If I could interrupt you at this point. Do you expect that to continue into the next five years and 10 years? Or with the capital budgets, is that going to go back...

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Stephen:

With the capital budgets is that going to go back up?

Larry:

No, we expect that to continue to some extent. I'll have Rochelle comment on the details of that, but we expect it to continue as we continue to increase our internally generated fund. As you'll recall, in each rate application, we are under the general bond resolution, directed to add a million dollars in depreciation minimally to the rate application. So thinking the last rate case, we were about \$6.7 million, and that number will go up by a million dollars every 18 [inaudible 00:54:40]. But that number is decreasing over time slightly.

Rochelle:

Let's see, I would say the overall trend is going to be down. In your model, we have the last year of the 10 years, we went down another 10%. When we do the new financing coming up, we do expect it won't go up. The timeline will still be down over time.

Larry:

Okay. Thank you.

Jamie:

Question, when will the next Moody's assessment of us be?

Rochelle:

That will be associated with our next rate application. A couple months before we file, I'm sorry, a couple of months before we actually do the pricing, so probably it'd be roughly in the November, December timeframe.

Jamie:

Thank you.

Larry:

Okay. I'll turn it over to Rochelle VP of financial reporting and analysis who will run through the rest of the operating budget.

Rochelle:

Thank you, Larry. So this is really showing what we're calling fiscal 22 budget at a glance. I'm going to get into it in a little bit more detail as we go through the rest of the presentation, but I do want to highlight a few points. First, what we're doing here, we're looking at our fiscal 22 operating budget. We're comparing it against the original fiscal 21 budget as well as the revised fiscal 21 budget. And also is information we think would have their projection for fiscal 21.

Rochelle:

A couple key points I want to make is that the fiscal 22 budget does not include the rate application that we do anticipate filing later in the calendar year. It does include monthly billing as did the original fiscal 21 budget. That is having an impact on our fiscal 22 budget. Also, I want to mention that the key takeaway is that our O and M budget, expense budget of the 59-7 is on target with what we presented when we did our 10-year model. That was our targeted view. So we're really pleased that we were able to keep our expense level at that amount. And that's without using monies from the general fund to get there. And again, I'll get into a little bit more detail a bit later on in the presentation.

Rochelle:

Unfortunately, probably the one item, although it's consistent with the model, our interest income is going to be lower in fiscal 22 based on the overall interest environment. So I do want to mention that. Also relative to the other expenses that you see here to summarize level. That includes pilot, it includes also the other expenses and depreciation. So again, the depreciation here in fiscal 22 does not include any additional depreciation associated with the rate application. But again, it gives you an overall view at a glance.

Rochelle:

And then I'm going to now get into the particulars of all our assumptions. We are still projecting a declining revenue trend. We are anticipating still that this trend is going to continue still for some time. What we did do with a fiscal 22, when we've spoken about in other forums in fiscal 21, have seen an increase in our consumption. We believe primarily due to COVID and the impact that it's having on the residential customers. We did adjust in fiscal 22 to sort of normalize for that anomaly because our fiscal 22 budget, a fundamental assumption is that it is back to normal assumption.

Rochelle:

This is still the trend line. We did factor that into our fiscal 22 consumption and revenue projections. With that, Jennifer, if you can move to the next slide, okay. As we've done in the past, we do look at our bill consumption and then we convert it to cash receipts because under our general bond resolution, our revenue here is basically cash in the door. As I mentioned, we did assume a 1% year over year decline. However, that was after we made our best estimate of the anomalies due to COVID and any other known anomalies. We did not increase for any customers. Our customer account is pretty even. It only goes high, maybe 200, 300 customers if that each year. We did not build any customer increase into our budget. As I mentioned, the fiscal 22 revenues are based on existing rates and charges.

Rochelle:

A key assumption that we did make is not only that our budget includes monthly billing. We did bill the monthly billing conversion into the budget, on what we call a big bang. And that does mean that the assumption is that all customers are going to convert in the same month. That does result in a one-time kickoff. And also we did build in based on the impact that we got from the governing board members that participated in the discussion regarding fire service.

Rochelle:

We did build in the assumption, for what was the new Haven district for fire service, that we're going to convert to a billing in arrears, from billing in advance. We are also building in on public fire AVA towns

will convert to semi-annual. That was basically what we had received. Those impacts have been all incorporated into the budget. So that's a pretty significant assumption.

Rochelle:

Another more aggressive assumption that we built in is we did increase our outside a year assumption. We usually build in about a million dollars for cash receipts on aged receivables that are older than a year. We have increased that to 1.3. We're comfortable doing that, looking at what we've run in prior years on events, given the COVID-19 environment. It may take a little more aggressive stand and increase that by about 300,000.

Rochelle:

Moving on to the next page. What you see here is an attribution of the key changes from our fiscal 21 original budgets. Our original budget is prior to the adjustments that we made due to COVID and really here [inaudible 01:02:51] is our built consumption. Just under 800,000 is where 1% per year decline results in. For wholesale, fiscal 21 was the last year that we get our reservation fee for Connecticut water. So that \$75,000 goes away that we've gotten over the last several years.

Rochelle:

And then we incorporate wholesale customers in our budget at their minimum contractual commitment, but we do have two small locations with a query on where it's sort of pay as you go. We did build in a 1% a year over year decline there for that consumption. Outside one year, as I mentioned, we increased that to 1.3 million. So that's a \$300,000 increase fire service. When we look at the assumptions that we built in last year, when we incorporated changes in fire service associated with the plans related to monthly billing, there was just about a \$20,000 difference there. And a small other net changes about 4,000. And that gets us to our fiscal 22 budget of about 116 million .6 or a change of about \$600,000.

Rochelle:

If we move on to the next sheet, this is an attribution versus our revised budget. And to sort of simplify this attribution, we're just showing in one item, the 15.8 million that incorporates all the assumptions that we made relative to the revisions associated with COVID-19. You might recall, we significantly reduced our assumption relative to cash receipts. Also made an assumption regarding consumption and what the impact would be. And we also had built in monthly billing as well. Which was removed from our revised budget when we made the changes to the timing of that project. When we reduced the capital budget. So that's the 15.8 million.

Rochelle:

And then really the other changes are all pretty similar. The 1% decline outside of their wholesale. Fire service here is a little bit different because versus the revise budget, there is some cash conversion adjustments when we changed the billing, relative to fire service and just some other net changes. So we're going here from 101.4 million, which was our revised budget, significantly reduced budget, to our fiscal 22 budget. 116.6 for this is just the water and fire component of our budget.

Rochelle:

If there's no questions here, I'll move on now to the expenses. Here's where we're talking about our fiscal 22 operating and maintenance expenses. Again, we're pleased to share that overall we were able to come in at our targeted scenario from our ten-year model without using any general fund money. A couple of key items here, payroll came in slightly above our original budget, but prior to adjusting for vacancies. One of the items I do want to share, for the first time we are using a vacancy factor, and we really think that this is prudent looking at what our current account levels are and looking at what a realistic ramp is in the current hay count and vacancies that we have in the few new positions. With the vacancy factor, our payroll is actually less than the original payroll budget for fiscal 21.

Rochelle:

For employee benefits, a key aspect here is that in fiscal 22, our proposed operating and maintenance budget includes the pension contribution at the actuarial required contribution. What we've done, and it's reflected in our fiscal 21 projection, is we are proposing, it was actually approved by the authority board at our last meeting, an additional contribution and fiscal 21. Those two numbers together will keep us on our target. Assuming all the assumptions remain the same to get to the fully funded level by the end of fiscal 25.

Rochelle:

Also, by including just the actuarial required contribution in our operating and maintenance budget and fiscal 22, still allows us, if we're doing well in fiscal 22, to again, propose an additional contribution. The other thing I just want to mention about employee benefits, we get input from a firm that we work with on expectation for medical and dental. And I just want to mention those estimates that we got also normalized for COVID-19 because the feeling when we're seeing this in our results, is that our medical is running low in fiscal 21, especially earlier in the year. We believe that's due to the COVID-19 impact. The medical estimates that we've incorporated into fiscal 22 have been normalized for the impacts of COVID-19 as well.

Rochelle:

For outside of professional services, I'm going to get into this in a little bit more detail, but I do here just want to mention, similar to what we did in the fiscal 21 budget. We've categorized those expenses into business requirements, specialized expertise, specialized expertise that's project specific, as well as technology. Our amortizations of our regulatory assets consistent with fiscal 21, we've kept them in a separate category. Maintenance and repair, here it includes our routine maintenance and repair refurbishment that extends the life of equipment, would be included in the capital budget. We really to ensure that our fiscal 22 operating and maintenance budget really included all required maintenance and repairs. We believe it does. I'll get into some of the variances again, shortly. Can you go to the next slide, Jennifer?

Rochelle:

Pump power is one of the larger categories. We do have an existing contract for our generation pricing. You might recall that in December of 2019, we locked in generation pricing for 100% green and renewable energy. Basically without increasing the generation pricing. However, we did build in an assumption of increase in the distribution pricing associated with electric service, and also the pump

power category. As well as other categories that are impacted by electric service, do reflect benefits from prior years relative to electric usage optimization for IT licenses and maintenance fees.

Rochelle:

This is where all the annual fees are incorporated well, as the hosting fees associated with SAP. The main drivers here are the fiscal 22 budget, include additional maintenance costs, primarily associated with some of our new technology projects. We also build in an assumption relative to the annual increases in the maintenance fees, across all the various applications. For general and administrative expense, key drivers of the fiscal 22 budget versus fiscal 21, include computer and iPad purchases, recruitment, and licenses and subscriptions as well as some other net changes. We just touch upon these categories because these make up a large majority of our operating and maintenance budget.

Rochelle:

If you go to the next page, this is where you can see graphically an attribution of fiscal 21 versus fiscal 22. This is versus the original budget. You can see that payroll, when we incorporated our vacancy rate assumption, it's actually lower than our original fiscal 21 payroll budget. For employee benefits, that is also lower than our original fiscal 21 budget. That's primarily due to an assumption of building in just the actuary required contribution for the pension plan. There was also a small reduction what we got back from the actuaries regarding our other retirement plan.

Rochelle:

Is there, did I hear a question? Medical is actually a little bit under our original budget, but it's actually significantly over our projection for fiscal 21. Some of the other changes going in the other direction, chemicals is a little higher than our original budget. That's primarily due to anticipated price changes. General and administrative again, versus the original budget, is just an increase of about 38,000. IT licenses, versus the original budget, is about 32,000. Utility and fuel is about 82,000. Power is about 80,000. Again, pump power is primarily driven by distribution pricing. And maintenance and repair is up by about 158,000. If you can, Jennifer, bring up the slide a little bit so it shows the outside services component.

Jennifer:

What do you mean? Bring it up. Do you want me to..? [crosstalk 01:14:46]

Rochelle:

It's cut off at the bottom.

Jennifer:

Okay.

Rochelle:

Yeah, maybe just a little bit more.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Jennifer:

Is that okay?

Rochelle:

A little bit more, still a little bit more.

Jennifer:

I don't think I can go anymore.

Rochelle:

If you can't okay. I'll just talk through it. Hopefully people, maybe have their presentation. So for outside services, over all, versus the original budget, it's an increase of about 174,000. That's primarily due to increases in specialized expertise projects. That's primarily in the operations in CP and D. We have incorporated some specialized outside resources to focus on key initiatives.

Rochelle:

That's the key reason for the change in the specialized expertise, [inaudible 01:15:49] project specific. Actually, the specialized expertise category, versus the 21 budget, is actually down. And that's primarily because of two areas that were in the fiscal 21 budget as outside resources. We are using internal resources. That's the key driver there. Now, there's been puts and takes in the business requirement area versus the original budget. Just a small increase of about \$6,000.

Rochelle:

When we look at, if you go to the next slide, when we look at our budget... Back one, Jennifer, back one. Yeah. This one. No, forward one. Yeah, this one. Thanks versus the revised budget. So here things look a little bit different. Again, keeping in mind, as Larry mentioned, our revised budget for fiscal 21 was lowered by about 4.9 million. There are increases, and you might recall when we reduced our budget significantly due to concerns and uncertainty regarding COVID, we did mention that lower level was not really sustainable. And that is why you're seeing some of the increases here.

Rochelle:

So payroll is up by just under 500,000. Employee benefits is actually slightly down, and that's primarily due to the cash contribution relative to our other post-employment benefits that we got back from the actuary, as well as a small change in medical. Also, you can see that maintenance and repair is pretty significantly. And again, we want to make sure that we're not deferring requiring maintenance. And we think that it's very important to make sure that all the required maintenance on our infrastructure is being supported and is being addressed in a timely manner.

Rochelle:

Versus our revised budget, maintenance and repair is up by a little over \$400,000. Pump power is just up a little bit, that's the same \$80,000. IT is up by about \$172,000. And that's, again, due to the reductions that were made in that category in our revised budget. Chemicals is up just a little over \$100,000. And again, that's primarily related to known and anticipated price increases. Insurance is actually up

primarily due to the property and our umbrella coverage. That's not unique to RWA. I should mention that there was a negotiation and market input relative to our non-captive insurance. Even with that marketing and in bush initiation, we are seeing some increase. And again, that's not unique to RWA. It's really based on the market.

Rochelle:

[inaudible 01:19:12] is up by about \$167,000. Utilities and fuel is up by about \$152,000. So again, we are seeing an increase of about 3.5 million overall, versus the revised budget. But again, our budget was significantly lowered last year due to COVID. You can see from outside services, there is an increase here versus a revised budget of about 1,000,001, 1,000,002, but we had actually lowered our outside services budget due to COVID-19 by almost \$950,000 last year.

Rochelle:

What you could see here is business requirements, even in the business requirement category, when we looked at our revision for COVID-19, there was some reduction even in that category. Even though all the requirements were net, there were certain areas that were cut back. Specialized expertise is up about \$21,000. As I mentioned earlier, we are seeing an increase in specialized expertise, versus both the revised budget, as well as the original budget. That's primarily in the operations and C and D area. And technology is also increasing versus our revised budget. This is really due to the focus and investment in technology and the related outside services support that's needed.

Rochelle:

... support that's needed. With that, if there's no questions I'll just go to Other Assumptions, which is the next slide. These are other expense categories that are impacting our operating budget. So PILOT is our payment in lieu of taxes. And here we do estimate the mill rates that we're going to see. We already know what our Grand List assessments are. And I should mention that John Triana is very proactive on when we get our assessments in. They are reviewed. We make sure that they're reasonable and then we take steps if we feel that there has been a change that is not appropriate. Debt Service is favorably impacted by prior refinancing that we've done, as was mentioned earlier. We also have multiple Drinking State Revolving Fund loans. And I do want to mention that any new debt associated with our rate application is not yet reflected in the Fiscal '22 budget.

Rochelle:

Although with the timing, we would not anticipate actually make a Fiscal '22 debt service payment on the new debt, but we will need to start making transfers under our general bond resolution. And we are anticipating that we will have a few more Drinking Water State Revolving Fund loans in fiscal '22. And that has been built into the budget. Depreciation is based on our existing rates, as was mentioned with our rate application. Assuming that it is approved, there will be an increase in the depreciation that will impact this Fiscal '22.

Rochelle:

On to the next page. So this is Maintenance Test. And this is really where it all comes together, the revenue and all the expenses, the operating and maintenance expenses, as well as PILOT, depreciation,

debt service, and the coverage requirements. A few points that I want to mention here. For fiscal '21 projection, you heard the RPB meeting.

Rochelle:

We did make a slight improvement based on marginal actuals. What you see here is based on the third quarter. So we have improved our coverage to about 118%. We are still monitoring cash and other aspects of the fiscal '21 numbers very closely as we close out the fiscal year. Relative to fiscal '22, I do want to mention again that this does not include any impacts from the rate application. If it's approved there will be a depreciation increase. So that 6.5 million will go up to about 6.9 million, minimally. And we do anticipate, you can see that we are projecting here, a shortfall of 922,000 without the rate increase. We are anticipating that once we incorporate the rate increase, assuming that it is approved, that we should be able to mitigate that shortfall.

Rochelle:

Other key items I mentioned here, you can see investment income. Unfortunately, we are in a very low interest rate environment. The hope from a debt service side, when we go out for new debt, but it is hurting us right now on the investment income. We are seeing an increase in other net revenue. That's our other water and our other proprietary. So overall, we are showing a relatively small shortfall in fiscal '22, but we expect that that will be mitigated when we incorporate the elite increase. If there's no additional questions here, I'll move on to our Opportunities and Vulnerabilities.

Rochelle:

So what we did here, a little different than in prior years. We combined the Opportunities and Vulnerabilities because often what's a possible Opportunity is also a possible Vulnerability. And here I'll just talk about some of the bigger items. So we make assumptions about what the O&M versus non-O&M mixes of our payroll, as well as for employee benefits and some of the other overheads.

Rochelle:

And that can be a big swing factor when we look at our results. There's probably a little more of a Vulnerability than Opportunity based on what our assumption is in fiscal '22. The Vacancy Factors, as I mentioned, this is the first year that we're actually using Factors. We will be monitoring that closely. We think what we did is reasonable, and that's probably both a Vulnerability as well as an Opportunity. Medical claims. You've heard me talk about, in the past, that not only do we need to estimate what our medical claim experiences since we're self-insured, we also need to estimate what the mixes between our retirees and our active. Given that, how that flows through our financial results. That really can go either way, both on medical claims, as well as what we see the mix to be.

Rochelle:

Another assumption that we make is relative to price projection. So I mentioned, we made an assumption about distribution. Our pricing on the service side chemicals, as well as IT license fees. That again can probably go either way as far as an Opportunity or Vulnerability. For outside services, I think especially in a specialized expertise and in project related, we do actually tend to under run our estimates. This probably is a little bit more of an Opportunity than a Vulnerability. Maintenance and repair. Again, we want to make sure that the critical repairs for our infrastructure are addressed. And

also, that can change based on weather related. If there's a bad wind, that can definitely impact our maintenance and repairs. So that's an Opportunity and a Vulnerability. And also there's a broad range of other potential Opportunities and Vulnerabilities. Again, the ones that I mentioned are the larger impacts.

Rochelle:

Also on revenue, weather can also go in either direction, if it's a hot dry summer, we might see additional consumption. And cash in the door if it's wet and cool, it'll go with the other way. Conversion of monthly billing. Again, we made an assumptions about what the impact will be, especially the impact of that Big Bang, and we'll need to watch that closely. Also, regarding the conversion of monthly billing, we'll be monitoring to see with a lower monthly billing, build the amounts versus the quarterly. We may actually see a pickup in our conversion to cash. So we'll be watching that closely.

Rochelle:

We also make just general assumptions regarding our billing-to-cash conversion. That can be an Opportunity or a Vulnerability. And also with other revenues, I think the forecast that we have for other revenues is probably on the conservative side. So, that's probably a little more of an Opportunity than a Vulnerability. So those are all things that we'll be watching throughout fiscal '22 and all things that could impact our budget. If there's no other questions, I'll turn it back over to Larry just to summarize the presentation and the conclusions.

Mark:

I have a question. Hello. On the maintenance where you're talking about... Have we increased our budget for invasive species? Or in the invasive species?

Larry:

Mark, we have money in the budget for invasive species. As you know we have one staff person. We have money in the budget for contract work, and we're looking to double that amount. We haven't put it in there yet, but we're looking to double it.

Mark:

I like that, Larry. That's good talk. Now we're talking.

Rochelle:

Well fine, but how are we going to cover it?

Larry:

[crosstalk 01:30:51] but we-

Mark:

I'd like to bring up one other thing. We had a very interesting presentation by a Whitney Waterworks person. I forgot her name...

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Larry:

This would be Francesco.

Mark:

You know, she's a wonderful person, but she's only one person. That's a wonderful program. And according to your conscious capitalism, we really should get another person there to help her. In case something happens, God forbid, to a person like that, that program would be really lacking. It should be two people in that program. That's terrible that it's only one person.

Larry:

Well, thank you, Mark. Appreciate your comments. And as you know, she's done a terrific job in our education and outreach and has been quite innovative.

Mark:

That's right.

Larry:

The social media and putting her lessons on video and doing other things to do a terrific job. We have a number of positions that are vacant, that are key positions that we need to fill. So we need to look at those positions first, but her position will certainly be included in our succession planning going forward.

Mark:

Well, she is not a high expense to our company and I'm sure if you've got even somebody part-time to help her, I'd rather see a full-time person helping her, because and especially with COVID. If it goes back to inside teaching, then you could have one on the road and one teaching indoors or whatever. But that's a valuable thing to help inner city kids.

Larry:

It absolutely is. It's a great program and we value it and we'll take your comments into consideration.

Mark:

And I'd also like to consider doing more summer programs, especially for the inner city kids. It's very important. And you're big on conscious capitalism. And I think that you're talking about a minute amount of money for the amount it's in our budget. And I think we should get somebody or somethings and really look into involving more people in seeing turtles. These kids never see turtles. The year we opened it up, the girl said, "This is the best day of my life." She caught a fish.

Larry:

Yeah.

Mark:

I mean, these are unbelievable things and I think we really should do some inner city stuff.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Larry:

And we have stepped up our work in the inner cities. Lisa has led that work.

Mark:

I mean, you're talking about COVID shots, planting trees in [inaudible 01:33:24]. I'm talking about bringing kids out to nature. And I think you really should look into that. And I hope that the five member authority would consider increasing that and figuring a way to get more people involved in programs like that. Thank you.

Larry:

Thank you, Mark.

Stephen:

Rochelle, this is Steve. I have a question also. Are we transferring any of the payroll or other O&M costs to capital and would you know how much?

Rochelle:

we always have capitalized labor and it's roughly... The portion that goes to non-O&M is probably 15%-16%.

Stephen:

Okay, of the payroll you're saying?

Rochelle:

Roughly.

Stephen:

Okay, Thank you.

Rochelle:

It varies by organizations, right? So like, Ted's area has a lot more capital. Operations has a fair amount and then finances and O&M. That we look at it organization by organization.

Stephen:

Okay, thank you.

Jennifer:

Stephen, Jeff Donofrio has a question.

Stephen:

Jeff, go ahead.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Jeff:

Thank you. Rochelle or Larry, whichever one of you wants to address this. Has the authority evaluated any opportunities to increase rates for wholesale water customers?

Rochelle:

We're actually going to be doing a updated cost of service study associated with our upcoming rate application. Since we have existing contracts, it will have to be like rolled in, but that's definitely on our list to update that cost of service and the methodology.

Jeff:

Thanks.

Stephen:

Any other questions for Rochelle? And we'll go back to Larry.

Larry:

Just to wrap it up, I'm pleased to say that as we close out our current fiscal year, fiscal '21, it will be the 11th consecutive year that we'll be able to close out without having to take a draw from the Rate Stabilization Fund. So that's been a tremendous accomplishment on the part of management and I think working with both boards. We outline the steps that we took to prepare for COVID-19. And as we looked at reducing the budgets, we're now having to restore some of those expenditures. We will move forward with a multi-faceted strategy in terms of Cash Collections and Expense Management. And to the extent that we can bring expenses from the next fiscal year into the current fiscal year. As we close out the year, we'll look to do and as well as doing that, going forward.

Larry:

We'll monitor PILOT and if there's an increase, certainly take the appropriate actions and pursue grants in state drinking water, revolving financing in order to reduce the cost of our capital and look to refinance debt as there are opportunities to call in our outstanding debt. So we will continue to execute on the plan, against the strategic plan as we move forward with our capital and our operating budgets. With that, any final questions?

Stephen:

Jeff, do you have any comments or questions before we finish?

Jeff:

I appreciate that, Steve. I do have a comment. I think that we all recognize that the challenges that the Authority faced a year ago required the authority to adapt its Fiscal Year '21 budgets pretty quickly, and the Authority did so in a way that I thought was responsible. And none of us looking into our crystal balls last year could have predicted what the impact would be on the Authority or quite frankly, how long we would be impacted potentially by the COVID-19 pandemic. So, the Authority reduced its capital program by 51% and delayed its rate application and deferred significant projects. So now this year we see a slightly larger. It's about \$5 million larger than maybe what we would have expected to see before

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

COVID-19 for the Fiscal Year '22 budget and before a significant amount of prioritized projects were deferred.

Jeff:

So I think from the OCA's perspective, I was looking for in the proposed Fiscal Year '22 budgets was balanced. Trying to balance the competing interests between the GHD and internally prioritized project planning, trying to balance the rate impact on the customers, while at the same time taking into consideration the significant capital needs and the differed projects that resulted from the prudent planning a year ago. And I'm satisfied with what I've seen. And of course, I'll be writing a letter after tomorrow night's meeting, writing a letter to Chairman Borrow about this. But I think balance was what I was looking for and that's what I see in these proposed budgets.

Stephen:

Jeff, some good points. I would also comment on this same topic. I mean, COVID seems to be going sideways at this point. We don't really know, even if we get people back to a normal existence in terms of how we interact, we don't know what the impact short-term or long-term is really going to be out of the economy or whether some of those folks are even going to get their jobs back. So there's still a lot of unknowns out there, I think, that could impact budget in significant ways.

Jeff:

Nope, no question about it. And I think the authority had a tough decision to make. Do we try to, once again, defer significant projects? I mean the cost of these projects is only going to go up and there is a tremendous amount of uncertainty as to the amount of escalation based on shortages in various materials and material price escalation that's already being seen. Supply chain disruptions, not just price increases, but supply chain disruptions as well. So, I think that when you look at the five-year plan and you take into consideration where most of the money is being spent, the plan really is consistent with what we expected prior to COVID. And certainly we're going to have to really... I heard Ted Norris talk about different project delivery opportunities for the Lake Whitney Dam Project. And that obviously is going to be a project that we're going to have to really scrutinize at every turn because that's a really significant investment.

Stephen:

Okay. We'll look forward to your report after the next meeting.

Mark:

I would just like to say that I thought Larry, your group did a wonderful presentation, and it was very informative, concise and well done.

Larry:

Thank you very much, Mark. The team worked hard on it, thank you.

Stephen:

Any other questions for Larry, Rochelle, Ted?

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Ted:

I just agree with what Mark says. This is a good budget, and some of these expenses are significant but important. I mean the dam is important, if that dam should fail, [inaudible 01:42:02] catastrophic would be the answer. So, you have to face some of these expenses.

Stephen:

Well, Larry, I was going to thank you as well for a complete detailed report, both Rochelle and Ted included in that. Thank you for coming to our meeting.

Jeff:

Thank you.

Rochelle:

Thank you.

Larry:

Thank you [inaudible 01:42:27] everyone. Good night.

Peter:

Good job, take care. [crosstalk 01:42:31].

Stephen:

Thank you Larry.

Rochelle:

Good night.

Stephen:

Jennifer, do we have a quorum for our committee?

Mark:

I don't think so. [crosstalk 01:42:41].

Jennifer:

Tony, Frank, Mark.

Mark:

Tony was not... Frank is on hold.

Frank:

I'm here.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Jennifer:

Naomi is here.

Stephen:

Tony must take notes here. [crosstalk 01:42:54].

Brian:

I'm leaving. I don't need to be on your committee. Do I, Steve?

Stephen:

What's that?

Brian:

I don't need to be in on your committee meeting.

Stephen:

No, no, no, no, not at all.

Brian:

All right, take it easy.

Stephen:

Thanks for coming.

Mark:

If I leave do we still have enough?

Stephen:

No.

Mark:

Oh, cut it out. Can't you?

Stephen:

We're going to be fast.

Mark:

Okay, let's make it fast. I got to go take care of my wife.

Stephen:

Do I have a motion on [inaudible 01:43:18] the minutes of the March meeting?

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Naomi:

I so move. [crosstalk 01:43:23].

Frank:

I second it.

Stephen:

Okay, Naomi's [inaudible 01:43:29]. Frank seconds it. Any corrections? Any comments? Any additions on the minutes? Hearing none, all those in favor?

Mark:

Aye.

Naomi:

Aye.

Stephen:

Aye. Minutes are approved. Report of the OCA, Jeff.

Jeff:

Thanks, just one consumer matter. I reported on this at the March 15th meeting. We have a customer who owns a rental property in Milford. His tenant moved out in 2017, new tenant moved in 2020. The owner found out about some unpaid bills from the 2017 to 2020 time period. Thought that he paid the bills in full, lo and behold he still owes a couple thousand dollars. The Authority agreed to reduce the bill, it turns out that his bills for the most part were based on estimates. And when the Authority did an actual meter read, the amount that was due now increased significantly. We're still going back and forth. The customer is eventually going to agree to pay something, but we're still exchanging information between the Authority and the customer, trying to facilitate a resolution. I'm optimistic it will be resolved before the next meeting.

Stephen:

Okay and this is the same one you had reported on recently?

Jeff:

Yes, correct.

Stephen:

West Haven property was?

Jeff:

It's a property in West Haven. Correct.

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Stephen:

But the owners [inaudible 01:45:00].

Frank:

[inaudible 01:45:00] Jeff?

Jeff:

Yes sir.

Frank:

Okay. I see it here. It's on the back and forth. When you said Milford, it got me confused.

Jeff:

The property owner lives in Milford, but the property itself is in West Haven.

Frank:

Okay. Thank you

Stephen:

Anything else, Jeff?

Jeff:

No, that's it.

Stephen:

I am five as approval of the OCA invoice for March, 1,962.50. Do I have a motion?

Frank:

I would move that.

Stephen:

I think Frank makes the motion.

Stephen:

Second?

Naomi:

I second it.

Stephen:

Naomi, thank you. Any questions for Jeff on the invoice?

Representative Policy Board
Consumer Affairs Committee and
Land Use Committee Joint Meeting
April 19, 2021

Mark:

No.

Stephen:

Hearing none. All those in favor.

Members:

Aye.

Stephen:

Invoice passes. Thank you. Our next meeting is May 17th, 5:30.

Mark:

That's nice. Steve. Nice meeting you had. I move we adjourn.

Frank:

I second.

Mark:

You have a second already.

Stephen:

[crosstalk 01:46:01] Good night.

Stephen:

All those in favor of hightailing.

Members:

Aye.