Representative Policy Board
Finance Committee

Monday, July 19, 2021 at 5:00 p.m.
Meeting Transcription

Tim:

So time check, 5:00, right? It's 5:00. How about if I call the regular meeting of the finance committee of July 19th, to order, five o'clock. We are being recorded via remote access. I look forward to the time we can be together. So anyway, we'll start with our safety moment, which is all about bicycle safety. Yes, sir?

Jay:

Mr. Chairman?

Tim:

Yes.

Jay:

I'm sorry. Mr. Chairman?

Tim:

Yes, Mr. [Jaser 00:19:35].

Jay:

This is Jay, yeah. I would like to recommend if we can move item six, the election of the committee chair up to 2021 and '22, as the first item on the agenda, and have that done for the rest of the meeting.

Tom:

I'll second that.

Tim:

Okay. We have a second from Tom. All those in favor?

Group:

Aye.

Tim:

Okay. So the agenda has been appended by Jay Jaser, and all of us in support of him. And we are moving the election of the committee chair for 2021, 2022 to the forefront, even proceeding bicycle safety.

Jay:

I'd like to follow that up, Mr. Chairman, with a motion to reelect you as chairman of the finance committee for 2021-22.

Tim:

Well thank you Mr. Jaser.

Tom:

I'd be happy to second that.

Tim:

Well thank you, Tom. Are there any other nominations? Any other nominations? Any nominations? Okay, fine. Well, it seems as though there's only one nomination and knowing full well that I have one more term to serve out in this role, I will call for a vote, also extend my willingness to do it, and I'll call for a vote on the matter. All those in favor?

Group:

Aye.

Tim:

Motion seems to carry.

Vin:

It was close.

Tim:

It was very close.

Jay:

Congratulations.

Tim:

It was a tight race. Okay. Well, onto the most important thing of the meeting before we get into the serious stuff, which would be the safety moment on bicycle safety. Which all you have to do is look at the picture and you don't want to drive next to a Husky on a bike. Beyond that, I think all the reasons are stated. I can assure everybody the only bike I will be riding will be stationary, and I look forward to that myself in the next couple of days. So given that, let's move along to approval of the minutes for June 14th, 2021, our last meeting.

Tom:

I'll move.

Tim:

We have a move from Tom.

Vin:

Second.

Tim:

Second please. We have a second, thank you. Any discussion on the minutes? I think [inaudible 00:22:13] and basically correct as far as I was concerned. So all those in favor.

Group:

Aye.

Jamie:

I need to abstain.

Tim:

Okay. Thank you, Jamie. Thank you Jamie for that. Okay. Motion carries unanimously, with the exception to one abstention. So with that, we move on to risk Rochelle and the quarterly financial report and year end distributions for FYI May 31st, 2021.

Rochelle:

Thank you.

Tim:

Rochelle, you got the floor.

Rochelle:

Okay. Thank you. And in the interest of time, I'm going to go relatively quickly, but should there be any questions, just stop me. First on the year-end financials, Jennifer if you can go to the balance sheet. Okay. Back. Okay. Thank you. So here you see our preliminary balance sheet as of 5/31, and I do want to reiterate that the financials, as was noted in the communication, are preliminary. We are going through some final year end items and our audit will be starting actually later this week. So with that, first on utility plant, as one would expect, the utility property plant in service, is actually up by about 11 [inaudible 00:23:42], overall total utility of plant net is actually down on a preliminary basis by 5.9 million. A key thing that is driving that is how small the capital program was in fiscal '21.

Rochelle:

I just want to point out that the change in land year over year, is due to the disposition of the [Rimmens 00:24:07] Road property and Seymour, that happened earlier in the fiscal year. From a cash and cash equivalence, one thing to know when you're looking at these preliminary results is that the fiscal 2020 numbers are after the year [inaudible 00:24:27] but the fiscal '21 numbers are actually prior to that. And that's really the key driver of the reason why cash and cash equivalence is up by 18.4 million. You'll see that when we go through the year end disposition. Moving on to some of the other key items, the restricted assets, the year over year decrease there is primarily due to the decrease in our construction fund. As you know, we've been using internally generated funds within the construction fund that have been funding our year of capital expenditures. And that is partially offset by the year end disposition that we did at the end of fiscal '20.

Rochelle:

Also, there was a slight increase in the debt reserve and the capital contingency. And that's because in the end of April, we did close on the fourth and final tranche of our AMI DWSRF financing. I should mention that still over on the assets side, that the deferred charges on the pension plan and the deferred charges on OPEB, they are one of the items that will be updated once we get our actuarial reports for 5/31/21. So at this point, the year over year changes just reflect the monthly amortization that we do, but there will be an update on that. Moving over to the liability side, you can see that revenue bonds payable, less current, less a current portion are actually down by about 20.6 million. And that's due to the upcoming August 1st principle payment that we'll be making of the 20.6 million and also due to the August payment that we made last fiscal year.

Rochelle:

The net premiums are actually down year over year, and that's amortization. The DWSRF loans, as I mentioned, that's primarily due to the fourth AMI tranche of financing that we've done at the end of April. For the current liabilities, you'll see that the current portion of our revenue bonds payable is up by about 800,000, and that's due to the increase in the upcoming principal payment that we'll be making on at the beginning of August. Other item that I want to mention is the about 5.8 million change in [inaudible 00:27:18] payable, and that is also related to our final traunch of DWSRF financing. At the end of last fiscal year, we actually had two interim subordinate [inaudible 00:27:31] those notes were paid off when we closed on the DWSRF financing and that small amount that's left, 50,500, that's the minimum amount that we needed to draw for tax purposes on the interim note that we put in place as a contingency.

Rochelle:

You might recall that earlier in the fiscal year, 2021, we were concerned and wanted to have a contingency plan in case we needed to utilize it for capital, because of how much we had reduced our fiscal '21 budget, but we just drew, through the end of fiscal '21, we had just drew the minimum amount that we needed to do to actually say that the note was issued. Also on the deferred inflows on pension and OPEB, again, that will be updated when we get our final actuarial reports. And overall, you can see that there's an increase in our net assets on year over year, and the decrease that you see at the very bottom right, in restricted assets, and again, that's primarily due to the reduction that we've had in the construction side. I just wanted to cover the key items. I know I didn't touch upon many of the line items, so definitely if you have questions, I'll stop for a minute and see if there's any inquiries.

Rochelle:

If there's not, I'll move on to the next page. And Jennifer, I would go to the next page after this A2. Okay. The top part of this is where you see our financials in our audited financial format, and the bottom part is our regulatory reporting maintenance tests. And again, I'm just going to highlight some of the key items. So you can see that operating revenues was well over budget, at 6.1 million. This was primarily driven by the increase in the meter water revenue issue for throughout the year of fiscal '21, especially in our residential customers, there was a significant increase in their usage. We believe that was primarily due to the pandemic, as well as also a pretty hot summer where we saw some are really strong usage. So that was a key driver.

Rochelle:

Our operating and maintenance expenses was actually under our reduced budget by about 895,000, and that is inclusive of the additional pension contribution that we made at the end of April. I also just want to mention where you see under fiscal '20, there are separate lines for pension expense and OPEB expense, and that's just because we'll be doing that again in fiscal '21, we'd like to separate out the pure [inaudible 00:30:45] accounting that we need to do, separate from where the operational O&M expense is. So we record the impact of those accounting gyrations, separately. Let's see. Other items I want to mention is if you go down below to depreciation expense, that is still an estimate, we will be truing that up as we go through our final year end processes. The items related to pension and OPEB, will also be adjusted based on the actuarial reports.

Rochelle:

Going down to intergovernmental revenues, I just want to mention that 825,000 includes an $800,000 grant that we got from DWSRF associated with that fourth and final AMI financing tranche, and also 25,000 that we did receive in a year associated with an open space grant. Moving down to the bottom part of the page, and this is our maintenance tests, basically our regulatory reporting. And what you see here is particularly with the strength in our consumption in our billings, that we believe is primarily due to the pandemic, and especially the residential class, we actually had strong water sales. And although we did see impacts on the collectibles, it definitely was not as significant as we had anticipated in our modified budget.

Rochelle:

So revenues ended up being overall stronger than anticipated. Again, that was primarily related to water sales. Also in the other net category, we did have some stronger than anticipated revenues coming in, associated with some of our miscellaneous water charges. On the O&M side, we had the reduced O&M expenses, and really that we had the strong revenues and that we had the increase in billings, and we were able to keep our operating expenses at that lower level, actually under the reduced O&M budget, is really what led to having a strong year end and on a preliminary basis we're predicting coverage of 126%. And you'll see the impact of that in a couple of minutes when I go through the year end disposition. If there's no ...

Tim:

Rochelle, I had just a minor question. Could you page up a little bit on the same page, but move it up a little bit, so I can point to a question I had? Regarding ... what page was I on? I think it's the next page. The page we were just on.

Rochelle:

The balance sheet?

Tim:

No, no, no. Pull back, I guess, I apologize. It has to do with the OPEB number. I thought it was the only one. Oh, there it is. The one OPEB expense, 422.85. What is that number, actually?

Rochelle:

It's actually 423,000. And this is again, [inaudible 00:34:26] expense of the OPEB expense here for fiscal '20, and we haven't yet reported it for fiscal '21, is we have that complex pension and OPEB reporting under GASB. And we'd like to [inaudible 00:34:39] that out from the O&M expenses, where what's reflected there is the O&M portion of our actual contribution. So I would consider it non-operational, which is why we [inaudible 00:34:54] it out.

Tim:

Okay. Okay. Well, the way it was expressed, I was confused and just wanted to query that, that's all, that's fine. It's $422 and 85 cents as expressed, and I know it couldn't possibly be that. But now I understand. Very good. And I knew that had to be the case, but I just wanted to verify it, because it all adds up, so just double check. Thank you.

Rochelle:

Moving onto the next page. Here I'm just going to highlight some of the larger variances, and again, there'll probably still be some changes as we go through the final update. But similar to what we've seen throughout the fiscal year '21, payroll is actually under, it was under by about 1.2 million and that's due to that we were significantly under our headcount, just rolling forward into fiscal '22, you know that in the fiscal '22 budget, we factored in a vacancy rate, which I think was an appropriate thing to do, so you see the big under run in payroll. Also in employee benefits, I just wanted to mention when you add those two numbers together, it's actually about a hundred, it's a small amount of the variance. And that is actually because we made that additional pension contribution, but on the rest of employee benefits, actually we were running under, particularly in medical.

Rochelle:

And we also believe that that was also result of the pandemic, especially earlier in the fiscal year where we believe that people were not going in for the more routine medical procedures. So that's something that we're going to be watching closely in fiscal year '22. Also just pointing out some of the other key variances on utility and fuel, you'll see that that's actually ran over and that's primarily due to electric services and communications. Business improvement, although that's under by about 210,000, that was largely offset in other proprietary expenses where we recorded expenses associated with the common commercial enterprise expenses that we incurred. Outside services ended up being over budget by about 252,000. We did expect that that line item was going to run over when we updated our projection, that's really due to the external resources that we had covering key vacancies and other initiatives, so that was not unanticipated.

Rochelle:

IT also came in under, by about 173,000, and that was primarily due to lower than anticipated costs, and that also was not unanticipated. Maintenance and repairs ended up coming in over, and that was primarily driven by some expenses that we incurred associated with a tornado that happened earlier in the year, also COVID-19 related expenditure, some maintenance related valve repairs and other higher costs. But again, we did also anticipate that there would be some overrun in the maintenance and repair line. But overall, we came in even under our lower O&M budget. Are there questions on this page?

Tim:

Rochelle, I had one. And the top of the page where payroll, is the assumption to be made going forward that that is the short term, obviously it's year on situation, but that's the short term situation based on the fact that there was no hiring done, if there was vacancies or reduction in overtime or whatever, what's a more fulsome explanation of that?

Rochelle:

Actually, I think there are two reasons. One, we were running well under head count, even our head count that January forward last year, was more the back to normal, but I think there were challenges in some of the recruitments, as well as some attrition. And I think that what you'll see in fiscal '22, although it's a little early to tell, that we'll still be running a little bit under, but we thought it was appropriate to put in a vacancy factor because what I've seen personally in the past, there's always some level of vacancies that a organization has, somebody might leave and then there's a little lag in filling that position. So I think we'll see less of an under run because we've now incorporated that vacancy factor.

Tim:

Okay, thank you for that.

Larry:

Tim, just one other point in terms of recruiting. We're finding that some key positions that are in high demand, are very difficult to come by. For instance, engineers that have water utility experience, whether it's water or wastewater, are difficult to recruit. Finance people that have a familiarity with utility accounting are difficult. Water treatment operators, again, a skill that's in high demand. So there'll continue to, as Rochelle said, there'll continue to be a vacancy simply because it's just difficult to hire some of the key positions.

Tim:

Mm-hmm (affirmative). Thank you, Larry.

Rochelle:

Okay. Moving on to the next page. First overall, this is our capital expenditure report, and I just want to mention that we did come over our 96% expenditure target, we came in at 96.2%. Also just want to mention, I'll go through some of the key variances, but fiscal '21 was definitely a challenging year to manage the capital budget, it was a significantly reduced budget, and there were also some impacts of the pandemic on what we could do and not do in the water treatment plants, as well as some impacts on lead times and such. So just wanted to give that background.

Rochelle:

Going through the actual variances, the first one that I wanted to mention is actually the Burwell Hill project under pumping. And that project was actually under expended by about 179,000. That was because that project was put on hold during fiscal '21 while the scope was being re-evaluated. The work did resume in May, and that project is continuing into fiscal '22. Another project, the Hill Street pump station was under by about 165,000. That delay was due to the time it took to get the correct sizing on the bypass pump that was required for the project, that pump was ordered by the end of the fiscal year, and the project is going to continue into fiscal '22. Another project [inaudible 00:42:59] treatment, the West River effluent pipe injection project was under expanded by about 162,000. That project was delayed due to COVID-19, the contractor did remobilize in March of fiscal '21, and that project was rebudgeted and will continue into fiscal '22.

Rochelle:

The [inaudible 00:43:21] well, a pump motor replacement was under expended by about 144,000. There was time involved in verifying what the specifications needed to be for VFD, and then there were a lead times associated with the delivery, and that project is carried over and continuing into fiscal '22. The West River backwash and surface pump replacement was under expended by about 187,000, that project had been suspended earlier in the year, it's now in progress. It was in progress at the end of fiscal '21 and that project is continuing into fiscal '22. Moving on to the transmission and distribution category. Valve replacements came in higher by about 118,000. That was primarily due to work that had to get done on the valves at the Woodbridge pump station, and just generally the age of some of our valves that required replacement.

Rochelle:

The [Ansonia 00:23:40] Derby tank was under by 167,000. You're probably aware now that the appeal was finally denied by the court in late May, so work is now resuming on that project and that work is going to continue in fiscal '22. Another item just to mention, you'll see under miscellaneous transmission and distribution, you'll see that there was about $277,000 expended, and that was primarily due to some of the large main breaks, and if they're over 10 feet, they're actual capital projects, so we did absorb those with our capital funding in fiscal '21. Moving on to general plant, if you want to go to, well, first, monthly billing, actually did come in under, by about 136,000. That project is underway and it was kicked off in January of 2021. Moving onto the next page, the RTU project, that's over by about 115,000. That's really because we're able to get invoices in, associated with work at the very end of the fiscal year, and that was paid in May, this is cash based reporting.

Rochelle:

And then on the information systems that under run, it was primarily due to decisions that were made not to buy printers in particular, because a window of warranty period started and this relates to COVID. So we didn't want to buy the printers until people returned to the office and it was appropriate to start the warranty period. And the non-core commercial billing, that project did come in under the fiscal '21 budget, that program is continuing into fiscal '22. Those are really the key drivers, and again, overall, we came in at 96.2% of our capital budget. All right, moving on to the next page.

Rochelle:

This is where we show our investment returns, and just want to mention a few things. Unfortunately, the bad thing about lower interest rates is it definitely impacts our investment income. What we're doing towards the end of the fiscal year, and actually the very beginning of fiscal '22, trying to balance when it made sense to convert some of the dollars that were in our stiff to other midterm investments. We try to balance getting monthly payments that we get with a stiff, versus usually just twice a year interest payments, convert to those midterm investments. So you can see that we've started converting some of that money, we did a little bit more at the beginning of fiscal '22, and we are trying to do what we can given an interest environment and the monies that we have to keep fluid in liquid, in a declining interest rate environment. Unfortunately, at the very end of fiscal '21, the stiff rate was particularly low, usually that has been doing better.

Rochelle:

The next page is just what you'll see where this is our interest received cash basis, and so you can see this was one of the variances that actually came in under budget. So we're watching this carefully, trying to do what we can to improve the investment income. And that's all I have, if there's no questions on the preliminary [inaudible 00:48:58].

Tim:

Any questions? Thank you, Rochelle.

Rochelle:

I think the next item is the dashboard, and many of these items are the same as that we went through on the financials, but just want to mention, so with the consumer satisfaction, there really hasn't been an update since March of 2020, so that has been the same, there'll be some work in that area in fiscal '20. No change in the underlying credit rating, we do expect that will be before the rating agencies again in the fourth quarter of calendar, 2021. [inaudible 00:49:55] on the comparative water rates, we'll be doing that starting pretty soon, we'll be updating our preliminary official statement. I think as far as the financial metrics, I believe that I covered them, we talked about that we did very well in crude meter water revenues, other revenues, that's other proprietary, that came in slightly under budget. O&M expenditures came in under, capital expenditures met the 96.2%, cash especially driven by meter water receipts that we got, came in well above the budget, although there was some impacts due to the pandemic. Coverage, we did exceed our coverage without a draw, so that's very good news.

Rochelle:

And then on the next page, you can see that we did have pretty significant production. Usually we see that going down, but definitely due to the pandemic and I think a hot summer, during the summer months, our result was 45.2 versus the prior year of 42.5. Disinfectant byproducts came in on target. Net unaccounted for water, even though it was higher than same time last year, there was an improvement since the last quarter, and there was even an improvement month over month. And then the reservoir levels are actually a little outdated, I think you've got our update at the RPB meeting, where our reservoirs are at 100%. Any questions?

Tim:

Any questions for Rochelle? I guess we're all done, Rochelle, thank you.

Rochelle:

I think we have one more item.

Tim:

Oh, we do? Well, there's a new business item, is that something you're going to be presenting?

Rochelle:

Isn't there a year end disposition item?

Jennifer:

No, there's nothing on here, not on the agenda.

Rochelle:

I think it was included. Yeah, year-end distributions. Sorry, I didn't cover that. Under three.

Tim:

Oh, okay. So we can just incorporate that with three.

Rochelle:

Yeah. And I think you should have a handout, Jennifer, it's the colored sheet.

Jennifer:

I don't think I have that Rochelle.

Rochelle:

So as you see from the financial update, we did have a strong year end, our year end disposition was just under 17.7 million. We put most of that into the construction fund, about 16.7 million, that was done to mitigate the upcoming rate application. We just put a little bit into the growth fund, we only put a million and that was mostly to replenish what we had used for that non-core billing project. And then also not associated with the year-end disposition, but I do want to mention it, you might recall at the end of fiscal 2020, we had put monies into the general fund. And we did that to provide us with maximum flexibility, given all the uncertainty of what would happen with a pandemic and the general fund can be used for any useful purpose. So is part of, not per se the year end disposition, but what was approved by the authority board at the June meeting, we moved three million from the general fund into the construction fund. And that again was primarily due to offset the debt financing requirement in the upcoming rate application. And that's all I have.

Tim:

Thank you, Rochelle. So I believe that brings us to the new business, if there is any. Any new business to be brought forward members? I'm not aware of any, I have nothing to offer myself. So I guess with that, we're at that point of adjournment. So can I have a motion to adjourn?

Jay:

I make the motion.

Jamie:

I'll second it.

Tim:

Thank you, Jay. Thank you seconder. Is that Jamie?

Jamie:

Yeah.

Tim:

Thank you. Okay. All those in favor?

Group:

Aye.