

**Representative Policy Board  
Finance Committee  
South Central Connecticut Regional Water District  
90 Sargent Drive  
New Haven, CT 06511  
or via Remote Access\*\***

**AGENDA**

**Special Meeting of Wednesday, April 20, 2022 at 5:00 p.m.**

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1. Safety Moment
2. FY 2023 Budget Presentation:
  - a. Review of the Regional Water Authority's proposed Capital and Operating Budgets for Fiscal Year 2023 (June 1, 2022 – May 31, 2023) – Including Executive Session to discuss strategy, negotiations, and real estate matters
3. Commercial Business Enterprise Update – Including Executive Session to discuss strategy and negotiations
4. Adjourn

<p><b>**Members of the public may attend the meeting in person or via remote access. For information on attending the meeting via remote access and to view meeting documents, please visit <a href="https://tinyurl.com/2p83z3xu">https://tinyurl.com/2p83z3xu</a>. For questions, contact the board office at 203-401-2515 or email <a href="mailto:jslubowski@rwater.com">jslubowski@rwater.com</a></b></p>
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Representative Policy Board

Special Meeting of the

**Finance Committee**

Wednesday, April 20, 2022 at 5:00 p.m.

You have the option to attend the meeting either in person or by remote access. The in person meeting will be at 90 Sargent Drive, New Haven, CT.

If you are attending the meeting via remote access, use the link below:

**Call in (*audio only*)**

[+1 469-965-2517,,911685748#](tel:+14699652517911685748) United States, Dallas

Phone Conference ID: 911 685 748#

If you have questions, contact the board office at 203-401-2515 or by email at [jslubowski@rwater.com](mailto:jslubowski@rwater.com)

# SAFETY MOMENT

## YARD CLEANUP TIPS

There are hazards associated with yard cleanups, so take a few minutes to look at these safety tips.

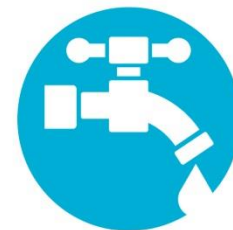
**More than 60,000 people are treated in emergency rooms each year for lawn-mower injuries:**

- Rake before you mow to prevent any stones and loose debris from launching into the air
- Never operate a mower in your bare feet and avoid wearing loose clothing.
- Never start a mower indoors.
- Refueling your mower, make sure the engine is off and cool. Don't spill gasoline on a hot engine - and DON'T SMOKE while pouring gasoline.
- Never leave your mower unattended.
- Don't use electric mowers on wet grass.

**At least 55,000 people each year sustain injuries from trimmers, lawn edgers, pruners and power saws:**

- Read the manufacturer's instructions carefully before using the tools.
- Inspect the product for damage and don't use it if there are problems.
- Make sure blade guards are in place on all cutting equipment.
- Don't let tools get wet unless they are labeled "immersible".
- Unplug all tools when not in use.
- Make sure the tool is in the "off" position before you plug it in.
- Wear safety glasses when you are performing tasks when using hand or power tools.
- Use EXTRA CAUTION when working on ladders

**Tap Into  
Safety**



Regional Water Authority



Service – Teamwork – Accountability – Respect – Safety

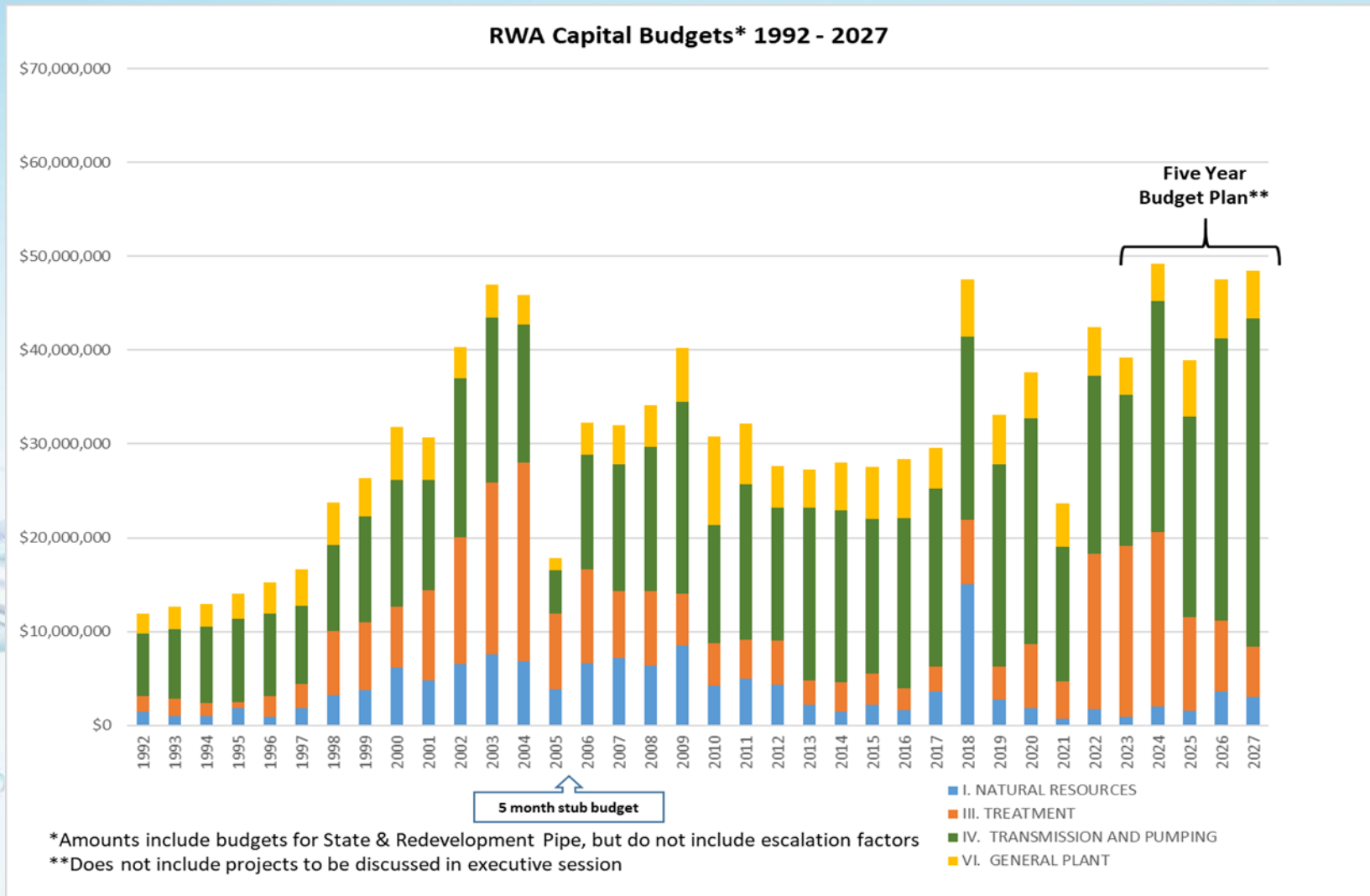
**RWA  
FY 2023  
CAPITAL BUDGET**



# FY 2023 Capital Budget Topics

1. History
2. Assumptions
3. Introduction
4. Budget Prioritization
5. Natural Resources
6. Treatment
7. Transmission & Pumping
8. General Plant
9. Five-Year Capital Improvements Plan
10. Summary

# Capital Budget History



# FY 2023 Capital Budget Assumptions

- Total budget will be approximately \$47.1 million, excluding projects to be discussed in executive session
- The FY 2023 budget, and future budgets, take into consideration recommendations from GHD's expenditure forecast audit
- RPB project approvals will be successfully obtained where needed
- Capital budget contingency has been budgeted at \$7,872,000. \$7,422,000 is reserved for four projects. Overall budget contingency has been budgeted at \$450,000 (1.2%).
- CDOT pipe will continue to be self-funded and will not exceed \$3.0 million
- Municipal redevelopment pipe/non-reimbursable CDOT is a funded item, at an increased level

# FY 2023 Introduction

Funds 79 projects and programs in four categories:

• Natural Resources	\$ 0.9 M*
• Treatment	\$18.3 M**
• Transmission & Pumping	\$13.1 M**
• General Plant	<u>\$ 3.9 M*</u>
Subtotal	\$36.2 M (rounded)
• Contingency	\$ 7.9 M
• State & Redevelopment (CDOT)	\$ 3.0 M
• Non-Core Billing	<u>\$ 0.1M</u>
Total	\$47.1 M* (rounded)

\*Does not include projects to be discussed in executive session

\*\*Does not include funding for projects being held in contingency

# FY 2023 Introduction (cont'd.)

- Pandemic effects – continued inclusion of projects deferred in FY 2021
- Supply chain challenges continue to impact project schedules
- Continued work on Drinking Water State Revolving Fund projects
- Asset Management continues in FY 2023 with a focus on business practices and operational actions
- Risk, Resiliency, and Redundancy considered when selecting projects

# FY 2023 Prioritization Methodology

- 43 On-Going Projects and Programs
- Prioritization process for FY 2023
  - Update to October 2021 Ten-Year Capital Plan
  - Infrastructure and Technology projects prioritized separately
  - Review by CPCT, Project Managers and Leadership Team

# Natural Resources - Highlights

- Approximately \$0.8 million,\* eight projects and programs
- Programs:
  - Watershed Protection - \$100,000
  - Land Management - \$20,000
- Select Projects:
  - Prospect Dam Improvements - \$250,000; \$2.4 million total.
  - Tunnel/Diversion/Raw Water Main Rehabilitation - \$400,000; \$1.5 million total.

**\*Does not include funding for project to be discussed in executive session**

# Treatment - Highlights

- Approximately \$18.3 million,\* 20 projects and programs
- Select Program:
  - Filter Media Replacement - \$500,000
- Select Projects:
  - Lake Gaillard Water Treatment Plant - \$7,975,000
    - Clarifiers & Recycle Building Improvements (FY 2021 – FY 2024) - \$3,000,000; \$8.7 million total
    - HVAC Upgrades (FY 2022 – FY 2025) - \$2,000,000; \$6.1 million total
    - Sodium Hypochlorite Tanks Replacement (FY 2022 – FY 2023) - \$600,000
    - Electrical Upgrades (FY 2020 – FY 2025) - \$575,000; \$5.2 million total
    - Treatment Plant Graphics Upgrade (FY 2022 – FY 2023) - \$200,000
  - Lake Saltonstall Water Treatment Plant - \$975,000
    - Electrical Upgrades (FY 2021 – FY 2025) – combined with Lake Gaillard WTP Electrical
    - Chemical Treatment System Improvements (FY 2020 – FY 2023)\*
    - Treatment Plant Graphics Upgrade (FY 2022 – FY 2023) - \$200,000

**\*excludes funding for LSWTP Chemical Systems Improvements, West River Water Treatment Plant Improvements, & South Sleeping Giant Wellfield Facility Improvements held in contingency**

# Treatment – Highlights (cont'd.)

- Lake Whitney Water Treatment Plant - \$450,000
  - Ozone and DAF Controls (FY 2023 – FY 2024)
  - Treatment Plant Graphics Upgrade (FY 2022 – FY 2023) - \$200,000
- West River Water Treatment Plant Improvements \$7,100,000\*
  - West River Water Treatment Plant Improvements (FY 2022-FY 2024)\* - \$6.9M, \$16.9M total
  - Treatment Plant Graphics Upgrade (FY 2022 – FY 2023) - \$200,000
- Wellfield Facility Improvements - \$1,800,000
  - South Sleeping Giant Wellfield Improvements (FY 2020 – FY 2023) \*
  - Seymour Wellfield Generator Replacement - \$800,000
  - Wellfield Facility Improvements – Derby Wellfield (FY 2023 – FY 2025) - \$150,000, \$1.9M total

**\*excludes funding for LSWTP Chemical Systems Improvements, West River Water Treatment Plant Improvements, & South Sleeping Giant Wellfield Facility Improvements held in contingency**

# Transmission & Pumping - Highlights

Approximately \$13.1 million,\* 27 projects and programs

- **Select Annual Programs:**
  - Municipal Pipe - \$1,000,000; \$4.2M total
  - Capital Pipe - \$3,476,000; \$17.4M total
  - Service Connections - \$2,300,000; \$12.1M total
  - Valve Replacements - \$250,000; \$1.6M total
  - Meters - \$50,000; \$250,000 total
  - Hydrants - \$125,000; \$625,000 total
- **Select Projects:**
  - Lead Service Line Replacements (FY 2023 – FY 2033) - \$500,000; estimated \$80M total
  - Northern Service Area Expan. (FY 2020 – FY 2027) - \$100,000; \$12.0M total
  - Serv. Area Impr. East West Trans. Main (FY 2021 – FY 2026) - \$160,000; \$3.1M total
  - Ansonia-Derby Tank (FY 2009 – FY2023) - \$1,600,000\*; \$5.1M total
  - North Branford Tank Structural Improvements & Additional Tank (FY 2023 – FY 2029) \$150,000; \$10.1M total
  - Crit. Pump Stat. & Trans. Facilities Prog. (FY 2022 – FY 2026) - \$100,000; \$10.2M total
  - Spring Street Pump Station Replacement (FY 2022 – FY 2029) - \$200,000; \$9.4M total
  - Raynham Hill Pump Station Improvements (FY2022 – FY 2024) - \$350,000; \$1.9M total

**\*Does not include \$2,630,000 in project-specific funding held in contingency**

# General Plant - Highlights

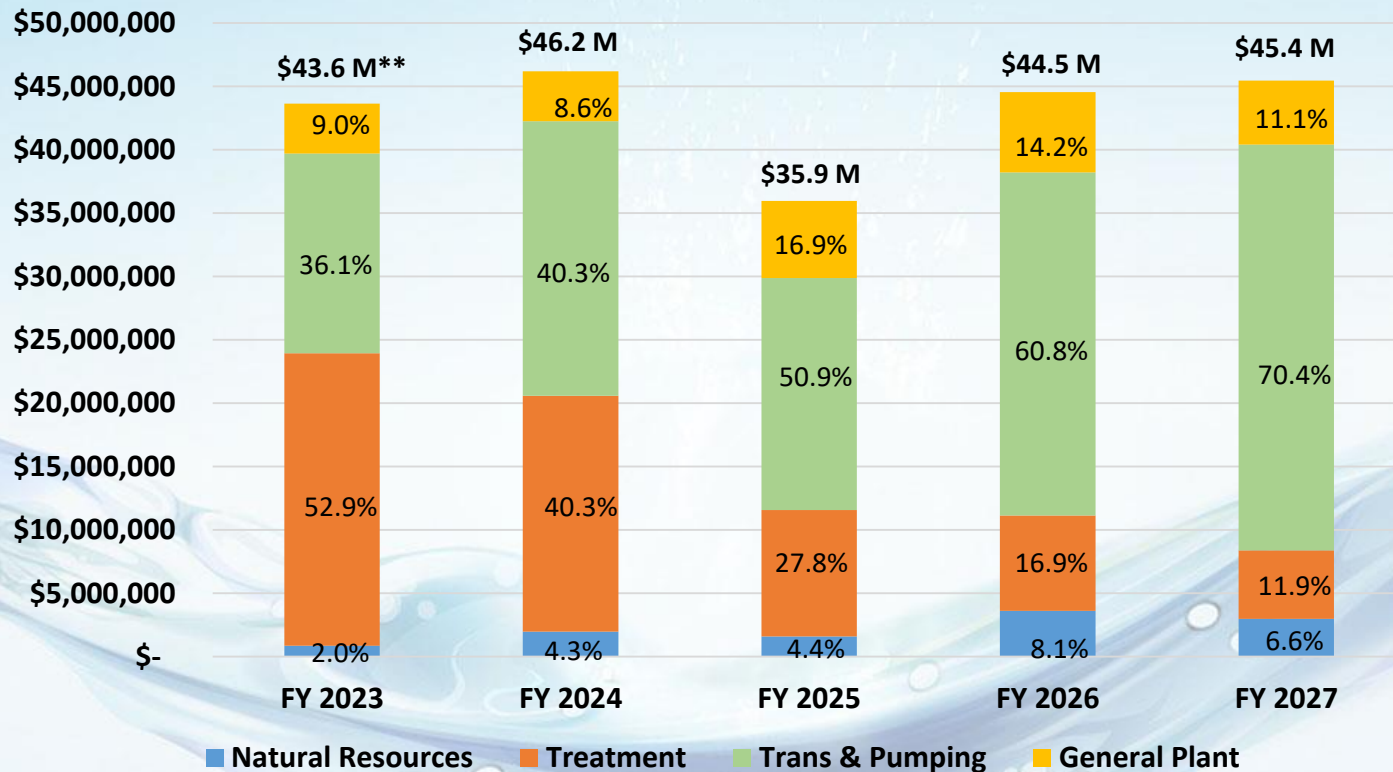
Approximately \$3.9 million,\* 24 projects and programs

- **Select Programs - \$2,427,000**
  - Data Center Life Cycle Replacements - \$650,000
  - Cyber Security Enhancements - \$110,000
  - Fleet Vehicle Replacements - \$885,000
- **Select Projects - \$1,650,000**
  - Work & Asset Management Solutions (FY 2023 – FY 2029) - \$350,000; \$3.5M total
  - Innovation Projects (FY 2022 – FY 2030) - \$220,000; \$2.75M total
  - Commercial (a.k.a. Non-Core) Billing (FY 2021 – FY 2025) - \$100,000; \$1.6M total; – growth fund, not bonded funds
  - No-Des Flushing Truck & Wachs Gate Truck - \$725,000

**\* Does not include projects to be discussed in executive session**

# Five-Year Capital Improvements Plan

Five Year Plan of Capital Improvements  
Total Annual Budgets and Percentage Each Category of Total Budget\*  
(totals do not include non-project-specific contingency)



\*Does not include projects to be discussed in executive session

\*\*FY 2023 includes project-specific contingency for Lake Saltonstall WTP, SSG Wellfield Improvements, West River WTP, and Ansonia Derby Tank

# Summary

- Budget incorporates efficient and essential funding of infrastructure
- Meets risk, resiliency, redundancy criteria and regulatory requirements
- Inclusion and timing of large projects thoroughly vetted
- Continued pursuit of potential additional funding sources
- GHD report recommendations taken into consideration
- Continued development and implementation of Asset Management Plan

**RWA  
FY 2023  
OPERATING BUDGET**

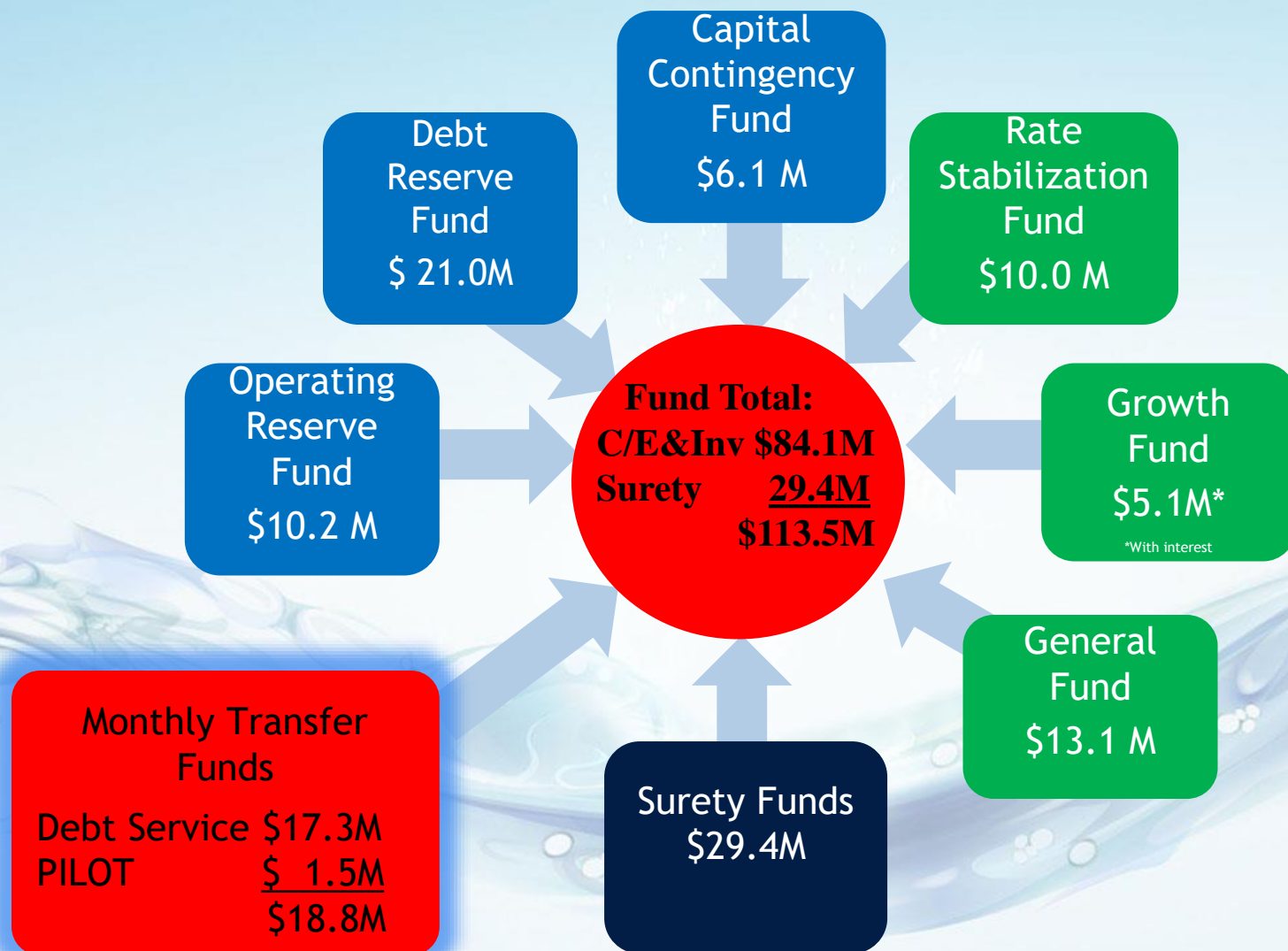


# FY 2023 Operating Budget Topics

1. Re-cap Financial Position/Fund Balances
2. FY 2023 Operating Budget at a Glance
3. Revenue & Expense Assumptions
4. Maintenance Test
5. Opportunities/Vulnerabilities
6. Summary

# Reserve Fund Balances – Discretionary

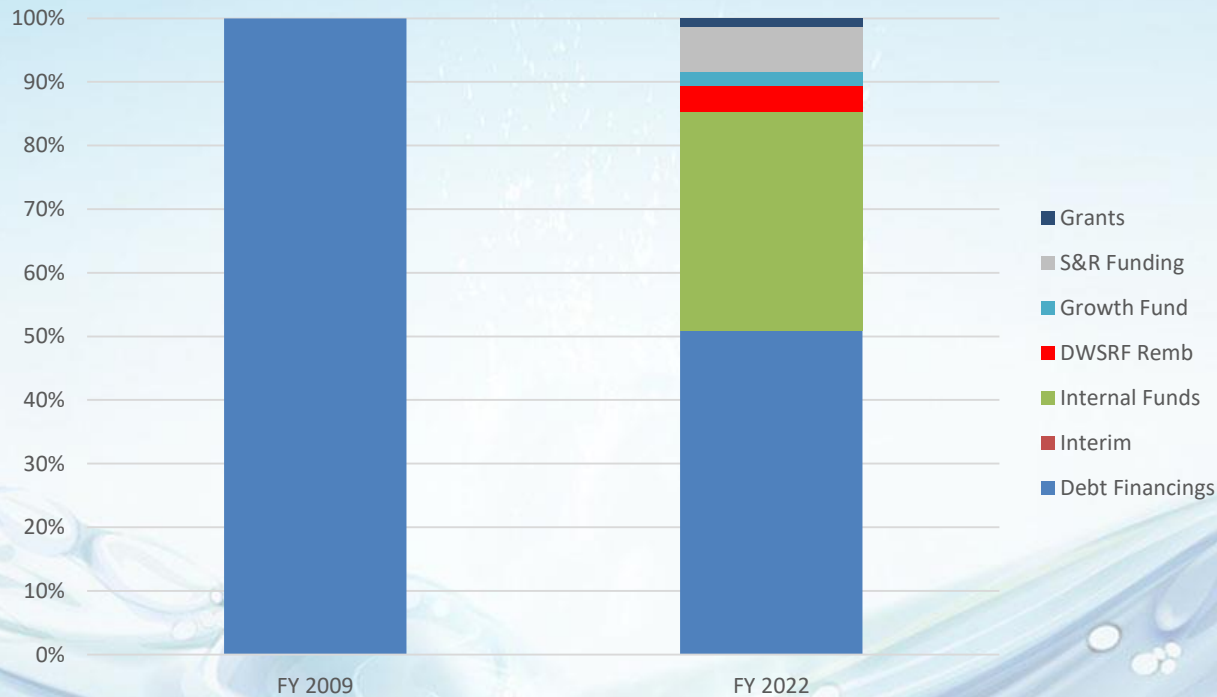
Key Takeaway: Strong Fund Balances and Prudent YE Fund Transfers



# FY 2022 Capital Funding Sources

## Key Takeaways:

- Policy changes/internal funds allowed for postponing rate application
- Multiple and expanded funding sources



### Notes:

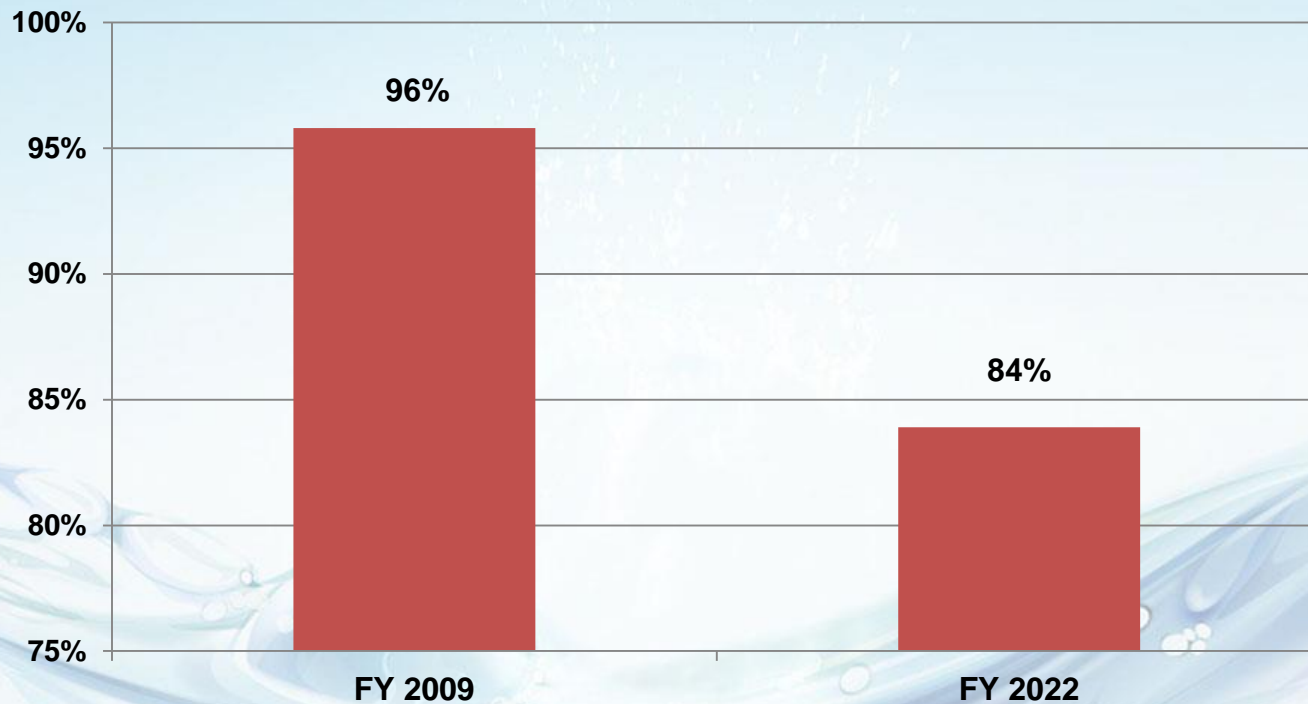
Includes two reimbursements expected before the end of FY 2022

Interim subordinate drawdown note in place - not utilized in FY 2022

# Debt Leverage

Key Takeaway: Improved debt to capital ratio

## Debt Leverage



Notes:

FY 2022 estimated – year end

Leverage adjusted for unspent proceeds

# FY 2023 Operating Budget At A Glance

Key Takeaway: No shortfall in FY 2023 budget

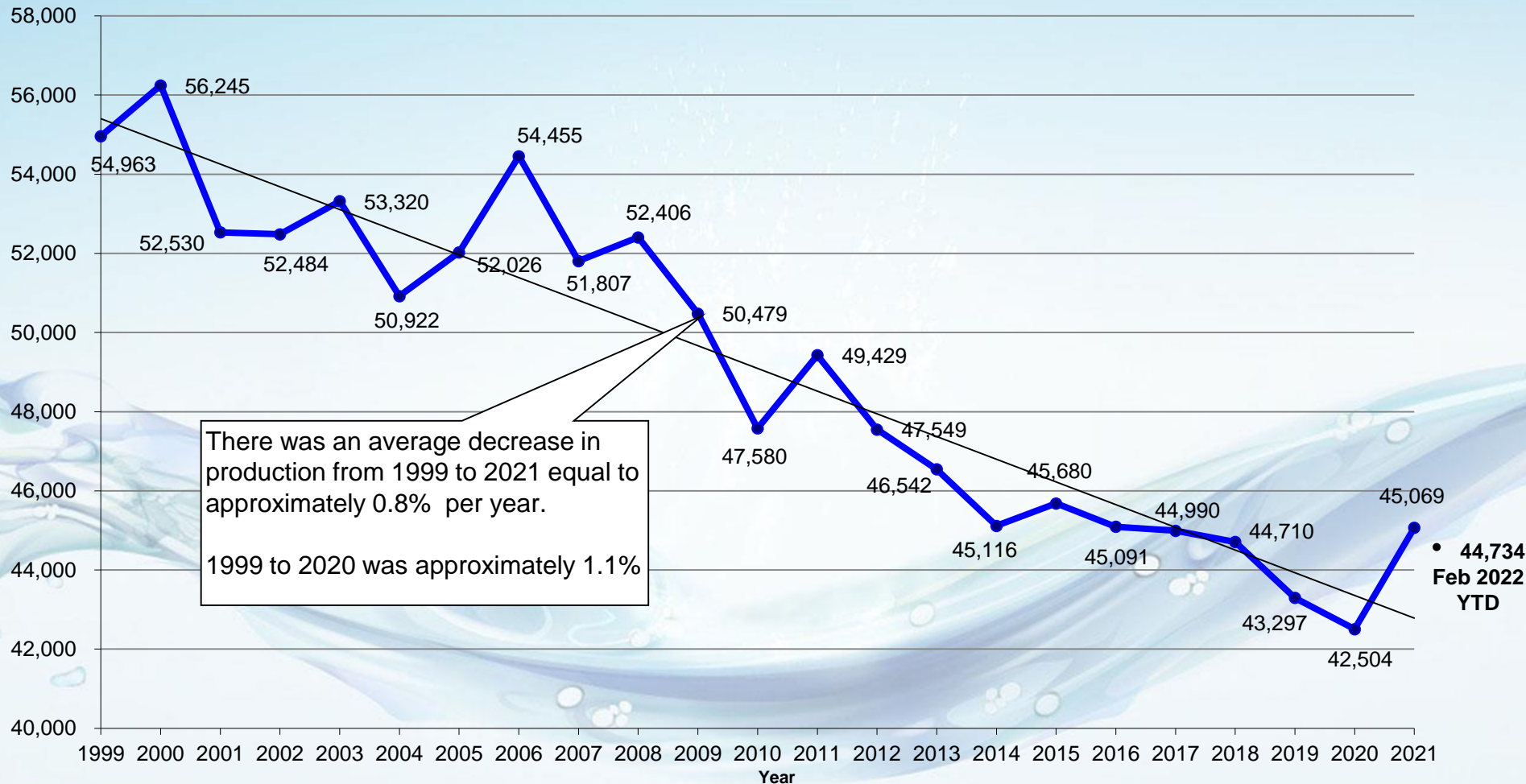
	FY2023 Budget	FY2022 Budget	% Change	FY2022 Projection
<b>Revenues</b>				
Water Revenue	\$ 124,093	\$ 116,629	6.4%	\$ 122,591
All Other	7,516	7,711	-2.5%	7,025
<b>Total Revenue</b>	<b>\$ 131,609</b>	<b>\$ 124,340</b>	<b>5.8%</b>	<b>\$ 129,616</b>
<b>Expenses</b>				
O&M	\$ 63,492	\$ 59,741	6.3%	\$ 59,590
Other Expenses	16,400	15,450	6.2%	15,492
Debt Service 114%	51,717	50,071	3.3%	49,560
<b>Total Expenses</b>	<b>\$ 131,609</b>	<b>\$ 125,262</b>	<b>5.1%</b>	<b>\$ 124,642</b>
<b>Shortfall</b>	<b>\$ (0)</b>	<b>\$ 922</b>	<b>-100.0%</b>	<b>\$ (0)</b>

# Declining Consumption Trend Continues

Key Takeaway: FY 2021 impacted by Covid-19

## Average Daily Production Trend

Production (1000 gal/day)



# FY 2023 Revenue Assumptions

- FY 2023 revenue based on billed consumption and conversion to cash receipts.
- Adjustments were made for anomalies, the “big bang” conversion to monthly billing, and higher-than-anticipated consumption due to COVID-19.
- Billed water consumption after adjusting for anomalies, excluding Wholesale minimum commitments, based on year-over-year 1% decline.
- No increase assumed in the number of customers.
- FY 2023 revenues based on rates and charges that became effective in January 2022.
- Uncollectible factor remains at 2.25% - with outside-a-year increased to \$1.4 million.
- Wholesale revenue, with a minimum commitment, is based on the contract.

# Water Revenue Attribution

Key Takeaway: Primary driver is annualized rate increase.

<b>FY2022 Budget</b>	<b>\$116,629</b>
2022 Rate Increase	7,539
Billed Consumption - 1% decline	(781)
Outside One Year	136
Fire Service	632
Other Net Changes	(62)
<b>FY2023 Budget</b>	<b>\$124,093</b>
<b>FY2023 to FY2022 Change</b>	<b>\$7,464</b>

# FY 2023 O&M Expense Assumptions

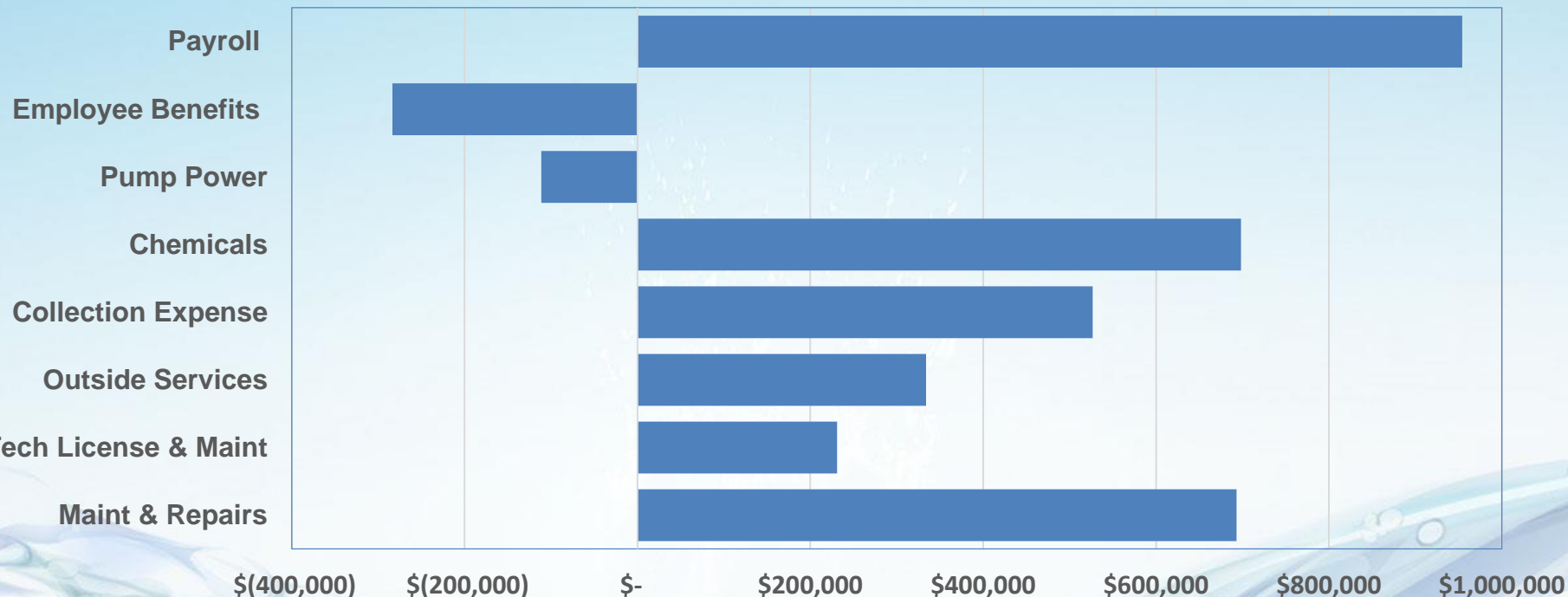
- **Payroll** budget supports general wage and salary increases, evolving business needs, strategic initiatives including infrastructure and technology investment, succession planning, and revenue enhancement. Budget includes vacancy factor.
- **Employee Benefits** reflect anticipated medical expenses, including active vs. retiree mix. Pension contributions based on the January 2022 valuation reports, OPEB based on estimate and other actuarial information.
- **Outside/Professional Services**, consistent with FY 2022, are categorized into:
  1. Business Requirements
  2. Specialized Expertise
  3. Specialized Expertise – Project
  4. Technology Related
- **Maintenance and Repair** includes routine activities; Fiscal 2023 budget reflects continued focus on maintenance and repairs, water quality and certain expenses associated with the new Lead and Copper Rule.

# O&M Expense Assumptions (Cont.)

- **Collection expense** increase reflects full year impact of implementation of monthly billing.
- The FY 2023 **Pump Power** (and other electric service) budget reflects the generation pricing under the existing four- year contract and anticipated increases in distribution pricing.
- **Info Tech Licensing & Maintenance Fees** includes hosting costs and annual maintenance fees for SAP and several software applications.
- **G&A** for FY 2023 is slightly higher than FY 2022 primarily due to supplies, recruitment and other small net changes.
- **Chemicals** reflect a substantial increase in all category expenses due to inflationary factors.

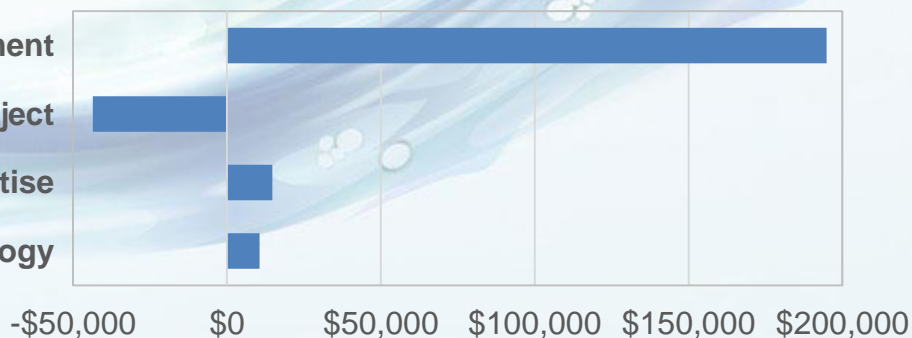
# FY 2023 Budget vs. FY 2022 Budget - O&M

Key Takeaway: While O&M is approximately \$1 million higher-than-target model scenario, water revenue is also approximately \$1 million higher.



## Outside Services

Business Requirement  
Specialized Exp - Project  
Specialized Expertise  
Technology



# FY 2023 Other Assumptions

## **PILOT Payments:**

- Reflects proactive efforts.
- Based on 10-1-2021 Grand List assessments and estimated mill rates.

## **Debt Service:**

- Favorable impact of prior refinancing and May 2022 36<sup>th</sup> Series B Bonds.
- Multiple DWSRF loans included in budget.

## **Depreciation:**

- \$7.5 million per last rate application.

# Maintenance Test

(000 Omitted)	FY 2022 Budget	FY 2022 Projected (a) (b)	FY 2023 Budget (b)
<b>Revenue:</b>			
Water Sales	\$116,629	\$122,591	\$124,093
Investment Income	\$150	\$150	\$213
BABs Subsidy	\$657	\$657	\$657
Other - Net	\$7,154	\$6,518	\$6,946
Common Investment	-\$250	-\$300	-\$300
Total Revenue	\$124,340	\$129,616	\$131,609
<b>Less:</b>			
Operating & Maintenance Expense	\$59,741	\$59,590	\$63,492
Depreciation	\$6,500	\$6,917	\$7,500
PILOT	\$8,950	\$8,575	\$8,901
Net Revenue available for Debt Service (A)	\$49,149	\$54,534	\$51,717
Debt Service Payments ( C )	\$43,922	\$43,474	\$45,366
Debt Service x 114% (B)	\$50,071	\$49,560	\$51,717
Difference (A-B) - Revenue Shortfall	-\$922	\$0	\$0
Revenue from Rate Stabilization Fund (D)	\$922	\$0	\$0
<b>Coverage (A+D/C)</b>	<b>114%</b>	<b>125%</b>	<b>114%</b>
<b>Required Coverage</b>	<b>114%</b>	<b>114%</b>	<b>114%</b>

(a) Fiscal 2022 reflects an additional pension contribution, pending Authority board approval

(b) FY2022 Projected and FY2023 Budget includes an additional \$300k not included in O&M

# Opportunities & Vulnerabilities - FY 2023 Budget

- O&M vs. Non-O&M (primarily payroll and employee benefits)
- Vacancy factors
- Medical claims experience, including retiree/active mix
- Pricing projections (IT license fees, chemicals, distribution, fuel, insurance)
- Outside services, especially project-related and specialized expertise
- Maintenance and repair, including weather related
- Other potential savings and vulnerabilities covering a broad range

## **Revenue Impacts:**

- Weather
- Billing-to-cash conversion
- Other revenues
- Consumption patterns

# Summary

- FY 2022 will be the 12<sup>th</sup> consecutive year without an RSF draw
- Balance contributions among:
  - Construction fund
  - Growth fund
  - General fund
  - Pension plan contributions
- Multi-faceted cash collection program
- Prudent cost management including expenditures consistent with revenue projections
- Monitor PILOT assessments and take appropriate actions
- Pursue alternative financing as well as DWSRF, interim financing and refinancing
- Identify and pursue grant opportunities, especially related to capital projects
- Execute against strategic plan

A dynamic splash of water with various sized bubbles and droplets, set against a light blue gradient background. The water is depicted with soft, painterly textures and a range of blue tones from pale to deep cerulean.

# Any Questions?

# Appendix A - Revenues



# Comparison of Billed Consumption

	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Actual FY 2018	Actual FY 2019	Actual FY 2020	Actual FY 2021	Projected FY 2022	Budget FY 2023
(in millions of gallons)											
June	1,195	1,237	1,190	1,214	1,100	1,153	1,295	1,105	1,130	1,211	1,060
July	1,253	1,203	1,122	1,276	1,352	924	1,181	1,148	1,267	1,217	1,107
August	1,454	1,409	1,345	1,361	1,363	1,421	1,346	1,258	1,366	1,266	1,209
September	1,408	1,393	1,487	1,424	1,469	1,346	1,354	1,458	1,489	1,413	1,373
October	1,384	1,504	1,453	1,584	1,226	1,567	1,347	1,392	1,490	1,235	1,352
November	1,103	1,101	1,220	1,288	1,700	1,181	1,145	1,087	1,130	1,094	1,059
December	1,329	1,465	1,192	1,245	1,317	1,311	1,204	1,292	1,255	1,231	1,241
January	996	1,004	1,102	943	942	986	956	910	879	1,630	869
February	998	892	947	994	853	931	894	919	881	984	885
March	1,159	1,282	1,225	1,161	1,300	1,128	1,117	1,092	1,103	1,076	1,065
April	938	940	844	846	932	829	820	890	874	828	817
May	898	971	1,046	907	932	926	917	911	860	842	828
	14,115	14,401	14,173	14,243	14,486	13,703	13,576	13,462	13,724	14,027	12,865



## Appendix B – Operating & Maintenance Expenses

# Major Operating & Maintenance Categories

	FY2022	FY 2023	FY 2023 Budget Over (Under) FY 2022 Budget Amount
Payroll	23,576,955	24,531,210	954,255
Employee Benefits	10,708,583	10,425,075	(283,508)
Outside Services	3,601,393	3,935,363	333,970
Maintenance and Repairs	3,179,100	3,872,282	693,182
Pump Power	3,050,000	2,938,800	(111,200)
Info Tech-Licensing & Maint Fee	2,465,397	2,696,339	230,942
Chemicals	1,996,500	2,694,812	698,312
Insurance Premiums	1,643,098	1,747,339	104,241
Collection Expense	1,175,065	1,701,700	526,635
General & Administrative	1,513,307	1,537,390	24,083
Utilities & Fuels	1,405,247	1,505,980	100,733
All Other	5,426,710	5,905,397	478,687
Totals	59,741,356	63,491,688	3,897,994

# Payroll

FY 2022 Budget*	\$23,576,955
FY 2023 Budget*	<u>\$24,531,210</u>
Variance	\$ 954,255

Wages & Salary Increase/PFP	\$739,704
HC Timing/Other	<u>\$241,551</u>
	\$954,255

The overall budget supports the evolving business needs including investment in infrastructure, technology and succession planning

The budget also includes estimated annual increases



# Employee Benefits

FY 2022 Budget*	\$10,708,583
FY 2023 Budget*	<u>\$10,425,075</u>
Variance	\$ (283,508)



Main variance driver is health insurance under 65 vs. FY 2022 budget. However, health insurance is up versus the FY 2022 projection. FICA, 401k, and Opeb contribution partially offsets lower health insurance

\*O&M only

# Pump Power

Ford St. Pump Station



FY 2022 Budget	\$3,050,000
FY 2023 Budget	<u>\$2,938,800</u>
Variance	\$ (111,200)

## **Variance attributed to:**

Reflects anticipated increases in distribution pricing. Our generation pricing is under contract through December 2023.

Budget FY 2023 is up 3% compared to FY 2022 projection due to the increase in distribution pricing.

# Chemicals

FY 2022 Budget	\$ 1,996,500
FY 2023 Budget	<u>\$ 2,694,812</u>
Variance	\$ 698,312

Whitney WTP



## Variance attributed to:

The FY2023 budget reflects anticipated price increases across all chemical products. Increases reflect bid prices received in January 2022.

# Outside/Professional Services

FY 2022 Budget	\$3,601,393
FY 2023 Budget	<u>\$3,935,363</u>
Variance	\$ 333,970

## **Variance attributed to:**

Business requirements (e.g., Kubra fees), specialized expertise and technology related.

# Insurance Premiums

FY 2022 Budget*	\$1,643,098
FY 2023 Budget*	<u>\$1,747,339</u>
Variance	\$ 104,241



## Variance attributed to:

The FY 2023 budget is based on known and projected costs associated with all insurance lines, including the Captive program.

Pricing of non-Captive lines was marketed and negotiated. The year-over-year increase is based on the market environment.

\*O&M Only

# Information Tech. Licensing & Mtc. Fees

FY 2022 Budget	\$2,465,397
FY 2023 Budget	<u>\$2,696,339</u>
Variance	\$ 230,942



## Variance attributed to:

Modest increases to software licensing and maintenance costs and an increase in data storage fees.

# Maintenance & Repairs

FY 2022 Budget	\$3,179,100
FY 2023 Budget	<u>\$3,872,282</u>
Variance	\$ 693,182



## Maintenance & Repairs

### **Variance attributed to:**

Increased costs for a variety of maintenance, repair and water quality activities including No-Des.