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

April 18, 2022
Joint Meeting Transcription

Stephen:

... customer service [inaudible 00:00:04].

Jeff:

I think so. It seems like there's a history.

Rochelle:

Yeah, apparently, they did have some conversation. We are already working on analyzing the individual's questions and [inaudible 00:00:18] already talked to them today.

Jeff:

Great.

Rochelle:

[inaudible 00:00:21] email we received.

Stephen:

Go ahead, sorry, [inaudible 00:00:30].

Jeff:
I've reviewed the application that we received for the valve replacement project a couple weeks ago and the budgets that we're here to talk about tonight.

Stephen:
Thank you, Jeff.

Stephen:
Item four approval of the OCA invoice for March 18. Do I have a motion?

Anthony:
I'll move that.

Stephen:
Thank you. Second.

Naomi:
I'll second.

Stephen:
Any questions for Jeff on the invoice?

Stephen:
All in favor?

Stephen:
Any opposed?

Group
Aye.

Stephen:
Item 5 is our budget presentation for the evening and I will turn it over to management.

Larry:
Thank you, Mr. Mongillo and members of the committee, Mr. Betkowski, nice to see you tonight. What we plan on doing is reviewing the capital budget first, which has been our traditional beginning and then we'll review the part of the capital budget that is in executive session.

Larry:
Then we'll review the operating budget. Then you know there was an interest in hearing about our commercial business operations and we'll review that at the end. Also in executive session.

Larry:
So on to the capital budget.

Larry:
Turning to slide two, this gives a an outline of the topics that we'll cover tonight. I'll cover slides one through 3.

Slubowski Jennifer
Then Sunny will cover slides 4 to 7. Sunny will cover the general plant category. Sunny will then discuss the five year Capital improvement plan and then I'll provide a wrap up on summary.

Larry:
Would you go to the next slide please? This provides a history of our capital budget from 1992 to to 2027.

Larry:
And the key message here is that, as you can see, based on our capital priorities for any given period of time, that budget tends to fluctuate based on what those priorities in each category may be. For

instance, in the 2000 to 2005 time period you can see an influx due to the construction of the Whitney Water treatment plant in the 2008 to 2011 time period.

Larry:
We had increased spending for SAP customer information system.

Larry:
According to one 2016 to 2020, we were spending on the AMI project. There was a there and then 2018, there was a great deal of tunnel 2021 is when we reduced our capital budget to about half at that point in time, our capital budget was projected to be about $41.7 million and we cut that in half by in order to stretch out longer between our next rate application and then 2022. You can see again spike over previous last few years because we are adding projects to the capital budget store funding of those projects that were deferred in 2021.

Larry:
Go to the next slide please.

Larry:
So lines are 20, count our fiscal year 23 capital budget assumptions and we are projecting that our capital budget will be about $47.1 million and that's excluding projects that will be discussed in the executive session.

Larry:
So that $47 million is made up of about $36.2 million in projects about $7.9 million in contingency and we'll talk about that one.

Larry
At about $3 million in our self-funded DOT projects, that $47 million does not include the carryovers the fiscal 23 budget and future budgets certainly take into consideration the recommendations from GHD's expenditure forecast. You might recall that when they did that audit, they felt that we needed to spend more on pumping and replacement of pipe and we have taken those recommendations into account, as well as some others.

Larry:
We're also assuming that as we submit projects to the RPB that you will be able to successfully receive approval. These include projects such as the Lake Whitney Dam or the water treatment valve placement program, the Lake Gaillard Lake Saltonstall water treatment plant, electrical upgrades and other key projects.

Larry:
Our capital budget contingency has been set at almost $7.9 million about 7.4 of that is reserved for four projects that were actually not able to carry out in this particular fiscal year because of delays and materials and other topic related matters, but the overall the budget contingency has budgeted at $450,000, which is about 1.2% of the overall capital budget, which is consistent with past practice where we've had our contingency equal to about 1% of the overall capital budget.

Larry:
Our Connecticut DOT pipe as I mentioned will be self-funded and we expect it not to exceed $3 million. We started the practice of self-funding and others do it by several years ago and they are meeting that practice. We are assuming that municipal redevelopment pipe and there are certain projects and DOT that are not reimbursed and we will fund those and probably add an increased level forward.

Larry:
You can go to the next slide please.

Larry:
Where is the next question.

Stephen:
Traditionally, or just in recent history, what's been said? The rough percent of contingency?

Larry:
No, we we've generally used that for different projects where we might need a little bit extra. This large increase, this $7.9 million is because we had I think it's three projects that we weren't able to address here. So we know what we're going to work on those projects in the next fiscal year. So rather than just giving that money in the budget, we moved to two contingency. So we can then draw on that the next fiscal year and not finance it. Thank you.

Larry:
So in the the next category, the next slide is our fiscal 23 overview. We have some 79 projects and programs that are spread out among four categories. Natural resources, treatment, transmission and pumping, and overall general plant, which includes the IT as well as equipment that we would be able to buy.

Larry:
That resource is about $900,000. That's about consistent like we've done in the past as is ttreatment at 18.3 million transmission and pumping is about $13 million in the general plant is about 3.9 to 1236 point, $2,000,000. And again, you can see contingency in the DOT and the non-core billing project adding up to the $47.1 million in the budget.

Larry:
Next slide please.

Larry:
Regarding the pandemic, we are continuing to include projects in this budget that we're deferred in fiscal 21 and those are such things as the Water treatment plant local console upgrades and electrical upgrades to see more wellfield generator and some other projects because we weren't able to get to those because of supply chain issues with vendors having difficulties working conditions, we are anticipating that we will continue to have challenges from supply chain, long lead times involved and as an example of that, we ordered a dump truck last July and we'll be taking delivery for that in May.

Larry:
So long lead times, that's very typical of a lot of the other requirement that we need as well. But I must give kudos to our Director of Procurement, Peter Bocciarelli, very proactive at the beginning of last year

and ordered a lot of the necessary basic parts that we don't need like high pipe valves and fittings. So we're in pretty good position from that state.

Larry:
We've been very aggressive about working on drinking water state revolving fund loans, and so we'll continue to work on projects that we were where we can receive those funds in order to offset.

Larry:
The projects and we expect to close on loans on the brushy planes phase two and the Seymour wellfield back up well and fiscal 22. We also have been submitting eligibility applications for the Lake Gaillard water treatment plant electrical work clarifiers and recycling building that is there that service line replacements and Route 80 throttling down replacement Geneva. A few of those DWSRF projects will continue to focus on asset management and as well as improving our business practices and operational actions and will continue to install the vertical equipment data within our asset management program and develop a base system configuration. And so that will allow us to grow and expand our enterprise asset management system moving forward.

Larry:
So with that as an overview, I will have sunny review the prioritization matrix and the rest of the next several slides.

Sunny:
Yeah. Thanks everyone. I think it was pleasure meeting you all in person. I think some of them I have been earlier during the land use committee. Thanks for the opportunity to kind of go over and say the capital projects.

Sunny:
The 2023 prioritization methodology takes, you know, there is 43 ongoing projects and programs. The prioritization process that was envisioned earlier is being carried forward again, but always it's been reviewed constantly to review, it would say the later projects that are coming up with a future as well as the existing programs and projects that are need to be carried forward. The 2021 ten year capital plan was updated to reflect the newer projects that are coming up.

Sunny:
As before, the infrastructure and technology projects or prioritized separately.

Sunny:
And there's a constant review almost on a monthly basis between the capital program control teachers, the project managers and the leadership teams. Continuous input is being taken and constantly they are being refined as each and every year we say project gets critically updated and loaded. It's like the natural resources, we have about .8 million for this year allocated. It has about 8 projects and programs predominantly. I think it's the watershed protection for 100,000, the Land Management for 20,000. There are a few other projects, which are select projects which is the prospect dam improvements which is about a quarter $1,000,000 the total projected cost is about 2.4 million. We have completed the hydraulic and hydrologic analysis at this point of time.

Sunny:
As well as the stability analysis for the gaps, they have both come out OK. We also did the supply and

say water supply available, it wasn't giving a lot of water supply in terms of, I would say like a resilient water supply.

Sunny:
But you took a few 1000 is for more studies and design to develop more alternatives concepts and evaluate what would be the ideal way to move forward.

Sunny:
The other natural resources is the tunnel diversion and the water main rehab. This is again a program that continues 400,000 allocated for this year. This includes the Genesee Park, Sugarloaf, the north for conduit, the West River.

Sunny:
What did you compliance and some of these locations will have to see which ones need to be determined based on what we find out.

Sunny:
The treatments, which predominantly forms majority of the capital, it's about 18.3 million. There are about 20 projects and programs. These select programs as you can seize the filter media replacement for half a million, that's an ongoing program that continues every year. The other select projects which comes under the Gaillard water treatment plants, there is about 7.975 million.

Sunny:
The Clarifiers and the recycle building improvements for 3,000,000 for this year out of a total of 8.7 million. Then the HVAC upgrades for about 2,000,000 this year and for a six point 1,000,000 total. These two applications were already sent these sodium hypochlorite tanks, which was an emergency because we found the tanks were actually deteriorating and we have to get the times to be done very quickly. So the contractor was awarded in March and right now, I think it will be over by the end of June, July is proceeding pretty fast on getting the tank work completed. The electrical upgrades for the switch gears at the Gaillard water treatment plants, it's about totally 5.2 million. We are expecting contract bids to go out finalizing the design for about 575. Then the graphics upgrade, it's part of an overall graphics upgrade for all the treatment plants. As with Saltonstall and Gaillard, that continues then for Saltonstall, we have 970-5000.

Sunny:
The electrical upgrades or again another ongoing process from 2021 to 2025, this will be combined. The application will be combined with delay killer water treatment plant electrical along with it we have the chemical treatment system improvements for fluorides, polymers, the treatment plant graphics upgrade is again combined with the KLR and this is across all plants to standardize the graphics and bring up to date with all the graphics for all the SCADA like.

Sunny:
This does not include funding for the Saltonstall chemical systems. We rest river water treatment plant improvements and South sleeping giant as they have been calling contingencies as Larry pointed out.

Sunny:
Continuing on to the Whitney Water treatment plants.

Sunny:
We're going to continue to ozone and DAF controls. The PLC will be redone and software programming will be done. Then. The graphics upgrade for the frequent plant will continue. Then the West River treatment plant improvements out of which seven point 1,000,000 out of which 6.9 is related to the DAV and hydrochloric systems. Then you will see the treatment plant graphics upgrade for another 200,000.

Sunny:
Then the Wellfield facility improvements, the South sleeping giant wellfield improvements for hydrochlorides fluorides and phosphates, along with a lot of other chemical treatment systems, tanks, pumps, etcetera. Then in the Wellfield generator replacement, which is dated for 800,000. Then the Derby well fields totally it's about 1.9 million out of that one 50,000 is scheduled for this year. This will include the complete rehab and full automation of the chemical systems and the RPB application will be finalized as we kind of refine the cost during the design process. This again does not include funding for the Saltonstall chemical systems, the West River land treatments, and South sleeping giant Wellfield facility improvements.

Sunny:
Coming to the transmission and pumping, there's about 13.1 million allocated for this year and it includes 27 projects and programs. There are certain select annual programs, which continue to go into 23 years more. The municipal point which is about a million 4.2 million in total. It includes working Branford, New Haven, West Haven, Milford, a capital pipe, it's about 3.476 million.

Sunny:
I would have 17.4 million total. It's about 2.2 miles in five towns. The funding is near. I would say the recommended level as recommended by the designers.

Sunny:
Then there is service connections, valve replacements, meters and hydrants. They are all pretty much going in accordance with the GHD recommendations, and they are returning to the historic funding levels following the AMI capital completions. The select projects, which we're going to highlight is the lead service line replacements we have budgeted for half a million for investigations for part holdings for more design for contacting every day the customers.

Sunny:
For development of notifications, then the Northern Area Service expansion, it's about 100,000. Again, it's going to be designed and conceptual studies as well as you know, modeling the East West Transmission main, the 160,000 allocated out of three point. 1,000,000 is further going to be for studies and seeing what improvements needs to be made. They Ansonia Derby, which was originally planned to start in 2022, is held as part of the contingencies.

Sunny:
As we just got the approval from the Connecticut DEEP with regard to the site not being encumbered, we were supposed to start the project, but as of last Thursday there was a town of Alders meeting, the original plaintiff wrote a letter to the town indicating that an outside council has to be seeing overseeing the memo and reviewing the MOU between the town and the Regional Water Authority. So there's

going to be a special meeting that's convened on the 25th of April for the town of Alders to review that and get back to us with regards to what would be the future course of action.

Greg:
So is that the same tank that woman who has been given us a problem with?

Sunny:
Correct. Yes.

Mario:
And they're saying that the in-house counsel is not capable.

Jeff:
This is there could be a conflict of interest with the in-house counsel.

Sunny:
So they want to go back and review the MOU to see whether the town got, I would say, reasonable amounts for what they're trading in terms of compensation. And so, I think those were the same claims that were raised in the earlier and say cases with the lower courts and offer quotes and the quotes did rule in our favor. So hopefully the 25th April meeting might go in our favor depending on how things work out. We are following up with the town as well as you know, following with the Council to see how it goes. So we'll be able to provide an update.

Sunny:
Hopefully by the end of this month.

Sunny:
The North Branford tank structural improvements and additional tank we have allocated one 50,000. This is going to be part of an overall second time construction that will be done as in the future course of time.

Sunny:
The critical pump station and transmission facilities program that's an ongoing program that's done 100,000 for this year and we expect more to be spent once design and concepts are developed. The Spring Street pump station replacement, this is again risk and resilience related. We will be doing the preliminary design sighting and modeling work related for this Spring station task, Spring Street pump station replacements, the rate and Hill pump station. Again, it's going to be design and conceptual studies, which will be done with. This construction will happen over the next five years.

Sunny:
This does not include the 2.63 million in project specific funding, which is held in contingencies.

Larry:
We'll turn it over to Prem to discuss the general plant.
Premjith Lakshman Singh
OK. Can you guys hear me better now?

Mark (Guest)
Good.

Mark (Guest)
Excuse me? Quite low.

Mark (Guest)
Any of these projects are available for this new federal money coming out?

Prem:
Sure, I think recently what we did was I think in the last week we did apply for a lot of congressional directed funding as well as usual. I think we also applied for DWSRF funding. Yes, we actually submitted several applications for DWSRF including for like what letting copper rules we've had almost continuing conversations with them regarding different component as well as sign.

Prem:
How long can call me in until we have a great working relationship with DWSRF? So that's definitely working to our vantage and our definitely pursuing you know money to available through those sources.

Mark (Guest)
Percentage wise, what do you expect to receive?

Mark (Guest)
Of the overall project.

Rochelle:

I would expect for DWSRF, it's a possible exception of [inaudible 00:23:36] that we're going to get approved for all the applications that we submitted. There'll be a loan component as well as a subsidy component. Unfortunately, we were told that the subsidy was probably going to be capped. So the larger the project the relatively less amount the grant would be. But I expect all our projects to be approved by DWSRF. For the [inaudible 00:24:06] we're working with them regarding the timing of the funding, what the gray component is going to be and gray component is going to be utilized. So I don't have an exact number but several of the projects are DWSRF projects. [crosstalk 00:24:24].

Rochelle:

[crosstalk 00:24:24] federal money that we're talking about [crosstalk 00:24:27]?

Rochelle:

Yeah, it's federal. So, just to give a little bit more background on the Bipartisan Infrastructure Bill that was passed, as far as RWA, how we're going to be participating is through DWSRF because the bulk of the water infrastructure funding is going through the drinking water program.

Mark:

That's great. We try to get as much as we can. I mean, these are some big projects. Thank you.

Prem:

Thank you. So, just to continue the program and the project, we have [inaudible 00:25:14] of which [inaudible 00:25:15].

Prem:

So very quickly, going through the general plant category, they're saying there are two separate buckets we have looked at. One is the programs, which is recurring programs as we keep the health and life of all the assets, and then we have projects specific to [inaudible 00:26:34] projects. So, if you look at data center life cycle, that specific project, if you remember from the historical perspective, because of COVID, we had reduced the number to $450,000 last year. We barely [inaudible 00:26:50] basically, this is for the [inaudible 00:26:52] refresh, hardware refresh and laptop and other devices replacement and equipment replacement. So this year, we have budgeted for fiscal '23 $650,000. That should get us through the fiscal '23.

Prem:

Cyber security enhancement, you probably heard many times from my presentations, a lot more cyber security focused now. We have been working closely on some of the audits we have done more recently, the CLA audit or with the Homeland Security. So we have put in $110,000 as a minimal budget for next year's cyber security enhancement.

Prem:

For the fleet vehicle replacements, this is a total comprising of 11 different vehicles that we're looking. As you know, this is a program that we constantly look at our vehicles and this fiscal '23, correct me if I'm wrong Rochelle, we have 11 which we are looking at. One 10-wheel dump truck, we are looking a small dump trunk, we are looking at four vans we are trying to replace, along with we have two heavy/medium vehicles we are looking to actually put into replacement. So that's that project. It completes the program category.

Prem:

For the projects itself, individual projects, we have done a lot of assessments on work and asset management. If you remember, there's been a lot focus on asset management side. We do use a system called Infor, basically that accounts for both our horizontal and vertical assets. This project is very specific to foundational stuff, where we are collecting all the assets in one Infor [inaudible 00:28:29] system. It's a multi-year kind of a project but this is the beginning of the foundational project.

Prem:

Along with this, we are also improving our GIS system, in order to make sure that what the assets are in the system are actually reflecting on the field. So this is a good improvement overall, from a perspective of the foundational project. In the innovation bucket, we have three different buckets of projects to combine in here, overall. One of them is very focused on business data, on a data analytics projects. We are really looking at some of the foundational data. This is not a fancy system. We use a basic framework of Power BI, we call it, and looking at putting some of the data analytics, foundational perspectives in place.

Prem:

We're also looking at doing some of the what we call as process automation work. If you remember, we are trying to do some of the automation on the work order processing that we do. Along with it, we also have some specific projects we are trying to put in place. Now, really eliminating the manual processes that we have whether it is customer care area or in the operations side. So some of the automation work is all part of the same innovation project. We are looking at one specific area for customer, where you probably heard me talk about first contact resolution. We are trying to put in tools and software in place in order to make sure we can address that first contact resolution. This year we are trying to do some benchmarking. For fiscal '23, we will implementing tools and perspectives in place. So that's part of the innovation projects, [inaudible 00:30:07] bucket.

Prem:

We do have, can you go back one more item, Jennifer? So, commercial, this is the commercial [inaudible 00:30:17]. If you remember, we had put in PipeSafe improvements, as well as WellSafe as part of the commercial project. But this one is very specific to new products and services. So basically, what we are trying to introduce as new products as part of the growth fund, which comes out of a totally different fund, but this year we are looking at only putting $100,000 for some of the new products and services. We are looking at some of the new products, which we'll be discussing in the commercial business update. But the idea is that we need to continue the process of putting some of the new products in place. So that's that project.

Prem:

And the last one that we had on the list is the No-Des. Maybe, Sunny, if you want to just comment on the No-Des project? Yep, that's the slide. Sunny, do you want to comment on the No-Des flushing trucks? You have to go on unmute.

Sunny:

Yeah, the No-Des flushing truck is neutral output, discharge elimination system. This is used for flushing out water mains and it saves a lot of water in the course of recycling the same water through the truck, where it filters the water and puts it back in. So tremendous efficiency in terms of cost, time, as well as savings in water itself. So that is the truck that we are purchasing at this time. If Jim wants to come in and chime more into the advantages I will open it up to Jim for chiming in.

Jim:

Also, actually, saves on discolored water calls because it goes through a filtering system before it goes back into the water main.

Stephen:

Sunny, we're purchasing this for the first time. This is not a replacement, correct?

Sunny:

No, this is the first time we've purchased it.

Larry:

We piloted using a No-Des flushing truck that we rented last year and had some tremendous results with it in terms of, as Jim pointed out, reducing our eliminated water quality complaints after flushing. Plus, it allows you to flush virtually year round, without putting water out on the street.

Stephen:

So do you go into different districts? How does that work as far as your flushing? Wherever you're having trouble? Or is like a-

Larry:

Well, it can be where we might be having some water quality issues and in dead end areas, [inaudible 00:32:53]. But we have a systematic approach where we try and we attempt to flush about 25% of the system a year, so we have a system laid out. So this will follow that system in addition to doing where we have water quality issues.

Stephen:

That makes sense. Thank you.

Prem:

Yep, I think that's all I have [inaudible 00:33:16]. Any questions?

Sunny:

Okay. Sounds good. The five-year capital improvements plan [inaudible 00:33:38] from 2023 to 2027. There's a lot of information here in terms of data that's presented. But as you can see, predominantly, the treatment occupies the first two or three years. And as you go into the final two years, you see the transmission and pumping taking all predominance in terms of 60% and 70%, more related to the northern service area expansion, the North Branford tank, the East West Transmission Mains. So, those projects take, I would say, precedence as we go further into the transmission and pumping towards the end of the five-year period. Initially we are focused on the Saltonstalls and the Whitneys, as well as the Gaillards. But this does not include the projects that are going to be covered in the executive session. Also, these numbers don't include any contingencies that originally we spoke about. Any questions? Yes?

Stephen:

Yes, I have a question. Just trying to understand this. The priority matrix that's in the presentation here, 26 items for this coming year, correct? That's what this represents? [inaudible 00:34:55]?

Sunny:

[inaudible 00:34:58]?

Stephen:

The prioritization matrix that's in the [crosstalk 00:35:05]. [inaudible 00:35:08].

Sunny:

Correct.

Stephen:

Okay. So this goes by year and [inaudible 00:35:17] either 5 or 10 years out, or even 20 years out. So there are new things that could possibly-

Sunny:

Absolutely. Yeah. This is only for the five year period. Absolutely. I think we have other projects which are prioritized from '28, '29, '30. And when you see the 10 year summary, you will see more projects that are not being done now which would be done later. This is only for the five year prioritization matrix in the appendix.

Stephen:

And [crosstalk 00:35:45] prioritized for five years out? Or do you sort of take a closer look-

Sunny:

We will do 5, 10, and 20. Typically, I would say the way that the planning works, we look at the five year immediate ones and then after that you see the life cycle of the [inaudible 00:36:00], life cycle of the remaining life left over for all the [inaudible 00:36:06] assets and the [inaudible 00:36:06] assets and then you double up the 6 to 10 years. And then from 10 to 20 years.

Stephen:

I noticed on cleaning and lining, you suspended that program. Listed 70 to 120 miles of pipe that currently meet the qualifications for lining. Has that been suspended [inaudible 00:36:26]?

Sunny:

This has been suspended in the former four years. I believe it's there in '27, we are bringing it back. The AMI came in and we suspended the cleaning and lining. But now there is more work in terms of the prioritization. We prioritized the frequent plants and the Lake Whitney dams, which we will discuss more in the executive session. Those projects were prioritized in the earlier part of this five year. So the cleaning and lining will be pushed more towards the later 5 to 10 year period.

Stephen:

Okay. But according to the criteria we used to use, you would have done that work as important to maintaining the system. I mean, this is the way we deliver the product.

Sunny:

Correct. I think one of the things which you saw just now on the No-Des truck, it also helps in cleaning and flushing the lines. So in terms of prioritization itself, the earlier prioritization did not carry a lot of these new prioritization projects that have come in. So, in the past, the cleaning and lining problem got prioritized on a much higher basis. They're taking projects now into consideration, the priority ranking for the cleaning and lining has been lowered. It's more an assessment risk, overall, looking at the risk itself. So, the risk of Gaillard going out of service, when we supply 60 to 70% of water to the entire community is much greater as compared to a line which we can go and flush and clean.

Sunny:

And especially bringing in the No-Des truck, it helps out to that extent. So on the prioritization, yeah, we constantly look at and we gauge the risk assessment in terms of the overall risk to the entire system, as compared to each [inaudible 00:38:15]. So in that way, yes, it was prioritized earlier, but now looking at the life cycle and the remaining life left for some of this equipment, we moved those projects which needs to be done more on an immediate basis.

Larry:

Steve, as you're probably aware, pipe that we buy is already lined now. So pipe that we're putting in the ground to replace other pipe is lined, as well, when we buy it.

Stephen:

Do you have an idea of just approximate cost of that five year delay of doing that work?

Sunny:

There is no dollar value associated with it. We haven't really analyzed the dollar value. That is something that we are actually examining right now.

Stephen:

Okay. It's okay.

Sunny:

No, actually it's a good question, because in the morning, we had a conversation with the team to examine exactly the cost benefit analysis to see how much money we spent and whether we saved on the capital for replacement of pipe. And as well as going forward by postponing it, what are we saving in terms of capital replacement and putting money into the other capital projects? But it's an excellent question because it's the same discussion I had with the team in the morning, actually.

Stephen:

Okay.

Larry:

Okay, to wrap this part up, I think we've taken into account risk resiliency and redundancy criteria as well as regulatory requirements and putting together our budget. We think we've focused on essential infrastructure that needs to be taken care of, like the Whitney Dam, some improvements at our water treatment plants. So we have thoroughly vetted these large projects, whether it's through the prioritization matrix or whether it's in-house vetting of that. Rochelle and Sunny are aggressively seeing additional funding sources, whether it's through the DWSRF or [inaudible 00:40:18], earmarks, and we think we'll be in a good position to receive those fundings moving forward, even though now it's difficult to project what these dollars might ultimately be.

Larry:

We have taken into account the GHD recommendations where we should increase our focus going forward, like in [inaudible 00:40:37] stations. They're also looking at extending the life of vehicles from 100,000 miles to 125,000 mile [inaudible 00:40:46]. And we're continuing to focus on developing the asset management plan which will actually give us a way of looking at the life cycle of assets, being able to better pinpoint when they should be replaced versus being repaired.

Larry:

So, [inaudible 00:41:02] will answer any final questions on the public portion of the capital plan and then Mr. Mongillo and Mr. Betkoski, we could then maybe go into the executive sessions and review some of the capital projects that are in those section. Unless there's any questions.

Meeting Member:

Okay. [inaudible 00:41:21].

Meeting Member:

Go ahead.

Speaker 10:

Thank you. Couple of items. So, we're carrying about a half a million dollars in contingency, not counting the carried over contingency projects. And that's from the $44 million and that seems to work adequately. Because each project has some contingency.

Larry:

Yeah, depending on what the level of design is, yes.

Speaker 10:

I'm a little concerned, and Sunny, I know you're new, but I'm a little concerned with the number of treatment plant projects and I guess we're going to talk a little bit about dam projects in the future and the timing on those. So hopefully you can address those after the executive session to try and understand because you don't want to be in a position where we don't have water and we're working on a plant and we have to reduce capacity at a plant when another plant has to be down for that. And I'm sure you got it all balanced, but by separating all the projects out at the plants, with different contractors, I'd get more concerned than if it was one major contract [inaudible 00:42:50]. I'm going hold off on other questions, if I can, until after the executive session and I'm presuming that the information in the executive session requires an executive session.

Larry:

That's correct. It's concerns negotiation and strategy and real estate.

Stephen:

Larry, did you want to do the executive sessions together or just wait on this or just do one now?

Larry:

Well, we can...

Stephen:

Whatever makes sense.

Larry:

Yeah. Well, we thought we'd do the capital executive session, then do the operating budget, then do the commercial at the end.

Stephen:

Okay.

Stephen:

Motion to move to executive session to discuss negotiations [crosstalk 00:43:42].

Larry:

Real estate matters and strategy.

Speaker 10:

Real estate matters and strategy. Thank you.

Stephen:

Yes. Second?

Naomi:

I'll second.

Stephen:

All those in favor?

Meeting Members:

Aye.

Stephen:

And opposed.

Mario:

And who's allowed to stay?

Stephen:

Executive session will be the-

Mario:

RPB? Management team?

Stephen:

Management that's in the room.

Mario:

OCA?

Stephen:

OCA, current RPB members in the room and [inaudible 00:44:12].

Stephen:

And other board members.

Larry:

Are there any public?

Jennifer:

I don't believe there are.

Larry:

Okay. Thank you.

[EXECUTIVE SESSION TAKES PLACE FROM 6:25 P.M. TO 7:55 P.M.]

Stephen:

We are now out of executive session for the record, the executive session included the commercial business enterprise update, and no votes were taken. I'm going to turn it back over to [inaudible 00:00:21].

Larry:

Thank you. We are pleased to present our fiscal 23 operating budget. We'll try and make this as brief as possible given the lateness of the hour. So we may tend to summarize and answer questions to provide you with more detail. The next slide provides a recap of what we are going to be covering. I'll go through the first three...the first two items, which also includes our production trend line as well. And then Rochelle, will pick it up the revenue and expense assumptions to carrying it down through the summary for simplicity purposes.

Larry:

So the next slide is really a great story. It shows our reserve fund balances. And the good news is that by both boards working together, with management, we have had... We've been able to significantly increase our funds and our fund balances. And I know you've heard this story in some rate applications in the past, but it's worth mentioning.

Larry:

All of our non-discretionary funds, which are those items in blue are where we meet or exceed the minimum requirements so that's the good news. Our discretionary funds are also at or above target levels so that's another piece of good news. And, and as previously mentioned, our July, our funds were strong enough in the growth fund in order to fund the Roach transaction, as well as the commercial billing capital project. And we're funding our next purchase of a plumbing company, as well as a potential lab. That'll all come out of the growth finance as well, so good news there about... We have strong fund balances and each year at year end, we make prudent transfers into the various funds to keep them well funded at minimum requirements while keeping it in mind, the need to fund the growth fund as well as our pension fund. So Rochelle manages that extremely well. The next slide, please.

Larry:

This is another piece of good news here. This is our fiscal 22 capital funding sources. And the key takeaway here is that again, by both boards working together with management and making some policy changes, we've been able to generate internal funds, which have allowed us to not only use less bonds in our financing and capital projects, but it enabled us in last fiscal year to draw on all internally generated funds for our capital program, even though it was cut in half and to postpone rate applications for a year. We've gone from in fiscal 2009, where we use all debt in order to pay for our capital program to a mixture of funds that you can see in that bar on the right with the blue being the debt and the green being internally generated funds. You can see it's almost, not quite 50%.

Larry:

And with that, we'll go to the next slide just to keep it at high level. And this shows the resulting... The impact of our using alternative funds primarily internally generated funds. So we have significantly improved our debt capital ratio, whereas in 2009, it was 96%. And that has continually come down to fiscal 22. It is 84%. So we still have a lot of work to do because this is a key metric that the rating agencies look at and they're evaluating the financial strength of the organization, but we continue to make great progress and expect to in the years going ahead. In our October, 2021 model update, Michelle is projecting a further reduction over the 10 year planning horizon. So that's going to continue to decline.

Larry:

The next slide is our operating budget at a glance. And the good news here is that we are not projecting any shortfall for the fiscal 23 operating budget, which is great. And interestingly enough, when we prepared the financial model in October, 2021 for fiscal 23, at that time, we projected an estimated draw at $1.1 million. So we've been able to improve that position significantly. The fiscal 22 budget did not reflect the rate application, but did reflect an estimated one time cash impact of the big bang conversion of monthly building, which was about a $1.6 million benefit in the budget. So we'll get into a little bit more details on that in the presentation.

Larry:

And the last slide that I'll cover is the declining trend continues. This shows our production peaked in the year 2000, when we were producing 56 million gallons of water a day, that is declined steadily at a rate of about 1.1%. At the end of our last fiscal year, we were down to 42.5 million gallons a day at the end of fiscal 21, that was 45 million gallons a day. There is a little uptick, as you can see on the far right up to 44.7 million gallons a day that's February 2022. And what that shows is the impact of people being at home during COVID. We saw higher consumption during the last two years because of people being at home and believe it or not buying pools and filling them up and during things like that. So we did see an uptick, but we expect that to go back to continue to decline if more, more people return to work and into the office.

Larry:

So if there are no questions on the information I presented so far, yes?

Speaker 3:

Just one quick one. When, when the declined in the draft was initially noted, we thought it was about 20 years that it'll continue. He says, you have an idea of this just continuing, for what period of time?

Larry:

Yeah, we had a consultant from Hazen and Sawyer come in. It was actually about four or five years ago. And he predicted that it... That what he was seeing was that probably for the next seven to ten years, this 1% decline per year would continue, so that was five years ago. So we had probably another two to five years of this continuing before it levels out.

Larry:

Now, obviously nobody predicted the pandemic either and people using more water at home. But we're taking a conservative approach and assuming that water will continue to decline, water consumption will decline. And as you know, people are converting to cons... You know, more and more conservation like Yale university. They, they have a target to reduce their water consumption by 5% a year. And other manufacturing facilities too, are looking to reduce their water consumption both from an environmental protection standpoint and well as just a cost savings effort.

Mark:

Larry, Mark here. I just, I've been on the board for a long time and it is so good to see the debt reduction go down. You know, when you first started it was very high and you've done a wonderful job to bring that down and not to... And the part about not borrow [inaudible 00:09:00] for construction. Wonderful. So I think you're doing a great job in those aspects.

Larry:

Well thank you Mark, but it's really the board's collaborating with management and our finance department and senior management in order to put the policies in place in order to achieve that. So thank you. It's been a real strong team effort.

Mark:

Kudos to the team.

Larry:

Thank you. Okay. I'll turn it over to Rochelle. We'll talk about our fiscal 23 revenue assumptions.

Rochelle:

Okay. And here, we just want to share with you really the key assumptions that went into the revenue budget. So similar to prior years, we look at what build consumption is, and we made assumptions about how that build consumption converts to cash receipts. We did adjust for anomalies and that did include, As Larry mentioned, the big bang conversion that was a one time impact as it relates to cash, not earned revenue, it's cash in the door in that January spike in build consumption.

Rochelle:

The other thing that we did do, and I will share that it is an estimate, we looked at fiscal 22 and did a vast estimate of how much of fiscal 22. What we're seeing in consumption is COVID 19 related and what the return normal really will be. So once we did the adjustment for anomalies, we did use our standard 1% year over year define. So still a fair number of assumptions. I did go into that. We did not make any increases in the number of customers. That's something in our service territory I think you know that it's very mature so unlike other areas, even if average consumption goes down per customer, if you're in a growth area, your total production and billings can go up, but we're in a very mature service territory.

Rochelle:

We have also built in the January rates and charges. So we have a full year of that in fiscal 23, we kept our uncollectible factor at 2 25. So that's how we take the bill consumption and convert it to cash in the door.

Rochelle:

We did increase a little bit our cash outside a year. We raised that [inaudible 00:11:37] in a fiscal 23 budget. And for wholesale, we are using the minimum contract commitments for the organizations that we have contracts with.

Rochelle:

Moving on the next page. Here what you'll see is the primary drivers of the change from the fiscal 22 budget to the fiscal 23 budget. The key driver is actually the rate increase. I do want to mention that some of you may recall that in our rate application, we were actually projecting a revenue requirement of 7.9 million. And based on our favorable bond pricing, as we say in our application, we were able to reduce that number down to 7.5 million and reduce the overall percent by about 3%. So we do pass that on to of the customers. The bill consumption that is our standard 1% decline outside a year as I mentioned, we increase offer fire service, the positive impact here does relate to in our fiscal 22 budget.

Rochelle:

Although we forecasted favorable impact of the big bang conversion on border, you might recall that we took that same opportunity to convert the new gate. The originally given district private fire billings to [inaudible 00:13:13] from in advance, and we converted them to monthly. So some of you might recall that was actually a negative impact and fiscal 23, and then other net changes actually have to do with the COVID related adjustments, as well as the impact of the big bang. And they somewhat netted out. We are projecting a little more aggressively that the fiscal 23 budgeted consumption won't be at as a significant reduction as we had previously forecasted. So various puts and takes. But again, the biggest driver is the rate increase itself.

Rochelle:

Moving on to next page. Here's where we talk about the key assumptions in the O&M. So the payroll budget includes waging salary increase. It does support the evolving business needs, strategic initiatives, including the focus on infrastructure and technology, investment, succession planning, and revenue enhancement. We did again, make a assumption for a vacancy factor. We did that for the first time here in fiscal 22, we are doing that again in fiscal 23. And we look at that case on what our headcount currently was at the time we did the budget, what was being projected and built in that [inaudible 00:14:54] factor.

Rochelle:

For employee benefits, we do include anticipated medical expenses. Some of you may be aware in addition to estimating overall medical expenses we also have to estimate what's associated with the active employees and what's associated with the retirees because that impacts what stays within the utility. Another big area within employee benefits is the pension, we did build into the fiscal 22 projections and additional pension contribution pending authority board approval so that is built in, and at the time of the budget, we didn't have the final actuarial information for the OPEB so we made the estimate of what that is, and that was built in so medical intention and OPEB are some of the really big drivers within employee benefits.

Rochelle:

For outside services consistent with fiscal 22, we broke the details in the budget narrative into business requirements, to our ongoing specialized expertise specialized expertise project based and then of course, technology, we've done that again. We're going to get this in a little bit more detail, a little bit later in the presentation.

Rochelle:

Maintenance and repair includes routine maintenance activities. Fiscal 2023, you will see an increase in maintenance and repairs, and that's primarily associated with continued focus in that area, as well as water quality. We did build into the maintenance and repair budget, we talked earlier about the [inaudible 00:16:47] but based on the lead times, that's not going to come in until after the main flushing season for fiscal 23.

Rochelle:

So we are again, and we did build in utilizing [inaudible 00:17:00] to do soft flushing work. So that's an O&M expense. And then there's also a small amount of dollars, both consulting as well as in the maintenance and repair associated with lead and copper repair. Those are really the key drivers of what you see maintenance and repair increasing year over year.

Rochelle:

Moving on to next page. So collection and expense, this is something that you might recall from our monthly billing business case. There is an increase that we did expect associated with that conversion that primarily relates to in collection expense, the payment processing fees. So again, that was not unanticipated this is one of the year upon year increases. Pump power is another one of the larger cost categories. And that reflects the generation pricing under our four year agreement, as well as anticipating increases in distribution pricing.

Rochelle:

For information technology and maintenance fees this is the area that includes hosting costs and annual maintenance fees for SAP and several other software applications. We'll get into that a little bit more later on. And G&A for fiscal 2023 is a little bit higher than in fiscal 2022. And that's primarily due to outside recruitment and recruitment fees in some suppliers and other net changes. Chemicals is one of the categories that, you'll see this in the budget details, it did go up very significantly. And that is based on what we actually incurred when we went out to bid and got the pricing in January, February timeframe, there is a significant increase in chemicals, and we are projecting that to continue in to fiscal 23 and even assumptions about the latter part of fiscal 23 and what those chemical prices will do.

Rochelle:

So at a high level, we are seeing some impact of supply chain, both on our capital budget that was mentioned as well as on our O&M budget.

Rochelle:

If you go to the next page, this is where you can see what the key drivers are and what the year over year changes are. So just a couple things I'll mention our overall budget for fiscal 23 is about a million dollars higher than our model scenario, but our water revenue is also approximately a million dollars. So I think you're aware when we put together our budgets, we do look at what we said in the model and what we said in the rate application, and make sure that the budget is proven. So payroll that's primarily being driven by wage and salary increases only a very minimal increase in headcount, it goes up you over here by just three headcount.

Rochelle:

Employee benefits actually goes down a little bit, and that is actually primarily due to our medical. This is budget to month budget. So medical in fiscal 22 was much higher than we're currently running. There is some risk and opportunity in those numbers, but we worked with our outside vendor to collaborate with on what we expect to see for medical benefits. So there is an increase built in, it just happens to be lower than what the fiscal 22 budget was. And there's also a small increase... Small decrease in the pension contribution for fiscal 23. So that's really the key driver there, pump power, just a relatively small yield per year change and that's also being driven by our actuals that we see in fiscal 22 and what we take the change year after year will be. As I mentioned, chemicals is one of the [inaudible 00:21:32] drivers, and that is the pricing that we've seen collection expenses through the primarily monthly billing.

Rochelle:

Outside services has a relatively small increase. And most of that you can see in the chart below is in business requirements. And that is primarily being driven by now an outside party is doing our bill presentment and our bill management. That is what's causing that big increase there. Again, that was assumed when we were working on our business case for monthly billing. And maintenance & repairs, I mentioned is up and that's primarily due to the no dust flushing that we built in because it just basic flushing is O&M expenses and a little bit of [inaudible 00:22:29] just focusing on making sure we are doing the necessary maintenance and repairs on our infrastructure. Are there any questions?

Rochelle:

If not, there are... So this is more than just the O&M budget. This is like all aspects of the operating budget. So the pilot payments, it does reflect our proactive efforts. And then what we do is for fiscal 23, we know what we submitted for our declarations. We know what grand list is, but we don't get note at the time we did the budget where the mill rates are. So we do have to estimate what the mill rates are.

Rochelle:

From the debt service perspective, we did build in the fair impact of all priority financing, as well as offer to do another refinancing on May 3rd coming up. So we did go ahead and build that in that's our 36th series B, and we have built in multiple DWSRF loans, including new ones that were to close on before the end of this fiscal year and at least one more in fiscal 23 and depreciation is based on the last rate application.

Rochelle:

If there're no questions here I'll go on to the next slide.

Rochelle:

So this is really where it comes together, what we call our maintenance test or our regulatory reporting. And we are really pleased as Larry mentioned earlier to present a fiscal 23 budget that actually doesn't have a draw. I would say it might be a little more aggressive than some of our budgets, but still very reasonable. So we're really pleased that we're able to show that. Here you do see a comparison of our fiscal 22 budget, our fiscal 22 projection, again, really keeping in mind that our budget in fiscal 22 did not include the rate application.

Rochelle:

So again, that's a driver there because we are now seeing the impact of that in our water sales revenues. And also, as I mentioned in our fiscal 22 operating and maintenance expense, the projection is actually slightly under the budget, even with our additional pension contribution. So that's good news there. And our debt service it is a little bit under budget as well. That's primarily due to WSRS financing. We actually [inaudible 00:25:19] earlier fiscal year [inaudible 00:25:21] financing that we had. So again, this is really just the summary of how all this comes together.

Speaker 5:

What do you mean by common investment?

Rochelle:

Common investment what that is... There're initiatives that happen in support of that other revenue that's not specific to pipe save or specific to the lab. So we do put in a placeholder to cover those additional expenses. And if they're up in that revenue line because the other net there that includes our other proprietary, as well as all our [inaudible 00:26:05] water charges. In this format it's net. So that's what that is. So it's not specific to any particular offering. And what we are doing for Dollars that are for offerings for M&A, that are sort of outside the utility we'll fund that through the growth bond. So this would still be within the utility.

Speaker 5:

Okay.

Rochelle:

Any other questions here? No. Okay. If you go into the next page, Jennifer, so this is our opportunities and vulnerabilities and generally speaking opportunities and the vulnerabilities, at least the large ones are the same. And some of this you've heard when I've done updates on our financials.

Rochelle:

So one of the risk and opportunities is what O&M and non O&M mix is, especially as it relates to cable and also employee benefit. So you could be off like even a small, like 1% and it's hundreds of thousands of dollars. So we definitely watch that the vacancy factor is something also, it is an estimate. We do monitor our headcount versus the vacancy factor. So we're comfortable with what we did with fiscal 22. And we took a similar approach in fiscal 23, I think are aware that for medical claims we are self insured and sometimes we do experience higher claims than other years. So there's definitely some risk and opportunities in that. And as I mentioned earlier, may not just have to estimate the level of medical claims we also have to estimate how much is retiree versus active because retiree medical is paid out of our [inaudible 00:28:12] fund. So that's another estimate and we've seen years where it's, higher or lower, and that could also impact our performance as it relates to O&M budget.

Rochelle:

We are making a number of pricing projections for IT annual fees, for chemicals, for electric service on the distribution side, fuel is and other potential changeable cost category. And for insurance all that we know with the insurance is through actually February 2023, it will go through renewals. Again, at the end of fiscal 23 we do make estimates about that.

Rochelle:

For maintenance some repair weather comes into play. If there's adverse winter weather in particular, that could impact our maintenance and repair. If it's a really good year that could have a favorable impact. And just other potential savings and vulnerabilities over a wide range of cost categories on the revenue side weather, if its hot and dry, that could be a good thing. If it's cool and wet that could also impact our summer usage because we do see increased usage in the summer. We've also made assumptions on the billing to cash conversion. We are going to watch that closely. We don't yet have a pattern for monthly billing and the business case, we did make an assumption that there would be a small improvement as far as cash collected on our billings. For this budget we actually kept that in our usual assumption, but we are watching that every month and how, what we're going to see is a pattern.

Rochelle:

Other revenues we talked about some of the things that could lead to higher other revenues in consumption patterns. So consumption patterns, we alluded to that a little bit earlier. I think we really don't know quite yet, what sort of that back to normal consumption is going to be, we might be high or we might be low. I think in fiscal 22, our assumption was we were probably more too low because we're seeing the consumption higher than our budget. So we're doing sort of the best we can to make our assumption about what we think that ongoing consumption patterns may be. So those are really not all the opportunities and vulnerabilities but these are some of the larger ones. Any questions on that? Okay.

Rochelle:

Can you go to the summary. So fiscal 22 will be the 12th consecutive year without a RSF draw. So we're proud of that.

Rochelle:

And we're as... as I just mentioned forecasting [inaudible 00:31:25] fiscal 23 from a budget perspective, as Larry mentioned earlier, we are balancing fund contributions. We have the construction funds that can help fund the increasing capital program the more we put in the construction fund, it's going to leverage, reduce our leverage, but we are also trying to balance the growth fund and what we put into the growth fund because in the long run we use the growth fund for new initiatives and acquisitions. That's going to actually help the business and go back into the construction fund. We also do look at the balance in the general fund and whether that should increase or maybe again like we did a fiscal 21 at the end of the year, we actually moved money out of the general fund that we had put in to give flexibility during COVID.

Rochelle:

And we moved it into construction fund to help mitigate the rate increase and pension plan contribution. So these are all things that we have to think about and make recommendations on what we think is the proven disposition of our year end funds that we have.

Rochelle:

We do look at cash collections as a multifaceted approach, recruiting cost management, including expenditures, consistent with revenue projections. We want to make sure that is throughout the organization. So if revenues are higher than expected we might accelerate not just the capital, but also O&M dollars. And if revenue is lower than expected, we're going to have to cut back on our expenses. We do monitor pilot [inaudible 00:33:16] really watches all the assessments as they come in and if we don't feel they're appropriate we'll take appropriate action.

Rochelle:

As we mentioned, we're pursuing alternative finance financing, DWSRF, we're doing [inaudible 00:33:32] We do also look at income financing when that makes sense as well as refinancing. Also pursuing grant opportunities. As we mentioned in particular related to our capital projects and continuing executed against our strategic plan.

Rochelle:

Any questions?

Rochelle:

[crosstalk 00:34:05]

Speaker 5:

Great job.

Mark:

A lot of work, my gosh.

Stephen:

I'm sure if there are upon reflection, other questions, we can get them addressed at the next authority meeting. I want to thank management for a very clear comprehensive presentation as we're addressing our concerns and questions.

Stephen:

[crosstalk 00:34:30] Especially with our extended business there.

Stephen:

This would be a challenging process without COVID and the OCA pointed out there are impacts still to be felt we're always in construction. That's that's a major, so. Okay. Thank you. Appreciate it. Thanks folks. Moving on our next agenda item is upcoming meetings. We'd like to see [inaudible 00:34:58] members here tonight. Your next meeting is 11th at Four thirty. The next Consumer Affairs meeting is May 16th at five thirty. I will entertain a motion to adjourn. All in favor?

Group:

Aye.

[MEETING ADJOURNS AT 8:29 P.M.]