

**Representative Policy Board
Finance Committee
South Central Connecticut Regional Water District**

**June 13, 2022 at 5:00 p.m.
Meeting Transcription**

Tim:

We will start our meeting of Monday, June 13th, 2022, via remote access with a safety moment. The safety moment is about hearing loss, protecting your ears, staying out of bathrooms with those air blowers would be a first start. Those kill me. Those are way too loud. But anyway, that is a good bench, because we lose hearing anyway it seems, over time. So protect your ears. Okay, with that, we'll move along to the approval of minutes for May 9th, 2022 and May 10th, 2022. So I think what we'll do is, we'll bypass that and go forward to number three, which would be the Derby Tank update. Sunny, you're on.

Sunny:

Pretty much, I think we awarded the contract. The pre-construction meeting was done last Thursday. We are awaiting the schedule. If you scroll down further, Jennifer, this is more of a communication per se. We are under, I would say, we used the ENR cost index in 2018. If you go to the summary, Jennifer, want to scroll on all the way. Yeah, the last paragraph captures it. So 2018, the index was 11,170 and the May 2022 index was 13,004. So it corresponds to an increase of 16.4%. So with the, I would say, there were three escalations related to the project, including all that, it now comes down to 5.824, and using the escalation, we are at 5.937. So we are underneath, I would say, the cost index adjustment allowable.

Sunny:

So, this is more FYI. I don't know whether Rochelle wants to elaborate more on this. I think that pretty much captures the nutshell of the contract value as such, and why it is more, we don't really have to go through another entire, I would say, approval process, because we are under, I would say, the 16.4% adjustment using the indexes, but I think Rochelle might elaborate a little bit more on it.

Rochelle:

Yes. Thank you, Sunny. Just to give a little bit more contexts, we definitely read actually more than one time, the rules of practice. And so, because the original application did include a cost index, when Sunny explained, when you adjust for that, we're within the allowable amount, because we're at 5.824 versus 5.937. So after a fair amount of discussion, this is more of a communication and notification as opposed to a explicit approval. But we did want to let the finance committee know of the situation with the Derby Tank, and I think that there is a proposed communication. So the finance committee, if there's no further questions, could inform the RPB at the June meeting.

Tim:

So, what risk is there in all of this? Because obviously, it's not going to be done tomorrow. I mean, do we start and things get worse? What do we have to do if it continues to escalate? I know you feel comfortable you're within that realm. Is that a guarantee we stay in that realm?

Rochelle:

Well, as I understand it, this is the primary contractor and they committed to this amount for their component.

Tim:

So even with the change orders that could be appealed for, I mean, anything could change, I suppose. That's, that. And what again is, I know if I look at the next report, it would tell us the completion date on that, is what?

Sunny:

Tim, the completion date should be, I mean, it's normally in your contract.

Tim:

Yeah.

Sunny:

It should get over by May of 2023. And I spoke to the contractor and the subcontractor, or the vendor who is going to do it. It's a [inaudible 00:06:37] concrete tank. Once they mobilize to the site, typically the construction goes pretty fast. So initially, I would say the first two or three months might be engineering shop drawings and things of that sort, that takes place, plus some site work that takes place. Maybe there'll be a little bit of winter that could be some hibernation, but coming back to Feb, March, the subcontractor who does the tanks should mobilize to the site real quick, and they have already constructed two or three tanks for us in the past.

Sunny:

So they're pretty well aware of, I would say, regional as well as what they need to do. And I spoke to the construction manager who is going to work on this. So they're pretty, I would say, confident that they will be doing the work and most likely completing it almost 90% by May of 2023. There won't be any cost impact. There might be schedule impact in terms of doing some of the punch list items and perhaps some small items limited, I would say, work related to finishing off grading and things of that sort. So we should be pretty good in terms of cost, only the schedule we may have to do, depending on how things go.

Tim:

Okay. Thanks for that extra clarity. Anyone else with a question?

Tom:

Yes. If I could, I apologize for joining the meeting late. I assume we're talking about the Derby tank?

Tim:

Correct, Tom.

Tom:

All right. I'm not surprised that there'd be significant escalation and cost, just due to the delay in the litigation. So I think that's to be expected.

Tim:

True.

Charles:

Is that it, Tom?

Tom:

That's it.

Charles:

My question is, we hear so much about supply chain issues, even down to, concrete and steel and that type of thing. Do we feel confident and under control on that angle?

Sunny:

For the Derby tank, I think we are comfortable, but we are still going to see increases as we keep for other projects that are coming up in the pipeline. I'm sure there's going to be increases related to concrete, anything related to duct line steel. I mean, pretty much across the spectrum prices have been going up, and even industry outlook suggest that we are going to see escalated prices, but for the Derby Tank, we should be good.

Charles:

I wasn't talking about the price of materials, because it seems like you spent quite a bit of time getting that nailed down. I'm more concerned about delivery schedules.

Sunny:

Right, both. I think you're absolutely right. Both, I would say, in terms of, I would say, schedule as well. We are actually looking at, and that's one of the reasons why I had a call even on pre-construction meeting itself, even though technically, the vendor, we don't normally interact with the vendor, because he comes under the general contractor. But in this case I basically call them to make sure that they are in, I would say, on schedule to make sure that they meet the deadlines, as well as even other projects. What we are looking at is, we are actually going into the weeds and getting detailed analyses of the competes that are in there, to ensure that we are not really hit with delivery schedules, which has been impacting us. I mean, it's not like it hasn't impacted us.

Sunny:

It certainly does impact us. Things where we could control like pipes, valves, fittings, we have ordered for the entire fiscal year '23. We have pretty much most of those in stock, and anything else we would be ordering pretty soon. So for fiscal year '23, in terms of those what we can order, but certain engineered products like control channels and things that are more instrumentation oriented, which are

engineered products, they are not off the shelf items. So those, we will actually see impacts, depending on the chip shortages, just delays and deliveries. All those things are happening and we are not going to be able to say unique, it's industry wide. We are certainly planning for it. You can plan so much, but I'm sure, come the end of fiscal year '23, we will certainly see those impacts affecting us on a few projects, for sure.

Rochelle:

And Charles, just to add to that, we've had a fair amount of conversations. So we are, although there probably will still be some surprises, we're going to be managing it through our normal capital planning process, our amendment process. I think the finance committee's aware, we did move significant dollars into, quote, the reserve account. So we will be watching it closely and managing through it, because at least my personal opinion is, it's not going to go away in fiscal '23. So we're going to still be dealing with the challenges that we dealt with, maybe even more so in fiscal '23.

Charles:

Yeah, I think you hit on it exactly where I was trying to get to, with the engineered side of it. I'm more concerned about schedule, because some other projects that I've been involved in, we were told it was a year out. We even had to go to reconditioned equipment and that type of thing. And I'm sure that in building a new tank, there's some very unique control panels and things like that. And I guess there's really no way to pre-order those, but that would probably be my biggest concern from what I'm experiencing. Another board at this point is, the chips or whatever it takes to build some of these control panels, and that type of thing, they just don't exist, and we've had more than one that we've been told it's over a year out just for discussion. But you're ready.

Sunny:

So be right. Yeah.

Charles:

Okay. I'm sorry. I didn't mean to drag it out.

Tim:

Thanks for that Charles and Tom. Anyone else? Okay. So then that'll bring us along to the quarterly report on the approved projects. Rochelle.

Rochelle:

Sure. Thank you. Actually, the Derby Tank based on what was just shared, there are some changes to this.

Tim:

There sure are.

Rochelle:

May of 2023, and the estimate would be \$5 824 000, given the latest update. And just a reminder here, we are planning on using, or at least partially using DWSRF funding for this project. For the RTU project,

just the latest update on this, basically the project is now done other than the small amount of retainage. And again, we are planning on using drinking water state revolving fund money for this project, which will be a combination from a loan and a grant. Don't have the details on how that's going to split out yet. For the West River Water Treatment Plant improvements, this is recently approved by the RPB project. And I do want to mention, I'm not sure if we spoke about this previously, through working with DWSRF, working through bond council, our bond council, their bond council, the state has actually agreed to change the loan agreement in such a way that we can now participate in interim financing with them, as opposed to going to, let's say, a bank like we've done in the past, and then it'll use that as interim financing for us.

Rochelle:

So the Authority Board recently approved our resolution to actually do intern financing with DWSRF in the West River Treatment Plant improvements is going to be the first project that we're going to do that with. So during the interim financing period, before the project goes into in-service, we don't actually have to pay any debt service on it, but we do need to be able to cover it within our maintenance task. So we're going to be working through that for this particular project, and going forward with other projects that's going to definitely be a big benefit that we can use DWSRF for interim financing. So I just wanted to mention that.

Rochelle:

On the Lake Gaillard Water Treatment Plant Clarifiers, the recycled pump station and the concrete restoration, that was actually combined as was recently approved by the RPB with the Lake Gaillard Water Treatment Plant HVAC, this project are getting underway. The RPB relatively recently approved our clarifier requests to use DWSRF monies for that. And the HVAC, at least for the next several months, we're actually using green bonds to fund that project. So I just wanted to mention these points from a financial and financing perspective. Are there any questions on the write-ups?

Tim:

I had one question, not so much on the write-up, but what are we experiencing with the bonding costs? I mean, I know we're using the special funds, but are we seeing actual changes there?

Rochelle:

The next time we're going to go in for RWA bonds, is actually going to be probably end up being priced in December of 2023. So the good news is, for the RWA bonds that we're going to be using, in this period that we're impost our July rate case, we've locked in pretty low rates. Also, it ended up being advantageous on our delayed delivery. So we did some of the financing and early May, but that was priced actually in December. So had we waited, we would've lost, we had a calculation done, we would've lost about half of the savings. So that was good news. But looking to the next rate application, I do expect that the rates are going to be higher than what we're seeing now.

Tim:

Right. Okay. Well, good to hear you were able to do that lock in. Okay. Is that your report?

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Rochelle:

Yes.

Tim:

Okay. Any questions? Okay. Seeing none, hearing none. I know there is no business, but we do have a quorum now. So I think what I'll do is, I'll go back to two, which was the approval of the minutes for May 9, 2022 and May 18, 2022. We have a motion?

Charles:

I'll move them.

Tom:

So move.

Tim:

We have a move. We have a second. Discussion? Okay. All those in favor, aye.

Group:

Aye.

Tim:

Okay. Motion carries unanimously. Okay, just as a reminder, our next meeting is a little earlier than you may have scheduled. In the beginning of the year, we are meeting on July 12th, as opposed to, I believe what may have been another date. I think it was changed, so that is on five o'clock, just as a reminder. And if there's nothing else, guess I'll call for a motion to adjourn.

Charles:

Moved.

Tom:

So moved.

Tim:

Thank you. We have a motion. We have a second. All those in favor.

Group:

Aye.

Tim:

Thank you everybody. Good night.