

REPRESENTATIVE POLICY BOARD

FINANCE COMMITTEE

DECEMBER 11, 2023

MEETING TRANSCRIPTION

Tim:

We'll call together the RPB Finance Committee. We're doing this via remote, Teams, and today's date is December 11th, 2023, and we're a little past 5:00. We'll start off with our safety moment, tapping into safety tips for the holidays. We should all take care of that, and we'll be doing that, I'm sure. And don't forget to water your Christmas trees.

And with that, we had the approval of the minutes of November 13th, 2023. They've been distributed.

Tom:

I move-

Tim:

Okay. We had a motion. Was that from Tom?

Tom:

Yes.

Tim:

Okay, Tom, thank you. And a second from Jay. Was that it?

Jay:

That's right.

Tim:

Okay. Any discussion on the minutes? Everyone happy with the minutes? Generally there's a lot of happiness with the minutes. So, with that, I'll call for a vote. All those in favor?

Group:

Aye.

Tim:

Motion carries unanimously of those present. Now we're here to review proposed revisions and discussion points, including necessary procedural updates to our RWA's enabling legislation. And by way of background, we have a lot of staff in the background assembled in the meeting room at headquarters there. And we have guests tonight. Kevin Curseaden is here. Bob is here, and Mark is here. And the four of us, including myself, attended a meeting last week, I believe it is, regarding these proposed changes.

We had a very, very good conversation, but we felt it was quite important to share that with the upcoming subcommittee meetings because there is a reason to be moving this along quickly because of

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the short session they face in the legislature. So, with that, I'm not going to waste any more on me talking, just to have, I'll turn it over to whoever wants to take the lead.

Kevin, would you like to? Or Mark, we did select Mark as our chair. Would you like to take over, Mark? Or how do we want to do this as a presentation?

Mark:

I spoke to Kevin, and I think he's the one to lead the parade.

Tim:

Okay, terrific. thank you for that. Kevin?

Kevin:

Sure. Thank you, Mr. Slocum and Mr. Levine. Kevin Curseaden from the Five Member Authority. We did have a good meeting last week. Mark Levine asked me to at least introduce these proposed changes.

So just by way of background, I was asked by Dave Borowy to act as a liaison to join the Joint Committee on the Enabling Legislation proposed amendments, with the understanding that some of these amendments are critical and really need to be acted on within the next legislative session, and that some of them are for discussion and at your pleasure, whether you would agree to move them forward or not. Just to be clear, we want to move forward as a team with the RPB or large percentage or majority of the RPB and the Five Member Authority and management going in as a cohesive team to the legislature and asking for these changes.

I don't know that we can get to a unanimous vote on all of these, but perhaps we can. There has been some discussion internally with management and the Five Member Authority before they were proposed to the RPB. Some of them are really just either typographical or kind of cleaning up some of the language or definitions, and some of them are a little bit more substantive.

So, I know we did have a great discussion last week and then I had another discussion with Larry and Mario Ricozzi and some of them, Rochelle and Sunny, about further revisions. There's a couple of additional changes from the meeting. I don't know that there are anything that's going to raise any eyebrows from the last time we had the meeting, but there's things that came up that should at least be discussed.

So, I'm bringing this for discussion. I'm not advocating one way or the other. There's some strong reasons, and Larry and his team can weigh in, for some of these. I think that a few of them are very important that we get done. Other ones, like I said, I'm not pushing these forward or trying to sell these to you, but they're being brought in good faith as governance issues or revisions that would be good or best for the governance of the Authority for all of the boards and management.

I took too much time on the introduction. I didn't plan on doing that, but I just wanted to give you the background or setting for it. So, this summary of enabling legislation amendments, number one, and I know you've all had the documents. I don't know if you've had time to read them. So, I'll just go through them, summarize them, and then we can discuss, hopefully answer any questions with the help of management and maybe some other members on the Authority if they're present.

But allowing the RWA to conduct its non-core business outside of Connecticut. It's the legal opinion of Murtha that we have the ability to do that now. However, this is really a clarification just to confirm that and to put it in writing. It's better to have it in the legislation itself that specifically says that. And it

would remove all doubt from anybody challenging that in the future. As you know, people, somebody can bring an action or a claim for anything they want to, but if it is specifically allowed in the legislation, it's a claim that wouldn't be successful.

So, that's what that is. I don't think we included the attachment from Murtha with these communications. I guess that could be available separately if you wanted to peruse it if you hadn't had a chance to. So, that's what that does. So, that's something that we're looking to do. And so, it's not an effort to [inaudible 00:11:14]. We didn't want to be prohibited and we wanted it clear that we had the right to do that to make sure that, clear to the public. To us, it's already clear, just to put that out there. So, section four, page five, I looked at that one. This is number two tonight. I don't know that there's any actual proposed revision to that one, but it's setting the Authority shall meet at least quarterly with the RPB. As you know, we well exceed that now.

The section four, page six, obviously correction of a typo. That's kind of one of the low hanging fruits.

Now, number four, increasing the Authority Board to seven members and providing potential exclusions to appointment. We'll have to discuss those or you can think about those when we get down to it. No less than five members shall be residents of the district.

Really what this is saying is that, number one, if we increase the Five Member Authority to a seven-member Authority, at any given time only two of those members would be allowed to be outside the district. Some people have strong feelings one way or the other, whether somebody should be outside of the district, whether they have any interest. If they're living outside of the water district or outside of the state, what would be their interest or would they really be a stakeholder? And Larry can answer questions in more detail about why that would be necessary. And I don't know if we want to do that at this time. If somebody has any questions, that they want to interrupt.

One of the reasons given was that to it broadens the ability to obtain applicants with certain skill sets that we might need that have an inclination to apply. I'm sure we probably have all of the skill sets we need within this water district, but not all folks or individuals with those skill sets are interested in applying to the Authority at the time that different openings come up, which is only annually, potentially.

So, that's one of the reasons. We can probably have a further discussion. And I don't know, Mark Levine or Larry, if you think it's wise to have a fuller discussion on each point, or whether you want me to just run down the points and then have a discussion afterwards. But somebody can-

Larry:

Why don't you run down through all of them and then let us circle back and expand on those where there's more questions?

Kevin:

Okay. Thanks, Larry. Mark?

Mark:

I kind of agree. That sounds good to me.

Kevin:

Okay. All right. Thanks Mark. Thanks Larry. So, that's one that's really changing. Obviously, from a Five Member Authority, it could be considered a significant difference. I will just put out there briefly from my experience with the commercial business committee and the different businesses and activities that the water company has decided to take on a new strategic direction, I feel that expanding the existing skill sets or having the ability to have people with additional skillsets beyond the historical legal, engineering, finance, that would be helpful as we continue to work towards expanding the commercial business activities. That's just my thought process on that.

So, there was discussion allowing, this is number five, allowing the Authority to meet at least quarterly and also setting that four members of the Authority are quorum. I don't know that the wording of this, I mean, I understand the wording is what it is, but I think the wording is a little bit misleading with what the actual intention is. This is really not for the Authority to meet quarterly because I don't think ever the Authority would ever be able to get business done. In the rare circumstance where there is a month or a three to four-week period where there's no business to be, I'm thinking August or December or something that historically might be light on business, where the Authority would not have to meet that month unless, they could always have a special meeting, but it wouldn't be a regular meeting.

That's really more the intention. Right now, the RPB is only required to meet quarterly. So, the intention is not for the Authority to now start meeting quarterly. It's for the Authority to have the flexibility to not create meetings or work in months where we don't necessarily have it. Honestly, I don't even know if that would ever be taken advantage of on an annual basis. It would probably be less than that. Maybe one less meeting every 18 months or something is what I'm guessing from my experience.

Number six. This one is an important one, and this one you'll hear, maybe Larry will elaborate on it. This one needs to get done. The reason it needs to get done is because right now the interest rate can be applied to pass due bills, I think after the 30th or 31st day. I believe it's after the 30th day. The issue we're going to have is that our software system will not... I don't want to miscommunicate exactly what the issue is, but it's an issue with the software system that calculates it after the 28th day.

And my understanding is we would have to get a customization of the software system for this particular issue. And a lot of folks are still, probably have memories of when we changed the software system, and we had to customize it. I don't know if it was 10 years ago, 15 years ago, and how expensive and how painful that is. So, this one is really something that needs to get done so that the statutory ability to charge interest aligns with our software system, and it's really just a 48-hour difference. So, hopefully that's something that we can get a consensus on. I think that's something we would have to go to the legislature regardless of whether we had full support of the two boards. But I don't foresee this really as an issue.

Number seven. Under section 18, it's I think combining... It's really just kind of cleaning up the language a little bit, adding a period after the word records, and combining some sections so that they align and don't contradict.

Number eight, section 19. Let's see. Raising the question. So, we're raising the question, and I'm just trying to see this. I don't know if, Jennifer, you can bring that up a little bit further on this? Move it up a little bit? Thanks. Thank you. Raising the question if the \$2 million threshold for RPB approval of capital project should be increased according to inflation as well as the non-core \$1 million threshold.

I'm sure Larry would like an opportunity to speak on this a little bit more fully. That's become very apparent in the past few years with inflation and the cost of construction materials and of projects. And then it continues on in green. Also comports section 19 to section 18 to exclude vacancies when calculating the total weighted votes of the RPB. That was an issue or a question that came up at one of

your meetings a few months ago, whether that vacancy is included in the weighted votes, and this is an effort to clarify or amend that so that there's not a question in the future, or to correct whatever the perceived deficiency was with that as far as the board's concerned.

Number nine, raising the question if the word improvements should be defined to eliminate questions about the applicability of certain provisions. I'm not sure what more to say on that at this point.

Number 10, it's a spelling correction.

Number 11. If the threshold for RPB approval of a project should be increased, I believe, along the same logic of inflation and increased construction costs and materials.

Number 12 is just a simple correction of the meaning of the word.

And then we had some new proposed amendments that came out since our last meeting, newly proposed. Add sustainable manufacturing support to the allowed non-core business activity. And then it goes on to give us additional information here about what that means. I'm not going to read it for you, but it's, right now, the Authority has the ability to pursue certain types of businesses in the enabling legislation.

And this is, I guess probably either clarifying or removing any doubt if not making it specific enough so it's clear which types of businesses the Authority can pursue. And this is something that Larry and his team have decided is important since we're opening up the enabling legislation at this time. And it goes on to discuss a little bit further, the optimized... Let's see here. An optimized manufacturing process. Like I said, you can read that, and hopefully we can hear more from Larry about the background on that.

14, not exceeding 40 years from their respective dates. I'm assuming that has to do with the issuance of the bonds and the financing.

15, remove any bonds issued by it at a price of not more than the principal amount thereof and accrued interest.

16, this was one of the ones that came up at our last joint committee meeting. RPB compensation, when we're talking about inflation, I think it was Mr. Levine who raised the point, several years ago when I was still on the RPB, I don't know if it was under my chairmanship, where we had changed the enabling legislation to allow for a factor or an increased indicator tied to inflation. I think that was suspended during a period of time for covid.

And I don't think it necessarily accomplished what the intention was, which was to bring RPB compensation in line with inflation [inaudible 00:23:53] and in line with the work that's involved and the costs of living and everything else that go along with it, or what the other municipal stipends might be, or municipal, similar to municipal stipends might be.

And I believe it was Mr. Donofrio who ran a quick inflation calculator from the inception year of the RPB. And we came up with, I think, really, which we did not do when we changed the enabling legislation last time. We did it as a going forward, not as a retroactive. But I think it's a fair point that it hasn't really been significantly increased, and potentially to bring it up to a new starting point or to just basically reset it, with the inflation factor from the creation of the RPB brings it, I think, to 245 or 255 per meeting as opposed to the, I'm not sure if it's 125 now. So, I thought that that was an important point as well. Let's see. And there's talk about change to every third versus fifth year to going forward for the inflation.

Number 17 is actually mine. I had forgot about this one when I had said that I wasn't really advocating for any, I had advocated this to Tony DiSalvo. Since I'm talking now, I'll just explain my reasons real quickly for it. Authority Board term limits, and I think four terms is 20 years. I think that's probably [inaudible 00:25:47] terms, and maybe the RPB doesn't feel that this is necessary.

My reasoning for it is that the response I had had from Tony DiSalvo and maybe some other folks I had talked to was, "Well, there are term limits. When you come up on your five years, the RPB can decide whether they want to continue to reappoint you or not." And so, that's a term limit.

My issue with that is when you spend five to seven or 10 years working with somebody through different things on a regular basis, either relationships, maybe not necessarily friendships, but relationships evolve, and it becomes, I think politically and... Not politically in the R versus D term format, but politically to say, "Hey Kevin, we don't want you anymore."

I think it's difficult and challenging to do that. I think to remove that from the process would be good because it would give new skill sets, new energy, new thought processes organically. It would just happen automatically. And maybe it's something where somebody has to get off for a year or two, and then they can come back on if they're really a rock star, or maybe there's a super-majority vote that they stay on for an additional term or something.

But I think it's important to realize that there's other people that have other skill sets that are important, and that it also aligns, your thought process could become stale with respect to the Authority and the water company over a number of years.

This one I did propose. If it doesn't happen, it doesn't happen. I'm not going to be upset about it. But I do think it's important. And I think when I was nominated or selected this time around for my most recent appointment, I did bring up that I was going to look to do this term limits, and I wanted to make sure that I followed through on that.

Number 18, consider including a CPI factor for a 30 board member compensation. Oh, that's what we put in place for the RPB a few years ago that I talked about earlier, consumer price index or an inflationary factor. So, that's something to consider as well.

And then I think this, regarding number four above, exclusions to appointments. There was some suggestions that the Authority limit who can apply, or that the RPB or the enabling legislation limit who can apply to be an Authority member. And after a lot of, it was a very good conversation with Larry and Rochelle and Sunny and myself and Mr. Ricozzi. And we thought that that would really... I didn't want to usurp any power from the RPB about who they want to appoint. And I trust that the RPB will make good appointments in the future. I didn't want to try to legislate out, for [inaudible 00:28:59] reasons, somebody that would have a great potential or be a good fit for the Authority, whether it's a Five Member Authority or a seven-member Authority in the future.

Mario, I think actually brought up this suggestion was, well, why don't we make it [inaudible 00:29:15] of the RPB Rules and Regulations, and maybe it's just a set of criteria, but it's not a mandatory [inaudible 00:29:25], but were a Authority employee in the past three years that you're completely prohibited from applying as an Authority member. And there's valid concerns on both sides of that, but I trust that the RPB would be able to make the right decision on that. That's just my thought process.

So, probably went on longer than we thought it was going to for this, since a lot of us have already been through this [inaudible 00:29:58] discussion. But I open it up to your question, or if Larry or Mark Levine or [inaudible 00:30:12].

Tim:

Shall we turn it over to Larry then?

Kevin:

Larry, would you like to elaborate on any? Or are there any questions or comments or concerns that we can try and answer first from the committee?

Larry:

I'd be glad to do that. And I'll just touch on the ones where there was maybe a little more question on it. But I will touch base on the first one about allowing RWA to conduct his business outside of Connecticut. We do have opinion from Murtha Cullina that we are enabled to do that now, but as Kevin said, we wanted to make sure that nobody ever challenged that in the form of a lawsuit going forward.

The other area where I think there was questions on page one was raising the question of the word improvements, should be defined to eliminate questions. Rochelle and I have looked at that and we've decided that that is an amendment that we don't need to make, so we're going to scrub that [inaudible 00:31:16] and move it forward. But we wanted to add affiliated business entities as a reference to the water system only, and that, we've had some legal skirmishes around that term before. So, we're just going to clarify that word rather than remove it.

And then the other area was number 13, section two. We're adding sustainable manufacturing support as a fifth bucket for our commercial business activities. And we thought that this made sense because it does have an environmental feel to it in that it does help to, by testing products used in the manufacturing process, it can help minimize negative environmental impacts, and it can help minimize processed waste generation, energy usage, and minimizing scrap products.

And given that manufacturing has become a major focal point of the Connecticut government and economic development efforts, we thought it would be appropriate to support that as well as helping Connecticut manufacturers being able to produce the highest quality products available through testing that we would be able to do. We do have a laboratory that we are talking to that does participate in this particular area, but whether that moves forward or not, we think this amendment makes sense.

And let's see. The other area that I just wanted to touch on was... Let's see, number 14, which is not exceeding 40 years from their respective dates. Right now, we are not allowed to refinance a bond for more than 40 years, and there may be, or issue bonds for more than 40 years in that we thought it was appropriate to lift that prohibition because there could be times when we want to issue bonds to finance a long-lived asset. Take a dam for instance. They last for 100 years or more. We may want to issue a longer term bond than just 40 years.

Also, too, there has become a trend within the water utility industry of issuing what's called century bonds. So, as the name would imply, they're bonds for 100 years on very long live assets. So, we wanted to have some flexibility there in case that ever needed to happen.

And then item number 15 is to remove any bonds where it says, we want to remove the wording, any bonds issued by it at a price if not more than the principal amount thereof an accrued interest. If we want to refinance a note, we might want to recall debt and pay more than what the principal and interest is on that. So, we'd be willing to pay a premium in order to reduce debt at some point in time. Obviously, that would be a strategic move on the part of the Authority and management.

So, those were the ones that I think there were some questions on. Be glad to answer any other questions between Sunny, Rochelle and I, or we can open it up for further discussion.

David:

If I may make a comment. I wanted to talk just for a minute about the reason for this and the timing and all, and we haven't gone out since I believe 2015 for a change to the legislature, and this isn't something we're able to go out on a regular basis. It's something they don't want to see as a tinkering with this, something so important, and they don't want to have it take their time and energy.

So, what we're looking at is saying, all right, we're probably not going to go out and do this again for a long time. So, let's come up with things that we will have our one shot at the apple, if you will. Now procedurally the last time we did it, we had a joint committee. We worked together because we know that with the context of 21 members of the RPB have throughout our whole district and quite frankly throughout the legislature, makes it important that both bodies agree on this before we move forward with it.

So, that's important that we do this in a unified fashion. There are items on here that certainly you'll want to have discussion on, but it appears the vast majority of them are really typos and some clarifications and not of substance. But the ones that are of substance are related to the number of members on the Authority. If there's going to be term limits on that, compensation limits to come in automatically, potentially, the way the RPB does. As Kevin said, the number of meetings could be quarterly.

That's only to make the language consistent with the RPB language. The language says they shall meet quarterly. Of course the RPB meets monthly, and we meet monthly, but like Kevin said, there may be a case where we could do a November-December combined meeting or a July-August combined meeting if all of our business could be done that way because people may not be available. So, we're asking for that flexibility so it's the same as the flexibility the RPB has.

We still will probably, like Kevin said, probably still be meeting on at least a monthly basis. We've already had two special meetings this month, or within the last two weeks already, on some quick, short matters, but that had to be done. So, we certainly do meet more than the 12 times a year. And basically we just want to make sure that we're all going to be able to be agreement on whatever it is that we present. But the timing is important because it needs to be presented to the legislature because in the short session, has to be raised by a committee, and therefore it's got to be to them by January so that they can work on this. So, we've got about four weeks, one RPB meeting or maybe a special RPB meeting in January if you guys aren't ready to consider this at your December meeting.

And that's the timing that Kevin and Bob Harvey and I talked with Larry about as well, to try to get this to go before the legislature on their timetable, which is to get this done soon. So, I apologize if it seems like it's rushed. These are items that many of them that we've been thinking about since the last change, but we have to do the change for the 28 days versus 30 days, or actually 29-plus days, for the interest because the program comes standard for 28 days. And the law, as Kevin says, says 30 days or 29-plus. So, we really have to get that approved, and I'd hate to go to legislature with just that one little item if these other items are worthy of consideration as well.

So, just my overview for you.

Larry:

If I may, I just wanted to add, I would like to add one more correction on item number six concerning the interest rate. We are also adding some language in there that the RPB can approve the change going forward, the timing of interest rate assessments, so we won't need to go back to the legislature in the future. So, we're asking them, and we've done that before, for instance, on the interest rate that can be

charged. We changed that to allow the RPP to determine what the interest rate is on past water bills, not to exceed the interest rate charge for past due taxes.

So, we are suggesting that the RPB have the authority to determine the timing for interest rate assessment if that should change in the future.

Tim:

I just had a silly little question on this 28th day. Obviously it's something our software dictates, but is there other software in government utilities that's so predicated on a 28th day? Is that just to accommodate February? I mean, what's that all about?

David:

Well, the CIS system drives this, and the CIS system that was chosen has certain parameters that are set in there as standard, and in order to keep the standardization, rather than the 2010 debacle we had-

Tim:

Well, that was explained, and I can accept that. I guess I was just asking a question that perhaps no one in the room could answer just how it came to be 28 days. Just curious.

Rochelle:

Go ahead.

Tim:

It's four weeks of seven days. I mean, maybe that's what it's all about. I just don't know. But thank you.

Rochelle:

Tim, that has to do with billing cycle, but we did do some investigation and across utilities there is a small range, so 28 days is well within the normal range, that being said-

Tim:

Gotcha. Thanks.

Larry:

And this also works out to the benefit of customers because currently if your bills are past due 30 days, you pay interest on the entire past due bill. The way this program is written, you only pay interest the amount that is past due after 28 days. So, the customer is actually benefiting from this change.

Tim:

Got you. They pick up one or two days.

Rochelle:

But it's a daily rate. It's also part of their system, so they only get paid on the 31st day. It's a couple of days of interest instead of paying on the entire amount.

Tim:

Got you.

Kevin:

I think Bob Harvey, Bob, did you have something to say?

Bob:

I didn't know if we wanted, I see that there's different colored font on here, the green versus the blue or black.

Larry:

Yes. Bob, [inaudible 00:41:50].

Bob:

I didn't know if you wanted share that.

Larry:

Sure. There is a reason for the color coding. The green type is those changes that we thought were de minimus or routine, like changing spelling of a word or adding a period or something like that. The one that is in bold, item number six, that's in bold and green because it's something we feel like we have to do because of the impact to the project. If we customize that, the software, and then those items that are in black, we felt were items that should probably be discussed and agreed upon by the enabling committee and the RPB along with the Authority.

Bob:

Thank you for sharing that.

Mark:

Excuse me, can I speak?

Tim:

Go ahead, Mark.

Mark:

Just to clarify this, you have no numbers in here, in these listings or these bullets. So, to tell everybody what these numbers are that you want to increase to and for purchasing non-core businesses, what are those limits you want? So, we have the numbers?

Larry:

That would be adjusted for inflation at the time that we make the adjustment. So...

Rochelle:

Mark, I don't know. I think Jennifer sent out, although it wasn't until earlier today, proposed verbiage. So, we did put in some proposed verbiage about how the factors would work.

Mark:

Yes, but is it \$4 million now to approve projects? Or is it \$2 million? I mean, I'd like to hear a number.

David:

Well, currently it is \$1 million. If we want to do an acquisition and it is \$2 million for projects that we want to do, and it's our decision collectively, the RPB and the Authority, what we want to use for a number. Management has said, "Okay, if you use inflation, the \$2 million, the same purchasing power since the last time it was adjusted, is about \$3.5 Million. So, do you want to consider \$3.5 million? Do you want to do a little bit less than that? Make it \$3 million? Do you want to round it up and make it \$4 million?"

Mark:

That's what I'm trying to say. Are we going to get a number? Or what do you want to do?

David:

Well, tentatively, [inaudible 00:44:27].

Mark:

I think you need a number. To vote on it or to consider it, we would need a number. And a number, inflation would start after that number would be picked, and it would go [inaudible 00:44:41] inflation.

David:

Right, Exactly.

Mark:

I understand. Right now we need a number where you want to start. Do you want to start at \$2 million and then start inflation?

David:

No, because it was \$2 million and if you add inflation to that and round it up, it is \$4 million.

Mark:

I just want to hear a number that the-

David:

\$4 million-

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Mark:

\$4 million? Okay. And \$2 million, right?

Larry:

Yes.

Mark:

\$4 million and \$2 million. Okay. I think the members should know where we want to start. So, it's formally and \$2 million.

David:

If everybody agrees, that's what we would go to the legislature with.

Mark:

I mean, those are the numbers I've been hearing.

David:

Yes.

Mark:

So, I think the members of this committee should know what the numbers are. That's all I'm saying.

Tim:

Yes, I agree, Mark. I agree with that.

David:

Yes, you're right. May I ask? Mr. Chairman, can I be so bold as to ask what do members think of that? Because that is one of the important ones, discussion, is \$2 million for acquisitions and \$4 million for threshold for capital improvement projects, is that realistic? Is that something that you folks would agree with?

Mark:

That's exactly what I was trying to get at. What do people think? Do they agree on that? Does somebody want to propose a lower one? Higher one? So, are we in agreement with this? To me, I think those are, I'd like to hear from Jeff, but I'm not on your committee.

Jay:

That's okay.

Mark:

I'm just butting in.

Tim:

Well, I think even for right now, if we give people some time to think about it because we'll be having another discussion, but if people want to chime in now, that would be great also.

Jay:

In this climate and age, \$1 million or \$2 million is not much money, and I am looking at it to have a larger number than the \$2 million. If it's available, that's fine, but it's not available, we have a problem. And \$1 and \$2 million is just not that much money in this day and age in the world of buying and selling and acquiring. Especially with acquisitions.

Tim:

I agree with Jay on that. I think the \$2 million is very reasonable on the business one. And the \$4 million, we'd be quibbling over what, \$3.75 versus \$4, and we're probably better topping it now and revisiting it a long time from now because you're going to build the inflation into it as well. Is that not correct?

So, if we were to project, we'd go to say \$4 million on the other aspect of this. What's that turn out to be in 10 years? Who's got their calculator? That no longer has to be shared with the [inaudible 00:47:58]? Well, it's not that it's not shared. It doesn't require our approval. That's the bottom line. We're all in on the budget process, so to speak. It's just what is requiring our approval as a line item per se.

Mark:

I think Jeff Donofrio figured it out before, so he must be our inflation-ator.

Jeff:

Yes, I mean I use the inflation calculator on the Bureau of Labor Statistics website. If you're asking me for my input, like I said at the Executive Committee meeting, I have no issue with \$4 million as the threshold for RPB approval of capital projects. Given the current market and given the transparency that takes place during the budget process and the rate case process, we don't really have surprises in terms of capital projects for the most part.

And really, there's not a hell of a lot you can do capital-wise for \$2 million. My hesitation on going from \$1 million to \$2 million on the non-core business acquisition is less to do with the amount of money and more to do with the nature of the transaction. You could spend a million dollars or \$2 million on a business and end up with a \$30 million problem, okay? Because you take risk when you take a business.

And that's why I really hesitate. Like I said, I've asked in my last couple of memos to the RPB, given the OCA's testimony with regard to the last two asset purchases, I've suggested that we have an executive session to talk about the larger picture, the strategy, the management, the synergies, all of the interrelationships between the core business and the non-core business. And suggested at the Executive Committee meeting that that probably would get me more comfortable with being okay with \$2 million, but I don't want to be an impediment.

But at the same time, I look at a threshold for a business acquisition to be different than a threshold for a capital project because potentially you're adding people, you're adding customers. You're potentially adding risk and liability. And I would prefer to continue to have the opportunity to look at these things. And if it's a million and a half to \$2 million, I'm not going to get all worked up about it. But once we get beyond that, it becomes a concern for me.

Tim:

Jeff, if I may go back to your point, are you talking really more about a process situation versus the price you pay? Because one would think if we're discussing a business, an acquisition, I would assume there's an in-depth process that you've requested that go to Executive Committee, I suppose. So, we can have the executive discussion, presumably with RPB that's shared with the Authority before the acquisition is made? Is this sort of what you're working on? Because that's sort of a procedural change, is it not? As opposed to what they would pay?

Jeff:

No, because you've got the application process that is triggered by the dollar threshold. So, if the dollar threshold isn't met, then there's no application. We're also still very new to this, right? I mean, every acquisition's taken place, what? The last 24 months?

Tim:

Yes.

Jeff:

So, again, I don't want to be an impediment because I think whether it's a million or \$2 million, maybe a million and a half is a fair compromise because you're not really doing, I don't think, acquisitions below that level anyway. So, maybe a million and a half with an inflationary factor from that would be a reasonable approach. But again, like I said, a lot of the questions I have I don't think are appropriate for public session. So, if you did want to go to a million and a half with an inflationary factor, I'd certainly be okay with that.

Mark:

If you don't mind me talking, I don't know. Tell me to shut up if you want, but I think that we have to come up with some kind of number. You can't just say inflationary to what we have now. So, I mean, if we're going to have an inflationary factor, I like the million. Personally, I like the million and a half, and I also like \$3.5 or \$3 million and the other with the inflationary factor, because you've got the inflationary factor, so it's going to go over this \$4 million relatively, probably soon or whatever. But that's my opinion. I think that both of them should be in the \$3, \$3.5 to \$1.5. That's my opinion.

Larry:

I just want to add another reason for looking at increasing the non-core business. We have been making acquisitions greater than a million dollars, so that's been the case. The other thing is that given our approval process, business owners get very nervous to have their business held in suspension for the roughly four to five to six months that it takes us to go through the entire approval process. And many times, sometimes we've had business owners walk away from a deal with us because they didn't want to have their business kind of tied up for that period of time, despite our assurances that there would be no leakage of information. The market wouldn't know that their business is being sold.

So, we're trying to adjust this amount so that we can buy businesses between that million and a million and a half, which is where we've been concentrating, and move it along, still have oversight of course, of the Authority, but also be able to move it along quicker for some of those that are the smaller businesses.

Mark:

I think that just represents business. If you're trying to buy a business, and they know that you don't have to go off for finance or anything like that, and you can show that you had this approval before, I just don't take that as a factor. What I take as a factor is that a million and a half and \$3.5 million, I would be comfortable with, and I am just giving you my opinion.

David:

That's good. Good to hear, and this is exactly what we wanted to hear with the committees and then bring it back to the full RPB for you folks to have a discussion.

Mark:

Yes, I don't think we can discuss it without having numbers, and that's what I'm trying to get at.

Tim:

So, Mark, are you suggesting they just fill in the numbers from here on so that when this goes forward to, I think, who's going to hear this next? Consumer Affairs?

Mark:

Land Use hears it.

Bob:

Land use will [inaudible 00:55:45]

Tim:

Land Use. Okay. And then it goes to RPB.

Mark:

I don't think we should necessarily do that. I just think that it should come out of us that they're asking for \$4 million, and we're going to say, "Listen, we're going to have \$3.5 million with an inflationary thing and \$1.5 million with an inflation."

Tim:

Okay, so really the assigned committee to the task is what you're saying?

Mark:

Yes. RPB meeting.

Tim:

Exactly. Okay.

Mark:

After we've had this discussion.

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Tim:

Gotcha.

Mark:

Okay. Now, since nobody's talked about, can I talk about the compensation switch over here? About the... I didn't bring this up. Charles Havrda brought it up about the compensation, and Jeff did his inflationary magic and came up with those numbers. And as a member of this committee for this many years, I do think it's a time that we do that and increase the stipend for the RPB members. Thank you.

Tim:

Yes. Okay. So, this is perhaps a segue into the other part of the business meeting, if that makes sense to everybody. I'm just putting it out there. Is everyone satisfied with presentation so far? Well-

Larry:

Yes, that's fine.

Tim:

Okay. Well, thank you, Kevin. Thank you, Bob. Thank you, David. Thank you, staff. Jeff, of course.

Jeff:

Thank you.

Tim:

Should always thank you. That's part of the drill. And so, if anyone would like to hang around for the rest of the meeting, that's terrific. I know Finance is going to hang around until we're done.

Mark:

I just want to thank you for coming to the meeting, Mr. Temporary Chairman. It was a pleasure being here.

Tim:

Well, that's so nice to hear, Mark. It's always a pleasure. It's always fun mixing it up with Mr. Levine.

Mark:

And I'll be leaving.

Tim:

Okay.

Mark:

Thank you very much.

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Tim:

Take it easy. So, with that, we will move along to four, the review of the FY 2025 budget schedule and discussion regarding date of the meeting for FY 2025 budget review. There was an inclusion in our packets of a summary of schedule of important dates. I see some highlighted ones. I presume that's what we're talking about, Rochelle?

Rochelle:

No, actually, you'd be talking about when you would want the finance committee's review of the budget. So, the dates we were thinking would be April 15th to April 19th.

Tim:

Okay, I see that. So, we've got to land on a date there. You're not going to do this for four days, are you?

Rochelle:

No. And my understanding, and Jennifer, correct me if I'm wrong, I don't know if Vin is on. I think he was thinking possibly having it at your regular meeting. That would be early. It would give you the normal two weeks that I believe in the past has been asked for to review the material because the package won't get sent out until April 2nd. So, it won't arrive until the next day.

Tim:

And our regular meeting, just because I don't have it in front of me, would have been what date?

Rochelle:

I believe it's the 8th.

Tim:

The 8th?

Rochelle:

Yes.

Tim:

Well, how's the group feel about that? Did Vin have a strong reason for that? Just a matter of convenience because we're scheduled anyway. Do you know, Jennifer?

Jennifer:

I can't assume, but it seemed like, "Okay. Why don't we just do it on the 8th instead of the following week?" Why schedule a special meeting when we're going to be meeting week before?

Tim:

Any recollection what we did last year? We did just double up on a meeting that month probably.

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Jennifer:

Actually, last year, Finance and Consumer Affairs held a joint meeting.

Tim:

They did a joint meeting?

Jennifer:

And then Land Use had its regular meeting and they discussed it at their regular meeting.

Tim:

Okay. Well, what's the thinking of the board members present? Any thoughts? Jay? Tom? Anyone got some thoughts?

Jay:

Just whether... Are the dates there, the three dates, do they run with our dates for meetings? Or those are separate?

Tim:

That was just a range of dates that are together, I think. Let me just-

Jennifer:

Yes. The 15th to the 19th.

Jay:

15th to the 19th?

Jennifer:

Yes. And actually, the Consumer Affairs Committee meeting, the regular meeting, is on Monday, April 15th.

Tim:

Okay. So, ours would be the 8th. Well, we would just be picking between, whether it's a Tuesday, a Wednesday, a Thursday, a whatever. So, I'm fine with Vin if we just go with the 8th.

Jay:

That works for me too.

Tim:

Did we lose Tom? I don't see him. I know Teams is different.

Jennifer:

Yes.

Tim:

Okay. Well, then we'll carry the day. Okay. So, we'll go with the 8th. Okay, so that being done, we move to five, which is the quarterly report of approved projects. Rochelle, you want to go over that?

Rochelle:

Sure. And I'm not going to read what's here, but just [inaudible 01:03:21] key point. So, the Derby Tank, the project is now substantially complete. So, that's great news. It was placed in service as of the end of November.

And from a finance perspective, we are going to be requesting drinking water state revolving fund money, a loan as well as a grant. We don't have the exact amount yet, but this financing was part of the rate application as well as in our fiscal '24 budget for West River.

Also, great news, the DAF process is in place. It's been in place since September. At this point, even the backup generator has been installed, so this project is also now substantially complete. This is also a drinking water state revolving fund, funded project, and it was included in our budget. It was included in the rate application. So, we hope to close on actually both these two projects with the drinking water state revolving fund later this fiscal year.

Next project that we have on our list is the Lake Gaillard Water Treatment Plant clarifiers, recycle pump station and concrete restoration. This project has had impacts due to supply chain. The delivery of the components that are in the process of being manufactured or scheduled to arrive in the February-March timeframe, and construction was anticipated [inaudible 01:05:00], has started a little bit prior to that, in January of 2024.

Lake Gaillard Water Treatment Plant, HVAC and electrical improvements, this project is going to be partially funded by Congressional Directed Spending, and the project, we did need to go through the process of [inaudible 01:05:25] a waiver for this project. This project is going to be potentially drinking water state revolving fund as well as congressional directed spending.

The Lake Whitney Dam and Spillway improvement, phase one. This project is moving along. The design team completed its review with the early contractor involvement, the three firms that we're working with. The design for the upstream option has been resumed. And you might recall that at this meeting we were going to plan a presentation on the Lake Whitney Dam project and give you an update. But due to the enabling legislation, we postponed that. But we are planning on having that at a future meeting.

And for the CIS project, the project is still estimated to come in at \$14.8 million. The project during this quarter left the analysis phase, and we are in the design phase, and the design phase is in its final stages. Any questions?

Tim:

Don't see any or hear any questions. Thank you, Rochelle. Okay, this brings us to new business. Anybody have any new business? Seeing no new business. We're just about ready to adjourn, but I think what I'll do is for those present, is this the last time? No, this isn't the last time we get together in December, but it is as the Finance Committee. But the rest of us will be seeing each other, so I'll withhold my holiday wishes until later.

Okay. I'll call for a motion to adjourn. All those in favor? Opposed? Motion carries unanimously.