REPRESENTATIVE POLICY BOARD

FINANCE COMMITTEE

APRIL 7, 2025

MEETING TRANSCRIPTION

Vin:

It's five o'clock and I'd like to call the Finance Committee meeting of the RPB to order. And we're going to start with our safety moment. And thank you to Jennifer for this. And we're going to have yard cleanup tips as we get ready for the summer. Remember more than 60,000 people are treated in the emergency rooms each year for lawnmower injuries. So we want to rake leaves before we mow to prevent any stones and loose debris from launching into the air and becoming projectiles. Never operate a mower in your bare feet and avoid wearing loose clothes. Never start a mower indoors. Refueling your mower, make sure the engine is off and cool. Don't spill gas on a hot engine and don't smoke while you pour gasoline. Never leave your mower unattended and don't use electrical mowers on wet grass.

At least 55,000 people a year sustain injuries from trimmers, lawn edgers, and pruners, and power saws. Read the manufacturer's instructions, inspect the products for damage. Make sure you're using safety measures to protect yourself. Don't let tools get wet unless they're labeled for it. Unplug all tools when not in use. Make sure the tools are in an off position before you plug them in. Wear safety goggles as always. And the last one, I can't read because of the way I'm reading this, but when working on ladders, take caution, I think it says. All right, so that is our safety moment. Thank you, Jennifer. And now we're going to move on to item number two, the review and discussion of the proposed capital and operating budget for the fiscal year 2026, which is June 1, '25 to May 31, '26, and I'm going to turn it over to Rochelle. And are we doing this in executive session or are we potentially going into executive session?

Rochelle:

We can go into executive session.

Vin:

So we're talking about the budget, correct? Which would be something, a matter of public concern, wouldn't it? Just tell us the reason why we need to go into executive session.

Rochelle:

It depends on the questions. That's why we've been doing it more so in executive session, but it's up to you if there's a question that-

Vin:

I mean, unless the body objects, I think it would be more appropriate to start in public and stay in public until we have to go into executive session. That's just my view, but I'm willing to give [inaudible 00:03:22].

Tim:

I agree with you. I agree with you.

Vin:

Okay. So Rochelle, if there's any item, and I'm sorry to put the onus on you, but if there's any item that you feel is worthy of executive session, please let us know and we will take it up at that time. But otherwise, let's stay in the public session.

Rochelle:

Okay, that's fine.

Vin:

Can everyone please who's online, put themselves on mute so that we're not all reverbed and I'm going to do the same. Thank you, Rochelle, the floor is yours.

Rochelle:

Okay, I'm going to actually turn it over to Sunny because we're going to start with the capital budget.

Sunny:

Hey, thanks Rochelle. Chairman, thank you. We'll just go into the capital budget and then follow up with the O&M and then go into the commercial itself. So with that, we'll jump into the topics. You see the 10 major topics given there. We'll just go through the history first, then the assumptions, introduction, and how the prioritization plus all the different areas that we allocate capital. Then look at a very quick glance of the five-year improvement plans and then a summary, and then after that, stop us anytime during I would say the presentations, as well as post presentations. Right? So with that, Jennifer, if you want to go to the next. This just gives you a snapshot of the last, I would say going back to 1993, the budgets have been I would say kind of a little bit, I would say peaks and valleys. But the next five years is going to be significant in terms of investments, most likely due to major projects happening in terms of the Lake Whitney Dam, that's going to be pretty significant.

As you go down, I would say each of those, the divisions of natural resources, treatment, transmission, et cetera, you will see the breakup of how the dams work as well as I would say, what are the major projects into the pump stations, transmission, and all that. But just to name a few, the Spring Street Pump Station is something that we are planning. It's again a resiliency issue. The Route 80 pressure reducing valve, again, it's going to be a risk and resiliency issue. It's in the middle of the street. We need to move that and that's starting this year and going into the next few years.

Again, the North Branford Tank. Another resiliency where there is a tank that needs to get attended to. It's been there for a long time. So HPAC work plus electrical work for Saltonstall and Gaillard, as well as we are starting on the initial Lead Service Line Replacement. So that's the major I would say, impacts that's contributing to these five years. But as you go into the details, you'll see they're broken into more detailed projects on what contributes the 60 million on average.

Tim:

Can we ask a question while we're here?

Sunny:

Sure, absolutely. Anytime [inaudible 00:06:01].

Tim:

The challenges from the global supply chain, is that easing up? What do you expect going forward?

Sunny:

It is going to be tough at this time given I would say the administrations have changed, and with the global supply chains, we still have issues with the generators. So there is a few projects that were impacted by generators. We awarded the contract last year. We are expecting the generators to hit us only in June. Again, we are keeping the fingers crossed. Hopefully there's no tariff impact. That is something that we are hearing in the last, I would say month or so. Contractors are going to express some reservations about existing prices and all that.

I mean, it could very well be true or not true. We don't know yet. We have to verify the veracity of those claims. But certainly there is going to be impacts from what we see as well as the administrative priorities could change in terms of grants and loans and all that. So those are considered given that I would say there could [inaudible 00:06:57] to the capital budget. 26 we are planning, but 27, 28, again, all of these things could change. We might have to move around projects depending on what projects we can move in upfront and move back based on supply chain constraints.

Tim:

So you need the flexibility because there's some unknowns there.

Sunny:

I mean, significant unknowns in terms of the priorities of grant and loans too. So with that we will go into the assumptions. I think it is actually sort of good news. As you go through the five-year summary, you'll see that overall, in terms of the average spend has come down. It's been a significant effort from the teams to look at optimization of capital and more efficient ways of utilizing capital. So that's the first line here. The budget is $59.4 million for '26. This is prior to CDOT contingency and Growth Fund. And the application of estimated grant funds, which includes the Congressional Directed Spending, state, and DWSRF. The five-year plan is lower than the 10-year model we presented in October. So in that way it's good news. We are fine-tuning, the leadership team working along with the different teams are fine-tuning capital because we do understand I would say, two or three reasons.

One is more efficient use of capital; it impacts the rates. Second, in terms of the bond ratings, they always view bond ratings based on the capital spend. We are trying to optimize because one of the feedbacks that Rochelle and I got, positive feedback, they said, "If you can actually optimize the capital outlays, make it much more efficient, we could go and request for a rating increase." Which will again affect our interest rates and all that. So all of these things came into play for us to work around the capital budgets to see how we can optimize capital. So based on that, you would see it's lower than the 10-year model. We have taken the engineer of record GHD's recommendations to match it with what they've recommended. As well as, as appropriate, we'll go for RPB approvals, anything over three and a half million dollars, you're going to see at least two or three applications come through in the next few months.

Capital budget reserve is $1,022,272. The contingency is about $594,000. Plus, CIS, we are moving another 512 into 522. Which adds up to 1022. The Connecticut DOT pipe will continue to be self-funded and is estimated to be $3 million. It's not to exceed. Municipal redevelopment non-reimbursable CDOT is a funded item. With that I'll have Victor walk you through the projects. Any questions at any time, stop us.

Victor:

Thank you. So we've taken a prudent financial approach to the preparation of this budget with a goal of savings with respect to capital projects, and we already touched on the supply chain challenges that we have, and usually the team can work through those if enough advanced planning is accomplished. We continue to pursue Connecticut DPH and DWSRF, and also congressionally directed spending for funding through the EPA when available. Asset management program continues to build on previous fiscal year efforts with a focus on fiscal year '26 capital assets for predictive and preventative maintenance. And some key elements to our risk resilience and redundancy considerations include the replacement of infrastructure before it reaches the end of its useful life, prioritizing a system of system-wide improvements and improving on long range master planning.

Onto the next slide for prioritization methodology. There are 49 ongoing projects and programs in the capital budget this year and we have a process for prioritizing those projects. Management begins by using the 10-year model, which was prepared in October, 2024, as the basis. Then two separate matrices are created to rank the physical infrastructure and technology projects and rankings that are determined. The scoring team includes members from the capital program control team, project managers, and members of the leadership team. Yes.

Tim:

Who is the capital program control team and do they ultimately control priorities determined?

Rochelle:

I can answer that.

Victor:

Yeah, go for it.

Rochelle:

The CPCT is generally managers and directors that have cross-functional team, and they work on the sort of amendments and review the projects, and look at more, I would say the day to day. We also do have still the CMC, the capital management committee, which is made up of the leadership team that also is involved in final review of amendments and strategy.

Tim:

Okay, and how are they involved with the alternative solutions to address capital needs? How does that work when those things are proposed? Who looks at that in terms of whether it makes sense for the priorities?

Rochelle:

The CPCT would do the first look at it. The CMC for anything over $25,000 we get involved, because their sign off on the amendments. Very large amendments actually go to the authority board before they're approved. So there's a lot of review at various levels.

Tim:

Okay.

Sunny:

I mean, even during the budget development process, Steve, we actually go through multiple, I would say iterations of looking at projects itself, right? So the project managers propose it, then the prioritization takes place in terms of both physical and cyber infrastructure. Once the projects are prioritized, then it comes to the next stage of directors and managers who look at it and say which actually needs to be done based on what's good to have, what's needed for sure, in terms of risk and resiliency. Then finally does come to Rochelle and I to review to see which ones we can move around because there are certain things which we can actually do later. So there is many levels and layers of sensitivities that get applied to these projects and finally it ends up on the list.

Tim:

Okay, thank you.

Naomi:

Sunny, I have a question.

Sunny:

Yeah.

Naomi:

The 49 projects that we have, which are showing for 2026, how do they compare with the number of projects we've had in the past?

Sunny:

It is almost, I would say similar, in terms of, some of the projects drop out, some of the projects get added in, but I don't have that exact number from last year. If I have to go from memory, I'm guessing somewhere close to 49. Do you have that sheet?

Rochelle:

From memory it's very similar. I think it's like six projects dropped off and six projects came on.

Sunny:

It's almost similar. If I have to remember the number, I'm guessing it's 49 or 50.

Naomi:

Okay, thank you.

Victor:

All right, great. So onto the next slide here. We have a total budget comprised of 106 projects and programs in four categories. So the table you're seeing to the left there is the list of the four categories that we're including being natural resources, treatment, transmission and pumping, and general plant.

The pie chart to the right is kind of a little cross comparison there of how that total fiscal year '26 budget of $59.4 million comes together. So if we start out with natural resources being the darker blue color, we see it's about 6% of that budget or $3.6 million. Treatment being the orange color is about 43% of the budget at $25.2 million. Transmission and pumping about 45% at $26.5 million. That's in green. And general plant, the lighter blue color at $4.1 million. And again about 6% of the total budget. With adding in contingency at $0.6 million of reserve fund at $1 million, the state and redevelopment monies at $3 million and commercial cost at $0.2 million we're right around $64.2 million for the total fiscal year '26 budget.

Tim:

Just a dumb question, but how does $3.6 million become 45% of a pie chart versus treatment at $25.2 million? Is that because that's what's initiated during the first phases of the project?

Victor:

So say... So which one are we talking about?

Tim:

I'm just looking at the project's programs.

Sunny:

The orange is the treatment.

Victor:

Yeah.

Sunny:

And that's 25.2, Tim.

Tim:

No, you're saying natural resources.

Naomi:

Natural resources.

Tim:

Oh, okay.

Victor:

It's 3.6 [inaudible 00:16:10].

Tim:

I thought I was just going by color.

Victor:

Yeah.

Tim:

Okay. Okay. So there's not a big problem with the pie. It's just a big problem with Tim.

Victor:

There's a problem with the pie.

Stephen:

I see the colors on yours aren't as [inaudible 00:16:28] as the colors on the screen.

Tim:

Well, I know you guys know how to do math. I just-

Stepphen:

Not always.

Tim:

...didn't know how good you were with pie. The 61 million anticipated for the Hampton Dam like Whitney, is that what the 80% expected to be at the low cost loan?

Sunny:

Let me not go into the cost. I mean, at this point of time it includes the cost estimated plus internal costs, plus other external costs that's associated with it.

Tim:

So it's possible there's some savings that may be...

Sunny:

It could very well be when we actually go out to [inaudible 00:17:12] and see what kind of, I would say savings... I mean, the $61 million is not something that I would say, at least not in an... We're in open session, not being in an executive session, I would say what the numbers would be. Because we want contractors to bid for the most competitive price. So I would just leave it at that.

Tim:

Okay, great.

Victor:

Great. Yeah. We can jump on to the next slide I think if there's no more questions. So under the natural resources section, and we did this on all the sections where we're taking a proactive approach, the RW has made continued efforts over the years enhancing the distribution system, making it more reliable to meet demand, providing redundancies and preparing for emergencies. So we're going to talk throughout the presentation here about some of the projects with the dams and we mentioned high hazard dams. And that doesn't necessarily mean that the dams are in any sort of jeopardy. It's more of a rating that's been given to those dams. And it means that if there is ever a problem or a failure with those dams, that there could be locations where you'd have significant downstream damage and potential loss of life. So moving into the bulleted list that we have here, we have several, or unique where we have several projects for some of these bullets.

I'm going to focus on at least one of the projects that relates to each of these. For watershed protection and land management programs, we're using those as a safeguard the public health and promote recreational uses. We have Rose's Brook water quality improvements, which is protecting watersheds and aquatic resources, increasing resiliency by mitigation watershed runoff. Furnace Pond water quality improvements, enhancing water resources to improve raw water quality before treatment. Lake Watrous and the Lake Glen aeration system rehabilitation is an improvement for raw water quality. Lake Whitney Dam and spillway improvements is a preservation to the historic attributes of the system.

And the last two bullets there, we have basically all the dam projects, contribute to mitigating risks of dam failure and also taking consideration of increased rainfall intensities due to climate change. So staying with natural resources, moving on to the next slide. You see that this portion of the budget, again was about 6% of that budget at $3.6 million.

And we break this down into about 16 projects and programs. And you'll see on the left side of this slide we have those different projects and programs listed with a cost to each being in the black text with the blue bar. The white number that you see correlating on this slide is also the total cost of the project. So for fiscal year '26, we're more focused in on those black and blue numbers. And for the Lake Whitney Dam & Spillway project, we have a cost of about $2.5 million. Peat Swamp project is at $150,000. This is a rehabilitation to increase safety and stability of this high hazard dam, and there's also regulatory considerations being taken.

The Lake Chamberlain Dam is a $50,000 project and that's a rehabilitation to increase safety and slope stability. Rose's Brook Water Quality is a $100,000 program, which is a remediation and mitigation system for that watershed that feeds into Lake Gaillard. Furnace Pond Water Quality project is a $96,000 project, which is improvements to raw water quality entering the Lake Saltonstall watershed. Then we have the remaining projects totaling in at $704,000 for FY26.

Mark:

Furnace Pond project, is that for the invasive species in the water, the chestnuts?

Victor:

I don't think it is. I think it's more of a water quality issue where they're trying to prevent sediments and suspended salts from entering into Lake Saltonstall.

Mark:

I know they're going to go in there and go... Every year they have to go and get the water chestnuts. They have a company comes in and does remediation of the water chestnut problem in Furnace Pond. That's not included in that?

Sunny:

Mark, it's... Yeah, that's more on the operations side. It's not a capital project. So this project is actually for analyzing the raw water quality data and flow patterns. Then what we will do is based on that, that'll be a feasibility of a retention basin for stormwater construction. If we need to, we will modify the existing landforms or other avenues for improvement. So it's related more to improving the water quality itself. Nothing related to the invasive species actually. Invasive species management would be more O&M actually.

Mark:

All right, thank you. Thank you. As long as it's there somewhere.

Sunny:

No, no, it's there.

Jamie:

I just had a quick question. So if I'm reading this right... So the first one, the Lake Whitney Dam, the total project is $61 million and the full-year budget for that is two and a half million. How much has been spent already of that $61 million?

Rochelle:

I'll tell you in a...

Sunny:

Right. I can give you an approximate guess. Yeah.

Rochelle:

Hold on one second. It's actually about three and a half.

Sunny:

It's about $3.4 million actually. There it is [inaudible 00:23:07].

Jamie:

So this $61 million... I'm just trying to gauge a reference point here. So how long do you expect is it going to take to complete this project?

Sunny:

Sure. What we plan to do is the 90% design is complete. We will go into, we have already started, I would say conversations on the permitting process. So Army Corps needs to give a permit, which could take from 18 to... 12 to 18 months. So construction, we anticipate to start sometime in 2026. If it starts in '26, it's 24 to 30 months on an aggressive basis, '27, '28, '29, we plan to exit out of it. If there are, I would say contractors who can come and finish early, it'll be nice. But we are planning to exit out by either calendar '29 or fiscal '28/'29.

Jamie:

Okay, so it's like a seven to 10-year stretch?

Sunny:

No, it's three years.

Jamie:

Oh, three years

Sunny:

Construction will be around, say three years.

Jamie:

Three years. But I'm saying the whole project of the $61 million budget.

Sunny:

Right. This project started a long time back in terms of planning and all that. So it went through many iterations of downstream, upstream options, when we also had to deal with issues of historic preservation related the nature of the dam because it's a very old dam. So it went through iterative processes. Then we engaged a different methodology for doing construction itself, by bringing in an ECA methodology. So it started... Maybe you're right in terms of six to seven years. I don't know exactly when the design started. When I joined in 2021, we were at 45% design on the upstream option. So that's what I remember. [inaudible 00:25:00] 2019 or so, I'm guessing 2019, '27, 8, 10 years actually.

Jamie:

Yeah. So some of these projects take a fairly long time.

Sunny:

Yeah. Especially this one given, I would say this has got a lot of historic context to it, and it is in the middle of a suburban environment. It's [inaudible 00:25:17] I would say, in the middle of Hamden and New Haven. So this project takes a lot longer time than usual because there is a very long permitting process associated with this dam. Typically, I mean, other pipeline projects will not take this much, but dam projects are unique by its own nature.

Mark:

We just had a presentation from the engineers on that. A lot of the problem is the permitting and the other thing is they want to retain the look of the dam, front of the dam. They don't want to touch the front of the dam too. So that's what makes it so expensive. Right, Sunny?

Sunny:

Absolutely, I think so. And also we are trying to see whether we can keep the Whitney treatment plant running as well. So there is a cofferdam on Davis Street where we can actually keep the water running. So there is a pipeline that's going to come and bring the water to the treatment plant. So many different aspects to it, but it is an active dam and a reservoir and that's what makes it even more expensive. And being in a suburban watershed, it makes it even more, I would say pricier.

Rochelle:

The only other thing I'll add is there's going to be an RTP application because at this point only the design portion for [inaudible 00:26:28] project was approved. So there will be an application [inaudible 00:26:31].

Tim:

And spend a lot of money though.

Greg:

Have we received any complaints or concerns from the Hamden residents?

Sunny:

We have had, I would say engagements, Greg, in terms of at least three to four of them. We have heard concerns. Nothing... I don't think there is anything that is really significant. They would like to address pollution, noise pollution, sound, as well as traffic-related issues. Some of them are concerned about the environmental aspects of it. Overall, those things are always going to consideration, because by the time we do an extensive permitting process, it goes through... Because this project is going to be funded by both WIFIA, which is the federal funds, we are also going to get DWSRF funds. So the NEPA comes in National Environmental... The NEPA approvals have to be sought for. Then EPA has to approve it. So there's multiple, both federal and state agencies apart from Army Corps. So there's an extensive process that goes through. So all those concerns will be mitigated to a great extent by the time it even goes into construction.

Mark:

The main thing is that the concern of the residents, I believe, is that the front remains the same, that you don't change the architectural look of the front and the age. And to do that, they're going to build a dam behind that dam and then build the dam and glue it to that. It's a very extreme project. We just had that presentation and it's going to take a long time and the permitting is just, takes... Exhausting.

Stephen:

I just want to say in the meetings that I went to, people weren't opposed to it. They just had those concerns that you mentioned.

Greg:

I know from the past when we were doing the Lake Whitney originally, they're very active, people there in that area.

Sunny:

Right. We are. And that's one of the reasons why we've been engaging them for the last two years. Because not just, I would say there is many other associations who are, I would say protective of the watersheds and all that. So I think it's a continuous engaging process. We are going to keep engaging the community in a more proactive fashion. If you remember, John Hudak was there earlier when the treatment plant was there. So he will still be assisting us in all those, I would say activities as well. So there is, as Steve pointed out, our conversations have been reasonably, I would say, cordial in terms of people coming and expressing their concerns. So I think we can address those. And going through an extensive process like this, it addresses a lot of the concerns that even communities will bring because by the time NEPA, EPA, as well as know Connecticut DPH, DEEP, fisheries, everybody goes through and gets things done, you pretty much are 99 out of a 100. You're done, actually,

Victor:

I think we can move on to the next slide, please. So onto the treatment highlights. We're looking at the subjects on why improvements are needed. And from an efficiency and redundancy standpoint, we're looking at cost savings and operating critical treatment plan processes. Ensuring peak performance is optimized. And that, a good project example would be the filter media replacement program. Replace and upgrade aging equipment, meet service-level goals and customer service expectations. A good project this year that would represent that would be the Lake Saltonstall water treatment plant improvements and the gravity thickener project.

Onto risk and resiliency. We're trying to stay compliant with regulatory requirements. We have continuous operations during power outages and maintain treatment capacity. And a good project that exemplifies that would be the Seymour Wellfield generator replacement project. Decreased risk of failure of critical infrastructure and equipment and keeping current with new treatment technologies.

We do have a program with that for wellfield improvements. So I think we can move on to the next slide. So with the treatment highlights, again, this was the section of the pie chart there. I believe it was about 43% of the budget this year. And what I did was we broke it down to the 26 projects and programs. You'll see the list of basically the five locations if we want to look at it that way on the left-hand side of this bar chart, with where the majority of those projects and programs are taking place at either one of the four water treatment plants or the wellfield facilities. You'll see that for FY26, under treatment, the Lake Gaillard water treatment plant takes up about $10.5 million worth of the projects and programs. And then wellfields facilities coming in, we want to say coming in second place at almost $4.8 million.

And we have Lake Saltonstall around $4.1 million. West River water treatment plant at about three and a quarter million dollars. And Lake Whitney water treatment plant at almost two and a half million dollars. So onto the next slide. I think we can again drill down a little bit more into the projects taking place and the project [inaudible 00:31:50] for the Lake Gaillard water treatment plant. Again, just over a 10 and a half million dollars worth of projects. And we see, again, focusing with the projects and programs on the left-hand side and the black and blue part of the bar chart being our FY26 costs for each of those projects and programs with HVAC upgrades here, taking up about $3.3 million and it is a multi-year program up to FY26. Our roof replacement is a $3.2 million project and then on down the list, basically down to, if I skip over a few of those projects there and hit the electrical upgrades, that's an annual program where we will be spending about $500,000 at Lake Gaillard. It's actually a $1 million program that's split between the Lake Gaillard and Lake Saltonstall water treatment plants. So, unless there's any questions about any of those specific projects, we'll move on.

Stephen:

[inaudible 00:32:54] the North Cheshire facilities improvements. Is that just to put water there or ... [inaudible 00:33:05].

Victor:

So, right. On to the well field improvements there, we do have the North Cheshire facility improvement. That's a chemical feed, chemical systems improvement.

Stephen:

Okay. That's just for the well field.

Victor:

Right.

Stephen:

Is there any work in that area being done to be able to wheel water north beyond Cheshire? Are any of those projects combined with that effort?

Sunny:

The Northern area service expansion is going to be more related to piping, right? So, what we want to really do is we actually, the well fields pretty much contribute about 15% of the total water supply for us, right? And that's broken into Carmel as well as all the other well fields. The way we have been planning is moving the water from south all the way to north. So, actually, ideally we would like to move from Gaillard, West River and all that to go up north. So, most of the projects you will see for Northern area service expansion will be piping projects, right? The well fields, we want to keep it because the yield is there. At the same time, we want to make sure that the well fields are serviced.

There is a few well fields which you will see one particular project, it's going to be having a new well field well done, but the rest of them are kind of repairing or putting some filters and chemical cleansing of, I would say, the biological fouling that happens. So, all of those things are more related to installing new screens and redeveloping the well so to speak, right? They're not going to really help in moving the water more towards that site, but where we have more water is on the reservoirs. So that's the primary purpose of the Northern area service expansion.

Stephen:

That piping would accommodate-

Sunny:

Right. There is a few projects that is identified. We will actually, I think even last year it's a multi-year project the way we envisioned it. We would ideally like to give more monies to it, but given I would say the other constraints, we have not been able to prioritize as many piping projects as we could in the last few years. And this year, it again continues the same way. Once you see the capital go down, you'll see a lot more of those bottlenecks being removed from smaller diameter pipes to larger diameter pipes.

Tim:

Okay. To sort of piggyback onto that, Sunny, I know there was discussion last year, I think at just a regular meeting, about how the Cheshire well field in the north end was under productive or whatever for whatever reason. Maybe it's seasonal, maybe whatever, but more water had to come through the piping, if you will. So, to what point, and I believe I know, but we've sort of taken the bigger piping north of all of that area because part of that is tied in now, if I'm not mistaken, in that big North Cheshire project. So, does it terminate there? Because there's not a loop created, but I thought somehow-

Sunny:

No, we're planning to do a loop. If you remember, there was [inaudible 00:35:59] Route 10, we did all of those things. The [inaudible 00:36:04] will have to come hydraulically on the other side, but that's being planned-

Tim:

So, that's the part that's not really-

Sunny:

Also, going north into Cheshire itself, there are a few pockets where we have to ... There are a few hydraulic bottlenecks which we'll have to release.

Tim:

Okay, so those are the things you speak to that are sort of not at the front burner at this point-

Sunny:

[inaudible 00:36:23]. That one, we interconnected, so the development is all done. But there is a newer development that's been proposed, which I think at this point, the state has transferred the land to the city and the city is looking at new developments coming up. So, for looping in the new development that's going to come up at least potentially is where I think the loop has to go across that other development. We do have pipe coming in on both sides, but it isn't complete actually. Okay, thank you.

Victor:

All right, so we moved through into the well field facility costs with that question and yeah, this is a portion of the budget. We're at about $4.8 million and you can see the five categories here again on the left. The North Cheshire improvements are a phosphate, sodium hypochlorite and fluoride chemical system improvements, at $2.25 million. Well replacements is at $1 million and there would be a one well replacement plan for that. The Seymour generator replacement is an $830,000 plus project and that generator has actually been in service for 25 years, so it's another one of these replace equipment as it's being aged out. The rehabilitation program is a $500,000 program and that rehabilitates up to four wells through mechanical and chemical means, well screens, pumps and motors as necessary. And the miscellaneous improvements and roof replacement at $175,000, that's treatment systems, analytical equipment, hardware and safety improvements and roofs at Seymour and North Sleeping Giant in Hamden, the well fields.

Sunny:

Just to point out the Seymour generator replacement gets a significant amount of CDS grants.

Victor:

Okay, so onto our next slide here, we're still in treatment with Lake Saltonstall, West River and Lake Whitney making up the remainder of that portion of the budget. So, at Lake Saltonstall, we have a gravity thickener improvement project that's just over $1.8 million. The HVAC improvements just over $1.3 million. West River water treatment plant, the drying bed improvements project is the bulk of that portion of the budget there at almost $2.5 million. And at Lake Whitney water treatment plant, we have the chemical feed improvements taking up a better portion of that budget at $1.9 million.

Sorry. So, what if we don't plan ahead? We're always focused on compliance with regulatory requirements. There's not really any getting away from that. The West River drying bed improvements are a good example of a project that correlates to that. Improving personnel and operator safety. We have the Lake Saltonstall water treatment plant improvements being the gravity thickener project and asset management and sustain critical infrastructure. But basically, the better portion of these projects work into this category with aging equipment and keeping up with other technologies and replacing equipment.

We're moving into transmission and pumping. This is about $26.5 million. Again, this was the 45% pie portion of the budget and we're dealing with about 36 projects and programs here. And just to start initially down to the left-hand side there at the red triangle, you see that we do have the State of Connecticut DOT redevelopment pipe fund at $3 million, the self-funded, not to exceed program. It's not really a part of the $26.5 million budget for this portion of the spending, but we don't want to forget that that is available and happening there too.

So, I kind of broke these up into the majority of where the work's taking place and made five different categories, buckets that are contributing to or pulling from this $26.5 million. So, to the top right you'll see that we have five programs that are over $1 million each and that's making up about $13.4 million for this portion of the budget. The top left in the lighter blue color, you'll see there's three tank projects making up about $5.3 million. And then going to the green, we have 12 project locations at $3.6 million total. Seven to the right hand side and there's a middle blue. We have seven programs at $0.5 million to $1 million each at $2.7 million total. And then eight programs rounding this all up at each one being under $0.5 million each totally $1.5 million. So, a lot of projects and programs going on here. 36 total being kind of bundled up in the five different categories is how I kind of bundled it up. We can go on to the next slide. So, I guess-

Sunny:

The details are coming in the next-

Victor:

Yes, yes. So, what are the long-term benefits we have for transmission and pumping? We have a reduction in water loss due to leaks, improved water quality, increased reliability, cost savings being a good example would be the Route 80 control valve relocation, enhanced resilience, supporting growth, promote sustainable water management practices, that a good project example would be the North Branford tank replacement. Extend the useful life of assets and enhance efficiency and safety. We have both the tank painting projects and stair replacements that would cover that and regulatory requirements. Again, this is another one of those categories where a lot of the projects and programs we're working on fall under necessity where we have to meet regulatory requirements. Onto the next slide.

Another, lucky us, another bar graph. But these are, in transmission and pumping, these are the programs over $1 million each at rounding off at $13.4 million total. So again, there were five programs.

The right-hand side of the chart here, we see that capital pipe replacement, it comes in at $7 million and then go all the way to the left even though it's just under $1 million at $700,000, the capital pipe connections program, I felt like these two kind of worked together, the $7 million and the $700,000 projects. With capital pipe replacements, we have 2.3 miles being replaced in three towns. This includes a pavement restoration catch-up work from 2025 in two of the towns and again this correlates well with the capital pipe service connections. For the next lower number down there, coming in at $2.5 million, we have the lead service line replacements program. This is required by EPA regulations and we are submitting for a DWSRF funding for the work that's going on under this program. The service connections comes in next at $1.3 million and this is to maintain and replace existing service connections, and that rounds off the projects over $1 million.

I think we can move into the next slide, which covers the three tank projects. So, starting at the lower end here in North Branford for the tank replacement project. Again, this is a multi-year project this year coming in at, I'm going to have to get onto my slide, I'm squinting at the screen, coming in at $500,000 this year. It is a total multi-year project that should round up to about $6.8 million total. Then moving into the York Hill tank number one for painting and stairs, at just over $1.9 million. And the Ford Street tank number one painting and stairs project, it's the next higher one at just over $2.8 million. This is painting both the inside and outside of those tanks and replacing the ladder system that's there currently for a more safer setup for stairs to inspect the roof area and access vents and things like that when necessary.

Tim:

Two questions if I may.

Victor:

Yes.

Tim:

One is a new tank. How long does a tank generally last? Is it like a 30-year thing, a 20-year thing? How long does a tank go?

Sunny:

Yeah, depending on what kind of tank it is. So, these are steel tanks, [inaudible 00:45:51] tanks in some fashion. So, those averages, depending on how much you take care, you will have a reasonably lifespan of say 30 to 50 years. But the one we did in Derby, post-tension tank, which are more concrete tanks. Those have a longer lifespan. Maybe you can actually extend it almost to 100 years because it's concrete, it's post-tension. So, even the painting and all that isn't required that much. But these tanks, as you said, just one I would say the North Branford tank replacement is still initial design stages. You're going to see an application come through at some point of time. The York Hill and the Ford Street, one and two and the one and two, those are two, two tanks each, but you're going to stagger them in a way it doesn't affect one year more than the other. Right?

We are trying to see whether we can optimize depending on the contractors and all that. So, you're going to see York Hill and Ford Street tank number one or tank number two, both of them are almost similar sized. Ford, I think tank number two is smaller than the York Hill. It's about 1.8 million gallons.

The other one is 1.87 million gallons. But in terms of lifespan, metal tanks are not going to be long-lasting as compared to pre-stressed concreters.

Tim:

So, the other side of my question has to do with, when you got to paint the inside of a tank, that seems like a ... That means you can't have water in it, I presume, or am I mistaken?

Sunny:

Typically, we would actually have the tank emptied out. So, that's why we have Ford Street one and two.

Tim:

So, what happens to ... You're able to maintain the pressure somehow?

Sunny:

We'll make the hydraulics in such a way that one tank is always available.

Tim:

I see. Okay.

Sunny:

So, that's why we stagger them instead of opening up both.

Tim:

Okay, thanks.

Stephen:

Sunny, I had a question. On the capital pipe replacement, is any of that scheduled for Hamden? It seems like we've had a number of main breaks in the recent ...

Sunny:

Hamden, I think we did last year and I think the pavement restoration is there, about say 200,000. The ones that I have here is the Maxwell Road in Cheshire. There is two or three in New Haven. There is one in West Haven, but Hamden is something that, depending on the pipe breaks per mile, that's how we come to it. [inaudible 00:48:16].

Stephen:

I keep getting updated in these emails that we have these breaks. We even had a fire hydrant blowout on Mix Avenue [inaudible 00:48:26].

Sunny:

There is a prioritization matrix that goes into how we prioritize the pipes.

Stephen:

But the breaks are still cheaper than say the whole pipe replacement-

Sunny:

Well, sometimes it all depends on how much, I would say, the length of pipe you have to replace. These things get to be expensive given, I would say, today's rates and all. So, the pipe replacement on a shorter stretch is much more cost-wise effective than replacing the entire pipe.

Stephen:

Okay.

Victor:

I'll come to my last slide. The remainder of those transmission and pumping projects comes out to about 27 different projects and programs. Again, we're at that range now where we're between the named project specific locations. The projects that are $0.5 to 1 million and projects under $0.5 million. The Route 80 control valve is a relocation of a throttling valve facility for personal safety. There's also some intrusion of salt water from road salt that's causing some problems in that existing system. That's a $750,000 project for FY 26. The Brook Lane transmission main is a $1.5 million project. The installation of 2,800 feet of transmission main, that's to address aging water and water quality in that portion of the system. Cleaning and lining program is a $600,000 program.

Again, this is one of the projects we have in Cheshire, about four miles of cement lining, existing cast iron water mains. And then ending off with critical pump station and transmission facility upgrades and pump station generator replacement. So with that, unless there's any questions about any of those specific projects, we're moving into the general plan section, I can hand things over to Prem when we're ready.

Jamie:

Can I ask one question? We're going in the different order than I was expecting, but the road salt on the Route 80 project.

Victor:

Yes.

Jamie:

How do you remove the salt from ... What's the process used and is that what you're putting work into?

Sunny:

Hey, Jamie, that project I would say, it's more related to moving it out of the main, I would say, Route 80 itself. So, what we have right now, it's an existing PRV that's been there for a long time. It's in the middle of a traffic intersection that's very difficult to access for us to do any kind of even service. And also it was one of the main feeders for New Haven. It is, I would say, if we lose that pipe then we pretty much would lose a significant portion of servicing New Haven and West of New Haven. So, it's been a project that's been there for a long time on the books. We've been working with different, I would say, issues that are related to permitting as well as working with the state and the city and all that to move the project.

So, finally we are working on the street side of it, that's the Route 80. But once you have it, the salt is just one portion of it. But what we are doing is we are actually going to put a new pipe all the way and we are going to put a vault that's towards the ... There is a parking lot, there is a New Haven public school close to it. So, we are getting an easement from the school and throwing, I would say, a PRV vault which will actually move the vault from the street so we can actually exercise as well as operate in a more safer environment, as well as exercise it on a more frequent basis. Right now, it doesn't allow us to exercise the valve and it's ... We did it last, I think, in the last couple of weeks. Knock on wood it was still okay but we would still move it because of risk resiliency as well as it's the main feeder for the New Haven and West. The salt is just one portion of that.

Jamie:

Thank you.

Prem:

Okay. I'm going to cover the general plant category highlights. So, we have around 4.1 million for general plant category for fiscal '26, and if you remember, this comprises 6% of the overall budget, $9.4 million that we have for fiscal '26. This is a highlight, how does it compare to our current fiscal year? As you all know, we had a big pickup of the [inaudible 00:53:06] that's getting dropped, so that's the good news. It's going pretty well. So now, we are looking at the budget of $4.1 million and I'm going to talk a little bit about some of these projects that are in here.

For the first one we have, we have the HRIS system [inaudible 00:53:22] that we use in our system [inaudible 00:53:26] is begging for a replacement. And all of [inaudible 00:53:29] we have is really making sure that they're looking at must haves. They're not [inaudible 00:53:34] good to haves, so we understand that there's a lot of work to be done on stabilization of CIS, so we're very, very careful on looking at size [inaudible 00:53:42] earlier.

So, now when you look at it in terms of HRIS [inaudible 00:53:47], this project is a two-year project, fiscal '26-27. It's the end of case, so the plan is once we have the system stabilized on the CIS side, we'll start picking up with some planning, design and the work that needs to get done for this project. Second one we have for $75,000 is the website development for RWA, ourwater.com. We have [inaudible 00:54:06] obsolescence for the CMS, we call it, call management system behind it, so we have to do this again, otherwise the website won't work. So, we're trying to put that in place.

The third one is work and asset management solution. This is for us to look at our vertical and horizontal assets, and we're trying to collect everything together. We'll be doing some [inaudible 00:54:25] maintenance for that, so there's small dollars reported forward for [inaudible 00:54:28] maintenance for that. This is [inaudible 00:54:30] that we try to do.

The fourth one we have was the cybersecurity enhancements. As you all know, we always try to keep up our cyber posture and one of the things we are trying to focus '26 is we call zero trust network. We're trying to put that in place for [inaudible 00:54:45] threat, et cetera, because that's a very big thing now, for [inaudible 00:54:49] compliance to Department of Homeland Security, et cetera. So, that's one project. We're also implementing what we call the dead drone project, which is basically monitoring our natural resources, et cetera, so that's also [inaudible 00:55:02].

The next one we have is the data center lifecycle. This is basically that whole program. We look at everything, all the way from hardware, infrastructure, server, storage, network, whatnot, all technology laptops, et cetera. So, it's under a little bit of pressure and we try keep the cost lower, as you all know, the rising prices, we're just keeping the same levels. It's pretty much required to keep us going on our technology front.

The next one we have is the GIS aerial mapping. Basically, we have two phases of the project. The Branford/North Branford is a phase two, so we would be completing that, and then you're picking up on the Hamden/North Haven flyover, that's the phase one. So, we try to be more efficient, so we try combine a couple of these flyover projects to get the [inaudible 00:55:42] in perspective, so being more efficient there.

The next one we have is home safety valve. This is part of our growth fund. This is the most recent acquisition. Some of the technology things that we identified as part of acquisition, we're trying to fix. So, that's [inaudible 00:56:03] support that we're going to be looking at doing. [inaudible 00:56:07] part of the technology upfront. Again, this is just an estimate. We still have to go through the process of everything that we need to do on the project.

The next one we have the SCADA upgrade. So this is basically our distribution system as you know, both hardware and software upgrades that we do. So that's $120,000 that we have for that. The last but not least is our fleet. We're looking at some of the details in here. We have around $1.6 million on this proposed project. We are actually looking to purchase 16 total units, which comprise of two 10 wheel dump trucks, one construction crew truck, two small duty trucks, one full size pickup truck, one small pickup truck, seven transit vans and one [inaudible 00:56:51], then one small excavator. So, those are all part of the fiscal 26 projects. So, that's all I had to cover. Any questions for me?

Stephen:

I have one question. I was looking for some heavy CIS costs in here. I'm not saying that ... Is it in operating [inaudible 00:57:10]?

Prem:

Yeah. Just to share, I think we have had a very good [inaudible 00:57:15], so been working through some of the challenges we have-

Stephen:

Yeah, congratulations.

Prem:

So, it is not [inaudible 00:57:21] fiasco we had, so the teams are doing their jobs. The leadership team has been passionately working with the team. We had a cut over that went really well. No touch billing exception that we had, so it has been very good on that front. So, there's a whole separate discussion we'll have, but overall, it's going well. You won't see much of that because we are looking at stabilization of systems the next three months. We do have to do some work on turning on the shafts right now. We're not doing any shafts because we have stabilized the system. So, there's some plant activities that are going on. So far the customers are happy, no challenges or escalations. We want to keep it down there. There's a little bit of higher call volumes, but that's expected because we're going live, we had a 10-day cut over, so we're working for that. But no [inaudible 00:58:05], so we're working through stabilization.

Stephen:

So, going forward it would be the cost of in the operating budget of actually running it. The TV ads, by the way, were very good.

Prem:

Thank you. I know, I think there's been a lot of [inaudible 00:58:21]. We even had a public comment the other day in one of our meetings, so they really appreciate it. So, we try to educate the customers the best we can. Thank you [inaudible 00:58:28].

Victor:

Thank you very much. Anyone-

Jamie:

I have questions.

Victor:

Go ahead.

Jamie:

First, thank you for your presentation, and the first question I have for you, Prem, is ... Oh, man. First of all, the insider threat program that you talk about in the cybersecurity announcement section, can I just make a request that we have a future discussion about that just so we can be enlightened about what that means and what's being contemplated? Just for [inaudible 00:59:01] topic.

Prem:

Absolutely, yeah. We will try to come back, maybe we can use it in other topics, then we can have a discussion. Yeah, absolutely. It's very interesting when you see that, yeah.

Jamie:

Yeah. That can be outside of the budget process. It's just more of, I'd like more information on that. On the HSV enhancements and CMS upgrade, I see that the current program is reaching its end of life in April of 2026. It's coming up pretty fast. And it sounds like we're going to be developing a complete rewrite. Are we going to do that internally or do we have to contract with a consultant to do that? Or do we have a program in mind? Do we have a plan yet? Or is that all under consideration?

Prem:

Everything is under consideration. We are looking to set up a business case for this specific one. And you're right, it's going to be a rewrite of the program. This is not something that we do in-house. We use a CRM called HubSpot. That is what is going to have all support scenario there. And then [inaudible 01:00:08], which is literally our payment gateway, needs to be replaced because again, technology is every day. So, they're changing to take away the payment portion of it from the actual portal. So, there's some work there that's been found out more recently, so there's going to be some evaluations, Jamie, for next year, but it's not going to be just done by the internal resource. We would need to have HubSpot engaged in this conversation. So, we'll be working through that. It's not fully done yet and that's going to be part of our evaluation. Again, this is just an estimate, so we have put an estimate and it might come a little higher. So, that's why we want to do a business case evaluation to make sure we're covering all the bases.

Jamie:

I mean, I guess because I really don't know what HSV is, is that something that we rely on heavily?

Prem:

This is the home safety valve program, right?

Jamie:

I'm sorry, home safety valve. Okay.

Prem:

Yes, yes. Sorry. I should've mentioned that. It's the home safety valve program, yes. And that's why it's coming off the growth fund.

Jamie:

So, I'm going to ask a question. I don't expect an answer now, but I assume that because of the potential of Blue Drop, we're looking at what the parallel program would be. So, there might be cost savings across entities. I'm just going to throw that out there for your consideration. I'm assuming you've already contemplated that. My third question has to do with miscellaneous information systems and talk about content management system for the RWA website. And I realized, I have no idea, do you handle our website or is that done internally or do we have a consultant? Do we hire out for that? How do we address the RWA website? I see there's a [inaudible 01:01:49] for $75,000.

Prem:

So the [inaudible 01:01:52] water website is handled by our vendor called [inaudible 01:01:56].

Jamie:

I'm sorry. You were cut off. It was handled by your vendor?

Prem:

Yes, it's a vendor managed program. It's like [inaudible 01:02:07]. Right?

Jamie:

A vendor. You use a vendor for it?

Prem:

Yeah. We use a vendor. They're called [inaudible 01:02:23] Jamie, right? This is the same vendor even that [inaudible 01:02:26] used to actually use. All the references we got in the past, [inaudible 01:02:30] many years ago. So, they will be helping us with actually the whole website development piece there, for the CMS. It's not done internally. It is done with a vendor. We manage the vendor, but it's done through the vendor.

Jamie:

Okay. Those are my questions for now. Thank you so much, Prem.

Prem:

Yeah. Absolutely, yeah.

Greg:

[inaudible 01:02:53] in Washington. Yeah. I know you don't have a crystal ball, right? Many economists are predicting or saying that there's a 60% chance of us going into a recession. If we do, how does that affect this whole thing?

Sunny:

Well, it could impact it, I would say in good way as well because if there is a recession, if there isn't many significant projects that are coming out there, it could impact deflationary pressures on, I would say both construction as well as materials, which would be good for us. At this point of time, we are not sure exactly [inaudible 01:03:36] going to turn out because on one side, if you have the recession, you could have some positive effects. But let's say if your funding isn't exactly the same as you envisioned under grants and that service lines or PFAS or whatever it is, those could actually get affected because whatever savings you might realize due to deflationary pressures may not actually end up because you might have lost your grant funding to that extent. It's tough not just utilities across, I would say the US, as well as DPH, DEEP, many states are evaluating the impacts of the administrative priorities. So not just on the economic impact, but it could be regulatory or legislative impacts as well.

Tim:

Just sort of a holistic question about, obviously, we're a heavily regulated and safety first and purity and all that stuff. Over say the last dozen years or so, have the costs of all of those things stayed basically the same as a percentage of costing out projects? Because, obviously, you've mentioned the four bodies we have to go through just to deal with the dam, which we all understand. But is that sort of a layering that takes place on virtually anything we do anyway?

Sunny:

Yeah, unfunded mandates, I call it, are like service lines and PFAS, so all utilities have to comply with those just as of today. So capital improvements that are necessitated by say that service lines could have gone into capital pipe improvements if we were not looking at replacing the service lines. Let's say PFAS, all of us have to comply by 2029. So any treatments that are required to make us comply with regulatory deadlines are going to take monies away from other projects. So that's where the prioritization going back to, I think, Steve's question earlier, the prioritization does keep changing depending on evolving, I would say, regulatory climate. And again, there is just there's no crystal ball to see how utilities are going to be impacted both on the financial side as well as the regulatory impacts. But we still have to plan for it because at end of the day we might still have to replace maybe three years, four years. It would be not prudent not to plan for it and keep doing whatever we have to do.

Tim:

Yeah, but on the other flip side of all of that our actual just a percentage of the cost of doing a project. Has it always been 20% of the pain, the regulatory process or is it now 25? Did it used to be 15?

Rochelle:

All of it's higher because at our capital program [inaudible 01:06:40] and what we are calling these unfunded mandates, [inaudible 01:06:45] service line includes PFAS remediation.

Sunny:

But even going to your question, Tim, right? You're asking whether the regulations have impacted the cost of a project. There are regulations which are brought on new projects, like what PFAS and the service lines. But in terms of the benefits and all that, that is very, I would say, difficult to quantify based on the projects itself. Just to give an example, in East Haven we have a project on Beach Avenue, Beach Street that originally we were not thinking of going through many different escalated, I would say, processes in terms of approvals, but that [inaudible 01:07:29] is very close to the tidal areas, kind of made it other processes. And now we are still, if you look at the budgets from fiscal '22, it moved to '23. From '23 it's moved to '24, '24 to '25, but now it's moved from '25 to '26. So construction cost has gone up over the last four or five years because we are jumping through much more, I would say, regulatory approvals to get the project to be built, right?

So to an extent it does have a significant impact because it could move a project for two or three years because like Army Corps for example, right, if it gets delayed by 18 months, then your escalation of construction goes up. Not just the cost associated with the permitting itself, but the cost of executing also goes up because just applying inflation, it's 4%. So you could have bid the project in say 2024, now you're bidding the project in 2026 so there is obviously an impact.

Tim:

Okay, thank you for that.

Jim:

I have questions. We have $1.6 million in debt from customers. Are we handling the debt problem?

Sunny:

This is the accounts receivables share?

Jim:

Sorry?

Sunny:

This is the accounts receivable you're talking about?

Jim:

The $1.6 million, the one?

Sunny:

$6 million or?

Jim:

No, no, it was $1,600.

Rochelle:

1,000,600 [inaudible 01:09:06].

Jim:

But not paid debt.

Sunny:

Non-paid bills.

Jim:

And I was wondering how we're handling that, yeah.

Jay:

Oh, yeah. I guess he's talking, yeah.

Sunny:

The non-paid.

Jay:

The non-paid bills.

Rochelle:

...the AR.

Sunny:

It's AR he's talking.

Rochelle:

But the AR is more than that.

Jay:

That's in the document [inaudible 01:09:26], yeah.

Sunny:

The AR.

Rochelle:

The AR.

Charles:

In the [inaudible 01:09:29] side maybe?

Tim:

Maybe it's on the operating side, maybe it's on the operating side.

Jim:

Yes.

Tim:

Yeah, that's-

Jim:

[inaudible 01:09:36].

Tim:

Well, that's outside of this topic right now.

Rochelle:

If it's in the operating budget, [inaudible 01:09:41]. It's not the outstanding AR. It'd be like the collection expense, which is different.

Jim:

Yeah.

Rochelle:

That's different. We'll cover that when we get into the operating.

Jim:

Yes.

Sunny:

We'll go into it, Jim. We'll go into the operating budget. As a matter of fact, we are doing much better on the outside [inaudible 01:10:04].

Carolyn:

Can I-

Sunny:

Just to close... Go ahead, [inaudible 01:10:04].

Carolyn:

So this is going to take you back, but I have a question about the Peat Swamp Dam modifications. Can I go there or would you like me to-

Sunny:

Sure.

Carolyn:

... hold my question?

Sunny:

Sure.

Carolyn:

Why are we doing that project? We don't use the water. It's been inactive for a number of years. We're keeping it well down. Have we contemplated the alternative of taking the dam completely out of operation, just dismantling it?

Sunny:

Yeah, I mean it's a question for sure, Carolyn, right? So it is a consent order that we received from DEEP. We received, I would say, the consent order in 2017. It is not an active reservoir for us. It is certainly something that we don't use it for any, I would say, supply purposes but it was a consent driven, I would say, work. The only thing which we have been able to get a relief on is moving that work [inaudible 01:11:06] Whitney Dam, because the Whitney is a suburban water active reservoir. So DEEP has actually said, "You can do this work post Whitney Dam completion." So that's the only relief we got from DEEP. Again-

Carolyn:

But-

Sunny:

... that's regulatory. We can't really do anything about it.

Carolyn:

Well, with the consent order it can. I mean, I think we can respond to a consent order with a request for consideration for removal of the dam as opposed to reconstruction of it or repairs. Can't we? I mean, it might be worth it. I think it would be. I don't know what it would cost to dismantle the dam, but it seems like a lot of work to do for something we're not going to use. And I know that DEEP has been, and nationally there's been a movement to remove unnecessary dams. Anyway, just wanted to throw that out there. Thank you.

Sunny:

Sure, thank you.

Jay:

[inaudible 01:12:01]. I know specifically what she meant. Want to go to the next one.

Sunny:

Just to highlight, so please. Just it summarizes and I think I would just touch upon two points here, the first two bullet points. If you look at the annual unescalated project budgets of 61.1, it is lower than the $66.1 million average as proposed in the fiscal 2025 budget. So by doing the optimization, we have actually brought it down from the earlier, I would say, 66.1 to 61.1. So that how, I would say, both the CPCs plus the CMCs, plus all the, I would say, folks, including the leadership team members look at prioritizing projects. So that talks into the five-year totals as well. If you go to the next slide, Jennifer, I think I would like to just highlight before we jump into the O&M. If you look at all the other bottom totals, 330, 348.4, 323.4. So if you look at the projected ones again for this year, fiscal '26, it's 315.2. For grants, without the grants, it's 315.2. So again, we have cut down almost 5% of the total budget for the next five years and that is the goal for us to see fiscal '27, '28, '29.

As we keep going, we want to make sure that we are actually deploying the capital in the most efficient ways for the most deserving of projects. With the summary sheet, any questions?

I think that's the summary, so budget incorporates efficient and essential funding for infrastructure. The five-year plan is lower than the 10-year model, which we did in October 2024. It includes cost, timing of large projects that are thoroughly vetted. It does have financing alternatives. Then we have taken the engineer of record GHD's recommendations, and we continue to implement the asset management plan. With that, I'll hand over to Rochelle to go through the operations. If you have more questions, we can still [inaudible 01:14:09].

Rochelle:

We changed this up just a little bit so we're going to go through our story so far. We're going to talk about what future success looks like in just, this is going to be aspirational. It's not going to happen by next year. Share our thinking on that. Then we're going to go through the review of the fiscal 2026 budget in detail, how it's going to handle that. As well as similar to what was done in the capital budget, [inaudible 01:14:56] plan, and then anyways our summary. If you go to the next page. So just to refresh on what our story is so far, fiscal 2025, the 15th year without a draw from the Rate Stabilization Fund. You might recall that we have increased our discretionary reserves for the Rate Stabilization Fund. The low was $3 million. That's now at the $10 million target. The general fund had a low of $158,000. That is now at $13.8 million and then we've established the Growth Fund.

The Growth Fund was initially established as a General Fund corporate fund in fiscal 2026, and the Growth Fund was established in fiscal 2019. As you know, we are generating internal funds now to reduce our reliance on debt, and that's reducing our debt leverage. We're proactively pursuing refinancing. We just had a great refinancing in March, low-cost financing as well as pursuing grants. Our pension contributions have been above the arc since fiscal '16. Our Growth Fund is available to support commercial initiatives. It's also available as needed to move out into the utility. The savings that we've had to mitigate rates is approximately 22%. That's based on our last rate application and we'll be updating that with our operating efficiencies coming out in fiscal '25. We did have credit upgrades and actually it was calendar 2016. As Sunny mentioned, we're really trying to go for another upgrade and hopefully with the capital plan and the liquidity that we demonstrated, we'll be able to get that in the not too distant future and just continuing to improve our financial position and stability.

Just to reinforce and some of these schedules before, so just as a refresher in fiscal 2009, the debt leverage was about 96%, almost 100% leverage. And for fiscal 2025, this is our projection, we're projecting it to be about 80%. So we are going about this, so it doesn't have a significant impact, but we are trying to get our debt leverage down. You can go to the next page. Another thing is talking about the capital program. You heard throughout that there are now alternative sources. So you can see that back in fiscal 2009, it was basically all debt finance and now we have various funding sources. Actually this year, it depends on [inaudible 01:18:15] is and when we do the new debt financing, but the RWA Bond financing and the internal fund financing is about the same, almost dropped 35%, one was 33%. We also have DWSRF loans that we've used to fund the capital program in 2025, as well as grants and [inaudible 01:18:41] funding. That's self-funded.

Other things, just to keep in mind, since we started using DWSRF we have cumulatively about $7.8 million in grants as well as very low cost loans. We have $5.3 million at this point in approved congressional-directed spending. We are now getting reimbursement on our [inaudible 01:19:11]. It's one of the three projects that's actually now in progress so we can get reimbursements as we go. The other thing and my little note at the bottom, I did not yet include the grant that we are expecting to get for Lead Service Line inventory. So we're actually expecting to get a $5 million grant and a smaller loan for the inventory. It may not happen in fiscal 2025. If it doesn't happen in 2025, it will happen in 2026. So I didn't want to totally distort the graphic, but we are still expecting a sizable grant for that portion of the project.

Jay:

What do the agencies want to see our, the debt level debt? Well, it's classified, obviously.

Rochelle:

Yeah, I think the most recent [inaudible 01:20:12] to do is we did have an even higher increase in capital plan. They like that we're now generating internal funds that we have some liquidity. But before the last round of reports, they were definitely you could tell concerned that our capital program is going up so much. So that's why we're really excited that we've been able to more levelize the capital plan without not doing things that I think if we demonstrate that our coverage is long and our capital plan is now reasonable, they'll really look at that favorably.

Jay:

We're going in the right direction.

Rochelle:

We're trying, we're trying.

Stephen:

Rochelle, I had a similar question. I mean, are we going to be able to keep working on the debt leverage with the capital spending for the next five years?

Rochelle:

Yeah, so we'll be demonstrating that through, yeah, when we update our 10-year model because we'll be still generating internal funds. Then we're really pleased, even came in a little bit below the target model and realistically at the time we did the target model, we thought it was a bit aggressive so that we got even a little bit below that, I think is a good thing. Again, we have to balance it. We do need to do the capital programs that are required. So I don't want to cut those short, but we're pleased with how that's [inaudible 01:21:46]. Go maybe to the next slide and this Steve is sort of like in others this is like our aspirational. So we do really want to get an upgrade with our ratings and just to mention the rating is not just financial because they look at everything. They look at operations. They look at financial, and they look at cyber. So I think it's a really good gauge what we're getting from the rating agencies, [inaudible 01:22:17].

Internal funds, directionally we really want to get to a point where we're funding 66% to 75% of all the capital expenditures. That would be really strong internal generation of funds. We do want to get the pension and VEBA plans fully funded. We definitely want to continue providing high quality water and maintaining position. I'm definitely going to align our spending with the long-term strategic initiative and continuing to successfully execute against the strategic initiatives. So again, we're not saying this is going to happen during fiscal '26, but wanted to share with you sort of directionally know what the aspirational view is. Then with that, I'm going to give it to Chuck who's going to go through the fiscal '26 operating budget in more detail.

Charles:

Thank you. Thank you, Rochelle. I'll walk us through the FY 2026 O&M budget, starting with a high level snapshot of where we stand. So the table you see on the screen there shows a summarized version of our FY 2026 budget, our FY 2025 budget, the percentage change of our FY 2026 budget over FY 2025. And then the FY 2025 projection column, which represents where we expect to be for this fiscal year by May 31st, 2025. The key takeaway here really is that there's no budgeted draw for our FY 2026 budget, that's evidenced by that line item versus requirement right at the bottom of the 2026 budget. That versus requirement indicates that our net revenue for debt service is greater than our required debt service of $54,000,143. The other notable item here is that our O&M budget for FY 2026 is $74,100, which is a 3% increase over FY 2025. So from here I'll also bring down some major assumptions and cost drivers of our FY 2026 budget. I'll start off with revenues and talk about some assumptions that affect our FY 2026 budget.

So FY 2026 revenues based on billed consumption converted to cash collections as part of our bond covenant requirements. Revenue reflects existing rates and charges, as you recall this takes into account the rates that are effective January 2025. No new rate increase is assumed. Billed water consumption after adjusting for anomalies is near 1% decline, which is consistent with previous years, consistent with what we've seen. No new customer growth is assumed. Uncollectible factor remains at 2.25% and outside a year it's at $1.2 million. And the wholesale revenue with a minimum commitment is based on the contract, which again is consistent with an assumption made in previous years as [inaudible 01:26:19].

Rochelle:

And Jay is this the uncollectible question that you have or is this the question that you had? Is this your question about uncollectible-

Jay:

Yes.

Rochelle:

... from here? So the $1.2 million is our budget for outside a year. So that means the cash coming in that happened more than 12 months ago and we track that separately and we make a special adjustment to the budget. That is actually a little bit lower than what it was last year and that's because actually good news is our age receivables are down. We're also being a little conservative regarding the new system and how that's going to-

Jim:

May I ask a question regarding the uncollectible percentage? Where does this fall such as on electrical uncollectible versus Regional Water Authority on percentage? Would you know that?

Rochelle:

I'm not sure I heard the question.

Jim:

The question here is the 2.25 uncollectible that you're showing, would that be similar to what other utilities are, such as Electric UI or Eversource? I was just wondering what the percentages would be.

Rochelle:

This is actually pretty good and what this is, this isn't the reserve on our receivables. This is because revenue in our structure is cash in the door. So this is over a 12-month period what percent of the billings' getting, and it's actually quite strong that it's only a 2.25% deduction.

Prem:

I think maybe I'll add some more color to it. Can anybody who... The question was about how do we compare to Eversource and all that, right? So there's companies that are out there do this comparison and they don't actually come up to say, "How do we fare from our perspective to their perspective?" But in general, they have a conversation. But to Rochelle's point throughout our scale versus for others percent all the way to 12% [inaudible 01:28:54]. So it's really, we are very, very well based on how we are looking from our perspective, but that might be different. And also the other factor is that they typically don't compare us to other electric and gas. They compare us to other water, but even in that space, they don't tell us exactly who it is so they just want to keep it that way. But we are faring very well to answer the question, I think we're pretty good.

Rochelle:

We also just, like how we do other things, it is very different than another structure, like an investor own is we convene, which not everyone can, and that's definitely it's a part of the cash collections.

Prem:

That's a big advantage.

Greg:

Okay, thank you, and they continue [inaudible 01:29:43]. I've seen in the paper all the time and on the news that there's more housing going up and in the demand at all?

Sunny:

No, the demand is I mean from what we have done, and so Greg, in the past, I would say we have done these projections all the way up to 2050, '70, based on demographic populations in New Haven County and beyond. The demand is almost, I would say, plateauing out at say 2040. And after that it is just a straight line, maybe a little tilt as we 2050s, but it is not going to significantly impact in terms of revenue from residential growth. I mean that's one of the reasons why we do go and knock on, I would say, economic activities and growth. So as you know, we have an economic development rate to bring in, I would say, new businesses into the area. That is an active role that we play in collaborating with other chamber of commerce's as well as state economic development councils and all that. But in terms of residential growth, it's pretty stagnant.

Jay:

How successful are we within that?

Sunny:

We've had, I would say, meetings there have been multiple, I would say, efforts to increase. There are, I would say, companies which have come in. There is one which we gave an economic development rate, which is in Milford, I think a significant amount of water, like 50 million gallons a year. Those are not massive like pharma or semiconductors or something. It'll be nice, but I think that would be our wishlist.

Stephen:

Sunny, we've been experiencing the 1% decline for maybe 20 years now.

Sunny:

Yeah, yeah.

Stephen:

And that we're still experiencing.

Sunny:

Experiencing that and we are projecting to experience that going into the next [inaudible 01:31:56], almost late 2030s as well as 2040. After that it's going to plateau out.

Rochelle:

And this isn't just us.

Sunny:

It isn't.

Rochelle:

It's because of appliances and things like that.

Sunny:

Sure.

Rochelle:

What makes it-

Sunny:

Plumbing efficiencies.

Rochelle:

... and we're in a mature service territory, so we're a utility that's in a growing area. It's different, but our service territory is quite mature.

Stephen:

Essential to expand the service to the customers that are here.

Sunny:

I mean that's part of the regional supply strategy [inaudible 01:32:27] stuff. I mean yesterday or last week, I think both Rochelle and I had a conversation with one of the towns and I think that town was very interested to see whether they can actually get water from us. And I think that is one of the things that we pretty much left the meeting saying that, "Why don't we go offline and take a more approach, an engineered approach to see whether we can actually move on to the northern areas [inaudible 01:32:55] towns?"

Stephen:

And even within our service areas, just being able to reach more customers through putting more lines in.

Sunny:

I mean that is part of the developments that we do Steve, right? So as part of, I would say, the few developments that has happened, we are bringing in more of these and Cheshire is a perfect example where if you look at it, I would say, the lines which we put in in 2023, '24, that's helping to bring Cheshire into our service territory-

Stephen:

I mean-

Sunny:

... that we push for.

Stephen:

Yeah.

Charles:

So this slide shows the drivers of the change in water revenue from the FY 2025 budget to the FY 2026 budget. I like this slide because it easily illustrates the major components and revenue from budget. The key takeaway here, obviously, as you could see is the main driver is our January 2025 rate increase. We just talked about the billed consumption, 1% decline, which does have that negative effect there. Normalization is in regards to weather related adjustments to normalize year to year. A couple of new things that you might notice is the interest for CIS conversion. That's in regards to a change in the way we're going to calculate interest in a temporary hold as the CIS project has gone live so that's a negative there. All right, next slide.

Jay:

What do you mean by cash conversion?

Rochelle:

Cash conversion includes the lower estimate for outside a year that we just talked about and just a few other much smaller variances, but it's mainly due to our lower estimate for cash outside of year.

Jay:

Yeah, for different assumptions there. Okay.

Carolyn:

So I have a related question, but it looks back to a capital budget item, but it touches income. The northern service area expansion in that section, which was in B dash 29 of the binder, it talks about the work being necessary to improve operations, yada, yada. And then also this project supports the... Oh, forgive me, yada, yada does not mean to diminish the effort put into this document. But anyway, it says, Additionally this project supports the future ability to sell water wholesale from the northern service areas and improves our ability to operate emergency and connectedness with other water companies. Do we currently sell water from the York Hill service area? Do we currently sell water, and if so, to whom? And what are we contemplating here for wholesale water sales?

Victor:

So we have a couple interconnections and I think everyone that we do, also sell water. We sell water today to Meriden. We sell water to Connecticut Water; we have an interconnection with them. And we sell actually quite a bit of water to Aquarion. We have an interconnection with Wallingford, and we have an interconnection with Southington. Don't know if that totally answers your question though.

Carolyn:

I think it moves to that. Are we contemplating an additional entity that we're looking at providing to, in the northern service area? Or just to having another access point for water by expanding the York Health Service area?

Sunny:

It could be. So in terms of the North expansion, one... When the wellfields are not really, I would say it's more also related to risk and resilience aspects. So let's say the wellfields Hills go down, we would still be able to service our own areas in a much better fashion by moving water. We also have bulk water stations along I would say the North, Northwest where there is a lot of sales that we do in terms of both stations as well as wholesale. The question of is there more... North?

We believe there are, as I said just a couple of days ago, we had this conversation and they were pretty excited and they said, "Hey, we would love to have regional waters water come in," because they had some issues with their water in terms of water quality. So there are, I would say, potential opportunities apart from the existing interconnections and wholesale water, for example, for Aquarion... Or 200 million gallons a year. And there could be potential opportunities both to the west as well as to the north and that's one of the reasons why we want to do these piping improvements to convey more volumes as well as pressures.

Carolyn:

Perfect. Thank you so much.

Sunny:

Yeah.

Charles:

So other [inaudible 01:39:00] by 2025 but to the 2026 budget, which is covered in its water revenue. This slide shows the change for other revenues. What you take away here is that the primary driver is home safety valve. You may recall that we acquired home safety valve in July of 2024, therefore not have it included and included in our FY 2025 budget. So when you compare the FY 2025 budget by 2026, you'll see that really large driver there. This slide provides a visualization of the key drivers of the... So really the key takeaway here is the budget increase is primarily driven by pump power, employee benefits and utilities and fuel somewhat to the effect of a role in administrative building space as well.

The increases are partially offset by reductions in IT licensing and outside services. We'll talk about these in a little... On the upcoming slides, but that does show kind of a... Visualization there of how much these drivers really affect that 3.4% increase year over year. That chart below in regards to outside services is interesting in the sense that you could see because of the roll off of the CIS project related backfills, we saw in categories of outside services like specialized expertise. However, we did see some increases in business requirements of technology categories of outside services. So business requirements relate to trustee fees, audit fees, professional service fees, and which we use outside consultants for. So that was kind of an [inaudible 01:41:32].

So in regards to the expenses that we've covered in that visualization, we decided to put them in buckets, these three major buckets. The first of which is external cost pressures. External cost pressures represent more of things... Our control. In regards to [inaudible 01:42:04], saw a significant increase of $1.33 million. That's a 38.7% increase year over year in the budget. This was driven by Connecticut State mandated public benefits charges, I mean these applied to everyone, for all customers. The current charges are unfortunately... Continue, which will impact why 2026. We are fortunate that generation pricing is under contract through December, 2027. Pub Power represents the largest single line item in the M and M budget.

That wasn't the case in previous years though. We will continue to monitor market conditions for strategic pricing as it relates to this expense category. Utility... Increase of almost... About $354,000. This also is, reflects known and projected price increases for utility services, electric, gas. The budget captures volatility in these markets and continued supply chain impacts and we'll continue to explore... Opportunities, see some notable savings in regards to some energy efficiency projects that we put in place like DAF. So they actually do provide really notable cost savings. So we'll continue to explore those opportunities. Administrative building space, this is in regards to 90 Sargent Drive, kind of the central hub. It is... Increase of $2,000. It's about, it's primarily driven by electric service, kind of those Connecticut state mandated public benefits charges are included in this increase along with some increases in maintenance contracts, security, planning services.

It supports a safe, functional and well-maintained environment that [inaudible 01:44:36] you keep up with these types of maintenance contracts to really ensure facility compliance and reliability. Right. Next slide please.

Greg:

Yes, I have a question. We had a certain portion of the budget allocated for money that wasn't collected to help customers and that was prior to this statement. So how is that meshed with that and going forward, is this going to end? It's the public benefit going to end at some point and continue to do that. I mean how much money is involved over the transition?

Bob:

What's with the fancy name for bigger electric bill?

Sunny:

Yeah, it's for electric and it's governed by PURA, that agree to allow these public... So it's our... Is not part of the public [inaudible 01:45:40].

Greg:

So we still do that plus the public benefit?

Sunny:

Oh the public benefit is an expense tax from the program.

Rochelle:

[inaudible 01:45:48] bags. So that's an expense item. Thinking about what we help the customer, you probably thinking the customer assistance program we have, that is important for us that we help the costumer.

Greg:

Yeah.

Rochelle:

Versus this is an expense for us where we have to-

Greg:

I understand that, but they're both or is it...

Tim:

Well the published... We're just paying like you buy for the public benefits.

Greg:

And you are at home too?

Rochelle:

It's our usage of pump power. So for the pumps and voters and all, they would say anything that's related [inaudible 01:46:21]. Running the treatment plans, there is a surcharge that we pay as a public benefit charge, which was recently kind of imposed up all utilities by, I would say, the state. So we don't really kind of decide because it was imposed on us. Literally, I think it just goes at the bottom of the bill for us, it's not to the customer, any utility across the state pay. So we pay based on the power usage.

Stephen:

So everyone residential, we're all paying these.

Sunny:

Everybody's paying for this.

Bob:

You're paying this at home, Steve, it's on your electric bill.

Greg:

Yeah, yeah.

Bob:

So this is going to continue. Oh yeah? This is not... Because they're benefiting us so much.

Greg:

There's [inaudible 01:47:06] it that with that, I don't know how... See you, but there's other aspects.

Sunny:

We don't know whether it'll pitch, we hope it doesn't because this year itself we did not. When Rochelle presented, if you, I don't know, going back a year ago, she did not include that public benefit charge as part of her [inaudible 01:47:31] expense. It was a surprise charge for us. It was coming... Using agencies to address that gap in our budget actually.

Greg:

Yeah, it's a significant-

Sunny:

It's a significant number. You see that we did not anticipate that the public benefit charge will actually even come down and to this extent.

Greg:

And [inaudible 01:47:54] is responsible for this?

Bob:

And the state legislature, a lot of culprits.

Victor:

The way they designed that whole thing is based... And et cetera. They had to take that all into account and they approved it. They have to spirit it across the board for all of the customers. Our state as an example and it's, it gets everybody, all of us. But then it's going to be there until that's basically thing [inaudible 01:48:26] end. It's kind of a [inaudible 01:48:27] plan.

Rochelle:

It gets removed in May.

Greg:

In May, so overall benefit... Doing that are reaping the benefits versus being... Actually, paying for that. It's almost that, that's why, right?

Sunny:

It's not a charge. It's not, I would say, a benefit that we offer to customers. Like your low-income thing which you're talking about, we are being penalized almost you could say. But using more power.

Bob:

Even though we have solar on our power plants, that's other stuff which maybe we got a little assistance on so we get to pay it back. See it's just... And then you get some fancy pants who gets the name of the public benefit that's all. [inaudible 01:49:18]

Sunny:

We are looking at assisting me and Rochelle, we've been talking about this school grant. We are trying with something [inaudible 01:49:30] with Jay and [inaudible 01:49:32], so they'll come back but that's [inaudible 01:49:33].

Greg:

Okay. Way to go. [inaudible 01:49:42].

Charles:

Our second bucket of expenses is investing in people. So this is employee-related expense category. So payroll and employee benefits. Payroll had an increase over FY 2025's budget of $278,000. So that's about a 4% increase from the projection, meaning where we're going to be by May 31st, 20... We're projecting a 4% increase in our budget. That supports our evolving business needs, strategic initiatives including infrastructure investment, succession planning and revenue enhancement. It includes wage and salary increases and incorporates the mix between O&M and non-O&M. So the bullet point there is in regards to the way we account for and report, payroll that's related to capital projects. So when someone is working a capital project, that doesn't necessarily hit our P&L, it goes towards that capital project which is on the balance sheet. So that's kind of a non O&M allocation of somebody's payables and that's-

Bob:

You do that as a percentage of... because that's...

Speaker 11:

Direct, privately charged.

Charles:

Yep. So somebody...

Jamie:

Just so that I understand, excuse me. So just so that I understand, does that mean that a salary that when we see a payroll charge, that it's really that plus something that's in a capital charge. Let's say I was an engineer and I worked on the Whitney Dam, would part of my pay come from, be charged to Whitney Dam and part of it to payroll?

Sunny:

... Told that the numbers that you're... From the operating expense is only the piece that's operating expense. It does not include the piece that is charged to capital programs. And you could see in the budget book, Jamie, we show here's the total gross payroll. This is the portion that's going to O&M and as Chuck mentioned, so somebody who's working on the Whitney Dam, they direct charge to [inaudible 01:52:08], we all allocate.

Jamie:

So we're financing...

Sunny:

We are, capitalized payroll, we do, yes.

Jamie:

Well I'm just raising my voice because I'm raising my eyebrows.

Sunny:

It's part of all the capital projects that we have. Internal people, just like if it's a third party, they're the external contractor that charges to the capital.

Jamie:

I guess.

Rochelle:

That's what it is on O&M measures, right? So it helps... Hurts us sometimes.

Stephen:

Finance, it hurts us, that's all.

Jamie:

So for instance with Blue Drop, if Rochelle worked 10% over time, specifically on Blue Drop, that would be attributed to costs associated with Blue Drop in a capital or other, sort of other category? Not in the regular payroll?

Sunny:

No, not necessarily because it has to meet a certain criteria. So just think about more that it's a capital that's being created and that you're appropriately charging to that. So we don't have that capital asset yet.

Jamie:

Okay. I leave it to the accountants. Thank you.

Charles:

All right and in regards to employee benefits, we had $1.5 million over our FY 2025 budget, which represents about 9.1% increase. This is primarily driven by increased healthcare costs. We also have an increase related to 401k and payroll taxes. And lastly, we are planning to contribute $1 million over the regards to our pension count, cut 120 in '26.

Tim:

May I ask a question regarding your unionized employees? What percentage do they pay into the pension plan if you would know that?

Sunny:

Our plan is set up that they don't contribute to the pension plan nor does the salary. That's not how our pension plan works.

Tim:

Okay, thank you very much. I do understand that quite well. Thank you.

Charles:

Last bucket we have here is in regards to efficiency gains. First is I.T licensing and maintenance fees. We had a decrease of $368,000 compared to the FY 2025 budget, about a 9.5% decrease. I think Steve you brought this up a little bit earlier in regards to this is where the... Max subscription costs are included, so under this category of our PNL. So we're eliminating S.A.P related hosting storage and licensing and we moved over to UMAX and that actually does provide a pretty significant C in ease in regards to subscriptions and license. This flex of transition from legacy systems to more cost-efficient cloud based platforms and we really try to prioritize billing systems and operational software stability.

In terms of outside services, this was also another efficiency gain which resulted in about $237,000 less when you compare the FY 2026, FFY 2025 budget for this category. We briefly talked about this earlier, but really it's primarily driven by the roll off of C.I.S project, backfills and temps. Now that we're going live, the need for those backfills and temps obviously lessens as we're getting more settled in. [inaudible 01:56:42] includes support for regular business requirements, regular business requirements. Again, those are in regards to professional services like legal and trustee fees and accounting, third party accounting fees. Ongoing use of engineering and technical consultants were needed with optimized scope. Again, we categorized services in those four major categories that we visualized a couple of slides earlier.

Okay, next slide. Some other assumptions in regards to our FYI 2026 budgets. Some major categories here are pilot payments. So each year this is consistent with methodologies that we apply to pilot payments, budgeting payments year to year, the pilot payments, all previous brand list assessments. In this case it would be 10 1, 2024 and estimate bill rates. For debt service, we actually incorporated a favorable impact of the refinancing that we did earlier in March in regards to their 38th series tender refunding. This has a very favorable impact on FYI 2026. So that's incorporated in there. This also reflects the January, 2025 reapplication increase and 39 series issuance. It reflects both existing and new DWSRF financing loans and grants. For depreciation, we listed $10.75 million, which is consistent with our January 25 reapplication. So there's no change there. Investment income, we do anticipate a decline in interest rates and by the end of FYI 2026, so that's May 31st, 2026, we're projected to reach 3% on those earnings. Investment strategy balances, short-term liquidity with interest rate risk and we continue to monitor market conditions for reinvestment opportunities as various investments mature.

Jamie:

I'm probably not the only person to be thinking this, but when you came up with the 3% decline in interest rates, did you do that recently or are...

Sunny:

It's not a 3% decline and it's declining. This is on the investment earnings going, we're starting at a higher level and we are assuming though that over the course of fiscal 26 that it will go down. It was done a little while ago. Although the view is still from everyone watching this and we're watching this for multiple reasons, including blue drop that we're, we are still anticipating that there will be a reduction later in the calendar year. Of course that could change, but that is still what we're hearing from in our financial advisor and the banks that we're working with.

Mark:

What did we earn in 2025?

Sunny:

It is actually, we're going to be doing that earlier [inaudible 02:00:27] over 4%. We'll actually see that as part of the Finance Committee.

Jamie:

Thank you.

Charles:

Okay, so the next slide, the maintenance test slide here is a bit more detailed look at the high level snapshot that we first started looking at at the beginning of this presentation. So it gives it a bit more detail. Some takeaways here are, lately, our coverage is in excess of our 114% requirement. So for the FY 2026 budget, we're estimating 116% there. Okay, that's good on that slide. So opportunities and vulnerabilities. This slide really tries to highlight things that are out of our control that may impact the FY 2026 budget. We really have no control over these types of things, but they do possibly present an opportunity or a vulnerability to our FY 2026 budget. So the first thing under expenses is the O&M versus non-ONM mix. I think we spoke about that a little bit earlier.

Medical claims experience, including retiree and active mix, medical claims does have an impact on our costs that we will incorporate into FY 2026. Pricing projections. This was covered a little bit throughout tonight's discussion. There is some volatility generally throughout the market and namely in electric service, chemicals and fuel. Outside services, especially projects related and technology related projects. Maintenance of repair specifically as it relates to weather. So extreme weather could give rise to additional maintenance and repairs. DWSRF financing, timing, brand amount and rates. And in terms of revenue, weather is a primary driver of demand as it relates to our customer's water usage, billing to cash conversion, consumption patterns, other revenues and interest rates also contributing to the FY 2026 project.

Okay, what if we didn't plan ahead? So if we didn't plan ahead, we would risk. There's the risk of reserve draws. So we haven't had a draw on our rate stabilization fund in 15 years. So that would, I mean if we didn't plan ahead, that would possibly risk breaking our fifteen-year record. Also, the potential failure to meet bond recovered requirements. Delayed capital investments, increasing future system risk and cost, reduced flexibility to respond to emergencies or new regulatory demands. Increased debt needs, driving higher future rate pressure. And lastly, weakened ability to attract and retain talent, ultimately impacting service quality. So all of those things would lead to a credit rating downgrade and increased cost of debt.

That would be a significant hit to us. So that would be much avoided. All right, summary conclusions. So our FY, really we want to align our budget with our mission to provide customers high quality water and services at a reasonable cost. Continue to execute against the strategic plan, balance financial resiliency and rate pressure, continued ability for strong internally generation of funds position to make proactive, not reactive decisions. Be prepared to navigate cost volatility and regulatory uncertainty. And lastly, a workforce strategy that supports the session development and continuity. And that's it for the O&M presentation, unless anybody has any questions.

Stephen:

One question. I haven't heard a penny a gallon with this budget presentation.

Sunny:

That's in our rate [inaudible 02:05:56] presentation. It is still a penny a gallon.

Mark:

I just wondered if there any impacts that changed to...

Sunny:

It's about a penny a gallon.

Mark:

Okay. It's about a penny a gallon. Okay fine.

Jamie:

With the current president's dissolution of the penny, how will we reward that?

Mark:

It's a good one.

Mark:

Might help with the copper rule.

Vincent:

Yes. Okay. Go ahead.

Rochelle:

Vin, I think we should go into executive session for this presentation.

Vincent:

Okay. So there's been a suggestion by management that we go into executive session because there're confidential information that we're about to review and is there a motion to go into executive session and remember this requires-

Jamie:

I'll make that motion.

Vincent:

Motion has been made. Is there a second?

Tim:

Second.

Vincent:

All right there's motion to second. Is there any discussion? Do I hear discussion or to hear chatter?

Okay. I don't hear any discussions. So all those in favor?

Committee members:

Aye.

Vincent:

Any opposed? All right.

[EXECUTIVE SESSION FROM 7:05 P.M. TO 7:15 P.M.]

Vin:

Did we note for the record when we came out of executive session?

Jennifer:

We are all set.

Vin:

Okay, so it is 7:15. Let's note for the record that we're coming ahead of executive session. All right, and now we're in public session again. Please start the recording. Thank you, Jennifer. I see that's been done. Okay. Is there anything else on this matter?

Jamie:

Not on the budget.

Vin:

Okay. Are there any questions that anyone has on this matter? Okay, hearing none, I want to thank you for your presentation. Let's move on. Okay, so let's go on to three, approval of the minutes of March 10, 2025. Is there a motion?

Tim:

So moved.

Vin:

Is there a second?

Jay:

Second.

Vin:

All right, I hear motion and second. Are there any comments, questions or changes related to these minutes? Hearing none, all those in favor?

Committee members:

Aye.

Vin:

Is there anyone opposed? All right, the eyes have it. Does anyone abstain? No abstentions. Okay. Thank you, it's unanimous. All right, we're going to go on to number four, quarterly financial updates. Rochelle, is that back to you?

Rochelle:

Yes, it is. And I'll try to go quickly. I know it's getting a little late.

Vin:

We'll stay all night for you just so you know, so don't rush for us.

Jay:

Good to say, very short meetings.

Vin:

But speed it along if you could.

Rochelle:

[inaudible 00:01:45] see that utility plant is up net by about 33.1 million. As you would expect, the utility plant in service is up by about 33.3 million. And again, just to level set, what we're comparing here is February year-to-date of fiscal 2024 versus February of fiscal 2025. You can see also that as we would expect, accumulated depreciation is also up.

On the current assets, cash and cash equivalence is actually down a bit. There's a couple key drivers of that. You may recall that for the acquisition we did fund that as partially funded as a combination of growth fund and the general fund. And in the general fund, we took a little bit more out than we put in at the end of the fiscal year. And then we are also funding some of the fees that we're going to have to pay relative to blue drop out of the growth. The HSV and the blue drop expenditures are partially offset by a small increase in the revenue fund. That's all within that cash-to-cash equivalent category.

Just moving on to some of the other items, that note receivable is just what we talked about. That's the note that we have with Trifecta. The least receivable is something you might recall that the auditors talked about. It was a new accounting guideline that came into that we had to implement a couple of years ago now and based on discussion with the auditors, we're only updating all the lease receivables and the subscription assets and liabilities based on the end of the fiscal year. It actually makes the adjustments a little bit simpler that way.

The restricted assets, this is in good news where restricted assets are up by about 16.4 million. The priority driver with them is increases is actually the construction fund. So at the end of February, we did have just under 10 million of unused bond proceeds from our 39 series, so that was our new money financing. We also put over 21 million into the construction fund at the end of the fiscal year, so we viewed it very favorably that with what we put into the construction fund list, all the capital improvements that we've done year-to-date and actually since February of last year the construction fund is still up by 11.2 million.

The regulatory assets here, this is where we have our cost of the issuance so there's been some small increases in the cost of issuance. Also at this point we do have our blue drop expenditures both with's expended as well as some provisions that we have. At this point, it's in that category so that makes up a part of that increase.

The deferred fundings pension plan and OPEB, these are just when we're not doing a refunding, it's just the amortizations. We'll be recording the 38 series refinancing in March and then for the pension plans and OPEBs, throughout the year we do amortize the balances but they'll be updated again at the end of the fiscal year.

If we go to the liabilities side. For the liabilities, total liabilities are actually up by about 10.7 million. Some of the key drivers are our revenue bonds payable is actually down by 4.4 million and that is primarily due to the 37th [inaudible 00:06:32] refunding that we did in May, so May of last year. So again, this is February to February. And also due to the principal payment that we made on August of 2024.

So this is good news even with the new debt that we issued, the long-term outstanding part value is still down by about 4.3 million. The net premiums are also down, that's where we're amortizing. You can see that DWSRF is actually up and again that's primarily driven up. Since February of last year, we closed on the DWSRF loan for West River, so that was our biggest single DWSRF loan. We also financed the AMI project but that was done in phases and also we also closed on the derby tank project, so that was partially funded by DWSRF so that amount is up.

The pension liability and OPEB liability that is based on the last actuarial report for the end of fiscal 2024 that'll be updated when we close fiscal 2025. And I mentioned the SBITA, the S-B-I-T-A is our new accounting for the subscriptions and so that'll also get updated at the end of the fiscal year. So it's subscriptions related to technology.

By the way, one of the key items that we're going to need to record for fiscal 2025 will actually be our contract for the CIS program. Some other areas for current liabilities, the current portion is up by about 1.2 million. That's primarily due to the new DWSRF. The DWSRF loans as well as the increase for the review bonds payable due to the 39 series.

Let's see, some other of the key changes is really going down to, you can see the net position year-over-year is actually a change of about 44.5 million and you can see that it's primarily driven by the capital investments but also increases both the restricted assets as well as the unrestricted assets. So positive year-over-year increases. I would skip that page and just go to the next page.

So here first for the top part of the page, you can see that operating revenues is up by about almost 3.7 million. It's roughly 3%. Through February, we're still seeing a decline in meter water revenues but it's being more than offset, small increases in fire service and wholesale. But I also very much offset with other revenue proprietary and as Chuck mentioned earlier, that is primarily because the home water safety valve offerings were not part of our budget and that's the primary driver of the year-to-date increase over budget.

Operating and maintenance expense is actually currently under by about $2 million. That's approximately 4%. We are watching that closely. However, so you might recall from the presentation that we just went through that we're projecting to actually be on budget for the fiscal year. For example, we have to get through May and April for pump power and those public benefit charges that we talked about as well as some other aspects that are coming into play.

We do have CIS backfills as an example for a little bit longer than we had originally assumed. So we are watching the operating expenses carefully. You can see just going down for some key highlights, interest income has remained strong so we're over budget by about 1.9 million. That's primarily due to the higher than expected interest rates and the earnings that we're making on our investments.

Another key item you can see that the gain or loss in disposal of assets actually have a positive gain and that's actually due to the recent land disposition that we did. So there was actually a gain on that. So that's favorable that we are projecting that probably be at least part be offset by the end of the fiscal year when we do all the retirements. The intergovernmental revenue is another item I want to highlight. So the 1.5 billion reflects the loads that we've gotten so far this fiscal year.

And that was on the germy tank. We actually got a very large grant relative to the size of the loan, so that was good news. From the maintenance test down below, we are projecting to be on have coverage of 119%. We are still projecting that we're going to be a little lower than budget on water sales. I will share that I do think this is conservative but we are in prognosis so it won't surprise them that we are concerned about the disruption that we've had due to CIS. There was quite a period at the end of March that the payments were at least partially disruptive so our [inaudible 00:13:02] customers are going to have to re-register. So we're going to be watching that carefully. So we wanted to be at least a little bit conservative in our outlook.

I think another thing that I'll mention here that was in the budget narrative, but you recall from the last month's finance committee, there is a new FASB that we need to comply with for compensation and our approach is going to be that we're going to partially fund that outside of the revenue fund for the one time. The biggest impact is going to be the initial establishment of what that reserve needs to be and then we will partially fund it through the revenue fund as well. They wanted to mention that.

If you go to the next page, I'm not going to go through all this detail, but other than to say that the upper part of this chart is for financial reporting gap based, what we're projecting the year to be and then down below from the maintenance test perspective. And again, I just want to highlight the reason we watch all this very closely is you can still tell even with just three months left to go, you could still have changes in our coverage and so you want to make sure that we don't have any surprises at the end of the fiscal year, which is again a key reason that we're really monitoring O&M closely because we want to make sure that we don't have any change at the end of the fiscal year. Essentially if there is more disruption then maybe we anticipate relative to the new CIS system.

If we go to the next page, this is the O&ME panel and I'm just going to cover a few of the areas. So O&M payroll is running under. That's partially due to headcount, underruns, especially those that we had earlier in the fiscal year. We are pretty close to our headcount budget and also the O&M, non-O&M mix is leaning a little bit more to non-O&M and that's actually helping the payroll budget.

You could see one of the things that we talked about earlier and it's why we're somewhat concerned, you can see pump power is already over almost $500,000 and that's prior to April and May which are seasonal funds. So we're going to expect to see that that overrun is going to further increase. Some of the other larger variances. Collection expenses is actually running a little bit under, the bank fees are running a little bit under and some of the attorney's fees in that category are also running under. We had some larger challenges in that area at the end of fiscal 2024, but the attorney's fees are really coming in less than budget as it relates to collection activity.

Outside services is currently running under year-to-date, but we're actually projecting that that's going to be over before the end of the year. And that has to do with some of the timing items, including the timing of the CIS project. I think another thing that I want to mention is you can see that maintenance and repair is running under budget. It's projected to come in a little bit under budget. That's not because we're not doing maintenance and repairs, it's because for valve replacements, it's actually more replacements than repairs and so there's a little bit more capital happening. That's also true with pumps. There's more replacement than actual repairs. So there's more on the capital side.

So I think those are really the key variances here that I want to peak out. Unless there's any questions. There's no questions. First going on to capital. So good news overall that we're projecting that we're going to slightly exceed our 96% target. So as of the end of February, although we're watching this very closely, we're projecting to be about 97.6%. Just to cover some of the larger variances, you could see that on the treatment side, there's some projects that are running well ahead of budget year-to-date, that includes the filter media project, it includes the HSBC project at Lake Gaillard.

And for the Lake Gaillard HVAC upgrades, we are going to put forward amendment to the authority board in the month of April. You can also see that the Lake Gaillard electrical upgrades are also running over and those projects are a bit ahead of schedule. So that's a good thing. You can see further down the page that we talked about this earlier in the capital budget, the similar wealth field generator replacement. So the generator itself is not going to arrive until after the end of fiscal 2025. And as Sunny mentioned, the generator itself, we do have a CVS grant for that. So that's going to mostly pay for that generator.

Just moving along to some of the other areas. I think as it relates to the pipe projects, right now there's some projects that are over that are under. We are actually forecasting to come in a little bit under budget because of some efficiencies that we have in particular with the Kings Highway project. If you maybe scroll to the next page, the last page. Here you see so for CIS, we are currently under by a considerable amount, that's timing. You might recall in the capital budget when they talked about that million by $22,000 of project reserve, 522,000 of that is for the CIS project. So we'll be moving that into fiscal 2025, '26 for the last payment associated with the CIS project as it relates to the initial contract.

Any questions so far? Now go to the next page. This was a question from earlier on. So what you see here is the investment returns on our various funds. So you could see that we are running above the budgeted return. Similar to what we're projecting for fiscal '26, we did the same thing in 2025. We started at a higher level and then we assumed by the end of the year there would be a reduction but the rates have remained higher for a longer period of time.

And I did look just the other day at the stiff rate and it's pretty close to what it was back in February when we closed out the month. So you could see what our returns are. You could also see that our various funds that we're investing our earnings on. And then if you go to the next page, this is from a cash basis and this is one of the areas that we are running over. And you can see that this is actually cash received for our maintenance test. So we're over by little over 900,000.

But also, even though it doesn't count for the maintenance test, we're very careful. I think I mentioned this earlier about maturing money from the construction fund. So even now for probably the last couple of years, we don't mature the money until we're actually ready to issue the checks. So within the construction fund, that fund earns interest and that interest is kept within the construction fund. That's also the case for the growth fund. So you can see that year-to-date including all the funds we're doing nicely versus the budget. I know I went very fast to the interest of time, but if you do have any questions, let me know.

Vin:

And we appreciate that, Rochelle, and thank you very much. Are there any questions for Rochelle? No, thank you for your presentation, Rochelle.

Rochelle:

So now we're doing the RPV dashboard. Some of these items we had previously covered. So again, I'll go pretty quickly. And I will just say what this is nice is you can see the third quarter of the prior year and you can also see the most recent quarter compared to the current quarter. So we are projecting coverage of about 1.19%. You can see from a capital perspective, and we're really pleased with this, we're targeting to be a little over 96% but you probably might recall or recall from other conversations we tend to have these really large bays and we're trying to avoid that. And you can see that through February we are already at about 66% of the budget and last February at this time we're only about 48%. So we're really trying to take the pressure off everyone to make that 96%, do it more gradually throughout the year so we're pleased with where we are there.

From an accounts receivable perspective, you might recall that we're comparing ourselves to where we were pre-pandemic. So we're comparing ourselves to February of 2020. And you can see that we're doing well relative to that. So accounts receivable for total water, we're about 23%. Under the pre-pandemic level and for residential, we're about 18%. So we are doing well there. Of course, we're watching that and we don't want to see much of an uptick as we move from SAP to our new CIS project.

We're also watching the market values of the pension, and you can see that the calendar returns are pretty strong. The fiscal returns are about 5.22% and course from the accounting perspective it's all [inaudible 00:25:35] balances are at the end of the fiscal year. But you will see that from the January valuations that we got, the plans are doing well from a funded level.

You could also see from the average daily production that so far through the end of the third quarter, the million gallon-a-day average was like 45.3, which is considerably higher actually than what it was last year. And we'll see where we finished the fiscal year. We're on target for the disinfection byproducts, the net accounted for water, there's still some leg challenges there. We're working through them. And we are making progress to minimize the number of leaks. And then you can also see for the customer impacted... the incidents and you can see that in the third quarter, the number of customers was a little bit higher. This is really due to the winter season and I guess there was the primary driver that was cracks on the cast iron bay was the main [inaudible 00:27:02] weeks. Any questions?

Vin:

All right, thank you, Rochelle, for that. All right, we are now on. All right, so item number six, committee members attendance at authority meetings. So April 24th, I will cover that meeting, and May 22nd, Mr. Jaser will cover that meeting. There is an upcoming meeting, consumer affairs land use joint meeting to review what we just reviewed. It'll be Thursday, April 17 at 5:30. All RPB members are invited to attend and the Finance Committee's regular meeting next month will be May 12th at 5:00 PM Is there any new business to come before the body? There is none. Wait, I heard something. Was that none or is that something?

Tim:

There was none.

Vin:

Oh, thank you. Thank you for having none. And is there a motion to adjourn?

Tim:

Motion to adjourn.

Vin:

Is there a second? Or anyone opposed?

Jay:

Second.

Vin:

All right. Jennifer, please note that it was unanimous, and no one abstained. Thank for your patience with getting through this. I know it was a long meeting, but we'll make up for it the next one. Okay, so happy Easter, happy Passover everyone, enjoy and be safe out there.