

REPRESENTATIVE POLICY BOARD

OCTOBER 27, 2022

MEETING TRANSCRIPTION

Mario:

All right. Well, thank you. Welcome everyone to the regular meeting of the Representative Policy Board of South Central Connecticut Regional Water District. It is Thursday, October 27th at 6:30 PM.

Mario Ricoszi. I'm the chair. The first item of business is our Safety Moment, and that relates to having a culture of safety, and doing it and being safe in everything that we do from the start of the day till the end of the day. I know we all want each other to get home safely, so please read through that, and... Which is a new item on our agenda.

Comment, had added Public Comment after some discussion, and discussion at the Executive Committee. We've decided to allow speakers to have about three minutes each to address the board, if we have people from the public who wish to address the members of the board. And this way it's information we can take into consideration as part of our deliberations throughout the meeting. We'd prefer, obviously, if it's related to an agenda item, but there may be an item that they wish to bring forward that is not necessarily on our agenda, so I will moderate that.

And Jennifer, do we have anyone from the public that wishes to speak?

Jennifer:

No, I don't see anybody from the public.

Mario:

Okay. Is there anyone from the public? Anybody from the public? Anybody from the public?

Okay. Well, thank you. So that'll be on there in the coming months. That brings us to the approval of the minutes of September 22nd of 2022. There is a motion to approve.

Speaker 5:

I'll second.

Mario:

Okay, we have a motion and a second. Any corrections, amendments, revisions to the minutes?

Okay. Hearing none. All in favor of approval, say aye.

Group:

Aye.

Mario:

Anyone opposed to approve? Anyone opposed?

Greg:

Mario, this is Greg. I abstain.

Representative Policy Board
October 27, 2022

Brian:

Brian Eitzer also abstains.

Mario:

Thank you. Brian. Greg. Anyone else abstaining?

Rich:

Yeah, this is Rich Smith.

Mario:

Okay. Thank you, Rich. Okay. Anyone else? All right, thank you. I believe the eyes have it. Jennifer, We move on to item four, which is communications. You should have received in your packet, your monthly identification on what's happening in each of the towns between distribution, treatment, field ops, capital planning, par, and facilities and security. So take a look at that and share that. There is a 10 year model presentation. All the RPB members are invited to attend. You can attend either the November 14th finance committee meeting at five for the November 21st, 5:30 PM Consumer Affairs Committee meeting. So please make an effort to attend one or the other. That's usually very informative and it gives us an opportunity to ask some questions as we go along and try to look at the long term future of the organization and where we think things are going. So please make note of that. And Jennifer will send out a reminder by chance? Okay. Thank you. Next we have the RPB quarterly dashboard report, which I believe Tim will be reporting on briefly during his finance committee report for your information. Any other communications? Jennifer?

Jennifer:

No, that's it.

Mario:

Okay. Thank you very much. The next item for business is an item for consideration and action. The nominating committee's recommendations regarding the appointment of authority member for the term beginning January 1, 2023. And with that, I'd like to turn it over to Mr. Eitzer. Brian?

Brian:

Yes. Thank you very much. You want me to give my Nominating Committee report right as we do this as well?

Mario:

You certainly may, but if you want to put the resolution on the floor first.

Brian:

Okay. I'll put the resolution on the floor first. Representative policy board of the South Central Connecticut Regional Water District, Proposed resolution October 27th, 2022 resolved. With Kevin J. Curseaden be and hereby is reappointed as a member of the South Central Connecticut Regional Water Authority, effective January 1st, 2023 with this term to extend until January 1st, 2028 and until his successor is appointed and has qualified.

Mario:

Okay. Thank you. Is there a second to the motion?

Stephen:

I'll second.

Mario:

All right. I think Steve. All right. Brian, would you like to give your report and your thoughts?

Brian:

Sure. I'll give my report and the discussion we had and we met, and I forget what the date was that we met, but we met and we had a nice discussion with Kevin about the job and qualifications of Kevin for the job, and where he thinks the authority is at this point and where the authority should go forward. And after that discussion with Kevin, we continued to discuss and decided that we thought that Kevin should be reappointed, and then the committee could be dissolved. And that is the report and this resolution in front of you.

Mario:

Thank you. I know you

Brian:

Any questions from the board?

Mario:

Questions? I know I appreciate you providing the report and Kevin's resume to all the members. That was very helpful going through that. Any other questions or comments on the motion that's before us?

Tim:

If I could just add a little bit of embellishment to Brian's report. I can only say that obviously I was in support of Kevin completely, but we also, I thought gained some further insights about the authority and their operations. I guess we all have a basic understanding, but he also made some interesting suggestions that I think the RPB could consider for potentially its own membership, and things that I think the executive committee has begun to discuss. And that would be all I would say. I just thought it was very insightful interview process, and I appreciate the opportunity to serve on the committee.

Mario:

Thank you, Tim. Anyone else?

Stephen:

Hey Mario, this is Steve. Someone needs to mute. There's a lot of interference coming from something.

Mario:

Okay. If you're not speaking, please try and mute. Okay. Someone did. Whoever it was, so I think took care of it.

Representative Policy Board
October 27, 2022

Stephen:

Okay. Yeah, it sounds like it.

Mario:

Okay. Thank you. Thank you, Steve. I thought it was just me. Okay. Any other comments? Hearing none will try your minds. All those in favor of the motion of reappointing Kevin Curseaden, say aye.

All:

Aye.

Mario:

Anyone opposed? Anyone abstaining? Thank you very much, Brian and to the committee. Congratulations, Kevin, welcome you to continue good work on the authority.

Kevin:

Thank you. Thank you Mr. Chairman and members of the committee and the RPB, I appreciate it. Appreciate the opportunity.

Mario:

Next item of business is the third quarter 2022 RPB compensation matrix. Is there a motion to accept this substantially complete as presented.

Tony:

I'll move.

Mario:

Thank you. Tony. Second?

Joe:

Second.

Mario:

Who was on the second?

Joe:

Joe.

Mario:

Joe. Okay. Thank you, Joe. Any discussion on the item? If you have not gotten your mileage report in to Jennifer, then please make sure you do that. There's no further discussion. All those in favor say aye

All:

Aye.

Mario:

Opposed? Abstaining staining. Okay. Thank you all very much. I don't believe we have any other items for action this evening. That brings us to the reports. The first one up is the finance committee.

Tim:

Thank you Mr. Chairman. Finance met as a committee on October 3rd, a meeting on teams. We were presented with the audit and the audit scope results. All those types of things were discussed with the group. Rochelle added that it's completed, and the financial statements have been issued, and things looked good. Basically that was the general assessment. We also had a review of the first quarter of FY 2023 quarterly financial results. Those were in Rochelle's normal format, which is rather detailed. She owes us a terrific job of explaining things.

She did indicate there remains some ongoing concerns with the economy and the impact on customers, their ability to pay, et cetera. I guess we all have to keep that in mind and understand how to make that either change or how to improve upon it. And with that, I think what we're looking forward to is maybe a joint meeting of consumer affairs and finance to dig into the heart of some of these issues. And that's a meeting not yet as finalized or formalized, but we're looking forward to maybe approaching the issue in December yet to speak to Rochelle and Larry. But that is my intention, forthcoming.

And then finally we get a look at the dashboard and Mario indicated that I was going to talk about the dashboard. It was presented to the group and you all can see it. I certainly can't speak to it without looking at it myself. But in general, there was some conversation about replacing the dashboard and coming up with maybe a different format with more form current information. So again, I think that's in Larry's hands and Rochelle's hands. And we'll just take that as it comes. So our next meeting is scheduled for, I said November 7th. And I do see tonight they mentioned it was the 14th, so I may have had my dates wrong. It wasn't listed in our minutes, but I see where we're having a meeting of the 10 year model presentation on the 14th. So if it's the 14th, I got to correct my calendar. Either way that's the end of my report is are there any questions?

Mario:

Questions for Tim?

Stephen:

Tim, this is Steve. As far as the dashboard, did you provide ideas for rearranging it?

Tim:

We did not. It really came up in a conversation specifically led by Charles. He had a question, I believe it was directed from Charles, and then some conversation ensued, and Larry did speak up about how he thought they could maybe come up with a better sort of report with maybe some more current information. There was no further depth to the conversation. It was something that just came up with the presentation. So it remains to be, I can't further explain it any.

Stephen:

Okay, thanks.

Tim:

Unless Charles wants to add anything to it.

Charles:

No, I think you've summed it up. I mean, basically a question I had in is one that has come up before is that a lot of the information on the dashboard is either old or available in other places is, and my thought was maybe we could replace or alter this dashboard to encompass some projections and highlights of things we should be watching for. And basically Larry had some insights, I guess in other reports that he's familiar with and he's going to work on bringing something forward. So we should have something in the future. It was more of bringing the dashboard into a more timely report at this point.

Jay:

Good idea. Mr. Chairman, Jay.

Mario:

Yes, Jay?

Jay:

Yeah. I participated in that discussion in my position for a few years that the dashboard report could be eliminated to one less item on the financial group to come up with. And it goes to the fact that at that meeting we had our auditors give report on the audit issue. They have been very, very clean. Good. Especially since Larry's gotten on board with us. It also is the fact the debt, we heard a comprehensive report from Rochelle on the condition of the bank that was current, which comes consistently. And then we go into a dashboard report, which is the previous quarter, which no one has any questions on, because the quarter's over and important is what's current and going forward. So it was my position and still stay with it that I believe it should be eliminated. We came up with thought Larry would put something together to come back to the full board on to present to us and we could take action as we feel we should. Okay.

Tim:

And if I were to add, just to Jay's comment, I think if it were to come to finance, maybe first he could introduce it to us. We could maybe give it a sort of a subcommittee review or whatever and then bring something to the full RPB. I think that was probably what we were thinking. I could be mistaken.

Charles:

That was my understanding that Larry was going to get together with accounting and bring something to Finance Committee. Right?

Tim:

So stay tuned.

Mario:

Okay, that sounds good. I think you know that you can work on some of the details and then make sure that we've got it all covered.

Charles:

Right.

Mario:

Very good. Any other questions for Tim in finance? Thank you. Thank you very much. Consumer affairs, I'm sorry. Land Use Committee. Mr. Betkoski, thank you for the meeting and inviting us. That was very nice of you.

Peter:

Oh, you're welcome. I'm going to go out of line here a little bit. I want to thank the nominating committee for doing such a thorough job, and I want to thank Kevin Curseaden for his reappointment or appointment. We did have our Octoberfest at Lake Saltonstall, which Mario was referring to, and it was our annual pizza party. I think there was like 25 of us. It was a beautiful day, and so it was kind of a loose meeting. We went over our usual business. It's all in the minutes, I'm sure you all received. What else did I want to bring up? Our next meeting's November 9th at five 30. I think that's about all I want to cover. If you have any questions, please ask.

Mario:

Well Peter, did you not do an executive session on security measures, and you can't report on what happen in the executive session, but at least

Peter:

You know when I was putting my notes together, I wasn't even sure if I should have brought up the executive session. But yes, we did have an executive session regarding our security discussion with management and human resource and our police. That's all I'll say on that.

Mario:

Okay. You were able to questions answered and have a discussion.

Peter:

No, no. I'm glad you brought that out. It was in my notes, but I didn't really have it in my minutes.

Greg:

And Peter, this is Greg. You should clarify the Octoberfest. It was without beer.

Peter:

It was without beer. Yeah. Lot of soda.

Jamie:

Octoberfest, instead maybe.

Peter:

Yeah. Yeah. Anyways,

Jamie:

I would add that we were very pleased to find out that the folks, the permit users that go into that area are very conscientious about making sure the gate is closed and locked behind them. So that was good news.

Peter:

That was good. Good. Jamie. Jamie got locked out. Sorry Jamie. We all know the combination pretty thorough now. It's a shame we don't get to use our places as much as we work on it year rounds and we're blessed to have these places to go fish hike, and it is getting safer.

Mario:

Okay. Any other questions for Peter? Thank you very much. Move to consumer affairs. Steve Mongiello.

Stephen:

Good evening Mario. Thank you. Consumer affairs met on October 17th. We had an update on the Whitney Dam project by Larry Marsik, who is an engineer and the capital program lead for RWA. The Whitney Dam project is a large capital project, as you know. Will cover several years. The dam goes back to 1861. It was raised in 1864, with an improvement in 1917. So it's in need of an update with regard to stability. It's served for a long time, and it is a class C high hazard dam. There is the potential if it fails for significant destruction downstream. So it has to meet the requirements of class C, high hazard dam going forward.

So there are ultimately three possibilities. One is to do a concrete strengthening upstream. The second is a downstream concrete buttress. And there's also a possibility for an upstream new concrete dam. And to that end, RWA has taken an approach of involving contractors early. That approach develops ideas from several different competent contractors, puts together hopefully a better design and proposal through the bid. And it also has the advantage of hopefully reducing risk to the final construction design and optimizing the design and construction.

So they are in that phase currently working through that. They're also looking at potential grants to support this. And in terms of a schedule, it's preliminary, but the first phase that I just described will continue through next September. We may possibly have an application before us in November of next year. And construction is anticipated from 2024 to 2026. So you can see this will go on for a while. It was a good update, we appreciated it. And Jeff was there at our meeting, also reported on a minor incident that got escalated to him on a vacant property in New Haven. I haven't heard from him, but Jeff will report maybe he's already resolved it. And that was our meeting. And we will meet, as Mario pointed out earlier on November 21st. And everyone is invited to attend the 10 year model presentation at our meeting if they would. So desire.

That's it for us.

Mario:

Okay. Questions for Steve? Thank you very much, Steve.

Stephen:

Great.

Mario:

Appreciate it. Mr. Eitzer, I believe that you provided your report. Did you have anything else to add?

Brian:

I do not.

Mario:

Oh, I would like to thank the committee again. Let you guys take a vote on your minutes, and dissolve the committee. So thank you again for doing such good work. Brings us to the executive committee. I'm sorry, we met early this month. We covered several topics. One that took quite a bit of our discussion was where we are with COVID, and when we expect to go back to hybrid meetings, and how numbers are going up and down and sideways. And so we're going to take that up again in January. And we are actually going to be scheduling are our executive committee. We're going to try and put on the calendar a quarterly meeting of the executive committee so it's preset on the calendar so it becomes a regular meeting. But Jennifer and I still working on that one.

We also did a brief discussion on New Haven Environmental Advisory Councils meeting and just Steve gave us a little bit of an update since he had attended that, and so did Jeff Donofrio, and the RWA is preparing a response because they asked, New Haven Advisory Committee had asked for a number of questions that deserve a response. So I know Larry and the team are working on that diligently. So thank you very much. We talked about capital projects and what's coming down the pipeline, if you will. And also about funding. And there are couple of projects that are going to be drinking water state revolving fund applications, and also one that's congressional direct spending for Lake Saltonstall treatment plant. So that was good information to get, so appreciate the information.

And as you heard about a joint meeting between finance and consumer affairs, that will be scheduled at some point possibly in December to cover a number of items and the public participation, how long the meeting should be. And we also discussed items on the authority, and the number of members of the authority, and possibility of some sort of term limit or so. And that's something that David and I talked about possibly at after the first of the year, maybe having a joint committee just to sit down and discuss benefits on something like that. So don't have any more information to share on that other than it's an interesting topic to discuss further. So I think we'll be doing that in the future. If there's any questions? Okay. Thank you very much. That brings us to the authority and management. And Mr. Borowy.

David:

Good evening Chairman Ricoszi and members. Thank you very much for your support of Kevin. We're very pleased to have him back, and we look forward to five more years of great service from him. So thank you. We had a very long and robust meeting with several topics of big discussion. And we started with the Pension and Benefits Committee and that was Suzanne Sack. So we'll ask her.

Suzanne:

Good evening everybody. I hope this finds you well. The Pension and Benefit Committee met. Morgan Stanley, discussed and provided their perspective on the market environment and reviewed the asset allocation of the portfolio and the performance of the pension and the Viva plans.

Returns for the quarter and did September 30th, 2022 for the pension and Viva plans were a negative 4.78%, 6.47% points lower the actuarial return for the quarter of a positive 1.69%. Returns for the 12 month period from September 30th to September 30th, 2022. 21 to 22 were a negative 14.76%, 21.51% going to lower than the actuarial return for the period of positive 6.75%. For the period May 31st, 2022 through September 30th, 2022, fiscal 2023 year to date, the return, excuse me, fiscal 2023 year to date, the return was a negative 9.82% versus the actuarial return of positive 2.25% for this four month period.

Representative Policy Board
October 27, 2022

For the period during December 31st, 2021 through September 30th, 2022, which is our calendar year to date. The return was a negative 18%, 18.39% versus the actuarial returns of positive 5.06% for the nine month period. As an additional comparison over the last five years, September 30th, 2017 through September 30th, 2022, returns were reported as a positive 3.26. And that is what we discussed in the Pension and Benefits Committee meeting today. May I answer any questions?

Tony R.:

Mr. Chair? This is Tony Resigno.

Mario:

Yes,

Tony R.:

Thank you, Suzanne. Thank you very much. Did anybody from our wealth management team have any crystal balls about what they're seeing over the next six months?

Suzanne:

Well, we discussed both the equity market and the bond market in terms of their activity. And one of the things that they feel is that while we may not be at the exact bottom of the stock market, there's a sense that we're very close. They think there's going to be a little bit more progression down, but it'll be a quick touch point before it starts to progress back up again. I think there's a little bit of a question about what the Fed is going to do with interest rates and how that's going to affect the fixed income market. But I think all in all, they feel like both asset classes will begin to perform a little better. And so they're hoping that performance will improve. And again, I'm not sure that they feel like performance improving is positive performance, but just not as negative. So I think in the end it'll be a year to two years to work ourselves back out of this significant decline, and a historic decline for the bond market, actually more than the stock market.

Tim:

Suzanne,

Tony R.:

Thank you.

Tim:

If I may Suzanne, did you glean anything in any of this reporting that management or wealth management folks had altered directions, patterns in investing, just adapting to what's going on? Are they sort of holding the course? What's your insight on that?

Suzanne:

It's a great question. Both are great questions. I think when I think about the way they approach pension management, which most pension boards and asset managers for boards, for pensions due, is they invest in a diversified portfolio with the modern investment theory that non-correlated assets, when one goes up, the other goes down. And so therefore, when you have deep declines in your stock market, fixed income buoys and therefore offsets some of those declines. And I think in this particular case with

the historic bond market or fixed income market declining so significantly in an unprecedented way, literally in history, it did not act as a non-correlated asset to buoy against the increase of the equity market.

So they have been trying to answer your question specifically. So I think you have to understand that the context is some very unprecedented times. And so rather than making radical shifts in their investment philosophy and move away from what classically has been the right kind of philosophy to invest for a pension long term portfolio, they have been trying to work through specific small, discrete tactical changes like investing in certain funds that have limits on downside and no limits on upside.

You obviously pay for that in certain ways as you pay your management fee, but also looking at treasuries, which were popping at 3% a little bit, or corporate bonds, which were even getting up to 6%. So at the end of the day, they're looking for all those little bright spots to try to seek out another hundred basis points at the end of the day. And we encourage them to continue to take those tactical moves because when you need to move the portfolio back out and re-climb out of this decline every a hundred basis points that you don't go down helps a great deal for the portfolio. So one of the things that the board will need to consider is making additional contributions to continue to move to our funding status, but at the end of the day, it's really tactical moves that will help, but they'll help in incremental ways.

Tim:

That was a great answer and a fulsome answer. And you actually answered my second question that you, we may have to up contributions, and again, that's a story you have to be told. So you'll, you'll just let us know the next time.

Suzanne:

You bet.

Tony R.:

Thank you much. Nice job, Suzanne.

Suzanne:

Thank you. Any other questions?

Mario:

Other questions?

Jennifer:

I'm not sure, I'm not, if this is the right place to ask it, Suzanne, or you're even the right person, but with this historic thing happening and its impact on this. Will this impact our rating at all? Can you speak to that or is it really not connected?

Suzanne:

Rochelle would be better qualified to speak to that. Certainly our funding status in some measure is a component of how our credit is perceived, but whether given again, the context of what's going on in the world and the markets, they would factor that in as well. But I don't know if Rochelle has more to

say about that, because it would only be one of many components they would consider about our credit rating.

Rochelle:

Yeah, I can add a little bit more. So we did reach out to the firm that we work with on our rating agency presentations that we do. And the view is the rating agencies do understand what's happening in the market. So it's not going to adversely impact our ratings. What they would expect, and which we're definitely intending to do, is continue with our approach that we contribute more than the arc. So that's what they're looking for, but they definitely realize that the market values are down.

Suzanne:

And coming into it relatively strong in terms of our funding is a big asset for us in terms of overall impact. Because those pensions that came into this week are suffering more.

Jennifer:

Thank you. Very much.

Mario:

Thank you. Any other questions for Suzanne? Thank you, Suzanne. Appreciate it.

Suzanne:

Sure. Thank you for those questions. Good questions.

David:

Thank you, Suzanne. And we also had other topics plus the business meeting that we were presented reports on, and Larry is going to give us an update on those.

Larry:

Sure. Thank you, David. Yeah, I just wanted to comment on the 10 year model discussion, which we had in the finance section of the authority agenda. We spent some time talking about the new lead and copper rule revisions, which will have a long term financial impact on the authority. So we spent quite a bit of time understanding that, but we did an executive session, because it contained a number of commercial and financial assumptions going forward. So we weren't ready to solidify that yet, but we did get a direct come to an agreement on a direction with the authority.

We will present that same presentation to both committees when we do the 10 year model. So we'll have a discussion about the lead and copper rule, its impact on the financial situation moving forward during the discussion of the 10 year model. So that will be coming up next month. Before I get into my business report, I'll ask Jerry, excuse me, Liz Callow, who is our senior director of HR and HR business operations, give a brief update on the COVID situation. She is the currently acting as the interim head of the HR department while we go through our recruiting process. So Liz, do you want to jump in on that?

Liz:

Sure. Hi everyone. So for COVID, your last update, we have an increase of 10 new cases. So we're at 120. The last report was 10/3. The EHSR team has not identified any trends in departments or internal work

groups that indicate any transmission within the workplace. So everything is status quo there. Our vaccination rate remains at 85%. The cleaning, we're still consistently cleaning the electrostatic spray. These going on treatment plants are being cleaned weekly and remote work is still being conducted. And we are monitoring performance metrics. Right now, the Connecticut COVID positivity rate is at 8.4, and we continue to follow CDC guidelines. Any questions on COVID for me?

Mario:

Questions for Liz? And that's why we were waiting till January to talk about getting together and in person meetings. So thank you Liz. Appreciate it.

Liz:

Thank you.

Larry:

I did want to make one additional comment on the 10 year model. We did do that in executive session as well because there was a number of commercial and financial discussions in there that was confidential at this point. So when we meet next month, we'll ask that discussion where appropriate be held in executive session for both the lead and copper rule and parts of the 10 year model. And you'll recall that we did part of the 10 year model last year in executive session because we were talking about negotiations and other financial information that we weren't prepared to divulge to the public. So that'll be the same situation this year. In terms of the operating results after four months of actual results through September 30th, our operating revenues are over budget by about 4.3 million, and that's due to higher water consumption across the different meter classes. And there that's over budget by about 4.2 million.

And we have other revenues which consists of our backflow testing, our outside lab services, and pipe safe revenues. They're all over budget by about \$126,000. The operating and maintenance expenses are under budget by about 2.8 million. Most of that is timing or about \$271,000. So you have about 2.5 million, I'm sorry, 2.5 million being due to timing, about 270,000 due to a permanent or deferred net savings. When you do all the puts and takes, we are projecting coverage of about 118% higher than last month with no shortfall compared to a budget of 114% without a shortfall. And that projection reflects mainly that we are receiving much higher interest earnings on our investments than we had originally assumed. So the good news for the interest hikes is that we're making more, although we'll have to probably pay more when we go out for debt financing. Also attributing to that higher coverage, is the pilot and the debt service expense in both cases being a little under budget.

In the case of pilot, we make assumptions on for our budget purposes. Turns out that the pilot that we're being charged is not as high as the assumptions. And with regard to the debt service expense, that's timing. We didn't take out a loan in May, so we've had a couple of months since then that we didn't make interest payments until August. So we've got a little bit of a reprieve from that as well. And as of October 17, raw water storage was at 72% compared to a long term average of about 67% for this time of the year. So that's all the updates and I'd be glad to answer any questions either for me or the leadership team.

Stephen:

Mario, this is Steve.

Mario:

Yes, Steve, thank you.

Stephen:

Yeah, I have a question for Larry with regard to the lead and copper rule. Is the impact on the tenure model due to what we don't know or what we found out in the near term here? And how much is the potential impact? I mean, roughly?

Larry:

Well, it's based on, it's based on a number of assumptions of how many of the unknowns are actually lead service lines. So that that's the assumption there. And it, I'd rather not get into a public discussion here on the impact. I'd rather hold that for executive session because that has other implications.

Stephen:

Okay. Do you believe the government would create a situation where you had a significant financial responsibility, or do you think they'll make it in a try to adjust it in a way that makes it livable?

Larry:

Well, we can only hope because right now, as through the last government funding that the Biden administration issued, they were allotting 55 billion to replace all the lead service lines across the United States. It's going to be tens, 10 times and more than that amount. So it's going to be in the tens of billions of dollars over and above that. So right now, they have not created the financial assistance that's going to be necessary to comply with that. And so unfortunately, it may well fall on the customer through the rate making mechanism unless the government comes through with more grants than what they have right now.

Stephen:

Okay. Do you think they'll insist though, on changing all of this are, or maybe they'll check, they'll modify their request for an upgrade?

Larry:

Well, we can only hope we have to have an inventory completed by October of 2024. So we've got to hand that in to the Department of Public Health. So we have a couple of years until that information is required. There is no end date on when all the lead service lines on the utility and the customer side need to be replaced. So we could take 20 years if need be to go through that process. So as of now, there is no deadline to replace the lead service lines. So if you can get it down to zero, which is what we think is the appropriate level, that you can either do that with filtration devices in some cases, or replace the lead service line, which you can carry out for 15 or 20 years.

Tim:

I had a question for Larry, if you're satisfied with your answer, Steve?

Stephen:

Yeah, no, I'm sorry. My computer kicked out here for a minute. I didn't hear the last part, so No, thank you. That's fine.

Larry:

All right then.

Tim:

Yeah, Larry, my question goes to the issuance of this as it's a rule, so to speak. Was this an act of an agency or an act of Congress, or do you not know, or

Larry:

It's the EPA. The EPA has issued regulations for the utilities to comply with staged out in terms of the testing that's going to be required, what level you need to reach going forward, and then how they're classifying the service lines that need to be replaced. Anything that's lead, anything that's galvanized, those need to be replaced.

Tim:

Because maybe, while this may be completely important and not unimportant, a recent Supreme Court decision could come to assistance here where agencies cannot necessarily make directions of this magnitude without congressional input. So maybe there ultimately could be over time some kind of remedies that could enhance all of this to make it more palatable. Who knows? I really don't know. But that is an important and recent Supreme Court decision, so

Larry:

Well, that would be helpful. And what would really be helpful is that when we define what it is, it's going to cost us with some specificity. We have estimates now, and we have applied for a grant from the Department of Public Health. It nowhere near covers the cost. There is a cap on it, but it would be helpful that we have, I think, a united political front on what needs to happen in order to mitigate the cost of this compliance effort to our customers.

Tim:

Thank you.

Mario:

I think once the Department of Public Health receives all these reports in 2024, the at that point realize how large the effort is. And Larry, excuse me, this is an update of a rule that is currently in existence. It's really more of a monitoring rule,

Larry:

Right. Yeah. It's a monitoring rule now that specifies the testing, but this is going to actually mandate the replacement in order to achieve the compliance with the rule.

Mario:

Okay. Other questions?

Larry:

Very good.

Mario:

Larry? David?

Jamie:

I have one that's not related to lead pipes or can we move on?

Mario:

Go ahead, Jamie.

Jamie:

It has to do with our non-core work, which I think we use different terminology for now.

Larry:

Commercial business.

Jamie:

Commercial business. I'm sorry, I'd finally gotten it down to Noncore. So on our commercial side, I'm not hearing a decrease in numbers on that side, and I was just curious as to whether the economic downturn that's had affected some businesses has impacted that side of our income and revenue. If we're seeing a decrease in revenue, if we're losing any commercial enterprises that have come to us, if we're seeing a decline in any way or if we're getting hit on that end.

Larry:

No, the plumbing business is doing is quite well. They're better than planned in both cases for both businesses that we purchase. And pipe stage doing is doing a little bit better. We've had improvement in the lab laboratory operations, so so far we haven't had a negative impact.

Jamie:

Thank you.

Mario:

Thank you. Any other questions?

David:

Well, thank you all.

Mario:

Does that cover it, David?

David:

Representative Policy Board
October 27, 2022

I think so.

Mario:

Okay. Yes. Thank you.

David:

Thank you everyone.

Mario:

I will direct you to look for Jennifer's email that will be coming out with the list of meetings for the month of November, because there are several that are changed, including the RPB meeting November 17th, which would be the third Thursday, because we're afraid that everybody's going to be sleepy on the 24th after eating Turkey. So please look for that schedule, and make note in your calendars. Is there any other business to come before us? Okay. Hearing none except a motion to adjourn.

Greg:

So moved.

Mario:

Got a motion to second?

Tony R.:

Second.

Mario:

You all very much. Appreciate it. Have a great Halloween.