

REPRESENTATIVE POLICY BOARD

PUBLIC HEARING

(Target Two, a Confidential Plumbing Company)

JULY 27, 2023

PUBLIC HEARING TRANSCRIPT

Tom:

I'm a member of the policy board for Ansonia and I've been selected to be the presiding member. I'm going to remind everyone that the meeting is being recorded and I'm next going to read the notice of Public Hearing.

The Representative Policy Board of the South Central Connecticut Regional Water District will hold a public hearing to consider the South Central Connecticut Regional Water Authority's Application for approval to purchase the Assets of Target Two, a Confidential Plumbing company, the applicant.

The public hearing will take place on Thursday, July 27th, 2023 at 7:00 PM. Members of the public may attend the meeting in person at 90 Sargent Drive, New Haven, Connecticut, or via remote access. For information on attending the meeting via remote access and to view the application and accompanying information, please go to <https://tinyurl.com/mu6vxn53>. The public hearing is being held pursuant to Sections 10 in 19 of Special Act 77-98, as amended.

The Application contains confidential information subject to protection under Connecticut General Statute Section 1-200(6)(E) for matters covered by Section 1-210(b)(5)(B), pertaining to commercial and financial information. Portions of the public hearing may be held in protected confidential session. In the event of a protected confidential session, members of the public will be asked to leave the public hearing during the confidential discussion and may rejoin after the confidential discussion has ended.

All users of the public water supply system, residents of the Regional Water District, owners of property served or to be served, and other interested persons shall have an opportunity to be heard concerning the matter under consideration. Questions may be submitted in writing to the board office by emailing jslubowski@rwater.com or by calling (203) 401-2515.

Signed, Mario Ricozzi, Chairperson, Representative Policy Board, South Central Connecticut Regional Water District, 90 Sargent Drive, New Haven, Connecticut 06511.

Procedure to be observed during the hearing. I'm going to advise attendees that the application contains confidential information protected under a protective order. Because of the sensitive nature of this confidential information, the public hearing will take place in two parts. The first part will include a public session testimony and questions. RPB members, the Office of Consumer Affairs, and members of the public may ask questions related to the public session presentation.

The second part of the hearing will be discussion of the protected confidential information and members of the public will be asked to leave. RPB members, RWA management, OCA, Bruce McDermott, Murtha and Jen Slubowski are invited to attend the discussion. At this point, RPB members and the OCA may ask questions related to the confidential information. There will be no set time limits. I'm going to advise anyone wishing to offer testimony that they will be sworn in. They will be asked to state their name, residence, business affiliation, if any, and may be subject to questioning by the presiding member and members of the RPB.

Members of the public will be given the opportunity to ask questions at the end of the public hearing and are not required to be sworn in. Have any members of the public signed in? Do we know that?

Jennifer:

No.

Tom:

Okay. Very good. Thank you. I'm going to ask all individuals who will testify again to identify themselves by name, home address, and organization, if any. Would you please approach who's going to make presentations? All right. I'm going to ask those present to identify themselves and to raise their right hand.

Rochelle:

Rochelle Kowalski, RWA, New Haven, 90 Sargent Drive.

Dennis:

Dennis Donovan, New Haven, RWA, 90 Sargent Drive.

Tom:

Perfect.

Jeff:

Jeffrey Donofrio. I reside 4 Nichols Farm Road, Trumbull, Connecticut, Office of Consumer Affairs.

Tom:

Thanks very much. I'm going to administer the oath. Do you solemnly and sincerely swear or affirm and declare that the evidence you shall give concerning the case now in question shall be the truth, the whole truth, and nothing but the truth upon the pains and penalty of perjury or false statement?

Jeff:

Yes, I do.

Dennis:

I do.

Rochelle:

Yes.

Tom:

Thanks very much. Let the record show that the oath has been administered and affirmative answers have been responded with. I'm going to first ask the ... Let me see. I'm going to ask members of the public to be present because we're going to move on to the public session of the hearing and I'm going to ask the RWA Authority to begin its presentation.

Rochelle:

Thank you.

Tom:

Thank you, Rochelle.

Rochelle:

In the brief, you can go to the agenda page. We're going to provide background regarding our entry into this commercial space. Then, Dennis is going to go through the opportunity review, the asset purchase structure, and then there'll be discussion and questions relative to the public session. With that, if you can go to the next page.

As you may recall, we are actually pursuing revenue enhancements due to our declining production trend, which although COVID was an anomaly, is about 1% a year and we still do expect that to continue at least in the near future. Given that we've been focused on expanding our revenues and that from by way of history, in 2017, we amended our enabling legislation to allow us to invest and conduct activities in non-core businesses. In 2018, we established the Growth Fund and this was to reserve funds intended for the non-core investments and activities. In 2020, we developed the 2020 to 2025 Strategic Plan to obtain 9.2 million net revenue by 2025, and that does include our existing [inaudible 00:08:59].

In 2021 we purchased, that was actually July of 2021, we purchased our first assets associated with well services entity and that entity is exceeding its valuation targets. In 2022, we purchased the second well services operation and that entity is also exceeding its valuation targets. In 2023, the RPV and approved our asset purchase of what we call Target One. In 2023, we also entered a non-binding term sheet relative to Target Two, which we'll be discussing. I'll turn it over to Dennis.

Tom:

Dennis. Thank you, Rochelle.

Dennis:

Thanks, Rochelle. We're continuing to pursue our market penetration efforts in the well services and plumbing space. Target Two Opportunity Review, as you can see is in Connecticut. The circles on the right hand side is our current well services footprint. It is important to say that the target here is adjacent to that space, so we pick up incremental market and service capability. The entity, Target Two has six total employees.

The principal who is a journeyman licensed plumber, as well as three additional licensed plumbers. In addition to that, they have one apprentice and one office staff. From a size and scope standpoint, there are about 1.3 million in annual revenues. The target has been around for over two decades serving its current community within Connecticut as a very strong service reputation and through diligence and other work represent a stable and healthy earning profile. Next slide please.

The statement of cost for this target entity is between one and \$2 million. We are proposing a asset-based purchase of all the physical and intangible assets of the business. There is a subset of the purchase price that is performance-based and contingent only paid upon performance. We are proposing not to take any of the liabilities of the entity itself, the business entity, and are layered in a full set of reps and warranty in the proposed APA.

We do plan on continuing to operate at that location, so we'll make proper arrangements with the current tenant for a lease arrangement between the Authority and that entity. That concludes the public overview of Target Two.

Bob:

Can I ask a question? On the slide here, it says 21 office staff.

Dennis:

That is a typo.

Bob:

Okay. It should be one?

Dennis:

Office staff, six total.

Bob:

Okay. Just thought I'd ask.

Dennis:

Thank you.

Tom:

Very good. Shall we proceed then into a closed session as a result of the protective order and proprietary information that we'll be exposed to and of which there'll be discussion? Hearing no objection to that, by rule of the Chair, we're going to move into closed executive session.

[CLOSED CONFIDENTIAL DISCUSSION/EXECUTIVE SESSION FROM 7:20 P.M. TO 7:50 P.M.]

Tom:

Okay. We'll move on. Are there any additional comments or questions relative to the application before us?

All right. That being the case, is Mr. Havrda here? He generally is the records officer.

Bob:

Jamie.

Tom:

Jamie? Very good. All right. Ms. Young, you wanted...

[REMAINDER OF RECORDING UNAVAILABLE. REMAINDER OF PUBLIC HEARING RECORD INCLUDED A READING OF THE EXHIBIT LIST POSTED ON WEBSITE.]

PUBLIC HEARING CLOSED AT 7:56 P.M.