

REPRESENTATIVE POLICY BOARD

FINANCE COMMITTEE

AUGUST 14, 2023

MEETING TRANSCRIPTION

Tim:

It's five o'clock and I'm going to start the meeting. Welcome all to the Representative Policy Board Finance Committee of Monday, August 14th. Vin Marino was unable to attend. I'll lead the meeting tonight and we'll start off with our safety moment, which is all about bicycle safety. Obviously, if you wear your helmet, be prepared for all that bad stuff, try not to drive across West Main Street in Cheshire with those flashing lights that are kind of crazy at the crossing, but they seem to work so far, but be aware. Beyond that, we'll dispense with that and go to the approval of the minutes for July 13, which was a special meeting because the date changed. Could I have a motion to approve?

Jay:

So moved Mr. Chairman.

Tim:

Thank you, Jay. A second? Okay. I'll second that, and discussion. I believe the minutes are substantially correct, so I'll call for a vote. All those in favor? Aye.

Committee:

Aye.

Tim:

Okay. Motion carries. We move again onto the audit proposal update from Rochelle. Rochelle, if you're on board, please present.

Rochelle:

Okay, thank you.

Tim:

It's fine.

Rochelle:

A couple meetings ago we had talked about whether or not the auditor would hold the fees if we went with a three-year or with a five-year renewal. Just as additional background, they initially said no, but then when I spoke to them, they did put together a proposal that basically did hold the same fees as they had and they just put some conditions on, which I think would've been the case anyway. Like, if we have more than one single audit, or if we have many more acquired companies, so I think basically they did call the fees. From at least my perspective, I think doing a three year with an option to renew for two additional years still makes the most sense.

Representative Policy Board
Finance Committee
August 14, 2023

Tim:

Okay. Any questions, concerns? I know Rochelle, when one changes these firms and does all of that good stuff, it's always an effort. I certainly concur that this seems like a reasonable increase, but what would be our next step? When should we, obviously we're going forward with the renewal, but what kind of view going forward would be the best opportunity to actually go out for an RFP if we wanted to?

Rochelle:

I would say it could be at the end of the three years. If we are happy, we could do an RFP at the end of the five years. I think it also depends on what other firms are out there. We have changed the partners to get the newest people using the same firm.

Tim:

Yes, I don't think that there's anyone that's any unhappy with any of this, but I just know that these are the sorts of things that need more than a month.

Rochelle:

Right.

Tim:

That'll just be in the tickle file going forward then. I did have one question. When it says the single audit first major program, could you define that for me? I just don't know what that means.

Rochelle:

When we get more than \$750,000 of federal money, we have to do what's called the Federal Single Audit. So far we have had to do these with our DWSRF programs. Because that source is federal with congressional directed spending, which is coming down the pipe. That would be an additional Federal Single Audit requirement.

Tim:

Okay, so it's basically the Fed's watching their money and making sure we're doing it right and the audit covers for that.

Rochelle:

Right.

Tim:

Okay. That makes a lot of sense. Just wasn't clear on that. Any other questions? I presume, are you looking for a motion on this or just a level of acceptance, or does this go to the RPB? I just don't recall.

Rochelle:

It does have to go to the RPB.

Representative Policy Board
Finance Committee
August 14, 2023

Tim:

Okay, so we essentially the committee should be either creating some acceptance of this, or at least moving it forward for full conversation during the RPB. Is there a prepared motion or would that be forthcoming? What do you think, Jeff?

Jeff:

I think you just make a motion to refer it to the RPB with the Finance Committee's approval.

Tim:

Okay, that sounds good. I'll accept staff wording. Do we have a second on that?

Jay:

I'll second it.

Tim:

Thank you. All those in favor?

Committee:

Aye.

Tim:

Aye. Bob that was a vote yes, correct?

Bob:

Yes. I vote yes also.

Tim:

Okay, thank you, sir. Okay, so now we're prepared to move on to the Ten Year Model potential scenarios. Again, Rochelle, I'm assuming you're up on this?

Rochelle:

Yes. Thank you. Really the purpose of this agenda item is to get the committee's input on if there are certain scenarios that you would like us to do. Really, what we put together is a sort of short presentation that on the first page is an indication of areas that we've focused on in previous Ten Year Models, capital requirements, the level of grants and subsidies, commercial net revenue impact. Definitely looking at the impacts on debt leverage and in particular the reduction changes in depreciation, pension, other post-employment benefits. Also, and it's one of the things that we did last year is we did, well, what if we keep our rates at only the CPI level and is that viable? We look at multiple considerations. It's the affordability, the allocation of the pension after we reach fiscal 2025, which is our target to be fully funded, definitely look at leverage.

This is just to frame various things that we've looked at. On the next two pages, this is just to refresh the committee's memory on the various scenarios that we did in 2022. That was last year's model, and then in the appendix it actually goes back another year. But really, the model scenarios for discussion really

talk about various things that we looked at. You might also recall that last year, one of the big aspects of what we shared, which was both in the base as well as in the target, we incorporated our best estimate for compliance with the lead and copper rule. It's really an opportunity for the committee to give your input on things that you'd like us to look at.

Tim:

Any special considerations that have been potentially overlooked here that anyone would like to speak to or question further? Bob, did you have anything in mind? Does that look sound?

Bob:

Yes.

Jay:

Could I?

Tim:

Jay?

Jay:

I want to ask about number two, about the pension sensitivity.

Rochelle:

What that was last year, again, this is just a recapping of what we looked at last year. We knew that the market values were way down at the time, and this showed the impact of if we kept with our fully funded by fiscal '23, what it would really do to rates. If you recall, it wasn't a recommended scenario, because at some point the market values would increase and we didn't think, from our perspective anyway, that was a prudent approach. It was to really highlight what changes in market values do when it comes to that pension contribution.

Jay:

Fine, thank you.

Tim:

Rochelle, I had a query about the updated number one, where one of the subsets is updated capital improvement plan, including the lead and copper rule. How are we realistically able to achieve any expensing on that? What do we know and how are we going to actually do that? What are you guys going to do for that?

Rochelle:

For last year's model, again, this is what we looked at last year. We had some very preliminary information about it really on the customer side in particular, how many unknowns there were versus how many lead lines we thought might be on the private side. We made several assumptions based on how the program is going to roll out. It won't be until a little bit later in the program when we start

getting input from the customer to better understand the customer side that we're really going to be able to further refine our numbers.

Tim:

When you say later, I know it's probably unpredictable, but what is later? Is it '24? Is it '25? What is later?

Rochelle:

I would say, and others on the call can chime in, but I think later in this fiscal year we would have a better idea, because we have to submit, based on the current timeframe, our inventory on October of 2024. We're going to be doing more customer reaching out with further post carding. We'll probably do some potholing and other ways to validate the assumptions that we've made, especially on the customer side.

Tim:

Well just say for example, me, okay, I got the postcard. It says what's going to be going on, but what do I do with a postcard like that other than say, I know it doesn't impact me, because I know it doesn't. But what about that resident, say in New Haven or Hamden in a much older home, what do they come back and say to you that makes an impact on what you understand? And, Larry's on board, so he may have an answer, or maybe no one has an answer. I'm just curious about this.

Rochelle:

Well, I think there's going to be different levels of communication and others can chime in. But I think an initial communication is what this is all about.

Tim:

Right.

Rochelle:

But, subsequent ones would be asking them to actually follow some directions to do their own testing. Could also be that we're coming out to the home, because we want to do some of our own testing. That's coming in the not too distant future.

Tim:

In all of that, there is going to be a range of suspected potential locations or impact areas. I gather that's what I'm concluding from what you're telling me. That's how you would direct some of that additional stuff. Am I correct or no?

Rochelle:

Yes.

Tim:

I don't mean to be dumb on this, but this just seems to be one of those things that's a rabbit hole expense wise, and exploration wise, and intrusiveness, and all of the above. I'm not opposed to it, I suppose maybe I am, but I just wondered how we get to that point where we can actually tell somebody, "We're coming in," that kind of thing.

Larry:

Well, as Rochelle said, it will be a progressive communication. The first round was just to let people know that we're going to be there, and then after that we'll start directing them to do certain things that they themselves can do to determine whether or not they have lead service lines.

Tim:

Okay.

Larry:

Then for those properties where we don't, either the homeowner doesn't want to do it, or whatever the case may be, we may go out and then start doing our own testing, whether it's potholing or using artificial intelligence. We have until October 2024 in order to provide that inventory of how many of our customers actually have lead service lines.

Tim:

Okay.

Larry:

Or, at least best guesstimate at that point in time.

Tim:

Right.

Larry:

Right now we're using most of the 30,000 unknowns as being probably, right now worst case is all of those are lead. Clearly it's going to be less than that, but it also includes goosenecks, which we'll have to get a handle on, and that's the pipe from the main in the street goes up and connects to the curb valve. Those will have to be replaced too, so those will have to be inventoried. It's a holding number right now, until we get a better handle on it, which will be in the next several months to a little bit longer than that.

Tim:

Basically, Larry, you mentioned a number 30,000. You've already had some capacity to be able to narrow this down in a sense of suspicious-

Larry:

Through a model, through working with CDM, we used a model that they have used in other communities where they have provided extensive consulting services, removing lead service lines.

Representative Policy Board
Finance Committee
August 14, 2023

Tim:

Well, that's terrific. Because it's been a bit of a mystery for me, and I think getting those communications, anyone getting them is just like, oh, that's interesting, but what the hell does it mean for me? I appreciate that very much.

Rochelle:

Yes, right now, we've made an assumption that of the unknowns; only 30% of them will be lead. As Larry mentioned, that's based on input from CDM.

Tim:

Okay. This is perhaps something, and maybe we should have, with the RPB Bob, some kind of updates on this. I mean, that's something that may have been said at one of our meetings, but I'm not certain it's been clearly stated and focused upon, since we are communicating with all of our customers. This is interesting that at least you've been able to narrow it down through the experts. Okay, that's good. I would ask, Bob, do you just take that under thoughtful consideration for perhaps an agenda discussion.

Bob:

Yes.

Tim:

Okay. Anyone else on some of the scenarios in the model? Well, seeing none, I guess you're on the right track.

Rochelle:

If you think of something soon, because we'll be starting very soon to get it already for October, just let us know.

Tim:

Sure, Okay, thank you, Rochelle. We always list items for new business. I am unaware in my conversation briefly with Vin, he didn't mention anything. Is there anyone before us that wants to have consideration of new items for new business? Seeing none. Our next regular meeting is Monday, September 11 at five o'clock. Again, by Teams is my expectation. If there's nothing else, I'll ask for a motion to adjourn.

Jay:

Move to adjourn.

Tim:

Second. Well, thank you very much. I appreciate everyone's time, efforts, and energy.