

## REPRESENTATIVE POLICY BOARD

MAY 25, 2023

### PUBLIC HEARING TRANSCRIPTION

*(Authority's Application for Approval to Purchase Assets of a Confidential Plumbing Company)*

Greg:

I'm going to call the public hearing to order. My name's Greg Malloy. I'm the West Haven representative from West Haven to the RPB, and I'll be the presiding member tonight. I want to remind everyone that the meeting is being recorded and the procedures to be observed during the hearing are as follows. I want 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.

This is the first part will include a public session, testimony, and questions. RPB members, the OCA 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 from 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. And I want to go back. I want to read the notice of public hearing.

Notice of Public Hearing. The Representative Policy Board RPB of the South Central Connecticut Regional Water District will hold a public hearing to consider the South Central Connecticut Regional Water Authorities application for approval to purchase the assets of a confidential plumbing company application. The public hearing will take place on Thursday, May 25th, 2023 at 7:00 PM. Members of the public may attend the meeting in person at 90 Sergeant 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 the website listed. The public hearing is being held pursuant to sections 10 and 19 of Special Acts 77-98 as amended. The application contains confidential information subject to protection under CGS section 1-206E. The matters covered by section 1-210B5B 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 a confidential discussion and may rejoin after the confidential discussion has ended. All users of the public water supply system, residents of the 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 [jslavowsky@rwater.com](mailto:jslavowsky@rwater.com) or by calling 203-401-2515. Mario Ricozzi, Chairperson, Representative Policy Board, South Central Connecticut Regional Water District, 90 Sargent Drive, New Haven, Connecticut 06511.

I'm not going to set any time limits. All right? 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, and business affiliation, if any, and may be subject to questioning by the presiding member and the 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. All individuals who will testify to identify themselves by name, home address, and organization, if any I want to ask those present to rise and raise the right hand. Those attending by

remote method, raise your right hand. All right. 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 penalties of perjury or false statement?

Jeff:

Yes.

Rochelle:

Yes.

Larry:

Yes.

Greg:

The application contains confidential information that is subject to protection under the terms of a protective order granted by the RPB. If the information is going to be used during the public hearing, members of the public will be asked to leave the meeting and can return after the confidential discussion has ended. Okay. Could you please identify yourselves?

Larry:

Larry Bingaman, Regional Water Authority, 90 Sargent Drive, New Haven, Connecticut.

Rochelle:

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

Dennis:

Dennis Donovan, Regional Water Authority, 90 Sargent Drive, New Haven, Connecticut. RWA.

Jeff:

Jeff Donofrio, Office of Consumer Affairs, 127 Washington Avenue, North Haven.

Greg:

Anybody online that will be testifying? Okay. The RWA will begin presentation.

Rochelle:

Okay, thank you. I just want to talk through the agenda that we're going to go through. So we're going to actually do an overview in some background on commercial enterprises. Then we're going to talk about the particular application or opportunity, then we're going to go through the structure of the transaction at a high level, and then we'll get into any discussions and questions as part of the public session before we go into executive session. Go to the next page. So here we wanted to give some background about commercial enterprises and in particular, why are we pursuing this? So this really is all about taking the available net revenues that are coming from these commercial activities to invest it

back into the utility to help mitigate future rates, to reduce our leverage by really reducing the amount of debt financing that we need to support the capital program.

So just by way of some additional background, so in June of 2017, our enabling legislation was amended to include non-core businesses. The term non-core is actually in the enabling legislation and it identifies the particular areas that we're allowed to go into and the other criteria around what we can go into as far as non-core. And actually in 2016 you might recall we actually had established what we called at the time, a general fund for corporate development. That was later moved into what we call the growth fund that was done in fiscal 2018, which was a way to set aside our monies available for these non-core initiatives. I also want to add that really from the period from 2018 to 2020, there was a lot of work that was done with our outside council, with our bond council, with other professionals to really help us with how this would be constructed.

So we wanted to make sure that we were able to take these net revenues and how we would get them back into the utility. We actually also even modified our general bond resolution to give us even more flexibility between putting the money in the construction fund or putting the money in the revenue fund. So we got some really good input, definitely support of both the governing boards as far as setting this up, setting up the legal entity structure and such as well. In 2020 we're definitely looking at the strategic plan commitment to get to 9.2 million by the end of fiscal 2025. I will say that does include not just the M&A activities, but also existing businesses like PipeSafe.

So that's all part of the 9.2. In July of 2021, we did our first asset purchase, and that business is actually well exceeding the targets that were used for the valuation. In May of 2022, we did our second asset purchase and that entity is also exceeding the targets. And then in November, December of 2022, we entered a non-binding term agreement with the target that we're talking about this evening. And with that, I'll turn it over to Dennis.

Dennis:

Thank you Rochelle. We are pleased and excited to bring you the opportunity to purchase the assets of Target One Confidential Plumbing Company. I will tell you, we got to this stage only after a very rigorous and thorough review process, both internally and with the guidance of the authority, in terms of challenging us, coaching us, and guiding us to bring these opportunities forward. This one particular fits all the bills in terms of strategy as well as tactical capability. The graph on the right side is illustrative of our two plumbing companies that we currently own that Rochelle had mentioned were exceeding targets. This particular opportunity of target one will complement these two entities in both market share and service capability.

Target One is located in Connecticut. It's a residential well and plumbing services company. There is currently 10 total employees including five journeymen. The owner is also a journeyman. Three apprentices and two office staff. From a size and scope standpoint, it stands about 2.3 annual, 2.3 million in annual revenue. Target One has operated in its current service footprint for decades and has plenty of experience, an extremely strong service reputation, and a stable and healthy earnings profile.

From a deal structure standpoint, we are proposing a very similar deal structure as we executed with the earlier two plumbing companies, in fact almost identical. Where it's an asset purchase where we're purchasing the physical and intangible assets of the company and proposing purchasing the commercial building that it operates out of.

There is a results based contingent purchase price that the current principles will be under. The current principles have agreed to stay with RWA Well Services LLC as a part of this transaction in order to allow us to have time to knowledge transfer, as well as come up with a succession plan. As a part of an asset purchase, so we are not purchasing the stock of the company, it's an asset purchase. Therefore, we will bring along zero liabilities and we'll have a full set of reps and warranties via contract. The range statement of cost confidential is somewhere between one and a half and two and a half million.

So we'll take any questions that we can answer now in the public session and then we'll go into a more detailed discussion when we go into executive session, which will provide more detailed information than what you just saw as a high level review. So if there's anything that we can respond to now in the general session, we'll do that. Otherwise, we would like to ask the hearing officer to let us go into executive session to discuss the details. So we'll see if there's any questions first.

Greg:

Are there any questions?

Stephen:

Hey Greg, this is Steve. Just for clarity, the executive session is not just for the material that was protected, right? It would be for information that had to do with the strategic planning of these, the for-profit ventures, et cetera. And I'm guessing I should hold them till that point. Am I correct?

Greg:

That would be correct.

Stephen:

Okay.

Greg:

Anyone else? Then why don't we go into executive session?

Tim Slocum:

So moved.

Charles Havrda:

Second.

Greg:

Let's stop the recording.

[CONFIDENTIAL DISCUSSION FROM 7:18 P.M. TO 8:05 P.M.]

Representative Policy Board  
Public Hearing  
May 25, 2023

Greg: We will go into public session now. I'm going to ask Charles Havrda to read the exhibits into the public hearing record.

Charles: The first one would be Exhibit A, Application to the RPB for Approval to Purchase the Assets of a Confidential Plumbing Company, dated March 30th, 2023 ("Application").

Exhibit B, OCA's First Set of Interrogatories dated April 14th, 2023. These interrogatories have commercial and financial information and are protected under C.G.S. Section 1-210(b)(5)(B).

Exhibit C, Notice of Public Hearing published on April 29th, 2023 in the Connecticut Post and the New Haven Register.

Exhibit D, Management's responses dated May 2nd, 2023 to OCA's First Set of Interrogatories dated April 14th, 2023.

Exhibit E, OCA's Memorandum dated May 18th, 2023. This memorandum has having commercial and financial information and is protected under C.G.S. Section 1-210(b)(5)(B).

And F would be the presentation we received this evening.

Mario: Charles, may I just make a comment. D is also protected. It was responded to under protected order.

Charles: Okay. Thank you.

Greg: All right. Before we close the public hearing, are there any other questions or comments? Any other questions or comments? Any other questions or comments? All right then, I close the meeting.

[PUBLIC HEARING CLOSED AT 8:08 P.M.]