

REPRESENTATIVE POLICY BOARD

FINANCE COMMITTEE

JULY 9, 2024

MEETING TRANSCRIPTION

Vin:

It is 5:00, I will call the Representative Policy Board Finance Committee meeting to order. The first order of business is the Safety Moment. Be aware of what poison ivy looks like and make sure you're avoiding it as best as you can. Wear protective clothing while gardening or hiking in the woods. Wash your skin and clothes well with regular soap or laundry detergent. Use cortisone cream to treat rashes or use oral and histamines, and if you're experiencing serious problems, seek medical attention.

All right. Let's move on. Is there a motion to approve the minutes of the June 10th, 2024 regular meeting? Can I get a motion?

Jay:

I'll make a motion.

Vin:

All right, is there a second?

Michelle:

Second.

Vin:

Thank you for that. All right. Hearing a motion and a second. Is there any discussion, any comments, revisions? Hearing none, all those in favor?

Committee members:

Aye.

Vin:

Anyone opposed? Anyone abstaining?

Jamie:

I'm abstaining.

Vin:

All right. Thank you.

Jamie:

Thanks.

Vin:

All right, thank you for that. The ayes have it. All right. Let's move on to the quarterly financial report and the year-end disposition for fiscal year ended May 31, 2024. Rochelle, is that you?

Rochelle:

Yes. Similar to other years for the end of the year, I just wanted to know if the financials are still preliminary until we get through the audit. As I go through certain of the items, I'm going to highlight certain key things where we, at the time that this was prepared, that we didn't yet have all the information.

With that, I'm going to start with the balance sheet. From the asset and utility plant perspective, again, at the time this was done, we are still making some final changes, although I don't expect it to change significantly. You could see that net utility plant is actually up at \$22.9 million. The utility plant in service is up by about \$50 million, and that is due to, we had some large projects like the West River Improvement project that went into service towards the end of fiscal 2024. Construction work in progress is still on the high side, but we do still have ongoing projects, including the CIS project, including the Whitney Dam project. So that's some of the reasons that CWP is high. But as I mentioned, utility plant progress is up year over year. We are going to do final adjustments that will impact land and non-utility land. You're probably aware that we did sell a property in Hamden, and we actually got a donation of land in Branford, so that will be reflected subsequently, but before we close out the year.

For cash and cash equivalent, you may also remember every time we do this this time of year that the financials are prepared prior to when we record our year end disposition because we go through that approval process with the authority board. We'll be sharing that with you in a moment. So cash and cash equivalents look like it's up by \$24.9 million. After we incorporate the year end disposition, it will still show a small year over year increase.

Just going down the left hand side of the page, accounts receivable are actually down by about \$1.7 million. When we talk a little bit later about the RPB dashboards, you'll see that the receivables really have improved quite significantly this year, so that's really positive. The lease receivables I just mentioned, this is the new accounting standard that went to effect last year. Based on discussion with the auditors, we're updating this once a year. So that will be a subsequent update where we look at any changes that have occurred through fiscal 2024, and we'll make final adjustments for all the lease accounting. Restricted assets, again, this is before the year end disposition. So after the year-end disposition is reported, restricted assets is going to go up significantly because we're putting a significant contribution into the construction fund. The regulatory assets, at this point, that's basically amortizations that occurred on those existing assets for the deferred charge on pension at OPEB. This, again, will be updated when we get our 5-31-2024 actuarial report. So through this period, it reflects just the ongoing amortization, so it's still based on the 5-31-2023 actuarial report.

If you go to now on the right side, a couple things here. Revenue bonds payable noncurrent, that is actually down year over year. That's because the principal payment that we made back in August is actually less than the new issue that we did earlier in the fiscal year, the 37 series. We also did do a refunding in May of fiscal 2024 that also had a favorable impact on the par value. You can see that DWSRF loans are up rather significantly. We did finally close on our largest DWSRF loan, which was for the West River Improvement project, and that loan is at a 2% rate. We also got a grant, which I'll talk about shortly. So that was good news. As I mentioned, the pension and the OPEB, that's going to be adjusted when we get the actuarial report. Just going down this list here. Other key things that I want to

highlight. I think just the other overall item that I want to highlight here, you can see that net assets are definitely up on year over year, so that's a positive aspect.

If there's no other questions on the balance sheet, I'm going to now go to the income statement, and will go to A-1. On the upper part of the page, again, I'm just going to note some highlights. You can actually see that metered water revenues did turn around in May where we only now had a small variance versus the budget. Also, total operating revenues are up by about almost \$1.2 million. That's about 1% over the budget, so that was positive. The operating expenses, we under ran by \$1.7 million approximately, and that's actually only 1.5% under budget. So good news we came in under budget, although the variance was not as significant as it had been in prior years.

Depreciation, I just want to mention we will be doing a final update on the depreciation amount. You can see just going down the page a little bit lower, interest income was up by \$3.5 million. That definitely is having a favorable impact, both on our GAAP based financials as well as the maintenance desk. Another key item I want to highlight here, intergovernmental revenue is where we have our DWSRF grant. For the West River project, we got a \$1.5 million grant, so that was positive. And then earlier in the year, we got close to a \$500,000 grant with our RTU project, so that was good news there.

If you go down to now the bottom of the page, this is our maintenance test. We actually had a very strong May from a cash collection, and that was actually after we had a very, very strong April, so we ended the year very positive from a cash perspective. The interest income, as we've been talking about, that's also higher than what we had originally budgeted because interest rates have stayed high. Our other net revenues also were strong this year, over budget. That's both other proprietary as well as other water. O&M, as I mentioned, came in a little bit under where we were estimating. We were already estimating that we would come in a little bit under budget.

The other positive item that you've heard about throughout the year, the timing of our DWSRF financing took longer than we expected. From a positive perspective on the large West River project that I mentioned, instead of paying debt service for a number of months, the first payment will actually be in June. So that actually also had a favorable impact. On a preliminary basis, we're projecting coverage of 133%. I don't expect that it will go down from there. It's possible that it might go up maybe by 1% or 2% by the time we finalized everything. But despite the cool with summer, we actually ended on a positive note.

On the next page, here is where we show a little bit more detail on the O&M and where the under runs actually were. I'm just going to highlight a few of them. Payroll did end the year under budget. We had anticipated that although when we ended in May, we're close to our budgeted headcount. Through most of the year, we were under. So not necessarily good from an operational perspective, but from a financial perspective, it helped. We did make an additional pension contribution towards the end of the year in addition to our funding the pension above the ARC that was already budgeted for. From an employee benefit perspective, we did achieve the criteria to make that global metric payout. That's something that we don't budget because it's self-funding, but you can see that in the employee benefit results. Medical expenses, although the variance came down a little bit during the last few months of the fiscal year, it still did end a little bit ahead of budget.

A couple other key areas. Collection expense did continue to be under budget. That's related to bank fees and some estimates for the rebilling that we do that was higher than what we had anticipated. Outside services, although that was relatively high, we did actually under run that. We had projected to under run it, it's part of our bottoms up process, but that came in a little bit lower than even we had expected. Insurance premiums, you might recall from when we did our budget presentation that the umbrella insurance in particular, we had a higher renewal. That's something that we'll continue to look

at. But the renewals happened in March, so they are having a little bit of an unfavorable impact on our fiscal 2024 results versus the budget. Another item I just want to highlight is maintenance and repairs. It did come in under budget, but a key driver is for pump and valve replacements that were budgeted in O&M through the flushing and other activities that were being done in operations, we actually had a higher capital, so more replacements than repairs. So this isn't indicative that we're not doing maintenance and repair work.

I think on the capital, I'm not going to go over all the programs, I just want to highlight a few things. We did exceed our 96% target. We actually came in at 97.4%. Very much a cross-functional effort to make sure that we were expending the anticipated level. I'm just going to highlight a few of the projects that really helped us to achieve that goal because we realized later in the fiscal year, that certain projects that we had expected to be completed were lagging for, generally speaking, situations beyond our control, like permitting or supply chain or other externally driven factors. So key projects that helped us to achieve our goal, we did more work on bridge refurbishments, so that was positive and helped us achieve our goal. Same for filter media replacement. We did more work in fiscal 2024 for the Lake Whitney ozone and DAF controls project. We did more work. That project will continue into fiscal 2025. We were able to do more in fiscal 2024.

Other couple of projects that we were able to do more that offset some of the projects that, for a variety of reasons, we were not able to complete. The Lake Gaillard HSBC project, we also did more work there. We did a lot more work in the municipal pipe area. That was primarily for Trumbull and Orchard Street, so that was good. That work had to be done. That helped us achieve our goal. Other projects, you can see a pipe bridge rehabilitation was one that we under run. But again, we were able to offset that by everyone working together and monitoring the results to help ensure that we achieved at least our 96%. Are there any questions on the capital?

The next page is where we're looking at the investment earnings. You can see a comparison of what we assume from a budgeted return and what the returns were as of 5/31. They have remained high, so we were able to achieve much higher returns than we had originally anticipated. If you go to the next page, you can see the favorable impact on the maintenance tasks. The subtotal of the 2,051,000 is what is factored into our maintenance test. For the revenue fund, I'll just mention that in addition to the higher rates, there was actually more money than anticipated that was in that fund earning interest. I just want to mention, I think I've mentioned this before, for the construction fund, we're now just taking money out as we need it. Although it doesn't count towards the maintenance test, we did earn almost \$1.6 million in the construction fund, and that money will be used to fund the construction program. We also have some investment earnings in the growth fund. Sometimes it's helpful and sometimes it's not. Any questions on the financials? I know I went pretty quick.

Vin:

All right. Any questions? Thank you, Rochelle. All right. We're now moving on to the dashboard, quarterly report. Rochelle, is that back to you?

Rochelle:

Do you want to do the year end disposition first?

Vin:

Yes, we do. Sorry to jump ahead.

Rochelle:

This is also, I think, positive news. We actually had our second highest year end disposition and second highest contribution into the construction fund. Just going through the left hand side here, our total available disposition was about \$25,800. You might recall that we are required to fund the operating reserve at one-sixth of our upcoming fiscal year's O&M. That required us to put \$335,000 into the operating reserve. We also want to make sure that we're putting a significant amount into the construction fund. However, we knew with target three that we would be utilizing monies from the growth fund as well as from the general fund. We've incorporated that into our thinking for the year end disposition. We were able to put additional monies into the growth fund and additional monies into the general fund in anticipation of the upcoming sale. But from, I think, a very positive perspective, we were able to put just about \$21.5 million of monies into the construction fund, and that will definitely have a favorable impact on our upcoming rate application.

Vin:

Excellent. Anyone have any questions? Thank you again, Rochelle. All right. Now are we ready to move on to the dashboard. Back to you, Rochelle.

Rochelle:

Some of this I already touched upon. You can see from the coverage perspective, our projection, as I mentioned, is 1.33, so favorable versus what we had expected earlier in the year. It was not as high as fiscal 2023 where we ended the year at 1.41, which was actually our highest coverage year. But I think given the summer months and such, that 1.33 was a favorable year end. As we discussed, there was no draw from a capital perspective. Given some challenges that we had with external factors, we were able to achieve cross-functionally the 27.4%.

Another, I think, positive thing... Jennifer, you need to move that up a little bit. You might recall when we redid our dashboard, we wanted to compare our receivables, which we have been doing to pre-pandemic. So pre-pandemic is basically February of 2020, and this reflects aged receivables over 90 days for water and for residential. You can see that for total water receivables, we actually ended the year less than the pre-pandemic level. That was also a focused effort to do, so that was favorable. That definitely helped with our year end disposition because we collected cash on these aged receivables. You can see for residential aged receivables, we are also under the pre-pandemic level. That was, I think, a great effort.

For the pension market values, this is something else that we watch closely. We don't yet have... We'll get from the actuary the final May returns. But the good news here is you can see year over year, the market value in May was over \$75 million, and last May, it was less than \$67 million. So we're expecting to have some more favorable results relative to the market value of the pension plans. And again, because we contributed well above the ARC, that actually [inaudible 00:24:57] the values as well.

I think the average daily production also, I think, puts in perspective how fiscal 2024 varied from fiscal 2023. You could see last year, the average daily production was just about \$43,700, and this year it was only \$42,300. The weather definitely impacts the production. Disinfection byproducts, we met our goal. This is a rolling 12 months, so it was through March. We also did meet it through... Net unaccounted for is up a bit. We have had some discussions about unaccounted for water, and I think this could be more due to more reporting anomalies than actual operations. So that's something that we're looking at closely, and then we're reporting also the number of disruptions.

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Vin:

All right. Thank you, Rochelle. Are there any questions?

Jasper:

Just wanted to say, Rochelle, another super job.

Robert:

Great job.

Rochelle:

Definitely a team effort.

Vin:

Yes. Thank you for pointing that out. You do a fantastic job for the organization. All right. Let's move along to new business. Is there any new business to be addressed? Not hearing any, let's move on to the election of the committee chair for the 2024-2025 fiscal year. Are there any nominations? Well, in the absence of a nomination, does anything change?

Jay:

The election of committee chair?

Vin:

Yes. Are there any nominations?

Jasper:

Is that Vinnie?

Rochelle:

The current chair.

Jasper:

Vinnie, what's your position on the voting of the chair of the Finance Committee?

Vin:

My position is that someone should make a nomination and let's see how that goes. If no one else will take it, I'm happy to do it for another year, if that's what you want me to say.

Jasper:

Where are you at with your reappointment as Governor's representative on the RPB?

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Vin:

Well, that's a good question. The last time... So obviously, as the Governor's rep, you never know what's going to happen because it's a political world out there. But the Greenwich first selected me, sent the governor a text on my behalf, then Ms. Clarity gave him a call on my behalf, and the Senate Republican's chief of staff called the governor's chief of staff. So who the hell knows what's going to happen? But the statistical odds are they'll make no reappointment, and I'll just sit here for the next two or three years until they do nothing and the next gubernatorial race passes. That's what has happened in the last go round. They finally realized they had to reappoint me before my term expired.

Jamie:

I nominate Vin Marino.

Jasper:

I'll motion to continue with you as the chairman of the Finance Committee.

Vin:

I appreciate that and I'll accept that nomination if there's a second to be heard.

Jamie:

This is Jamie. I'll second it.

Vin:

Well, thank you, Jamie. I appreciate that. All right. There's been a motion and a second to keep me as chair as long as I hold this position. Are there any other nominations? I think the rule is I have to ask that three times. Are there any other nominations? Are there any other nominations? Hearing none, all those in favor?

Committee members:

Aye.

Vin:

Anyone opposed? Anyone abstaining? Thank you all for your confidence. I will try to make it in one of these days. I apologize for my lack of in-person attendance. But our next meeting is Monday, August 12th, at 5:00 p.m. Thank you all for coming and helping with our quorum concerns. Is there a motion to adjourn, Mr. Jaser?

Jay:

Motion to adjourn.

Vin:

Thank you, Mr. Jaser. Is there a second?

Jamie:

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I'll second.

Vin:

Jamie, thank you for your second. We'll stand adjourned at 5:31. Enjoy this wonderful summer night.