

**CITY OF GROTON UTILITIES COMMISSION
/WATER POLLUTION CONTROL AUTHORITY
SPECIAL MEETING MINUTES**

April 8, 2020 10:30 a.m.
City of Groton Municipal Building
Council Chambers

1. CALL TO ORDER

Chairperson Hedrick called the meeting to order at 10:30 a.m.

ROLL CALL

Present: Chairperson Mayor Keith Hedrick

Commissioners: Paul Duarte (via Skype), Jeffrey Godley until 11am (via Skype), George Scully (via Skype), Robert Zuliani

Staff present: Director of Utilities Ronald A. Gaudet
Executive Administrator to the Director of Utilities, Noemi Walencewicz
Executive Administrative Assistant Maureen French
City Finance Director Ronald Yuhas
Manager Utility Finance Yi Xiang (via Skype)
Senior Accounting Assistant Nicole Romanski (via Skype)
General Manager-Operations Mark A. Biron (via Skype)
General Manager-Projects & Planning Bruce Kruszewski (via Skype)
General Manager-Key Accounts Leonard J. Mediavilla (via Skype)
General Manager-Information Technology Sue Blanchette (via Skype)
General Manager-Customer Service Tina Daniels (via Skype)
Manager Electric Engineering Randall Surprenant (via Skype)
Manager Water /PAF Richard Stevens (via Skype)
Manager Water Operations Ray Valentini (via Skype)
BL&P Office Manager Ruth Ellen Ouimet (via Skype)
Manager Utility Analytics Aaron Brooks (via Skype)
Manager Communications/Community Outreach Daniel Bouges (via Skype)
Manager Conservation / Energy Engineer Hollis Mckee (via Skype)
Executive Administrative Assistant Kelsey Haughey (via Skype)

In response to State of Connecticut Executive Order No. 7B “Protection of Public Health and Safety During Covid-19 Pandemic and Response – Further Suspension or Modification of Statues”, dated March 14, 2020, suspending in-person open meeting requirements, all public meetings will be closed to the public at this time. Public Meetings will be televised in real time on Groton Municipal Television Channel 2 and online.

2. NEW BUSINESS

A. COVID-19 Update – Chairperson Hedrick provided a high level update. The municipal building is operating a skeleton crew and conducting remote meetings. The Governor has implemented an Executive Order, 7V and it will be determined how the City is impacted. General Manager Biron reviewed the Utilities measures that are being taken and said Social Distancing is being utilized as well as no face to face contact with customers whenever possible. Utility attendance is tracked daily for awareness of any employee exhibiting symptoms or illness. The Water Department Steel Workers union has signed an MOU to reduce their crew and rotate staff on a weekly basis. The Electric Department 1303-007 Union has yet to sign an MOU. General Manager Daniels described the measures that the Customer Service department has taken. There are no late fees being charged at this time. No face to face customer interaction, as well as an increased number of employees working remotely or on a flex schedule. She reminded that the Electric rates were increased on April 1, 2020 and said there will be no shut offs at this time, and added that notices

regarding payment arrangements and/or assistance as well as appropriate flushable items are being inserted into monthly bills.

- B.** Director Gaudet provided the Commission with a review of proposed positions for the 2020-2021 Budget and said that positions are a large part of the annual budget. An organizational chart with proposed positions was passed out to the Commission. The chart includes all four divisions including Bozrah. Three (3) new positions have been proposed; one (1) IT Support position split 60/30/10 between Electric, Water, Sewer respectively; one (1) position in the Pollution Abatement Facility; and one (1) proposed mechanic to take care of the fleet. A business analysis for the mechanic is currently being completed. The IT Support position was identified during the current budget year due to turnover, there is no major increase in budget to support this position.
- C.** Accounting Manager Xiang presented the Proposed Operating and Capital Budgets for the Electric Division for the Fiscal Year 2020-2021.

Electric Revenues developed using new rate increase effective April 1, 2020. New rates combined with increase in kWh sales, results in 1% revenue increase or \$422K for a total Revenue of \$56 million.

Power Costs proposed for FY 2021 will remain the same. In accordance with the Cost of Service Study (COSS), the Power Purchased Adjustment (PPA) will be set at $-\$0.0069/\text{kWh}$. This will result in utilization of approximately \$1.1 million of CMEEC Rate Stabilization Fund (RSF).

Operating Expenses are developed using historical information. Proposed Operating and Maintenance Expenses for FY 2021 are \$16.4 million which is a 5% or \$815K increase over FY 2020. Non Labor expenses increased by 10% or \$412K from FY 2020 budget which includes one new budgeted position in IT Operations and one in Electric Operations.

The proposed Return to the City amount included in the FY 2021 budget remains at \$4.1 million.

Revenues also include the Conservation and Load Management (CLM) charge of $\$.0025/\text{kWh}$, which is unchanged since January, 2011.

Operating Earnings resulting from the proposed budget are \$3.1 million which is a decrease of 11% or \$370K from FY 2020 and 26% below the COSS target Operating Earnings of \$4.2 million. Proposed FY 2021 Net Income combined with Depreciation Cash, Receipt from Issuing Bonds, and Vehicle Reserves, provides approximately \$7.1 million to fund Reserve Contributions, Capital Investments, and Debt Service Requirements. This results in a Net Decrease in Cash Flow from Operations of \$1.9 million. FY 2021 proposed budget projects a Total Ending Cash Balance of \$11.8 million which is about 36% less than the COSS Projected Cash Balance of \$18.4 million but is 19% more than the COSS Recommended Minimum Cash Balance of \$9.9 million.

Commissioner Zuliani asked about page 4 approved budget ending cash balance last year had a number that indicated less electric restriction funds that pointed to a negative figure, and inquired why that was not part of this year's presentation. Accounting Manager Xiang said this year some of the numbers were combined as part of the cash balance because even if money is restricted, the money could be used for operational purposes.

Non-Bonded Capital Projects proposed for FY 2021 total \$2.4 million (an increase of 7% or \$154K over FY 2020). This includes \$2 million for Electric Operations, \$92K which is the Electric portion of the Customer Care Non-Bonded Capital projects that total \$154K; and \$273K

which is the Electric portion of the IT Non-Bonded Capital Projects that total \$455K. Additionally, an estimated \$401K will be utilized from the Vehicle Replacement Fund.

Bond Capital Projects proposed for FY 2021 are \$2.5 million. These projects are part of a five year bonding program that has been proposed by GU Management. The five year bonding plan in the amount of \$12.5 million was approved by the Utility Commission at the March 18, 2020 GUC/WPCA meeting and will be presented to the City Council and the City Freeman.

Non Labor expenses increased by 4% or \$403K from FY 2020 budget and includes an increase of benefit and insurance expenses of \$130K.

D. Finance Manager Xiang presented the Proposed Operating and Capital Budgets for the Water Division for the Fiscal Year 2020-2021.

Revenues are developed using the new proposed rates effective October 1, 2020 and the historical sales data ended December 31, 2019. The rate increase is the first of a three (3) year rate increase that has been proposed by GU Management at the March 18, 2020 GUC/ WPCA Meeting. A Public Hearing and approval from the Utility Commission and City Council is on hold due to the COVID 19 Pandemic.

Overall Cubic Feet sales budgeted for FY 2021 are 1% higher than sales budget for FY 2020. The new rates combined with increasing Cubic Feet Sales results in a 4% or \$469K increase in total Water Revenues of \$11 million.

Antenna Revenues remain consistent with the previous budget. Revenues from gravel sales continue to be credited to the City.

Operating Earnings resulting from the proposed budget are negative \$2K which is 96% or \$54K higher than FY 2020 Budget and \$63 7K below the COSS target Operating Earnings of \$63 5K. Proposed FY 2021 Net Income combined with Depreciation Cash, Receipt from Issuing Bonds and DWSRF Loan and Grant proceeds provides approximately \$13 million to fund Capital Investments and Debt Service Requirements. This results in a Net Decrease in Cash Flow from Operations of \$1.8 million. FY 2021 proposed budget projects a Total Ending Cash Balance of \$5.8 million which is about 11 % less than the COSS Projected Cash Balance of \$6.5 million but is 12% more than the COSS Recommended Minimum Cash Balance of \$5.1 million.

Commissioner Duarte asked why there was a decrease of income for the antennas. Manager Valentini said that some antennas will be coming down due to the sale of Thames Valley Communications (TVC).

Non-Bonded Capital Projects proposed for FY 2021 total \$363K. This is an increase of \$301K over FY 2020. Water Operations Non-Bonded Capital projects total 180K which includes \$46K portion of Customer Care total Non- Bonded Capital projects total of \$154K and \$137K portion of the \$455 K total of the IT Non-Bonded Capital projects.

Bonded Capital projects aside from the Water Treatment Plant Rebuild for FY 2021 are \$2.1 million. \$600K will be funded by current bonds and \$1.5 million will be funded by a five-year bonding plan. The five year bonding plan in the amount of \$5 million has been proposed by GU Management and was approved by the Utility Commission at the GUC/WPCA Meeting on March 18, 2020. The plan will be presented to the City Council and the City Freeman.

Labor expenses increased by 6.3% or \$247K from the FY 2020 budget which includes one new position budgeted in IT Operations and an increase of labor allocation from capital to expense in Water Operations.

Non Labor expenses increased by 2% or \$121K which includes an increase of benefit and insurance expense of \$88K.

All WTP Rebuild Project expenditures for FY 2021 will be funded by the Drinking Water State Revolving Fund (DWSFR) and Grant proceeds. Debt service will not begin until the project is completed.

Operating expenses are developed using historical information and adjusted for known changes. Total Operating and Maintenance expenses proposed for FY 2021 are \$9.7 million which is a 4% or \$368K larger than the FY2020 budget.

Commissioner Duarte had several questions. He asked for clarification regarding Bonded Capital Projects, Number 1 is old money Numbers 2, 3, and 4 new money? Accounting Manager Xiang confirmed. He then asked what the plan was for the Brandagee Standpipe. Manager Valentini said the plan is to replace it. Commissioner Duarte asked about the cost of the Standpipe. General Manager Biron explained the replacement will be broken down over four years. The \$750K budgeted for FY 21 will allow to begin by moving antennas, design and begin to bid for removal. Accounting Manager Xiang said the cost to replace the tank will be \$3.5 million.

E. Finance Manager Xiang presented the Proposed Operating and Capital Budgets for the Sewer Division for the Fiscal Year 2020-2021.

Sewer Revenues were developed using historical sales data ended December 31, 2019. Sewer rates will remain the same for FY 2021. Overall Cubic Feet sales budgeted for FY 2021 are 13% higher than sales budget for FY 2020. Revenues proposed for FY 2021 are \$4.3 million, which is an increase of 11% or \$467K from the FY 2020 budget.

Operating Expenses are developed using historical information and adjusted for known changes. Total Operating and Maintenance expenses proposed for FY 2021 are \$3.3 million which is a 25% or \$670K increase from FY 2020 budget.

Labor expenses increased by 20% or \$204K from FY2020 budget which includes; one new position budgeted in Sewer Operations and one new position budgeted in IT Operations.

Non Labor expenses increased by 29% or \$466K from FY 2020 budget which includes an increase of benefit and insurance expenses of \$21K, an increase of City Service Charge of \$8K, bond issuing and interest expenses of \$60K related to the new bonding, consulting service of \$250K for collection system planning, resiliency planning, grant and asset management planning, an increase of sludge hauling of \$21K and a service contract of \$56K added for odor removal.

Operating Earnings resulting from the proposed budget are \$670K which is a decrease of 19% or \$153K from FY 2020 budget and 14% or \$82K higher than the Cost of Service Study (COSS) target of \$588K. Proposed FY 2021 Net Earnings combined with Depreciation Cash and Receipt from Issuing Bonds provides approximately \$1.7 million to fund Capital Projects and Debt Service requirements. This results in a Net Increase in Cash Flow from Operations of \$257K. The FY 2021 proposed budget projects a Total Ending Cash Balance of \$3 million which is higher than

COSS Projected Cash Balance of \$1.7 million and the COSS Recommended Minimum Cash Balance of \$1.4 million.

There are no Non-Bonded Capital Projects proposed for Sewer Operation. Proposed Non-Bonded Capital Project costs included in the Sewer Budget is a total of \$60.9K for FY 2021 which includes \$15.4K, the Sewer portion of the Customer Care total Non-Bonded Capital Projects of \$154K; and \$45.5K, the Sewer portion of the IT total Non-Bonded Capital Projects of \$455K.

Bonded Capital Projects proposed for FY 2021 are \$995K. These projects are part of the five year bonding plan that has been proposed by GU Management. The five year bonding plan in the amount of \$5 million has been approved by the Utility Commission at their March 18, 2020 meeting and will be presented to the City Council and the City Freeman.

Commissioner Duarte asked if all of the projects that have been brought before the Commission are planned in this budget. Manager Stevens explained that there is long term planning for the bond fund. In regards to the PAF, the facility planning is in the FY 2021 budget and following the maintenance plan developed by Manager Valentini, Water Project Manager, Mike Weber, and Chief Operating Officer, Joe Pratt. Some items have been addressed and other items have been prioritized and have been or will be addressed one by one. Items have been forecasted on a priority basis to be addressed in both the FY 20 and FY 21 budget.

Commissioner Scully asked about the increase in 13% Revenue for Sewer when there was only a 1% increase in Water Cubic Sales. Accounting Manager Xiang answered that not all Water customers are Sewer customers. Additionally, the budget is based on actuals, when last year the budget was projected.

Finance Director Yuhas and Chairman Hedrick both recognized the entire Finance Team along with the General Managers and Managers for their hard work and the presentation that was prepared for and given in this meeting. Commissioner Zuliani commended the Director for the work that his team had done on the difficult budget and said their work was appreciated.

Director Gaudet said that the Pandemic presented an added challenge because much of the work to prepare the budget was done remotely.

3. ADJOURNMENT

There being no further business, at 11:45 a.m., **Commissioner Zuliani** moved, **Commissioner Duarte** seconded a motion to adjourn.

Motion Carried.

Attest:

Paul Duarte
Clerk