



**BOARD OF FINANCE
SPECIAL MEETING
TUESDAY, SEPTEMBER 28, 2021
12:00 PM**

<u>Location</u>	<u>Commissioners</u>	<u>Citizen Members</u>
Board Room	Adil	Angelo
District Headquarters	Currey	Gentile
555 Main Street, Hartford	DiBella (Ex-Officio)	King-Corbin
Dial in #: (415)-655-0001;	Hoffman (VC)	Tsegai
Access Code: 43808661#	Salemi (C)	
Meeting Video Link	Quorum: 5	

1. CALL TO ORDER
2. PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS
3. APPROVAL OF MEETING MINUTES OF JULY 7, 2021
4. CONSIDERATION AND POTENTIAL ACTION RE: APPROVAL FOR STATE OF CONNECTICUT FINANCING CWF 719-C
5. DISCUSSION RE: 2022 DISTRICT BUDGET
6. REPORT RE: COLEBROOK RIVER LAKE DAM (POSSIBLE EXECUTIVE SESSION)
7. OPPORTUNITY FOR GENERAL PUBLIC COMMENTS
8. COMMISSIONER COMMENTS & QUESTIONS
9. ADJOURNMENT

**APPROVAL FOR STATE OF CONNECTICUT
FINANCING CWF 719-C**

To: Board of Finance for consideration on September 28, 2021

Staff seeks approval from your Board to execute and deliver the Interim Funding Obligation and/or Project Loan Obligation to the State of Connecticut for CWF 719-C having a principal amount not to exceed \$11,260,070.08 and having an interest rate of 2.00%.

The low interest loan and accompanying grant of \$3,021,123.25 will fund the upgrade and replacement of the equipment and controls associated with the dissolved air flotation thickening ("DAFT") and the structural rehabilitation and repair of the DAFT tanks at the Hartford WPCF.

Bond Counsel prepared the following resolution for your approval.

It is therefore RECOMMENDED that it be

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution from Bond Counsel

RESOLVED: Section 1. The Chairman, or in his absence, the Vice-Chairman, and the District Treasurer, or in his absence, the Deputy Treasurer, are authorized to execute and deliver a Project Loan and Project Grant Agreement CWF No. 719-C to be entered into with the State of Connecticut (the "Agreement") and any and all Interim Funding Obligations and Project Loan Obligations for CWF No. 719-C in an aggregate amount not to exceed \$11,260,070.08 to fund the upgrade and replacement of the equipment and controls associated with dissolved air flotation thickening ("DAFT") and the structural rehabilitation and repair of the DAFT tanks at the Hartford WPCF. Such Interim Funding Obligations shall be dated as of their date of issue, shall mature within six months of the Scheduled Completion Date, as defined in the Agreement, shall bear interest at the rate of two percent (2.00%) per annum, shall be payable as to principal and interest as provided in the Agreement, and to the extent not paid prior to maturity from The Metropolitan District funds, may be renewed by the issuance of Interim Funding Obligations or Project Loan Obligations, all as provided in the Agreement. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Agreement.

Section 2. The Project Loan Obligations shall be dated as of their date of issue, shall mature no later than twenty years from the Scheduled Completion Date, shall bear interest at the rate of two percent (2.00%) per annum and shall be payable as to principal and interest as provided in the Agreement.

Respectfully Submitted,



Scott W. Jellison
Chief Executive Officer

The Metropolitan District
FISCAL YEAR 2022 BUDGET
Board of Finance Meeting





AGENDA

- Budget Approval Calendar
- Sewer Ad Valorem / Water Rate Overview
- Expenditure Analyses
- Other Revenue Analyses
- Proposed Budget
- Ad Valorem and Water Rate Impact
- Summary
- Opportunities



BUDGET APPROVAL CALENDAR

- 09/28 Board of Finance Meeting
- 10/04 District Board refers Budget to BOF
- 10/27 Board of Finance Workshop
- 11/10 Board of Finance Meeting
- 11/15 Public Hearing for 2022 Budget, Rates and Ordinance Revisions
- 11/22 Water Bureau consider and approve 2022 Water Rates and Refer to District Board
- 11/23 Board of Finance consider and approve proposed 2022 budget and rates
- 12/06 MDC Government Committee – Ordinance revisions and refer to District Board
- 12/06 MDC District Board adopts Budget
- By 12/31 Levy Tax/ Publish Ordinance



AD VALOREM/WATER RATE OVERVIEW

- **Three key steps for Sewer ad valorem and Water rate calculations:**
 - 1) Identify the operational expenditures (opex)
 - 2) Subtract “other” revenues (orev)
 - 3) Allocate remainder using
 - Town revenue weighted average calculation for Sewer, and
 - Consumption and service charges for Water



AD VALOREM/WATER RATE OVERVIEW

➤ **For example, the 2021 District's current year \$205.5 million budget:**

- **Sewer**

- 1) \$97.0 opex
- 2) - \$45.5 orev
- 3) = **\$51.5 to be collected from member towns**

Ad valorem taxes: Hartford \$13.2, West Hartford \$11.9, East Hartford \$6.0, Newington \$4.7, Windsor \$4.5, Wethersfield \$4.2, Bloomfield \$3.8, Rocky Hill \$3.2

- **Water**

- 1) \$108.5 opex
- 2) - \$ 11.7 orev
- 3) = **\$96.8 to be collected from Water Sales**

- Water rate of \$4.05 per CCF x 17.7 million CCF Consumption = \$71.6

- Water service charges (domestic, commercial, industrial, other) = \$25.2



1) EXPENDITURE ANALYSES (sewer and water opex)

Major Object	2021 Adopted	2022 Proposed	\$ Change	% Change
Employee Benefits	\$ 18,695,000	\$ 21,373,258	\$ 2,678,258	14.3%
Debt	\$ 70,795,600	\$ 73,310,100	\$ 2,514,500	3.6%
Other Miscellaneous Expenditures	\$ 47,910,400	\$ 49,425,570	\$ 1,515,170	3.2%
OPEB	\$ 8,970,800	\$ 9,264,005	\$ 293,205	3.3%
Insurance	\$ 6,000,700	\$ 6,182,853	\$ 182,153	3.0%
Pension Regular	\$ 7,841,600	\$ 7,913,064	\$ 71,464	0.9%
Total Payroll	\$ 45,301,800	\$ 44,938,254	\$ (363,546)	-0.8%
Total	\$ 205,515,900	\$ 212,407,104	\$ 6,891,204	3.4%



1) EXPENDITURE ANALYSES (sewer and water opex)

➤ Employee Benefits:

\$2,678,258

- Retirement Payouts \$2.4 million
 - Average of \$39.0K for each of 55 employees
 - Life Insurance buy-out of \$6.0K for 47 eligible employees
- Medical Services \$0.3 million
 - Based on year-to-date actuals and Anthem presentation



1) EXPENDITURE ANALYSES (sewer and water opex)

➤ **Debt:** **\$2,514,500**

- August 2021 refunding of
 - \$18.1 million forward delivery (GO 2013A)
 - Generated a **NPV savings of \$1.4 million** or 7.5% of the refunded bonds
- October 2021 refunding of
 - \$13.9 million (GO 2013B)
 - Anticipated **NPV savings of \$1.1 million** or 8.2% of the refunded bonds
 - \$50.2 million State CWF
 - Anticipated **NPV savings of \$2.6 million** or 5.2% of the refunded loans
 - \$105.4 million (CW REV 2014A)
 - Anticipated **NPV savings of \$17.9 million** or 17.0% of the refunded bonds



1) EXPENDITURE ANALYSES (sewer and water opex)

➤ Other Miscellaneous expenditures:	\$1,515,170
■ General Operations (Increase Rock, Sand, & Dirt inventory, IT prof. svc.)	+ \$1.5 million
■ Chemicals	+ \$0.3 million
■ Taxes and Fees	+ \$0.2 million
■ Utilities	+ \$0.1 million
■ Nitrogen Credits	+ \$0.1 million
■ Legal Services	no change
■ Collection Services	no change
■ Fuel	no change
■ Maintenance – Building & Equipment	- \$0.1 million
■ Special Agreements and Programs (No DPH fee, Less Consultant svc.)	- \$0.6 million



1) EXPENDITURE ANALYSES (sewer and water opex)

- **OPEB:** **\$ 293,205**
 - Decrease in discount rate from 6.875% to 6.750%
 - Low increase due to prior year favorable market conditions

- **Insurance:** **\$ 182,153**
 - Based on 10/01 renewal premiums and claims estimate for General Liability, Auto, Property, and Workers Compensation premiums and self-insurance claims

- **Pension:** **\$ 71,464**
 - Decrease in discount rate from 6.875% to 6.750%
 - Low increase due to prior year favorable market conditions



1) EXPENDITURE ANALYSES (sewer and water opex)

➤ **Total Payroll - Operating:** **(\$363,546)**

- 2021's employee count of 401
- 2022's employee count of 391, net reduction of 10 employees (five employees moved from CAPEX to OPEX)
- Reconciliation of year-over-year changes totaling (\$0.4 million):
 - Cost of 2.5% Cola \$ 0.9 million
 - Cost of steps \$ 1.3 million
 - Net Savings from 10 net reduction of employees (\$ 1.0) million
 - Net Savings from new employees' lower pay (\$ 1.5) million
 - Net Savings from OT, Temp, Stand-by, Longevity (\$ 0.1) million

Note: Not included in the above Water and Sewer employee counts are the Capex employees totaling 53 in 2021 and proposed 47 in 2022 or a net reduction of 6 employees. The total employee count for all divisions is 454 in 2021 and 438 in 2022



2) OTHER REVENUE ANALYSES (sewer and water orev)

	2021 Adopted	2022 Proposed	\$ Change	% Change
WATER				
Fire Protection Services	\$ 5,758,200	\$ 6,032,000	\$ 273,800	4.8%
Hydrant Maintenance	\$ 1,550,200	\$ 1,665,000	\$ 114,800	7.4%
Water Billing Penalties	\$ 480,300	\$ 566,700	\$ 86,400	18.0%
Non-Operating Revenues	\$ 2,331,200	\$ 2,401,119	\$ 69,919	3.0%
Cross-Connection/BackWater Fee	\$ 230,400	\$ 230,400	\$ -	0.0%
Use of Prior Year Surplus	\$ 1,400,000	\$ 1,400,000	\$ -	0.0%
subtotal	\$ 11,750,300	\$ 12,295,219	\$ 544,919	4.6%
SEWER				
Sewer User Charge Revenues	\$ 21,030,200	\$ 23,165,802	\$ 2,135,602	10.2%
Other Sewer Revenues	\$ 14,891,900	\$ 15,202,200	\$ 310,300	2.1%
Investment Income	\$ 200,000	\$ 40,000	\$ (160,000)	-80.0%
Other Government Agencies	\$ 5,566,400	\$ 5,031,000	\$ (535,400)	-9.6%
Use of Prior Year Surplus	\$ 3,800,000	\$ 900,000	\$ (2,900,000)	-76.3%
subtotal	\$ 45,488,500	\$ 44,339,002	\$ (1,149,498)	-2.5%
TOTAL	\$ 57,238,800	\$ 56,634,221	\$ (604,579)	-1.1%



2) OTHER REVENUE ANALYSES (water orev)

➤ WATER

\$544,919

- | | |
|---|------------|
| ■ Fire Protection Services: | \$ 273,800 |
| ○ An addition of 262 additional accounts being charged from 3,048 to 3,310 | |
| ■ Hydrant Maintenance | \$ 114,800 |
| ○ Raise of rates from \$140 to \$145 | |
| ■ Water Billing Penalties | \$ 86,400 |
| ○ Increases as revenues increase | |
| ■ Non-Operating Revenues | \$ 69,919 |
| ○ Increased developer billing | |
| ■ Cross-Connection/Back Water Fee | no change |
| ■ Use of Fund Balance | no change |
| ○ \$1.4 million not used in 2021, carried forward to 2022 for Army Corp maintenance | |



2) OTHER REVENUE ANALYSES (sewer orev)

➤ SEWER

(\$1,149,498)

- Sewer User Charge: \$ 2,135,602
 - Sewer customer service charge from \$7.00 to \$9.00
- Other Sewer Revenues: \$ 310,300
 - Miscellaneous increases, no change in PMU
- Investment Income: (\$ 160,000)
 - Based on next year's projections
- Other Governmental Agencies: (\$ 535,400)
 - Loss of sludge revenue
- Use of Fund Balance (\$ 2,900,000)
 - YoY change from \$3.8 to \$0.9 million



2) OTHER REVENUE ANALYSES (sewer orev)

➤ Use of Fund Balance:

\$900,000

- 2020's Unassigned Fund Balance is 38.2% of Revenues or 3.2% over the 35.0% Fund Balance policy (30%-35%)
- This 3.2% equals a \$2.7 million excess of the policy's top range
- The proposed 2022 budget amortizes this balance over 3-years or \$0.9 million

MDC 2020 ANNUAL FINANCIAL REPORT

Revenue (page 18)	83,424,426	
Unassigned Fund Balance (page 16)	31,870,227	38.2%
Nonspendable Fund Balance (page 16)	3,715,448	
Unassigned Fund Balance (page 16)	31,870,227	
Total Fund Balance (page 16)	35,585,675	42.7%



AD VALOREM/WATER RATE OVERVIEW

➤ The proposed 2022 District budget is \$212.4 million budget:

■ Sewer

- 1) \$100.7 opex
- 2) - \$ 44.3 orev
- 3) = \$ 56.4 to be collected from member towns

■ Water

- 1) \$111.7 opex
 - 2) - \$ 12.3 orev
 - 3) = \$ 99.4 to be collected from Water Sales
- Water rate of \$4.24 per CCF x 17.7 million CCF Consumption = \$75.0
 - Water service charges (domestic, commercial, industrial, other) = \$24.4



3) AD VALOREM & WATER RATE IMPACT (to be allocated)

➤ The proposed 2022 District's \$212.4 million budget:

- Sewer \$100.7 opex - \$44.3 orev = **\$56.4 to be collected from member towns**
 - This represents a **9.5% increase over 2021's \$51.5 million**
- Water \$111.7 opex - \$12.3 orev = **\$99.4 to be collected from Water Sales**
 - Water rate of \$4.24 per CCF x 17.7 million CCF Consumption = \$75.0 million (**4.7% increase over 2021's \$4.05 rate**)
 - Water service charges (domestic, commercial, industrial, other) = \$24.4 million

(millions)	2021	2022	\$ Var	% Var
Sewer				
1) Opex	\$ 97.0	\$ 100.7	\$ 3.7	3.8%
2) Orev (subtract)	\$ 45.5	\$ 44.3	\$ (1.2)	-2.6%
3) Ad Valorem	\$ 51.5	\$ 56.4	\$ 4.9	9.5%
<i>Sewer Customer Service Charge</i>	\$ 7.00	\$ 9.00	\$ 2.00	28.6%
Water				
1) Opex	\$ 108.5	\$ 111.7	\$ 3.2	2.9%
2) Orev (subtract)	\$ 11.7	\$ 12.3	\$ 0.6	5.1%
3) Water rates & Service charges	\$ 96.8	\$ 99.4	\$ 2.6	2.7%
<i>Consumption</i>	17.7	17.7	0	0.0%
<i>Rate</i>	\$ 4.05	\$ 4.24	\$ 0.19	4.7%
<i>Sale of Water</i>	\$ 71.6	\$ 75.0	\$ 3.4	4.8%
<i>Service Charges</i>	\$ 25.2	\$ 24.4	\$ (0.8)	-3.2%
<i>Water rates and service charges</i>	\$ 96.8	\$ 99.4	\$ 2.6	2.7%
Total				
1) Opex	\$ 205.5	\$ 212.4	\$ 6.9	3.4%
2) Orev (subtract)	\$ 57.2	\$ 56.6	\$ (0.6)	-1.0%
3) Ad Valorem/Water rates and service charges	\$ 148.3	\$ 155.8	\$ 7.5	5.1%



SUMMARY

- Proposal includes
 - Significant reductions in personnel
 - Low increases in pension and OPEB contributions
 - Significant savings in debt service due to exercising refunding opportunities
- The impact of a change to Sewer Other Revenue is a dollar-for-dollar impact to Ad Valorem
- An Other Revenue change of approximately \$515,000 equals a 1% change in Ad Valorem
- Potential Opportunities
 - Decrease 2022 General Fund debt service budget by the anticipated 2021 surplus
 - Increase of the use of the 2020 General Fund surplus (proposed use \$0.9 million)
 - Further increase Sewer Customer Service charge (Rafetelis report)
 - Review of budgeted self-insurance fund with USI (employee benefits consultant)



OPPORTUNITIES

Alternative #1: Decrease 2022 General Fund debt service budget by the anticipated 2021 surplus

- 2021 Budgeted Debt Service Payment included payments for an anticipated 2020 Bond issue (\$2.5 million, pink highlight)
- The 2020 Bond issue did not occur instead Bond Anticipated Notes (BANs) were issued and as a result there was no debt service payment in 2021
- The resulting surplus in Sewer Debt Service Fund for 2021 can be used to reduce the budget for Debt Service payments in 2022
- If the full surplus is used the Ad Valorem increase in 2022 would approximately be 4.7% (yellow highlight)

(millions)	2021	PROPOSED \$0.9M Use of FB			ALTERNATIVE #1 Use Debt Service Surplus		
		2022	\$ Var	% Var	2022	\$ Var	% Var
Sewer							
1) Opex	\$ 97.0	\$ 100.7	\$ 3.7	3.8%	\$ 98.2	\$ 1.2	1.2%
2) Orev (subtract)	\$ 45.5	\$ 44.3	\$ (1.2)	-2.6%	\$ 44.3	\$ (1.2)	-2.6%
3) Ad Valorem	\$ 51.5	\$ 56.4	\$ 4.9	9.5%	\$ 53.9	\$ 2.4	4.7%



OPPORTUNITIES

Alternative #2: Increase of the use of the 2020 General Fund surplus (proposed use \$0.9 million)

- 2020's Unassigned Fund Balance is 38.2% of Revenues or 3.2% over the 35.0% Fund Balance policy (30%-35%)
- This 3.2% equals a \$2.7 million excess of the policy's top range
- The proposed 2022 budget amortizes this balance over 3-years or \$0.9 million
- The below alternative shows the impact of using the full \$2.7 million or a \$1.8 million increase to the proposed \$0.9 million (pink highlight)
- If the full \$2.7 million fund balance surplus is used then the Ad Valorem increase is 6.0% (yellow highlight)

(millions)	2021	PROPOSED \$0.9M Use of FB			ALTERNATIVE #2 \$2.7M Use of 2020 FB		
		2022	\$ Var	% Var	2022	\$ Var	% Var
Sewer							
1) Opex	\$ 97.0	\$ 100.7	\$ 3.7	3.8%	\$ 100.7	\$ 3.7	3.8%
2) Orev (subtract)	\$ 45.5	\$ 44.3	\$ (1.2)	-2.6%	\$ 46.1	\$ 0.6	1.3%
3) Ad Valorem	\$ 51.5	\$ 56.4	\$ 4.9	9.5%	\$ 54.6	\$ 3.1	6.0%



OPPORTUNITIES

Alternative #3: Increase of the Sewer Customer Service charge to \$10.00 (proposed service charge is \$9.00)

- The Sewer Customer Service Charge for 2021 is \$7.00
- The proposed Sewer Customer Service Charge for 2022 is \$9.00
- This alternative shows the impact of increasing the charge to \$10.00 (pink highlight)
- If the Sewer Customer Service charge is increased to \$10.00 then the Ad Valorem increase is 7.5% (yellow highlight)

(millions)	2021	PROPOSED \$0.9M Use of FB			ALTERNATIVE #3 Increasing CSC to \$10		
		2022	\$ Var	% Var	2022	\$ Var	% Var
Sewer							
1) Opex	\$ 97.0	\$ 100.7	\$ 3.7	3.8%	\$ 100.7	\$ 3.7	3.8%
2) Orev (subtract)	\$ 45.5	\$ 44.3	\$ (1.2)	-2.6%	\$ 45.3	\$ (0.2)	-0.4%
3) Ad Valorem	\$ 51.5	\$ 56.4	\$ 4.9	9.5%	\$ 55.4	\$ 3.9	7.5%



OPPORTUNITIES

Recommendation: Alternative #1 and #2 plus a \$1.0 million reduction to PMU revenue

- Alternative #1: Decrease 2022 General Fund debt service budget by \$2.5 million (2021 surplus)
- Alternative #2: Use \$2.7 million of the 2020 General Fund surplus (proposed use \$0.9 million)
- Decrease Sewer Other Revenue by \$1.0 million (PMU revenue from \$6.3 million to \$5.3 million)
- This recommendation does not incorporate Alternative #3's further increase to the Sewer Customer Service charge to \$10.00 and maintains the proposed \$9.00 rate
- This recommendation reduces the increase to Ad Valorem to 3.1% (yellow highlight)

ions) er	2021	PROPOSED \$0.9M Use of FB			RECOMMENDATION Alt #1 + #2 - \$1.0M PMU Rev		
		2022	\$ Var	% Var	2022	\$ Var	% Var
Opex	\$ 97.0	\$ 100.7	\$ 3.7	3.8%	\$ 98.2	\$ 1.2	1.2%
Orev (subtract)	\$ 45.5	\$ 44.3	\$ (1.2)	-2.6%	\$ 45.1	\$ (0.4)	-0.9%
Ad Valorem	\$ 51.5	\$ 56.4	\$ 4.9	9.5%	\$ 53.1	\$ 1.6	3.1%



SUPPLEMENTAL INFORMATION

Average Customer Water Bill

Member Charges - Residential Service		2021 Rates	2021 Billing	2022 Rates	2022 Billing	Change
Water Use Charge	100	\$ 4.05	\$ 405.00	\$ 4.24	\$ 424.00	4.69%
CWP	100	\$ 4.10	\$ 410.00	\$ 4.10	\$ 410.00	0.00%
Water CSC		\$ 14.98	\$ 179.76	\$ 14.98	\$ 179.76	0.00%
Sewer CSC		\$ 7.00	\$ 84.00	\$ 9.00	\$ 108.00	28.57%
Total Bill			\$ 1,078.76		\$ 1,121.76	
Annual Change				\$ 43.00		3.99% \$ 3.58
Non-Member Charges - Residential Service		2021 Rates	2021 Billing	2022 Rates	2022 Billing	Change
Water Use Charge	100	\$ 4.05	\$ 405.00	\$ 4.24	\$ 424.00	4.69%
CSC		\$ 14.98	\$ 179.76	\$ 14.98	\$ 179.76	0.00%
GS		\$ 14.98	\$ 179.76	\$ 14.98	\$ 179.76	0.00%
Total Bill			\$ 764.52		\$ 783.52	
Annual Change				\$ 19.00		2.49% \$ 1.58

CSC = Customer Service Charge
 GS = General Surcharge Outside of District

\$ 1,121.76
 (410.00)
\$ 711.76 without CWP charge



SUPPLEMENTAL INFORMATION:

2021 vs 2022 Water Rate Comparison (typical 5/8" residential meter)

2021	
Water Utility	Water Rate Per ccf (748 gal)
MDC	\$4.05
Aquarion (Topstone Division)	\$6.87
CT Water	\$8.30
Regional Water Authority (RWA)	\$4.40

TREND		
Year	MDC	RWA
2022	\$4.24	
2021	\$4.05	\$4.40
2020	\$3.97	\$4.40
2019	\$3.50	\$4.40
2018	\$3.14	\$4.14
2017	\$2.77	\$3.95
2016	\$2.66	\$3.68