

**BOARD OF FINANCE
SPECIAL MEETING
The Metropolitan District
555 Main Street, Hartford
Monday, September 28, 2022**

PRESENT: Commissioner Donald Currey Allen Hoffman, Pasquale J. Salemi;
Citizen member Awet Tsegai and District Chairman William DiBella
(5)

**REMOTE
ATTENDANCE:** Commissioner Andrew Adil (1)

ABSENT: Citizen Members Drew Iacovazzi and Linda King-Corbin (2)

**ALSO
PRESENT:** Commissioner Georgiana Holloway
Commissioner Jacqueline Mandycz
Commissioner Bhupen Patel (Remote Attendance)
Scott W. Jellison, Chief Executive Officer
Christopher Stone, District Counsel
John S. Mirtle, District Clerk
Kelly Shane, Chief Administrative Officer
Christopher Levesque, Chief Operating Officer (Remote Attendance)
Robert Barron, Chief Financial Officer
Jamie Harlow, Director of Human Resources (Remote Attendance)
Susan Negrelli, Director of Engineering
Dave Rutty, Director of Operations (Remote Attendance)
Robert Schwarm, Director of Information Services
Thomas Tyler, Director of Facilities
Tra Phan, Controller (Remote Attendance)
Diana Phay, Manager of Treasury (Remote Attendance)
Lisa Remsen, Manager of Budget and Analysis
Jason Waterbury, Manager of Engineering Services
Nefertere Whittingham, Financial Analyst (Remote Attendance)
Shereese Rodgers, Senior Financial Analyst (Remote Attendance)
Carrie Blardo, Assistant to the Chief Executive Officer (Remote Attendance)
Victoria Escoriza, Executive Assistant
Julie Price, Executive Assistant (Remote Attendance)
David Baker, IT Consultant (Remote Attendance)
Joseph Szerejko, Independent Consumer Advocate

CALL TO ORDER

Chairman Salemi called the meeting to order at 12:09 PM

NO QUORUM PRESENT

The District Clerk called the roll and declared that a quorum of the Board of Finance was not present at 5:04 PM

PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS

Judy Allen of West Hartford asked that the following questions be clarified or considered: 1. Can the MDC Calculate how much revenue was lost in 2022 on the water rate and the CWPC as a result of the large user discount? 2. Is there a way to set aside or start saving for known large costs like future drinking water treatment plant upgrades? 3. Can conferences, dues and publications be clearer and more detailed in the budget? 4. What is Commissioner Accident insurance? 5. Can the discussion on Riverfront Recapture be done earlier in the budget process?

APPROVAL OF MEETING MINUTES

A quorum was not present; therefore, the approval of meeting minutes was postponed until a quorum was present.

2023 DISTRICT BUDGET DISCUSSION

The members of the Board of Finance present listened to a presentation from Chief Financial Officer Robert Barron regarding the 2023 Budget.

The Metropolitan District
FISCAL YEAR 2023 BUDGET
Board of Finance Meeting





AGENDA

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



BUDGET CALENDAR

- 09/28 Board of Finance Meeting
- 09/29 Town Meeting #1
- 10/03 District Board refers Budget to BOF
- 10/26 Board of Finance Meeting
- 10/27 Town Meeting #2
- 11/07 Public Hearing for 2023 Budget, Rates and Ordinance Revisions
- 11/09 Board of Finance Meeting consider and approve proposed 2023 budget and rates
- 11/14 Water Bureau consider and approve 2023 Water Rates and Refer to District Board
- 12/05 MDC Government Committee – Ordinance revisions and refer to District Board
- 12/05 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’s Ad Valorem tax, and
 - Consumption and service charges for Water rate determination



AD VALOREM/WATER RATE OVERVIEW

Proposed 2023 District operating budget is \$204.7 million (2.1% decrease):

- Sewer
 - 1) \$ 97.2 opex
 - 2) - \$ 44.1 orev
 - 3) = \$ 53.1 to be collected from member towns (0% or no increase)
- Water
 - 1) \$107.5 opex
 - 2) - \$ 16.0 orev
 - 3) = \$ 91.5 to be collected from Water Sales
 - Water rate of \$3.80 (7.1% decrease) per CCF x 17.7 million CCF Consumption = \$67.2
 - Water service charges (domestic, commercial, industrial, other) = \$24.3



1) EXPENDITURE ANALYSES (sewer and water opex)

Major Object	2022 Adopted	2023 Proposed	\$ Change	% Change
Debt	\$ 68,608,100	\$ 74,227,401	\$ 5,619,301	8.2%
Total Payroll	\$ 44,892,734	\$ 48,054,185	\$ 3,161,451	7.0%
Other Miscellaneous Expenditures	\$ 52,390,229	\$ 54,477,655	\$ 2,087,426	4.0%
Pension Regular	\$ 7,917,064	\$ 7,872,627	\$ (44,437)	-0.6%
OPEB	\$ 9,266,005	\$ 7,148,406	\$ (2,117,599)	-22.9%
Insurance	\$ 6,111,238	\$ 2,110,737	\$ (4,000,501)	-65.5%
Employee Benefits	\$ 19,863,605	\$ 10,854,456	\$ (9,009,149)	-45.4%
Total	\$ 209,048,975	\$ 204,745,467	\$ (4,303,508)	-2.1%



1) EXPENDITURE ANALYSES (sewer and water opex)

Debt: \$5,619,301

- + \$5.9 million, first payment for \$86.2 million GO 2022 bond issue
- - \$0.3 million, net reduction for credits and expiring debt



1) EXPENDITURE ANALYSES (sewer and water opex)

Total Payroll - Operating: \$3,161,451

- No increase in total employee count
 - 2022 employee count of 391 OPEX and 47 CAPX equals **438 total**
 - 2023 employee count of 398 OPEX and 40 CAPX equals **438 total**
(7 employees moved from CAPX to OPEX)
- Year-over-year OPEX payroll changes totaling \$3.2 million:
 - Anticipated cost of Cola and Steps \$ 2.4 million
 - Cost of 7 of employees moved from CAPX to OPEX \$ 0.8 million



1) EXPENDITURE ANALYSES (sewer and water opex)

Other Miscellaneous expenditures: \$2,087,426

- Chemicals + \$1.2 million
- General Operations (Increase Rock, Sand, & Dirt inventory, IT prof. svc.) + \$1.0 million
- Fuel + \$0.3 million
- Maintenance – Building & Equipment + \$0.4 million
- Nitrogen Credits - \$0.2 million
- Legal Services - \$0.2 million
- Special Agreements and Programs - \$0.4 million

(lower Army Corp reserve -0.6 million and Collection Service -0.2 million net of
+0.3 million increase for Berlin pump station and +0.1 million miscellaneous other)



1) EXPENDITURE ANALYSES (sewer and water opex)

Pension: \$ (44,437)

- Decrease in discount rate to 6.625%
- Change of actuarial assumptions

OPEB: \$ (2,117,599)

- Decrease in discount rate to 6.625%
- Change of actuarial assumptions and favorable claims experience

Insurance (General Liability, Casualty, Workers Compensation): \$ (4,000,501)

- October 1st insurance renewal at a 2.9% reduction in premium, and
- Favorable claims history reducing contribution for 2023



1) EXPENDITURE ANALYSES (sewer and water opex)

Employee Benefits: \$ (9,009,149)

- - \$7.3 million, Medical Services
 - Adjusted contribution to Internal Service fund for active employees only
- - \$1.7 million, reduction of Retirement Payout Contribution net of payroll tax increases



2) OTHER REVENUE ANALYSES (sewer and water orev)

	2022 Adopted	2023 Proposed	\$ Change	% Change
WATER				
Reimbursement from OPEB	\$ -	\$ 3,995,335	\$ 3,995,335	100.0%
Water Billing Penalties	\$ 566,700	\$ 925,000	\$ 358,300	63.2%
Hydrant Maintenance	\$ 1,665,000	\$ 1,684,500	\$ 19,500	1.2%
Fire Protection Services	\$ 6,032,000	\$ 6,032,000	\$ -	0.0%
Cross-Connection/BackWater Fee	\$ 230,400	\$ 230,400	\$ -	0.0%
Non-Operating Revenues	\$ 2,401,119	\$ 2,364,497	\$ (36,622)	-1.5%
Use of Prior Year Surplus	\$ 1,400,000	\$ 800,000	\$ (600,000)	-42.9%
subtotal	\$ 12,295,219	\$ 16,031,732	\$ 3,736,513	30.4%
SEWER				
Reimbursement from OPEB	\$ -	\$ 3,252,829	\$ 3,252,829	100.0%
Contribution From Other Fund	\$ -	\$ 3,000,000	\$ 3,000,000	100%
Other Government Agencies	\$ 10,931,000	\$ 11,931,000	\$ 1,000,000	9.1%
Investment Income	\$ 40,000	\$ 153,000	\$ 113,000	282.5%
Deep Contingency	\$ 1,900,000	\$ 1,900,000	\$ -	0.0%
Sewer User Charges Revenues	\$ 13,301,902	\$ 11,584,900	\$ (1,717,002)	-12.9%
Use of Prior Year Surplus	\$ 2,700,000	\$ -	\$ (2,700,000)	-100.0%
Other Sewer Revenues	\$ 18,172,000	\$ 12,276,321	\$ (5,895,679)	-32.4%
subtotal	\$ 47,044,902	\$ 44,098,050	\$ (2,946,852)	-6.3%
TOTAL	\$ 59,340,121	\$ 60,129,782	\$ 789,661	1.3%



2) OTHER REVENUE ANALYSES (water orev)

WATER

\$3,736,513

- Water's share of OPEB \$7.3 million reimbursement \$3,995,335
- Water Billing Penalties: \$ 358,300
 - Higher number of past due water bills
- Hydrant Maintenance \$ 19,500
 - Rate increase from \$145 to \$150
- Non-Operating Revenues \$ (36,622)
 - Miscellaneous decreases
- Use of Fund Balance \$ (600,000)
 - Army Corp maintenance, reduced from \$1.4 million in 2022 to \$0.8 million in 2023
(slide-9 shows the expenditure reduction)



2) OTHER REVENUE ANALYSES (sewer orev)

SEWER

\$(2,946,852)

• Sewer's share of OPEB \$7.3 million reimbursement	\$ 3,252,829
• Contributions From Other Funds	\$ 3,000,000
○ Hydro and Internal Service Fund	
• Other Governmental Agencies:	\$ 1,000,000
○ Increase in sludge revenue	
• Investment Income:	\$ 113,000
○ Based on next year's projections	
• Sewer User Charge:	\$ (1,717,002)
○ Decrease in revenue for High Flow customers	
• Use of Fund Balance	\$ (2,700,000)
○ 3.2% excess of 35% fund balance cap from 2020 audit	
○ No excess in 2021 audit (31.3%)	
• Other Sewer Revenues:	\$ (5,895,679)
○ Elimination of \$5.3 million PMU Overhead for 2023 and beyond	
○ Loss of \$0.6 million in other miscellaneous revenue	



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

- Sewer \$97.2 opex - \$44.1 orev =
\$53.1 to be collected from member towns

■ **0% or no increase**

- Water \$107.5 opex - \$16.0 orev =
\$91.5 to be collected from Water Sales

■ Water rate of \$3.80 per CCF x 17.7 million
CCF Consumption = \$67.3 million

7.1% decrease from 2022's \$4.09 rate

■ Water service charges (domestic,
commercial, industrial, other) = \$24.2
million unchanged from 2022

- The **\$204.7** million proposed 2023 District's
operating budget represents a **2.1%
decrease**

(millions)	2022	2023	\$ Var	% Var
Sewer				
1) Opex	\$ 100.2	\$ 97.2	\$ (3.0)	-3.0%
2) Orev (subtract)	\$ 47.1	\$ 44.1	\$ (3.0)	-6.4%
3) Ad Valorem	\$ 53.1	\$ 53.1	\$ -	0.0%
Sewer Customer Service Charges	\$ 9.0	\$ 9.0	\$ -	0.0%
Water				
1) Opex	\$ 108.8	\$ 107.5	\$ (1.3)	-1.2%
2) Orev (subtract)	\$ 12.2	\$ 16.0	\$ 3.8	31.1%
3) Water rates & Service charges	\$ 96.6	\$ 91.5	\$ (5.1)	-5.3%
Consumption	\$ 17.7	\$ 17.7	\$ -	0.0%
Rate	\$ 4.09	\$ 3.80	\$ (0.29)	-7.1%
Sale of Water	\$ 72.4	\$ 67.3	\$ (5.1)	-7.1%
Service Charges	\$ 24.2	\$ 24.2	\$ -	0.0%
Water rates and service charges	\$ 96.6	\$ 91.5	\$ (5.1)	-5.3%
Total				
1) Opex	\$ 209.0	\$ 204.7	\$ (4.3)	-2.1%
2) Orev (subtract)	\$ 59.3	\$ 60.1	\$ 0.8	1.3%
3) Ad Valorem/Water rates and Svc. Chrgs.	\$ 149.7	\$ 144.6	\$ (5.1)	-3.4%



SUMMARY

➤ Proposal includes

- No net change in personnel, 438 total
- Small decrease in pension and significant decrease in OPEB contributions
- Increased Debt Service costs due to 2022 bond issue that raised \$86.2 million
- Increase in Chemical costs due to market conditions
- Use of fund contributions
- Ad Valorem allocations, by town, are preliminary as we've yet to receive responses from West Hartford and East Hartford's town Assessors



SUPPLEMENTAL INFORMATION:

Average Customer Water Bill

		2022			2023			Variance		
	CCFs / Month	Rate / CCF	Monthly	Annual	Rate / CCF	Monthly	Annual	Monthly	Annual	%
Member Town - Residential										
Water Use Charge	8.333	\$ 4.09	\$ 34.08	\$ 409.00	\$ 3.80	\$ 31.67	\$ 380.00	\$ (2.42)	\$ (29.00)	-7.1%
CWPC	8.333	\$ 4.10	\$ 34.17	\$ 410.00	\$ 4.25	\$ 35.42	\$ 425.00	\$ 1.25	\$ 15.00	3.7%
Water Customer Service Charge			\$ 14.98	\$ 179.76		\$ 14.98	\$ 179.76	\$ -	\$ -	0.0%
Sewer Customer Service Charge			\$ 9.00	\$ 108.00		\$ 9.00	\$ 108.00	\$ -	\$ -	0.0%
Total Bill			\$ 92.23	\$ 1,106.76		\$ 91.06	\$ 1,092.76	\$ (1.17)	\$ (14.00)	-1.3%
Non-Member - Residential										
Water Used Charge	8.333	\$ 4.09	\$ 34.08	\$ 409.00	\$ 3.80	\$ 31.67	\$ 380.00	\$ (2.42)	\$ (29.00)	-7.1%
Customer Service Charge			\$ 14.98	\$ 179.76		\$ 14.98	\$ 179.76	\$ -	\$ -	0.0%
General Surcharge Outside of District			\$ 14.98	\$ 179.76		\$ 14.98	\$ 179.76	\$ -	\$ -	0.0%
Total Bill			\$ 64.04	\$ 768.52		\$ 61.63	\$ 739.52	\$ (2.42)	\$ (29.00)	-3.8%



SUPPLEMENTAL INFORMATION:

**2022 vs 2023 Water Rate Comparison
(typical 5/8" residential meter)**

2023	
Water Utility	Water Rate Per CCF (748 gal)
Metropolitan District (MDC)	\$3.80
Regional Water Authority (RWA)	\$4.77
Aquarion (Topstone Division)	\$6.87
CT Water	\$8.55

TREND		
Year	MDC	RWA
2023	\$3.80	\$4.77
2022	\$4.09	\$4.77
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

Commissioner Adil entered the meeting at 12:21 PM creating a quorum for the meeting.

Commissioner Tsegai exited the meeting at 1:15 PM and re-entered the meeting remotely.

APPROVAL OF MEETING MINUTES

On motion made by Commissioner Currey and duly seconded, the meeting minutes of August 10, 2022 were approved. Commissioner Salemi abstained.

OPPORTUNITY FOR GENERAL PUBLIC COMMENTS

Judy Allen of West Hartford asked about a prior resolution that drastically reduced the Riverfront Budget and also asked if the 2023 budget takes the Integrated Plan into account. She asked if the MDC should carry revenues for catch basins in Hartford if the invoices are not being paid.

ADJOURNMENT

The meeting was adjourned at 1:51 PM

ATTEST:

John S. Mirtle, Esq.
District Clerk

Date of Approval