



Established

1996

SPRINGFIELD WATER AND SEWER COMMISSION

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Minutes of Meeting

April 19, 2023

The Springfield Water and Sewer Commission held a hybrid meeting on April 19, 2023, in accordance with Chapter 2 of the Acts of 2023.

Chairman Rodriguez called the meeting to order at 1:04 p.m. and announced the Commissioners that are participating:

Daniel Rodriguez, Present
Vanessa Otero, Present
Matthew Donnellan, Present

Also Present
Joshua Schimmel, Executive Director
Norman J. Guz, Commission Counsel
Katie Shea, Educational Outreach Manager / Acting Secretary for the Commission
Anthony Basile, Comptroller
Domenic Pellegrino, Director of Finance
Theo Theocles, Director of Legal Affairs/Chief Procurement Officer

Participating Remotely
Darleen Buttrick, Director of Engineering
Christina Jones, Deputy Director of Water Operations
Steven Frederick, Director of Wastewater Operations
Kristin Monfette, Safety Manager
Raemarie Walker, Assistant Procurement Officer
Jim Laurila, Director of Water Operations
David Hyder, Stantec
Tracey Moher, Stantec

Business Matters

(non-agenda item)

Commissioners agreed to appoint Katie Shea as Acting Secretary of the Commission for the meeting held on April 19, 2023.

UPON MOTION DULY MADE BY COMMISSIONER DONNELLAN AND SECONDED BY COMMISSIONER OTERO

**VOTED YES –
COMMISSIONER OTERO:
COMMISSIONER DONNELLAN
COMMISSIONER RODRIGUEZ:**

to appoint Katie Shea as Acting Secretary of the Commission for the meeting held on April 19, 2023.

New Business

1. Discussion of Draft FY24 Operating and Capital Budget, and Draft Capital Improvement Program for the next three succeeding fiscal years.

Executive Director Josh Schimmel explained that the purpose of this meeting was to review the budgeting process and the draft proposed FY24 budget, which included the O&M budget and 3-year CIP. All materials presented at the meeting including printed materials in the meeting packages are in draft form. The Commission will release the final proposed FY24 budget and deliver the budget package to the Mayor and City Council.

Mr. Schimmel announced that also participating in the meeting remotely, and available to answer any questions about the budget, were David Hyder and Tracey Moher, financial consultants from Stantec – experts in water and wastewater rate setting, financing, and forecasting. They have worked closely as third-party consultants for the Commission’s financial team over the past several years.

Mr. Schimmel explained that the biggest driver in the budget is the \$111M funding gap for the new West Parish Filters Drinking Water Treatment Plant. The new plant was only in the conceptual stages when the Commission initially budgeted for the project and applied for WIFIA financing in 2019. Due to aging infrastructure at the plant, and the inability to take the existing plant off-line for long durations for maintenance or construction, the Commission is moving forward as necessary with construction of a new treatment plant, which will include the added clarification step to address disinfection byproducts. Now, at 30% design, the cost of the plant has increased from initial projections, by approximately \$111M.

Mr. Schimmel presented three budget analysis panels with a 25-year outlook. The baseline scenario includes the \$111M funding gap financed through revenue bonds and \$75 million over 5 years in SRF loans. In this scenario the debt service ratios are around 1.5 which is reasonable. The projected rate increases remain moderate. The numbers in the baseline scenario are similar to what the Commission was projecting a year ago, which is remarkable and speaks to the Commission’s strong financial planning, to be able to address the more than \$100M gap without substantial rate increases.

Mr. Schimmel presented the second panel/alternative analysis 1. In this scenario the Commission would issue \$55 million in revenue bonds and borrow \$25M per year for 5 years from the SRF to finance the new drinking water treatment plant. This scenario would be more beneficial than the baseline scenario because the SRF does not have a debt service reserve requirement like a bond and has a fixed low-interest rate of 2%.

Mr. Schimmel presented the third panel/alternative analysis 2. In this scenario SRF financing would cover the full \$111M funding gap, in addition to the \$45M in SRF (\$15M per year for 3 years) already included in the new treatment plant budget.

Mr. Schimmel stated that these are just scenarios. The SRF has a \$15M annual cap for drinking water projects, and the Commission has secured only \$15 million for FY24. The Commission understands that each subsequent FY will require a SRF application, which is a competitive process and not guaranteed.

The Commission has been advocating for an increase in the cap for the new plant, which is of regional significance and serves multiple communities in the Lower Pioneer Valley.

Commissioner Otero asked how the outreach to the SRF and state officials to advocate for an increase to the \$15M cap on drinking water projects was progressing.

Mr. Schimmel responded that he and the finance team had recently presented to the SRF Executive Committee to advocate increasing the cap in SRF financing for this project. Additionally, the Commission continues to engage with the state delegation and federal legislators to advocate for line items and other funding sources to support construction of the new plant which will serve Springfield, an Environmental Justice community, and the economic center of Western Massachusetts, as well as serving several other communities in the region.

Finance Director, Domenic Pellegrino presented the Revenue Budget Assumptions. The assumptions are based on three categories of forecasting including historical averages, contracting forecasts for water/wastewater, and water and wastewater consumption forecasting.

Mr. Pellegrino noted that summer 2022 was hot and dry and the Commission would have expected to see an increase in water usage, but consumption was down.

Chairman Rodriguez asked how the power generation revenue assumptions were determined.

Mr. Pellegrino stated that the payment projections from Holyoke Gas and Electric is going down from previous years based on usage/ power generation.

Mr. Schimmel added that the Commission is in the planning phases for upgrades and repairs to the hydropower station. During construction, at least one unit will remain online, which is necessary as part of the raw water conveyance system. Once all construction at the hydro-station is complete the Commission anticipates an increase in power generation and revenue.

Comptroller Anthony Basile reported on the budget summary for the proposed FY24 budget. The proposed \$105.7M budget is a balanced budget and includes \$68.6M in O&M, \$24.8M in Debt Service, and \$13.3M in revenue funded capital projects. The Commission intends to utilize \$1.2 million in unexpended FY 23 debt service appropriations to offset reserve requirements in the FY 24 budget.

Mr. Basile reviewed the budget comparison and stated that the increases from FY23 to the proposed FY24 budget was approximately \$9.3M or an 11% increase. This is based on necessary increases to debt service, material and chemical costs, utilities, wastewater treatment contract costs, and personnel/COLA/pension/health insurance premiums.

Chairman Rodriguez asked if, due to the current job market and vacancies in several positions, was the Personnel Service line fully funded.

Mr. Basile responded that the vacant positions in personnel services were funded at 70%. Mr. Basile added that the Commission is making progress with filling vacancies now that the HR Director is in place.

Commissioner Otero asked if the Commission's Customer Assistance Program budget would also be increased in the FY24 budget.

Mr. Schimmel recommended further discussion of the Customer Assistance Program as well as the Low-Income Household Water Assistance Program at the next regularly scheduled Board meeting.

Chairman Rodriguez asked if there were any revisions to the budget that could be made to account for wholesale contract true-ups or other budget items that may come in under budget.

Mr. Basile stated that the FY 23 budget is very tight, and every aspect of the budget is funded, with a projected surplus of \$500,000.

Mr. Pellegrino added that as part of the budgeting process the debt service is considered to ensure the Commission has rates and revenues to support the debt service for FY24 and long term.

Mr. Schimmel asked Mr. Hyder to comment on the Commission's budgeting process and how the Commission's variances, spending approximately 98% of the budget compares nationally.

Mr. Hyder stated that it is not uncommon for water utilities to come under budget, and utilities of similar size typically spend about 95% of their budget.

Mr. Hyder added that the rate increases compound and impact revenues and the 25-year outlook. Because of the debt service the Commission needs to generate enough revenue annually to support the capital program and debt service coverage. Given the magnitude of the Commission's projects the modest rate increases in recent and projected future years is remarkable.

Mr. Schimmel stated that the FY24 budget and budgeting process highlights the Commission's stability. The Commission is able to manage the \$111M funding gap for the new water treatment plant because of strategic financial planning over the years and it's current financial position.

Mr. Basile presented the FY24 Operating Budget Assumptions which include details on assumptions for budget line items.

Mr. Pellegrino presented the 3-year CIP. The key projects include appropriations for the new water treatment plant and reconstruction of Unit 3 at the hydro-power station. The 3-year CIP does not include previous commitments from other years.

Mr. Pellegrino also presented the 5-year CIP which shows additional projects and budget impacts. Both the 3-year and 5-year CIP include projects in various phases of planning, design, and construction.

Mr. Schimmel presented the quarterly capital projects report. A highlight of the report is the progress on the 42-inch transmission main project which is going to bid in May or June of this year. The Energy Dissipation Valve may be included as part of the new West Parish Filters construction because it is part of the conveyance and water treatment systems.

Director of Engineering, Darleen Buttrick added that the quarterly capital projects report includes an update on the Dam 2 Removal Project which is currently in planning with design and construction anticipated 2025-2028.

Commissioner Otero asked for an update on the York Street Pump Station and Connecticut River Crossing Project.

Director of Wastewater Operations, Steven Fredrick stated that the project is on schedule to be completed later this summer. The three new pipes have been installed in the riverbed and the equipment was

removed from the river in March. Currently, the project is moving into the testing phase to ensure everything is working properly before coming online.

2. Discussion of Draft Revisions to the FY24 Rules and Regulations.

Mr. Schimmel presented a summary of the proposed changes to the Rules and Regulations. Changes include an updated tampering definition to help reduce disputes. A \$0.10 increase to the monthly service/meter charge is proposed to help cover the costs associated with using smart meter technology. The Rules and Regulations also include the proposed increase for the senior, disabled, and disabled veteran homeowner discount programs from \$81 per year to \$99 per year or \$8.25 per month.

Commissioner Rodriguez asked if all meters will be replaced with smart meters.

Mr. Schimmel responded that it is the goal to have smart meters for all accounts. They are helpful to the customers because they can more easily track water usage and be altered if they have a leak or some other unintended use.

Mr. Schimmel added that there may also be proposed changes to the auxiliary meter section of the Rules and Regulations due to regulatory requirements from Mass DEP. He recommended further discussion of the auxiliary meter program at an upcoming regularly scheduled Board meeting.

3. Discussion of Public Hearing on May 31, 2023.

Commission Counsel Norm Guz stated that the Governor recently signed legislation, related to open meeting laws, to extend virtual public participation until March 31, 2025. The Board should choose to have the FY24 budget hearing as an in-person/virtual hybrid meeting or a completely virtual meeting. The Commission has held the budget hearing completely virtual the past three years due to the covid-19 pandemic.

Chairman Rodriguez noted that the Commission tends to have more public participation when it is virtual.

Commissioner Otero and Commissioner Donnellan agreed that since the public seems to like virtual meetings a completely virtual budget hearing would be the suitable option for FY24.

UPON MOTION DULY MADE BY COMMISSIONER DONNELLAN AND SECONDED BY COMMISSIONER OTERO

VOTED YES –

COMMISSIONER OTERO:

COMMISSIONER DONNELLAN

COMMISSIONER RODRIGUEZ:

to hold the FY24 budget presentation virtually on
Wednesday, May 31, 2023, at 6:00 PM.

The next regular Board meeting is on April 28 at 9 AM.

Voted to adjourn at 3:18 PM by unanimous consent.

Respectfully submitted,

Katie Shea, Acting Secretary

Exhibits considered:

- Draft Financial Panel
- Revenue Budget Assumptions
- Budget Summary
- Draft FY23 Budget to FY24 Budget Comparison
- Draft O&M Increases & Decreases
- New Positions
- Operating Budget Assumptions
- Draft 3-Year CIP
- Draft 5-Year CIP
- Capital Report
- Draft Updates to FY24 Rules and Regulations
- Draft Legal Advertisement for Public Hearing
- Mayor's Budget Package