

TO: BOS

FROM D. E. Butler, Chairman-WPCA

SUBJECT: Operational & Financial Update - WPCA

DATE: February 26, 2018

A year-to-date review of the WPCA's financial performance shows a significant decline in revenue against projections for the first seven months of the fiscal year 2017-18 despite a rate increase of 2.5% across the board beginning in July of 2017. This is a continuing problem despite improvements in our past due collections, lien placement and collection, recovery of scofflaw payments and enhancements in operational performance. The deficit is further explained below.

In a comparative review, the WPCA's seven-month performance in the fiscal year 2015/16 produced revenues in the amount of \$453,591. The corresponding period in fiscal year 16/17 revealed a decline to \$412,929 (-8.96%). This reflected the loss of our largest water user, a cleaners and laundry business. For the seven-month period 2017-18 YTD, revenues stood at \$401,410, a decline of -2.7%. From the period 2015/16 FY to the FY 2017/18, we experienced an aggregate decline of (-11.5%) or -\$52,181 in revenues received for the corresponding periods under review.

Our water usage has declined. In a random sample we examined average daily consumption for the month of January 2015 and found usage at 116,493 gallons per day (GPD). The January 2018 usage was at an average of 86,939 GPD. This reflects a reduction of -25.4% in consumption.

We believe that drivers that account for the reduction in revenues and usage are: (1) Vacant Properties - in the past year there has been a range between 18-26 vacant properties, those with zero consumption of water. While there are several seasonal operations and an occasional meter failure that makes for zero usage, the bulk of these accounts have no tenants or owner present. (2) We also believe that our rates are driving conservation. While this information is anecdotal we know that there has been a concerted "rain barrel" program within our user base, that there is use of melted snow to flush toilets and other means of savings water usage. This is not surprising as we have what we understand to be the highest water/sewer rates in the State of Connecticut. (3) We also know that our aging meters record less water usage over time. Our revenue stream is insufficient to support a formal meter replacement program. We have budgeted \$4,200 for twelve meters - the number that totally fail each year.

The most daunting of our issues, however, remains chronic failures and maintenance repairs that are being driven by antiquated infrastructure and faltering equipment to include: water main and hydrant failures, pump failures, sewerage that is requiring more additive treatment and miscellaneous equipment components like the aforementioned meters. Professional service charges for operating expenses for routine charges are stable

for both sewer and water. Within the past month however, we were compelled to authorize \$7,600 for a wet well pump in failure mode and \$2,300 for an SBR DO meter that did fail. This week we have the need for replacement of three UV meters that will be required when the bacterial treatment season starts in April. These units are priced at \$1,800 each. We are currently attuned to yet another wet well pump that is in failure mode at the Prospect Street wet well that will cost an estimated \$3,200 and are trying to limp through to spring before replacing the control panel supports for the Rt. 219 pumping station (\$3,600) before it collapses. With the start of the summer season it will be necessary to rehabilitate the odor control system (\$4,600); and purchase a jet motive pump for back-up to the SBR process (\$12,400). (These pumps run an estimated 20 hours per day and we currently do not have a back-up unit.)

As you are aware, the Town has approved and advanced the WPCA monies to redevelop the Black Bridge drinking water well and replace the pump there at a cost of \$39,999. (Work completed.) Additional Town funds have allowed us to initiate the replacement of a (17) year old pump at the Pine Meadow well house at a cost of \$22,910. (Work-in-progress.)

With this accompanying history and with the understanding that the WPCA must meet all of the requirements of regulatory agencies to provide service without any issue that would affect public safety and health, we anticipate that we will not have the funds to pay the quarterly debt service due this month in the amount of \$19,786.77.

To illustrate our day-to-day cash management, we had revenues on hand as of the close of business on Friday, February 2nd of \$49,389 with the then current payables of \$ 49,695. (This did not include an estimated \$19,000 for (AWC) and \$10,000 for (TWC) in payables due for professional services, along with each company's non-routine charges.

As of the close of business on February 23rd our cash-on-hand stood at \$11,682 and payables of \$592. This does not reflect our next electric bill that averages \$8,700 per month nor the charges for the previously referenced wet well pump replacement costing \$7,600. There are no reserves for any "unexpected" maintenance failures before the next quarterly billing period, which seems light years away at April 4th. While from time-to-time this equation swings into a positive balance on-hand, the longer-term view does not support the ability to make all debt service payments. We clearly need to meet the obligation to pay for professional services received from TWC, AWC and other vendors as our first priority. I will plan to be at your meeting on Tuesday evening to answer any questions that you might have. - Respectfully submitted, - Bud Butler, Chairman WPCA