

REPRESENTATIVE POLICY BOARD

JANUARY 25, 2024

MEETING TRANSCRIPTION

Bob:

Hello everyone. Welcome to the January 2024 meeting of the RPB. I don't know if we've determined there is a quorum, so we'll move on to Safety Moment. I'd like to hope that you've all read it and we can go across it little more but winter is here though we're not having a lot of snow, we're getting rain right now. No matter what we get, it will flow into the reservoirs and be sold. Hopefully. I don't know if there's any public here. We will allow them some time if they want to comment.

Seeing none, we'll move on to the approval of the December minutes.

Jamie:

I'll make a motion. Mr. Chairman.

Bob:

Okay Jamie, any discussion regarding last month's minutes? Hearing none. All those in favor of accepting them as they've been presented?

RPB members:

Aye.

Bob:

Any opposed?

Greg:

I abstain.

Bob:

Greg Malloy will abstain. Any others?

Other communications, the mileage form and also the, I guess it's our attendance at what meetings we've attended. It's in our packets.

Quarterly dashboard is also in our packets so that we can know what's going on in the district. Items for consideration has to do with our compensation for the fourth quarter of 2023. Does anybody see any errors or corrections? I guess not. I think we need a motion to accept them as they've been shared.

Tim:

So moved.

Greg:

Second.

Bob:

Second by Greg Malloy. Any discussion regarding the compensation? All those in favor please say aye.

RPB members:

Aye.

Bob:

Any opposed? Hearing none. We'll accept that. Go on to reports. That is first the Finance Committee.

Vin:

Thank you Mr. Chair. The Finance Committee met on January 8th and received an update regarding the Lake Whitney Dam design project. We reviewed the challenges and risks associated with that project and then we received an update on the second quarter fiscal year 2024 and the RPB dashboard metrics. We went through assignments for attendance of Finance Committee members at the Authority meetings and I have to reach out to Mr. Clifford still to see if he would like one of two dates and I'll take the last and then our next meeting will be on February 12th, which is a Monday. Again, we are in hybrid mode so we encourage people to attend in person. That is the report of the Finance Committee.

Bob:

Thank you, Vin. Are there any questions of Finance? Hearing none. We'll move on to Land Use in absence of Peter, Greg, you'll be filling in?

Greg:

Yes. The Committee met on December 13th and we saw a video *Protecting the Water Supply*. It was dated 1951 but it's still relevant today and also by General Electric and it was made in cooperation with the U.S. Public Health Service. Basically, it was how to protect the water supply and how important it is to the water used in everyday life and impact of pollution and how citizens can protect America's water supply. Committee members then discussed the evolution of water service delivery, bottled water lenient regulations, and the lead and copper rule revisions.

Bob:

Thank you, Greg. Any questions for the Land Use Committee? Hearing none, we'll move on to Consumer Affairs.

Mark:

The January meeting, right?

Bob:

The January 22nd meeting. Yes.

Mark:

January 22nd meeting we met and had a presentation on the Authority's process of how they collect. It was in executive session so I'll just give you what we talked about to how they go about collecting past due debts, your process of going after bills that are past due. It was very interesting and they're really

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working hard on collecting past bills. They're trying to be friendly at the same time, which is a good thing to do. Talked about a couple of things; concerns of customers, and a problem with consumption rate that hasn't come to Consumer Affairs Committee yet. The OCA is working on it and also discussed some damage done by a contractor working for the Authority, and Mr. Donofrio is working on that. Also, there was discussion about the presentation given at the Executive Committee concerning, and that again was about the executive session, and they thought that the presentation that the Authority gave on RWA's business, our outside businesses, should be given to the entire RPB board. There was a discussion on that and that's about it. Any questions?

Bob:

Mark since we went on the monthly billing, have we seen any reduction in the delinquencies?

Mark:

They're just doing a good job of collecting. It didn't come up, and whether or not I can talk about it. We'll look at it at the executive session.

Bob:

Any questions of Mark? Very interesting meeting here. Thank you. I guess next is the Executive committee. I guess that's me? Let's see, we're only eight minutes into this meeting. The Executive Committee met on Wednesday the 17th and we voted to go into executive session. We had a very good presentation and like I said, it was a very good presentation for us and we came out of executive session. There was no committees or board problems so we adjourned then. It was a long meeting. I don't know if anyone has any questions. I don't know if we can answer them but it was very good meeting.

Mark:

It's better than law since it came up at the Consumer Affairs meeting. Is there any thought about having that presentation given to the RPB under executive session? The same presentation?

Bob:

I don't have an answer for that. I don't know. Does management want to comment?

Larry:

Well, David and I were just chatting. I think it might make sense for us to visit the other three committees and present that so that there's enough time. Get it to the whole RPB. It's a pretty detailed presentation. Even if we take it up a notch, it's still going to be somewhat detailed, so we would suggest that we meet with the three standing committees and present the overview of the commercial business to them.

Bob:

I think that would be a lovely idea. I don't know what else I can say.

Mark:

With a schedule that works, so over the next couple of months, hopefully.

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Bob:

We can. Yes, there wasn't anything that was really first. Well, it was a lot of good information and there's nothing of it that's really too time sensitive that we have to have it right away.

Mark:

I'm bringing up that they brought it up to Consumer Affairs Committee and whether it was given by each committee because Bob and Larry and I had talked about that. We did want to convey this to everybody but actually when we talked a couple days ago, we were thinking maybe committing the whole but it might be better to do the smaller, just acknowledge might be better push.

Bob:

Yes, exactly.

Mark:

More open to people asking. Well it was Jeff that requested the meeting in the first place. He said that he had been pushing for that, correct?

Bob:

That's correct, and so you guys, you like how we did it and what we did so that it passed muster of your leadership so now we can go out to everybody.

Stephen:

Hey Bob, this is Steve.

Bob:

Yes, Steve.

Stephen:

When we talked about this at the Executive Committee and also Consumer Affairs, to be clear, Jeff asked for this presentation to the full RPB initially in a separate meeting. What management decided to do was bring it to the Executive Committee. I thought it was a very significant well initiative that they were presenting and I called Kevin and asked him if they would consider presenting it to the whole RPB. I think it's really important if they're going to be voting on projects in the future to have that understanding of the endeavor. Kevin got back and said that he had talked with Dave and they were going to present that to the rest of the RPB in some fashion. The other RPB members will get the same information.

Bob:

Do you mind Steve, are you all right if we do it with a committee so it's more of a small group setting as opposed to the large 21 member RPB as a whole?

Stephen:

Yes, that's fine, but I think it's a very significant initiative and that every RPB member needs to be aware of it. However you want to do it is fine.

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Bob:

Okay, thank you.

Stephen:

The presentation was an hour and a half, so I mean there's a lot of material there and I understand that. That's why I thought it would be better to do it once for everybody, but you might want to do the other committees or the other one meeting and just invite the members that didn't have the opportunity to see it to attend that meeting. Then you don't have to do it more than once.

Bob:

Well, the committee meetings do start a little earlier than the RPB, so I'm not saying it's going to go as late, but there's a lot of information there, so maybe having it at the committee level, starting at five o'clock, 5:30 is a little easier and we'll get people done sooner for the evening.

Stephen:

Oh yes. I wouldn't think you'd do it at an RPB meeting. I mean it's going to be an executive session. It's a special meeting.

Bob:

Yes, okay.

Stephen:

On that I guess I want to thank management and your staff for all the work you guys put in preparing all that information for us. I found it really informative. It was a strong foundation and it gave me that much more respect and appreciation for the work that you guys are doing. This is a huge undertaking and so kudos to you for the work that you're doing but also for the way you were able to pull it all together and present it in a understandable way, so thank you.

Bob:

Thank you. With all these trailers we're hearing about, I hope you can pull it off.

Stephen:

Hey Bob?

Bob:

Yes.

Greg:

I just want to make a correction. I think I said that the Land Use meeting was December 13th. Objection. January 10th.

Bob:

Okay, so noted. Thank you. I guess we'll move on from there to Authority and management. Well good evening. We met today. We had a intense meeting in that we had a lot of big topics to talk about. We started with the Pension and Benefit Committee, so I'll ask Catherine right on cue.

Catherine:

Good evening. Hi, everybody. The Pension & Benefit Committee did meet today. We had a number of things on our agenda. First we had an executive session, a discussion of the plan for undertaking our fiduciary responsibility to review management of our asset manager and how we were going to process that. I suppose I can say that we are going to move forward with a request for information and based upon information that we get from our consultant and Angell who will decide whether we will go further in terms of looking at the management of the assets and the liabilities, which is important to know with pension. Additionally, Morgan Stanley reviewed the quarterly performance of the pension and the Viva plans.

The performance and market values have improved since the last quarter, which is a good thing. Returns for the quarter ending December 31st, 2023 with a pension and legal plans were reported to be 8.38%, which is 6.69 percentage points above the actuarial return for this period of 1.69%. That's based on an annual return or expected return of 6.75% from the period from May 31st, 2023 through December 31st, 2023, which is the fiscal year date.

The returns were 8.53%, which is 4.9, excuse me, 4.59 percentage points above the actuarial return, 3.94 returns for the calendar year of 2023 were reported to be 12.1 more percent, which is 5.39 percentage points above the actual returns 0.75. I think what this tells us, the takeaway I had from the Morgan Stanley presentation is that, and I love what you said, it is more important to spend time in the market than you try to time the market so you stick to your knitting and over time you will do fine.

Bob:

That's how old you're, he could have said that.

Catherine:

He did say it this time in the market. The last thing that we did is we took a look at updating our investment policy statement. That was a robust conversation and we are going to address everybody's concerns at the next meeting next month. Are there any questions?

Bob:

Robust? I love that. Did that help you? We don't have to continue to put additional funds into the retirement fund. Has it gone up more so that you can put less in?

Catherine:

Part of what we discussed is a need to move towards full funding of the pension funds and one of the ways that you do that is to increase the annual contribution that is made above what is actuarially recommended. Part of our discussion today about the investment policy statement was to take a look at when we make a decision about making large additional contributions versus using that capital for various projects, capital projects, and other things and the like. That was part of our discussion percent.

Bob:

How much is it? 70% funded? 80?

Catherine:

Just under. It's right around 80.

Bob:

The last, how does that compare to other business?

Catherine:

Well, as compared to other governmental funds, we are doing very well. Most governmental funds unfortunately are grossly underfunded. Corporate funds are not allowed to be underfunded. We're not managed, we're not regulated by the Department of Labor. They're not subject to ERISA.

David:

You always hear how they go when they take the union's money, the pension funds, and then all of a sudden they have a lot of it. Thank you. Any other questions? Thank you. We also met and talked with the consultant that we have regarding PFAS and the 3M and we had some more information regarding that. Unfortunately, because it's a matter with potential litigations and that is a litigation, we're not going to talk too much detail about it, but just we've been on top of it.

We had two special meetings over the last 60 days about it and then we've been getting updates. We also approved an application for the Lake Whitney Water Treatment Plant chemical systems improvement. You're going to see that it's actually rather mundane in terms of a project that just needs to be done, it is regular maintenance in the building. It's about 19 years old now and so some of the chemical systems need to be improved, so that's something that has to be taken care, so you will see that.

We also met as the Compensation Committee. Kevin's a bit under the weather, so he thought he wasn't going to make it, but really what we did, we reviewed Larry's strategic priorities mid-year, how we're doing, and made a couple minors tweaks here to finish out the year. He was a little aggressive on something and that's good. We want that. Otherwise, oh no, he's doing very well. Okay, so he didn't underperform. He's not underperforming, I thought. The Authority's in good condition, good shape. All right, and with that I'll hand it over to Larry.

Larry:

All right, thank you. Okay, so after seven months of actual results through December 31st, operating revenues are under budget by about \$1.9 million. No surprise. That's due to water revenues being under budget by about \$2.5 million, primarily due to lower liter water consumption. Good news is that other revenues are over budget by about \$517,000 due to jobbing and backflow device testing and meter reading and collection charges. When you do all the puts and takes, excuse me, with operating and maintenance expenses are \$303 million under budget with right now most of that \$2.5 million being timing, we think that's going to probably decrease and the other \$500,000 permanent and net savings will probably increase, so that will continue to shift through the year. When you do all the puts and takes, we are now projecting a coverage of 117%.

You recall that at the beginning of the fiscal year we set a target of 118% even though we're required to only get 114%. It was a stretch target. That was a mistake. But anyway, we think we're going to hit 118%

by the end of the fiscal year because we took some measures to have discretionary spending and some things like that, so we're doing well. We are projecting that water revenues will be under budget due to the wet summer, but our interest income is favorable.

The good news for the higher interest rates, they're making more money in our various funds. Pilot is favorable and the timing of DW SRF is also favorable, as well. We're still uneasy about the economy. We'll see what happens there going forward. We're managing conservatively and as of January 22nd, long water storage was 97% compared to a long-term average of 75% of the same period. I thought it was interesting that through January 21st, rainfall totaled 42 over 42 inches, which is about 12 and a half inches higher than the long-term average of about 30 inches. That concludes my business report.

Today we also showed a video to the authority. Last week we had an all-employee meeting to give them an update on the business results, our strategic plan, and things like that. Our educator, Lisa DiFrancesco, she's quite the artist when it comes to shooting videos and so she and our new Director of Public Affairs, Kevin Watsey, who you met, worked together to develop this about five-minute video that provides really an interesting way of talking about some key highlights for the year. If you would indulge us, we could take five minutes and show you this video. I think you would enjoy it.

[VIDEO PLAYED]

Bob:

That was well done, so thank you.

Larry:

That's all we have to report.

Bob:

We've enjoyed that as much as you did and kudos to the team that put that together. Questions?

Charles:

I was looking at the dashboard this evening and under unaccounted water, remember when we put the meters in, that was one of the issues that we thought we were going to work towards solid. I could see that our target has been 10%, which I assume was a fairly arbitrary target at that point. We haven't met it yet, so I really have two questions. Would you want to comment on not reaching the target, and is that an accurate target? I always felt it was a little high, frankly.

Larry:

Yes, well 11% is actually better than what we used to do. It used to be 13%.

Charles:

It's still a lot. I mean, if any other adds and 10% loss-

Larry:

It's substantial. Yes, I agree. It is higher than we certainly want it to be. 10% is actually considered best practice in the industry or unaccountable water, but a WWA guideline is actually 15%, but some of the more progressive states have set 10% as their target for utilities, so we've adopted that.

In terms of best practice, Sunny's been leading an effort. We have a team that is looking at different ways to reduce unaccountable water and you've got kind of two ways. There's actually water that you lose through main breaks or somebody using a hydrant that's not authorized to do so. Firefighting can all be unaccounted for water, so we've looking to get a better handle on that water we estimated number one.

Number two, we're making sure that the water that we produce, that metered water matches up to the water that our customers use so that you don't have any paper losses, and the AMI system has helped out to do that. Then we're looking to find leaks in the system, as well. We're using an AI technology that actually helps us pinpoint leaks in the system, so we have a number of initiatives that we're undertaking to get down to that 10%. That said, I'll ask Sunny if you want to add anything to that or Jim Hill.

Sunny:

I think working with Jim's team as well as we kind of piloted this new technology, which uses artificial intelligence and machine learning. It was actually originally done in Europe, so it became a pretty popular, I would say, tool in the last year or so. But we piloted this technology in October of last year, 2022. So 2023, '22 I guess. We had tremendous successes in actually making significant savings and we entered into a contract right from the beginning of the year to roll it out and we've been extremely successful, so we are on target this year. We have a target of 100 million gallons to meet. We are working towards the goal. We should be almost more than halfway meeting the goal. The teams that are working on it is a really significantly advanced technology where it kind of triangulates the exact locations of where the leaks could upper and not only I would say that is something that we are doing on our own.

The state also mandates that we actually go and target a certain amount of percentage of pipelines where we have to go and identify leaks, so there are two or three things which we are doing. One is that state mandate, which is required as well as the artificial intelligence, which we are deploying. Both of them have been useful and we are going to take it for the next two or three years to see how much we can save. Going to Larry's point, I think 10% is actually a quite aggressive goal for most utilities. But we want to be on the aggressive side because recently I had a conversation with new audience and they're trying to implement this technology. They are an economic for run somewhere in thirties and 40%. So given that we are actually one of the kind of would say advanced in terms of what we are trying to save for, if you want to add more, sure.

I mean in terms of the regulatory requirements for this year, we skew that be 25%, remove that. We're actually north of 50% in terms of the \$100 million goal, and every once in a while we find things that you wouldn't expect. One recent example was a supply line for packing for well field all the time. So guess what's happening? Some of that water is going back on the well with. It's interesting. So a line breaking, you have a big working library, thousands and thousands of gallons of water pouring out. That's a gallon of water, right? Absolutely correct. We try and estimate that just so we can say that we are accounted for it and we try to estimate what a main break is. We also try and estimate how much water a fire department may use the way a metering that, but we try and get a national.

Well, last year we were in Bethany, they had that big ground fire. They were tapping our hydrant. That's right. Many, many, many times do we know when they open the hydrant? Many times fire departments will tell us sometimes they don't, so we are in constant contact. Jim has regular meetings with the fire departments to kind of discuss on them the importance of telling us, because we can help them in terms of fighting the fire or more work, we get more water to them, right? So there's things that we can do to assist them.

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We've also undertaken training of fire departments so that we can show them how to properly open and close a hybrid when they're going to use it. You can imagine these firemen jump out the truck, lots of adrenaline. They whip the thing open and then when they're done, they whip it closed, and of course everybody causes having in the system as well as getting excess pressure, which may call the main break. I slam it over. You're not going to win. Now with this big ball right now, this ball we're having, we have feet, right? Shouldn't have said it. Oh, we're in trouble now. Sorry.

Greg:

During the meter installation process, one of the objectives or whatever comments were locating and un-metered services, do we feel we have that particular issue under control at this point?

Sunny:

Yes. Well there were people that we didn't realize were getting water and we did correct. We did. That's not a major part of it at this point. We were able to identify those customers that were using water that weren't made just by virtue every house, and it did go down. It was almost 15, 15.5%.

Bob:

I remember the number was up there and it was one of the pluses of that investment in meters. It's an aggressive goal. Catherine, another stretch goal. I didn't use that word on purpose. I said aggressive.

Stephen:

Bob? Bob, this is Steve. I had a question for Sunny.

Bob:

Okay.

Stephen:

A couple of weeks ago when we had all that rain, there was an incredible amount of water coming over the Whitney Dam. I mean the spillway was overflowing and up against the wall there and the rocks and a mist over the waterfall. Did you observe the dam at that time, Sunny, and do you have any concerns about it?

Sunny:

We typically, I would say not only that time, Steve, we typically, I would say go out any precipitation events and that's part of standardized operating procedures, so all the dams get inspected and we have reports that get filed. We did notice, I would say the dams were getting full, but there were no real concerns per se, in terms of stability and all.

Stephen:

Okay. Thank you.

Jamie:

Do you have any tabletop training exercises this year scheduled?

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Sunny:

We do have a couple.

Jamie:

It wasn't a trick question. I just remember you've done them over the years and they're always interesting.

Sunny:

Yes, we do have some scheduled, we do. We actually did a new one, and we have some things coming up in the next few months, as well. I can send the schedule to you.

Bob:

Thank you. For Office of Consumer Affairs, Jeff, are you there?

Jeff:

Yes, I'm here. I don't have anything.

Bob:

Nothing. I was trying to make this meeting go a little farther. It seems to be rather short tonight, but I guess we can have it short.

Any other sharing or discussion? If not, motion to adjourn will be an order.

Mark:

So moved.

Greg:

Second.

Bob:

Any discussion regarding that? Hearing none. All those in favor, please say aye.

RPB members:

Aye.

Bob:

Any opposed? Thank you very much everyone. Our next meeting is in the packet.