

REPRESENTATIVE POLICY BOARD
CONSUMER AFFAIRS COMMITTEE
DECEMBER 18, 2023
MEETING TRANSCRIPTION

Mark:

I'll remind everybody this meeting's being recorded. We have a safety moment. Do you all see what it is? I think it's about candles and stuff. I've seen it so many times. Yes, safety about Christmas stuff. If the tree starts to get on fire, it could be a Hanukkah bush, okay? Don't forget to take care of your trees. The next item on the agenda, public comment: resident customers may address the committee regarding the agenda items or other items. Discussions limited to the presentation information. Is there any comment on the agenda item? Is anybody there? I guess not, so we'll pass on to that one. Review the proposed revisions discussion points, including necessary procedural updates to the RWA'S enabling legislation. I'm waiting for Kevin.

Before you start, I'd like to say a few words, if that's okay. I've gone to the Finance Committee meeting, heard their comments, and I've gone to the Land Use Committee and heard their comments. So I believe that some of the comments have been put into this, not new presentation, revised presentation. Most of that were more procedural problem, and they've been corrected. As far as I know, I have not seen them yet. With that said...

Kevin:

I'm here, Mark.

Mark:

Kevin's here.

Kevin:

Yes. All right. So good evening. I was asked by Dave Borowy, as a member of the Five Member Authority, to act as a liaison between the Five Member Authority, and sit on the Joint Enabling Legislation Committee. We had a meeting a week or two ago. We have a meeting Wednesday night. I've had these conversations and we had the question, and answer session at the last two RPB committee meetings, and we had a lot of good feedback and some points that were brought up that we hadn't thought of, so it's good to get a lot of the ideas and comments from everyone. I'll try to do this as quickly and efficiently as I can while we're still trying to get the information out. Because we have a short timeframe, we're asking that the joint committee make a recommendation to the RPB this week for the Thursday meeting so that, if we're a go on some or all of these or most of these, we're able to make the application or start the process with the legislature in early January.

Larry and Rochelle will be able to talk more to that if necessary. I'm going to give a summary of where we're at today, and Mark is correct. I think that what was sent out does reflect some of the comments and changes that came out of the first two committee meetings. The intention is, my approach has not been to advocate or try to sell any of these changes to any of the committees or the RPB generally, except for one. One change does need to be done, and as many of you know or all of when you go open up the enabling legislation, you don't want to do it very often. If we're doing it because we have to do it for one change, this is our opportunity to make typographical corrections, clean up some language, and

then there's other things that have. Come up that management and the authority believes are important.

But I look at this as a discussion. You can decide amongst your committee what recommendations you want to make to the joint committee. Then, we can have that conversation there, and then the RPB as a whole would make a recommendation or an approval to the authority and management. But just to be clear, the authority and management, although we want a unanimous consensus if possible, we can go to the legislature and ask for changes without, it's not like we need a public hearing or a formal approval process. I only say that just so people understand the scope of what we're reviewing here. I don't say that. We don't plan on doing that without a consensus from the RPB, except for the one change that we absolutely have to make. I'll get to that. So it was a long introduction. But number one, Jennifer, I don't know if it's possible to bring up the summary.

Yes, thank you very much. These are color coded. It was put out in an email, what the different colors mean. I don't know if I want to pull that email up real quick, but just real briefly, the green are technical corrections to update punctuation, spelling, and amendments; however, in the bold green, number six, I'll get to in a minute, that is the thing that we absolutely need to seek approval to change the enabling legislation on. I'll explain why shortly. Let's see. So number one, section two, the authority, just to be clear, already believes based on a, it was either an opinion letter or guidance from Murtha Cullina, that we have the ability to conduct non-core business outside of Connecticut, but since we have to open up the enabling legislation, the authority is looking to confirm that by making that as specific as possible within the enabling legislation itself.

Now, just to be clear, we're not currently seeking business outside of Connecticut, although occasionally something may come up. So we're looking to make it as clear as possible, so that if we ever did attempt to acquire business outside of Connecticut, any potential challenges to that couldn't be based on the fact that it's not specifically enumerated as one of the authorities' powers in the enabling legislation. This is a recommendation, I believe, from Murtha, and it's something that management and the authority would like to see, if possible, be approved or supported by the RPB members. I forgot to mention, I don't know if you want to interrupt with questions, or whether you want me to run through this and then ask questions at the end. I guess I'd leave that up to the committee chairperson, how they want to handle it.

Mark:

I think it's better to try to run through them and then we'll go back over them.

Kevin:

Okay. All right.

Mark:

That way, you get to say your piece.

Kevin:

Okay. Yes, so I think it's better in this team setting. I think you're right, Mark. So number two, section four, page five. Setting that the authority shall meet at least quarterly with RPB. It just references that right now it requires the RPB to meet quarterly with the authority, and so it's trying to align the different

language of the statute to make it clear what the minimum meeting requirements are, as far as the two boards with each other. Number three is just a simple correction of a typo, the word timber. Some of these cleanups come from Barbara [inaudible 00:10:23]. If you remember Barbara, who was a representative on the board from Derby, had gone through the legislation with the fine tooth comb, and asked when we ever come back to change the enabling legislation, that we clean up a few of these grammatical and typographical errors. Number four. So increasing the authority board up to seven members, and providing exclusions to appointment, and we'll talk about that.

We're not seeking those exclusions to be part of the enabling legislation, but there's a recommendation that some exclusions to who can be a five member, a seven member, or whatever member authority board member, who could potentially serve in that capacity. So if the number of authority members were increased to seven, the way we're proposing it is that no less than five of those shall be residents of the current district, and all of the members of the authorities should be residents of the state of Connecticut, so look to Larry with a little bit more back on this. The authority, with the non-core business, the number of committees and some with the other different responsibilities that have changed over the years with the scope of the authorities' obligations and governance, the number of committees have increased, the skillset, the types of different skill sets required have increased. I don't want to say the workload necessarily has increased, although we have been busy the past couple of months, but Larry, do you want to add any further commentary about why we're seeking that change?

Larry:

Yes. I think you've covered a majority of the points. It was to have access to a greater skillset outside of New Haven County in the event we can't find it. It could be somebody with startup experience. It could be additional mergers or acquisitions experience. Giving us the state of Connecticut gives us a wider number of people to consider with various skill sets. Although they may be in New Haven County, they may not choose to apply for the position from that standpoint. Since we have commercial businesses that are outside of New Haven County, we thought it made sense to open up the rest of the state for potential members.

Kevin:

Okay. I had actually brought this up to Tony DeSalvo a few years ago, about increasing the number of members when we started to actually seek non-core business opportunities when we had the enabling legislation changed last time. My thought process on it was Larry had touched on it as well, is that we needed or potentially needed additional members with these types of additional businesses that we acquired, or just the fact of acquiring these additional businesses or opportunities that we could use people with more different background and experience than limited to what the five members might have. So that's the rationale for seeking that.

This currently says up to seven members. I personally think that if we're going to increase it, we have to set the number. That's my opinion. I just think it would be cleaner, whether if it's five or seven. I can envision a scenario if the language has changed to, "Up to seven members," and the RPB only approve six members, there could be a potential tie vote on the authority, and I don't know that we have the mechanism right now. I guess we could probably change our rules of practice to address what happens in the event of a tie vote, but I also think for the numbers of committees-

Mark:

Excuse me, Kevin?

Kevin:

Yes.

Mark:

I thought we had discussed that, and I don't mean to pick. I wanted you to go through them as quickly as possible, but I thought we said it's [inaudible 00:15:20] seven members.

Kevin:

That was, I think, the discussion you and I, Mark, agreed on.

Mark:

Yes.

Kevin:

I think it has to be a set number. Yes.

Mark:

That's right.

Kevin:

So I won't belabor that anymore. We can talk about it when we get to the end if people have questions. Number five, allowing the authority to meet at least quarterly. The way this is presented, the intention is not to meet quarterly for the five member authority or the seven member authority, whatever it might be. It's to allow some flexibility in either July or August, or January, December, November, December, or other months, that we might be able to combine meetings as the authority if we don't have business on one month, so that we're not having a meeting just because we're required, right now, by statute to meet on a monthly basis.

And we'll probably, in reality, meet more than 12 times a year, anyway, but that's what the rationale behind that number is. Number six is the one that actually started the whole process. This actually absolutely has to be done, because right now the interest rate, we can't charge interest until after, I think it was either the 29th or 30th day, and the new billing system. And Larry or Rochelle, if you could weigh in on this briefly, is set up to charge interest on starting on the 28th day. If we have to change the software, that becomes a customization of the software, and we had an extremely bad experience with that with the SAP. Rochelle or Larry, do you want to add anything further on that, as far as why we need to do it?

Larry:

Sure. Just two things. You hit the high points. This will allow for us to charge interest beginning on the 29th day and, as Kevin said, that is consistent with the out-of-the box software that we are using for the

CIS program. It also benefits the customer too, by the way, because currently, if a bill is passed due 30 days, the customers charge interest on the entire bill. This would enable us to charge interest on the past due amount for just that amount that's passed due after 29 days, so accidentally wouldn't pay as much interest with the way this is set up. Of course, it also is fixing the consistency, with which the interest rate cannot be more than that allowed for unpaid actions.

Kevin:

All right. Thanks, Larry. Number seven, it's combining-

David:

Hey, Kevin. [inaudible 00:18:29].

Kevin:

Yes, go ahead. Sure.

David:

Someone wants to add one more point?

Sunny:

Yes, I just want to add one more point. So to avoid this happening again within our proposal, we actually are giving the RPB Authority to change the number of days. If it's 15 years from now when there's a new system, and it's 30 days or 29 days.

Kevin:

Okay, so that the proposal would be that in the future there'd be flexibility, as determined by the RPB, about when the interest can be charged.

Sunny:

Correct.

Kevin:

Okay, so there's a little bit more authority being given to the RPB as far as that goes? Okay, so number seven is just cleaning up some sections and combining and moving paragraphs so that they align with each other. So number 8, section 19, raising the question with the \$2 million threshold for RPB approval of capital project should be adjusted according to inflation as well as the non-core \$1 million threshold. So adjustments would be subject to RPB approval, and the current proposal is to increase the \$2 million threshold for capital projects to \$3.5 million because of inflation, and the \$1 million for non-core threshold to \$1.5 million, also for inflation. Larry, do you have any further comments, or does anybody have any comments on that from-

Larry:

The thought there on the need, if you just inflate the amount that is in the enabling legislation currently, which is a \$2 million, if you inflate that by the inflation rate since it was last changed, it comes out to be about \$3.55 million. So it made sense to us that, given that today we are seeing the cost of projects increase significantly, so it's unlikely that you can do any substantive projects for \$2 million any longer, so we thought it made sense to increase that capital amount by the inflation rate, not only for the utility capital but also to raise the limit on the approval of commercial businesses to \$1.5 dollars as well, and then have those two amounts subject to increase every three years.

Kevin:

Okay. Thank you, Larry. Also, having section 19 and 18 coincide or mirror each other when calculating the total weighted votes of the RPB membership needed to approve various items. So there's a question on, right now, and this goes throughout, I think there's a couple of points in the enabling legislation, where sometimes it's a majority of weighted votes present at the meeting, and then sometimes it's a majority of the weighted votes of all of the board members, and it doesn't take into consideration vacancies. That's something to consider. Number nine, not proposing to further define improvements, but are adding affiliated business entity is section 21. Number 10 is just a simple spelling correction. Number 11, proposal to increase capital projects to \$3.5 million, and be adjusted subject to RPB approval by A CPI factor every three years. That's connected to number eight above. Number 12, it's changing affect-

Mark:

Kevin, I'm sorry.

Kevin:

Yes?

Mark:

Just a clarification, so 11, and could you give me the other one?

Kevin:

8?

Mark:

That was 8.

Kevin:

Yes.

Mark:

So 11 and 8 are the same. It's just saying that, I want to understand it, the 3.5 million would be adjusted [inaudible 00:23:22] the RPB, with the approval of the RPB by inflation or it has to be approved by the RPB according to inflation?

Larry:

Mark, this is Larry. Section 11 deals with if people are aggrieved by a decision of the RPB for a capital project, and we're just changing the amount to be consistent with the section that we just talked about previously. In both cases, section 19 and section 30, both of those can have the amount of the capital project increased by the RPB every three years.

Mark:

Why the RPB?

Larry:

Why the RRP?

Mark:

Every Three years? So in other words, I just want to understand it, so it will not increase until for three years unless we approve it?

Larry:

Correct. That's what's being proposed.

Mark:

Yes.

Kevin:

He's right.

Mark:

I just wanted to see. Okay.

Kevin:

Yes.

Mark:

I just want to correct it from my brain.

Kevin:

No. That's a good point, Mark. It would be an added ability of the RPB. If it so chose, it could increase, adjust that number based on inflation, but it wouldn't be required to.

Steve:

So Kevin, this is Steve. Just for clarity, the capital project is proposed to go to \$3.5 and the for-profit to \$1.5. That basically it?

Kevin:

Yes, Steve. That's essentially it. I mean, that's based on inflation, correct, or due to inflation. Yes.

Steve:

Okay.

Kevin:

Steve, just so you know, the previous discussions earlier on, when we met with the committees, we did not have those specific numbers. We were just asking that it be increased. But after some discussion, and Mark and I had discussed it as well, and Bob Harvey, at least Mark and I agreed that there should be a number in there. There has to be a specific number that we at least start with if we're going to adjust it.

Steve:

Okay. I do have some comments on that later.

Kevin:

Okay. Number 13, this came up after we, I think, met with the first RPB committee, and this was to add sustainable manufacturing support to allowed non-core business activity. It wasn't clear that we would be allowed to acquire or be involved as a partner in a business that has this as an attribute or as the type of manufacturing. So here, we have the definition by the EPA definition of sustainable manufacturing. The management thought that this would be a good fit to add, and did not want to leave this out, or leave it unclear whether we were able to participate in a business or acquire a business of this type in the future, so that's why we're asking that this be added in. Larry, do you have any further comment on this?

Larry:

Yes. When we looked at what we were able to do now, which is do water or environmental related businesses along with two others, we could have argued that sustainable manufacturing could be under the environmental related businesses, because part of that sustainable manufacturing support minimizes negative environmental impacts. But we wanted to be crystal clear, and we've been talking to a lab that actually does this kind of testing, so we wanted to give ourselves some flexibility to continue with talks about the lab, as well as explore others that might have this type of testing process in their portfolio.

Kevin:

Thanks, Larry. Number 14 and number 15 or somewhat related, having to do with financing or refinancing. Rochelle, do you want to comment on that, or can you comment on that?

Rochelle:

Sure, so number 14 is currently in the [inaudible 00:28:16] legislation. There's a prohibition to do financing more than 40 years, and although we won't necessarily do this, we do want the flexibility, because for example, on our dams, they definitely last more than 40 years. You could do more than a 40-year loan. There's something in the industry, even like 100 years, and again, not that we necessarily do it, but we want the flexibility without having to go back to the enablement to the legislature and get that change. Then, 15, this is for distinguishing debt, so currently in the enabling legislation, you can't distinguish debt if you have to pay more than you are, unless our bonds are callable, if we choose to pay them off, we would have to pay basically the market price, and again, they only do this if it's a burden, but also in conversations.

Kevin:

Okay. Thank you, Rochelle. Number 16, this came out of discussions from the first meeting and going forward, RPB compensation. We were talking about inflation adjustments, and when we changed the enabling legislation a few years ago, I think I was either the chairman of the RPB or on the RPP at the time, and we had done an inflation adjustment factor, but we did not adjust the current, I guess the existing flat fee, so I think it was every five years it was supposed to be adjusted, and during the pandemic that was halted. So there really hasn't been much of an adjustment, but when you do the inflation calculator back to the inception of the authority from the original payment, whatever that was, \$50 per meeting or whatever it might've been, it actually brings you up to about \$254 now to today's, if you adjust for inflation.

So the proposal would be to increase the RPB base compensation amount to \$250, and then change to same thing a CPI or inflation adjustment every third year versus every fifth year, which I think is what the current legislation has. Number 17, this one actually I had brought up when I heard that we were going back to the enabling legislation. I'm not strongly advocating for it. I'm not going to try to push it, but I do think there should be authority board consecutive term limits. I had said term limits, and out of the meeting, the land use meeting, I think it was Jamie who said maybe it would be better if it's consecutive, but the word consecutive in there, meaning that someone could serve a certain number of terms, and then be off the board for a year or two, and then come back on if they really had a skillset and they wanted to continue to serve, and they had a skillset that the RWA really needed.

My rationale for it is I know that the RPB decides whether somebody gets reappointed or not, but I do think it becomes difficult over the number of years on the board where people develop personal relationships, and I think it sometimes becomes hard to not reappoint somebody. I don't think it was ever intended that these would be lifetime appointments, so I just think it's a good thing at least to discuss. If the RPB doesn't think it's necessary, then that's fine too, but I thought it should be brought up, because I do think that, without any term limits, it does become a little difficult. I know you've not reappointed people in the past, but I did also bring this up when I was being, I think, re-nominated, as something I wanted to look into, and I wanted to make sure that I followed through with that. Number 18, a CPI factor for authority board member compensation every three years, but that would be subject to RPB approval.

But there's no proposal for any retroactive CPI adjustment for the authority compensation, and so, before I get to this exclusions to appointments of authority members, there's some new proposals for discussion that I actually spoke with Larry and Rochelle about this morning for the first time. There is, and maybe it's intended, but there are inconsistencies, as far as what the votes are required for different types of RPB actions and different types of RPB approvals. So number 19, it runs through the sections, and it tells you what the total weighted votes are required. It's come up as, I think recently, a question a few months ago with the weighted votes, and whether something was going to be able to pass, because there's occasionally, and maybe more recently in the past few years, it seems that there have been vacancies that have sat, because either municipalities haven't acted or people have left the RPB, and there wasn't a reappointment made for whatever reason.

So if you have a member from a high weight town, like Hamden, New Haven, or Milford, or you have a couple of those seats vacant, it could become problematic relatively quickly for a weighted approval if the requirement is a total weighted votes of the RPB, versus total weighted votes of who is present at the meeting. And so, I think I had this discussion, like I said, with Larry and Rochelle today. I think that the difference in these different sections may be related to the type of action or approval that the RPB, and maybe the RPB wants a higher level of scrutiny or review in order to approve certain actions, like for example, section 18 related to land sales, majority of total weighted votes excluding vacancies. So right now, with land over 20 acres need three fourths of the total weighted votes excluding vacancies, so this addresses seat vacancies but not absences from the meeting.

I think it's maybe something for the joint committee to look at on Wednesday and the RPB to discuss maybe a little bit more on Thursday, if you so choose, for a decision on what, if a couple of members aren't present at a meeting, and that's going to cause a problem for an approval, is that the intention of the weighted vote requirement, whether it considers vacancies but not absences, or it's requiring the total weighted votes of the RPB? I guess, what's the reason for the actual language in the current enabling legislation, and is that something that the RPB thinks can be changed or should be changed? Because to not approve a major project, because a few members are on vacation or not there, and I'm not saying that that's what would happen, but that could potentially happen based on the language of these different sections. Larry or Rochelle, do you have anything to add to that?

Mark:

Excuse me, Kevin.

Larry:

No, I just-

Kevin:

Go ahead, Mark. Sorry.

Mark:

Excuse me. Are these the changes you want to make, or this is what it is now? I used to have the list of what it was. These [inaudible 00:37:03].

David:

It's way it is currently now, yes. It's what it is now, and we're suggesting that whatever it is, whether it's a majority or whether it's three-fourths, keep it at that, but what we want to do is to have that not include vacancies or absences for all the reasons that Kevin outlined.

Steve:

So for clarity, these are the existing regulations?

David:

Correct.

Steve:

Okay.

Kevin:

Yes.

Mark:

Kevin?

Kevin:

Yes?

Mark:

Thank you. Do you have anything else to say? I mean-

Kevin:

I just wanted to go back to on the bottom of page two. It says, regarding number four above exclusions to authority member appointments. We initially thought about limiting who the RPB could appoint to the authority, whether it was a former RWA employee, a sitting legislator, or things along those lines, and the list became longer and longer. Then, I had thought, and I believe Mario's on the call, and I don't want to say that he definitely agreed with me, but I had thought that I didn't want to take the ability away from the RPB to approve who they wanted to approve, and I thought that the nominating committee and the RPB itself could decide whether somebody was going to be a danger to the organization or not good for the organization on the authority.

So the suggestion then became, "Well, why can't we make those suggestions, and if the RPB wants to change their rules of practice to make those criteria for selection versus they're flat out not able to appoint those individuals," that was the recommendation. So maybe that's a discussion with Bob Harvey and the executive committee in the future to see whether the RPB wants to change the criteria or limit by the RPB rules of practice, not the enabling legislation. Who can be appointed as a five member authority member? I mean, I think, my personal view is when you start getting into limiting who can be

on a board, sometimes you exclude people for reasons that you didn't really want to exclude them in the first place, so that was it, so thanks for your time. I know that was a long-

Mark:

Yes. That's out of [inaudible 00:39:54].

Kevin:

Right. So pending your questions, and I know Steve, you said you had some comments?

Steve:

Yes. Just for clarity, so that initiative is now out with limiting who can be on the board?

Kevin:

That's correct, yes.

Steve:

Maybe I missed it. What about the suggestion of having the chairman of the five member authority be part of the nominating committee?

Kevin:

That's out.

Steve:

Okay. I was going to strongly object to both of those things. They are totally wrong, and the enabling legislation grants the RPB the power to put who they want on that board, and that's the way it should be. I've chaired that several years, and I've been a member of it. We have always invited the chairman and the CEO to that meeting to provide input on what is needed but not who, and that's fine. We sometimes would like input on the performance of an existing member that we are considering. I thought that idea was really disrespectful to current and past employees. There are many great people. I've worked with in the authority here for 25 years who would've been great members.

Mark:

Steve, that's out. I mean, that's out.

Steve:

Okay.

Mark:

It's not in there. I had something I wanted to say. Two things that I think we should consider tonight are, should it be seven members or up to seven members? I think that's an important factor. You can't just say, "You could have seven members." It's either five or seven. That's one thing. The other thing is the consecutive terms. If you go to seven members, and this is something that has to get worked out, what

are going to be the term limits? Right now it's five-year terms, so do you change it to seven-year terms? So if you have somebody who has three consecutive terms, that's 21 years on the board. That's a lifetime.

Steve:

Oh my god.

Mark:

That's a lifetime. I mean, something, has to be worked out. Now, the terms of limits can be worked out later by the RPB. I would not have a problem with, but the terms of limits of being seven years, I'd have a problem with, and I would have a problem with these consecutive terms of three when you're going to have 70-year terms. So two terms of 14 years, that gets down to what three terms were, so it's something to consider. I'm just putting it out there. Anybody else have anything they want to discuss?

Brian:

Yes. This is Brian. Two quickie questions.

Mark:

Go ahead, Brian.

Brian:

Also on the consecutive term limits, if you're going to do term limits, I think you have to definitely specify it. It's either three or it's four. You can't say three or four in the legislation. The other item that I was curious about is, in the past, I know there used to be a requirement that one member of the authority was from the town of New Haven and appointed by the mayor or chosen from a slate of candidates that the mayor of New Haven provided. Is that staying in the enabling legislation or is that disappearing?

David:

That's staying, and it's actually not in the [inaudible 00:43:45] legislation. It's a side agreement, side letter, that's agreement, and that would not change, right? Like Kevin said, it's not changing.

Brian:

Okay, because he was talking about five being from outside, with two outside the area. I was just curious if that was the change in that. Other than that, I'm fine.

Mark:

Also, Brian, you know that I think that we've agreed from the city of New Haven, they have to present three people to us, not one.

Brian:

Yes, no. I believe it is three. They have to present. I understand that. When he was talking about five from within the area and possibly two from outside the area, I was curious if that was replacing the New Haven requirement, but obviously it's not.

Steve:

Mark, getting back to the term limits, it kind of depends on what the term is. If you change the board, has that been determined? If it goes to three years-

Mark:

What would you like to see? That's what we're here for. What would be your pleasure on that? What would you think would be right?

Steve:

I'd rather see-

Mark:

We're here to gather information.

Steve:

If we're just throwing out ideas, I'd rather see the term shortened and then a limit set.

Mark:

Okay.

Steve:

Just a thought. I have some other comments on the rest of this when we're ready.

Mark:

Go ahead. Go ahead.

Steve:

I mean, this is a long list of items to approve in a short amount of time. The one item that is time dependent is that interest on 28 days. I don't know if there's a way around that, but with regard to the amount of approvals, we have to understand if we had raised that amount, we're giving up some regulatory control, and I'd be interested in knowing how much of the capital project budget, \$36 million or so each year, we actually approve of, because we don't approve the budget in the first place. If we change it to 3.5 or 4, whatever it is, what is the future going to look like in terms of our regulatory control and what we're approving? So I'd like to have some input on that.

Also, with regard to the projects for the for-profit ventures, they're a completely different animal than capital projects. Capital projects are defined activities that you need for the maintenance of the facilities or the operations. They're developed on a priority basis, on a need basis, and when you spend that

money, it improves the operations or it improves the infrastructure. The for-profit ventures, they're investments and there's risk involved with those. So the more I thought about it, the more I realized the money is not relative to those considerations. There may be a \$10 million project that's low risk. As we've seen from the first venture, we had a high risk object that was around \$1 million. I'm sort of, just for some input, I'm leaning back toward approving everything that's non-core.

Otherwise, a lot of money can be spent, as we've seen with an aggressive purchase of one particular type of industry without us knowing about it. I think some of this really needs some more thought and not to be rushed through. I realize a couple of these may be time dependent, but we just got an email. We have a new business director. Jeff has been calling for a meeting about the non-core business. We don't have a sense about what the long range plan or even what the current plan is. We haven't had that meeting yet. We haven't had a chance to talk to the new business director, and I don't think an amount makes sense until we have a better understanding of where that whole thrust is going, so just some input in that regard.

Kevin:

Excuse me. You want to talk, Larry, about that? You want to speak on it, Larry?

Larry:

Well, I was just going to address some of Steve's comments on the commercial business. First of all, we're scheduled to meet with the executive committee in January to review the commercial business strategy. Of course, these businesses become nonprofit because they're part of the RWA, and so we're going to review the commercial business strategy with the executive committee at the January meeting, so we'll be able to lay that out.

But we've certainly laid out what our strategy was when we do the budget proposals that we've reviewed, so we've certainly not hidden what the strategy is, and business owners get very uneasy when their business is exposed to an approval process. It can take six months, because they're afraid that the marketplace will become aware that their business is being sold, that the business customers are vendor relationships and the like, so we are seeing businesses that are going to be larger. We thought that if we increase it gradually, a \$1.5 million being the first increase, it would give us a little more latitude to [inaudible 00:50:12].

Steve:

I am not hearing you.

Kevin:

You're breaking up.

Bob:

Yes. It's breaking up severely, Larry.

Larry:

Jennifer, are we breaking up?

Bob:

Yes.

Steve:

Yes.

Larry:

Okay. My fault.

Mark:

That business owners are becoming very uneasy when their businesses are exposed to an approval process for six months, which is about what our governance process requires, and they become uneasy about that, because if the marketplace finds out that they're thinking about selling, they could lose customers, they could have vendor relationships ruined, so since we are starting to look at businesses that are a little bit larger than \$1 million, we thought that it would make sense to raise the limit so that we can consider those businesses that might be a little bit larger than \$1 million, but less than \$1.5 million, for the authority to review and approve, which would allow us to move quicker just through the governance process so that we didn't lose potential acquisitions. We've had companies tell us that they're interested in talking to us about acquisitions, take six months to get approval to buy the business, so that's the primary reason why we are asking for consideration of the commercial business be raised.

Steve:

Well, again, it's not about the money, it's about what's being done. I understand what you're asking for, but also the RPB regulatory authority diminishes it. So there's got to be a way to find, we can speed up the process, we can find another way, but at this point-

Mark:

Steve, we had tense talks about this, and that's why the \$4-and-something million went to \$3.5, and the \$2 million went to \$1.5, because it was concern that you have of that. The inflationary part, I think, is out, because the RPB has to approve any increase to that, whether it's non-inflationary or not. So you're talking, I understand that, but in my opinion, it's a compromise that it's come out of the three meetings. Out of the two meetings, I should say.

Steve:

Okay. Is Jeff in on the meeting?

Jeff:

I'm here.

Steve:

Do you have any comment?

Mark:

That's it. I was going to say, let's hear from Jeff now. That's what I thought would be a good idea too. Yes, Jeff.

Jeff:

This'll be the third time that I had the opportunity to share my comments on these issues. The initial presentation that occurred, the two concerns that I had with regard to potential revisions to the [inaudible 00:53:34] legislation focused on the prohibition, permanent prohibition on former employees serving on the FMA and the proposed increase to the threshold for non-core business acquisitions. I'm fine with \$1.5 million as the new threshold. I recognize that the transactions that have thus far have been brought to the RPB are in that \$1.5 to \$2 million range, maybe a little bit higher, so \$9.5 is appropriate. And as I've indicated, I could get comfortable, potentially, with a higher amount after we have the opportunity to discuss, in executive sessions, some very specific questions that I have that are not appropriate for public session, and I'm fine with going from \$2 million to \$4 million on the capital projects because of the combination over the last few years of-

Mark:

3.5.

Jeff:

Yes, 3.5. Supply chain driven cost escalation, inflation, and just the cost of projects, in general, has escalated significantly in the last three years alone, so 3.5 is a more appropriate thresholds for a capital project approval.

Mark:

Thank you, Jeff. Question for you, Jeff. What is your concern about the increase to seven? Should it be, shall we increase to seven or could we increase to seven?

Jeff:

Well, I mean, you don't want to have six. I think David's already hit on that. That doesn't work, so I think seven's an appropriate number. I think it gives you an opportunity to add some skillsets without having to trade off skill sets, so I think seven's an appropriate number, given the mission.

Mark:

Do you think we should mess around and say, "Can we increase to seven?" or "Should we?" In other words, officially do it?

Jeff:

I would do it. I would just do it. You're going to have to give yourself some time, but-

Mark:

That's right.

Jeff:

I think I would go with seven.

Mark:

It's not going to be overnight.

Jeff:

Yes.

Mark:

Okay. The other thing is, what about the consecutive terms? What is your opinion on that?

Jeff:

Yes, I could go either way on it. I mean, I understand Kevin's made some good points in the past about it. I do think that it does make sense to have some sort of term limit. I mean, water authority is, structurally, such a unique organization that it probably takes a few years before you really know what the heck you're doing. It's kind of like board of education in a lot of towns. We have longer terms for board of ed, because by the time they figure out what they're doing, their term's up. So I kind of view longer term limits are fine, but I think a little bit longer for FMA members than shorter.

Mark:

Okay, so then if you have a seven member board, what's your opinion on length of terms?

Jeff:

In terms of the max?

Mark:

No, no. In terms of, are they five year terms, three year terms, seven year terms? I believe in seven year terms.

Jeff:

Yes, it's too long. Seven years is too long.

Mark:

I could see three to four.

Jeff:

Yes. I think three to four years is fine, and if you're going to have a limit of three terms so it comes out to 12 years, I don't have real strong feelings about the term limits. I mean, I think, say, once you get up to 20 years, it becomes kind of crazy. I mean, there's plenty. You guys, you want a term limit on the OCA? I mean I've been OCA 15 years. Should I get thrown to the curb? Term limits cut both ways. Yes. I mean, if I'm not doing a good job then whether I've been there one year or 20 years, it should be-

Mark:

That's right. That's right, but I think seven years is too long, and I think three to four years is satisfactory, in my opinion. Of course, the board would have to hash that out. Anything else anybody else have to say?

Steve:

Hey, Mark. I have just one last comment on this topic. I've advocated for a larger board for more perspectives, but I think any expertise you need, you can always get on a consulting basis. I was just thinking that the members, as envisioned in the original enabling legislation, should be from the district, mainly because this whole organization was set up to protect and manage the most valuable resource we have, water, and that should be controlled by people from the district. So just a thought when you're considering it.

Mark:

And let's not forget land.

Steve:

Land. These are district resources.

Brian:

Right. Steve, this is Brian. I kind of agree with what you're saying, but I can see that at least allowing one person on the board to be not from the district, because you might need someone who has some sort of specialty that is not there within the district.

Steve:

I could live with that. Just before tonight, I was wondering where do you draw the line, but apparently it's within the state, so that's okay.

Mark:

So would you be happier with a several member board from out of the district, rather than two?

Steve:

With what?

Brian:

One or two out of district is okay, as long as most of them are from within the district. The majority of the board, and here you have five out of seven, are going to be within the district, and I think that's important.

Mark:

Do you think that's okay, or do you want six out of seven?

Brian:

I'm probably okay with five out of seven.

Mark:

Okay. Just checking, because all this stuff we're going to bring back to the committee. Right, Tony?

Tony:

Yes.

Mark:

Okay. Does anybody have any-

Tony:

Let me just make one point, that I think you have to attack these legislative sessions as fast as you possibly can, or you got to wait another year. So if we have general consensus on all of this, and it sounds like we do, at least from who's on this call, we ought to move and get it done. That would be my opinion.

Mark:

All right. We're getting consensus from, this would be the third committee that I've sat in on, okay?

Tony:

Yes.

Mark:

Okay. Can we get back to where-

Steve:

Hey, Mark-

Mark:

What?

Steve:

Hey Mark, just a couple of things. I just wanted to ask Jeff if, in any previous meetings, if there was anything he had objected to or changed?

Jeff:

No. Like I said, the two things that I raised, as items I was having a hard time getting comfortable with was, the lifetime prohibition for former employees being on the FMA and then going, doubling the threshold for non-core acquisitions.

Steve:

Yes. I'm very happy those were eliminated. I didn't think those were appropriate at all either.

Mark:

Okay, so can we get back to our agenda? Does anybody have anything else to say? Yes, okay. Anybody else have anything to say?

Jeff:

No, sir.

Mark:

Okay. Let's get back to our agenda. Jennifer? Hello? Hello?

Jennifer:

It's up. It's up. Can you see it?

Mark:

No, I don't see it.

Brian:

I move we approve the minutes of the November 20th meeting.

Steve:

I'll second it.

Mark:

Thank you. All those in favor?

Committee:

Aye.

Mark:

All right. Confirm the date of the meeting with the Land Use Committee, which will be April 15th for the regional meeting of the LUC for the Land Use Committee to review the budget for the 2025. That date's going to be April 15th. That's a good [inaudible 01:03:01].

Brian:

You need a motion on that?

Mark:

No.

Brian:

Okay.

Mark:

Did anybody have any problem with that?

Brian:

Nope.

Mark:

The report from the OCA?

Jeff:

Other than the fact that when we look at 2024, it looks like some kind of a science fiction book to me, because I still think it's 1998. I don't have much to say. I mean, we've had a nice little quiet period without some applications or rate applications for a while, but I could just see David Borowy. He is squirreling them all away, and he's going to bombard us in the first quarter of the new year.

Mark:

Okay, I'll go with that. Can I get an approval? Can I get a motion to approve the OCA invoice for November 2023 for a \$2,040?

Steve:

So moved.

Mark:

Second?

Brian:

I second it.

Mark:

All those in favor?

Committee:

Aye.

Mark:

Opposed? Passes. Any new business to cover?

Naomi:

Mark, I have a question for Jeff. I'm sorry. My phone was on mute. Jeff, you have something, that complaint that came out of New Haven?

Jeff:

I was forwarded a letter that was sent to me. You were copied on the same email that I was copied on, but the authority is dealing directly with the customer for now.

Naomi:

Okay.

Jeff:

Yes. It was kind of a vague complaint, but I've been getting updates from the authority in terms of their efforts to reach out to the customer. My approach with something like that is they're looking for some relief from the authority, and if they don't get the relief they need, then I'll step in.

Naomi:

Okay. Thank you.

Mark:

Thank you. Any new business? Okay. Our next meeting is January 22nd. Don't forget our RPB meeting, which is going to be very important, this Thursday.

Steve:

Mark, when is the committee meeting?

Mark:

Wednesday.

Steve:

At what time?

Mark:

Five o'clock, I think, right? Five o'clock.

Steve:

Okay. Thank you.

Mark:

Our next meeting is Monday, January 22nd. It's already 2024. Look at that. I want to wish everybody a happy holiday. I'll see you Thursday. Motion to adjourn?