

SOUTH CENTRAL CONNECTICUT REGIONAL WATER AUTHORITY

DECEMBER 21, 2023

MEETING TRANSCRIPTON

David:

All right, it is 12:30 so I will call the Regional Water Authority Meeting for December 21, 2023 to order. First is a safety moment, some great interest for this time of year. Hopefully you have a chance to review that. The next item is public members. Are there any public members Jennifer?

Jennifer:

No.

David:

Okay, so they would be granted the opportunity to speak if there were. So then we'll go right into the Audit Risk Committee. And with that, I'll ask for a motion to recess as the Authority and meet as the Audit Risk Committee.

Catherine:

So moved.

David:

Is there a second?

Mario:

Second.

David:

All those in favor, signify by saying aye.

Authority Members:

Aye.

David:

Board members present have voted aye. Kevin is on his way. And it's all yours madam chair.

[AUDIT RISK COMMITTEE MEETS FROM 12:30 P.M. TO 1:36 P.M.]

Catherine:

All right. Back to you, Mr. Chair.

David:

Thank you. Are we inviting Mark?

Jennifer:

Yes.

David:

Okay. Do we want to take a break? Any specific questions or clarifications? All those in favor signify by saying aye.

Authority Members:

Aye.

David:

Passes unanimous. So, yes, let's take a break in fairness to Mark.

[BREAK FROM 1:36 P.M. TO 1:45 P.M.]

David:

I will call is back to order and item E, Finance. Mark joined us now. Thank you. We'll go to E, Finance and we'll go to Rochelle.

Rochelle:

Okay, thank you. I'm going to start with our balance sheet and I'll just cover some of the key items, but if you have any additional questions just let me know. As you would anticipate, utility plan in service is actually up. It's up by 42 million, and utility plan in service net of depreciation is also now up. Construction work in progress I just want to mention, it's still high because of our continuing projects. However, we were able to move into service both West River improvements as well as the Derby tank also. Good news.

You can see just to mention that Goodwill, you're probably aware, we just amortize that once a year at the end of the year. Current total assets are actually down by just under a million. A couple of key things going on there. Cash and cash equivalence is actually up, although it's actually not up in the revenue fund, which is actually what you would expect because of our cool wet summer, but we have increased the growth fund even subsequent to the acquisition that we did. The general fund, we also put some additional money in at the end of the fiscal year, so they're all part of cash and cash equivalents.

AR is actually down by about 1.4 million. You can see actually the improvement in AR when you look, it was in the consent agenda, the RPB dashboard. You could also see probably also not unexpectedly that accrued revenue is also down a little bit. Restricted assets is actually up. It's up by about 3.5 million, and that is primarily due to the increases that we had in our operating reserve at year-end disposition. Also, the increase in the debt reserve is part of the 37 series. Also, a small increase due to our most recent DWSRF financing. The construction fund, although it's down as actually you would expect because of the capital expenditures, it's actually not down by much due to our year-end disposition. That's good news.

On the regulatory assets, that's primarily the amortizations of our cost of issuance as well as our amortizations of assets like Camden Remediation and such. The defer charge on pension plans and defer charges on OPEP, we adjust the balances based on the actuarial report and then throughout the year we do amortizations on that.

Moving over to the liability side, total noncurrent liabilities is actually down by 9.2 million. You can see that revenue bonds payable less the current portion is actually down by 6.1 million and that is primarily due to the payment that we made on 8/1/2023 on what that was actually larger than the additional bonds that we issued as part of the 37th A. Net premiums are down, that's primarily amortization. DWSRF loans are actually up a little bit. That's our very recent RTU project. We were finally able to close on that with a loan and grant. Thanks for signing off the documents associated with that.

Moving on, liabilities associated with restricted assets, that's up a little bit by about 936,000. The accounts payable for construction, that is primarily retainage. For example, on our West River project that we have built up retainage, we haven't yet released even the first part of that retainage. For deferred inflows of resources for the pension and OPEP, this is again amortizations that we're doing throughout the year. Overall, our total net assets are 28.6 million up, and total liabilities and net assets are about 22.2. Any questions on the balance sheet?

Suzanne:

I have a couple [inaudible 00:08:42]. Might be a good subject. The outstanding debt, this is kind of a temporary downtick only to-

Rochelle:

It is temporary because as we talked about when we did the 10-year model, and I want to mention that, this, we are planning on doing the West River financing. We're getting DWS or [inaudible 00:09:02] grant and also the Derby tank and then we'll be able to use our internal funds to offset the upcoming rate application.

Suzanne:

When we anticipate, we'll hit 600 million?

Rochelle:

600 million in debt? I have to refresh myself on the 10-year model but it's probably in over the next few years. I should know our capital plan is large and one of the recent changes I'll mention is, there is now a time limit on the Lead and Copper rule. So it's 10 years so we're going to have to make sure that we get that in 10 years. But Suzanne, the leverage will still go down because we'll be putting more assets.

Suzanne:

Thank you.

Rochelle:

Moving on to why don't you go to A 1. So not actually unexpectedly meter water revenues are actually down. They're down by about 2.5 million. We've talked about the cold wet summer, you can see that actually other revenue for water that's actually up and that's primarily some of our miscellaneous water charges. So they're actually doing above budget. Operating and maintenance expense, which I'll talk about a little bit more shortly is down by 2.7 million.

That's about 8%. A couple other things that I just want to mention here, interest income is well above budget and that's primarily due to the higher interest rate and environment. So it's helping from our earnings on all our fund monies. You can also see that the intergovernmental revenue is 441,000 so we got a very high percent of a grant on our RTU. So the loan was about 1.2 but the grant was over 400,000

so that was nice. From a maintenance test perspective, we're pleased to say that we have now increased our coverage outlet to 116%. I will say I think there is probably more upside than downside and that does also include the interest rate. So we are assuming that the interest rates stay elevated for at least the next short period, but our projection does assume that there's some drop off before the end of the fiscal year.

This outlook does assume that we come in under budget on the O and M it does look like we'll be able to do that based on our year to date, but we are looking at that closely. And also from a debt service perspective, we had actually anticipated that West River and Derby that we already would have closed on the D-W-S-R-F financing so there is some favorable impact on our debt service.

Suzanne:

The target for the [inaudible 00:12:27] if you will?

Rochelle:

[inaudible 00:12:28]

Suzanne:

[inaudible 00:12:28] okay, thank you. That's right. It's halfway [inaudible 00:12:32]

Rochelle:

We're definitely working towards it.

If you go to the next page, I just want to, the first part of this is really the schedule that we just went through but I just want, it's a little hard to read but I just want to highlight here are assumptions. So we kept our assumptions about the sensitivities that we do the same as last quarter. So 5% below and 10% below. And this really to me shows that even pretty small changes could really make a difference and can make a difference if we have a draw. Can you scroll down a little bit more Jennifer? You could see, so at 10% below we would have a draw of 1.6 million. Even at 5% we would have a draw for 100,000. So really just highlights the sensitivity to small changes.

Go to the next page. So this is the detail of our O&M and again I'm just going to highlight some of the larger variances as well as I'll talk in a minute about the outlook. So right now payroll is under, we are under headcount but definitely not as much as we had been in prior years. Liz and her team are doing a really good job on the recruitment side but we are still under and that is partially offset by the O and M non O and M mix that we also pay attention to when we budget and looking at our actuals. Pump power is also under budget. That's primarily the weather related.

Another one of the larger variances is postage that we believe is timing. Also, probably some account reclassification that needs to be done. Collection expense is definitely still running under by about 253,000. Bank fees are running lower than budget by a little bit as well as we also rebuild certain collection related expenses and that's actually running higher than budget. Outside services is well below budget at 557,000. This is across multiple areas and although we are anticipating some catch up, you can see in our projection that we are anticipating that there's some permanent savings and that'll help us make our coverage. IT is running also about 224,000 if you scroll down. That's primarily timing and maintenance and repair is primarily timing. On the latter two there are pretty large budgets and based on how they're running, we are anticipating a small amount of permanent savings. And just for sort of setting expectations, I would expect as we work through the budget process, there's going to be

further changes in what we're estimating at the individual category level, but our assumption for our coverage does assume that we will underline by at least \$831,000.

Suzanne:

I just have two quick questions. Did you say what outside services was [inaudible 00:16:18]

Rochelle:

So outside services is where all our professional services and consulting is and it's really underrunning right now across multiple areas. I think some of that will pick up. This is actually we did pretty significantly increase the budget last year because for this year for the CIS backfills and those are the kind of resources that are in that category.

Suzanne:

And do we expect to spend them But we don't spend them yet?

Rochelle:

I'm expecting that we will underrun but not by 557,000.

Suzanne:

Okay, thank you. And then I had another question. The bank fees you just mentioned that's for payments made by customers?

Rochelle:

It's actually what we pay our bank to process transactions.

Suzanne:

From customers, right?

Rochelle:

From customers, yes.

Suzanne:

And how much do we, do you have any idea how much we [inaudible 00:17:16]?

Rochelle:

Not right off the top of my head, but it's not right off the top of my head.

Suzanne:

I just had one further question. What is RPB fees?

Rochelle:

RPB fees is actually what we pay the RPB members from a budget perspective, the RPB and consumer council do have some consulting fees that we haven't utilized, I don't believe this year, but it's at this point the actual reserve of the fees that we pay.

Mario:

Does that RPB fees include RPB compensation?

Rochelle:

That is what it is, Yes, that's actually basically what it's. Any other questions?

Going to the capital. So from a overall perspective we are projecting to make our 96%, our outlook is perhaps a little bit aggressive just given some supply chain and other challenges. And here again this is something that I mentioned when we did our 10-year model that we really need to continually watch the programs. But at this point, even though, and I'm going to go over some of the larger year to date variances and outlook, we are projecting without putting additional monies into the project reserve or the capital contingency to make the 96%. So one of the larger projects and one of the larger underruns is the Lakewood dam and I know you've gotten an update on that and really the reason that we're underrunning is due to the evaluations that needed to get done between the upstream and downstream option and all the work that we think is really valuable with the early contractor involvement. And you can see that for the projection, we are projecting to come in under, but those dollars will be available if needed to ideally accelerate more projects into fiscal 2024 from fiscal 2025.

Another area that is under right now is the clarifiers, so that's under by about 532,000. And this was something that due to supply chain challenges, there was a material substitution and it required some additional approval requirements that delayed the project. We are currently projecting that to come in on its fiscal 2024 budget.

The chemical treatment system improvements is under by 298,000. This actually is under expended because there was some work that needed to get done and get incorporated associated with a bulk storage tank. And so that project is anticipated to make that up and just come in a little bit under budget. Couple other of the variances I do want to mention here, especially the [inaudible 00:20:51] HVAC upgrade, you can see that we're projecting that to be under by 2.3 million. This is a project for this fiscal year's budget. This is a project that's congressional directed spending and it took months to get our Bob a waiver. We did finally get Bob a waiver, so that project is going to move forward and we definitely didn't want to give up getting a grant. So that's really the key reason that that project is running under budget. We go to the next page.

The couple key things I want to mention here is on the Derby tank that is currently under, there is a portion of that that we do expect to be permanent savings. There was some efficiencies and also there was, I guess less rock than we had anticipated. So we are anticipating that project to come under, the efficiency part is something that we could potentially move into the capital contingency but we haven't done that at this point. Just actually moving back up, I do want to mention, and this is possibly, down a little bit, just want to clean out... the other way.

I just want to mention, and this might be aggressive, I want to point out we are now forecasting pretty significant increase in the Lead and Copper rule replacement. So we're assuming that we put an aggressive plan in place regarding our pot polling and we're also hoping we'll work with D-W-S-R-F in on the part that qualifies for D-W-S-R-F. We're hopeful that we'll get a grant. So we've already got a 75% grant on the qualifying piece and we've gone through the process of getting D-W-S-R-F to approve the

contracts. So we'll get that done in the project going. That is one of the key assumptions right now I talked about the Derby tank-

Mark:

Excuse me Rochelle, does that mean that, if it's okay if I ask a question, is that for the whole project or just the beginning of the project?

Rochelle:

This is definitely just for the beginning of the project. This is really the pothole-

Mark:

Are water company utilities going to hold off until they see what kind of grant or government aid they're going to get to do these kinds of things before we even start doing it.

Rochelle:

Well Mark, we already have an application in for both the planning part and the replacement part with D-W-S-R-F. So we've had ongoing conversations with them about the grant, how we can requalify for the grant because there's a maximum amount that you can get. So we're definitely working through it. We've actually provided testimony to make our case. Jeff Donofrio also provided testimony. So one of the recent-

Mark:

What I'm trying to get at, if they make all water utilities try to do this by a certain date, they could go bankrupt, right?

Rochelle:

It's not insignificant, I wouldn't say, not necessarily bankrupt. And the rate impact is the point that we're making.

Mark:

Right. Either that or the rate will go out of sight, either one or the other. Right? If we don't get financial aid from the federal government, state government or whoever got right.

Larry:

And the one thing to remember on this that's been projected that this program will cost the nation somewhere around 40 to 45 billion dollars. The Biden administration has only put 15 billion dollars in the budget. So the rest of it's going to have to be made up by the industry if the current rules go forward.

Mark:

I think, what I'm trying to get at is the public realizing this yet. We realize it but it's the public.

Rochelle:

I doubt it, is my opinion.

Larry:

Although some systems around the country and even in Connecticut have already completed their job. Smaller systems. I think it's New London. New London was very aggressive getting out in front of this. But the way the administration is positioning this is that the utility will have to pay for it. So people think oh good, I won't have to worry about that. Realizing that [inaudible 00:26:01]

Rochelle:

And Mark, just so you're aware, in our 10-year model, we did put in at least our best estimate. In our 10-year model, we modeled it over 15 years. We do now have to do it within 10. But I just want to mention like we did look at the rate impact, making certain assumptions about the grants.

Mark:

Okay, thank you. That's my concern that the public knows about it.

Larry:

True. That's a main topic. When Larry and I go around and meet with the chief executives in the municipalities.

Mark:

Good. We got to spread the word on that.

Larry:

Exactly. And you were part of one of them when we met in Woodbridge and that was one of the main topics that we brought up. We met with you.

Mark:

Our usage is very small and probably most of those are not effective because they're newer installations. I would, I'm just talking from the top of my head, that whole [inaudible 00:27:12] road, that whole route 114, that's all new.

Larry:

Right. Thank you. I'm sorry. All right, we're glad you're here.

Rochelle:

I think Spring Street, I just want to mention that's actually another one of our underruns. We are projecting that to underrun and that's primarily related to not being able to get a suitable site. So you can see there's a lot of moving parts but we're working towards our 96%. Go to the next page. I just want to highlight here. You can see that in addition to what our fund balances are, you can see that in our budget for where most of our funds are, we had assumed about a 3.5% at the time that this document was done. The stiff was like 5.45%. Last [inaudible 00:28:29] stiff where a lot of our funds are 5.44% if you scroll down. And also what we're doing, because we definitely want to keep this year our interest income as high as it can be to offset the water rates.

We're not doing a lot of investing yet in securities that only pay twice a year because we want to get those monthly income from the STIP and it's got quite attractive rate. But later in the fiscal year we,

depending on what their rates are, we'll look at maybe doing some three to five year term securities. If you go to the next page, and this just shows on a cash basis where we are year to date over our budget. So where for the portion of interest income that counts towards the maintenance test, we're at 935,000 in change. But we're also getting a fair amount of interest on our construction fund and our growth fund. That doesn't count for the maintenance test but the interest in the construction fund we use for capital and the growth fund also has interest earnings. Any other questions?

Larry:

Thank you. Then there's an item within finance, the Derby tanks for the D-W-S-R-F funding.

Rochelle:

Right. This should be straightforward, the usual resolution. So we're able to enter the PLO and the subsidy.

Mario:

[inaudible 00:30:17] motion to approve. Lump them individually or together. Okay.

David:

No, that's fine. One motion.

Mario:

Motion approve the authorizations to DLO Derby water storage tank for the state of Connecticut.

David:

Is there a second?

Catherine:

I'll second those.

Larry:

Right. And that's the second item within that agenda item there, the motion itself, are there questions or concerns? It's pretty standard now. We're fortunate. We have this several times, which is great.

Rochelle:

Yes. We already have 13.

David:

Sensing you ready to vote. All those in favor signify by saying. Aye. Passes unanimous. Thank you. And then a bond resolution.

Rochelle:

So this is what we talked about when we presented the 10-year model that we'd like for the purposes of giving us flexibility to basically remove the cap that's in the general bond resolution. What this resolution does, and Jennifer, you go to the very last page, it basically removes that 10% cap that we

currently had. So we were capped it only doing 10% of book depreciation. This will allow us actually not only to get to book depreciation again, not that we're going to do it like it one time, but it's really the flexibility. And then what we also built in is, so when RWA eventually gets to book, there'll be a regulatory lag between the filing of the rate case and your depreciation projection, which is why we're proposing 110%. So that's way in the future. So the people here at the time can project and cover their projection and rates. The other thing I want to mention is, this will require, in addition to the board's authorization, the approval of our surety provider. We don't think that'll be an issue, but it won't be finalized until they sign off.

Larry:

Anytime you approve their position, it would be hard for them to say.

Rochelle:

That's right.

Larry:

It's not anticipated we're going to have the funds to be on to do this fairly soon, but it's good to get in a position for one.

Rochelle:

Right. And I mean one possibility depending on what else is happening is at the point that we get to fully fund it on the pension, maybe we will go over the 10% that would've been in the resolution.

Larry:

That is in sight. Right. Questions or comments on this? What's your pleasure with the motion here?

Suzanne:

I just was wondering if it gives spend a little time. I don't really understand why we need to do this, so that would be helpful.

David:

Okay. I was going to ask something similar but the timing. What's triggering us to do this now [inaudible 00:33:18]

Rochelle:

So, I think looking at the 10-year model is really what we were thinking about and what the impact is. If we can get depreciation, the more depreciation we get, the more internally generated funds and just getting this in place in anticipation of possibly, not necessarily, but possibly when the pension gets to fully funded, we wouldn't have to do it today, but because of going through the modeling, that was one of the things that we were recommending to just remove the 10% cap.

Larry:

So you recall now we have to do a minimum \$1 million or up to 10%? We do about the value, the book depreciation is 24 million a year, so that would be \$2.4 million max. This would allow us to increase that

and Rochelle said if we paid off the [inaudible 00:34:20], if our pension is fully funded or something like that or OPEB paid off, we can put that additional money in depreciation, which generates cash for the construction fund. So this is really positioning us for the near term to perhaps take advantage of having extra, the ability to put extra cash in construction fund, which would help lower debt, which would lower debt financing and obviously lower the rate increase. Right. So do we do it this year? Could we do it next year? But since this is right on the heels of the 10-year model, it's fresh and it was a recommendation that we made both here as well as in the various RPB committees and there was no objection at the time.

Larry:

... and there was no objection at the time.

Suzanne:

And what's the downside of doing that?

Rochelle:

I don't think there is any.

Larry:

Rochelle and I talked about that. I mean, quite frankly, if you did it all at once, it'd be a huge rate impact, totally not acceptable. But other than that, management and the authority would have to be judicious about when and how much they put in so it doesn't have an adverse impact on rates, that it's a judicious amount. But other than that, it just strengthens us. From a financial standpoint, it gives us a tool to substantially increase our financial viability.

Suzanne:

By passing on more to the rate?

Larry:

By passing on more depreciation to the rate.

Rochelle:

And, again, we wouldn't do it-

Larry:

That's correct.

Rochelle:

I mean, we would do it in a prudent way. The pension going to significantly reducing might be one opportunity. There could be some other opportunity, even, although we, of course, haven't gone over the 10%. Even on our last rate application, we did put in 1.5 million. So we've been trying to do what's appropriate under the circumstances.

Larry:

Which we have to review and approve, anyway, and then we also get comment from the RPB.

Suzanne:

And what is best practice in this area?

Rochelle:

Our general bond resolution is a unique document.

Suzanne:

But just depreciation, in general.

Rochelle:

Well, for utility we should have between like 66 and 75% of our capital program should be funded through depreciation, and we're nowhere near that. So our book, as Larry said, is like 24, little over 24 million. We have 9 million in rates.

Larry:

Recall the reason we're in this position was the birth defect when the organization was formed. Depreciation was never a part of the rate application process. So we're way behind by 40 plus years in terms of depreciation. Had this been here from the start, this would be already incorporated in the rates, and we'd probably be maximizing the amount of depreciation on an every rate case basis.

Suzanne:

So what you're saying is that utilities and other companies that have large capital plans use their depreciation effectively to pass on the rates while they're funding the capacity to cover the cost associated with their capital plan. And we haven't been able to do that as effectively because of the limit, and because we just weren't doing it.

Rochelle:

And because we weren't, Yes.

Larry:

Yes. And you asked best practice. Investor-owned water utilities, PURA would like to have them have 50% equity, which obviously doesn't apply, and 50% internally generated funds. That's kind of the initial target, and anything over that 50% is better than best practice.

Suzanne:

Oh, thank you for that. And so how do you then translate that to RWA language, since we don't have equity? What would that sound like in our-

Larry:

Well, it would be to maximize, percentage to be determined, the amount of internally generated funds that goes into construction to minimize the rate increase.

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Suzanne:

So that's our equity.

Larry:

That's our equity. That's correct.

Rochelle:

And you'd want your rates to minimally include your book depreciation.

Suzanne:

So does that put us a little bit at risk if a publicly traded company can go out and raise equity from shareholders, but then they also have to return to the equity holders?

Larry:

Right. Yes. The PURA gives them a granted ROI.

Suzanne:

Yes. Okay. All right. Thank you. Thank you for taking the time to-

David:

So did I hear in your answer that they'll put 50% of the capital project essentially will be paid for. So we have a long way to go. If we have a \$50 million capital plan, we're not paying 25 million.

Larry:

Correct.

David:

We're paying 9 million. Although we actually are paying more than that, because we're putting surpluses that we've had each year in the capital construction fund, as well.

Larry:

Correct.

David:

But that's best practice, 50%.

Larry:

Yes.

David:

Okay. This'll help us be able to get-

Larry:

It's a gauge. That's right.

David:

Okay.

Mario:

I looked at this. The number of items that we have in our capital program that I consider recurring costs is really... I consider it operating, and I know [inaudible 00:39:35] would hit me if she was close enough to hit me. This allows us to [inaudible 00:39:43] minimum return.

David:

I agree. If we have 20 trucks and you replace one every year, then really you should have one in the operating budget every year. Although I understand best practice is to put it towards capital, but then we should be offsetting that with cash to cover the capital budget of that amount.

Mario:

Same with replacement of pipes, charcoal for filters. Do one a year, and you have to do them every five years or four years, whatever it is.

David:

Okay. Other questions or comments? What's your pleasure, folks? Do we want to act on this now? Do we want to bring it back a year from now?

Suzanne:

Well, why wouldn't we act on it now?

David:

I don't know.

Catherine:

Mr. Chairman, I move the question.

David:

Thank you. All right. Is there a second?

Mario:

Second.

David:

Is there further discussion? All right, sensing you're ready to vote, all those in favor, signify by saying aye.

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Authority members:

Aye.

David:

Okay. Very good, thank you.

Suzanne:

I just would ask that the dialogue that we had in some measure get put into the minutes as the support for the resolution.

Larry:

Okay, Jennifer, so noted. Thank you. All right, election of officers. We do this annually in December, and the chair is every other year, so this year is that. And, happily, Catherine and Kevin both said that they would like to continue serving. I asked them, and I would be honored if you would allow me to serve a second term as chair, but that's totally up to you guys, and I ask you what your pleasure is.

Suzanne:

So is this a formal slate recommendation?

Larry:

You could say that, because I did speak to two of them and they both had agreed to continue serving.

Mario:

Should we ask Mark? Mark, what do you think?

Mark:

I think we need new people.

David:

Come on over to this side.

Mark:

Well, you want me to be chairman of that, too, I could come aboard if you wanted.

Suzanne:

So we have a-

Mark:

Thanks for asking my opinion. I appreciate it. The people are doing a great job and should be renominated and reelected.

Mario:

No, thank you very much, Mark.

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David:

Thank you.

Suzanne:

So David as Chair, Kevin as-

David:

Vice-Chair, and Catherine as Treasurer/Secretary.

Suzanne:

The person that moves [inaudible 00:42:07] can get a bit over [inaudible 00:42:08].

David:

Exactly. Well that's how [inaudible 00:42:11]. Kevin wasn't far, either, in Milford, but-

Suzanne:

I'd like to make a motion to put that slate forward.

Mario:

I'll second that motion.

David:

Any further discussion? Any further nominations? Seeing none, sensing you're ready to vote, all those in favor signify by saying aye.

Authority members:

Aye.

David:

Passage unanimous. I would note, and this does matter, I would note that these should, and I don't think it says anywhere, that these would start January one. The reason I note that is when we switched secretary two or three years ago, the incoming secretary had to the paperwork in December.

Suzanne:

The bylaws [inaudible 00:42:56].

David:

Well, I'm not sure, and that's why I didn't remember this. So I want to be clear that they start January one, and it won't matter now, but it might matter in the future. If it doesn't say it somewhere, it will by the time we get to this next year.

Catherine:

Do we have bylaws? We do have bylaws.

David:

Yes, we do.

Catherine:

[inaudible 00:43:13] That's right. We do have bylaws.

David:

And we will know them intimately, because each will get very involved in it.

Kevin:

I got something.

Catherine:

I'm sure I have them, though. I'm sure I read them.

David:

I'm sure you did, too.

David:

So item G, RPB committee assignments, and this will also include a legislative in any other session of ours, but to meetings- so we did meet. All the committees met last month, so we're fine. So December, just go in order. What's on the list there. Kevin, did you go to Finance?

Kevin:

I did.

David:

I know you did.

Kevin:

The March topic of discussion was the enabling legislation. The Finance committee had the least amount of comments, but they didn't have any issues with any of the proposed suggestions. So that was really the extent of the meeting. And I think they talked about the budget scheduling.

David:

Right. Yes. It's great. Yes. Okay, thank you. Land Use, Catherine?

Catherine:

I did attend the Land Use committee meeting. The committee, well, after they approved their minutes and the like, we talked about first John Triana's, typical, lengthy, highly comprehensive report. Talked about the deer hunt and the positive harvest on deer hunt. Everyone was happy to hear that the Derby tank was online.

There was a question concerning a property that we sold on Johnson Road in Woodbridge and that that property is in bad shape, and words like, it was a mess, that there were a bunch of windows broken. It was an eyesore and blight.

And we don't want the property back, but it probably is a concern about going forward when selling property that there should be... We should be concerned about the RWA's reputation, because everybody doesn't know that we sold the property, and then they may just say, "You still own it, and it looks like... It looks horrible," and that we're not taking care of the property, so that was an issue.

The rest of the meeting, Kevin Kurian, as the liaison for the legislative committee, went through the list of the proposals and there was actually a very robust conversation, some interesting recommendations made by board members that were taken down by the Chair, Mark, which I assume were brought up at the meeting last night.

Mark:

Yes, they were.

Catherine:

Okay, great. Larry outlined the process and the timing and the need to move things along quickly given that this is a short legislative session that starts very early in the year. That was about it. The last thing is I noted that there's a special joint meeting with Consumer Affairs where the fiscal '25 budget will be April 15th, so I guess I got to do my taxes early this year. I need to make sure I get that done.

David:

You have until the 16th because of the state holiday.

Catherine:

Oh, there is one. Oh, great. Thanks for letting me know. If I owe money, I always do it last minute. And Mark Levine was attending this meeting, and Mr. Malloy will attend the January meeting. The next meeting is January 10th, 2024.

David:

Thank you. And, Mario, the Consumer Affairs?

Mario:

Consumer Affairs, the highlight was Kevin's summary. He could have even taken it on the road.

Kevin:

That's right. Did a nice job. Be there next month.

Mario:

It's only if the state gets it approved, right?

Kevin:

That's right.

Mario:

Kevin's summary, the consecutive term limits was an item of discussion there, also, the New Haven member and the changes to the authority by adding members would change the New Haven members. So that was [inaudible 00:48:10]. It's not enabling legislation. It's the site agreement.

And they seemed okay with the seven members and the minimum of five in the district as long as all of them were in Connecticut. There was a good discussion about that, though, but at the end of the day, I think they had their questions, concerns answered to.

One of the items that they were concerned about and kind of calmed it all down when Kevin noted that all the issues of qualifications for Authority members is something that were just suggestions that they can take up in their description of what an authority member should or should not be, as opposed to putting it in the enabling legislation, because they had a lot of questions about that. Under the original-

Catherine:

That's a good idea.

Mario:

... memo was in the enabling, which it was good to get it out on paper and in the discussion. They approved the OCA's invoice and-

David:

Well, the membership and the criteria for the member, it still is empowered to the RPB.

Kevin:

Absolutely.

Mario:

And that was their concern.

David:

Right? Yes, that's good. All right.

Mario:

I think Kevin danced around it very nicely, explained it well.

Kevin:

Thank you all.

David:

With that, the man of the hour who did so much work on this in the last month, and may end up partnering with Mark helping a lot, but, Kevin, I want to ask you to report to us the status of things, and I know your committee met last night.

Kevin:

Sure. Yes. So the joint Enabling Legislative, or Legislation Committee met last night. We had a good discussion. We had incorporated all of the comments and suggestions from the RPB and from other conversations I had with Mark and Bob Harvey. Mark did a good job going through all of the non-controversial items, and then we circled back and came to the increase of the number of members and also the five-member authority or seven-member authority if it's changed turbulence.

And we had discussion on that, and the motion that was made last night was that the recommendation to the RPB would be that it would increase to seven members. They accepted all of the other proposed changes, including the voting and the weighted votes and how to request, how the different votes would stay the same as far as the majority, whether it's simple majority or two-thirds majority or three-fourths majority, depending on the action, but that the absentee absences and vacancies would not count towards the weight.

And there was discussion about that still. It was still recovered by a quorum, and Bob Harvey brought that up and clarified that, which was a good point. But there will be term limits if we go forward if the RPB approves this tonight and the enabling legislation changed.

That would be set for four consecutive terms. There was discussion whether it be three terms or four terms and whether 15 years or 20 years. There was also some discussion should the term limits themselves be reduced and should the additional members have term limits or a different number of years to serve.

And that was discussed, and I think fully thought out, and they came to the conclusion that it should be a four year, excuse me, four five-year terms, consecutive terms. So, theoretically, somebody could be off for a year and then be reappointed. Yes, go ahead, Mario.

Mario:

And I believe, and I could be wrong, but it was consecutive full terms.

Kevin:

Yes.

Mario:

So that if you came in and you completed someone's term, that did not count towards... So it could be 24 and a half years.

Kevin:

That's correct.

David:

So you're six months less wouldn't count, but your two years from [inaudible 00:52:29] would. Would not count, I mean.

Kevin:

I don't think so. So that's a good point. So that was brought up.

Mario:

Just want to make sure that Mark was okay with it was the four full terms. That was your intent.

Mark:

Partial term was a partial term. It was four full terms, which I think is an eternity anyhow, 20 years.

Suzanne:

Absolutely, because that's a long time.

Mario:

I don't think you want me here, 20.

Kevin:

Yes, I don't think we have to go into each-

David:

No, it's self-explanatory

Suzanne:

Can I just ask one question?

David:

Sure.

Suzanne:

If RPB has a hard time finding seven full members that they are satisfied are really good quality people rather than just filling a seat, because I think we've had mixed results with responses to filling the position. What happens in that case? That vacancy just carries, or-

Kevin:

I guess it would continue to be a vacancy. The discussion was could it be up to seven members or shall be seven members? I felt very strongly it had to be it's either five or seven. I mean, I don't think there should be room for an even number or some years it's one.

But that was part of going outside the district but staying within the state of Connecticut so that you could expand the applicant pool, because I'm sure we have fully qualified people here in the district, but they might not all feel like applying. So it would have to stay vacant, but, hopefully, I think two of the members could potentially, two out of the seven could be outside of the district but within the state.

Suzanne:

And can you just clarify what you said? I always understood it that we're going to expand it to seven. Is that right?

Kevin:

Yes.

Suzanne:

You're saying it can be five or seven?

Kevin:

No, that was the discussion. Could it be up to the RPB to decide whether they appoint seven members, or they appoint six members, or five members? So the language originally was talked about was up to seven, and then it's changed to shall be seven as the proposal.

Mark:

I think if I can talk to 17 towns, I'm sure we can find some. I think the problem with getting good candidates is how we advertise it, that people know that the vacancy or the job is available. I think that's the key. I think it's a great job to have. So, I mean, more people... I don't think the notice is getting out there to people that this is available.

David:

We probably need to use social media. I'm sorry, go ahead.

Larry:

Well, we probably need to use social media more, which has not been part of our bag of tricks in terms of advertising the position. It's been strictly through the newspaper, and given social media's predominance, we need to expand that.

Mark:

You put it on LinkedIn, and I'm sure that you'll get a few applicants.

Larry:

Exactly.

Mario:

You may not want some of them.

Kevin:

Yes, that's true.

Mario:

I'll just end, the attachment, Rochelle did a nice job of putting together a succession plan on how you add two extra members.

Larry:

Oh, that's right.

Mario:

My only comment to that, and it wasn't if it hadn't been changed, is in the planning. I think we should not have... Some years we'll have one member transition off. Some years we'll have two members that are up for whatever. They shouldn't be consecutive. So we probably want to do two one year, have one the next year, and then two another year.

David:

So one for three years and one for five years. That's what I haven't thought about, splits it up.

Mario:

Right, because otherwise if you do, you could potentially lose four out the seven members in the course of two years. So I would, just a suggestion that you have one year where you only have one person.

David:

And that's actually what I said to you. I've dealt with commissions where we've added people.

Larry:

That would be probably the practice, I presume. You don't want to put that in enabling legislation.

Mario:

I think you have to have something that indicates when those seven would be added. So there'll be a period of time in there.

Larry:

Well, I think there is something there to that extent now.

David:

It does. It says January, March 2025, but I think you have to further clarify it, otherwise you've got to do both at the same time. Then you to have three members up. So I think saying three years and five years and have that be part of it as it has what I've done.

Mario:

Just what the link is their first term.

Rochelle:

So we'd actually have to change I think what's currently there because it's currently written three and four.

Mario:

Right, just three and Five. Yes.

David:

That makes sense. It's not too short at one, and it's every other year exactly [inaudible 00:57:05].

Mark:

I'm sure that's not a big change, and if we could have them for tonight, we'd be okay.

David:

No, exactly.

Mark:

But then there's the question, there's the nominating committee on when there's two vacancies, there's one nominating committee for the two vacancies, or do you have two nominating committees?

David:

That's not going to be in the legislation. That's going to be in your rules of operation, which won't be affected.

Mark:

Okay, just wanted to throw that out. Kevin and I attended all the Finance, Land Use, and Consumer Affairs, well, that's my committee, to present this, and I think we did a great job doing it, if I could say myself. But it was tough.

Kevin:

It was.

Mark:

We got a consensus.

Kevin:

Thanks for your help, Mark.

Mark:

You did a great job.

Kevin:

Thanks.

Suzanne:

I just wonder when we're going to get a bigger team.

David:

Well, the logistics will have to be worked out. Last night it was unanimous to support this of the committee?

Kevin:

Yes.

David:

All right, so do you want to vote subject to tonight's vote that we do this, or did you want to wait until after the meeting?

Kevin:

No, I think we can vote. Subject to the RPB'S approval.

David:

Is that a motion?

Kevin:

Yes. I make a motion that we approve as presented with that minor modification subject to the RPB'S approval tonight.

David:

Okay. Is there a second?

Catherine:

[inaudible 00:58:36].

David:

Well, you were on, too, so I looked to you, although I heard you, but [inaudible 00:58:40]. I'm sorry.

Catherine:

Mario's fine.

David:

Yes. Any further discussion? I think this was a phenomenal collaborative effort that was condensed. When we've done this in the past, Kevin, what, six months?

Kevin:

Yes.

David:

And you guys did all this in five weeks, but the legislative session came up quickly, and we had other things, tenure model and other things, that were being worked on to say. We had a new RPB chair, so that made it difficult, as well, to get... And then I-

Mark:

It was phenomenal that we could do this as quickly as we did and get a consensus of the items. To get a consensus was very good. I was very happy with it.

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Larry:

You were instrumental in that, so thank you.

Mark:

Thanks.

Mario:

I would suggest that Jeff Donofrio's comments relating to this, and the willingness to listen to him and accept his comments, I think went a long way with the RPB members in some of the tweaks from the original language to this language.

David:

Yes, that's right. And you asked for his comments at the first meeting at exactly the right time that it worked out. Just sitting back and listening, I could see that. All right. Sensing you're ready to vote, all those in favor signify by saying aye.

Authority members:

Aye.

David:

Passes six zero with Mark's vote. All right, we ready for updates? I think that's where we are now.

Suzanne:

No.

David:

Oh, I'm sorry. You keep reminding me. Thank you. And I forgot. We did not assign committee meetings for the next quarter. So thank you, again, Suzanne. Channeling your inner Jennifer, who would've nudged me? All right, so January.

Catherine:

Could I volunteer for Consumer Affairs in January because that week of January 8th I have problem.

David:

Okay.

Mario:

Can I do Finance?

David:

Finance. All right. Who wants to do Land Use?

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Suzanne:

I haven't been on Land Use for a long, long time.

David:

That'd be great. That's in person, as opposed to a field trip for the winter, so that's... All right. February?

Kevin:

I'll do Finance.

David:

Finance? Okay.

Suzanne:

And I can do 2/26, whenever that is.

David:

All right. Consumer Affairs. All right. Who wants to do Land Use in February?

Catherine:

I'll do it.

David:

Well, it's in person.

Catherine:

Is that on the 14th? It is.

Kevin:

Also [inaudible 01:01:08].

David:

Nobody volunteering?

Catherine:

I just did.

David:

Oh, you did? I'm sorry, I didn't hear that.

Catherine:

Begrudgingly.

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David:

Thank you. All right.

Suzanne:

You're in March.

David:

All right, March, right. Finance?

Suzanne:

I'm sorry, but I couldn't make any of these.

David:

In March? Okay.

Suzanne:

I have to reschedule if we run into a problem. I'll look at this.

Kevin:

I mean, I can do Finance, but if someone else wants to do it, if someone's doing Finance in February.

Catherine:

I can do Finance.

David:

All right.

Catherine:

On the 11th.

Kevin:

What's the other dates on there?

David:

The Land Use is the 13th and-

Catherine:

The 18th, going to be 18th.

David:

Wednesday and the 18th, Monday is Consumer Affairs.

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Kevin:

Do Land Use.

David:

Okay. Wednesday. All right. Mario, can you do the 18th?

Mark:

Guys, I just want to say I got to go. I'll see you tonight.

David:

I'll see you tonight. Thank you, Mark.

Mark:

Thank you for having me. Bye-bye

David:

Bye.

Kevin:

Sure, I can do Consumer Affairs.

David:

Okay. Very good. We're all set again. Thank you, Suzanne, for pointing that out.

Suzanne:

Yes, sure.

David:

Okay, so now we're on updates.

Larry:

Okay, so the first one that I wanted to introduce is our delivering service excellence in the organization. So you may recall that part of our 2024 strategic plan and global metric was to deliver a service training program to heighten our level of internal and external service to our stakeholders.

So in doing this, we're going to expect to set new standards for service delivery, improve how we interact with one another, our customers, and other stakeholders. And interestingly enough, I saw a similar program like this, different time, different vendor, but a program similar to this when I was at Aquarion.

And it really raised the whole level of not only internal and external service, but it also improved morale and improved collaboration within the organization, so it changed the culture significantly. So to that end with our CIS project in full swing now, I wanted to bring a similar sort of program here to the RWA to sharpen that focus on internal and external service.

So a couple of years ago I suggested a six-point plan to guide the implementation, and you'll hear more about that when we have our readout. So after vetting several national firms that participate and engage in this type of training, we selected Moran Consulting to partner with us and bring that six-point plan to life by guiding us through a multiphase educational journey. So you'll hear more about that in a few moments.

The Moran Group happens to specialize in creating training for high performing teams, so we thought that they would be the natural. And so joining Prem today, who will kick off this and who is the executive sponsor for this effort, are Bob Moran, President of Moran Consulting and Kathleen Dolan who is the vice-president.

And they're going to walk us through the delivering service excellent journey at a high level and then take any questions you might have. So Bob and Kathleen, welcome, and I'll turn it over to Prem for any introductory comments, and then we'll hear from you.

Bob:

Thank you.

Prem:

Thank you, Larry. And as you could see, Larry said, "Prem, go get the six-point strategy done." And I'm thinking, "Okay, how do we get this thing in the mix of what do we do here?" And I think I just wanted to set some pre-context for this.

And when we think about high performance service culture, there are essentially nine elements that Bob will talk a little bit about, and how do we really map those nine elements that we need to bring into our company here to the six points that Larry talks about?

So I started thinking about it, and how does that fit into our strategic plan, the 2025 strategic plan? So wanted to show some alignment of how does this work in terms of us. So one thing that the team will talk more is this is not a cookie cutter training program. This is very specific to RWA. There are so many ingredients that we're trying to bring in for RWA.

Two specific perspectives in order to tie this to our strategic plan, I'm not going to go through this, but the idea is that first element of that is external customers that, as Larry had mentioned, right, customer service. And the other big proportion of that is internal customer service, so, basically, which is our employees.

So I'm a big believer of saying, you take care of your employees, they'll take care of your customers, and that's how it should really work. So when we started thinking about it, how does this all come together, then we realized that, okay, so we talked about a few things in our strategic goal, things like 91.8 customer satisfaction. We have been doing great in that space.

Another thing was about introducing a transactional survey. If you remember that every time a customer gets served our employees are sending out these surveys for the customers, and they come back and tell us how we did. We set a benchmark, we hit it high. So it was pretty good.

Then we start thinking what our internal works of, how do we work between, let's say, customer care, field service, new contracts and services? How do we really tie these things together so we can all work well together so we can serve our customers better? So that was the mindset.

And then when we started thinking about it, things like these two areas of employee learning and growth, and all this is our partner and our leadership team. Team members are partners here. So we kind of worked together, and we said things like we're setting up an RWA university for management

training. So we are trying to make sure that we are spreading the word. How do we lead? How do we work as a team?

Another area was, if you remember the Tide Council, we talked about Tide Council diversity. We started thinking how do we really bring this training program to life to make sure it impacts, and it actually helps our employees? So we started thinking along those.

And I know Liz had done a lot of good stuff, like Cool Leaf was one. We put it in place for employment engagement. We make sure that our employees are working and rewarding. One of the key strategies for the six point is to reward and recognize. So things like that we started to build in within our program.

So today what Catherine and, obviously, Bob going to talk about is how does that nine elements come into play and how do we really deliver this? Remember this is a global metric, too. So I'll talk about that further down. How do we really measure it? Because we got to measure this. How do we really measure the training is successful?

So that being said, I don't know if there's any preliminary questions. Bob, you want to take us through the nine elements and then probably hand it over to Catherine, and then we can go through some of the questions?

Bob:

Absolutely. Thank you, Prem, and thank you all for inviting us today. We're very excited and honored to have the privilege to work with you in this important initiative for Regional Water Authority.

So we're on the next slide. I wanted to share with you the nine elements of a service culture. This is really what we keep in mind when we're looking at how do you create that internal and external service experience and really bring your vision and values to life.

So this is an image. I'm going to kind of walk you through each one of these briefly, but really it starts with your vision and values and your organization, your purpose, what is it, who you are. And everything that we do is about bringing that to life.

And we do that through training, which is the behaviors that are... What are the service excellence behaviors that are expected of everyone? And also recognizing that it's customized for your specific organization as well as the specific functions.

But the behaviors are things like, how do I handle a difficult situation with a customer? How should I be communicating with my colleagues? And those are things that are part of what we call a program service essentials for everyone.

We also recognize that organizations that do an amazing job with service have standards in place. And we look at standards at two levels. One is at kind of a universal level, which is what do we expect of everyone? And those are behaviors that are aligned with your values. What does it mean, specifically, to work with my team members well? And it would be things like being responsive and timely, and so forth.

So the standards are both at a universal level and then a specific level. So, for example, the standards for the customer service team would be very specific to the type of calls they get, the type of emails and requests they get. The standards for the field service engineers would be based on the type of interactions they have with the public. Standards for the finance department would be much more internal. How do we handle requests and provide timely information? So recognizing the importance of standards. We also look at systems and procedures and that processes work well. And in our 27 years we've worked with several water districts and other municipalities. One example is the city of Houston and their public works and engineering function where we trained over 3000 employees. But it was, one

of the examples here with systems and procedures is in our Service Essentials for Leaders program, the leaders of two different departments where there was a handoff between IT and in this case I believe it was their floodplain management department, which manages flooding, and Houston floods a lot, was really about what's most important to the people we serve.

And it was the cycle time for being able to provide residents that were flooded out with their FEMA money in a timely fashion. So this was an example where through this collaborative effort and training teams are able to work together to streamline processes and create significant change in improvement in service delivery. So we look at the behaviors, the standards and the process. In addition to that, organizations that do a great job with service measure what they do. So we have some global metrics that Prem is going to help identify today. And we also work with the functions and the departments to measure specific service measures that are related to the services they provide. Who do we serve and what is most important to them about the service that we provide? And then accountability. And accountability is kind of taking the standards and the systems procedures, the behaviors and the metrics and linking it to performance.

And celebrating our successes. So as Prem mentioned, the recognition piece. And both formal and informal recognition opportunities to celebrate the amazing work that your teams do out there every day, all day, serving the community and those serving the internal organization. And organizations that do a great job with service manage feedback well. And feedback is information that we get from our customers, from our internal customers, our external customers, each other. And when we manage feedback well and close that feedback loop and communicate back to the source of the feedback, we build trust and increase service levels. And then communication is kind of the heart and soul of this important work around a service culture.

And we look at communication at a macro level and a micro level. And not only communication systems and processes, but also how we communicate. This is really what we keep in mind when we work with organizations. In our 27 years of doing this work, we've worked with many, many different municipalities, several water districts. The city of Houston I mentioned. We're working with the city of San Francisco right now. We've been working for many years with one of the water districts of Orange County and others in the Midwest. And we're just delighted to have the opportunity to partner with you. And we keep in mind all of these things as we build a roadmap with you, customized for you moving forward. So my colleague Kathleen Dolan is going to share with us kind of the roadmap as it links to Larry's vision and strategic plan for the five points of service. Kathleen, I'll turn it over to you on the next slide.

Kathleen:

Okay, thank you, Bob. And so we wanted to, basically wanted to tie everything to the six point service plan that ties to the vision, and the five year strategic plan and beyond. So below each of this, the six point service plan has standards of service, which Bob mentioned. The training, customer service training, both internal and external. Ensuring that you have strong customer feedback loops going so that you can do a continuous improvement. Senior management and all leaders, additional training around infrastructure of a high performing service culture, and then rewards and recognition, both formal and informal systems, leading to very strong service handoffs which would include cross-functional process improvement. So this was just to give a general thing. In our opinion, this is the implementation plan of the vision and truly it is not a one through six, it's actually, Larry has designed, the vision is really a circle of continuous improvement.

So we are very excited to get into... And what we started with was leadership interviews and an all staff survey in order to inform from the staff level the customization of what was most important in terms of

service delivery, both internal and external into the all staff training. Okay. So I'm going to give you on the next slide just some very high level key learnings from the all staff survey. And the survey had a very high response rate. Higher than other water districts that we have worked with and water authorities that we have worked with. The survey had 10 data questions which had an overall response rate of over 60%. So 166 of the employees, that gives us a 95% confidence rate on this survey data being truly representative of all staff of regional water authority. There were over a 1000, so almost 1500 open ended comments.

So staff really spent the time to write in what was most important to them. And that resulted in 25,000 plus words. So people wrote paragraphs. So we are very confident in that the higher response rate was also due to all of the executive leadership team really ensuring that this survey was accessible to everybody in the field, in the office, people working from home. It was available paper, text. You could do it on your phone. People were given the time in their daily work schedules to complete the survey. So we were thrilled with that. So the general results from the employee survey that's going to inform the design of the training content for the all staff was that from a perspective of the customers, the external customers and constituents, the biggest needs were consistency of messaging. How to say no. And this is a very normal one.

It's difficult for people to say no. And the smoothness of the service handoffs in front of the customer and constituent. From an employee learning and growth perspective, there was a strong desire for a strengthened interdepartmental communication and responsiveness between departments and colleagues. A higher sense of cross functional engagement, clarity around expectations on service delivery, consistency of different service delivery policy application. And there was a strong feeling that this upcoming training that's already been planned for is very much needed and desired by staff.

So then if we go into our multi phase journey on the next slide, this is a little bit more detail of where we are. So this is not a survey that they will never hear about. They were actually designing a staff training based on these survey results. It is an 18 month plan and beyond. So it's designed to be a continuous loop of improvement. So we're very excited about it. It's designed to stick. And what we have found is that there will be, from the all staff training, there will be deeper relationships across departments, a higher level of empathy and just a higher employee morale and engagement through the training design. Okay? And then we do have very clear expected outcomes from this. And I'm going to pass over to Bob to talk about the business outcomes.

Bob:

Thank you, Kathleen. Okay, on the next slide, we kind of have summarized the plans that were envisioned with very specific outcomes to the business. And these are really the outcomes that we will be creating. That the behaviors and the skills match the higher purpose vision, mission, star values, strategic goals and objectives. This is bringing your vision to life. To increase the satisfaction level of the internal and the external customers. To improve the brand image and standards and processes and skills so that there's a higher level of positive image with the service delivery. Enhance the environment to increase employee engagement and productivity. And kind of like Larry mentioned, what happens in this process is that there's a higher level of energy and focus and understanding and teamwork that will be created through this process and this initiative. And part of our approach is to involve everyone in the organization to make that happen.

We have some very specific outcomes for managers and supervisors to feel more confident in the ability to empower staff, measure and recognize great customer service. And for managers and supervisors, will know how to incorporate accountability into the daily operations and the standards and the metrics are a key part of that process. And creating a more positive work environment. And when we serve each

other well, we are more successful in serving the community. So that's kind of a summary of the business outcomes. And I'm going to turn it back over to Prem, who I believe wants to speak to the global metric.

Prem:

One of the key things... Thank you, Bob and Kathleen. But I want to take a pause. And I want to think about how is this different? Because I was actually as part of the employee survey, I went in and I kicked off the session and in a couple of sessions they actually asked this question, how is this different? We did all this survey, what are you doing here? And there are a couple of things we pointed out. This is not a top-down survey. This is a survey we are doing for hearing you. It's more bottoms up. Which means now you are telling us what do you think we need to do to change? What do you feel, how you're working together? How do you feel you're serving your customers? So it's more a bottoms up approach. So literally that's a big change. And as a matter of fact, we had this whole survey results kind of played back to them once we collected everything.

We actually had a focus group where the team came on site and they actually played it back to our employees and saying, "This is what we heard from you. Is this right? Are we thinking straight? Are we missing something?" And then we had our leadership team review and say, "Now we're going to plan out [inaudible 01:21:53]." So this is a good example of how is this different. It's not a top down push training approach. The second thing, which I believe is more critical is, we're going to set up service-level agreements. When we say we're sending an E-mail out, I know Larry talks about these examples all the time where if I'm sending an E-mail and I'm expecting a result of a reply coming back and at least telling me that, "I'm busy and I can't work on..." We need to have that kind of basic level.

When we talk about the basic standards, we are going to set that, and we are going to make it as part of our service-level agreement. So every leadership team member within their department, we are going to make sure that we are following those things. E-mail etiquettes that we talk about. We send out these things in terms of how do we really communicate to each other. When it's a need. Are we going to pick up the phone and call if it's emergency, rather than send an E-mail and wait for an answer to come back. So at that level we want to really fix the issue and really improve the cross-functional teams working. And to be honest, this is more focused on us. Right now more focused on us. Because we have great customer satisfaction, CSIs. We are talking about it. But this is to really improve our internal works and every leadership team member is together.

Now the fact that we had a 161 people come to the survey was a big deal. Because that was out of the [inaudible 01:23:04] in terms of the best practices. And we felt really good about it. And I know I heard about the 1000 plus comments. That was good. Because I literally went through everything. To see what are they saying. One other thing, of course there are some things about union contract and this and that. So if you take [inaudible 01:23:20], we could clearly get that feedback, which we relate back to the leadership team. So we are really kind of marrying this. And the biggest thing is what we talked about. It's not one and done. What we want to really do is to make this part of our culture.

So that's a big thing. When we want to change culture, it's a big deal. So what we're really thinking is as we roll this program, because again, going into global metric, etc., our goal is to really have a 100% of our people go through this training. Including the leadership team who's sitting here. Making sure that we understand, to talk to our people, make them understand, care and [inaudible 01:23:52]. Take care of the employees and really figure out the issues at one on one level.

Because what we felt is that a lot of times when we work within different teams there are challenges because as you could imagine, we have people who are 40 years experience and we have people who are just pretty new to the company. So we want to really build this culture where everybody's working

together and we are going to be really tracking that at that level. So again, that's the big thing. And then holding us accountable to make sure that if there is a situation where we see these best practices and standards are not adhered to, we will make sure we address that. So people feel that there's really change. So that's a big deal. So we're really taking it to the heart. We're really making sure we are going through this whole cycle. Again, it scares me because the goal is a 100% training. It's really a 100%. Which means we need to have a whole scheduling nightmare to train everybody in the company. I know someone is laughing, which is great.

We got to schedule this whole training, because it's 100% training for everybody. I know [inaudible 01:24:54] looks at me. So we are going to plan it. So we actually have a team working, sitting, looking at schedules now to make sure. Because [inaudible 01:25:03] field, 150 people [inaudible 01:25:06]. How do we really schedule this now making them come in? And also we don't want to have one session just focused on field only. We want it cross-functional. And again, I know I keep telling Kathleen all the time, I remind her it's got to be fun. If there's no fun, people are going to feel like, "What's going on here?" So that's another thing they're focused on and they're already thinking about activities we need to do. And this training is going to be for six and a half hours. So typically the whole day. So now we are thinking how do we really engage six and a half hours worth of time and making sure that we are delivering the training, so it's essential for everyone, plus the Service Essential for Leaders. That'll be something for the management team, leadership team.

So that's the long story short. I think I did my thing there. And again, we did do the baseline. The baseline with the survey was 70.5%. That's what we had. And the goal was to improve 5%. I'm reaching to the stars, I want to really see higher percentage increase. And we will be kind of measuring it next year basically '25. But for now I think we are marching towards it. I'm hoping that Larry will like what he sees as we start doing this and really making the team understand that whatever they do matters in terms of cross-functional. Field working with customer care or field working with new contracts and services or anybody as a matter of fact in the company. And that's the idea of finance. So that is all I had to share. I don't know if there are any questions for the team here.

Suzanne:

I don't have too many questions, but I have just a couple of thoughts. Changing culture is a... You can have the greatest strategy and your culture will trump your strategy every single time. And culture is actually created from the bottom up. And it's really interesting how it works and why it sticks and why it doesn't change. And so I guess the thoughts that I would have as you talk about this with your partners internally is that, we all know as we come to work what makes us feel more engaged and what makes us feel less engaged. It's not a big mystery. But truth is that it is slightly different for every employee. But there has to be some common ground and maybe the things that you've surveyed already, the key learnings from the survey provide the potential for the common ground of what makes people feel more engaged, happy and purposeful and what makes them feel less engaged and burnt out, etc.

And this is an opportunity to lean in and create the culture of their choice for making it feel like, I feel engaged when I come to work. I feel purposeful, I feel all these things. And it's really a choice on their part to participate and lean in and make it so. But the great news for them is they have all the power to make it happen.

Prem:

That's right.

Suzanne:

Right? And so it's a really exciting thing if they can get to the place where they actually see that that's what's happening and what's possible for them. For all of us really, at the end of the day. So as I think about this stuff, this is really the stuff that can make a big difference in employee's life and they can help make the choices and the environment that they want to work in. And here it is.

Prem:

Thank you, Suzanne. Those are some great comments and I think you hit the nail on the head. It is bottoms up at the end of the day. If people, I mean, simple examples, I talked to Sunny and the team as well. When we have challenges then we address it at one on one level, because like you said, it's different for every employee. What they want is different. So you got to address at that level and we sometimes joke around saying you have 20 people, we should know everybody's kids' names here. You've got to work like that. So I think as far as we can address at that level, I think it'll be a big improvement. And I think that's what's going to matter at the end of the day. So we want to really make it that way.

Suzanne:

Yes, I used to work for A CEO who you couldn't have a conversation with. And you said, "Well, this company..." And you said [inaudible 01:29:24]. And he would always correct you [inaudible 01:29:25] our company? And he'd say, "Well, this environment, meaning the environment that we created?" And he would always correct everybody to get to this place of this culture is us. It's a byproduct of us. So if we want it to change, guess who it's up to. And I think that that's part of getting this thing kick-started is having everybody accept the responsibility for creating the culture of their choice. And the willingness to lean in and do it. And perhaps give up some tendencies while they adopt new ones.

Prem:

Thank you. Those are some great comments. And I also believe that everybody gets up and they say, "I want to do a good job today." Nobody says, "I want to suck in my job." That's not the case. So I think people come in and they want to do a good job. We need to see how we could help them and support them. So we really are thinking at that level. And that's why one of the reasons I was there to talk to people, sometimes we have situations where we talk to a union contract and [inaudible 01:30:24]. But if we put that aside, but the reality is there are genuinely people have hope, they still come and talk to us, they want to see the change. So that's what we want to tap into. Bottoms up and really make the change. And I love when he says about, it's not one and done, we got to have this as part of our DNA as we go forward. So we really want to make that happen.

Suzanne:

So I have a question for the group that's going to help lead it is, how do they help the employees even just change their language from the language that sounds more like I'm a victim inside of this environment to I'm a creator of what could be possible for this environment? Because it's got to show up in the training over and over.

Bob:

Absolutely. Yes, absolutely. One of the many ways I would say is the establishment of what we call universal standards. Which are specific behaviors that we have drawn out of our survey. Where we ask

the employees, what are the behaviors that you think should be expected of everybody that works here regardless of their role? And so we have drafted that and we will be prepared to share that very soon. Which is giving some guidance to what does it mean to bring these visions to life?

And so it gives a context of behaviors that are specific and are measurable and are aligned with the values. And then the standards at the specific level goes even deeper to that language. But the fact that this process started from the bottom up and will continue to be a bottom up process, and that it's completely cross-functional, I think creates that spirit of language too. Where we are customers of each other. And that a-ha and bringing it to life is big in terms of when we serve each other we will better serve the community. And we have a better work experience. And it feels amazing to deliver that highest level of service.

And so all of those elements in the training, even in the focus groups, in the survey process, in the multi cross-functional team that Prem and Philip have been working with us from the very beginning is starting that process to create that language.

Catherine:

I think this is very interesting and in my career I've been through lots of attempts at culture change, so I may be a little bit cynical about some of this. But when I think about it, it was usually the people at the top making the decision. So I kind of like this concept of bottom up. But how do you do this training in six hours and think that there's going to be a change in culture? Is this something that happens periodically? And I guess I also wonder why you can't do training in the field with people that work in the field, in their own environment? So I'm just trying to wrap my head around how this is going to work...

Suzanne:

It's not once and done....for our company.

Catherine:

Are we going to do this with our company? I'll take what you have Suzanne and not act like the victim, the cynical one.

Bob:

Yes, no, that's all really, really important and good questions. The six hour, the six and a half hour training is not the end. It's the beginning of the process. It's where there will be a boost in energy and focus, but it will go away if it is not reinforced. And so the tools and mechanisms to reinforce that are the standards that are in place that are specific to a function. So we would encourage in the field, in individual meetings and such, the continuous reinforcement of those standards that are unique to a particular role, like a field service engineer. In addition to that, in our third phase of work, we will be building a reinforcement program.

So this is not a one and done. The training is the beginning and the reinforcement tools oftentimes include short little training segments that continue on a monthly basis and never end. And those training segments are based on the fundamentals of service as well as the specific standards for a particular function. And we do that through a train the trainer process through the front-line supervisors and managers in our Service Essentials for Leaders program.

Prem:

Can I add some more for your question? I want to actually also mention that that's a great question, intriguing, right? Because we are thinking about how do we keep it sustaining? That's the critical part. It's not just the beginning and you got it. And so one of the things that we are looking at also is to figure out a way to bring in our process champions in the process. Like the train the trainer. And making sure that they're integral part of this working and making sure that they'll be talking to each other constantly. It's not just doing the training but also to take it to individual divisions and constantly reinforcing that message. That's one thing. You just want to make sure that that's not falling back and we need to keep that in line. The other piece of it... I'm sorry. Go ahead, Kathleen.

Kathleen:

Oh, no. I was going to just talk about another piece of the potential training. Do you want me to... Just that we in general, we recommend action plans aligned with the training. The action plans are an opportunity for a reminder, a conversation on what they learned in the training day and it's supposed to be reviewed at 30, 60 and 90 days with their direct supervisor after the training. We are asking people to commit to new techniques, new behaviors, new attitudinal, different things, that then a month later they're in a one on one and it's really a coaching opportunity. So that is the first part of the built-in reinforcement. So when their supervisor is talking to them about their action plan, it's automatically becoming not about the training, it's becoming part of the culture. Because it's being brought up again. And what Bob was talking about was the reinforcement mini modules we call them. That is designed to be the handover to the organization because once we do the train the trainer, every manager and supervisor is able to do that in a regularly scheduled meeting and it only takes 20 minutes.

So all of a sudden every month if I'm in the field, it's certain check-ins, maybe it's aligned with, you have your safety moment and then you're doing a mini module. So then it becomes so much a part of my daily work because it's brought up again and again, but it's brought up by the internal people where the accountability is not dependent on an external consultant for the expected behaviors, et cetera. And so when we're building all of this, part of it is that we're letting them know upfront, they are the ones from that employee survey that asked for more consistency, clarity around service delivery expectations. Because it helps... They have said that this makes their work environment more pleasant when they're not thinking that everyone in a different department has different expectations or it helps people to feel more comfortable at work when there's a clarity around what's expected of me. What is the timeline expected. And some obviously accountability built in, that people are now held to these standards.

Prem:

So Kathleen, can I also add one last thing? One of the things that we also are thinking about is shared accountability. Which means that it's not about my objectives for me to be successful, but how am I helping my peer in his objective so he can be successful. You see, I think that's a different mindset. So kind of really making sure we enforce that in objective setting so we actually can demonstrate... But at the end of the day, it's all about building relationship trust so people can come forward to help and support. That's the culture we want to build bottoms up. And I think that's what we are trying to really enforce on.

Kathleen:

Yes. It is really creating this, what I call the spirit of helpfulness. Not only helpfulness to your colleague but also being helpful to customers on the outside and sometimes we fall short of that. Despite having those high customer satisfaction levels. We forget to do things or we're not as responsive to an internal

colleague as we should be. So this will help create that whole spirit of helpfulness as part of this overall training.

Suzanne:

I think Kathleen has asked the \$64 million question. I really do. And one of the things that occurs to me when I'm looking at your wheel, and maybe you do this, but what if in the measurement and the accountability piece, the teams, however the teams get defined have their metrics, they then have data team meetings at whatever frequency you think is helpful, where they look at their metrics together and they say, "How are we doing?"

Kathleen:

Absolutely.

Bob:

Exactly.

Suzanne:

And, "How are we doing and what standards are we missing on? What standards are we doing great on?" And they from their own data team decide how to create accountability for that going forward. Again, making it... These are the standards they put in place, this is the data that says how they're doing. I don't know if we have that data to give to them. And then what do they want to do about it and what does the data tell them and what do they want to do about it? Led by their manager. [inaudible 01:40:52] module that really would help them drive their own bus.

Kathleen:

Absolutely.

Bob:

Yes. In the Service Essentials for Leaders... I'm sorry, Service Essentials for Leaders program, we have a module on metrics and measurement where they start to develop their unique service measures by function and what we recommend is exactly what you just shared. Where the follow-up is they come back together regularly and share their measured results with each other. And it's very powerful peer accountability. Because in any case... Yes, go ahead.

Prem:

No, finish your thought. I'm sorry, go ahead.

Bob:

Yes, it's very powerful and it's an opportunity for celebration and recognition. Because people are going to... What gets measured gets improved. And when you share your measures and they're shared with your teams and they're posted and they're identified as important, they're going to improve and it's an opportunity to celebrate and recognize each other.

Prem:

I just wanted to add, while [inaudible 01:42:05] was mentioning is that it's also very important in the Service Essentials for Leaders that we stop bad behavior. That's another big thing. A lot of times we see that we don't do that. We need to do that as part of not just this leadership team. I'm talking all the managers and leaders. So we need to really build in that which is also measured and looked and discussed. Because that's going to be critical, especially with an environment [inaudible 01:42:25] and I'm sure you all know 40 years and somebody who's pretty new, there's always that empowering of, we want to really make sure our new employees are empowered to do whatever we need to do. But there's always that overshadow that sometimes happens. And we need to be able to really control that in terms of behaviors so we can promote the right behaviors in that circle if you remember. So just want to mention that because it's going to be critical that we measure at every level. That's my point.

Bob:

Thank you.

Mario:

A couple of thoughts from [inaudible 01:42:56] if I may. You know, the culture if you will, of RWA over the last 30 some odd years has changed. And some changes had to happen because of where we were financially. And we're think in a better place, thank [inaudible 01:43:15] that. Really appreciate it. But I think some of the employees who've been around that long, they sort of lost a sense of family, if you will, or pride in what they were doing to a certain extent. And I think they're gaining it. Part of that is you have to... And it became more of a silo.

We need to focus on this and part of it is change. And change is always difficult when you shift the group. When you move them from this vice president to that vice president. I'm only picking out vice presidents because you guys are here. That's what happens. I won't pick on you behind your back.

But I think it can happen. I'm presuming that your trainers, when you talk about training the trainers, are not just going to be the managers who are then going to dictate down. But you're going to take some of the employees that are really on the front line and make some of them the train the trainers. Which I think would be really good because they're not in control over what decisions management has to make. And it'll help, I think. You mentioned that you read every comment and you looked at the union comments as noise, which in your purpose was great. I think you have to do that. I think if you're going to try and create this turnaround, and before you get into the training, you have to go back and revisit that noise. Because that noise exists and it's the noise that's going to continue to throw those little darts in there and those pebbles along the way that you might trip over on. I would suggest, especially as you enter into this journey, that you have softer metrics as you set your standards and your measurements. Because just the discussion we've had a few months ago, our 1.18 is the metric that we have to meet, and oh my god, it's a hard metric. And as you're doing this and you're trying to change culture, that's something that you have to have a little flexibility so that they will be willing to come together and say, "I can sacrifice a little bit of my metric, because it'll help the overall organization system."

The follow-up is going to be so important. And one suggestion for your training session is have the basket for the phones when the people go in, especially for the managers and the vice presidents so that you get rid of your phone. Because so often in these training sessions, like, "Oh my God, I've already heard this 28000 times, and I'm just ... I have too much to do." And if they're going to make the concerted effort, it's important enough that somebody else is covering their duties, unless it's a call from their kid's school that says, "Hey, this person, they're sick, come get them," their job duties for that day should be somebody else's business. Thank you.

Prem:

Thank you, Mario. I think those are great. I'm just writing it down as you're saying, because [inaudible 01:46:43] the plan. And one of the things at the end of the day is that you got to make it feel that it is theirs. That is the most important thing and otherwise it's ... exactly. And I think we have a high sense of looking and feeling all of those things that we're talking about, and the union contracting was also a good thing because we did take some of those things they said, which is good for this purpose, like you said, but there are comments that are totally not relevant. So we cannot put that aside. But I absolutely agree with you and I think that's what we'll do. I think we want to make sure that it's effective. So that's all we had. I have no more questions.

Mario:

Thank you. Very interesting. Very important and a good journey to be on.

Prem:

Thank you [inaudible 01:47:27].

Bob:

Thank you folks.

Catherine:

Okay. Thank you.

Bob:

Thank you very much for your time.

Prem:

Thanks Bob. Thanks Katherine, and we'll see more of you.

Catherine:

Thank you.

Bob:

Thank you. We're looking forward to it. Thank you.

Mario:

All right, so item two is an update on the RWAY CIS update.

Prem:

From this conversation to that conversation.

Mario:

Yes, and we have it there, but just give us a quick overview of the [inaudible 01:47:51].

Prem:

Yes. No, I think there's definitely some challenges that we have been facing. And I don't want to do the regular drill here, but just out of the bat, the team has been having some challenges on the schedule. So a little bit of background, if you remember I kept talking about we have a four week delay. We're trying to make it work and we got down to a three week delay. This is in the month at the end of October/November. Then as part of our schedule, we have an audit that happens, the USP, which actually helped us to get an approval with RPB, this project. So we actually engaged the USP to do an internal audit totally outside of the project so they come outside view. So since we had those delays, I had asked them to go with the review. So the review happened and then there were recommendations for again, me and Rochelle Alexi responses on this project, and we had some insights that we played back with Larry to really kind figuring out what is really happening in the project.

So giving off the bat. So the project has challenges on schedule, not because it's [inaudible 01:48:53] delays. So a couple of things I want to point out, and that's part of the risk that I had laid out here. One of the things was as part of the design phase, they were looking at reports, notices and the things that they need to walk through and we anticipated, I think it was around 4 and 20 so reports, and then now those reports have skyrocketed. So the team was having a challenge as we could all imagine, and then now the vendor had been working and those three weeks delay did not pass away. It is part of the schedule now and that's why you see a design phase that got extended. So that was a three-week delay on that.

Data migration, they lost a critical resource that they had on their site vendor site. How are we going to bring it back just as a very high level, as part of the data migration, we have planned for seven different, what we call ETF, extract the data, transform it load in the new system. There are seven of them in the whole project. The product itself is like 18 months project. It's a lot of work. So losing a resource from their side, there was a second, the first one was great, we did an initial load of the data. It was good.

The second turnaround is, the way it works is you add more data objects as part of the extraction. So the second one was critical for us where we were supposed to extract all of our SAP data and put in the system as they're kind of going through the process.

Now the resource is working on and now we also are asking them to add more because we are already having a delay. So that added four weeks of delay on the data migration. ETL2 was supposed to be complete. We missed it. We went with four weeks. We've been constantly challenging them. So that added a four-week delay. Last but not least, I think we looked at our program based on the audit because we wanted to be really clear on the schedule and the contingencies we have. So based on that, they have read forecasted. So there is three plus four plus four is what we need in terms of making sure that the product is back on track.

So long story short, what I'm trying to say is the team is still working on the cost impact, but what we believe is with the delays that have been added on, I want to make sure that our team is comfortable because our resource loading has to be making sure that we can deliver from our side whatever we need to deliver because of the delay.

So again, I don't know, Rochelle, if you want to add anything more, but the idea is that we are looking at a go-live. It was supposed to be September, Labor Day go-live, now as a December 1 go-live. And there are a couple of things that are also in the mix. Full transparency here, we have to do a rate change that's going to come in right after that. And this is in January and we don't want to go live with a system where there are already some problems and then we get into this rate change, it's going to make the problems even worse. So we have planned to have certain critical checkpoints in the course of this whole project now where we are going to be talking about are we really ready? So many different checkpoints. If

you're not ready, the right thing to do is to not to go live period. And I've been telling all my peers that I don't want to go live. We need to make sure including testing and training, everything should be good and then we go live.

So long story short, when I look at in terms of the high level of cost impact, we are not exceeding the cost at this point. We are still working through that. So we don't have to worry about that part of it, but we want to close all the loops. The team is working on ... you see in the current activities, the team is working on some key stakeholder meetings and discussion that's been ongoing. We have asked them to give us the full-blown cost impact from a PMO standpoint. And we are working with our vendor partners to make sure that they understand and we also wanted to make sure that this doesn't happen again.

Granted, resource constraints, people go, come. It happens, not in our control, but how do we react and how do we bring back the schedule? We need to have our skin in the game. So my messaging here is please give us a little bit more time. We already know the schedule impact in terms of what we're looking at.

In terms of team's confidence. There is high level of confidence, but we want to see the execution. So we are asking, so there are a couple of things I would mention. We have a couple of key milestones. January 5th they were supposed to finish up their ETL and January 8th, they're supposed to deliver what we call a data file to our meter data provider so they can start giving us the reads. So there are two critical milestones and we are watching to see if they can execute the plan as for what they're telling us now and they can deliver. So the key now is really focusing on the execution side, and then obviously the impact.

Rochelle:

I do just want to add one ... another thing. So from the project schedule, I would more characterize the December date is the current estimate. But a key thing that Prem and I have asked for is we really need to make sure that the people who are doing the work actually agree with the schedule because it's a pretty complex schedule. There's pieces that RWA is doing, there's data cleanup that has to be done.

Prem:

Yes, and I think that's a great point. And as a matter of fact, our PMO team have been asked, we have asked them to think about a plan B. What if December doesn't happen? You got to do a rate change, which means now we need to do the rate change in SAP and then go live with the new system. So what does that look like in terms of cost and scheduling that just as a plan B to make sure that we have a good strong plan. So I think the idea is that I don't have any doubts about the 12/1 plan, but I want to see execution. Granted, there were problems on the resource side, the magnitude of the project is so complex, and losing a resource caused some of these ripple effects. So that's there.

I do want to share the good news though. The good news of this whole thing is that we actually had a project two years out as part of our IVR replacement. It's a 2 million project. So what the team had done with this schedule is that ... If you remember the omnichannel conversation that I had brought up, that we are able to observe the work so we don't have to do that project if we finish up with what the scope is defined here, which means we will have a cost avoidance of 2 million that's out in ... which is planned two years out. And also that was the right thing to do because we don't have to redo the whole thing and change things up and all that. So that's a good thing. So we are actually saving money, in a way. So we figured out a way how we can make this all work.

And as a matter of fact, what the change request we got from the existing partner is that it was way ... I think it's 106,000 or something was the number. That was compared to \$2 million, it was nothing. So we

were able to accommodate that within our contingency and still deliver the plan. Granted, I do believe, in full transparency, that they probably undershoot the amount of testing and the things that are in that piece of work. Maybe it's added a couple of weeks for that, but it's well worth the money that we are spending and it is definitely going to be adding value for us. So I just want to put out there. So it's definitely also good news in the bad news, right? And again I'm very confident that the cost escalation will not impact us because it's not cost pay. So I'm trying to put that to bed.

And my ask is, second week of January we should have more data. So the next meeting we have, we should have more data on what it is, how it's going to look like. But at least I'm confident that the team is doing everything possible and I agree a hundred percent with Rochelle, we are tied to the hip to make sure the team can deliver, not to make sure that we have all these problems after we go live. We'd never want to be in that place. So I know the SAP fiasco, he keeps telling me we don't want to have another one. So that's the idea. So I'm not bringing the good news, but here is what it is at this point and we are trying to tackle that.

Rochelle:

I do think maybe one more point to add to piggyback on that, we definitely don't want to reduce the testing time or the training time. That's really a lessons learned.

Prem:

Yes. Even in my dreams there's no way. I've been very clear. No cutting on testing, no cutting on training. And as a matter of fact, in the GoNova checklist there is specific one that says, is everybody agreeing to the training? Is it all done? If no, then we need to have a discussion. We cannot just go live. I know Mario also had brought this up in the past, so we are very, very careful about that. Questions?

Suzanne:

I think you may have answered this question, but I may need more clarity. It's one thing for we don't eat the cost, the additional cost, but this project is replacing something. And it's replacing something because my understanding, correct me if I'm wrong, is that what we currently have is not going to be supported after a certain period. So how is that delay, that 11 weeks delay going to affect our current or our incumbent provider?

Prem:

That's a great question. So the way that we looked at this whole situation is we have a Kindle SAP contract today and that contract ends in December which is kind of eating away our buffer because after we go live we have that. So what we did was we looked at it in terms of how are we going to, let's say worst case scenario, we had to do the rate change in SAP, which is happening in January. We have a provision for us to go month to month contract. We have to vet the details with a contract in our SAP provider, but we have a way to do it, but there's a cost associated to it. So in our business case, if you remember we had put together, maybe you don't remember, but we had put together a plan where we had this business case built all the way through not only go live, but after the go live, three months worth of support.

So we are going to have that buffer, but to your point, how it's going to impact us from a system technical standpoint? There will be no impact because we're going to have an extension in the contract. We can do a rate change, we can actually be able to deliver this project after that worst-case scenario. But there is a cost piece of it. We have planned to have no cost after December. So which means now if

you go into January, there will be a cost to maintain the system. Granted we won't have to spend the money on the new system because it didn't go live.

Suzanne:

But aren't we replacing the incumbent vendor for reasons. So those reasons are going to still be there. Those problems are still going to be there and we'll have to continue to push this out longer.

Prem:

Yes. That's a great example. And the reason is really the SAP HANA platform that's coming in the future, the way we planned it, we planned in a way that we were well in advance. We want to replace the system so we have the buffer.

Suzanne:

But we just lost the buffer.

Prem:

Exactly. The good news is the buffer is 2025, end of 2025. So we have a lot of buffer. That's the way we planned it.

Suzanne:

All right. Okay.

Prem:

Other questions?

Suzanne:

I just want to make sure I understand what you said. First off, it's never fun delivering not great news. So you did it well and we appreciate it. If I understood you correctly, you said that this is all data integration and loading related. There's seven huge buckets of that. One went really well. You're on the second one. Whatever resources issues they had made the second one delay. Are you satisfied that they have solved that problem so that the delay won't continue from that point? Or are you saying that January will tell you whether they have solved that problem and you still don't know at this point?

Prem:

That's a good question. So they solved the problem by having an additional resource that they did add the resource. As a matter of fact, they just delivered the ETL2. So they solved the problem. But that being said, I want to make sure that the execution, I don't have the same problem ETL3. And I've asked them to actually put more resources on this thing so we don't have the same problem again.

Suzanne:

Okay. That'd be helpful. And then when you go live, do we have to just switch the whole thing on or can you do it in parts, pieces, [inaudible 02:03:13]?

Prem:

That's a great question. Actually, the way it works is what we call the base-foundational go-live. You've got to switch the whole thing on, which means everything that's in the scope on the first phase one has to go live including billing, accepting payments, printing the bill. So there are multiple things that are combined in the first go-live. But the second, we do have a phase two, which means there are things that we agreed that it's not important for phase one. So there will be those things that will be released after. But we are talking just the foundational go-live.

Suzanne:

Do you have any option of running simultaneous systems while you're going live or are you turning off and turning on at the same time?

Prem:

That's a good question too. We do have a phase in the project where you're going to see parallel runs, parallel running this SAP for billing, parallel running this one and compare and contrast.

Rochelle:

Pre-go-live.

Prem:

Before the-go live. Yes. So once we go live, it means you're switching off because it's an operational nightmare for us to be able to say, okay, the new system is live and we have all [inaudible 02:04:10], we can't go back. Many IT executives will say, "Yes, we can do it," but guess what? I have not seen one that goes back. The reason is because it is an operational nightmare. Now we are talking a couple weeks worth of operational field stuff, billing stuff. You need to go ... It's not going to happen.

So we call it fix forward. So when we say there's a problem, you got to fix forward whatever it is. That's why it's very important to go live in a clean way and the GoNova checklist has every thing in there. We talk about did you do all the testing? How many defects do you have? Do you have all the critical defects done? There might be some small minor things, but the idea is that you go live clean so you don't have to go backwards. But there's definitely that parallel. We are going to look at all the bills and yes.

Suzanne:

Thank you.

Mario:

A word of caution, we've done this before and I've gone through it. The go-live is obviously the hardest and most critical piece and you don't want to jump to a go-live before you are ready and your team is ready. Those people are the ones who are serving your customers. And so everything we just talked about, the last half hour or hour and a half is gone. It's wrong. The second most critical is when you change that rate. And I think, though I'm not crazy about putting new rates into SAP [inaudible 02:05:32] doing the conversion, that may be your safest bet. But I would make sure that you can do your rate changes and have them come out because I have seen systems where you put it in there and it doesn't react the way you want it to. So just be careful with that.

Prem:

Can I reflect on that? That's a great question and a great point right there because what we are asking the team is to be prepared. If we go live in December 1, you kind of also have to test this new rates before you go live to see if that works. So when you go live, you've done pretty much all the work. Now you go live and then you have your new rates in there and then you just put the new rates in. Again, Rochelle will attest to this, it's not rocket science for us to do the rate changes in our existing [inaudible 02:06:16] we have done it every 18 months. It's just that you need to have the rigor and that's a great point.

And we are asking the team, if we go 12/1, does it mean that you're not only going live but you also know the impact of the rate change that you're going to really build it in the system beforehand so you can actually do the rate change too? So that's going to be a critical thing and a hundred percent agree with you. We don't want to go live if you're not comfortable and you're not ready. Comfortable is probably a more gentle word, but if you're not ready then you're not ready.

Mario:

[inaudible 02:06:43] and now you're changing the rates. Any rate change customers are going to call more.

Prem:

Yes.

Suzanne:

I'm sorry, just one quick question. That month, say for example you're running the old system for the extra month and you're asking this company to reimburse or credit you for that cost, what is that cost roughly?

Prem:

So basically that cost is tied back to what we call Kindle system. This is our SAP provider. I don't have it on top of my head, but we do track that. Granted, I think we have to figure it out, but the idea is that ...

Suzanne:

I was just curious, roughly. Thank you.

Prem:

Yes, it is definitely under that. The only thing I would also ... I've spoken to Rochelle too. If it's 12/1, the contingency will get us through, no issues. We are okay, but if it's not 12/1, if it's February, guess what? It is not an impact just on us, it's also on the vendor. So they have every bit of their muscle working towards it.

So we are trying to work as a partner while eSource is recommending something else. That's what happened with SAP because they want to just do this, get it done and leave from here. And that caused us an operational nightmare. So we are trying to work with them but also holding them accountable so they're coming forward to do the work and also deliver the project and everybody's happy, right?

Suzanne:

I think you hit it right on. The important thing is that it's a balance. And I think you're saying all the right things, to me anyway, that we're going to balance, but we're going to make sure that it's right and it's going to work right. And if the rate case, if we had to use funds that we had in the construction fund and delay that for two months or something in there, I mean, we've delayed them before when we weren't ready or we had cash and didn't need to do it. I mean, this was before we were here. So we'll do whatever we have to make sure that this is right because this interfaces the whole company and our customers.

Prem:

Customers, Yes. Thank you. Appreciate it.

Suzanne:

It looks [inaudible 02:12:55] genuine.

Prem:

Yes.

David:

Yes, thank you. Good way to close it out.

Prem:

Thank you. Yes.

David:

All right. Anything you want to elaborate on your board report?

Larry:

There's just a couple of things. One, which is not in the board report, you may recall a few months ago I reported that we were starting to work with the Yale Center for Innovation to create a water innovation center. And they've been very receptive to it and excited to work with us. So this past month, Sunny and I met with one of the professors that's involved in that in the Yale Innovation Center and their director of corporate relations and strategy and talked about how we could work together, not only as a company with them but also the water industry to develop some technologies like technologies to deal with emerging contaminants and regulations. PFAS being one, invasive species being another, alternative energy like floating solar panels on a reservoir.

David:

Now we've I've heard that one. And I've heard the objections.

Larry:

Yes, and other innovations like this. So we had a very positive meeting. They're very excited about it and I think this is going to be a longer-term process, but this is also one of my priorities for fiscal '23 or fiscal '24. So I thought we had a great meeting. They're very receptive to it. And our new director of business

development is also familiar with this center and we're going to have him get involved in it or not. Sunny, you want to add anything to that?

Sunny:

Absolutely. I think we had a very productive meeting. It was the Provost for Planetary Sciences or something. So she was both, I would say the director ... we also had an earlier meeting, so this was actually the second meeting, Josh Gabel who heads the innovation for Yale. We met them first and then the second meeting, they were excited, even in the first meeting, say they put us onto the second meeting. So between both the meetings we presented ideas, the next step is to select one or two projects a pilot and start working in a collaborative fashion for the professors. So we are going to develop some kind of, I would say a template, which they typically go and get grants from, from NSF and other sources. So that'll be the next step where we are going to identify ... because we gave a laundry list of ideas, but it was more bullet points. So in that way we kind of, I would say, don't put in all the ideas from last lessons learned as you all know that.

So now I think once they give us the templates, we will kind of put our ideas, pass it on to the professors who are interested in each of the departments. Then they work with the people who are subject matter experts within regional. So it'll be a collaborative work to pick a few projects and then see how we expand on this opportunity. So very positive, I would say, discussions. They were pretty excited to partner with us. And in that course we also had other conversations with vendors and all that, just to explore further options. We are also, as part of the innovation, you have few surface water buoys, which we bought, which are 24/7/365, which will measure continuous, I would say, the surface water qualities and all that.

So one of the other areas which Yale was very interested is data itself. So data mining and data analysis. So that was a significant interest, which we said we have tons of data going back to 160 years almost. So these are primary areas where we want to foray into it. Let's see how it goes. Extremely productive.

David:

Is that the Josh Geballe from the Watershed Fund board?

Larry:

No, his father's on the board.

David:

Oh, okay.

Larry:

Yes, Yes. This is his son. He was the governor's chief of staff or chief operating officer during the pandemic.

David:

That's why it sounded familiar. Okay. All right. Thank you. Anything else?

Larry:

One more item. I'd like to go into executive session to discuss negotiations, which is I think C.G.S. 200.

David:

Yes. All right. Is there anything else as far as updates before we-

Larry:

No.

Kevin:

... [inaudible 02:17:19] that executive session? That's it.

David:

That was it, right?

Larry:

Correct.

Suzanne:

Just have one other comment. The information that you give to Yale, who owns that information once you give it to Yale?

Larry:

Well, we are working with an attorney at Murtha Cullina to develop an intellectual property agreement so that we'll have an understanding of it. So that won't become an issue going forward. We learned our lesson on that one.

Catherine:

That's a really good question.

Mario:

That's why I said the past history kind of taught us a little bit.

David:

So we have a motion on the floor to go into executive session for-

Mario:

Second.

David:

... for discussing negotiations. That's a second. All those in favor, signify by saying 'aye.'

Authority members:

Aye.

[EXECUTIVE SESSION FROM 4:01 P.M. TO 4:18 P.M.]

South Central Connecticut Regional Water Authority
December 21, 2023

David:

We are out of executive session. I need a motion to recess as the Authority and meet as the Commercial Business Committee.

Catherine:

I move that we recess as the Authority and meet as the Commercial Business Committee.

Mario:

Second.

David:

We have a motion and a second. All those in favor signify by saying "aye".

Authority members:

Aye.

[COMMERCIAL BUSINESS COMMITTEE MEETS FROM 4:18 P.M. TO 5:18 P.M.]

David:

All right. We are back as the Authority and there is no business coming from the committee. So I'll accept the motion to adjourn.

Kevin:

So moved.

Catherine:

Second.

David:

All those in favor?

Authority members:

Aye.