

South Central Connecticut Regional Water Authority
Via Remote Access**

AGENDA

Regular Meeting of Thursday, December 16, 2021 at 12:30 p.m.

- A. Safety Moment
- B. Commercial Business Committee: K. Curseaden
 - 1. Approve Minutes – September 23, 2021 special meeting
 - 2. Commercial Business update – Including Executive Session: D. Donovan, R. Kowalski, and P. Singh
 - 3. Mid-year Commercial Business metrics review and update – Including Executive Session: D. Donovan and P. Singh
- C. Audit-Risk Committee: C. LaMarr
 - 1. Approve minutes – September 23, 2021 special meeting
 - 2. Cyber/Technology Resiliency Update – Including Possible Executive Session: P. Singh and Kevin Schnaitmann
 - 3. Risk Management Update: A. Schenkle and R. Kowalski
- D. Act on matters arising from Committee meetings
- E. Consent Agenda
 - 1. Approve Minutes – November 18, 2021 meeting
 - 2. Capital Budget Authorization – January 2022
 - 3. Capital Budget Transfer Notifications (no action required) – January 2022
 - 4. Accounts Receivable Update – November 2021
 - 5. Key Performance Indicators
 - 6. RPB Quarterly Dashboard Report
- F. Finance: R. Kowalski
 - 1. Quarterly Financial Reports
- G. Elect Officers for Calendar Year 2022, *Including Chair*
- H. RPB Committee assignments and reports on RPB Committee meetings
- I. Updates: L. Bingaman
 - 1. COVID Update: J. Reckdenwald
 - 2. Board Letter Highlights: L. Bingaman
- J. RPB Project Application - Lake Gaillard WTP Clarifiers, Recycle Pump Station and Concrete Restoration Project and Lake Gaillard WTP HVAC and Electrical Improvements Project (“Project Application”): O. Kelly and J. Hill
 - 1. Discussion regarding Project Application
 - 2. Consider and act on Project Application approval for submission to Representative Policy Board (“RPB”)
 - 3. Affidavit of Edward O. Norris III regarding confidential information within said Project Application
 - 4. Motion for Protective Order for confidential information within said Project Application

5. Protective Order concerning confidential information within said Project Application for submission to the RPB
6. Consider and act on proposed resolution for associated Project Application financing and submission to the RPB: R. Kowalski

****** Members of the public may attend the meeting via conference call. For information on attending the meeting and to view meeting documents, please visit <https://www.rwater.com/about-us/our-boards/board-meetings-minutes?year=2021&category=1422&meettype=&page=>. For questions, contact the board office at jslubowski@rwater.com or call 203-401-2515.

**RPB Member (J. Mowat Young) is excused at item J*

Topic: Authority Regular Meeting (including Audit-Risk Committee and Commercial Business Committee)

Time: Dec 16, 2021 12:30 PM Eastern Time (US and Canada)

Join Zoom Meeting (*via conference call*)

Dial by your location

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Meeting ID: 862 4829 6361

Passcode: 585073

For questions contact the board office at 203-401-2515 or by email at jslubowski@rwater.com

**South Central Connecticut Regional Water Authority
Audit-Risk Committee**

Minutes of the September 23, 2021 Meeting

A special meeting of the South Central Connecticut Regional Water Authority Audit-Risk Committee took place on Thursday, September 23, 2021, via remote access. In Chair LaMarr’s absence, Mr. DiSalvo presided as Acting Chair.

Present: **Committee** – Messrs. DiSalvo, Borowy, Curseaden, and Ms. Sack
Management – Mss. Kowalski, Reckdenwald, and Messrs. Bingaman, Norris, Schnaitmann, and Singh
CliftonLarsonAllen (“CLA”) – Messrs. Flint, Nossek, and Ziplow
RPB – Mr. Mongillo
Staff – Mrs. Slubowski

Mr. DiSalvo called the meeting to order at 12:31 p.m. He stated that he would serve as Acting Chair in Ms. LaMarr’s absence.

Mr. DiSalvo stated that it would be appropriate to reorder the agenda to move item B.2, *Review FY 2021 Audit Results*, after Item B.3, *Executive cyber SCADA Audit/Assessment Review*.

On motion made by Mr. Curseaden, seconded by Mr. Sack, and unanimously carried, the Committee approved the minutes of its meeting held on May 20, 2021, as presented.

Borowy	Aye
Curseaden	Aye
DiSalvo	Aye
LaMarr	Absent
Sack	Aye

At 12:33 p.m., on motion made by Mr. Curseaden, seconded by Mr. Borowy, and unanimously carried, the Authority voted to go into executive session to discuss cyber security matters. Present in executive session were the Authority members, Messrs. Bingaman, Norris, Schnaitman, and Singh, Mss. Kowalski, Reckdenwald and Slubowski, and Mr. Ziplow from CLA.

Borowy	Aye
Curseaden	Aye
DiSalvo	Aye
LaMarr	Absent
Sack	Aye

At 12:54 p.m., the committee came out of executive session and Mr. Ziplow withdrew from the meeting and Messrs. Flint and Nossek entered the meeting.

Messrs. Flint and Nossek of CLA, RWA’s external auditor, provided a review of the RWA’s audit and financial statements for the fiscal year ended May 31, 2021, which included:

- Audit scope
- Reporting results
- Financial highlights and variances
- Required communications

At 12:50 p.m., Ms. Sack withdrew from the meeting.

At 1:04 p.m., Ms. Sack and Mr. Mongillo entered the meeting.

In response to an inquiry regarding accounting standards, Mr. Nossek reported on three requirements under the General Accounting Standards Board (“GASB”):

1. GASB 84, associated with reporting of fiduciary activities
2. GASB 69 – associated with government combinations and disposals (e.g., mergers and acquisitions); and
3. GASB 87 – that pertains to the definition of leases, that is broad, s and the associated accounting, which changes the accounting of lease agreements.

At 1:15 p.m., Messrs. Flint and Nossek withdrew from the meeting.

Committee members reviewed changes to the committee’s charter. On motion made by Mr. Curseaden, seconded by Mr. Borowy, and unanimously carried, the committee voted to approve the charter, as revised.

Borowy	Aye
Curseaden	Aye
DiSalvo	Aye
LaMarr	Absent
Sack	Aye

At 1:19 p.m., on motion made by Mr. Borowy, seconded by Mr. Curseaden, and unanimously carried, the committee meeting adjourned.

Borowy	Aye
Curseaden	Aye
DiSalvo	Aye
LaMarr	Absent
Sack	Aye

Anthony DiSalvo, Acting Chairman

Risk Management Update

December 16, 2021



Agenda

- Risk Mitigation Team Updates
- Risk Register Methodology Update
- Claim Update
- RWA Commercial Enterprises Insurance

Risk Mitigation Strategic Goals

2025 Goal

Enhance RWA's enterprise risk management by reviewing and improving 50% of risk perspectives within the Risk Register with a focus on mitigating risk, improving redundancy and safeguarding resiliency.

FY22 Actions

*Reconstitute the **Risk Mitigation Team** and review top 10 enterprise risks and execute their associated mitigation and prevention plans.*

Risk Mitigation Team Update

Leadership Oversight	Chairperson
Rochelle Kowalski	Amanda Schenkle

Member	LT	Dept
Laura Gonzalez	Prem	Customer Care
Joseph Antinozzi	Jeanine	Safety
Jim Hill	Jim C.	Operations
Kevin Schnaitmann	Prem	IT
Peter Bocciarelli	Rochelle	Purchasing/Finance
April Capone	Jeanine	C&O
John Hudak	Ted/Sunny	Environmental Services
Larry Marcik	Ted/Sunny	Engineering Services

Methodology Updates

The COSO Enterprise Risk Management (ERM) Framework

- Used to identify and mitigate a variety of organizational risks
- Framework focuses on the possibility that events will occur and affect the achievement of strategy and business objectives
- Provides a consistent assessment of risks across all levels of an organization

Former Guidelines for Risk Assessment

Impact		
Scale	Definition	Rating
High	An event that will result in a fundamental strategic realignment of operations. A threat to the continuation of business	4-5
Medium	An event that can be handled within the confines of the business, where third parties may be affected and resulting in a financial or operational impact	3
Low	An event that can be managed within the day to day financial and operational business, while providing business as usual	1-2

Probability		
Scale	Definition	Rating
High	Event expected to occur (i. e. highly probable that event <u>will</u> occur) in the current or next business period (1 year)	61-99%
Medium	Event expected to occur (i.e. highly probable that event <u>will</u> occur) during the strategic planning period (2 – 5 years)	41-60%
Low	Event is possible but Management does not reasonably expect it to occur within the current environment	1-40%

COSO Framework

Likelihood of Occurrence		
Scale	Existing Controls	Frequency of Noncompliance
5 Almost Certain	<ul style="list-style-type: none"> No controls in place No policies or procedures, no responsible person(s) identified, no training, no management review 	<p>Expected to occur in most circumstances</p> <p>More than once per year</p>
4 Likely	<ul style="list-style-type: none"> Policies and procedures in place but neither mandated nor updated regularly Controls not tested or tested with unsatisfactory results Responsible person(s) identified Some formal and informal (on-the-job) training No management reviews 	<p>Will probably occur</p> <p>At least once per year</p>
3 Possible	<ul style="list-style-type: none"> Policies mandated, but not updated regularly Controls tested only occasionally, with mixed results Responsible person(s) identified Training is provided when needed Occasional management reviews are performed, but not documented 	<p>Might occur at some time</p> <p>At least once in 5 years</p>
2 Unlikely	<ul style="list-style-type: none"> Policies mandated and updated regularly Controls tested with mostly positive results Regular training provided to the identified responsible person(s), but not documented Regular management reviews are performed, but not documented 	<p>Could occur at some time</p> <p>At least once in 10 years</p>
1 Rare	<ul style="list-style-type: none"> Policies mandated and updated regularly Controls regularly tested with positive results Regular mandatory training is provided to the identified responsible person(s), and the training is documented Regular management reviews are performed and documented 	<p>May occur only in exceptional circumstances</p> <p>Less than once in 10 years</p>

COSO Framework (Con't)

Impact of Risks						
Scale	Legal	Financial	Operational (Potential Disruption)	Reputation (Image)	Health and Safety	Ability to Pursue Strategic Goals
1 Insignificant	In compliance	< \$1 million	< 1/2 day	No press exposure	No injuries	Little or no impact
2 Minor	Civil violation with little/no fines	\$1–\$5 million	< 1 day	Localized negative impact on reputation (such as a single large customer) but recoverable	First aid treatment	Minor impact
3 Serious	Significant civil fines/penalties	\$5–\$25 million	1 day–1 week	Negative media coverage in a specific U.S. region or a foreign country	Medical treatment	Major impact
4 Disastrous	Serious violation, criminal prosecution probable	\$25–\$100 million	1 week–1 month	Negative U.S. national or international media coverage (not front page)	Death or extensive injuries	Significant impact
5 Catastrophic	Significant violation, criminal conviction probable, loss of accreditation or licensure	> \$100 million	> 1 month	Sustained U.S. national (and international) negative media coverage (front page of business section)	Multiple deaths or several permanent disabilities	Loss of accreditation or license

Updates to Risk Register

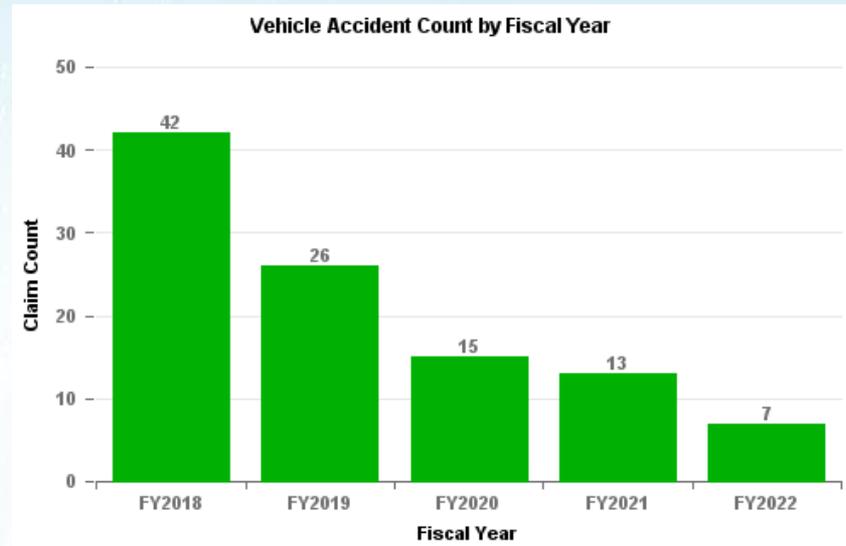
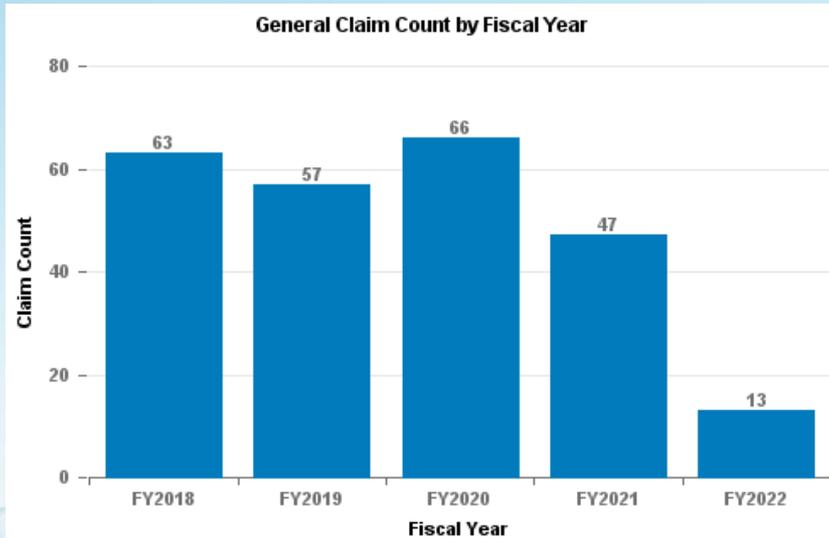
21 of 48 Risk Perspectives have been reviewed and updated against the new COSO Framework

Example:

Hazardous Trees (I16- Internal Business Process)

Prev Impact	Prev Likelihood	Prev Risk Level	New Impact	New Likelihood	New Risk Level
3.0	20%	.06	3	3	9

Insurance and Claims Management



Large Claim: Holland Companies - Received \$200,000

- Claim involved inferior Aluminum Sulfate at our Gaillard Water Treatment Plant. We were able to recoup all costs related to repairs of our Alum feed system as well as labor related to remediating our filter bed media.

RWA Commercial Enterprise

- As of 7/1/2021, RWA Commercial Enterprises and its subsidiaries are currently covered by Churchill Casualty LLC.
- Through RWA's position as a member of the captive, we were able to cover all assets and future claims at \$0 in premium due to exposures for the holding company falling below 10% of RWA's total exposures.
- As RWA Commercial Enterprises continues to add additional subsidiaries, the insurance program will be reassessed for most cost efficient options.

Questions & Discussion