

South Central Connecticut Regional Water Authority

AGENDA

Regular Meeting of Thursday, May 21, 2020 at 12:30 p.m.

Via Remote Access*

- A. Safety Moment
- B. Meet as Audit-Risk Committee: J. Cermola
 - 1. Approve Minutes – February 20, 2020 meeting
 - 2. Risk Management Update: R. Kowalski, P. Bocciarelli, A. Schenkle
 - 3. Review FY 2021 Work Plan
- C. Meet as Compensation Committee: J. Cermola
 - 1. Approve Minutes – January 16, 2020 meeting
 - 2. FY 2021 Operating Plan and Global Metrics: P. Singh
 - 3. Review FY 2021 Work Plan: J. Reckdenwald
- D. Meet as Pension & Benefit Committee: S. Sack
 - 1. Approve Minutes - April 16, 2020 meeting
 - 2. Consider and act on recommendation for the FY 2021 contribution to Retirement Plans and Retired Employees' Contributory Welfare Trust and Actuarial Assumptions
- E. Act on matters arising from Committee meetings
- F. Consent Agenda
 - 1. Approve Minutes – April 9, 2020 and April 16, 2020 meetings
 - 2. Capital Budget Authorization - June 2020
 - 3. Capital Budget Transfer Notifications (no action required)
 - 4. Consider and act on exemptions from public bid for FY 2021
 - 5. Monthly Financial Report – April 2020
 - 6. Accounts Receivable Update – April 2020
 - 7. Derby Tank Update
 - 8. Application for proposed Non-substantial Land Use Plan Amendment – Trail Creation, North Street, North Branford
 - 9. Application for proposed Non-substantial Land Use Plan Amendment – Trail Relocation, Route 38, Prospect
 - 10. Hendrickson Property, Hamden OSWA Grant Agreement Resolutions
- G. Updates: L. Bingaman and B. Nesteriak
 - 1. COVID-19
 - 2. Key Metrics Dashboard
- H. Finance: R. Kowalski
 - 1. Credit Line
 - 2. Budget submission to Trustee
 - 3. Type B Amendment – Branford Hill Service Area Improvements
- I. Reports on RPB Committee Meetings
- J. **Executive session to discuss update on strategy and negotiations with the Town of Cheshire regarding North End Development and personnel matters

[RECESS TO ATTEND RPB MEETING]

South Central Connecticut Regional Water Authority
Regular Meeting Agenda
May 21, 2020

K. Approve FY 2021 Budget and authorize filing with Trustee

*In accordance with the Governor Lamont's, Executive Order No. 7B for the Protection of Public Health and Safety during COVID-19 Pandemic and Response, the public hearing will be held remotely under the requirements of Paragraph 1 of Executive Order No. 7B - Suspension of In-Person Open Meeting Requirements. Members of the public may attend the meeting via conference call, videoconference or other technology. For information on attending the meeting via remote access, and to view meeting documents, please visit <https://www.rwater.com/about-us/our-boards/board-meetings-minutes?year=2020&category=1422&meettype=&page=>. For questions, contact the board office at jslubowski@rwater.com or call 203-401-2515.

***RPB is excused at item J*

Meeting Invite Instructions

Topic: Authority Meeting

Time: May 21, 2020 12:30 PM Eastern Time (US and Canada)

Join Zoom Meeting (*via conference call*)

Dial by your location

+1 312 626 6799 US (Chicago)

+1 646 876 9923 US (New York)

+1 301 715 8592 US (Germantown)

+1 346 248 7799 US (Houston)

+1 408 638 0968 US (San Jose)

+1 669 900 6833 US (San Jose)

+1 253 215 8782 US (Tacoma)

Meeting ID: 878 5312 6967

Password: 686476

Find your local number: <https://us02web.zoom.us/j/kdnICn6b9>

Topic: Authority Meeting (Reconvene after RPB Meeting)

Time: May 21, 2020 (*Approximately*) 07:45 PM Eastern Time (US and Canada)

Join Zoom Meeting (*via conference call*)

Dial by your location

+1 646 876 9923 US (New York)

+1 301 715 8592 US (Germantown)

+1 312 626 6799 US (Chicago)

+1 346 248 7799 US (Houston)

+1 408 638 0968 US (San Jose)

+1 669 900 6833 US (San Jose)

+1 253 215 8782 US (Tacoma)

Meeting ID: 860 0822 1307

Password: 773097

Find your local number: <https://us02web.zoom.us/j/ke3yws13z>

**South Central Connecticut Regional Water Authority
Audit-Risk Committee
Minutes of the February 20, 2020 Meeting**

The regular meeting of the South Central Connecticut Regional Water Authority Audit-Risk Committee took place on Thursday, February 20, 2020, at the office of the Authority, 90 Sargent Drive, New Haven, Connecticut. Chairman Cermola presided.

Present: Committee – Messrs. Cermola, Borowy, Curseaden, DiSalvo and Ms. Sack
Management – Mss. Collins, Discepolo, Kowalski, Nesteriak, Reckdenwald, Messrs. Bingaman, Bocciarelli, Norris, and Singh
Blum Shapiro – Ms. Aniskoff and Mr. Nossek
RPB – Ms. Mowat Young
Public Member – Mr. Smith
Staff – Mrs. Slubowski

The Chair called the meeting to order at 12:32 p.m.

On motion made by Mr. Borowy, seconded by Mr. Curseaden, and unanimously carried, the Committee approved the minutes of the Audit-Risk Committee meeting held on December 19, 2019.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

Ms. Aniskoff and Mr. Nossek, of BlumShapiro, RWA’s external auditor, reviewed the audit plan for the upcoming fiscal year-ending May 31, 2020, which included:

- Communications
- Fraud risk areas
- Implementation of Governmental Accounting Standards Board (“GASB”) requirements
- Future GASB requirements

At 12:39 p.m., Ms. Aniskoff and Mr. Nossek withdrew from the meeting and Mr. Bocciarelli entered the meeting.

Ms. Kowalski, the RWA’s Vice President of Finance and Controller, and Mr. Bocciarelli, the RWA’s Director of Procurement and Risk Management, provided an update of RWA’s record retention policies and practices, which included:

- Policy development status
- Reconciliation of state and municipal retention requirements
- Guidelines for destruction and retention of documents
- Electronic storage
- Responsibilities

At 12:55 p.m., Mr. Bocciarelli withdrew from the meeting.

At 12:57 p.m., the Committee voted to recess the meeting and reconvene after Authority agenda Item G, *Reports on RPB Committee meetings*, to discuss Item B.4, *IT Risk Transformation Update – Including Executive Session*.

Borowy	Aye
Cermola	Aye
Curseaden	Aye

DiSalvo	Aye
Sack	Aye

At 1:45 p.m., the Committee reconvened and on motion made by Mr. Cermola, seconded by Mr. Curseaden, and unanimously carried, the committee voted to go into executive session for security purposes to receive an IT Risk Transformation update. Present in executive session were Committee members, Mss. Collins, Discepolo, Kowalski, Nesteriak, Reckdenwald, Slubowski and Messrs. Bingaman, Norris and Singh.

At 2:14 p.m., the Committee came out of executive session and the meeting adjourned.

Joseph Cermola, Chairman

Risk Management Update

May 21, 2020

Agenda



- Top Ten Risks
 - Risk Mitigation
 - Roles
 - Gross & Current Risk
 - Committee Activities
 - New & Emerging Risks
- Summary

Top Ten Risks

1. Cyber Security



I01 – If allowed to degrade or if damaged, the infrastructure for information technology (e.g., data center facilities, equipment, networks, mas storage) may be unable to support business processes

IO4 – System security is breached and unauthorized access is obtained

IO5/05a – Electronic data management and discovery – Insure compliance with guidelines, best practices and standards.

2. Financial



F01 – Failure to take corrective actions to achieve financial performance against strategic plans and budgets.

F03 – RPB rejects a rate application.

3. Critical Component Failure Resulting in Loss of Life, Property or Service



F04/04a – Critical component failure, e.g., dam, water treatment, pump station, or water tank, resulting in loss of life, property, or service.

F11 – Failure to supply water adequate to meet system requirements and failure to supply high quality water in compliance with regulations, resulting in lawsuits, fines, penalties or service loss.

4. Health and Safety of RWA Employees



E01 – Lack of awareness regarding health & safety among employees, leading to accidents and/or breaches of compliance in health and safety.

E04 – Workplace violence.

5. Succession Planning/Recruitment/Retention



E02 – Inability to attract and retain technically qualified employees.

E03 – Retirement or turnover of long-term employees resulting in loss of institutional knowledge and experience.

6. Failure to Manage Risks Causing Loss of Reputation



C01 – Failure to manage risks properly and provide service (consistent with the Authority's mission, vision, and values), causing loss of reputation with stakeholders.

C03 – Failure to successfully influence the political and /or regulatory process involving governmental and non-governmental local, regional, and federal entities, resulting in an unfavorable operating environment.

C04 – Failure to respond appropriately to the media or other stakeholders through positive pro-active communication.

7. Ineffective Supply Chain, Integrity of Procurement of Materials.



I06 – Temporary inability to obtain critical and necessary materials to operate (pipe, meters, chemicals, fuel, etc.).

I07 – Defective materials received from significant supplier.

8. Physical Security of RWA Property/Assets



I03 – Sabotage of supply resulting in illness or death.

I10 – Loss of Control Room Operations at 90 Sargent Drive.

9. Business Continuity Planning



FO8 – Inability to meet mission, vision, goals, inability to conduct core business processes.

10. Loss of Supervisory Control of Data Acquisition (SCADA) System

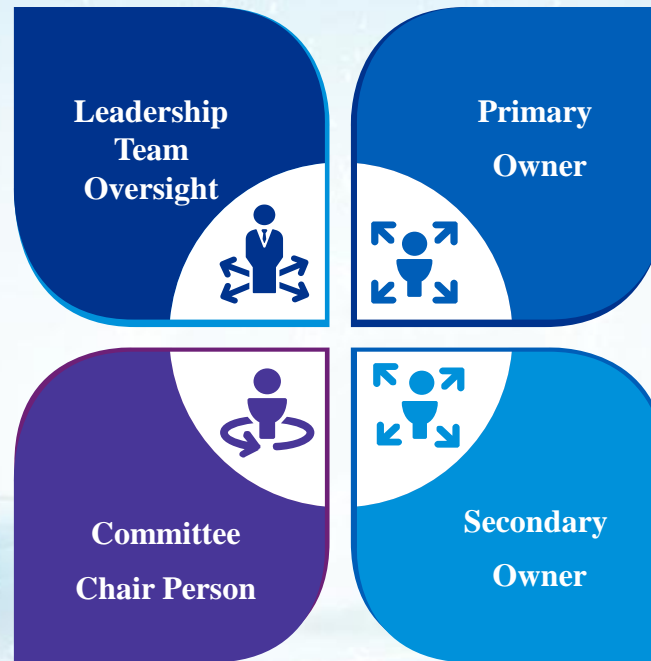


I09 – Failure of the Authority's SCADA system, affecting the organization's ability to operate the distribution system.,

Defined Roles for Risk Mitigation Committee

- The Risk Mitigation Committee is led by a member of the Leadership Team to help coordinate the overall Risk Mitigation program with the Strategic Plan for the Authority.
- *Example: Vice President of Finance*

- The Committee Chair Person coordinates meetings, assists the committee with setting goals and delegates work flows to the committee members based on their subject matter.
- *Example: Risk Manager*

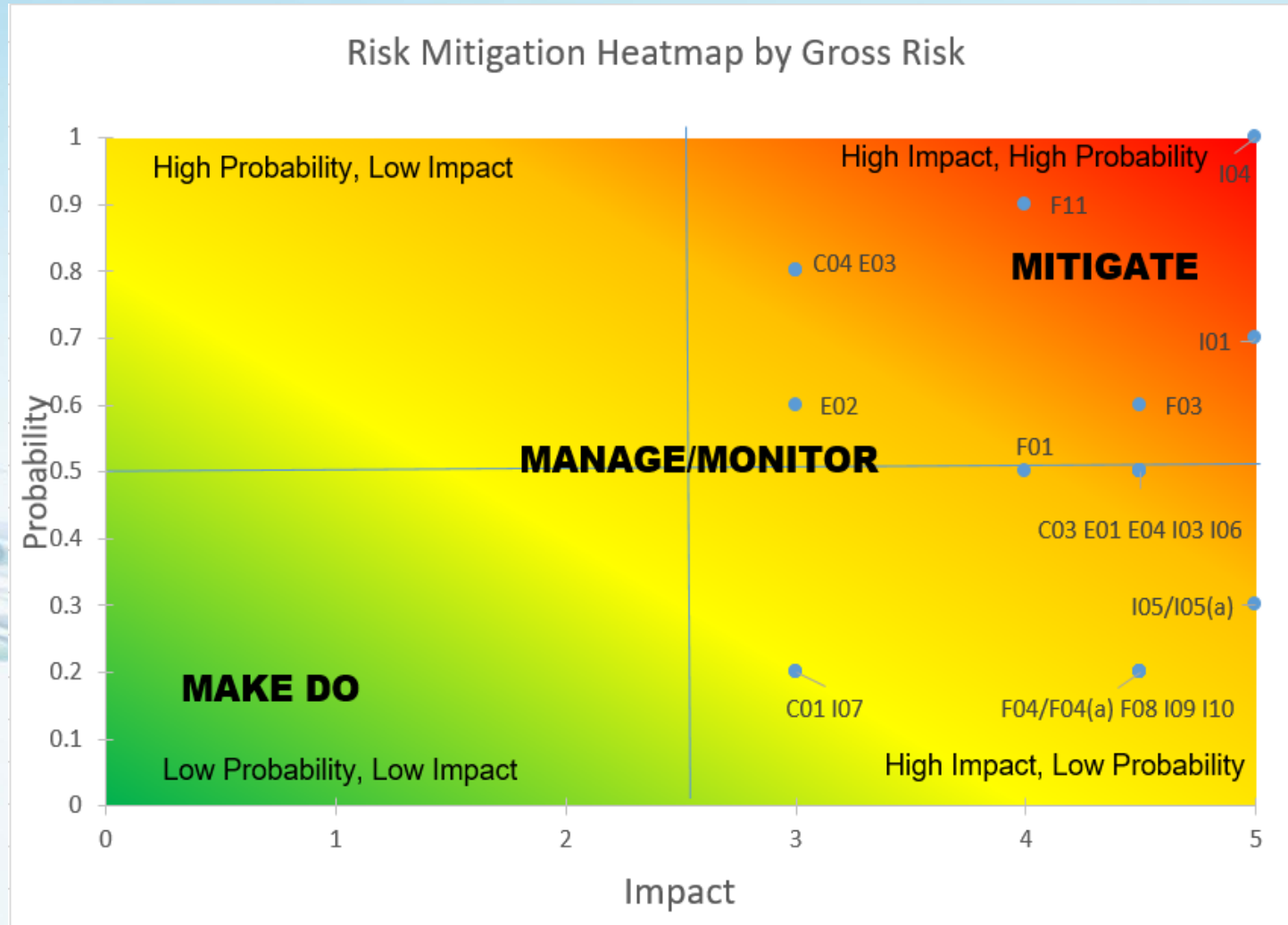


- The purpose of the Primary Owner is to manage the existing and recommended future controls. The assignment of each role is based on knowledge of the risk and becoming a potential incident team lead should the risk occur.
- *Example: Director/Manager subject matter expert.*

- Assists in the managing of the existing and recommended future controls and become a potential incident team lead should the risk occur

Risk Mitigation with Gross Risk

Risk Register Top Ten



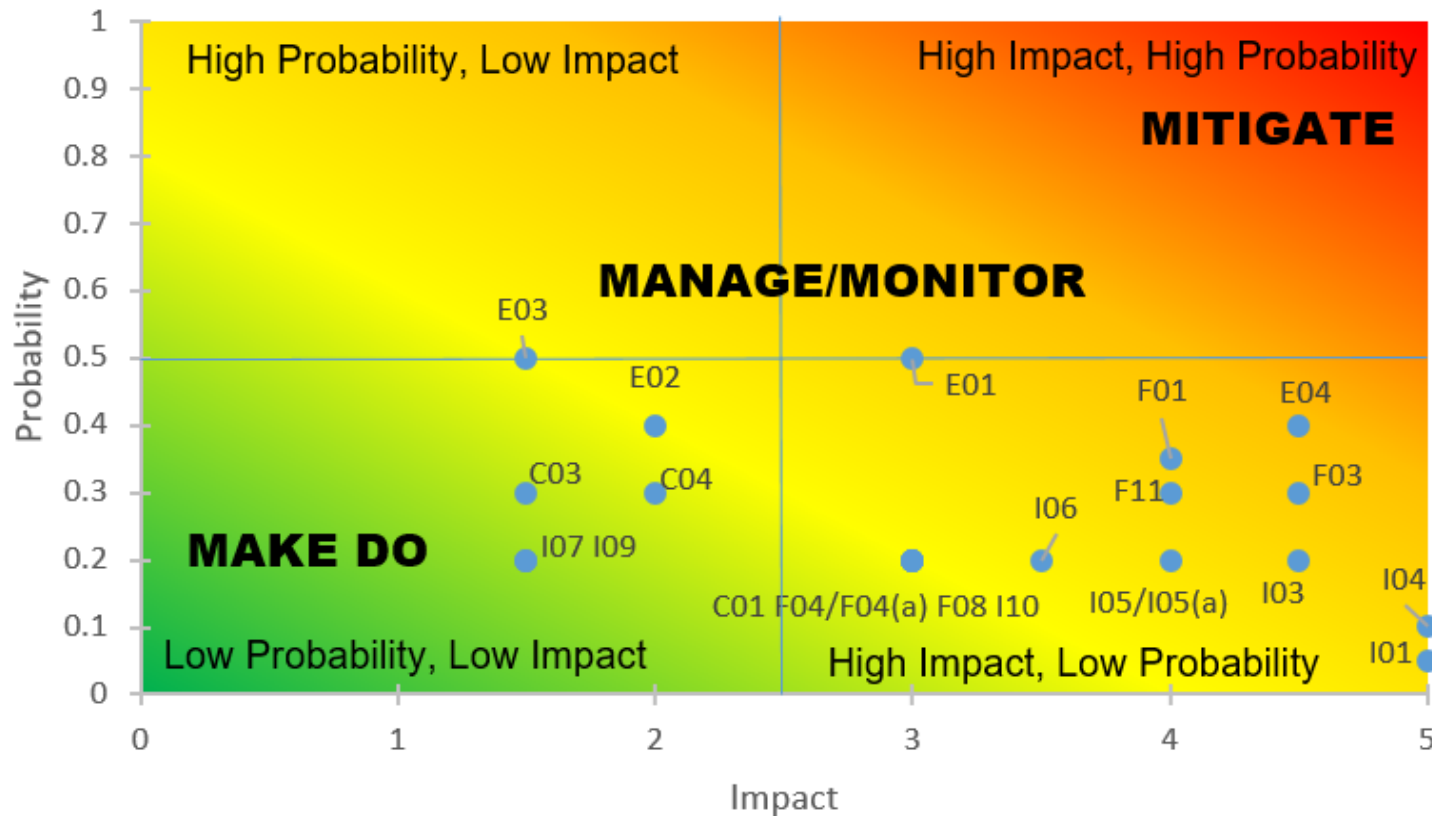
1. Cyber Security (I01,I04,I05,I05a)
2. Financial Performance (F01,F03)
3. Critical Component Failure (F04, F04a, F11)
4. Health and Safety of RWA Employees (E01, E04)
5. Succession Planning / Recruitment /Retention (E02, E03)
6. Failure of Manage Risks Causing Loss of Reputation (C01,C03,C04)
7. Ineffective Supply Chain (I06, I07)
8. Physical Security of RWA Property / Assets (I03, I10)
9. Business Continuity Planning (F08)
10. Loss of Supervisory Control and data Acquisition (SCADA) System. (I09)

Risk Mitigation with Existing Controls

Risk Register Top Ten

1. Cyber Security (I01,I04,I05,I05a)
2. Financial Performance (F01,F03)
3. Critical Component Failure (F04, F04a, F11)
4. Health and Safety of RWA Employees (E01, E04)
5. Succession Planning / Recruitment /Retention (E02, E03)
6. Failure of Manage Risks Causing Loss of Reputation (C01,C03,C04)
7. Ineffective Supply Chain (I06, I07)
8. Physical Security of RWA Property / Assets (I03, I10)
9. Business Continuity Planning (F08)
10. Loss of Supervisory Control and data Acquisition (SCADA) System. (I09)

Risk Mitigation Heatmap with Existing Controls



Risk Register Top Ten

Existing Programs & Projects

- Business Continuity Committee
- AWIA (America's Water Infrastructure Act)
- Risk Mitigation Committee

Future/Continuing Tasks

- Integrate with Business Continuity Committee.
- Include additional findings from the AWIA assessment.
- Continually update all Risk Register perspectives.

New Perspectives

- Enterprise Strategy
- Program Delivery
- Merger & Acquisitions

Risk Register Top Ten	Gross Risk	Current Risk	Number of Perspectives	Number of Existing Controls
1) Cyber Security	3.18	.575	4	36
2) Financial Performance	2.35	1.38	2	26
3) Critical Component Failure	2.25	0.90	3	34
4) Health and Safety of RWA Employees	2.03	1.15	2	43
5) Succession Planning/Recruitment/Retention	2.10	1.00	2	14
6) Failure to Manage Risks Causing Loss of Reputation	1.77	0.55	3	26
7) Ineffective Supply Chain	1.72	0.58	2	14
8) Physical Security of RWA Property/Assets	1.60	0.75	2	13
9) Business Continuity Planning	0.90	0.60	1	10
10) Loss of Supervisory Control and Data Acquisition ("SCADA") System	0.90	0.30	1	7

Top Three Ranked Current Risks

- 2) Financial Performance
- 4) Health & Safety of RWA Employees
- 5) Succession Planning/ Recruitment/ Retention

New Challenges

- Pandemic
- New Cyber Security Threats
- Working Remotely

Change in Top Ten Gross Rank

Ineffective Supply Chain



Mitigating the Risk



Risk Register Top Ten	Residual Risk
1) Financial Performance	1.38
2) Succession Planning/Recruitment/Retention	1.00
3) Health and Safety of RWA Employees	0.60
4) Critical Component Failure	0.55
5) Failure to Manage Risks Causing Loss of Reputation	0.55
6) Physical Security of RWA Property/Assets	0.55
7) Ineffective Supply Chain	0.50
8) Cyber Security	0.34
9) Business Continuity Planning	0.30
10) Loss of Supervisory Control and Data Acquisition ("SCADA") System	0.30

Summary



- Top Ten Risks remained consistent, with significant mitigation of gross risk
- The cross-functional Risk Mitigation Committee focuses on identifying risks and their mitigation
 - Advises on new and emerging risks
 - Updates current risks
 - Solicits input from Risk Owners
 - Integrates w/Business Continuity Committee
- Future tasks include incorporating AWIA assessment, new perspectives, and addressing new challenges



Appendix



Definitions of Gross, Current and Residual Risk

Gross Risk – The risk consequence assigned to a given aspect of business, prior to the effects of active mitigation, but reflecting the environment within which the business exists.

Current Risk – The risk consequence assigned to a given aspect of business, as a result of existing controls.

Residual Risk – The risk consequence assigned to a given aspect of business when all mitigation and positive efforts by management and others are in place.

Definitions of Impact and Probability

Impact

High – An event that will result in a fundamental strategic realignment of operations. A threat to the continuation of business. **Rating – 4 to 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. **Rating - 3**

Low – An event that can be managed within the day to day financial and operational business, while providing business as usual. **Rating – 1 to 2**

Probability

High – Event expected to occur (i. e. highly probable that event will occur) in the current or next business period (1 year). **Rating – 61% to 99%**

Medium – Event expected to occur (i.e. highly probable that event will occur) during the strategic planning period (2 – 5 years). **Rating – 41% to 60%**

Low – Event is possible but Management does not reasonably expect it to occur within the current environment. **Rating – 1% to 40%**

Calculation of Risk Level

Risk Level = **Impact** multiplied by **Probability**

1.0 = Low.....	(Insignificant)
2.0 =	(Minor)
3.0 = Medium.....	(Moderate)
4.0 =	(Major)
5.0 = High.....	(Worst Case)

Future Action based upon Risk Level

If Risk Level is less than or equal to 2.5, keep on watch list

If Risk Level is greater than 2.5, more mitigation needed

Audit-Risk Committee

FY2021 Work Plan

The Audit-Risk Committee will review the financial reporting process, the system of internal control, the audit process, the Authority's process for monitoring compliance with laws and regulations, and with the code of conduct, and assess and manage the corporation's risks.

September 2020

- Review FY 2020 Audit Results (External Auditor)

February 2021

- Update on Record Retention Policies and Practices
- Plan of Audit, FY 2021 (External Auditor)

December 2020

- Cyber/Technology Resiliency Review
- Risk Management Update

May 2020

- Risk Management Update
- Review Committee FY 2022 Work Plan