

South Central Connecticut Regional Water Authority
Commercial Business Committee
June 17, 2021
Meeting Transcription

[COMMERCIAL BUSINESS COMMITTEE MEETING BEGINS AT 12:33 P.M.]

Kevin:

Yes. Good afternoon. We have a robust commercial business committee meeting this afternoon. May I have a motion for the minutes of what was the non-core business committee last set of minutes for those, motion for approval.

Tony:

So moved.

Kevin:

Is there a second?

Suzanne:

Second.

Kevin:

Any questions? Revisions comments. All in favor?

All:

Aye.

Kevin:

Thank you. I'll just give a little brief summary of what the plan is today. We have several aspects, some of the later aspects of the meeting will be in executive session. We will be looking for some actions to be taken as a committee when we come out of executive session and some of the latter points of the agenda flow from potential earlier actions.

Kevin:

But to start off with, we have the commercial business committee charter that we had some revisions. I took a look at it, Prem and his team have been working on it. I think Dave, our chairman took a look at it. And so we're looking at this for, I'm not sure if I need formal approval of this, but that would be nice to have as a committee before we go into executive session. But if they're not ready to approve what our proposed charter is-

Kevin:

And I think it's a good setting to kind of set up for what we have later today, and some of the actions we may be taking later today. So-

Tony:

Can we make that so I can read the whole thing?

Kevin:

We can ask if Jennifer can expand it a little bit. Sure.

Tony:

No, I need it to be shrunk. It needs to be shrunk a little bit.

Kevin:

Oh, shrunken okay. Sorry.

Jennifer:

Any better?

Tony:

Yeah.

Jennifer:

Okay.

Tony:

No, now it went right back to where it was.

Kevin:

Yeah you just had it a second ago.

Jennifer:

Is it not up there?

David:

It's up there, but it stops at four and you had it all the way to five.

Jennifer:

Okay. Hold on it was-

Prem:

I think you had it at full screen mode right?

Prem:

Yeah, come out-

David:

That's it.

David:

[inaudible 00:06:42]

Tony:

So I want to be clear that in number two, we're talking about investments in strategies for business development rather than our investment portfolio. Is that correct?

Kevin:

Correct. Yes.

David:

The committee still has their charter.

Tony:

Yeah, at first look, it looked like we were tramping over somebody else's turf.

David:

No.

Prem:

Also on that kind of vein-

Kevin:

Tony is the -

Kevin:

Tony-

Jeanine:

Prem your audio is messed up. It's very weird sounding and scratchy.

Jeanine:

[crosstalk 00:07:43]

Tony:

[inaudible 00:07:43] My old 45's

Kevin:

Tony, do you have a suggestion for number two that would make that clearer or-

Tony:

No, no, I think it is clear. I just wanted to make sure that the intent was as I read it.

Kevin:

Understood. Okay.

Larry:

Just, as a suggestion, you could make that investment in commercial growth strategies, and that would leave no doubt.

Kevin:

I think it's fine. I mean, it's in the context of this committee charter. So I think we could do either way, we could add that the word commercial as well. Does anybody have any other thoughts or comments or-

Suzanne:

Yeah, Kevin, I have two. I'm sorry, I'm toggling back between my documents and my screen here. And I think what I'm going to do is try to re-enter the meeting in another zoom application.

Suzanne:

But for right now, I was wondering if there should be any mention of KPIs, meaning what KPIs will be associated with the word, associated with commercial enterprise. And secondly, if there was anything that we needed to write about talent, meaning any talent in the RWA organization that needs to be acquired or developed as it relates to this business. And I don't really have specific words related to either one of those, but I just thought that they might be worthwhile to consider.

Kevin:

Okay. Thanks for the suggestion, of the KPI.

Kevin:

Prem do you have anything to add?

Prem:

Yeah I think that that's a good call out. What we did was we hired as part of the work plan, but we can add those additions. That's good feedback, Suzanne, right? And for the talent side of the house, I do agree with you. That's all.

Kevin:

Yeah. I think those are great suggestions. Thank you.

Prem:

Yep.

Kevin:

Any other thoughts? I wanted to have this first, before we went into our discussion today, primarily just to, when you look at the committee purpose and it kind of sets the groundwork or the foundation for what we're going to be looking at later in this committee meeting.

Suzanne:

I thought it was well done.

Kevin:

Yeah, Prem and his team and Rochelle and Dennis, everyone's done a lot of work on this, generally speaking. So thank you. So for now I think that Dave, unless I need to formally approve this now, we'll make those changes and maybe we can present it at another meeting.

David:

That makes perfect sense. Thank you.

Kevin:

There's no requirement to formalize it.

Kevin:

Okay. Thank you.

Kevin:

And up next we have the work plan, which we'll have our presentation today for June, obviously. And those are the quarterly meetings going from here.

Kevin:

Okay?

Tony:

And here we're talking in terms of acquisition, we're talking about commercial properties or that we would assume, right?

Kevin:

Talking about businesses or businesses and/or with their connected real properties.

David:

Or equity stakes.

Kevin:

Or Equity stakes.

Tony:

Huh?

Catherine:

I'm sorry.

Catherine:

I've been having some issues I keep popping in and out. I think you can hear me now.

All:

Yes.

Catherine:

David, I don't know if you mentioned that comment that I discussed with you on Monday about adding into this here the fact that we're serving the communities better. I think that the development of the commercial business activities in order to support financial stability and to mitigate water rate is a great idea. But in addition to that, this is activity that supports the communities that the water that the RWA serves. And I think that's important as well.

Kevin:

Okay, Catherine, this is Kevin. Yeah. I appreciate that comment as well. And I'm not sure if you were-

Kevin:

We were going to make a couple of changes to that charter based on some other member comments, if you had popped out of the meeting at that time and we're going to come back and re-look at it.

Catherine:

Okay alright.

Kevin:

I think Prem, that's another good addition.

Prem:

Yep.

Kevin:

And it kind of, just further delineates, not just the financial aspect, of my understanding Catherine, but the community connection and community support aspect of it?

Catherine:

Right. Especially the well service. I think that's something that is significant and it's a significant service.

Tony:

Again, Kevin?

Kevin:

Yes?

Tony:

So what's her-

Tony:

Am I on mute?

All:

No, I hear you.

Tony:

Well, how come. Catherine,

Catherine:

Yes?

Tony:

Could you tell me again the direction of all of that, what you just said, in terms of serving the public,

Catherine:

I think that the -

Tony:

other than just rates, what were-

Jeanine:

Well the RWA is also providing an important public service, particularly with respect to the well service activity. That's one of the commercial businesses, and this is an expansion of the RWA service to the public.

Tony:

Okay.

Jeanine:

And I think that's important.

Tony:

Yeah.

Prem:

Yeah. I took all the notes.

Suzanne:

And Kevin, just as a point which that comment's reminding me of is that, and I don't know if this is inferred inside the rates, but I think it's also done to offset our debt.

Kevin:

I'm sorry, it's also what to us at our debt?

Suzanne:

To offset our debt.

Kevin:

Offset our debt. Okay. Got it.

Catherine:

Good point.

Tony:

Well, see now that puts me at odds. How do we determine which of those two purposes we prefer? If they come into conflict with each other, and they will.

Suzanne:

Well, that's why I asked if it's inferred because reducing debt should reduce operating expenses associated with our service on our debt. And that should offset rates. So I don't know that they are at odds with each other and maybe folded into one another, if you just focus on rates. However, I just have a very strong opinion that we should work constructively to reduce our debt so that we can in fact, reduce rates and/or just make the organization less vulnerable to the impact of potentially having rating agencies change our debt rating or anything else.

Rochelle:

So maybe Suzanne, if you don't mind, maybe I could add a little bit. So I think that the focus of growing the commercial business is great and how we get that net income back into the utility. Having said that in the short term, there could actually be a conflict if we issue debt in support of commercial activity. However, based on all the work that we've done and working with bond counsel in particular, debt

that's issued associated with commercial business would be subordinate debt. And therefore the rating agencies, they would know about it, but it should not significantly impact their assessment because it would be subordinate.

Suzanne:

Right. But I'm saying something different. I'm saying that it's, and maybe I'm wrong. The commercial business is to generate, my understanding, is partially to generate cash and revenue. I should say revenue rather than cash, so that we can fund various funds that we can offset rates that we can pay off debt associated with the RWA's main function of providing water.

Rochelle:

I think maybe said so, yes, it is the intent that the net income associated with these opportunities would potentially actually go into the construction fine that would both mitigate rates as well as mitigate debt.

Suzanne:

Okay. I'm fine with that. But I, do think that that's really important that, if our debt keeps climbing, but you guys know how I feel about all this, if our debt keeps climbing then it continues to make us vulnerable.

Tony:

Well, I can envision a situation where one of the commercial enterprises we would consider would be an opportunity to create jobs in our community, and may not provide positive cash flow to our organization. So for me, that would present somewhat of a conflict in terms of what's good. In both situations, I would like to be able to separate them out or at least understand the set of priorities that we would be addressing or recognize that there's no difference in those priorities. I don't get that out of what we're talking about.

Suzanne:

Yeah, and I guess it's a surprise to me that we would think about going into an enterprise to establish jobs, but not to establish profit, that would then come back to the organization to benefit the organization and the people and the customers it serves.

Larry:

Well-

Suzanne:

That to me would never have been the part of the charter.

Larry:

Yeah, and I would underscore that point, Suzanne, that the way we envisioned the commercial business is that the businesses we buy would be profitable and would provide a return and net income and do all the things that Michelle outlined. Now, that may not happen year over year, over year, depending on business cycles, but certainly-

Suzanne:

Right.

Larry:

wouldn't buy a business that was losing money, unless it gave us some access to some technology that we didn't have access to otherwise, or something like that. And that would be a one-off unusual situation.

Kevin:

So, I think that Tony's point, I hadn't thought of it in that respect. And probably because, Catherine brought up the point today, that triggered Tony's comments. But Tony's concern I think is a very stark contrast. I don't know that we would be purchasing a business only in order to create jobs. I think we'll have to really take a look at the charter to make sure that that's clear one way or the other, whatever the intention of the organization is. But based on Tony's comments, it's got me thinking that it's a much grayer area where something would occur and is there, I think it's a good point is, does something take more priority than another. I can't envision the exact scenario, but I think it would be something that's much more difficult and complicated than we're going to purchase a company to create job opportunities versus we're going to purchase a company to create profits. So I think it's worth, I'm glad we're having the conversation. I think we'll take another run at the charter and present it back to the board again.

Suzanne:

Thank you. And if you could red line it like you did some of these other documents, that would be helpful. So we can just see what was here today and what you changed as a result of that. That'd be great.

Kevin:

Great. Thank you.

Suzanne:

Yeah.

Kevin:

Great comments. I appreciate it.

David:

Kevin?

Kevin:

Yes?

David:

I'm not sure that I would favor us being in the altruistic business and buying businesses that would not be, as Larry [inaudible 00:21:21] for a for-profit and for rate mitigation, debt mitigation by way of rate mitigation or the other way around. I just don't see that as a vision of what the commercial business committee should be looking at.

Kevin:

I agree with you, David. I don't think that that's what that comment or that addition would be intended to insinuate, but I think it's a great point to make it clear that that's not what that means. But that there also could be other benefits. I think it's a much more, the words escape me right now, but I think it's a much finer, I guess, situation where you have community benefit where you also have profit. Not one or the other. That's my understanding of Catherine's comments.

Catherine:

Thank you, because that's what I meant. I think that you're buying a business and you're going into business, this is a capitalist country, we're in business to make money. And that's the purpose behind the business and what we use the profits from that business for also benefit our rate payers and others. But I do think it's worth identifying the additional service to communities, particularly those that don't buy our water. That we're providing a service to the community. And it's not just the well service, but the lab services there are other services, business activity that the RWA has that are beneficial to the community and provide a community service for profit.

Suzanne:

Yeah. How I hear it, Catherine, is that it's not an altruistic service that we're providing, but we are expanding our services so that the communities that we serve can take advantage of them if they choose to, but now it's available to them. Right? And that makes sense to me.

Kevin:

Yeah.

Larry:

And those two things guys are inconsistent with each other, right? If you don't produce products and services that are good for the community, you won't reap profit, right? So in a naturalistic economic way and able to serve the community with good products and services, you will ultimately run properly result in net income or profit that we can utilize how we see fit in terms of sustaining the business.

Rochelle:

And I just want to add, because at the RWA level we are a nonprofit, so just sort of for the record, all the money will go back into the utility. So even the net income that's left over, it will go back through the utility and offset rates as a nonprofit.

Suzanne:

Yes.

Kevin:

Right.

Kevin:

All right. Thank you everyone for input. Really very productive and on point input. Thank you. What do we have next? I think we have, wait, Prem, is this where you'd like to go into executive session at this point in time?

Prem:

Yes. Yes I'll [inaudible 00:24:44].

Kevin:

May I have a motion to enter into an executive session?

Suzanne:

So moved,

Kevin:

Is there a second?

Prem:

Second

Kevin:

Any discussion?

David:

I would simply note that it's for the purpose of discussing acquisitions and then by those present for their expertise.

Kevin:

Thank you, Dave. All in favor?

Group:

Aye.

[EXECUTIVE SESSION FROM 12:54 P.M. TO 2:46 P.M.]

Kevin:

We are out of executive session and based on the presentations and discussions in executive session, are we prepared to take action today on the resolution that is under item number four?

Tony:

Yes.

Kevin:

Are there any further comments from members of the board? Can I have a motion for that resolution?

Tony:

So moved.

Kevin:

This is for the resolution under number four, the acquisition. Is there a second?

David:

Second.

Catherine:

Second.

David:

Catherine, ladies first.

Kevin:

Catherine with the second. Is there any discussion comments from the members?

Suzanne:

I think, I don't know Kevin and what you want to say, but I think we should have some comments that's on the record that summarizes where we are.

Kevin:

Yeah, that's what I was thinking, Suzanne. Is there anybody that has any strong thoughts or feelings that they'd like to state for the record about which way they're going to vote on this.

David:

Before we get into that, I just want to caution that we be careful of keeping private, the entity.

Kevin:

Sure.

David:

Towards that end. If I have the floor for a moment, I would like to say that I think this is a step forward in the authority's mission. I think it's a step forward in the authority working diligently to try to find ways

to mitigate our rate increases, to expand our business, to expand our revenues. And I think we're heading forward in a well thought out, well planned out way. We've done our due diligence and I think it's time for action.

Kevin:

Thanks Dave. Anyone else would like to make any comments?

Kevin:

I would like to thank the team for all of their hard work with their due diligence. And I know it will be a lot of work going ahead. So thank you in advance for the additional work. I think I agree with David's comments. It's a step in the right direction. It's a long awaited step, but it's for good reason. And I appreciate the comments and all the thoughtful comments from the members of the board, as well as input from management. I'm in favor of this resolution, because I think it supports the commercial business committee charter. I think it supports the long-term strategy of the RWA. And I think that we've waited a while to take some action. And I think it's time to take some action at this point. I don't know if anybody else before I call for the vote has any comments they'd like to make.

Larry:

Kevin I'd just like to just give kudos to Dennis and Rochelle for the yeoman's work that they did in terms of moving along the acquisition, the evaluation, and all the work they did to go through that due diligence and to thank James McLaughlin for the work he did. He, met our timeframe and I think put work aside in order to meet our timeframe. So thank you, James, for all of that and kudos to Prem for moving along the whole pipe safe territory expansion project as well. So lots of work done there by the team, and I just want to put it on record that it is much appreciated.

Kevin:

Yeah. Thank you, Larry. And this will be a vote in favor of the favor of the resolution recommending it to the full Five Member Authority for approval. Any for the comment? Hearing none.

Kevin:

All in favor.

All:

Aye.

Kevin:

Any opposition? Abstains? Abstentions? No? Right passes unanimously. Thank you.

Larry:

Thank you everyone.

Rochelle:

Thank you.

Kevin:

Thanks Prem, Dennis, Rochelle, Larry, Beth. I know everybody's involved Jeanine. Everyone's got a piece in this.

Kevin:

So we have another resolution under committee item number five. Is there a motion for that resolution?

Catherine:

I move the adoption of the resolution, the eighth amendment to the authority voluntary investment plan resolution.

Kevin:

Thank you, Catherine. Is there a second?

Kevin:

Thank you, Catherine. Is there a second?

David:

Yes.

Kevin:

Thank you. Any discussion on this resolution? Okay. For reasons that would've been stated in executive session and explained to us by members of the management team, this seems in the best interests of... As it relates to this acquisition for this particular acquisition. Any further comment?

Suzanne:

I would just clarify that it's in relation to this particular business line, not just this acquisition.

Kevin:

Thank you. Any further comment? Okay. All in favor.

Group:

Aye.

Kevin:

Position. Your abstentions or none. Thank you at the recommendation to the full board passage unanimously. Thank you everyone. David.

David:

I would motion that we adjourn the commercial enterprise committee and meet as a strategic planning committee.

Kevin:

Is there a second. Okay.

Jennifer:

I'm going to call Mark Levine to join the meeting

Kevin:

All in favor. Aye. Okay. We're back in. Dave. Thank you.

Dennis:

Thanks everybody.

Larry:

Thanks Dennis.

David:

Thank you very much. Thank you guys for the hard work. Still have some work ahead [crosstalk 00:31:34]. Just a little bit.

Suzanne:

Yeah.

David:

Yeah.

Suzanne:

It's just my gun.

Kevin:

Exactly.

[COMMERCIAL BUSINESS COMMITTEE ADJOURNS AT 2:52 P.M.]