

South Central Connecticut Regional Water Authority

Minutes of the August 17, 2011 Meeting

A regular meeting of the South Central Connecticut Regional Water Authority was held Wednesday, August 17, 2011 at the office of the Authority, 90 Sargent Drive, New Haven, CT, Chair DiSalvo presiding.

Present: Authority – Messrs. Bell, Cermola, DiSalvo, Edge, Marsh
Management – Mss. Discepolo, Tompkins, Messrs. Bingaman, Hudak
RPB – Messrs. Albrecht, Borowy, Conroy
Evaluation Associates – Ms. Schlissel
Staff – Ms. Yoder

The Chair called the meeting to order at 8:00 a.m.

On motion duly made by Mr. Marsh, seconded by Mr. Cermola and unanimously carried, the minutes of the meeting of the Authority held on July 20, 2011 were approved as distributed.

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

At 8:01 a.m., on motion duly made by Mr. Bell and seconded by Mr. Cermola, it was voted unanimously to recess the regular meeting to allow the Authority to meet as the Pension, Benefit and Compensation Committee.

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

At 8:52 a.m. the Authority reconvened. On motion duly made by Mr. Bell and seconded by Mr. Cermola, it was voted unanimously to add “Consider and Act on Recommendation regarding Pension Plans’ Domestic Large Cap Growth Investment Manager” to the agenda.

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

Mr. Bell moved for adoption of the following resolutions:

Resolved, That, based on the recommendation of the Pension, Benefit and Compensation Committee, the pension plans' investment with Goldman Sachs, as domestic large cap growth manager, be liquidated in its entirety as soon as practical.

Resolved, That, based on the recommendation of the Pension, Benefit and Compensation Committee, American Century Investments be selected as the plans' domestic large cap growth manager and the total funds currently invested with Goldman Sachs be invested in the American Century Growth Fund – Institutional, as soon as practical.

Resolved, That the appropriate officers of the Regional Water Authority be, and they hereby are, authorized to execute any documents necessary to implement the foregoing resolutions.

Mr. Cermola seconded the motion and, after brief discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

Ms. Schlissel withdrew from the meeting.

Ms. Discepolo reviewed the July 2011 monthly financial report. She commented on draft, cash collections, operating revenues, operating expenses, interest income and the projected fiscal year 2012 maintenance test. In response to an inquiry from an Authority member, Ms. Discepolo distributed an analysis of the Regional Water Authority ("RWA") operating margin compared to a Connecticut investor-owned utility. Ms. Discepolo reviewed the analysis of accounts receivable.

A schedule of Capital Improvement Budget Expenditures for September 2011 was presented. Mr. Cermola moved for adoption of the following resolution:

Resolved, That the Controller is authorized to submit to the Trustee one or more requisitions in an aggregate amount not to exceed \$3,502,000 for the month of September 2011 for transfer from the Construction Fund for capital expenditures. Each such requisition shall contain or be accompanied by a certificate identifying such requisition and stating that the amount to be withdrawn pursuant to such requisition is a proper charge to the Construction Fund. Such requisitions are approved notwithstanding the fact that amounts to be withdrawn for a particular project may exceed the amount indicated for such month and year in the current Capital Improvement Budget but will not cause the aggregate amount budgeted for fiscal year 2012 for all Capital Improvement Projects to be exceeded. In the absence of the Controller, the Vice-President – Business Planning, Development and Finance or the Vice-President – Operations and Engineering is authorized to sign in her place.

Mr. Marsh seconded the motion. After brief discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

In accordance with the Authority's Capital Budget Amendment Procedure, the Authority was notified in writing of the following transfers between fiscal year 2012 capital budget accounts:

- \$18,000 from Indian Ridge Approach Main to Saltonstall Fishing Dock Rail Replacement
- \$45,000 from Indian Ridge Approach Main to 8" pipe on Austin Avenue, East Haven
- \$80,000 from Indian Ridge Approach Main to Seymour Wellfield Improvements
- \$43,500 from Indian Ridge Approach Main to North High Street Main
- \$14,400 from Indian Ridge Approach Main to Seymour Wellfield Contact Time Improvements
- \$130,000 from State and Redevelopment Pipe to Lake Gaillard Water Treatment Plant Roof Membrane Replacement

Ms. Discepolo reviewed the circumstances that resulted in the Regional Water Authority's participation in a settlement made by JPMorgan with respect to its practices in connection with the marketing and sale of certain derivative financial products. She reported management received advice from bond counsel regarding the use of the settlement funds and recommends that the settlement proceeds be applied to the Debt Service Fund to pay down both principal and interest. Mr. Bell moved for adoption of the following resolution:

WHEREAS, on September 22, 2004, the South Central Connecticut Regional Water Authority (the "Authority") issued its Water System Revenue Bonds, Nineteenth Series A (the "Bonds") pursuant to the Water System Revenue Bond Resolution, General Bond Resolution adopted July 31, 1980 (the "General Bond Resolution") as amended and supplemented by supplemental resolutions included the Nineteenth Series A Supplemental Resolution adopted on July 21, 2004 (the "Supplemental Resolution"); and

WHEREAS, the Bonds were issued in part to refund the Bond Anticipation Notes due on September 22, 2004 the proceeds of which were used to finance certain termination costs incurred in connection with an Interest Rate Swap between JPMorgan Chase Bank ("JPMorgan") and the Authority (the "SWAP") covering the Eighteenth Series B Bonds; and

WHEREAS, on July 6, 2011, JPMorgan entered into an agreement with the Office of the Controller of the Currency (the "Agreement") in which JPMorgan agreed to the payment of unjust enrichment to certain of its derivative counterparties in amounts as was specified in the Agreement; and

WHEREAS, the Authority expects to receive \$299,410.23 from JPMorgan (the "Settlement Amount") in satisfaction of its responsibilities to the Authority under the Agreement; and

WHEREAS, the Authority has determined that the Settlement Amount is a return of that portion of the proceeds of the Bonds used to refinance the termination costs of the SWAP; and

WHEREAS, Section 302 of the Supplemental Resolution provides that the Trustee for the Bonds shall deposit such other proceeds from the Bonds in such other funds held under the General Bond Resolution as set forth in the Certificate of Determination; and

WHEREAS, the Authority desires to amend the Certificate of Determination to direct the deposit of the Settlement Amount.

NOW THEREFORE, be it resolved that:

1. The Certificate of Determination of the Authority, dated as of September 22, 2004 hereby is amended to add the following:

8. The Trustee shall deposit \$299,410.23 which the Authority has received from JPMorgan in satisfaction of JPMorgan's responsibilities

pursuant to a settlement agreement by and between it and the Office of the Controller of the Currency, dated July 6, 2011 into the Debt Service Fund to be used to pay debt service on the Bonds.

2. The Controller of the Authority is hereby directed to transfer \$299,410.23 from Deposit Account No. 2000061100882 to the Trustee for transfer into the Debt Service Fund as set forth in the Certificate of Determination, dated September 22, 2004 as amended by this Resolution after such \$299,410.23 has been received from JP Morgan.

Mr. Cermola seconded the motion. After brief discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

Ms. Discepolo presented an update on the RWA Ratings Criteria Gap Analysis. The update included current ratings trends, the RWA rating, RWA performance vs. key rating criteria, RWA performance vs. S&P and Moody's key financial ratios, gap analysis, the trend of depreciation vs. principal payment and next steps.

Mr. Bingaman briefly reviewed the history of the planned operating efficiency and competitive assessment by an outside consultant. He commented on the Request for Proposal ("RFP") process being used to select a consultant to conduct the assessment and the timetable for the project. He distributed a copy of the RFP.

Mr. Bingaman reviewed the Regional Water Authority ("RWA") Key Performance Indicators ("KPIs") for the period ended July 31, 2011. He commented on several KPIs including recordable injuries, estimated meter reads and gross unaccounted for water.

Ms. Tompkins described the location, strategic importance and circumstances related to the proposed purchase of 32+/- acres of land in Madison within the Iron Stream watershed. She reviewed the non-core revenue opportunity provided by an AT&T cell tower on the property and the reasons for proceeding with this purchase at this time. Mr. Hudak described the natural resource features of the property and its ranking on the parcel prioritization matrix. Mr. Cermola moved for adoption of the following resolution:

Resolved, That the Authority hereby authorizes Thomas V. Chaplik, Vice President – Water Quality and Outreach of South Central Connecticut Regional Water Authority, to execute any and all documents relating to the purchase of 32+/- acres located at 1749 Durham Rd., Madison, CT from Fred Ruge and Anita Ruge for \$677,000. The property is located within the Iron Stream watershed.

Mr. Edge seconded the motion and, after discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

Mr. Bell briefly highlighted his written report on the activities of The Watershed Fund during its fiscal year 2011. He stated the Regional Water Authority is the sole Member of The Watershed Fund. He recommended that in its capacity as sole Member the Authority elect Gordon Geballe and himself as directors with terms expiring in 2014. He reported he continued to recruit an additional director. Mr. Cermola moved for adoption of the following resolution:

Resolved, That the following persons be, and they hereby are, elected Directors of The Watershed Fund, Inc. to serve in such capacity until the Annual Meeting of the Sole Member in 2014 or until they otherwise lawfully cease to hold such office: Richard G. Bell and Gordon Geballe.

Mr. Marsh seconded the motion and, after discussion, the Chair called for the vote:

Bell	Abstain
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

Chair DiSalvo stated the Representative Policy Board (“RPB”) had requested an extension of the deadline for the RPB to act on the Authority’s Application for Amendment to Land Use Plan to October 31, 2011. He recommended approval of the request. Mr. Bell moved for adoption of the following resolution:

Whereas, on April 25, 2011 the Regional Water Authority (the “Authority”) filed its Application for Amendment to Land Use Plan (the “Application”) with the Representative Policy Board (“RPB”); and

Whereas, on July 15, 2011 the Authority filed its Supplemental Submission with respect to the Application; and

Whereas, by letter dated July 21, 2011 the Chairperson of the RPB requested an extension of the deadline for the RPB to act on the Application to October 31, 2011;

Now, therefore be it

Resolved, That the Regional Water Authority grants the request of the Representative Policy Board (“RPB”) for an extension to October 31, 2011 of the time period for the RPB to make a decision on the Authority’s Application for Amendment to Land Use Plan filed with the RPB on April 25, 2011.

Mr. Marsh seconded the motion and, after discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

Mr. Bingaman briefly described the purpose of the Adamo domestic relations order with respect to the South Central Connecticut Regional Water Authority Salaried Employees’ Retirement Plan. He stated that RWA attorney, William J. Keenan, Jr. of Murtha Cullina LLP, had reviewed the order and

concluded that it satisfies the requirements for a qualified domestic relations order. Mr. Bell moved for adoption of the following resolutions:

WHEREAS, the Regional Water Authority serves as the Retirement Committee and Plan Administrator of the South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan (the "Plan"); and

WHEREAS, said Retirement Committee has the authority to approve domestic relations orders submitted to the Plan; and

WHEREAS, legal counsel has reviewed the domestic relations order dated July 21, 2011 relating to the assignment of certain benefits of Thomas Adamo under the Plan, and has determined that such order satisfies the requirements for a qualified domestic relations order;

NOW, THEREFORE be it

RESOLVED: That based upon advice of legal counsel, the Regional Water Authority, in its capacity as the Retirement Committee and Plan Administrator of the South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan, approves the order referenced above as a qualified domestic relations order; and be it

FURTHER RESOLVED: That the appropriate officers and employees of the Authority be, and they hereby are, authorized, empowered and directed to take any and all additional action which they deem necessary or appropriate in order to implement the foregoing resolution.

Mr. Edge seconded the motion and, after discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

At 10:30 a.m., on motion duly made by Mr. Edge and seconded by Mr. Cermola, it was voted unanimously to recess the regular meeting to allow the Authority to meet as the Strategic Planning Committee.

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

At 10:45 a.m. the Authority reconvened. Authority members and others reported on their attendance at recent RPB standing committee meetings.

Mr. Bingaman:

- Reported negotiations with respect to the proposed stream flow regulations had concluded and shared highlights of the consensus reached.
- Provided an update on customer call center activity and performance statistics.
- Provided an update on the status of SAP post-implementation activities. He stated Mr. Mulit of EP2M will do an assessment of the SAP post-implementation status and related matters and will report at the September Authority and RPB meetings.

At 11:00 a.m., on motion duly made by Mr. Cermola and seconded by Mr. Bell, the meeting was adjourned.

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Edge	Aye
Marsh	Aye

C. Anthony Edge, Secretary