

South Central Connecticut Regional Water Authority

Minutes of the November 16, 2011 Meeting

A regular meeting of the South Central Connecticut Regional Water Authority was held Wednesday, November 16, 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 – Ms. Discepolo, Messrs. Bingaman, Chaplik
RPB – Messrs. Borowy, Oslander
Staff – Ms. Yoder

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

On motion duly made by Mr. Cermola, seconded by Mr. Edge and unanimously carried, the minutes of the meeting of the Authority held on October 19, 2011 were approved as distributed.

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

At 8:01 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 Pension, Benefit & Compensation Committee.

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

At 8:27 a.m. the Authority reconvened.

Ms. Discepolo reviewed the October 2011 monthly financial report. She commented on draft, cash collections, operating revenues, operating expenses, interest income and the projected fiscal year 2012 maintenance test. Ms. Discepolo reviewed the analysis of accounts receivable. Discussion took place concerning initiatives being taken by management to reduce the level of aged accounts receivable.

A schedule of Capital Improvement Budget Expenditures for December 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 \$4,192,000 for the month of December 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shall contain or be accompanied by a certificate identifying such requisition and stating that the amount to be withdrawn pursuant to such requisition is a proper charge to the Construction Fund. Such requisitions are approved notwithstanding the fact that amounts to be withdrawn for a particular project may exceed the amount indicated for such month and year in the current Capital Improvement Budget but will not cause the aggregate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. Bell seconded the motion. After brief discussion, the Chair called for the vote:

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| 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 transfer of \$26,500 from the Wheeler's Farm Rd., Orange – New 16" Pipe fiscal year 2012 capital budget account to the Lake Saltonstall Water Treatment Plant Paving fiscal year 2012 capital budget account.

Ms. Discepolo reviewed the alternative investment strategy proposed by Janney Montgomery Scott representatives at the Authority's October meeting to gain a higher return on Regional Water Authority ("RWA") funds that will not be needed in the short-term. She stated the portfolio suggested included securities in the agency and mortgage backed securities/collateralized mortgage obligation sectors. She reviewed the rates of return RWA was currently receiving on investments, the projected return on the proposed alternative investment, the risks and liquidity of the proposed investment. She stated management recommended investment of \$5 million in the alternative investment strategy and reviewed the proposed sources of the funds. Mr. Bell moved for adoption of the following resolution:

Resolved, That management be, and it hereby is, authorized to invest \$5.0 million in a portfolio of agency and mortgage backed securities/collateralized mortgage obligations in January 2012 as recommended by Janney Montgomery Scott.

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

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

Mr. Bingaman and Ms. Discepolo reviewed various aspects of a streamlined rate adjustment mechanism in between rate applications to stabilize revenues and assist RWA in meeting its financial obligations. They described the mechanism as a surcharge that is put in place for a specific purpose for a limited period of time as a separate fee on customers' bills. They described types of surcharges used by other utilities, the logistics of implementing a surcharge mechanism for RWA including the need to amend the General Bond Resolution, change the enabling legislation and obtain Representative Policy Board ("RPB") approval. Mr. Bell moved for adoption of the following resolution:

Resolved, That the Authority supports the concept of implementing a rate adjustment mechanism as described to the meeting.

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

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

The Chair reported that a joint working group will be set up including several Authority and RPB members to review the rate adjustment mechanism and other potential enabling legislation changes. Messrs. Bell, Cermola and Marsh volunteered to participate.

Mr. Bingaman distributed and reviewed a chart showing the trend of RWA's average daily production from 1999 to the 2012. He commented on the reasons for the downward trend including (1) implementation of national plumbing standards in the mid-1990s, (2) national conservation efforts during the 1990s, (3) increased focus of industrial customers on the cost of water and related implementation of efficiencies, (4) demographic shifts and (5) economic factors. He stated experts predict that these factors will continue to exert downward pressure on customer retail water usage and the declining trend could continue for as long as a decade. He distributed a chart showing RWA production by fiscal year since FY 2009, including FY 2012 actual to date and budget. Discussion took place concerning the implications of the downward trend for supply sources and infrastructure investment and possible interventions including additional wholesale contracts and generation of more non-core revenues.

Ms. Discepolo distributed a summary schedule of important dates related to the Fiscal Year 2013 budget process. Chair DiSalvo highlighted dates of importance to Authority members.

Mr. Bingaman reviewed the RWA Key Performance Indicators ("KPIs") for the period ended October 31, 2011, focusing on the lost call rate, recordable injuries and estimated meter reads. Discussion took place concerning the frequency of reporting KPIs to the Authority and it was the consensus of members to change to quarterly reporting to them. Mr. Bingaman commented briefly on the RPB Dashboard Indicators Report. It was agreed that discussion should be initiated with RPB leadership regarding which indicators would best meet the needs of the RPB.

At 10:13 a.m., on motion duly made by Mr. Cermola and seconded by Mr. Edge, it was voted unanimously to recess the regular meeting to allow the Authority to meet as the Strategic Planning Committee.

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

At 10:25 a.m. the Authority reconvened.

Mr. Bingaman briefly described the proposed Fifth Amendment to the Authority Voluntary Investment Plan. Mr. Bell moved for adoption of the following resolutions:

RESOLVED: That the Authority Voluntary Investment Plan be, and it hereby is, amended by a Fifth Amendment thereto; and be it

FURTHER RESOLVED: That the Chairperson of the Authority be, and he hereby is, authorized to execute the Fifth Amendment on behalf of the Authority; and the appropriate officers 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 same.

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

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

Mr. Bingaman briefly described the proposed First Amendment to the Master Trust Agreement for South Central Connecticut Regional Water Authority. Mr. Cermola moved for adoption of the following resolutions:

RESOLVED: That the Master Trust Agreement for South Central Connecticut Regional Water Authority be, and hereby is, amended by a First Amendment thereto; and be it

FURTHER RESOLVED: That the Chairperson be, and he hereby is, authorized to execute the First Amendment on behalf of the Authority; 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 actions which they deem necessary or appropriate in order to implement the foregoing resolutions.

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

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

Mr. Bingaman briefly described the purpose of the Brown domestic relations order with respect to the South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan. He stated that 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. Cermola 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 October 19, 2011 relating to the assignment of certain benefits of Richard Brown 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. Bell seconded the motion. After brief discussion, the Chair called for the vote:

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

Mr. Bell briefly described the background and experience of Patricia L. McDermott and recommended that she be elected a director of The Watershed Fund. Mr. Bell moved for adoption of the following resolution:

Whereas, The Watershed Fund Bylaws provide that The Watershed Fund (the “Fund”) shall have one member, which shall be South Central Connecticut Regional Water Authority;

Whereas, the Fund Bylaws further provide that the Member has the sole right to elect directors of the Fund;

NOW, THEREFORE, BE IT

Resolved, That Patricia L. McDermott be, and she hereby is, elected a Director of The Watershed Fund, Inc. to serve in such capacity until the next annual meeting of the Member, or until she otherwise ceases to fill such position.

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

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

On motion duly made by Mr. Bell, seconded by Mr. Edge and unanimously carried, the proposed schedule of calendar year 2012 regular meeting dates was adopted as presented to the meeting.

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

Authority members reported on their attendance at recent RPB standing committee meetings. Mr. DiSalvo distributed the Procedure for Future Renewable Economic Resource Projects and related flow chart that was discussed with the Land Use Committee at its November meetings.

Mr. Bingaman:

- Reported on the status of the legislature’s Regulations Review Committee’s consideration of the proposed Stream Flow Regulations.
- Reported on the status of retaining consultants to assist with SAP phase II stabilization activities.

At 10:55 a.m., on motion duly made by Mr. Cermola and seconded by Mr. Bell, it was voted unanimously to go into executive session to discuss strategy and negotiations. Present in executive session were the Authority members, Mss. Discepolo, Yoder and Messrs. Bingaman, Chaplik.

At 11:05 a.m. the Authority came out of executive session. Mr. Cermola made a motion to add (1) alternate energy sources and (2) RWA enabling legislation to the meeting agenda. Mr. Bell seconded the motion and the Chair called for the vote.

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

Mr. Bell moved for adoption of the following resolution:

Resolved, That management be, and it hereby is, authorized to explore alternate energy sources using the consultative Procedure for Future Renewable Economic Resource Projects.

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

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

Mr. Cermola moved for adoption of the following resolution:

Resolved, That management be, and it hereby is, authorized to proceed to seek amendment of the RWA's enabling legislation to (1) allow disposition of the former rental houses on Class I and Class II land, (2) allow implementation of a streamlined rate adjustment mechanism, (3) expand non-core revenue opportunities, and (4) make such other changes as may be identified by the joint committee with the RPB.

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

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

At 11:10 a.m., on motion duly made by Mr. Cermola and seconded by Mr. Edge, the meeting was adjourned.

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| Bell | Aye |
| Cermola | Aye |
| DiSalvo | Aye |
| Edge | Aye |
| Marsh | Aye |

C. Anthony Edge, Secretary