

**South Central Connecticut Regional Water Authority
Minutes of the July 17, 2014 Meeting**

A regular meeting of the South Central Connecticut Regional Water Authority was held Thursday, July 17, 2014 at the office of the Authority, 90 Sargent Drive, New Haven, CT, Chairman DiSalvo presided:

Present: Authority – Ms. Lieberman, Messrs. Bell, Cermola, DiSalvo, and Marsh
Management – Mss. Discepolo, Kowalski, Soda, and Mr. Bingaman
RPB – Ms. Dybas, Messrs. Borowy and Leary
Staff – Ms. LeMoine

Mr. DiSalvo called the meeting to order at 12:35 p.m.

Mr. DiSalvo proposed to amend the agenda to address the recent request from the RPB Chair, K. Curseaden, to extend the amount of time the RPB has to consider and act upon the current Advanced Metering Infrastructure” (“AMI”) Application (#14-02). There were no objections. . .

On motion made by Mr. Cermola and seconded by Mr. Bell, the following items contained in the consent agenda were approved and adopted or received, as appropriate:

1. Approve minutes of the June 19, 2014 regular meeting.
2. Approve capital budget authorization for August 2014.

Resolved: that the Controller is authorized to submit to the Trustee one or more requisitions in an aggregate amount not to exceed \$1,850,000 for the month of August 2014 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shall contain or be accompanied by a certificate identifying such requisition and stating that the amount to be withdrawn pursuant to such requisition is a proper charge to the Construction Fund. Such requisitions are approved notwithstanding the fact that amounts to be withdrawn for a particular project may exceed the amount indicated for such month and year in the current Capital Improvement Budget but will not cause the aggregate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 2015 for all Capital Improvement Projects to be exceeded. In the absence of the Controller, the Vice-President and Chief Financial Officer or the Vice-President – Asset Management is authorized to sign in her place.

3. Receive capital budget transfer notifications detailed in Ms. Discepolo’s memo dated July 10, 2014.
4. Report on Code of Ethics Compliance for six-month period ending May 31, 2014.

With no further discussion, the Chair called for a vote to accept the consent agenda as presented:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

At this time, Ms. Kowalski reviewed the June 2014 monthly financial report. She commented on the most significant variances in operating revenues and expenses and the projected fiscal year 2015 maintenance test.

Ms. Discepolo reviewed the information contained in her memorandum dated July 10, 2014 regarding "Water System Revenue Bonds Authorizing Resolutions for Lake Gaillard Water Treatment Plant Overflow Project ("LGWTP Project")." This project was reviewed by the Department of Public Health and is eligible for funding through the Connecticut Drinking Water State Revolving Fund program. The request is for \$900,000.

Mr. Cermola moved for adoption of the following resolutions:

Resolved: that the South Central Connecticut Regional Water Authority (the "Authority") hereby establishes the general terms and provisions of the Authority's Bonds which may be issued as Project Loan Obligations delivered to the State of Connecticut (the "Bonds") and which may be on a parity with or subordinate to bonds issued pursuant to the Water System Revenue Bond Resolution, General Bond Resolution adopted by the Authority and approved by the Representative Policy Board on July 31, 1980, as amended (the "General Bond Resolution").

1. The Bonds shall not exceed Nine Hundred Thousand Dollars (**\$900,000**) in aggregate principal amount.
2. The Bonds may be issued as obligations in one or more series pursuant to a supplemental resolution to be adopted by the Authority for each series of Bonds, each of which shall specify the amount of the Bonds, the purposes for which the Bonds are to be issued, the date or dates, maturities, sinking fund installments if any, interest rates, series, denominations, form, redemption prices, security provisions and such other details of the Bonds as the Authority shall determine in accordance with the limits established by the applicable provisions of the General Bond Resolution and hereby.
3. The purposes of the Bonds shall be to finance or refinance the cost of the **Lake Gaillard Water Treatment Plant Overflow Project** and to pay costs of issuance (the "Project").
4. The Bonds may be sold by negotiation as serial or term bonds with stated maturities and may be sold in a private placement to the State of Connecticut or a purchaser approved by the Authority.
5. The form of this resolution entitled "Resolution Approving the Proposed Issuance of Bonds," a copy of which shall be filed with the records of the Authority, shall be submitted to the Representative Policy Board for its approval in accordance with Section 22 of Special Act No. 77-98, as amended.

Be It Further Resolved that:

1. Temporary notes of the Authority may be issued by the Authority in the amount of **\$900,000** in anticipation of the receipt of the proceeds from the sale of such Bonds.
2. The Chief Executive Officer, the Vice President and Chief Financial Officer, the Controller and any Vice President or any one of them may apply to the State Department of Public Health for eligibility and funding of the Project and sign such application and any other documents which may be necessary or desirable to apply for eligibility of the Project and financial assistance from the State's Drinking Water Fund Program and that any such action taken prior hereto is hereby ratified and confirmed.

Be It Further Resolved: that the Authority hereby expresses its official intent pursuant to §1.150-2 of the Federal Income Tax Regulations, Title 26 (the "Regulations"), to reimburse

expenditures paid sixty days prior to and any time after the date of passage of this resolution in the maximum amount authorized hereby and for the Project defined herein with the proceeds of bonds, notes, or other obligations authorized to be issued by the Authority. Such bonds, notes or other obligations shall be issued to reimburse such expenditures not later than 18 months after the later of the date of the expenditure or the substantial completion of the Project, or such later date the Regulations may authorize. The Authority hereby certifies that the intention to reimburse as expressed herein is based upon its reasonable expectations as of this date.

Ms. Lieberman seconded the motion and, after brief discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

Ms. Discepolo reviewed the information contained in her memorandum dated July 10, 2014 regarding “Water System Revenue Bonds Authorizing Resolutions for “Advanced Metering Infrastructure” (“AMI”) project. This project was reviewed by the Department of Public Health and is eligible for funding through the Connecticut Drinking Water State Revolving Fund program. The request is for approximately **\$29,000,000**.

Ms. Lieberman moved for adoption of the following resolutions:

Resolved: that the South Central Connecticut Regional Water Authority (the “Authority”) hereby establishes the general terms and provisions of the Authority’s Bonds which may be issued as Project Loan Obligations delivered to the State of Connecticut (the “Bonds”) and which may be on a parity with or subordinate to bonds issued pursuant to the Water System Revenue Bond Resolution, General Bond Resolution adopted by the Authority and approved by the Representative Policy Board on July 31, 1980, as amended (the “General Bond Resolution”).

1. The Bonds shall not exceed Twenty-Eight Million Four Hundred Twenty-five Thousand Dollars (**\$28,425,000**) in aggregate principal amount.
2. The Bonds may be issued as obligations in one or more series pursuant to a supplemental resolution to be adopted by the Authority for each series of Bonds, each of which shall specify the amount of the Bonds, the purposes for which the Bonds are to be issued, the date or dates, maturities, sinking fund installments if any, interest rates, series, denominations, form, redemption prices, security provisions and such other details of the Bonds as the Authority shall determine in accordance with the limits established by the applicable provisions of the General Bond Resolution and hereby.
3. The purposes of the Bonds shall be to finance or refinance the cost of the purchase and installation of **advanced meter reading infrastructure** and to pay costs of issuance (the “Project”).
4. The Bonds may be sold by negotiation as serial or term bonds with stated maturities and may be sold in a private placement to the State of Connecticut or a purchaser approved by the Authority.
5. The form of this resolution entitled “Resolution Approving the Proposed Issuance of Bonds,” a copy of which shall be filed with the records of the Authority, shall be

submitted to the Representative Policy Board for its approval in accordance with Section 22 of Special Act No. 77-98, as amended.

Be It Further Resolved that:

1. Temporary notes of the Authority may be issued by the Authority in the amount of **\$28,425,000** in anticipation of the receipt of the proceeds from the sale of such Bonds.
2. The Chief Executive Officer, the Vice President and Chief Financial Officer, the Controller and any Vice President or any one of them may apply to the State Department of Public Health for eligibility and funding of the Project and sign such application and any other documents which may be necessary or desirable to apply for eligibility of the Project and financial assistance from the State's Drinking Water Fund Program and that any such action taken prior hereto is hereby ratified and confirmed.

Be It Further Resolved: That the Authority hereby expresses its official intent pursuant to §1.150-2 of the Federal Income Tax Regulations, Title 26 (the "Regulations"), to reimburse expenditures paid sixty days prior to and any time after the date of passage of this resolution in the maximum amount authorized hereby and for the Project defined herein with the proceeds of bonds, notes, or other obligations authorized to be issued by the Authority. Such bonds, notes or other obligations shall be issued to reimburse such expenditures not later than 18 months after the later of the date of the expenditure or the substantial completion of the Project, or such later date the Regulations may authorize. The Authority hereby certifies that the intention to reimburse as expressed herein is based upon its reasonable expectations as of this date.

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

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

Ms. Discepolo provided an update regarding the responses to the Request for Proposal (RFP) for pension investment advisory and custodial services. After review of the proposals, selected candidates will be presented for approval to the Authority at a future meeting.

At this time, Ms. Kowalski withdrew from the meeting.

Mr. Norris entered the meeting to present the special topic of "Return on Investment of Sustainable Projects (S-ROI)." He noted that the issues to be addressed included when is there a positive return on investment for "sustainable" construction and practices; and, how much should be invested and for how long without seeing a positive ROI? Mr. Norris gave an overview of the ROI formula; a definition of sustainability and the triple bottom-line; examples of projects where S-ROI can be used; where S-ROI could be used at RWA; and, then the key to sustainability.

The Authority thanked Mr. Norris for his presentation, whereupon he withdrew from the meeting.

Ms. Discepolo and Mr. Bingham reviewed a Water Affordability presentation outlining three possible alternatives to address the affordability concerns; institute a low income rate structure, contribute to a non-profit organization or RWA establish a program administered by a third party. After a

discussion, it was agreed to further study the establishment of an RWA program. Ms. Discepolo will pursue this option and bring a more definitive outline at a future meeting.

Mr. DiSalvo requested a review of the Authority's proposed special topics. Mr. Bingaman presented a detailed outline of proposed special topics and highlighted a few items for discussion.

1. Regional economic outlook: Don Klepper-Smith, an independent economist, has been invited to present on the economic conditions and outlook for the region at the August Authority meeting. We would invite the RPB to attend the event at a time convenient for all.
2. Should RWA consider selling the fire hydrants to the five towns where the RWA owns the hydrants; and
3. The ten-year financial model to be presented at the October special topics meeting.

The Authority presented updates from recent RPB committee meetings held over the last month and assignments were made for attendance at meetings next month.

Mr. Bingaman then presented his updates for the month.

He noted he amended his goals for FY 2015, which included the global metric to address the severity rate for restricted or lost work days rather than focus on the number of recordable injuries.

Economic Competitive Assessment—the study to be conducted for the New Haven region will be moved to November 15, 2014. A consultant has been selected to conduct the assessment.

Mr. Bingaman is Chair of the Greater New Haven Chamber of Commerce Strategic Planning Committee and is holding its first strategic planning session this Friday at the RWA.

A third group of students from Sacred Heart University MBA program conducted a research project for the RWA on attracting a large water using business to the District. The students presented their findings earlier this week to the Leadership Team and concluded that a micro-brewery would be a good candidate.

At 2:22 p.m. the Chair requested a vote to recess. Mr. Marsh made the motion and was seconded by Mr. Bell. All were in favor.

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

At this time, Ms. Dybas, Messrs. Borowy and Leary withdrew from the meeting.

At 2:35 p.m., the Authority returned from recess and Mr. DiSalvo requested the presentation of the Lake Saltonstall Intake and Raw Water Pump Station Improvements Project. Mss. Gavrilovic and Nesteriak with Mr. Norris joined the meeting. Mr. Norris provided an overview of the project and then turned the presentation over to Mss. Gavrilovic and Nesteriak. Ms. Gavrilovic noted this project is to replace outdated equipment and upgrade the pump station to be more efficient. The project estimate is \$2.6 million.

Ms. Gavrilovic provided a history of the station; a summary of where improvements and upgrades are required; and options that were considered. The timeline of this multi-year project was

presented for discussion. If the RPB approves the project, it would begin in fiscal year 2015 with completion in spring of 2016.

Chair DiSalvo noted that the application contains certain “critical information” that management believes is exempt from disclosure under the Freedom of Information Act. Mr. Marsh moved for adoption of the following resolution:

Whereas, the Authority wishes to include certain confidential information in its Application to the Representative Policy Board for Approval of the Lake Saltonstall Intake and Raw Water Pump Station Improvements Project in East Haven, Connecticut that the Authority considers “critical information” and believes to be exempt from disclosure under the Freedom of Information Act;

Now Therefore Be It

Resolved, that the Authority authorizes its Chairperson and the Chief Executive Officer to file a motion and related materials with the Representative Policy Board to request issuance of a protective order to maintain confidential the information to be contained in Appendices A and E, “Confidential Information,” of the Authority’s Application.

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

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

The Authority thanked Mss. Gavrilovic and Nesteriak and Mr. Norris for their presentation who then withdrew from the meeting.

At this time Ms. Kowalski joined the meeting and together with Ms. Discepolo reviewed the proposed 2014 Issuance Test Rate Application and planned issuance of Water System Revenue bonds. In addition to an overview of the application, their presentation included background information, long term strategic initiatives, actions to mitigate the rate increase, the inclusion of lower cost alternative financings, RWA’s fifteen year declining water production trend, and alternative rate structure options.

After discussion of the rate structure and options, Mr. DiSalvo requested a consensus from the Authority. Option three was selected. Mr. DiSalvo complimented the Leadership Team, in particular Mr. Bingaman, Mss. Discepolo and Kowalski for focusing their attention to overseeing these type of funding opportunities for the SCCRWA.

Mr. DiSalvo commented on the resolutions to be considered by the Authority with respect to the proposed rate application and to approve the general terms and provisions of the Water System Revenue Bonds.

After discussion, Mr. Cermola moved for adoption of the following resolutions:

RESOLVED: That the Authority hereby establishes the general terms and provisions of the Authority’s Bonds which may be issued as Project Loan Obligations delivered to the State of Connecticut (the “Bonds”) which are to be issued under its Water System Revenue Bond Resolution, General Bond Resolution adopted by the Authority and approved by the Representative Policy Board on July 31, 1980, as amended (the “General Bond Resolution”).

1. The Bonds shall not exceed Forty Million Dollars (\$40,000,000) in aggregate principal amount.
2. The Bonds may be issued as obligations in one or more series pursuant to the General Bond Resolution and a supplemental resolution to be adopted by the Authority for each series of Bonds, each of which shall specify the amount of the Bonds, the purposes for which the Bonds are to be issued, the date or dates, maturities, sinking fund installments if any, interest rates, series, denominations, form, redemption prices, security provisions and such other details of the Bonds as the Authority shall determine in accordance with the limits established by the General Bond Resolution and hereby.
3. The purposes of the Bonds shall be to finance or refinance the cost of certain capital improvements to the water system of the Authority from approximately January 1, 2015 through June 30, 2016 in accordance with a certain capital improvement plan adopted by the Authority on May 15, 2014, as may be amended from time to time, to provide funds for deposit to the Capital Contingency Fund, Debt Reserve Fund, and Operating Reserve Fund, as necessary pursuant to the General Bond Resolution and as permitted by the Code and to pay costs of issuance.
4. The Bonds may be sold by negotiation as serial or term bonds with stated maturities and may be sold in a private placement to the State of Connecticut.
5. The form of this resolution entitled "Resolution Approving the Proposed Issuance of Bonds" a copy of which shall be filed with the records of the Authority, shall be submitted to the Representative Policy Board for its approval in accordance with Section 22 of Special Act No. 77-98, as amended.

Ms. Lieberman seconded the motion and, after additional discussion, the Chair called for the vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

Mr. Bell moved for adoption of the following resolutions:

Resolved, that the South Central Connecticut Regional Water Authority (the "Authority"), subject to the approval of the Representative Policy Board ("RPB") pursuant to Section 14 of Special Act 77-98, as amended, hereby establishes water rates and related charges as set forth in the issuance test rate application submitted for discussion at today's meeting (the "2014 Issuance Test Rate Application") and listed in its Section 6, "Notice of Public Hearing and Filing of Rates and Other Charges for Water and Related Services," which shall become effective upon the delivery of the Authority's Water System Revenue Bonds, as detailed in the resolutions found in Section 6 of the 2014 Issuance Test Rate Application.

Be It Further Resolved, that in light of the information contained in the 2014 Issuance Test Rate Application, the Authority hereby finds that the rates and charges adopted in the foregoing resolution will generate funds in amounts, which, together with other funds projected to

be available, will suffice for an not be in excess of the amount of funds required as set forth in Section 14 of the Act.

Be It Further Resolved, that the Authority hereby authorizes the submission of an application, substantially in the form of the 2014 Issuance Test Rate Application submitted to this meeting and filed with its records, to the RPB for its approval.

Mr. Marsh seconded the motion and the Chair called for a vote.

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

The Chair then requested to go into Executive Session.

At 4:01 p.m., on a motion duly made by Ms. Lieberman and seconded by Mr. Bell that the Authority go to into closed session for the purpose to discuss pending litigation matters. The Chair called for a vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

At 4:45 p.m. Mr. Cermola motioned to come out of executive session and was seconded by Mr. Marsh. The Chair called for a vote:

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye
Marsh	Aye

Chair DiSalvo explained that the Authority had received from the Chair of the RPB a request for an extension of time of sixty (60) days, or to October 28, to act on the pending AMI application, for a total of two hundred and ten (210) days from the date the application was filed with the RPB. This extension of time is necessary to allow the RPB sufficient time to review, analyze and discuss evidence presented, or to be presented, during the course of the public hearing.

Mr. Bell moved for the adoption of the following resolution:

Resolved: That the Authority hereby approves the Representative Policy Board's request to extend the decision time to consider and act on the Authority's application (#14-02) for an Advanced Metering Infrastructure Project for an additional sixty (60) days or until October 28, 2014.

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

Bell	Aye
Cermola	Aye
DiSalvo	Aye
Lieberman	Aye

Marsh Aye

At this time, Mr. Bell thanked the members of the Authority and Leadership Team for supporting The Watershed Fund's golf tournament, held July 14. Since Ms. Yoder's retirement, this was the first year without her assistance for this event and Mr. Bell expressed his appreciation of the special efforts of Ms. Soda, with the help of Ms. LeMoine, in coordinating and hosting the scholarship students' attendance at the tournament dinner.

At 4:48 p.m., on motion made by Mr. Bell and seconded by Mr. Marsh, the meeting was adjourned.

Bell Aye
Cermola Aye
DiSalvo Aye
Lieberman Aye
Marsh Aye

Respectfully submitted,

Richard G. Bell, Secretary