

South Central Connecticut Regional Water Authority
Minutes of the May 17, 2018 Meeting

A regular meeting of the South Central Connecticut Regional Water Authority took place on Thursday, May 17, 2018, at the office of the Authority, 90 Sargent Drive, New Haven, Connecticut. Chairman DiSalvo presided.

Present: Authority – Ms. Sack and Messrs. Borowy, Cermola, Curseaden (via teleconference) and DiSalvo
Management – Mss. DiGianvittorio, Discepolo, Kowalski, Nesteriak and Messrs. Bingaman and Norris
RPB – Mr. Jaser
Staff – Mrs. Slubowski

The Chair called the meeting to order at 12:30 p.m.

Mr. Bingaman reviewed the safety moment distributed to members.

Chair DiSalvo proposed adding two items to the agenda: 1) *Capital Budget Transfer for the Great Hill Tunnel project*, as Item E.2, and 2) *Discussion concerning the RWA's FY 2019 Budgets*, as Item E.3. On motion made by Mr. Cermola, seconded by Mr. Borowy, and unanimously carried, the Authority voted to add both items to the agenda:

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

At 12:33 p.m., on motion made by Ms. Sack, seconded by Mr. Cermola, and unanimously carried, the Authority recessed to meet as the Audit-Risk Committee.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

At 12:41 p.m., the Authority reconvened and on motion made by Mr. Borowy, seconded by Mr. Cermola, and unanimously carried, the Authority recessed to meet as the Pension & Benefit Committee.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

At 12:45 p.m., the Authority reconvened.

On motion made by Mr. Cermola, seconded by Ms. Sack, and unanimously carried, the Authority approved and adopted or received, as appropriate, the following items contained in the consent agenda:

1. Approve minutes of the April 19, 2018 meeting.
2. Approve Capital Budget Authorization for June 2018.

RESOLVED, that, the Vice President of Finance and Controller is authorized to submit to the Trustee one or more requisitions in an aggregate amount not to exceed \$1,600,000 for the month of June 2018 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shall contain or be accompanied by a certificate identifying such requisition and stating that the amount to be withdrawn pursuant to such requisition is a proper charge to the Construction Fund. Such requisitions are approved notwithstanding the fact that amounts to be withdrawn for a particular project may exceed the amount indicated for such month and year in the current Capital Improvement Budget but will not cause the aggregate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 FY 2019 for all Capital Improvement Projects to be exceeded. In the absence of the Vice-President of Finance and Controller, the Executive 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 memorandum dated May 10, 2018.

4. Adopt resolutions authorizing exemptions from public bidding:

RESOLVED, that the Authority authorizes Management to negotiate the purchase of the following items for the fiscal year June 1, 2018 to May 31, 2019 without public bidding and such purchases without public bidding are hereby determined to be in the best interest of the Regional Water Authority for the reasons set forth in Ms. Kowalski’s memorandum of May 10, 2018, a copy of which is to be filed with the records:

- a. Programmable Logic Controllers
- b. John Deere Equipment
- c. Variable Frequency Drives
- d. Pick Up of Patch, Sand Gravel, Stone and Topsoil
- e. Polymers
- f. Fire Hydrants
- g. Clean Fill for Former Hamden Middle School Remedial Action
- h. Pelican Corp Locate Management Service Agreement
- i. Sir Speedy Printing Services

5. Adopt FY 2019 Goals and Global Metrics.

6. Receive monthly financial report for April 2018.

7. Receive accounts receivable update for April 2018.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

Ms. Kowalski, RWA’s Vice President and Controller, reviewed revisions to the General Bond Resolution. She stated that the proposed resolutions would allow net revenue from noncore businesses and investments to be transferred to the RWA’s Revenue Fund. There was also a revision regarding operating and maintenance expense in the issuance test language. She noted that Authority approval is the first step, the resolutions must also have Trustee and Surety approvals. Ms. Sack moved to approve the following resolutions:

WHEREAS, the South Central Connecticut Regional Water Authority (the “Authority”) adopted its Water System Revenue Bond Resolution, General Bond Resolution, on July 31, 1980 (as amended and supplemented by the 1986 Supplemental Resolution adopted March 10 1986, the

1996 Supplemental Resolution adopted June 20, 1996, the 2000 Supplemental Resolution adopted June 21, 2000, the 2001 Supplemental Resolution adopted November 21, 2001, the 2003 Supplemental Resolution adopted May 6, 2003, the 2008 Supplemental Resolution adopted January 16, 2008, the 2010 Series A Supplemental Resolution adopted February 17, 2010, the 2010 Supplemental Resolution adding Covenants adopted August 23, 2010, the 2010 Supplemental Resolution on Depreciation Expense adopted August 23, 2010, the 2012 Supplemental Resolution adopted November 20, 2012 and the 2013 Supplemental Resolution adopted December 19, 2013) (the “General Bond Resolution”); and

WHEREAS, Section 901-(2) of the General Bond Resolution provides that the Authority may at any time adopt a resolution supplementing the General Bond Resolution to add to the covenants and agreements thereafter to be observed by the Authority for the purpose of further securing the Bonds; and

WHEREAS, Section 902-(2) of the General Bond Resolution provides that the Authority may at any time adopt a resolution supplementing the General Bond Resolution to insert such provisions clarifying matters or questions arising under the General Bond Resolution as are necessary or desirable and are not contrary to or inconsistent with the General Bond Resolution as theretofore in effect; and

WHEREAS, the Authority desires to amend the General Bond Resolution to add certain amounts generated from its Noncore Businesses to the Revenues securing the bonds issued under the General Bond Resolution and to clarify the calculation of Operating Expenses for purposes of Section 619 of the General Bond Resolution.

NOW THEREFORE BE IT RESOLVED by the South Central Connecticut Regional Water Authority that:

1. Section 102 of the General Bond Resolution is hereby amended to add the following definition:

“*Noncore Business*” means an activity conducted by the Authority either directly or through an affiliated business entity to be located on property other than class I or class II land owned by the authority that is related to water, environment, agriculture or an energy project consisting of either a class I renewable energy source, as defined in subdivision (20) of subsection (a) of section 16-1 of the general statutes, or a class III source, as defined in subdivision (38) of said section, but excluding wind sources located within the district. (*added by Supplemental Resolution adopted _____.*)

2. Section 102 of the General Bond Resolution is hereby amended to delete the definition of “Net Revenues” and replace such definition with the following:

“*Net Revenues*” means, for any Fiscal Year or other period of time, the Revenues during such period, including any amounts transferred from (i) conduction or investing in a Noncore Business or (ii) the Rate Stabilization Fund to the Revenue Fund, less Operating Expenses and PILOT payments for such period and Depreciation Expense at the beginning of such Fiscal Year and prorated to add any adjustments made during such Fiscal Year from the effective date of such adjustments. (*as amended by Supplemental Resolution adopted March 10, 1986, by Supplemental Resolution adopted August 23, 2010, and by Supplemental Resolution adopted _____.*)

3. Section 102 of the General Bond Resolution is hereby amended to delete the definition of “Revenues” and replace such definition with the following:

“*Revenues*” means (a) all rates, fees, charges, rents, grants for the payment of current expenses, and other income and receipts received by the Authority from the ownership or operation of the Water System, (b) the proceeds received on insurance relating to the

Water System which insures against loss of Revenues, (c) interest received on any moneys or securities held pursuant to the Resolution and paid into the Revenue Fund under the Resolution, (d) the monies and securities of any water company acquired by the Authority and deposited in the Revenue Fund to the extent such monies are applied to pay liabilities incurred by the water company prior to the date of acquisition; (e) Swap Receipts and Termination Receipts from Swap Agreements entered into in connection with Bonds; (f) the refundable credit paid to the Authority pursuant to Section 54AA of the Code and (g) an amount transferred from conducting or investing in a Noncore Business that the Authority shall determine and direct for deposit into the Revenue Fund. Revenues do not include (x) any amounts earned from conducting or investing in a Noncore Business which are not directed by the Authority for deposit in the Revenue Fund; or (y) the proceeds for any insurance pertaining to loss or damage to persons and the property of others or to loss or damage to the Water System, or the proceeds of condemnation or the sale or other disposition of any part of the Water System, except to the extent any such proceeds are applied by the Authority to pay Operating Expenses, or (z) any amount received or receivable from the United States or the State (or any agency of either thereof) or from any other source as or on account of a grant or contribution for or with respect to (i) the construction, acquisition, improvement, extension, renewal or other development of any part of the Water System or (ii) the financing of any of the foregoing except as permitted by (f) above. *(as amended by Supplemental Resolution adopted March 6, 2003, Supplemental Resolution adopted February 17, 2010 and Supplemental Resolution adopted _____.)*

4. Section 619 A.2.(i) is amended to delete the phrase “(but not less than the Operating Expenses for such historical period)” from such section.
5. Capitalized terms used herein and not otherwise defined shall have the definitions as set forth in the General Bond Resolution.
6. This Supplemental Resolution shall be effective upon (a) consent of the Credit Facility Provider, (b) the filing with the Trustee of a copy thereof certified by an Authorized Officer, (c) the filing with the Trustee and the Authority of an instrument in writing made by the Trustee consenting thereto, and (d) a Counsel’s Opinion, all in accordance with Section 902 of the General Bond Resolution.

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

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

Ms. Discepolo, RWA’s Executive Vice President and Chief Financial Officer, discussed the capital budget transfer for the Great Hill Tunnel project. On motion made by Mr. Borowy, seconded by Mr. Cermola, and unanimously carried, the Authority voted to approve the Capital Budget Transfer for the Great Hill Tunnel Project:

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

Chair DiSalvo reported on a memorandum from Attorney Donofrio, RWA's Office of Consumer Affairs (OCA), dated April 30, 2018, regarding the RWA's FY 2019 Budgets. In addition to suggestions that Authority is currently implementing, he highlighted three additional suggestions for management's consideration, which included:

- Impact on long-term planning
- Greater efficiencies
- Cost containment proposal

The Authority discussed the culture of the RWA's organization and its function, including:

- Best practices
- Motivation
- Accountability
- Impact on culture
- Philosophy of a changing organization
- Theory of action
- Assessment and resources

At 1:41 p.m., Mr. Norris entered the meeting.

Ms. Nesteriak, RWA's Senior Advisor to the President and Director of Business Strategy, provided an AMI Project update, which included:

- A review of the installation progress and number of installations completed to date
- A status review of completed installations in Cheshire
- Schedule of upcoming installations in New Haven and Hamden
- Existing non-compliant installations

Mr. Norris, RWA's Vice President of Asset Management, provided a Great Hill Tunnel project update. He reported that the project concluded on April 30, 2018. The bypass is being removed and the site restoration should be 100% complete by the end of May.

Ms. Discepolo, RWA's Vice President and Chief Financial Officer, provided an update of the Connecticut Department of Health's (DPH) Assessment Fee. She noted that in 2017 the Connecticut Legislature established a fee for water companies to support the operation of the DPH water supply section. She noted that beginning on June 1, 2018 RWA invoices would include a fee of \$3.65/year, or a penny a day to support the DPH. A communication program is in place for customer inquiries.

At 1:55 p.m., Mr. Norris withdrew from the meeting.

Mr. Bingaman:

- Reported that the Connecticut Department of Public Health reported an exceedance of operational evaluation levels of the RWA's disinfection byproducts at a location. RWA is taking immediate action to find the cause and to correct it.
- Stated that during the recent storm, RWA's facilities were up and running with no problems to report.

Authority members reported on recent meetings of Representative Policy Board committees.

At 2:10 p.m., Mr. Jaser withdrew from the meeting and on motion made by Mr. Cermola, seconded by Mr. Borowy, and unanimously carried, the Authority recessed to meet as the Compensation Committee.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

At 2:38 p.m., the Authority reconvened.

Ms. Sack stated that the Pension & Benefit Committee recommends to the Authority a revision to the FY 2018 Operating and Maintenance Budget to include an additional contribution to the RWA's Retirement Plan and the RWA's Salaried Employees' Retirement Plan for FY 2018. She moved for adoption of the following resolution:

RESOLVED, that based on the recommendation of the Pension & Benefit Committee, the South Central Connecticut Regional Water Authority authorizes an increase of \$750,000 to the combined contribution of the South Central Connecticut Regional Water Authority Retirement Plan and the South Central Connecticut Regional Water Authority Salaried Employees' Retirement Plan during fiscal year 2018.

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

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

Mr. Cermola reported on the Compensation Committee's recommendation regarding the RWA's FY 2019 Bonus Program. He moved for adoption of the following resolutions:

RESOLVED, that the Authority approves the proposed FY 2019 Bonus Program criteria; and
BE IT FURTHER RESOLVED, that the Authority approves the proposed FY 2019 Global Metric criteria.

Mr. Borowy seconded the motion, the Chair called for the vote:

Borowy	Aye
Cermola	Aye
Curseaden	Nay
DiSalvo	Aye
Sack	Aye

At 2:40 p.m., on motion made by Ms. Sack, seconded by Mr. Borowy, and unanimously carried, the Authority voted to go into executive session to discuss personnel and strategy. Present in executive session were Authority members, Mss. DiGianvittorio, Discepolo, Kowalski, Nesteriak, Slubowski and Mr. Bingaman.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

At 3:04 p.m., Mr. Curseaden withdrew from the meeting and on motion made by Ms. Sack, seconded by Mr. Cermola, and unanimously carried, the Authority voted to recess the meeting to attend the

Representative Policy Board (RPB) meeting. Chair DiSalvo announced the Authority would reconvene immediately following the RPB meeting.

Borowy	Aye
Cermola	Aye
Curseaden	Aye
DiSalvo	Aye
Sack	Aye

At 7:17 p.m., the Authority reconvened.

Mr. DiSalvo noted the Representative Policy Board's ("RPB") and the Office of Consumers Affairs' ("OCA") comments on the FY 2019 budgets, as expressed at the RPB meeting. Comments include continued efforts to identify revenue opportunities, pursue expense management, enhance the asset management program to improve efficiencies, and determine opportunities to reduce reliance on debt financing. Mr. Bingaman requested approval of the budgets for the fiscal year June 1, 2018 – May 31, 2019 and authorization to file the budgets with the trustee, as required by the *General Bond Resolution*. Mr. Cermola moved for adoption of the following resolutions:

RESOLVED, that the Authority's Operating and Maintenance budget for Fiscal Year ("FY") 2019 from June 1, 2018 – May 31, 2019, showing on a monthly basis projected Operating Expenses and deposits and withdrawals from the several Funds required by the General Bond Resolution, is hereby adopted and ordered to be filed with US Bank, Trustee, pursuant to Section 613 of the *General Bond Resolution*; and

FURTHER RESOLVED, that the Authority's Capital Improvements Budget for FY 2019 from June 1, 2018 – May 31, 2019, including a plan of capital improvements for the FY 2019 through FY 2023 and the additional information required by Section 614 of the *General Bond Resolution*, is hereby adopted and ordered to be filed with US Bank, Trustee, pursuant to Section 614 of the *General Bond Resolution*.

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

Borowy	Aye
Cermola	Aye
Curseaden	Absent
DiSalvo	Aye
Sack	Aye

At 7:21 p.m., on motion made by Mr. Borowy, seconded by Mr. Cermola, the meeting adjourned.

Borowy	Aye
Cermola	Aye
Curseaden	Absent
DiSalvo	Aye
Sack	Aye

Kevin Curseaden, Secretary