

Meeting
of
THE METROPOLITAN DISTRICT COMMISSION
555 Main Street
Hartford, Connecticut 06103
Monday, February 5, 2007

Present: Commissioners D. Anwar Al-Ghani, Steven J. Bonafonte, Timothy Curtis, Kevin M. Deneen, William A. DiBella, John M. Grottole, Allen Hoffman, Joseph H. Kronen, Daniel E. Lilly, Lisa MacDonald, Maureen Magnan, Alphonse Marotta, J. Lawrence Price, Albert F. Reichin, Dale A. Ryan, Pasquale J. Salemi, Raymond Sweezy, Alvin E. Taylor, and Richard W. Vicino. (19)

Absent: Commissioners Adam Cloud, Martin B. Courneen, Henry J. Genga, Joseph Klett, John J. McAuliffe, Jr., Trude H. Mero, Mark A. Pappa, Hector M. Rivera, Joseph Verrengia, and Jeffrey A. Wright. (10)

Also

Present: Charles P. Sheehan, Chief Executive Officer
Robert E. Moore, Chief Administrative Officer
Robert Weimar, Chief of Program Management
Scott W. Jellison, Chief Operating Officer
R. Bartley Halloran, District Counsel
James Sandler, District Legal Counsel
Christopher R. Stone, Assistant District Counsel
Brendan M. Fox, Assistant District Counsel
Kerry E. Martin, Assistant to Chief Executive Officer
Luz Amaro-Otero, Assistant District Clerk
Linda R. Foster, Executive Assistant
Rick Gomez, PMU Diversity Officer
Louise Guarnaccia, Project Control Manager
Matthew A. Nozzolio, Public Affairs Specialist
Renée Poirier, Manager of Customer Service
Stephanie M. Russo, Manager of Treasury
Robert Lamb, Lamont Financial

CALL TO ORDER

P.M. The meeting was called to order by Honorable William A. DiBella at 5:30

ROLL CALL AND QUORUM

Assistant District Clerk called the roll and informed the Chairman that a quorum of the Commission was present, and the meeting was declared a legal meeting of the District Board of The Metropolitan District of Hartford County, Connecticut.

PLEDGE OF ALLEGIANCE

Those in attendance stood and recited the Pledge of Allegiance.

PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS

No one from the public appeared to be heard.

APPROVAL OF MINUTES

On motion duly made and seconded, the minutes of the meeting of December 11, 2006, Revised December 18, 2006 and January 8, 2007 were approved.

Commissioner Price abstained on this matter.

Commissioner Deneen recommended that for the record all nay and yea votes be reflected on the meeting minutes.

CHANGE IN ORDER OF AGENDA

Chairman DiBella stated if there were no objections, the Chairman's monthly report would be taken up later in the meeting because he wanted to discuss item #12 DISCUSSION AND POSSIBLE ACTION OF FUNDING OF CLEAN WATER PROJECT APPRECIATION DINNER of the Agenda. There were no objections to this proposed change.

DISCUSSION AND POSSIBLE ACTION OF FUNDING OF CLEAN WATER PROJECT APPRECIATION DINNER

Chairman DiBella commented on the Appreciation Dinner no action was taken on this matter.

CHIEF EXECUTIVE OFFICER'S MONTHLY REPORT

Charles P. Sheehan, Chief Executive Officer, reported on the following matters:

- **Operational Issues Affecting Water and Sewer Service:**

From Jan 8, 2007 through today

There were 48 Main and Gate Valve repairs as well as 27 Water Service repairs. This equates to a mishap rate of about double what we experienced in the previous 30 days and slightly higher than the historic rate for this calendar period.

The most significant responses were for incidents located at:

In Hartford:

Albany Ave., Trumbull St., Tower Avenue, two on Berkeley Street as well as a sewer lateral repair at Main St., Hartford for the Hartford Housing Authority where vandals had thrown three fire extinguishers into a sewer manhole on Authority property which blocked the line to the street.

There were 2 leaks on Steele Rd. and Fern, West Hartford;

Bradley Park and another at Rainbow Rd., East Granby;

Tolland, East Hartford;

Willard, Newington;

Elm, Rocky Hill.

Wells St, Wethersfield

As we have reported last month....Utilizing Contractor Forces we are continuing with emergency replacement efforts associated with the 24" sewer interceptor between Natick & Clermont in Hartford and they have progressed from Natick with two manhole installations and approximately 200 feet of pipe buried more than 20 feet in depth with about 60 feet to go.

- **CFO Hiring**

We have launched a new CFO search campaign with advertisements in the Boston Globe, New York Times and Wall Street Journal. We have received an impressive initial response yielding 88 resumes. From the 88 responding candidates, 14 eminently qualified candidates have been short listed for interview. We are attempting to schedule all interviews for the week of February

19th. As always, we will keep you apprised of developments as the process moves forward. I hope to have positive news to report in the near term.

- **EPA/DOJ/DEP - Consent Order Action Items**

- In accordance with the approved state and federal CSO and SSO abatement agreements MDC has complied with a required agreement milestone and is on schedule regarding our next deliverable. A detailed report of these actions will be included in Mr. Weimer's Program Management report.

- **Strategic Planning RFP:**

RFP Closed on November 30th -- Seven (7) responses received.

Committee consisting of 3 voting members, CAO, COO and District Counsel Chris Stone, (Selection Panel) and non-voting members Commissioner Reichin (advisor) and Assistant to CEO(administration).

The selection panel has reached a conclusion pending clarification from one respondent. We expect to receive that clarification by midweek and will move to contract negotiations with the selected candidate firm.

POST RETIREMENT BENEFITS

Robert E. Moore, Chief Administrative Officer, made a presentation to the District Board regarding the post retirement benefits, the presentation was followed by a brief discussion.

MDC'S OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY

Governmental Accounting
Standards Board (GASB)
Statements 43 and 45

OPEB LIABILITY

- What are Other Post Employment Benefits (other than pension)?

Healthcare benefits, including:

Medical Insurance

Dental

Prescription Drug

Life Insurance

OPEB LIABILITY

- New Government Accounting Standards Board (GASB) requirements for OPEB:

GASB Statements No. 43 & No. 45 establish standards for how governmental employers should account for and report on post employment benefits other than pension, i.e. it requires the disclosure of information.

GASB does *NOT* require OPEB to be funded.
“That is a policy decision to be made
by government officials”

OPEB LIABILITY

- GASB Statement 45 requires the reporting of MDC’s annual OPEB cost and our unfunded actuarial accrued liability (UAAL).

The UAAL is the difference between a government’s total obligation of Other Post Employment Benefits and any assets it has set aside for financing the benefits.

OPEB LIABILITY

- How To Determine the Cost of OPEB?

An actuarial estimate or “valuation” of the level of resources needed in the future, to finance benefits (that are accrued to date). Various assumptions as well as demographic data determine the actuarial value, including:

- How many employees are expected to receive benefits
- How long employees are expected to work
- How long employees are expected to live after retiring
- How much healthcare costs are expected to increase
- The expected return on investments (if funded)

OPEB LIABILITY

MDC must begin reporting these financial obligations in the FY 2008 audit.

The projected liability will be based upon 2007/08 actuarial assumptions.

PRELIMINARY ACTUARIAL ESTIMATE

MEDICAL, DENTAL AND LIFE INSURANCE BASELINE TREND
GASB 45 Unfunded Actuarial Accrued Liability and ARC by Benefit
30 Year Amortization
(All Participants - Unfunded)

<u>January 1, 2006</u>	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$119,436,211	\$6,934,173	\$3,879,513	\$130,249,897
Annual Required Contribution (ARC)				
A. Normal Cost	\$4,132,494	\$250,987	\$47,486	\$4,430,967
B. Supplemental Cost				
(i) Funding liability	\$119,436,211	\$6,934,173	\$3,879,513	\$130,249,897
(ii) Actuarial Assets	\$0	\$0	\$0	\$0
(iii) Unfunded Actuarial Accrued Liability	\$119,436,211	\$6,934,173	\$3,879,513	\$130,249,897
(iv) Amortization Period	30.00	30.00	30.00	30.00
(v) Supplemental Cost	\$7,016,625	\$407,368	\$227,913	\$7,651,906
C. Beginning Of Year Contribution	\$11,149,119	\$658,355	\$275,399	\$12,082,873
D. Compound Interest to Year End	<u>\$429,251</u>	<u>\$25,818</u>	<u>\$7,851</u>	<u>\$462,920</u>
E. Preliminary ARC	\$11,578,370	\$684,173	\$283,250	\$12,545,793
Expected Benefit Payments	\$3,220,408	\$169,224	\$201,876	\$3,591,508
Key Actuarial Assumptions				
A. Funding interest Rate	4.50%			
B. 2006 Medical Trend Rate	12%			
C. Ultimate Medical Trend Rate	5.0%			
D. Year ultimate Medical Trend rate reached	2013			

USI Consulting Group

1/31/2007

Options to Address OPEB Costs

- Continue pay-as-you-go funding approach
- Adopt funding plan for unfunded liability
- Reduce benefits or control costs through:
 - Employee contributions
 - Medical plan coverages
 - Changes to existing retiree medical plans
 - Tiered employee medical coverages
 - Fully insured solution

Options to Address OPEB Costs

Methods	Pros	Cons
Continue PAYGO Funding Approach	<ul style="list-style-type: none"> •No immediate negative impact on budget •"Pre-funding" not required by GASB 45 	<ul style="list-style-type: none"> •Lack of trust fund means growing net OPEB obligation on balance sheet
Funding of Unfunded Liability	<ul style="list-style-type: none"> •If annual budget contribution equals the ARC, no balance sheet liability 	<ul style="list-style-type: none"> •Annual payments could be substantially higher than current budget •Contributes to budget stress
Reduce or Control Benefits	<ul style="list-style-type: none"> •Reducing or limiting a portion of existing or future benefits can help reduce the UAAL •Private sector precedents 	<ul style="list-style-type: none"> •Polarization of employer/retiree interests •Would involve Union negotiations •May need to be used in conjunction with other options

Board of Finance
RESOLUTION TO AUTHORIZE RENEWAL OF \$50.8 MILLION IN
BOND ANTICIPATION NOTES

From: The Board of Finance

To: The District Board

February 5, 2007

Staff seeks Board of Finance approval for the renewal of \$50.8 million in bond anticipation notes that are due March 15, 2007. The initial borrowing has not been expended at the rate anticipated; therefore, it is not necessary to issue long-term bonds at this time. Additionally, the proposed refunding of the notes will take advantage of the current favorable short-term market rates and stable financial market. Webster Bank, the District's Financial Advisor for this note sale, forecasts a lower interest rate for the note sale renewal.

Current econometric surveys forecast lower long-term interest rates which should prove beneficial to the District's long-term debt plans. The District will be able to permanently finance the note sale renewal, once it matures, at a more economical interest rate. Additionally, renewal of the notes will allow the District to prepare a comprehensive long-term strategy for debt issuance including cash flow analysis, to appraise the District's 2007 legislative initiatives, and consider our position regarding the availability of state and federal grants and loans before presentation to the rating agencies for permanent debt issuance.

Bond Counsel prepared the following resolution for consideration by the Board of Finance:

At the Board of Finance meeting held January 22, 2007, it was

Voted: That the Board of Finance recommends to the District Board adoption of the following resolution:

RESOLUTION WITH RESPECT TO THE ISSUANCE AND SALE OF
\$50,800,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES OF
THE DISTRICT

Section 1. The proceeds from the sale of the Notes (as defined in Section 2) shall be used to currently refund the notes of the District dated June 22, 2006 in the principal amount of \$50,800,000 (the "Refunded Notes") that mature on March 15, 2007, which Refunded Notes were issued in connection with the amounts referred to in Sections 1-11 inclusive of the Resolution of the District Board entitled "RESOLUTION WITH RESPECT TO THE ISSUANCE AND SALE OF \$50,800,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES OF THE DISTRICT adopted June 15, 2006 (the "Initial Resolution"), to wit:

(a) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For Sewer Inspection And Rehabilitation And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose", adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(b) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For Environmental Protection Agency Consent Order Compliance And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose", adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(c) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For The Rehabilitation Of Portions Of The District's Sanitary Sewer System And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose" and concerning that portion of the District's sanitary sewer system located in Newington, adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(d) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For The Rehabilitation Of Portions Of The District's Sanitary Sewer System And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose" and concerning that portion of the District's sanitary sewer system located in West Hartford, adopted by the District Board on

December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(e) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For The Rehabilitation Of Portions Of The District's Sanitary Sewer System And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose" and concerning that portion of the District's sanitary sewer system located in Rocky Hill, adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(f) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For The Rehabilitation Of Portions Of The District's Sanitary Sewer System And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose" and concerning that portion of the District's sanitary sewer system located in Wethersfield, adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(g) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For The Rehabilitation Of Portions Of The District's Sanitary Sewer System And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose" and concerning that portion of the District's sanitary sewer system located in Windsor, adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(h) \$800,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$800,000 For Long Term Control Plan Project Management And Administration And Authorizing The Issue Of \$800,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose", adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(i) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For Various Sewer Projects Of The Combined Sewer Long Term Control Plan And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose", adopted by the District Board on December 5,

2005 were authorized to be issued and sold for the purposes described in said resolution.

(j) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For Combined Sewer Separation And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose", adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

(k) \$5,000,000 of the Refunded Notes of the District authorized to be issued by a resolution entitled "Resolution Appropriating \$5,000,000 For Wethersfield Cove Inflow And Infiltration Reduction And Authorizing The Issue Of \$5,000,000 Bonds Of The District To Meet Said Appropriation And Pending The Issue Of Bonds The Making Of Temporary Borrowings For Such Purpose", adopted by the District Board on December 5, 2005 were authorized to be issued and sold for the purposes described in said resolution.

Section 2. Said amounts referred to in Section 1 through 11 of the Initial Resolution (and in subsections (a) – (k) of Section 1 above) shall be combined into and issued and sold on or before March 15, 2007 at such time as determined by the District Treasurer or, in his or her absence, the Deputy Treasurer, as a single issue of \$50,800,000 (or such lesser amount as determined by the District Treasurer or, in his or her absence, the Deputy Treasurer) notes designated "The Metropolitan District General Obligation Bond Anticipation Notes" (the "Notes"). The Notes shall bear an original dated date as determined by the District Treasurer or, in his or her absence, the Deputy Treasurer, mature, as to both principal and interest, at such time as determined by the District Treasurer or, in his or her absence, the Deputy Treasurer, be issued in fully registered form in denominations of \$1,000 or multiples thereof, be payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, be executed in the name and on behalf of the District by the manual or facsimile signature of the Chairman and the District Treasurer or, in his or her absence, the Deputy Treasurer, bear the District seal or facsimile thereof, be certified by U.S. Bank National Association, and be approved as to their legality by Levy & Dronney, P.C., as Bond Counsel. The Notes shall be general obligations of the District and each of the Notes shall recite that every requirement of law relating to its issue has been duly complied with, that such Note is within every debt and other limit prescribed by law, and that the full faith and credit of the District are pledged to the payment of the principal thereof and the interest thereon. The Notes shall be offered by private sale or public sale. In the event of a public sale, the interest rate on the Notes shall be approved by the Board of Finance. The terms of a private sale shall be determined by the District Treasurer.

Section 3. The Notes shall be initially issued as book-entry notes in accordance with the terms and provisions set forth in a Letter of Representations from the District to The Depository Trust Company, in the usual form, and the District Treasurer or, in his or her absence, the Deputy Treasurer, is hereby authorized to

execute such letter on behalf of the District with changes, insertions and deletions as such officer, with the advice of Bond Counsel, shall deem necessary and appropriate.

Section 4. The Chairman and District Treasurer or, in his or her absence, the Deputy Treasurer, are hereby authorized, pursuant to Section 7-369b of the Connecticut General Statutes, Revision of 1958, as amended, to execute and deliver on behalf of the District a Tax Regulatory Agreement with such changes, insertions and deletions as they, with the advice of Bond Counsel, shall deem necessary and appropriate, and the District Treasurer shall rebate to the Federal Government such amounts as may be required pursuant to such Tax Regulatory Agreement for the purpose of complying with the requirements of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

Section 5. The Chairman and District Treasurer or, in his or her absence, the Deputy Treasurer, are hereby authorized, pursuant to Section 3-20e of the Connecticut General Statutes, Revision of 1958, as amended, to make representations and agreements for the benefit of holders of the Notes to provide secondary market disclosure information, and to execute and deliver on behalf of the District a Continuing Disclosure Agreement with such changes, insertions and deletions as they, with the advice of Bond Counsel, shall deem necessary and appropriate.

Section 6. The Chairman and District Treasurer or, in his or her absence, the Deputy Treasurer, are hereby authorized to execute any certificates and documents and to take any other action which may be necessary or desirable to effect the sale, issuance and delivery of the Notes.

Section 7. The Notes shall NOT be designated by the District as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the notes.

Section 8. \$50,800,000 (or such lesser amount as determined by the District Treasurer or, in his or her absence, the Deputy Treasurer) of the Notes are determined to be issued for sewer programs and shall be included in the District's aggregate indebtedness for purposes of the District's limitation on indebtedness under Section 4-3 of the District's Charter.

Section 9. The Chief Administrative Officer and/or Chief Financial Officer is authorized to act as District Treasurer and the Manager of Treasury is authorized to act as Deputy Treasurer to execute any and all documentation required in connection with any of the foregoing.

Respectfully Submitted,

Kerry E. Martin
Assistant to Chief Executive Officer

Following discussion, the report was received and the recommendation adopted by roll call vote.

The results of the roll call:

Yeas: Commissioners D. Anwar Al-Ghani, Steven J. Bonafonte, Timothy Curtis, Kevin M. Deneen, William A. DiBella, John M. Grottole, Allen Hoffman, Joseph H. Kronen, Daniel E. Lilly, Lisa MacDonald, Maureen Magnan, Alphonse Marotta, J. Lawrence Price Albert F. Reichin, Dale A. Ryan, Pasquale J. Salemi, Raymond Sweezy, Alvin E. Taylor, and Richard W. Vicino . (19)

Nays: None.

Abstentions: None.

Absent and Not Voting: Commissioners Adam Cloud, Martin B. Courneen, Henry J. Genga, Joseph Klett, John J. McAuliffe, Jr., Trude H. Mero, Mark Pappa, Hector M. Rivera, Joseph Verrengia, and Jeffrey A. Wright. (10)

District Clerk
PETITION FOR WATER SERVICE

From: District Clerk

To: The District Board

February 5, 2007

A petition was received on November 27, 2006 from Chestnut Hill Heights Association, 103 Sunset Drive, Glastonbury, Connecticut, 06033, requesting permission to install, under Developer's Permit-Agreement, a water main in the Sunset Drive and Marilyn Drive neighborhood, Glastonbury.

(Coded: Chestnut Hill Heights Association, Glastonbury)

It is RECOMMENDED that it be

Voted: That the foregoing petition be received and referred to the respective Bureau for study and subsequent action.

Kerry E. Martin

Assistant to Chief Executive Officer

**PROGRAM MANAGEMENT UNIT – RE:
UPDATES ON CLEAN WATER PROJECT**

Robert Weimar, Chief of Program Management, presented the attached handout and updated the District Board regarding the status of the Clean Water Project.

****The presentation has been omitted because it is large but can be requested to the District Clerk's office.***

ADJOURNMENT

The meeting was adjourned at 7:47 P.M.

ATTEST:

Kerry E. Martin
Assistant to Chief Executive Officer