

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes
September 24, 2013

Present:	Mary Burgess Mary Geake Mary Mann Cèsar Ramirez David Westmoreland	Chairperson Arrived at 7:06 p.m.
Also Present:	John M. Hiscock Lisa Roland Frank Zullo Kara Murphy Allan Friedland	General Manager District Clerk Tierney, Zullo, Flaherty & Murphy Tierney, Zullo, Flaherty & Murphy Jackson Lewis LLP
Absent:	Maria Borges-Lopez	
Public Present:	Martha Wooten-Dumas	

Call To Order:

Commissioner Mary Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:03 p.m. on Tuesday, September 24, 2013. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Acceptance of the Minutes:

Commissioner Burgess: "Well, I am going to call the meeting to order. The meeting of the Second Taxing District is called to order, September 24th at 7:03 p.m. And I need a motion for acceptances of the minutes of the Regular Meeting."

Commissioner Westmoreland: "So moved."

Commissioner Mann: "Second?"

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Ok, one abstention, me. Now, public participation, there is none and on to the Regular Agenda."

Regular Agenda

John Hiscock: “Before we start with the seat of the new Commissioner, I have an item that I would like the Commission to add to the Agenda this evening. The item is a legal briefing from counsel, Kara Murphy on pending litigation and its current status.”

Commissioner Burgess: “Would you like to do that first?”

John Hiscock: “I would like to get it added if we could, as you are aware it takes two-thirds vote of the Commission to add it to the Agenda of a Regular Meeting.”

Commissioner Burgess: “Can I have a motion to add that to the Agenda?”

Commissioner Westmoreland: “So moved.”

Commissioner Burgess: “Second?”

Commissioner Mann: “Second.”

Commissioner Burgess: “All in favor?”

Commissioner Unanimously: “Aye.”

Commissioner Geake: “For the record, does it have to be Executive Session or can it be open?”

John Hiscock: “It will be an Executive Session. The items that are...”

Commissioner Geake: “I understand, I just didn’t know.”

John Hiscock: “It is not a subject for public disclosure at this point in time.”

2. Fill Commission Vacancy

Commissioner Burgess: “Ok, to fill the vacancy. I have a copy of a letter from the Chairman of the Democratic Town Committee, it says, ‘please be advised the NDTC will defer to the Second Taxing District Commission when it comes to filling the vacancy left by Sherelle Harris.’ So, that is alright under the Charter, correct John?”

John Hiscock: “Yes, this meets the provisions of the Charter. They have the right to fill the vacancy once notified, once declared for a sixty-day timeframe. If they do not fill the vacancy by Charter, it clearly goes to the District Commission and the District Commission is obligated to appoint somebody from the same party as the individual who vacated. And we have passed the sixty-day timeframe and we also have a deferral from them, so either way we are able to move forward and fill the vacancy at this point.”

Commissioner Burgess: "I would like to add that the District B Democratic Committee voted unanimously to recommend the person who I trust will be nominated tonight. Is there a nomination?"

Commissioner Geake: "I would like to nominate Martha Dumas."

Commissioner Burgess: "Is there a second?"

Commissioner Westmoreland: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed?"

[None opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Burgess: "Now..."

Attorney Zullo: "If she will step forward so I can get her on the Commission so she can participate in this meeting."

[Attorney Zullo sworn in Martha Wooten-Dumas]

Commissioner Burgess: "Welcome."

Commissioner Wooten-Dumas: "Thank you."

Commissioner Burgess: "Ok, Item 3."

3. OPEB Trust

John Hiscock: "Item 3 on this evening's Agenda is further movement of the OPEB Trust. In your Board Book we have just a brief comment of mine and you are aware of what we did last month at the Board Meeting. We gave direction to legal counsel with respect to the Trust. The legal counsel prepared two documents. One that highlights the trust provisions which explains in layman's language what we are doing and then the actual trust document, which is behind it and we talked a little bit this evening, counsel and I, with respect to this item and what we need to do at this point would be to receive a presentation from counsel, answer any further questions you may have and then the intent is to approve the form of the trust as it appears in your Book so that all of the other

things that we need to do can be prepared for the October meeting to hopefully finalize the issue. So, at this point I think counsel Friedland would take over and also general counsel Zullo is here on this matter.”

Attorney Zullo: “Well, I refer the matter to counsel Friedland. We will let him take over from here on.”

Attorney Friedland: “Thank you very much. I appreciate it. Good to see you all this evening. What I would like to do this evening, just briefly, is to first of all summarize the purpose of this Trust that we created for the form of the trust document. As we discussed at the last meeting, the purpose is to establish a Trust Fund into which the Board of Commissioners will determine from time-to-time to place money irrevocably into the Trust for the purpose of funding or prefunding if you will the OPEB Liability for the retiree welfare benefits of the medical, and I think there is life, for a specific list of retirees and employees that are grandfathered in under the existing retiree benefit plan. So, essentially these contributions are going in to fund your ongoing annual costs that the actuary calculates that accrues each year with respect to the benefits by funding the contributions into the Trust at a specific minimum level you are able to get better financial treatment on your accounting statements, you are allowed to prefund and use better assumptions so that the same dollars in effect can be projected to cover a larger liability because of the prefunding in the accounting rules under GASB43 and GASB45. And, what GASB43 and GASB45 does is establish the means by which you can accomplish this through an irrevocable trust and that is exactly what we are proposing for the Board to essentially approve and substantiate in the form that is specified in the booklet. Essentially what the trust will do is to be used for the exclusive purpose of funding these retiree benefits for the select group of employees and retirees. We will be attaching a schedule of the named retirees to the back of the Trust so we know exactly who is a beneficiary of the Trust so that there will be no confusion. To the extent that there are expenses of the Trust, so expenses can be paid out of the Trust fund. But the funds, once they are placed in the Trust, can only be used for payment of benefits in deferring reasonable expenses. The Trust certainly can be amended from time-to-time as the Commissioners may determine with a proviso that none of the funds in the Trust can be...that no amendment to the Trust could cause these assets of the Trust to return for the use other than for benefit purposes. One of the key attributes, I took away from the last meeting, was that the Trust is really under the direction and control of the Commissioners. So that means that the Commissioners have ultimate determination of the amount that gets funded to the Trust, the selection of the trustee, the ability to appoint a subcommittee of individual Commissioners or other individuals to do studies, whatever they may be if an event should arise. You can, to the extent that there is any day-to-day administration, you want to have a subcommittee established for that purpose. The subcommittee can then do their reviews, for instance in looking at a trustee or searching for a trustee and then report back to the Board. The Board is free to accept the recommendations, to change the recommendations and to make whatever decisions they chose, consistent with the requirements of the Trust because the Trust is subject to fiduciary obligations. In other words, the assets of the Trust have to be held under a fiduciary standard. They have to be invested in what we would like to refer to as a ‘prudent man standard’ meaning they have to be...the person who is making investment

decisions for the Trust has to be acting with appropriate investment experience, which is maybe one reason why in selecting the trustee you will want to select for instance a financial institution as we have been discussing that may have discretionary trustee powers over the investments of the Trust but the Board...the trustee doesn't have absolute discretion because the Board will sit down and through a process, will work with the trustee to set up investment guidelines and then the trustee will be obligated to exercise its discretion within the guidelines established for those investments. This is a pretty standard method by which discretionary trustees operate with respect to third party funds. The payments from the Trust fund are again to pay for benefits to the extent that you decide rather than to accumulate, at some point you would want to use the Trust primarily for accumulation of funds, at some point in the future you would want to use the fund to actually pay for benefits and that can be part of your budgetary process. The Board would have sole discretion to determine how much, if any, of the funds are to be paid on an annual basis for benefits. And so again, the Board really has total flexibility within the fiduciary standards with respect to investments to control the funding of the plan, to pay out benefits from the plan and the overall operation of the plan and the operation of the Trust. One of the things we were very careful to do was to make sure that even though you are funding the trust you are not making...even though you are putting money into the trust, you are not making a promise of benefits to the retirees. In other words, the retirees' benefits are subject to whatever rules that are governed in the existing plan. In other words, we didn't delve into what those rights are under the existing plan but we did make sure, as we drafted the Trust, not to create any new rights in terms of...because sometimes you put money into a Trust and somebody thinks that their benefits are now vested or they have a right to a benefit that maybe they didn't have a right to before. That is not the case and the Trust explicitly states that. We even put language in the Trust preventing anyone from trying to use the Trust to impose the obligation to exercise taxing powers of the Commission or any of those powers to provide benefits over and above whatever benefit rights exist as of today. So, the key take away here being that the Trust does not create any new rights that didn't already exist, whatever they may be. The powers of the trustee are fairly broad. Usually you would want to give very, very broad discretion as to the types of investments that the trustee can invest in. The trustee can only exercise that discretion to the extent of the investment guidelines that are furnished to the trustee. So, generally the trustee will have the ability, if directed, to essentially invest funds in any legally permitted investment that are allowed under applicable state law. Any questions or comments?"

Attorney Zullo: "Basically, no matter whom the trustee is, no matter whom the financial advisor is, no matter what the committee is and the make-up is, no matter what the decisions they make, this Commission at any time can amend, change or redirect..."

Attorney Friedland: "That is correct."

Attorney Zullo: "And can even terminate if they so like. The total call in the final instance is always with the Commission."

Attorney Friedland: "Correct and..."

Attorney Zullo: "The only thing irrevocable is once you put money in the Trust, you can't take it out except for the benefit of the retirees."

Attorney Friedland: "That is right and the Commission has the right to appoint or move a trustee, it has the right to hire and fire an investment advisor."

Commissioner Ramirez: "Through the Chair if you don't mind. Would it be ok to make a comment on this, due to personal matters I had no time to review this, but basically what I am hearing right now what really concerns me based on the fact of financial issues I don't know how big this fund will be but the discretionary financial decisions this trustee will make, are we going to put a limit as to how this trustee is going to invest or if he or she before does so, do they report to the Commission prior to or they can just decide, you know what, I like this investment right now, I can go ahead and invest whatever I can invest and if I do wrong, if we lose whatever money we have then guess what, sorry guys but you gave me the right to do so. Is it limited, unlimited or what is the percentage actually? Help me understand this."

Attorney Friedland: "These are very good questions. Now, what happens when you work with a discretionary trustee, the trustee will sit down with either a representative of the Board to discuss what are your investment objectives."

Commissioner Ramirez: "When you say meet with the Board member, is it the whole Commission at large or just one or two Board members."

Attorney Friedland: "It depends. You could appoint for instance a subcommittee to sit down and meet with the trustee."

Commissioner Ramirez: "It kind of matters to me that it is only a couple of people who make the final decision."

Attorney Friedland: "Or you could have the trustee come in and meet with the Board and establish...what the trustee will be looking for and will be because the trustee does two things. First of all, they not only invest the assets, they also provide investment advisory services to the client to assist the client with the establishment of investment guidelines that are suitable to the particular needs of the fund. So, for instance, if your view is that you want to invest the fund on a long-term basis. Say, if you come up with a time horizon of say more than five years or six years, they may come back and say we suggest something that might be a mix of equities, bonds. In other words, the trustee will work with the Board to establish investment guidelines that are suited to this particular need. And that is the key because if you...and you may not at this point understand at this early stage what are your investment objectives for this fund? Your investment objectives may be very conservative or they may be longer term where you want to be in the equities market. Those are the kinds of decisions that will need to be made with the assistance of the investment advisor who has expertise in asking these...and this is what they do for a living, they ask the right questions. They want to know one, what is the liquidity need for the Trust fund, what is your time horizon for the investments, how much do you intend to

fund into the Trust on an annual basis, what are your expectations? And then they will take all of that information and come up with some investment guidelines to match those particular needs.”

Attorney Zullo: “When they come up with those recommendations, the Committee will have to approve them.”

Attorney Friedland: “That is correct.”

Attorney Zullo: “So, basically he just can’t do what he wants.”

Commissioner Ramirez: “That is basically, right...”

Attorney Friedland: “The investment guidelines are critical because you are right, there is no trustee out there that will simply take money and not...a reputable trustee.”

Commissioner Ramirez: “Please, please, yes, thank you.”

[Laughter]

Attorney Friedland: “A good, reputable trustee.”

Commissioner Ramirez: “We are not going to get into that.”

Attorney Friedland: “I understand, but the Board does have a responsibility with respect to oversight of the fund.”

Commissioner Ramirez: “We are responsible for this as well as for the community at large.”

Attorney Friedland: “Absolutely.”

Commissioner Ramirez: “How can we respond to our clients and say I am sorry guys whatever we had, we have invested and we lost it, we can’t do that. That is what I am talking about you know?”

Attorney Friedland: “Sure.”

Commissioner Ramirez: “You need to be respectable and to exercise the liability as well as the responsibility that we have towards our residents as well as our company, you know what I am saying?”

Attorney Friedland: “Absolutely.”

Commissioner Ramirez: “So, therefore, I personally would like to see this be very secure. I like what I am listening to and what the attorney clarified, that prior to this trustee investing, they are going to have to count on our approval, is that correct?”

Attorney Friedland: "That is correct and then the other point I will make is that even once you make those initial decisions, you will have ongoing monitoring because someone has to monitor what the trustee is doing and obviously there are statements and reports and sometimes its done quarterly and sometimes it is semi-annually depending on what you feel is most comfortable. Generally they will do reviews and you will find at some point and parts, you get through a certain period of time and you may see certain funds are under performing which you are expecting and some funds may be over performing what was expected and you normally will then address that on a periodic basis pursuant to the review and if something is under performing for a sufficiently long period of time, the trustee will formally come in and make suggestions and changes. So, it is, like I said, a good investment advisor is experienced in these kinds of matters and that is what you want to be looking for when you come down to interviewing or whatever it is when the trustee makes his presentation."

Commissioner Burgess: "Yes, go ahead."

Commissioner Westmoreland: "Just two questions. I am comfortable with most of this based on our discussion from the last meeting but Article 3, Payments from the Trust Fund, so payments out of the fund always have to be approved by this Board, is that correct?"

Attorney Friedland: "You can delegate, I put a little bit...by the Board of Commissioners or its delegates. So, effectively what I was suggesting was that the Board would have to approve a distribution out of the Trust but you might say if you do a budget for the year, you might say we budget \$10,000 for distribution during the fiscal year and you might delegate the ability to do that to make those withdrawals to John or someone else, in terms of what is the timing on those withdrawals."

Commissioner Westmoreland: "The second question I had regarding...I don't know what is typical in the Articles for the Trust, Defining the Trust; I don't see anything that specifies minimum sort of reporting standards on monthly statements or at least quarterly statements or things like that. Is that something that is usually agreed to later or should that be in the construction of the Trust or did I just not see it?"

Attorney Friedland: "Section 6.5, you know it is just a general provision. We didn't put detailed reporting because usually the trustees are providing a monthly statement in any event. So, you..."

John Hiscock: "When the trustee is appointed, that issue will come up but the trustee will end up making presentations about how they normally handle it. You will probably find the reporting is more than you want. Usually that is what happens. As you recall, we talked last month about using the trust department of a bank because this is a fairly small trust at this point and hiring financial advisors and other things really wouldn't make a lot of sense. There would be significant fees for little or no benefit considering the size."

Attorney Zullo: "But you certainly ask for reporting on a quarterly basis."

John Hiscock: "Absolutely."

Attorney Zullo: "Or a semi-annual basis and that would be up to the Commission."

Commissioner Westmoreland: "About 6.5, it only refers to the trustee keeping accurate records. It doesn't say; it doesn't seem to obligate the Board to make sure that the Board looks at them. That is really more or less my concern, is that we have a mechanism to make sure that we are actually; at least once a quarter or whatever the appropriate period is, looking at it. And I don't know if that belongs in here or not and it is fine if it doesn't."

Attorney Friedland: "We could, at the Board's request; we certainly could add a more detailed paragraph to that effect. And it is really a very straight forward suggestion."

Attorney Zullo: "Absolutely, I think it speaks for itself; that is why you can add it because they should get a reporting. No problem."

Commissioner Burgess: "Yes Mary."

Commissioner Geake: "I wanted to ask, through the Chair, to the Commissioners, would you feel more comfortable if we asked for the paragraph? I think we should decide now if you feel more comfortable because I think I am starting to feel a lot more comfortable after listening to you that I would like to see it."

Commissioner Westmoreland: "I would just because I want to make sure we are obligated to pay attention on some reasonable frequency. It may only be twice a year. I don't know but..."

Commissioner Geake: "I am sure in the beginning it is probably going to be more times until we feel comfortable with what they did and then maybe it will be only twice a year."

Commissioner Westmoreland: "Right."

Commissioner Burgess: "Any other questions?"

[No questions]

Commissioner Burgess: "Go ahead."

Attorney Friedland: "That pretty much sums up, I think, the specific provisions of the Trust again with the...really just to reiterate, the Commission really does control the operation of the Trust, the funding the of Trust, the professionals, the trustee and to allow you to sit down and get into detail without boxing you in or too much in the Trust that would tell you what to do, we try to stay away from that. It is a balance, if you will and we try to strike a little bit more of a broader balance to give the Board a little bit more

authority.”

Attorney Zullo: “As I understand it John, what we are looking for tonight is a meeting of the minds on basically what you put forward in addition to what they moved to have included. Then if they give you that approval on the meeting of the minds on this, then you are going to have to come back and fill in the blanks and fill in the addenda they just informed that they want included and then we have to come up with whether we want a bank and who the bank is and things of that nature and then fill in those blanks for the next meeting so when we approve something it will be a full document. But tonight, as I understand it, this is just an approval for this concept with that addition that was recommended, then perhaps you can discuss a little bit should we have a bank, should we have a committee or things of that nature.”

John Hiscock: “I think that we discussed last month the bank and I think that is still a good idea to use a bank with a trust department where you are going to get people with experience and I know Frank has mentioned Webster Bank that has come up in another context with respect to our bond issue and a financial advisor. So, I think that if we approve a form of this, this evening the goal will be during the next month to meet with Webster Bank to determine if they are suitable and I have no doubt that they would be, also look to other banks, but that seems to be a reasonably leading candidate that has a very large trust department and again it is a very small trust at this point. We only budgeted in this fiscal year I believe, don’t hold me to it, but it is in the range of \$500,000. So, this is not a large amount of our money but over time it will build and the importance of the financial advisor issue and the trust will gain importance as the dollar value builds because as you all know the current outstanding actuarially valued liability here is a little over a \$11 to \$12 million so then it starts to get into big numbers. And you certainly need to maximize whenever you can, you don’t want to spend huge amounts of money on financial advisors to maximize a \$500,000 investment and pay \$20,000 in fees. That doesn’t make sense so I think that is what we really need to discuss that we should start with the bank, with a good trust department, a well-known bank and move forward that way.”

Commissioner Ramirez: “Through the Chair, if you don’t mind?”

Commissioner Burgess: “Go ahead.”

Commissioner Ramirez: “I am going to ask both of you, the attorney and the CO, I am pretty sure you dedicated quite a bit of time reading and then adjusting this draft as it is called, how do you feel? John do you feel comfortable with it?”

John Hiscock: “I am absolutely comfortable with this. We need to do it obviously for accounting purposes and credit rating purposes and we need to go forward with this Trust. Our auditor has made comments about it, that we haven’t been funding it appropriately and we are committed to do that. I think this is the most appropriate way to deal with it. I also feel that the trust allows us to invest differently than we invest our

own funds now, so the yields should be higher and while in this interest climate the yields won't be significantly different, as time goes on and interest rates rebound, there is going to be a fairly big difference. Right now we are obligated to invest in very, very limited areas and very, very secure and as it has been explained to me, that this is similar to pension investment where the advisor has the ability to invest in prudent investments which will yield more than our funds sitting in a bank account or CD's or other things. So, I think from a financial perspective, it is prudent to move forward with the trust because it gives us the ability to get a greater yield on the amount of money."

Commissioner Ramirez: "The document itself, do you feel comfortable with what resides in it?"

John Hiscock: "Yes, absolutely."

Commissioner Ramirez: "Counselor based on your legal opinion?"

Attorney Zullo: "I do also, I have worked with Allan on this and of course this is his field, and not mine but I read it and I feel comfortable with it. The one thing that gives me the utmost comfort is, it is unequivocally clear that no matter what this Commission does, they can change their mind ten minutes later and so if they appoint the wrong committee or appoint the wrong trustee or appoint the wrong bank, whatever, they can change their mind and start all over again in terms of putting that thing all back together, you follow me? Now, I am not necessarily advocating for Webster Bank only. I only know that I am the Co-Chairman on the Board at the University of Bridgeport and they handle our investments, a portion of our investments and they have done very well for us and so when John happened to mention, I said well I have had a great experience with Webster Bank in Bridgeport. Whatever bank you want to use is fine with me. I am just making my recommendation. I am not necessarily lobbying for Webster Bank."

[Laughter]

Commissioner Ramirez: "Well, I think personally we should approach a branch of maybe two or three and then come up with a final conclusion and see which one is going to give you the best and of course has to be respectable and very well-known in the community."

Attorney Zullo: "You don't know what they can give you. You have to look at their records of what they have done in some of the areas they have been investing for the last couple of years."

John Hiscock: "The only other issue that is outstanding besides the appendix is a list of employees, which is not something we are going to get created new and fresh. This is a document that has been produced. The actuary has had it doing all of the actuary analysis. This is not a new document. This is taking the existing document from all of the actuarial work that values it based on the Employee Manual and then inserts it. So, while I say we are going to create the appendix, we are not really creating it. We are

taking an existing document and moving it into here.”

Attorney Zullo: “And those will be names of employees from the Water Department pre-1992 and the Electrical Department pre-2002.”

John Hiscock: “Correct.”

Attorney Zullo: “These are the people who are entitled to the benefits under this plan. They will be independent and all will be named. Am I correct, the money set aside here is protected from any third party invasion?”

Attorney Friedland: “That is correct. It is protected from the...”

Attorney Zullo: “Well right now it is not, but if you put it in the trust then God forbid there is any creditor against this as a debtor, they can’t touch these funds. They can now, but this Trust protects that and that is the one thing that is irrevocable. The money you put in you can’t take out except for the benefit of the retirees.”

John Hiscock: “And while we don’t need to make this decision and the Commission can make a determination at a later date, whether the full Commission wants to deal with this in meeting with the trustee on a semi-annual basis or annual basis or whether the Commission wishes to appoint a subcommittee of the Commission. That is a decision that can be made later. It doesn’t have to be made now and maybe you want to start off where you are right now with the full Commission until everybody gets comfortable and then you can make a determination at a later date. An example would be the Appeals Committee. The Appeals Committee has three Commissioners and an alternate. It is a subset of the Commission. You could have a subset of the Commission or you can continue for a while with the full Commission or permanently. It will be your choice. We don’t need to make that decision to move forward.”

Commissioner Ramirez: “I personally believe that the full Commission should be aware of what is going on especially when dealing with financials, but that is a story for another day.”

Attorney Zullo: “Well, they might all agree with you.”

Commissioner Ramirez: “Ok, well I don’t want be surprised at a later time that hey, by the way we...no, no, no.”

[Laughter]

John Hiscock: “No, there are other eyes here. There are the auditors, the actuary, so this is not something in a vacuum between me and the trustee. Everybody is involved.”

Commissioner Ramirez: “Well, that is my personal feeling. What the individual Commissioners feel, that is up to them. I believe that the full Commission should be aware when it deals with the financial of this institution, as well as of the Community.

That is my opinion. That is my decision.”

Attorney Zullo: “It will certainly clean up our audit because for the last couple of years they have been mentioning that they want us to do this.”

John Hiscock: “Well, we are building a liability on the balance sheet and that is not a good thing.”

Attorney Zullo: “No, that is not a good idea.”

John Hiscock: “If there are no other questions the appropriate thing would be a motion to, subject to Attorney Friedland’s comments, a motion to approve the form of the Trust as presented and then direct us to continue to move forward with the process, hopefully with the conclusion at the October Board Meeting.”

Attorney Zullo: “And that will be a final approval and a formal approval once we fill in the blanks and do the appendices so they can see it and feel comfortable with it.”

John Hiscock: “And you will get all of the resolutions and all of the information upfront and we will talk about the various banks.”

Commissioner Ramirez: “Sounds good to me.”

Commissioner Burgess: “Is there a motion?”

Commissioner Westmoreland: “So moved.”

Commissioner Burgess: “Second?”

Commissioner Mann: “Second.”

Commissioner Burgess: “Any discussion on the motion?”

[No discussion]

Commissioner Burgess: “All in favor?”

Commissioners Unanimously: “Aye.”

Commissioner Burgess: “Opposed?”

[None opposed]

Commissioner Burgess: “Abstentions?”

[No abstentions]

Attorney Zullo: "Thank you very much Allan. You will have that to us before the next meeting?"

Allan Friedland: "Yes, absolutely. What I was thinking was when you do talk to the trustees we can just give them an advance copy of the Trust so they can comment on Trust. They may have some better ideas if they want to make revisions or whatever or maybe there are some things we can do to make sure..."

Attorney Zullo: "Should we use this draft copy or would you have a finished one for us soon?"

Attorney Friedland: "Well, what I will do, I will go back and add the Trust reporting obligation and then get that finalized for you. I can get that to you easily by early next week."

Attorney Zullo: "So we will have a final document that we can show the banks, I mean he will have a final document."

Commissioner Burgess: "Thank you."

Commissioner Ramirez: "Appreciate it sir. Drive safe, I know you have a long way to go."

Attorney Friedland: "Yes. Well, thank you very much for your time."

Commissioner Burgess: "Thank you."

Attorney Friedland: "I will see you all again soon."

John Hiscock: "We have two other issues, one is the legal briefing that we added to the Agenda the other is the substation update. We can do the legal briefing if you would like so that Counsel Murphy doesn't have to sit down and listen to our substation presentation and she could also be on her way."

Commissioner Burgess: "Yes."

John Hiscock: "So we would need to make a motion to enter into Executive Session to discuss the legal briefing on the pending, current claim."

Commissioner Ramirez: "I will make a motion to enter into Executive Session".

Commissioner Geake: "I will second it."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Executive Session

The Commission entered into Executive Session at 7:45 p.m.
The Commission ended their Executive Session at 8:05 p.m.

4. Substation Update

Commissioner Burgess: “Now we are back in Regular Session. There is no action to be taken after the Executive Session?”

Commissioner Burgess: “Thank you Kara.”

John Hiscock: “This will not be my usual lengthy briefing, I promise you.”

[Laughter]

John Hiscock: “This is an abbreviated form because you have heard this so many times but you really do need to know where we are.”

Attorney Zullo: “Good night everyone. I am going to a Russian concern, if I am not too late.”

Commissioner Geake: “The one in town?”

Attorney Zullo: “The one at St. Paul’s.”

Commissioner Ramirez: “Yes, St. Paul’s.”

Commissioner Geake: “Ok, have fun. Good night.”

John Hiscock: “Ok, this is just to tell you where we are. We are not going to do background, we are not starting from genesis; we are just going to pick up the loose ends that we have been dealing with. And it is just a very simplistic little power point and we decided to not even bring the equipment in here because it is so quick. UPS; I think I had mentioned to you that we are having difficulty with UPS and it has taken over a year to get UPS’ agreement and UPS needs to agree to allow us on the site, actually to let CL&P onto the site to drill and erect what is called a monopole. You all know those are the real tall towers along the transmission system. Not the older style ones you see, but the brand new ones, tall and skinny. As of last week, the easements were executed and we have full permission to handle the project, so that is wonderful because the lack of permission from UPS was creating problems with the next two items. Railroad coordination; it is awful. They are very hard to deal with. They are difficult to deal with. However, recently because our construction has stepped up, they have kind of stepped up their effort and other than a snafu this morning, where there was no flag man available and that is a concern for at least our section of the work, other than that we have had support of flag men and once they get their people there, they are wonderful. So that is moving along ok

and I know I complained to you several time about the railroad well, the railroad is the railroad, what are you going to do. The 115 connection; that is the connection to our substation from Northeast Utilities transmission system, two of the foundations for what we would call the monopoles are complete. The third one after two days of drilling is down 17 out of 30 feet and should be completed by Friday. The foundation should be 100% by Friday and then the actual monopoles will be placed between the first and the 10th. We are now back on schedule. This is very important because as I said to you before, we can only get certain outage timeframes from both the railroad and ISO New England because this is transmission. We were close to being in a position a couple of weeks ago where would not be able to get this work done between the 1st and the 10th, but it looks like we are back on track and on schedule, so that is moving. Environmental cleanup; we are about 65% on environmental cleanup on the site that we acquired from the DeBartolomeo family. And as you know, we tore a house down, we tore a garage down, we cleaned the site up so we are about 65% finished and that was as of this morning. We probably got another 10% done today. We are hoping by Friday to be done, but we may only be like 95% done by Friday and then we will have to move off site leaving that little 5% until later so the monopoles can be put up because on the morning of the 1st, that portion of the transmission system will be shut down. And you can't put the poles up in the middle of the system while it is turned on. Rough grading; I don't know how many of you have ever looked at the site but where our storage yard was, that area needs to be cut down and to back track a little bit, we had a lot that we got from the City when we did the train station deal with them and then three years ago we bought an adjacent lot to give us enough room. So, the parcel that we got from the City has to be cut some 10 feet. That is a lot of material. We have put together a bid package. We had a pre-bid meeting yesterday. We had about 10 contractors show up. I don't believe they will all bid. I think some of them realize this is fairly complex and difficult and they will choose not to submit a bid. But we will have bids on Friday and at that point we will evaluate the bids and the criteria that we put in this bid it's not exactly like building a water main or a conduit where we would go with the lowest response bidder who bids. We have about three or four criteria. The size of the bidder and equipment to do the job, cost of course, remediation experience in case we run into environmental concerns on the site, we want somebody who has done this before and knows how to do it and references. So, we will get those on Friday. We will open them, take a look at them and evaluate them. We are hoping to start this portion of the work as soon as the monopoles are erected so it's after the 10th of October. Stop me if you have any questions as we go through. Tree removal is finally done. It got finished on Saturday. We ended up paying extra because we had to have the contractor come in on two Saturdays because we can get better shut downs with the railroad. You can't take trees down adjacent to the railroad and risk them falling on the tracks. You clearly don't want a train hitting a tree. We might as well then just hand the keys over to somebody. And it is true that with both the rough grading and the environmental cleanup we use flag men to protect the railroad. They are standing there; they have walkie talkies that go to dispatch. If something by remote chance falls on the tracks, they stop utilization of the tracks until it is resolved. This is all being done under the supervision of the railroad and it is expensive, they are difficult to deal with but we are getting there. Bridge conduit; I made some comments to you in past about some defective bridge conduits and it was a real headache for us. It turned out that there was a second set of bridge conduits that are intact. The second set is in our control. They are

more up to our standard. We did test bits on either end of them a two weeks ago and found out we are all set. So the major issue, the \$500,000 I put aside to replace the bridge conduits is no longer necessary. That was a good situation to say the least. So that is moving along. Siting Council; the last thing that we had to do at the Siting Council, you know we got Siting Council approval many, many, many months ago but once you get Siting Council approval you have to do a design and management plan because during the final design, things change, so you have to make them aware. We submitted our D&M Plan in three phases about two and a half weeks ago the final D&M Phase III was approved. So, we are all set there. So that hurdle has been taken care of. And we had fairly few design changes. We only had two non-conforming zoning issues. One is the front yard setback with respect to one of the transformers and the second is a zoning glitch in the zone we are in, the side yard setback is either zero or ten feet and nothing in between. Now, that is strange. We all know it is usually a setback. This is either you can be on the property line or you have to be ten feet away. But since Siting Council has jurisdiction and they approved and knowing about these variances, we have sent a letter to P&Z through Siting Council, our Siting Council legal counsel, to cover that issue and we can move forward. Voltage conversion; we had spoken a lot in the past about whether we were going to convert our entire system to 13.8 to match the new station or whether we were going to leave the old system in place and work off of CL&P for a while. And I think I clearly indicated to you at the last briefing that we were going to do a conversion. The voltage conversion to everything in the system being 13.8 is under design. The consultant is meeting with our staff and we believe we have a very viable plan and are moving forward. Transformers; which we thought we were going to have delivery problem when I first briefed you, everybody said there was a fifteen month delivery, we did very well. We evaluated the bids and in fact one transformer was delivered today and I won't call a delivery until tomorrow because the crane hasn't come to pick it off of the truck, so until it is off the truck and on our site, it is not delivered. One of the bad new situations here is because of the transformers are usually critical path items, we would have like to have had the foundations in place and deliver them straight to the site, we couldn't do that. But we couldn't take a chance on losing out in the queue because they were necessary so we accepted the scheduling by the transformer manufacturer, so we will be storing two transformers on site. We are doing it in the area of the existing substation. We took out some abandoned equipment, modified and put a pad in. There will be two transformers there until probably early December. But, the good news is they are inside of a fenced in area, totally, completely, and absolutely under our control, which would mean they are secure plus we have a good source of electrical supply because they need heating. They can't get cold because they get moisture, so they actually get hooked up to a heating system to keep them warm. So, it is great it is on our site, the bad news is we have a second crane pick and a short haul down to the site. There aren't many contractors that can deal with this. Each transformer is a hundred thousand pounds. So these are not small transformers. When you go by the next time you go down Martin Luther King take a look over and you will see a big gray box. Control house and switch gear; we received bids on the control house and switch gear; that is what makes the station function and the switch gear or the ten circuit positions, we are only going to install eight. The ten circuit positions that come out of the facility, where just about to award that and that equipment will be here on time. That equipment won't show up until November/December timeframe. Easement SNEW/CL&P; the final language between the

parties has been crafted. Legal counsel at CL&P and legal counsel at SNEW are working back and forth. We had a little confusion about compensation for the easement itself. It was our intention to put the cost of providing that portion of the substation onto CL&P in the form of either a one-time payment or maybe an upfront payment and then an annual fee. We haven't fully decided the best way to go with it. We got immediate push back from their counsel who thought that they were doing us a favor and they shouldn't have to pay for the easement. We put together, with the help of Gabe Stern of CMEEC, a chronological history of the discussions between CL&P and as it turned out, they had confused us with Third Taxing District which was dealing with them on another arrangement. They have now come back and said yes we fully understand that we have committed to paying for the easement because we are going to own the facilities and we are going to get a rate of return. The only reason compensation is pending is because we haven't finished environmental cleanup so we don't know the whole cost to the site but that is close. Financing; and this is the last bullet. You know that we passed the bond resolution and you know we had an Electors' Meeting. We interviewed financial advisors. One was Webster Bank and the other was Phoenix Advisors. After meeting with the two of them and discussing the arrangement of getting a sample agreement between the parties, reviewing the agreements, talking to bond counsel and then getting the advice of the Chief Financial Officer at CMEEC who does a lot of bonding, and as you know, I am Chairman of the Board and been involved with a lot of bond resolutions at CMEEC, chose Phoenix Financial Advisors. One based on cost; there was a considerable difference between the larger bank and Phoenix and Phoenix is independent and the issue that we ran into with the bank which gave us some concern, is that the bank wanted to reserve the right to bid on or negotiate with us on the bond issue and that's an inherent conflict. We were concerned about that and even if we were going to do a private placement with somebody like Webster Bank, we would have hired an independent financial advisor anyway. So, that Phoenix and SNEW are going back and forth, they gave us a sample, we made a few modifications. I will be dealing with their managing partner on Friday hopefully to firm this up. We have committed, presuming the agreement is in order, to use Phoenix. They had very good references. They were recommended by bond counsel. They gave us three recommendations. We picked two to interview. Tom Hamilton of the City of Norwalk also spoke very highly of them. And while they are not the City's financial advisor, he knows them from all of the...everybody has a trade association, the financial advisors and the chief financial officers have a trade association, they all know each other, they all work together and Tom gave us a tremendous recommendation, so that we feel very comfortable. They do quite a few local towns and they seem to specialize in smaller towns and that was something that also made me comfortable, because we are a small district and we are not the City of Hartford, we are not the City of Bridgeport."

Commissioner Westmoreland: "John, if I may, back on the easement, I didn't understand what that is. Are we not going to own the substation?"

John Hiscock: "We are going to own the distribution portion of the substation. We are going to own the transformers, the switch gear and everything that feeds our system. CL&P is going to own the three monopoles that are being installed, the 115 wires that go into the station and a breaker in the transmission system and a control house. Those items are considered PTF, which are pooled transmission facilities. Due to the nature of

our substation, the location and the site, the PTF portion of the site is very expensive. They have already put in about \$14 million to ISO New England as a potential final cost and we are looking at a \$10 million range for our portion of it. I was extraordinarily uncomfortable with fronting or bonding for \$25 million. Third Taxing District made a different decision but their station is much less complex, much easier. They are going to own the PTF and for that they will get a good return on that from ISO New England. They will have to negotiate for operations and maintenance from CL&P. We are going to lose out on a good return and the return is in the 11%. That is a very good return considering the size of the bond issue and considering our outstanding debt on the water side of about \$20 million, I was extraordinarily uncomfortable and CL&P was more than willing to go forward and it made the decision easier, we made it jointly with us and CMEEC and I do believe I reported this to the Board way back when we got moving on this process. I think the Commissioner before you was actually on the Board.”

Commissioner Westmoreland: “Yes, he was.”

John Hiscock: “So, it really was a unwillingness to bond for \$25 million and I think as you may know, a \$10 million bond, the principal and interest would be covered by the savings against CL&P that would not have been the case with respect to the \$25 million although we would have earned more on the return than the cost of the bond issue. It would have been the arbitrage between the two.”

Commissioner Westmoreland: “Right, but that’s because that link is going to be used by other people?”

John Hiscock: “It is an integral part of the New England grid. We had the option of talking to CL&P about having CMEEC own that portion and we thought the complexity and time because there would have been negotiations and we are on a timeline. As you know, our contract runs out so it was the fastest way to move the project, giving up a fairly small amount of return in trade for moving the project and getting absolute, phenomenal cooperation from CL&P.”

Commissioner Westmoreland: “Yeah.”

John Hiscock: “It was a business decision.”

Commissioner Westmoreland: “And avoided a big chunk of debt. Ok. Thanks.”

John Hiscock: “So that is it unless we have questions. In-service dates; originally we wanted to be in-service in December of 2013, now it looks like January or February, 2014. The distribution system voltage conversion is June, 2014 while the station will be in-service, we still have to finish conversion to get all of our circuits on the new station and State Street, the existing substation decommissioning should occur in July of 2014.”

Commissioner Westmoreland: “And that just means that is when you turn it off?”

John Hiscock: “Pull the plug.”

Commissioner Westmoreland: "But that is not taking anything out?"

John Hiscock: "No it's not remediation. It is simply decommissioning, meaning it is out of service."

Commissioner Geake: "Sounds good."

John Hiscock: "That is all I have although I did want to call your attention to a letter that I think you probably or at least most of you received today via email?"

Commissioner Ramirez: "I don't get email."

John Hiscock: "I know you get yours old style."

[Laughter]

Commissioner Ramirez: "Very conservative, ok."

John Hiscock: "That is ok and that is fine. The letter is from David Shockley and it is related to something we always do. It is related to the annual Thanksgiving event. It is the request for the funds. I am comfortable if we leave it to the October agenda on the basis of the past. The funds are available and I just didn't feel it was necessary to bring it to the Board this evening since we just received the letter this week. We can vote it onto the agenda if you wanted to or you could wait until the October meeting."

Commissioner Ramirez: "I personally believe that everybody knows exactly what is going on and if you are willing to assist in any shape or form, it is giving back to our own community, why should we wait until the next meeting? Why don't we just get it over with?"

Commissioner Geake: "I think it should be legally done, correctly. I think anything like this of this nature should legally be put on the agenda, it should not be at a meeting."

Commissioner Ramirez: "Could that be any conflict, legally if we voted on that?"

John Hiscock: "You could technically vote it onto the agenda. And while I know you are all aware of it, you really didn't have much notice. There are probably few of you who got a chance to read the document. It is in line with the past and certainly I don't think there is any risk in waiting for the October meeting because I think from a historic perspective, I am anticipating this will pass."

Commissioner Westmoreland: "I don't know what it is, I am sorry, I didn't see it."

John Hiscock: "As you know from an elector's perspective, it is the \$1,500 that we donate for the annual thanksgiving dinner that is put on in the community. We have done it now for quite a few years. Five, six, seven, eight, nine, ten years."

Commissioner Burgess: “And it was certainly clear the electors wanted us to continue to do it.”

John Hiscock: “Yes, this is one of things that the electors came out and turned our budget down for one time, when we defunded it.”

Commissioner Westmoreland: “Oh that was that. I was at that meeting and didn’t know why I was there.”

[Laughter]

Commissioner Mann: “That was why you were there, remember.”

Commissioner Westmoreland: “That was my first meeting, my first time.”

John Hiscock: “So I believe under the circumstances October would be fine and I think the other side can rest assured that you will fund it.”

Commissioner Geake: “I make a motion that we adjourn.”

Commissioner Ramirez: “Second.”

Commissioner Burgess: “All in favor?”

Commissioners Unanimously: “Aye.”

Adjournment

The meeting adjourned at 8:35 p.m.

Attest:

Lisa Roland
District Clerk