



**DISTRICT BOARD
MDC TRAINING CENTER
125 MAXIM ROAD HARTFORD, CT
REGULAR MEETING
WEDNESDAY, SEPTEMBER 2, 2020 5:30 PM**

**IN ACCORDANCE WITH GOVERNOR LAMONT'S EXECUTIVE ORDER #7B
THIS MEETING WILL INCLUDE TELEPHONIC ATTENDANCE**

Dial in #: (415)-655-0001; Access Code: 35580947#

The general public is welcome to call into the meeting. Everyone present on the conference call should mute their phone to limit background noise.

- 1. MEETING CALLED TO ORDER**
- 2. ROLL CALL**
- 3. APPROVAL OF MEETING MINUTES OF JULY 13, 2020**
- 4. PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS**
- 5. REPORT FROM DISTRICT CHAIRMAN**
- 6. REPORT FROM CHIEF EXECUTIVE OFFICER**
- 7. REPORT FROM DISTRICT COUNSEL**
- 8. BOARD OF FINANCE - CONSIDERATION AND POTENTIAL ACTION RE:**
 - A. \$18 MILLION SUPPLEMENTAL APPROPRIATION FOR CLEAN WATER PROJECT CONTRACT #5 (SEPTEMBER 2, 2020)**
 - B. APPROVAL FOR STATE OF CT FINANCING CWF 683-D (SEPTEMBER 2, 2020)**
 - C. APPROPRIATION FOR PENSION REIMBURSEMENT (SEPTEMBER 2, 2020)**
- 9. PERSONNEL, PENSION & INSURANCE COMMITTEE - CONSIDERATION AND POTENTIAL ACTION RE:**
 - A. APPROVAL OF OPEB INVESTMENT POLICY (AUGUST 26, 2020)**
- 10. COMMITTEE ON ORGANIZATION - CONSIDERATION AND POTENTIAL ACTION RE: APPOINTMENT OF COMMISSIONERS TO COMMITTEES (SEPTEMBER 2, 2020)**
- 11. CONSIDERATION AND POTENTIAL ACTION RE: ACCEPTANCE OF BID RECEIVED FOR SALE OF 348 TOLLAND STREET EAST HARTFORD (POSSIBLE EXECUTIVE SESSION)**



The Metropolitan District

water supply · environmental services · geographic information

12. **REPORT RE: PENDING LITIGATION – MDC v ZINZARELLA (POSSIBLE EXECUTIVE SESSION)**
13. **OPPORTUNITY FOR GENERAL PUBLIC COMMENTS**
14. **COMMISSIONER COMMENTS & QUESTIONS**
15. **OTHER BUSINESS**
15. **ADJOURNMENT**

**BOARD OF FINANCE
SUPPLEMENTAL APPROPRIATION FOR CLEAN WATER PROJECT CONTRACT 5**

To: District Board

September 2, 2020

From: Board of Finance

Bond Counsel prepared the following resolution for your approval.

At a meeting of the Board of Finance held on September 2, 2020, it was:

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution from Bond Counsel

RESOLUTION APPROPRIATING A FURTHER \$18,800,000.00 FOR THE DISTRICT'S COMBINED SEWER OVERFLOW, SANITARY SEWER OVERFLOW AND NITROGEN REMOVAL PROGRAMS TO DECREASE LEVELS OF POLLUTION IN THE CONNECTICUT RIVER AND LONG ISLAND SOUND TO COMPLY WITH A CONSENT DECREE OF THE UNITED STATES DISTRICT COURT OF THE DISTRICT OF CONNECTICUT AND A CONSENT ORDER OF THE CONNECTICUT DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION

WHEREAS, the charter of the Metropolitan District of Hartford County, Connecticut (the "District"), and more particularly Section 14 of number 511 of the special acts of 1929, as amended by section 1 of number 332 of the special acts of 1931, number 127 of the special acts of 1947, section 2 of special act 79-102, special act 80-13, section 1 of special act 83-31, section 5 of special act 90-27, and section 2 of public act 15-114, now codified in Section 3-11 of the District's Compiled Charter, (Section 14, as amended, being referred to as the "Referendum Requirement"), provides as follows:

(a) Appropriations to be financed by the issuance of bonds, notes or other obligations of the district may be made at any time upon approval of the district board and recommendation of the board of finance in accordance with section 20 of number 511 of the special acts of 1929.

(b) (1) Any appropriation in excess of the amount set forth in subdivision (2) of this subsection for any single item of capital expense not regularly recurring, including, but not limited to, a capital purpose, a public improvement or an extraordinary expenditure which may properly be financed long-term rather than from current revenues, notwithstanding that such appropriation is included in the budget to be met from current revenues, shall be approved by a two-thirds vote of the entire district board and by a majority of the electors of the district at a referendum of the district called by the district board in accordance with the requirements of section 5 of number 511 of the special acts of 1929, as amended by special act 77-54; provided an appropriation for any reason involving not more than

twice the amount set forth in subdivision (2) of this subsection in any one year for the purpose of meeting a public emergency threatening the lives, health or property of citizens of the district may be made upon approval by a two-thirds vote of the entire district board without submission to the electors of the district; provided further, appropriations may be made in any amount without submission to the electors of the district for any public improvement all or a portion of which is to be paid for by assessments of benefits or from funds established to pay for waste or water facilities pursuant to section 13 of number 511 of the special acts of 1929, as amended by number 366 of the special acts of 1949, special act 77-54 and special act 83-31; and provided further, submission to the electors of the district shall only be required with respect to such portion, if any, of any appropriation approved by the district board on and after October 1, 2015, as exceeds the amount set forth in subdivision (2) of this subsection. The district board may determine, in the case of appropriations for water, sewer and utility line extensions and improvements, or the installation or replacement of service meters, the definition of what shall constitute a single item of capital expense for purposes of compliance with the referendum requirement of this section. Such determination may be contained in the capital budget or a resolution making such appropriation or authorizing the issuance of bonds, notes or obligations of the district and any such determination shall be final and conclusive.

(2) On and after October 1, 2015, the threshold amount for purposes of subdivision

(1) of this subsection shall be twenty million dollars as adjusted annually thereafter on October first by a percentage equal to the increase, if any, in the consumer price index for urban consumers, as most recently determined by the United States Department of Labor, Bureau of Labor Statistics for the most recent twelve-month period available, provided for any appropriation adopted by the district board on and after October 1, 2015, the aggregate amount of federal and state grants available, committed to be made available or expected to be made available for the appropriation at issue, each as determined by the district board whose determination shall be conclusive, shall be deducted from the amount of the appropriation in determining whether such threshold is met.

WHEREAS, for purposes of this resolution, the amount referred to in section (b) (1) of the Referendum Requirement is hereinafter referred to as the Threshold Amount, and

WHEREAS, by resolution adopted on December 16, 2019 the District Board found and determined that the Threshold Amount for purposes of the Referendum Requirement on October 1, 2019, and as in effect on the date of this resolution, was \$21,583,833.70; and

WHEREAS, the District has by previous resolutions approved appropriations authorized expenditures aggregating \$1.74 Billion for any and all projects necessary or desirable in connection with the planning, design, acquisition, construction and development of a combined sewer overflow program, a sanitary sewer overflow program and a nitrogen removal program of the District, in order to comply with a consent decree issued by the United States District Court, District of Connecticut, and entered into by and between the District, the United States Department Of Justice, the U. S. Attorney's Office, the United States Environmental Protection Agency and the State of Connecticut Attorney General (the "Consent Decree"), and a consent order to be issued by the State of Connecticut Department of Environmental Protection, now the Connecticut Department of Energy and Environmental Protection ("DEEP") and to be executed by the District and the Commissioner of DEEP (the "Consent Order" and, together with the Consent Decree, the "Government Orders") (the "Project"); and

WHEREAS, the Chairman and the Chief of Program Management or the Treasurer in the name of and on behalf of the District applied for federal and state loans and/or grants-in-aid for the Project under Section 22a-478 et seq. of the General Statutes of Connecticut, Revision of 1958, as amended (the "Clean Water Fund Program"), and in particular, the portion of the Project involving the construction of the South Hartford Tunnel Contract 5; Arlington, New Britain and Newington conduits; construction of inlet control gate chambers (the "South Hartford Tunnel Contract 5") and the District has executed a Project Loan and Project Grant Agreement, dated July 27, 2020 (the "Agreement"), with the State of Connecticut (CWF No. 729-C) involving a total project cost of \$47,359,471.10, of which \$18,808,514.75 would be funded by state grants under the Clean Water Fund Program (subject to the terms and conditions of such Agreement), and the balance by funds of the District and loans from the Clean Water Fund Program;

WHEREAS, the District has determined to appropriate a further \$18,800,000.00 of capital expenditures for the Project, specifically to the South Hartford Tunnel Contract 5, and to declare its determination that such capital expenditures are expected to be funded entirely by federal or state grants under the Clean Water Fund Program under the Agreement;

NOW THEREFORE BE IT RESOLVED:

Section 1. The additional sum of \$18,800,000.00 is hereby appropriated for the Project. The Project is a single item of capital expense, not regularly recurring, which may be financed on a long-term basis. For the avoidance of doubt, the appropriation hereby made shall be in addition to any prior appropriation for the Project. The appropriation hereby made shall be allocated specifically to the South Hartford Tunnel Contract 5, and in particular to those costs associated with the South Hartford Tunnel Contract 5 which are paid for by state grants under the Agreement.

Section 2. Based on the facts heretofore cited and other evidence presented to the District Board, the District Board FINDS and DETERMINES, that the appropriation

made in Section 1 will be paid for by funds available, committed to be made available or expected to be committed and made available by federal and state grants; and further, FINDS and DETERMINES, that the appropriation made in Section 1 will not be in excess of the Threshold Amount, and therefore the appropriation made in Section is valid and effective without the requirement that the appropriation be submitted to the electors of the District at a referendum held for such purpose as provided in the Referendum Requirement.

Section 3. The applications by the Chairman and the Chief of Program Management or the Treasurer in the name and on behalf of the District for any and all federal and state loans and/or grants-in-aid to meet any portion of the costs of the Project determined by DEEP to be eligible for funding under Section 22a-478 et seq. of the General Statutes of Connecticut, Revision of 1958, as amended (the "Clean Water Fund Program"), and in particular the South Hartford Tunnel Contract 5, and the execution and delivery of the Agreement providing for expenditures authorized hereby to be paid for by grants under the Agreement, combined with expenditures and borrowings authorized by other appropriations for the Project, be and they hereby are approved, ratified and confirmed.

Section 4. The Treasurer is authorized and directed to charge expenditures for the South Hartford Tunnel Contract 5 reimbursed by the state under the Agreement against the appropriation made hereby, and to charge no other expenditures against this appropriation.

Section 5. In the absence of the appointment of a Treasurer, the Chief Administrative Officer is authorized to act as Treasurer for all purposes of this resolution and the Manager of Treasury is authorized to act as Deputy Treasurer.

Respectfully Submitted,

A handwritten signature in black ink that reads "John Mirtle". The signature is written in a cursive, slightly slanted style.

John S. Mirtle, Esq.
District Clerk

**BOARD OF FINANCE
APPROVAL FOR STATE OF CONNECTICUT FINANCING
CWF NO. 683-D**

To: District Board

September 2, 2020

From: Board of Finance

Staff seeks approval from your Board to execute and deliver the Interim Funding Obligation and/or Project Loan Obligation to the State of Connecticut for CWF No. 683-D having a principal amount of \$730,605.50 and having an interest rate of 2.00%.

The low interest loan and grant will fund design services for the five Combined Sewer Overflow regulators and associated connecting combined sewers. CSO Elimination Combined Sewer Overflow regulators N-9 and N-10 redirect flows out of the North Branch of the Park River to regulator N-22. The Kane Brook Sewer Relocation and S8/S13 CSO Relocation and Elimination Project will develop design documents to relocate/eliminate CSOs S-8 and S-13 in accordance with the 2012 Long Term Control Plan.

The State of Connecticut, through the Clean Water Fund Program, will provide \$1,461,211.00 in state funding with approximately \$730,605.50 in grants and \$730,605.50 in low interest loans at 2.00% to fund the expenses associated with this agreement.

Bond Counsel prepared the following resolution for your approval.

At a meeting of the Board of Finance on September 2, 2020, it was:

VOTED: That the Board of Finance recommends to the District Board passage of the following resolution from Bond Counsel

RESOLVED:

Section 1. The Chairman, or in his absence, the Vice Chairman, and the District Treasurer, or in his absence, the Deputy Treasurer are authorized to execute and deliver the Project Loan and Project Grant Agreement CWF No. 683-D to be entered into with the State of Connecticut (the "Agreement") and any and all Interim Funding Obligations and Project Loan Obligations for CWF No. 683-D in the aggregate amount not to exceed \$730,605.50, to fund design services for five Combined Sewer Overflow regulators and associated connecting combined sewers. Such Interim Funding Obligations shall be dated as of their date of issue, shall mature within six months of the Scheduled Completion Date, as defined in the Agreement, shall bear interest at the rate of two percent (2.00%) per annum, shall be payable as to principal and interest as provided in the Agreement and, to the

extent not paid prior to maturity from The Metropolitan District funds, may be renewed by the issuance of Interim Funding Obligations or Project Loan Obligations, all as provided in the Agreement. Capitalized terms used herein and not defined shall have the meanings ascribed to them in the Agreement.

Section 2. The Project Loan Obligations shall be dated as of their date of issue, shall mature no later than twenty years from the Scheduled Completion Date, shall bear interest at the rate of two percent (2.00%) per annum and shall be payable as to principal and interest as provided in the Agreement.

Respectfully Submitted,

A handwritten signature in black ink that reads "John Mirtle". The signature is written in a cursive style with a small dot at the end.

John S. Mirtle, Esq.
District Clerk

**BOARD OF FINANCE
APPROPRIATION FOR PENSION REIMBURSEMENT**

To: District Board

September 2, 2020

From: Board of Finance

By resolution of the District Board considered at its meeting of July 14, 2014, and upon recommendation of the Personnel, Pension and Insurance Committee and the Water Bureau, the MDC approved an investment contribution of approximately 570 acres of MDC-owned property in Glastonbury (Pension Land) to the Trust of the Retirement Plan for Employees of the Metropolitan District (Plan). The purpose of the proposed transfer was to offset, in whole or in part, the MDC's Annual Required Contribution (ARC) (now ADC, or Actuarially Determined Contribution) for Fiscal Year 2015. The transfer of the Pension Land from the MDC to the Plan was completed on December 14, 2014. In order to facilitate the transfer of the Pension Land into the Plan, a limited liability company, Pension Fund Land LLC (PFL LLC), was created to hold the Pension Land.

As part of the transfer agreement controlling the transfer of the Pension Land into the Plan, PFL LLC was authorized to make commercially reasonable efforts to develop the Pension Land or prepare it for development. PFL LLC in fact made such efforts, and in doing so, demonstrated that an increased value of the land as developable parcels rather than solely open space or watershed land was appropriate. Under the transfer agreement, the District was obligated to either pay such costs directly or reimburse PFL LLC, i.e. the Plan.

On October 7, 2019 the PPI Committee approved a purchase and sale agreement with the Town of Glastonbury for approximately 553 acres of the Pension Land. The closing for the property sale occurred on January 16, 2020.

At this time, it is necessary for the District to reimburse the Plan for development costs incurred in furtherance of the sale of the Pension Land. At the July 20, 2020 Board of Finance meeting, the District's actuary, Becky Sielman of Milliman, briefed the board on two alternatives to effect the reimbursement of the underlying \$1,384,488.61 in development costs, plus interest calculated through June 30, 2020. The first method used a fixed, compounded interest rate of 3% per year, which would bring total reimbursement to \$1,563,105. The second method used the actual annual returns of the Plan's assets for 2015 to 2019 and an estimated return for 2020 year to date of -3.1% provided by the District's pension investment advisor Dahab Associates Inc. totaling \$1,780,426.

At the August 26, 2020 meeting of the Personnel, Pension & Insurance Committee, as Trustee of the Plan, the PPI Committee voted to determine the appropriate interest rate to recommend to the District Board to be applied to the reimbursable development expenses to the Plan. At that meeting, the second method described above was updated as of August 21, 2020 for a total reimbursement of \$2,010,763.05.

At a meeting of the Board of Finance held on September 2, 2020, it was:

VOTED: That based upon action by the Personnel, Pension & Insurance Committee at its August 26, 2020 meeting determining an acceptable interest rate to be applied to reimbursable development costs to the Pension Plan, the Board of Finance recommends to the District Board passage of the following resolution:

RESOLVED: That the District Board hereby appropriates \$2,010,763.05 from the General Fund to reimburse the District's pension plan for development costs related to the Pension Land.

Respectfully Submitted,

A handwritten signature in black ink that reads "John Mirtle". The signature is written in a cursive style with a large initial "J" and "M".

John S. Mirtle, Esq.
District Clerk

**PERSONNEL, PENSION AND INSURANCE COMMITTEE
APPROVAL OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST
INVESTMENT POLICY & GUIDELINES**

To: District Board

September 2, 2020

From: Personnel, Pension and Insurance Committee

In November 2019, the Board of Finance recommended to the District Board commencing a ten (10) year prefunding phase-in of the District's OPEB Trust starting in the 2020 budget. In July 2020, the Personnel, Pension & Insurance Committee and District Board authorized the Chief Executive Officer to amend the existing contract with Dahab Associates Inc. as the pension investment advisor to include investment consulting services for the District's OPEB Trust. Dahab Associates Inc. drafted the enclosed OPEB Trust Investment Policy & Guidelines and recommends adoption of said policy by the District.

It is therefore RECOMMENDED that it be

VOTED: That the Personnel, Pension & Insurance Committee recommends to the District Board passage of the following resolution:

RESOLVED: That the District Board hereby approves the attached Other Post-Employment Benefits Trust Investment Policy & Guidelines and authorizes staff to implement and administer said Policy.

Respectfully Submitted,



John S. Mirtle, Esq.
District Clerk

THE METROPOLITAN DISTRICT
OTHER POST-EMPLOYMENT BENEFITS TRUST

STATEMENT OF
INVESTMENT POLICY AND GUIDELINES

AUGUST 2020

I. Statement of Purpose

The investment management of the Metropolitan District Other Post-Employment Benefits Trust (the "Trust" or "OPEB Trust") shall follow this Statement of Investment Policy and Guidelines as adopted August 26, 2020.

Statutory authority for the investment program of this Trust is provided by the provisions of section 7-450 of the Connecticut General Statutes. This Statement of Investment Policy and Guidelines applies only to the OPEB Trust. This Statement of Investment Policy and Guidelines shall be reviewed annually, but may be amended at any time.

A. Objectives

The objective of the Trust's Investment Policy is to preserve the actuarial soundness of the Trust in order to meet contractual benefit obligations. The Trust shall be for the purpose of funding current and future health care benefits for eligible participants in accordance with the Trust.

B. Fiduciary Standards

In striving to attain these objectives, the Trust will be managed in a manner consistent with fiduciary standards, namely:

1. All transactions shall be in the sole interest of the participants and their beneficiaries, and
2. All investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in an expert like capacity and familiar with such matters would use in conduct of an enterprise of like character and with the same aims, and
3. All entities dealing with the Trust are required to disclose conflicts of interest as soon as they become apparent, in writing to the OPEB Board or as part of a public meeting when the problem becomes apparent.

The OPEB Board must strive to maintain both the reality and the public perception that its decisions are made solely for the benefit of plan members. All entities dealing with the Trust must conduct themselves in a manner worthy of the public trust, keeping in mind that the Trust is subject to public review and evaluation.

II. Roles and Responsibilities

All parties serving the Trust at the date of the original adoption of this Statement of Investment Policy and Guidelines have 60 days to be in compliance with its provisions, or to notify the OPEB Board in writing as to why they cannot be in compliance.

A. OPEB Board

The OPEB Board (the "Board") has the responsibility of establishing and maintaining policies for all aspects of the Trust including:

- Setting of investment policy;
- Performing asset allocation for the Trust;
- Selecting, evaluating, and replacing investment professionals.

The Board may select other professionals to assist in its duties.

B. Trust Administrator

The Metropolitan District has delegated the responsibility to the Director of Finance to plan, organize, and

administer the operations of the Trust under broad policy guidance from the Board. These operations include but are not limited to accounting; administration of investments, attorneys, accountants, actuaries, consultants and select investment oversight.

C. Actuary

The Board will select an actuary to perform a valuation of the plan as often as needed.

D. Investment Consultant

The Board may engage an investment consultant. The investment consultant will give an independent perspective on the Trust, help select custodians and investment managers, review asset allocation, and provide investment performance measurement.

The investment consultant is expected to attend meetings of the Board as needed and to perform asset allocation studies as needed.

The investment consultant will acknowledge in writing that he is a fiduciary of the plan relative to the provided services.

E. Custodian

The Custodian will hold all cash and securities or evidence thereof. The Custodian will be responsible for maintaining records, providing fund accounting and other services as defined in its contract.

The Custodian may not engage in financial transactions related to the Trust that are based on written or oral instructions from any person other than the Board, or the Administrator acting on the Board's behalf.

F. Investment Managers

In managing assets for the Trust, the Board may engage the services of investment managers. Investment managers buy and sell securities according to guidelines established for their particular asset class.

Investment managers are to acknowledge in writing that they are fiduciaries of the plan relative to provided services.

III. Other Post-Employment Benefits Trust

The OPEB Board has three tasks to accomplish in managing the Trust: first, to adopt a realistic actuarial rate of return for the Trust; second, to recommend the level of contributions needed to keep the Trust financially sound; and third, to construct a portfolio that will have the potential of earning the actuarial rate of return with a high probability of success while muting as much volatility as possible.

The Board shall hire an actuary to conduct an actuarial study in meeting the first two goals. The Board may also hire an Investment Consultant to help in achieving the third goal, and to assist in setting the actuarial rate of return.

The Board shall exercise an appropriate level of due diligence with respect to all aspects of the investments in the Trust, development of the asset allocation structure, selection of external investment managers and the monitoring of investment performance.

The Board is aware that mutual funds and other commingled vehicles have separate guidelines and/or prospectuses. When employing such vehicles, the Board acknowledges that those separate guidelines and/or prospectuses shall supersede the guidelines that follow.

A. Manager Responsibility

Managers of funds administered under the Trust must acknowledge fiduciary responsibility relative to their work with the plan. Managers shall be held to the prudent expert standard articulated in Section I.B.2. above.

B. Trust Characteristics

In constructing portfolios for the Trust, the Board should consider the following characteristics.

1. Liquidity

The Trust should have liquidity to meet its cash flow needs. Individual investments may have limited liquidity so long as they do not interfere with the operation of the Trust as a whole. At plan inception, the cash flows are very strong. Cash inflows are expected to significantly exceed benefit payouts and expenses for the near future. The Board acknowledges the most liquid investments come at a cost of lower expected return. As the Trust grows, some investments may be selected with limited liquidity if expected returns exceed those of the more liquid investments then available.

2. Diversification

Assets should be diversified among asset categories, sectors, and geographic areas to minimize volatility. In the initial phases of the Trust, diversification may be simplified.

3. Time Horizon

The time horizon of the Trust is perpetual. In projecting returns for the Trust, the Board may consider information from recent history (20 years), long-term history (about 70 years) or some combination of the two. The Board must judge what data gives the best estimate for future returns by applying evidence from the past to current circumstances.

4. Risk Tolerance

The primary investment emphasis of the Trust is to meet the actuarial rate of return. However, a secondary goal is to preserve capital and achieve consistency of results. The Board should strive to attain these secondary goals while still meeting the actuarial rate of return.

The Board recognizes that risk is present in all investments. The assumption of risk is needed to achieve satisfactory long-term results. It is the responsibility of the Board to manage the tradeoff between risk and return given the projected needs of the Trust, always attempting to minimize risk of the overall portfolio for any given level of return.

The Board recognizes the initial cash flows are modest, but will increase over time and that the duration of payouts exceeds that of contributions. The initial risk reward profile has an aggressive bias.

5. Asset Allocation

An asset allocation study should be periodically performed. The study requires a projection of cash flows, which are dependent on contributions made into the Trust and disbursements made from the Trust in the form of benefits and expenses. The purpose of the asset allocation study is to understand the trade off between risk and return, and to aid in the construction of a portfolio that has a high probability of earning the actuarial rate of return but achieves this goal with a minimum of volatility.

6. Rebalancing

Once policy targets for the asset allocation are set in the asset allocation study, the Board should instruct the Administrator, in conjunction with the investment consultant, to rebalance the Trust in an

effort to keep the asset allocation in line with the policy target. A rebalancing policy as it applies to the most current asset allocation is contained in the asset allocation addendum.

C. Investment Alternatives

Investment alternatives are divided into four broad categories: fixed income, domestic equity, international equity and alternative investments.

Fixed income investments shall be used primarily to provide stability of principle. Domestic equity and international equity may be added to enhance return. Alternative investments may be added to enhance return, and to provide diversification that will reduce volatility.

D. Performance Standards

Each manager hired will be assigned a benchmark. Active managers are expected to exceed their benchmark net of fees, and to perform in the upper half of a universe of managers in a similar style over a market cycle. Passive managers are expected to track their respective benchmarks with minimal tracking error. Guidelines for each of the asset classes are outlined in the next section.

IV. Manager Guidelines

A. Fixed Income Managers

1. Investment objective. Active bond managers are expected to beat a benchmark appropriate to their style, and to perform in the top half of a universe of similar portfolios. The benchmark used for comparison should be assigned to the manager as part of the selection process.
2. Permissible securities. Fixed income managers may invest in U.S. Government and agency bonds, U.S. domestic corporate bonds, asset-backed and mortgage-backed securities, and convertible bonds.
3. Non-permissible securities. Fixed income managers are prohibited from investing in equity securities (except for term trusts) and municipal bonds. Fixed income managers are also prohibited from investing in commodities, unregistered letter stock, foreign securities (other than those evidenced by American Depository Receipts which are listed on the New York Stock Exchange (NYSE), warrants, loans of portfolio securities, venture capital issues and private placements.
4. Non-permissible transactions. Fixed income managers are prohibited from purchasing securities on margin or selling short.
5. Cash balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager's discretion, keeping in mind that the benchmark will be applied to the manager's total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.
6. Marketability. Fixed income securities should be readily marketable.
7. Diversification. Fixed income obligations of any one issuer, other than securities subject to the guarantee of the United States government or any of its agencies, should represent no more than 5% of the aggregate fair market value of a manager's portfolio.

B. Domestic Equity Managers

1. Investment Objective. Active equity managers are expected to outperform a benchmark appropriate to their style (value, core or growth) and market capitalization (large, mid and small). In addition, active equity managers should be ranked in the upper half of a universe of similar portfolios. Passive equity managers are expected to track their appropriate benchmark.
2. Permissible securities. Equity managers may invest in common stocks, convertible securities, and American Depositary Receipts (ADRs) for listed securities of foreign corporations. Listed securities are those traded on the NYSE, American Stock Exchange (AMEX) and National Association of Securities Dealers Automated Quotation System (NASDAQ) exchanges. Any investment in convertible debentures must carry an investment grade rating of "A" or better. Securities purchased should come from the universe of their benchmark – or closely resemble them. For example, a large cap value manager should largely purchase large cap value securities. However, it is acceptable to purchase a modest amount of mid cap value or large cap growth as long as the characteristics and the performance of the fund generally resemble those of a large cap value fund.
3. Non-permissible securities. Equity managers may not invest in foreign securities other than those defined above, fixed income securities, commodities, unregistered letter stock, warrants, real estate mortgages, all options and futures, real or personal property, oil and gas property, loans of portfolio securities, venture capital issues, private placements, securities of a contributing employer, and derivatives. Derivatives include collateralized mortgage obligations, interest-only and principal-only strips, and currency swaps or other specialized investment activities.
4. Non-permissible transactions. Except with the written consent of the Board, equity managers may not purchase securities on margin or sell short.
5. Cash balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager's discretion, keeping in mind that the benchmark will be applied to the manager's total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.
6. Marketability. Securities should be marketable. It is understood that small- and mid-capitalization stocks offer less liquidity than more widely held securities.
7. Diversification. Equity investments by a Manager in any single corporation shall be limited to no more than 5% of the Manager's total portfolio based on the fair market value of the portfolio at the time of purchase, and no more than 10% of the Manager's total portfolio at any quarterly valuation. The portfolio should also be appropriately diversified by industry sector. The manager should inform the Board in writing of any violation within 10 business days of its occurrence.
8. Income. There are no minimum yield or dividend requirements.

C. International Equity Managers

1. Investment objective. Active international equity managers are expected to outperform a benchmark appropriate to their style. In addition, active international equity managers should be ranked in the upper two quartiles of a universe of similar portfolios.
2. Permissible securities. International equity managers must invest in securities of companies not domiciled in the United States, including common stocks traded on any major stock exchange or ADRs traded in the United States, global depository receipts (GDRs) and preferred stocks traded on any major stock exchange. International equities include equities of both developed countries and emerging markets.
3. Non-permissible securities. Foreign equity managers may not invest in equities of U.S.-domiciled companies, fixed income securities, commodities, unregistered letter stock, warrants, real estate mortgages, all options and futures, real or personal property, oil and gas property, loans of

portfolio securities, venture capital issues, private placements, securities of a contributing employer, and derivatives. Derivatives include collateralized mortgage obligations, interest-only and principal-only strips, and currency swaps or other specialized investment activities.

4. Non-permissible transactions. Except with the written consent of the Board, equity managers may not purchase securities on margin or sell short.
5. Cash Balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager's discretion, keeping in mind that the benchmark will be applied to the manager's total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.
6. Marketability. Securities should be marketable. It is understood that international equity securities, especially in emerging markets, offer less liquidity than more widely held securities.
7. Diversification. Equity investments by a Manager in any single corporation shall be limited to no more than 5% of the manager's total portfolio based on the fair market value of the portfolio at the time of purchase, and no more than 10% at any quarterly valuation. The portfolio should also be appropriately diversified by industry sector. The Manager should inform the Board in writing of any violation within 10 business days.
8. Income. There are no minimum yield or dividend requirements.

D. Alternative Investments

Alternative investments should be considered with the goal of increasing the return of the portfolio without increasing risk, or lowering risk of the overall portfolio without lowering return.

If the Board allocates part of the portfolio to an alternative asset class, separate investment guidelines specific to that asset class shall be adopted.

V. Manager Guidelines

Investment managers may not act upon written or oral instructions from any person other than the Board, or the Administrator acting on behalf of the Board or the Administrator.

A. Discretionary Authority

Managers are given full discretion to act in accordance with the Statement of Investment Policy and Guidelines. In placing portfolio transaction orders on behalf of the Trust, each manager shall obtain execution of orders through responsible broker/dealers at the most favorable prices and at competitive commission rates, taking into consideration the efficiency of execution of the transaction.

B. Reporting

1. Within 14 calendar days a manager must inform the Board of changes in organizational structure, ownership, or key personnel. Also a Manager must inform the Board of material litigation brought by a client or former client relating to investment advisory services, or any enforcement proceeding by a regulatory agency that would have a material effect on the manager, within 14 calendar days after the manager has been notified of the litigation or the enforcement proceeding.
2. On a monthly basis each manager is to submit a portfolio statement. The monthly statement should include market and book values for all security holdings and performance results

compared with the designated benchmark.

3. On a quarterly basis each manager is to submit a brief letter or report on the status of and outlook for his or her portfolio. The report should address the following:
 - Economic investment and outlook;
 - Investment strategy (short- and intermediate-term)
 - Explanation of any high concentrations in any one sector or security;
 - A list of portfolio holdings or a summary of the largest holdings;
 - Commissions on trades upon request;
 - Market and book values for all security holding;
 - Performance results compared with designated benchmarks;
 - Brokerage commission reports (if any);
 - Turnover ratio;
 - Derivative use;
 - Quality ratings with average quality (for fixed income portfolios).
4. On an annual basis each manager may be required to submit an annual proxy voting report and the filing of Form ADV with the Securities and Exchange Commission.

C. Proxy Voting

The Board requires that managers exercise authority with regard to proxy voting, acting solely in the interest of and for the exclusive purpose of providing benefits to participants and beneficiaries, and always acting in the best interests of participants and beneficiaries. With regard to corporate governance, proxy votes should be against proposals to limit or eliminate liability for violation of duty of care and to indemnify directors in instances of gross negligence.

Managers shall be able to provide, upon request, an annual proxy voting report that shall include the following:

- Summation of all votes cast;
- Affirmation that all stock holdings with votes due were voted;
- Description of proposed changes in proxy voting policies;
- Confirmation that all votes cast were consistent with policy;
- Explanation of any violation of the previous requirements.

D. Cost Management

1. Turnover. The Board acknowledges that in the course of a year, investment conditions and opportunities will require managers to buy and sell securities on the Board's behalf. While the Board does not wish to inhibit the normal transactions executed by the managers, it does wish to be made aware of the need for any high levels of turnover to avoid churning the portfolio. The following reporting requirements are therefore for control purposes and are not necessarily intended to limit portfolio turnover to the stated limits.
 - Turnover is defined as the lesser of total purchases or sales divided by opening balance. Convertible bonds are considered equity surrogates and are subject to the discussions for common stocks. Preferred stocks are considered perpetual bond surrogates and are subject to the discussions for corporate bonds.
 - Equity turnover. Within five business days of the time in any calendar quarter in which the cumulative equity turnover during the quarter exceeds 30%, or within any calendar year in which the cumulative equity turnover exceeds 100%, the manager must submit a report to the Administrator stating the reason for the turnover as well as a list of any brokerage firms whose fees during the quarter or year exceeded \$10,000.

- Fixed income turnover. Within five business days of the time in any calendar quarter in which the cumulative fixed income turnover during the quarter exceeds 100% or within any calendar year in which the cumulative fixed income turnover exceeds 200%, the manager must submit a report stating the reason for the turnover as well as a list of any brokerage firms handling more than 20% of the subject trades. U.S. government securities, used as collateral as part of the repurchase agreements, are exempt from this requirement.
 - Turnover may be considered as one factor in the money manager selection and retention process.
2. Broker Relations. The manager is free to execute trades whenever it is in the best interests of the Trust, and will have the discretion to execute transactions with brokerage firms of his or her choosing.
- The selection of a broker should be based on the quality of executions. Factors affecting the quality of executions include the financial health of the brokerage firm, the business integrity of the brokerage firm, commission costs and overall efficiency.
 - Commission dollars are a Trust asset and should not be used for purposes other than those that directly benefit Trust participants. The investment manager is required to provide reports and descriptions of all soft dollar arrangements involving the use of commission dollars to acquire resources of any type.

VI. Execution of Investment Policy

IN WITNESS WHEREOF, this document has been approved and executed by the undersigned on this

_____ day of August __, 2020

Metropolitan District of Connecticut Other Post-Employment Benefits Trust

Date: _____

By: _____
Trust Administrator

By: _____
Board Chairman

ADDENDUM

ASSET ALLOCATION

The Board has currently adopted the following asset allocation at market value:

	<u>Allocation</u>	<u>Range</u>
Large Cap Equity	80%	+/- 10%
Fixed Income	20%	+/- 10%

**COMMITTEE ON ORGANIZATION
APPOINTMENT OF COMMISSIONERS
TO COMMITTEES**

To: District Board

From: Committee on Organization

September 2, 2020

At a meeting of the Committee on Organization held on September 2, 2020, it was:

Voted: That the Committee on Organization recommend to the District Board the appointment of the following Commissioners to the following Committees:

Bureau of Public Works

James Woulfe
Richard Bush
Calixto Torres

Water Bureau

Jon Petosky
Diane Lewis

Personnel, Pension & Insurance

John Avedisian

Audit

Diane Lewis

Strategic Planning Committee

James Woulfe
Richard Bush
Calixto Torres
Dominic Pane

Respectfully Submitted,



John S. Mirtle, Esq.
District Clerk

**ACCEPTANCE OF BID RECEIVED FOR SALE OF
348 TOLLAND STREET EAST HARTFORD**

To: District Board

September 2, 2020

The Metropolitan District ("District") is the owner of real property located at 348 Tolland Street in East Hartford ("Property"). The District obtained ownership of the property in 1941 when the Town of East Hartford ("Town") joined the District as a member town. Until recently, the Property had been leased to the Town for its use by the fire department. The Town determined that it no longer had use for the Property and vacated the premise. Due to the known use of the Property, in 2014 the District performed a Phase I Environmental Site Assessment which identified potential contamination at the Property. Since that time, the Property has been vacant and the District has determined that it has no practical use for the Property, and the Board authorized the sale of the Property. The Town of East Hartford has no interest in acquiring the Property.

On May 21, 2020 the District issued an Invitation to Bid (#2020B-17) for the sale of the Property. The deadline to submit bids was July 15, 2020 and the District received one (1) bid. Under the terms of ITB #2020B-17, the District and the successful bidder entered into a purchase and sale agreement with final approval of the bid amount subject to the District Board's approval.

It is hereby recommended that the following resolution be approved:

RESOLVED: That the District hereby accepts the bid price submitted by Environmental Services, Inc. in the amount of \$10,001.00 in response to Invitation to Bid #2020B-17 for the purchase of 348 Tolland Street in East Hartford.

**FURTHER
RESOLVED:** That the District's Chief Executive Officer is hereby authorized to enter into and execute any and all manner of other documents and to take such other actions as the CEO and the District Counsel may deem appropriate and in the best interests of the District in order to effect the above sale;

Respectfully submitted,



John S. Mirtle, Esq.
District Clerk