

**BOARD OF FINANCE
SPECIAL MEETING
The Metropolitan District
555 Main Street
Tuesday, June 23, 2020**

PRESENT: Commissioners Andrew Adil, Donald Currey, Allen Hoffman, Pasquale J. Salemi and District Chairman William A. DiBella; Citizen Members Ram Aberasturia and Joan McCarthy Gentile (7)

ABSENT: Citizen Members Ronald Angelo and Linda King-Corbin (2)

ALSO

PRESENT: Commissioner Dominic Pane
Commissioner Bhupen Patel
Scott W. Jellison, Chief Executive Officer
Christopher Stone, District Counsel
Steven Bonafonte, Assistant District Counsel
John S. Mirtle, District Clerk
Kelly Shane, Chief Administrative Officer
Christopher Martin, Chief Financial Officer
Christopher Levesque, Chief Operating Officer
Sue Negrelli, Director of Engineering
Tom Tyler, Director of Facilities
Victoria S. Escoriza, Executive Assistant
David Silverstone, Consumer Advocate
Adam Krea, Hilltop Securities
Joe Vitale, Bond Counsel
Bruce Chudwick, Shipman & Goodwin, LLP

CALL TO ORDER

Chairman Salemi called the meeting to order at 5:09 PM

PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS

David Silverstone, Consumer Advocate, spoke in favor of Agenda Item #4, "Authorization For Revenue Bond Issuance: (A) \$20 Million In Unfunded Clean Water Project Expenses; (B) Taxable Advance Refunding Of Outstanding Revenue Bonds; And (C) Tax Exempt Refunding Of Clean Water Fund Loans"

APPROVAL OF MINUTES

On motion made by District Chairman DiBella and duly seconded, the meeting minutes of the Board of Finance meeting of May 27, 2020 were approved.

DEBT ISSUANCE RESOLUTION TO REFUND CERTAIN OF THE DISTRICT'S REVENUE BONDS AND/ OR CLEAN WATER FUND OBLIGATIONS AND TO ISSUE REVENUE BONDS FOR NEW MONEY FOR THE CLEAN WATER PROJECT

Issuance of Up To \$382,055,000 in Refunding Revenue Bonds and up to \$20,000,000 in Revenue Bonds

To: Board of Finance for consideration on June 23, 2020.

Staff is seeking authority for the District to issue up to \$382,055,000 in revenue bonds that will refund up to \$70,575,000 of the District's Clean Water Project Revenue Bonds, 2013 Series A (the "2013 Bonds") and/or up to \$126,165,000 of the District's Clean Water Project Revenue Bonds, 2014 Series A (Green Bonds) (the "2014 Bonds" and together with the 2013 Bonds, the "Refunded Revenue Bonds") and/or up to \$185,315,000 of the District's State of Connecticut Clean Water State Revolving Fund Project Loan Obligations (the "CWF Loans," and together with the Refunded Bonds, the "Refunded Obligations") and to issue up to \$20,000,000 in revenue bonds to provide additional funds for the Clean Water Project.

Hilltop Securities, Inc. has completed a financial analysis of the District's outstanding publicly offered debt and Goldman Sachs & Co. LLC has completed a financial analysis of the District's outstanding CWF Loans. Based on current market conditions, Hilltop Securities, Inc. is projecting positive net present value savings for the refunding of the Refunded Revenue Bonds and Goldman Sachs & Co. LLC is projecting positive net present value savings for the refunding of the CWF Loans. Based on these projections, staff recommends that the District refund various maturities of the District's Refunded Obligations.

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

It is therefore RECOMMENDED that it be:

Voted: That the Board of Finance finds that the issuance of up to \$20,000,000 in revenue bonds to provide additional funds for the Clean Water Project is in the best interests of the District.

That the Board of Finance finds, based on the recommendation of staff, that the redeeming of the Refunded Obligations will result in a net present value savings to the District and is in the best interests of the District.

That the Board of Finance recommends to the District Board passage of the following resolution:

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$382,055,000 CLEAN WATER PROJECT REFUNDING REVENUE BONDS OF THE METROPOLITAN DISTRICT AND AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$20,000,000 CLEAN WATER PROJECT REVENUE BONDS OF THE METROPOLITAN DISTRICT, THE EXECUTION AND DELIVERY OF

A SUPPLEMENT TO THE SPECIAL OBLIGATION INDENTURE OF TRUST, AND RELATED AGREEMENTS

WHEREAS, the Metropolitan District (the “District”) has entered into a consent decree of the United States District Court of the District of Connecticut, 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 “U.S. Consent Decree”), and a consent order and a general permit for nitrogen discharges, and existing municipal national pollutant discharge elimination system permits of the State of Connecticut Department of Energy and Environmental Protection, formerly the State of Connecticut Department of Environmental Protection (“CDEP”) entered into by and between the District and the Commissioner of the CDEP (the “Connecticut Consent Order” and together with the U.S. Consent Decree, the “Governmental Orders”), including, but not limited to the obligation to provide for (i) the rehabilitation and reconstruction of portions of the District’s sanitary sewer systems, (ii) the renovation of the combined sewer system, (iii) improvements to water pollution control facilities, (iv) development of a nitrogen removal program, (v) the separation of sewerage and storm water drainage collection systems and (vi) the construction of additional storage, conveyance and treatment facilities (herein referred to as the “Project”);

WHEREAS, the District to date has appropriated \$1.74 billion in capital expenditures for the costs of the Project, and authorized the issuance of \$1.6 billion in its bonds for purposes of financing such capital expenditures;

WHEREAS, the District has issued its \$85,000,000 Clean Water Project Revenue Bonds, 2013 Series A (the “2013 Bonds”) and its \$140,000,000 Clean Water Project Revenue Bonds, 2014 Series A (Green Bonds) (the “2014 Bonds” and together with the 2013 Bonds, the “**Refunded Revenue Bonds**”);

WHEREAS, the District has issued \$421,285,237 in outstanding principal amount State of Connecticut Clean Water State Revolving Fund Project Loan Obligations to fund Clean Water Project capital expenses only (the “**CWF Loans**” and together with the Refunded Revenue Bonds, the “**Refunded Obligations**”);

WHEREAS, the District has by ordinance adopted October 1, 2007 adopted Section S12x of its Ordinances Relating to Sewers, which provides for a Special Sewer Service Charge for customers of the District who utilize the District’s sewer system and are furnished water directly by the District (the “**Special Sewer Surcharge**”), which Special Sewer Surcharge shall be established annually through the District’s budget approval process, shall be uniformly applied to, and be proportional to the quantity of water used by, such customers, and shall be used exclusively for the payment of principal and interest on certain bonds issued or which may be issued and other loans, including State of Connecticut Clean Water Fund loans, to finance all costs associated with any and all measures necessary to comply with the Governmental Orders, including the costs of the Project;

WHEREAS, Chapter 103 of the General Statutes the Municipal Sewerage Act (the “Municipal Act”) provides for the issuance of bonds, notes and other obligations by a municipality, including the District, which may be secured as to both principal and interest by a pledge of revenues to be derived from sewerage system use charges, including the Special Sewer Surcharge;

WHEREAS, the District's Charter, as amended by Special Act 90-27, and as it may be amended from time to time (the "Charter," and together with the Municipal Act, the "Authorizing Acts"), provides for the issuance of bonds, notes and other obligations by the District, and in connection therewith to enter into reimbursement agreements or similar agreements in connection with credit facilities, including, but not limited to, letters of credit or policies of bond insurance, remarketing agreements and agreements for the purpose of moderating interest rate fluctuations;

WHEREAS, the District proposes to issue special obligation bonds to be secured by a pledge of the Special Sewer Surcharge pursuant to the Authorizing Acts;

WHEREAS, special obligation bonds issued pursuant to the Municipal Act are not subject to the limit on indebtedness of the District provided for in the Charter;

WHEREAS, the District proposes to issue bonds pursuant to the Special Obligation Indenture of Trust dated as of June 1, 2013 (the "**Special Obligation Indenture**") and a Third Supplemental Indenture thereto (the "**Third Supplemental Indenture**" and together with the Special Obligation Indenture, the "**Indenture**") with U.S. Bank National Association, to finance the costs of the Project;

WHEREAS, the Indenture provides for the issuance of the Special Obligation Bonds (the "**Bonds**") of the District, payable solely from the Special Sewer Surcharge, and other receipts, funds or moneys pledged under the Indenture, if any, and that such Bonds shall be special obligations of the District, payable solely from Pledged Revenues, and other receipts, funds or moneys pledged under the Indenture, and respective supplemental indentures thereto for each series of Bonds;

WHEREAS, the Board of Finance found, based on the recommendation of staff, that the redemption of the Refunded Obligations will result in a net present value savings to the District and is in the best interests of the District;

WHEREAS, the District proposes to issue up to \$382,055,000 of its revenue bonds in one or more series, some of which may be tax exempt and some of which may be taxable, to refund all or any portion of the Refunded Obligations (collectively the "**2020 Refunding Bonds**") which were issued to fund costs of the Project, and up to \$20,000,000 of its revenue bonds (the "**2020 New Money Obligations**" and collectively with the 2020 Refunding Bonds, the "**2020 Obligations**") to fund costs of the Project;

WHEREAS, the District intends to prepare a preliminary official statement and final official statement for the purpose of presenting information in connection with the offering and sale of the 2020 Obligations.

WHEREAS, the District proposes to issue and sell the 2020 Obligations to underwriters led by Goldman Sachs & Co. LLC (or its affiliates), pursuant to a bond purchase agreement (the "Contract for Purchase"), to be negotiated between the District and the underwriters.

WHEREAS, a portion of the series of the 2020 Refunding Bonds used to refund the Refunded Revenue Bonds are expected to be issued on terms such that the interest thereon shall not be excludable from gross income for federal income tax purposes.

WHEREAS, the series of the 2020 Refunding Bonds used to refund the CWF Loans and the 2020 New Money Obligations are expected to be issued on terms such that the interest thereon shall be excludable from gross income for federal income tax purposes, and for the purpose of establishing such terms and giving assurance as to future compliance with the Internal Revenue Code of 1986, the District proposes to enter into a Tax Regulatory Agreement.

WHEREAS, pursuant to Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as part of the offering of the 2020 Obligations the District proposes to enter into a Continuing Disclosure Agreement.

NOW THEREFORE, BE IT RESOLVED, by the District Board as follows:

Section 1. Not exceeding \$382,055,000 refunding revenue bonds (the "2020 Refunding Bonds") of the Metropolitan District (the "District") may be issued in one or more series and in such principal amounts as the Chairman, or in his absence, the Vice Chairman, and the District Treasurer, or in his absence, the Deputy Treasurer (the "**Authorized Officers**") shall determine to be in the best interests of the District for the purpose of achieving net present value savings and/or to moderate debt service payments. The 2020 Refunding Bonds are hereby authorized to refund all or any portion of any one or more maturities of the District's outstanding Refunded Obligations, or so much of them as may be determined by the Authorized Officers, plus the costs of issuance. Each series of the 2020 Refunding Bonds shall mature in such amounts and on such date or dates as shall be determined by the Authorized Officers, provided that no 2020 Refunding Bonds shall mature later than the final maturity date of the last maturity of any Refunded Obligations being refunded by such series. The 2020 Refunding Bonds shall bear interest payable at such rate or rates as shall be determined by the Authorized Officers. The 2020 Refunding Bonds shall be executed in the name and on behalf of the District by the manual or facsimile signatures of the Authorized Officers, bear the District seal or a facsimile thereof, and be approved as to their legality by Hinckley, Allen & Snyder LLP and Shipman & Goodwin LLP, Bond Counsel to the District. The aggregate denominations, form, details, and other particulars thereof, including the terms of any rights of redemption and redemption prices, the designation of the certifying, paying, registrar and transfer agent, shall be subject to the approval of the Authorized Officers. The net proceeds of the sale of the 2020 Refunding Bonds, after payment of underwriter's discount and other costs of issuance, shall be deposited in one or more irrevocable escrow accounts, or otherwise used, in an amount sufficient to pay the principal of, interest and redemption premium, if any, due on the Refunded Obligations to maturity or earlier redemption pursuant to the plan of refunding. The Authorized Officers are authorized to appoint an escrow agent and other professionals and to execute and deliver any and all escrow, investment and related agreements necessary to provide for such payments on the Refunded Obligations and to provide for the transactions contemplated hereby. The Authorized Officers are authorized to execute and deliver on behalf of the District such documents necessary or desirable for the issuance of the 2020 Refunding Bonds and the redemption of the Refunded Obligations. The Authorized Officers are authorized to

execute and deliver one or more Tax Regulatory Agreements for the 2020 Refunding Bonds on behalf of the District in such form as they shall deem necessary and appropriate, and to rebate to the Federal government such amounts as may be required pursuant to the Tax Regulatory Agreements for the purpose of complying with the requirements of the Internal Revenue Code of 1986, as amended.

Section 2. The District Board finds that the issuance of a portion of the 2020 Refunding Bonds used to refund the Refunded Revenue Bonds on a taxable basis is in the best interests of the District.

Section 3. Not exceeding \$20,000,000 revenue bonds of the Metropolitan District, (the "**2020 New Money Obligations**" and together with the 2020 Refunding Bonds, the "**2020 Obligations**") are hereby authorized to be issued to fund such portion of the authorized and unissued balances of the capital appropriations for the Project, plus the costs of issuance. The 2020 New Money Obligations shall be dated the date of their delivery, and shall mature on or about April 1 from 2021 through up to 2050, with the final maturity dates to be determined in the discretion of the Authorized Officers, bearing interest semi-annually each year until maturity. The 2020 New Money Obligations shall be payable at and certified by U.S. Bank National Association, which bank shall also serve as registrar and transfer agent for the 2020 New Money Obligations. The Authorized Officers are authorized to execute and deliver one or more Tax Regulatory Agreements for the 2020 New Money Obligations on behalf of the District in such form as they shall deem necessary and appropriate, and to rebate to the federal government such amounts as may be required pursuant to the Tax Regulatory Agreements for the purpose of complying with the requirements of the Internal Revenue Code of 1986, as amended.

Section 4. The District Board determines it is advisable and in the best interest of the District to authorize, and does hereby authorize, the District to enter into the Third Supplemental Indenture to the Special Obligation Indenture and to effect the pledge of the Special Sewer Surcharge as provided for therein, such agreement to be in the form, or substantially the form, as has been or shall be distributed to the District Board, and authorizes the Authorized Officers to execute and deliver such agreement in such form, with such further changes and additions as they shall approve, such approval to be conclusively evidenced by the execution and delivery of such agreements by such Authorized Officers.

Section 5. The District Board also determines to deposit into the Rate Stabilization Fund established under the Indenture and subject to the pledge of the Indenture, all Special Sewer Surcharge revenues of the District which have not heretofore been used by the District to pay indebtedness of the District.

Section 6. The District Board authorizes the use of such preliminary official statement in connection with the public offering of the 2020 Obligations as the proper officers shall deem advisable, and authorizes the Authorized Officers, in the name of the District, to deem the preliminary official statement and such supplements final when appropriate and execute a final official statement and such supplements, and any further amendment or supplement thereto, in connection with and after the sale of the 2020 Obligations.

Section 7. The District Treasurer, or in his absence the Deputy Treasurer, is hereby delegated the authority to determine the principal amount, maturities, rate or rates of interest redemption terms, and the other particulars of the 2020 Obligations, and to deliver the 2020 Obligations to the purchaser thereof in accordance with this resolution. The Authorized Officers are authorized to execute and deliver a Third Supplemental Indenture setting forth all the terms of the 2020 Obligations so determined, in such form as they shall deem necessary and appropriate. The Authorized Officers are authorized to negotiate, execute and deliver a Contract of Purchase with Goldman Sachs & Co. LLC setting forth all the terms of sale of the 2020 Obligations, including the underwriters' discount for such sale, in such form as they shall deem necessary and appropriate. The Authorized Officers are authorized to execute and deliver a Tax Regulatory Agreement for the 2020 New Money Obligations and the portion of the 2020 Refunding Obligations issued on a tax exempt basis on behalf of the District in such form as they shall deem necessary and appropriate, and to rebate to the federal government such amounts as may be required pursuant to the Tax Regulatory Agreement for the purpose of complying with the requirements of the Internal Revenue Code of 1986, as amended. The Authorized Officers are authorized to execute and deliver a Continuing Disclosure Agreement and any and all agreements and documents necessary to effect the issuance and sale of the 2020 Obligations in accordance with the terms of this resolution. The proper officers of the District are hereby authorized to do and perform such acts, and execute and deliver, in the name of the District, such additional instruments, agreements and certificates as they deem necessary or appropriate to carry into effect the intent of the foregoing resolutions, and as shall not be inconsistent with the foregoing resolutions.

Section 8. The District hereby determines and declares, for purposes of Section 7-263 of the Connecticut General Statutes, that the 2020 Obligations are part of a single plan of finance that also includes all prior borrowings from the State of Connecticut Clean Water State Revolving Fund for the purpose of financing the Project, and all prior general obligation bonds of the District (but not any bond anticipation notes issued in anticipation of the issuance of such general obligation bonds) issued for purposes of financing the Project.

Section 9. This resolution will take effect immediately.

Respectfully Submitted,



Scott W. Jellison
Chief Executive Officer

On motion made by District Chairman DiBella and duly seconded, the report was received and resolution adopted by unanimous vote of those present.

REIMBURSEMENT FOR CLEAN WATER PROJECT EXPENSES FROM 2014 SPECIAL REVENUE BONDS

Christopher Martin, Chief Financial Officer, gave a presentation regarding the reimbursement for Clean Water Project expenses from 2014 Special Revenue Bonds.

COMMISSIONER COMMENTS AND QUESTIONS

Commissioner Salemi inquired about the Sewer User Charge Study

CEO Scott Jellison provided an update on cessation of shutoffs and interest charges. He stated the resumption of charging interest will be effective August 1st.

ADJOURNMENT

The meeting was adjourned at 6:14 PM

ATTEST:

John S. Mirtle, Esq.
District Clerk

Date of Approval