

OFFICIAL STATEMENT DATED OCTOBER 21, 2021

**NEW ISSUE/REFUNDING ISSUE – Book-Entry Only**

**Ratings: Moody's: "Aa2" S&P: "AA-"  
See "RATINGS" herein.**

*In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the District with certain tax covenants and procedures relating to the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2021 Series A Bonds is excluded from gross income for Federal income tax purposes, and is not treated as a tax preference item for purposes of computing the Federal alternative minimum tax imposed under the Code. Interest on the 2021 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In the opinion of Bond Counsel, under existing statutes, interest on the 2021 Series AB Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the 2021 Series AB Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See "TAX MATTERS" herein for a description of certain other Federal income tax consequences of ownership of the 2021 Series AB Bonds.*



**\$201,440,000**

**THE METROPOLITAN DISTRICT  
HARTFORD COUNTY, CONNECTICUT**

**\$66,030,000 Clean Water Project Revenue Bonds, 2021 Series A**

**\$135,410,000 Clean Water Project Refunding Revenue Bonds, 2021 Series B (Federally Taxable)**

**Dated: Date of Delivery**

**2021 Series A Bonds Due February 1, as shown on inside cover page**

**2021 Series B Bonds Due November 1, as shown on inside cover page**

The 2021 Series A Bonds and the 2021 Series B Bonds (together, the "2021 Series AB Bonds") are special obligations of The Metropolitan District, Hartford County, Connecticut (the "MDC" or the "District"), a body politic and corporate created by the Connecticut General Assembly in 1929 under Act No. 511 of the Special Acts of 1929 (as amended, the "MDC Charter"), and are issued pursuant to the MDC Charter and Chapter 103 of the Connecticut General Statutes, as amended (the "Act" and together with the MDC Charter, the "Authorizing Acts"), the Special Obligation Indenture of Trust by and between the MDC and U.S. Bank National Association (the "Trustee"), dated as of June 1, 2013 (the "Special Obligation Indenture"), as supplemented by the Fourth Supplemental Indenture thereto (the "Fourth Supplemental Indenture" and together with the Special Obligation Indenture, the "Indenture"), for the purpose of providing funds for the Clean Water Project described in this Official Statement (the "Clean Water Project"), including prepaying certain State of Connecticut (the "State") Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project, refunding certain outstanding bonds of the District previously issued to finance the Clean Water Project and paying costs of issuance of the 2021 Series AB Bonds. The 2021 Series AB Bonds are secured by a pledge of and payable from the Trust Estate, and are on a parity with the District's Clean Water Project Revenue Bonds, 2014 Series A (Green Bonds) (the "2014 Series A Bonds"), currently outstanding in the aggregate principal amount of \$123,090,000, Clean Water Project Revenue Bonds, 2020 Series A (the "2020 Series A Bonds"), currently outstanding in the aggregate principal amount of \$50,000,000, and Clean Water Project Revenue Bonds, 2020 Series B (Federally Taxable) (the "2020 Series B Bonds"), currently outstanding in the aggregate principal amount of \$73,965,000, issued and outstanding under the Indenture, and all outstanding Additional Bonds hereafter issued under the Indenture (the 2014 Series A Bonds, the 2020 Series A Bonds, the 2020 Series B Bonds, the 2021 Series AB Bonds and any such Additional Bonds are collectively the "Bonds"). The Trust Estate includes Pledged Revenues, which are special revenues to be received by the MDC from a Clean Water Project Charge, together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate. Capitalized terms used herein have the meanings given to them in this Official Statement, including Appendix C hereto.

(See inside front cover page for maturities, interest rates and prices or yields.)

**The 2021 Series AB Bonds are not a general obligation of the MDC. The 2021 Series AB Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof other than the MDC or a pledge of the full faith and credit of the State or of any such political subdivision including the MDC, but shall be payable solely from the Trust Estate. Neither the State nor any political subdivision thereof other than the MDC shall be obligated to pay the same or the interest thereon except from the Trust Estate, and neither the full faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the 2021 Series AB Bonds.**

The 2021 Series AB Bonds are issuable only as fully-registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the 2021 Series AB Bonds. Purchases of the 2021 Series AB Bonds will be made in book-entry form. 2021 Series AB Bonds will be in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2021 Series AB Bonds. So long as Cede & Co. is the bondowner, as nominee of DTC, reference herein to the bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the 2021 Series AB Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Principal of and semiannual interest on the 2021 Series AB Bonds will be paid directly to DTC by U.S. Bank National Association, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the bondowner. U.S. Bank National Association will act as Escrow Agent for the 2021 Series AB Bonds. Interest on the 2021 Series A Bonds will be payable semiannually on February 1 and August 1, in each year, commencing February 1, 2022. Interest on the 2021 Series B Bonds will be payable semiannually on May 1 and November 1, in each year, commencing May 1, 2022. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The 2021 Series AB Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein.

*The 2021 Series AB Bonds are offered when, as, and if issued and received by the Underwriters (as set forth on this cover page), subject to the approval of legality by Shipman & Goodwin LLP, Bond Counsel of Hartford, Connecticut, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Pullman & Comley, LLC of Hartford, Connecticut. It is expected that the 2021 Series AB Bonds in definitive form will be available for delivery at The Depository Trust Company in New York, New York on or about November 3, 2021.*

**Siebert Williams Shank & Co., LLC**  
**Morgan Stanley**

**Goldman Sachs & Co. LLC**  
**Raymond James**

**\$201,440,000**

**THE METROPOLITAN DISTRICT  
HARTFORD COUNTY, CONNECTICUT**

<b>\$66,030,000</b>					<b>\$135,410,000</b>				
<b>Clean Water Project Revenue Bonds, 2021 Series A</b>					<b>Clean Water Project Refunding Revenue Bonds, 2021 Series B (Federally Taxable)</b>				
<u><b>MATURITY SCHEDULE</b></u>					<u><b>MATURITY SCHEDULE</b></u>				
<b>Year February 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup></b>	<b>Year November 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>	<b>CUSIP<sup>†</sup></b>
2022	\$5,180,000	5.000%	0.140%	416498DL4	2022	\$5,440,000	0.415%	100.000%	416498EG4
2023	4,470,000	5.000	0.240	416498DM2	2023	5,450,000	0.515	100.000	416498EH2
2024	4,585,000	5.000	0.310	416498DN0	2024	5,475,000	0.892	100.000	416498EJ8
2025	4,705,000	5.000	0.420	416498DP5	2025	5,525,000	1.167	100.000	416498EK5
2026	4,830,000	5.000	0.600	416498DQ3	2026	5,590,000	1.397	100.000	416498EL3
2027	4,955,000	5.000	0.770	416498DR1	2027	5,670,000	1.574	100.000	416498EM1
2028	5,095,000	5.000	0.980	416498DS9	2028	5,755,000	1.774	100.000	416498EN9
2029	5,230,000	5.000	1.130	416498DT7	2029	5,855,000	2.016	100.000	416498EP4
2030	5,370,000	5.000	1.300	416498DU4	2030	5,980,000	2.116	100.000	416498EQ2
2031	5,525,000	5.000	1.380	416498DV2	2031	6,100,000	2.216	100.000	416498ER0
2032*	5,300,000	5.000	1.460	416498DW0	2032	6,235,000	2.366	100.000	416498ES8
2033*	4,800,000	5.000	1.510	416498DX8	2033	6,385,000	2.496	100.000	416498ET6
2034*	885,000	4.000	1.700	416498DY6	2034	6,545,000	2.596	100.000	416498EU3
2035*	710,000	4.000	1.760	416498DZ3	2035	6,720,000	2.696	100.000	416498EV1
2036*	660,000	4.000	1.810	416498EA7	2036	6,895,000	2.786	100.000	416498EW9
2037*	690,000	4.000	1.840	416498EB5					
2038*	715,000	4.000	1.870	416498EC3					
2039*	745,000	4.000	1.900	416498ED1					
2040*	775,000	4.000	1.930	416498EE9					
2041*	805,000	4.000	1.950	416498EF6					
					\$45,790,000 2.952% Term Bonds due November 1, 2042 <sup>‡</sup> / Price 100.000% / CUSIP 416498EX7 <sup>‡</sup> Subject to mandatory sinking fund redemption. See "Mandatory Sinking Fund Redemption – 2021 Series B Bonds" herein.				

\* Priced to the February 1, 2031 optional redemption date at a redemption price of 100%; however, any redemption is at the election of the District.

† The CUSIP numbers have been assigned by an independent company not affiliated with the MDC and are included solely for the convenience of the holders of the 2021 Series AB Bonds. None of the MDC, the Trustee or the Underwriters are responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the 2021 Series AB Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2021 Series AB Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2021 Series AB Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2021 Series AB Bonds.

No dealer, broker, salesperson or other person has been authorized by the MDC to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2021 Series AB Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the MDC and other sources which are believed to be reliable but is not guaranteed as to its accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of MDC since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2021 SERIES AB BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

In making an investment decision, investors must rely on their own examination of the security for the 2021 Series AB Bonds and terms of this offering, including the merits and risks involved. These securities have not been recommended by any Federal or state securities commissioners or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The Municipal Advisors to the MDC have provided the following sentence for inclusion in this Official Statement. The Municipal Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the MDC and, as applicable, to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisors do not guarantee the accuracy or completeness of such information.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Official Statement includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Without limiting the foregoing, the words “may,” “believe,” “may,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the MDC up to, and including, the date of this document, and the MDC assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including those contained in this Official Statement, including the cautionary statements under the caption “CONSIDERATIONS FOR BONDHOLDERS.” Investors should carefully review those factors.

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**THE METROPOLITAN DISTRICT  
HARTFORD COUNTY, CONNECTICUT**

**DISTRICT CHAIRS AND DISTRICT OFFICIALS**

<u>Function</u>	<u>Chair</u>
District Board of Commissioners.....	William A. DiBella
Water Bureau .....	Raymond Sweezy
Bureau of Public Works.....	Richard V. Vicino
Personnel, Pension & Insurance.....	Alvin E. Taylor
Board of Finance.....	Pasquale J. Salemi

<u>Position</u>	<u>District Officials</u>
Chief Executive Officer.....	Scott W. Jellison
Chief Operating Officer.....	Christopher J. Levesque
Chief Administrative Officer.....	Kelly J. Shane
District Clerk .....	John S. Mirtle
District Counsel.....	Christopher R. Stone
Chief Financial Officer/Treasurer .....	Robert O. Barron
Director of Engineering.....	Susan Negrelli
Controller .....	Thanh-Tra Phan
Director of Facilities.....	Thomas A. Tyler
Director of Information Technology .....	Robert B. Schwarm

<u>Municipal Advisors</u>
Hilltop Securities Inc.
Lamont Financial Services Corporation

<u>Independent Accountants</u>
CliftonLarsonAllen LLP

<u>Bond Counsel</u>
Shipman & Goodwin LLP

<u>Trustee</u>
U.S. Bank National Association

## 2021 SERIES A BONDS SUMMARY

*The information in this 2021 Series A Bonds Summary, the front cover page and the inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.*

<b>Issuer:</b>	The Metropolitan District, Hartford County, Connecticut (the “MDC” or the “District”).
<b>Issue:</b>	\$66,030,000 Clean Water Project Revenue Bonds, 2021 Series A (the “2021 Series A Bonds”).
<b>Dated Date:</b>	Date of Delivery.
<b>Interest Due:</b>	Each February 1 and August 1, commencing February 1, 2022.
<b>Principal Due:</b>	Annually, each February 1, from 2022 to 2041
<b>Authorized Denominations:</b>	\$5,000 or any integral multiple thereof.
<b>Authorization:</b>	The 2021 Series A Bonds are authorized pursuant to Act No. 511 of the Special Acts of 1929 (as amended, the “MDC Charter”) and Chapter 103 of the Connecticut General Statutes, as amended (the “Act” and together with the MDC Charter, the “Authorizing Acts”), and are authorized, issued and secured under the provisions of a Special Obligation Indenture of Trust dated as of June 1, 2013 (the “Special Obligation Indenture”) and a Fourth Supplemental Indenture (the “Fourth Supplemental Indenture” and together with the Special Obligation Indenture, the “Indenture”), by and between the MDC and U.S. Bank National Association, acting as trustee (the “Trustee”).
<b>Use of Proceeds:</b>	The proceeds of the 2021 Series A Bonds will be used to (i) finance the District’s Clean Water Project, including reimbursing the District for prior expenditures relating to the Clean Water Project, and prepay certain State of Connecticut Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project, (ii) current refund certain outstanding bonds of the District, and (iii) pay costs of issuance related to the 2021 Series A Bonds. See “INTRODUCTORY STATEMENT – Use of 2021 Series AB Bond Proceeds;” “CLEAN WATER PROJECT” and “DESCRIPTION OF THE 2021 SERIES AB BONDS – Plan of Refunding” herein.
<b>Redemption:</b>	Certain maturities of the 2021 Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See “DESCRIPTION OF THE 2021 SERIES AB BONDS – Redemption” herein.
<b>Security:</b>	The 2021 Series A Bonds will be special obligations of the District payable solely from the Trust Estate. See “SECURITY FOR THE 2021 SERIES AB BONDS” herein.
<b>Credit Ratings:</b>	The District has received credit ratings of “Aa2” from Moody’s Investors Service, Inc., (“Moody’s”) and “AA-” from S&P Global Ratings (“S&P”) on the 2021 Series A Bonds. See “RATINGS” herein.
<b>Tax Matters:</b>	See “TAX MATTERS” herein.
<b>Continuing Disclosure:</b>	MDC will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), substantially in the form of Appendix E to this Official Statement, with respect to the 2021 Series A Bonds in which it will agree to provide, or cause to be provided, in accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the 2021 Series A Bonds and (iii) timely notice of the failure by the District to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.
<b>Registrar, Transfer Agent, Paying Agent and Escrow Agent:</b>	U.S. Bank National Association, Global Corporate Trust, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.
<b>Legal Opinion:</b>	Shipman & Goodwin LLP, Hartford, Connecticut, will serve as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the 2021 Series A Bonds in book-entry-only form will be made to The Depository Trust Company on or about November 3, 2021.
<b>Issuer Official:</b>	Questions concerning the District and the 2021 Series A Bonds should be addressed to: Robert O. Barron, Chief Financial Officer/Treasurer, Telephone: 860-278-7850, The Metropolitan District, Hartford County, 555 Main Street, First Floor, Hartford, Connecticut 06103.
<b>Municipal Advisors:</b>	Hilltop Securities Inc. and Lamont Financial Services Corporation are serving as Municipal Advisors to the MDC.

## 2021 SERIES B BONDS SUMMARY

*The information in this 2021 Series B Bonds Summary, the front cover page and the inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.*

<b>Issuer:</b>	The Metropolitan District, Hartford County, Connecticut (the “MDC” or the “District”).
<b>Issue:</b>	\$135,410,000 Clean Water Project Refunding Revenue Bonds, 2021 Series B (Federally Taxable) (the “2021 Series B Bonds”).
<b>Dated Date:</b>	Date of Delivery.
<b>Interest Due:</b>	Each May 1 and November 1, commencing May 1, 2022.
<b>Principal Due:</b>	Annually, each November 1, from 2022 to 2036 and November 1, 2042.
<b>Authorized Denominations:</b>	\$5,000 or any integral multiple thereof.
<b>Authorization:</b>	The 2021 Series B Bonds are authorized pursuant to the Authorizing Acts and are authorized, issued and secured under the provisions of the Indenture.
<b>Use of Proceeds:</b>	The proceeds of the 2021 Series B Bonds will be used to (i) advance refund certain outstanding bonds of the District and (ii) pay costs of issuance related to the 2021 Series B Bonds. See “DESCRIPTION OF THE 2021 SERIES AB BONDS – Plan of Refunding” herein.
<b>Redemption:</b>	The 2021 Series B Bonds are subject to optional redemption, make-whole optional redemption and mandatory sinking fund redemption prior to maturity. See “DESCRIPTION OF THE 2021 SERIES AB BONDS – Redemption” herein.
<b>Security:</b>	The 2021 Series B Bonds will be special obligations of the District payable solely from the Trust Estate. See “SECURITY FOR THE 2021 SERIES AB BONDS” herein.
<b>Credit Ratings:</b>	The District has received credit ratings of “Aa2” from Moody’s and “AA-” from S&P on the 2021 Series B Bonds. See “RATINGS” herein.
<b>Tax Matters:</b>	See “TAX MATTERS” herein.
<b>Continuing Disclosure:</b>	MDC will enter into the Continuing Disclosure Agreement, substantially in the form of Appendix E to this Official Statement, with respect to the 2021 Series B Bonds in which it will agree to provide, or cause to be provided, in accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the 2021 Series B Bonds and (iii) timely notice of the failure by the District to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.
<b>Registrar, Transfer Agent, Paying Agent and Escrow Agent:</b>	U.S. Bank National Association, Global Corporate Trust, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.
<b>Legal Opinion:</b>	Shipman & Goodwin LLP, Hartford, Connecticut, will serve as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the 2021 Series B Bonds in book-entry-only form will be made to The Depository Trust Company on or about November 3, 2021.
<b>Issuer Official:</b>	Questions concerning the District and the 2021 Series B Bonds should be addressed to: Robert O. Barron, Chief Financial Officer/Treasurer, Telephone: 860-278-7850, The Metropolitan District, Hartford County, 555 Main Street, First Floor, Hartford, Connecticut 06103.
<b>Municipal Advisors:</b>	Hilltop Securities Inc. and Lamont Financial Services Corporation are serving as Municipal Advisors to the MDC.

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**\$201,440,000**

**THE METROPOLITAN DISTRICT  
HARTFORD COUNTY, CONNECTICUT**

**Consisting of**

**\$66,030,000 Clean Water Project Revenue Bonds, 2021 Series A**

**\$135,410,000 Clean Water Project Refunding Revenue Bonds, 2021 Series B (Federally Taxable)**

**INTRODUCTORY STATEMENT**

This Official Statement and the appendices attached hereto, is provided for the purpose of presenting certain information in connection with the offering and sale of: (i) \$66,030,000 Clean Water Project Revenue Bonds, 2021 Series A (the “2021 Series A Bonds”), and (ii) \$135,410,000 Clean Water Project Refunding Revenue Bonds, 2021 Series B (Federally Taxable) (the “2021 Series B Bonds” and, together with the 2021 Series A Bonds, the “2021 Series AB Bonds”) of The Metropolitan District, Hartford County, Connecticut (the “MDC” or the “District”). The 2021 Series AB Bonds are authorized pursuant to the MDC Charter (as defined below) and Chapter 103 of the Connecticut General Statutes, as amended (the “Act” and together with the MDC Charter, the “Authorizing Acts”), and are authorized, issued and secured under the provisions of a Special Obligation Indenture of Trust dated as of June 1, 2013 (the “Special Obligation Indenture”), as amended and supplemented by a Fourth Supplemental Indenture (the “Fourth Supplemental Indenture” and together with the Special Obligation Indenture, the “Indenture”), by and between the MDC and U.S. Bank National Association, acting as trustee (the “Trustee”), for the benefit of holders of the Bonds (as defined below) issued under the Indenture.

The Authorizing Acts establish the MDC as a body politic and corporate of the State of Connecticut (the “State”).

All references herein to the Authorizing Acts, the Indenture and the 2021 Series AB Bonds are qualified in their entirety by reference to the definitive documents. Capitalized terms used herein have the meanings given to them in this Official Statement, including Appendix C hereto.

The 2021 Series AB Bonds are issued on a parity with (1) the District’s Clean Water Project Revenue Bonds, 2014 Series A (Green Bonds) (the “2014 Series A Bonds”), currently outstanding in the aggregate principal amount of \$123,090,000, Clean Water Project Revenue Bonds, 2020 Series A (the “2020 Series A Bonds”), currently outstanding in the aggregate principal amount of \$50,000,000, and Clean Water Project Revenue Bonds, 2020 Series B (Federally Taxable) (the “2020 Series B Bonds”), currently outstanding in the aggregate principal amount of \$73,965,000, issued and outstanding under the Indenture, and (2) any Additional Bonds hereafter issued and outstanding under the Indenture. The District expects to use the proceeds of the 2021 Series A Bonds to (i) finance the District’s Clean Water Project, including reimbursing the District for prior expenditures relating to the Clean Water Project, and prepay certain State of Connecticut Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project, (ii) current refund certain outstanding bonds of the District, and (iii) pay costs of issuance related to the 2021 Series A Bonds. The District expects to use the proceeds of the 2021 Series B Bonds to (i) advance refund all or a portion of the outstanding 2014 Series A Bonds and (ii) pay costs of issuance related to the 2021 Series B Bonds. The 2014 Series A Bonds, the 2020 Series A Bonds, the 2020 Series B Bonds, the 2021 Series AB Bonds and any such Additional Bonds collectively are referred to herein as the “Bonds.” The District expects to issue Additional Bonds pursuant to the Indenture, all such Bonds to be secured on a parity basis with the then outstanding 2014 Series A Bonds, the 2020 Series A

Bonds, the 2020 Series B Bonds and the 2021 Series AB Bonds. See “SECURITY FOR THE 2021 SERIES AB BONDS” and “CLEAN WATER PROJECT PLAN OF FINANCE.” Currently, the District also has outstanding other bonds not issued pursuant to the Indenture and not secured by the Trust Estate. In addition, the District expressly reserves the right to adopt amendments to the Indenture to issue subordinated bonds, and to adopt additional indentures, to issue indebtedness thereunder, and to pledge other assets not in the Trust Estate to the payment of such indebtedness.

### **The District**

The District was created by the Connecticut General Assembly in 1929 as a specially chartered municipal corporation of the State of Connecticut under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended (the “MDC Charter” or the “District’s Charter”). The District’s purpose is to provide, as authorized, a complete, adequate and modern system of water supply, sewage collection and sewage disposal facilities for its member municipalities. Additionally, as a result of an amendment to the MDC Charter approved by the Connecticut General Assembly in 1979, the District is also empowered to construct, maintain, and operate hydroelectric dams. The member municipalities incorporated in the District are the City of Hartford and the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield and Windsor (collectively, the “Member Municipalities”). The District also provides sewage disposal facilities and supplies water, under special agreements, to all or a portions of non-member municipalities as well as various State facilities. These municipalities currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor and Windsor Locks.

### **Effects of COVID-19 Outbreak**

The outbreak of COVID-19, a respiratory virus caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The U.S. Centers for Disease Control and Prevention (CDC) has warned that some areas in the United States are experiencing community spread of COVID-19 and that widespread transmission of COVID-19 in the United States is likely to continue. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to affect economic growth worldwide.

There can be no assurances that the ongoing impact of COVID-19 will not materially adversely affect local, State, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the District. As the situation evolves, states, municipalities, businesses and people appear to be altering behaviors in a manner that is having negative effects on global and local economies. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19. See “CONSIDERATIONS FOR BONDHOLDERS – Effects of COVID-19 Outbreak” herein.

### **Use of 2021 Series AB Bond Proceeds**

The proceeds of the 2021 Series A Bonds will be used to (i) finance the District’s Clean Water Project (as described under “CLEAN WATER PROJECT” herein), including reimbursing the District for prior expenditures relating to the Clean Water Project and prepaying certain State Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project, and (ii) pay costs of issuance related to the 2021 Series A Bonds. See “DESCRIPTION OF THE 2021 SERIES AB BONDS – Plan of Refunding” herein.

The proceeds of the 2021 Series B Bonds will be used to (i) advance refund certain outstanding Bonds of the District previously issued to finance the Clean Water Project and (ii) pay costs of issuance related to the

2021 Series B Bonds. See “DESCRIPTION OF THE 2021 SERIES AB BONDS – Plan of Refunding” herein.

## **DESCRIPTION OF THE 2021 SERIES AB BONDS**

### **General**

The 2021 Series AB Bonds are issuable only as fully registered bonds, in book-entry-only form (as described herein). The 2021 Series AB Bonds will be in the denomination of \$5,000 or any integral multiple thereof.

The 2021 Series A Bonds will be dated the date of delivery, and will bear interest payable semiannually on February 1 and August 1, in each year, commencing February 1, 2022, at the rates per annum set forth on the inside cover page of this Official Statement. The 2021 Series B Bonds will be dated the date of delivery, and will bear interest payable semiannually on May 1 and November 1, in each year, commencing May 1, 2022, at the rates per annum set forth on the inside cover page of this Official Statement. The 2021 Series A Bonds will mature on February 1 and the 2021 Series B Bonds will mature on November 1, in each case in each of the years and the amounts set forth on the inside cover page of this Official Statement.

Principal of and interest on the 2021 Series AB Bonds will be paid directly to The Depository Trust Company (“DTC”) by U.S. Bank National Association, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the bondowner. See “BOOK-ENTRY-ONLY SYSTEM” herein.

### **Redemption**

***Optional Redemption – 2021 Series A Bonds.*** The 2021 Series A Bonds maturing on and after February 1, 2032 will be subject to redemption prior to their maturity, at the election of the District in whole or in part at any time on or after February 1, 2031 (each herein a “Redemption Date”) from time to time, at the election of the District, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued and unpaid interest thereon to the Redemption Date.

If less than all of the 2021 Series A Bonds are to be so redeemed, the 2021 Series A Bonds (or portions thereof) to be redeemed shall be selected by the Trustee in accordance with DTC procedures (so long as DTC or its nominee is the bondowner) or by lot or in any customary manner of selection as determined by the Trustee.

***Optional Redemption – 2021 Series B Bonds.*** The 2021 Series B Bonds maturing on and after November 1, 2032 will be subject to redemption prior to their maturity, at the election of the District in whole or in part at any time on or after November 1, 2031 (the “Initial Par Call Redemption Date”) from time to time, at the election of the District, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus accrued and unpaid interest thereon to the Redemption Date.

The 2021 Series B Bonds will be subject to redemption prior to the Initial Par Call Redemption Date, at the election of the District in whole or in part at any time on or before November 1, 2031, at the Make-Whole Redemption Price described below.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the 2021 Series B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2021 Series B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2021 Series B Bonds are to be redeemed, discounted to the date on which the 2021 Series B Bonds are to be redeemed on a semi-

annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus (i) 5 basis points for the 2021 Series B Bonds maturing in 2022 through 2028 (both inclusive), (ii) 10 basis points for the 2021 Series B Bonds maturing in 2029 through 2031 (both inclusive), (iii) 15 basis points for the 2021 Series B Bonds maturing in 2032 through 2034 (both inclusive), and (iv) 20 basis points for the 2021 Series B Bonds maturing in 2035 to 2042 (both inclusive), in each case plus accrued and unpaid interest on the 2021 Series B Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (“Statistical Release”) that has become publicly available at least two Business Days, but no more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the 2021 Series B Bonds to be redeemed; (taking into account any sinking fund installments for such bonds) provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually-traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

If the 2021 Series B Bonds are registered in book-entry only form and so long as DTC, its nominee or a successor securities depository is the sole registered owner of the 2021 Series B Bonds, if less than all of the 2021 Series B Bonds of a maturity are called for redemption, the particular 2021 Series B Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the 2021 Series B Bonds are held in book-entry form, the selection for redemption of such bonds shall be made in accordance with the operational arrangements of DTC then in effect.

**Notice of Redemption.** Notice of redemption shall be mailed not less than twenty (20) nor more than forty-five (45) days prior to the respective Redemption Date (or such greater period of time as may be required by any Securities Depository), by first-class mail, to the registered owner of such bond at such bondowner’s address as it appears on the books of registry or at such address as may have been filed with the registrar for that purpose.

***Mandatory Sinking Fund Redemption – 2021 Series B Bonds.***

The 2021 Series B Bonds maturing on November 1, 2042 are subject to redemption, in part, as selected by the Trustee in accordance with DTC procedures (so long as DTC or its nominee is the bondowner), or by lot, at a redemption price of 100% of the principal amount thereof to be redeemed, plus accrued interest, if any, to the date of redemption, on November 1 in each of the years set forth in the following table, in the principal amount specified in each of those years:

<u>Year</u>	<u>Principal Amount</u>
2037	\$7,085,000
2038	7,295,000
2039	7,510,000
2040	7,735,000
2041	7,965,000
2042†	8,200,000

† Final Maturity

The MDC, at its option, may credit against any mandatory sinking fund redemption requirement any term bonds of the maturity then subject to redemption which have been purchased and canceled by the MDC or

which have been redeemed and not previously applied as a credit against any mandatory sinking fund redemption requirement.

### **Plan of Refunding**

The 2021 Series AB Bonds are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, and a refunding bond resolution adopted by the District Board at a meeting held on July 7, 2021. The 2021 Series A Bonds are being issued to current refund a portion of the outstanding maturities of the District’s General Obligation Bonds, Issue of 2013, Series B (the “2013 Refunded Bonds”), including but not limited to, the bonds listed below. The 2021 Series B Bonds are being issued to advance refund a portion of the outstanding maturities of the District’s Clean Water Project Revenue Bonds, 2014 Series A (the “2014 Refunded Bonds”), including but not limited to, the bonds listed below. The District plans to use a portion of the proceeds of the 2021 Series A Bonds to prepay certain State Clean Water Fund Project Loan Obligations (each a “PLO”) previously incurred by the District to finance the Clean Water Project (the “Refunded CWF Obligations”).

### **2013 Refunded Bonds**

#### **General Obligation Bonds, Issue of 2013, Series B**

<u>Dated</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Maturity or Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP</u>
2/1/2013	2/1/2022	\$1,250,000	5.000%	2/1/2022	100.00%	416489NE8
	2/1/2023	1,250,000	2.125	2/1/2022	100.00	416489NF5
	2/1/2024	1,250,000	2.250	2/1/2022	100.00	416489NG3
	2/1/2025	1,250,000	2.375	2/1/2022	100.00	416489NH1
	2/1/2026	1,250,000	2.500	2/1/2022	100.00	416489NJ7
	2/1/2027	1,250,000	2.500	2/1/2022	100.00	416489NK4
	2/1/2028	1,250,000	2.625	2/1/2022	100.00	416489NL2
	2/1/2029	1,250,000	2.750	2/1/2022	100.00	416489NM0
	2/1/2030	1,250,000	3.000	2/1/2022	100.00	416489NN8
	2/1/2031	1,250,000	3.000	2/1/2022	100.00	416489NP3
	2/1/2032	1,250,000	3.000	2/1/2022	100.00	416489NQ1
	2/1/2033	1,250,000	3.000	2/1/2022	100.00	416489NR9

Upon delivery of the 2021 Series A Bonds, a portion of proceeds of the 2021 Series A Bonds will be placed in an irrevocable escrow deposit fund (the “2021A Escrow Deposit Fund”) established with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) under an Escrow Agreement (the “2021A Escrow Agreement”) dated as of the date of delivery of the 2021 Series A Bonds, between the Escrow Agent and the District. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the government of the United States of America including United States Treasury State and Local Government Series (“SLGS”) securities, United States Treasury bonds, notes and bills, Federal National Mortgage Association (“FNMA”) and Federal Home Loan Mortgage Corporation (“FHLMC”) securities, and any other securities permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or prepayable at the option of the issuer of the securities (the “2021A Escrow Securities”). The principal of and interest on the 2021A Escrow Securities, when due, will provide amounts sufficient to pay the principal, interest and redemption premium on the 2013 Refunded Bonds to the redemption dates or maturity. All investment income on and maturing principal of the 2021A Escrow Securities held in the 2021A Escrow Deposit Fund and needed to pay the principal, interest and redemption premium on the 2013 Refunded Bonds will be irrevocably deposited by the District for payment of the 2013 Refunded Bonds. The remaining proceeds of the 2021 Series A Bonds

will be used as set forth herein. See “SOURCES AND USES OF PROCEEDS OF THE 2021 SERIES AB BONDS” and “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

**2014 Refunded Bonds**

**Clean Water Project Revenue Bonds, 2014 Series A**

<u>Dated</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Maturity or Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP</u>
11/14/2014	11/1/2022	\$3,355,000	5.000%	11/1/2022	100.00%	416498BG7
	11/1/2023	3,525,000	5.000	11/1/2023	100.00	416498BH5
	11/1/2024	3,700,000	5.000	11/1/2024	100.00	416498BJ1
	11/1/2025	3,885,000	5.000	11/1/2024	100.00	416498BK8
	11/1/2026	4,080,000	5.000	11/1/2024	100.00	416498BL6
	11/1/2027	4,285,000	5.000	11/1/2024	100.00	416498BM4
	11/1/2028	4,495,000	5.000	11/1/2024	100.00	416498BN2
	11/1/2029	4,720,000	5.000	11/1/2024	100.00	416498BP7
	11/1/2030	4,960,000	5.000	11/1/2024	100.00	416498BQ5
	11/1/2031	5,205,000	5.000	11/1/2024	100.00	416498BR3
	11/1/2032	5,465,000	5.000	11/1/2024	100.00	416498BS1
	11/1/2033	5,740,000	5.000	11/1/2024	100.00	416498BT9
	11/1/2034	6,025,000	5.000	11/1/2024	100.00	416498BU6
	11/1/2035	6,330,000	5.000	11/1/2024	100.00	416498BV4
	11/1/2036	6,645,000	5.000	11/1/2024	100.00	416498BW2
	11/1/2037	6,975,000	5.000	11/1/2024	100.00	416498BX0
	11/1/2042†	40,475,000	5.000	11/1/2024	100.00	416498BY8

† Term bond. Final maturity.

Upon delivery of the 2021 Series B Bonds, a portion of proceeds of the 2021 Series B Bonds will be placed in an irrevocable escrow deposit fund (the “2021B Escrow Deposit Fund”) established with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) under an Escrow Agreement (the “2021B Escrow Agreement”) dated as of the date of delivery of the 2021 Series B Bonds, between the Escrow Agent and the District. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the government of the United States of America including United States Treasury State and Local Government Series (“SLGS”) securities, United States Treasury bonds, notes and bills, Federal National Mortgage Association (“FNMA”) and Federal Home Loan Mortgage Corporation (“FHLMC”) securities, and any other securities permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or prepayable at the option of the issuer of the securities (the “2021B Escrow Securities”). The principal of and interest on the 2021B Escrow Securities, when due, will provide amounts sufficient to pay the principal, interest and redemption premium on the 2014 Refunded Bonds to the redemption dates or maturity. All investment income on and maturing principal of the 2021B Escrow Securities held in the 2021B Escrow Deposit Fund and needed to pay the principal, interest and redemption premium on the 2014 Refunded Bonds will be irrevocably deposited by the District for payment of the 2014 Refunded Bonds. The remaining proceeds of the 2021 Series B Bonds will be used as set forth herein. See “SOURCES AND USES OF PROCEEDS OF THE 2021 SERIES AB BONDS” and “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

### Refunded CWF Obligations

<u>PLO</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Maturity or Redemption Date</u>	<u>Redemption Price</u>
619-C1	\$14,789,296.61	2.000%	11/3/2021	100.00%
619-CD1	13,997,518.97	2.000	11/3/2021	100.00
626-CD1	4,212,841.60	2.000	11/3/2021	100.00
646-C	15,157,559.03	2.000	11/3/2021	100.00
686-C	2,525,251.84	2.000	11/3/2021	100.00

### **BOOK-ENTRY-ONLY SYSTEM**

For a description of the Book-Entry System, see Appendix F.

#### **Effect of Discontinuance of Book-Entry System**

The following procedures shall apply if the book-entry system is discontinued with respect to the 2021 Series AB Bonds.

**Principal and Interest Payments.** Principal of the 2021 Series AB Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2021 Series AB Bonds will be payable to the registered owner thereof as of each record date on each interest payment date by check mailed to such registered owner at the address shown on the bond register maintained by the Trustee, or on the special record date established for the payment of defaulted interest. However, registered owners of \$1,000,000 or more in aggregate principal amount of the 2021 Series AB Bonds may be paid interest by wire transfer upon written request filed with the Trustee on or before the Record Date for the applicable interest payment date.

**Registration and Transfer.** The Trustee will keep or cause to be kept, at its corporate trust office in Hartford, Connecticut, sufficient books for the registration and transfer of the 2021 Series AB Bonds, and, upon presentation of the 2021 Series AB Bonds for each such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on such books such 2021 Series AB Bonds. Any 2021 Series AB Bond may, in accordance with its terms, be transferred upon such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered 2021 Series AB Bonds for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any 2021 Series AB Bond shall be surrendered for transfer, the MDC shall execute and the Trustee shall authenticate and deliver a new Bond of the same maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any 2021 Series AB Bond during the period twenty (20) days before the mailing of a notice of redemption. The Trustee shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange and may require the payment of any reasonable sum to cover expenses incurred by the Trustee or MDC in connection with such exchange.

**SOURCES AND USES OF PROCEEDS OF THE 2021 SERIES AB BONDS**

The MDC expects to apply the proceeds from the sale of the 2021 Series AB Bonds as follows:

	<u>2021 Series A Bonds</u>	<u>2021 Series B Bonds</u>
<b>Sources of Funds</b>		
Par Amount .....	\$66,030,000.00	\$135,410,000.00
Original Issue Premium.....	13,533,460.55	-
<b>Total Sources</b> .....	<u>\$79,563,460.55</u>	<u>\$135,410,000.00</u>
<b>Uses of Funds</b>		
Fund Deposits:		
Bond Proceeds Account <sup>(1)</sup> .....	\$13,300,000.00	-
2021A Escrow Deposit Fund .....	65,901,380.69	-
2021B Escrow Deposit Fund .....	-	\$134,809,756.71
Delivery Date Expenses:		
Costs of Issuance <sup>(2)</sup> .....	255,421.72	353,798.25
Underwriters' Discount .....	106,658.14	246,445.04
<b>Total Uses</b> .....	<u>\$79,563,460.55</u>	<u>\$135,410,000.00</u>

<sup>(1)</sup> A portion of the proceeds deposited in the Bond Proceeds Account will be used to prepay the CWF Refunded Obligations.

<sup>(2)</sup> Costs of issuance include legal fees and other costs incurred in connection with the issuance of the 2021 Series A Bonds and the 2021 Series B Bonds, respectively.

Amounts in the Bond Proceeds Account will be applied to reimburse the District for prior expenditures relating to the Clean Water Project and to prepay certain State Clean Water Fund Project Loan Obligations previously incurred by the District to finance the Clean Water Project. The District expects that prepayment to occur on the business day immediately following the date of delivery of the 2021 Series A Bonds. The District has been advised that the State reasonably expects to recycle the prepayment amount into new Clean Water Fund Project Loan Obligations within six months of receipt of such funds.

Amounts on deposit in the 2021A Escrow Deposit Fund will be invested in 2021A Escrow Securities and applied to redeem the 2013 Refunded Bonds as set forth in the 2021A Escrow Agreement. Amounts on deposit in the 2021B Escrow Deposit Fund will be invested in 2021B Escrow Securities and applied to redeem the 2014 Refunded Bonds as set forth in the 2021B Escrow Agreement. See “DESCRIPTION OF THE 2021 SERIES AB BONDS – Plan of Refunding” herein.

Amounts in the Bond Proceeds Account and Costs of Issuance Account under the Indenture will be invested by the Trustee at the direction of an Authorized Officer of the MDC in such Investment Obligations as are permitted by the Indenture.



## DEBT SERVICE REQUIREMENTS

The following table shows the estimated future debt service requirements on outstanding Bonds and the 2021 Series AB Bonds.

### Estimated Annual Debt Service on Outstanding Bonds Pro Forma as of Date of Issuance of 2021 Series AB Bonds

Fiscal Year Ended December 31	Principal & Interest Outstanding Revenue Bonds <sup>(1)</sup>	2021 Series AB Principal	2021 Series AB Interest	Total
2022	\$9,436,639	\$10,620,000	\$5,281,902	\$25,338,541
2023	6,718,666	9,920,000	5,863,247	22,501,913
2024	6,594,666	10,060,000	5,608,805	22,263,470
2025	6,474,916	10,230,000	5,327,718	22,032,633
2026	8,938,346	10,420,000	5,024,866	24,383,212
2027	8,827,582	10,625,000	4,702,149	24,154,731
2028	8,713,146	10,850,000	4,361,653	23,924,799
2029	8,779,122	11,085,000	4,001,434	23,865,556
2030	8,775,306	11,350,000	3,618,397	23,743,704
2031	10,759,081	11,625,000	3,219,486	25,603,566
2032	11,794,342	11,535,000	2,813,685	26,143,027
2033	4,311,677	11,185,000	2,413,665	17,910,341
2034	12,549,781	7,430,000	2,116,595	22,096,376
2035	11,225,230	7,430,000	1,914,787	20,570,017
2036	10,773,608	7,555,000	1,706,216	20,034,823
2037	9,375,342	7,775,000	1,487,121	18,637,463
2038	9,042,235	8,010,000	1,249,872	18,302,107
2039	8,715,773	8,255,000	1,005,323	17,976,097
2040	1,085,750	8,510,000	753,228	10,348,978
2041	1,085,250	8,770,000	493,291	10,348,541
2042	1,087,750	8,200,000	242,064	9,529,814
2043	1,088,000	-	-	1,088,000
2044	1,086,000	-	-	1,086,000
2045	1,086,750	-	-	1,086,750
	<u>\$168,324,958</u>	<u>\$201,440,000</u>	<u>\$63,205,501</u>	<u>\$432,970,459</u>

(1) Excludes principal and interest payments made in Fiscal Year 2021 prior to the date of issuance of the 2021 Series AB Bonds and excludes debt service on Refunded Bonds.

### SECURITY FOR THE 2021 SERIES AB BONDS

The 2021 Series AB Bonds are secured by a pledge of, and are payable from, the Trust Estate, including Pledged Revenues, which are special revenues to be received by the MDC from its “Clean Water Project Charge” (previously referred to as the “Special Sewer Service Surcharge”) (described below), together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate on a parity with the 2014 Series A Bonds, the 2020 Series A Bonds, the 2020 Series B Bonds and all other outstanding Bonds hereafter issued under the Indenture.

The Clean Water Project Charge is a charge applied to the water bill of residential and commercial customers of MDC who utilize MDC’s sewer system and are furnished water directly by MDC.

The Authorizing Acts provide that the foregoing pledge made in the Indenture shall be valid and binding from the date of the Special Obligation Indenture; the revenues, receipts, funds or moneys so pledged and thereafter received by the MDC shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act and the lien of any pledge made under the Indenture shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the MDC, irrespective of whether such parties have notice thereof. In furtherance of the pledge, the Indenture requires the MDC promptly to turn over to the Trustee for deposit in the Revenue Fund all Pledged Revenues received by it.

The Bonds, which include the 2021 Series AB Bonds, are not a general obligation of the MDC. The Bonds shall be payable solely from the Trust Estate and shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof other than the MDC or a pledge of the full faith and credit of the State or of any such political subdivision other than the MDC. Neither the State nor any political subdivision thereof other than the MDC shall be obligated to pay the same or the interest thereon except from the Trust Estate, and neither the full faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

The Clean Water Project Charge by ordinance may be used only to pay principal and interest on indebtedness issued for the purpose of financing the Clean Water Project and to pay capital expenses incurred for the Clean Water Project. As such, it is available only to pay debt service on the Bonds, any subordinate revenue bonds, and any general obligation bonds or Clean Water Fund borrowings by the District from the State to finance the Clean Water Project (see "CLEAN WATER FUND PROGRAM" herein). It is not available to pay operating expenses of the District. The Indenture permits Clean Water Project Charge revenues in the Rate Stabilization Fund to be withdrawn to pay capital expenditures of the Clean Water Project.

#### **Flow of Funds in the Indenture**

The MDC is to turn over Pledged Revenues promptly (at least monthly) to the Trustee for deposit into the Revenue Fund.

On the fifth day of each month (or, if not a Business Day, on the next succeeding Business Day) the Trustee will withdraw from the Revenue Fund the amounts on deposit in the Revenue Fund to deposit or credit the following accounts and funds:

FIRST, unless otherwise provided in any Supplemental Indenture with respect to Bonds,

- Into the Interest Account, the amount accrued for the prior month as interest on the Bonds or Swaps, if any, for each Series of Bonds or Swap Payments on Swaps accrued for the prior month less any Swap Receipts accrued for the prior month, provided that the deposit immediately preceding any Interest Payment Date shall be the balance necessary to make such payment, as well as all amounts accrued for the prior month as Term-Out Payments in respect of a Swap.
- Into the Principal Installment Account, the amount accrued for the prior month as principal due on each Series of Bonds, whether at maturity or pursuant to mandatory sinking fund redemption on the next scheduled Principal Installment Date, provided that the deposit immediately preceding any Principal Installment Date shall be the balance necessary to make such payment.

SECOND – pro rata, to each debt service reserve fund created pursuant to the terms of any Supplemental Indenture for the benefit of any Series of Bonds to cause any debt service reserve fund requirement established under such Supplemental Indenture to be satisfied.

THIRD – to any other trustee or paying agent for indebtedness of the MDC (this is intended to allow for the issuance of revenue bonds structurally subordinated to the Bonds).

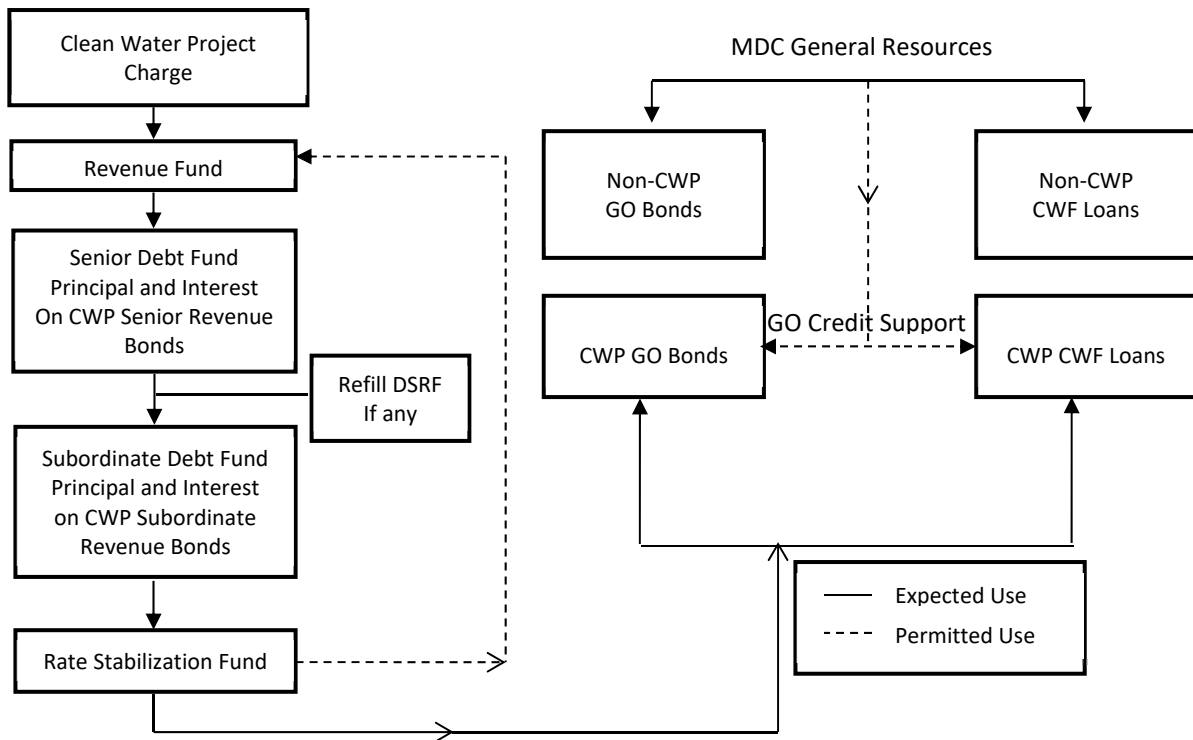
FOURTH – into the Redemption Fund, the amount, if any specified in writing by the MDC to the Trustee.

FIFTH – into the Rate Stabilization Fund, the balance. Potential uses of the balances in the Rate Stabilization Fund are discussed in detail below in “The Rate Stabilization Fund.”

The 2021 Series AB Bonds are not secured by a debt service reserve fund under the Indenture.

The fact that the MDC has not received sufficient Pledged Revenues with which to make the deposits or credits each month as prescribed above is not, by the fact itself, to be construed as an “Event of Default” under the Indenture.

The following diagram illustrates the overall fund flows.



**The Rate Stabilization Fund**

The Rate Stabilization Fund is intended to allow the MDC to manage the impact of the Clean Water Project Charge upon ratepayers by allowing moneys to accumulate in the fund prior to the years of peak debt service on Clean Water Project borrowings and to be used to offset year to year increases in the Clean Water Project Charge that otherwise would be required if it were to match the year to year increases in debt service. The

Rate Stabilization Fund also cushions the MDC against shortfalls in collections. For purposes of the Coverage Covenant (described below) and the Additional Bonds test, the amount of such deposits that can be included as Revenues Available for Debt Service in any Fiscal Year is limited to 35% of Debt Service Requirements for such Fiscal Year.

The MDC may also withdraw amounts in the Rate Stabilization Fund for purposes constituting a permitted use of the Clean Water Project Charge as set out in the ordinance establishing such surcharge. The ordinance only permits the Clean Water Project Charge to be used for payment of principal and interest for indebtedness incurred to finance the Clean Water Project (whether Bonds, subordinate revenue bonds, Clean Water Fund loans, or general obligation bonds) or to capital expenditures for purposes of the Clean Water Project, or debt service on indebtedness incurred for purposes of the Clean Water Project. As of December 31, 2020 and September 30, 2021, there was a net balance of \$90.6 million and \$82.2 million, respectively, on deposit in the Rate Stabilization Fund.

### **Rate Covenant**

The Indenture includes a rate covenant (the “Coverage Covenant”) providing that the MDC will establish, fix, and revise from time to time, prior to and during each Fiscal Year, and shall collect in each Fiscal Year, rates, fees and charges representing Pledged Revenues so that the amount of Revenues Available for Debt Service for such Fiscal Year, as certified by an Authorized Officer based on the MDC’s audited financial statements for such Fiscal Year, is equal to no less than an amount equal to 1.20 times the Debt Service Requirements in such Fiscal Year. In calculating Revenues Available for Debt Service, the MDC may withdraw moneys from the Rate Stabilization Fund and deposit them in the Revenue Fund, provided that the amount of such deposit that may be included as Revenues Available for Debt Service in a Fiscal Year is limited to 35% of Debt Service Requirements in such Fiscal Year.

### **Additional Bonds and Refunding Bonds**

Pursuant to the Indenture, Bonds of the MDC are authorized to be issued without limitation as to amount except as provided in the Indenture or as may be limited by law.

The Indenture provides that no Additional Series of Bonds may be authorized and issued under the Indenture unless a certificate of an Authorized Officer of the MDC shall have been delivered to the Trustee stating that (i) the Revenues Available for Debt Service, based on the most recent Audited Financial Statements preceding the date of issuance of such Additional Bonds has been, with respect to either of the two prior Fiscal Years, equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year, or (ii) the Revenues Available for Debt Service for either of the last two Fiscal Years, adjusted for any adopted increases in the Clean Water Project Charge as if such increases had been in effect from the beginning of such Fiscal Year, were equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year.

No Refunding Bonds may be authorized and issued under the Indenture unless a certificate of an Authorized Officer of the MDC shall have been delivered to the Trustee stating that: (i) estimated average annual Debt Service Requirements on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service Requirement in any Fiscal Year on such Series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded.

## **No Debt Service Reserve Fund**

The Indenture does not create a debt service reserve fund, but such accounts may be established in the future by a Supplemental Indenture to the Indenture. The 2021 Series AB Bonds will not be secured by a debt service reserve fund.

## **Remedies Do Not Include Acceleration**

The Indenture provides for Events of Default, including (i) failure to pay principal and interest on any Bonds and (ii) failure to comply with the Indenture or default in the performance or observance of any covenant or agreement contained in the Indenture, any supplemental indenture or any Bond, upon written notice given by the Trustee or the holders of not less than one-third in principal amount of the Bonds. Upon the occurrence and continuance of an Event of Default, the Trustee may proceed to protect and enforce the rights of the bond holders by, among other things, mandamus or other suit, action or proceeding at law or in equity.

No property other than the Trust Estate is pledged or mortgaged to secure the Bonds, and remedies available do not include acceleration of the principal of the Bonds.

## **Covenant of the State**

The 2021 Series AB Bonds are issued subject to the covenant of the State of Connecticut included in Section 11 of Special Act No. 14-21, which reads as follows:

The state of Connecticut does hereby pledge to and agree with the holders of any bonds, notes and other obligations issued by the Metropolitan District in Hartford County created pursuant to number 511 of the special acts of 1929, as amended, under the authority of chapter 103 of the general statutes or under section 4 of special act 90-27, as amended by section 6 of public act 93-380 and section 10 of this act, which are payable solely from the income and revenue of a particular facility, system or program or the revenues to be derived from sewerage system use charges, and with those parties who may enter into contracts with the district in respect of the same, that the state will not limit or alter the rights vested in the authority to charge and collect such income, revenues, or sewerage system use charges, or in the holders of any bonds, notes or other obligations of the district until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the district, provided nothing contained herein shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds, notes and other obligations of the district or those entering into contracts with the district. The district is authorized to include this pledge and undertaking for the state in such bonds, notes and other obligations or contracts.

The Bonds are issued pursuant to the authorizations referred to in Section 11 of Special Act No. 14-21, and accordingly the MDC has included the foregoing pledge in the Fourth Supplemental Indenture.

## **CLEAN WATER PROJECT<sup>1</sup>**

The Clean Water Project addresses approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways. The project is in response to an Environmental Protection Agency (“EPA”) Sanitary Sewer Overflows (“SSO”) Federal consent decree and a Connecticut

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<sup>1</sup> *The Clean Water Project, so called, should not be confused with references herein to the “Clean Water Fund,” a program of the State of Connecticut to provide loans and grants to municipal entities for funding sewerage projects generally, and a source of funding for the Clean Water Project. See “CLEAN WATER FUND PROGRAM” herein.*

Department of Energy and Environmental Protection (“DEEP”) Combined Sewer Overflows (“CSO”) consent order to achieve Federal Clean Water Act goals. The project is set forth in a Long-Term Control Plan (the “LTCP”), which is periodically revised and is subject to approval by DEEP. The District’s goal is to achieve compliance through efficient improvements to its system, maximizing funding of the project with State and Federal grants and the use of State and Federal low-cost loans, with the remainder funded with issuance of its own bonds. Project financing is expected to be repaid with the Clean Water Project Charge added to the water bills of customers in Member Municipalities who have sewage and water service from the District.

### *Evolution of the Clean Water Project*

As originally conceived in 2005, and as set forth in the initial LTCP, the Clean Water Project was estimated to cost approximately \$2.1 billion, and assumed to be completed in 2021, based on assumptions about, among other things, the design as originally conceived and the pace of design and construction and regulatory review and approval. The original concept relied on sewer separation projects, control of inflow and infiltration, and capacity increases and other improvements to the District’s treatment plants.

An updated LTCP was submitted to DEEP in 2012 and revised through December 2014. The revised plan de-emphasized sewer separation projects, which proved expensive in downtown areas, and added a large storage and conveyance tunnel in south Hartford (the “South Tunnel”). It also featured a large storage and conveyance tunnel to the northern part of Hartford (the “North Tunnel”) and connecting to the South Tunnel which was intended to both capture overflows in the northern and central part of Hartford and also to eliminate overflows into the North Branch of the Park River. This resubmittal as approved in 2015 set out a completion of the project by 2029.

The LTCP was most recently revised and resubmitted to Connecticut DEEP in December 2018. Meetings with CT DEEP have generated resubmittals, most recently a February 2021 submittal of a Phase I Implementation Plan, which is under review. This resubmitted LTCP introduces the concept of an “Integrated Plan,” which recognizes the District’s ongoing capital improvement and maintenance program and also furthers compliance with the governmental orders, with remedies such as replacing aged and damaged pipe and other system components, coupled with cleaning and other maintenance and rehabilitation activities, thereby increasing pipe capacity to reduce overflows. The concept and guidelines for Integrated Planning were introduced and accepted by EPA in 2012 for communities dealing with CSO compliance issues while maintaining existing aging infrastructure in an affordable manner. Managing this program balances new capital expenditures with maintenance expenditures, with priorities addressed to reduce, insofar as practical, costly emergency repairs of sewer collapses and other problems. The resubmitted LTCP retains the South Tunnel which is in construction, and related improvements, which are well underway, but replaces the North Tunnel concept with a shortened downtown area tunnel and capacity improvements in the northern part of Hartford. The compliance efforts are integrated with the ongoing capital maintenance and rehabilitation program and span a 40-year term. It contemplates a compliance effort over a longer term, combines the Clean Water Project with other capital improvements that had not been considered part of the project, and continues to finance the combined effort with the Clean Water Project Charge, all with a view to achieving compliance with the governmental orders efficiently and within the context of the District’s other capital improvements while implementing a more affordable economic model for the rate payers.

The resubmitted LTCP sets out several compliance options, which incorporate timing and sequencing alternatives. The option preferred by the District would achieve incremental improvements in the coming years and full compliance in 2058. Other options would achieve compliance earlier, but have overlapping elements. The District has deferred designing specific elements of the compliance options until the LTCP

is approved, while work continues on the South Tunnel. The District remains committed to working with DEEP, but cannot predict when the resubmitted LTCP will be approved, or its final content.

### *Cost Estimates*

Because the resubmitted LTCP incorporates an Integrated Plan, the nature of the Clean Water Project and its overall cost is not directly comparable to the LTCP as currently approved. Current estimates to complete the LTCP are that the Clean Water Project Charge would remain flat for the next several years and then increase to approximately \$7.40 per hundred cubic feet (“ccf”) and remain at least at that level for a considerable period as the ongoing capital maintenance and rehabilitation program continues. The District Board sets the Clean Water Project Charge without the need for other approvals. The primary reasons for the increase in the Clean Water Project Charge are due to inflation of costs to complete the LTCP on a longer schedule and the inclusion of asset management projects, such as sewer lining, which previously were contemplated to be paid for through ad valorem taxes. As a result, the future increases to ad valorem taxes will be mitigated while the estimated total cost to the rate payers for both the Clean Water Project Charge and ad valorem taxes remain about the same on average. This assumes a continued level of Federal and State support in the form of grants and low-cost loans consistent with the support provided to date. Other options would increase the surcharge, particularly those options that accelerate work or change the sequencing, as would a change in the level of Federal and State funding support. The District remains mindful of maintaining an overall level of affordability for rate payers of the District, and in particular the residents of Hartford, which may lead to future adjustment in the nature of the Clean Water Project and its cost and financing. No assurance can be given as to the final cost of the Clean Water Project or the precise composition of its funding.

### *Referendum Requirements*

Generally speaking, appropriations for the cost of large projects must be approved by referendum vote of the electors of the Member Municipalities. Effective October 1, 2015, Public Act No.15-114 excludes from the referendum requirement that portion of any appropriations funded by Federal or State grants. An \$800 million appropriation for the Clean Water Project was approved at referendum on November 7, 2006. An appropriation for an additional \$800 million for the Clean Water Project was approved at referendum on November 6, 2012. An appropriation of \$140 million for a grant, not requiring a referendum, was approved by the District Board on October 5, 2016. Another appropriation of \$18.8 million for a grant not requiring a referendum was approved by the District Board on September 2, 2020. The District expects to appropriate further funds for the Clean Water Project without a referendum for portions paid for by State grants.

The District expects that the treatment plant work and the South Tunnel and related improvements will be completed within existing appropriations, assuming the ongoing South Tunnel work proceeds within contemplated cost estimates and that expected grants are received. Some portion of the Integrated Plan work in the resubmitted LTCP may be undertaken within existing appropriations if future grants are received for eligible projects. Full compliance with the resubmitted LTCP will likely require submission of one or more further appropriations for approval by electors at referendum. The District has made no determination as to when an additional referendum will be held.

The District cannot give any assurances as to when the Clean Water Project will be completed or its total cost as it is highly dependent on the availability of grants and loans from the State.

## **CLEAN WATER FUND PROGRAM**

The Metropolitan District is a participant in the State’s Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination

of grants and loans bearing interest at the rate of 2% per annum. All participating municipalities receive funding for eligible expenses of 20% grant and 80% loan, except for combined sewer overflow projects (50% grant and 50% loan) and denitrification projects (30% grant and 70% loan). Loans are made pursuant to a Project Loan and Grant Agreement (the "Loan Agreement"). During construction the municipality enters into a short-term borrowing agreement with the State called an Interim Funding Obligation ("IFO") from which it pays project costs as needed. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Upon project completion, or, in the case of certain larger projects, annually, a 20-year debt obligation called a Project Loan Obligation ("PLO") is issued to the State. The municipal obligations issued to the State are secured by the full faith and credit of the municipality and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the scheduled completion date specified in the Loan Agreement or the actual project completion date, or, in the case of certain larger projects, the earlier of such date or annually commencing one year after the date of the agreement. The final maturity of each loan is the earlier of twenty years from the scheduled completion date or twenty years from the date of the PLO. Principal and interest payments are made (1) in monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Monthly installments may be in level debt service or amortized with level principal. If set forth in the Loan Agreement, borrowers may prepay their loans at any time prior to maturity without penalty.

The District's Clean Water Fund Project Loan Obligations are secured by the District's full faith and credit and constitute a general obligation of the District. The District has refinanced and is refinancing with proceeds of the 2021 Series A Bonds certain State Clean Water Fund Project Loan Obligations for the purpose of both realizing net present value savings and reducing the amount of debt subject to the District's general obligation debt limit. The State and the District have discussed further exploration of a revenue-only pledge on future State Clean Water Fund Interim Funding Obligations and Project Loan Obligations.

### **CLEAN WATER PROJECT PLAN OF FINANCE**

Section 12 of the District's Sewer Ordinances was amended on October 1, 2007 by the District Board to allow the implementation of a Clean Water Project Charge to fund the debt issued for the Clean Water Project. The Clean Water Project Charge was implemented in January 2008 and by ordinance may be used only to pay principal and interest on indebtedness issued for the purpose of financing the Clean Water Project or to pay capital expenses for the Clean Water Project. It is not available to pay operating expenses.

The District's goal is to fund project costs with State and Federal grants and State and Federal low-cost loans as they become available, and open market debt. Bonds and loans that are solely supported by the Clean Water Project Charge will not be included in the calculation of overlapping debt of the Member Municipalities and are not general obligations of the District.

The District's goal is to fund approximately 25% to 30% of the Clean Water Project with revenue bonds or general obligation debt supported by the Clean Water Project Charge and to fund approximately 40% to 45% of the cost with State and Federal low-cost, State Revolving Fund loans from the State of Connecticut Clean Water Revolving Fund Program ("Clean Water Fund") also supported by the Clean Water Project Charge. Finally, it is expected that 25% to 30% of the entire project will be funded with State and Federal grants which require no repayment from the MDC.

The additional revenue bonds to fund the Clean Water Project are expected to be issued under the Indenture. Other Clean Water Project debt service will include Clean Water Fund loans and general obligation



borrowings that will be issued only to finance the Clean Water Project and are expected to be paid from the Clean Water Project Charge. These Clean Water Fund loans and general obligation borrowings also can be supported by the MDC's general resources as needed.

As of September 30, 2021, the MDC's Clean Water Project has received \$366,074,926 in Grants and \$639,924,250 in Loans under the State's Clean Water Fund. As previously stated, the Grants require no repayment and the Loans bear a 2% interest per year. Additionally, as of September 30, 2021, the State has committed \$74,632,752 in Interim Funding Obligations and \$56,504,469 in Grants associated with the Clean Water Project.

As of September 30, 2021, the MDC has issued \$71.23 million in general obligation bonds to finance the Clean Water Project, and expects further bonds issued to finance the Clean Water Project to be Bonds issued pursuant to the Indenture. The District has issued \$280,010,000 million in Clean Water Project Revenue Bonds, of which \$247,055,000 remains outstanding. The Bonds are being repaid from the Clean Water Project Charge.

Further, the MDC's general obligation borrowings, whether for the Clean Water Project or its other capital purposes, are subject to an overall debt limit set out in the MDC Charter. The MDC could not borrow sufficient funds on a general obligation basis to finance all of the costs of the Clean Water Project without exceeding this debt limit. By statute, however, sewer indebtedness payable solely from sewer charges is not counted against the debt limit. Accordingly, all Bonds issued under the Indenture to finance the Clean Water Project without regard to the debt limit and without limiting the MDC's ability to borrow for its other capital purposes.

The Clean Water Project Charge is established annually as part of the MDC's budget process. It therefore cannot be pre-established for future periods, and while it is expected to be comparatively stable in terms of collectability, it is nevertheless subject to collection risk. The MDC believes it is good business practice to escalate the Clean Water Project Charge smoothly in the future as it borrows for the purpose of the Clean Water Project. Accordingly, it utilizes the Rate Stabilization Fund to allow the MDC to hold Pledged Revenues not theretofore used for debt service on borrowings for the Clean Water Project for the purposes of paying debt service on Clean Water Project indebtedness, including the Bonds, in future periods and to guard against shortfalls in collections. See "SECURITY FOR THE 2021 SERIES AB BONDS – Rate Stabilization Fund" herein.

The overall plan of finance for the Clean Water Project thus contemplates the issuance of revenue bonds under the Indenture, subject to an Additional Bonds test, which would be outside the MDC's debt limit contained in the MDC Charter. Such Bonds are secured by a gross pledge of revenues from the Clean Water Project Charge. Such revenues not required for payment of principal and interest on the Bonds could be released from the pledge of the Indenture to pay subordinate revenue bonds issued for the Clean Water Project, for Clean Water Fund borrowings for purposes of the Clean Water Project, for general obligation borrowing for purposes of the Clean Water Project or retained within the Rate Stabilization Fund to pay future principal and interest on the Bonds or to acquire capital assets related to the Clean Water Project.

The MDC believes this plan of finance will allow it to fulfill the aims of the Clean Water Project, comply with its debt limit under the MDC Charter, fund its other capital requirements, and maintain good business practices with respect to its customers.

The following table shows the breakdown of expected expenditures of the MDC in the next five years for the Clean Water Project.

**Projected Clean Water Project Expenditures: 2021-2024**

(millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Project Spend	\$73	\$96	\$128	\$162

**Historical and Projected Project Funding**

The following tables shows historical and projected funding sources for the Clean Water Project.

(millions)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Revenue Bonds	\$140.000	-	-	-	-	-	\$15.300	\$155.300
CWF Loans <sup>(1)</sup>	24.821	\$65.992	\$79.242	\$71.511	\$109.748	\$71.406	35.680	458.400
GO Bonds <sup>(2)</sup>	-	-	-	-	-	-	-	-
Total Debt	\$164.821	\$65.992	\$79.242	\$71.511	\$109.748	\$71.406	\$50.980	\$613.700

(1) An additional \$37.73 million in Clean Water Fund loans were entered into before 2013 for the Clean Water Project. See "CLEAN WATER FUND PROGRAM" herein.

(2) An additional \$71.2 million in General Obligation Bonds were issued prior to 2013 for the Clean Water Project.

**Projected Clean Water Project Debt Funding <sup>(1)</sup>**

(millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
Revenue Bonds	\$10.57	-	\$5.18	\$44.24	\$59.99
CWF Loans <sup>(2)</sup>	34.43	\$41.83	51.47	54.60	182.33
GO Bonds	-	-	-	-	-
Total Debt	\$45.00	\$41.83	\$56.65	\$98.84	\$242.32

(1) Projections based on expected construction spending for the Clean Water Project.

(2) Clean Water Fund loans become permanently financed and begin principal payments six months after the scheduled completion date of the project financed.

The MDC believes that expected customer billings, including the Clean Water Project Charge, will continue to be affordable, as set out in the following table.

**Projected MDC Rate Burden**

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Base Water Rate per CCF	\$4.21	\$4.29	\$4.35
Clean Water Project Charge Rates per CCF	\$4.10	\$4.10	\$4.10
Representative Annual Water Bill based on 80 CCF Usage <sup>(1)</sup>	\$665	\$671	\$676

<sup>(1)</sup> Excludes other revenue sources, such as the component of the MDC’s charges contained in property taxes.

The District follows a formalized enforcement and collection process. Customers are notified of delinquency through the District’s automated billing process. Penalties escalate as the receivable ages. Penalties include the shutoff of service, placement of a lien on the subject property, and ultimately having the account referred to a more formal legal process. The District offers flexible payment plans to avoid penalties and the more formal legal process. The MDC has been collecting interest on delinquent payments since September of 2020 and will resume its shutoff activities in March of 2022. The District has historically suspended shutoff activities during the winter months.

The MDC has a diversified base of rate payers. The table below shows the top payers of the Clean Water Project Charge and the percentage of collections represented by each.

### Top Clean Water Project Charge Rate Payers Fiscal 2020

	Hundreds of Cubic Feet Usage	Clean Water Project Charge Revenue (Millions)	% of Total Clean Water Project Charge Revenues	Cumulative Total %
Niagara Water	352,006	\$1.16	1.9%	1.9%
Hartford Hospital	250,235	\$1.03	1.6%	3.5%
City of Hartford	248,521	\$1.01	1.6%	5.1%
Coca-Cola Bottling Co of NE Inc.	125,068	\$0.51	0.8%	5.9%
UCONN Health Center	116,216	\$0.00	0.0%	5.9%
Hartford Steam Company	75,343	\$0.31	0.5%	6.4%
Kohler Mix Specialties of CT	75,054	\$0.31	0.5%	6.9%
Trustees of Trinity College	72,501	\$0.30	0.5%	7.4%
Pratt & Whitney Aircraft	70,784	\$0.29	0.5%	7.8%
St Francis Hospital & Medical Ctr.	65,695	\$0.27	0.4%	8.3%
State of Connecticut	63,609	\$0.26	0.4%	8.7%
Town of West Hartford	60,492	\$0.25	0.4%	9.1%
University of Hartford	53,430	\$0.22	0.3%	9.4%
Town of East Hartford	45,735	\$0.19	0.3%	9.7%
Century Hills Property Owner LLC	40,184	\$0.16	0.3%	10.0%
Garden Hill Apartments LLC	40,051	\$0.16	0.3%	10.2%
Marconi Enterprises LLC	37,347	\$0.15	0.2%	10.5%
The Hartford	35,915	\$0.15	0.2%	10.7%

### HISTORICAL COLLECTIONS

The Clean Water Project Charge (CWPC) has been assessed and collected since January 1, 2008. As of September 30, 2021, and in total, the MDC has collected \$538.4 million since 2008. The CWPC collection rate since its inception is 98.5%. The following table shows historical collections and amounts used to fund Clean Water Project associated debt service. Remaining collections will be transferred to the Rate Stabilization Fund.

	2017	2018	2019	2020
Clean Water Project Charge	\$3.50	\$3.80	\$4.10	\$4.10
Revenue Bond Debt Service	\$14,146,450	\$14,109,800	\$13,708,800	\$14,271,644
General Obligation Bond Debt Service	4,732,363	4,668,563	4,608,213	4,149,634
Clean Water Fund Loan Debt Service	22,441,791	28,458,624	35,264,801	35,417,657
Total Clean Water Project Associated Debt Service	\$41,320,604	\$47,236,987	\$53,581,814	\$53,838,935
Senior Debt Service Coverage <sup>(1)</sup>	3.88x	3.81x	4.47x	4.39x

<sup>(1)</sup> Total Clean Water Project Charge revenues divided by senior debt service (revenue bonds).

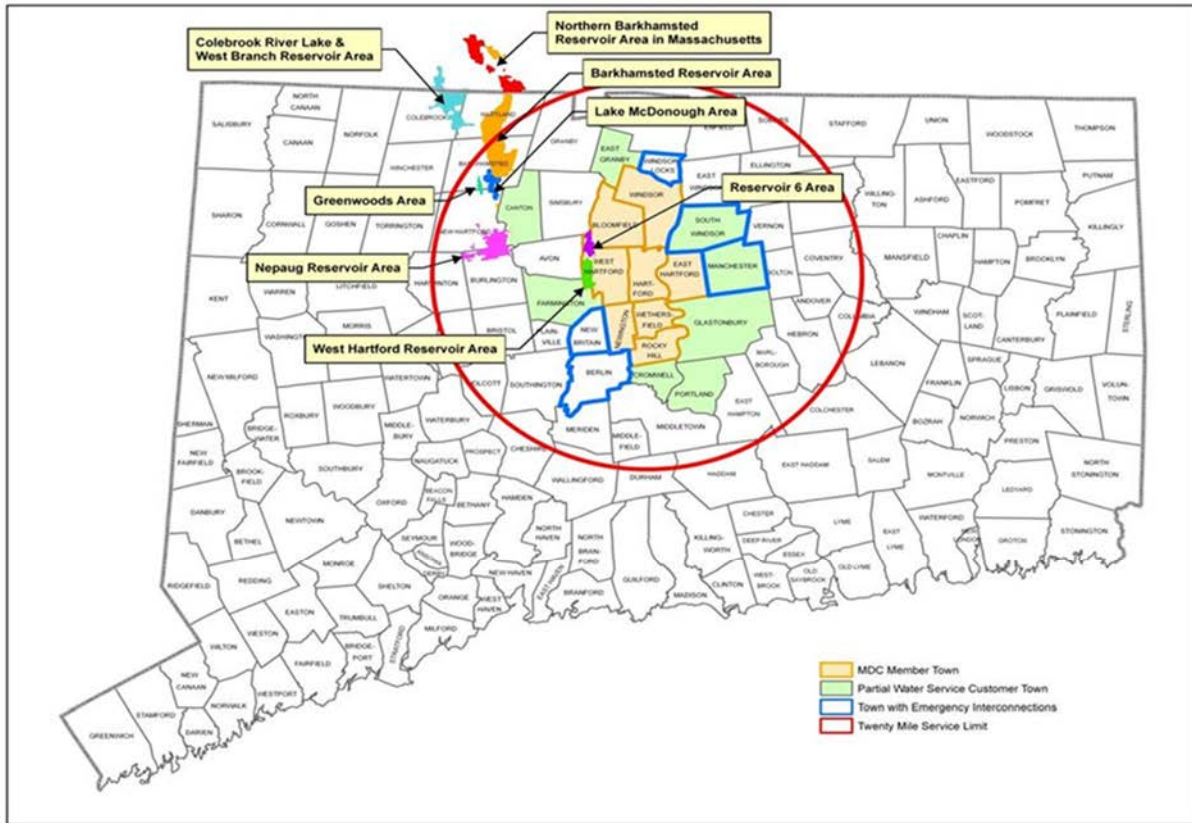
**PROJECTED CLEAN WATER PROJECT CHARGE RATES,  
REVENUES AND DEBT SERVICE COVERAGE**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Clean Water Project Charge Rate <sup>(1)</sup> (per ccf)	\$4.10	\$4.10	\$4.10	\$4.10
Consumption Projection	15,295,000	15,295,000	15,295,000	15,295,000
Total Pledged Revenues	<u>\$62,709,500</u>	<u>\$62,709,500</u>	<u>\$62,709,500</u>	<u>\$62,709,500</u>
Outstanding Senior Bond Debt Service <sup>(2)</sup>	\$18,916,652	\$9,436,639	\$6,718,666	\$6,594,666
2021 Series AB Bond Debt Service <sup>(3)</sup>	0	15,901,902	15,783,247	15,668,805
Total Senior Bond Debt Service	<u>18,916,652</u>	<u>25,338,541</u>	<u>22,501,913</u>	<u>22,263,470</u>
Projected Debt Service Coverage	<u>3.32x</u>	<u>2.47x</u>	<u>2.79x</u>	<u>2.82x</u>
Available for transfer From Rate Stabilization Fund	\$6,620,828	\$8,868,489	\$7,875,670	\$7,792,215
Potential Senior Bond Coverage with Use of Rate Stabilization fund <sup>(4)</sup>	3.67x	2.82x	3.14x	3.17x
General Obligation Bond Debt Service <sup>(5)</sup>	\$4,086,863	\$2,375,550	\$2,376,800	\$2,379,550
Clean Water Fund Loan Debt Service	34,663,448	30,605,386	30,133,950	36,711,259
Pay go	6,573,795	4,121,794	14,113,764	18,356,444
<b>Total Other Uses</b>	<b><u>\$45,324,106</u></b>	<b><u>\$37,102,730</u></b>	<b><u>\$46,624,514</u></b>	<b><u>\$57,447,253</u></b>
Expected Rate Stabilization Fund Balances at Fiscal Year End <sup>(1,2,3,4)</sup>	\$89,159,342	\$89,515,731	\$83,188,319	\$65,472,896

*Note: Totals may not add due to rounding.*

- (1) Rates for 2022 and later are projected and will be determined through the MDC's annual budgeting process.
- (2) Excludes debt service on Refunded Bonds and 2021 Series AB Bonds.
- (3) Based on actual 2021 Series AB Bonds debt service. A \$16 million revenue bond issuance in 2023 and \$44 million revenue bond issuance in 2024 is planned.
- (4) Includes balances anticipated to be in the Rate Stabilization Fund and available to be transferred to Pledged Revenues by the MDC, to the extent not transferred in earlier years or used to pay debt service on other indebtedness incurred for purposes of the Clean Water Project, and subject to an overall maximum of 35% of debt service on total senior revenue bonds. As of December 31, 2020 and September 30, 2021, there was a net balance of \$90.6 million and \$82.2 million, respectively, on deposit in the Rate Stabilization Fund.
- (5) Subordinate general obligation bonds are general obligation bonds of the MDC incurred for purposes of the Clean Water Project. General obligations bonds and clean water fund loans for purposes of the Clean Water Project are not contractually subordinated but are structurally subordinated by the flow of funds established in the Indenture.

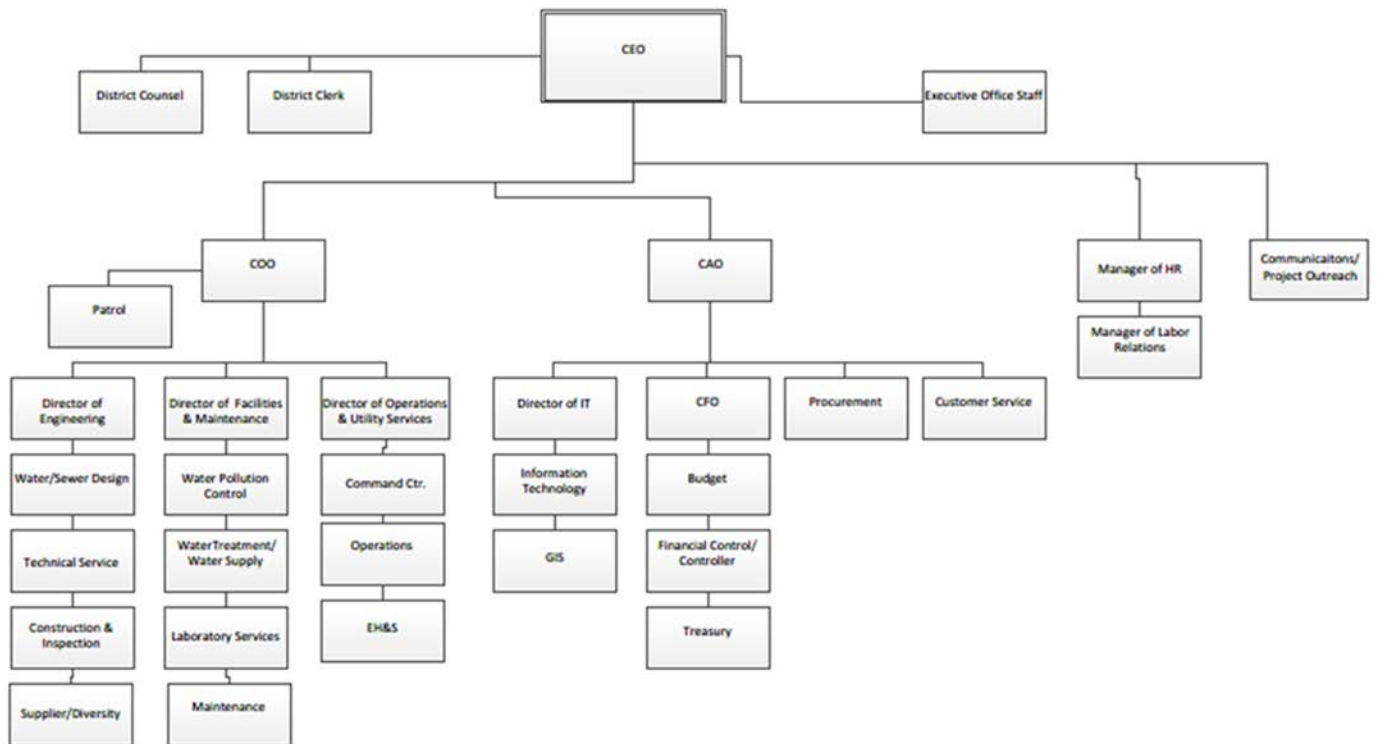
## THE METROPOLITAN DISTRICT



### Description of The District

The District was created by the Connecticut General Assembly in 1929 and operates as a specially chartered municipal corporation of the State under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended (the “MDC Charter” or the “District’s Charter”). The Member Municipalities incorporated in the District are the City of Hartford and the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield and Windsor (collectively, the “Member Municipalities”). The District’s purpose is to provide a complete, adequate and modern system of water supply and sewage collection, treatment and disposal for its Member Municipalities. Additionally, because of a Charter amendment approved by the Connecticut General Assembly in 1979, the District is also empowered to construct, maintain, and operate hydroelectric dams. The District also provides sewage disposal facilities and supplies water, under special agreements, to all or portions of several non-member municipalities as well as various State facilities. These non-member municipalities currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor and Windsor Locks.

## Organizational Chart



## The District Board

A 33-member Board of Commissioners, referred to as the District Board, governs the District. The Member Municipalities appoint seventeen of the commissioners, eight are appointed by the Governor of the State, and four are appointed by the leadership of the Connecticut State Legislature. Four non-voting commissioners are appointed from non-member municipalities, one each from the towns of Glastonbury, South Windsor, East Granby and Farmington. Appointments made by municipalities having three or more members are subject to the minority representation provisions of Section 9-167a of the Connecticut General Statutes. All commissioners serve without remuneration for a term of six years.

**DISTRIBUTION OF DISTRICT BOARD MEMBERSHIP**

	Appointed By:				
	Commissioners	Member Municipality	Non-Member Municipality	Governor	Connecticut State Legislature
Bloomfield.....	1	1	0	0	0
East Hartford.....	4	3	0	1	0
Hartford.....	9	6	0	3	0
Newington.....	2	1	0	1	0
Rocky Hill.....	1	1	0	0	0
West Hartford.....	4	3	0	1	0
Wethersfield.....	2	1	0	1	0
Windsor.....	1	1	0	0	0
District at Large.....	4	0	0	0	4
Farmington.....	1	*	1	0	0
Glastonbury.....	1	*	1	0	0
South Windsor.....	1	*	1	0	0
East Granby.....	0	*	0	1	0
<b>Total.....</b>	<b>31</b>	<b>20</b>	<b>4</b>	<b>7</b>	<b>4</b>

\*Non-voting.

**Powers and Responsibilities of the District Board**

The District Board is authorized to establish ordinances or bylaws; organize committees and bureaus; define the powers and duties of such bodies; fix salaries and define the duties of all officers and employees; appoint deputies to any officers or agents of the District; and issue negotiable bonds, notes or other certificates of debt to meet the cost of public improvements or to raise funds in anticipation of taxes or water revenue, which debt shall be an obligation of the District and its inhabitants. The District Board has the power to levy a tax upon the Member Municipalities to finance the operational and capital budget of the General Fund.

The District Board refers a proposed budget of revenues and expenditures to the Board of Finance annually. The Board of Finance reviews the proposed budget, makes adjustments, if desired, and refers it back to the District Board for final review, changes as necessary, and enactment.

Capital project appropriations to be financed by the issuance of bonds, notes and other obligations of the District are subject to approval of the District Board upon recommendation of the Board of Finance.

**Consumer Advocate**

Public Act No. 17-1 established an Independent Consumer Advocate to act as an independent advocate for consumer interest in all matters which may affect District consumers, including, but not limited to, rates, water quality, water supply, and wastewater service quality. The Independent Consumer Advocate may appear and participate in District matters or any other federal or state regulatory or judicial proceeding in which consumers of the District are or may be involved. The Independent Consumer Advocate submits quarterly reports of his or her activities to the District, the Member Municipalities and the State Consumer Counsel. Such reports are available on the District’s website and the Consumer Counsel’s website.



## Administration

Responsibility for the overall administration and management of District policy, operations and services rests with the Chief Executive Officer. The Chief Executive Officer has direct responsibility for the Human Resources and Communications functions and manages the remaining functions through the Chief Operating Officer (“COO”) and Chief Administrative Officer (“CAO”). The COO has responsibility for design and construction of the District’s Clean Water Project, Asset Management and capital planning programs, engineering, maintenance, operations, water pollution control, water treatment and supply, patrol and environment, health and safety functions of the District. The CAO has responsibility for the District’s procurement, accounting, budgeting, treasury, risk management functions, information technology and customer service.

### DISTRICT CHAIRS AND DISTRICT OFFICIALS

<b>Function</b>	<b>Chair</b>	<b>Date Term Ends</b>
District Board.....	William A. DiBella	December 2026
Water Bureau.....	Raymond Sweezy	December 2024
Bureau of Public Works.....	Richard V. Vicino	December 2021
Personnel, Pension & Insurance .....	Alvin E. Taylor	December 2022
Board of Finance.....	Pasquale J. Salemi	December 2022

Source: District Officials.

<b>Position</b>	<b>District Officials</b>
Chief Executive Officer .....	Scott W. Jellison
Chief Operating Officer .....	Christopher J. Levesque
Chief Administrative Officer .....	Kelly J. Shane
District Clerk.....	John S. Mirtle
District Counsel.....	Christopher R. Stone
Chief Financial Officer/Treasurer .....	Robert O. Barron
Director of Engineering.....	Susan Negrelli
Controller .....	Thanh-Tra Phan
Director of Facilities .....	Thomas A. Tyler
Director of Information Technology .....	Robert B. Schwarm

## Biographical Information

*Scott W. Jellison* – Chief Executive Officer: In 2015, the MDC appointed Scott W. Jellison as the District’s Chief Executive Officer. Mr. Jellison previously served as the Deputy CEO of Engineering & Operations for the District for 9 years. Prior to joining the MDC, Mr. Jellison served as Director of Project Management for the Department of Public Works, State of Connecticut. In addition, Mr. Jellison served as the Project Director for the CCEDA Projects. Mr. Jellison graduated from the University of Hartford with a Bachelor of Science degree in Mechanical Engineering in 1987.

*Christopher J. Levesque* – Chief Operating Officer: In April 2019, the MDC appointed Christopher J. Levesque as the District’s Chief Operating Officer. Mr. Levesque previously served 2 years as the Director of Operations and 11 years as the Assistant Manager of Water Treatment for the MDC. Mr. Levesque

earned his Bachelor’s degree from Rensselaer Polytechnic Institute in 2004 and a Master degree in Environmental Engineering from the University of Hartford in 2015.

*Kelly J. Shane* – Chief Administrative Officer: In April 2019, the MDC appointed Kelly J. Shane as the District’s Chief Administrative Officer. Previously Ms. Shane served as the Director of Procurement for 5 years for the District. Prior to joining the MDC, Ms. Shane served as the Associate Director of Reporting for the Connecticut Health Insurance Exchange. Ms. Shane earned her Master of Business Administration from Salve Regina University in 1997 and a Bachelor of Science degree in 1991 from Bryant College.

*Christopher R. Stone* – District Counsel: In March 2020, the MDC appointed Christopher R. Stone as District Counsel. Previously Attorney Stone served for 31 years as Assistant District Counsel to the District, and as a partner at the law firm of Chadwick & Stone, LLP, of East Hartford, Connecticut. Mr. Stone received his Juris Doctorate from Columbus School of Law of Catholic University of America in 1984 and his Bachelor of Arts degree from the University of Connecticut in 1981.

*Robert O. Barron* – Chief Financial Officer/Treasurer: In July 2021, the MDC appointed Robert O. Barron as the District’s Chief Financial Officer/Treasurer. Prior to joining the MDC, Mr. Barron held the positions of Chief Financial Officer for the City of Salem, Oregon and the City of Norwalk, Connecticut. Mr. Barron brought to the MDC over 14 years of finance and capital markets expertise. Prior to working in public finance, Mr. Barron had over a decade long financial management career with FedEx in both its domestic and international divisions. Mr. Barron earned his MBA and BSBA from the University of Missouri and CFPO from the Government Finance Officers Association.

**District Employees**

The following table illustrates the full-time budgeted District employees for the 2016-2021 Fiscal Years:

<u>Fiscal Year</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Employees .....	454	479	485	489	512

Source: District Officials. Actual full-time employees as of September 30, 2021 is 423.

**District Employees Bargaining Units**

<u>Bargaining Groups</u>	<u>Positions Covered</u>	<u>Contract Expiration Date</u>
Clerks, Technicians and Non-Supervisory Engineers – Local 3713 .....	85	December 31, 2022
Supervisors – Local 1026 .....	51	December 31, 2022
Operational – Local 184 .....	186	December 31, 2022
<b>Total Union Employees.....</b>	<b>322</b>	

Source: District Officials.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of an affected municipality may reject an arbitration panel’s decision by a two thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on

each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer.

## **District Functions**

Principal functions of the District are the development and maintenance of sewer and water systems within the boundaries of its Member Municipalities. Additionally, as a result of the MDC Charter amendments approved by the Connecticut General Assembly, the District is also empowered to construct, maintain and operate hydroelectric dams.

***Bureau of Public Works.*** The District's Bureau of Public Works is responsible for the sanitary sewer system, which includes collection, transmission and treatment of sewage from within boundaries of the Member Municipalities and treatment of sewage received from non-member municipalities per special agreement. The Bureau of Public Works is empowered to authorize the layout and construction of additions and improvements to the sewer system, assess the betterments to property abutting the sanitary sewer line, defer assessments as authorized by ordinance and act on such other matters that by District Charter, Ordinances or By-Laws, must first be voted upon by the Bureau and then referred to the District Board for final authorization. Public hearings are held as needed. The Bureau of Public Works acts as a court for the assessment of betterments and appraisal of damages. Any party claiming to be aggrieved may take an appeal to the Superior Court of the Judicial District of Hartford.

***Water Bureau.*** The District's Water Bureau is responsible for the water system that includes storage, transmission, treatment and distribution of water to customers. In addition, the Water Bureau is responsible for acquisition, construction and operation of hydroelectric plants. This bureau is empowered to make such bylaws or regulations for the preservation, protection and management of the water operations as may be deemed advisable. These include the power to establish rates for the use of water, and adopt rates for the assessment of benefits upon lands and buildings resulting from installation of water mains and service pipes.

Several other committees are created by the Charter or established by the District Board to carry out various other functions.

Additionally, the General Assembly of the State passed special legislation enabling the District to maintain a series of parks (developed by Riverfront Recapture) along the Connecticut River. The cost of maintaining Riverfront Recapture's parks is incorporated into the District's water budget and recovered through water rates.

The District also engages in surveying and mapping as a service to its Member Municipalities and its own operations.

## SEWER AND WATER OPERATIONS

### Water Pollution Control

#### Facilities for Sewer Service As of December 31

Facilities for Sewer Service	2020	2019	2018	2017	2016
Total General Fixed Assets <sup>1</sup> .....	\$1,905,708,421	\$1,905,708,421	\$1,814,591,656	\$1,675,401,598	\$1,477,341,669
Miles of Sewers:					
Sanitary .....	1,093	1,090	1,089	1,088	1,089
Combined .....	159	159	159	159	159
Storm .....	79	79	79	78	79
Estimated Sewer Connections .....	91,376	91,208	91,037	91,011	90,728
<b>Estimated Sewer</b>					
Population Units:					
Estimated Populations .....	362,937	364,173	364,969	364,793	365,289
Estimated Family Units Sewered.....	143,431	143,263	144,451	143,558	144,657
Present Sewage Plant Capacity:					
Design Population .....	513,900	513,900	513,900	513,900	513,900
Design Flow (million gallons daily) ...	105	105	105	105	105
Average Daily Flow (million gallons)	72	79	81	65	57

<sup>1</sup> Includes all physical facilities and capital projects.  
Source: District Officials.

**Treatment:** Water pollution control operations include the primary and secondary treatment of wastewater that flows into the facilities, septic tank loads received at the Hartford facility, and sludge delivered from regional towns. The District operates four water pollution control treatment facilities in East Hartford (12.5 million gallons per day), Rocky Hill (7.5 million gallons per day), Poquonock (5.0 million gallons per day) and Hartford (90 million gallons per day plus 110 million gallons per day through wet weather, for a total capacity of 200 million gallons per day). All treatment processes are in compliance with the District's National Pollution Discharge Elimination permits issued by the State's Department of Energy and Environmental Protection ("DEEP").

**Regulatory Compliance:** The District entered into a consent order and a consent decree with the DEEP, the U.S. Department of Justice, and the U.S. Environmental Protection Agency to address sanitary sewer overflow, nitrogen reduction, and combined sewer overflow issues. The District has to date appropriated \$1.7588 billion for the cost of compliance. See "CLEAN WATER PROJECT" herein.

**Maintenance/Replacement:** The District's maintenance of its sewer system is part of the annual sewer operational budget. The District's replacement program is funded through appropriations under the District's Capital Improvement Budget.

**Revenue:** Effective January 1, 1982, the District formally adopted the Adjusted Ad Valorem sewer user charge method of funding its sewer operations. This method of funding allocates the estimated cost of providing sewer services to customers based on actual use of the sewer system. More specifically, the Adjusted Ad Valorem sewer user charge method recovers sewer system costs from three separate user

classifications: (1) low flow users (less than 25,000 gallons of discharge per day); (2) high flow users (more than 25,000 gallons per day); and (3) non-municipal tax-exempt users.

Revenue from low flow users is derived from the tax levied on the District’s Member Municipalities and is shown under the revenue item “Tax on Member Municipalities.”

Revenue from high flow users is based on actual sewer flow discharges from those users. A surcharge is levied on high flow users whose share of costs, based on flow, exceeds the portion of their annual property tax payments rendered in support of the District’s sewer system. Conversely, high flow users are eligible for year-end rebates if their user charge, based on flow, is less than the portion of the property tax they pay in support of sewer services.

Revenue from non-municipal tax-exempt properties is based on sewer flows from those properties. In addition, sewer user charge revenues from non-member municipalities, per written agreement, are based on actual sewer flows.

**Cost Recovery:** The District’s ability to recover costs associated with the operations of the sewer system is defined in the MDC Charter and Ordinances. Authority to levy a tax on the Member Municipalities and to bill a Sewer User Charge is defined in the MDC Charter. Specific ordinances relating to the District’s Adjusted Ad Valorem Sewer User Charge are found in the District’s General Sewer Ordinances.

**Sewer User Charge**  
As of January 1  
(Per Hundred Cubic Feet)

2021	2020	2019	2018	2017
\$5.3115	\$5.15	\$4.64	\$3.37	\$3.06

Source: District Officials.

Section 12 of the District’s Sewer Ordinances was amended on October 1, 2007 by the District Board to allow the implementation of a Clean Water Project Charge (previously the Special Sewer Service Surcharge) to fund the debt issued for the Clean Water Project. The Clean Water Project Charge was implemented in January 2008 and is used exclusively for the payment of debt service on bonds and loans issued to finance the Clean Water Project and for capital expenditures for the Clean Water Project. The District’s goal is to fund project costs with State and Federal grants and State and Federal low-cost loans as they become available, and open market debt. Bonds and loans that are solely supported by the Clean Water Project Charge will not be included in the calculation of overlapping debt of the Member Municipalities. As of September 30, 2021, the District has issued \$692,016,612 as Interim Financing Obligations (the “IFO’s”) and Project Loan Obligations (the “PLO’s”) under the State’s Clean Water Fund Program associated with the Clean Water Project. See “CLEAN WATER FUND PROGRAM” herein. The District has issued \$280,010,000 in Clean Water Project Revenue Bonds, of which \$247,055,000 remains outstanding. The Bonds are being repaid from a portion of the Clean Water Project Charge and are not general obligations of the District. See “CLEAN WATER PROJECT” herein.

**Clean Water Project Charge**  
**(Previously the Special Sewer Service Surcharge)**  
As of January 1  
(Per Hundred Cubic Feet)

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
\$4.10	\$4.10	\$4.10	\$3.80	\$3.50

Source: District Officials.

**Water Operations**

Shortly after the District was created in 1929, approval was obtained from the Connecticut General Assembly and the Member Municipalities’ electorates to construct the Barkhamsted Reservoir located on the east branch of the Farmington River in the towns of Barkhamsted and Hartland. The Barkhamsted Reservoir is the largest single water supply reservoir in Connecticut and has a capacity of 30.3 billion gallons of water. The District also operates a water treatment plant facility in Bloomfield (35 million gallons per day) and West Hartford (70 million gallons per day).

The District has sought and received legislative and voter approval for various water programs, all with the basic objective of providing a water supply and water distribution system sufficient in size to meet current and anticipated future needs. The District’s average level of water production for 2020 was 47.6 million gallons per day.

**Facilities for Water Service**  
**As of December 31**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Total Utility Plant.....	\$648,901,852	\$608,196,939	\$599,920,958	\$575,779,741	\$555,389,868
Net Addition to Plant.....	40,704,913	8,275,981	24,141,217	20,389,873	25,404,724
Miles of Water Mains.....	1,562	1,562	1,557	1,554	1,553
Gross Miles Added During Year.....	0	3	4	1	2
Number of Hydrants.....	10,216	10,763	10,720	10,329	10,197
Number of Services.....	101,731	102,184	102,051	101,836	101,599
Number of Meters .....	100,452	98,250	99,949	98,239	102,987
Estimated Population Served.....	443,451	443,451	443,451	443,451	443,451

Source: District Officials.

**Number of Water Customers**  
**As of December 31**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Domestic .....	96,093	93,461	95,505	95,471	95,420
Commercial .....	4,515	5,771	5,771	5,536	5,512
Industrial .....	370	545	545	592	592
Public & Other .....	409	1,848	1,848	1,750	1,657
<b>Total.....</b>	<b>101,387</b>	<b>101,625</b>	<b>103,669</b>	<b>103,349</b>	<b>103,181</b>

Source: District Officials.

**Average Daily Consumption  
As of December 31  
(Million Gallons Per Day)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Domestic .....	25.72	23.06	21.38	25.08	24.70
Commercial .....	9.66	8.35	8.43	6.47	6.38
Industrial .....	2.07	1.71	1.61	0.84	0.74
Municipal & Other .....	2.27	2.94	5.89	6.92	7.76
<b>Total Million Gallons Per Day<sup>1, 2</sup> .....</b>	<b>39.72</b>	<b>36.06</b>	<b>37.31</b>	<b>39.31</b>	<b>39.59</b>
Maximum Day Production .....	69.89	63.65	68.80	61.68	71.94
Minimum Day Production .....	38.15	38.94	37.84	39.15	39.90

1 Represents net consumption billed.  
2 Total may not add due to rounding.  
Source: District Officials.

**Water Utility Unit Charge  
As of January 1  
(Per Hundred Cubic Feet)**

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$4.05	\$3.97	\$3.50	\$3.14	\$2.77

Source: District Officials.

**Treatment:** Standards for the quality of drinking water supplied to District customers are maintained in conformity with the public health code of the Connecticut Department of Public Health and as promulgated under Federal water quality standards, under the Safe Drinking Water Act.

The District is in compliance with the Safe Drinking Water Act, also known as Public Health Code Regulation 19-13-B102, “Standards for Quality of Public Drinking Water,” and all subsequent amendments. The District has consistently pursued a policy to provide its customers a safe, potable water supply.

**Maintenance/Replacement:** The District’s maintenance of its water system is part of the annual water operational budget. Its replacement program is funded through appropriations under the District’s Capital Improvement Budget.

**Revenue:** The Public Utilities Regulatory Authority does not have jurisdiction to establish rates for the use of water. Setting of rates for the use of water is vested in the Water Bureau, and as required by Charter, rates must be uniform throughout the District.

**Billing Cycles:** The District has approximately 101,625 customers on a monthly basis.

**Cost Recovery:** The District’s ability to recover costs associated with the operation of the water system is defined in its Charter and Ordinances. Specific ordinances relating to the above are found in Section W-I of the District’s Water Supply Ordinances.

**Economic Development Rate:** In March 2020, the District Board approved an Economic Development Rate that is meant to incentivize large consumption customers to utilize more water by providing a discounted water rate for users above 600,000 gallons per day (gpd) over a monthly billing cycle and a reduction of the CWPC based on actual volume discharged once consumption reaches 600,000 gpd.

## **CONSIDERATIONS FOR BONDHOLDERS**

In making an investment decision with respect to the 2021 Series AB Bonds, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of fixed-rate municipal debt obligations, consider the following factors.

### ***Effects of COVID-19 Outbreak.***

#### State and Local Efforts to Mitigate the Ongoing Impact of COVID-19

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut as a result of the COVID-19 outbreak. Since then State agencies have been directed to use all resources necessary to prepare for and respond to the outbreak. In the spring of 2020, Governor Lamont issued over 100 executive orders aimed at slowing the spread of COVID-19, including, but not limited to, the cancellation of all public-school classes for all students for the remainder of the 2019-2020 school year, restricting social and recreational gatherings, limiting restaurants to take-out, delivery and outdoor seating only, and requiring certain businesses and not-for-profit entities in the State to employ, to the maximum extent possible, any telecommuting or work from home procedures that they can safely employ. In addition, the General Assembly suspended activity at the State Capitol and the legislative office building and the judicial branch suspended non-exigent operations.

Since March 2020, the General Assembly has authorized the continuation of the Governor’s emergency powers on multiple occasions and on September 28, 2021, Governor Lamont declared a continuation of the public health and civil preparedness emergencies in the State until February 15, 2022. The State has a dedicated website providing up-to-date information concerning the State’s actions in response to the COVID-19 virus, including the executive orders issued to date, at <https://portal.ct.gov/Coronavirus/Pages/EmergencyOrders-issued-by-the-Governor-and-State-Agencies>. Neither the MDC, nor the parties involved with the issuance of the 2021 Series AB Bonds has reviewed the information provided by the State on this website and such parties take no responsibility for the accuracy thereof.

On April 1, 2020 and April 9, 2020, Governor Ned Lamont issued Executive Order Nos. 7S and 7W, respectively (together, the "Orders") which create two short-term tax relief programs and require all towns, cities, and boroughs as well as their water pollution control authorities to adopt either or both of them by a vote of the legislative body, or, in any town in which the legislative body is a town meeting, by a vote of the board of selectmen. One program defers payments by 3 months for taxpayers based on a showing of need, while the other reduces the interest chargeable for all taxpayers in the municipality for 3 months.

The “Deferment Program” delays payments due on any tax, utility, or other assessment by 3 months if taxpayers, businesses, nonprofits and residents demonstrate significant economic impact caused by COVID-19 and/or demonstrate that they are assisting people who are experiencing significant economic impact caused by COVID-19. This program applies to charges which would otherwise be due from April 1,



2020 to July 1, 2020. Municipalities have the option to expand eligibility for the program to other categories of taxpayers, businesses, nonprofits and residents.

The “Low Interest Rate Program” lowers the interest rate to 3% per annum (0.25% monthly) on any tax, utility, or other assessment that is due between April 1, 2020 and July 1, 2020 and is not paid on time and also those which were already delinquent before April 1, 2020. After the 3 months period which begins on the original due date, the regular rate of interest is restored on all remaining balances.

The Orders also suspend all non-judicial tax sales effective immediately and postpone them until a date the tax collector selects that is at least 30 days after the Governor declares the COVID-19 emergency to have ended. In addition, the Orders extend all redemption periods for tax sales conducted in the prior six months by the duration of the emergency and reduce the interest rate for doing so to 3% per annum (0.25% monthly).

On December 16, 2020, the Governor issued Executive Order 9R (“Order 9R”), which applied both the Deferment Program and the Low Interest Rate Program to tax deadlines for tax bills that become due and payable on January 1, 2021. As of July 1, 2021, the Member Municipalities have not reported any substantial decrease in the collection of property taxes for the fiscal year ending June 30, 2021.

During the 2021 session, the General Assembly passed a bill that authorized, but did not require, municipalities to offer the Deferment Program and/or the Low Interest Rate Program. The MDC is not aware of any Member Municipalities that have authorized an extension of either program for fiscal year 2021-2022.

#### Federal Government Response to COVID-19’s Impact on the Economy

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the “CARES Act”) that provides in excess \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion will be appropriated to states and other units of government for activities that are directly related to COVID-19; the amount paid to each state will be based on population with a minimum payment of \$1.25 billion. In addition, the CARES Act provides \$454 billion to the Federal Reserve to purchase business, state or municipal securities in order to provide a level of liquidity to the municipal market. Other financial relief affecting states and local governments includes \$30.9 billion for education, \$10 billion for airports, \$25 billion for transit providers, and \$17 billion for housing, including \$5 billion for Community Development Block Grants for COVID-19 related services.

On March 28, 2020, President Trump approved Governor Lamont’s request for a disaster declaration for the State of Connecticut. Under the declaration, it is expected that federal funding will be made available to state, tribal and eligible local governments, including the District, and certain private nonprofit organizations for emergency protective measures, including direct federal assistance, for all areas of Connecticut impacted by COVID-19. The impacted agencies and towns will be reimbursed for 75 percent of the costs associated with their response and emergency protective measures.

On December 21, 2020, Congress passed a \$900 billion stimulus bill that includes funding for stimulus checks, enhanced unemployment benefits, vaccine distribution and development, small businesses and education.

On March 11, 2021, the American Rescue Plan Act of 2021 (the “ARP Act”) was signed into law. Under the ARP Act, the State received approximately \$2.6 billion in assistance. In addition, Member Municipalities received funding pursuant to the Act. For example, the City of Hartford received

approximately \$88 million in non-education aid and the Town of West Hartford received approximately \$25 million in non-education aid.

#### District Efforts to Manage and Mitigate the Ongoing Impact of COVID-19

While the potential long-term impact on the District cannot be predicted at this time, the continued spread of the outbreak and any prolonged effects on the national, State and local economy could have a materially adverse effect on the District's finances. As an essential service provider, the District has ensured that all of its business continuity planning is up to date, and being implemented appropriately, including planning related to the implementation of the CARES Act, as well as other State and Federal guidance.

The District began its response to the coronavirus pandemic in March 2020. As an essential service provider, the District began taking steps to conform to guidance from the Governor's office, which included suspension of service shut-off and charges related to late fees on delinquent accounts. The District began coordinating with the Department of Public Health (DPH) and the CT Department of Energy and Environmental Protection (DEEP) that oversee the District's drinking and wastewater activities and began following CDC guidelines. The District closed District offices to the public except by appointment. Water and wastewater services continue to be uninterrupted. Alternating week work schedules and work from home policies were implemented in mid-March, and continued until mid-June. Back to Work Plans were developed and implemented in June with the full staff reporting to work on June 15th. While working from home from mid-March to mid-June, business operations were not materially impacted. All business staff worked successfully from their remote locations with the support of the District's secure IT environment.

The District has not experienced any significant change in collections because of issues with customer loss of employment, bankruptcies and similar financial problems. The District continues to collect over 90% of its receivables year to date. Fewer than five commercial accounts of the District have requested a payment arrangement for past due balances and none of those are considered among MDC's larger customers. The District has seen an increase in delinquencies amounts, mostly attributable to its following the State requirement of suspending its shut-off program. The District cannot predict at this time the impact COVID-19 will ultimately have on revenue collections.

The District continues to track all costs associated with the COVID-19 pandemic including staffing costs related to the implementation of the CARES Act, as well as additional costs of personal protective equipment (PPE), and other related operational costs.

The potential impact of the national and State response to COVID-19 to date, and the continued spread of COVID-19 and the national and State response thereto, cannot be predicted at this time, but could have a materially adverse effect on the economies of the State and its municipalities, including the District, its finances, credit ratings and its ability to repay its indebtedness in the future.

***The Bonds are special obligations of the District, and are not backed by the full faith and credit of the District or its taxing power.*** If the Pledged Revenues and the Trust Estate are insufficient to pay principal and interest on the 2021 Series AB Bonds, Bondholders will not have recourse to the other assets of the District or its ad valorem taxing power.

***The Bonds are backed by revenues from the District's Clean Water Project Charge, which will be an increasing part of customer water bills. Customers may resist expected increases in the surcharge.*** The District's plan of finance for the Clean Water Project projects increases in the Clean Water Project Charge to reflect increases in debt service as the Clean Water Project proceeds and Additional Bonds are issued. The plan of finance also contemplates increases in the Clean Water Project Charge in advance of such increases, in order to build resources that can be used to limit increases in the surcharge in the peak years

of debt service. Because the Clean Water Project Charge is established annually, there may be pressure on the District to delay or limit these increases, which will hinder completion of the Clean Water Project and may result in decreased debt service coverage ratios.

***The District's Clean Water Project is currently projected to exceed the approved \$1.74 billion in expenditures appropriated to date.*** Current estimates of the cost of the Clean Water Project may increase or decrease as it is carried out, and the design specifications may change as it is carried out. However, currently completion of the Clean Water Project would require the District to seek additional expenditure authority through one or more additional referenda. While the first two referenda for the costs of the Clean Water Project were approved by electors by considerable margins, there is no assurance that this support will continue. A failure to authorize necessary expenditures for completion of the Clean Water Project could endanger the ability of the District to complete the Clean Water Project. Because the Clean Water Project consists of improvements to the District's existing system, the District does not believe that there is a significant risk that Pledged Revenues would be impaired if the Clean Water Project is not completed as currently envisioned, although certain portions of the Clean Water Project, such as the South Tunnel, need to be completed to achieve their intended purpose. A failure to complete the Clean Water Project could endanger the ability of the District to comply with the terms of the Governmental Orders with the U.S. EPA and the Connecticut DEEP.

***If the District fails to comply with the terms of the Governmental Orders, it could be subject to penalties or restrictions on its operations that would impair its financial performance.*** If the District were unable to comply with the terms of the Federal and State orders referred to under "Clean Water Project," regulators could take action to force the District to comply. This could include monetary penalties, injunctive proceedings, and amendments to these orders. These amendments could impose a requirement to proceed more swiftly in the District's efforts, and this may increase the cost of compliance. In addition, regulators could impose additional and more burdensome conditions in the District's permits, require redesign of certain aspects of the Clean Water Project or seek to prevent new connections until compliance was achieved. These steps could increase the costs of compliance and therefore increase the District's rates, adversely affect economic development, and otherwise materially adversely affect the District and its customers.

***A significant portion of the District's Clean Water Project is expected to be funded through Federal and State loans and grants.*** The District currently expects grants and low interest loans from the State Clean Water Fund will fund 25-30% of the costs of the Clean Water Project. If the Clean Water Fund has insufficient resources to fund the Clean Water Project at this level, the District may revise or delay the Clean Water Project, or be required to issue more debt than it expects or seek other financing, which will put the District's finances under greater pressure. The Clean Water Fund receives significant funding from the State and Federal government, and a failure of the State or Federal government to continue necessary support could lead to these consequences. The current or future Federal administrations could implement a change in approach from the prior administration.

***Current coverage ratios are not expected to continue.*** Because this offering is the fourth offering of Bonds under the Indenture, projected coverage ratios contained in this Official Statement are a reflection of the commencement of this financing program, rather than a reflection of future coverage ratios. As Additional Bonds are issued and the Clean Water Project continues, the debt service coverage ratios can be expected to fall.

***The Rate Stabilization Fund is intended to operate such that current revenues from the Clean Water Project Charge will be less than projected debt service or debt service coverage requirements in certain years of the financing plan.*** Up to 35% of debt service on Bonds in any year can be withdrawn by the District from the Rate Stabilization Fund and deposited in the Revenue Fund to count towards Revenues

Available for Debt Service for purposes of the Coverage Covenant. This could allow the District to have Pledged Revenues from the Clean Water Project Charge that are less than 1.2 times debt service in any year. In fact, the financing plan intends for this to occur so that the increases in the Clean Water Project Charge can be moderated to a degree.

***The District could seek protection from its creditors under the Federal Bankruptcy Act.*** Under current law, the District is prohibited from filing for bankruptcy without the consent of the Governor of the State of Connecticut. The operations of the District as a whole, or the ability of the Clean Water Project Charge to service principal and interest on the Bonds, could force it to seek such protection, as have other municipal bodies in other states.

***The Clean Water Project Charge is collected from a large number of customers and is dependent on efficient billing and collection practices.*** Unlike ad valorem taxes that are levied by the District, which are levied on its Member Municipalities themselves (and not the residents of those municipalities), the Clean Water Project Charge is a charge on water bills, which requires such bills to be issued and collected, and if necessary collected through foreclosure of service charge liens and other collection actions. Public health and public policy considerations could prevent the MDC from pursuing its rights in every instance, such as turning off water service or foreclosing its liens on certain customers, such as hospitals.

***The Clean Water Project Charge is based on water usage, and declines in water usage could adversely affect revenues from the surcharge.*** The Clean Water Project Charge is not limited in rate, and declines in water usage could be offset by larger than anticipated increases, just as increases in water usage could be offset by smaller than anticipated increases. Declines in water usage through decreased consumer demand, decreased population, decreased economic activity, alternative sourcing and other factors could impact Clean Water Project Charge revenues and result in increases in the Clean Water Project Charge that further decrease water usage and may be unsustainable.

***The City of Hartford's financial condition may impact the District.*** In December 2017, the City of Hartford (the "City") began operating under the supervision of the State's Municipal Accountability Review Board, and on May 3, 2018 adopted a five-year recovery plan which includes full payment of estimated future ad valorem taxes to the District. The City is the most populous Member Municipality and has been responsible for approximately one quarter of the District's annual tax revenues. The City has paid, on time and in full, all of its tax obligations to the District to date. As noted, the District has a number of tools available to it to manage a default by the City in meeting its future tax obligations, but it could be adversely affected by such a default. The State has also agreed to pay to the City contract assistance payments each year equal to the general obligation debt service (which does not include the City's payment obligation to the District) of the City, other than with respect to certain stadium bonds.

***General obligation debt of a Member Municipality could be made structurally senior to its tax obligations to the MDC.*** Public Act No.17-147, effective July 7, 2017, authorizes a city or town in Connecticut to refund its outstanding indebtedness through July 1, 2022 by issuing 30 year refunding bonds, and allows the issuer by resolution to grant a statutory lien on its revenues from tax levy and collection to secure the refunding bonds. Chapter 117 of the General Statutes also authorizes a Member Municipality to establish a property tax intercept procedure to secure its general obligation debt. Both provisions could have the effect of causing holders of such general obligation debt of the Member Municipality to have a prior claim on property tax revenues of the Member Municipality. No Member Municipality has yet granted such a lien or established such an intercept procedure. The ability of the District to collect on its tax warrants against the Member Municipality or to execute on the goods and estate of its inhabitants is not affected. While the holders of such general obligation debt having a claim on the property tax revenues of a Member Municipality prior to that of the District is not likely to have any effect on the Pledged Revenues, it could have an effect on the overall financial well-being of the District.

***The District has a significant receivable with the State representing disputed contaminated discharges.*** The State discharges groundwater from the Hartford landfill into the District's sewers. In 2016, the District determined this discharge to be contaminated, and began charging the State a sewer fee based on its fees for contaminated groundwater. The State has disputed these fees and has not paid them to date. The accumulated receivable to date is \$12.8 million. The District has reserved for this dispute, and such amount is reflected in its ad valorem levies on its Member Municipalities.

***The District's ability to collect taxes from a Member Municipality would be impaired if the Member Municipality filed for bankruptcy under the Federal Bankruptcy Code.*** If a Member Municipality seeks protection from its creditors under the Federal Bankruptcy Code, the ability of the District to collect tax payments from the Member Municipality would be impaired. Under current State law, a municipality is prohibited from filing for bankruptcy without the express prior written consent of the Governor of the State. If such consent were granted, a bankruptcy filing likely would act as a stay of the ability of the District to enforce its right to payment, including its right to execute on the goods and estate of the inhabitants of the Member Municipality. Under such circumstances, the District might not be able to collect from the Member Municipality the full amount of taxes owed to it by the Member Municipality when due. In such event, and while a proceeding was pending, the District could take certain actions, including levying additional taxes on the other Member Municipalities to generate additional revenue. In the event that a Member Municipality is permitted to seek relief under the Federal Bankruptcy Code, it is difficult to predict whether the claim would prevail and what remedies, if any, a bankruptcy judge would permit the District to exercise. The bankruptcy case law is not fully developed in areas where a court has to consider and apply state law and to determine appropriate remedies in connection with the delivery of essential services. The same is true if the District were permitted to seek relief under the Federal Bankruptcy Act. While an inability of the District to collect the full amount of the taxes owed to it from a Member Municipality is not likely to have any effect on the Pledged Revenues, it could have an effect on the overall financial well-being of the District.

***The District's infrastructure may be vulnerable to terrorism, natural disasters such as floods, and other threats that may require expensive repairs.*** The District's infrastructure of reservoirs, dams, pipes and treatment plants has a large footprint. Some aspects of its infrastructure are not redundant. As a result, the infrastructure could be vulnerable to failures caused by terrorism or natural disasters, such as floods. In particular, the District's Hartford wastewater treatment plant lies in a flood zone protected by levees. The Army Corps of Engineers has identified vulnerabilities in these levees, which are maintained by other governmental entities and not by the District. If the levees were to fail during a flood event, the Hartford wastewater treatment plant could be damaged and require extensive emergency repairs, the cost of which could substantially exceed available insurance proceeds. This could have an adverse financial impact on the District, its service area and its ratepayers. The Clean Water Fund Memorandum (2017-001) Storm Resiliency of Municipal Wastewater Infrastructure identifies the need to consider the impact of climate change on sea level rise and flood protection of wastewater facilities. Sea level rise poses minimal risk for the District's wastewater collection system and typical CSO operation. While the Connecticut River in the City of Hartford is subject to tidal fluctuation during low river conditions, the existing City of Hartford Flood Control System protects the City from flooding for river conditions up to a 500-year stage.

Climate change may increase the magnitude of extreme river flows, impacting the performance of the flood control system and possibly result in more frequent operation of the flood control pumps and flood storage facilities.

***Global Health Emergency Risk.*** The spread of COVID-19, the illness caused by a new coronavirus known as SARS-CoV-2, has affected global, national, state and local economic activity. In response to the spread of the disease, national, state and local governments, businesses and other institutions, and individuals appear to be altering behaviors in a manner that may negatively impact economies. In addition, there has

been significant volatility in the U.S. and global stock and bond markets that has been attributed to concerns about the spread of COVID-19. In light of concerns regarding the spread of COVID-19, on January 31, 2020, the Secretary of Health and Human Services (HHS) declared a public health emergency, under section 319 of the Public Health Service Act (42 U.S.C. 247d). On March 13, 2020, the President of the United States found and proclaimed that, beginning March 1, 2020, the COVID-19 outbreak in the United States constituted a national emergency. On February 24, 2021, President Biden extended this designation. On March 10, 2020, the Governor of Connecticut issued declarations of public health and civil preparedness emergencies, and subsequently issued a series of executive orders implementing various actions intended to address the spread of COVID-19. The Governor's emergency powers have been extended by the Connecticut Legislature. To date, the District's COVID-19-related costs were less than \$300,000. The District has not received any grant funding for its COVID-19 related expenses.

The District cannot predict whether consequences arising from the continued spread of the disease will have a material impact on its financial condition, its credit ratings or its ability to repay debt service on its outstanding indebtedness. The District continues to collaborate with state and federal agencies to ensure that all appropriately determined COVID-19 pandemic protocols are followed. The District has not experienced any significant decrease in water usage or revenue, and continues to maintain uninterrupted water and wastewater services, and that trend is expected to continue. Internally, the District has successfully modified its manner of operations to ensure the health and safety of its workforce and the public, and is in a position to adapt to further changes as necessary or as may be required by changing federal and state requirements.

**Cyber Security.** The District is very active in its preparation and planning for cyber events. In 2016, the District developed its Cybersecurity Program in alignment with the NIST Cybersecurity Framework (CSF) and is constantly seeking new innovative solutions to improve threat management and incident response capabilities. Additionally, the District staff are immersed in federal, state and local cybersecurity intelligence communities, staying aware of and mitigating threats at the earliest possible point. In 2018, the EPA passed the America's Water Infrastructure Act (AWIA) which mandated water providers conduct a Risk and Resilience Assessment (RRA), and update their Emergency Response Plans (ERP) to new standards that included cybersecurity. The District completed the RRA in late 2019 and updated the ERP in 2020 and is now fully compliant with the EPA AWIA requirements. Lastly, in 2020, the District conducted its annual Network Vulnerability Assessment and Finance Audit with favorable results, including special mention of the new level of controls from the implementation of its SAP Enterprise System.

## LITIGATION

There is no litigation of any nature pending or to the best of its knowledge threatened against the MDC restraining or enjoining the issue, sale, execution or delivery of the 2021 Series AB Bonds, or in any way contesting or affecting the validity of the 2021 Series AB Bonds or any proceedings of the MDC taken with respect to the issuance or sale thereof, the application of the proceeds of the 2021 Series AB Bonds or the existence or powers of the MDC.

On February 12, 2014, the Town of Glastonbury filed a lawsuit against the District in State Court seeking a declaratory judgment that the District charged water customers in non-member towns an unlawful surcharge prior to 2014. The surcharge allowed the District to capture the proportional cost of the infrastructure utilized to provide Glastonbury and other non-member town customers with water. The District believed it possessed the authority to impose and collect said surcharge.

While the Glastonbury action was pending, the State Legislature amended the District's charter through Special Act No. 14-21, which authorized the District to impose the surcharge on customers residing in non-

member towns, but capped the amount of the surcharge to the amount of the District's customer service charge. The amendment was effective January 1, 2015.

On May 12, 2016, the Superior Court concluded that Special Act No. 14-21 was not retroactive and the non-member town charges imposed prior to the effective date of the Charter amendment were unlawful. The District appealed that decision. On March 2, 2018, the Connecticut Supreme Court affirmed the trial court ruling.

On March 6, 2018, following the Supreme Court decision, an action was filed on behalf of a proposed class of MDC water customers in the non-member towns of Glastonbury, East Granby, Farmington and South Windsor between January 1, 2006 and October 1, 2014 (Laurie Paetzold, William Paetzold and Andrew Pinkowski v. Metropolitan District Commission). The named Plaintiffs allegedly resided in the town of Glastonbury during the relevant period and, consistent with the Supreme Court ruling, alleged that the District wrongfully imposed the unlawful surcharge and sought to recover damages.

The lawsuit asserted claims for breach of contract, breach of good faith and fair dealing and in the alternative, unjust enrichment. In June 2018, the District filed a Motion to Strike on several grounds, including failure to sufficiently allege the existence of a contract, that the District is entitled to governmental immunity and that the claim is untimely based on the statute of limitations. The Court held that the plaintiff sufficiently plead the existence of a contract and that the claim was not untimely. However, the Court limited the time period for recoverable damages based on a six-year statute of limitations. This reduced the relevant period of exposure to possible damages to March 2012 through October 2014. Additionally, the Court granted the District's motion to strike for the plaintiff's unjust enrichment and breach of the covenant of good faith and fair dealing claims.

In January 2020, the District and plaintiffs engaged in mediation and reached a proposed settlement of the class action suit. The District Board approved the Settlement Agreement on February 10, 2020, and the Settlement Agreement has been executed by both parties. On April 21, 2020, the trial court granted a motion for preliminary approval of a class action settlement. In September 2020, the Court (Moukawsher, J.) entered an order granting final approval to the settlement. The basic terms of the settlement are that customers that paid the non-member town surcharge from March 2012 through October 2014 will either receive a credit in the amount of 103% of the surcharges paid on their current MDC water account or, if they are no longer an MDC water customer, receive a payment for 100% of the amount of the surcharges paid by the former customer. The total settlement value of all claims, including attorney's fees, is capped at \$7,680,000.00. This amount is included in the settlement liability and expense in the Water Utility Fund. Unclaimed amounts by former MDC customers will be returned to the District. As of July 1, 2021, all direct payments and credits due members of the class have been issued, subject to administrative tasks necessary to locate, identify and issue payment or credit to a small number of class members (estimated at less than .05% of the approximately 9,000 class members) that were not included in the initial data set. Absent a material change of circumstances relating to this claim, the District Counsel is of the opinion that this claim will no longer have a material effect on the District's financial position, and will be removed from the Litigation Section of the District's Public Offering Statement in the future.

There are other various suits and claims pending against the District, none of which, individually or in the aggregate, is believed by counsel to be likely to result in judgment or judgments that could materially affect the District's financial position.

## **CONTINUING DISCLOSURE AGREEMENT**

The Authorizing Acts give the MDC the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (the “Rule”). The MDC will execute an agreement with respect to the 2021 Series AB Bonds (the “Continuing Disclosure Agreement”), substantially in the form attached as Appendix E hereto, which agreement shall constitute the MDC’s written undertaking for the benefit of the beneficial owners of the 2021 Series AB Bonds. Under the Continuing Disclosure Agreement, the MDC agrees to provide or cause to be provided, in accordance with the requirements of the Rule, (1) annual financial information and operating data with respect to the 2021 Series AB Bonds, (2) timely notice, but not in excess of ten (10) days, of the occurrence of certain events with respect to the 2021 Series AB Bonds and (3) timely notice of a failure by the District to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

The intent of such undertaking is to provide on a continuing basis the information described in the Rule. Accordingly, there is reserved the right to modify the disclosure thereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of such information to be provided under such undertaking, the obligation pursuant to the Rule to provide such information also shall cease immediately.

The purpose of such undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights other than the remedy of specific performance in the event of any actual failure by the MDC to comply with its written undertaking. Furthermore, the Continuing Disclosure Agreement shall provide that any failure by the MDC to comply with any provisions of such undertaking shall not constitute an Event of Default with respect to the Bonds under the Indenture.

The District has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide annual financial information and event notices pursuant to the Rule. In the last five years, to the best of its knowledge, the District has not failed to comply with its obligations under its continuing disclosure agreements in all material respects.

## **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters related to the authorization, issuance and sale of the 2021 Series AB Bonds are subject to the approval of Shipman & Goodwin LLP, Hartford, Connecticut, Bond Counsel to the MDC. Bond Counsel proposes to deliver its approving opinion with respect to the 2021 Series AB Bonds substantially in the form set forth in Appendix A hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Pullman & Comley, LLC, Hartford, Connecticut.

## **TAX MATTERS**

### **Federal Tax Status of 2021 Series A Bonds (Tax-Exempt Bonds)**

#### ***Opinion of Bond Counsel - Federal Tax Exemption***

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to delivery of the 2021 Series A Bonds in order that interest on the 2021 Series A Bonds be, and continue to be, excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause interest on the 2021 Series A Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the 2021



Series A Bonds, irrespective of the date on which such noncompliance occurs. The Tax Regulatory Agreement, which will be executed and delivered by the District concurrently with the delivery of the 2021 Series A Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the 2021 Series A Bonds in order to ensure compliance with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the District also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law in order to ensure that interest on the 2021 Series A Bonds shall be excluded from the gross income for Federal income tax purposes under the Code. In rendering its opinion, Bond Counsel to the District has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District, the State, the Underwriters, the Municipal Advisors and others, in connection with the issuance of the 2021 Series A Bonds. In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the District with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the 2021 Series A Bonds is excluded from gross income for Federal income tax purposes and is not treated as a tax preference for purposes of computing the Federal alternative minimum tax. For other Federal tax information, see “Original Issue Discount,” “Original Issue Premium” and “Certain Additional Federal Tax Consequences” and “General” herein. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2021 Series A Bonds.

### ***Original Issue Discount***

To the extent the issue price of any maturity of the 2021 Series A Bonds is less than the amount to be paid at maturity of such 2021 Series A Bonds (the “OID Bonds”) (excluding amounts stated to be interest and payable at least annually over the term of such 2021 Series A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2021 Series A Bonds which is excluded from gross income for Federal income tax purposes and is exempt from Connecticut taxable income. For this purpose, the issue price of a particular maturity of the 2021 Series A Bonds generally is the first price at which a substantial amount of such maturity of the 2021 Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2021 Series A Bonds accrues daily over the term to maturity of such 2021 Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2021 Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2021 Series A Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of 2021 Series A Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2021 Series A Bonds in the original offering to the public at the first price at which a substantial amount of such 2021 Series A Bonds is sold to the public.

### ***Original Issue Premium***

The initial public offering prices of the 2021 Series A Bonds of certain maturities (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a 2021 Series A Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the 2021 Series A Bond for Federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

### ***Certain Additional Federal Tax Consequences***

The following is a brief discussion of certain Federal income tax matters with respect to the 2021 Series A Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a 2021 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2021 Series A Bonds. Bond Counsel has not opined on any tax consequence not specifically stated herein.

In addition to the matters addressed above, prospective purchasers of the 2021 Series A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, financial institutions, certain insurance companies, certain S corporations with excess net passive income, foreign corporations subject to the branch profits tax, recipients of Social Security and certain Railroad Retirement benefits, taxpayers eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2021 Series A Bonds should consult their tax advisors as to the applicability and impacts of such consequences. Prospective purchasers of the 2021 Series A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the 2021 Series A Bonds, gain from the sale or other disposition of the 2021 Series A, the market value of the 2021 Series A Bonds, or the marketability of the 2021 Series A Bonds, or otherwise prevent the owners of the 2021 Series A Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the exclusion from gross income of interest on the 2021 Series A Bonds. Such proposals, whether or not enacted, also could adversely affect the market price for, or marketability of, the 2021 Series A Bonds. Prospective purchasers of the 2021 Series A Bonds should consult their own tax and financial advisors regarding such matters.

### **Federal Tax Status of the 2021 Series B Bonds (Taxable Bonds)**

#### ***Federal Income Taxes***

In the opinion of Bond Counsel, under existing law, interest on the 2021 Series B Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

#### ***United States Tax Consequences***

The following is a summary of certain United States Federal income tax consequences resulting from the beneficial ownership of the 2021 Series B Bonds by certain persons. This summary does not consider all possible Federal income tax consequences of the purchase, ownership, or disposition of the 2021 Series B Bonds, and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a 2021 Series B Bond at its issue price, which is the first price at which a substantial amount of the 2021 Series B Bonds is sold to the public, and who hold 2021 Series B Bonds as “capital assets” within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold 2021 Series B Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising a bond and one or more other investments, or United States Holders (as defined below) that

have a “functional currency” other than the United States dollar. This summary is applicable only to a person (a “United States Holder”) who or that is the beneficial owner of 2021 Series B Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to Federal income taxation on its worldwide income. This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

### ***United States Holders***

*Payments of Stated Interest.* In general, for a United States Holder, interest on a 2021 Series B Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner’s method of accounting for tax purposes.

*2021 Series B Bonds Purchased at Original Issue Premium.* The initial public offering price of certain maturities of the 2021 Series B Bonds are greater than the principal amount payable on such 2021 Series B Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these 2021 Series B Bonds are sold over the principal amount payable at maturity constitutes original issue premium. The offering prices relating to the yields set forth on the inside front cover page of this Official Statement are expected to be the initial public offering prices at which a substantial amount of each maturity of the 2021 Series B Bonds were ultimately sold to the public. Under Section 171 of the Code, a holder of a 2021 Series B Bond may elect to treat such excess as “amortizable bond premium,” in which case the amount of interest required to be included in the taxpayer’s income each year with respect to interest on the 2021 Series B Bond will be reduced by the amount of amortizable bond premium allocable (based on the 2021 Series B Bond’s yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer’s adjusted basis in the 2021 Series B Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the Internal Revenue Service (“IRS”).

*2021 Series B Bonds Purchased at a Market Discount.* A 2021 Series B Bond will be treated as acquired at a market discount (market discount bond) if the amount for which a United States Holder purchased the 2021 Series B Bond is less than the 2021 Series B Bond’s adjusted issue price, unless such difference is less than a specified de minimis amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the 2021 Series B Bond. Alternatively, a United States Holder of a market discount bond may elect to include market discount in income currently over the life of the market discount bond. That election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. If an election is made to include market discount in income currently, the tax basis of the 2021 Series B Bond in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elected to accrue such discount on a constant yield-to-maturity basis. That election is applicable only to the market discount bond with respect to which it is made and is irrevocable. A United States Holder of a market discount bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the 2021 Series B Bond in an amount not exceeding the

accrued market discount on such 2021 Series B Bond until maturity or disposition of the 2021 Series B Bond.

*Purchase, Sale, Exchange, and Retirement of 2021 Series B Bonds.* A United States Holder's tax basis in a 2021 Series B Bond generally will equal its cost, increased by any market discount included in the United States Holder's income with respect to the 2021 Series B Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the 2021 Series B Bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a 2021 Series B Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's tax adjusted basis in the 2021 Series B Bond. Except to the extent described above under "*2021 Series B Bonds Purchased at a Market Discount,*" gain or loss recognized on the sale, exchange or retirement of a 2021 Series B Bond will be capital gain or loss and will be long-term capital gain or loss if the 2021 Series B Bond was held for more than one year. The material modification of the terms of any 2021 Series B Bond may result in a deemed reissuance thereof, in which event a United States Holder may recognize taxable gain or loss without any corresponding receipt of proceeds.

*Backup Withholding.* United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the 2021 Series B Bonds, if they fail to provide an accurate Form W-9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States Federal income tax liability (or refund) provided the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

*Medicare Tax Affecting United States Holders.* For taxable years beginning after December 31, 2012, a United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a Medicare tax on the lesser of (1) the United States Holder's "net investment income" for the taxable year and (2) the excess of the United States Holder's modified adjusted gross income for the taxable year over a certain threshold. A United States Holder's net investment income will generally include its interest income and its net gains from the disposition of the 2021 Series B Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A United States Holder that is an individual, estate, or trust, should consult its own tax advisor regarding the applicability of the Medicare tax.

### ***Information Reporting***

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the 2021 Series B Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the 2021 Series B Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the IRS that it has failed properly to report payments of, interest and dividends, a backup withholding tax (currently at a rate of 24%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the 2021 Series B Bonds.

Any payments of interest and original issue discount on the 2021 Series B Bonds to a Non-United States Holder generally will be reported to the IRS and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a 2021 Series B Bond by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States Federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

The Federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences of the purchase, ownership, and disposition of the 2021 Series B Bonds, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in Federal or other tax laws.

#### **State Tax Status of the 2021 Series AB Bonds**

In the opinion of Bond Counsel, under existing statutes, interest on the 2021 Series AB Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Interest on the 2021 Series AB Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of 2021 Series A OIP Bonds or OID Bonds should consult with their tax advisors with respect to the determination for state and local income tax purposes of original issue premium or original issue discount accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of 2021 Series A OIP Bonds or OID Bonds. Owners of 2021 Series A Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2021 Series A Bonds and the disposition thereof.

Owners of 2021 Series B Bonds should consult with their tax advisors with respect to other applicable state and local tax consequences of ownership of the 2021 Series B Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of 2021 Series B Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and the net Connecticut minimum tax on such taxpayers who are also required to pay the Federal alternative minimum tax.

## **General**

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law or the interpretation thereof that may occur after the date of its opinion.

The discussion above does not purport to address all aspects of Federal, state or local taxation that may be relevant to a particular owner of a 2021 Series AB Bond. Prospective owners of the 2021 Series AB Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the Federal, state and local tax consequences of owning and disposing of the 2021 Series AB Bonds.

## **RATINGS**

The 2021 Series AB Bonds have been rated “Aa2” by Moody’s Investors Service (“Moody’s”) and “AA-” by S&P Global Ratings (“S&P”). The ratings assigned by Moody’s and S&P express only the view of such rating agencies. The explanation and significance of the ratings can be obtained from Moody’s and S&P, respectively. Such ratings are not intended as a recommendation to buy or own the 2021 Series AB Bonds. There is no assurance that any ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of any of such ratings on the 2021 Series AB Bonds may have an adverse effect on the market price thereof.

## **UNDERWRITING**

The Underwriters (as set forth on the cover page), for whom Siebert Williams Shank & Co., LLC is acting as Representative, have agreed, subject to certain conditions precedent, to purchase all of the 2021 Series AB Bonds from the MDC at an aggregate purchase price of \$214,620,357.37 (representing the aggregate principal amount of the 2021 Series AB Bonds plus a net original issue premium of \$13,533,460.55 and less Underwriters’ discount of \$353,103.18). The 2021 Series AB Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2021 Series AB Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers for the distribution of the 2021 Series AB Bonds at the initial public offering prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

Morgan Stanley & Co. LLC, an underwriter of the 2021 Series AB Bonds, has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2021 Series AB Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the District and to persons and

entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

### **MUNICIPAL ADVISORS**

Hilltop Securities Inc. (“HilltopSecurities”) is acting as Municipal Advisor to the District in connection with the 2021 Series AB Bonds described in this Official Statement. HilltopSecurities has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. In addition, HilltopSecurities has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the Federal income tax status of the 2021 Series A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies. HilltopSecurities’ fee for services rendered with respect to the sale of the 2021 Series AB Bonds is contingent upon the issuance and delivery of the 2021 Series AB Bonds, and receipt by the District of payment therefor. The District may engage HilltopSecurities to perform other services, including without limitation, providing certain investment services with regard to the investment of the 2021 Series B Bond proceeds. The participation of HilltopSecurities should not be seen as a recommendation to buy or sell the Bonds and investors should seek the advice of their accountants, lawyers and registered representatives for advice as appropriate. Lamont Financial Services Corporation (“Lamont” and together with HilltopSecurities, the “Municipal Advisors”) is co-Municipal Advisor to the District in connection with the 2021 Series AB Bonds described in this Official Statement. Lamont has assisted the District in financial planning for the Clean Water Project from its inception, including for this issue. Lamont’s fees are not contingent upon the closing of the transaction. Lamont has not undertaken to independently verify and does not assume any responsibility for the information, covenants, or representations contained herein.

### **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

AMTEC Corporation of Avon, Connecticut and Michael Torsiello, C.P.A. (a Certified Public Accountant) (together the “Verification Agent”), will deliver to the District, on or before the settlement date of the 2021 Series AB Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, (i) the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the 2021A Escrow Securities to pay, when due, the maturing principal of, interest on and related call premium requirements of the 2013 Refunded Bonds and (ii) the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the 2021B Escrow Securities to pay, when due, the maturing principal of, interest on and related call premium requirements of the 2014 Refunded Bonds.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the District and its representatives. Such verification will be relied upon by Bond Counsel in rendering its opinion described herein.

#### **FINANCIAL STATEMENTS OF THE MDC**

The audited financial statements of the MDC contained in Appendix B have been included herein in reliance upon the report of CliftonLarsonAllen LLP, the MDC's Independent Auditors.



## ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the MDC and its various operations are prepared by officers of the MDC and provided to the Board of Directors at its regular monthly meetings. The MDC will make available copies of its official statements relating to the issuance of its securities under the Indenture from time to time upon request through the Chief Financial Officer/Treasurer of the MDC.

Additional information concerning the MDC may be obtained upon request of Robert O. Barron, Chief Financial Officer/Treasurer, 555 Main St. First Floor, Hartford, Connecticut 06103, (860) 278-7850.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the MDC and the purchasers or holders of any of the 2021 Series AB Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2021 Series AB Bonds by the MDC and may not be reproduced or used in whole or in part for any other purpose.

Dated: October 21, 2021

**THE METROPOLITAN DISTRICT,  
HARTFORD COUNTY, CONNECTICUT**

By: *Robert O. Barron*  
Robert O. Barron  
Chief Financial Officer/Treasurer

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**PROPOSED FORM OF BOND COUNSEL OPINION**

November 3, 2021

The Metropolitan District, Hartford County, Connecticut  
555 Main Street  
Hartford, Connecticut 06103

Re: The Metropolitan District, Hartford County, Connecticut  
\$66,030,000 Clean Water Project Revenue Bonds, 2021 Series A, Dated November 3, 2021, and  
\$135,410,000 Clean Water Project Refunding Revenue Bonds, 2021 Series B (Federally  
Taxable), Dated November 3, 2021

Ladies and Gentlemen:

In connection with our representation of The Metropolitan District, Hartford County, Connecticut (the “MDC”) as bond counsel we have examined certified copies of the proceedings of the MDC and other proofs submitted to us relating to the issuance of \$66,030,000 aggregate principal amount of The Metropolitan District, Hartford County, Clean Water Project Revenue Bonds, 2021 Series A (the “2021 Series A Bonds”) and the \$135,410,000 aggregate principal amount of The Metropolitan District, Hartford County, Clean Water Project Refunding Revenue Bonds, 2021 Series B (Federally Taxable) (the “2021 Series B Bonds” and, collectively with the 2021 Series A Bonds, the “2021 Series Bonds”).

The 2021 Series Bonds are authorized pursuant to Special Act No. 511 of the 1929 Session of the Connecticut General Assembly, as amended (the “Charter”) and Chapter 103 of the Connecticut General Statutes, as amended (the “Municipal Act” and, together with the Charter, the “Authorizing Acts”), the Special Obligation Indenture of Trust, dated as of June 1, 2013 (the “Special Obligation Indenture”), as amended and supplemented by the Fourth Supplemental Indenture, dated as of November 3, 2021 (the “Fourth Supplemental Indenture”, and together with the Special Obligation Indenture, the “Indenture”), each by and between the MDC and U.S. Bank National Association, as trustee (the “Trustee”). All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Indenture.

The 2021 Series Bonds are dated, will mature on the dates, will bear interest at the rates, and are subject to redemption prior to maturity, all as set forth in the Indenture.

The 2021 Series Bonds are limited recourse special obligations of the MDC and do not constitute a general obligation of the MDC nor are they guaranteed by the MDC.

We note that the MDC is authorized to issue additional bonds in addition to the 2021 Series Bonds (“Additional Bonds”), upon the terms and conditions set forth in the Authorizing Acts and the Special Obligation Indenture, and such Additional Bonds would, if and when issued and except as might be provided by a supplemental indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Special Obligation Indenture with the 2021 Series Bonds, with bonds heretofore issued under the Special Obligation Indenture and with all other such Additional

Bonds hereafter issued. The Special Obligation Indenture contains provisions which permit it to be amended or supplemented in accordance with its terms, which amendments or supplements may be applicable to the 2021 Series Bonds.

The rights of owners of the 2021 Series Bonds and the enforceability of the 2021 Series Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the 2021 Series A Bonds in order that interest on the 2021 Series A Bonds be and remain excluded from gross income for federal income tax purposes. The opinion set forth below is subject to the condition that the MDC complies with all such requirements. The MDC has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the 2021 Series A Bonds shall be excludable from gross income for federal income tax purposes under the Code. Failure to comply with certain of such requirements may cause interest on the 2021 Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2021 Series A Bonds.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and on certain representations, certifications of fact, and statements of reasonable expectations made by the MDC, the State, the MDC's underwriters and financial advisors and others furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2021 Series Bonds and we express no opinion herein relating thereto.

Subject to the foregoing, we are of the opinion that:

1. The MDC exists as a body politic and corporate, performing an essential public function with good right and lawful authority to carry out its obligations with respect to the Project, and to provide funds therefor by the execution of the Indenture and the issuance and sale of the 2021 Series Bonds, and to perform its obligations under the Indenture, including collecting and enforcing the collection of Pledged Revenues as covenanted in the Indenture.

2. The Indenture has been duly executed by the MDC and is valid and binding upon the MDC and enforceable in accordance with its terms.

3. The 2021 Series Bonds are valid and legally binding special obligations of the MDC payable solely from revenues, funds and assets pledged therefor under the Indenture and are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture.

4. The Indenture creates a valid pledge of and a valid lien upon the Trust Estate, including the monies and securities held or set aside or to be set aside and held in the Debt Service Fund, established thereunder, which the Indenture purports to create, subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

5. Under existing statutes and court decisions, interest on the 2021 Series A Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for

purposes of computing the federal alternative minimum tax. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the 2021 Series A Bonds.

6. Under existing statutes interest on the 2021 Series B Bonds is included in gross income for federal income tax purposes.

7. Under existing statutes, interest on the 2021 Series Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the 2021 Series Bonds is included in gross income for purposes of the Connecticut corporation business tax. We express no opinion regarding any other State or local tax consequences caused by ownership or disposition of, or receipt of interest on, the 2021 Series Bonds.

Except as stated in paragraphs 5, 6 and 7, we express no opinion regarding any Federal or state tax consequences with respect to the 2021 Series Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the 2021 Series A Bonds or under state and local tax law.

Very truly yours,

Shipman & Goodwin LLP

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**APPENDIX B**

**MDC AUDITED FINANCIAL STATEMENTS DECEMBER 31, 2020**

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**THE METROPOLITAN  
DISTRICT**

**Hartford County  
Hartford, Connecticut**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**



**Year Ended December 31, 2020**

**THE METROPOLITAN  
DISTRICT**  
Hartford County  
Hartford, Connecticut

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**Year Ended December 31, 2020**

Finance Department

**THE METROPOLITAN DISTRICT  
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DECEMBER 31, 2020**

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## **INTRODUCTORY SECTION**



June 25, 2021

District Chairman  
Members of the District Board  
Members of the Board of Finance  
The Metropolitan District  
Hartford, Connecticut

Dear Chairman DiBella, Commissioners and Citizen Members:

State law requires that every governmental unit publish, within six months of the close of each fiscal year, a complete set of audited financial statements conforming to generally accepted accounting principles (GAAP) for governmental units, as audited by an independent firm of licensed public accountants. We are pleased to submit the Annual Comprehensive Financial Report of The Metropolitan District (hereafter, “the District” or “the MDC”) for fiscal year end December 31, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed their anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen, LLP (“CLA,LLP”), licensed certified public accountants, has issued an unmodified (“clean”) opinion of the District’s financial statements for fiscal year end December 31, 2020. The independent accountant’s report is located in the front of the financial statement section of this report.

The MDC’s fiscal year 2020 audit includes an audit of all federal grants in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), which provides, in part, that state and local governments expending more than \$750,000 in federal financial assistance must have a single audit for the fiscal year. The single audit is in lieu of any financial and compliance audits required by any federal agency.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides, in narrative form, an introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## **Description of the District**

The District was created by the Connecticut General Assembly in 1929 as a specially chartered municipal corporation of the State of Connecticut under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended (the "MDC Charter"). The member municipalities incorporated in the District are the City of Hartford and the Towns of Bloomfield, East Hartford, Newington, Rocky Hill, West Hartford, Wethersfield and Windsor (the "Member Municipalities"). The District's purpose is to provide a complete, adequate and modern system of water supply and sewage collection, treatment and disposal for its Member Municipalities. Additionally, because of a Charter amendment approved by the Connecticut General Assembly in 1979, the District is also empowered to construct, maintain, and operate hydroelectric dams. The District also provides sewage disposal and supplies water, under special agreements, to portions of several non-member towns as well as various state facilities. These towns currently include Berlin, East Granby, Farmington, Glastonbury, Manchester, New Britain, Portland, South Windsor, Unionville and Windsor Locks.

## **The District Board**

A 33-member Board of Commissioners, referred to as the District Board, governs the District. The Member Municipalities appoint seventeen of the commissioners, eight are appointed by the Governor, and four are appointed by the leadership of the Connecticut State Legislature. Four nonvoting commissioners are appointed from the nonmember municipalities, one each from Glastonbury, South Windsor, East Granby and Farmington. All commissioners serve without remuneration for a term of six years.

## **Powers and Responsibilities of the District Board**

The District Board is authorized to establish ordinances and bylaws; organize committees and bureaus; define the powers and duties of such bodies; fix salaries and define the duties of all officers and employees; appoint deputies to any officers or agents of the District; and issue negotiable bonds, notes or other certificates of debt to meet the cost of public improvements or to raise funds in anticipation of taxes or water revenue, which debt shall be obligations of the District and its inhabitants. The District Board has the authority to establish rates for the use of water to support its water supply, treatment and distribution functions, and the power to levy a tax upon the Member Municipalities to finance the operational and capital budget relating to sewage collection, treatment and disposal. The District Board refers a proposed budget of revenues and expenditures to the Board of Finance annually. The Board of Finance reviews the proposed budget, makes adjustments if desired, and refers it back to the District Board for final review, changes as necessary, and enactment.

## **Consumer Advocate**

Public Act No. 17-1 established an Independent Consumer Advocate to act as an independent advocate for consumer interests in all matters which may affect District consumers, including, but not limited to, rates, water quality, water supply, and wastewater service quality. The Independent Consumer Advocate may appear and participate in District matters or any other federal or state regulatory or judicial proceeding in which consumers of the District are or may be involved. The Independent Consumer Advocate submits quarterly reports of his or her activities to the District, the chief elected official of each town receiving service from the District, and the State Consumer Counsel. Such reports are available on both the District's and the Consumer Counsel's websites.

## **Administration**

Responsibility for the overall administration and management of District policy, operations and services rests with the Chief Executive Officer. The Chief Executive Officer has direct responsibility for the Human Resources and Communications functions and manages the remaining functions through the Chief Operating Officer (“COO”) and Chief Administrative Officer (“CAO”). The COO has responsibility for design and construction of the District’s Clean Water Project, Asset Management and capital planning programs, engineering, maintenance, operations, water pollution control, water treatment and supply, patrol and environment, health and safety functions of the District. The CAO has responsibility for the District’s procurement, accounting, budgeting, treasury, risk management functions, information technology and customer service.

## **Local Economy**

The Member Municipalities of the MDC are a mixture of urban and suburban communities with an aggregate population of approximately 363,000 people, and median family incomes ranging from \$42,536 to \$138,365. These diverse Member Municipalities comprise a strong and stable service area as evidenced by 10.52% growth in the combined equalized grand lists from 2013 to 2018, according to the State of Connecticut Office of Policy and Management. The combined grand lists not only reflect single family residences and multifamily housing units, but also include major industries such as manufacturers of technology products, building systems and aerospace industries, hospitals, universities, utilities and several financial institutions and insurance companies.

Economic conditions generally affecting the State of Connecticut have a significant impact on the District’s Member Municipalities and on employment opportunities for area residents.

In 2020, the COVID-19 pandemic had a significant adverse impact on the national and state economies. More recently there have been signs of an incipient economic recovery, with Connecticut experiencing significant growth in median home sales and Gross Domestic Product (GDP). This has been fueled by a surge in stock prices, a net migration of individuals relocating here from New York City, and increasing consumer confidence. However, certain sectors such as hospitality and leisure have lagged, with those individuals continuing to experience some of the highest unemployment rates.

The District continues to collaborate with state and federal agencies to ensure that we follow all appropriately determined COVID-19 pandemic protocols. The District has not experienced any significant decrease in water usage or revenue, and continues to maintain uninterrupted water and wastewater services. We expect that trend to continue. Internally, the District has successfully modified its manner of operations to ensure the health and safety of its workforce and the public, and put itself in a position to adapt to further changes as necessary or as may be required by federal and state regulators.

Otherwise, for some time prior to the COVID-19 outbreak, the State and the Greater Hartford region had suffered from a prolonged period of economic stagnation.

The region’s economic performance from 2007 to 2017 trailed the US economy, experiencing almost no post-recession growth. A recent study commissioned by the Capital Region Council of Governments (CRCOG) forecasts that economic growth will continue to lag.



Within the last decade, the local MDC labor market area experienced high unemployment rates, ranging from 5.18% in 2018 to 11.52% in 2011. The MDC labor market area unemployment rate had followed the same downward trend as the United States national unemployment rate since the beginning of 2011; however, the MDC labor market area unemployment rate had been approximately 25% higher than the national average prior to 2018, reflecting the area's slower recovery from the national recession. Due to the COVID-19 pandemic, unemployment for the labor market area spiked at 11.4% in July 2020 and the calendar year 2020 average was 9.8% unemployment. For April 2021, the state's overall unemployment was 7.6% and the MDC labor market area is was 9.4%.

In response to a prolonged period of fiscal distress, the City of Hartford entered into a Contract Assistance Agreement with the State of Connecticut in March 2018 whereby the State agreed to make the City's \$543 million general fund debt service payments in exchange for the City's agreement to state oversight under the Municipal Accountability Review Board (MARB), established under Public Act 17-2. The City is now required to secure approvals of the State and/or the MARB of annual budgets, debt issuances, and significant contracts, as well as submit five-year financial recovery plan. In response to the Contract Assistance Agreement and increased economic activity, the City of Hartford's underlying bond rating has increased steadily to BB+ with a stable outlook from S&P.

More recently, the State and the Greater Hartford region appear to be in the process of rebounding. The region boasts a strong financial/insurance cluster, a resurging advanced manufacturing cluster, and an emerging biotech cluster, among other economic strengths. Greater Hartford has a concentration of key, high-opportunity industries, including advanced manufacturing and aerospace, business services, finance, insurance, and biomedical device development, each of which could lead to an overall economic upturn and power regional growth. The region is home to over a dozen colleges and universities, growing transit connectivity, a revitalized riverfront, and other amenities that are expected to support and attract the talent needed to spur and maintain economic growth within Member Towns offering diverse lifestyle options. The Member Municipalities, for the most part, have retained their strong financial positions by adopting a proactive approach to dealing with the reduced funding levels from the State of Connecticut. Seven of the eight MDC Member Municipalities have ratings that are Aa2 (Moody's) or AA (S&P) or higher, and comprise 74.68% of the total Ad Valorem distribution as of 2020. Of those seven, two of our municipalities comprising 31.98% of the total Ad Valorem distribution carry Aaa (Moody's) or AAA (S&P) ratings.

### **Fiscal Responsibility, Strategic Outlook and Long Term Financial Planning**

Consistent with MDC's adopted Strategic Plan, the MDC proactively monitors the current business and statutory and regulatory environment in which it operates, and continually evaluates its operating policies and procedures and its rate structure, as well as how the MDC interacts with its customers and key stakeholders.

On May 16, 2017, Public Act 17-1 was signed into law by the Governor. In addition to the MDC's existing powers outlined in its Charter, the new legislation provides the following:

- Authorizes the MDC to levy additional taxes on the Member Municipalities *during the fiscal year* if a Member Municipality was late in paying, or did not pay, its portion of Ad Valorem tax;
- Expands the MDC's ability to borrow on a short-term basis to include working capital (operational) purposes, in addition to funding for capital projects, for a term up to three years; and

- Redirects State of Connecticut PILOT payments under Section 12-18b, otherwise payable to a Member Municipality, to the MDC if the Member Municipality fails to pay Ad Valorem tax to the MDC within the MDC's fiscal year.

The MDC expects that these tools will allow it to react to a mid-year default by a Member Municipality in a timely, less disruptive and more accommodating fashion. The tools provided by Public Act 17-1 combined with MARB oversight, contract assistance and restructuring grants for Hartford, as noted in the Local Economy section, has significantly reduced the potential impact of a Member Municipality default on the MDC's finances.

Given the increased complexity and demands of the Clean Water Project, a project mandated by EPA and DEEP to upgrade our sewer infrastructure and detailed below, the MDC has developed and maintained complex and sophisticated forecasting models to plan future short- and long-term debt issuances, develop comprehensive cash flow projections, and determine impacts on future rate structures. Utilizing these tools proactively has enabled the MDC to model numerous scenarios and communicate effectively with its commissioners, customers, key stakeholders, the State and members of the investment community about the MDC's financial position, progress of the Clean Water Project and the MDC's future financing plans.

The MDC maintains a positive fund balance in the general fund (42.66% of total general fund revenues). In August 2019, the District Board adopted a formal policy which seeks to maintain a general fund balance between 32 and 36 percent of total general fund revenues. Through prudent planning and funding, the Metropolitan District Employee's Retirement System (MDERS), under GASB 67, has a plan fiduciary net position as a percentage of total pension liability of 81.54% as of December 31, 2020. Collectively, these measurements illustrate the financial strength of the District. In addition, based upon the Debt Limitation as outlined in the MDC Charter, as of December 31, 2020, the District had \$419.80 million of available borrowing capacity. The District expects to continue to meet its significant operational and capital obligations while striving to maintain one of the region's lowest water and sewerage rate structures.

### **Major Initiative: Evolution of the Clean Water Project**

As originally conceived in 2005, and as set forth in the MDC's initial Long Term Control Plan ("LTCP"), the Clean Water Project comprised three phases, and it was assumed to be completed in 2021, based on assumptions about, among other things, the design as originally conceived and the pace of design, construction, and regulatory review and approval. The original concept relied on sewer separation projects, control of inflow and infiltration, and capacity increases and other improvements to the District's treatment plants.

An updated LTCP was submitted to DEEP in 2012 and revised through December 2014. The revised plan de-emphasized large sewer separation projects, which proved expensive and disruptive in downtown areas, and added a large storage and conveyance tunnel in south Hartford (the "South Tunnel"). It also featured a large storage and conveyance tunnel to the north part of Hartford (the "North Tunnel") and connecting to the South Tunnel which was intended to both capture overflows in the northern and central part of the city and also to eliminate overflows into the North Branch of the Park River. This resubmittal as approved in 2015 set out a completion of the project by 2029.

The LTCP was most recently revised and resubmitted to Connecticut DEEP in December 2018. The resubmitted LTCP introduces the concept of an "Integrated Plan", which recognizes that the District's ongoing capital maintenance program also furthers compliance with the governmental orders. These items include replacing aged and damaged pipe and other system components, cleaning and other maintenance and rehabilitation activities, and increasing pipe capacity to reduce overflows.

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The resubmitted LTCP sets out several compliance options, which incorporate timing and sequencing alternatives. The option preferred by the District would achieve incremental improvements in the coming years and full compliance in 2058. Other options would achieve compliance earlier, but have overlapping elements. The District has deferred designing specific elements of the compliance options until the LTCP is approved, while work continues on the South Tunnel and completion of the treatment plant expansion work. The District remains committed to working with CT DEEP on the LTCP and cannot predict when the resubmitted document will be approved, or its final shape.

## **Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MDC for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2019. This prestigious award is conferred upon government entities who publish an easily readable and efficiently organized Annual Comprehensive Financial Report that satisfies all GAAP and applicable legal reporting requirements. This Certificate of Achievement is valid for a period of one year, however, we believe that our current Annual Comprehensive Financial Report continues to meet the rigorous standards that the Certificate of Achievement Program requires and the MDC is submitting to the GFOA to determine its eligibility for a certificate for this current year's report.

Again, the employees in the Finance Department have joined their many talents to produce this Annual Comprehensive Financial Report, and we thank them.

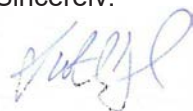
Special thanks to members of the Board of Finance and District Board for the guidance and support they provide year after year. The District's financial strength reflects their vigilance and stewardship.

The District remains committed to the efficient fulfillment of its core mission. In pursuit of that objective, we remain fully committed to providing our customers with safe, pure drinking water, environmentally protective wastewater collection and treatment and other services that benefit the Member Towns.

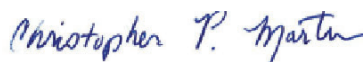
## **Conclusion**

We hope that our continued fiscally and environmentally responsible actions demonstrate our concern and commitment to our customers, member towns, stakeholders, investors and the citizens of the State of Connecticut. We pride ourselves in knowing that our customers enjoy the highest quality drinking water in the region at a cost that is consistently lower than any public or private water supply provider of similar size anywhere in Connecticut. At the same time, we also take great pride in engineering and constructing the largest public works project in New England - the Clean Water Project- with the overwhelming support of our Member Municipalities and customers. Looking forward, the MDC will continue to develop sound business goals and adopt implementation plans that fulfill the performance objectives set forth in the Strategic Plan.

Sincerely,



Scott W. Jellison  
Chief Executive Officer



Christopher P. Martin  
Director of Finance / Chief Financial Officer

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Government Finance Officers Association

Certificate of  
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Connecticut**

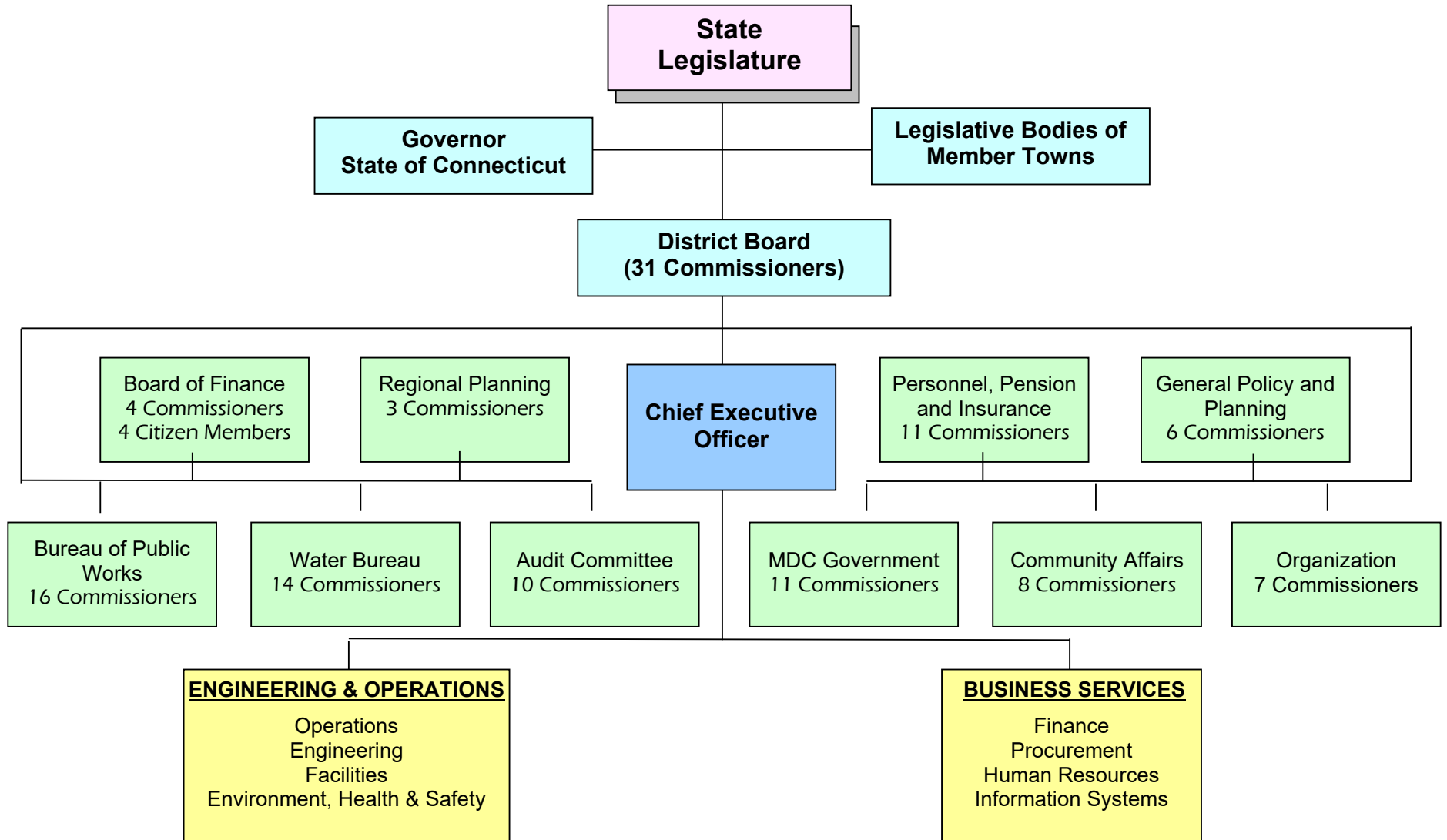
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Morill*

Executive Director/CEO

**The Metropolitan District  
Hartford County  
Organization Chart**



**THE METROPOLITAN DISTRICT  
THE DISTRICT BOARD**

<b>Name</b>	<b>Primary Occupation</b>	<b>Municipality Represented</b>	<b>Term Expires</b>	<b>Bureaus, Boards, Committees</b>
William A. DiBella, Chairman	Consultant	Hartford	12-31-2020	Ex-Officio Member of all Bureaus, Boards, Commissions and Standing Committees
Maureen Magnan, Vice Chairman	Special Projects/ Government Affairs	West Hartford	12-31-2020	Bureau of Public Works, General Policy and Planning, Committee on MDC Government, Personnel, Pension & Insurance Committee, Community Affairs Committee, CRRA Steering Committee
Andrew Adil	Investment Advisor	Wethersfield	12-31-2024	Bureau of Public Works, Water Bureau, Board of Finance, Strategic Planning Committee
John Avedisian	Plant Metallurgist	Windsor	12-31-2022	Bureau of Public Works, Committee on MDC Government, Personnel, Pension and Insurance Committee, Strategic Planning Committee
Clifford Avery Buell	Investment Advisor	Hartford	12-31-2021	Water Bureau, Committee on MDC Government, Committee on Organization, Community Affairs Committee, Farmington River Watershed
Richard Bush	Self-Employed/ Real Estate and Property Management Owner	West Hartford	12-31-2022	Bureau of Public Works, Strategic Planning Committee
Daniel Camilliere	Retired	Wethersfield	12-31-2020	Water Bureau, Committee on Organization, Personnel, Pension and Insurance Committee, Community Affairs Committee, Commission on Regional Planning, Strategic Planning Committee
Donald Currey	Retired	East Hartford	12-31-2024	Bureau of Public Works, General Policy & Planning, Board of Finance, Committee on Organization, Personnel, Pension and Insurance Committee, Audit Committee
Peter Gardow	Principal Engineer	Legislative Appointee	12-31-2020	Water Bureau, Committee on MDC Government, Audit Committee
James Healy	Attorney	West Hartford	12-31-2024	Bureau of Public Works, Committee on MDC Government, Strategic Planning Committee, Farmington River Watershed

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Allen Hoffman	Retired	Legislative Appointee	12-31-2024	Bureau of Public Works, Board of Finance, Committee on MDC Government, Committee on Organization, Audit Committee, Strategic Planning Committee
Georgiana E. Holloway	Retired	Hartford	12-31-2020	Water Bureau, Community Affairs Committee, Committee on MDC Government, Farmington River Watershed
David Ionno	Retired	Hartford	12-31-2020	Water Bureau, Committee on MDC Government, Community Affairs Committee
Shubhada Kambli		Hartford	12-31-2024	District Board Only
Mary LaChance		Glastonbury	12-31-2025	District Board Only
Gary LeBeau	Retired	East Hartford	12-31-2022	Water Bureau, Committee on MDC Government, Strategic Planning Committee
Diane Lewis	Case Manager of Jobs Funnel / Best Chance Programs	Hartford	12-31-2024	Water Bureau, Audit Committee
Byron Lester	Information Technology Systems Administrator	Bloomfield	12-31-2024	Bureau of Public Works, Personnel, Pension & Insurance Committee, Strategic Planning Committee
Jackie Gorsky Mandyck		West Hartford	12-31-2024	Water Bureau, Audit Committee
Michael Maniscalco	Town Manager	South Windsor	12-31-2019*	District Board Only
Alphonse Marotta	Retired	Hartford	12-31-2022	Bureau of Public Works, Committee on MDC Government, Personnel, Pension and Insurance Committee, Commission on Regional Planning, Audit Committee, Strategic Planning Committee
Domenic Pane	Self-Employed Owner/ President	Newington	12-31-2022	Bureau of Public Works, Water Bureau, General Policy & Planning, Personnel, Pension and Insurance Committee, Audit Committee, Strategic Planning Committee
Bhupen Patel	Retired	Newington	12-31-2020	Bureau of Public Works, Personnel, Pension and Insurance Committee, Farmington River Watershed

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Jon Petoskey		East Hartford	12-31-2025	Water Bureau, Strategic Planning Committee
Pasquale J. Salemi	Engineer	East Hartford	12-31-2022	Water Bureau, General Planning & Policy, Board of Finance, Personnel, Pension & Insurance Committee, CRRA Steering Committee, Energy Committee
Michael Solomonides	Marketing Manager	Farmington	12-31-2020	District Board Only
Raymond Sweezy	Retired	Rocky Hill	12-31-2024	Bureau of Public Works, Water Bureau, General Policy & Planning, Committee on Organization, Personnel, Pension & Insurance Committee, Community Affairs, Commission on Regional Planning, Audit Committee, Strategic Planning Committee
Alvin E. Taylor	Retired	Legislative Appointee	12-31-2021	Bureau of Public Works, Water Bureau, General Policy & Planning, Committee on MDC Government, Committee on Organization, Personnel, Pension & Insurance Committee, Community Affairs Committee, Audit Committee, CRRA Steering Committee, Strategic Planning Committee
Calixto Torres	Retired	Hartford	12-31-2022	Bureau of Public Works, Strategic Planning Committee
Richard V. Vicino	Self-Employed / Construction Management	Legislative Appointee	12-31-2021	Bureau of Public Works, Committee on Organization, Community Affairs Committee, Audit Committee, Strategic Planning Committee, Energy Committee
James Woulfe	Government Affairs Director	Hartford	12-31-2024	Bureau of Public Works, Strategic Planning Committee
Michael Carrier	Attorney	Representative from New Britain	12-31-2010*	Ex-Officio Member of the Water Bureau of District Board

\*Commissioners appointed by Municipalities continue to serve until a successor is selected.



**THE METROPOLITAN DISTRICT**

**HARTFORD COUNTY  
DISTRIBUTION OF DISTRICT BOARD MEMBERSHIP  
AS OF DECEMBER 31, 2020\***

	<u>Total Commissioners</u>	<u>Appointed By</u>		
		<u>Municipality</u>	<u>Governor</u>	<u>Legislature</u>
Hartford	9	6	3	
East Hartford	4	3	1	
West Hartford	4	3	1	
Windsor	1	1		
Bloomfield	1	1		
Wethersfield	2	1	1	
Newington	2	1	1	
Rocky Hill	1	1		
East Granby	0			
Farmington	1	1		
Glastonbury	1	1		
South Windsor	1	1		
Legislative Appointment	4			4
	<u>31</u>	<u>20</u>	<u>7</u>	<u>4</u>

\* One Windsor Commissioner appointed by the Governor and one East Granby Commissioner appointed by the municipality was vacant as of 12/31/2020

**THE METROPOLITAN DISTRICT**

**HARTFORD COUNTY  
BOARD OF FINANCE**

	<b>Term <u>Expires</u></b>
William A. DiBella (Ex-Officio)	12-31-2020
Andrew Adil	12-31-2024
Donald Currey	12-31-2024
Allen Hoffman	12-31-2024
Pasquale J. Salemi	12-31-2022
Ronald F. Angelo	12-31-2021
Joan McCarthy Gentile	12-31-2021
Linda A. King-Corbin	12-31-2021
Awet Tsegai	12-31-2021

# FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

To the Board of Finance  
The Metropolitan District  
Hartford, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Metropolitan District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Metropolitan District as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Metropolitan District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021 on our consideration of The Metropolitan District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Metropolitan District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Metropolitan District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
June 25, 2021

**The Metropolitan District  
Management's Discussion and Analysis  
December 31, 2020**

The management of the Metropolitan District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

**Financial Highlights**

- On a government-wide basis, the assets of the District exceeded its liabilities at the close of the current year by \$792,616,608 and \$151,044,879 for Governmental Activities and Business-Type Activities, respectively.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances of \$82,320,911 a decrease of \$49,014,734 in comparison with the prior year.
- On a government-wide basis, the District's total net position increased by \$37,773,814 and \$60,741,436 for the Governmental Activities and Business-Type Activities, respectively.
- Deferred outflows of resources of the District were \$32,229,940 and \$42,579,595 for the Governmental Activities and Business-Type Activities, respectively. Deferred inflows of resources of the District were \$89,068,803 and \$120,922,256 for the Governmental Activities and Business-Type Activities, respectively.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the District that are principally supported by taxes, charges for services, operating grants and contributions, capital grants and contributions (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges and capital grants and contributions (Business-Type Activities). The Governmental Activities of the District include general government, operations, plants and maintenance, and Interest on long-term debt, and in particular include its wastewater operations. The business-type activities of the District include Water and Hydroelectricity facilities.

The government-wide financial statements can be found on pages 14-15 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual government funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, the Clean Water Project Fund and the Capital Project Fund, of which are considered to be major funds.

The District adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been provided for the General Fund to demonstrate compliance with this budget. These can be found on pages 61-63 of this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

**Proprietary Funds** - The District maintains three proprietary, or enterprise type funds. Enterprise funds report the same functions as presented by the business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its water and hydroelectricity operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water operations considered a major fund of the District, and hydroelectricity operations, which is nonmajor.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Fiduciary Funds** - Fiduciary funds are used to account for assets held by the District in a trustee capacity for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District maintains fiduciary funds for its Pension and OPEB Trusts.

The basic fiduciary fund financial statements can be found on pages 23-24 of this report.



**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-60 of this report.

**Supplemental Combining Statements and Schedules**

Following the notes to this report also contain certain supplementary information concerning the District’s progress in funding its obligation to provide pension benefits to its employees.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position and an important determinant of its ability to finance services in the future. In the case of the District, assets exceeded liabilities by \$792,616,608 and \$151,044,879 for the Governmental Activities and Business-Type Activities, respectively, at the close of the most recent fiscal year.

By far the largest portion of the District’s assets is its investment in capital assets (e.g., infrastructure, plants, machinery and equipment). It is presented in the statement of net position less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets, net of accumulated depreciation, is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Set out below is a comparison of the District’s net position at the end of fiscal 2020 compared to the prior year, and the changes in net position for fiscal 2019, compared to the prior year.

**The Metropolitan District  
NET POSITION  
December 31, 2020 and 2019**

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 159,323,886	\$ 119,634,345	\$ 278,958,231	\$ 154,142,887	\$ 79,608,216	\$ 233,751,103
Capital assets, net of accumulated depreciation	1,970,906,638	648,901,852	2,619,808,490	1,905,798,421	608,196,939	2,513,995,360
Total assets	<u>2,130,230,524</u>	<u>768,536,197</u>	<u>2,898,766,721</u>	<u>2,059,941,308</u>	<u>687,805,155</u>	<u>2,747,746,463</u>
Deferred outflows of resources	32,229,940	42,579,595	74,809,535	34,709,913	46,713,175	81,423,088
Current liabilities	82,128,023	65,558,474	147,686,497	28,143,066	7,448,060	35,591,126
Long-term liabilities outstanding	1,198,647,030	473,590,183	1,672,237,213	1,293,425,040	612,291,938	1,905,716,978
Total liabilities	<u>1,280,775,053</u>	<u>539,148,657</u>	<u>1,819,923,710</u>	<u>1,321,568,106</u>	<u>619,739,998</u>	<u>1,941,308,104</u>
Deferred inflows of resources	89,068,803	120,922,256	209,991,059	18,240,321	24,474,889	42,715,210
Net Position:						
Net investment in capital assets	846,161,504	281,225,011	1,127,386,515	809,558,713	272,553,110	1,082,111,823
Restricted	2,744,874		2,744,874	2,744,874		2,744,874
Unrestricted	<u>(56,289,770)</u>	<u>(130,180,132)</u>	<u>(186,469,902)</u>	<u>(57,460,793)</u>	<u>(182,249,667)</u>	<u>(239,710,460)</u>
Total Net Position	<u>\$ 792,616,608</u>	<u>\$ 151,044,879</u>	<u>\$ 943,661,487</u>	<u>\$ 754,842,794</u>	<u>\$ 90,303,443</u>	<u>\$ 845,146,237</u>

The District’s net position increased by \$98,515,250 overall during the fiscal year with ending net position of Governmental Activities and Business-Type Activities of \$792,616,608 and \$151,044,879 respectively.

## Governmental Activities

The net position of governmental activities increased \$37,773,814 from the prior year, primarily due to an increase in capital assets of \$65,108,217 offset by a decrease of \$40,793,053 in liabilities.

Deferred outflow of resources decreased \$2,479,973 from the prior year due to Pension and OPEB activity; specifically as a result of changes in actuarial assumptions. Deferred inflow of resources increased \$70,828,482 compared to prior year due to changes in actuarial assumption related to OPEB discount rate change and differences between expected and actual experience.

## Business-Type Activities

The total net position of business-type activities increased \$60,741,436 from prior year, primarily due to a decrease in settlement liability of \$7,900,000 in addition to an increase in investment in capital assets of \$8,671,901.

Deferred outflow of resources decreased \$4,133,580 from the prior year due to Pension and OPEB activity; specifically as a result of changes in actuarial assumptions. Deferred inflow of resources increased by \$96,447,367 compared to prior year due to changes in actuarial assumption related to OPEB discount rate change and differences between expected and actual experience.

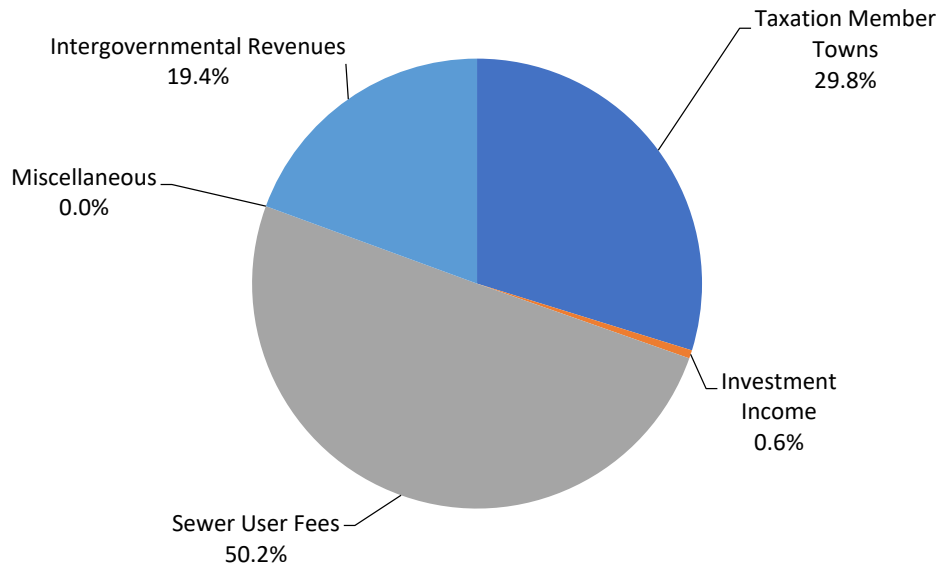
### The Metropolitan District CHANGES IN NET POSITION For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 86,709,779	\$ 106,176,291	\$ 192,886,070	\$ 86,222,994	\$ 92,873,907	\$ 179,096,901
Operating grants and contributions	10,111,198		10,111,198			-
Capital grants and contributions	23,423,241	6,651,401	30,074,642	53,379,335	4,949,099	58,328,434
General revenues:						
Sewer taxation - member municipalities	51,475,700		51,475,700	48,153,100		48,153,100
Unrestricted investment earnings	1,029,927	77,698	1,107,625	3,573,305	270,730	3,844,035
Miscellaneous income		1,620,957	1,620,957	3,466,043		3,466,043
Total revenues	<u>172,749,845</u>	<u>114,526,347</u>	<u>287,276,192</u>	<u>194,794,777</u>	<u>98,093,736</u>	<u>292,888,513</u>
Expenses:						
General government	12,632,933		12,632,933	22,503,242		22,503,242
Operations	19,918,024		19,918,024	32,724,856		32,724,856
Plants and maintenance	49,634,121		49,634,121	71,412,175		71,412,175
Interest on long-term debt	30,987,059		30,987,059	28,064,892		28,064,892
Water		73,551,706	73,551,706		107,583,098	107,583,098
Hydroelectricity		2,037,099	2,037,099		2,116,807	2,116,807
Total expenses	<u>113,172,137</u>	<u>75,588,805</u>	<u>188,760,942</u>	<u>154,705,165</u>	<u>109,699,905</u>	<u>264,405,070</u>
Excess of Revenues over Expenditures before Transfers	59,577,708	38,937,542	98,515,250	40,089,612	(11,606,169)	28,483,443
Transfers	(21,803,894)	21,803,894	-	14,108,504	(14,108,504)	-
Net Change in Net Position	37,773,814	60,741,436	98,515,250	54,198,116	(25,714,673)	28,483,443
Net Position at Beginning of Year	<u>754,842,794</u>	<u>90,303,443</u>	<u>845,146,237</u>	<u>700,644,678</u>	<u>116,018,116</u>	<u>816,662,794</u>
Net Position at End of Year	<u>\$ 792,616,608</u>	<u>\$ 151,044,879</u>	<u>\$ 943,661,487</u>	<u>\$ 754,842,794</u>	<u>\$ 90,303,443</u>	<u>\$ 845,146,237</u>

## Governmental Activities

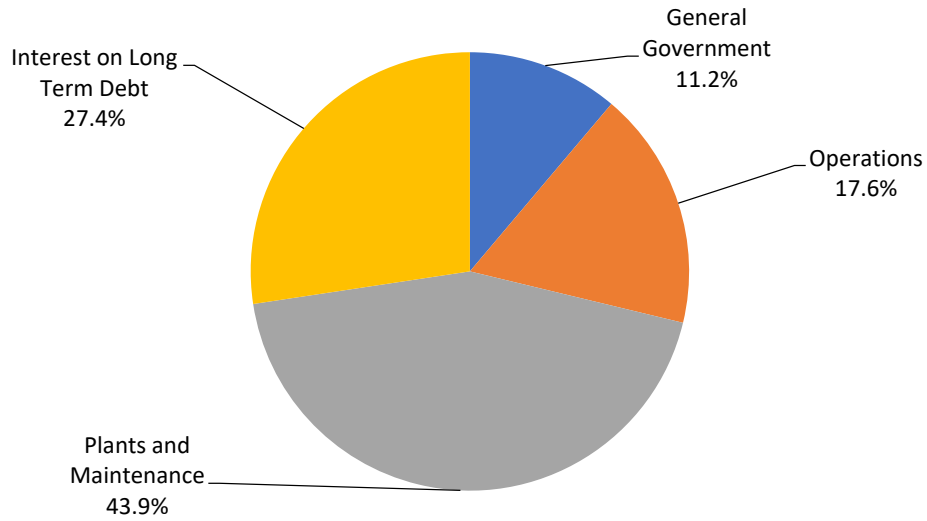
Net position of governmental activities increased by \$37,773,814 in 2020.

Major revenue factors include:



- Approximately 29.8% of the governmental activity revenues were derived from taxes levied on our member towns. These taxes increased 6.9% from the prior year.
- The primary component of charges for services consists of sewer user fees of \$83,717,134 which increased by \$6,234,262 due to rate increases and increased usage.
- The primary component of operating and capital grants and contributions consists of intergovernmental revenues of \$33,534,439 which increased by \$3,330,598 from the prior year. The intergovernmental revenue decrease is due to completion of a majority of construction contracts coming to scheduled completion dates and various funding agreements being converted from IFO to PLO.

Major expenditure factors include:

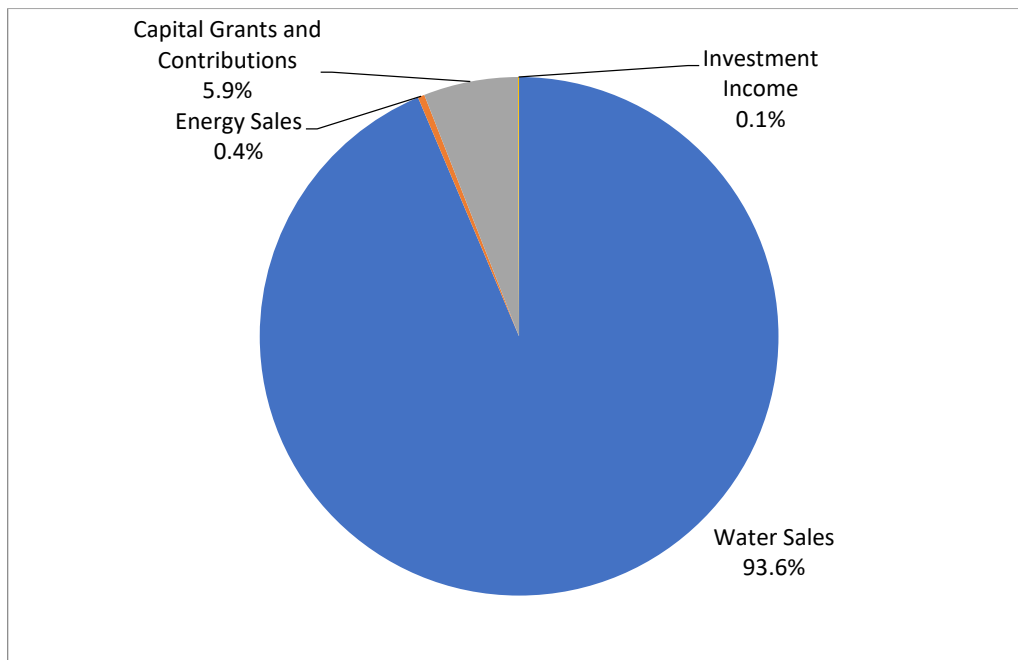


➤ During 2020, expenses decreased from the prior year by \$41,533,028 of which \$21,778,054 is due to decreased Plants and Maintenance expenses along with decreased Operation Expenses of \$12,806,832 and decreased General Government expenses of \$9,870,309. This is due to non-capitalizable expenses and changes in pension and OPEB expenses during the fiscal year.

### Business-Type Activities

Net position of business-type activities increased by \$60,741,436 in 2020.

Major Revenue Factors Include:

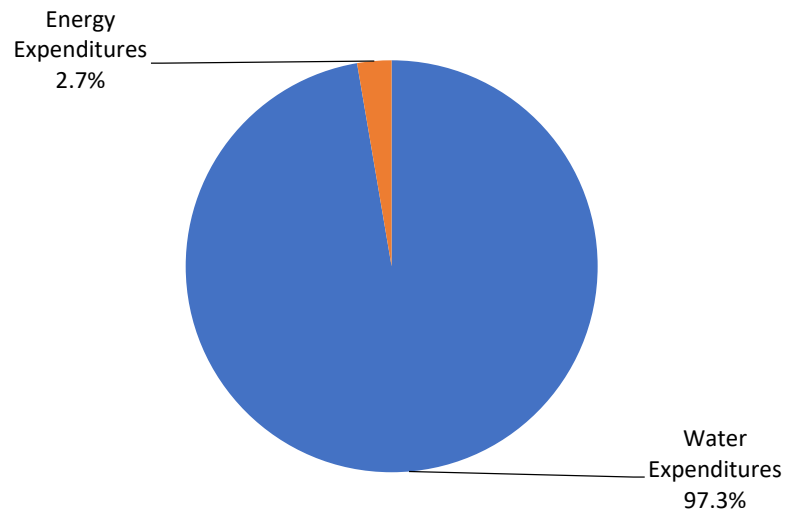


Water sales revenue increased by \$13,646,649 or 14.8% due to increases in water rates.

Capital grants and contributions increased by \$1,702,302 due to scheduled completion of construction projects and conversion of IFO's to PLO's.

Energy sales decreased by \$344,265 due to Colebrook not producing power in 2020.

Major expense factors include:



- Water expenses decreased \$34,031,392 or 31.6% primarily due to current year pension and OPEB activities. In addition, in the prior year, the District recognized \$7,900,000 of expenses related to a legal settlement.

## **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the District's governmental funds reported a combined ending fund balance of \$82,320,911 a decrease of \$49,014,734 in comparison with the prior year. Of the fund balances, \$75,165,949 is committed primarily for Clean Water Project future debt service or capital expenses, and \$3,715,448 is nonspendable and reserved for inventory and prepaid. The remaining general fund and capital projects show a combined unassigned balance of \$694,640.

The General Fund is the chief operating fund of the District. At the end of the current year, the General Fund total fund balance was \$35,585,675, of which \$694,640 is unassigned and spendable and \$3,715,448 is nonspendable and reserved for supplies and prepaid assets. This represents a fund balance increase in the General Fund of \$7,481,956 primarily due to an increase in sewer user fees and other revenues while the District had cost savings in plants and maintenance expenditures.

The Debt Service Fund's restricted balance of \$2,744,874 balance remains consistent as compared to the prior year due to fund activities consisting of transfer from other funds to fund debt service.

The Clean Water Project Fund had a decrease in fund balance \$18,196,188 which is due to delayed reimbursement of project spending.

The Capital Project Fund had a decrease in fund balance of \$38,300,502 which is a result of capital expenditures incurred during the fiscal year to be funded a future Bond Issuance.

### **Proprietary Funds**

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Overall proprietary funds net position totaled \$151,044,879 at the end of the year.

Unrestricted net position of the Water Utility Fund at the end of the year was a deficit of \$137,951,623. Net investment in capital assets amounted to \$276,685,102. The Hydroelectricity Fund has unrestricted net position of \$3,086,094, or 40.5% of total net position. Net investment in capital assets amounted to \$4,539,909, or 59.5% of total net position of the fund.

**General Fund Budgetary Highlights**

During the 2020 budget year, total revenues and other financing sources were below budget by \$3,023,868 or 3.2%, and expenditures were less than budget by \$11,071,802 or 11.7%.

Some of the major highlights are as follows:

- The District’s budget included a contingent item of \$1,980,000 to cover the groundwater remediation receivable. If this receivable had been paid it would have resulted in a reduction in the ad valorem billing during 2020. However, this bill was outstanding during the calendar year.
- Expenditures were favorable to budget due to the contingency expense \$1,980,000 noted above and favorable Water Pollution Control expenses of \$2,050,157.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District’s investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2020 amounted to \$1,970,906,638 and \$648,901,852 respectively reflecting the District’s ongoing investment in capital activities. This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, and sewer and water pipes.

Major capital asset additions in 2020 consisted of infrastructure improvements, building additions, and additional machinery and equipment.

**The Metropolitan District  
CAPITAL ASSETS (net of depreciation)  
December 31, 2020 and 2019**

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 10,326,860	\$ 10,181,885	\$ 20,508,745	\$ 10,248,534	\$ 10,181,885	\$ 20,430,419
Buildings	304,080,806	97,312,229	401,393,035	322,292,326	102,952,747	425,245,073
Machinery and equipment	39,801,499	19,233,613	59,035,112	43,059,189	21,023,816	64,083,005
Infrastructure	678,162,111	314,513,265	992,675,376	687,428,485	321,798,970	1,009,227,455
Construction in progress	938,535,362	207,660,860	1,146,196,222	842,769,887	152,239,521	995,009,408
<b>Total</b>	<b>\$ 1,970,906,638</b>	<b>\$ 648,901,852</b>	<b>\$ 2,619,808,490</b>	<b>\$ 1,905,798,421</b>	<b>\$ 608,196,939</b>	<b>\$ 2,513,995,360</b>

Additional information on the District’s capital assets can be found in Note 3D on pages 36-38 of this report.

## Long-Term Debt

At the end of the current year, the District had total open market bonded debt outstanding of \$896,816,960 and \$526,253,046 of Clean Water and Drinking Water State Revolving fund loans outstanding. All of the Governmental Activities debt, \$1,198,647,030, with the exception of \$252,350,000 of outstanding revenue bonds is backed by the full faith and credit of the District's member towns. The revenue bond indenture has a pledge of the special sewer service surcharge revenues (a.k.a. Clean Water Project Charge), therefore these bonds do not carry the full faith and credit pledge of the District.

### The Metropolitan District OUTSTANDING DEBT December 31, 2020 and 2019

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
General obligation/ Revenue bonds	\$ 621,770,522	\$ 275,046,438	\$ 896,816,960	\$ 581,238,983	\$ 294,641,939	\$ 875,880,922
Clean/drinking water loans	476,391,446	49,861,600	526,253,046	527,219,298	51,989,586	579,208,884
Compensated absences	2,857,592	3,592,441	6,450,033	3,468,109	3,339,340	6,807,449
Claims and judgments		6,283,811	6,283,811		6,358,539	6,358,539
Settlement liability		5,814,247	5,814,247		7,900,000	7,900,000
Net pension liability	24,280,899	33,076,313	57,357,212	24,555,192	33,560,708	58,115,900
OPEB obligation	73,346,571	99,915,333	173,261,904	156,943,458	214,501,826	371,445,284
<b>Total</b>	<b>\$ 1,198,647,030</b>	<b>\$ 473,590,183</b>	<b>\$ 1,672,237,213</b>	<b>\$ 1,293,425,040</b>	<b>\$ 612,291,938</b>	<b>\$ 1,905,716,978</b>

In November 2020, in connection with its general obligation bond issue, the District affirmed both its rating and outlook with Moody's Investors Service and S&P Global Ratings. Those ratings are Aa3/AA respectively, each with a stable outlook.

The District's Charter limits the amount of general obligation debt it may issue up to 5% of the combined Grand List of its member towns. The current debt limitation for the District is \$1,317,246,191.

Additional information on the District's long-term debt can be found in Note 3F on pages 38-43 of this report.

### Economic Factors

- The District strives to minimize the increases in taxes that it levies on its member municipalities by implementing structural efficiencies, and identifying and pursuing cost reduction activities to minimize expenditures.
- Inflationary trends in the region are consistent with budgeted General Fund expenditure increases.
- Water consumption continues to decline due to conservation activities by both residential and commercial customers combined with price sensitivity due to the increasing cost of compliance associated with the Clean Water Project.

All of these factors were considered in preparing the District's 2020 year budget.

### Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, The Metropolitan District.



# **BASIC FINANCIAL STATEMENTS**

**THE METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 128,670,129	\$ 96,185,192	\$ 224,855,321
Receivables, net of allowance for uncollectibles	26,881,039	18,969,723	45,850,762
Due to fiduciary funds	57,270	69,996	127,266
Supplies	3,028,814	3,161,935	6,190,749
Prepaid items	686,634	1,247,499	1,934,133
Capital assets, nondepreciable	948,862,222	217,842,745	1,166,704,967
Capital assets, net of accumulated depreciation	<u>1,022,044,416</u>	<u>431,059,107</u>	<u>1,453,103,523</u>
Total assets	<u>2,130,230,524</u>	<u>768,536,197</u>	<u>2,898,766,721</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows - pension	10,804,719	14,718,577	25,523,296
Deferred outflows - OPEB	19,814,322	27,004,043	46,818,365
Deferred charge on refunding	<u>1,610,899</u>	<u>856,975</u>	<u>2,467,874</u>
Total deferred outflows of resources	<u>32,229,940</u>	<u>42,579,595</u>	<u>74,809,535</u>
<b>Liabilities:</b>			
Accounts payable and accrued items	36,460,255	14,658,260	51,118,515
Bond anticipation notes payable	43,935,430	49,249,570	93,185,000
Premium on bond anticipation notes payable	838,364	939,217	1,777,581
Customer advances for construction	893,974	711,427	1,605,401
<b>Noncurrent liabilities:</b>			
Due within one year	112,102,675	31,406,820	143,509,495
Due in more than one year	<u>1,086,544,355</u>	<u>442,183,363</u>	<u>1,528,727,718</u>
Total liabilities	<u>1,280,775,053</u>	<u>539,148,657</u>	<u>1,819,923,710</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows - pension	8,678,928	11,822,747	20,501,675
Deferred inflows - OPEB	78,999,951	107,628,833	186,628,784
Deferred charge on refunding	<u>1,389,924</u>	<u>1,470,676</u>	<u>2,860,600</u>
Total deferred inflows of resources	<u>89,068,803</u>	<u>120,922,256</u>	<u>209,991,059</u>
<b>Net Position:</b>			
Net investment in capital assets	846,161,504	281,225,011	1,127,386,515
<b>Restricted for:</b>			
Debt service	2,744,874		2,744,874
Unrestricted	<u>(56,289,770)</u>	<u>(130,180,132)</u>	<u>(186,469,902)</u>
Total Net Position	<u>\$ 792,616,608</u>	<u>\$ 151,044,879</u>	<u>\$ 943,661,487</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 12,632,933	\$	\$ 10,111,198	\$	\$ (2,521,735)	\$	\$ (2,521,735)
Operations	19,918,024	83,717,134			63,799,110		63,799,110
Plants and maintenance	49,634,121	2,992,645		23,423,241	(23,218,235)		(23,218,235)
Interest on long-term debt	30,987,059				(30,987,059)		(30,987,059)
Total governmental activities	<u>113,172,137</u>	<u>86,709,779</u>	<u>10,111,198</u>	<u>23,423,241</u>	<u>7,072,081</u>	<u>-</u>	<u>7,072,081</u>
Business-type activities:							
Water	73,551,706	105,704,415		6,651,401		38,804,110	38,804,110
Hydroelectricity	2,037,099	471,876				(1,565,223)	(1,565,223)
Total business-type activities	<u>75,588,805</u>	<u>106,176,291</u>	<u>-</u>	<u>6,651,401</u>	<u>-</u>	<u>37,238,887</u>	<u>37,238,887</u>
Total	<u>\$ 188,760,942</u>	<u>\$ 192,886,070</u>	<u>\$ 10,111,198</u>	<u>\$ 30,074,642</u>	<u>7,072,081</u>	<u>37,238,887</u>	<u>44,310,968</u>
General revenues:							
Sewer taxation - member municipalities					51,475,700		51,475,700
Miscellaneous						1,620,957	1,620,957
Unrestricted investment earnings					1,029,927	77,698	1,107,625
Transfers					(21,803,894)	21,803,894	-
Total general revenues and transfers					<u>30,701,733</u>	<u>23,502,549</u>	<u>54,204,282</u>
Change in Net Position					37,773,814	60,741,436	98,515,250
Net Position at Beginning of Year					<u>754,842,794</u>	<u>90,303,443</u>	<u>845,146,237</u>
Net Position at End of Year					<u>\$ 792,616,608</u>	<u>\$ 151,044,879</u>	<u>\$ 943,661,487</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Clean Water Project</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 28,834,678	\$ 2,744,874	\$ 74,572,413	\$ 22,518,164	\$ 128,670,129
Receivables, net of allowance for uncollectibles	6,127,738		18,232,482	2,520,819	26,881,039
Due from other funds	57,270				57,270
Supplies	3,028,814				3,028,814
Prepaid items	686,634				686,634
Total Assets	<u>\$ 38,735,134</u>	<u>\$ 2,744,874</u>	<u>\$ 92,804,895</u>	<u>\$ 25,038,983</u>	<u>\$ 159,323,886</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued items	\$ 2,255,485		\$ 17,638,946	\$ 8,826,895	\$ 28,721,326
Bond anticipation notes payable				43,935,430	43,935,430
Premium on bond anticipation notes payable				838,364	838,364
Customer advances for construction	893,974				893,974
Total liabilities	<u>3,149,459</u>	<u>-</u>	<u>17,638,946</u>	<u>53,600,689</u>	<u>74,389,094</u>
Deferred inflows of resources:					
Unavailable revenue - special assessments				2,613,881	2,613,881
Fund balances:					
Nonspendable	3,715,448				3,715,448
Restricted		2,744,874			2,744,874
Committed			75,165,949		75,165,949
Unassigned	31,870,227			(31,175,587)	694,640
Total fund balances	<u>35,585,675</u>	<u>2,744,874</u>	<u>75,165,949</u>	<u>(31,175,587)</u>	<u>82,320,911</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 38,735,134</u>	<u>\$ 2,744,874</u>	<u>\$ 92,804,895</u>	<u>\$ 25,038,983</u>	<u>\$ 159,323,886</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)  
DECEMBER 31, 2020**

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Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (page 14) are  
different because of the following:

Fund balances - total governmental funds (page 16)	\$ 82,320,911
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Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 2,393,229,136	
Less accumulated depreciation	<u>(422,322,498)</u>	
Net capital assets		1,970,906,638

Other long-term assets are not available to pay for current-period  
expenditures and, therefore, are reported as unavailable revenue in the funds:

Sewer assessment receivables	2,613,881
Deferred outflows related to refunding	1,610,899
Deferred outflows related to pension	10,804,719
Deferred outflows related to OPEB	19,814,322

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

Bonds payable	(553,390,982)
Premiums	(68,379,540)
Notes payable	(476,391,446)
Interest payable on long-term debt	(7,738,929)
Compensated absences	(2,857,592)
Net pension liability	(24,280,899)
Deferred inflows related to pension	(8,678,928)
Deferred inflows related to OPEB	(78,999,951)
Deferred inflows related to refunding	(1,389,924)
Net OPEB liability	<u>(73,346,571)</u>

Net Position of Governmental Activities (page 14)	<u>\$ 792,616,608</u>
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The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Clean Water Project</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxation - member municipalities	\$ 51,475,700	\$	\$	\$	\$ 51,475,700
Assessments				1,071,240	1,071,240
Sewer user fees	20,404,896		63,312,238		83,717,134
Intergovernmental revenues	10,111,198		23,423,241		33,534,439
Investment income	145,404		884,523		1,029,927
Other local revenues	1,287,228			76,215	1,363,443
Total revenues	<u>83,424,426</u>	<u>-</u>	<u>87,620,002</u>	<u>1,147,455</u>	<u>172,191,883</u>
Expenditures:					
Current:					
General government	4,446,417				4,446,417
Operations	3,573,467				3,573,467
Plants and maintenance	19,643,333				19,643,333
Employee benefits and other	16,194,956				16,194,956
Debt service:					
Principal retirement		58,091,086			58,091,086
Interest	1,335,850	31,044,129			32,379,979
Issuance costs	295,459		644,016		939,475
Capital outlay			72,933,024	41,230,352	114,163,376
Total expenditures	<u>45,489,482</u>	<u>89,135,215</u>	<u>73,577,040</u>	<u>41,230,352</u>	<u>249,432,089</u>
Excess (Deficiency) of Revenues over Expenditures	<u>37,934,944</u>	<u>(89,135,215)</u>	<u>14,042,962</u>	<u>(40,082,897)</u>	<u>(77,240,206)</u>
Other Financing Sources (Uses):					
Issuance of bonds			55,010,000		55,010,000
Premiums on issuance of bonds			15,448,049		15,448,049
Issuance of refunding bonds		76,065,000			76,065,000
Payment for clean water loan escrow agent			(49,825,431)		(49,825,431)
Payment to refunded bond escrow agent		(76,935,985)			(76,935,985)
Clean Water Fund loans issued			30,267,733		30,267,733
Transfers in		90,006,200		1,782,395	91,788,595
Transfers out	(30,452,988)		(83,139,501)		(113,592,489)
Total other financing sources (uses)	<u>(30,452,988)</u>	<u>89,135,215</u>	<u>(32,239,150)</u>	<u>1,782,395</u>	<u>28,225,472</u>
Net Change in Fund Balances	7,481,956	-	(18,196,188)	(38,300,502)	(49,014,734)
Fund Balances at Beginning of Year	<u>28,103,719</u>	<u>2,744,874</u>	<u>93,362,137</u>	<u>7,124,915</u>	<u>131,335,645</u>
Fund Balances at End of Year	<u>\$ 35,585,675</u>	<u>\$ 2,744,874</u>	<u>\$ 75,165,949</u>	<u>\$ (31,175,587)</u>	<u>\$ 82,320,911</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (page 15) are different because of the following:

Net change in fund balances - total governmental funds (page 18)	\$ (49,014,734)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlays, net	98,882,354
Depreciation expense	(33,763,164)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

(10,973)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Sewer assessment revenue	634,177
Change in deferred outflows related to pension	4,901,196
Change in deferred outflows related to OPEB	(7,733,772)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Proceeds from Clean Water Fund loan obligations	(30,267,733)
Proceeds from issuance of bonds	(55,010,000)
Premiums on issuance of bonds	(15,448,049)
Proceeds from issuance of refunding bonds	(76,065,000)
Bond payments	97,395,930
Amortization of bond premium	8,595,580
Amortization of deferred charge on refunding	444,989
Clean Water Fund loan payments	81,095,585
Change in accrued interest	(423,401)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	610,517
Change in net pension liability	274,293
Change in deferred inflows related to pension	(5,458,336)
Change in deferred inflows related to OPEB	(65,462,532)
Change in net OPEB liability	83,596,887

Change in Net Position of Governmental Activities (page 15)	\$ <u>37,773,814</u>
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The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
DECEMBER 31, 2020**

	Business-Type Activities - Enterprise Funds			Business-Type Activities - Internal Service Fund
	Major	Nonmajor	Total	
	Water Utility	Hydroelectric Development Project		
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 81,347,383	\$ 2,824,485	\$ 84,171,868	\$ 12,013,324
Accounts receivable, net of allowance for uncollectibles	18,817,858	68,524	18,886,382	83,341
Due from other funds	69,996		69,996	
Supplies	2,925,045	236,890	3,161,935	
Prepaid items	1,247,499		1,247,499	
Total current assets	<u>104,407,781</u>	<u>3,129,899</u>	<u>107,537,680</u>	<u>12,096,665</u>
Noncurrent assets:				
Capital assets, nondepreciable	217,842,745		217,842,745	
Capital assets, net of accumulated depreciation	426,519,198	4,539,909	431,059,107	
Total noncurrent assets	<u>644,361,943</u>	<u>4,539,909</u>	<u>648,901,852</u>	<u>-</u>
Total assets	<u>748,769,724</u>	<u>7,669,808</u>	<u>756,439,532</u>	<u>12,096,665</u>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows - pension	14,718,577		14,718,577	
Deferred outflows - OPEB	27,004,043		27,004,043	
Deferred charge on refunding	856,975		856,975	
Total deferred outflows of resources	<u>42,579,595</u>	<u>-</u>	<u>42,579,595</u>	<u>-</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	13,486,998	43,805	13,530,803	1,127,457
Bond anticipation notes payable	49,249,570		49,249,570	
Premium on bond anticipation notes payable	939,217		939,217	
Customer advances for construction	711,427		711,427	
Current portion of claims incurred but not reported			-	835,058
Current portion of compensated absences	2,720,402		2,720,402	
Current portion of claims and judgements	5,814,247		5,814,247	
Current portion of bonds and loans payable	22,037,113		22,037,113	
Total current liabilities	<u>94,958,974</u>	<u>43,805</u>	<u>95,002,779</u>	<u>1,962,515</u>
Noncurrent liabilities:				
Compensated absences	872,039		872,039	
Bonds and loans payable after one year	302,870,925		302,870,925	
Claims incurred but not reported			-	5,448,753
Net pension liability	33,076,313		33,076,313	
OPEB liability	99,915,333		99,915,333	
Total noncurrent liabilities	<u>436,734,610</u>	<u>-</u>	<u>436,734,610</u>	<u>5,448,753</u>
Total liabilities	<u>531,693,584</u>	<u>43,805</u>	<u>531,737,389</u>	<u>7,411,268</u>
<b>Deferred Inflows of Resources:</b>				
Deferred inflows - pension	11,822,747		11,822,747	
Deferred inflows - OPEB	107,628,833		107,628,833	
Deferred charge on refunding	1,470,676		1,470,676	
Total deferred inflows of resources	<u>120,922,256</u>	<u>-</u>	<u>120,922,256</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	276,685,102	4,539,909	281,225,011	
Unrestricted	(137,951,623)	3,086,094	(134,865,529)	4,685,397
<b>Total Net Position</b>	<u>\$ 138,733,479</u>	<u>\$ 7,626,003</u>	<u>146,359,482</u>	<u>\$ 4,685,397</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			4,685,397	
Net Position of Business-Type Activities			<u>\$ 151,044,879</u>	

The accompanying notes are an integral part of the financial statements



**THE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Business- Type Activities - Internal Service Fund</b>
	<b>Major</b>	<b>Nonmajor</b>	<b>Total</b>	
	<b>Water Utility</b>	<b>Hydroelectric Development Project</b>		
Operating Revenues:				
Water sales	\$ 98,277,039	\$	\$ 98,277,039	\$
Energy sales		471,876	471,876	
Operating contributions			-	22,759,919
Other operating	7,427,376		7,427,376	
Total operating revenues	<u>105,704,415</u>	<u>471,876</u>	<u>106,176,291</u>	<u>22,759,919</u>
Operating Expenses:				
General government	10,121,682		10,121,682	
Operations	12,180,241		12,180,241	18,074,522
Plants and maintenance	16,408,209		16,408,209	
Employee benefits and other	12,595,839		12,595,839	
Source of supply		271,792	271,792	
Depreciation expense	15,910,518	160,921	16,071,439	
Total operating expenses	<u>67,216,489</u>	<u>432,713</u>	<u>67,649,202</u>	<u>18,074,522</u>
Operating Income (Loss)	<u>38,487,926</u>	<u>39,163</u>	<u>38,527,089</u>	<u>4,685,397</u>
Nonoperating Revenues (Expenses):				
Investment income	77,698		77,698	
Miscellaneous revenue	895,442	725,515	1,620,957	
Gain (loss) on disposal of assets	92,237	(1,604,386)	(1,512,149)	
Interest and fiscal charges	(11,112,851)		(11,112,851)	
Net nonoperating revenues (expenses)	<u>(10,047,474)</u>	<u>(878,871)</u>	<u>(10,926,345)</u>	<u>-</u>
Income (Loss) Before Capital Grants, Capital Contributions and Transfers	28,440,452	(839,708)	27,600,744	4,685,397
Capital grants	571,847		571,847	
Capital contributions	6,079,554		6,079,554	
Transfer in	23,586,289		23,586,289	6,537,627
Transfers out	<u>(8,320,022)</u>		<u>(8,320,022)</u>	
Change in Net Position	50,358,120	(839,708)	49,518,412	11,223,024
Net Position at Beginning of Year	<u>88,375,359</u>	<u>8,465,711</u>		<u>(6,537,627)</u>
Net Position at End of Year	<u>\$ 138,733,479</u>	<u>\$ 7,626,003</u>		<u>\$ 4,685,397</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to Enterprise Funds			<u>11,223,024</u>	
Change in Net Position of Business-Type Activities			<u>\$ 60,741,436</u>	

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Business-Type Activities - Internal Service Fund</b>
	<b>Major</b>	<b>Nonmajor</b>		
	<b>Water Utility</b>	<b>Hydroelectric Development Project</b>	<b>Total</b>	
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers, users and others	\$ 100,652,720	\$ 428,280	\$ 101,081,000	\$ 22,719,843
Payments to suppliers	(34,360,849)	(245,333)	(34,606,182)	(17,353,850)
Payments to employees	(26,143,232)	-	(26,143,232)	
Net cash provided by (used in) operating activities	<u>40,148,639</u>	<u>182,947</u>	<u>40,331,586</u>	<u>5,365,993</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Purchase of capital assets/utility plant	(52,301,185)		(52,301,185)	
Proceeds from drinking water loans	1,452,294		1,452,294	
Proceeds from capital grant	571,847		571,847	
Principal payments on bonds	(17,544,070)		(17,544,070)	
Proceeds from bond anticipation notes	50,188,787		50,188,787	
Principal payments on drinking water loans	(3,580,280)		(3,580,280)	
Interest payments on bonds and notes	(11,076,783)		(11,076,783)	
Proceeds from Water Utility fund			-	6,537,627
Proceeds from General fund	23,586,289		23,586,289	
Proceeds on sale of assets	92,237		92,237	
Payment to Capital Project fund	(8,320,022)		(8,320,022)	
Net cash provided by (used in) capital and related financing activities	<u>(16,930,886)</u>	<u>-</u>	<u>(16,930,886)</u>	<u>6,537,627</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	77,698		77,698	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>23,295,451</u>	<u>182,947</u>	<u>23,478,398</u>	<u>11,903,620</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>58,051,932</u>	<u>2,641,538</u>	<u>60,693,470</u>	<u>109,704</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 81,347,383</u>	<u>\$ 2,824,485</u>	<u>\$ 84,171,868</u>	<u>\$ 12,013,324</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating income	\$ 38,487,926	\$ 39,163	\$ 38,527,089	\$ 4,685,397
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	15,910,518	160,921	16,071,439	
Amortization of bond premiums	(2,051,431)		(2,051,431)	
Miscellaneous nonoperating revenue (expense)	895,442		895,442	
Change in assets, deferred outflows of resources and liabilities:				
(Increase) decrease in accounts receivable	(4,418,605)	(43,596)	(4,462,201)	(40,076)
(Increase) decrease in due from other funds	(69,996)		(69,996)	
(Increase) decrease in supplies	(41,113)		(41,113)	
(Increase) decrease in prepaid items	(40,674)	9,948	(30,726)	
(Increase) decrease in deferred outflows of resources related to pensions	(6,675,949)		(6,675,949)	
(Increase) decrease in deferred outflows of resources related to OPEB	10,525,925		10,525,925	
Increase (decrease) in accounts payable and accrued expenses	5,587,059	16,511	5,603,570	795,400
Increase (decrease) in customer advances for construction	(563,094)		(563,094)	
Increase (decrease) in compensated absences	253,101		253,101	
Increase (decrease) in net OPEB liability	(113,895,586)		(113,895,586)	
Increase (decrease) in net pension liability	(376,296)		(376,296)	
Increase (decrease) in claims payable			-	(74,728)
Increase (decrease) in deferred inflows of resources related to pensions	7,435,195		7,435,195	
Increase (decrease) in deferred inflows of resources related to OPEB	89,186,217		89,186,217	
Total adjustments	<u>1,660,713</u>	<u>143,784</u>	<u>1,804,497</u>	<u>680,596</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 40,148,639</u>	<u>\$ 182,947</u>	<u>\$ 40,331,586</u>	<u>\$ 5,365,993</u>
<b>Noncash Investing, Capital and Financing Activities:</b>				
Capital assets contributed by Capital Projects Fund	\$ 6,079,554	\$ -	\$ 6,079,554	\$ -

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2020**

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	<b>Pension and Other Employee Benefit Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,694,246
Accounts receivable	185,874
Investments, at fair value:	
Mutual funds	25,700,261
Guaranteed investment contracts	25,623,113
Land	3,705,913
Commingled collective trusts	179,076,798
Real estate	18,608,174
Total assets	<u>262,594,379</u>
<b>LIABILITIES</b>	
Due to other funds	127,266
Retiree expense reimbursement payable	2,667
Total liabilities	<u>129,933</u>
<b>NET POSITION</b>	
Restricted for pension benefits	253,346,293
Restricted for OPEB benefits	9,118,153
Total Net Position	<u>\$ 262,464,446</u>

The accompanying notes are an integral part of the financial statements

**THE METROPOLITAN DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Pension and Other Employee Benefit Trust Funds</b>
Additions:	
Contributions:	
Employer	\$ 18,999,763
Plan members	<u>3,862,570</u>
Total contributions	<u>22,862,333</u>
Investment income (loss):	
Net change in fair value of investments	32,713,513
Interest and dividends	<u>2,616,959</u>
	35,330,472
Less investment expenses:	
Investment management fees	<u>949,003</u>
Net investment income (loss)	<u>34,381,469</u>
Total additions	<u>57,243,802</u>
Deductions:	
Benefits	25,020,126
Administrative expense	<u>79,174</u>
Total deductions	<u>25,099,300</u>
Change in Net Position	32,144,502
Net Position at Beginning of Year	<u>230,319,944</u>
Net Position at End of Year	<u>\$ 262,464,446</u>

The accompanying notes are an integral part of the financial statements

# THE METROPOLITAN DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. General

The Metropolitan District (the District) was empowered in 1929 by the General Assembly of Connecticut. The District provides the following services as authorized by its Charter: design, construction and maintenance of sewage, hydroelectric and water systems and plants, stream and watercourse controls, the sale and delivery of water and hydroelectric power, and resources recovery.

The financial statements include all of the funds of the District that meet the criteria for inclusion as set forth in Statement of Governmental Accounting Standards No. 14 issued by the Governmental Accounting Standards Board (GASB).

Accounting principles generally accepted in the United States of America (GAAP) require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. These criteria have been considered and have resulted in the inclusion of the fiduciary component units as detailed below.

#### Fiduciary Component Units

The Pension and Other Post-Employment Benefits (OPEB) plans were established to provide retirement benefits and post retirement health care benefits primarily to employees and their beneficiaries.

The financial statements of the fiduciary component units are presented using the accrual basis of accounting and are reported as Pension and OPEB Trust Funds in the fiduciary fund financial statements. Separate financial statements have not been prepared for the fiduciary component units.

#### B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with the requirements of statements issued by the Governmental Accounting Standards Board. The more significant of the District's accounting policies are described below.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District's primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or benefit directly from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, including fiduciary component units, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sewer taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues, including sewer assessments, to be available if they are collected within 60 days after the end of the current fiscal period.

Taxes on member municipalities, sewer assessments and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Clean Water Project Fund* accounts for financial resources to be used for the Clean Water Project. The appropriations for the cost of the Clean Water Project were approved by referendum votes which were held on November 7, 2006 and November 6, 2012. The first phase of the Clean Water Project features projects to control inflow and infiltration, sewer separation projects, projects to increase interceptors, and upgrades to the two treatment plants. The second phase of the Clean Water Project features wet weather capacity improvements at the District's treatment plants and construction of a large storage and conveyance tunnel in the south of the District to hold waste water for ultimate release and treatment at the Hartford water pollution control facility.

The *Capital Project Fund* is used for projects of greater than one year's duration. Most of the capital outlays are financed by the issuance of general obligation bonds and current tax revenues.

## THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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The District reports the following major proprietary fund:

The *Water Utility Fund* is the District's fund used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Additionally, the District reports the following fund types:

The *Internal Service Fund* is used to account for the District's self-insurance program for property casualty, workers' compensation and health insurance coverage of employees as well as natural disaster and liability claims for the District.

The *Pension and Other Employee Benefit Trust Funds* are used to account for the activities of the District's defined benefit plan, which accumulates resources for pension benefit payments to qualified employees, and to account for the activities of the District's postemployment welfare benefits (including retiree medical, dental and life insurance benefits) to the current and former eligible employees of the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

### **C. Cash Equivalents**

For purposes of reporting cash flows, all savings, checking, money market accounts (including the State Treasurer's sponsored pooled investment, STIF) and certificates of deposit with an original maturity of less than 90 days from the date of acquisition are considered to be cash equivalents.

### **D. Investments**

Investments are stated at fair value.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**E. Inventories and Prepaid Items**

All inventories are valued at cost. Inventory in the governmental and enterprise funds is recorded as an expenditure when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All receivables are presented net of an allowance for uncollectibles.

**G. Compensated Absences**

All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**H. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets such as water and sewer mains, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recognized at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their lives are expensed currently.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50-75
Machinery and equipment	6-20
Infrastructure	50-150



**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**I. Deferred Outflows of Resources**

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources expenditure until then. The District reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position and statement of net position - proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs, contributions made to the plan after the measurement date, and differences between projected and actual earnings on pension and OPEB plan investments. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees). No deferred outflows of resources affect the governmental fund financial statements in the current year.

**J. Deferred Inflows of Resources**

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources until that time. The District reports a deferred charge on refunding and deferred inflows of resources related to pensions and OPEB in the government-wide statement of net position and statement of net position - proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience and differences between projected and actual earnings on pension and OPEB plan investments. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees). The District reports unavailable revenue for governmental funds which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**K. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums, discounts and losses on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized losses on bond refundings. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**L. Net Pension Liability**

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**M. Net OPEB Liability**

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**N. Fund Equity**

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

**Nonspendable Fund Balance**

This balance represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

**Restricted Fund Balance**

This balance represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

**Committed Fund Balance**

This balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (District Board). Amounts remain committed until action is taken by the District Board (resolution) to remove or revise the limitations.

**Assigned Fund Balance**

This balance includes amounts constrained for the intent to be used for a specific purpose by the District Board that has been delegated authority to assign amounts by the Charter.

**Unassigned Fund Balance**

This balance represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets**

This category represents all capital assets, net of accumulated depreciation and related debt.

**Restricted Net Position**

This category represents amounts restricted to use by outside parties.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**Unrestricted Net Position**

This category represents the net position of the District not restricted for use.

**O. Accounting Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**P. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 25, 2021.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

During the last quarter of the year, the ensuing year's proposed operating budget, including proposed expenditures/expenses and the means of financing them, is compiled by the Finance Department based upon estimates submitted by the various departments.

The proposed operating budget is then published in line item format in one or more local newspapers servicing the District for a period of three consecutive days, excluding holidays and Sundays. Prior to January 1 of the new year, the published budget is submitted to the District Board for acceptance and adoption.

Annual operating budgets are legally adopted for the General Fund and the Water Utility Enterprise Fund. A fund budget was adopted for the Hydroelectric Development Project. Formal budgetary integration is employed as a management control device for these funds. The unencumbered balance of appropriations in the General Fund lapses at year end. Except for encumbrance accounting, the General Fund budget is prepared on a modified accrual basis. Budgetary and actual data in this report have been presented on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, the reconciliation of resultant basis, timing and perspective differences appear at the bottom of the actual vs. budget schedule. The legal level of budgetary control is at the functional level. Any revisions that alter total appropriations at the level of control must have the prior approval of the Board of Finance and the District Board. The amendments were made in the legally permissible manner described above. During the fiscal year ended December 31, 2020, there were no supplemental budgetary appropriations.

Budgetary integration is employed on a continuing (project length) basis for Capital Projects Funds, in which appropriations do not lapse at year end, but rather at the completion of the construction relating to a specific improvement project. Formal budgetary integration is not employed for the Debt Service Fund because budgetary control is alternatively achieved through the capital budgeting processes for both CIP (general obligation) and the Clean Water Project.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as either restricted, committed or assigned fund balance depending on the level of restriction.

**B. Deficit Fund Equity**

The capital project fund had a fund balance deficit of \$31,175,587, which was a result of increased capital projects spending in the current year. This deficit will be funded by future bond issuances.

**3. DETAILED NOTES ON ALL FUNDS**

**A. Cash, Cash Equivalents and Investments**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). The investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and is regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**Deposits**

**Deposit Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposit will not be returned. The District does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its principal place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$32,158,792 of the District's bank balance of \$32,408,792 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 28,917,913
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>3,240,879</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 32,158,792</u>

**Cash Equivalents**

At December 31, 2020, the District's cash equivalents amounted to \$202,681,692. The following table provides a summary of the District's cash equivalents as rated by nationally recognized statistical rating organizations. The pool has maturities of less than one year.

	<u>Standard &amp; Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm
US Bank	*
*Not Rated	

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**Investments**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The District has the following recurring fair value measurements as of December 31, 2020:

	December 31, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Mutual funds	\$ 25,700,261	\$ 25,700,261	\$	\$
Guaranteed investment contracts	25,623,113		8,198,855	17,424,258
Real Estate	3,705,913			3,705,913
Total investments by fair value level	55,029,287	\$ 25,700,261	\$ 8,198,855	\$ 21,130,171
Investments measured at net asset value (NAV):				
Commingled Collective Trusts	179,076,798			
Timberland Investments	9,153,357			
Cornerstone Real Estate	2,886,484			
Intercontinental U.S. REIF	6,568,333			
Total investments measured at NAV	197,684,972			
Total Investments Measured at Fair Value	\$ 252,714,259			

The above investments have no rating or maturity.

Mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Guaranteed investment contracts classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Land and guaranteed investment contracts classified in Level 3 are valued using discounted cash flow techniques.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Collective Trusts	\$ 179,076,798	\$	Up to Monthly	Up to 10 Days
Timberland Investments	9,153,357	549,776	Hold to Maturity	Hold to Maturity (15-18 Years Total)
Cornerstone Real Estate	2,886,484	1,336,013	Hold to Maturity	Hold to Maturity (7-9 Years Total)
Intercontinental U.S. REIF	6,568,333		Quarterly	30-60 days
Total Investments Measured at NAV	\$ 197,684,972			

## THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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*Fixed Income Commingled Funds:* The Conning-Goodwin Capital Core Plus Bond CIF invests mostly investment grade corporate bonds and agency MBS. The fund has an average maturity of 8.1 years and average duration of 6.3 years, as of March 31, 2021. This fund does not have a commitment period.

*Equity Commingled Funds:* Wellington Research Equity and Small Cap 2000 funds are invested in U.S. publicly traded stocks. Research Equity invests in large capitalization companies, while Small Cap 2000 invests in a broad swath of small capitalization companies. Rhumblin S&P 400 Pooled Index mirrors the S&P 400 Index, which are mid-capitalization U.S. publicly traded stocks. Lazard and Johnston are invested in international developed markets stocks. All the above have no commitment period.

*Real Estate Funds:* The Intercontinental U.S. REIF is an open-ended real estate fund that invests in mostly office and multifamily properties situated primarily in the Western and Eastern U.S., but also with representation in the South and Mid-West. Since the fund is open-ended, there is no commitment period. Cornerstone is a closed-end private REIT with a value-add strategy. Investments are in multi-family, Industrial, office, and retail. The fund maturity is in 2022 and is subject to two one-year extensions. FIA is a closed-end fund that invests in forestland in the Pacific Northwest, the South, and the East U.S. Income is produced through timber sales. This fund must be held to maturity, which could be 15-18 years.

### **Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To the extent possible, the District attempts to match its investments with anticipated cash flow requirements.

### **Credit Risk - Investments**

As indicated above, State Statutes limit the investment options of the District. The District has no investment policy that would limit its investment choices due to credit risk.

### **Concentration of Credit Risk**

The District has no policy limiting an investment in any one issuer that is in excess of 5% of the District's total investments.

### **Custodial Credit Risk**

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the District or that sells investments to or buys them for the District), the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2020, the District did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the District's name.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**B. Receivables**

Receivables as of year end for the District’s individual major funds, nonmajor business-type activities, internal service fund and trust funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>General</u>	<u>Clean Water Project</u>	<u>Capital Projects Funds</u>	<u>Water Utility</u>	<u>Hydroelectric Development Project</u>	<u>Internal Service Fund</u>	<u>Trust Funds</u>	<u>Total</u>
Sewer use charges	\$ 13,986,859	\$ 13,156,357	\$ 12,456	\$ 529,316		\$	\$	\$ 27,684,988
Customers and employees	4,581,402			20,069,274				24,650,676
Assessments			2,178,943	788,388				2,967,331
Accrued interest			490,820	201,680				692,500
Intergovernmental		6,978,177						6,978,177
Other	148,877	104,848	134,139		68,524	83,341	185,874	725,603
Gross receivables	<u>18,717,138</u>	<u>20,239,382</u>	<u>2,816,358</u>	<u>21,588,658</u>	<u>68,524</u>	<u>83,341</u>	<u>185,874</u>	<u>63,699,275</u>
Less allowance for uncollectibles	<u>12,589,400</u>	<u>2,006,900</u>	<u>295,539</u>	<u>2,770,800</u>				<u>17,662,639</u>
Net Total Receivables	<u>\$ 6,127,738</u>	<u>\$ 18,232,482</u>	<u>\$ 2,520,819</u>	<u>\$ 18,817,858</u>	<u>\$ 68,524</u>	<u>\$ 83,341</u>	<u>\$ 185,874</u>	<u>\$ 46,036,636</u>

**C. Interfund Receivables, Payables and Transfers**

During the course of operations, transactions are processed through one fund on behalf of another fund. The General Fund and Water Utility Fund provide working capital advances to/from other funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	OPEB Trust Fund	\$ 57,270
Water Utility	OPEB Trust Fund	69,996

Interfund transfers are generally used to supplement revenues of other funds. Interfund transfers for the year ended December 31, 2020 were as follows:

	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Water Utility Fund</u>	<u>Aggregate Remaining Fund</u>	
Transfers out:					
General Fund	\$ 30,452,988	\$	\$	\$	\$ 30,452,988
Clean Water Fund	59,553,212		23,586,289		83,139,501
Water Utility Fund		1,782,395		6,537,627	8,320,022
Total Transfers In	<u>\$ 90,006,200</u>	<u>\$ 1,782,395</u>	<u>\$ 23,586,289</u>	<u>\$ 6,537,627</u>	<u>\$ 121,912,511</u>



**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,248,534	\$ 78,326	\$	\$ 10,326,860
Construction in progress	842,769,887	97,162,658	1,397,183	938,535,362
Total capital assets not being depreciated	<u>853,018,421</u>	<u>97,240,984</u>	<u>1,397,183</u>	<u>948,862,222</u>
Capital assets being depreciated:				
Buildings	501,203,154	3,597		501,206,751
Machinery and equipment	68,310,970	1,397,183	4,949,017	64,759,136
Infrastructure	876,776,770	1,637,773	13,516	878,401,027
Total capital assets being depreciated	<u>1,446,290,894</u>	<u>3,038,553</u>	<u>4,962,533</u>	<u>1,444,366,914</u>
Less accumulated depreciation for:				
Buildings	178,910,828	18,215,117		197,125,945
Machinery and equipment	25,251,781	4,643,900	4,938,044	24,957,637
Infrastructure	189,348,285	10,904,147	13,516	200,238,916
Total accumulated depreciation	<u>393,510,894</u>	<u>33,763,164</u>	<u>4,951,560</u>	<u>422,322,498</u>
Total capital assets being depreciated, net	<u>1,052,780,000</u>	<u>(30,724,611)</u>	<u>10,973</u>	<u>1,022,044,416</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,905,798,421</u>	<u>\$ 66,516,373</u>	<u>\$ 1,408,156</u>	<u>\$ 1,970,906,638</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,181,885	\$	\$	\$ 10,181,885
Construction in progress	152,239,521	56,392,714	971,375	207,660,860
Total capital assets not being depreciated	<u>162,421,406</u>	<u>56,392,714</u>	<u>971,375</u>	<u>217,842,745</u>
Capital assets being depreciated:				
Buildings	165,243,637		2,467,361	162,776,276
Machinery and equipment	39,826,459	971,375	5,061,704	35,736,130
Infrastructure	455,542,913	2,385,638	788,711	457,139,840
Total capital assets being depreciated	<u>660,613,009</u>	<u>3,357,013</u>	<u>8,317,776</u>	<u>655,652,246</u>
Less accumulated depreciation for:				
Buildings	62,290,890	4,036,132	862,975	65,464,047
Machinery and equipment	18,802,643	2,750,060	5,050,186	16,502,517
Infrastructure	133,743,943	9,285,247	402,615	142,626,575
Total accumulated depreciation	<u>214,837,476</u>	<u>16,071,439</u>	<u>6,315,776</u>	<u>224,593,139</u>
Total capital assets being depreciated, net	<u>445,775,533</u>	<u>(12,714,426)</u>	<u>2,002,000</u>	<u>431,059,107</u>
Business-Type Activities Capital Assets, Net	<u>\$ 608,196,939</u>	<u>\$ 43,678,288</u>	<u>\$ 2,973,375</u>	<u>\$ 648,901,852</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
General government	\$ 1,753,666
Operations	11,522,937
Plant and maintenance	<u>20,486,561</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>33,763,164</u>
 Business-type activities:	
Water	\$ 15,910,518
Hydroelectricity	<u>160,921</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u>16,071,439</u>

**Construction Commitments**

The District has active construction projects as of December 31, 2020. At year end, the District's commitments with contractors for governmental activities are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>
2011 WPC Electronic Dvlpmt	\$ 85,158
2014 General Purpose Sewer	256,723
2014 Various Sewer Pipe RR	491,185
2015 General Purpose Sewer	234,700
2015 HWPCF DAFT 1&2 (SPB)	2,258,388
2016 Sewer Rehab Program	555,005
2016 WPC Electrical Upgrade	466,405
2017 WPC Equip & Facil Imp	276,449
2018 General Purpose Sewer	3,007,429
2018 Sewer Rehab Program	1,315,514
2018 WPC Infrastruct Rehab	1,024,607
2018-VariouS Sewer Pipe Replmt/Rehab	1,209,256
2019 Oakwood Ave Phase 1	3,323,452
2019 WPC Infrastruct	853,538
2020-VariouS Sewer Pipe Replcmt/Rehab	1,720,685
EHWPCF Cmprsr,DO,SCADA	958,612
HWPCF DAFT	5,571,499
Sanita Sewer Rebab Program	1,652,872
Various Sewer Pipe Replacement/Rehabilit	262,972
WPCF Infrast, Rehab, Upgr & Replacements	110,464
Multiple projects < \$75K	441,031
2012 RH Interceptor	72,344
2015 SHCST Construct	91,076,636
2015 WWEP #2012-21	<u>144,379</u>
 Total	 \$ <u>117,369,303</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

The District's commitments with contractors for construction in process for business-type activities are as follows:

<u>Project Name</u>	<u>Remaining Commitment</u>
2012 Gen Purp Water	\$ 197,702
2014 WTF Upgrades	258,970
2015 Water Supply Improvem	204,470
2018 Buckingham St WM Repl	2,195,026
2018 Madison Ave WM Replac	616,919
2018 WM Replacement Prog	92,169
2019 Bloomfield TM Ext 2	362,068
2019 Oakwood Ave WMR 1&2	793,947
2019 Water Main Replac Prg	2,179,115
Church St and Nott St WMR 2019B-02	1,829,595
District Wide WM Replacement Prgm	2,570,095
Farmington Ave/WH Center WM Replace	3,884,524
Long Hill Rd WM	195,676
Saybrooke and Bonner St 2018B-17	3,386,289
Wat Facil Improvements	82,953
Webster Hill Area WM Replace WH	6,337,832
WTF Infra Rehab & Upgrades	427,932
Multiple Projects < \$75K	<u>221,843</u>
Total	<u>\$ 25,837,125</u>

The commitments are being financed with general obligation bonds and state and federal grants.

**E. Short-Term Debt**

On December 1, 2020, the District issued bond anticipation notes totaling \$93,185,000. The notes mature on September 1, 2021 and have an interest rate of 3%. The proceeds of the Notes will be used to provide funding for various sewer, water and public improvement projects of the District.

**F. Operating Leases**

Total operating lease payments for office equipment totaled \$127,005 for the year ended December 31, 2020. Future operating lease commitments are as follows:

	<u>Amount</u>
2021	\$ 201,810
2022	158,983
2023	99,299
2024	45,655
2025	10,069
2026	<u>1,678</u>
Total	<u>\$ 517,494</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**G. Long-Term Debt**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 321,971,912	\$	\$ 20,930,930	\$ 301,040,982	\$ 20,176,780
Revenue bonds	197,740,000	131,075,000	76,465,000	252,350,000	8,520,000
Premiums	61,527,071	15,448,049	8,595,580	68,379,540	
Total bonds payable	581,238,983	146,523,049	105,991,510	621,770,522	28,696,780
Clean water fund loans	527,219,298	30,267,733	81,095,585	476,391,446	80,667,346
Compensated absences	3,468,109	1,851,691	2,462,208	2,857,592	2,738,549
Net pension liability	24,555,192		274,293	24,280,899	
Net OPEB Liability	156,943,458		83,596,887	73,346,571	
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$ 1,293,425,040</b>	<b>\$ 178,642,473</b>	<b>\$ 273,420,483</b>	<b>\$ 1,198,647,030</b>	<b>\$ 112,102,675</b>
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 263,903,089	\$	\$ 17,544,070	\$ 246,359,019	\$ 17,293,220
Premiums	30,738,850		2,051,431	28,687,419	
Total bonds payable	294,641,939	-	19,595,501	275,046,438	17,293,220
Drinking water fund loans	51,989,586	1,452,294	3,580,280	49,861,600	4,743,893
Compensated absences	3,339,340	3,236,956	2,983,855	3,592,441	2,720,402
Claims and judgments	6,358,539	18,074,522	18,149,250	6,283,811	835,058
Settlement liability	7,900,000		2,085,753	5,814,247	5,814,247
Net pension liability	33,560,708		484,395	33,076,313	
Net OPEB Liability	214,501,826		114,586,493	99,915,333	
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>\$ 612,291,938</b>	<b>\$ 22,763,772</b>	<b>\$ 161,465,527</b>	<b>\$ 473,590,183</b>	<b>\$ 31,406,820</b>

For the governmental activities, pension liability, OPEB liability and compensated absences are generally liquidated by the General Fund.

**General Obligation Bonds**

General obligation bonds are direct obligations of the District for which full faith and credit are pledged and are payable from taxes levied on member towns and other operating revenues. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	Various	\$ 301,040,982
Business-type activities	Various	246,359,019
		<u>\$ 547,400,001</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 20,176,780	\$ 12,954,174	\$ 17,293,220	\$ 10,425,900
2022	20,252,793	11,966,434	17,337,208	9,573,143
2023	19,273,166	11,020,423	17,086,834	8,734,626
2024	19,091,978	10,132,153	17,068,022	7,923,177
2025	19,697,201	9,314,484	17,342,799	7,171,240
2026-2030	96,180,121	33,852,915	81,664,879	25,065,583
2031-2035	77,846,172	14,638,481	62,943,828	10,078,658
2035-2040	28,522,771	2,820,283	15,622,229	1,339,592
Total	\$ <u>301,040,982</u>	\$ <u>106,699,347</u>	\$ <u>246,359,019</u>	\$ <u>80,311,919</u>

**Authorized but Unissued Bonds**

The total of authorized but unissued bonds at December 31, 2020 is \$762,104,407. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

**Unspent Bond Proceeds**

As of December 31, 2020, the District reported unspent bond proceeds of \$18,863,627 and \$8,745,112 in governmental and business-type activities, respectively. These amounts were included as a component of net investment in capital assets in the statement of net position.

**Revenue Bonds**

Revenue bonds are special obligations of the District and are issued pursuant to the District's Charter and Chapter 103 of the Connecticut General Statutes as amended, the Special Obligation Indenture of Trust by and between the District and U.S. Bank National Association (the Trustee) for the purpose of providing funds for the Clean Water Project. The revenue bonds are secured by a pledge of and payable from the Trust Estate which includes pledged revenues, which are special revenues to be received by the District from a Special Sewer Service Surcharge (a.k.a. Clean Water Project Charge), together with the revenues or other receipts, funds or moneys held in or set aside in the Trust Estate. The revenue bonds are not a general obligation of the District. Revenue bonds currently outstanding are as follows:

<b>Purpose</b>	<b>Interest Rates</b>	<b>Amount</b>
Governmental Activities	Various	\$ <u>252,350,000</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Annual debt service requirements to maturity for revenue bonds are as follows:

		<b>Governmental Activities</b>	
		<b>Principal</b>	<b>Interest</b>
2021	\$	8,520,000	\$ 10,396,652
2022		8,685,000	10,099,889
2023		6,305,000	9,764,166
2024		6,495,000	9,448,916
2025		6,700,000	9,124,166
2026-2030		51,130,000	39,649,253
2031-2035		70,050,000	27,334,111
2036-2040		72,375,000	13,359,209
2041-2045		<u>22,090,000</u>	<u>2,043,250</u>
Total	\$	<u>\$ 252,350,000</u>	\$ <u>131,219,612</u>

**Clean and Drinking Water Fund Loans**

The District participates in the State of Connecticut's Clean and Drinking Water programs, which provide low-interest loans bearing 2% interest for eligible waste water and 2% interest for eligible drinking water projects. Projects are financed by interim loan obligations until project completion, at which time interim loan obligations are replaced by permanent loan obligations. In the case of certain large projects, permanent loan obligations may be issued annually.

Clean Water Fund loans finance the sewer infrastructure and facility improvements (governmental activities) and will be repaid from future taxation, special sewer service surcharge and user fees.

Drinking Water Fund loans finance the water infrastructure and facility improvements (business-type activities) and will be financed by user charges.

Permanent loan obligations mature as follows:

		<b>Governmental Activities</b>	
		<b>Principal</b>	<b>Interest</b>
2021	\$	28,809,548	\$ 8,116,288
2022		28,197,406	7,545,269
2023		28,039,267	6,983,210
2024		27,922,467	6,423,009
2025		27,839,038	5,865,811
2026-2030		134,433,295	21,089,738
2031-2035		106,991,839	8,816,097
2036-2040		<u>36,785,927</u>	<u>945,641</u>
	\$	<u>\$ 419,018,787</u>	\$ <u>65,785,063</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 3,409,584	\$ 939,595
2022	3,388,034	871,652
2023	3,339,207	804,037
2024	3,270,847	738,233
2025	3,270,847	672,908
2026-2030	16,294,708	2,384,819
2031-2035	13,542,926	824,388
2036-2040	<u>2,011,138</u>	<u>52,887</u>
	<u>\$ 48,527,291</u>	<u>\$ 7,288,519</u>

Interim loan obligations mature and convert to permanent loan obligations as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 51,857,798	\$ 825,698
2022		
2023		
2024	<u>5,514,861</u>	<u>16,907</u>
	<u>\$ 57,372,659</u>	<u>\$ 842,605</u>

	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	<u>\$ 1,334,309</u>	<u>\$ 993</u>
	<u>\$ 1,334,309</u>	<u>\$ 993</u>

The State may terminate the obligation to make the Project Loan, with 60 days written notice, if the State determines that such termination is in the best interest of the State and the Municipality fails to perform its obligations under the agreement. After giving notice, the State has discretion not to terminate the Project Loan if the Municipality performs its obligations to the satisfaction of the State.

**Revenue Bonds - New Issuances and Current Refunding**

On August 25, 2020, the District issued \$131,075,000 of bonds; consisting of \$55,010,000 in Clean Water Project Revenue Bonds, 2020 Series A with a True Interest Cost (TIC) of 1.67% and \$76,065,000 in Clean Water Project Refunding Revenue Bonds, 2020 Series B (Federally Taxable) with a True Interest Cost (TIC) of 2.34%.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

The bonds refunded \$70,575,000 of outstanding principal of the Clean Water Project Revenue Bonds, 2013 Series A. The average coupon of the refunded bonds was 4.622%. The net proceeds of \$77,161,715 (after payment of Underwriter’s Discount of \$332,452) was deposited with the Trustee; \$76,935,985 was deposited in an escrow account, which was used to make the April 1, 2021 principal and interest payment due and will be used on April 1, 2022 to make the April 1, 2022 principal and interest payment due and to fully redeem the remaining maturities of the Clean Water Project Revenue Bonds, 2013 Series A and \$225,730 was used for cost of issuance. The transaction generated a cash flow savings of \$15,920,529 and a net present value savings of \$14,859,807.

Subsequent to the bond issuance, the District used the \$55,010,000 to refund three Project Loan Obligations (CWF-652D, CWF 639-C, and CWF 633-C) issued through the State of Connecticut’s Clean Water Fund, with an outstanding principal amount of \$49,825,431. Those Project Loan Obligations had an interest rate of 2%. \$49,825,431 was deposited in an escrow account which was used on August 26, 2020 to fully redeem the three Project Loan Obligations (CWF-652D, CWF 639-C, and CWF 633-C); \$321,054 was deposited to pay cost of issuance. The transaction generated a cash flow savings of \$2,878,192 and a net present value savings of \$2,814,248.

**Debt Limitation**

The District’s debt indebtedness does not exceed the debt limitations required by its Charter as reflected in the following schedule:

<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
\$ 1,317,246,191	\$ 897,446,518	\$ 419,799,673

**H. Fund Balance**

The components of fund balance for the governmental funds at December 31, 2020 are as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Clean Water Project</u>	<u>Capital Projects</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Prepays	\$ 686,634	\$	\$	\$	\$ 686,634
Supplies	3,028,814				3,028,814
Restricted for:					
Debt service		2,744,874			2,744,874
Committed to:					
Debt service			75,165,949		75,165,949
Unassigned	<u>31,870,227</u>			<u>(31,175,587)</u>	<u>694,640</u>
<b>Total Fund Balances</b>	<b><u>\$ 35,585,675</u></b>	<b><u>\$ 2,744,874</u></b>	<b><u>\$ 75,165,949</u></b>	<b><u>\$ (31,175,587)</u></b>	<b><u>\$ 82,320,911</u></b>

There were no outstanding encumbrances at December 31, 2020.



**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**4. EMPLOYEE RETIREMENT PLAN**

**A. Plan Description and Benefits Provided**

The District has an employee retirement system with a pension plan that was adopted January 1, 1944 and amended January 1, 1997. The Aetna Insurance Company is the administrator of the Metropolitan District Employees' Retirement System (MDERS), which is a defined benefit, single employer retirement system. The MDERS provides retirement, disability and death benefits to plan members and beneficiaries.

Management of the plan rests with the Personnel, Pension and Insurance Committee (PPI), which consists of 11 members.

The pension plan is included in the District's financial reporting entity and accounted for in the pension trust fund. The MDERS does not issue a stand-alone financial report.

At January 1, 2020, membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	620
Terminated members entitled to but not yet receiving benefits	38
Current active members	<u>468</u>
Total Members	<u><u>1,126</u></u>

Participation in the plan is immediate upon employment for all full-time employees. Vesting in benefits occurs after ten years of service. Termination of employment before that time results in forfeiture of the District's portion of the accrued benefit.

The District's Personnel, Pension and Insurance Committee, as provided by the District's general ordinances, establishes the benefit provisions and the employer's and employees' obligations. Any bargaining or nonbargaining unit employee who becomes totally and permanently disabled and has completed 10 years of service will receive 100% of the pension that the employee would have been entitled to. Annual pension payments are determined at 2% times years of service times final average earnings subject to a maximum of 32 years.

**B. Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are financed through investment earnings.

**Valuation of Investments**

Investments are valued at fair value. Securities traded on national exchanges are valued at the last reported sales price.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**C. Funding Policy**

Employees hired prior to October 4, 2015 are required to contribute 5% of their annual covered salary, employees hired between October 4, 2015 and June 5, 2018 are required to contribute 7% of their annual covered salary, and employees hired after June 5, 2018 are required to contribute 7.5% of their annual covered salary.

**D. Investments**

**Investment Policy**

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Personnel, Pension and Insurance Committee by a majority vote of its members. It is the policy of the Personnel, Pension and Insurance Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short-time spans. The following was the Board’s adopted asset allocation policy as of December 31, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Core Fixed Income	15.00%
Global Funds	12.50%
Large Cap U.S. Equities	30.00%
Mid Cap U.S. Equities	10.00%
Small Cap U.S. Equities	10.00%
Developed Foreign Equities	10.00%
Real Estate (REITS)	6.00%
Private Real Estate Property	1.50%
Commodities	5.00%

**Rate of Return**

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**E. Net Pension Liability of the District**

The components of the net pension liability of the District at December 31, 2020 were as follows:

Total pension liability	\$ 310,703,505
Plan fiduciary net position	<u>253,346,293</u>
Net Pension Liability	<u>\$ 57,357,212</u>
Plan fiduciary net position as a percentage of the total pension liability	81.54%

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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The net pension liability is recorded in the Water Utility Fund (Proprietary Fund), and the Governmental Activities of the District.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.875%, net of pension plan investment expense, including inflation
Mortality rates	Pub-2010 Mortality (using a 75%/25% blend of Public Safety and General rates) with generational projection per MP-2019 Ultimate Scale
Actuarial cost method	Entry Age Normal

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Core Fixed Income	1.85%
Global Funds	0.75%
Large Cap U.S. Equities	4.35%
Mid Cap U.S. Equities	5.68%
Small Cap U.S. Equities	4.73%
Developed Foreign Equities	5.97%
Real Estate (REITS)	4.98%
Private Real Estate Property	3.85%
Commodities	4.01%

**Discount Rate**

The discount rate used to measure the total pension liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate at December 31, 2020 decreased 0.125% to 6.875% from 7.00% at December 31, 2019.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**Changes in the Net Pension Liability**

<b>Metropolitan District Employees' Retirement System</b>			
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of January 1, 2020	\$ 284,902,241	\$ 226,786,341	\$ 58,115,900
Changes for the year:			
Service cost	4,679,208		4,679,208
Interest on total pension liability	19,624,655		19,624,655
Changes of benefit terms	21,260		21,260
Differences between expected and actual experience	1,826,376		1,826,376
Changes in assumptions	18,425,798		18,425,798
Employer contributions		8,650,763	(8,650,763)
Member contributions		2,385,458	(2,385,458)
Net investment gain (loss)		34,378,938	(34,378,938)
Benefit payments, including refund of employee contributions	(18,776,033)	(18,776,033)	-
Administrative expenses		(79,174)	79,174
Net changes	<u>25,801,264</u>	<u>26,559,952</u>	<u>(758,688)</u>
Balances as of December 31, 2020	\$ <u>310,703,505</u>	\$ <u>253,346,293</u>	\$ <u>57,357,212</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the District, calculated using the discount rate of 6.875%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>1% Decrease (5.875%)</b>	<b>Current Discount Rate (6.875%)</b>	<b>1% Increase (7.875%)</b>
District's Net Pension Liability \$	92,413,471	\$ 57,357,212	\$ 27,207,651

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**Pension Expense and Deferred Outflows of Resource and Deferred Inflows of Resource Related to Pensions**

For the year ended December 31, 2020, the District recognized pension expense of \$9,220,274, which is recorded within the Water Utility Fund and the Governmental Activities of the District in the amounts of \$5,317,076 and \$3,903,198, respectively. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Metropolitan District Employees' Retirement System</b>	
	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 156,950	\$ 6,602,744
Changes of assumptions		18,920,552
Net difference between projected and actual earnings on pension plan investments	<u>20,344,725</u>	
Total	<u>\$ 20,501,675</u>	<u>\$ 25,523,296</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2021	\$ 1,851,495
2022	4,524,531
2023	(1,650,253)
2024	<u>295,848</u>
	<u>\$ 5,021,621</u>

**F. 457(b) and 457(f) Deferred Compensation Plan**

The District offers a 457 (b) Deferred Compensation Plan to its employees as a voluntary savings plan, with no employer match. Participants decide how much to invest and the District deducts payments on their behalf and sends them directly to MassMutual who acts as the Record Keeper & Administrator. District employees currently have in excess of \$60 million in assets which grow on a tax-deferred basis. MassMutual was recently acquired by Empower. Participants can diversify their investments in more than 12 investment vehicles across a range of investment alternatives. Retirement Plan Advisors (RPA) of Chicago Illinois serves as a 3(21) fiduciary investment advisor on the Plan.

The District also has a Non-Voluntary 457 (f) Deferred Compensation Plan for the purpose of complying with certain limitations of the IRS Code of 1986. The purpose of the Plan is to provide certain senior District employees with retirement benefits that they are unable to receive under the employers qualified defined pension plan due to limitations of the Internal Revenue Code. As of December 31, 2020, there were two employees eligible to participate in the Plan. The Plan is unfunded; the District pays any benefits due in a given year under the terms of the Plan directly from District operating funds.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**G. Combining Statement of Net Position**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 588,432	\$ 9,105,814	\$ 9,694,246
Accounts receivable	43,602	142,272	185,874
Investments, at fair value:			
Mutual funds	25,700,261		25,700,261
Guaranteed investment contracts	25,623,113		25,623,113
Land	3,705,913		3,705,913
Commingled collective trusts	179,076,798		179,076,798
Real estate	18,608,174		18,608,174
Total assets	<u>253,346,293</u>	<u>9,248,086</u>	<u>262,594,379</u>
<b>LIABILITIES</b>			
Due to other funds		127,266	127,266
Retiree expense reimbursement payable		2,667	2,667
Total liabilities	<u>-</u>	<u>129,933</u>	<u>129,933</u>
<b>NET POSITION</b>			
Restricted for Pension and OPEB Benefits	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**H. Combining Statement of Revenue, Expenses and Changes in Net Position**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 8,650,763	\$ 10,349,000	\$ 18,999,763
Plan members	2,385,458	1,477,112	3,862,570
Total contributions	<u>11,036,221</u>	<u>11,826,112</u>	<u>22,862,333</u>
Investment earnings:			
Net change in fair value of investments	32,713,513		32,713,513
Interest and dividends	2,613,761	3,198	2,616,959
Total investment earnings (loss)	<u>35,327,274</u>	<u>3,198</u>	<u>35,330,472</u>
Less investment expenses:			
Investment management fees	948,336	667	949,003
Net investment earnings (loss)	<u>34,378,938</u>	<u>2,531</u>	<u>34,381,469</u>
Total additions (reductions)	<u>45,415,159</u>	<u>11,828,643</u>	<u>57,243,802</u>
Deductions:			
Benefits	18,776,033	6,244,093	25,020,126
Administrative expense	79,174		79,174
Total deductions	<u>18,855,207</u>	<u>6,244,093</u>	<u>25,099,300</u>
Change in Net Position	26,559,952	5,584,550	32,144,502
Net Position at Beginning of Year	<u>226,786,341</u>	<u>3,533,603</u>	<u>230,319,944</u>
Net Position at End of Year	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</u>

**5. POSTEMPLOYMENT HEALTHCARE PLAN - RETIREE HEALTH PLAN**

**Plan Description**

The Retiree Health Plan (RHP) is a single-employer defined benefit healthcare plan and provides medical, dental and life insurance benefits to eligible retirees and their spouses. Spouses and eligible dependents are covered on medical and dental insurance only if the retiree declares at least a 90% pension annuity. District employees eligible to participate in the plan are as follows: 65 years old or 55 years old with 10 years of service or the sum of age and service is 85. Benefit provisions are established through negotiations between the District and the various unions representing the employees.

Management of the postemployment benefits plan rests with the Personnel, Pension and Insurance Committee (PPI), which consists of 11 members.

Expenses for postemployment benefits were paid out of the OPEB trust fund during the fiscal year ended December 31, 2020. The plan does not issue a stand-alone financial report.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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At January 1, 2020, plan membership consisted of the following:

	<b>Retiree Health Plan</b>
Retired members	488
Spouses of retired members	336
Active plan members	467
Beneficiaries	<u>165</u>
Total Participants	<u><u>1,456</u></u>

**Funding Policy**

The Retirement Plan is funded from various sources, including

- (a) employee mandatory contribution (employees hired before June 5, 2018 contribute 5% of regular compensation and new employees hired after June 5, 2018 contribute 7.5% of regular compensation);
- (b) Actuarially determined employer contribution as based upon different presumptions (ranged from \$5 million to \$6 million per annum);
- (c) Investment returns from discretionary funds including equity, lumber and real estate assets;
- (d) Interest paid by Aetna for use of monies in financial and insurance business

As of January 1, 2019, all employees also contribute 1.0% of regular compensation into an OPEB (Other Post-Retirement Benefits) fund. This fund is typically depleted by the end of the calendar year and is used to support medical costs. Since the early 1990's, the District has embraced "self-insurance."

Prior to June 5, 2018, the District also offered post-retirement life insurance to new bargaining unit retirees. The coverage was partially funded by retiree monthly contributions and primarily by the District. Since 2015, the non-Unionized group was not provided any post-retirement life insurance.

For bargaining unit retirees after June 5, 2018, the District has agreements to "buy-out" the base amount (\$5,000) and the new retiree has the option of continuing any optional life insurance but at the full group rate annually adjusted. The buy-out of the base coverage is supported by operating funds.

Finally, the District has reimbursed the cost of Medicare Part B through the retiree's monthly pension distribution. Effective for new employees hired after June 5, 2018, the District will not reimburse this cost when the new employee ultimately retires. The reimbursement cost is covered through operating funds.

**Basis of Accounting**

The OPEB Trust Fund's financial statements are prepared on the accrual basis of accounting. Employees and employer contributions are recognized in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with plan provisions. Administrative costs of the plan are expensed. Investments are reported at fair value.



**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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**Investments**

**Investment Policy**

The OPEB investment policy is the responsibility of the Personnel, Pension and Insurance Committee (PPI). It is expected that as the Trust becomes funded PP&I will adopt an investment policy. The investment strategy is based upon the liquidity needs of the plan and thereby determines the distinct asset classes to be invested therein. The investment strategy reduces risk through prudent selection of investments and diversification of the portfolio, which can be changed over time based upon forecasted liquidity needs.

**Rate of Return**

For the year ended December 31, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 0.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability of the District**

The District's net OPEB liability was measured as of December 31, 2020. The components of the net OPEB liability of the District at December 31, 2020 were as follows:

Total OPEB liability	\$	182,380,057
Plan fiduciary net position		<u>9,118,153</u>
Net OPEB Liability	\$	<u><u>173,261,904</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		5.00%

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.50%, including inflation
Investment rate of return	6.875%, net of OPEB plan investment expense
Healthcare cost trend rates	6.50% (6.30% for Post-65) - 4.30% over 53 years

The plan has not had a formal actuarial experience study performed.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Core Fixed Income	20%	1.85%
Large Cap U.S. Equities	80%	4.35%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.875%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate at December 31, 2020 increased 4.135% to 6.875% from 2.74% at December 31, 2019.

**Changes in Net OPEB Liability**

	<u>Metropolitan District Employees' Retirement System</u>		
	<u>Total OPEB Liability</u>	<u>Increase (Decrease)</u>	
		<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances as of January 1, 2020	\$ 374,978,887	\$ 3,533,603	\$ 371,445,284
Changes for the year:			
Service cost	8,810,535		8,810,535
Interest on total OPEB liability	10,444,711		10,444,711
Changes of benefit terms	(41,393)		(41,393)
Differences between expected and actual experience	(72,440,991)		(72,440,991)
Changes in assumptions	(134,145,298)		(134,145,298)
Employer contributions		10,349,000	(10,349,000)
Member contributions		1,477,112	(1,477,112)
Net investment gain (loss)		2,531	(2,531)
Benefit payments, including refund of employee contributions	(5,226,394)	(6,244,093)	1,017,699
Administrative expenses			-
Net changes	<u>(192,598,830)</u>	<u>5,584,550</u>	<u>(198,183,380)</u>
Balances as of December 31, 2020	\$ <u>182,380,057</u>	\$ <u>9,118,153</u>	\$ <u>173,261,904</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<b>1% Decrease (5.875%)</b>	<b>Current Discount Rate (6.875%)</b>	<b>1% Increase (7.875%)</b>
Net OPEB liability	\$ 196,351,189	\$ 173,261,904	\$ 154,223,053

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates of 6.50% (6.30% for Post-65) - 4.30% over 53 years:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Net OPEB liability	\$ 149,925,623	\$ 173,261,904	\$ 202,110,398

**OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resource Related to OPEB**

For the year ended December 31, 2020, the District recognized OPEB revenue of \$14,864,256, which is recorded within the Water Utility Fund and the Governmental Activities of the District in the amounts of \$8,571,804 and \$6,292,452, respectively. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Metropolitan District Employees' Retirement System</b>	
	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 57,952,793	\$ 5,658,787
Changes of assumptions	128,675,991	40,934,382
Net difference between projected and actual earning on OPEB plan investments		225,196
Total	<u>\$ 186,628,784</u>	<u>\$ 46,818,365</u>

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	
2021	\$ (33,366,807)
2022	(33,366,804)
2023	(31,809,421)
2024	<u>(41,267,387)</u>
	<u>\$ (139,810,419)</u>

**6. OTHER INFORMATION**

**A. Clean Water Project**

The Clean Water Project addresses approximately one billion gallons of combined wastewater and storm water currently released each year to area waterways prior to execution of the Clean Water Project. The project is in response to an Environmental Protection Agency (“EPA”) Sanitary Sewer Overflows (“SSO”) federal consent decree and a Connecticut DEEP Combined Sewer Overflows (“CSO”) consent order to achieve Federal Clean Water Act goals. The project is set forth in a Long-Term Control Plan (the “LTCP”), which is periodically revised and is subject to approval by DEEP. The District’s goal is to achieve compliance through efficient improvements to its system, maximizing funding of the project with State and Federal grants and the use of State and Federal low-cost loans, with the remainder funded with issuance of its own bonds. Project financing is expected to be repaid with the Clean Water Project Charge added to the water bills of customers in Member Municipalities who have sewage and water services from the District.

*Evolution of the Clean Water Project*

As originally conceived in 2005, and as set forth in the initial LTCP, the Clean Water Project was estimated to cost approximately \$2.1 billion, and assumed to be completed in 2021, based on assumptions about, among other things, the design as originally conceived and the pace of design and construction and regulatory review and approval. The original concept relied on sewer separation projects, control of inflow and infiltration, and capacity increases and other improvements to the District’s treatment plants.

An updated LTCP was submitted to DEEP in 2012 and revised through December 2014. The revised plan de-emphasized sewer separation projects, which proved expensive in downtown areas, and added a large storage and conveyance tunnel in south Hartford (the “South Tunnel”). It also featured a large storage and conveyance tunnel to the northern part of Hartford (the “North Tunnel”) and connecting to the South Tunnel which was intended to both capture overflows in the northern and central part of Hartford and also to eliminate overflows into the North Branch of the Park River. This resubmittal as approved in 2015 set out a completion of the project by 2029.

## THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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The LTCP was most recently revised and resubmitted to Connecticut DEEP in December 2018 and was resubmitted with revisions in May 2020. The resubmitted LTCP introduces the concept of an “Integrated Plan”, which recognizes the District’s ongoing capital improvement and maintenance program and also furthers compliance with the governmental orders, with remedies such as replacing aged and damaged pipe and other system components, coupled with cleaning and other maintenance and rehabilitation activities, thereby increasing pipe capacity to reduce overflows. The concept and guidelines for Integrated Planning were introduced and accepted by EPA in 2012 for communities dealing with CSO compliance issues while maintaining existing aging infrastructure in an affordable manner. Managing this program balances new capital expenditures with maintenance expenditures, with priorities addressed to reduce, insofar as practical, costly emergency repairs of sewer collapses and other problems. The resubmitted LTCP retains the South Tunnel which is in construction, and related improvements, which are well underway, but replaces the North Tunnel concept with a shortened downtown area tunnel and capacity improvements in the northern part of Hartford. The compliance efforts are integrated with the ongoing capital maintenance and rehabilitation program and span a 40-year term. It contemplates a compliance effort over a longer term, combines the Clean Water Project with other capital improvements that had not been considered part of the project, and continues to finance the combined effort with the Clean Water Project Charge, all with a view to achieving compliance with the governmental orders efficiently and within the context of the District’s other capital improvements while implementing a more affordable economic model for the rate payers.

The resubmitted LTCP sets out several compliance options, which incorporate timing and sequencing alternatives. The option preferred by the District would achieve incremental improvements in the coming years and full compliance in 2058. Other options would achieve compliance earlier, but have overlapping elements. The District has deferred designing specific elements of the compliance options until the LTCP is approved, while work continues on the South Tunnel. The District remains committed to working with DEEP, but cannot predict when the resubmitted LTCP will be approved, or its final content.

### *Cost Estimates*

Because the resubmitted LTCP incorporates an Integrated Plan, the nature of the Clean Water Project and its overall cost is not directly comparable to the LTCP as currently approved. Current estimates to complete the LTCP are that the Clean Water Project Charge would remain flat for the next several years and then increase to approximately \$7.40 per hundred cubic feet (ccf) and remain at least at that level for a considerable period as the ongoing capital maintenance and rehabilitation program continues. The District Board sets the Clean Water Project Charge without the need for other approvals. The primary reasons for the increase in the Clean Water Project Charge are due to inflation of costs to complete the LTCP on a longer schedule and the inclusion of asset management projects, such as sewer lining, which previously were contemplated to be paid for through ad valorem taxes. As a result, the future increases to ad valorem taxes will be mitigated while the estimated total cost to the rate payers for both the Clean Water Project Charge and ad valorem taxes remain about the same on average. This assumes a continued level of Federal and State support in the form of grants and low-cost loans consistent with the support provided to date. Other options would increase the surcharge, particularly those options that accelerate work or change the sequencing, as would a change in the level of Federal and State funding support. The District remains mindful of maintaining an overall level of affordability for rate payers of the District, and in particular the residents of Hartford, which may lead to future adjustment in the nature of the Clean Water Project and its cost and financing. No assurance can be given as to the final cost of the Clean Water Project or the precise composition of its funding.

## THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS

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### *Referendum Requirements*

Generally speaking, appropriations for the cost of large projects must be approved by referendum vote of the electors of the Member Municipalities. Effective October 1, 2015, Public Act No.15-114 excludes from the referendum requirement appropriations funded by Federal or State grants. An \$800 million appropriation for the Clean Water Project was approved at referendum on November 7, 2006. An appropriation for an additional \$800 million for the Clean Water Project was approved at referendum on November 6, 2012. An appropriation of \$140 million for a grant, not requiring a referendum, was approved by the District Board on October 5, 2016. Another appropriation of \$18.8 million for a grant not requiring a referendum was approved by the District Board on September 2, 2020. The District expects to appropriate further funds for the Clean Water Project without a referendum for portions paid for by State grants.

The District expects that the treatment plant work and the South Tunnel and related improvements will be completed within existing appropriations, assuming the ongoing South Tunnel work proceeds within contemplated cost estimates and that expected grants are received. Some portion of the Integrated Plan work in the resubmitted LTCP may be undertaken within existing appropriations if future grants are received for eligible projects. Full compliance with the resubmitted LTCP will likely require submission of one or more further appropriations for approval by electors at referendum. The District has made no determination as to when an additional referendum will be held.

The District cannot give any assurances as to when the Clean Water Project will be completed or its total cost as it is highly dependent on the availability of grants and loans from the State.

The District has issued, to date, \$271.075 million in Clean Water Project Revenue Bonds, \$252.350 million of which were outstanding as of December 31, 2020. The Clean Water Project Revenue Bonds are being repaid from a portion of the Clean Water Project Charge (previously the Special Sewer Service Surcharge) and are not general obligations of the District.

### **B. Risk Management**

The District is exposed to various risks of loss including torts; officers' and employees' liabilities; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for all risks of loss except those risks described in the next paragraph. In 2020 the District purchased cyber liability insurance. The District established an internal service fund, the self-insurance fund, to account for and finance the retained risk of loss.

The District is self-insured for healthcare, workers' compensation claims up to \$500,000 for each accident, deductibles for property damage up to \$100,000 for each location, and general and automobile liability up to \$250,000 for each incident. Additionally, the District has provided for \$1 million of excess coverage for liability coverage with no limits for workers' compensation excess coverage. The self-insurance fund is primarily supported by contributions from the General Fund and the Water Utility Enterprise Fund. Workers' Compensation Trust administers the District's workers' compensation program for which the District pays a fee. General and auto liability claims are performed in-house and through third-party administrators whose administrative fees are paid by the self-insurance fund. Blue Cross and Blue Shield administer the District's medical insurance plan for which the District pays a fee. The medical insurance plan provides coverage for most District employees. The District has purchased a stop loss policy for total medical claims in any one year exceeding an aggregate of 110% of expected claims. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no reduction in any coverage during the year from that of the prior year.

**THE METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

At December 31, 2019, the District had a deficit of \$6,537,627 in the self-insurance fund. The District was able to allocate this same amount to the self-insurance fund from unapplied funds that resided in the Clean Water Project fund. The claims liability of \$6,283,811 for the self-insurance fund reported at December 31, 2020 is based on the requirements of GASB Statement No. 10, which requires that a liability for estimated claims incurred but not reported be recorded. The District’s policy is to have an actuarial study performed annually.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that has been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimate. Changes in the claims liability for the past two years are as follows:

		<u>Accrued Liability Beginning of Fiscal Year</u>		<u>Current Year Claims and Changes in Estimates</u>		<u>Claim Payments</u>		<u>Accrued Liability End of Fiscal Year</u>
2019	\$	6,181,157	\$	17,651,151	\$	17,473,769	\$	6,358,539
2020		6,358,539		18,074,522		18,149,250		6,283,811

**C. Contingent Liabilities**

**Arbitrage**

The District may be subject to rebate penalties to the federal government relating to various bond and note issues. The District expects such amounts, if any, to be immaterial.

**Other**

On February 12, 2014, the Town of Glastonbury filed a lawsuit against the MDC in State Court seeking a declaratory judgment that the MDC charged water customers in nonmember towns an unlawful surcharge prior to 2014. The surcharge allowed the MDC to capture the proportional cost of the infrastructure utilized to provide Glastonbury and other nonmember town customers with water. The MDC believed it possessed the authority to impose and collect said surcharge.

While the Glastonbury action was pending, the State Legislature amended the MDC’s charter through Special Act 14-21 which authorized the MDC to impose the surcharge on nonmember towns, but capped the amount of the surcharge to the amount of the MDC’s customer service charge. The amendment was effective January 1, 2015.

On May 12, 2016, the Superior Court concluded that Special Act 14-21 was not retroactive and the nonmember town charges imposed prior to the effective date of the amendment were unlawful. The MDC appealed that decision. On March 2, 2018, the Connecticut Supreme Court affirmed the trial court ruling.

## **THE METROPOLITAN DISTRICT NOTES TO FINANCIAL STATEMENTS**

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On March 6, 2018, following the Supreme Court decision, an action was filed on behalf of a proposed class of MDC water customers in the nonmember towns of Glastonbury, East Granby, Farmington and South Windsor between January 1, 2006 and October 1, 2014 (Laurie Paetzold, William Paetzold and Andrew Pinkowski v. Metropolitan District Commission). The named Plaintiffs allegedly resided in the town of Glastonbury during the relevant period and allege that the MDC wrongfully imposed the unlawful surcharge and sought to recover damages.

The lawsuit asserted claims for breach of contract, breach of good faith and fair dealing and, in the alternative, unjust enrichment. In June 2018, the MDC filed a Motion to Strike on several grounds, including failure to sufficiently allege the existence of a contract, governmental immunity and the statute of limitations. The Court held that the plaintiff did, in fact, sufficiently plead the existence of a contract and that the claim was not untimely. However, the Court did limit the time period for recoverable damages based on a six-year statute of limitations. This reduced the relevant period for possible damages to March 2012 to October 2014. Additionally, the Court granted the MDC's motion to strike the plaintiff's unjust enrichment and breach of the covenant of good faith and fair dealing claims.

In January, 2020, the MDC and plaintiffs engaged in mediation which resulted in a proposed settlement of the class action suit. The MDC District Board approved the Settlement Agreement on February 10, 2020, and the Settlement Agreement was executed by both parties. On April 21, 2020, the trial court granted a motion for preliminary approval of the class action settlement. Final approval of the Settlement Agreement occurred on September 3, 2020 at a court hearing. The basic terms of the settlement are that customers that paid the non-member town surcharge from March 2012 to October 2014 will either receive a credit in the amount of 103% of the surcharges paid on their current MDC water account or, if they are no longer an MDC water customer, receive a payment for 100% of the amount of the surcharges paid by the former customer, less any court-approved attorney's fees and costs. The total settlement value of all claims and attorney's fees is capped at \$7,680,000. This amount is included in the settlement liability and is a 2021 expense in the Water Utility fund. Unclaimed amounts by former MDC customers will be returned to the MDC.

There are other various suits and claims pending against the District, none of which, individually or in the aggregate, is believed by counsel to be likely to result in judgment or judgments that could materially affect the District's financial position.



# **REQUIRED SUPPLEMENTARY INFORMATION**

**THE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxation:				
Hartford	\$ 13,035,400	\$ 13,035,400	\$ 13,035,400	\$ -
East Hartford	6,089,300	6,089,300	6,089,300	-
Newington	4,623,100	4,623,100	4,623,100	-
Wethersfield	4,240,800	4,240,800	4,240,800	-
Windsor	4,611,600	4,611,600	4,611,600	-
Bloomfield	3,879,300	3,879,300	3,879,300	-
Rocky Hill	3,144,100	3,144,100	3,144,100	-
West Hartford	11,852,100	11,852,100	11,852,100	-
Total taxation	<u>51,475,700</u>	<u>51,475,700</u>	<u>51,475,700</u>	<u>-</u>
Sewer user fees:				
Bradley Airport - Hamilton - East Granby	1,269,400	1,269,400	1,392,704	123,304
Customer service charge	7,776,300	7,776,300	7,590,396	(185,904)
Nonmunicipal - tax exempt	6,159,900	6,159,900	5,876,363	(283,537)
Hi-flow charges	2,797,300	2,797,300	2,366,095	(431,205)
Hi-strength	988,000	988,000	613,439	(374,561)
Manchester	202,900	202,900	220,234	17,334
South Windsor	26,800	26,800	12,773	(14,027)
Farmington	143,700	143,700	82,776	(60,924)
Cromwell	8,800	8,800	11,738	2,938
Total sewer user fees	<u>19,373,100</u>	<u>19,373,100</u>	<u>18,166,518</u>	<u>(1,206,582)</u>
Intergovernmental:				
Sludge handling	11,436,400	11,436,400	10,756,758	(679,642)
Household hazardous waste	30,000	30,000	27,672	(2,328)
Total intergovernmental	<u>11,466,400</u>	<u>11,466,400</u>	<u>10,784,430</u>	<u>(681,970)</u>
Investment income	<u>600,000</u>	<u>600,000</u>	<u>145,404</u>	<u>(454,596)</u>

**THE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other revenues:				
Bill jobs	\$ 20,000	\$ 20,000	\$ 33,142	\$ 13,142
FOG Charges	150,000	150,000	236,899	86,899
Developers	582,000	582,000	43,768	(538,232)
Payroll additives and indirect costs			71,056	71,056
Late payment charges	1,029,900	1,029,900	698,774	(331,126)
Labor additives and overhead			99,667	99,667
Property rents	153,800	153,800	139,808	(13,992)
Sale of materials/equipment	88,000	88,000	85,876	(2,124)
Septage/glycol discharge fees	1,463,700	1,463,700	1,293,419	(170,281)
Rebates and reimbursements	15,000	15,000	139,213	124,213
PM Unit	8,291,000	8,291,000	8,291,000	-
Vendor discount revenue	500	500	220	(280)
Miscellaneous	150,000	150,000	130,338	(19,662)
Total other revenues	<u>11,943,900</u>	<u>11,943,900</u>	<u>11,263,180</u>	<u>(680,720)</u>
Total revenues	<u>94,859,100</u>	<u>94,859,100</u>	<u>91,835,232</u>	<u>(3,023,868)</u>
Total Revenues and Other Financing Sources	<u>94,859,100</u>	<u>94,859,100</u>	<u>91,835,232</u>	<u>(3,023,868)</u>
Expenditures:				
General government:				
District Board	203,600	203,600	163,378	40,222
Executive office	1,481,100	1,481,100	1,236,177	244,923
Legal	779,000	779,000	651,257	127,743
Information systems	2,730,500	2,730,500	2,585,437	145,063
Finance	2,459,600	2,459,600	2,237,757	221,843
Total general government	<u>7,653,800</u>	<u>7,653,800</u>	<u>6,874,006</u>	<u>779,794</u>
Engineering and planning	<u>662,900</u>	<u>662,900</u>	<u>509,238</u>	<u>153,662</u>
Operations:				
Environmental health and safety	467,500	467,500	373,088	94,412
Command Center	1,475,800	1,475,800	1,350,540	125,260
Chief Operating office	341,500	341,500	338,854	2,646
Customer service	1,060,300	1,060,300	950,727	109,573
Operations	2,750,100	2,750,100	2,446,601	303,499
Total operations	<u>6,095,200</u>	<u>6,095,200</u>	<u>5,459,810</u>	<u>635,390</u>

**THE METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Plants and maintenance:				
Water pollution control	\$ 17,616,800	\$ 17,616,800	\$ 15,566,643	\$ 2,050,157
Laboratory services	868,400	868,400	734,813	133,587
Maintenance	5,636,200	5,636,200	5,003,671	632,529
Special agreements and programs	1,431,400	1,431,400	1,396,964	34,436
Total plants and maintenance	<u>25,552,800</u>	<u>25,552,800</u>	<u>22,702,091</u>	<u>2,850,709</u>
Employee benefits and other:				
Employee benefits	14,075,100	14,075,100	13,967,597	107,503
General insurance	2,370,700	2,370,700	2,235,390	135,310
Total employee benefits and other	<u>16,445,800</u>	<u>16,445,800</u>	<u>16,202,987</u>	<u>242,813</u>
Contingency	<u>1,980,000</u>	<u>1,980,000</u>	-	<u>1,980,000</u>
Debt service:				
Principal	21,800,000	22,950,000	18,685,930	4,264,070
Interest	14,352,600	13,267,600	13,057,777	209,823
Legal services	316,000	251,000	295,459	(44,459)
Total debt service	<u>36,468,600</u>	<u>36,468,600</u>	<u>32,039,166</u>	<u>4,429,434</u>
Total expenditures	<u>94,859,100</u>	<u>94,859,100</u>	<u>83,787,298</u>	<u>11,071,802</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	8,047,934	\$ <u>8,047,934</u>

Budgetary expenditures are different than GAAP expenditures because:

Expenditures not included in the budget, consisting primarily of:

The District does not budget for sewer rebates	1,000,000
The District does not budget for sales accruals	706,703
The District does not budget for certain interest and note expense	(28,105)
The District does not budget for billable or developer payroll	(143,669)
The District does not budget for certain non-funded payroll	(152,329)
The District does not budget for year end payroll accruals	(143,111)
The District does not budget for bad debts	(1,427,621)
The District does not budget for year end expense accruals	(366,821)
The District does not budget for the retirement incentive plan	<u>(11,025)</u>

Net Change in Fund Balance as Reported on the Statement of Revenues,  
Expenditures and Changes in Fund Balances - Governmental Funds

\$ 7,481,956

**THE METROPOLITAN DISTRICT  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
MDERS  
LAST SEVEN FISCAL YEARS\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:							
Service cost	\$ 4,679,208	\$ 4,201,054	4,088,615	\$ 3,989,674	\$ 4,121,036	\$ 3,977,923	\$ 3,534,272
Interest	19,624,655	19,227,865	18,306,742	18,000,653	17,634,276	17,230,210	16,861,364
Changes of benefit terms	21,260	350		258,130			
Differences between expected and actual experience	1,826,376	2,768,238	8,180,799	(605,374)	159,570	(348,426)	
Changes of assumptions	18,425,798	6,966,524				7,992,450	
Benefit payments, including refunds of member contributions	(18,776,033)	(18,226,458)	(17,748,776)	(17,299,291)	(15,950,213)	(15,844,541)	(15,437,612)
Net change in total pension liability	25,801,264	14,937,573	12,827,380	4,343,792	5,964,669	13,007,616	4,958,024
Total pension liability - beginning	284,902,241	269,964,668	257,137,288	252,793,496	246,828,827	233,821,211	228,863,187
Total pension liability - ending	310,703,505	284,902,241	269,964,668	257,137,288	252,793,496	246,828,827	233,821,211
Plan fiduciary net position:							
Contributions - employer	8,650,763	5,688,000	6,500,000	6,300,000	6,361,424	6,000,000	5,918,000
Contributions - member	2,385,458	2,430,709	2,280,859	2,343,416	2,247,072	2,255,825	2,160,885
Net investment income (loss)	34,378,938	35,293,532	(9,180,721)	36,679,882	13,824,703	3,637,492	13,864,280
Other income							102,351
Benefit payments, including refunds of member contributions	(18,776,033)	(18,226,458)	(17,748,776)	(17,299,291)	(15,950,213)	(15,844,541)	(15,448,154)
Administrative expense	(79,174)	(103,926)	(67,530)	(119,313)	(109,687)	(35,213)	(46,896)
Special Item				(9,271,439)			
Net change in plan fiduciary net position	26,559,952	25,081,857	(18,216,168)	18,633,255	6,373,299	(3,986,437)	6,550,466
Plan fiduciary net position - beginning	226,786,341	201,704,484	219,920,652	201,287,397	194,914,098	198,900,535	192,350,069
Plan fiduciary net position - ending	253,346,293	226,786,341	201,704,484	219,920,652	201,287,397	194,914,098	198,900,535
District's Net Pension Liability - Ending	\$ <u>57,357,212</u>	\$ <u>58,115,900</u>	<u>68,260,184</u>	\$ <u>37,216,636</u>	\$ <u>51,506,099</u>	\$ <u>51,914,729</u>	\$ <u>34,920,676</u>
Plan fiduciary net position as a percentage of the total pension liability	81.54%	79.60%	74.72%	85.53%	79.63%	78.97%	85.07%
Covered payroll	\$ 44,912,213	\$ 44,912,213	42,779,907	\$ 42,096,151	\$ 43,972,101	\$ 42,655,811	\$ 41,460,234
Net pension liability as a percentage of covered payroll	127.71%	129.40%	159.56%	88.41%	117.13%	121.71%	84.23%

## Notes to Schedule:

Discount rate changes: The rate at December 31, 2020 decreased 0.125% to 6.875% from 7.00% at December 31, 2019.

Mortality assumption change: The mortality table was updated to the Pub-2010 mortality table (using a 75%/25% blend of the Public Safety and General rates) with generational projection per the Ultimate MP-2019 scale. Previously, the mortality assumption used the RP-2000 mortality table (using a 75%/25% blend of the Blue Collar and White Collar rates) with generational projection to Scale AA.

\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
MDERS  
LAST TEN FISCAL YEARS**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 6,756,345	\$ 6,756,345	\$ 5,647,479	\$ 5,376,378	\$ 6,361,424	\$ 5,805,223	\$ 5,857,601	\$ 5,804,428	\$ 5,347,556	\$ 15,050,472	\$ 8,809,272
Contributions in relation to the actuarially determined contribution	8,650,763	5,688,000	6,500,000	6,300,000	6,361,424	6,000,000	5,918,000	5,881,000	5,822,098	4,633,200	2,863,964
Contribution Deficiency (Excess)	<u>\$ (1,894,418)</u>	<u>\$ 1,068,345</u>	<u>\$ (852,521)</u>	<u>\$ (923,622)</u>	<u>\$ -</u>	<u>\$ (194,777)</u>	<u>\$ (60,399)</u>	<u>\$ (76,572)</u>	<u>\$ (474,542)</u>	<u>\$ 10,417,272</u>	<u>\$ 5,945,308</u>
Covered payroll	\$ 44,912,213	\$ 44,912,213	\$ 42,779,907	\$ 42,096,151	\$ 43,972,101	\$ 42,655,811	\$ 41,460,234	\$ 38,773,923	\$ 41,341,171	\$ 43,872,205	\$ 45,271,276
Contributions as a percentage of covered payroll	19.26%	12.66%	15.19%	14.97%	14.47%	14.07%	14.27%	15.17%	14.08%	10.56%	6.33%

## Notes to Schedule

Valuation date: January 1, 2020  
Measurement date: December 31, 2020  
Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which the contributions are reported

## Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	19 years
Asset valuation method	5-years, non-asymptotic
Inflation	2.75%
Salary increases	3.50%
Investment rate of return	6.875%
Retirement age	Aged based rates
Turnover	Aged based rates
Mortality	Pub-2010 Mortality (using a 75%/25% blend of Public Safety and General rates) with generational projection per MP-2019 Ultimate Scale

**THE METROPOLITAN DISTRICT  
SCHEDULE OF INVESTMENT RETURNS  
MDERS  
LAST SEVEN FISCAL YEARS\***

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	15.43%	17.79%	(4.22%)	13.80%	7.48%	1.58%	7.42%

\*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
RETIREE HEALTH PLAN  
LAST FOUR FISCAL YEARS\***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:				
Service cost	\$ 8,810,535	\$ 6,698,208	\$ 8,531,854	\$ 7,730,316
Interest	10,444,711	12,024,959	11,015,391	10,961,483
Changes of benefit terms	(41,393)			
Differences between expected and actual experience	(72,440,991)		14,146,966	
Changes of assumptions	(134,145,298)	72,422,368	(53,399,384)	16,177,425
Benefit payments	(5,226,394)	(5,465,311)	(5,313,360)	(5,564,433)
Net change in total OPEB liability	(192,598,830)	85,680,224	(25,018,533)	29,304,791
Total OPEB liability - beginning	<u>374,978,887</u>	<u>289,298,663</u>	<u>314,317,196</u>	<u>285,012,405</u>
Total OPEB liability - ending	<u>182,380,057</u>	<u>374,978,887</u>	<u>289,298,663</u>	<u>314,317,196</u>
Plan fiduciary net position:				
Contributions - employer	10,349,000	9,146,000	5,000,000	5,000,000
Contributions - member	1,477,112	1,155,677	869,481	804,712
Net investment income (loss)	2,531			
Reimbursements		179,878	241,355	451,135
Benefit payments	(6,244,093)	(6,341,967)	(6,185,680)	(6,595,450)
Administrative expense	-	(5,589)		
Special item				(26,346,000)
Net change in plan fiduciary net position	<u>5,584,550</u>	<u>4,133,999</u>	<u>(74,844)</u>	<u>(26,685,603)</u>
Plan fiduciary net position - beginning	<u>3,533,603</u>	<u>(600,396)</u>	<u>(525,552)</u>	<u>26,160,051</u>
Plan fiduciary net position - ending	<u>9,118,153</u>	<u>3,533,603</u>	<u>(600,396)</u>	<u>(525,552)</u>
Net OPEB Liability - Ending	<u>\$ 173,261,904</u>	<u>\$ 371,445,284</u>	<u>\$ 289,899,059</u>	<u>\$ 314,842,748</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.00%	0.94%	-0.21%	-0.17%
Covered payroll	\$ 43,143,678	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483
Net OPEB liability as a percentage of covered payroll	401.59%	860.95%	665.89%	723.19%

## Notes to Schedule:

Discount rate changes: The discount rate at December 31, 2020 increased 4.135% to 6.875% from 2.74% at December 31, 2019.

Medical trend rate changes: The medical trend rate at December 31, 2020 increased to 6.50% (6.30% for Post-65) - 4.30% over 53 years from a medical trend rate of 5.50% - 4.40% over 75 years at December 31, 2019.

Mortality assumption change: The mortality table was updated to the Pub-2010 mortality table (using a 75%/25% blend of the Public Safety and General rates) with generational projection per the Ultimate MP-2019 scale. Previously, the mortality assumption used the RP-2000 mortality table (using a 75%/25% blend of the blue Collar and White Collar rates) with generational projection to Scale AA.

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**THE METROPOLITAN DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
RETIREE HEALTH PLAN  
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution (1)	\$ 13,846,000	\$ -	\$ -	\$ 18,458,692	\$ 15,855,000	\$ 14,765,820	\$ 15,755,000	\$ 15,162,000	\$ 14,301,000	\$ 19,989,745
Contributions in relation to the actuarially determined contribution	<u>10,349,000</u>	<u>9,146,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,588,854</u>	<u>6,512,592</u>	<u>7,932,085</u>	<u>26,995,985</u>
Contribution deficiency (excess)	<u>\$ 3,497,000</u>	<u>\$ (9,146,000)</u>	<u>\$ (5,000,000)</u>	<u>\$ 13,458,692</u>	<u>\$ 10,855,000</u>	<u>\$ 9,765,820</u>	<u>\$ 10,166,146</u>	<u>\$ 8,649,408</u>	<u>\$ 6,368,915</u>	<u>\$ (7,006,240)</u>
Covered payroll	\$ 43,143,678	\$ 43,143,678	\$ 43,535,483	\$ 43,535,483	\$ 41,000,000	\$ 41,000,000	\$ 40,000,000	\$ 40,000,000	\$ 40,000,000	\$ N/A
Contributions as a percentage of covered payroll	23.99%	21.20%	11.48%	11.48%	12.20%	12.20%	13.97%	16.28%	19.83%	N/A

(1) Actuarially determined contributions prior to fiscal year ended December 31, 2017 is based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45

Notes to Schedule

Valuation date: January 1, 2020

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Asset valuation method	Market Value
Inflation	2.75%
Healthcare cost trend rates	6.50% (6.30% for Post-65) - 4.30% over 53 years
Salary increases	3.5%, average, including inflation
Investment rate of return	6.875%
Retirement age	Expected retirement rates for employees begin at 2% for employees aged 50-55, up to 100% at age 70.
Mortality	Pub-2010 mortality table (using a 75%/25% blend of the Public Safety and General rates) with generational projection per the Ultimate MP-2019 scale.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF INVESTMENT RETURNS****LAST FOUR FISCAL YEARS\***

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	0.08%	0.00%	0.00%	0.00%

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**SUPPLEMENTAL, COMBINING  
STATEMENTS AND SCHEDULES**

**THE METROPOLITAN DISTRICT  
ASSESSABLE SEWER CONSTRUCTION CAPITAL PROJECTS FUND  
SCHEDULE OF CHANGES IN ASSESSMENTS RECEIVABLE - CONNECTION CHARGE PROJECTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Year</b>	<b>Total Assessments Billed</b>	<b>Assessments Receivable January 1, 2020</b>	<b>Assessments Billed</b>	<b>Assessment Collections</b>	<b>Assessment Adjustments</b>	<b>Assessments Receivable December 31, 2020</b>	<b>Interest Collected</b>
2000	\$ 1,032,647	\$ 6,070	\$	\$	\$	6,070	\$
2001	693,600					-	
2002	1,349,465	13,056				13,056	
2003	1,843,321	41,485				41,485	
2004	1,155,681	27,484		1,237	5,105	21,142	150
2005	804,622	225,931		27,665	173	198,093	244
2006	1,786,053	16,128		1,691		14,437	209
2007	1,120,400	8,763				8,763	
2008	1,108,907	35,227		12,821		22,406	8,386
2009	568,934	24,536		5,568		18,968	1,875
2010	895,500	201,562		31,054		170,508	12,094
2011	333,050	92,592		21,591	92	70,909	10,076
2012	139,933	39,627		4,562		35,065	2,851
2013	337,982	11,098		4,886		6,212	666
2014	99,496	40,207		2,210		37,997	1,947
2015	892,511	98,777		6,956		91,821	6,350
2016	2,138,838	151,003		5,496		145,507	4,790
2017	1,158,191	26,213		473	8,879	16,861	575
2018	164,855	42,808		15,629	9	27,170	928
2019	263,001	57,358		11,711	24,045	21,602	2,735
2020			821,355	15,977		805,378	148
<b>Total</b>	<b>\$ 17,886,987</b>	<b>\$ 1,159,925</b>	<b>\$ 821,355</b>	<b>\$ 169,527</b>	<b>\$ 38,303</b>	<b>\$ 1,773,450</b>	<b>\$ 54,024</b>

**THE METROPOLITAN DISTRICT  
ASSESSABLE SEWER CONSTRUCTION CAPITAL PROJECTS FUND  
SCHEDULE OF CHANGES IN ASSESSMENTS RECEIVABLE - FLAT RATE PROJECTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Year</b>	<b>Total Assessments Billed</b>	<b>Assessments Receivable January 1, 2020</b>	<b>Assessments Billed</b>	<b>Assessment Collections</b>	<b>Assessment Adjustments</b>	<b>Assessments Receivable December 31, 2020</b>	<b>Interest Collected</b>
2000	\$ 597,575	\$ 20,375	\$	\$	\$	20,375	\$
2001	514,481	7,950				7,950	
2002	375,756	-				-	
2003	684,750	17,449				17,449	
2004	714,634	31,412				31,412	
2005	18,097	877				877	
2006	258,777	5,006		2,445		2,561	302
2007	677,398	54,546		4,259	18,168	32,119	5,017
2008	113,301	48,792		11,835	3	36,954	3,895
2009	146,490	47,495		13,931	24,662	8,902	30,277
2010	219,724	17,462		2,488	16	14,958	1,048
2011	97,616	25,481		74		25,407	45
2012	53,935	32,286		3,555	77	28,654	340
2013						-	
2014	380,405	88,918		18,858	5,793	64,267	3,569
2015	198,421	26,800		7,155	11	19,634	1,230
2016						-	
2017	29,506					-	
2018	26,131	25,478		692		24,786	872
2019	76,917					-	
2020			80,097	10,909		69,188	432
<b>Total</b>	<b>\$ 5,183,914</b>	<b>\$ 450,327</b>	<b>\$ 80,097</b>	<b>\$ 76,201</b>	<b>\$ 48,730</b>	<b>\$ 405,493</b>	<b>\$ 47,027</b>

**THE METROPOLITAN DISTRICT  
COMBINING STATEMENT OF FIDUCIARY NET POSITION - PENSION AND  
OTHER EMPLOYEE BENEFIT TRUST FUNDS  
DECEMBER 31, 2020**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 588,432	\$ 9,105,814	\$ 9,694,246
Accounts receivable	43,602	142,272	185,874
Investments, at fair value:			
Mutual funds	25,700,261		25,700,261
Guaranteed investment contracts	25,623,113		25,623,113
Land	3,705,913		3,705,913
Commingled collective trusts	179,076,798		179,076,798
Real estate	18,608,174		18,608,174
Total assets	<u>253,346,293</u>	<u>9,248,086</u>	<u>262,594,379</u>
<b>LIABILITIES</b>			
Due to other funds		127,266	127,266
Retiree expense reimbursement payable		2,667	2,667
Total liabilities	<u>-</u>	<u>129,933</u>	<u>129,933</u>
<b>NET POSITION</b>			
Restricted for Pension and OPEB Benefits	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</u>

**THE METROPOLITAN DISTRICT  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION AND  
OTHER EMPLOYEE BENEFIT TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 8,650,763	\$ 10,349,000	\$ 18,999,763
Plan members	2,385,458	1,477,112	3,862,570
Total contributions	<u>11,036,221</u>	<u>11,826,112</u>	<u>22,862,333</u>
Investment earnings:			
Net change in fair value of investments	32,713,513		32,713,513
Interest and dividends	2,613,761	3,198	2,616,959
Total investment earnings (loss)	<u>35,327,274</u>	<u>3,198</u>	<u>35,330,472</u>
Less investment expenses:			
Investment management fees	948,336	667	949,003
Net investment earnings (loss)	<u>34,378,938</u>	<u>2,531</u>	<u>34,381,469</u>
Total additions (reductions)	<u>45,415,159</u>	<u>11,828,643</u>	<u>57,243,802</u>
Deductions:			
Benefits	18,776,033	6,244,093	25,020,126
Administrative expense	79,174		79,174
Total deductions	<u>18,855,207</u>	<u>6,244,093</u>	<u>25,099,300</u>
Change in Net Position	26,559,952	5,584,550	32,144,502
Net Position at Beginning of Year	<u>226,786,341</u>	<u>3,533,603</u>	<u>230,319,944</u>
Net Position at End of Year	<u>\$ 253,346,293</u>	<u>\$ 9,118,153</u>	<u>\$ 262,464,446</u>

# STATISTICAL SECTION

This part of the District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

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Financial Trends

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These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

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This schedule contains information to help the reader assess the District's most significant local revenue source, taxation of member municipalities.

Debt Capacity

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These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

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This schedule offers demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

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These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.



**THE METROPOLITAN DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN YEARS  
(Accrual Basis of Accounting)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities:										
Net investment in capital assets	\$ 846,161,504	\$ 809,558,713	\$ 738,962,237	\$ 628,338,124	\$ 586,568,408	\$ 484,901,567	\$ 455,295,358	\$ 404,221,698	\$ 376,209,555	\$ 357,567,083
Restricted	2,744,874	2,744,874					56,291,586	45,369,836	18,025,247	
Unrestricted	<u>(56,289,770)</u>	<u>(57,460,793)</u>	<u>(38,317,559)</u>	<u>(37,710,011)</u>	<u>79,129,891</u>	<u>97,312,929</u>	<u>32,965,610</u>	<u>41,240,029</u>	<u>44,461,431</u>	<u>47,256,621</u>
Total Governmental Activities Net Position	<u>\$ 792,616,608</u>	<u>\$ 754,842,794</u>	<u>\$ 700,644,678</u>	<u>\$ 590,628,113</u>	<u>\$ 665,698,299</u>	<u>\$ 582,214,496</u>	<u>\$ 544,552,554</u>	<u>\$ 490,831,563</u>	<u>\$ 438,696,233</u>	<u>\$ 404,823,704</u>
Business-Type Activities:										
Net investment in capital assets	\$ 281,225,011	\$ 272,553,110	\$ 284,768,635	\$ 282,355,400	\$ 262,043,055	\$ 267,745,071	\$ 256,080,877	\$ 255,929,765	\$ 258,683,886	\$ 251,051,504
Restricted							114,520	3,335,436	282,217	
Unrestricted	<u>(130,180,132)</u>	<u>(182,249,667)</u>	<u>(168,750,519)</u>	<u>(126,684,152)</u>	<u>(37,981,423)</u>	<u>(17,023,254)</u>	<u>(31,124,873)</u>	<u>(13,801,825)</u>	<u>14,004,932</u>	<u>21,695,117</u>
Total Business-Type Activities Net Position	<u>\$ 151,044,879</u>	<u>\$ 90,303,443</u>	<u>\$ 116,018,116</u>	<u>\$ 155,671,248</u>	<u>\$ 224,061,632</u>	<u>\$ 250,721,817</u>	<u>\$ 225,070,524</u>	<u>\$ 245,463,376</u>	<u>\$ 272,971,035</u>	<u>\$ 272,746,621</u>
Primary Government:										
Net investment in capital assets	\$ 1,127,386,515	\$ 1,082,111,823	\$ 1,023,730,872	\$ 910,693,524	\$ 848,611,463	\$ 752,646,638	\$ 711,376,235	\$ 660,151,463	\$ 634,893,441	\$ 608,618,587
Restricted	2,744,874	2,744,874					56,406,106	48,705,272	18,307,464	
Unrestricted	<u>(186,469,902)</u>	<u>(239,710,460)</u>	<u>(207,068,078)</u>	<u>(164,394,163)</u>	<u>41,148,468</u>	<u>80,289,675</u>	<u>1,840,737</u>	<u>27,438,204</u>	<u>58,466,363</u>	<u>68,951,738</u>
Total Primary Government Net Position	<u>\$ 943,661,487</u>	<u>\$ 845,146,237</u>	<u>\$ 816,662,794</u>	<u>\$ 746,299,361</u>	<u>\$ 889,759,931</u>	<u>\$ 832,936,313</u>	<u>\$ 769,623,078</u>	<u>\$ 736,294,939</u>	<u>\$ 711,667,268</u>	<u>\$ 677,570,325</u>

**THE METROPOLITAN DISTRICT  
CHANGES IN NET POSITION  
LAST TEN YEARS  
(Accrual Basis of Accounting)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 12,632,933	\$ 22,503,242	\$ 3,478,751	\$ 12,782,032	\$ 13,683,241	\$ 12,337,881	\$ 12,784,187	\$ 9,524,064	\$ 8,866,521	\$ 10,129,598
Engineering and planning							877,678	486,626	255,872	1,586,506
Operations	19,918,024	32,724,856	11,612,676	15,004,934	25,441,446	6,151,830	8,614,482	5,439,460	6,622,431	6,412,930
Plants and maintenance	49,634,121	71,412,175	32,932,419	43,573,609	46,577,522	29,189,681	34,067,360	30,341,543	32,894,344	26,362,389
Interest on long-term debt	30,987,059	28,064,892	30,746,675	26,066,412	24,217,631	19,489,920	16,263,466	13,271,555	7,936,484	7,608,354
Total governmental activities expenses	<u>113,172,137</u>	<u>154,705,165</u>	<u>78,770,521</u>	<u>97,426,987</u>	<u>109,919,840</u>	<u>67,169,312</u>	<u>72,607,173</u>	<u>59,063,248</u>	<u>56,575,652</u>	<u>52,099,777</u>
<b>Business-type activities:</b>										
Water	73,551,706	107,583,098	124,328,800	91,573,513	84,025,204	84,404,787	79,597,522	68,713,237	63,719,227	56,895,453
Hydroelectricity	2,037,099	2,116,807	247,281	702,704	827,100	479,326	394,359	345,431	402,924	321,966
Mid-Connecticut Project					1,793,246	761,311	2,166,557	6,091,844	11,400,744	27,696,462
Total business-type activities expenses	<u>75,588,805</u>	<u>109,699,905</u>	<u>124,576,081</u>	<u>92,276,217</u>	<u>86,645,550</u>	<u>85,645,424</u>	<u>82,158,438</u>	<u>75,150,512</u>	<u>75,522,895</u>	<u>84,913,881</u>
<b>Total Primary Government Expenses</b>	<b>\$ <u>188,760,942</u></b>	<b>\$ <u>264,405,070</u></b>	<b>\$ <u>203,346,602</u></b>	<b>\$ <u>189,703,204</u></b>	<b>\$ <u>196,565,390</u></b>	<b>\$ <u>152,814,736</u></b>	<b>\$ <u>154,765,611</u></b>	<b>\$ <u>134,213,760</u></b>	<b>\$ <u>132,098,547</u></b>	<b>\$ <u>137,013,658</u></b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
Charges for services	\$ 86,709,779	\$ 86,222,994	\$ 73,018,310	\$ 72,013,708	\$ 70,629,736	\$ 61,592,665	\$ 63,885,662	\$ 47,300,004	\$ 41,434,212	\$ 40,448,907
Operating grants and contributions	10,111,198					3,992,310		1,039,223		
Capital grants and contributions	23,423,241	53,379,335	49,836,293	64,775,491	51,301,142	32,768,216	26,927,807	26,506,324	12,949,510	20,498,331
Total governmental activities program revenues	<u>120,244,218</u>	<u>139,602,329</u>	<u>122,854,603</u>	<u>136,789,199</u>	<u>121,930,878</u>	<u>98,353,191</u>	<u>91,852,692</u>	<u>73,806,328</u>	<u>54,383,722</u>	<u>60,947,238</u>
<b>Business-type activities:</b>										
Charges for services	106,176,291	92,873,907	79,715,461	82,836,604	75,606,571	74,198,011	77,748,234	79,971,496	74,412,896	105,116,289
Capital grants and contributions	6,651,401	4,949,099	17,337,818	20,596,616	12,285,315	4,827,274	5,227,745	5,145,634	2,546,093	1,557,615
Total business-type activities program revenues	<u>112,827,692</u>	<u>97,823,006</u>	<u>97,053,279</u>	<u>103,433,220</u>	<u>87,891,886</u>	<u>79,025,285</u>	<u>82,975,979</u>	<u>85,117,130</u>	<u>76,958,989</u>	<u>106,673,904</u>
<b>Total Primary Government Program Revenues</b>	<b>\$ <u>233,071,910</u></b>	<b>\$ <u>237,425,335</u></b>	<b>\$ <u>219,907,882</u></b>	<b>\$ <u>240,222,419</u></b>	<b>\$ <u>209,822,764</u></b>	<b>\$ <u>177,378,476</u></b>	<b>\$ <u>174,828,671</u></b>	<b>\$ <u>158,923,458</u></b>	<b>\$ <u>131,342,711</u></b>	<b>\$ <u>167,621,142</u></b>
<b>Net revenues (expenses):</b>										
Governmental activities	\$ 7,072,081	\$ (15,102,836)	\$ 44,084,082	\$ 39,362,212	\$ 12,011,038	\$ 31,183,879	\$ 19,245,519	\$ 14,743,080	\$ (2,191,930)	\$ 8,847,461
Business-type activities	37,238,887	(11,876,899)	(27,522,802)	11,157,003	1,246,336	(6,620,139)	817,541	9,966,618	1,436,094	21,760,023
<b>Total Primary Government Net (Revenue) Expense</b>	<b>\$ <u>44,310,968</u></b>	<b>\$ <u>(26,979,735)</u></b>	<b>\$ <u>16,561,280</u></b>	<b>\$ <u>50,519,215</u></b>	<b>\$ <u>13,257,374</u></b>	<b>\$ <u>24,563,740</u></b>	<b>\$ <u>20,063,060</u></b>	<b>\$ <u>24,709,698</u></b>	<b>\$ <u>(755,836)</u></b>	<b>\$ <u>30,607,484</u></b>
<b>General revenues and other changes in net position:</b>										
<b>Governmental activities:</b>										
Sewer taxation - member municipalities	\$ 51,475,700	\$ 48,153,100	\$ 45,004,000	\$ 41,670,400	\$ 38,944,300	\$ 37,446,400	\$ 36,156,600	\$ 34,799,400	\$ 33,493,200	\$ 32,360,500
Miscellaneous		3,466,043	5,501,247	2,813,918	1,864,076	116,577	1,540,335	54,771	8,337	
Unrestricted investment earnings	1,029,927	3,573,305	3,060,821	1,689,115	586,401	272,361	207,637	393,677	245,269	278,854
Transfers	(21,803,894)	14,108,504	12,366,415	(17,707,978)						
Special Item				(31,414,007)	28,760,431		1,556,735	2,144,402	2,317,653	2,518,973
Total governmental activities	<u>30,701,733</u>	<u>69,300,952</u>	<u>65,932,483</u>	<u>(2,948,562)</u>	<u>70,155,208</u>	<u>37,835,338</u>	<u>39,461,307</u>	<u>37,392,250</u>	<u>36,064,459</u>	<u>35,158,327</u>
<b>Business-type activities:</b>										
Miscellaneous	1,620,957			1,906,736	2,130,684	2,204,726	5,661,124	2,160,605	1,010,677	770,949
Unrestricted investment earnings	77,698	270,730	236,085	201,900	40,783	15,338	138,537	110,747	95,296	106,672
Transfers	21,803,894	(14,108,504)	(12,366,415)		(28,760,431)		(1,556,735)	(2,144,402)	(2,317,653)	(2,518,973)
Special item				32,809,473						
Total business-type activities	<u>23,502,549</u>	<u>(13,837,774)</u>	<u>(12,130,330)</u>	<u>34,918,109</u>	<u>(26,588,964)</u>	<u>2,220,064</u>	<u>4,242,926</u>	<u>126,950</u>	<u>(1,211,680)</u>	<u>(1,641,352)</u>
<b>Total Primary Government</b>	<b>\$ <u>54,204,282</u></b>	<b>\$ <u>55,463,178</u></b>	<b>\$ <u>53,802,153</u></b>	<b>\$ <u>31,969,557</u></b>	<b>\$ <u>43,566,244</u></b>	<b>\$ <u>40,055,402</u></b>	<b>\$ <u>43,704,233</u></b>	<b>\$ <u>37,519,200</u></b>	<b>\$ <u>34,852,779</u></b>	<b>\$ <u>33,516,975</u></b>
<b>Change in net position:</b>										
Governmental activities	\$ 37,773,814	\$ 54,198,116	\$ 110,016,565	\$ 36,413,660	\$ 82,166,246	\$ 69,019,217	\$ 58,706,826	\$ 52,135,330	\$ 33,872,529	\$ 44,005,788
Business-type activities	60,741,436	(25,714,673)	(39,653,132)	46,075,112	(25,342,628)	(4,400,075)	5,060,467	10,093,568	224,414	20,118,671
<b>Total Primary Government</b>	<b>\$ <u>98,515,250</u></b>	<b>\$ <u>28,483,443</u></b>	<b>\$ <u>70,363,433</u></b>	<b>\$ <u>82,488,772</u></b>	<b>\$ <u>56,823,618</u></b>	<b>\$ <u>64,619,142</u></b>	<b>\$ <u>63,767,293</u></b>	<b>\$ <u>62,228,898</u></b>	<b>\$ <u>34,096,943</u></b>	<b>\$ <u>64,124,459</u></b>

**THE METROPOLITAN DISTRICT  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund:										
Nonspendable	\$ 3,715,448	\$ 3,403,852	\$ 3,065,322	\$ 2,851,003	\$ 3,047,848	\$ 2,987,472	\$ 2,654,631	\$ 1,980,172	\$ 1,387,243	\$ 1,749,997
Assigned								891,949	573,120	2,423,443
Unassigned	<u>31,870,227</u>	<u>24,699,867</u>	<u>23,226,621</u>	<u>16,743,975</u>	<u>14,498,170</u>	<u>14,501,695</u>	<u>14,040,267</u>	<u>12,585,122</u>	<u>14,665,371</u>	<u>10,895,466</u>
Total General Fund	<u>\$ 35,585,675</u>	<u>\$ 28,103,719</u>	<u>\$ 26,291,943</u>	<u>\$ 19,594,978</u>	<u>\$ 17,546,018</u>	<u>\$ 17,489,167</u>	<u>\$ 16,694,898</u>	<u>\$ 15,457,243</u>	<u>\$ 16,625,734</u>	<u>\$ 15,068,906</u>
All other governmental funds:										
Nonspendable	\$	\$	\$	\$ 53,957	\$ 183,283	\$ 319,960	\$ 17,034	\$ 19,951	\$ 42,748	\$ 3,193
Restricted	2,744,874	2,744,874	100,879,288	120,176,898	129,078,070	155,110,707	149,816,144	20,450,646	79,566,079	59,080,014
Committed	75,165,949	100,487,052	9,827,026	76,741,076	50,808,229	2,637,663	3,310,650	3,141,343	10,286,298	8,309,465
Unassigned	<u>(31,175,587)</u>	<u></u>	<u>(6,272,630)</u>	<u>(130,243,360)</u>	<u>(76,526,304)</u>	<u>(102,328,055) *</u>	<u>(114,364,898)</u>	<u>(101,036,586)</u>	<u>(227,346,425)</u>	<u>(108,722,305)</u>
Total All Other Governmental Funds	<u>\$ 46,735,236</u>	<u>\$ 103,231,926</u>	<u>\$ 104,433,684</u>	<u>\$ 66,728,571</u>	<u>\$ 103,543,278</u>	<u>\$ 55,740,275</u>	<u>\$ 38,778,930</u>	<u>\$ (77,424,646)</u>	<u>\$ (137,451,300)</u>	<u>\$ (41,329,633)</u>

\* Restated in current year

**THE METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS  
LAST TEN YEARS  
(Modified Accrual Basis of Accounting)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>										
Taxation - member municipalities	\$ 51,475,700	\$ 48,153,100	\$ 45,004,000	\$ 41,670,400	\$ 38,944,300	\$ 37,446,400	\$ 36,156,600	\$ 34,799,400	\$ 33,493,200	\$ 32,360,500
Assessments	1,071,240	696,265	458,413	1,519,217	2,312,965	1,332,938	1,603,914	1,085,603	504,330	715,456
Sewer user fees	83,717,134	77,482,872	63,888,022	62,678,046	60,242,461	54,093,916	57,226,390	43,062,080	35,225,903	28,120,415
Intergovernmental revenues	33,534,439	30,203,841	53,890,725	69,199,739	55,232,126	39,706,369	29,610,377	26,439,377	16,312,586	26,571,263
Investment income	1,029,927	3,573,305	3,060,820	1,689,115	586,401	272,361	207,637	393,677	245,269	278,854
Other local revenues	1,363,443	5,945,349	8,385,615	6,063,916	4,022,343	2,473,789	4,051,117	1,807,930	2,254,580	5,704,035
Total revenues	<u>172,191,883</u>	<u>166,054,732</u>	<u>174,687,595</u>	<u>182,820,433</u>	<u>161,340,596</u>	<u>135,325,773</u>	<u>128,856,035</u>	<u>107,588,067</u>	<u>88,035,868</u>	<u>93,750,523</u>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	4,446,417	4,548,043	4,762,419	3,436,145	3,918,725	5,471,054	4,824,078	4,071,317	4,114,155	7,463,935
Engineering and planning							247,304	36,396	118,517	1,124,966
Operations	3,573,467	3,745,528	3,918,542	2,313,810	6,343,886	1,447,931	1,432,213	1,802,090	1,679,661	3,281,022
Plants and maintenance	19,643,333	18,150,755	15,144,347	20,148,645	17,673,827	17,002,752	16,780,068	19,078,105	21,555,352	20,001,916
Employee benefits and other	16,194,956	15,335,071	11,162,192	10,881,861	11,034,670	7,196,385	8,900,673	8,435,751	8,183,275	8,388,095
<b>Debt service:</b>										
Principal retirement	58,091,086	61,289,866	45,242,984	36,642,960	32,141,853	28,706,882	22,808,465	19,193,477	13,865,151	12,675,029
Interest	32,379,979	32,347,160	31,071,486	28,182,268	25,398,643	22,011,825	15,323,178	11,792,099	8,025,733	7,830,689
Legal services	939,475									
Capital outlay	114,163,376	148,118,412	185,211,071	243,634,827	228,529,877	160,991,417	172,024,423	163,835,773	157,029,034	131,973,877
Total expenditures	<u>249,432,089</u>	<u>283,534,835</u>	<u>296,513,041</u>	<u>345,240,516</u>	<u>325,041,481</u>	<u>242,828,246</u>	<u>242,340,402</u>	<u>228,245,008</u>	<u>214,570,878</u>	<u>192,739,509</u>
Deficiency of revenues over expenditures	<u>(77,240,206)</u>	<u>(117,480,103)</u>	<u>(121,825,446)</u>	<u>(162,420,083)</u>	<u>(163,700,885)</u>	<u>(107,502,473)</u>	<u>(113,484,367)</u>	<u>(120,656,941)</u>	<u>(126,535,010)</u>	<u>(98,988,986)</u>
<b>Other financing sources (uses):</b>										
Bond proceeds	55,010,000	38,395,250	62,591,950		85,331,650	39,070,781	167,578,000	126,838,000		
Refunding bond proceeds	76,065,000	58,603,410			18,301,300		9,931,648			
Payment to refunded bond escrow agent	(76,935,985)	(68,712,098)			(21,140,765)		(10,757,266)			
Loan obligation proceeds	30,267,733	46,067,106	79,135,454	127,654,336	91,409,817	66,766,625	36,841,772	40,364,999	29,162,137	43,228,154
Bond premium	15,448,049	7,049,505	7,411,503		5,933,457	3,352,904	24,934,481	9,952,391		
Premium on refunding bonds	(49,825,431)	10,539,988			2,964,849		840,228			
Transfers in	91,788,595	119,345,479	91,667,990	62,444,100	80,984,336	52,502,525	36,915,679	46,793,697	36,778,838	30,834,857
Transfers out	(113,592,489)	(93,198,519)	(74,579,373)	(62,444,100)	(52,223,905)	(52,502,525)	(35,358,944)	(44,433,983)	(33,970,804)	(27,936,753)
Total other financing sources	<u>28,225,472</u>	<u>118,090,121</u>	<u>166,227,524</u>	<u>127,654,336</u>	<u>211,560,739</u>	<u>109,190,310</u>	<u>230,925,598</u>	<u>179,515,104</u>	<u>31,970,171</u>	<u>46,126,258</u>
Net change in fund balances	(49,014,734)	610,018	44,402,078	(34,765,747)	47,859,854	1,687,837	117,441,231	58,858,163	(94,564,839)	(52,862,728)
Fund balance at beginning of year	131,335,645	130,725,627	86,323,549	121,089,296	73,229,442	71,541,605 *	(61,697,403)	(120,825,566)	(26,260,727)	26,592,001
Fund Balance at End of Year	<u>\$ 82,320,911</u>	<u>\$ 131,335,645</u>	<u>\$ 130,725,627</u>	<u>\$ 86,323,549</u>	<u>\$ 121,089,296</u>	<u>\$ 73,229,442</u>	<u>\$ 55,743,828</u>	<u>\$ (61,967,403)</u>	<u>\$ (120,825,566)</u>	<u>\$ (26,270,727)</u>
<b>Debt Service as a Percentage to Noncapital Expenditures</b>										
	60.72%	62.53%	61.39%	53.78%	49.22%	63.02%	50.10%	50.95%	36.69%	32.58%
Total Debt Service	\$ 91,410,540	\$ 93,637,026	\$ 76,314,470	\$ 64,825,228	\$ 57,540,496	\$ 50,718,707	\$ 38,131,643	\$ 30,985,576	\$ 21,890,884	\$ 20,505,698
Capitalized capital outlay	(98,882,354)	(133,794,027)	(172,201,352)	(224,712,443)	(208,127,036)	(162,349,655)	(166,226,160)	(167,432,856)	(153,268,996)	(133,071,304)
Noncapital expenditures	150,549,735	149,740,808	124,311,689	120,528,073	116,914,445	80,478,591	76,114,242	60,812,152	59,668,205	62,948,966

\*Restated in current year

**THE METROPOLITAN DISTRICT  
DISTRIBUTION OF ANNUAL TAX LEVY  
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Hartford</u>	<u>East Hartford</u>	<u>Newington</u>	<u>Wethersfield</u>	<u>Windsor</u>	<u>Bloomfield</u>	<u>Rocky Hill</u>	<u>West Hartford</u>	<u>Total Tax Levy</u>
2020	25.32 % \$ 13,035,400	11.83 % \$ 6,089,300	8.98 % \$ 4,623,100	8.24 % \$ 4,240,800	8.96 % \$ 4,611,600	7.54 % \$ 3,879,300	6.11 % \$ 3,144,100	23.02 % \$ 11,852,100	\$ 51,475,700
2019	25.70 12,372,000	11.99 5,775,200	8.97 4,318,900	8.26 3,979,400	8.88 4,274,900	7.24 3,488,600	6.04 2,909,600	22.92 11,034,500	48,153,100
2018	25.67 11,550,400	12.19 5,486,600	9.16 4,120,900	8.24 3,707,800	8.89 4,001,500	7.24 3,256,200	6.03 2,712,500	22.59 10,168,100	45,004,000
2017	26.31 10,963,200	12.14 5,059,400	9.01 3,752,900	8.18 3,408,200	8.78 3,656,900	7.36 3,067,100	5.94 2,475,800	22.28 9,286,900	41,670,400
2016	26.13 10,174,900	12.23 4,762,000	9.01 3,508,400	8.24 3,207,700	8.74 3,404,700	7.54 2,936,000	5.75 2,239,700	22.36 8,710,900	38,944,300
2015	24.71 10,298,600	10.78 4,490,100	7.89 3,287,300	7.25 3,022,000	7.73 3,222,600	6.61 2,752,400	5.17 2,153,700	19.73 8,219,700	37,446,400
2014	26.64 10,374,400	10.82 4,213,200	8.04 3,132,300	7.25 2,824,400	7.99 3,111,900	6.71 2,612,500	5.36 2,089,100	20.03 7,798,800	36,156,600
2013	28.61 9,955,500	11.39 3,964,500	8.66 3,014,900	7.92 2,756,900	8.70 3,026,500	7.43 2,584,900	5.78 2,011,100	21.51 7,485,100	34,799,400
2012	28.28 9,472,000	11.51 3,856,000	8.62 2,888,200	8.01 2,682,500	8.83 2,956,200	7.43 2,488,900	5.80 1,941,700	21.52 7,207,700	33,493,200
2011	27.96 9,046,600	11.65 3,769,700	8.64 2,794,700	8.10 2,619,900	8.94 2,893,400	7.41 2,399,000	5.78 1,869,100	21.52 6,968,100	32,360,500

Source: Tax warrants served on member towns.

TABLE 6

**THE METROPOLITAN DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Year	Governmental Activities				Business-Type Activities			Total Outstanding Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Clean Water Fund Loans	Revenue Bonds	Premiums	General Obligation Bonds	Drinking Water Fund Loans	Premiums			
2020	\$ 301,040,982	\$ 476,391,446	\$ 252,350,000	\$ 68,379,540	\$ 246,359,019	\$ 49,861,600	\$ 28,687,419	\$ 1,423,070,006	11.23%	\$ 3,921
2019	321,971,912	527,219,298	197,740,000	61,527,071	263,903,089	51,989,586	30,738,850	1,455,089,806	11.04%	3,523
2018	313,429,633	510,928,231	209,180,000	49,069,482	245,900,361	53,100,633	22,838,290	1,404,446,630	10.69%	3,356
2017	267,601,331	456,402,106	213,050,000	44,213,815	211,468,661	53,391,540	17,889,117	1,264,016,570	10.17%	3,088
2016	280,392,899	348,839,161	216,810,000	46,665,336	222,847,089	52,742,532	19,159,532	1,187,456,549	9.87%	3,009
2015	208,159,425	274,299,755	220,490,000	39,827,550	179,515,564	40,354,348	11,533,978	974,180,620	8.83%	2,658
2014	226,563,565	222,701,991	224,000,000	38,318,840	120,661,852	28,789,597	6,391,577	867,427,422	8.01%	2,367
2013	184,968,258	197,977,858	85,000,000	14,047,043	103,271,314	20,602,949	3,487,545	609,354,967	5.68%	1,665
2012	149,882,258	168,874,722		4,661,334	85,226,038	6,671,780	2,673,082	417,989,214	3.94%	1,141
2011	156,274,915	145,865,280		4,963,303	90,204,432	7,099,177	2,822,048	407,229,155	3.94%	1,113

TABLE 7

**THE METROPOLITAN DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt limit	\$ 1,317,246,191	\$ 1,298,953,045	\$ 1,277,811,488	\$ 1,260,243,294	\$ 1,243,899,020	\$ 1,211,556,756	\$ 1,196,077,656	\$ 1,189,228,048	\$ 1,219,419,892	\$ 1,201,875,400
Total net debt applicable to limit	<u>897,446,518</u>	<u>923,986,892</u>	<u>945,046,541</u>	<u>946,055,259</u>	<u>907,121,892</u>	<u>721,360,548</u>	<u>508,198,906</u>	<u>587,681,341</u>	<u>560,433,771</u>	<u>436,356,760</u>
Legal Debt Margin	<u>\$ 419,799,673</u>	<u>\$ 374,966,153</u>	<u>\$ 332,764,947</u>	<u>\$ 314,188,035</u>	<u>\$ 336,777,128</u>	<u>\$ 490,196,208</u>	<u>\$ 687,878,750</u>	<u>\$ 601,546,707</u>	<u>\$ 658,986,121</u>	<u>\$ 765,518,640</u>
Total net debt applicable to the limit as a percentage of debt limit	68.13%	71.13%	73.96%	75.07%	72.93%	59.54%	42.49%	49.42%	45.96%	36.31%

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the District exceed 5% of the combined grand list of District member municipalities.  
The calculation of the 2020 debt limit can be found on Table 8 of this report.

**THE METROPOLITAN DISTRICT  
SCHEDULE OF DEBT LIMITATION AND LEGAL DEBT MARGIN  
DECEMBER 31, 2020**

Schedule of Debt Limitation

Combined 2020 Grand List of Member Municipalities of the District		\$ <u>26,344,923,810</u>
Debt Limit, 5% thereof		\$ 1,317,246,191
Total Outstanding Debt, December 31, 2020:		
Water General Obligation Bonds	\$ 169,255,842	
DWSRF Project Loan Obligations	48,527,291	
Sewer General Obligation Bonds	179,636,459	
CWF Project Loan Obligations	29,831,189	
Clean Water Project General Obligation Bonds (B)	47,325,000	
Clean Water Project Revenue Bonds (B)	252,350,000	
Clean Water Project CWF Project Loan Obligations (B)	389,187,597	
Combined General Obligation Bonds	<u>151,182,699</u>	
Total Direct-Long-Term Indebtedness	<u>1,267,296,077</u>	
Outstanding Bonds and Notes	93,185,000	
DWSRF Interim Funding Obligation	1,799,195	
CWF Interim Funding Obligation (B)	<u>133,451,321</u>	
Total Direct Short-Term Indebtedness	<u>228,435,516</u>	
Total Direct Indebtedness	<u>1,495,731,593</u>	
Less Outstanding Debt Not Subject to Debt Limitation:		
Water Bonds (A)	169,255,842	
DWSRF Project Loan Obligations	48,527,291	
DWSRF Interim Funding Obligations	1,799,195	
Clean Water Project Revenue Bonds (B)	252,350,000	
Water's Share of Combined General Obligation Bonds	77,103,177	
Water's Share of Outstanding Water Notes	<u>49,249,570</u>	
Total Outstanding Debt Not Subject to Debt Limitation	<u>598,285,075</u>	
Total Debt Subject to Debt Limitation		<u>897,446,518</u>
Excess of Charter Debt Limitation Over Outstanding Debt		\$ <u><u>419,799,673</u></u>

(A) The District's Charter does not limit its borrowing capacity for water purposes, but limits its capacity for nonwater purposes to 5% of the combined grand lists of its member municipalities. The nature of this limitation requires the aggregation of obligations which normally appear in separate account groups.

(B) It is expected that these obligations issued pursuant to authorizations totaling \$1.759 billion for the District's Clean Water Project will be supported by a Special Sewer Service Surcharge levied annually and added to customers' water bills.

(C) In the above schedule, Interim Funding Obligations are considered short-term indebtedness. For GAAP purposes, these are included as long-term indebtedness.



**THE METROPOLITAN DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2020	362,937	\$ 12,667,977,702	\$ 34,904	38.6	50,732	9.88%
2019	364,173	11,617,225,185	31,900	38.4	51,749	6.08%
2018	364,869	11,454,126,993	31,392	38.4	52,260	5.18%
2017	364,393	11,070,762,172	30,381	38.3	52,921	6.14%
2016	365,289	11,143,038,584	30,505	38.2	55,234	6.84%
2015	366,470	11,026,722,853	30,089	38.1	53,358	7.64%
2014	366,406	10,835,873,742	29,573	38.0	53,860	9.64%
2013	366,019	10,731,053,662	29,318	38.0	53,899	10.53%
2012	366,257	10,598,647,554	28,938	38.1	54,782	10.58%
2011	365,806	10,347,099,579	28,286	37.9	54,914	11.52%

## Sources:

Town ACFRs

Any information not contained in ACFRs was taken from the US Census Bureau  
or The Department of Labor

TABLE 10

**THE METROPOLITAN DISTRICT  
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Officials/administrators	28	36	31	32	34	32	33	31	34	34
Other administrative	32	33	31	30	32	33	35	34	36	39
Professional/technical	162	160	164	166	170	174	172	167	172	186
Protective service	12	10	8	8	8	8	9	9	9	15
Skilled craft, service/maintenance	<u>227</u>	<u>240</u>	<u>240</u>	<u>246</u>	<u>265</u>	<u>275</u>	<u>275</u>	<u>278</u>	<u>289</u>	<u>315</u>
Total	<u>461</u>	<u>479</u>	<u>474</u>	<u>482</u>	<u>509</u>	<u>522</u>	<u>524</u>	<u>519</u>	<u>540</u>	<u>589</u>

Notes: A full-time employee is scheduled to work 1,950 or 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 1,950 or 2,080.

Source: Budget analysis from data provided by Human Resources

TABLE 11

**THE METROPOLITAN DISTRICT  
WATER OPERATING INDICATORS BY FUNCTION/PROGRAM AND CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN YEARS**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<u>Water Operations</u>										
Miles of water mains added	0.12	3.04	3.71	0.77	1.56	2.10	5.58	2.00	1.00	(2.00)
Total miles of water mains	1,562	1,562	1,557	1,554	1,553	1,551	1,549	1,543	1,541	1,540
Water connections made	101,731	102,184	102,051	101,836	101,599	101,446	101,217	102,669	102,449	102,324
Average daily consumption (millions of gallons)	47.63	45.80	37.34	39.30	39.59	40.07	42.02	40.25	42.27	41.95
Maximum consumption (millions of gallons daily)	69.89	63.65	68.80	61.70	71.94	70.09	69.59	71.84	74.68	87.06
Minimum consumption (millions of gallons daily)	38.15	38.94	37.84	39.20	39.9	37.57	38.46	35.85	35.19	42.69
Number of hydrants	10,216	10,166	10,720	10,329	10,197	11,238	11,484	11,238	11,178	11,146
Number of meters	100,452	98,250	99,946	98,239	102,987	101,400	102,828	103,340	103,125	102,895
Plant capacity (millions of gallons)	126	126	126	126	126	126	126	126	126	105

Source: MDC Budgets

**THE METROPOLITAN DISTRICT  
SEWER OPERATING INDICATORS BY FUNCTION/PROGRAM AND CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Sewer Operations</u>										
Miles of sewer mains added	2.43	0.81	1.20	(0.34)	1.57	2.89	2.80	3.37	2.29	(0.22)
Total miles of sanitary sewers	1,092.67	1,090.24	1,089.43	1,088.23	1,088.57	1,087.47	1,084.04	1,081.24	1,077.87	1,075.58
Miles of combined sewers	159	159	159	159	159	159	160	160	160	160
Miles of storm sewers	79	79	79	78	79	79	76	76	73	72
Sewer connections made	91,376	91,208	91,037	91,011	90,728	90,566	90,666	90,220	90,035	89,969
Average daily flow (millions of gallons)	72.30	79.42	80.70	65.20	56.70	60.50	65.30	66.00	60.30	83.20
Plant capacity (millions of gallons)	105	105	105	105	105	105	105	105	105	105

Source: MDC Budgets

**APPENDIX C**

**DEFINITIONS OF CERTAIN TERMS IN THE SPECIAL OBLIGATION  
INDENTURE OF TRUST**

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**DEFINITIONS OF CERTAIN TERMS OF  
THE SPECIAL OBLIGATION INDENTURE**

In addition to terms defined elsewhere in this Official Statement, the following definitions shall apply to the description of the Special Obligation Indenture in Appendix D hereto.

**“Additional Bonds”** means all Bonds, other than the Initial Bonds, issued under the Special Obligation Indenture pursuant to a Supplemental Indenture adopted by the MDC pursuant to Sections 2.4 and 9.8 of the Special Obligation Indenture and Refunding Bonds pursuant to Section 2.5 of the Special Obligation Indenture.

**“Authorized Officer”** means, in the case of the MDC, the Chair or Vice-Chair of the Board of Commissioners, the Chief Executive Officer or any other person duly authorized by the District Charter or resolution of the MDC to perform the act or sign the document in question.

**“Balloon Indebtedness”** means (i) Bonds, twenty-five percent (25%) or more of the initial principal amount of which matures (or is payable at the option of the holder) in any twelve-month period, if such twenty-five percent (25%) or more is not to be amortized to below twenty-five percent (25%) by mandatory redemption prior to such twelve month period; or (ii) any portion of an issue of Bonds which, if treated as a separate issue of Bonds, would meet the test set forth in clause (i) of this definition and which Bonds are designated as Balloon Indebtedness in an Officer’s Certificate stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

**“Board of Commissioners”** means the board of commissioners of the MDC.

**“Bond”, “Bonds” or “Special Obligation Bonds”** means the Initial Bonds, together with any Additional Bonds.

**“Bond Depository”** means a place or institution that holds securities certificates for safekeeping and maintains a recordkeeping system such that all or a portion of such Bonds held can be sold and transferred without the physical movement of their responding certificates.

**“Bond Facility” or “Credit Facility”** means an insurance policy, surety bond or agreement, standby purchase agreement, line of credit, letter of credit or other credit enhancement, or liquidity facility entered into for the purpose of assuring the timely payment of the Principal and Redemption Price, if any, of and interest on the Bonds.

**“Bond Index”** means (i) for tax-exempt Bonds, the 30-year Revenue Bond Index published most recently by The Bond Buyer, or a comparable index determined to be the Bond Index by the MDC if such Revenue Bond Index is not so published; or (ii) for taxable Bonds, the interest rate or interest index as may be certified to the MDC and the Trustee as appropriate to the situation by a firm of nationally recognized investment bankers or a financial advisory firm experienced in such field.

“**Bondholders**” or “**Holder of Bonds**” or “**Holder**” or “**Owner**”, when used with reference to Bonds, or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond.

“**Calendar Year**” means a twelve-month period commencing January 1 and ending December 31 of any year.

“**Code**” means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“**Cost**”, as applied to the Mandate and the Project, includes, but is not limited to: the cost of planning, designing, constructing, building, alteration, enlargement, reconstruction, renovation, improvement, equipping and remodeling; the cost of all labor, materials, building systems, machinery and equipment; the cost of all lands, structures, real or personal property, rights, easements and franchises acquired; the cost of all utility extensions, access roads, site development, financing charges, premiums for insurance, interest prior to and during construction and for six months thereafter; the cost of working capital related thereto; the cost of plans and specifications, surveys and estimates of cost and of revenues; the cost of accountants, audits, engineering, feasibility studies, legal and other professional consulting or technical services; the cost of reserves for payment of future debt service related to the financing transaction proceedings and for future repairs, renewals, replacements, additions and improvements; the cost of all other expenses necessary or incident to determining the feasibility or practicability of such construction; and administrative and operating expenses and such other expenses as may be necessary or incident to the financing authorized.

“**Costs of Issuance**” means all costs related to the proceedings under which Bonds are issued under the Special Obligation Indenture, including but not limited to administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility or a Swap Facility, including without limitation a Swap Provider, including a Term-Out Payment on a Swap, other than Reimbursement Obligations or Swap Payments or other termination payments, auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and paying agents, fees and expenses of remarketing agents and dealers, fees and expenses of the underwriters if payable other than as a result of a discount on the purchase price of Bonds or Notes, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers’ fees or charges incurred by the MDC to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with Section 9.10 of the Special Obligation Indenture.

“**Counsel’s Opinion**” means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the MDC (who may be the General Counsel of or other counsel to the MDC); provided, however, that for the purposes of Article II and Article IX of the Special Obligation Indenture such term shall mean an opinion signed by Shipman & Goodwin LLP or another attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds.



**“Debt Service”** means for any period, and with respect to the Bonds, subject to the Special Obligation Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum, without duplication, of (A) the Principal Installments, Sinking Fund Installments and Interest Requirement accruing and coming due during such period, (B) Swap Payments, (C) Term-Out Payments, and (D) Reimbursement Obligations.

**“Debt Service Fund”** means the Principal Installment Account and Interest Account established pursuant to Section 6.2 of the Special Obligation Indenture and governed by Section 6.6 of the Special Obligation Indenture.

**“Debt Service Requirement”** means, for any period, the sum of the Principal Installment and Interest Requirement; provided that for this purpose only: (i) interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate; (ii) if the MDC shall have entered into one or more Swaps (that is not a Subordinated Swap) with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the MDC under such Swap; (iii) Balloon Indebtedness shall be deemed to be indebtedness which, at the later of the date of its original incurrence or the date of calculation, is amortized, on a level debt service basis, over twenty five (25) years: with level annual debt service, at a rate of interest equal to the Bond Index, as determined by an Officer’s Certificate; (iv) Discount Indebtedness shall, at the election of the MDC, be deemed to be the accreted value of such Discount Indebtedness computed on the basis of a constant yield to maturity; and (v) in the case of a Principal Installment which is a Refundable Principal Installment, only the portion of such Principal Installment shall be included which is determined as if each such Refundable Principal Installment has been payable over a period extending from the due date of such Refundable Principal Installment through the last date on which such Series of Bonds could have been stated to mature under the Act as in effect on the date of issuance of such Series, in installments which would have required equal annual payments of Principal Installments and interest over such period, with such interest calculated at the actual interest cost payable on the Bonds of such Series (using the actuarial method of calculation).

**“Discount Indebtedness”** means Bonds sold to the original purchaser thereof (other than any underwriter or other similar intermediary) at a discount from the par amount of such Indebtedness.

**“Fiscal Year”** means such twelve-month period adopted by the MDC as its fiscal year, currently a Calendar Year.

**“GAAP”** means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

**“Government Orders”** means 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”).

“**Initial Bonds**” means the 2013 Series A Bonds issued under the Special Obligation Indenture.

“**Interest Requirement**” means, as of the date of computation with respect to any period, an amount equivalent to the aggregate maximum amount coming due during such period on any Interest Payment Date, of (1) interest which may be payable on Outstanding Bonds (including interest payable at a higher rate during any period held by the provider of a Bond Facility), less any Swap Receipt and (2) Swap Payments.

“**Mandate**” means measures necessary to comply with the Government Orders, as in effect from time to time.

“**MDC**” means the Metropolitan District Commission, Hartford County, Connecticut, a body politic and corporate created under Act No. 511 of the 1929 Special Acts of the State of Connecticut, as amended, or any body, agency, or instrumentality which shall hereafter succeed to the powers, duties and functions of the MDC hereunder.

“**Municipal Act**” means Chapter 103 of the Connecticut General Statutes, as amended from time to time.

“**Notes**” means any obligations of the MDC, other than Bonds, Reimbursement Obligations or Swaps, issued for the purposes of the Authorizing Acts to provide funds for deposit in the Bond Proceeds Fund and issued in anticipation of the issuance of Bonds.

“**Officer’s Certificate**” means a certificate signed by an Authorized Officer of the MDC.

“**Outstanding Bond**” means, as of any date, a Bond or portion of any Bond of such Series theretofore or thereupon being authenticated and delivered under the Special Obligation Indenture, except any:

- (1) Bond cancelled by the Trustee and Paying Agent or the MDC at or prior to such date;
- (2) Bond for the payment or redemption of which cash, equal to the principal amount or Redemption Price, shall be held in trust under the Special Obligation Indenture for such purpose (whether at or prior to the maturity or Redemption Date), provided that if such Bond is to be redeemed, notice of such redemption shall have been given as provided in Article IV of the Special Obligation Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice;
- (3) Bond referred to in Section 11.5 of the Special Obligation Indenture;

(4) Bond issued in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to Article IV, Section 4.6 and Section 11.6 of the Special Obligation Indenture; and

(5) Bond deemed to have been paid as provided in Section 14.1 of the Special Obligation Indenture.

**“Paying Agent”** for the Bonds of any Series means the bank or trust company located within or without the State and its successor or assigns, appointed by the MDC pursuant to the provisions of the Special Obligation Indenture and any successor or assign so appointed and approved.

**“Pledged Revenues”** means all revenues to be received by the MDC from the Special Sewer Surcharge together with (1) such other legally available revenues as the Board of Directors may determine to pledge under the Special Obligation Indenture by or pursuant to a Supplemental Indenture and (2) any interest earned or gains realized by the investment of moneys held by the Trustee in the Funds and Accounts created under Section 6.2 of the Special Obligation Indenture, which are treated under the Special Obligation Indenture as Pledged Revenues and which constitute a part of the Trust Estate.

**“Principal”** means the principal amount of the Bonds of a Series as due on a certain future date.

**“Principal Installment”** for any period, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding:

(1) the principal amount of Bonds of said Series which mature in such period, reduced by the aggregate principal amount of such Bonds which would before such period be retired by reason of the payment when due and application in accordance with the Special Obligation Indenture or Sinking Fund Installments payable before such period for the retirement of such Bonds, plus

(2) the unsatisfied balance (determined as provided in Section 6.6 of the Special Obligation Indenture) of the Sinking Fund Installments, if any, due during such period for the Bonds of such Series.

**“Project”** means the MDC’s obligations under the Government 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.

**“Rate Stabilization Fund”** means the fund established pursuant to Section of the Special Obligation Indenture and governed by Section 6.9 of the Special Obligation Indenture.

**“Record Date”** with respect to any Series of Bonds shall have the meaning given such term in the Supplemental Indenture setting forth the terms of such Series of Bonds.

**“Redemption Price”** means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Special Obligation Indenture.

**“Refundable Principal Installment”** means any Principal Installment for any Series of Bonds which the MDC intends to pay with moneys which are not Pledged Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only through the date of the annual budget of the MDC adopted during the Fiscal Year immediately preceding the Fiscal Year in which such Principal Installment comes due unless the MDC has delivered to the Trustee a certificate of an Authorized Representative that it has made provision for the payment of such Principal Installment from a source other than Pledged Revenues. Such provisions may be established by a firm commitment, subject to customary conditions, from one or more commercial banks or investment banking firms to purchase Bonds sufficient to refund such Principal Installment.

**“Refunding Bonds”** means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Sections 2.2 and 2.5 of the Special Obligation Indenture.

**“Reimbursement Obligation”** means any obligation of the MDC to make payments to a provider of a Bond Facility in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bonds) an advance or other payment made by such provider for the purpose of paying,

(1) the Principal, Sinking Fund Installment, if any, Redemption Price of, or Interest Requirement on, any Bonds, or

(2) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of an applicable Supplemental Indenture, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (1) any payments of any fees, expenses, or other similar obligations to any such provider, or (2) any payments pursuant to term-loan or other Principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds., Reimbursement Obligations may be evidenced by Bonds designated as “Bank Bonds,” which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

**“Revenues Available for Debt Service”** shall mean, with respect to any period, Pledged Revenues deposited in the Revenue Fund in such period plus amounts transferred from the Rate Stabilization Fund to the Revenue Fund during such period, provided, however, for purposes of calculating Revenues Available for Debt Service, the amounts transferred from the Rate Stabilization Fund included for this purpose shall not exceed 35% of Debt Service Requirements for such period.

**“Revenue Fund”** means such fund of the MDC established by Section 6.2 of the Special Obligation Indenture and governed by Sections 6.1 and 6.5 of the Special Obligation Indenture.

”**Series of Bonds**” or “**Bonds of a Series**” or words of similar meaning, means the designated series of Bonds authorized by the Special Obligation Indenture with respect to Initial Bonds or by the Special Obligation Indenture and a Supplemental Indenture with respect to any Additional Bonds.

“**Sinking Fund Installment**” means, for any period as of any date of calculation and with respect to any Outstanding Series of Bonds, the amount of money required by the Special Obligation Indenture or the Supplemental Indenture authorizing the issuance of such Series of Bonds to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the MDC by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

“**Special Sewer Surcharge**” means that by ordinance dated October 1, 2007 adopted as Section S12x of the MDC’s Ordinances Relating to Sewers, which provides for a Special Sewer Service Charge for customers of the MDC who utilize the MDC’s sewer system and are furnished water directly by the MDC.

“**Subordinated Swap**” or “**Subordinated Swap Payments**” means either a financial arrangement that meets the definition of Swap or a net amount to be paid by the MDC under such financial arrangement that meets the definition of Swap Payment but does not qualify as a Swap or Swap Payment, respectively, and is expressly payable (including any termination payment thereunder) only from a subordinated account or is otherwise subordinated pursuant to the Special Obligation Indenture.

“**Supplemental Indenture**” means any supplemental indenture entered into by the Trustee and the MDC pursuant to and in compliance with the provisions of Article X of the Special Obligation Indenture providing for the issuance of Initial Bonds, Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X of the Special Obligation Indenture amending or supplementing the provisions of the Special Obligation Indenture as originally executed or as theretofore amended or supplemented.

“**Swap**” means any financial arrangement:

(1) that is entered into by the MDC with an entity that is a Swap Provider at the time the arrangement is entered into;

(2) which:

(a) provides that the MDC shall pay to such entity an amount based on the interest accruing at a fixed rate on the Notional Amount equal to all or part of the outstanding Principal amount of a Series of Bonds issued under the Special Obligation Indenture, and that such entity shall pay to the MDC an amount based on the interest accruing on the Notional Amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Series of Bonds) or that one (after adjustment for any cap, floor, collar or other financial arrangement referred to in subsection (2)(b)

of this definition, with respect thereto) shall pay to the other the net amount (Swap Payment or Swap Receipt) due under such arrangement; or

(b) is included as part of or covered by the financial transaction described in subsection (2)(a) of this definition or is separately executed and which is a cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated) or any combination thereof or any option with respect thereto executed by the MDC for the purpose of moderating interest rate fluctuations or otherwise pursuant to the Act; or

(c) is another similar transaction which has the effect of reversing or unwinding in whole or in part any transaction previously entered into and described in subsections 2(a) and (b) of this definition if the net effect of such transactions is to moderate interest rate fluctuations with respect to interest paid on any Bonds; and

(3) which has been designated in writing to the Trustee by an Authorized Officer of the MDC as a Swap with respect to a Series of Bonds or Notes.

“Swap” shall also include any option on a Swap and any such financial arrangement described in subsections (2) and (3) of this definition entered into by the MDC with a Swap Provider, as a replacement of a Swap that has been terminated and which has been so designated in writing to the Trustee by an Authorized Officer of the MDC with respect to a Series of Bonds or Notes.

“**Swap Facility**” means an insurance policy, surety bond, letter of credit or other credit enhancement with respect to a Swap or any similar facility entered into for the same or similar purposes and may include Investment Obligations properly pledged to the MDC pursuant to the Swap Facility or by the Swap Provider, in each case sufficient to maintain any existing rating of the MDC’s Bonds. Payments by the MDC under a Swap Facility related to a Swap shall be deemed Swap Payments and shall not be deemed Reimbursement Obligations and payments to the MDC under a Swap Facility related to a Swap shall be deemed Swap Receipts. Payment by the MDC under a Swap Facility applicable to any fees, expenses or similar other charges or obligations thereunder shall be a Cost of Issuance or payable from funds of the MDC, as applicable.

“**Swap Payment**” means the net amount required to be paid by the MDC under a Swap (that is not a Subordinated Swap Payment) that is applicable to the interest rate exchange effected thereunder, and Term-Out Payments under the Swap but not any fees, expenses or similar other charges or obligations thereunder (which shall be Costs of Issuance or payable from funds of the MDC, as applicable).

“**Swap Provider**” means a financial institution whose long-term debt obligations, or whose obligations under a Swap are fully covered by a Swap Facility whose long-term debt obligations are (1) rated either of the three highest ratings (without regard to the addition of a number or a plus (+) or a minus (-) to any rating) by S&P and if Fitch is then rating such financial institution, then Fitch; or (2) secured by a pledge of Investment Obligations in amounts sufficient to achieve the ratings described in subsection (1) of this definition.

**“Swap Receipt”** means the net amount required to be paid to the MDC under a Swap, but shall not include any Termination Receipt.

**“Termination Receipt”** means with respect to a Swap an amount required to be paid to the MDC by the Swap Provider or related Swap Facility as a result of the termination of the Swap.

**“Term-Out Payment”** means one or more payments payable under a Swap after Swap payments or Swap Receipts are no longer required under the Swap.

**“Trust Estate”** means all of the funds, securities, property, rights, privileges and interest conveyed, pledged and assigned as provided in the Granting Clause of the Special Obligation Indenture.

**“Trustee”** means U.S. Bank National Association, and any successor trust company or bank having the powers of a trust company within or without the State succeeding a prior trust company or bank as trustee, appointed pursuant to Section 8.10 of the Special Obligation Indenture.

**“Variable Interest Base Rate”** means with respect to any Variable Rate Bonds, Notes or Swap Payments, the average interest rate borne by such series of Variable Interest Rate Bonds, Notes or Swap Payments for the twelve full calendar months (or such lesser period as such Series of Variable Rate Bonds, Notes or Swap Payments shall be Outstanding) preceding the date of calculation.

**“Variable Interest Rate”** means a variable interest rate to be borne by any Bond or Note within a Series of Bonds or Notes or by any Swap (whether a Swap Payment or Swap Receipt). The method of computing such variable interest rate shall be specified in a Supplemental Indenture authorizing such Series of Bonds or Notes or the Swap relating thereto. Such Supplemental Indenture or Swap shall also specify either (1) the particular period or periods of time for which such variable interest rate shall remain in effect, or (2) the time or times upon which any change in such variable interest rate shall become effective.

**“Variable Interest Rate Bonds”** or **“Variable Interest Rate Notes”** means Bonds or Notes which bear a Variable Interest Rate.

**“Variable Interest Rate Calculation Rate”** means with respect to each Calendar Year:

(1) with respect to Variable Interest Rate Bonds or Notes, with respect to which the MDC has not designated a Swap or a Swap Facility, and/or is for a period or periods of time ending prior to the next immediate Interest Payment Date, the interest rate thereon in effect (pursuant to the Variable Interest Rate Bonds or Notes applicable thereto) until the next date of change (being the date of calculation referred to in the definition of Variable Interest Base Rate) and thereafter for the balance of such Calendar Year the Variable Interest Base Rate plus an adjustment factor (herein “Adjustment Factor”) of 200 basis points (subject to the proviso below); or

(2) with respect to Variable Interest Rate Bonds or Notes with respect to which the MDC has designated a Swap or Swap Facility, the net interest rate on such Variable

Interest Rate Bonds or Notes after taking into account all Swaps designated by the MDC with respect to such Variable Interest Rate Bonds or Notes, if less than the rate calculated in subsection (1) of this definition.

provided, however, that in the event that an Authorized Officer of the MDC determines either as the consequence of a Swap or to meet the further assurance provisions of Section 9.5 that an Adjustment Factor greater than provided for under subsection (1) of this definition is required, then such additional Adjustment Factor for interest, as an Authorized Officer of the MDC shall determine is so required and is consistent and in compliance with Section 9.5 of the Special Obligation indenture shall be utilized in subsection (1) of this definition.



**APPENDIX D**

**SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL OBLIGATION  
INDENTURE OF TRUST**

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**SUMMARY OF CERTAIN PROVISIONS OF  
THE SPECIAL OBLIGATION INDENTURE**

This section is a brief summary of the Special Obligation Indenture. The summary does not purport to be complete. Reference is made to the Special Obligation Indenture for a full and complete statement of the provisions thereof. See the defined terms set forth in Appendix C hereto and to the terms otherwise defined in the Official Statement.

**Authority for the Special Obligation Indenture. [Section 2.1].** The Special Obligation Indenture is made and entered into by virtue of and pursuant to the provisions of the Authorizing Acts.

**Authorization for Issuance of Bonds and Obligations of the MDC. [Section 2.2].** In order to provide a portion of the funds for the Mandate and the Project, Special Obligation Bonds of the MDC are authorized to be issued without limitation as to amount except as therein provided or as may be limited by law and such Bonds shall be issued subject to the terms, conditions and limitations established in the Special Obligation Indenture.

The Bonds, Notes, swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture, shall be special obligations of the MDC, the Principal and Redemption Price (if any) of, interest on, and other amounts due in respect of which, shall be payable solely from the Trust Estate, and shall not be payable from nor charged upon any funds other than the Trust Estate pledged therefor as provided under the Special Obligation Indenture pursuant to the Act. The Bonds shall be entitled to the benefit of the continuing pledge of and lien on the Trust Estate created by the Special Obligation Indenture and, with respect to any Additional Bonds, the Supplemental Indenture authorizing the issuance thereof, to secure the full and final payment of the Principal, or Redemption Price, if applicable, thereof and the interest thereon.

The Bonds, Notes, Swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture shall not constitute a general obligation of the MDC or a pledge of the faith and credit of the State, the MDC or of any other political subdivision of the State but shall be payable solely from the resources of the MDC described in the Special Obligation Indenture as the Trust Estate; the Bonds, Notes, Swaps, Subordinated Swaps, obligations of the MDC under a Swap Facility or Bond Facility, Reimbursement Obligations, Swap Payments and Term-Out Payments or other similar obligations of or payments by the MDC issued or incurred under and pursuant to the Special Obligation Indenture constitute a special obligation of the MDC payable solely from, and are secured solely by a pledge of, the Trust Estate, including Pledged Revenues.

All Bonds shall contain on the face thereof a statement to the effect that:

NEITHER THE STATE OF CONNECTICUT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE MDC, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE MDC IS OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS SOLELY FROM THE TRUST ESTATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CONNECTICUT OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE MDC, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

**Pledge Effected by Indenture. [Section 6.1].** The Trust Estate is pledged to secure the payment of the Principal or Redemption Price, if any, and the interest on the Bonds (including the Sinking Fund Installments for the retirement thereof) in accordance with their terms and the provisions of the Special Obligation Indenture permitting the application or release thereof for or to the purposes and on the terms and conditions therein set forth.

**Establishment Funds and Accounts Therein. [Section 6.2].** The MDC establishes and creates the following funds and accounts to be held by the Trustee: the Bond Proceeds Fund (consisting of the Costs of Issuance Series Accounts and the Series Accounts); the Revenue Fund; the Debt Service Fund (consisting of the Interest Account and the Principal Installment Account); the Redemption Fund; the Rebate Fund; and the Rate Stabilization Fund. The MDC has reserved the right to establish additional funds, accounts and subaccounts.

**Costs of Issuance Account. [Section 6.3].** A separate sub-account within the Costs of Issuance Account designated “Special Obligation Bonds Costs of Issuance Sub-account” may be established for the Bonds of each Series Outstanding. There shall be deposited in the applicable sub-account of the Costs of Issuance Account from time to time the amount of moneys necessary to pay the Costs of Issuance of each Series of Bonds. Such proceeds and moneys shall be used to pay only the Costs of Issuance of the Series of Bonds for which such proceeds and moneys were deposited. Upon payment of all Costs of Issuance of a Series of Bonds for which a separate subaccount has been established in the Costs of Issuance Account, an Authorized Officer of the MDC shall direct the Trustee to transfer any moneys remaining in said sub-account to the same Series Sub-account of the Bond Proceeds Fund or to other Costs of Issuance accounts or to the MDC on account of payment of Costs of Issuance.

**Bond Proceeds Accounts. [Section 6.4].** Within the Bond Proceeds Fund a separate sub-account designated the “Special Obligation Indenture Special Obligation Bond Proceeds Sub-account” may be established for the Bonds of each Series Outstanding. There shall be deposited into the applicable Series Sub-account of the Bond Proceeds Fund only the amount of the proceeds of the Bonds of any Series required to be deposited therein as shall be specified and determined by the Supplemental Indenture authorizing such Series of Bonds. Moneys in the Bond Proceeds Fund shall be expended only for the costs of the Mandate and the Project, and for Costs of Issuance subject to the provisions and restrictions of Section 6.3 and Section 6.4 of the Special Obligation indenture.

The MDC is further authorized and directed to order each disbursement from the Bond Proceeds Fund upon a certification filed with Trustee, signed by an Authorized Officer the MDC, but not more frequently than monthly. Such certification shall be in substantially the form set forth in Exhibit A to the Special Obligation Indenture, and shall (i) state the requisition number, (ii) the nature of each item or category of cost and certify the same to be correct and proper under this Section 6.4 and that such item or category of cost has been properly paid or incurred as a cost of the Mandate and the Project and, pursuant to Section 9.10 of the Special Obligation Indenture, is consistent with the covenant of the MDC respecting tax exempt obligations in any tax regulatory agreement with respect thereto, (iii) certify that none of the items or categories for which the certification is made has formed the basis for any disbursement theretofore made from the Bond Proceeds sub-account, (iv) certify that the payee and amount stated with respect to each item in the certification are correct and that such item is due and owing, (v) specify the name and address of the person to whom payment shall be made by the Trustee, which may be to the MDC itself for purposes of making such payment or reimbursing itself for any payments theretofore made, and (vi) include any other requirements set forth in the Supplemental Indenture authorizing the applicable Series of Bonds.

**Flow of Pledged Revenues; Revenue Fund. [Section 6.5].** The MDC shall cause all moneys received as Swap Receipts to be deposited promptly in the Interest Account and unless otherwise specified in any Supplemental Indenture, received as Termination Receipts to be deposited promptly in the Redemption Fund if any Bonds shall be outstanding. If no Bonds shall at the time be outstanding, any Termination Receipts shall be paid to the MDC.

The Trustee shall deposit in the Revenue Fund all Pledged Revenues received from the MDC.

Beginning with the first month after the commencement of the operation of the Project, on the fifth day of each month (or, if not a Business Day, on the next succeeding Business Day) the Trustee shall withdraw from the Revenue Fund the amounts on deposit in the Revenue Fund to deposit or credit the following accounts and funds:

FIRST, unless otherwise provided in any Supplemental Indenture with respect to Bonds,

-- Into the Interest Account, the amount accrued for the prior month as interest on the Bonds or Swaps for each Series of Bonds or Swap Payments on Swaps accrued for the prior month less any Swap Receipts accrued for the prior month, provided that the deposit immediately preceding any Interest Payment Date shall be the balance necessary to make such payment, as well as all amounts accrued for the prior month as Term-Out Payments in respect of a Swap.

-- Into the Principal Installment Account, the amount accrued for the prior month as principal due on each Series of Bonds, whether at maturity or pursuant to mandatory sinking fund redemption on the next scheduled Principal Installment Date, provided that the deposit immediately preceding any Principal Installment Date shall be the balance necessary to make such payment.

SECOND - pro rata, to each debt service reserve fund created pursuant to the terms of any Supplemental Indenture for the benefit of any Series of Bonds to cause any debt service reserve fund requirement established under such Supplemental Indenture to be satisfied.

THIRD - to any other trustee or paying agent for indebtedness of the MDC identified in writing to the Trustee by the MDC, in amounts set forth in a Certificate of an Authorized Officer of the MDC, which may be stated by the MDC in advance as being irrevocable without the consent of such trustee or paying agent.

FOURTH - into the Redemption Fund, the amount, if any, set forth in a Certificate of an Authorized Officer of the MDC.

FIFTH - into the Rate Stabilization Fund, the amount, if any, set forth in a Certificate of an Authorized Officer of the MDC.

PROVIDED THAT, the fact that the MDC shall not have received sufficient Pledged Revenues with which to make the deposits or credits each month as prescribed above to meet any of the requirements thereof shall not, by the fact itself, be construed as an "Event of Default" under the Special Obligation Indenture.

For the purpose of calculating the interest accruing for any month with respect to any Series of Bonds bearing interest at a fixed rate, interest shall be treated as accruing from and including the month in which the next preceding Interest Payment Date on such Bonds occurs to and excluding the month in which the next Interest Payment Date on such Bonds occurs, ratably over the number of months from one Interest Payment Date to the next Interest Payment Date. For the purpose of calculating the interest accruing for any month with respect to any Series of Variable Interest Rate Bonds, interest due on the next Interest Payment Date shall be treated as accruing from and including the month in which the next preceding Interest Payment Date on such Bonds occurs, to and excluding the month in which the next Interest Payment Date on such Bonds occurs, ratably over the number of months from the next preceding Interest Payment Date to the next Interest Payment Date at the Variable Interest Rate Calculation Rate, except that such accrual shall be adjusted for any amounts by which the Variable Interest Rate Calculation Rate differs from the actual net interest rate on such Variable Interest Rate Bonds, after taking into account all Swaps designated by the MDC with respect to such Variable Interest Rate Bonds. For purposes of calculating the amount of any Term-Out Payment in respect of a Swap, such amount shall be treated as accruing from and including each month in which the prior Term-Out Payment was made to and excluding the month in which the next Term Out Payment is required to be made, ratably over the number of months from the date of the prior Term-Out Payment to the date of the next Term-Out Payment. For the purpose of calculating the principal accruing for any month with respect to any Series of Bonds, principal due on the next Principal Installment Date shall be treated as accruing from and including each month in which the next preceding Principal Installment Date on such Bonds occurs, to and excluding the month in which the next Principal Installment Date occurs, ratably over the number of months from the next preceding Principal Installment Date to the next Principal Installment Date. Deposits made by the Trustee into the Interest Account and Principal Installment Account may be made into sub-accounts as directed by the MDC with respect

to each series of Bonds and each Swap in accordance with such accruals, or if the deposits are not made in full, then ratably according to such accruals.

**Debt Service Fund. [Section 6.6].** The Trustee shall pay out of the Interest Account of the Debt Service Fund and out of the Principal Installment Account of the Debt Service Fund to the respective Paying Agents the amounts required for the payment when due of Interest and Principal on Outstanding Bonds and such amounts shall be applied by the Paying Agents to such payments. The Trustee shall also pay out of the Interest Account Swap Payments and Term-Out Payments on any Swap when due.

**Redemption Fund. [Section 6.7].** Amounts in the Redemption Fund may be applied as directed by the MDC in a certificate of an Authorized Officer of the MDC filed with the Trustee to the purchase of Bonds at prices not exceeding the Redemption Price thereof applicable on the next redemption date plus accrued interest to such next redemption date (such redemption date shall be the earliest date upon which Bonds are subject to redemption from such amounts) or to the redemption of Bonds. Upon any purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established other than by application of Sinking Fund Installments, an amount equal to the applicable Redemption Prices thereof shall be credited toward a part of all or any one or more of such Sinking Fund Installments, as directed by an Authorized Officer of the MDC, or, failing such direction by June 30 of each year, toward such sinking Fund Installment in inverse order of their due dates.

**Rate Stabilization Fund. [Section 6.9].** There should be deposited in the Rate Stabilization Fund amounts required to be deposited therein in accordance with Section 6.5 of the Special Obligation Indenture. Upon receipt of instructions from an Authorized Officer, the Trustee shall transfer from amounts on deposit in the Rate Stabilization Fund, any portion of such amounts, to the Revenue Fund. Upon receipt of instructions from an Authorized Officer, the Trustee shall transfer from amounts on deposit in the Rate Stabilization Fund, any portion of such amounts, to the MDC to be used in accordance with Section 9.13 of the Special Obligation Indenture.

**Payment of Bonds. [Section 9.1].** The MDC shall duly and punctually pay or cause to be paid, but only from the Trust Estate as provided herein, the Principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming with respect to any Series of Bonds.

**Coverage Covenant. [Section 9.3].** The MDC will establish, fix, and revise from time to time, prior to and during each Fiscal Year, and shall collect in each Fiscal Year beginning with the first complete Fiscal Year after issuance of the Initial Bonds, rates, fees and charges representing Pledged Revenues so that the amount of Revenues Available for Debt Service for such Fiscal Year, as certified by an Authorized Officer based on the MDC's audited financial statements for such Fiscal Year, is equal to no less than an amount equal to 1.20 times the Debt Service Requirements in such Fiscal Year.

**Power to Issue Bonds and Make Pledges. [Section 9.6].** The Pledged Revenues, or other receipts, funds and moneys pledged pursuant to the Special Obligation Indenture are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto. The

MDC shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the revenues, or other receipts, funds and moneys pledged under the Special Obligation Indenture and all the rights of the Bondholders under the Special Obligation Indenture against all claims and demands of all persons whomsoever including defending, preserving and protecting such pledges as statutory liens as set forth in the Act.

**Indebtedness and Liens. [Section 9.7].** The MDC (1) shall not issue any securities or other evidences of indebtedness secured by a prior pledge of particular revenues, receipts, funds or moneys constituting Pledged Revenues, and (2) shall not create or cause to be created any lien, pledge, or charge (other than the lien and pledge created or permitted by the Special Obligation Indenture) on the Bond Proceeds Fund, the Debt Service Fund, and the Redemption Fund and (3) shall not hereafter mortgage any of its property for which any of the Pledged Revenues are applicable and, in any event, shall not mortgage the system. Except as provided below, the MDC shall not issue any securities or other evidence of indebtedness secured by a parity pledge of the Pledged Revenues, other than Additional Bonds or Refunding Bonds or otherwise permitted with respect to Notes pursuant to the provisions of the Special Obligation Indenture.

Nothing in the Special Obligation Indenture shall prevent the MDC from issuing indebtedness payable out of, or secured by a pledge, assignment or other encumbrances of, the Pledged Revenues to be derived on and after the date the Special Obligation Indenture shall be discharged and satisfied as provided in the Special Obligation Indenture, or payable from amounts transferred from the Revenue Fund under clause Third of Section 6.5C

**Issuance of Additional Bonds; Execution of Swaps. [Section 9.8].** No Additional Bonds, other than Refunding Bonds, may be authorized and issued under the Special Obligation Indenture unless a certificate signed by an Authorized Officer of the MDC is delivered to the Trustee stating that either (i) the Revenues Available for Debt Service, for either of the last two full Fiscal Years, based on the most recent audited financial statements of the MDC preceding the date of issuance of such Additional Bonds, was equal to an amount at least 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year or (ii) the Revenues Available for Debt Service, for either of the last two full Fiscal Years, adjusted for any adopted increases in the Special Sewer Surcharge as if such increases had been in effect from the beginning of such Fiscal Year, was equal to an amount 1.20 times the Debt Service Requirement on all Outstanding Bonds for such Fiscal Year.

No Refunding Bonds may be authorized and issued under the Special Obligation Indenture unless a certificate signed by an Authorized Officer of the MDC is delivered to the Trustee stating that (i) estimated average annual Debt Service Requirements on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service Requirement in any Fiscal Year on such Series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded.

No Swap shall be entered into by the MDC unless, with respect to such Swap, written confirmation affirming the existing ratings on the Bonds is filed thereupon with the Trustee.



**System. [Section 9.9].** The MDC shall use and apply the proceeds of the Bonds for the Project and shall do all such acts and things appropriate or necessary to receive and collect Pledged Revenues.

The MDC shall operate, or cause to be operated, its water and sewer systems properly and in a sound, efficient and economical manner, and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept in good repair and operating condition, and shall from time to time, make, or cause to be made, all necessary and proper repairs, replacements and renewals, so that the operation of its water and sewer systems may be properly and advantageously conducted, and, if any useful part of its water and sewer systems is damaged or destroyed or taken by exercise of eminent domain, the MDC shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part so as to restore the same to use, and the replacement of such part so taken; provided, however, that nothing in the Special Obligation Indenture shall require the MDC to operate, maintain, preserve, repair, replace, renew or reconstruct any part of its water and sewer systems if there shall have been filed with the Trustee (1) a certificate of an authorized representative stating that in the opinion of the signer (a) abandonment, or operation of such part is economically justified, and (b) failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part will not impair the ability of the MDC to satisfy the covenants in the Special Obligation Indenture in the current or any future Fiscal Year, and (2) a certificate of a consulting engineer, concurring in such opinion of the authorized representative if the book value of such part of its water and sewer systems exceeds 1% of the book value of its water and sewer systems.

The MDC shall establish and enforce reasonable rules and regulations governing the operation, use, and services of the system.

The MDC covenants that it will at all times maintain, to the extent reasonably obtainable, insurance with respect to its water and sewer systems with such variations as shall reasonably be required to conform to applicable standard customary insurance practice and subject to such exceptions and permissible deductions as are ordinarily required. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing, qualified to do business in the State, and shall be payable to the MDC.

**Tax Exemption. [Section 9.10].** In the event Bonds are sold under the Special Obligation Indenture or any Supplemental Indenture thereto as federally tax-exempt bonds, the MDC covenants that it will not take any action or fail to take any action that, solely as a result of such action or failure to act, would result in loss of the exclusion from federal income taxation pursuant to Section 103(a) of the Code of interest paid on such Bonds.

**Use of Pledged Revenues. [Section 9.13].** Any funds withdrawn from the Rate Stabilization Fund pursuant to Section 6.9(c) of the Special Obligation Indenture or withdrawn from the Revenue Fund pursuant to clause THIRD of Section 6.5C of the Special Obligation Indenture shall be used by the MDC only for such purposes as may be a permitted use for the Special Sewer Surcharge under its ordinances as from time to time in effect and (ii) limited to the payment of capital expenditures in connection with the Project or payment of debt service or on indebtedness of the MDC incurred for purposes of funding capital expenditures in connection with

the Mandate and the Project (and including, for this purpose, any item of debt service if it would be Debt Service hereunder if incurred with respect to Bonds).

**State Pledge. [Section 9.15].** As authorized under section 11 of S.A. 14-21, the District includes the following pledge and undertaking for the State, in the Special Obligation Indenture and in the Bonds issued thereunder:

The State of Connecticut does hereby pledge to and agree with the holders of any bonds, notes and other obligations issued by the Metropolitan District in Hartford County created pursuant to number 511 of the special acts of 1929, as amended, under the authority of chapter 103 of the general statutes or under section 4 of special act 90-27, as amended by section 6 of public act 93-380 and section 10 of this act, which are payable solely from the income and revenue of a particular facility, system or program or the revenues to be derived from sewerage system use charges, and with those parties who may enter into contracts with the District in respect of the same, that the State will not limit or alter the rights vested in the authority to charge and collect such income, revenues, or sewerage system use charges, or in the holders of any bonds, notes or other obligations of the District until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the District, provided nothing contained herein shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds, notes and other obligations of the District or those entering into contracts with the District. The District is authorized to include this pledge and undertaking for the State in such bonds, notes and other obligations or contracts.

**Modification and Amendment Without Consent. [Section 10.1].** The MDC may, at any time or from time to time, enter into Supplemental Indentures without consent of the Bondholders or the provider of either a Bond Facility, a Swap Facility or Swap, for any one or more of the following purposes: (1) to provide for the issuance of a Series of Bonds or Notes or Swaps pursuant to the provisions of the Special Obligation Indenture and to prescribe the terms and conditions pursuant to which such Bonds or Notes or Swaps may be issued, paid or redeemed; (2) to add additional covenants and agreements of the MDC for the purpose of further securing the payment of the Bonds or Notes or Swaps, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the MDC contained in the Special Obligation Indenture; (3) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the MDC which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (4) to surrender any right, power or privilege reserved to or conferred upon the MDC by the terms of the Special Obligation Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the MDC contained in the Special Obligation Indenture; (5) to confirm as further assurance any pledge under the Special Obligation Indenture subject to any lien, claim or pledge created or to be created by the provisions of the Special Obligation Indenture, of the moneys, securities or funds; (6) to modify any of the provisions of the Special Obligation Indenture or any previously adopted Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Indenture shall cease to be Outstanding, and all Bonds issued under such subsequent Supplemental Indenture shall contain a specific reference to the modifications contained in such subsequent Supplemental Indenture; (7)

to cure any ambiguity, or defect or inconsistent provision in the Special Obligation Indenture or to insert such provisions clarifying matters or questions arising under the Special Obligation Indenture as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect; (8) consistent with Section 9.10 of the Special Obligation Indenture, to ensure the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes; (9) to grant or to confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted or conferred and which are not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect; (10) to grant such rights and remedies and make such other covenants subject to the Special Obligation Indenture (including any prior Supplemental Indenture) as may be necessary for issuance of a Bond Facility, a Swap or a Swap Facility so long as such rights, remedies and covenants are not contrary to or inconsistent with the Special Obligation Indenture as theretofore in effect; or (11) to provide for the issuance of indebtedness of the MDC secured by payments to be made pursuant to Clause Third of Section 6.5C of the Special Obligation Indenture.

**Amendments and Supplemental Indentures Effective With Consent of Bondholders.** [Section 10.2]. Subject to the provisions of any Supplemental Indenture granting rights to the provider of any Bond Facility or otherwise, the provisions of the Special Obligation Indenture may also be modified or amended, at any time or from time to time, by any Supplemental Indenture, subject to the consent of Bondholders in accordance with and subject to the provisions of Article XI of the Special Obligation Indenture, to become effective upon the execution thereof by the MDC and the Trustee, and the filing with the Trustee of a copy thereof certified by an Authorized Officer of the MDC.

**Powers of Amendment.** [Section 11.1]. Except as provided in Section 10.1 of the Special Obligation Indenture, any modification or amendment of the Special Obligation Indenture and of the rights and obligations of the MDC and of the Holders of the Bonds thereunder, in any particular, may be made by any Supplemental Indenture, with the written consent of the Holders of not less than a majority in principal amount of the Outstanding Bonds of all Series affected by such amendment or amendments or Supplemental Indenture or Indentures, voting as a single series; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit (1) a change in the terms of redemption or maturity of the Principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or (2) shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

**Consent of Bondholders.** [Section 11.2]. The MDC and the Trustee may at any time enter into any Supplemental Indenture making a modification or amendment permitted by the Special Obligation Indenture. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the MDC) together with a request to Bondholders for their

consent thereto in form satisfactory to the MDC, shall promptly after adoption be mailed by the MDC to Bondholders. Such Supplemental Indenture shall not be effective unless and until (1) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 11.1 of the Special Obligation Indenture, and (b) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully entered into in accordance with the provisions of the Special Obligation Indenture, is authorized or permitted by the Special Obligation Indenture, and is valid and binding upon the MDC and enforceable in accordance with its terms, and (2) a notice shall have been published as provided in Section 11.2 of the Special Obligation Indenture.

**Exclusion of Bonds. [Section 11.5].** Bonds owned or held by or for the account of the MDC shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Special Obligation Indenture, and the MDC shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Special Obligation Indenture. At the time of any consent or other action taken under the Special Obligation Indenture, the MDC shall furnish the Trustee a certificate of an Authorized Officer of the MDC, upon which the Trustee may rely, describing all Bonds so to be excluded.

**Events of Default. [Section 12.1].** Each of the following events is hereby declared an "Event of Default" if:

(1) The MDC shall default in the payment of the Principal of or Redemption Price, it any, or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(2) Except as provided in Subsection (1) above, the MDC shall fail or refuse to comply with the provisions of the Special Obligation Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained therein or in any Supplemental Indenture or in any Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or the Holders of not less than one-third in principal amount of the Outstanding Bonds, or in the Event of Default arising from the failure of the MDC to duly and punctually perform the covenant contained in Section 9.10 of the Special Obligation Indenture which results in the interest on the Bonds of the Series to which such covenant applies being no longer excluded from gross income under Section 103(a) of the Code, one-third in principal amount of the Outstanding Bonds of such Series affected thereby; provided, however, any failure by the MDC comply with the provisions of Section 9.3 of the Special Obligation Indenture shall not constitute an Event of Default if the MDC shall adopt rates, fees and charges within 150 days after the end of a Fiscal Year which, had they been in effect from the beginning of such Fiscal Year would have been sufficient to comply with such Section 9.3, as demonstrated by an Officer's Certificate; or

(3) The MDC (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment Of a receiver of the whole or any substantial part of its water and sewer systems, or

(v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the MDC, or of the whole or any substantial part of the System.

**Remedies. [Section 12.2].** Upon the happening and continuance of any Event of Default after the conditions specified in the Special Obligation Indenture have been satisfied, the Trustee may:

(1) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the MDC to receive and collect revenues, including Pledged Revenues adequate to carry out the covenants and agreements as to, and the pledge of, such Pledged Revenues and to require the MDC to carry out any other covenants or agreements with Bondholders and to perform its duties under the Authorizing Acts;

(2) bring suit upon the Bonds;

(3) by action or suit in equity, require the MDC to account as if it were the trustee of an express trust for the Holders of the Bonds; and

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds.

In the enforcement of any rights and remedies under the Special Obligation Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the MDC for Principal, Redemption Price, interest or otherwise, under any provision of the Special Obligation Indenture or any Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the MDC for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable. All remedies conferred upon or reserved to the Holders of Bonds may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by any Supplemental Indenture and may be cumulative.

**Priority of Payments After Default. [Section 12.3].** In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and Principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the Special Obligation Indenture, shall be applied as follows: first, to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment,

then to the payment thereof ratably (after application of the funds securing particular bonds as set forth in Section 12.3 of the Special Obligation Indenture), according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; second, to the payment to the persons entitled thereto of the unpaid Principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably (after application of the funds securing particular bonds as set forth in Section 12.3 of the Special Obligation Indenture), according to the amounts of Principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and third, to the payment to other persons entitled to payment under the Special Obligation Indenture or any applicable Supplemental Indenture.

**Defeasance. [Section 14.1].** If the MDC shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the Principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Special Obligation Indenture, then, at the option of the MDC, expressed in an instrument in writing signed by an Authorized Officer of the MDC and delivered to the Trustee, the covenants, agreements and other obligations of the MDC to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the MDC, execute and deliver to the MDC all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the MDC all moneys, securities and funds held by them pursuant to the Special Obligation Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the MDC of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with effect expressed in the foregoing paragraph. Any Outstanding Bonds of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if, (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the MDC shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption as provided in ARTICLE IV of the Special Obligation Indenture on said date of such Bonds, (2) there shall have been deposited with the Trustee either (a) moneys in an amount which shall be sufficient, (b) Government Obligations or (c) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (b), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under Section 8.10 of the Special Obligation Indenture, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee, or other bank or trust company, at the same time, are certified by an independent public accounting firm or verification firm of national reputation to be sufficient, to pay, when due, the Principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be, (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the MDC shall have given the Trustee in form satisfactory to it irrevocable instructions to the Holders of such Bonds, as soon as

practicable, that the deposit required by clause (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with Section 14.1 of the Special Obligation Indenture and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the Principal or Redemption Price, if applicable, on said Bonds. Government Obligations and moneys deposited with the Trustee pursuant to Section 14.1 of the Special Obligation Indenture and principal or interest payments on any such securities shall be held in trust for the payment of the Principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the Principal or Redemption Price, if applicable, and interest to become due on said Bonds 011 and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the MDC, as received by the Trustee, free and clear of any trust, lien or pledge and (4) a Counsel's Opinion has been delivered to the Trustee to the effect that the discharge of such Bonds will not result in the interest on any Bonds becoming includable in the gross income of Holders thereof for federal income tax purposes (to the extent those Bonds were issued on the basis that the interest thereon was excluded from gross income of the Holders for federal income tax purposes).

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**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**FORM OF CONTINUING DISCLOSURE AGREEMENT**

The Metropolitan District, Hartford County, Connecticut  
\$66,030,000 Clean Water Project Revenue Bonds, 2021 Series A  
\$135,410,000 Clean Water Project Refunding Revenue Bonds, 2021 Series B  
Dated November 3, 2021

WHEREAS, The Metropolitan District, Hartford County, Connecticut (the “District”) has authorized the issuance of \$66,030,000 Clean Water Project Revenue Bonds, 2021 Series A and \$135,410,000 Clean Water Project Refunding Revenue Bonds, 2021 Series B dated November 3, 2021 (collectively the “Bonds”), to mature on the dates and in the amounts set forth in the District’s Official Statement dated October 21, 2021 describing the Bonds (the “Official Statement”); and

WHEREAS, the Bonds have been sold pursuant to a Bond Purchase Agreement dated October 21, 2021 (the “Purchase Contract”); and

WHEREAS, in the Purchase Contract, the District acknowledged that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the District has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure as required by the Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time (the “Rule”), and the District desires to assist the underwriters of the Bonds to meet the requirements of the Rule; and

WHEREAS, the District is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriters of the Bonds to meet the requirements of the Rule, this Continuing Disclosure Agreement (this “Agreement”) is to be made, executed and delivered by the District in connection with the issuance of the Bonds and to be described in the Official Statement, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, the District hereby represents, covenants and agrees as follows:

SECTION 1. Definitions. In addition to the definitions above, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the District pursuant to and as described in and consistent with Sections 2 and 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Section 2(a) by which the Annual Report is to be filed with the Repository.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the District and/or its members for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Listed Events” shall mean any of the events listed in Section 4 of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 5B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” shall mean the Electronic Municipal Market Access system of the MSRB as described in 1934 Act Release No. 57577 for purposes of the Rule or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for the purposes of the Rule.

“SEC” shall mean the Securities and Exchange Commission of the United States or any successor thereto.

## SECTION 2. Provision of Annual Reports.

(a) The District shall provide, annually, an electronic copy of the Annual Report to the Repository not later than eight (8) months after the end of each fiscal year of the District, commencing with the fiscal year ending December 31, 2021. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If Audited Financial Statements of the District are prepared but not available prior to the Annual Filing Date, the District shall submit unaudited financial statements by the Annual Filing Date and, when the Audited Financial Statements are available, shall file the Audited Financial Statements in a timely manner with the Repository.

(c) If the District is unable to provide an Annual Report to the Repository by the Annual Filing Date, it shall send a notice in electronic format to the Repository of its failure to provide such Annual Report.

## SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the District as follows: (i) commencing with information and data for the fiscal year ending December 31, 2021, the Audited Financial Statements of the District, which statements shall be prepared in accordance with generally accepted accounting principles accepted in the United States, as promulgated by the Government Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and (ii) to the extent not included in the financial statements described in (i) above:

(1) under the heading “CLEAN WATER PROJECT PLAN OF FINANCE”, information concerning historical funding for the Clean Water Project, collections of the special sewer service surcharge (the Clean Water Project Charge), collections for the top Clean Water Project Charge rate payers and debt service coverage; and

(2) under the heading “SEWER AND WATER OPERATIONS”, information concerning the District’s facilities for sewer service and the sewer user charges, the Clean Water Project Charge, facilities for water service, water consumption and water utility unit charges.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. If the District is no longer required by applicable law, regulations or other legally binding obligation to prepare such audited financial statements, the District

reserves the right to provide only financial statements which are not audited. Audited Financial Statements (if any) will be provided pursuant to Section 2.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the District is an “obligated person” (as defined by the Rule), which have been previously filed with the Repository or the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Listed Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 -TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or other similar event of any obligated person;
13. The consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such action or the termination of a definitive agreement related to such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of a name of a trustee, if material;

15. The incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the District, any of which affects security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

For the purposes of events 15 and 16 above, the term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with the MSRB pursuant to the Rule.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, provide or cause to be provided a notice of such occurrence to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The District’s obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The District may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement and may discharge any such agent with or without appointing a successor agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the District may amend this Agreement (and any provision of this Agreement may be waived), provided that the following conditions are satisfied:

(a) It may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District or of the type of business conducted by the District;

(b) This Agreement, as so amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The District receives an opinion of counsel expert in federal securities laws to the effect that the amendment or waiver does not materially impair the interests of the holders of the Bonds.

A copy of any such amendment will be filed in a timely manner with the Repository in electronic format. The Annual Report provided on the first date following the adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

SECTION 8. Additional Information. Nothing in this Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Statement, Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the District chooses to include any information in any Annual Financial

Statement, Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Statement, Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Enforceability. The District agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event of a failure of the District to comply with any provision of this Agreement, the District shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the District does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to specific performance to cause the District to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default of the District with respect to the Bonds. No person or entity shall have any right to any monetary damages for any default under this Agreement.

SECTION 10. Indemnification. The District agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding loss, expense or liability due any such person's willful misconduct. The obligations of the District under this Section shall survive payment of the Bonds.

IN WITNESS WHEREOF, the District has caused this Continuing Disclosure Agreement to be executed in its name by the undersigned officers, duly authorized, all as of the date first written above.

THE METROPOLITAN DISTRICT,  
HARTFORD COUNTY, CONNECTICUT

By: \_\_\_\_\_  
William A. DiBella  
Chairman

By: \_\_\_\_\_  
Robert Barron  
Chief Financial Officer/Treasurer

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**BOOK-ENTRY-ONLY SYSTEM**

**Unless otherwise noted, the description which follows of the procedures and record-keeping with respect to beneficial ownership interests in the 2021 Series AB Bonds, payment of interest and other payments on the 2021 Series AB Bonds to DTC Participants or Beneficial Owners of the 2021 Series AB Bonds, confirmation and transfer of beneficial ownership interests in the 2021 Series AB Bonds and other bond-related transactions between DTC, the DTC Participants and Beneficial Owners of the 2021 Series AB Bonds is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, the MDC, the Trustee and the Underwriters do not and cannot make any representations concerning these matters.**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021 Series AB Bonds. The 2021 Series AB Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series and maturity of the 2021 Series AB Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA-. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2021 Series AB Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Series AB Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2021 Series AB Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their

ownership interests in the 2021 Series AB Bonds, except in the event that use of the book-entry system for the 2021 Series AB Bonds is discontinued.

To facilitate subsequent transfers, all 2021 Series AB Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2021 Series AB Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Series AB Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 Series AB Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2021 Series AB Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2021 Series AB Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the MDC as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2021 Series AB Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption payments on the 2021 Series AB Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the MDC or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Paying Agent, or the MDC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds on the 2021 Series AB Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the MDC or the Paying Agent and disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2021 Series AB Bonds at any time by giving reasonable notice to the MDC or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The MDC may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the MDC and the Underwriters believe to be reliable, but neither the MDC nor the Underwriters take any responsibility for the accuracy thereof.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE MDC, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, INTEREST ON OR PURCHASE PRICE OF THE 2021 SERIES AB BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2021 SERIES AB BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDOWNER.

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# MDC



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