

MINUTES OF THE
JOINT BUDGET & FINANCE COMMITTEE
OF THE
BOARDS OF DIRECTORS OF
CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE
AND
CONNECTICUT TRANSMISSION MUNICIPAL ELECTRIC ENERGY COOPERATIVE

July 22, 2019

The Joint Budget & Finance Committee of the Boards of Directors of Connecticut Municipal Electric Energy Cooperative (“CMEEC”) and Connecticut Transmission Municipal Electric Energy Cooperative (“CTMEEC” or “Transco”) met at the CMEEC offices located at 30 Stott Avenue, Norwich, CT on Monday, July 22, 2019 at 10:00 a.m.

The meeting was legally noticed in compliance with Connecticut General Statutes and all proceedings and actions hereafter recorded occurred during the publicly open portions of the meeting.

The following Committee Members participated:

Bozrah Light & Power: Ralph Winslow
Groton Utilities: Ronald Gaudet (via telephone)
Norwich Public Utilities: Stewart Peil (via telephone)
Third Taxing District: Kevin Barber

The following Members of the Board of Directors participated:

Groton Utilities: Mark Oefinger
Third Taxing District: Debora Goldstein (via telephone)

The following CMEEC staff participated:

Michael Lane, CMEEC CFO and Interim CEO
Robin Kipnis, CMEEC General Counsel
Patricia Meek, CMEEC Financial Planning & Analysis Manager
Joanne Menard, CMEEC Controller
Bradley Svalberg, CMEEC Treasury Consultant
Margaret Job, CMEEC Executive Assistant and Paralegal

Other participants:

David Silverstone, Esquire, Municipal Electric Consumer Advocate (MECA)

Ms. Job recorded.

Mr. Lane called the meeting to order at 10:03 a.m. and noted for the record that the meeting was being held at the CMEEC offices located at 30 Stott Avenue, Norwich, CT via telephone and in person and confirmed a quorum was present. He asked that those participating via telephone and

those sitting in the room identify themselves for the benefit of all to know who was participating at today's meeting.

Specific Action Item

A Selection of Joint Budget & Finance Committee Chair

Nominations for Chair were made. After brief discussion, Committee Member Ronald Gaudet made a **Motion**, which was **Seconded** by Committee Member Stewart Peil to nominate Committee Member Kevin Barber as Chair of the Joint Budget & Finance Committee. Committee Member Barber accepted the nomination.

Motion passed unanimously.

Chair Barber conducted the remainder of the meeting.

B Public Attendance Comment Period

No public comment was made.

C Review of Joint Budget & Finance Charter

Mr. Lane provided a brief overview of the revised Budget & Finance Committee Charter (the "Charter") which was provided to this Committee in advance of today's meeting. He stated that the Charter was revised by removing and adding language consistent with previously approved committee charters.

A motion was made by Committee Member Peil, seconded by Committee Member Ralph Winslow to recommend the revised Joint Budget & Finance Committee Charter to the Board for approval.

Motion passed unanimously.

D Investment Update

Mr. Svalberg, CMEEC Treasury Consultant, provided a high-level overview of CMEEC investment activity and CMEEC's Investment Policy. He explained that in 2017 an Investment Policy was drafted and approved by the CMEEC Board. He also stated that CMEEC engaged the firm of Public Financial Management (PFM) at that time. PFM is a public finance financial advisory firm which focuses on asset management and consulting services for municipalities and other public entities. He stated that PFM provides commentary to CMEEC relative to the economy and treasury activity among other things.

Mr. Lane also explained that investment activity is continually monitored for compliance with the Policy.

Discussion followed with respect to education sessions related to the CMEEC Investment Policy and a potential future presentation by PFM.

E Discuss Five (5) Year Financial Plan

Ms. Meek provided a review of the process for developing a five-year financial plan and in doing that, she works closely with rating agencies Moody's and Fitch Ratings. She added that once the five-year plan is completed it will be brought before this Committee for review.

Mr. Lane explained that the five-year plan was introduced at approximately the same time as the Investment Policy was developed. He further explained that at that time, the Budget & Finance Committee endorsed the five-year plan and since that time, there has been internal reporting on compliance with the five-year plan. Upon inquiry, Mr. Lane explained the metrics are reviewed monthly.

Ms. Meek explained that CMEEC is revising its metrics to align with those used by rating agencies at the time of bond rating review. She is proposing that investments be removed from the five-year financial plan since they are monitored under the Investment Policy.

Chair Barber entertained a motion to change the DCOH metric, which will be reflected in the reports of the August Board of Directors' meeting package and going forward

Once the budget has been approved, Ms. Meek explained that the metrics will be calculated and populated into the five-year financial plan. She added that a meeting of the Budget & Finance Committee will be convened to review the five-year financial plan in detail.

A motion by Committee Member Gaudet, seconded by Committee Member Peil to change the Days Cash on Hand metric to mirror the calculations used by Moody's and Fitch in the Board of Directors' meeting package beginning in August and forward.

Motion passed unanimously.

Ms. Meek reported that this change will be reflected in the August Board of Directors' meeting package.

Discussion followed upon inquiry by Mr. Silverstone of rating agency inquiries and CMEEC's response.

F Review 2020 Budget Process

Ms. Meek provided an overview of past practices developing the budget for review by this Committee and then for ultimate approval by the full Board of Directors. She explained that this Committee would meet to discuss the Transco and CMEEC budgets first as a Committee and then invite the full Board to participate in following meetings to answer any questions. The intent of inviting the full Board to the budget process meeting of this Committee provides time for them to ask questions so that when the budgets are presented to the full Board for their approval, any outstanding questions have been addressed.

Ms. Meek explained the development of the budget describing the categories included. She stated that in previous budget presentations, underlying assumption details of power cost development were reviewed by the Committee, however these will now be moved to the appendix. She continued to explain that nothing is being removed from the budget, only that some items will be placed in an appendix to the budget rather than presented in the body.

G Discussion of Special Committee Recommendation Listed Below:

- **Examine budgets presented to the Board of Directors for appropriate amounts of detail and consistency in presentation**

Lengthy discussion followed with respect to level of detail in budgets and how it is presented to the Budget & Finance Committee for review.

Chair Barber suggested that this Committee review last year's budget presentations to determine what areas could be presented in more detail during this year's budget process. He suggested that this Committee receive a copy of last year's packets that went to the Budget & Finance Committee and to the Board to get a better idea of what was presented.

Mr. Lane recommended that an additional meeting be scheduled in August to revisit this agenda item and review last year's packets.

Chair Barber entertained a motion to table this Agenda Item G to another Special meeting of this Committee to a date in August.

A motion was made by Committee Member Winslow, seconded by Committee Member Peil to table Agenda Item G until a meeting of this Committee to be scheduled sometime in August.

Motion passed unanimously.

There being no further business to come before this Committee, Chair Barber entertained a motion to adjourn.

A motion was made by Committee Member Winslow, seconded by Committee Member Peil to adjourn the meeting.

Motion passed unanimously.

This meeting was adjourned at 11:40 a.m.