

SECOND TAXING DISTRICT ELECTORS
ANNUAL BUDGET MEETING
March 17, 2009

Electors Present: Mary E. Burgess
Robert E. Burgess
Al Ayme
Alicia Ayme
Dawn A. Del Greco
James A. Del Greco
Joe B. Newell
Sylvester Maultsby
Mary Mann
Lorrie E. Mann
Jason E. Bonet, Sr.
Sandy B. Bonet
Maria A. Borges-Lopez
Tony Lopez
Sharon Stewart
Otha N. Brown, Jr.

Also Present:	John M. Hiscock	General Manager
	Kevin Barber	SNEW Director of Admin & Cust. Service
	Candace Pampoukidis	District Clerk
	Gwendolyn Gonzalez	Assistant Clerk
	Connie Farrugia	Assistant Clerk

Note: At the start of the meeting there were 15 electors present for the Annual Budget meeting. After the vote on the legal call there were 16 electors present.

Call to Order:

Otha N. Brown called the Second Taxing District Electors' Meeting to order at 8:09 p.m. on Tuesday, March 17, 2009. The meeting was held at SNEW, One State Street, South Norwalk, Connecticut.

Legal Call:

Mr. Brown: "Good evening, Ladies and Gentlemen, electors of the Second Taxing District. I'm having a little trouble with my throat. I hope it doesn't get cut. I'd like to call the meeting to order, and to check with the Clerk to make sure that we're legit and we can call it to order."

Ms. Pampoukidis: "We have a quorum [responding to Mr. Brown]."

Mr. Brown: "Alright, the first order of business is to have the legal call while you are here, which has been printed in several of the publications, but I'm going to ask the Clerk to read the legal call."

Ms. Pampoukidis read the following legal notice for the record:

The legal voters of the Second Taxing District for the City of Norwalk are hereby notified and warned that the Annual Budget Meeting of the Electors of the Second Taxing District will be held at the South Norwalk Electric and Water, 1 State Street, South Norwalk, Connecticut, on Tuesday, March 17, 2008 beginning at 8:00 p.m. for the following purpose:

1. To Approve the Proposed 2009-2010 Budget of the Second Taxing District, City of Norwalk, as received and recommended by the District Commissioners at their meeting of March 10, 2009.
2. To Receive and Ratify the Choice of Auditors of the District Commissioners for firm to perform Auditing Services for the Second Taxing District, City of Norwalk, for Fiscal Year Ending June 30, 2009.

In accordance with Section 1-81 of the District Charter, you are hereby notified that copies of the entire District Budget of the Second Taxing District of the City of Norwalk have been available for inspection by the public since March 9, 2009. A copy may be obtained from the District Clerk at the office of the Second Taxing District, 164 Water Street, Norwalk, Connecticut.

Dated this 13th day of March 2009

Attest:

Candace Pampoukidis
District Clerk

Mr. Brown: "Thank you very much. May I have a motion to... on the reading of the legal call?"

Mr. Ayme: "So moved."

Mr. Brown: "May I have a second?"

Mr. Del Greco: "Second."

Mr. Brown: "All those in favor."

Electors simultaneously: "Aye."

Mr. Brown: "Those opposed."

[No opposed]

Mr. Brown: "So ordered."

Al Ayme made a motion to accept the legal call. James Del Greco seconded and the motion to accept the legal call passed unanimously with all 15 electors present voting in favor and none opposed.

Mr. Brown: "I would just like to indicate my name is Otha Brown. I'm the Chairman of the Board of the Second Taxing District. I do notice that some of my associates and colleagues are here. I wish you would stand so that everybody would know you, and just indicate your name to make sure that I get it right. So if you'll just stand and tell us who you are so that they will know that you are here to serve them. These are the Commissioners."

Mr. Ayme: "My name is Al Ayme. Thank you."

Ms. Borges-Lopez: "Maria Borges-Lopez."

Ms. Mann: "Mary Mann."

Ms. Burgess: "Mary Burgess."

Mr. Brown: "And myself, Otha Brown."

Mr. Maultsby: "Oh, Reverend Maultsby."

[Laughter]

Mr. Brown: "No, it's not prayer time yet. We do have the General Manager. Do any of you know John Hiscock? And our Clerk is Candace Pampoukidis. Did I get it right? Pampoukidis."

Mr. Hiscock: "Close [responding to Mr. Brown]."

Ms. Pampoukidis: "Close [also responding to Mr. Brown]."

Mr. Brown: "Oh close, close-a-kidis [laughing]. Okay, very well. Thank you. And we have some staff members here that you'll be hearing from."

To Approve the Proposed 2007-2008 Budget of the Second Taxing District, City of Norwalk, as recommended and approved by the District Commissioners at their meeting of February 20, 2006.

Mr. Brown: "The first order of business is to approve, and I might indicate just too, we voted on this budget a week ago in to what I consider the wee hours of the night, and after a long

discussion. And it is now coming to you, the electors of the District, to confirm our action or to take what action that you deem necessary. I'd like to have a motion to place the first item on the floor."

[Mr. Burgess raised his hand to make the motion]

Mr. Brown: "And may I have a second to do so?"

[Ms. Mann raised her hand to second]

Mr. Brown: "Second [acknowledging Ms. Mann]. Without objection, then at this time... and so ordered. So at this time... yes, sir [acknowledging Mr. Newell]?"

Mr. Newell: "I have a question. On the treasurer's salary it says \$500.00. I thought that the treasurer was given a raise."

Mr. Brown: "Well, I tell you what, we'll do two things at once here, because the next... in conjunction with that is the presentation of the staff with our Manager, John Hiscock."

Mr. Hiscock: "Okay."

Mr. Brown: "He's the one ran all of these off at the machine [laughing]."

Mr. Burgess: "Well I just think he's asking for it to be corrected. It's wrong in here. He's asking for it..."

Mr. Newell: "Is it \$500 or \$2,500? It says \$500.00, but I thought at the last..."

Mr. Burgess: "It's \$1,500 or \$2,500."

Mr. Newell: "...we gave them \$1,500... yes, \$1,500 [directed to Mr. Burgess]."

Mr. Burgess: "\$1,500 or \$2,500."

Mr. Brown: "Should be \$1,500. I (inaudible) agree with you."

Mr. Newell: "Should be \$1,500, okay."

Mr. Hiscock: "Okay..."

Mr. Brown: "The Chair will rule that it was my understanding, and if there's any other information come forward we will deal with that."

Mr. Hiscock: "Okay, I will get to that shortly."

Mr. Newell: "Oh, okay."

Mr. Hiscock: "Alright, procedurally the Commission discussed this budget on February 17th and reviewed it with staff, and the Commission approved the actual budget on March 10, 2009, at which time they recommended to the electors the approval of the budget. Procedurally this evening the electors have three options under the Charter. One is to approve the budget as recommended. The second one is to reject the budget as recommended. And the third is to reject with comment. There's not a whole lot of difference between the second and the third, other than if there's a particular area that the electors are concerned about they would convey that message in a rejection with comment. I'm sure that you all received a packet on the way in the door of the budget, and I'm just going to go quickly over it. It's the same form and style as previous years. We have not changed the actual procedure, so those of you who have been to prior meetings are probably very familiar with it. If you move to page one you will see the beginning of the simplified version of the budget for 2009-2010, which is July 1, 2009 through June 30, 2010. If you look at the general format you will see there are three fund columns and then the total column for the District. The total District is the right-hand column. From left to right: the General Fund, which is general government; Commissioners' salaries, legal fees, accounting, auditing, things along that line. Then we have the Water Department Fund and the Electric Department Fund. Based on the Charter we are obligated to keep the expenses and the revenues of the Water Department and the Electric Department separate from each other and separate from the General Fund. Quickly we'll start off with the General Fund, and the summary is on page 1 and page 2. The only revenue in the General Fund is interest income. We have no other revenue other than a district tax. We have never, as far as anybody knows, passed a district tax, so we certainly have no revenues. And they wouldn't be operating revenues anyway. So you will look at the proposed, or the estimated, interest income of \$23,150. If you move to the second page you can see the expenses under the General Fund column. Operations we have \$129,350, and Community Service Projects \$55,550, for a total operating expense of \$184,900. I'm going to get into the detail of those in a minute. So the total expenses, \$184,900. The net revenue for the District is a negative \$161,750, so we're going to spend \$161,750 more than we're taking in. Again, we're only taking in interest income. To deal with that we transfer funds from the two utilities into the District, so the District can operate. If you look at the bottom of that column you'll see two numbers; transfer from Water Fund of \$80,000, transfer from Electric Fund \$80,000, so we transfer in \$160,000 to cover the negative \$161,750. And that's the movement of cash in and out of the General Fund. Other things to notice, about two-thirds of the way down on the page under one of the darker bands you'll see a bolded heading called 'Opening Balance Reserve Fund'. That's the money that's in the District's reserve fund, \$919,712. We have a next item down called 'Returned to Reserve Fund' of \$83,264. That \$83,264 is money unspent from a prior year's budget. We have no previous year's cancelled projects. We don't do very many projects in the District, so that's normal. So we have an adjusted opening balance of the reserve fund of \$1,002,976, the transfers we had previously mentioned, so we are estimating the closing balance on the General Fund reserve will be \$1,001,226. So that's the big numbers for the General Fund. I'm going to ask you now to flip to page 3, and [pages] 3 and 4 show the detail of the General Fund budget for the proposed year 2009-2010, and the two prior year's budgets of 2008-2009 and 2007-2008. Something for you just to notice; the revenue for interest is down to \$23,150 from \$30,150 the prior year having to do with decreases in interest rates paid."

[Mrs. Del Greco arrived at the meeting for a total of 16 electors present]

Mr. Hiscock: "We move down to the expense section and we have operations; Commissioners' salary, \$22,750, which is the same as the prior two years. We haven't changed Commissioners' salaries in that length of time. We have the Clerk's salary of \$2,500. That's the same as the prior two years. We show a Treasurer's salary on this budget of \$1,000, and \$1,000 for the current 2008-2009, the budget we're in, and in 2007-2008 it was \$500. So the column for this year is the left column under 2009-2010. The next item down is meetings and printing. We're proposing to spend \$26,100, slightly up from the prior year. Legal we've been carrying for quite a few years at \$40,000 per year. Generally we don't spend all of it. We don't usually come very close to spending all of that in the District, but we do put that amount in the budget in anticipation of a surprise legal event that would put us in a position where the District would have to spend a considerable amount of legal funds, and we don't really want to call an electors' meeting just to do that. The auditors we've been carrying \$32,000 for the last two prior years, and we're planning on the same for this year, and we'll talk about the auditors shortly. And then we've been carrying \$5,000 for insurance. As an example, so you understand how the return to reserve fund works, there's... on page 2 at the bottom there's a note; '[(3)] Return to Reserve Funds is money not spent from the audited 2007-2008 OM&A and Capital Appropriations budgets.' So in 2007-2008 we budgeted \$136,000 in Operations, and \$53,440 in Community Service Projects, and we didn't spend all of that, and we turned back \$83,000 to the budget. That's how it works. The last audited year approved but unexpended funds roll back into the budget. So that's how we maintain this ongoing reserve balance. Community Service Projects, we have budgeted almost the same level as the prior year. If you look at Total Community Service Projects at the bottom of the page its \$55,550. The prior year was \$55,150. The areas that we're planning on doing work are the same as the areas in prior years. The Community Beautification is Bill Peters Art Park, Madison Avenue, Heritage Wall, West Avenue, and \$3,000 for Miscellaneous Projects. Heritage Wall – District office and State Street office, \$2,500 for holiday lighting. And then the 'Other' are Assist Clean & Green for \$5,710; we provide Sono Arts Celebration some power and services in kind with our staff setting up the metering systems. Anything over the \$1,500 budgeted is paid for by the Sono Arts Celebration. Some years they go over it, some years they're under it. We budgeted for the Summer Youth Employment Program, \$10,500. \$10,500 is the amount that we give to the City towards the Summer Youth Employment Program. It has been the same in the prior two years. And on the bottom we have Miscellaneous Community Service Projects, \$7,500. Those are for things that occur after this meeting, after the budget approval, that were unforeseen. It could be assisting in a community cleanup project. Sometimes we provide trucking and man power to do the neighborhood cleanups and other things similar to that in the community. If we expend money from the Miscellaneous Community Project fund, it goes before the Commission at a regularly scheduled Commission meeting so that the use of those funds is approved at a public meeting. So I'm going to stop at this point with respect to the General Fund budget and ask if there are any questions about it. Yes sir [acknowledging Mr. Burgess]?"

Mr. Burgess: "Yes, I had two questions. I want you to refresh my memory. I thought we approved \$1,500 for the..."

Mr. Hiscock: "We will check the minutes and make sure [responding to Mr. Burgess]."

Mr. Burgess: "Okay."

Mr. Hiscock: "And I think what I would like to say on the record is if in fact we made a mistake and didn't catch the change in fee, we will obviously pay that. And it will not significantly alter the budget itself, but we will check it and make sure. Obviously if we have changed the Treasurer's salary and didn't pick it up, it was done by the electors anyway, so it shouldn't be a surprise."

Mr. Burgess: "Now my next question, on the Summer Youth Employment Program, I know the first year or two that money was supposed to be spent on residents of South Norwalk area. Are you still getting that proof from the City of the kids that that money is spent on?"

Mr. Hiscock: "The letter that came through, well... there have been assertions made that it's for residents of the South Norwalk community. We don't audit the program, but representatives of the program have made those assertions to the District that it's used within the community. That's the best information I can give you on that."

Mr. Burgess: "The only thing I want to say, the first year, I (inaudible) they turned over names to you guys?"

Ms. Burgess: "No [responding to Mr. Burgess]."

Mr. Hiscock: "No [also responding to Mr. Burgess]."

Mr. Burgess: "You didn't?"

Ms. Burgess: "No."

Mr. Hiscock: "No."

Ms. Burgess: "The addresses."

Mr. Burgess: "What?"

Ms. Burgess: "The addresses."

Mr. Burgess: "The addresses. Okay, the addresses. So are you still getting the addresses?"

Mr. Hiscock: "No, we are not."

Mr. Burgess: "Okay, thank you."

Mr. Hiscock: "Yes sir [acknowledging Mr. Newell]?"

Mr. Newell: "Adding to what Mr. Burgess said, are they giving us some of the feedback, some real data; not just the addresses or whatever, but the data itself that they're doing?"

Mr. Hiscock: "We have not audited the program. We don't have detailed information on their expenditures, or their revenues, or other contributors. We rely basically on the letter making the request to us."

Mr. Newell: "Okay, is it possible that we could request that, firmly?"

Mr. Hiscock: "Yes we could. If you're suggesting that on the record..."

Mr. Newell: "Yes, on the record."

Mr. Hiscock: "...I think the Commission will take note of that and we can place it on the agenda at a Commission meeting and make a formal request by the Commission."

Mr. Newell: "I think we could... and we could firm up the request of what we want. I'll leave that to the Commissioners."

Mr. Hiscock: "Okay."

Mr. Burgess: "I think why we're asking for that, we don't (inaudible) transparency, like if we have the address of the people that would be the accountability portion of it. Because I don't want to... at least you guys said you don't want the money going someplace else. So there should be some kind of checking on what the City's really doing."

Mr. Hiscock: "Okay. Any other questions or comments on the District portion of the budget?"

[No comment]

Mr. Hiscock: "Okay, I'll move on to the utility sections of the budget. If you go to page 6 you will see the Water utility operating budget for 2009-2010. In the operating revenues we included metered sales for residential, commercial, and industrial customers, sales to public authorities, and then a series of revenues from sales of fire protection. Private fire protection is what we supply commercial and industrial customers in buildings. Public fire protection are the hydrant rental fees to Norwalk, Wilton, and the Sixth Taxing District. We're looking at an estimated total operating revenue for 2009-2010 of \$6,782,201, up slightly from the prior year which was \$6,479,000, which was higher than the year before; that was \$6,419,000. So it's a slow gradual increase in operating revenue. The major component of the increase in operating revenue have been very small increases in water utility rates; very close to the CPI index for each given year. We have other revenue below that; laboratory services. We do some outside lab work for private customers. We have a State of Connecticut certified public health laboratory. We will test well water for people and charge them, and we do other testing for other people who need sanitary testing on potable drinking water. Net merchandising and jobbing is income that we make when we do construction work for private parties for new development, new projects, new buildings. We have an interest income of \$15,000; relatively low because the Water Fund has a relatively small amount of money in it. We collect \$85,000 on miscellaneous customer charges. That's an item on our bill to cover special services requested by customers. And the last item under revenue is customer late fees, \$22,000. Because our water bills have statutory lien status we get

to impose an 18% per year interest charge, 1.5% per month, the same as the City of Norwalk and other communities use for taxes. So we have a total planned revenue for the Water utility of \$6,944,201. Moving down a page we have the operating expenses, and it's for operations; reservoirs, pumping, water treatment, piping, transmission and distribution, customer accounts expense, administrative general operations and maintenance. We are proposing to spend, authorized spending, \$5,189,000, as you can see at the bottom of the page, and that's up approximately... a little more than \$300,000 from the prior year. Flipping over we have other expenses in the Water utility. Property taxes to Wilton, \$345,000; we own 1,200 acres, yes, 1,200 acres in the town of Wilton and most of its land property taxes. New Canaan, we pay taxes of \$27,500. We own a little over 200 acres in the town of New Canaan. So the total property taxes are \$372,000, for a total expense of \$5,562,000. That results in an operating income of \$1,592,546. The next section down is very different than the prior years. If you look on page 7 in the central portion of the box you'll see a lot more numbers than previously. The first line, Interest on Debt for New Canaan Project is the interest on a bond issue that the District issued in 1997 to acquire the New Canaan reservoir. The interest rate drops because the principal drops. The next item down is Principal on Debt, New Canaan Project. We pay down \$300,000 on the debt each year, and it's a 15 year bond issue. We are very close to completing payment on that within the next several years. The next item is Interest on Filter Plant Project Interim Loan. We borrowed money to build a filtration plant from the State at 2.4% interest, a very low interest rate, and in the two prior years we accumulated some interest monies to take care of the closing of the project. The rest of the information going down the page, Accrued Interest on Filter Plant Interim Loan, the Principal on Debt for the Filter Plant Project, Interest on Debt for the Filter Plant Project, the Reserve, all relate to the closing on the filtration plant project. We are just about to close on that, and all of these are payments of accrued interest and other principal payments that are required for the debt. Next item is Capital Appropriations, \$276,000, significantly lower than prior years' capital appropriations, and we've indicated to the Commission and to the Electors that once the filtration plant was built, due to the debt service on the filtration plant, we would be minimizing our capital projects to avoid raising rates up any higher than they are. Preliminary Survey Investigation is a deferred debit item. It has to do with the study that either will get expensed or capitalized at a later date. The most important number to look at is Change in Water Financial Reserve Fund, a negative \$820,000, and it has to do with the construction of the filtration plant. We go down to the opening balance in the Water Financial Reserve Fund of \$3,946. We return to the Reserve Fund \$132,000 from a prior year's audit. We cancelled some projects for \$119,000. There's the \$80,000 that we transferred to the General Fund. And we have a closing balance in the Water Financial Reserve Fund of a negative \$645,080. That negative number will get reversed in the next year because we will not be paying a large lump sum on the filter plant project. So that's a one year shortfall, and the one year shortfall will get covered by the District General Fund Reserve, and as we take funds out of the General Fund to cover that deficit, the Water utility will pay interest back to the General Fund as we replenish it. This has happened once, four, five, or six years ago we borrowed several hundred thousand dollars from the District General Fund; paid it back in the next year with interest. So that's why we will meet the shortfall. And it's all related to the \$29,000,000 filtration plant that we have just completed. Any... and as you go through there's more details on the project, but I'm only going to do the summary portion this evening. I'm going to stop here. Are there any questions about the Water budget?"

Mr. Del Greco: "I would like to ask one question. On page 9..."

Mr. Hiscock: "Yes [acknowledging Mr. Del Greco]."

Mr. Del Greco: "...it looks like the last time the figures were audited were in '08, is that what that's saying?"

Mr. Hiscock: "Yes, that is the audited number for June 30, 2008, and we will again do an audit June 30, 2009; three months from now."

Mr. Del Greco: "Okay."

Mr. Hiscock: "The second item on the agenda is actually to approve the auditing firm to do the audit for this year."

Mr. Del Greco: "And so just going through the numbers, you have your budgeted numbers, you have your actual numbers, and so it looks like there's been a fairly big discrepancy between the budgeted numbers and the actual numbers. On the revenue side, on Residential, its \$4 million budgeted, \$5 million actual, and then on the Commercial it's almost reversed. Any particular reason for such big discrepancy in numbers? Was... people didn't use it on commercial, or did it get thrown in a different, you know...?"

Mr. Hiscock: "I think it's which bucket it was placed in, in the process, and it's really a situation where the breakdown between residential and commercial was not defined accurately enough."

Mr. Del Greco: "And so should that go away in subsequent years? In other words, when you do the budget for next year have you made the adjustments to...? Because it looks like you have a lot more residential usage than commercial."

Mr. Hiscock: "If you look at... if you look at the 2009-2010 budgeted number we are upping the residential by about \$300,000, and we're dropping the commercial by about \$100,000. One of the things that we run into with the Water utility is our sales are very variable based on weather and it's very hard for us to project sales, because if it's a warm dry summer our sales are very high. And you have a tendency to get this very large variance in water sales, really due to weather more than anything else. So we have changed the numbers, but not by a lot. Any other questions? Yes sir [acknowledging Mr. Burgess]?"

Mr. Burgess: "I have an indirect question. It's not directly related to the budget, but it's related to water consumption, and I know the City is trying to have a flat rate for water consumption and (inaudible), I think the (inaudible) is looking at that... it's not fair for a small house to pay the same as a large house for water consumption."

Mr. Hiscock: "Oh, you mean for sewage services?"

Mr. Burgess: "Right, right [responding to Mr. Hiscock]."

Mr. Hiscock: "Yes."

Mr. Burgess: "And so how do you think that would be resolved? I know the First District told the City 'We will bill the customers and you pay us.' Are we doing anything like that? What's going to happen?"

Mr. Hiscock: "We have had discussions with the City on that issue, very preliminary discussions. We have come to no conclusion, and what you read in the press may not be the truth. That's the best I can tell you."

[Laughter]

Mr. Del Greco: "Now that's an interesting statement, 'What you read in the press is sometimes not true.' Where have I heard that before?"

[Laughter]

Mr. Hiscock: "Well, I'm simply saying to you that in fact there have been discussions, and certainly the last story I read in the paper didn't quite add up based on 'this' person who was involved in the discussions."

Mr. Burgess: "Very good answer."

Mr. Newell: "Could that be... in the data they want, how do they want to extract this, or can you talk about that now? I mean, how do they want to pull this data? Do they want control of our data gathering and stuff, or do we supply them with the data and charge them for it? I mean, what's going on?"

Mr. Hiscock: "We have been providing them with data under a interim agreement. We are now trying to finalize the agreement to a permanent arrangement. The parties really don't know exactly what they want. The City is in an exploratory stage. They simply asked for proposals from people to do billing services. We have exchanged memorandums about the issue. Our position basically is that the meter readings themselves are valuable commercial property, and because they're valuable commercial property we expect to be paid for that information. And that's about as far as I can go."

Mr. Newell: "And we're going to retain control of it, right?"

Mr. Hiscock: "I can't answer that."

[Laughter]

Mr. Hiscock: "This is kind of far off field from the budget. I'm only going to give you a feeling of where we're going."

Mr. Burgess: "Okay, one other question. Since the First District has the same problem, is there any coordination between the Second and First District on how to resolve this? The First District has the same problem about the water..."

Mr. Hiscock: "I'm not privy to discussions between the First District and the City."

Mr. Burgess: "Okay, okay."

Mr. Hiscock: "And we are not jointly negotiating between the three parties."

Mr. Burgess: "Okay."

Mr. Newell: "I think where everyone is... well I guess everyone, I'm concerned, and I'm sure other people are concerned, that somehow the City's encroaching on our prerogatives as a District."

Mr. Hiscock: "The City is attempting to extract information from us that costs us a considerable amount of money to put together..."

Mr. Newell: "Right."

Mr. Hiscock: "So we expect to be reimbursed for that in some form."

Mr. Newell: "Okay, I..."

Mr. Hiscock: "I'm not trying to be vague here. I just can't really tell you what we're negotiating. Yes sir [acknowledging Mr. Maulsby]?"

Mr. Maulsby: "Does the City know that we are expecting to be reimbursed?"

Mr. Hiscock: "Yes."

Mr. Maulsby: "They've been told?"

Mr. Hiscock: "Yes, absolutely. They have been told in general terms that we expect them to share in the cost of obtaining the data. Other questions on the Water budget?"

[No comment]

Mr. Hiscock: "Okay, we'll move on to the Electric Fund, which starts on page 12. The Electric utility operating revenue, we're looking at a probable revenue for Residential and Commercial at \$10.6 million; Large Commercial Primary, \$2.1 million; Fixed Load Lighting, \$128,000; Sales for Resale of \$164,000; Other Public Authorities, \$971,000; Conservation and Load Management, \$191,000; Gross Revenue Tax, we have to collect gross revenue tax and pay it over to the State, of \$526,000; and Lost Customer Discounts of \$514,000; those of you who pay your electric bill realize that you get a ten-net-ten discount, and the \$514,000 listed here are those

customers who did not take advantage of the actual discount, for a total operating revenue of \$15,272,681, up from the prior year at \$14,671,660. We have Other Revenue for the Electric utility; Utility Plant Leasing, it's just a fixed lease of \$2,800; Miscellaneous Service Charges of \$85,000; these are customer services that we perform at customers' requests or based on customers' activity on their account. We have an interest revenue of \$520,000 in the Electric utility, and that's because the Electric Reserve Fund is very large and we accrue a substantial amount of interest on the Electric Reserve Fund; \$608,000 in other revenue, for a total Other Revenue of \$15,881,281, which is up from the prior year's \$15,309,460. The reason that the revenue goes up on the electric side is as our wholesale cost of electricity goes up, once per year we automatically increase the purchased power adjustment portion of your electric bill, and the offset to that is the cost of electricity that we purchase from our cooperative. You go down through the expenses, and probably a startling number for a lot of people is the purchased electricity. We purchased electricity for resale of \$10,615,000; purchased electricity for street lights, \$82,000; purchased electricity for a load reduction program at \$99,000. It really shows that out of the \$15 million that we take in for electric sales, \$10.5 million, or more than \$10.5 million, goes right out to our wholesale supplier. So that is strictly an in and out, and it shows you that two-thirds of your electric bill is for generation services, it's for the actual purchase of electricity from a wholesale supplier. There are various operating expense categories. Transmission and Distribution, those are the poles, and the transformers, and the equipment out in the street. Customer Accounts is the various systems to bill and collect from customers, including meter reading. We have Administration and General Expense, Operations, Maintenance. Taxes, we got \$578,000 in expenses. And we have a Customer Assistance Program for those customers who are unable to pay their electric bill. We provide \$25,000 per year in a structured program to aid those customers that are unable to pay their utility bill. Flip the page you've got some other expenses. Miscellaneous Income Deductions, \$10,000; and interest expense, \$78,000, for total expenses of \$16,036,030, for a net operating income of minus \$674,549. We have no debt in the electric utility. We have obviously then no interest on debt, no principal on debt. Capital Appropriations, we're spending \$2.4 million in capital appropriation improvements in the electric utility for the next year, and if you quickly flip the page to 14 you will see what the expenditures are for. Pole replacements; emergency pole replacements for when they're hit, and damaged, and we don't find out who it is."

[Laughter]

Mr. Hiscock: "Emergency replacement of conductors and devices, storm damage, and things like that; various switching equipment that we're putting into the system. Some modern new substation relays in the substation, \$200,000, that's a significant expense; vehicle replacement, software, fuel pump and fuel management system, computer equipment. The most significant expenditure listed here is \$1,575,000 for advanced metering infrastructure. We are working with a consultant now to shortly go out to bid for an electric metering system. This will be a brand new automated metering system that reads meters via radio through a fixed collector system, either a high-level end antenna on a tank, one of the water utility tanks, or two of the water utility tanks, or collectors set up on various utility poles throughout the system. It will allow us to read meters instantaneously. It will allow us to... when we have an issue with a customer we can continually read their meter. We can plot their electrical usage. We could read in very, very short time frames to try to figure out when we have customer problems. The advantage of the

program is that we'll cut down on meter reading expense and essentially utilize people in other areas in the Company. This is about half of the cost of the project, and it will occur over two years. So we have a total capital projects of, as we said on the previous page \$2,486,445. We go back to page 13. We end up with a change in Electric Reserve Fund of \$2.6 million. The opening balance in that reserve fund is \$8,104,000. We're returning to the reserve fund from a prior year's audit of \$1,995,375. We have some cancelled projects from prior years of \$127,000. Transfer to the General Fund the \$80,000 to run the General Fund. And a closing balance in the Electric Financial Reserve Fund of \$7.5 million. So you can see that the Electric Fund has a significant amount of money. Those funds will be expended in later years for improvements and projects that are being held up based on some work that we're trying to do to rebuild our generation facility. I'm going to stop here and answer questions. Yes [acknowledging Mr. Lopez]?"

Mr. Lopez: "I just have a question on the capital projects."

Mr. Hiscock: "Yes?"

Mr. Lopez: "If I understand that correctly, a good portion of them will not be reoccurring. Is that correct? Or (inaudible) project, am I understanding that?"

Mr. Hiscock: "If you look at page 14, the items that are listed as annual are items that we close out at the end of the year and return, and as you can see there are emergency pole replacements, emergency conductors and devices; those things that we really can't estimate because their based on system failures. The rest of the items are called 'End of Project'. So they are a lump sum appropriation to complete that project. So some of these may run over several years. I'm going to try to give you a quick example. Okay, if you go to page 17 you'll see a list of projects from 2007 and 2008, and we have a project appropriation, and then we have an actual and a variance. An example I can give you is 2008-07CE, Emergency Replacement of Conductors and Devices. We appropriated \$100,000 in that year. We spent \$9,000, returning some \$90,000 to the budget. So we reconcile capital projects on an annual basis for those that are annual appropriations that end at the end of the year because we haven't expended the money and they're listed as annual in the budget. And the others are reconciled at the completion of the project. So if we budgeted \$100,000 to replace a transformer, and it came in at \$90,000, that \$10,000 comes back to the budget upon reconciliation. So I don't know if that really answered your question, but it's an example of how we do it."

Mr. Lopez: "Right, but inevitably, in other words it doesn't mean necessarily, or I should say it would, it can, reoccur as you said, continually."

Mr. Hiscock: "Yes [responding to Mr. Lopez]. Yes, some of them are... the ones that are listed as annual generally are budgeted each year, and they're ongoing occurrences that we budget for. And the reason we do it is we certainly wouldn't want to call an electors meeting every time we had a storm that took down \$30,000 in lines and had to replace them. Yes [acknowledging Mr. Del Greco]?"

Mr. Del Greco: "So it seems that when you're doing your budget you don't use actual numbers from the year prior. You continually use budgeted numbers from the years prior. Is there any reason for that? In this situation with the Electric I notice that again on the audited figures, especially on the expenses side, there's a huge difference in expenses; \$16 million versus \$14 million, with a variance of \$2 million. And so I'm just wondering, I don't really know a lot about utilities' budgets, usually in my world I always go by actuals from the year prior versus budgeted, is there any particular reason for that?"

Mr. Hiscock: "A lot of things go on in a utility that we can't control; a lot of the repairs, a lot of the equipment that will fail in an unanticipated mode. We generally have a fixed amount of labor. We don't move our workforce up and down, and we assign the workforce to work on problems as they occur. So sometimes labor will be spent in a significantly different direction than originally planned. And not because we're not doing the things that we planned to do, but because there are often things that will crop up that are absolutely, totally unanticipated. We'll get a cable failure someplace that we didn't anticipate. That occurs. They're sort of like water main breaks. So while you can control the size of your budget based on generally your labor force, and your overhead, and your equipment, you sometimes move around the utilization of that equipment and labor into areas that you didn't really anticipate when you did the budget."

Mr. Del Greco: "So is it standard in the utility business that you use budget to budget versus actual to budget when you're doing your budgets?"

Mr. Hiscock: "Generally, yes."

Mr. Del Greco: "Okay."

Mr. Hiscock: "Generally. A very stable business, you know, very, very... not too many bumps in it; weather related bumps obviously on the revenue side."

Mr. Del Greco: "But if that was the case then wouldn't your actuals be fairly in line with your budgets year in and year out?"

Mr. Hiscock: "In overall, yes. The overall number should be pretty accurate, but the categories of where the expenses fit change dramatically sometimes. I'm trying to quickly look at what..."

Mr. Del Greco: "No, no, no, don't look through it."

Mr. Hiscock: "Okay [laughing]. Okay."

Mr. Lopez: "Can you explain one variance that just sticks out on page 15?"

Mr. Hiscock: "[Page] 15, okay."

Mr. Lopez: "Under the expense, 'Purchased Electricity – Street Lights', budget \$117,000; [actual] 309,000; variance \$191,000?"

Mr. Hiscock: "I'm trying to quickly look at that and try to figure it out."

Mr. Brown: "It's page 15 [directed to Mr. Hiscock]."

Mr. Hiscock: "Yes, I... do you have an idea, Kevin [Mr. Barber]?"

Mr. Barber: "It very may simply be that, down below the street light expense, if you notice under the Transmission and Distribution at a zero?"

Mr. Hiscock: "Yes [responding to Mr. Barber]."

Mr. Barber: "It was included in one account instead of the other. So if down below we're short, where we budget \$119,000 is showing up as zero, it was expensed up above probably. And I think it was just the way the numbers were summarized in our accounting system."

Mr. Hiscock: "Oh, so you had a negative \$191,000 on one, and a positive of \$119,00 on the other; because they're both street lighting expense."

Mr. Brown: "John [Mr. Hiscock], will you...?"

Mr. Burgess: "Yes, on page 17... or [page] 12."

Mr. Hiscock: "[Page] 17?"

Mr. Burgess: "No, 12, 12, 12; [inaudible] the \$25,000 for the Customer Assistance Program."

Mr. Hiscock: "Yes [responding to Mr. Burgess]?"

Mr. Burgess: "Another related question I would have is that... educate the consumer for the people. It's just a recommendation that those new light bulbs are coming out. We should use that as a promotional program."

Mr. Hiscock: "No, that Customer Assistance Program..."

Mr. Burgess: "I know that."

Mr. Hiscock: "Oh, okay. I'm sorry."

Mr. Burgess: "This is another recommendation."

Mr. Hiscock: "Okay."

Mr. Burgess: "For consumer education, if we give those light bulbs to people, and tell them what they'll be saving by using these light bulbs, and then that will reduce our overall power consumption. It would really give them something to try to keep [inaudible] conservation."

Mr. Hiscock: "We have a Conservation and Load Management program. We've given out a tremendous amount of compact fluorescents. We've done it in several ways. We started with programs in low income areas where we simply blitz the neighborhood and went in and changed light bulbs neighborhood by neighborhood. We went into the public housing projects and did the same thing. So we are doing conservation and load management, and we're doing a significant amount of conservation. We collect about \$100 and... somewhere over \$100,000 per year from all of our customers to fund the Conservation and Load Management programs."

Mr. Burgess: "Well we should publicize that a little more because it's educational material, and it's a promotional thing for us."

Mr. Hiscock: "Okay."

Mr. Brown: "I guess that recalls about the kind of lights that are used. There seem to be differences of opinion. Could you tell us something about how that is decided?"

Mr. Hiscock: "Lights, as in..."

Mr. Brown: "The City; City lights."

Mr. Hiscock: "Like street lighting?"

Mr. Brown: "Street lighting."

Mr. Hiscock: "Okay, street lighting by Charter we're required to provide street lighting in the Second Taxing District, but the type of lighting, the wattage or luminaires, location, style, design is at the direction of the Common Council, and the Common Council has turned that over to the Department of Public Works. So if someone wants a street light, technically the Department of Public Works is the one who tells us to go ahead and do it. We control all of the other aspects of street lighting, the electrical system, the contactors, the relays, the conductors. The City simply controls the placement of lights and the style. If you look on Washington Street you'll see the short, sort of historic looking 12 foot tall with the, you know, old style globe, all fed underground. Most of those lighting systems come about through redevelopment projects. Generally they are contributed capital. The initial installation is done by the City, and then from there on out the maintenance and control of the system is ours. You obviously have the tall aluminum lights like on Martin Luther King and on Water Street. Those generally come with State highway projects, and Water Street and Martin Luther King were both State highway projects, as was part of West Avenue. Again the initial installation of those is by the State, or the City, in a State funded program. We maintain the system after first installation. Upper West Avenue and Pine Street there's a very tall, we call them ornamental lights, on the new Pine Street adjacent to the yellow church on West Avenue. And I'm sorry I don't know the name of the church. So that's a style that they've been using. And then we obviously have the others in the residential neighborhoods that sit on standard wooden utility poles. We call them cobra heads; the ones that just sort of hang out over the street. So those are the various lighting options that are provided, but the type, location, and wattage is something that we're directed to do by the City."

Mr. Burgess: "And do we get reimbursed, or we have to supply that automatically?"

Mr. Hiscock: "No, we do not get reimbursed. It's in your electric rate."

[Simultaneous laughter]

Mr. Hiscock: "So your household electric bill lights the streets, if you really want to know, yes. And we collect that equally from all customers really, based on kilowatt hours. So the more power you use, the more you pay for street lighting. And if you really look at it from that perspective, you know, a significant amount of lighting occurs in the commercial areas and the redeveloped areas, and is that a fair allocation. It's very hard to determine. Any other questions?"

[No remarks]

Mr. Hiscock: "Okay, at this point it's ready for a vote I guess."

Mr. Brown: "It says to receive; two verbs, to receive and ratify the choice for the [inaudible] on the proposed budget; to approve the approved budget."

Mr. Hiscock: "Right."

Mr. Brown: "To approve the approved budget. Why it says that, because the Board of Commissioners have already approved it. It is up now to you, the electors, to confirm that approval, or as directed by the General Counsel, to make your comments for the benefit of the Board of Commissioners. Yes sir [acknowledging Mr. Burgess]?"

Mr. Burgess: "I move that the body approve the budget as discussed by the General Manager with any adjustments, especially on the Treasurer's salary, may be recommended."

Mr. Hiscock: "Okay."

Mr. Burgess: "I ask for approval of the budget."

Mr. Newell: "Second."

Mr. Brown: "It's been moved and seconded to approve the budget. Are there any discussions, questions, remarks?"

[No remarks]

Mr. Brown: "If not, all those in favor?"

Electors simultaneously: "Aye."

Mr. Hiscock: "Could you raise your cards please?"

[Electors raised their voting cards]

Mr. Hiscock: "Okay, thank you. Could you ask for opposed [directed to Mr. Brown]?"

Mr. Brown: "Opposed?"

[There were no opposed]

Mr. Hiscock: "Okay, unanimous."

Mr. Brown: "Unanimous."

Mr. Burgess made a motion to approve the proposed 2009-2010 budget of the Second Taxing District, City of Norwalk. Mr. Newell seconded and the motion passed unanimously with all 16 electors present voting in favor.

To Receive and Ratify the Choice of Auditors of the District Commissioners for a firm to perform Auditing Services for the Second Taxing District, City of Norwalk, for Fiscal Year Ending June 30, 2009.

Mr. Hiscock: "Okay, next item."

Mr. Brown: "Next is to receive and ratify the choice of auditors. John [Mr. Hiscock], would you...?"

Mr. Hiscock: "Yes."

Mr. Brown: "You're doing so well, you better keep going."

Mr. Hiscock: "Sure. Okay, the procedure that we use for dealing with auditors is we issue once every three years a request for proposals from auditors. There's a proposal packet document that they work from. And the next thing that occurs is once we choose an auditor, while it's not required, it's basically understood and spelled out in the RFP that provided the Commission and the Electors agree, and provided the auditor wants to continue, there are two additional years of assignment. So in essence we really choose auditors through an RFP process once every three years, and then the second and third year we use the same auditor, and then we go back through the cycle again. This year was a year in which we went out for requests for proposals. We created a document, invited a significant number of auditors to actually make proposals to us. From a list of somewhere around 30 to 40 auditors we received an expression of interest from 5 auditing firms, and when the proposals were due we received proposals from 3 firms. We received proposals from Blum Shapiro and Company, \$39,000; O'Connor Davies Munns and Dobbins LLP of \$31,000; and Hope and Hernandez at \$28,800. So those are the three firms that submitted. The lowest bidder was Hope and Hernandez. We've used Hope and Hernandez now for 9 years. Okay, they've been through 3 successive RFP requests, and they have been actually the low proposer in each of those. The Commission received copies of the proposals from each of the firms, and at their Commission meeting of March 10, 2009 the Commission chose the firm

of Hope and Hernandez to do this year's audit. Procedurally, in accordance with the Charter, the Commissioners choose the audit firm subject to ratification by the electors. So the electors' role at this evening's meeting is to either ratify or not the choice of Hope and Hernandez that was made by the Commissioners on March 10th. So you certainly have two choices, to either ratify the suggestion, or to... the choice, I'm sorry, or reject the choice and go from there."

Mr. Brown: "Motion to place this item on the floor?"

Mr. Del Greco: "Is there... can we ask questions?"

Mr. Hiscock: "Oh, absolutely."

Mr. Newell: "You have to put it on the floor first [responding to Mr. Del Greco]."

Mr. Brown: "Have to put it on the floor."

Mr. Hiscock: "They're going to get a motion and second, then they will go into..."

Mr. Brown: "After the motion and second."

Mr. Newell: "Motion to put it on the floor."

Mr. Brown: "Second?"

Mr. Burgess: "Second."

Mr. Hiscock: "Okay."

Mr. Newell: "Now discussion."

Mr. Brown: "Is there any discussion?"

Mr. Del Greco: "What was the cost in the previous three years? Was it the same? Was it about the...?"

Mr. Hiscock: "Very similar, only several hundred dollars difference. It's been very, very consistent in the \$27,000 to \$28,000 range. It has not materially changed."

Mr. Brown: "John [Mr. Hiscock], will you make some comment in terms of what our experience has been with Hope and Hernandez."

Mr. Hiscock: "As we've said, we've had Hope and Hernandez now for 9 years. We believe they do a very good job. They're extremely thorough. We're pleased with their work, and we certainly have had no problem dealing with them from a procedural process. They understand us very well. They understand our system. They know our financial system inside and out, and are quite capable of continuing as auditors."

Mr. Burgess: "I just want to comment. Usually, sometimes the lower bid is not the best bid, but I think since they were here for a long time, they know system inside out. For a new auditor to come in, they would have to charge more in order to get to know the system. So I think that's why they (inaudible) and they're doing a good job, so I want to thank the staff for really looking at those little things that make something work."

Mr. Hiscock: "Yes, if we had problems, or the audits weren't being performed timely and accurately, obviously we would have made a recommendation to the Commission to choose someone else. Each of the three firms that did bid had significant municipal experience. Municipal accounting is different than corporate accounting, so you generally try to find a firm that's got significant municipal accounting experience."

Mr. Brown: "Okay, the motion is on the floor to receive and ratify the choice of the auditors. You've heard the question, are you ready to vote?"

Mr. Burgess: "Yes, call the question."

Mr. Brown: "All those in favor?"

Electors simultaneously: "Aye."

[Electors raised their voting cards]

Mr. Brown: "Those opposed? Did you have enough time to count [directed to Mr. Hiscock]?"

Mr. Hiscock: "I counted, yes."

Mr. Brown: "Those opposed?"

[No opposed]

Mr. Hiscock: "I believe it was unanimous, except for the three people over here who keep raising it up and down."

[Simultaneous laughter]

Mr. Hiscock: "It was unanimous approval."

Mr. Brown: "I was about to say we would like to see those who voted no after the meeting [laughing]."

Mr. Newell made a motion to receive and ratify the choice of the District Commissioners for the firm of Hope & Hernandez to perform auditing services for the Second Taxing District, City of Norwalk, for the fiscal year ending June 30, 2009. Mr. Burgess seconded and the motion passed unanimously with all 16 electors present voting in favor.

Mr. Brown: "The next item on the agenda is of course the most coveted one, and that is to adjourn."

Mr. Lopez: "So moved."

Mr. Ayme: "So moved."

Mr. Brown: "Without objection, adjourned."

Adjournment

The meeting adjourned at 8:18 p.m.

Attest:

Candace Pampoukidis
District Clerk