

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting
November 10, 2009

Present: Mary E. Burgess Vice Chairperson
Al Ayme
Maria Borges-Lopez
Mary Mann
Sylvester Maultsby
Cesar A. Ramirez

Also Present: John M. Hiscock General Manager
Candace Pampoukidis District Clerk
Kevin Barber Dir. of Admin and Customer Service

Call To Order

Vice Chair Mary E. Burgess called the Regular Meeting of the Second Taxing District Commissioners to order at 7:03 p.m. on Tuesday, November 10, 2009. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk, Connecticut.

Commissioner Burgess: "I call the meeting of the Second Taxing District, Tuesday, November 10, 2009 to order, and I'd like one brief moment of silence in deference to our departed Chairman."

Commissioner Ramirez: "I would appreciate if maybe we can stand up."

[Moment of silence]

Acceptance of the Minutes

Commissioner Burgess: "Alright, thank you. Now I need a motion to accept the regular meeting minutes of October 20th."

Commissioner Borges-Lopez: "So moved."

Commissioner Mann: "Second."

Commissioner Burgess: "Alright, no discussion; any discussion, corrections?"

Commissioner Maultsby: "Abstention."

Commissioner Burgess: "Abstention [acknowledging Commissioner Maultsby]. Okay, all in favor."

Commissioners simultaneously: "Aye."

Commissioner Burgess: "And one abstention [directed to the Clerk]."

Commissioner Borges-Lopez made a motion to accept the regular meeting minutes of October 20, 2009. Commissioner Mann seconded and the motion passed with five Commissioners voting in favor and none opposed. Commissioner Maultsby abstained.

Select Chairperson and Vice Chairperson

Commissioner Burgess: "Okay, now we're down to select Chairperson and Vice Chairperson."

Commissioner Ayme: "At this time I'd like to nominate Mary 'Mimi' Burgess to Chairman of the Commission."

Commissioner Mann: "I'd like to second that nomination."

Commissioner Burgess: "Okay, are there any other nominations?"

[No remarks]

Commissioner Burgess: "Any other nominations?"

[No remarks]

Commissioner Burgess: "Alright, are we ready to vote? All in favor."

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Okay, now..."

Commissioner Borges-Lopez: "I'd like to nominate the Vice Chair."

Mr. Hiscock: "Hang on one second please."

Commissioner Borges-Lopez: "Yes."

Mr. Hiscock: "Can I get an account for the Clerk, because I didn't hear all the votes down this end?"

Commissioner Burgess: "Oh, okay."

Mr. Hiscock: "Okay, do you have the...?"

Ms. Pampoukidis: "Everybody."

Commissioner Burgess: "She has it [directed to Mr. Hiscock]."

Mr. Hiscock: "Okay."

Commissioner Burgess: "Okay."

Commissioner Ayme made a motion nominate Commissioner Mary E. Burgess as Chairperson of the Second Taxing District Commission. Commissioner Mann seconded and the motion passed unanimously with all six Commissioners voting in favor and none opposed.

Commissioner Borges-Lopez: "I would like to nominate Cesar Ramirez as a Vice Chair."

Commissioner Burgess: "Is there are second?"

Commissioner Ramirez: "Can I second myself, based on the...?"

Commissioner Burgess: "Yes, okay."

Commissioner Ramirez: "Yes, I'll second."

Commissioner Burgess: "Okay, are there any other nominations?"

Commissioner Mann: "I'd like to nominate Al Ayme."

Commissioner Burgess: "Is there a second to that?"

Commissioner Maultsby: "Second."

Commissioner Burgess: "Okay, are there any other nominations?"

[No remarks]

Commissioner Burgess: "Any other nominations?"

[No remarks]

Commissioner Burgess: "Okay, are we ready to vote? I guess first on Commissioner Ramirez, all in favor."

Commissioner Maultsby: "Last goes first."

Commissioner Burgess: "Pardon me?"

Commissioner Maultsby: "The last nomination has to be voted on first."

Commissioner Burgess: "Okay, alright, then Al Ayme, all in favor."

[Commissioners Ayme, Mann, and Maultsby raised their hands]

Commissioner Burgess: "Now, for Commissioner Ramirez, all in favor."

[Commissioners Borges-Lopez and Ramirez raised their hands]

Commissioner Burgess: "Alright, I think Al Ayme."

Commissioner Ramirez: “And...”

Commissioner Burgess: “Yes [acknowledging Commissioner Ramirez]?”

Commissioner Ramirez: “Who did you vote for [directed to Commissioner Burgess]?”

Commissioner Burgess: “Who?”

Commissioner Ramirez: “Who did you vote for, because I didn’t see you voting, so?”

Commissioner Burgess: “Me?”

Commissioner Ramirez: “Yes.”

Commissioner Burgess: “Al Ayme.”

Commissioner Ramirez: “Okay.”

Commissioner Mann made a motion to nominate Commissioner Al Ayme as Vice Chairperson of the Second Taxing District Commission. Commissioner Maultsby seconded. The motion passed with Commissioners Ayme, Burgess, Mann, and Maultsby voting in favor; and Commissioners Borges-Lopez and Ramirez opposed. There were no abstentions.

CONSENT AGENDA

Electric Write Offs – July 1, 2009 thru September 30, 2009

Commissioner Burgess: “Now, the consent agenda, and I believe we wish to take this off the agenda, is that correct John [Mr. Hiscock]?”

Mr. Hiscock: “Yes, I’m requesting that it be withdrawn because I was unable to put everything in place that’s necessary prior to it being dealt with this evening. The Appeals Committee will finalize something very shortly.”

Commissioner Burgess: “Okay.”

Mr. Hiscock: “But under our procedures we’re required to notify the appellant of the Appeals Committee decision, and give them an opportunity, and give them a written copy of the decision along with all of the other information, so based on that, I’m simply saying that I’d like it withdrawn, and would like to place it on the December agenda. And that will give everybody sufficient time...”

Commissioner Burgess: “Do you need a motion to remove it?”

Mr. Hiscock: “You need a motion to remove it, yes.”

Commissioner Ramirez: “I would like to place a motion to remove it, please.”

Commissioner Ayme: “Second.”

Commissioner Burgess: “Okay.”

Commissioner Ramirez: “And that’s based on what the CO has presented to us.”

Commissioner Burgess: “Okay, all in favor of removing that from the agenda tonight.”

Commissioner simultaneously: “Aye.”

Commissioner Burgess: “Any opposed?”

[No opposed]

Commissioner Burgess: “Any abstentions?”

[No abstentions]

Commissioner Ramirez made a motion to remove ‘Consent Agenda - Appeals Committee Decision’ from the agenda. Commissioner Ayme seconded and the motion passed unanimously with all Commissioners voting in favor, and none opposed.

Commissioner Burgess: “Okay, now we’re into the regular agenda, or...?”

Mr. Hiscock: “Yes, and...”

Commissioner Burgess: “You have something you want to add after the regular agenda, or before it?”

Mr. Hiscock: “Madam Chairman, I’m requesting that you add an item for a discussion on the procedure for Commission vacancy replacement or filling; for filling a vacancy procedurally; just to discuss the procedure so everybody clearly knows how it happens.”

Commissioner Burgess: “Okay, can I have a motion to...”

Commissioner Maultsby: “I move that we add the...”

Mr. Hiscock: “Procedure for filling Commission vacancies [responding to Commissioner Maultsby].”

Commissioner Maultsby: “...procedure for filling Commission vacancies.”

Commissioner Burgess: “Okay, I’ll second that. Is there any discussion of that?”

[No remarks]

Commissioner Burgess: “Are you ready to vote?”

[No remarks]

Commissioner Burgess: “All in favor.”

Commissioners simultaneously: “Aye.”

Commissioner Burgess: “Any opposed? Any abstentions?”
[No opposed. No abstentions]

Commissioner Maultsby made a motion to add ‘Procedure for filling Commission vacancies’ to the agenda for discussion. Commissioner Burgess seconded and the motion passed unanimously with all Commissioners voting in favor and none opposed.

REGULAR AGENDA

Receive, approve and recommend to the Electors the Audit Report (Comprehensive Annual Financial Report) of the Second Taxing District for Fiscal Year July 1, 2008 – June 30, 2009.

Commissioner Burgess: “Okay, now we’re into item five, and we have two people here to answer any questions you might have.”

Mr. Hiscock: “Yes, the audit report has been prepared. You received on Friday the draft version of the audit report, and we’re here to discuss it this evening. I want to indicate to you that there have been changes to the draft that I will go over. Don’t get frightened by all my yellow tabs, because that even includes typos, so...”

Commissioner Burgess: “It is frightening.”

Mr. Hiscock: “...it looks like a lot, but there are only two substantive issues that are being changed. Procedurally, we have our annual meeting next Tuesday, and at the annual meeting we will provide the audit to the electors. We will provide the customary explanation in brief form to the electors, answer any questions the electors may have. In addition to my presentation next Tuesday night, we will have Bob Bailey from Hope and Hernandez here to answer any questions. He’s the principal at Hope and Hernandez who is responsible for the audit. It’s done under his supervision. We will have Mark Harris from our staff, and Kevin Barber from our staff, to answer any questions that may come up. Kevin [Mr. Barber] is also here this evening to answer any questions that may come up that I may not know the correct answer for. Either that, or I may draw a blank and somebody will have to remind me. So that is the procedure. We all know in addition to the audit situation we set Commissioners’ compensation, or the electors select the compensation, or set the compensation, for Commissioners; and we also elect the Ethics Committee. So those are the three items on the agenda for next Tuesday evening, and the meeting was duly noticed in the paper and all of those things were properly handled. Getting to the audit, you have clean copies in front of you, handed out. This is the final version of the audit. And you also have your copy in the Board book, if you had made notes, or have any questions. I’m going to start off by quickly...”

Commissioner Ramirez: “Do you want the questions after, or before, or...?”

Mr. Hiscock: “I think I’d like to go through just a brief summary of where we are, if you don’t mind, and then... but as I speak, anybody who has any questions just please ask them as we go along, otherwise we’ll be back and forth, and that’s going to be tough. Okay, it’s in a form that you’ve see previously. There’s nothing unusual about it. The format is identical to the prior year, and the year before that. It starts off with the introductory section, the table of contents. We go through that, and we start with the letter of transmittal. At the time that I signed the letter of transmittal, Otha Brown was alive and the Chairman of the Commission at that point in time, that’s

why it is addressed... so this was an October 20, 2009 document. At that point in time it was appropriate to address it to the Chairman. It's very similar to the document that you've seen in previous years. It explains what the District is, and while it's repetitive to all of you, for somebody who's looking at this for the first time they clearly need to understand the entire District. The major initiatives on the roman numeral five page, just a brief update that the filtration plant was completed, and the loan was finalized, and we're starting payments on the... have started... have paid, as of October 31st. The next major initiative hasn't changed from the prior year; investigation into a replacement generation plant. We believed, based on the legal status, that there was no change, and therefore we change a word or two in it, but the concept is identical. Because of the size of the AMI, the Advanced Metering Infrastructure project, we decided to add that as a major initiative. We talked about the, also the GASB45, evaluation of other post-employment benefits, and updated that to include the OPEB liability which was determined as of July 1, 2008. You only do that every three years. We talked about the plan to create a new bulk power substation on Martin Luther King Drive, and talked about the land that we just purchased and the project itself. There are two changes on that page. One is correcting the spelling of system, and changing Martin Luther King Junior Boulevard to Drive. We go down through the next several pages. We look at page 7. The only change there from last year's, and this is not a change in the document you've seen, which is updating the debt administration to reflect one more year payment on the New Canaan Reservoir. On page 8, on top of the page, it speaks about the general obligation loan of \$24,715,165. There was a typo corrected in the first sentence. We changed the word 'from' to 'to', because it's now a loan commitment from us because we have the money to the State to repay it. Previously it was a commitment from the State to loan it to us; just a technicality. And that essentially is the transmittal document. So as you see, it's very little difference. We go on through the typical org chart. We go to the financial section. We have the independent auditor's report basically explaining that he audited it in conformance with the requirements. That letter is, other than a few date changes, the same as last year's. We move to the financial section, management discussion and audit. This is where you start to see some information about the District itself. It starts off just explaining government-wide financial statements and business activities, and distinguishes between governmental activities and business type activities, and as you all know that virtually all of our activities are business related, and there's very little government related business that we do. If you go to the table on page 4, it becomes clear. A couple of notables - the governmental activities column on the bottom of [page] 4, you have 2009, 2008. You can see that our total net assets for governmental activities have dropped very, very slightly, and essentially that is due to depreciation expense; and you'll see that in another table. Previously there was no depreciation in the District, but because we did the library improvements they are depreciating over I believe 39 years. and we don't take enough money from the two utilities to worry about the non-cash depreciation value. We just cover the operating expenses and the cash. You go to the business activities and you'll see that the total net assets of the business activities increased from \$47,278,000 to \$48,729,000. So we had a slight increase in total net assets, and obviously that's a very important thing. And the last column is percent change for the total District. You can see that the total net assets went up by 2.87%. The other changes swings up and down have to do with the debt and the debt arrangement, and that's why they're swinging in a different fashion, that's all. As you move to page 5 there's the explanation of the change in net assets in detail. There's nothing really significant, other than it just lays it out with respect to how and why it changed, and what areas have changed. Obviously relatively little change from year to year. We slowly build assets going forward. You can see that the total... the District's total net assets of \$51,550,000 increased by \$1.44 million, a result of this year's operations. Again, it points out the general fund decreased by \$11,000.00. And the Water and Electric; Water's assets increased by \$921,000 and Electric by \$529,000; just statistical information. If we move to page 6 there's a typo that we corrected in the first large paragraph

'Electric had a decrease in operating revenues of \$702,000 to \$15,147,582.' The next sentence, the change was 'This... it said 'increase'. That was a carryover from the prior year. It's 'This decrease'. And now it goes on to explain that the decrease is due to a change in the kilowatt hour rate charged to customers because we decreased the price because we lowered to PPA last year, so it net affective decreased the per kilowatt hour price. And we also had a reduction in sales. We had... there's obviously two issues. One was the economy started to tank in the end of the fiscal year, and we really had a very, very cold spring. So that's the other reason for that dropping. It goes on to explain that the Electric's increased expenses of \$71,000 was due to increases in health and medical, including OPEB's in the current year. Electric experienced a net decrease in non-operating revenues of \$157,000 due to interest revenue. We all know that the Electric fund has a huge cash balance, and previously with higher interest rates we were earning significant amounts of money. As CD's and other things became due during the year, they were replaced with instruments of much, much lower interest rates. And in the end the Electric's net assets increased by 2.25%, \$529,000. Water had an increase in operating revenues of \$41,000, increased over the prior year because we had a rate increase. Water sold 3.75% less in gallons, and the operating expenses increased by \$894,000; a lot to do with the filtration plant project, and Water's net assets increased by 3.88% or \$921,000. It goes on, and goes through a whole bunch of statistical information. And then the debt is explained. Then it talks about the significant factors. One was obviously the drinking water loan for the plant; a comment that wholesale electric costs will continue to rise, and really due to the transmission facilities that are being built. We're starting to pay for them now. And then just a comment about Reed Putnam; it was in last year's report. Then we move down to the financial statements. We have a balance sheet on page 8. You can look at a couple of things that are important to look at. The first major grouping, Current Assets, which is mostly cash, inventory, accounts receivable, billed revenue. If you look at the total current assets of the government, which is the District, it's about a little over \$1 million. Most of it in a bank account. If you look at the business activities you'll see that the cash is \$20... almost \$21 million, for a combined of \$21.9 [million]. So there's obviously a very significant amount of cash that's currently held by the District. Some of this cash is not necessarily ours, and there's some offsetting liabilities, but a very large portion of it is ours. We have non-current assets, and essentially that's mostly utility plant in service. If you look in the governmental activities column you'll see \$1.8 million. That's our investment in the library, which is being depreciated. In the business activities side you will see about \$53 million in utility plant. That's pipes, reservoirs, pumping stations, transformers, substations, meters, wires, cables, poles, pipelines; all of the things that we use for our business. Most interesting is if you look at the total assets of the District, it's \$81 million. We do believe that's significantly undervalued, because of the electric over the years did not book non-cash contributions. We're in the process of going through that issue, and we've made some changes internally with respect to staffing to straighten that out. It won't change our net worth very much because it's offset by contributions and aided construction, which sort of tracks the increase in assets. You go down through the liabilities, and our current liability is \$5.9 million for the District. Then we have non-current liabilities, and that's where the big numbers are. And the biggest number on the page, obviously under business-type activity, is the loan payable for the water filtration plant; big numbers, \$22 million plus the current portion of it. So it's about \$24 million in debt. Not a surprise to us. We all know that we borrowed a lot of money to build a plant. And then obviously the total liabilities and net assets balance is against... total assets. Governmental activities on the next page, nothing of a surprise; you see the list of expenses for governmental activities, \$188,282. Public officials' salaries, clerk's salary, treasurer's salary, community service projects, legal, accounting and insurance, meetings, printing and other, depreciation expense. Depreciation expense is the depreciation on the library, as I mentioned previously. So the total cash outlay was really \$188,000 minus the \$47,000 in depreciation, so it's about \$141,000 in actual cash expended

by the District. And then you move down below and it's got the business activities, Water, Electric; it shows their expenses. And as you go down further on the page it gets into the revenue side of the District governmental activities, and shows all of that information. It also shows the business activities, and it all ties out to the previously mentioned \$51 million in net assets. That page is a page that is utilized by people who evaluate governments, and if we were a government form that didn't have business-type activities it would look very, very different than this. We just happen to fortunately have two businesses that we run, and that are the primary purpose of the District at this point. If you go to page 10, it's simply the balance sheet of governmental funds. This is the District itself. You can see the \$1 million in cash. You can see some accounts payable; unreserved fund balance. Flip the page and you have the rest of it here, simply saying the net assets of the government form, the cash and the library, \$2.8. Another page that explains... and that's one of the things that happens in this kind of a report, you know, there's a lot of repetitive information presented in different ways. We talked about all of these. Expenditures - the revenues for the District of \$16,987, which is interest income down from previous years because one, we spent \$2 million essentially on the library so our cash is less, and interest rates have dropped. And this just reconciles the beginning to the end. Next page is just a reconciliation of revenues, expenditures and changes in fund balance. And it shows how you arrive at the net loss in asset value of \$11,000 in the District. Move over to the next page, and it's a comparison between budgeted and actuals budget amounts. There's the original budget, the final budget. There were no changes in the budget during the year. The next column is the actual, and then the variance. Probably the most important thing to notice is that we spent \$29,591 less than budgeted. So we were positive. That's on page 14. As we move to page 15, it simply breaks the assets down between Electric and Water. So now you get to see the differences between the two utilities. An example - Water has total assets of \$51 million, Electric has total assets of \$27 million. Out of that \$27 million, \$17 million of it is essentially cash and cash equivalents, and non-current assets; utility plant is only \$10 million. On the Water side the current assets cash is only \$3 million, and the non-current assets, which is utility plant is \$47 million. So that you can see that there's a big difference between the two utilities. Water is very capital intensive, and has a lot of new facilities; and Electric has a lot of cash, but certainly not many facilities that are actually fully depreciated, and would not show here. As you go down to the bottom of the page you can see the current liabilities for the Water Department, loan payable, the water filtration plant, \$1.914 million, \$1.915, which was paid out about two weeks ago to the State for the first payment on the loan, which was accrued interest and one year's payments, so the current liabilities of the Water utility was \$2.5 [million]. We move down a little bit further, non-current, and you see that big number again, \$22,800,217 for the filtration plant loan. You go down to the bottom of the page and again the numbers tie out. The next page is revenues. Here is a significant change to the document that you have seen. The final version is slightly different. If you look under the column that says water you'll see \$4.497 million and \$1.103 million listed as industrial. Those two numbers need to combine so that we have a \$5.5 million for residential and commercial; and the \$277,000 below that which is listed as street lighting, is not. That belongs in the industrial section. So essentially what happened, when they were putting the spreadsheet together they missed a spot. We caught it, and have corrected it in the final version that you'll see. A couple of issues on this page, I'm not going to get into much detail other than the total operating revenue of the Water utility is \$6.5 million; the total operating revenue of the Electric Company was \$15.1 million. You move down to expenses - operating income of \$6 million... I'm sorry, operating expenses of \$6 million for Water, resulting in the operating income of \$530,000. For Electric you'll see operating expenses of \$15 million, with an operating income of \$22,000. And we'll talk about that in one minute. The most notable obviously in the Electric operating expenses is purchased power from our wholesale supplier, CMEEC, of \$10 million. So as you look at the two companies, they look significantly different until you factor in the purchased power and

compare it to the water filtration plant expense, and you see that the two companies are pretty similar in size, and they're staffed pretty similar, or the two funds. The other issue about the Electric Department, or the Electric... excuse me, the Electric fund is that while the operating income is extraordinarily low, because CMEEC was successful during the fiscal year in question that the Rate Stabilization Fund did not drop as low as we had planned and budgeted, and consequently had we withdrawn the excess from the Rate Stabilization Fund and lowered our electric bill to CMEEC, that number would have been significantly higher. It just shows that we have the ability, when we deal with the Electric utility, because of the various funds, that we have the ability to change that bottom line essentially at will, because of this purchased power arrangement and this rather large Rate Stabilization Fund hanging out there. So even though it's only \$22,000, the fact that several hundred thousand would have come back in had we leveled the Rate Stabilization Fund to match the planned Rate Stabilization Fund, so in essence CMEEC was successful. Power was cheaper than budgeted. We budgeted our budget, based on their budget. So the net effect is even though there's only \$22,000 in operating income, the overall position of the Electric Company was better, or the Electric Department. I keep calling it Company, I'm sorry. The other notable in the Electric utility that's significant, if you look at interest income and late charges, and in the case of the Electric fund it's interest income, and it was \$522,000. Again, as the economy tanked and the interest rates declined, you will not see anywhere near \$522,000 in interest income this time next year. So the financial position of the Electric fund will not look as good; and just the ending assets. Statement of cash flows just shows where the money comes from and where the money goes to. These are always difficult for people to look at and fully understand. If you're used to looking at financial statements you can work through this document. A simple example – cash flow from our operating activities on the top of page 17 shows \$571,000 from Water, \$758,000, and these are thousands, from Electric. Those are the cash amounts generated by those two after expenses. You see the \$80,000 down further that goes out to the District. And then cash flows from capital and related financing are CDs, and in, and out, and loans, and notes, and it's all of the changes in cash due to changes in capital assets, current assets, and related financing. Investing has to do with CDs. There's kind of a little quirk when you deal accounting. CDs are considered investments. Bank accounts are considered cash. You know, that's just the way it is, and that's why it's separate. To most of us short-term CDs and cash are the same thing. You know, I mean if you had five, six, seven, eight year maturities then this is significant. We normally don't do that. And then the bottom of the page is simply reconciliation dealing with receivables, inventory, paid expenses, customer deposits, and accrued liabilities that move up and down from year to year. Okay, that is a brief overview of what's gone on for the year and our financial position. From here on back you have notes. They're very similar. I'm only going to note the changes, and we'll be done relatively quickly. A lot of this is boiler plate; doesn't change from year to year. It talks about the cash deposits on page 20, which talks about current cash and where the cash sits, and talks about custodial credit risk and concentrations of credit risk; not terribly significant, other than they change from year to year. Next page has got the investments, which are basically CDs that have moved along, and it talks about the custodial credit risk there. We invest only in banks approved by the State, subdivisions of the State, and the State, we're allowed, but we're only investing right now our money in banks that are approved by the State. If we move down to the bottom of page 21, fees, commission, treasurer, and clerk; it just talks about expenses and what they are. Move on through [page] 22, 23, get to page 24; simply just a statement of cash flow. There is a change on page 24. Interest paid during the year, under Water, which is under [item number] 17, it's \$61,125; that was incorrect, and it was corrected. Page..."

Commissioner Maultsby: "In this same report, or somewhere else?"

Mr. Hiscock: "In the report that you have it has been corrected."

Commissioner Maultsby: "Oh, okay."

Mr. Hiscock: "...the finalized version."

Commissioner Maultsby: "This is the... yes, okay"

Mr. Hiscock: "And it wasn't a significant number, so I don't have the two out side by side, but you can see that, and I wanted to explain every change we made. [Item number] 21, accrued compensated absences on page 25. That number changes from year to year, and it's the... based on our employee manual, and the ability to accumulate either vacation or sick leave in accordance with the employee manual. We true that up at the end of each year and list what the actual liabilities are for them. Cash, customer security deposits, which is [item] B on top of [page] 26, there was an error there. We had \$1,719,732 in the report you're looking at, and it's actually \$1,718,843; a tiny change. We picked that up as it was..."

Commissioner Borges-Lopez: "\$1 million, 718 what?"

Mr. Hiscock: "\$1,718,843 is the corrected number..."

Commissioner Borges-Lopez: "But it..."

Mr. Hiscock: "...and that is in your bound report."

Commissioner Borges-Lopez: "...it's not corrected in this."

Mr. Barber: "John [Mr. Hiscock], you read it backwards."

Mr. Hiscock: "Did I?"

Commissioner Borges-Lopez: "Yes, backwards."

Mr. Barber: "\$1,719,732 is the (inaudible) number."

Commissioner Borges-Lopez: "Is the accurate figure."

Mr. Hiscock: "Oh really?"

Commissioner Borges-Lopez: "Yes."

Mr. Barber: "Is that what was in the original...?"

Mr. Hiscock: "Okay, that may have been changed in the process, because the draft I'm looking at..."

Mr. Barber: "What number's in your draft copy?"

Mr. Hiscock: "I'm in the draft, and it shows \$1,719,732."

Mr. Barber: "Yes, I believe Bob [Robert Bailey], left that number as is."

Mr. Hiscock: "Okay we will clarify that for you, because the version I had it was corrected, so now it's back to where it was. Long story short, the difference between \$1,719,000 and \$1,718,000 isn't a big number; and two, it's not our money anyway, it's our customers' money. So I apologize for that. Under [item] D there was a typo. CMEEC is presently comprised of not seven municipalities, but five member municipalities and one participant. We didn't explain that in here, that would take five pages to explain. One the next page, 27, [item] D; that was originally picked up from prior years, CMEEC's Bonded Debt, which says 'Electric's share of CMEEC's bonded debt at June 30, 2009 is \$3,819,641. That is incorrect. That is CMEEC's share of the original debt relating to the stranded assets of the nuclear power plants. We have since invested in the Pierce Power Plant that we talked about here about two years ago. The actual investment has just shown up, because we just completed the project, and the actual share of CMEEC's bonded debt held by SNEW at this point is \$6,012,305, which means that the next statement, 'Electric's net obligation (bonded debt less Electric's share of the rate stabilization fund) is \$0 as of June', it is not. I'll explain that in a minute. It's close, but it's not. Okay, and that's because when you add 5.5 and about 1, it comes out to about 6.5, but portions of it that's in the rate stabilization fund that we use for modifying rates versus the trust portion, and the new version has the corrected..."

Commissioner Ayme: "May I ask a question at this point?"

Mr. Hiscock: "Yes [responding to Commissioner Ayme]."

Commissioner Burgess: "Yes [also responding to Commissioner Ayme]."

Commissioner Ayme: "Through the Chair."

Mr. Hiscock: "Sure, please."

Commissioner Ayme: "On the Rate Stabilization Fund, does that mean that we have to make other deposits?"

Mr. Hiscock: "No. No. Because we're paying off the debt annually, as part of our rates, the... CMEEC's total bonded indebtedness, and our share of the original debt, is decreasing steadily and will be paid off by 2017. So that number is dropping. Our trust portion of the Rate Stabilization Fund is earning dividends, maybe not to the level that it used to, but it is continuing to earn dividends. And the Pierce debt that CMEEC placed was a balloon debt, but CMEEC is holding reserves to cover the balloon payment at the end, and the cost of the reserves that it's continuing to hold is also coming out of rates. So what is currently happening is that the debt is being paid down, and the Rate Stabilization Fund municipal trust portion is inclining, or increasing, very slightly. So if you looked at this next year you would actually see it being absolutely back to zero again. Now there is other debt that is going to be reflected differently on the balance sheet because we decided to fund the 50 and 5 project with a capital lease, and that will be then a note in their statement, and we will have a share of that note also. That's sort of outside the scope of this particular audit, and we'll talk a little bit about that next year. But to answer your question, very shortly, and probably by now actually, we still have more money in the municipal trust than our obligation to CMEEC."

Commissioner Ayme: "Oh, I see."

Mr. Hiscock: "Okay?"

Commissioner Ayme: "Okay, may I, one more question?"

Commissioner Burgess: "Yes, go ahead [responding to Commissioner Ayme]."

Commissioner Ayme: "The... in terms of the balloon debt, who's holding the reserves on that? I'm assuming that CMEEC is holding..."

Mr. Hiscock: "CMEEC is holding the reserves."

Commissioner Ayme: "...is holding the reserves."

Mr. Hiscock: "Correct."

Commissioner Ayme: "So at the point where we have to pay off that obligation, we won't be called in for money from CMEEC?"

Mr. Hiscock: "We will not."

Commissioner Ayme: "Because they're holding the reserve?"

Mr. Hiscock: "Right, and the reserve is increasing each year, and it's based on a portion of the rate that we pay..."

Commissioner Ayme: "Right."

Mr. Hiscock: "...being taken out and placed into the reserve to cover that debt."

Commissioner Ayme: "Okay."

Mr. Hiscock: "Okay, and that was a 20... actually it was a 19-year note."

Commissioner Ayme: "Yes. I have another question, but I can wait until you're finished if you want."

Mr. Hiscock: "Okay. Just more detail about the assets and accumulated depreciation. Depreciation schedules on page 29, we added dollar signs in front of two numbers. I don't think that's significant. Payment schedule for bonds is included on page 30. Then we get into a whole section about the CMERF pension, which is not under our control but we're required to report it so that everybody knows where the CMEEC... no, the CMERF, pension fund is. And right now it's not doing well, but nobody's pension fund is, and we'll end up paying a little bit more. And that goes on for pages and pages. On page 38 we made a typo change. We put a space between post employment at the bottom of the page. This section talks about post-employment and retirement benefits, the OPEB issue. It goes on to speak to that, and how it's all calculated. And that's the end to the notes. From here back it's all extreme detail, and unless somebody has questions about it, I don't really believe we should go over it. I mean this really gets into detail. We made a few changes. They were all typo related changes, other than on page 44. At the top of the page we're dealing with the Water, and the budget, and the actual. And those three numbers that I told you

changed, previously, the \$4.4 million, the \$1.1 million, and the \$277,000, they got corrected on this sheet also. Then there's a whole bunch of budgetary information. The long and the short of it by the way is we were fine with respect to the budget on both Electric and Water. In each case we spent less than authorized, so we didn't exceed the budget, and all that detail explains that. I'm sure the electors would like to know that. On page 56, table 1, we have the same general issue with respect to those three numbers that were corrected. And then finally, on page 63, in the middle of the page, we changed a debt statement date from '08 to '09, because it was a typo we didn't pick up. So that is the audit report, and I think we're in relatively... in general, we're in relatively good condition. We're financially sound and stable, and the audit report seems to indicate that."

Commissioner Burgess: "I believe, if you don't mind, Commissioner Ramirez indicated early that he had a question."

Mr. Hiscock: "Yes."

Commissioner Ramirez: "A couple of questions, sir."

Mr. Hiscock: "Sure."

Commissioner Ramirez: "Correct me if I'm wrong on this one, okay? On the... going back to the page, number 12."

Mr. Hiscock: "12, okay."

Commissioner Ramirez: "For the community services projects. Do you recall the number that we had the year 2008?"

Mr. Hiscock: "Okay, I'm here. Okay, 2008?"

Commissioner Ramirez: "No, do you recall the number, because what we have here is \$32,718 for this..."

Mr. Hiscock: "Right, expended, \$32,718. Do I recall what it was in 2008?"

Commissioner Ramirez: "Right."

Mr. Hiscock: "I don't specifically recall."

Commissioner Burgess: "Does Mr. Barber, perhaps?"

Mr. Hiscock: "Would you happen to have that number someplace [directed to Mr. Barber]?"

Mr. Barber: "It may be..."

Mr. Hiscock: "There might be a place to find it."

Commissioner Ramirez: "How much money do we have right now in the fund?"

Mr. Hiscock: "Those community service projects are the budgeted ones. They relate to the Heritage Wall, the Peter's Park..."

Commissioner Ramirez: "Right, right, right. I mean, I don't want to get the specifics of how we spend it. I need to know, how much money do we have, because this is what we spend, is that correct?"

Mr. Hiscock: "Right."

Commissioner Ramirez: "Okay. How much money do we have?"

Mr. Hiscock: "You mean currently in this fiscal year?"

Commissioner Ramirez: "Currently, right?"

Mr. Hiscock: "I couldn't tell you that. I don't know. I can tell you that we have allocated very little of the unspecified community service budget, and I don't have an up-to-date number at this point of how much we have spent out of this year's budget."

Commissioner Ramirez: "If I recall correct, is it true that whatever we have leftover from the year prior we carry over to the next following year?"

Mr. Hiscock: "No, that is incorrect. This is an annual budget, and at the... essentially, at the end of the year that's it, it is done, and we take the money and return it to the general fund budget, so that if we spend less than budgeted, it goes right back into the cash."

Commissioner Ramirez: "The reason why I went into that is because I'm going to make a little suggestion, and I mean something, a little seed, to think about. Okay, and it's all up to you. Perhaps a suggestion would be that if indeed we have some left over, what about to have an idea to start to fund some type of scholarship program for the future generation in our colleges? Any money that's been leftover, to perhaps pass it to a scholarship program, and in the future, for the next budget perhaps, maybe we can think about it, a scholarship..."

Commissioner Burgess: "Well I think we can think about it at the next..."

Commissioner Ramirez: "Yes."

Commissioner Burgess: "...because..."

Commissioner Ramirez: "And the reason is, I mean... do you understand what I'm saying?"

Commissioner Burgess: "I understand what you're saying, but I would have to... we'd have to be so careful with that."

Commissioner Mann: "You better believe it [agreeing with Commissioner Burgess]. We're a municipality."

Commissioner Burgess: "But I just don't think..."

Commissioner Ramirez: “What was that again [responding to Commissioner Mann]?”

Commissioner Mann: “I said we’re a municipality. We’re going to have to be so very careful as to the selection, the process. It’s going to get political. It’s going...”

Commissioner Burgess: “Who gets the scholarship...”

Commissioner Mann: “You better believe it.”

Commissioner Ayme: “Yes, may I please?”

Commissioner Mann: “That’s going to be ugly.”

Commissioner Burgess: “I’d like to say one thing, it...”

Commissioner Maultsby: “It is not a general... am I correct to thinking, with my thinking? This is not a general fund, meaning that it’s specified and/or allocated to South, SoNo, because if you went community, you’d be wide open to anybody.”

Commissioner Burgess: “Well no, that’s my problem.”

Commissioner Maultsby: “Am I correct?”

Commissioner Burgess: “That would be my problem.”

Commissioner Maultsby: “Huh?”

Commissioner Burgess: “That would be my problem.”

Commissioner Maultsby: “That would be... okay. I thought that’s what you were...”

Commissioner Burgess: “I would think it would only go to...”

Commissioner Maultsby: “SNEW.”

Commissioner Burgess: “...children of our rate payers.”

Commissioner Maultsby: “Yes.”

Commissioner Burgess: “So now you... that’s a nightmare.”

Mr. Hiscock: “I would...”

Commissioner Burgess: “Well, I...”

Mr. Hiscock: “I would suggest that if we move in this direction...”

Commissioner Burgess: “I would suggest it doesn’t fit in this discussion tonight.”

Mr. Hiscock: "It... neither here nor there, but I think you would need advice of counsel."

Commissioner Burgess: "I think so too."

Mr. Hiscock: "And you'd need a specialist because of the tax ramifications and all of the situations with respect to what everybody brought up, the equality. So that would be a possible thing if you decided to allocate funds for something like that. It wouldn't matter where in the budget you allocated it, actually, cash, is cash, is cash. But you'd need very good legal advice. That's my only comment."

Commissioner Burgess: "May I... it would appear that one of your staff has found some numbers somewhere."

Mr. Barber: "I did find the difference of what we spent on community service last year. It's in rounding numbers. Last year we spent roughly around \$37,000 in community service, as compared to \$33,000 for this year. And that actually was found on page 5, comparison between fiscal year 2008 and fiscal year 2009."

Commissioner Ramirez: "The next question that I have, going back to this book, on page 63."

Mr. Hiscock: "63?"

Commissioner Ramirez: "Yes. I just need a brief explanation on how this page is... especially when you're dealing with a huge amount of money; debt."

Mr. Hiscock: "Okay, this table actually starts on page 62."

Commissioner Ramirez: "That's correct, but that wasn't..."

Mr. Hiscock: "...and it's the ratio of..."

Commissioner Ramirez: "I was interested in the last page, 63."

Mr. Hiscock: "Okay, yes."

Commissioner Maultsby: "What tab?"

Commissioner Ramirez: "The City..."

Commissioner Maultsby: "What tab, or what are we...?"

Mr. Hiscock: "Page 63, towards the back [responding to Commissioner Maultsby]."

Commissioner Ramirez: "Page 63 [also responding to Commissioner Maultsby]."

Mr. Hiscock: "It's in the..."

Commissioner Ramirez: "What you have here, basically, on the right, is the percentage of what people are paying, or what is...? (Inaudible) me in on this one."

Mr. Hiscock: "Oh, okay. If you look under the overlapping and the underlying debt you will see that the amount of net City debt as of June 30, 2008 is \$193 million."

Commissioner Ramirez: "Okay."

Mr. Hiscock: "And out of that, the amount of that debt that the Second Taxing District is responsible for..."

Commissioner Ramirez: "Okay."

Mr. Hiscock: "...as general obligation debt, is \$15 million. So this table basically says, out of the \$193 million that the City owes..."

Commissioner Ramirez: "Right."

Mr. Hiscock: "...if you were to assess it on everybody equally, which you're required to do, our residents, or our properties, would pay \$15 million of that. The purpose of this document is to let everybody know what the actual debt of the... the actual debt to be covered by the Second Taxing District's portion of the City debt, which is \$15 million. And then when you add our \$24 million into that, it comes down and says that the property owners in the Second Taxing District at this point in time are responsible for \$39 million in debt. Okay, combined between our debt and the City's debt. But the City's debt is our debt because it is laid on our taxpayers. So \$15 million in debt of the City is covered by our taxpayers, and \$24 million is our own debts, for a total of \$39 million. So it basically says if we were to default, both the City and us, because they're all general obligation bonds, the easiest way to get that money is to tax everybody in the District to cover the \$39 million. It's a theoretical calculation of the debt. That's all it is."

Commissioner Burgess: "I think..."

Commissioner Ayme: "Only if it came down to that?"

Mr. Hiscock: "Only if it came down to that, and boy, things would be a lot worse if it came down to that."

Commissioner Burgess: "I think, Commissioner Ayme, you had a question too?"

Commissioner Ayme: "Yes, I do. On page 15..."

Mr. Hiscock: "15, okay."

Commissioner Ramirez: "Which one? This one, or the other one?"

Commissioner Maultsby: "Which manual?"

Commissioner Ayme: "On page 15... well, we have more than one..."

Commissioner Maultsby: "Yes. Yes."

Mr. Hiscock: "Well 15... what's the title of the document?"

Commissioner Ayme: "The second... the statement of net assets."

Mr. Hiscock: "Okay."

Commissioner Ayme: "Dated June 30th. In the financial statements."

Mr. Hiscock: "In the financial statement. Okay. It says 'Second Taxing District, City of Norwalk, Statement of Net Assets, Proprietary Funds'?"

Commissioner Ayme: "Yes."

Mr. Hiscock: "And it has two columns, Water and Electric."

Commissioner Ayme: "That's right."

Mr. Hiscock: "And that's page 15 of the financial section."

Commissioner Ayme: "Yes."

Mr. Hiscock: "Okay."

Commissioner Ayme: "Okay, on the Electric side we show the investments for CMEEC as \$178,000. I understand that's the original cost?"

Mr. Hiscock: "When we bought in to CMEEC in 1987, or what it was, that was our price to get in."

Commissioner Ayme: "Right."

Mr. Hiscock: "That was our equity contribution at that point in time, \$178,000, and it's carried at original cost."

Commissioner Ayme: "Right."

Mr. Hiscock: "And... so that's what it is. To give you some sort of relative idea, Wallingford is about to buy in at about \$6.6 million. Now obviously between '87 dollars and 2009 dollars is a big difference in true value, but as people join CMEEC, they're required to put in equity."

Commissioner Ayme: "Right. Okay."

Mr. Hiscock: "The CMEEC target debt equity ratio is 20%; different than a corporate structure because we're a government form..."

Commissioner Ayme: "Right."

Mr. Hiscock: "...and that's where the \$6.6 [million] for Wallingford comes in. We will be required to true that up..."

Commissioner Ayme: "Right."

Mr. Hiscock: "...but for us it's only a couple of hundred thousand dollars addition, because our equity portion has increased between '87 and 2009, because of debt service reserved funds, and I don't want to get into CMEEC's financing, but that's the way it works."

Commissioner Ayme: "No, no. My... the... that's exactly the point of my question."

Mr. Hiscock: "Okay."

Commissioner Ayme: "That... since we are getting another member. We are getting a new member."

Mr. Hiscock: "Probably two, but yes."

Commissioner Ayme: "Oh, probably two? Okay. I just wanted to have an idea."

Mr. Hiscock: "Yes, they will be... to gain membership, the current discussion is that they will need to provide 20% equity."

Commissioner Ayme: "Right. Okay."

Mr. Hiscock: "Okay, and those numbers have been calculated. And right now CMEEC's equity is \$17... somewhere between 17.5 and 17.9, so we will end up bringing up that little 2% difference of our own."

Commissioner Ayme: "Okay, but it's not reflected here?"

Mr. Hiscock: "Not reflected here."

Commissioner Ayme: "Because that's... that value changes, and..."

Mr. Hiscock: "I know it's off subject, but right now the Budget and Finance Committee of CMEEC, which I chair, is dealing with this issue of what equity means in a government form, and whether or not it has real value and is transferrable. We use liquid... we use equity for bond ratings and liquidity purposes, so that issue will be coming up in CMEEC over the next 5, 6, 7 months, as to whether or not we can withdraw that value if we ever left. That's what the argument is."

Commissioner Ayme: "Let me ask you, in terms of what we're charging, I mean not we, but CMEEC, is charging the new members coming into the institution let's call it..."

Mr. Hiscock: "Right."

Commissioner Ayme: "...if you will. Does that include any goodwill value? I don't think so. Does it?"

Mr. Hiscock: "No."

Commissioner Ayme: "We're talking... we are talking strictly capital assets, and we are talking strictly hard currency?"

Mr. Hiscock: "Right."

Commissioner Ayme: "Okay."

Mr. Hiscock: "We're not asking them to pay to join the club other than that equity share."

Commissioner Ayme: "Alright."

Mr. Hiscock: "Okay, they're not paying a premium to join."

Commissioner Ayme: "So they're paying... in other words, they're getting for... they're paying for what they're getting. They're getting something of value."

Mr. Hiscock: "And that's it. No more, no less."

Commissioner Ayme: "They're getting something tangible. And that's what they're paying for."

Mr. Hiscock: "Correct."

Commissioner Ayme: "My other question is, and I'm going back maybe two, three years; I brought this up about maybe two, three years ago. At the top of the page..."

Mr. Hiscock: "Yes."

Commissioner Ayme: "...where it says cash and cash equivalents..."

Mr. Hiscock: "Yes."

Commissioner Ayme: "We have a value for the, on the Electric side of \$15 thousand, 452,209."

Mr. Hiscock: "Yes, \$15 million, 452, right."

Commissioner Ayme: "I mean \$15 million."

Mr. Hiscock: "Right."

Commissioner Ayme: "...452,209. Now I know that we don't have that total of cash on hand. I know that."

Mr. Hiscock: "That's correct."

Commissioner Ayme: "Okay. The... what I brought up about, I don't know a couple of years ago, is that perhaps what we see here, what we see here, is the global of including what we have on deposit at CMEEC. Is it?"

Mr. Hiscock: "No."

Commissioner Ayme: "No?"

Mr. Hiscock: "There... okay, what is included in here that's on deposit at CMEEC is the Economic Development Fund, which is noted in here I believe at about \$900,000. So that's in their possession, but is ours by rule, and both our auditors and counsel believe that."

Commissioner Ayme: "But that \$900,000 is..."

Mr. Hiscock: "That's \$900,000."

Commissioner Ayme: "...that's available to us in..."

Mr. Hiscock: "Right, but that's included in here. So..."

Commissioner Ayme: "And that's... that's included in there, and that's cash. That's liquid cash."

Mr. Hiscock: "That's correct."

Commissioner Ayme: "Okay."

Mr. Hiscock: "And the thing that's also included in here, under liabilities, if you look down there's \$1.719 million in customer deposits and advances. So if you take that \$15 million, you can drop \$1.7 [million] out of it right away, because our customers own that, not us. Okay."

Commissioner Ayme: "Right."

Mr. Hiscock: "Other than that it's a pretty reasonably accurate number. Now you know that when we budget, the numbers don't look anywhere near that because the funds include all of the things that we authorize payment for but haven't yet paid for. So while the bank accounts look like we have well more than what the funds say we have... because, you know, when you start the year, at any given point in time you've got an opening fund balance, and then you reflect all the income, all the expenses, and you have an ending balance, but you've got ins and outs during the year; everything's floating around. So we don't have \$15 million in cash that's sitting there."

Commissioner Ayme: "No, but part of that money are the CDs that we have."

Mr. Hiscock: "Yes."

Commissioner Ayme: "And I don't want to know the amount of the CDs, I have a pretty good idea on that, but what I'm looking for is some \$6 million that we have on deposit at CMEEC; \$6, \$7 million?"

Mr. Hiscock: "Okay, that note is..."

Commissioner Ayme: "I thought it had been reflected here."

Mr. Hiscock: "No, it is not there, and it's in a note. Notes to the Financial Statement; okay, I'll see if I can find it for you quickly."

Mr. Barber: "[Page] 26."

Mr. Hiscock: "Where is it?"

Mr. Barber: "The CMEEC notes, page 26."

Commissioner Ayme: "26."

Mr. Hiscock: "26, okay. That's where I'm headed. Okay, on page 26 under [item] D, Rate Stabilization Fund. The Electric balance of rate stabilization funds held by CMEEC was \$5,535,827 held in the trust, and \$1,159,201 held in the non-trust. The non-trust is a thing that we alter every year when we play with the... play with, when we adjust the PPA to match the budget."

Commissioner Ayme: "That's my \$7 million right there...?"

Mr. Hiscock: "Right."

Commissioner Ayme: "...that I was looking for?"

Mr. Hiscock: "Right, and that's the..."

Commissioner Ayme: "And that's aside from the...?"

Mr. Hiscock: "And that's the money that offsets that debt that we had previously talked about of about \$6 million."

Commissioner Ayme: "Right."

Mr. Hiscock: "Okay? So you've got \$5.5 [million] versus \$6 [million], so the \$6 is declining, the \$5.5 is increasing, and the \$1.1 million are the dollars that we use to adjust rates upward and downward depending on the CMEEC budget every year."

Commissioner Ayme: "Okay, that's what I was looking for."

Mr. Hiscock: "Okay."

Commissioner Ayme: "And that's an aside from the \$900,000 that we were talking about before?"

Mr. Hiscock: "That is correct."

Commissioner Ayme: "And the point of my question is that that... I think I argued this a couple of years ago, that's something that we have which is an asset of SNEW?"

Mr. Hiscock: "No."

Commissioner Burgess: "No."

Commissioner Ayme: "No?"

Mr. Hiscock: "It's an asset of CMEEC."

Commissioner Burgess: "Right."

Commissioner Ayme: "Okay, it's an asset of C... we had this conversation a couple of years ago."

Mr. Hiscock: "Yes."

Commissioner Burgess: "Yes."

Commissioner Ayme: "Okay."

Mr. Hiscock: "Yes."

Commissioner Ayme: "Alright, we... we... that's an asset of CMEEC, on which we have a vested interest?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "Okay."

Mr. Hiscock: "And it's there to offset our debt responsibility. If we were to withdraw from CMEEC at the end of the fiscal year that we currently audited..."

Commissioner Ayme: "Right."

Mr. Hiscock: "...we would have owed them \$6 million in cash. And we had \$5.5 million on deposit with them in the trust."

Commissioner Ayme: "Okay."

Mr. Hiscock: "So we would have owed them about \$500,000 had we pulled out at that point in time. Now it's way more complex than that..."

Commissioner Ayme: "Right."

Mr. Hiscock: "...but that's the example. So that the trust has generally been set up for each municipality to have funds on deposit at CMEEC to cover their debt... a portion of the outstanding CMEEC debt; debt."

Commissioner Ayme: "So is there... the net of that balance, minus the \$7 million, that's reflected on the balance sheet here?"

Commissioner Burgess: "No."

Mr. Hiscock: "Not our balance sheet. It is absolutely not."

Commissioner Ayme: "No, it's not?"

Mr. Hiscock: "It's on their balance sheet."

Commissioner Ayme: “Okay, so my point is to make it more of a reflection of what we have in terms of the assets and liabilities. Shouldn’t we reflect the debt as opposed to the interest that we have?”

Mr. Hiscock: “No.”

Commissioner Ayme: “No? Okay, alright.”

Commissioner Burgess: “No.”

Mr. Hiscock: “The short answer is no, because debt of CMEEC cannot flow through to the members because it’s not general obligation debt. It’s revenue-based debt. So the indebtedness of CMEEC does not flow through to its members, and if CMEEC were to default and essentially go into bankruptcy, the debt would be paid off by whatever assets that CMEEC had on its balance sheet, including our municipal trust and our rate stabilization fund, along with everybody else’s would go to pay off the debt. That’s why it is not on our balance sheet. One, the debt can’t flow downward...”

Commissioner Ayme: “Okay. Right.”

Mr. Hiscock: “Okay? And we cannot be assessed for a negative outcome in the bankruptcy. In other words, if there was more debt than assets. So that’s why it does not appear on our balance sheet. The other reason is that, that money is not in our full care, custody, and control; that in order to move that money from CMEEC you need an approval of the Board of CMEEC, and under the rules you’re only allowed to withdraw 20% in any given year, and there are other rules about what you can use the money for.”

Commissioner Ayme: “Right.”

Mr. Hiscock: “So because you can’t freely take it out of CMEEC, it’s not reflected on our balance sheet as our asset; and it’s clearly their asset. And it gets into a whole financial...”

Commissioner Ayme: “Okay.”

Mr. Hiscock: “...structure and rules.”

Commissioner Ayme: “I have another argument, but I won’t get into that.”

Mr. Hiscock: “Okay.”

Commissioner Burgess: “No, and that doesn’t affect our voting this.”

Commissioner Ayme: “Alright. Right [responding to Commissioner Burgess].”

Mr. Hiscock: “No [also responding to Commissioner Burgess].”

Commissioner Ayme: “Alright. Thank you very much.”

Commissioner Burgess: “Anybody else have any...?”

Commissioner Borges-Lopez: "By the way, I had my hand up about half an hour ago, but I was..."

Commissioner Burgess: "I'm sorry [responding to Commissioner Borges-Lopez]."

Commissioner Borges-Lopez: "No, it's okay. It wasn't that... John [Mr. Hiscock] saw it, and it wasn't that I had any questions. I just wanted to refer Commissioner Ramirez to page 61..."

Commissioner Burgess: "Oh."

Commissioner Borges-Lopez: "...on his question with regards to community service projects, because it gives you like a whole nine year of history there for that particular line item."

Commissioner Ramirez: "[Page] 61?"

Commissioner Borges-Lopez: "Page 61, yes."

Mr. Hiscock: "Yes, that's an interesting page..."

Commissioner Burgess: "I'm sorry [directed to Commissioner Borges-Lopez]."

Commissioner Borges-Lopez: "No, it's alright."

Mr. Hiscock: "...if you look at it. It's a 10-year comparison."

Commissioner Borges-Lopez: "Right."

Mr. Hiscock: "And it shows some interesting things. I mean, when you analyze that page, it's a very interesting page."

Commissioner Burgess: "Well..."

Commissioner Ramirez: "Thank you."

Commissioner Burgess: "Okay, does anybody else have any questions on this?"

Commissioner Ayme: "I'm done."

Commissioner Burgess: "Mary [Commissioner Mann], you?"

Commissioner Maultsby: "Thank you."

Commissioner Mann: "No."

Commissioner Burgess: "No? Well, are we ready for a motion to receive, approve, and recommend to the electors the audit report..."

Commissioner Ayme: "Thank you, John [Mr. Hiscock]. Thank you. I'm sorry [directed to Commissioner Burgess]."

Commissioner Burgess: "...the audit report of the Second Taxing District for fiscal year July 1, 2008 to June 30, 2009? Can I have a motion to that?"

Commissioner Ayme: "So moved."

Commissioner Ramirez: "I second the motion."

Commissioner Burgess: "Okay. Are there any comments?"

[No remarks]

Commissioner Burgess: "Alright, all in favor."

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed."

[No opposed]

Commissioner Burgess: "Abstentions."

[No abstentions]

Commissioner Ayme made a motion to receive, approve, and recommend to the Electors the Audit Report (Comprehensive Annual Financial Report) of the Second Taxing District for Fiscal Year July 1, 2008 through June 30, 2009. Commissioner Ramirez seconded and the motion passed unanimously with all Commissioners voting in favor and none opposed.

Public Participation

[There was no public present]

Commissioner Burgess: "Okay, that's it. We can't count him as public participation [referring to Mr. Barber]."

[Simultaneous laughter]

Commissioner Maultsby: "Staff."

Commissioner Burgess: "I can, but..."

Mr. Hiscock: "Ready to adjourn?"

Commissioner Burgess: "Yes."

Commissioner Mann: "Procedures for filling..."

Mr. Hiscock: "Ooh."

Commissioner Burgess: “Oh, yes.”

Mr. Hiscock: “Thank you [directed to Commissioner Mann]. I would have gotten this us out of here without accomplishing a mission that I asked to be placed here.”

Commissioner Burgess: “Yes, and that’s got to be... that’s for the 24th.”

Mr. Hiscock: “I’m glad somebody’s paying attention, because I’m not.”

Commissioner Maultsby: “The agenda would be incomplete without that.”

Commissioner Burgess: “That’s right.”

Procedure for Filling Commission Vacancies

Mr. Hiscock: “Alright, you have in front of you the draft of the meeting notice for a meeting to be held on Tuesday, November 24th at 6:30 p.m. We’ll talk about that in a minute. The sole purpose of the meeting is to declare a vacancy on the Board of District Commissioners in accordance with the Charter. You have included in the packet, two pages from the Charter, Section 1-79D, Vacancies. ‘Whenever any elected officer of the Second Taxing District shall die, resign or remove their residence from said District, or by reason of permanent mental or physical disability or infirmity, shall become incapacitated to discharge the duties of said office, or shall be convicted of malfeasance in office or any infamous crime, or is removed from office as provided in section 1-79A, or when any vacancy shall occur in any elective office from any cause, the clerk of the District shall give notice of said vacancy and convene a special meeting of the District Commissioner, upon at least ten days notice’. Now obviously with Commissioner Brown passing, there’s a vacancy. Okay, that’s clear. The reason for the 10-day notice provision is this ties into other vacancies that could occur due to a removal committee. The removal committee is formed under 1-79A. I didn’t include it. It wasn’t pertinent. But the purpose of that is to give anybody an opportunity to contest the vacancy. In this case, clearly no one is going to contest the vacancy. However, to make everything consistent so that any type of vacancy can be handled, there’s a 10-day notice. And that’s the purpose of this notice right here. Okay, now, at that meeting the District Commissioners shall declare such office vacant. Now, as you might well imagine, that will not take very long. There are no facts in question here. There are no issues in question. The last time we did this when a Commissioner passed on, it took... some people describe it as 30 seconds. Others said it took about two minutes. So literally, you will come here; we only need a quorum. We only need four of you. You can all show up, that’s fine. You’ll call the meeting... the Chairman will call the meeting to order, I will simply say to you that we have information that Commission Otha Brown has passed away, and therefore there is a vacancy. You will then make a motion to declare the vacancy and then start into the process everything from here on down, and this is what I want to make clear to everybody, okay, so it only takes a quorum to hold the meeting, it only takes four of you. We had talked about maybe moving that meeting up to even earlier than 6:30, and if one or two of you can’t make it due to work reasons it really doesn’t matter. Nothing is going to happen other than... and it’s a special meeting. Nobody can change the agenda. The only thing that’s going to happen is we’re going to say Commission Brown is deceased and there’s a vacancy. Now, when the ‘District Commissioners declare such office vacant, and shall give written notice within seven days’; the written notice will be given by the District Clerk by the way, ‘within seven days of said meeting to the chairman of the Town and City Committee of the political party from which the former incumbent was chosen, of the existence of the vacancy, and that the vacancy is to be filled by an

elector selected by the members of the Town and City Committee of the party of the former incumbent'; this is the important issue, 'who resides in the Second Taxing District'. Here's what happens. We notify the chairman of the Town and City Committee. In this case it will be the Democratic Party. We will tell that person that they are required to hold an election. The only people who can vote in that election are members of the Town and City Committee that reside in B1."

Commissioner Maultsby: "B1."

Commissioner Burgess: "Right."

Mr. Hiscock: "So what consequently happens is the Clerk goes through a process where she wants to know who was at the meeting, who voted, to make sure that the election meets the requirements of the Charter. Now, it goes on to further say that if they fail to fill the vacancy within 60 days, on the date which the District Commissioners declared the office vacant, the District Commissioners get to name the replacement Commissioner."

Commissioner Burgess: "Mhmm."

Mr. Hiscock: "Now, it is hard to conceive of a situation where a political party would not do the replacement. The reason it was put in there, and this was written by Frank Murphy and myself way back in the mid-90's, is because if you get into a situation where there's an unaffiliated voter sitting on the Commission, there is not body to make the replacement. So then it will end up probably in the hands of the District Commissioner, but that's not the case here. You know, clearly Commissioner Brown was a democrat. So that is the procedure. Anybody have any questions about it, or how it will happen? Once we get the information back from the political party and the Clerk is convinced that it was properly handled in accordance with our Charter; and we will give them a copy of this, we will then notify that the vacancy has been filled."

Commissioner Burgess: "This has not gone in the paper yet, right?"

Mr. Hiscock: "This... no. This is a draft. I didn't want to put this in this evening..."

Commissioner Burgess: "Okay."

Mr. Hiscock: "...because I wanted to make sure we would have at least four people."

Commissioner Burgess: "Well..."

Mr. Hiscock: "And it takes 10 days notice, and tonight's the 10th..."

Commissioner Maultsby: "So the 20th."

Commissioner Burgess: "Would you want to make the meeting earlier so that..."

Mr. Hiscock: "It's up to the Commission. However you feel about that."

Commissioner Burgess: "I mean I don't know if people would prefer to come right from work at a meeting and then go home for the night."

Mr. Hiscock: "Yeah, I truly don't know, and that's why we waited until tonight to deal with this issue. It's really up to all of you how you want to deal with it. There are six of you, and four of you need to be present."

Commissioner Ramirez: "My meeting is at 7:00. What time is the meeting?"

Mr. Hiscock: "6:30 [responding to Commissioner Ramirez]."

Commissioner Ramirez: "6:30?"

Mr. Hiscock: "But, you know, this is not... this has not been called yet. This is just a draft."

Commissioner Burgess: "Well I just wondered if people would rather..."

Commissioner Ramirez: "It's for 15 minutes. I mean, with 10 minutes, if that's... I mean, the procedure is very clear."

Mr. Hiscock: "Oh yes, we're in and out."

Commissioner Ramirez: "And it takes what, 5 minutes?"

Commissioner Burgess: "No, I'm just wondering... I was just wondering if people would prefer not to go home and come back out for five minutes, whether they'd want to get it..."

Mr. Hiscock: "There's another issue."

Commissioner Burgess: "Alright."

Mr. Hiscock: "There's another issue related to this, and the issue related to this is the Clerk is attempting to schedule an appeal simultaneous with this. And currently the appeal group is..."

Commissioner Burgess: "Alright. Okay, sorry."

[Laughter]

Commissioner Borges-Lopez: "On the 24th?"

Mr. Hiscock: "...Commissioner Burgess, Commissioner Borges-Lopez, and Commissioner Mann as an alternate."

Commissioner Burgess: "Okay."

Mr. Hiscock: "We also have a vacancy on the Appeals Committee, because the Appeals Committee is three, plus one alternate. And Commissioner Brown was on the Appeals Committee, so we also have that situation to deal with. So the people who... if we're going to piggyback meetings, back to back, to save..."

Commissioner Burgess: "Well which... is that coming after this meeting?"

Mr. Hiscock: "I thought we would do that one after."

Commissioner Burgess: "Okay. Fine."

Mr. Hiscock: "This is pro forma. This is five minutes."

Commissioner Burgess: "Fine."

Mr. Hiscock: "The appeal could last for however long somebody wants to make their case."

Commissioner Burgess: "Let's not suggest that."

[Laughter]

Commissioner Burgess: "Okay, I'm sorry, I'd forgotten that you were going to..."

Commissioner Maultsby: "Are you saying, Madam Chairman, that the power of suggestion is powerful?"

Commissioner Burgess: "Hopefully not [responding to Commissioner Maultsby]. Okay, I give up on this. You can have it whenever you want."

Mr. Hiscock: "I just want you all to agree, that's all."

Commissioner Burgess: "I would like to agree to make it on the same day of the appeals meeting at 6:30. 6:30, right, and the appeal is..."

Mr. Hiscock: "Will be at 6:45 [responding to Commissioner Borges-Lopez]."

Commissioner Borges-Lopez: "Will be at 6:45."

Commissioner Burgess: "Yes, okay."

Ms. Pampoukidis: "So you want to meet at 6:30?"

Mr. Hiscock: "Okay, if that's alright we'll make this 6:30."

Commissioner Maultsby: "I agree. I agree with that."

Commissioner Ayme: "That's fine."

Mr. Hiscock: "Alright, and..."

Commissioner Ramirez: "Now I think we have to adjourn, right?"

Mr. Hiscock: "Yes, we don't need to deal with the vacancy on the Appeals Committee at this point. We have three commissioners, and we only have to have two to have a quorum."

Commissioner Mann: "Okay."

Mr. Hiscock: “Just something for the Chair to note, that we need to deal with it at some point.”

Commissioner Burgess: “Okay.”

Mr. Hiscock: “I’m done.”

Commissioner Burgess: “Motion to adjourn?”

Commissioner Maultsby: “Motion to adjourn, Madam Chairman.”

Commissioner Borges-Lopez: “So moved.”

Commissioner Ramirez: “I second the motion please.”

Commissioner Burgess: “All in favor. Aye.”

Adjournment

The meeting adjourned at 8:27 p.m.

Attest:

Candace Pampoukidis
District Clerk