

SECOND TAXING DISTRICT COMMISSIONERS
Regular Meeting
February 17, 2009

Present:	Mary E. Burgess Al Ayme Maria Borges-Lopez Mary Mann Sylvester Maultsby	Vice Chairperson
Also Present:	John M. Hiscock Candace Pampoukidis Kevin Barber	General Manager District Clerk Dir. Admin & Customer Service
Public Present:	Catherine Deamer Mary Rogers	
Absent:	Otha N. Brown Cesar A. Ramirez	Chairman

Call To Order

Vice Chairperson Mary E. Burgess called the Regular Meeting of the Second Taxing District Commissioners to order at 7:02 p.m. on Tuesday, February 17, 2009. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk, Connecticut.

Acceptance of the Minutes

Commissioner Burgess: "I call this meeting to order at 7:02 p.m., and I'll call for acceptance of the minutes of January 27th."

Commissioner Ayme: "So moved."

Commissioner Burgess: "Is there a second?"

Commissioner Mann: "Second."

Commissioner Burgess: "Okay, all in favor."

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed? Abstentions? No?"

[No opposed. No abstentions.]

Commissioner Ayme made a motion to accept the special meeting minutes of January 27, 2009. Commissioner Mann seconded and the motion passed with Commissioners Ayme, Borges-Lopez, Burgess, Mann, and Maultsby all voting in favor and none opposed. There were no abstentions.

Chairman's Remarks

Commissioner Burgess: "Okay, now, you may be pleased to note there will be no Chairman's remarks and no Vice Chairman's remarks, so we can get right onto the agenda. And you're on, Mr. Hiscock."

2009 - 2010 Budget – Analysis and Discussion

Mr. Hiscock: "Okay. Alright you received the draft budget, and I'm calling it draft because it hasn't been adopted yet, last week, late last week. As you know it's a fairly large document. The format and the style is the same as prior years. There is nothing new and unusual about the format and the presentation. However, there are some things that we do need to talk about this evening."

Commissioner Burgess: "That are new and unusual?"

Mr. Hiscock: "Let's say there are some circumstances that need to be discussed. Nothing extremely difficult, but we do want to talk about them and go over some issues. So I thought I would start with the District Budget, General Fund, which is really on page 3."

Commissioner Burgess: "Three?"

Mr. Hiscock: "Yes, and it's entitled 'Second Taxing District General Fund Budget'. The left most column is the year that we're talking about, and the other two columns are prior years. Just something for you to note, the revenue side of the District is down to a little over \$23,000. That's because the interest income is lower. The only actual revenue that the District does have is interest revenue. The other money that comes to the District is transferred from the Electric Fund and from the Water Fund. Expenses from operations, salaries mostly, for the first three lines; well, the first three lines are salaries, and then meetings and printing, legal, auditors, and some insurance. The District budget is just slightly higher than last year, so there's nothing unusual in that area of the District budget. And when you go down to the expense side for community service projects you can see that we're budgeting very similar numbers to prior years. And we don't have a problem keeping within that budget with respect to our work for the District, which is generally services in kind from the two utilities, and then some cash that leaves. The only really notable issue that has come up during the last budget cycle, and then during the last year, was the Summer Youth Employment Program. We made some attempts to get a document requesting. We have no documentation at all at this point. Based on the past, that's not a surprise I'm sure to any of you. Absent any sort of information I simply budgeted the same amount as prior years, \$10,500. You do know there was a request last year that was turned down because it wasn't in the appropriate budget cycle. So other than that, that's essentially the expense side. The projects are the same. There are no new projects listed in here, simply the same things that we've been doing for the last several years. Flip the page to 4. You can see that we budgeted the identical amount, really. Net operating income is the same loser as every year. This year it happens to be \$161,750. And if you move down the page to the transfer section, which is right in the middle of the page, you'll see we're proposing to cover the deficit, the change in reserve fund from operations, by contributing, or transferring actually, \$80,000 from the Electric Fund, and \$80,000 from the Water Fund, so that we

will have an ending change in reserve fund of a negative \$1,750. And since this is an authorization style budget, and we do not use all of the funds in each of the categories, because that's just the way it works out, we will end up actually not having a negative \$1,750. But, you know, based on the authorization levels, it will be a negative \$1,750 for the year. The opening balance in reserve fund is \$919,712. We have a return from the prior audited year, essentially that's money that was allocated for things that was not spent, so the ending balance of the reserve fund will be \$1,001,226. I can answer any questions anybody has about that portion of the budget, but it's pretty much what we've always done."

Commissioner Ayme: "Who runs the Summer Youth program?"

Mr. Hiscock: "The City of Norwalk."

Commissioner Ayme: "Through the Chair. Huh [responding to Mr. Hiscock]?"

Mr. Hiscock: "The City of Norwalk."

Commissioner Ayme: "Oh, the City of Norwalk."

Mr. Hiscock: "When we write the check, we write it to the City of Norwalk. And it's handled by, I guess it's the Mayor's office that actually handles it."

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

Commissioner Burgess: "Yes [also responding to Mr. Hiscock]."

Mr. Hiscock: "It's not a City department. It's actually handled in the Mayor's office."

Commissioner Ayme: "So they do the allocations, whatever?"

Mr. Hiscock: "Excuse me [responding to Commissioner Ayme]."

Commissioner Ayme: "They use the... they do the allocations of that money?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "They do."

Mr. Hiscock: "All we do is provide it to the City in a lump sum. We don't get any reporting."

Commissioner Ayme: "Do we know who gets the allocations from the City?"

Mr. Hiscock: "No, we do not audit that program. We're not the sole contributor. There are a lot of other contributors including, I believe, the City itself in certain ways; and I don't know exactly how they contribute."

Commissioner Borges-Lopez: "And grants from the State as well."

Mr. Hiscock: "Yes, and they have private donors. So it's simply a no strings attached donation to the program. Okay."

Commissioner Burgess: "Well not quite, because they have usually provided to me the fact that the people hired from the Second Taxing District is below the total we give them, or right at it. So this money is going to kids who live in our District."

Mr. Hiscock: "Yes."

Commissioner Burgess: "And we started that years ago, because I was being a problem. So we can get that information; that it does go to hire our kids."

Commissioner Mann: "I did request that information."

Commissioner Burgess: "Yes [responding to Commissioner Mann]."

Commissioner Mann: "So hopefully it is forthcoming."

Commissioner Burgess: "And they can, well they can... they will provide it."

Commissioner Ayme: "Okay."

Mr. Hiscock: "Any other questions on the District budget?"

Commissioner Ayme: "Nope."

Mr. Hiscock: "Okay. On page 5 you can see the calculation of the return from fiscal year 2007-2008, the \$83,264 that we talked about on the bottom of page 4. Okay, we move into the Water Operating Budget. The Water Operating Budget starts on page 6. We're setting, or targeting, an operating revenue from sales of water and fire protection at \$6.78 million, up slightly by about \$300,000 from the prior year. We have other revenue of \$162,000. So we're indicating probable total revenue of \$6.944 million. At the bottom of the page, under expense, we have operating expenses, and you can see the various categories. We're proposing a budget total operating expense of \$5.189 million, which is up about \$300,000 from the prior year. On the top of page 7 we have total other expenses, and it's essentially property taxes, for \$372,000; so a total expense of \$5.562 million. The next item down is net operating income, which is \$1.592 [million], and that looks like a very favorable number, but as we get further down in the budget we'll see why it's not all rosy, so to speak. If you move to the section in the box that starts with interest on debt, this is where we're going to spend a little bit of time explaining what's different about this year's budget than in prior years. The top line is interest on debt, the New Canaan project. That continues to decline because the balance on the loan continues to decline. The loan I believe is paid off in 2012 [directed at Mr. Barber]?"

Mr. Barber: "I believe you are correct [responding to Mr. Hiscock]."

Mr. Hiscock: "Yes, 2012, and we pay off principal every year. It was originally, I believe, a \$4.6 million loan. The next line down is the principal on debt. We pay back \$300,000 per year on that debt issue. Now that we've been doing for quite some time and you can see the interest is steadily dropping, and that's because the balance of the loan is dropping. It's a typical loan situation. The

next item requires a little bit of explanation. During the filtration plant project we had a Safe Drinking Water loan from the State of Connecticut. And you've all heard us discuss the low interest rate, the 2.04% interest rate. But as we drew the loan commitment, and continued to pay funds with respect to the project, for the completion of the project, we had to start paying interest from the date of first draw; a typical, essentially a construction loan is what it is. Knowing that while the interest was accruing, but we weren't paying it, we decided that we needed to save money, so that in the prior two fiscal years we budgeted money towards the interest. We're not budgeting any money towards the interest, and I'll explain that in a minute, for this year primarily because we are going to close the loan on April 30th of 2009."

Commissioner Ayme: "The entire loan?"

Mr. Hiscock: "The entire loan will be closed, and the interim financing will be replaced with the permanent financing. So in essence it's a closing. At the closing we will pay all of the accrued interest, and I'll get to the reconciliation of that shortly."

Commissioner Ayme: "So the interest on the permanent will be better than what we're paying now?"

Mr. Hiscock: "No, it's actually the same rate."

Commissioner Ayme: "The same rate?"

Mr. Hiscock: "2.04, okay, so the permanent financing. So that's why you will see the next line down 'accrued interest - filter plant interim loan' of a negative \$307,278, and we're going to get to that loan statement shortly, so you'll understand why we're doing what we're doing. We're also going to, during the year, pay down principal on the debt, on the permanent financing, which will be permanently financed as of April 30th, of \$1.914, or \$1.915 million, so we will start to pay off the loan. The next line down is the interest on debt. That's the interest that we're going to be paying during the year; \$567,384. And the next line down, also you can see a negative number, is the reserve on the filter plant project for a negative \$620,000. During the construction over the last two fiscal years we put money aside to take care of the closing and the plant. We put \$575,000 aside one year, \$45,000 the next year. Adding those two sets of numbers comes to \$620,000. So we are taking that money out of the reserve and using it for the filtration plant project. The next line down..."

Commissioner Maultsby: "Madam Chairman..."

Mr. Hiscock: "Yes [responding to Commissioner Maultsby]?"

Commissioner Burgess: "Yes, go ahead [directed to Commissioner Maultsby]."

Commissioner Maultsby: "...through the General Manager, what does the numbers in parentheses connote?"

Mr. Hiscock: "Negatives."

Commissioner Maultsby: "Negatives."

Mr. Hiscock: "Negatives. Those are minus signs."

Commissioner Maultsby: "That's what I thought."

Mr. Hiscock: "Okay?"

Commissioner Maultsby: "Thank you."

Mr. Hiscock: "And in those two cases, the two minuses that you happen to see there, they're simply taking funds that were saved previously and expending them to take care of the obligations for the loan, and we have a whole statement to go over on that. Capital appropriations, these are the projects. They are shown on page 8; the new projects. We're not going to go there yet. We'll talk about them, but as you can see, \$276,000 in capital projects; significantly lower than the prior two years. And as we've talked about the filtration plant, as it's been constructed, and during this entire process, we did indicate that once this project was done, based on the cost of the project, we were not going to have a significant amount of funds available for capital projects. We were going to be going lean for a significant time period. So this is probably the smallest amount of money we've put in a capital budget in a decade or more; a very, very low number. And we need to do that to balance. And we still will not be balanced even spending that little. And the next line down is preliminary survey and investigation; that's a project that's also listed on page 8, on the bottom half of the page. Now where does all of this leave us? After going through all of the calculations, and dealing with all of the issues, you'll see that a change in Water financial reserve fund, minus \$820,000. So that's a negative. It's a significant negative. The opening balance in the Water financial reserve fund is \$3,964, so I'm sure you're all getting the message. Return to reserve fund from the prior audit of \$132,000; that's a positive. Previous years cancelled projects; when we budget capital projects sometimes things change and we don't go forward with the projects for various reasons. Sometimes we budget because we're anticipating someone else doing a project that we need to support. Their project gets cancelled. An example might be, oh, the City rebuilding a street. We put money in our budget to replace the water main. The City doesn't rebuild the street for one reason or another. We cancel the project. That was a simplistic explanation, but that's generally the way it's handled. So we cancelled previous year's projects of \$119,344. It also sometimes is the balance of a project that's completed. The transfer to the General Fund is a negative \$80,000, because it goes from the Water fund to the District, and we have a closing balance, Water financial reserve fund of [negative] \$645,000. That is a number which is quite high. We've had negative previously in the Water fund, but nowhere near that level. We have in the past borrowed from the District reserve fund, and then paid it back with interest, and it always goes back, and it goes back with interest. And we're going to spend a little time focusing on this now, so you'll see why this has occurred and what the issues are. So if there are procedural questions about this I can answer them now, but I think your questions probably will be better answered when I hand out the rest of this information. Take one section [directed to Commissioner Maultsby], and hand it down. Right there, take all three and just hand it to the next person in line. Never mind. Sorry.

[Mr. Hiscock handed out documentation to the Commission]

Mr. Hiscock: "Okay, let's start off..."

Commissioner Ayme: "Before we get into that, through the Chair, I have a question that I don't think it will be answered here."

Mr. Hiscock: "Yes?"

Commissioner Ayme: "When you say that we are paying off the loan, the interim, to become a permanent, that's only a paper transfer, isn't it? It's not that we have applied for a new loan, to establish a new loan?"

Mr. Hiscock: "No, the original loan commitment comes with an interim financing section and the process and procedure to change to a permanent financing, so it's already been approved."

Commissioner Ayme: "To a perm... so it's only a paper transfer?"

Mr. Hiscock: "Right, that's absolutely all it is. It's just that we need to true up all of the things that have occurred..."

Commissioner Ayme: "That's why the interest won't change, because we didn't negotiate anything else?"

Mr. Hiscock: "Correct."

Commissioner Ayme: "Okay, the second question I have is that... I know I'm jumping ahead, but are you going to be talking about the property liens that we have?"

Mr. Hiscock: "Excuse me?"

Commissioner Ayme: "Liens that we have, property, mechanical liens?"

Mr. Hiscock: "Do you mean with respect to the project?"

Commissioner Ayme: "With respect to the Water side; when we put mechanical liens on property of people that haven't paid?"

Mr. Hiscock: "Oh, no, I wasn't planning on discussing that at all this evening."

Commissioner Ayme: "Okay."

Mr. Hiscock: "But I certainly could answer your questions when we get to that, yes."

Commissioner Ayme: "Okay, alright."

Mr. Hiscock: "Okay, let's start off with the Filtration Plant Upgrade Analysis of Loan, and you'll see the original loan amount. The original amount was \$24,715,165. The original contract with the contractor was \$23,427,015. We had \$929,649 in change orders during the process; that was less than the contingency. We ended up then with a... and we have State approved deductions as of 2/11/09, and I don't know what those are [directed toward Mr. Barber]?"

Mr. Barber: "You have to talk with Scott [responding to Mr. Hiscock]."

Mr. Hiscock: "Scott, okay. Scott Whittier actually..."

Mr. Barber: "They're approved deductions that we received, basically, money back from the original contract."

Mr. Hiscock: "Oh, excuse me, yes, those are things that we deleted out of the project and got credits for. Thank you [directed to Mr. Barber]. That's exactly what they are. During the process of construction we made certain changes to the contract that resulted in money coming back to us because the contractor didn't have to do all of the things that the contractor bid on. It's really part of the change order process, so if you look at the \$929,649 and the minus \$141,039, that's really the change order process. An example might have been, we deleted something to put something better in, and it was more money, so in the change order section, in the \$929,649, it was the more money for what we added, but we got a credit back for what we took out of the project. It's just how it works. So we had a revised contract amount of \$24,215,624, and the payments made against the loan as of February '09, as of right now, \$24,215,624.86. So that's what the State has given us to date. We owe nothing to the contractor. He has been completely paid as of this month. Well, the payment is in transit, let's put it... it's calculated here."

Commissioner Maultsby: "It's in the mail."

[Laughter]

Mr. Hiscock: "Yes. It's actually... its electronic mailing. Yes, it goes through the... yes, it's electronic. So in essence we're reporting we owe Carlin nothing, and that's absolutely correct. The balance of the loan remaining, that leaves \$499,540.14 unspent. Okay, that's something to remember. But we're allowed to use that \$499,000 for some things related. We could pay legal fees with it. We could, which we'll be recommending, not the legal fees, but capitalization of interest. In other words, because the State's going to give us \$499,000 more than the project at 2.04%, we're going to take it, because as bad as interest rates are at this point in time, they're higher than 2.04%. So we're proposing to capitalize the interest, and we'll explain that shortly. By capitalizing the interest it essentially means that the amount that's due at closing is less because we're going to true the loan out to the maximum amount, and the reason we're doing that, again, is the interest rate is so low. And that's why, when you look at all of the numbers that we've provided you here, they don't match exactly because we've moved things around to take them out of the various reserves and deal with the interest payments and the principal payments. So this is a fairly summary document form. It's not difficult, but does anybody have any questions on it? This is a pretty straightforward analysis. The next thing we need to look at is the South Norwalk Electric and Water Filter Plant Upgrade Project, Interim Funding Obligation - Analysis of Accrued Interest. I'm not going to go over this in detail, but I will just indicate to you that if you look at the line under April 30th of 09 you'll see that the payments which match the analysis of \$24,215,625; that's \$24 'million', 215,625, and if you go to the right-hand figure, under the column called accrued interest, as of the end of April, the interest on the loan is \$970,000. And then there's a reconciliation that you can see below it, which ties into the numbers on page 7 of the Water budget. You have the accrued interest due of \$970,000; I'm going to give you round numbers, the balance of the project is \$499,000, the amount budgeted in fiscal year 06-07 of \$208,000; and these were returned during the process, then we have an amount budgeted during the next fiscal year of \$356,000, we have an amount budgeted for 08-09 of \$421,000, and then we have funds retained during... returned during fiscal year 08-09 of a negative \$208,300. Finally, coming up with a negative number \$307,278.20, and if you go back to the budget under the line that says accrued interest, filter plant interim loan, there's the same dollar amount, \$307,278. So that's how that number got into the budget. This is simply just balancing the funds out and taking care of the interest. The final sheet I want you to

look at says Draft on top of it. This is prepared by the State of Connecticut for us, and it's the loan repayment schedule. And I think that probably... and it's monthly, as you can see. It starts off in October 31, 2009, and it's one of the quirks which I think is kind of interesting that we're closing on April 30th of 2009, but our first payment isn't due until October 31st of 2009, which is six months later. But that is the process, and that is how it's done. It has to do with the statute and the regs that the State uses to handle these projects. But the thing that we start off with I guess is the bold \$24,715,165, which is the total loan, because we're going to capitalize the interest. And we have principal, interest, accrued debt service, remaining balance, actual payment. And the first payment line, October 31, 2009, you will see a payment of \$1,487,852. It is 1/20th of the loan balance, and that is part of the original agreement that we signed, that we initially pay 1/20th of the loan at the first payment. Now the reason for that is it's probably similar to what you do in like a general obligation bond. You might have a debt service reserve where you've got money sitting aside. They choose to do it this way so that in essence you pay the first year's principal, and it's their way of having money on hand in case for some reason you started to move into a default; by the time they caught up with you, they would have this money to draw down. And it just means that they don't get into a negative situation on a default. What it really does to us is leaves us with a first fiscal year, 2009-2010, very large payment to the State, and that is what caused this rather large negative \$645,080. If you look at June 30, 2010 on this sheet, you'll see that the payments for the fiscal year are \$2.482 million. If you go down the page with the numbers just above the lines for the next three years, you can see that the actual interest and principal payments on this loan for all of the remaining years is \$1.491 million. That's a million dollar difference between the first year payment and the subsequent year payments. So what we're saying to you is that even though we're showing a negative \$645,080 balance in the Water fund, in the following fiscal year the loan payments will be \$1 million less, and if nothing else changes, and if we have a properly balanced budget in the next fiscal year, that \$645,000 deficit will become a \$455,000 plus. I want to make that really very clear to everybody why we are dealing with it this way. We think it's prudent at this point to provide a budget of this type, with a negative in it. We have sufficient reserves in the District fund. Okay, not the Electric fund. I don't want to get involved with comingling Electric and Water. We have a \$1 million budgeted reserve in the District fund, so what we're proposing to cover this deficit with is a transfer on paper of the negative \$645,000 for one year from the District, and then in the following fiscal year it gets paid back. I'm trying to remember how long ago, but quite a few fiscal years ago we did the same thing. We borrowed from the District fund, paid it back, interest, and really it's all on paper, because our actual money is all comingled. This is sort of a paper transaction, recognizing where the money comes... the backstop, where it is, and the fact that we have the money there, and we have a plan to cover that. So it's not nearly as bad as it looks, and it's something that really isn't unanticipated. We were aware right from the beginning on this loan that we had a 1/20th payment right up front. We would have liked to have had that 1/20th payment covered, but we couldn't cover it based on the cash flow and what we were doing. So I think I'm going to stop at this point on the Water fund and ask if there are any questions about Water, or I can give an additional explanation of all of this."

Commissioner Burgess: "Go ahead [acknowledging Commissioner Maultsby]."

Commissioner Maultsby: "Yes, now am I clear, or did you say the initial payment was principal and interest?"

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

Commissioner Maultsby: "Okay. Is there another payment, even though a smaller proportion, likewise principal and interest debt? Is it always a mixture?"

Mr. Hiscock: "Yes. If you look at the document entitled draft, and the period ending to the left are dates, the next column over is the principal payment by month, and then the column to the right of that is the interest payment by month. And you can see right at the top under October 31, 2009 we have a principal payment of \$1.235 million, and we have \$252,000 in interest. That's the interest from April through October. It's all one big lump sum. And then if you look at the months following that you'll see that the principal payments in say November of '09, is \$84,000. Go down to the bottom of the page in June 13, 2008 its \$90,000 in that month. If you look at the interest column in November 30, 2009 it's about \$39,000 in interest, if you go to June 30, 2013 it's \$33,000, so like any level payment mortgage loan the principal payments increase with time..."

Commissioner Maultsby: "Increase with... and decrease."

Mr. Hiscock: "...and the interest decreases."

Commissioner Maultsby: "Decreases. Okay, alright. Okay, concept. Yes."

Commissioner Ayme: "Yes, through the Chair, the deficit that we show here, the minus \$645,080, that's... in the end you said it would balance out, creating a positive figure?"

Mr. Hiscock: "I'm saying at the end of the next fiscal year."

Commissioner Ayme: "Next fiscal year."

Mr. Hiscock: "Not this fiscal year."

Commissioner Ayme: "Right, at the end."

Mr. Hiscock: "In other words, we're simply borrowing an advance from one fiscal year to the next, and we're showing the calculations as how we're going to do that."

Commissioner Ayme: "Okay, and then you said that we are transferring on paper some funds from where to where? From the Electric?"

Mr. Hiscock: "From the... no, not from the Electric..."

Commissioner Ayme: "From the District?"

Mr. Hiscock: "...from the District."

Commissioner Ayme: "From the District."

Mr. Hiscock: "Okay? Every time we've gotten into this situation it's always from the District. We..."

Commissioner Ayme: "Alright, if it balances out in the end, why do we have to transfer it? Can we keep it on the financial papers as a...? Why do we have to transfer from the District if will balance out in the end?"

Mr. Hiscock: "Okay, because the Charter is very clear. When we did Charter revision in 1997 we wrote, Frank Murphy and I; Frank Murphy is legal counsel, and I, wrote the budget procedure that's in the Charter. And it's very, very specific, and very clear, and it explains how we have to go about paying and budgeting."

Commissioner Ayme: "Okay."

Mr. Hiscock: "And that procedure requires us to show the detail this way so that we make sure that we have a beginning balance, we've got income, we've got expenses, we've got debt principal, we've got interest, and it spells out a very specific way that you pay. And then it says at the very bottom that you have an ending fund balance; a General Fund ending balance, a Water Fund ending balance, and an Electric Fund ending balance. And the only way that you could move money between those funds is at that line, at the ending balance line. It's the only place it could be moved. And we wrote it very specifically to make sure that Electric money was used for Electric, Water money was used for Water, and whatever was done in the District was the District, so that we generally... even if we were to transfer money from the... in theory, if we were to transfer money from the Electric Fund to the Water Fund, we would actually transfer money from the Electric Fund to the District, and the District would owe that money to the Electric."

Commissioner Ayme: "Right."

Mr. Hiscock: "The District would then loan that money to the Water Fund."

Commissioner Ayme: "To the Water, right."

Mr. Hiscock: "So we... so that's why I'm presenting it this way..."

Commissioner Ayme: "That's how we... no, I know, that's how we've always done it, right?"

Mr. Hiscock: "Yes."

Commissioner Ayme: "Now in terms of the... alright, when we transfer from the District to the Water side, at the end of the period, when it creates a positive balance, do we transfer back?"

Commissioner Maultsby: "The District is controller, right?"

Mr. Hiscock: "When we transfer back it will create..."

Commissioner Ayme: "We have to transfer back?"

Mr. Hiscock: "We have to transfer it back."

Commissioner Ayme: "Okay, that's... okay."

Mr. Hiscock: "The balance would be higher if we didn't transfer it back..."

Commissioner Ayme: "Okay."

Mr. Hiscock: "...but since we're going to transfer it back, that \$1 million less loan payment..."

Commissioner Ayme: "It would be higher by the same amount of the transfer, unless we transfer back, and then everything will be even steven?"

Mr. Hiscock: "Right."

Commissioner Ayme: "Thank you."

Mr. Hiscock: "Now, there're two things that I will say to you about that. It presumes that the Water budget for the year following this will be very similar to the Water budget of this year. But you've all been on the Commission for quite some time, and you know that the utility budgets are almost identical from year, to year, to year. They change slightly. We don't have fluctuating revenue, because people use electric and water, and you know, it fluctuates a little bit, but not... we're not in a sales company where our sales will decline dramatically and create financial trouble. And our expenses are pretty much the same, because we have about the same labor force and we generally do the same work. Our utility bills are about the same. So I think you could be reasonably comfortable that the budget for the Water Fund in the year after the one we're talking about will look like this, and it will generate the money to pay the District back without any problem at all, and have a positive balance."

Commissioner Maultsby: "So then it is safe to assume that the District is the conduit for the transfers."

Mr. Hiscock: "The District Fund will be underwriting the Water Fund for one year and covering it; maybe that's the easiest way to say it."

Commissioner Maultsby: "Okay."

Mr. Hiscock: "Okay, it will be District funds that will cover the Water utility for that one year. We have no plans that I'm aware of to use any of the money in the District. We have no projects pending. No one has talked about any projects that would involve District funds, other than its own operating expenses."

Commissioner Maultsby: "Good. We have our own bank, don't we [laughing]?"

Mr. Hiscock: "Any other Water Fund questions, or issues with respect to the transfer?"

[No remarks]

Mr. Hiscock: "We can move to page 8, which is the Water Capital Fund; Water capital projects for the year, and as I indicated to you we're down to bare bones; \$276,300. We did our absolute best to minimize expenses in the upcoming year, because obviously the Water Fund doesn't have a lot of money to spend. Out of that \$276,000, you'll see on the last line, 2010-09CW, that there's a \$75,000 miscellaneous capital project fund. That's the line item that appears in all of the budgets to cover unanticipated expenditures. The best example I can give you is if we totaled a vehicle, or a large piece of equipment prematurely failed. Okay, instead of having to go back to the electors to

get approval, we put a \$75,000 fund in. From a practical perspective, we don't spend all \$75,000. In fact, I don't think we spend a majority of that \$75,000. So even though it's there, and it's counted in that negative \$645,000 on the other page, we know we're not going to spend it. We also know that we're not going to spend all of the \$276,000 allocated, because projects come in under budget. So while I can tell you that the math shows that negative \$645,000, it really will never get to be a negative \$645,000. It doesn't happen. And then at the bottom is a preliminary survey project. That's a study of our flow metering system. And the reason it's listed separately is because a preliminary survey would get rolled into a capital item in the future, or we get expense in a particular year, depending on the results of the study. So that is the Water budget. The next page is just a reconciliation of all of the ongoing projects, and the status of each project, because we budget for distinct finite projects, and they don't expire at the end of the year. They expire upon completion. So those are the numbers that you see, and it's just reconciliation of prior years' capital expenditures. And it actually goes onto the next page. There's a color key. Projects cancelled are in red. Projects completed are in blue. Projects expected to be completed are in yellow. And then white, obviously, are the new projects. So that's how we budget."

Commissioner Maultsby: "Is there any particular reason why they are not reader friendly, as in font size, sir [laughing]?"

Mr. Hiscock: "Well we could probably make the book 11x17 if you'd like."

[Commissioner Maultsby laughing]

Mr. Hiscock: "I have to put my glasses on to read them also."

Commissioner Maultsby: "Okay. Alright [laughing]."

Mr. Hiscock: "That's what we get for giving you all this information."

[Laughter]

Mr. Hiscock: "And the detail obviously goes on, that you've seen. All of the projects are listed in the back. All of these detailed budget sheets are all in here. We're not going to go over those, I mean it's just essentially how we go through this budget process. That's certainly not what we need to go into this evening. On page 12; I know it's not 12 pages in the book, but on the page that says 12 is the operating budget for the Electric utility. We're indicating a probable revenue of \$15.272 million, we're talking about other revenue of \$608,000, for a total revenue for the Electric utility of \$15,881,281; just up slightly from the prior year. The prior year was \$15,309,460. Expenses at the bottom of the page, total operating expenses, \$15.947 million; up slightly from the prior year. And the reason that they sort of track similarly has to do with our purchased power. You know that we purchase power from CMEEC, and as the purchased power price changes so does our budget. It is interesting to note two things on this page, and I won't belabor them, but out of the operating expenses \$10.8 million is for purchased electricity. So while we have an almost \$16 million budget, \$10.8 of it goes directly to our electrical supplier. So it really means that the magnitude of this budget for other OM&A is very similar to the Water utility; around \$6 million. The other thing to note is interest revenue, under the other revenue section; \$520,000 in interest revenue. That is a rather large number, and as long as we have a large amount of money in the Electric Fund, the Electric utility will make a significant profit. Once we start doing Electric projects however, that interest income will decline. Our rates right now are, as we all know, quite good. And part of the

ability to... a very small portion, but still noticeable portion, of being able to keep the rates low has to do with the interest income that we receive. Flip the page to 13 and you can see we have a net operating income, a negative \$674,000. That's obviously tempered by the interest that we earn, that you can see on the other page. But since none of our projects are matured, we are able to use that money; matured in the sense that they are not under construction. We are able to use that interest income for the benefit of the customer. We show \$2.4 million in capital appropriations. You can see there is no debt in the Electric Company at all. And I'm not aware of the Electric Company, in modern times, ever having a debt issue. I don't believe they've ever bonded. I certainly don't recall it. We go down through the change in Electric Fund, a negative \$2.6 million; an open balance of \$8.1 million; return to reserve of \$1.9 million. I will say that in the Electric utility we budget a little differently with respect to poles and lines and other things, and a lot of money comes back each year to the budget. We appropriate the capital to cover items. They're not spent. Some of them are contingent items for storms and other things, so that we do end up returning a fair amount of money each year, and you can see the return each year has been relatively high. We cancelled some prior year's projects. We transferred to the General Fund \$80,000; the same as the Water Fund, and the closing balance of the Electric Fund is \$7.5 million. So that essentially means that \$7.5 million of the Electric utility's money is unallocated for projects or expenses or anything else. It's pure cash, and we'll have that at the end of the year."

Commissioner Ayme: "That's a running balance, through the Chair?"

Mr. Hiscock: "That is a running balance, yes. It's the running balance in accordance with the budget procedure, you know, revenue minus expenses; debt; interest; capital projects; ending balance."

Commissioner Maultsby: "Does this mean that that creates a reserve?"

Mr. Hiscock: "It means that the District has a significant amount of cash."

Commissioner Maultsby: "Surplus."

Mr. Hiscock: "I wouldn't call it surplus, because we have some very specific, very large projects in the Electric utility that we wish to complete and are still waiting outcome of the generation project to determine where we're going to move. We're studying the 115, and that's a 14 million dollar project."

Commissioner Maultsby: "So then reserve would be a better term?"

Mr. Hiscock: "Reserve for future capital expenditures would be a much better way to look at it."

Commissioner Maultsby: "Yes, okay."

Mr. Hiscock: "But we don't have a reserve procedure in our budget system that we've used. There is one in the Charter. We could create dedicated reserves, but there's no real reason to do that because just as you can put money in the reserves, you can take it just as easily."

Commissioner Maultsby: "Okay."

Mr. Hiscock: "So as long as we account for it all."

Commissioner Ayme: "Through the Chair, over the last couple of weeks we did make a transfer to CMEEC, right, to increase the..."

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

Commissioner Ayme: "...the funding that we have at CMEEC?"

Mr. Hiscock: "Right, we..."

Commissioner Ayme: "Because we had to, I know that."

Mr. Hiscock: "Right, we made a purchase power adjustment of 1/3rd of a cent upward."

Commissioner Ayme: "So in order to do that we had to do some liquidations here, in terms of the investments that we had?"

Mr. Hiscock: "No..."

Commissioner Ayme: "No?"

Mr. Hiscock: "...that's all in the budget."

Commissioner Ayme: "Oh, it's all in the budget."

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

Commissioner Ayme: "All in the budget. So the investments that we had, they remain the same, pretty much?"

Mr. Hiscock: "Right. Right, that's calculated as part of this budget process."

Commissioner Ayme: "Okay."

Mr. Hiscock: "It's in the expenses, purchased power. It's in the revenue side."

Commissioner Ayme: "Yes. Do you recall... can you give me a figure? How much did we transfer to CMEEC? Do you recall that?"

Mr. Hiscock: "We didn't actually transfer money directly. What we did was agree to a billing rate..."

Commissioner Ayme: "Okay."

Mr. Hiscock: "...1/3rd of a cent higher."

Commissioner Ayme: "Right. Right, but in order for us to do that we have to increase the amount that we had."

Mr. Hiscock: "We increased our rates by the same general amount."

Commissioner Ayme: “Not only that, but we had to increase the amounts that we had a CMEEC, right?”

Mr. Hiscock: “Well the purpose of that is to maintain a positive Rate Stabilization Fund.”

Commissioner Ayme: “Exactly, right. Okay, you don’t recall the figure. Okay.”

Mr. Hiscock: “No, I don’t.”

Commissioner Ayme: “Okay. Alright, it’s alright. Thanks.”

Mr. Hiscock: “We could probably go through the minutes and find it; of last month.”

Commissioner Ayme: “Yes, okay. Alright.”

Commissioner Maultsby: “Very interesting.”

Mr. Hiscock: “Are there any other questions with respect to the budget, the budget numbers? We can end then by talking about the process. There are several things that could occur this evening. The Commission could pass this budget in its present form. The Commission could table this budget, and you recall that when we talked budget schedule we had an optional meeting for May 3rd where we could come back and adopt the budget at that point in time.”

Commissioner Burgess: “May 3rd?”

Commissioner Borges-Lopez: “March 3rd [correcting Mr. Hiscock].”

Mr. Hiscock: “March 3rd, I’m sorry.”

Commissioner Burgess: “March 3rd, somebody’s birthday as I recall.”

[Laughter]

Commissioner Ayme: “May would be better.”

[Laughter]

Mr. Hiscock: “No, no, the Charter wouldn’t allow us to do that.”

Commissioner Ayme: “I’m only kidding.”

Mr. Hiscock: “I’m sorry, March 3rd.”

Commissioner Ayme: “March.”

Mr. Hiscock: “And the reason obviously we did that, is if the Commission was concerned about areas of the budget that they wanted changed, or if the Commission wanted additional information and wanted to wait until the Commission received additional information to approve the budget, we left that date there.”

Commissioner Ayme: "Okay."

Mr. Hiscock: "So procedurally you have a choice this evening of either approving this budget or tabling it. If you table the budget we'll call a special meeting for March 3rd, and at that point in time you would need to approve a budget. The reason you need to approve a budget, is once you approve the budget it becomes the document that gets published in the newspaper for the electors so that they have the draft summary budget. Now once that happens, procedurally, you would post a draft summary budget in the Hour, the paper we use. That doesn't mean you wouldn't have the opportunity to change that budget all the way up until the March Commission meeting. So then you would... then you would go to the electors and say we're recommending a budget different than was in the paper for the following reason. We have never done that. Once the Commission has adopted a budget in its draft form, it has never changed. So are there any procedural questions?"

Commissioner Ayme: "What date, through the Chair, what date again is the electors' meeting?"

Ms. Pampoukidis: "The 17th [responding to Commissioner Ayme]."

Mr. Hiscock: "The electors' meeting is a very famous day."

Commissioner Ayme: "Ooh, Saint Patrick's."

[Laughter]

Commissioner Ayme: "Saint Patrick's Day."

Mr. Hiscock: "Yes, and March 17th...?"

Commissioner Burgess: "Mhmm [responding to Mr. Hiscock]."

Mr. Hiscock: "...is the electors' meeting."

Commissioner Ayme: "Alright. We're pretty much... you're pretty much finished with the...?"

Mr. Hiscock: "I'm finished with the explanation..."

Commissioner Ayme: "Okay."

Mr. Hiscock: "...and I can answer any questions the Commission might have."

Commissioner Ayme: "Yes, through the Chair, I just have one question. Do you recall the amount of...?"

Mr. Hiscock: "I'm sorry."

Commissioner Ayme: "Do you recall the amount... ballpark, it doesn't have to be, you know... but I have an interest in the mechanics liens that we have on property."

Mr. Hiscock: "I have no idea the total dollar amount."

Commissioner Ayme: "Okay."

Mr. Hiscock: "Liens get placed based only on my signature. I'm the only one authorized. I will tell you that I don't sign them very often, and I'm willing to say that it's two, maybe three per month at most. That may be even higher than the actual number. I could find out for you, but I couldn't tell you. Liens that are placed are good for 14 years, so there's little risk of... other than a bankruptcy situation and a cram down, there's little risk that we don't receive the money. We have very few write offs in the Water utility itself. But the total dollar amount, that's on various parcels, I couldn't tell you. That would take a little bit of research."

Commissioner Ayme: "It will take research?"

Mr. Hiscock: "Yes. We could certainly calculate it for you. It's not that hard. But it's just, it would take a little bit of research."

Commissioner Ayme: "Right. Do you...? Okay, do you see a lot of fluctuations in the amounts, up or down? I mean, probably on the upside, because they keep going up, don't they?"

Mr. Hiscock: "I haven't noticed a significant increase based on the documents that I sign. Is there a slight upward trend; probably."

Commissioner Ayme: "Probably."

Mr. Hiscock: "But it hasn't been significant enough for me to even track."

Commissioner Ayme: "And they're fully secured by real property?"

Mr. Hiscock: "And they're fully secured by real property."

Commissioner Ayme: "By real property, yes. Okay. Thank you."

Commissioner Maultsby: "Madam Chair, do you need a motion?"

Commissioner Ayme: "I really... go ahead [acknowledging Commissioner Maultsby]."

Commissioner Burgess: "Yes [also acknowledging Commissioner Maultsby]?"

Commissioner Maultsby: "I think it's been covered very well, and I'm prepared to offer a motion."

Commissioner Burgess: "Okay, then do so."

Commissioner Maultsby: "I move that we receive... what is the proper term?"

Mr. Hiscock: "I would say approve the budget as submitted."

Commissioner Maultsby: "...approve the budget as submitted. That's what I was going to say."

Commissioner Ayme: "Yes, Madam Chairman, I'd like to second the motion because... and I'd like to add that I don't see any reason why we should table this."

Commissioner Maultsby: "That's right."

Commissioner Ayme: "I think we have an understanding of the budget, and I do second the motion."

Commissioner Burgess: "Okay, all in favor say aye."

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Burgess: "So carried."

Commissioner Maultsby made a motion to approve the 2009-2010 Budget as submitted. Commissioner Ayme seconded and the motion passed with Commissioners Ayme, Borges-Lopez, Burgess, Mann, and Maultsby all voting in favor and none opposed.

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

Commissioner Burgess: "The only thing I would like to ask..."

Mr. Hiscock: "Yes?"

Commissioner Burgess: "...is that the Commissioners who are not here, that you give them an opportunity to come and talk to you."

Mr. Hiscock: "Yes, absolutely. If anyone has a question..."

Commissioner Burgess: "I know, but could you reach out so that they...?"

Mr. Hiscock: "Okay. I can."

Commissioner Burgess: "Thank you."

Mr. Hiscock: "Yes, Commissioner Ramirez I guess was originally planning to attend, and he had a reason why he couldn't attend."

Commissioner Burgess: "Okay."

Mr. Hiscock: "So yes, I will reach out and make an offer to both of the absent Commissioners this evening, to go over the budget with them in person, to answer any questions they may have."

Commissioner Burgess: "Okay. You could..."

Mr. Hiscock: "The only other budget related issue is that the agenda for the March regular Commission meeting, under the consent agenda, will have a resolution recommending the adoption of the budget as presented to the electors."

Commissioner Burgess: "And we don't have a meeting on March 3rd now?"

Mr. Hiscock: "We do not."

Commissioner Maultsby: "No."

Commissioner Burgess: "Are you happy with me [directed to Commissioner Borges-Lopez]?"

[Laughter]

Commissioner Borges-Lopez: "Good job."

[Laughter]

Mr. Hiscock: "Okay."

Commissioner Burgess: "Okay."

Commissioner Maultsby: "Inside joke or an outside?"

Commissioner Burgess: "No, it's her birthday."

Commissioner Maultsby: "I know [laughing]."

Mr. Hiscock: "And now everybody in Norwalk knows."

[Laughter]

Commissioner Ayme: "Alright, I move... oh, the public participation. I'm sorry."

Commissioner Burgess: "Yes, are we at that point now?"

Mr. Hiscock: "Yes, I have no further budget issues, and that's the only thing on the agenda this evening other than public participation."

Public Participation

Commissioner Burgess: "Public participation."

Ms. Deamer: "Nah."

Commissioner Maultsby: "Nah?"

[Laughter]

Commissioner Maultsby: "Take it and run [laughing]."

Commissioner Ayme: "Madam Chairman, I move to adjourn."

Commissioner Burgess: "Okay."

Commissioner Maultsby: "Second."

Commissioner Burgess: "Alright, all in favor?"

Commissioner simultaneously: "Aye."

Commissioner Burgess: "So moved."

Commissioner Maultsby: "Meeting adjourned."

Adjournment

The meeting adjourned at 8:08 p.m.

Attest:

Candace Pampoukidis
District Clerk