

SECOND TAXING DISTRICT COMMISSIONERS
Electors Meeting
November 15, 2011

Electors Present: Katherine A. Griffing
Mary. E. Burgess
Robert E. Burgess
Al Ayme
Alicia Ayme
Stephen A. Ayme
Mary A. Geake
Michael K. Geake
Dawn A. Delgreco
James A. Delgreco
David G. Westmoreland
Theodore C. Burt Jr.
James C. Clark
Kurt P. Schaaf
Joe B. Newell
Harriett J. Myles
Mary O. Mann
Sharon Stewart
Daisy M. Franklin
Carvin J. Hilliard
Martha Wooten-Dumas
Sherelle Harris

Also Present:	John M. Hiscock	General Manager
	Gwendolyn Gonzalez	Asst. District Clerk
	Mark Harris	Financial Analyst
	Robert Bailey	Hope & Hernandez
	Vivian Rodriguez	Hope & Hernandez
	Ariel Lawrence	Clerk
	Guy Moseley	Clerk

Call to Order

Chairperson Mary E. Burgess called the Annual Meeting of the Electors Second Taxing District to order at 8:10 p.m. on Tuesday November 15, 2011. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk, Connecticut.

Chairman's Remarks

I will read off the names of the other Commissioners those who are here I would like for them to stand so people will know who you are, Al Ayme, Mary Mann, Maria Borges-Lopez, Cesar Ramirez, Mary Geake, and Sherelle Harris. I just wanted to say that due to the number that's here

after we complete our agenda that's required I will entertain a few minutes of remarks from electors if they wish. However, this is not a Commission Meeting so we will not be taking any votes on this. I will turn it over to John Hiscock for the first item election of elector to be on the ethic commission.

The election of electors to the Ethics Commission

Mr. Hiscock: We do this every year but I'm going to have to go through the formalities because some of you aren't here routinely and forget. We elect an Ethic Commission every year at this meeting the Ethic Commission consist of seven electors no more than four whom shall be members of the same political party. They are elected at the Annual Meeting each member serves a term of one year commencing upon election and serving until the next Annual Meeting. If a vacancy occurs during a one year term the vacancy shall be filled by the District Commission at a regular or a special meeting called for that purpose, the vacancy shall be filled with an elector from the same political party of the vacating member and if the vacating member was not a registered with a political party the vacancy is filled with an unaffiliated elector. The process the moderator of the annual meeting which is Chairman Burgess, shall accept nominations for candidates from the electors, which nominations will not require a second, each elector so nominated shall affirm on the record their willingness to serve or a written statement signed by the elector willingness to may be provided to the clerk prior to nominations. The District Clerks shall prepare a list of candidates including their party affiliation, ranked from highest to lowest in the number of votes received when the number of any one political party exceed four only candidates of such political parties with the highest number of votes up the limit of four shall be elected and the names of remaining candidates of such political party shall be stricken from the list, the next highest ranking candidate shall be elected up to the number of seven. Does everybody understand the procedure? Are there any questions? Madam Clerk you haven't received any written notices of willingness to serve, have you?

Ms. Gonzalez: "No."

Chairperson Burgess: "Are there any nominations? Yes."

Bobby Burgess: "I nominate Sharon Stewart"

Mr. Hiscock: "Are you willing to serve?"

Bobby Burgess: "Sharon."

Mr. Hiscock: "Are you willing to serve?"

Sharon Stewart: "Yes."

Mr. Hiscock: "Party affiliation?"

Sharon Stewart: "Democrat."

Chairperson Burgess: "Other nominations?"

Bobby Burgess: "I nominate Harriett Myles."

Mr. Hiscock: "Are you willing to serve?"

Harriett Myles: "Yes."

Mr. Hiscock: "Party affiliation?"

Harriett Myles: "Democrat."

Sherelle Harris: "I nominate Alice Ayme."

Mr. Hiscock: "Alice Ayme, are you willing to serve?"

Alicia Ayme: "Yes."

Mr. Hiscock: "Party affiliation?"

Alicia Ayme: "Democrat."

Mary Geake: "I'd like to nominate David Westmoreland."

Mr. Hiscock: "Are you willing to serve?"

David Westmoreland: "Yes."

Mr. Hiscock: "Party affiliation?"

David Westmoreland: "Democrat."

Chairperson Burgess: "Other nominations?"

Mr. Hiscock: "We only have four democrats so far are actually in a difficult situation, the clerk gave me a note and according to the registrars list there are sixteen democrats present there are four unaffiliated (Inaudible) so we don't have a mix.

Attorney Zullo: "(Inaudible), some of the other three either have to be republicans or independents."

Dawn Delgreco: "I'll nominate Jim Delgreco and he is willing to serve."

Laughter

Mr. Hiscock: "Wow Jim, I'm surprised, someone speaking for you. Jim you are an unaffiliated voter?"

Jim Delgreco: "Yes."

Mr. Hiscock: "Thanks you."

Jim Delgreco: "I nominate Theodore Burtt, and you can spell that."

Theodore Burtt: " B U R T T, I'm unaffiliated and I will serve."

Mr. Hiscock: "Thanks you. Okay, we are up to six and we need one more republican or unaffiliated, and since there are no republicans."

Katherine Griffing: "I'll nominate Kurt Schaaf."

Mr. Hiscock: "Are you are unaffiliated?"

Kurt Schaaf: "I believe I am."

Mr. Hiscock: "Well I can check if you like."

Kurt Schaaf: "It's either that or Republican."

Mr. Hiscock: "You fit the bill either way, could you spell you name for the clerk please."

Kurt Schaaf: "S C H A A F as in Frank, the first name is Kurt K U R T."

Mrs. Burgess: "Obviously there are no other nominations."

Attorney Zullo: "Let's call to see if there are none."

Mrs. Burgess: "Well, I'm just about to do that, Yes?"

Mr. Burgess: "I move that the nominations be closed, and that the secretary cast one ballot for the slate."

Mrs. Burgess: "Thank you."

Al Ayme: "Seconded"

All in favor

Electors Simultaneous: "Aye"

Mrs. Burgess: "To receive and approve the Audit Report of the Second Taxing District, I'll turn it over to our General Manager."

To receive and approve the Audit Report of the Second Taxing District (Comprehensive Annual Financial Report –Fiscal Year July 1, 2010- June 30, 2011)

Mr. Hiscock: "When you came in this evening I think you were offered a copy of our annual report the fiscal year July 1, 2010 to June 30, 2011, I'm just going to highlight a few areas and anybody who has any questions."

Katherine Griffing: "Excuse me."

Mr. Hiscock: "Yes ma'am."

Katherine Griffing: "Can you speak up just a little bit and I am not really deaf but it's very hard to hear you."

Mr. Hiscock: "I'm usually a little louder than this but I've had a miserable cold for four days and I will try and be a little bit louder I couldn't speak two days ago so I guess it was better then. Okay, as you are all aware we do record this for in accordance with state statues audit the district each and every fiscal year. The auditors in fact two members of the audit firm are present here if you have any questions. The firm is Hope and Hernandez and we have Bob Bailey in the back corner and Vivian Rodriguez in the back corner they are here available for any questions for support for me if I have any questions I have Mark Harris, a member of the staff and then we can go from there."

James Clark: "Question already. How long have they been the auditors?"

Mr. Hiscock: "A long time."

James Clark: "So they've been doing the audits for more than five years?"

Mr. Hiscock: "Yes."

James Clark: "More than ten years."

Mr. Hiscock: "Slightly over ten I believe."

Robert Bailey: "Twelve years."

Mr. Hiscock: "Twelve years. Jim, just so that you know the procedure is, we name auditors once a year but the procedure that we use is every three years we go out for competitor pricing. We send letters out to all the audit firms with some experience in governmental auditing we get

responses back and try to find out if they are interested in providing a proposal to us and when we get that information we take that list go over it. We look at price we look at qualifications and we present that first to the the distributions who choose their choice of auditor and then gets put before the electors and this is during the spring meeting, gets put before the electors to ratify the choice of the commissioners, so at that point the electors can either ratify or not ratify and not ratify I guess with comment, so that's the procedure we go through. I believe we are close to the end of the cycle.

Robert Bailey: "This was the last year."

Mr. Hiscock: "This is the last year of the three year cycle so when we all come back for the electors meeting in the spring we will have that opportunity to listen to the commissioners recommendation. Okay I'm going to start off on page ten. I'm going to go over some numbers significant numbers. I'm not going to read to you the letters from the auditor nor the management analysis or the letter of transmittal you can read that for yourself take it home. On page 10 is the balance sheet for the government funds which is the essentially the district.

Jim Delgreco: "John there's a bunch of page tens"

John Hiscock: I'm sorry yeah there are because this is a multi page report. Okay, go to the section that is entitled financial section starts right here and then beyond that the page ten of the financial section. I'm going to, most of my comments are going to be in that area, current asset of the district general fund district general fund only the electric fund and the water fund we will do over also but this is just the government form cash equivalent \$848,071 due from the district water department that's a receivable of \$186,304. The water utility borrowed a \$186,000 from the district to operate and close out the fiscal year, prepaid expense and preliminary surveys \$45,341 and there is a restricted rowan fund which is the library fund that exist as far back as anybody can remember I guess when it was actually donated to the district it was real money, today it not real money and the interest gets paid over to library to buy books, which means you probably have to over ten years interest to buy a single book, so the total current assets of the district \$1,080,694. We have \$242 in payables and the only liability we have really that the order of magnitude of the actual governmental form. It's always been about a million dollars in recent time it used to be as high as \$2.4 million but we ended up giving money we ended up investing funds in the library in a joint arrangement with the City of Norwalk to update the South Norwalk library and you all know about that so that \$2.4 that we had quite a few years ago has now dropped down to just about \$1.0 and it varies a little bit from year to year depending on how much is left over from the budget, the budget is funded by the two utilities, and we will see that later if you go to page 12 this is the statement of revenue expenditures and changes interesting count based on a million dollars in the bank and we all know these days not quite a million but close to it we received only \$1,861 and that number used to be way higher previously expenditures commissioners salaries \$22,750 that's seven commissioners times their \$3,250, the clerks salary which is set by the commission, the treasurers salary which is set by the electors of \$2,000, community service projects of \$36,000, legal and accounting of \$41,000, meetings printing and other \$9,735, and taxes and insurance \$3,700, total expenditures of \$118,526 and we have a access in this case actually a deficiency of revenues over expenditures \$116,665 which is expenditures minus the interest in the company now

other financing sources operating transfers in \$165,000 that actually comes from the two utilities excess of revenues and other financing sources \$48,335 all comes down to the end of the balance this is the change in the balance sheet affected by the expenditures and the income. If you move to 14 you'll see the district's budget both the original budget is passed by the commission and the electors of the spring before this fiscal year you'll see the final budget amount and those two columns are the same no changes were made to the budget during the year in the next column the third column you'll see the actual expenditures so the commission salary, the clerk salary, the treasurer salary are all matching the amount the amount that has been approved by electors or commission and then you can see the community service projects \$36,000 was spent instead of the budget of \$61,000 legal and accounting \$41,000 was spent instead of the budget of \$72,000 meetings printing and others \$9,700 instead of the budget of \$26,600 and taxes and insurance \$3,700 instead of the \$5,000 so that you can see that when you add it all up essentially we were way under budget and that often happens because of the individual items we are kind of force to look at the high end of all this because otherwise the electors would have to come back everytime we had an overage so every year you will really find that those four items were always under budget, any questions to this point? You may move to page 15, if we move to page 15 you can look at some pertinent information for both the water and the electric funds and obviously it's the water utility and the electric utility under assets you can start off with the water column and work our way all the way down and then go back to electric water department cash \$29,142 receivables \$842,000 accrued unbilled revenue \$827,000 that has to do with the fact that we bill a lot of our water customers quarterly and we have to cut it off at the end of the fiscal year accounts receivables from others \$147,000 inventory, \$301,000 pipes valves repair equipment construction equipment for the water system and prepaid expense of \$59,000 for total current assets of \$2.2 million, noncurrent assets you can really see what the utilities are deferred preliminary survey investigation are projects that we are looking at and haven't made a determinations to whether or not they are going forward utility plant at cost plant in service is \$63 million that's the pipes, filtration plant, the pumping stations, the tanks, the meters all those things and buildings, all the things we need to run the utility, less the accumulated depreciation of \$20 million, construction work in progress \$298,000, those are projects we are working on right now and not completed by the end of the year. Total non-current assets of \$43 million so the total assets of the water utility at \$45 million. You go down through the liabilities and net assets you can see the payables at \$142,000 you can see that \$186,000 that's dues from the water fund over to the district we're extremely careful moving money from one fund to the other based on the charter and the procedures that we are required to use. We've got accrued bond and loan interest about \$ 4,000, accrued compensated absence is about \$40,000, unadvertised bond premium is \$2,300, bonds payable current is \$300,000 that's for the New Canaan reservoir that we went through in 1997 a fifteen year bond issue in fiscal year 12 that will be over the last payment will be made, so that bond issue will be completely refunded. Below that is the loan payable for the water filtration plant you have the current amount for the current for the year in question of \$1,057,000 so total current liabilities of \$1.7 million. Another thing to note if you look down there is a net OPEB obligation of \$519, 000 or other post employment benefits not retirement but medical and dental thing that are a part of the employee benefit package and if you go through the report you will see there is a note listing the actual total liability which I believe is about \$9.4 million."

Robert Bailey: "Correct."

John Hiscock: "Yes, \$9.4 million is the total current liability for future benefits that will be paid out to retirees."

James Clark: "Are you required to prefund those now?"

John Hiscock: "No, we are not GASB45 gave a procedure as to how to deal with it, I think we get to amortize it over thirty years."

Robert Bailey: "That is correct."

John Hiscock: "Thirty years we get to amortize it over, I'm not going to comment on the politics of it I guess if you stuck the liabilities on all the towns, cities and governments balance sheets they would all be negative. Loan payable long-term water filtration \$20 million that's a brief statement of the assets of the water utility. Does anybody have any questions?"

James Clark: "When is that finished? That when is that the water filtration the loan payable?"

John Hiscock: "It's a twenty year loan and we started paying it two years ago in 2009."

Jim Delgreco: "The million dollars above it \$1.57 million is what you paid on that loan this year?"

Robert Bailey: "No, that is what due in the next twelve months, so it's in short-term."

John Hiscock: "Yea, you'll see that \$1.57 million elsewhere when get to statement of revenues and expenditures."

Frank Zullo: "John that was a very stable rate wasn't it close to 2%?"

John Hiscock: "2.04%."

Frank Zullo: "Very, Very stable rate, that filtration loan."

John Hiscock: "Any other questions about the water utility on the balance sheet? Okay, I keep calling it a balance sheet it's a statement of net asset, electric utility, cash and cash equivalents, and I'm going to jump a little bit so you can understand this item \$14,260,889 and accounts receivables of \$1.7 million, for one minute I'm going drop down to current liabilities and tell you out of the current liabilities we have customer deposits, you all know we take customer deposits to insure payments especially when people leave the system and go elsewhere we're not like CL&P where we usually capture them again on a new account, when they leave us they leave \$1.8 million those are funds that are not really ours those are funds that are customer funds put on deposit with us. I'm going to go back now grants receivables \$36,000 we'll talk about the grants in a minute interest receivables \$22,000, accrued unbilled revenue \$358,000, accounts receivable others \$470,000, inventory \$495,000, and prepaid expense of \$52,000 for total current assets \$17 million.

Non-current assets investments \$1.6 million, investment in CMEEC that's the cooperative that we I guess you call us a member and an owner of the cooperative, that's what we paid in 1987 Mark?

Mark Harris: "Approximately, yes."

John Hiscock: "We paid that off in 1987, as our share of equity in CMEEC at the time, we have deferred preliminary survey and investigation of \$444,000 and then we have utility plant in service of \$16 million minus the depreciation of \$9.7 million, construction work in progress \$1.3 million and if you look to the left you can see that the construction work in progress in the electric utility is significantly higher than the water utility and that has to do number of improvement projects that we are actually doing in the electric utility. We're doing a very large number of improvements to bring electric system up to reasonable standards. So we have total assets on the electric utility of \$28 million. As you go down to the liabilities account payables \$1.2 million, accrued compensated absences is \$59,000, reserve for sales discounts is \$56,000 that has to do with the ten net ten discount that you get if you pay your bill promptly, and that's how its accounted, for and there are no loans and debts in the electric utility. Current liabilities of \$3.1 million and we have a net OPEB obligation of \$475,000. So that the assets and the liabilities of the electric company, does anyone have any questions about those? Okay, I'm going to move to page 16 and after we get done with 16 I'm, going to stop unless there are questions. This is the statement of revenues and expenses for the two utilities', I'll start again with the water utility we have the sales of water for \$7.1 million in water sales and outside of the actual sales of water we have miscellaneous service revenue \$135,000 that's when we bill customer, or contractors, or others that we do work for other than sell water. So the total operating revenue is \$7.2 million dollars, operating expenses, first one is water supply operations \$1.4 million, and maintenance of \$84,000, that's both our filtration plant and our water shed and dams and related land that provides the water shed for the water that runs into our facilities. Transmission and distribution operations of \$235,000 maintenance of \$499,000 [449,000] customer accounts at \$247,000 the water utility is experiencing a significant number of main breaks and that's why maintenance is at \$449,000 like most older systems we've got a lot of older piping which really needs to be replaced but virtually no utility replaces pipe as fast as it depreciate mainly because of pressure from customers with respect to rates customers do not want to fund utility replacements as fast as we need. We move on to Administration and general, operations \$2.1 million operations is high because the benefits are all in that column, you've got medical, you've got all the benefits a significant number of the salaries. Maintenance administration is not expensive \$42,000 and then we have the depreciation number of \$2.6 million that's the depreciation on all the assets that we own and remember depreciation is not cash expenditure but is an expenditure and amortization on premium debt \$2,358 and you saw that reflected elsewhere and we have other taxes \$430,000 that's mainly taxes it's almost all taxes to the Town of Wilton and the Town of New Canaan where we own large land holdings we own about 1,200 acres of land in Wilton and somewhere between 200 and 300 , closer to 200 acres in the town New Canaan. So the total operating expense of the water utility \$7.6 million compared to the revenues it shows and operating income cost of \$426,000 so we lost \$426,000, that's the bad news the good news is that's not cash \$2.6 million was depreciation okay so it's not negative cash. When we do our capital improvement program it takes out of that and it does go negative. You have a question Jim?"

Jim Clark: "A couple, operations reflects how many people is that? Under operations you mentioned a big number but compared to what?"

Mr. Hiscock: "I'm trying to think of the number of individuals, I'll give you a rough number without trying to calculate in my head."

Jim Clark: "Okay, that's fine."

Mr. Hiscock: "About half the utility probably about 22, 23, 24 employee range, it's the accounting department, the engineering department, the administration, its collection those kind of employees."

Jim Clark: "Okay and the other question the depreciation figure does that stay stable from year to year? How's that figure?"

Mr. Hiscock: "It actually declines each year that you don't add more assets than you get depreciated. So in the scenario that we are facing because the filtration plant is brand new and it is the bulk of the depreciation. I believe going forward you will see this number decline."

Jim Clark: "Okay."

Mr. Hiscock: "Not significantly because again the filtration plant is bulk if the depreciation and it is straight line depreciation because we don't have tax consideration so that's why it's done that way. Other questions? We will move on to electric utility, sales of electricity \$10,913,000 for residential and commercial, industrial \$2.5 million, street lighting \$134,000 other public authorities \$998,000, sale for resale \$22,000, conservation fund charges \$227,955, that is money that we collect based on a state statute which requires us to collect money to fund a conservation and load management program, so those funds are taken from our customers equally and a kilowatt hour basis and put into a fund their matched up with other funds we receive from other sources like some reggie fund and other state green programs and then they are given to customer who for conservation programs and example, I don't know if any of you have had and home energy audit? Where the auditors come into your house that program is paid for out of those funds and a lot of state funds. We do a lot of commercial lighting I think examples we did a NEON project with Commissioner Mann, we did a major project with 50 Washington Street where they went to LED's a step beyond florescent they went straight to LED's for half the building and they are applying to go to the other half of the building. We've done other buildings around town I think we've done some work with the Maritime Aquarium. We've done some work where Spinnaker offices are I don't know what the call that the Lock Building I believe with respect to their energy management system so that's where that money goes. It's not our money to spend other than to give to the customers for these programs. Customer's forfeited discounts \$534,000 those are the lost discounts, those are customer who don't pay on time. Gross revenue tax \$611,000, if you look on your electric bill you will see a line for gross revenue tax that gets paid directly to the state. We are one of the unusual utilities that actually shows it on the bill, most other utilities, it's inside of their operating expenses we elected to place it on the bill. So total sales of electricity of \$15 million we have miscellaneous service revenue of \$73,000 so total operating of the electric utility

is just over \$16 million. We move down to expenses the first one you see a real number in is purchase power \$11,075,000 so out of that \$16 million that we take from customers we're supplying electricity and services \$11 million goes to our wholesale supplier to purchase electricity in the energy market place leaving the utility significantly less than \$5 million to operate on. So when you see those big numbers very little is actually spent locally in the local utility most of it's the wholesale power. If you look to the left you will see 0 for that for the water utility because it makes all of its own water it doesn't buy it from anybody and conversely when you see all of the expenses for the operations and maintenance of the water supply system you obviously see 0's for the electric utility because it purchases everything it resells. Move down to transmission and distribution operations \$643,000, maintenance \$434,000, customer accounts \$444,000, conservation and load management \$49,000 that's expenditures outward. Again administration and general operations \$2.3 million, and Jim I didn't quite answer your question correctly when you said the number of employees that was number employees for both water and electric. I don't want to mislead you."

Jim Clark: "So, that's the total. Thank you."

Mr. Hiscock: "Maintenance \$63,000, customer assistance program \$25,000, that's a program where we allocate \$25,000 a year to aid customers in addition to what they get from their energy assistance or for those who don't qualify for energy assistance. That's handled through the local community action agency NEON under an agreement between us and NEON where we spell out the rules. They have the staff that's certainly familiar with those types of programs that are necessary and they know who is in need and who isn't in need. And the gross revenue tax \$549,000 that we pay back out you can see there's a difference in the \$549,000 and the \$611,000 some of its timing some of its auditing, and some of its because the state changed the way gross revenue taxes are calculated and eventually that will all work out our wholesale supplier CMEEC is still negotiating with the department of revenue services on how to implement the tax changes. Eventually that will all work out and essentially it should be a net 0. Non-operating revenues and expenses, grant revenue \$ 937,000 those of you that have come to a few of our meeting know that or have read it in the paper that we are a part of a AARA ARRA stimulus grant we are a sub-recipient our wholesale supplier CMEEC applied on behalf of the munies in Connecticut we got an award and its funding part of AMI Smart grid metering system for those of you who don't know we have the ability to read you electric meter every fifteen minutes and we are moving to do the same thing in water meters, right now we are reading them once an hour its tying into a large computer database that we are currently implementing and you will be probably within a year able to go online and look at your electric consumption on at least an hourly basis, you'll be able to look at your account and you'll have a lot of information that you certainly don't have now, so we are moving the high-tech age."

Jim Clark: "Including making payments online?"

Mr. Hiscock: "We are also looking at that we are moving forward, we've had discussion with a third party vendor to administer that for us and I think that may come obviously with commission approval, we need to go through that process but that probably will come before you can look at you account online, but somewhere in that same time frame or better. Gain or loss on the

disposition of utility plant, that's a significant number \$439,000 that was meters which were retired prior to being depreciated in order to do this electric metering program. Interest income and late charges \$85,000, interest expense -\$56,000 so total non-operating revenue expenses \$554,000. Trying to see if there is anything else (inaudible), any questions on the electric utility? Yes sir?

Bobby Burgess: "One question, on the customer account what kind of interest rate do you pay the customers?"

Mr. Hiscock: "I believe it's now 1.7% it was as high as 4 previously, we maintained it in a separate area that were a series of nice CD's at one point and time as they have matured they've been replaced with .1, .2 we will probably be unfortunately changing that number downward, we try to maintain it like on a portfolio and try to have the number match up but we don't do it every couple of months we do it probably sometimes only annually. I believe it's 1.7 and it needs to go downward again. Other questions? I'm almost done, at the back of the report, I'm not going to go over the back of the report because there is a tremendous amount of detail there a section called supplementary combining and individual fund schedules its twenty, twenty five pages it's all of the real detailed back up to what we just looked at, unless somebody has a burning desire to look at some of that it's probably not something I want to try and go over here tonight its extreme detail and it would take a long time, and usually I do not go over those items. Yes, sir?"

David Westmoreland: "I just have one question. It looks like there's like a 10% increase water revenues and an in (inaudible) electric what do you attribute that to, just recovering in the economy?"

Mr. Hiscock: "No, there is a note here explaining and I believe the number is 4.58 don't get annoyed at me if I'm misquoting the number increase in water sold. Water sold is relatively variable over the last ten years our water sold has declined on an average about 1% there's about a 3% variable back and forth across that line because water sales are very dependent on weather we happen to have, not this past summer although this past summer wasn't that bad the summer before was dry and hot and we sold a tremendous amount of water so we can attribute most of that to the increase of sales of water due to weather. If you look at the note I believe it's about \$700,000 difference between the year we are looking at and the prior year. The year before that was a wet year and sold significantly less water than we had in our budget plan."

David Westmoreland: "Right, I was looking at the revenue numbers but I was also looking at the water leaving the plant production, it's a really big jump up from year to year."

Mr. Hiscock: The water leaving the plant number has a couple of other issues related to it that doesn't count leakage, that's the actual water produced we lose about 15 to 20% of our water in the system it sound like a huge number is a very large number if we were a new utility, should be around 5% to 7%, we have old piping, inner city very difficult to deal with leaks and there are a lot of places for leaks to disappear in city streets. Storm drains, sewers, other utility trenches that never surface so we have like, most older cities a very large amount of leakage. We do a system wide leak detection every three years which is significantly higher than the states requirement.

The state has a requirement for us because we just renewed our permit to transfer water from New Canaan from New Canaan reservoir to Wilton requires what's called a diversion permit and to get a diversion permit or a renewal you need to apply and they almost always put a leak detection survey requirement. The normal utility leak detection runs about five years in agreement with DEP with our renewal we are down to every three years. So it does vary from year to year you'll find that it actually will creep up sometimes, but it's all variable because of weather related issues also. Yes, Jim."

Jim Delgreco: "On the pension side on the retirement plan underfunded, how obviously I's a national problem where pensions or whatever are underfunded could you speak briefly to."

Mr. Hiscock: "Okay, there are probably for four or five pages in here, we are part of the Connecticut Municipal Employee Retirement Fund, it is not managed by us it is not controlled by us it's a program that the state started a very long time ago at least in my time frame because when I first arrived at the utility that was the plan we were using it's mostly small school districts, fire district, small government forms that do not have the ability to run their own pension system so we are members of that. They set the contribution rates and I think it's rather well funded if you take a look at the notes , and I believe the way its set up we have no liability for when its underfunded, however whenever it gets underfunded we get an assessment along with all the other small munies that belong to it."

Jim Delgreco: "So it's a pool?"

Mr. Hiscock: "It's a pool, yes."

Jim Delgreco: "Verses you in particular."

Mr. Hiscock: "Absolutely, it's a pool, a relatively large pool, there's a fairly large number."

Jim Delgreco: "And so did the audit firm."

Mr. Hiscock: "Page 32 sort of in the middle."

Jim Delgreco: "Did the audit firm do an audit of that too? Is that part of it or is that audited separately?"

Mr. Hiscock: "That is audited separately and the information that is in here comes out of that audit and Bob can explain in detail."

Robert Bailey: "That is correct, we confirm the State of Connecticut and they provide this note is word for word from their confirmation."

Jim Delgreco: "And did you read it did you kind sort of agree with what they said or do you have any opinion either way on what they are saying?"

Robert Bailey: "Do we rate it no, again that's audited by other auditors, statewide."

Vivian Rodriguez: "And remember this information here is just not on this district, you not on the water and the electric, their note encompasses everyone so it's not just specific to them but if you go to that page 32 in that very first paragraph of the plan is where we talk about water and electric and we talk about us and our contributions and the monies that we have expended that will enter this fund and so that is our respected information relative to us and everything else is as a whole all the rest of the pages. That comes directly from the other audited information that comes from the State of Connecticut."

Mr. Hiscock: "If you go to page 36 the funding status is listed. It looks better than most to me."

Jim Delgreco: "Last but not least you know that the city is redoing Cedar Street and Fairfield Avenue is there is any plan to look at the water line underneath those streets, and I heard what you said about the bottom line to fix only what's broken but is there any way to take a look at those lines whether it's scope them out or whatever. Obviously we would hate to engage (inaudible) we would hate to have them redone and then dug up again."

Mr. Hiscock: "The triggers that we use generally for replacement of mains has to do with the number of breakages over a time frame, I'm not aware of a failure problem on Cedar Street at all, not to say that one might have happened that I'm not aware but I can name streets in Norwalk where we are having a major problem based on our criteria and even though it's going to be repaved and reconstructed we were not planning on doing that street the water main is a sufficient size we are obviously changing the end connection with the bridge and there will be a few minor changes and we are also bring the water main down one of the side street that's dead ended right now and to tie in. So there will be some work on Cedar we're not planning at this point on doing work of like a total replacement we'll look at the services on the street, and if any of the services are old enough to be replaced, in other words if they are brass or galvanized or lead and we've probably eliminated almost of the lead services those that meet the criteria being in those categories Will be renewed from the water main into the property line. So we are planning on doing that.

Jim Delgreco: "Last question I know that there was talk redoing up Summit Street up to the water tower, has that project been abandon or is that still under consideration?"

Mr. Hiscock: "It's still under consideration and its part of the state project the timing is related to that."

Jim Delgreco: "So that will happen?"

Mr. Hiscock: "That will occur."

Jim Delgreco: "And are you attending meetings on a consistent basis with them to know what their timing is? (Inaudible)"

Mr. Hiscock: "Two of our employees were at CONNDOT today, they were actually not talking about the water system however they were dealing with the coordination of the electric system on Connecticut Avenue as it relates to the bridge construction. We're in constant contact with them. Yes?"

Jim Clark: "I wasn't going to say it but I'm going to actually follow up on Jims point, I know you have your traditional triggers what you follow, but I just want to note that the upcoming construction on Cedar Street is, Cedar Street is going to probably undergo the most major transformation to the streets (inaudible) happened in most of our life time and it could be the most significant transformation to occur there in the foreseeable in any of our life time, and it's as a result of a lot work as you know we've you've been one of our partners engaged in that whole process so because it is not business as usual on Cedar Street I would urge you guys to consider not necessary having to follow the normal triggers, but see if there is any extra level of oversight that you can bring to that, I would hate to see us do all that work and then get slammed. I just kind of wanted to get that out there on the record I know you guys are responsible but it kind of needs to be said."

Mr. Hiscock: "I think one of the things we will do we're going to look at the final city plan with respect to what they're going to do subservice and one of the things we will do and we always will do when there's a city reconstruction of a street we will evaluate whether their construction is going to impact our facilities and we will react to that."

Jim Clark: "We are monitoring that with them as well, so if you have a situation where we get together and do that as well we will be happy to work with I'm sure the Golden Hill Association would and the merchants of Cedar Street Merchants as well would be happy to send some representatives if that's something."

Mr. Hiscock: "Do you know if your plan is to still do the ornamental lighting?"

Jim Clark: "Yes."

Mr. Hiscock: "Is the city still going to go forward with that?"

Jim Clark: "Yes, that is plan, but we haven't."

Mr. Hiscock: "We're cognizant, we're aware of it, we've been part of it but I hadn't heard recently whether they were continuing that."

Jim Delgreco: "And we've also noted that the gas line is being replaced at this point, just in case you weren't aware of that."

Jim Clark: (Inaudible)

Mr. Hiscock: "Yes, we're going to have to evaluate all of that to see if it impacts our facilities. Other questions related to the audit? Or anything related to anything in the audit? And as you go

through it you can find all of the capital project list and all that detail in the back of what we are working on and not working on, and what we are planning on working on, and what's in the budget going forward.”

Commissioner Burgess: “If there are no more questions on the audit, we need a motion to receive and approve the audit report of the Second Taxing District.”

Jim Clark: “So moved.”

Al Ayme: “Second.”

Commissioner Burgess: “All in favor.”

Electors Simultaneously: “Aye.”

Commissioner Burgess: “Opposed? Abstentions?”

[No opposed, no abstentions]

Commissioner Burgess: “We are now down to item four.”

To set the compensation for the elected officials of the Second Taxing District

Joe Newell: “Madam Chair, I would like to make a motion that due to the economic down turn of the economy, I would to make a motion that the compensation remains the same.”

Commissioner Burgess: “Is there a second to that?”

Bobby Burgess: “Second.”

Commissioner Burgess: “Any questions on the motion?”

Commissioner Burgess: “All in favor.”

Electors Simultaneously: “Aye.”

Commissioner Burgess: “Opposed? Abstentions?”

[No opposed, no abstentions]

Commissioner Burgess: “We are not at the end of the agenda required, if there are any brief remarks from electors, as I said we will not be taking any action with the Commission tonight but remarks will be on the record and certainly we will pay attention to them.”

Jim Clark: I do have some remarks, my name is Jim Clark, I'm actually speaking on behalf of the Golden Hill Association, so since I'm doing that can I have everyone who is a member of the Golden Hill Association present just raise your hand. Basically I wanted to talk about two issues this evening, one has to do with the specifics behind the determination to increase the water rates by 25% that's one general area, and the other is basically communication with electors, those are the two areas I want to talk about briefly. The 25% increase in our water bill came as a shock to almost every resident that we polled and the percentage increase was alarming and so you probably see a few more of us here this evening than you might otherwise. Now regarding the 25% according to Mr. Hiscock there were two primary reasons for the rate increase to cover the principal and interest payments of the water filtration plant project and to replenish the water reserve fund to a level of \$4.25 million. So the questions, and just so that you know we actually put together a subcommittee of Golden Hill we spent some time together to get people's concerns and questions. Questions asked were, were there alternatives discussed or proposed to accomplish two goals, for Mr. Hiscock for example, did the Commissioners talk about phasing in the increase over a period of time? Or did they talk about partnering with the city to use their borrowing power since they have a superior credit rating to get a better rate on the bond, as the 1st Taxing District recently did? Was the timing of this increase questioned? In light of the extremely fragile economic conditions and unprecedented hardship that many of us are facing in Norwalk a 25% increase seemed pretty unconscionable to our constituency. Did the seeming necessity for an increase of this magnitude spur discussions among you regarding the nimbleness of SNEW's current process to react swiftly to economic changes? What have you heard talk of the five year cycle but we don't really know what it is, so we are kind of like to know what that is? If the rates are going to be changed only once every five years then, okay in July of 2006 there was a 20% increase and there were also some special charges in November of 2006, and a 2.75% increase on July 17, 2007, and July 1, 2009 there was a 3% increase so it would just be interesting to understand all those in terms of the context of the five year cycle is that a five year cycle? We don't understand. So what are the alternatives to a five year cycle? So should we be maybe rethinking maybe a five year cycle in earlier times would have made a lot of sense, but with the volatility locally, nationally, globally, maybe we need a different so that's a more (inaudible) question. As far as your credit rating how important a factor in the decision to raise water rates was maintaining SNEW's current AA1 rating, and I realize we are not asking (inaudible) we are just putting it out there, and you can discuss amongst yourselves. We know the rating agency view the water and the electric companies as one entity so how is the credit rating affected by a deficit to the water reserve fund. Our question here was can a mechanism be set up here to lend reserves from one entity to another when needed? It looks like you might actually have something in place from the audit list maybe not what would actually be needed to do it on a level that we are talking about here, but once again that was a question that was raised. Once the current goals are met then (inaudible) what happens, we've got that letter. We do know that the 25% rate increase made such ways in our community that Bob Duff our Senator introduces legislation that would require any municipal water provider that seeks a 10% rate or more to go before the state public utility regulatory authority. A couple more minor points I'm going to leave out because it's getting late, but those are the questions that arose specifically with regard to the 25% increase. We felt there was another issue that was also extremely important that disrupts our minds, that was communication with electors when we look, I had really never looked at the charter before how many of you have actually looked at the charter for the Second Taxing District? It's not the kind

of thing people do in their spare time or want to do in their spare time but in the charter it says “the notice of the time, place and agenda off all the meetings of the electors, residing in the said taxing District, shall be given by said by Board of Commissioners by publishing in a newspaper having a circulation in said district at least (10) days before said meeting.” So now I know why the Norwalk Hour has those (inaudible) you’re required by charter to have to do that. Because when we got this notice about the 25% water increase we were shocked and from our point of view if SNEW tried to communicate with us the electors about this in advanced it didn’t do a very effective job. I understand that in the 1950’s putting a notice in the local paper was cutting edge technology but I don’t think that’s necessarily, and I know you are complying with the charter but we’re thinking if we want to have a more robust relationship between Norwalk the Second Taxing District, its Commissioners, and electors we might want to look at some ways to more effectively communicate to get people to respond and get people involved. So we did come up with some suggestions for you to consider and of course anything you can come up with will be great too, so here are some of our suggestions, use mailings with the utility bill to inform all customers, including electors, of proposed changes well in advanced of any action, so let us know ahead of time what’s going to come down the pipe if there’s a possibility you’re not just our utility we have this set up with electors so this is a little different situation than just CL&P or something, we’re suppose to have a say and I think we like to have a say everyone here is they are taking the time out to be here tonight so I think that would be good. Partner with local neighborhood groups and associations to get the word out about any significant news, we would be glad to help you Golden Hill Association I’m sure that the merchants or other groups would probably be willing to help spread the word of about any significant changes or programs an kind of help the image because a lot of things you do with associated programs and charities people don’t know about so we can help spread the word there. We thought you might charge the Commissioners with communicating to electors in their area of representation so give them an actual charge people that they would contact. We thought it might be helpful to include an executive summary of the minutes, these are verbatim minutes of the meeting so once again if anybody has tried to read those have a cup of coffee handy because it just takes a long time so that would be something that would help. You may consider sending an email blast to your electors, I know John you talked about modernize in certain ways in terms of being able to check on line with our usage and also being able to pay our utility bills on line and maybe we can use that same kind of conduits to create communication with electors in other regards. So those are our comments and questions for this evening thank you for giving us the time to express them, we appreciate it.”

Mr. Hiscock: “Jim Do you have a copy of that?”

Jim Clark: “Yes, sure.”

Mr. Hiscock: “It would make it much better for us, otherwise we are going to have to wait for Gwen to transcribe them verbatim, that would make it easier for her to transcribe.”

Commissioner Burgess: “Thank you, any others? Yes.”

Bobby Burgess: I would like to make an observation in that Bob Duff always work with Cafero on everything, if that bill should pass I would recommend that the Commission look at increasing

every year or every two years instead of the 25% jump, if that bill should pass it would be a deterrent to the customers because you can go up the 10% per year without a public hearing or anything. So I think the bill defeats itself in that manner if you go up 10% every year I mean it would be bad for us. I think you should consider probably just looking at the rate increase every year or so, because if 25% if you look at individuals it's not a lot, but it's a lot the number figure seems like it's a hell of a lot, so instead of having that huge figure every five years I think you should break it down in cycles."

Commissioner Burgess: "Thank you, Mr. Burgess."

Jim Delgreco: "I would like to see us try and short circuit the Bob Duff initiative let's call it, to have a law that puts checks and balances over the utility and I would recommend that at your next meeting when you talk about this and vote on it you come up with a plan that looks to short circuit this we definitely be willing to give you some suggestions that we have. But I personally think in a democracy we need to be responsible and I would hate to give the state an excuse to basically look at us when we should be doing that ourselves. So two suggestions here at your next meeting one is look at that 25% rate increase see if it can be rolled back get everybody's attention to say okay we want to make sure that we do the right thing in this situation, in order to give the electors the opportunity to be the checks and balances. Number two is to come up with that internal check and balances that would allow someone like Bob Duff to say okay, we understand you are doing what you need to do that, I don't have to move forward with this initiative. So I would like to see us try and pull this back to Norwalk and not have it become a state issue. And I would highly recommend that the group looks at this at the next meeting when they can look at this and come up with a plan that would accomplish that. "

Commissioner Burgess: "Thank you, are there any other remarks? As I say this is not a Commission Meeting so we will be taking no action, I just want to reiterate that."

Jim Delgreco: "Right, but I would like to ask that at the next meeting if you would like to invite us back again to the next meeting where we can talk about this we would be more than happy."

Commissioner Burgess: "At all of our meeting which are open and noticed we always have a section for the public comment at the end of each meeting. Thank you. Any other comments?"

Adjournment

Bobby Burgess: "Move that we adjourn."

Al Ayme: "Second."

Meeting was adjourned at 9:23 p.m.

Attest:

Gwendolyn Gonzalez
Assistant District Clerk