

SECOND TAXING DISTRICT COMMISSIONERS
Special Meeting
November 10, 2011

Present:	Mary E. Burgess	Chairperson
	Al Ayme	Vice Chairperson
	Maria Borges-Lopez	
	Mary Geake	
	Sherelle Harris	
	Mary Mann	
Also Present:	John M. Hiscock	General Manager
	Gwendolyn Gonzalez	Asst. District Clerk
	Kevin Barber	SNEW Director of Admin. & Cust. Service

Call to Order

Chairperson Mary E. Burgess called the Regular Meeting of the Second Taxing District Commissioners to order at 7:05 p.m. on Thursday November 10, 2011. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk, Connecticut.

Acceptance of the Minutes

Commissioner Burgess: "I will call this regular meeting of the Second Taxing District Commissioners for the City of Norwalk to order, Thursday November 10, 2011 at 7:05 p.m. First order of business, I need a motion for acceptance of the minutes of October 18, 2011."

Commissioner Ayme: "So moved."

Commissioner Harris: "Second."

Commissioner Burgess: "All in favor?"

Simultaneous: "Aye."

Commissioner Burgess: "Opposed?"

[No oppose]

REGULAR AGENDA

Receive, approve and recommend to the Electors the Audit Report (Comprehensive Annual Financial Report) of the Second Taxing District for the Fiscal Year July 1, 2010- June 30, 2011

Commissioner Burgess: "Now we are in the Regular Agenda, you're on John."

Mr. Hiscock: "Alright, you received a copy of the audit report. You got an unbound copy, because and you will eventually have bound copies, that's not an issue. I want to look at a couple of things. First of all the skinny thing that has single audit is a compliance document. There's no information in it that is of any value to anyone other than the auditor indicates that we complied with the requirements of the grant."

[Applause]

Commissioner Borges Lopez: "That's the important part."

Commissioner Harris: "That's awesome."

Mr. Hiscock: "Well, the single audit continues for as long as we get money, another three years or so. The next item: it is the October 17, 2011 letter from Hope and Hernandez. They sign it Hope and Hernandez P.C., but it's really mostly Bob Bailey's work, who will be here on Tuesday night. Its boiler plate except for two issues on the second page. It basically says we did everything we were supposed to do and I'm sure you've read it and gone through the process. Item 1: The District's June 30, 2011 operating bank account reconciliation. There were 439 checks totaling \$68,270.15 that have been outstanding for more than one year. We went back and looked at that we have obviously have known about this for a while and need to clean it up. I asked for a list of those checks and I was little surprised when I saw them because they were checks back to 1998 that have not been dealt with. Some of them need to be reissued to the state because we won't be able to find the individuals usually, I think my reviewing the list it's generally checks to customers, either refund checks or deposit returns or other checks that they either don't get because they move and don't give us an appropriate forwarding address or in fact they just don't check them. One of the more interesting things I saw on the list is that several of you have outstanding checks that you haven't cashed."

Commissioner Geake: "Oh yeah."

Mr. Hiscock: "Yeah, but if you reported them to us as lost, we might have reissued a check to you, and it's our responsibility to reconcile all of this. I think the largest one I saw on the list was about a couple thousand dollars to an architect that we had employed and it turned out to be a very, very strange situation. We're going to look to see if that check was ever cashed or a replacement was issued. Having said all of that, we will resolve all of those issues and hopefully next year the number will be way less (inaudible) because we will have a little more money in them not enough to do any good."

Commissioner Mann: "We wouldn't to pay any interest on anything that maybe was a deposit or anything would we?"

Mr. Hiscock: "No, this is completely neutral to us really, and in fact NEON didn't cash, we issued a check to NEON and it wasn't cashed for \$273.00 I believe or somewhere in that range. So I have gone down through this list and I was curious myself when I look at this note, Mark Harris will be tasked with resolving this list. One of the problems is that it is time very time consuming if

you issued a check for \$50.00 and you got to back into the billing system and see if you can find out who it is, see if we have any identification for them, they would like the social security number but we don't collect social security numbers anymore because no one likes to give them so it becomes this very difficult task of trying to identify whose check is whose. Some of the \$68,000.00 may go to the state, some may go to individual, and some of it may be represented by replacement checks that were not actually stricken off the system so that the first note. The second note he says is immaterial to the District's financial statements. We have some projects. When we are going to do a project that we think may result in a construction of something, we put it into a construction work in progress account called preliminary survey and we accumulate dollars and if we ever build the project we simply take those dollars and put into the capital cost of the project and it becomes an asset and if we don't do them we have to write them off, and one of the problems that we have and it's really not paying attention to detail as much as we should is we get into situations where we spent the money its already off the books. There's no money involved here, but when then need to remember in next year's budget need have to put a line item in the budget as an expense to write-off the construction work in progress and that the difficulty, because we haven't kept up with it sometime we carry projects for a very long time and it happens other times within a year or two we know we are not going forward with a project and we write it off. So we will reconcile this issue a little bit better there will always be something carried in construction work in progress or preliminary survey, the older ones should be removed and either written off as an expense or either capitalized. Unless somebody needs an explanation of anything in this letter, there's not really not much to it methodology and explanation if there were significant findings. If there were a problem it would be in this letter and there are no significant findings to cause the auditor to have concerns. They identified those two issues as needing to be resolved. Any questions on this?"

Commissioner Burgess: "Anyone have any questions?"

Mr. Hiscock: "The audit report, it's basically the same document you seen year after year. The numbers change in certain areas, the words change but the basic document doesn't. It's basically a document that gets updated every single year with the new numbers. I thought I would highlight a few of the issues. The letter of transmittal is boiler plate until you get down to page v, page 5, Economic Condition and Outlook. We made a comment about the unlikely that our water will increase significantly over time and that's mostly to do with conservation and plumbing efficiency standards that's the thing that gives us a little bit of trouble, because we sell less water to our customers the consumption goes down we got a lot of fixed cost and that results in us creating higher unit rates for water to keep the revenue the same and that's the current difficulty that we have. The next one talks about the Reed-Putnam Redevelopment project which was going as you all know pretty quickly in about 2006, 2007, and 2008. Things were approved, the project was moving forward, the economy tanked, isn't doing so well and that project is stalled and being down sized. We originally thought it was going to be a 5-8 mega watt load. We thought it was a couple hundred thousand gallons a day of water, which would have been nice in this current situation to have. It didn't happen, it hasn't happened. The project has been modified very significantly. The southerly parcel south of the new road that abuts the church is going to be built and the approvals are in place, just like the housing on North Water Street, just like 55 and 77 North Water four five story rental with commercial first floor replacing a massive amount of

construction that originally going to take place when the commercial real estate market was high. That, I guess is a little bit of an issue to us. One, we are not going to increase water sale like we thought we were going to. It's still going to increase, but not like we thought they were going to. That's a problem. That's a cash flow problem we've taken that into account in the report that you have just gotten but still we would have been better off if the project moved forward there's no doubt that. As far as the electric the 5-8 mega watts and maybe it's going to be scaled back 2-5. I don't know, it all depends on what happens on the north parcel. The north parcel is the most intense portion of the development; that just seems like it stalled there's no changes, no improvements suggested their not back to the city asking for a different type of an application because you know this is redevelopment they have to go to the city every time they change the plan. The only thing that they have gone to the city for is the southerly portion and it's probably a quarter of the size of what was going to go on it previously. The other projects that we didn't mention were the project at North Water Street in the old Norwalk Company which was going to be massive project for that neighborhood with at lot of residential units. That project clearly isn't not going forward that was actually approved right for construction, and all of that was approved, that's no way near going anywhere. So I think we are like everybody else in that sort of flat nothing is go to expand nothing is going to increase. We are going to be dealing with that for quite some time. The initiatives you've seen, the advanced metering infrastructure, we are not going to talk about the status; although it is moving along steadily, the meter data management system is a portion of that is going to allow web interface for our customers, not sure. I don't know how many customers will be interested in using it, but once it's completely in place you'll be able to look up at your electric bill and water bill and be able to trend and be able to see what information there is with respect to your account. We read every I guess we are reading every half an hour now."

Kevin Barber: "Currently one hour."

John Hiscock: "Currently one hour."

Kevin Barber: "Potential to go to 15 minutes

John Hiscock: "Ability to go to 15 [minutes], all of this is leading to the ability and we had discussions. Kevin [Barber] has been involved; I've been involved talking with service providers about credit card payments, about internet payments, and those kinds of payments that some customers want. A portion of our customer base will probably not take advantage of that because of their economic situation but certainly in water where we supply half of the city, a lot of the people probably eventually will take advantage of that so we are moving on that direction. You've seen the GASB 45 note, that's virtually identical to the prior year, and the power substation. I think you all know where we are on that."

Commissioner Ayme: "Through the chair may I?"

John Hiscock: "Yes."

Commissioner Ayme: "One question, how soon are you anticipating this interface will be implemented?"

John Hiscock: "I'm going to sort of leave that to Kevin [Barber]."

Commissioner Ayme: "Online payments, I'm talking about credit card payments."

Kevin Barber: "I'm hoping that it will be available by summer of 2012, by beginning the project it may be a little earlier but I'm thinking by June or July of 2012 we will be accepting online payments."

Commissioner Ayme: "And for all this information we are talking about here to be reflected on the bill, all the original information consumption and all that and I would imagine specific details on the consumptions would be reflected if I'm reading this correctly."

John Hiscock: "Absolutely."

Commissioner Ayme: "If I'm reading this correctly."

John Hiscock: "Yes."

Commissioner Ayme: "Is that lined up or hooked up to a special device inside the house or for example, a thermostat? Changing the thermostat that would have to be done with the new technology is that something people would, of course I know people would have to buy their own thermostat I know that."

John Hiscock: "We might provide them as part of the program."

Commissioner Ayme: "You might provide them?"

John Hiscock: "Yea, we haven't gotten that far in that portion of the program."

Commissioner Ayme: "Right"

John Hiscock: "We haven't decided whether or not that's going to be acceptable. Kevin [Barber] and Scott [Whittier] have been dealing with the program for a while. We're all struggling with what customers will want and accept it's really hard to figure out we will have the capability of doing that the meters or the systems will be able to talk to the thermostats; they'll be able to talk to switches they'll be able to talk to anything we give an address to."

Commissioner Ayme: "That's in place right now with the changes we make?"

John Hiscock: "It's not in place now; it's moving to be in place."

Commissioner Ayme: "It's capable, ok."

John Hiscock: "We are phasing all of this in."

Commissioner Ayme: Right, and people, users I should say, that already have the technology inside the houses or residences would that be picked up immediately or would they have to communicate to, I'm going ahead of myself."

John Hiscock: "You are ahead of us. We have all of these options, but you are kind of ahead program. We will, as we implement portions of this program, we will come back to the commission."

Commissioner Ayme: "Right."

John Hiscock: "And explain it and talk some more about what we should and shouldn't offer."

Commissioner Ayme: "Ok, I see. Alright thanks."

John Hiscock: "Probably unless you have specific questions, I was going to move to page 6 and just the Management discussion. Everything before that is kind of dry and maybe the bottom of page 5, it talks about what the general fund has done and the current fiscal year. Page 5 is the general fund; it's not terribly large and it no surprises in here, simply what we've been doing for a long time and matches up against the budget. Top of 6 [page] is the typical thing you run into electric, electric had a increase in operating revenues up to \$16 million. The increase is due an increase of kilowatt hours sold to customers; we actually did actually sell more electric. Electric is very weather dependent; it had a increase in operating expenses of \$793,000 and essentially its purchase power, the more power we sell the more revenue we get, the more revenue we get the more power sell the bigger our bill is to CMEEC so the only good thing about it is the \$1.1 million is greater than the \$793,000, so that's a positive and you should expect all of that and if you use less electric the bill gets smaller so those sort of track with each other as you know close to 2/3 of the money we collect goes to CMEEC for power. At electric experience this is some new non-operating revenue of \$403,000 and that's the grant income that we are getting from the stimulus grant that's helping us pay for the metering system, electric assets increased by \$665,000 or almost 3%. Water had a increase in operating revenues of \$678,000 up to \$7.2 million, that sounds great in relationship to the rate change that we've just put in place that obviously isn't here but a good portion of that increase was an increase of almost 5% in water sales we not this past immediate summer but the summer before was hot and dry and it was increase over a prior wet year so although that looks like a big number its only slightly higher than the budget number and we'll get to that a little bit later. Water's operating expenses decreased by \$18,000 and our assets decreased due to a net loss the operating expenses decreased a little bit because of power decreasing in cost and we continue not to fill vacancies and that's reflected in here. As you go down the bottom of the page capital assets and long-term debt it just explains where the debt is, you know where that is we've talked about it a lot. Two bullets on page 7, wholesale electric costs are predicted to remain stable for the foreseeable future based on what's called the forward price of gas. Gas is cheap right now and gas does not look like it is going to increase in the near future and forward price of gas that's if you were to lock in gas in the future what you would pay today, that's what you call the forward price of gas. The forward price of gas curd is level, out into the reasonably foreseeable future next two, three, maybe four years it may change depending on what happens with all that

Shell gas issue in Pennsylvania and New York it can become more plentiful and cheaper or environmental concerns could block some of that gas and maybe the gas will continue to go up then as the economy increases. And the comment again about Reed-Putnam being scaled down which we talked about. Any questions through here? The next is pages are the basic financial statements. We see these all of the time. It's broken down into the governmental activities and the business activities column; business activities is water and electric and it's separated later and it doesn't really help to go over the business activities at this point but the governmental activities current cash is in the left doesn't surprise you \$848,000 internal balance of \$186,000 that's a transfer which will happen from water essentially water owes District \$186,000 consistent with the statement previously made contrary to some of the rumors you might hear around from some of our employees that electric is not subsidizing water and plain and simple the District is one who is lending the water money at this point on that basis, so you may hear things from employees who have a agenda, let's put it that way, an agenda, so I just wanted to make it very clear this money is owed to the District from the water utility. So basically the total current assets and when that water money comes back about a million dollars virtually all cash so the know the District is staying stable about a million it comes up a little each year because we over transfer from the two utilities to District to cover the budget, we are always under budget so it accumulates a little bit. Nothing else noteworthy on page 8, [page] 9 is simply just a reconciliation of public official expenses, governmental activities, they're covered in detail elsewhere and the financial section. Page 10 is what we just talked about cash and cash equivalents the \$848,000 the due from the water department the \$186,000, and the \$1 million in current assets."

Commissioner Ayme: "If I may through the chair, just one question, it worries me in terms of District where we are holding in cash \$848,000 is that going something that's to remain there or how is that being handled?"

Mr. Hiscock: "Which one are you talking about?"

Commissioner Ayme: "On page 8 the first item on the page where it says current assets \$848,000 cash on hand or cash equivalents."

Mr. Hiscock: "Excuse me I'm on 9, yes, its cash."

Commissioner Ayme: "How is that being handled in terms of the is that for the short term or is that going to be invested?"

Mr. Hiscock: "It's invested right now in short-term because there is no long-term anything at the moment; virtually all of our cash as the CD's have run out are now into (inaudible) 3%

Commissioner Ayme: "So that part of the global cash."

Mr. Hiscock: "Yes."

Commissioner Ayme: "Ok, thanks."

Mr. Hiscock: "While it is segregated here, it is part of the global."

Commissioner Ayme: "Global cash."

Mr. Hiscock: "Yea, we don't run a separate District bank account."

Commissioner Ayme: "I know."

Mr. Hiscock: "Page 12 is more District information we just went over, page 14 is a reconciliation of the District the actual against the budget and as you go down through this you'll see that we did a very bad job on the interest income and other for some reason we did not change the interest income knowing it was going to be lower, and we have a unfavorable variance of \$21,000, on the interest we can't control the interest that we get and during the budgeting process we should have taken that number down to an appropriate level and we did not. Expenditures as you can see the Commissioner's salaries always match the budget because it's calculated and its standard, the clerk's salary in this particular year was also the same, the treasurer's salary was the same. Community service project we budgeted \$61,000 and only spent \$36,000, Legal and Accounting we budgeted \$72,000 and spent \$41,000. Meeting and Printing we budgeted \$26,000 and spent \$9,000, insurance and taxes we budgeted \$5,000 and spent \$3,700. When you get down to the bottom line we spent \$52,000 less in the District than we budgeted for. Any questions about the District? Ok, we move to [page] 15 and this is where real information starts that changes from year to year, you can see that the water fund and the electric fund are segregated here these are the business activities, you can see that the cash and cash equivalents for the water is \$29,000, and we owe money to the District and that shows below in the liability. We have receivables we have unbilled revenue, we have inventory, and some prepaid expenses so that that the total current assets is actually \$2.6 million. On the electric side cash and cash equivalents \$14 million, offset by down in the liabilities \$1.8 million of customer funds the deposit funds so it more like \$12 million. Total current assets of electric are \$17 million, and it's got the usual inventory, receivables, unbilled revenue. Then you move down to the non-current assets utility plant and service for water is \$63 million for electric it \$16 million that has to do with the nature of water utility versus the electric utility and the service territory size. Less accumulated depreciation is \$20 million in electric and \$9 million in, I'm sorry \$20 million in water and \$9 million electric so the total asset value of the water utility is \$45 million and the total asset value of the electric is \$28 million. So that's a fair amount of assets that's owned by the District. Nothing unusual about the liabilities other than if you go down to the current liabilities bonds payable on current \$300,000 for the last payment of the New Canaan Reservoir and then the big number the loan payable the water filtration plant a little over a million dollars in principle. And then move down to non-current liabilities and you have the loan payable long term water filtration plant of \$20 million and obviously it all balances out at the end like any balance sheet does. [Page] 16 is the P&L shows the operating revenue of the two utilities totals sales of water at \$7 million total sales of electric \$15 million, total operating revenue of water is \$7.2 and \$16.007 for electric. Notable things as you go down through the expenses \$11 million for purchase power if you take that \$11 million and subtract it from the \$16 million in operating revenue we have about \$5 million to use for the electric department to operate during the year. The two very bad things at the bottom 2/3 the way down the page operating income \$426,000 in water and \$135,000 loss in electric two losses for a

total of \$561,000 for the District, now they again are not negative cash flows because if you go up the page you have in the water utility \$2.6 million of depreciation, mostly the new filtration plant and if you look at the depreciation for the electric company its \$496 those are non-cash expenditures so the cash flow is positive but the loss is clear. As we move down the page there's nothing else that's terribly unusual as you come down to the interest expense under the water utility that's \$482,000 and that again is the interest expense on the filtration plant loan. Any questions about that portion of the P&L? The next page is the statement of cash flows and until you get use to looking at these they are a little confusing, it starts off with the amount of money we get from the customers, then the amount we pay to suppliers out for goods and services, then the payments to employees for professional, and contractors for services and that shows how much cash is left at that point, and then you have cash flows from non-financing activities transferred to other funds that the \$82,500, that goes from water and electric over to the District. And it goes down through and balances everything else out you can see the debt is in here it's just another reconciliation of the money there's nothing here that you haven't seen in previous pages, it just a way to explain where the money comes from and where it goes to sort of a different order than the P&L, and it adds back the depreciation. So that's the two utilities P&L. Does anybody have any questions? The next section is the financial section notes to the basic financial statement boiler plate almost the same every year explains how the audit is done, it explains how the department deals with its accounting very little difference in year to year. It lists the depreciation schedules, list how we do thing like accrued compensated absences talks about GASB announcements at the bottom of the page it talks about customer security deposits electric and makes a note that we have cash to cover the actual liability so that we can actually pay out all the deposits out of cash with no trouble. Talks about and you've seen this year after year the investment with CMEEC nothing ever changes in that section. Rate stabilization fund however, remember that CMEEC's approval to transfer money from the trust which is a 5.799162, and the 109 which is the rate stabilization fund not in the trust, next year you will see the number will be less simply because we transferred money. Speaks about conservation and load management funds that we collect from our customer and the fact that we spend it on projects that's a state requirement we do it we maintain the program. Another interesting note, the economic development fund we continue to slowly build cash in the economic development fund it is now \$1,048,036, that money that the commission can use for whatever purpose the commission feels is appropriate it can be used rate relief, it can be used for construction however it can be used for capital projects needs to be used for electric, its electric's money it is not water money. The next item is CMEEC bonded debt, electric share of CMEEC's bonded debt as of June is \$6.4 million that's all the bond issues we have at various projects at CMEEC, and that's our actual share. The next is just reconciliation of numbers there nothing significant there talks about the library and the value of the library and the lot it sort of reconciles all of that asset work. Next is essentially the additions to the assets it's the depreciation schedule, it's the additions, the disposals, the reclassifications and the ending balance this simply a reconciliation of the assets that we own and the depreciation schedule of the assets we bring on and the ones that we abandon. The rest are rates and just information about what the rate structure is, the long-term debt is spelled out on page 32 again just the reconciliation of debt the opening balance the issued, the retired the ending balance the short-term debt verses the long-term debt the next section we have no control over it the it the municipal employees' retirement fund b it is simply the information that goes to the auditor from the fund if you look through one of the good things is it its reasonably well funded it's not 100% funded but it not like typical not like the state

retirement fund for the state of today which is not funded very well and this is funded reasonably well funding status is on page 36. It continues with the ten year information things that are completely out of our control, things that are managed by the trustee's of the CMERS system the rest talk about employee benefits the SEP, post retirement benefits, none of that's new it the numbers have changed very very slightly, the liability is seems structurally the same. It does speak to the issue we are not contributing the ARC, the ARC is the annual required contribution for us to pay current expenses plus amortize the liability over thirty years, we are not keeping up with that. We are not keeping up with that because we don't have the cash to do it and that's a issue that we are going to have to deal with going forward."

Commissioner Ayme: "Can you say that again please."

Mr. Hiscock: "You remember that we hired an actuary."

Commissioner Ayme: "Right."

Mr. Hiscock: "About three year ago to analyze the current liability for post retirement employee benefits other than pension, pension system takes care of itself this is the medical, the health insurance that has been promise to a group of employees the dental insurance, the life insurance, all of those benefits that we typical governmental style benefits that have been given over the years and the liability is \$9.4 million GASB 45 says that you need to analyze the liability, which is what we did and that you should pay that liability down over thirty years they chose thirty year so that most of the government forms didn't end up with negative balances they didn't want all of the government forms to actually have negative net worth. So they gave them thirty years to pay it off, there's a couple of good thing and a couple of bad things, this calculation does show that we are not if you look at the bottom of page 41 let's look at 6/30/2011, the annual OPEB (AOC) cost \$735,804, we actually contributed \$434,427 well that's because of the current benefits that's what it is so we contributed just under 60% of what we should've. What really should've happened here is that we should have taken the difference and put it into a trust, and if we out the right amount in every year and the end of thirty years the liability will be zero. There's a couple of good things I guess from managements perspective and the commissions perspective is that on page 40 post employee retirement benefits 1st paragraph k on [40] continuation of benefits does not apply to employees hired after 1992 for those individuals hired initially in the water utility and January 1, 2002 for those in the electric utility. So this liability is not increasing dramatically it's not like the employees hired since those dates are being promised that. The bad side of that is it creates a distinction between employees which is perfectly legal, because there's a time frame involved and new employees are not promised post retirement benefits at all zero. Had we not done this the liability would be huge about twice what it is now, instead of it being 9.2 it would probably be 18. When were we unionized there was a little distinction between the employees there were more covered by the benefit upon retirement than those that weren't so there was no reason to change this. As employees retire that ratio is going to get different there's going to be less current employees cover than not covered so there might be some pressure that in the future may incur about the issue. I'm not saying the commission needs to do anything about it, I'm not saying the commission should do anything about it, but what I'm saying is it might become an issue in the future and future commissions are going to have to decide whether or not or maybe you

commissioners in the future will have to decide whether or not you want to change that from the business perspective it eliminates a huge liability, by that cutoff date that was put into place. Does everybody sort of understand that issue?"

Commissioner Ayme: "You are saying that the new employees, through the chair, the new employees are not being fully covered?"

Mr. Hiscock: "No, I've said that the new employees are being covered as employees for health benefits completely covered the same as anybody else, the issue is that when they retire they will not receive medical."

Commissioner Ayme: "That's what I meant."

Mr. Hiscock: "And dental for life."

Commissioner Ayme: "Retirement age, what was the cutoff date on that one?"

Mr. Hiscock: "Excuse me?"

Commissioner Ayme: "What was the cutoff date?"

Mr. Hiscock: "For water utility 1992, electric utility 2002. There's really no way to change that backward according to counsel because you have a legal commitment that you have made and it a contractual obligation, talking to Frank Murphy, that's the way it is. "

Commissioner Ayme: "Let me ask you something, do we have any variables here, in terms of if we go below (inaudible) against the industry be if we are do we have any variables in terms of the example premiums? Whereby if in the global number of insured employees I don't know at this point but maybe you can tell me? If there is a variable in terms only if this is bases only on the industry figures for example. If we go below the average in the expectation all premium are based on expectation on proration and percentages and so on and so forth if we go below based upon the industry I would imagine as it should be? If we go below the industry do we get the benefit of a premium decreases? To the extent, no."

Mr. Hiscock: "No, because we are an employer with under fifty employees."

Commissioner Ayme: "Ok. Alright"

Mr. Hiscock: "So we are in the state under fifty rule, it's not like we are a large company that can have significant health savings based dollar volume, it's simply based on our census based on the employees age, number of dependents its either employee only, employee plus one usually a spouse, sometimes an employee plus a child more than two which is a family, and that all there is to it."

Commissioner Ayme: "And that's fixed?"

Mr. Hiscock: "And that fixed based on what the insurance company bids we don't get because we are a small company we don't get rated because of our claims history."

Commissioner Ayme: "Claims history, right. It does not apply"

Mr. Hiscock: "No."

Commissioner Ayme: "Ok, thanks."

Mr. Hiscock: "At least that was my last understanding. The report on internal controls is what it is a page and a half it basically says we have no deficiencies, and it explains what a deficiency is, last sentence on page 44, we did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above. So based on the definition they are saying we have sufficient controls in place for our accounting system and if you don't get that statement you get in a lot of trouble, it not a good thing. It's really a bad thing when you have a material deficiency. The last thing I want to go over is page 46 and a few other pages to show you, this is the water fund, this budget and it goes to my comment to you total operating income let go to total income it's a better one we had budgeted \$7.1 million in income and we got almost \$7.3 so even though we had a significant increase in water revenues it was just slightly above the budget and that point out that water is pretty variable, looking at the ten year average on average we've declined about 1% a year in water sales to our customer but the variance around that slope is 2% and 3% positive in minus for weather variations. So sometimes it is surprising where it says we collected \$790,000, more in this fiscal year we are looking than the prior year that's because the prior year was low and this year was high so it doesn't resolve our budgetary problems it does not wipe out our deficit issue, cause its only \$200,000 better than what was in the financial report and (inaudible) spreadsheet. Operating expenses for the water utility we budgeted \$5.3 and we only spent \$4.6 part of its electric, part of it is and our plant uses a lot of electric, part of it is unfilled positions we to have a construction crew of about six or eight, we are down to three. Also reflects the fact that we are not doing that much construction we don't need a bigger crew now we've moved away from that. So you can that see where that we are \$749,000, better than budget. Total expenses were \$747,000, and the transfer to the general fund is on the bottom. There's an reconciliation of all the projects showing what was budgeted and what was spent, showing whether it was completed or not, or whether it's ongoing. It's just a simple reconciliations of every project that been approved and moving forward for the water utility. Nothing surprising in here just the way we do it, we move to the next page 49 is the electric fund operating income we budgeted \$16.2 million we actually collected \$15.9 now I'm sure you all understand that revenues are not under our control because it has to do with sales and sales has to do with the weather why were the water utilities high due to weather and electric low due to weather a good portion is heating sales, we do a lot of heating by electric in the District, so maybe we didn't have as bad of winter so we were short about \$400,000 in revenue. Expenses total operating expense down the page \$16.7 budget and we spent \$15.6 so we were about a million to the good. And if you look at the total expenses it's almost \$1.6 million, one the things that cropped up in the electric company is that grant revenue of \$937,000, we have been billing the state as we're going through this project Kevin [Barber] has been accumulating the cost and every once in a while we send our cost over to

CMEEC and CMEEC sends us a check. Now this is an accrual I don't know if we've received that much in cash?"

Kevin Barber: "That we have."

Mr. Hiscock: "That is the cash, there are no receivables on that?"

Kevin Barber: "There's currently I think \$36,000, as of this report, which I think we have since received."

Mr. Hiscock: "Ok, alright and at the bottom again is the transfer to the general fund. Page 50 is the electric capital projects, it goes down through the list and reconciles them, there are some interesting things that have been budgeted and not moved forward, however some of them are moving forward now. Fuel pump management system \$50,000, has been budgeted since 2010 we have a contractor, we have a contract we are waiting for him to start, our fuel management system is in awful condition, our pumps are in awful condition, the state was going to cite us last year and Fred Belinsky, ending up showing the budgetary information to the state inspector for fuel pumps and her agreed not to cite us on the basis we had the money budgeted (inaudible). Underground switches we are not putting them in as fast as we had previously because the electric utility is busy doing a lot of other work, we are doing a lot of change over's for CL&P both on Connecticut Avenue and on Monroe Street and we have a limited work force, we don't use outside line crews to do capital projects so these switch replacements normally are doing with our own crews, they become capital because they are new switches but yet the field work our guys are doing to transfer our power from one pole to the other is operating expense if you go up Connecticut Avenue you'll see large new poles on the south side from Taylor all the way to toys r us, those are CL&P poles but we have facilities on those poles. So as CL&P puts the poles in they move their stuff over and we move our stuff over. So our crews are busy doing that and that's why we have been a little slow on the switches. The switches by the way are the things that have improved our reliability in South Norwalk, we were having switch and cable failures, transformer failures we've been doing good in the last year or so, we've gotten some really bad switches replaced we still have a lot of switches to go.

Commissioner Geake: "Through the chair, it show Monroe Street Project since that has been in since 05 is that going to ever be completed? I mean that like? It not a lot of money but still it's some money that has been sitting there."

Mr. Hiscock: "Yes, it will be completed I'm not sure how much of this money is actually going to be used or not we are sort of floating off of cash for now. When the state does a project in which we are fully funded and Monroe is, all the work we doing and it like a half a million dollars is funded the by the State of Connecticut however there are two issues, you have betterment credits towards if you put bigger stuff in and I going to do it water main size so I don't have to do it in the electric size if you have a 8' water main on the street they rebuild the street you put a 12' in you have to pay the difference between the 8 and the 12, that's what the betterment credit is. On the electric utility if you put a bigger cable in we use to use what was call 300 MCM has a certain capacity the ability to carry power we now use 500, so when we pulled out the 350 cables we

replaced them with the 500 there's a betterment credit, that's what this money is for. The other thing is depreciation credits you have to pay them for the un-depreciation portion of the asset, but there old assets so it's very small dollars, and that's why there's \$50,000 there eventually when you reconcile this and as you can see its almost done after eleven years or whatever it is. That's an example."

Commissioner Ayme: "That's it? One question through the chair this is some I think on a weekly basis how much do we have in CD's now, ball park figure?"

Mr. Hiscock: "I don't know. Because as they come rolling off they end up in a straight bank account."

Commissioner Burgess: "Does Kevin [Barber] know perhaps?"

Commissioner Ayme: "No?"

Mr. Hiscock: "Mark [Harris] he's my cash reconciliation guy. "

Commissioner Ayme: "I know, do you think it's would be around the \$10 million, that we always had or?"

Mr. Hiscock: "Nowhere near that." I would be surprised if we have \$3 million left in CD's."

Commissioner Ayme: "Oh, don't say that."

Mr. Hiscock: "With the economy has been miserable since 2008 that three years ago and we never took out any more than five year CD's. And remember we had the cash management policy that says if we do anything other than that cash management policy we have to come back to the commission for approval, and the interest rates have never been since that time frame worth doing anything so we are whining down and we are in the (inaudible) position that everyone else is earning less than a 1/2 percent on their money."

Commissioner Ayme: "We really have to tighten our belts I think, I mean big time I think."

Mr. Hiscock: "It's hurt the electric utility because it had a lot of cash and we were bringing in a half million a year in income, which made our operating losses disappear, cause we had operating losses in the electric utility cause we try our damndest to keep our rates lower than CL&P's, cash and the interest helped tremendously."

Commissioner Ayme: "My other question is I've been asking every year the same thing on the balance sheet are segregating the rate stabilization fund on the fund the balance we have at CMEEC? Are we segregating those balances?"

Mr. Hiscock: "On the balance sheet the economic fund is on our balance sheet the trust is on theirs."

Commissioner Ayme: "So it's not part of the global? Its shows segregated is that right?"

Mr. Hiscock: "At CMEEC on CMMEC's book."

Commissioner Ayme: "On our financials."

Mr. Hiscock: "On our financials, it's nothing more than a note."

Commissioner Ayme: "Ok, I always get the same response."

Mr. Hiscock: "It's not on the balance sheet, that \$5.9 or 5.7 million is not on the balance sheet it a note to the financial statement saying it's there and it's on CMEEC's books."

Commissioner Ayme: "Ok so we don't reflect that balance."

Mr. Hiscock: "We don't reflect it in cash and we don't because there is a liability associated with it and if we showed the cash on our balance sheet we then would have to so the associated liability, and since it's basically neutral."

Commissioner Ayme: "Every year I ask the same thing."

Mr. Hiscock: "Yes. Are there any other questions? You can go further back and you can look at the electric operating revenues over a ten year time frame, you can look at the water."

Commissioner Ayme: "I only have one question on page 36 and that will be my last, page 36 no I thought it was 36 and it's not, well it really makes no difference. Where we show the?"

Mr. Hiscock: "Good point Kevin."

Commissioner Ayme: "No, it's not page 36, where me show the minus on both sides the water and the electric the water is like a little over \$400,000 in brackets minus maybe page 41. OK, that's close."

Commissioner Geake: "Or is it page 16?"

Mr. Hiscock: "It may be in both places, page 16"

Kevin Barber: "Page 16, that operating revenue."

Commissioner Ayme: "16. Ok."

Mr. Hiscock: "Yes, (426,313) water and (135,289) for electric."

Commissioner Ayme: "Ok, absolutely you're right that's, on the water side the new rate should be equalizing that?"

Mr. Hiscock: "Oh, yes."

Commissioner Ayme: "That's my question, ok thank you."

Mr. Hiscock: "Kevin pointed out something that you might want to look at on page 57, and it's just simply a schedule of as opposed the audit section, excuse me the budget section the actual dollars that we spent on community service. Heritage wall is. "

Commissioner Ayme: "Page 57?"

Mr. Hiscock: "57, I think you all know what these are."

Commissioner Ayme: "Yep, Yep."

Mr. Hiscock: "I don't know why they made an individual schedule out of this because you can find it elsewhere, he did so."

Commissioner Ayme: "What should we know about these things?"

Mr. Hiscock: "Just simply that the number here are the actual numbers not the budgetary, so that the distribution between the projects that we do, which are Hope Dock up."

Commissioner Ayme: "We set the approval, so it was done."

Mr. Hiscock: "Right. Any other questions or issues?"

Commissioner Burgess: "Questions."

Commissioner Harris: "I don't have a question but I do have a comment. I'm the newest person on the board / commission and it looks like you've kept us in really good condition throughout I see things like complied in all material assets or did not identify any deficiencies and even the fact that they thanked you and your staff for being so organized and compliant. So I just want to say thank you."

Mr. Hiscock: "We wish we could print money."

[Laughter]

Mr. Hiscock: "Things would be nicer."

Commissioner Burgess: "If there are no question, so we need a motion to receive and approve the and recommend to the electors the audit report for fiscal year July 1, 2010 –June 30, 2011."

Commissioner Geake: "I make a motion that we approve."

Commissioner Ayme: "I second."

Commissioner Burgess: "All in favor."

Simantously: "Aye"

Commissioner Burgess: "Opposed"

No opposed

Commissioner Ayme: "Move to adjourn if there's nothing else."

Commissioner Geake: "Seconded."

Adjournment:

Meeting adjourned at 7:53

Attest:

Gwendolyn Gonzalez
Assistant District Clerk