

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes
February 18, 2014

Present:	Mary Burgess Maria Borges-Lopez Mary Geake Mary Mann Cèsar Ramirez David Westmoreland Martha Wooten-Dumas	Chairperson Vice Chairperson
Also Present:	John M. Hiscock Kevin Barber Lisa Roland	General Manager Director Admin & Customer Service District Clerk
Public Present:	None	

Call To Order:

Commissioner Mary Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:02 p.m. on Tuesday, February 18, 2014. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Acceptance of the Minutes:

Commissioner Burgess: "Ok, I will call the meeting of the Second Taxing District, Regular Meeting to order Tuesday, February 18, 2014 at 7:02 p.m. And I need a motion for acceptance of the minutes of January 28th."

Commissioner Geake: "I will make a motion."

Commissioner Westmoreland: "Second."

Commissioner Burgess: "Any discussion? All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed? Ok, Public Participation, that is not public."

[Directed at Kevin Barber]

Commissioner Geake: "He is ours so he doesn't get to be it."

[Laughter]

Commissioner Borges-Lopez: "I think you can move closer."

John Hiscock: "He is going to be sitting right here in a minute."

[Laughter]

Commissioner Burgess: "Good."

Commissioner Ramirez: "I can see that."

Commissioner Burgess: "Ok, Item 2."

Regular Agenda

2. Water Rate Increase – Discussion

John Hiscock: "You have sort of a brief description in your board book about Item 2 and it is at this point completely informational. It goes through and shows a schedule and a procedure that would be used with respect to any rate increase report and process going forward. As the write up explains to you, we as a result of some adverse publicity with respect to a large increase in October of 2011, we ended up dealing with State Senator Bob Duff who took offense, well let's not put it that way, took a lot of comment from public with respect to the size of the increase and the timing of the increase and the notification. Mr. Duff submitted a bill, which would have severely limited the Commission's ability to alter rates to a level that might be appropriate going forward. As a result of that, you see a Rate Increase Notification Public Hearing Policy in the packet. The Commission approved that on January 17, 2012 as a reasonable notification to the public in the event that a rate increase was being discussed and seriously looked at, reviewed by the Commission. Consequently, the schedule that you see in front of it, Potential Rate Increase Implementation Schedule worked backwards through this process and if a decision was made for a July 1, 2014 implementation, we would have to do a public notification 30-days before the implementation. The Commission approval would be at the May meeting. In April we would schedule a public hearing, probably at a regular District Commission Meeting inviting all of our customers, not just electors for comment. You would have a rate report from my office on March 18, 2014 to review and discuss and we would actually issue the report in draft form on the 3rd of March. Tuesday, 2/18 is now and it was my intention to announce a potential increase and the issuance of the study for deliberation and decision by the Commission. I was going to indicate to you this evening that the amount would be CPI related. There were many suggestions that we should do it on an annual basis. As a result of the October 11th issue that was all well and good, however inflation has been so leveled, dead flat that if it was an inflation based increase, it would have been relatively small and quite frankly not worth the effort of going through the process for a very small increase. So, we held it until it got into the 5% range. It is now in that general range. That's not to say that it would be the ultimate bottom line but it wouldn't be significantly higher or lower. And when we get into the budget we will go through why it is at that level. Now, that was when the board book was published and distributed to you on Friday. Since Friday, well actually later in the day on

Friday, this appeared on my desk, actually not on my desk because it came through the computer on my desk. I want to go through this in open session and there are some contractual issues that may need us to go to Executive Session to get a little bit more detail, but certainly the preliminary discussion on this really needs to be done in open session. As a result of this, I contacted Dean O'Brien, Bob Duff's aide and the aide to the Energy Technology Group. He indicated to me that Bob was away for the weekend and we would talk on Tuesday. I did have a discussion with Bob Duff, who as you know is Chair of Energy and Technology or maybe you don't know...Bob Duff is Chair of The Energy and Technology Committee and he is obviously in the Senate. As you can see, it is referred to the Committee on Energy and Technology, but it has no name as introduced by. That means it is a Committee Bill. That doesn't mean it is an individual person's submission. However, knowing the legislative process very well, often bills come out without an introduction because someone has convinced the Committee as a whole that it would be appropriate, but does not necessarily want to be tagged as introduced by. I will indicate to you pretty clearly that this is a Bob Duff initiative. It's also very, very specifically, down to the extreme detail, tailored to the First Taxing District and the Second Taxing District of Norwalk. It affects no other water utility; it affects no other community whatsoever. It does in Section 1 include the First Taxing District by language and in Section 2 includes the Second Taxing District by language by simply referring to Special Acts that refer solely to the First and Second Taxing District and Section 3 is a repealed section that repeals a significant number of Special Acts that only apply to the First and Second Taxing District. This has clearly been identified by everybody. It says to require certain Taxing District to charge the same rate. You could certainly change the words to require Norwalk Taxing Districts to charge the same rate to all of our customers. Now, I think we all know that we charge one rate for in the District customers and we charge a different rate, a significant surcharge to out of District customers. We have talked about this every time we have done a rate increase. It has been in the rate report; it has been very clear. It's been that way as far back as anyone remembers. And I can say that with certainty because discussions with those who have preceded me, this was the practice. I don't know how far back it goes but it is likely since it clearly goes back to 1960. It is highly likely that it even pre-dates our metering. When we used to charge for water service prior to the early 50's, we used to do it by fixture count. We would go into the building and count the number of toilets, the number of kitchen sinks, lav sinks, showers and bathtubs and each fixture would be accessed a rate. And the commercial customers were the ones who were actually metered earlier than the residential. So that is essentially what this bill does. It's up for public hearing on Thursday at 10 a.m. It's the regular Energy and Technology's public hearing. There are other items on the agenda. One of them is another matter that involves us heavily and that is SILTS, Life Threatening and Serious Illness that we talked about several months ago. That is also on the agenda. So, we will be represented at the Capital on Thursday. I will be testifying actually on both the SILTS bill and this bill. Presuming that the Commission has no objection to the testimony and we will talk a little bit about that later. Basically, our testimony in very broad terms is going to be talking about the reason for the disparity in the rates and relative risk. And if you look at the last sentence of Section II, it is really the real issue here. Starting off way up because it is a long run on sentence, 'the bonds, notes or certificates of indebtedness issued hereunder shall be general obligations of the District for the payment of principal and interest of the bonds, notes, certificates of indebtedness,

taxes may be levied upon all of the taxable property in the District.’ Limited strictly to the District, without limitation, which is even more serious, ‘as to the rate or amount, provided to the extent revenues derived from the operation of the water system of the District are available and sufficient for the payment of principal and interest on the bonds, notes or certificates of indebtedness when the same become due, taxes need not be levied for that purpose.’ Ok, the long and the short of it is if we can’t pay the bill we would be forced to tax to meet the shortfall. From a practical perspective, nobody goes into a bond issue without fully understand the revenue stream, how we are going about doing it and that we can cover the indebtedness. Presuming of course there isn’t a massive economic downturn and severe constriction of the economy. Now, that obviously can always occur. We certainly had a downturn in 3, 4, 5 years ago. Even that as serious as it was didn’t really affect our revenues. So, from a practice perspective, the language probably would not come into play but certainly could and the risk of paying off the bonds and we have somewhere around \$19 million outstanding on the water side for which the entire system is for the plant that serves everybody, the entire system benefits. It is not just the District. There is another risk that is even more serious, however remote. If we would have a damn failure and we couldn’t raise sufficient revenue through rates to cover the liability as a result of that, taxation might be ordered by a court to pay for the damages that are awarded. All of these are speculative obviously and they are the risks that are inherent. Another inherent risk might be a severe water quality problem which injured individuals. Those are the two big risks in running a utility.”

Commissioner Westmoreland: “But your point is, I think, that the risk is being taken by Second Taxing District’s property owners only.”

John Hiscock: “Correct.”

Commissioner Westmoreland: “And under this bill there would be no compensation for that.”

John Hiscock: “Correct.”

Commissioner Westmoreland: “By the rate payers outside of the First and Second Taxing Districts.”

John Hiscock: “That is absolutely correct.”

Commissioner Westmoreland: “Refresh my memory or what constituents of Senator Duff’s are driving this bill?”

John Hiscock: “I don’t know.”

Commissioner Westmoreland: “Well, look I don’t remember...I know we have some customers in Wilton, I don’t remember what other customers in Norwalk we have, what is our customer breakdown because that is obviously the answer?”

John Hiscock: "We have somewhere in the 9,600 customer range, 2,000 of those are in the District, a very significant portion on the outside."

Commissioner Westmoreland: "And most of those are where?"

John Hiscock: "Rowayton, Silvermine, West Norwalk, East Norwalk, Wilton. About 300 in Wilton, the rest are in the city limits of Norwalk."

Commissioner Westmoreland: "Ok."

John Hiscock: "I do believe it would be appropriate to go to Executive Session. I had a casual conversation a little while ago with legal counsel and the reason for going to Executive Session is to explain a little bit more about contractual situations that this is going to potentially affect and what we might do to mitigate. We can continue in a public session, but it is going to limit my comments to you if we stay there."

Commissioner Burgess: "Do you want to go into Executive Session now?"

John Hiscock: "I believe it is appropriate."

Commissioner Westmoreland: "So moved."

Commissioner Mann: "Second."

Commissioner Burgess: "All in favor?"

Commissioner Unanimously: "Aye."

EXECUTIVE SESSION

The Commission went into Executive Session at 7:20 p.m.

The Commissioner came out of Executive Session at 8:05 p.m.

REGULAR AGENDA

Commissioner Burgess: "Ok, we are back in regular session."

John Hiscock: "So, to sort of conclude on item number 2, Water Rate Increase, I am indicating to you that we have modified the budget in a way that a rate increase is not necessary in the next fiscal year our revenues will meet our expenses including the projects that we have put forth. Ok, item 3, District Budget, Kevin you might as well come up to the table."

Commissioner Burgess: "Doesn't someone have to move up here?"

John Hiscock: "I am going to give you a brief overview as to how we budget, very brief. Kevin's department coordinates the budget process. The department heads meet with myself, after an internal draft budget is done. The department heads look at...and a major component is labor. There is no doubt that labor is the big number, labor and benefits related to the department. The other expenses are relatively small in relation to that. If you look at the staffing size, we look at the org chart. The org chart shows 53 positions. We had not planned a budget based on 53 positions because at this point in time we are not anticipating doing that. We have two situations with respect to new employees that we just recently hired. One hasn't started yet, he will start next week the other one started a couple of weeks ago. That puts us at the 49 level. Somebody just left the department so we are down to 48 I believe. I think and Kevin can speak to this and correct me if I am wrong, we did budget for one position that is a vacancy that there is one vacant position that has been budgeted at this point. Of course, the two that we filled recently have been and you are aware...well you might not be aware, one is an apprentice lineman and the other is in maintenance construction."

Commissioner Ramirez: "The one that left, he left of his own free will or..?"

John Hiscock: "I will not discuss that on the public record, that employment situation. And the other vacancies that we filled are long standing issues. Those vacancies occurred a significant timeframe ago or timeline ago. We didn't fill positions because we were all short of cash and it wasn't a good economic situation to be in. Things are looking a little bit better and we are really getting stressed for labor and also remember that we are doing this massive conversion and one more position in the line department would be extraordinarily helpful. We always anticipate people in and out, you have a feel for who is leaving because they are close to retirement or who is leaving because they found a better...in all...the grapevine is pretty clear, we know what is going on. So, we anticipate all of that. The apprentice lineman is in anticipation of somebody leaving within a year or so and two or three other who would be eligible to leave going forward. We always need to keep ahead of this. So, we go through and look at the labor. The labor is allocated based on what we need and don't need. Our labor force is generally very stable because the things that we do in this kind of an organization aren't related to the amount of electricity we supply and aren't related to the amount of water we supply. The maintenance of the facilities and the operations facilities are identical regardless of the amount of water that is put them. Then we go through all of the other utility expenses and try to evaluate them. We look at our insurance expense, our liability insurance, all of those related things. We then go into and look at unusual maintenance that we do occasionally. Last year, as you know, we painted a water tank that was very expensive. And in the budget you will see as we look at things and move forward, there are those kinds of expenditures. Then we look at Capital. Capital on the electric side, we don't have a lot of increases in Capital Expenditures other than what has already been approved because the substation is a massive project and we will be working through that a good portion of next fiscal year and all of that has been previously allocated. In the water utility we set our capital spending this year to match the funds available. There are some projects that we are deferring. That is ok. In the utility business, the maintenance and the placement cycles are very long, the assets last a very long time, it is not like in the private non-utility business where if you don't get payback in five years you don't do it. In our case the life

of these are 25, 30, 40, 50, 60 years long so that the maintenance process we try to levelize a little bit. Did I miss anything about what we looked at? No, ok. So that is how we go about it. We sit in my office. We pretty much talk about the labor to make sure we are all in agreement. We make sure that we understand the things that may or may not change during the year with respect to expenditures and then we simply go through the Capital Budget and everybody puts in their wish list and then we sit in the room, we look at the existing projects and determine what we can cut. Sometimes we anticipate a project and other things occur and we remove it. We don't just do them because they are there. We are pretty good about that. And then we look at the new expenditures and it is sort of a give and take but in the end I am the one who says it is either in or out but the department heads participate completely in the process. As a result, this is the budget that you received either electronically or in paper or both and I say this to you all the time, it is very similar and it is not similar because we look at last year's budget and simply submit it to you with the change. It's similar because our staffing levels don't change and the business we do doesn't change. There is nothing that really happens. Revenue, we do our best to predict in a normal year. If it is a hot summer, revenues in both water and electric go up and we do well. If it's not a hot summer and its average, ok the budget sort of does fine. If it's a wet, cool summer, we end up with less revenues and we do end up with the end of the year bottom line less net cash. Those are totally out of our control and I think we all understand that. I can't control those things. I wish I could. Anyway, we can control labor, we can control utility costs; we can control operations. Maintenance that is the luck of the draw, if we have a rash of main breaks or big storms; that is more money we spend. The numbers are very similar to the prior year. I don't know where you want to start?"

Commissioner Ramirez: "I would like to, if you don't mind? I would like to start with a little request. I have this that is so small numbers and I don't know if I need new glasses or need a microscope to read this?"

John Hiscock: "Ok, you are looking at?"

Commissioner Ramirez: "Page 16, 17, I think it should be divided between the electric and water and be a little more bigger so you can actually spend a little more time trying to comprehend it."

John Hiscock: "The reason that we put this in here so you know, it..."

Commissioner Ramirez: "Well, yes, but if there is a reason and it has to go through at least me, I am trying to comprehend it and figure out what kind of numbers that we have."

Commissioner Geake: "It's the same numbers as we have on..."

Commissioner Ramirez: "I know but I can't really see it very well. Maybe I need new glasses."

John Hiscock: "We certainly can do this on 11x17 and put it in the book folded next year to get the numbers bigger."

Commissioner Ramirez: "Yes, I would say not now but perhaps in the future."

John Hiscock: "I can also get you these pages 11x17, which almost doubles the size of the print."

Commissioner Ramirez: "It doesn't need to really be a...just like this normal numbers that you have here. This is very clear."

John Hiscock: "Because of the size of the document in the budgeting model that we have created it is either this size or 11x17 because of the way printers work and all of that. It's just much easier sir to give it to you twice the size of what it is. It is a press of a button as opposed to fixing anything else."

Commissioner Ramirez: "The other question that I have is we have \$50,000 under Water Project Designation."

John Hiscock: "Which one?"

Commission Ramirez: "It doesn't have a page number. It's just..."

Commissioner Geake: "Page 16."

Kevin Barber: "There is a project number at the top, 2015 here..."

John Hiscock: "Right up here."

Commissioner Geake: "Its 16CW."

Commissioner Ramirez: "16CW, ok."

John Hiscock: "Which one?"

Commissioner Geake: "16CW."

Commissioner Ramirez: "Where you are talking about Miscellaneous Capital Purchases."

John Hiscock: "Oh, ok."

Commissioner Ramirez: "Where did you come to the conclusion of \$50,000; that is what I would like to know?"

John Hiscock: "The Miscellaneous Capital Purchases. Ok, the purpose of Miscellaneous Capital Purchases is to avoid coming back to the Commission and the electors when a piece of equipment fails. Two examples I can give you that are easy. Somebody gets into

an accident and totals the vehicle and the vehicle is 3, 4, 5 years old and we only get \$2,000 from the insurance company for value, we obviously have to replace that vehicle. It comes out of this.”

Commissioner Ramirez: “The figure of \$50,000 for that part; that would be enough. That is what I understand, that is enough money for you? Now, you also have \$150,000 on the electrical part?”

John Hiscock: “That is correct.”

Commissioner Ramirez: “And that is figured because the materials are more expensive? You are dealing with more expensive items right?”

John Hiscock: “It is a question of maybe tolerance to come back to...or tolerance on commissions in part with respect to coming back. Generally, we don’t come close to running through this budgetary amount. Every year we turn back whatever is left over. We don’t operate...we are very small and we don’t operate with this attitude of you have it in the budget you spend it. We don’t even think about doing that. Anybody who needs to use this has to send a memorandum to me with the justification as to why they want to use it and until I sign off on the use, it doesn’t happen. We keep a running spreadsheet of the amount of money that is spent. I don’t know where we are on either of those water or electric for the current year but I don’t...”

Kevin Barber: “I don’t believe we spent very much in the current fiscal year we are in.”

John Hiscock: “I will tell you way under the \$50,000 that you mentioned.”

Kevin Barber: “Absolutely.”

John Hiscock: “Absolutely below that. However, if we have a line truck totaled, we have an issue. If we have a major piece of equipment fail at the filtration plant, we have an issue. So, we put this in to prevent additional electors’ meetings.”

Commissioner Ramirez: “Ok.”

John Hiscock: “I can certainly get you a run on what we have used in the last couple of years but it is way low.”

Commissioner Ramirez: “That is fine.”

Commissioner Westmoreland: “Do you carryover unspent expense budgets from year-to-year in any line items?”

Kevin Barber: “Expense budgets?”

Commissioner Westmoreland: “In any of the expenses?”

Kevin Barber: “No, what we call the OM&A, which is Operations, Maintenance & Administration is annual. At the end of that year if it has not been spent, anything then is then automatically returned.”

Commissioner Westmoreland: “Ok.”

Kevin Barber: “The only things that we can carryover are capital projects that have been designated as a project base and not just as we describe as an annual project.”

Commissioner Westmoreland: “Right.”

John Hiscock: “If you look at some of the capital projects you will see they are listed as annual expenditures. Those are the ones that expire at the end of the year and those are usually the ones that are contingent upon an event occurring. The ones that are project based is to the completion of the project. You will see where it comes back into the budget on...which is the best page to look at to see the return? Actually, probably page 2.”

Kevin Barber: “Yes, page 2 will show you and actually the only thing that we show as returned is under cancelled project.”

John Hiscock: “Yes, if we cancel a project it appears here. If we return money unspent, it ends up in the recalculation of the opening balance and that is where it shows. A better feel for that might be on the project page, which are the sideways ones.”

Commissioner Geake: “The colored sideways ones.”

John Hiscock: “Yes, the one with colors.”

Commissioner Mann: “With the red, and the pink on page 8.”

John Hiscock: “If you look at pages 8 and 9 you will see how we go through the budget process. Just as an example is the color key on the second page, page 9 where we are, we banned them, project is cancelled. There aren’t many cancelled projects on page 8, the red one. The pink, are project allocations reduced and this is where we sit in a room and go through them and say you know what, we allocated this but we are not going to spend it so let’s reduce it. That happens because we either re-evaluate it or whatever. The blue are completed projects. The tan are under further review. I am trying to give you a feel for exactly how we do this. Maybe we should probably go to a fairly important page, which would be the second page in the budget. First page is the revenues; they are very similar to the prior year. They don’t involve increases at all. We have expenses listed. What basically happens is you go down to page 2 and you end up with a net revenue number. We look at things like principal on debt, interest on debt, then we go down to capital appropriations and remember we don’t...unfortunately we don’t have the headings on the second page, first column is General Fund, second is Water, third column is Electric and fourth is combined. We go down and then calculate a change in cash position. From there we calculate the opening balance when we return unspent funds. In prior years, we then add in prior year’s cancelled projects and we come out with an

adjusted opening balance in the reserve fund. We then go through the non-normal transfers, that is sort of three-quarters of the way down the page, transfers to the OPEB Reserve Fund, transfers from the Water Fund and the Electric Fund for District Operations, transfer from the Electric Fund for street lighting. We add up the total transfer and then we come down with the closing balance in the Reserve Fund. The closing balance in the Reserve Fund essentially is cash unallocated for anything. If you look at the second one over, it is kind of in the dark print, you will see \$36,396. That is the anticipated closing balance in the Water Fund, a very low number. If you look at the next column over, \$10,757,195 would be the anticipated closing balance in the Electric Fund. Now, this is after receiving the bond proceeds and after completing the new substation. Basically, if you look at the last five or six years, that number is pretty stable. We are draining cash now to meet our commitments with respect to the substation. The bonds will replenish it and allow us to spend additional funds. The Electric Fund has always been robust. It has been that way since the 90's and it improved in the early 2000's when the State deregulated the electric business and you have heard me say this before, in the beginning CL&P did a really bad job of buying power because the regulators gave them really bad rules to deal with and CMEEC and SNEW and all of the other munis had a great position and we were 30% lower than CL&P and it was a wonderful spot. We accumulated cash. We are no longer there. That accumulation of cash has now leveled off. But again, the Electric Fund is doing very well. The Water Fund isn't doing so well because we spent \$29 million building a filtration plant. And the other thing that escapes a lot of people is that as long as we are under CL&P, they don't look at really how much we are under CL&P, so we sort of use them as a ceiling and that has allowed us to continue to maintain good, stable electric reserves. Again, this is only nine months worth of cash flow inside of the electric utility. The reserve in water should be way higher than it is but it isn't. Water on the other hand suffers from, if we lined ourselves up against our competitors, there is a wider range of competitors, there is a wider range of prices and in the water business they vary widely. So, that we can't just put ourselves under a CL&P and a UI because those are the only two investor owned. There are fifty or sixty water utilities in Connecticut."

Commissioner Westmoreland: "And they vary widely within Connecticut?"

John Hiscock: "Very widely, by I would say without having the numbers in front of me, but I would say for the average customer a factor of three times. You know there are customers that if they are paying a dollar for their bill, there are other customers paying three. So, it has to do with capital expenditures, in the water business the capital expenditures for treatments are huge. Whereas in the electric business because we are required to buy our power from the grid, we don't build equivalents, we don't build power plants. So consequently, our capital in the electric business is very level, very stable. Replacing new facilities, new conductors, but it is all very smooth."

Commissioner Westmoreland: "But, if the economics made sense, we could build a power plant for SNEW? We are not regulated not to are we or are we?"

John Hiscock: "No, we are not regulated not to. We could build a power plant. We had a permit to build a 51 megawatt power plant in the mid 2000's but the economics were

awful, it didn't happen. I think you have all read in the newspaper that we are running into a higher capacity market because of all of the older plants, the oil and certainly the coal plants, the few that we have in New England, are shutting down. Consequently, the capacity market is going up. The problem is the capacity market is so low below the cost of new entry, new facilities that the capacity market has to get up to that level before anybody is willing to build anything. And because we are in a situation where you only get capacity contracts for three and four years out and the plants last twenty and thirty years, nobody is willing to invest. New England in 2017, 2018, and 2019 is going to face a huge increase in electric bills over this issue. Not a pleasant thought, but it is going to happen because capacity is diminishing rapidly."

Commissioner Westmoreland: "I mean that is my read on it, which seems to me we should be preparing for that, to do something for SNEW customers."

John Hiscock: "I don't...well, one we certainly have a good base of cash."

Commissioner Westmoreland: "Right."

John Hiscock: "There is no doubt about that. I think economy as a scale, kind of will destroy that. The plant we were going to build was a niche plant that had to do with the marketplace issues that we were trying to exploit. Most of the plants being built today are in the 300 to 600 megawatt range because of the economy as a scale. We are also focusing on renewables to the detriment of the customer. That is the way it is. It is nice to..."

Commissioner Westmoreland: "What renewables are we focusing on?"

John Hiscock: "Wind."

Commissioner Westmoreland: "What?"

John Hiscock: "Wind in way northern New England."

Commissioner Westmoreland: "Oh, but not SNEW."

John Hiscock: "No, our renewable, we are dealing with that in a different way and our co-op is dealing with it, but the wind is the issue. The wind is the driver and the transmission facilities, to get to the wind is going eclipse the cost of the wind."

Commissioner Westmoreland: "Sure."

John Hiscock: "That is a philosophical, ideological, environmental discussion that we are not going to affect. There is not a single renewable that is in existence that isn't subsidized. That is just reality. Whether it is good or not over the long haul, that's the policy wonk's job to figure out. Right now that is the way it is. Kevin or I can answer any questions you may have. I don't think it is productive unless you want me to read through lines and call things out. I am saying to you that we have enough revenue to

match expenses. Being a utility guy I am always wanted to bill more than the rates will allow but that is why you are all here to prevent me from doing that.”

Commissioner Westmoreland: “Now, just to confirm, so when we do the budget next year or maybe it is reflected in here somewhere, there is going to be an expense item that is going to go way, way down and that is going to be offset by principle and interest payments on debt for our new \$10 million bond, is that correct?”

John Hiscock: “Yes.”

Kevin Barber: “If you were to go to page 10, we can actually show you that. It is reflected in the current 2014-2015 budget. The line item, Purchased Electricity, did reduce by approximately I think \$750,000, in the upcoming year in what we are budgeting for.”

Commissioner Westmoreland: “And that is due to the decrease in payments to CL&P for that line, the connection.”

John Hiscock: “Yes.”

Kevin Barber: “Correct.”

Commissioner Westmoreland: “That was actually one of my questions.”

Kevin Barber: “And actually then on page 11, we do show the principle on debt and the interest on debt for the substation. Those, at the time this was generated, those were very big estimates, more or less as what I will describe as place holders. I believe they should be coming in a little bit lower than that?”

John Hiscock: “Yes.”

Kevin Barber: “We won’t know for sure until obviously the bond.”

Commissioner Westmoreland: “And I assume it will be a level payment yearly and then it’s amortized so that principle and interest mix will change.”

John Hiscock: “Yes, we chose to go with level payments. It is certainly easier for us to deal with it that way. Front loading the payments are going to affect cash and that is not a good thing. Hopefully, we will get a good interest rate and hopefully we will get a good rating. The financial advisor Matt Spoerndle from Phoenix Advisors looks at the OS and he believes it looks pretty good. He clearly knows Norwalk, although he doesn’t work for them, he knows that Norwalk is Triple A. He does feel that is going to carry over into our rating. One, because we have significant cash, cash enough to actually cover the entire doubt, which is helpful and rating agencies really don’t like to see the people do the seesaw on the cash, they would much rather see the project be done, money borrowed and pay over a levelized situation. It lends itself to stability when you do it that way.”

Commissioner Westmoreland: "And the term is what 15 years? Is that what we are looking at?"

John Hiscock: "Excuse me?"

Commissioner Westmoreland: "The term of the bond repayments?"

John Hiscock: "Twenty years."

Commissioner Westmoreland: "Twenty years."

John Hiscock: "Twenty years. We had a choice of fifteen or twenty years. We really wanted to match the payment schedule up against the CL&P savings so that we were basically in a cash neutral position."

Commissioner Westmoreland: "Right."

Commissioner Geake: "Through the Chair? This is going to sound strange but I would just like to know, on the refusal of the final project under capital budget, replace vehicle number 8, you rejected it but you never gave a reason. It is the very last thing and I was just curious as to why?"

Commissioner Mann: "On the last page?"

Commissioner Geake: "Yes. You didn't say why and I was just curious."

John Hiscock: "We just wanted to eke out another year on the vehicle."

[Laughter]

Commissioner Geake: "Ok, I was just curious, like you found out that we couldn't do it, you know."

John Hiscock: "You know, most of us understand that modern vehicles today 150,000 is not unreasonable. We take care of vehicles here. The oil is changed, maintenance is done. We do a relatively good job of that. Out of the four staff sedans, there is no one that is under 100,000 at the moment. The vehicle I drive is probably the lowest, it just turned 100,000. The other sedans that we use are in the 125,000 to 140,000 range right now?"

Kevin Barber: "Yes, 115,000 to 140,000 in that range."

John Hiscock: "Yes, 115,000 to 140,000 and they are all in relatively good shape. We don't necessarily want to buy vehicles just to buy vehicles. They all look good; they all run good; so there is no sense in spending the money. This was an individual request by a department head."

Commissioner Ramirez: "With that in mind now that we are talking about, would you please do me a big favor?"

John Hiscock: "Yeah."

Commissioner Ramirez: "Just send a memo in general to any driver of SNEW to stop using phones."

John Hiscock: "I can take care of that."

Commissioner Ramirez: "Please."

John Hiscock: "I hope they will."

Commissioner Mann: "To do what?"

Commissioner Wooten-Dumas: "Cell phones."

Commissioner Borges-Lopez: "To stop using cell phone while driving."

Commissioner Mann: "Oh."

John Hiscock: "Yeah, the utility crew..."

Commissioner Ramirez: "Stop using phones while they are driving, let me clarify that."

John Hiscock: "Yeah, I do know that the police understand that a quick emergency call happens occasionally, but I am aware that people abuse that beyond belief. I am more than happy to send that..."

Commissioner Ramirez: "There is always place and time to just squeeze that call in, especially if it is an emergency, you don't want to be distracted."

John Hiscock: "Ok, I will do that. Other questions, other issues? Yes?"

Commissioner Westmoreland: "I just have two very minor questions on page 3 under Community Service Projects. The first question is and even though we have nothing budgeted to it this year, but where is Madison Avenue? Is that in Norwalk? Where is Madison Avenue?"

[Laughter]

John Hiscock: "Oh, it's across from Klaff's and 50 Washington Street there is a little triangular piece of land that abuts up against the railroad tracks."

Commissioner Borges-Lopez: "That is Madison Street not Madison Avenue."

John Hiscock: "Oh, excuse me."

Commissioner Ramirez: "That is Madison Street, yes. It is right across from 50 Washington Street."

John Hiscock: "Oh excuse me. It's a street? All those years we have been calling it Madison Avenue and nobody corrected us."

Commissioner Westmoreland: "The street that runs..."

Commissioner Borges-Lopez: "Behind Klaff's."

Commissioner Westmoreland: "To go into Klaff's parking lot in the back, that is Madison?"

Commissioner Borges-Lopez: "Yes, that is Madison Street."

John Hiscock: "Yes, it goes from Martin Luther King around in a ninety degree turn and comes out on Washington Street."

Commissioner Westmoreland: "We beautified that? That little corner park?"

Commissioner Ramirez: "Yes."

Commissioner Borges-Lopez: "It is considered a park."

John Hiscock: "We did beautify that, we haven't in recent years. I will let you know that we are not going to spend any money on it in the foreseeable future because Metro North is putting in a power substation at that location. They are putting it there because we took their primary location which was our substation site, which they wanted to extract from us and actually they were pretty reasonable about it. We sent them a letter. What happened was they did test borings on that site and we didn't hear from them for about 18 months, so we just kept on going on our substation. They came back to us and said we want to do final test borings. We have selected that as our substation site and we sent them a nice letter saying look we have done Siting Council Application, we have ISO-New England's permission for a 40 MVA power plant, we have quite a few million dollars into the site at this point, you really need to go elsewhere and they honored that request. They were pretty nice about it. They said once they realized how much money you spent, we went to a secondary site. They never told me the secondary site. I found out because we got a notice from a consulting engineer asking us about an easement that we have across that little triangle of land and I asked him why and he said because that is where the power conditioning substation is going for Metro North."

Commissioner Westmoreland: "Is that their land? That little strip of land is theirs, Metro North's?"

John Hiscock: "It is the City's."

Commissioner Westmoreland: "It's the City's."

John Hiscock: "Now, if you look at that, if you look across the street from Klaff's entrance, you will see some electrical equipment; beat up old stuff behind a fence. It is going to start there and go north and it is all going to be new and modern and it's not taking the whole site up. But, there is no sense in us doing anything there if in fact it is all going to get torn up. You know they are going to store all of their stuff there, their vehicles, they are going to tear it up so we are not going to spend anything on that."

Commissioner Westmoreland: "Were we mowing it?"

John Hiscock: "We were mowing it, yes."

Commissioner Westmoreland: "Is it going to be like really weedy because nobody is going to mow it, which means that I will probably end up mowing it and adding it to the list of things I mow in Norwalk and don't want to mow."

John Hiscock: "There isn't much grass left there. Have you looked at it lately?"

[Laughter]

Commissioner Geake: "It is not that great."

John Hiscock: "It is awful. The other thing that we do is that slope used to be heavily wooded and as you go down along the Madison Street towards the condominium, we had a lot of trouble with individuals living there. People were uncomfortable walking in that area. We were the ones who cleaned it out and we found the usual mattresses and bedding and all of that. So, that is why you don't see many trees there anymore. We cleaned that slope because people were being roused."

Commissioner Ramirez: "Having their own portable homes in there."

Commissioner Westmoreland: "Yes, well my next question is \$7,320.00 to spend on West Avenue beautification. What is that?"

John Hiscock: "You know where the Shell Station is on West Avenue?"

Commissioner Westmoreland: "Yes."

John Hiscock: "And you know where the exit is where everybody comes off at Route 7, there is a slope. That slope used to be heavily wooded with scrub, brush and material. We got the idea that it didn't look good coming into South Norwalk."

Commissioner Westmoreland: "It doesn't."

John Hiscock: "So we decided to beautify it. We got a Beautify America Grant for the

trees and we cleaned the slope, got rid of the vegetation...you know the typical stuff that grows if you don't maintain it. We put wood chips down and we maintain that slope. We try to prune the trees so we can encourage their growth."

Commissioner Ramirez: "They do an excellent job."

John Hiscock: "It used to look awful. So that is what that is."

Commissioner Westmoreland: "And we are not doing holiday lights anymore? I don't know what that is."

John Hiscock: "We used to light the tree in front of 164 Water Street. There is a big, big blue spruce that we planted, you weren't here when we planted it, I was."

Commissioner Westmoreland: "Is that in front of our office on Water Street?"

John Hiscock: "Yes, our offices on Water Street. We used to do a little tree lighting ceremonies there when everybody thought it was a good idea. Then it sort of got taken over by 50 Washington Street, they have a big, grandiose thing that SoNo Equities has done and I have no idea, did they do anything this year?"

Commissioner Geake: "They didn't do it at 50 Washington."

Commissioner Borges-Lopez: "I don't think they did anything."

Commissioner Geake: "They didn't do anything on 50 Washington."

Commissioner Borges-Lopez: "No, there was nothing on 50 Washington."

Commissioner Ramirez: "I don't think so."

Commissioner Westmoreland: "The building went into bankruptcy; they gave it back to the bank."

John Hiscock: "Yes, it was acquired. Someone else owns it now."

Commissioner Borges-Lopez: "It was auctioned; someone else bought it."

John Hiscock: "So, we used to light that. It involved the line department, time and labor and effort to put it up so we budgeted for it, we kind of focus on cost accounting in some detail. Unfortunately, Hurricane Sandy did the lighting system in completely besides ripping the lighting apart, as the branches went all over the place, our basement flooded at 164 Water and it damaged the electrical feeder to the tree, which was somewhat undersized. The tree outgrew the 20 amp circuits that we had available for the tree and we didn't even light it to the top anymore so we just kind of given up. Nobody seems to be concerned about it. It hasn't been lit in a while."

Kevin Barber: "Two years I believe."

John Hiscock: "So we just kind of took it out of the budget and we could have put it back but..."

Commissioner Westmoreland: "Alright, that is it, I don't have any more questions."

John Hiscock: "And obviously SoNo Arts has been there forever and \$1,500 has covered it forever, even though they have scaled back. Summer Youth Employment is there and Miscellaneous Community Service, which covers one or two events that we seem to fund each year based on the vote of the Commission. The \$3,000 above in Miscellaneous is for any beautification that might become something the District would want to do, nothing specific."

Commissioner Borges-Lopez: "I have a question."

John Hiscock: "Yes."

Commissioner Borges-Lopez: "In lieu of Madison Street since nothing is going to be done there, would SNEW take over Dr. Martin Luther King, that middle section there?"

Commissioner Geake: "Oh, yes."

Commissioner Borges-Lopez: "The trees over there, it is really overgrown. I don't know who takes care of it but I am just bringing it up."

John Hiscock: "We started that effort."

Commissioner Borges-Lopez: "I am sorry?"

John Hiscock: "We started that effort a couple of years ago."

Commissioner Borges-Lopez: "I know, about three years ago, I think."

John Hiscock: "The City gave it to some local company, you know Adopt-A-Spot and they were doing a good job for a while. They are not doing a good job now."

Commissioner Borges-Lopez: "Nothing is being done. Actually there is a tree there that's outgrown so bad that I am surprised there aren't accidents there, people turning left on Madison Street."

John Hiscock: "I do know that the City is doing a significant effort at Hamilton and...what is the other one that has the walkway down to the train station? There are two sets of steps that come down onto Martin Luther King. I guess there is one at Monroe Street and there is one at Bates, further down. They are redoing both of those sets of steps with nice lighting; we have seen the plans, plantings and all of that. That doesn't address your issue, however. We could do some investigation and find out if the Adopt-A-Spot has

been abandoned. We could use that \$3,000 to clean that area up.”

Commissioner Ramirez: “And put a sign up saying ‘adopted by SNEW.’”

John Hiscock: “We could do that.”

Commissioner Ramirez: “So they know exactly who is maintaining.”

John Hiscock: “Let us do a little bit of investigation first to make sure we are not going to step on toes.”

Commissioner Borges-Lopez: “Get some credit on that one, right? Put a sign there that says SNEW.”

John Hiscock: “Ok.”

Commissioner Ramirez: “Ok, are we done?”

John Hiscock: “Alright and everything else is what you are used to seeing. Ok, any other questions? We do as you know, based on the schedule, have an opportunity to make changes and have an additional discussion. However, if you are satisfied, we don’t need to have the additional meeting. You can adopt and report out that you are requesting the electors adopt the budget as approved by the Commission and submitted. It is your choice. You don’t have to do it tonight, but it works better if you do, especially if you don’t have any further requirements to adopt, change or modify. If you are satisfied at this point, it would be appropriate to adopt the budget as submitted and recommend approval to the electors.”

Kevin Barber: “Interest, is it going to remain as is?”

John Hiscock: “Yes, Kevin just asked me so that you know what he is asking me about, the interest on debt is a little bit high, but just in case we end up not doing so well on the bond sale, we would like to leave it there. We are expecting to spend less and it is a semi-annual payment. The water filtration plant is monthly, principle and interest, this is a two interest payments a year and no premium payment and that is standard with bond issues in GO’s.”

Commissioner Westmoreland: “Have we refinanced our water debt? Is it at a low interest rate?”

John Hiscock: “No, our water debt is at 2.04% and it does not have a refunding provision in it because it is a State revolving loan fund and it is a commitment with no provision for early refunding and the reason for it is, as I said it is a revolving fund and they want the steady stream of income to come in from everybody who has benefited by this so that they have a steady level amount of rewards that they can make in future years for capital projects. So, they don’t want it to come back early.”

Commissioner Geake: "Through the Chair, one other thing. You had said before that you were going to take Wilton to court over the property taxes that they have gotten so very, very high, is that still going on?"

John Hiscock: "Yes, we have filed this as if we were paying the property as set by Wilton. We didn't take any reduction in tax because in Connecticut to get into Superior Court is three years at best and four and one-half at worst. So this is going to be at least 2015 or 2016 before we have any resolution on this. Wilton will not...there is no sense in negotiating this like anything else the lawyers do until two weeks before the court hearing. So, we will continue to budget it at the level assessed times the mill rate. If we win, we will get a big wind fall back because it will be retroactive to the date of the assessment that we challenged. And when we did this in the early 1970's we got a huge amount of money from Wilton and we agreed on the settlement. John Honnessey was Manager at the time, we didn't pay taxes for like three, four or five years. We phased it in over a few years. What we are looking for is a very big number with respect to Wilton. You heard what the attorney said. We want to pay less than a third of what we are paying right now."

Commissioner Burgess: "You want us to take action on this?"

John Hiscock: "I think it would be appropriate."

Commissioner Ramirez: "Martha has a question."

Commissioner Wooten-Dumas: "I was just going to ask, did we want a motion to accept the budget tonight?"

John Hiscock: "Yes."

Commissioner Wooten-Dumas: "Ok, so I make a motion that we accept the budget as is."

Commissioner Burgess: "Is there a second?"

John Hiscock: "And can you add to it and recommend approval to the electors?"

Commissioner Wooten-Dumas: "And recommend approval to the electors."

Commissioner Burgess: "Ok, thank you."

Commissioner Geake: "I will second it."

Commissioner Burgess: "Any discussion on the motion? All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed? Abstentions?"

Commission Burges: "Yes?"

John Hiscock: "I will explain in a minute. Go ahead take your vote."

Commissioner Burgess: "We are done, is that alright?"

Commissioner Geake: "It was already done."

Commissioner Burgess: "Ok?"

John Hiscock: "Yes, perfect, I was jumping the gun on you."

Commissioner Burgess: "Ok, is there a motion to adjourn?"

Commissioner Westmoreland: "So moved."

Commissioner Ramirez: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Adjournment

The meeting adjourned at 8:55 p.m.

Attest:

Lisa Roland
District Clerk