

**SECOND TAXING DISTRICT ELECTORS  
ANNUAL BUDGET MEETING**

March 18, 2014

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Electors Present:	Mary E. Burgess	Mary Geake
	David Westmoreland	Maria Borges-Lopez
	Cèsar Ramirez	Mary Mann
	Martha Wooten-Dumas	Robert Burgess
	James Clark	Ernest Dumas
	Ian Soltes	Thomas Soltes
	Kurt Schaaf	Michael Mushak
	Joseph Newell	Darlene Young
	Dawn Delgreco	James Delgreco
	Travis Simms	Sharon Stewart
	Janice Wooten	Theodore Burt

Also Present:	John M. Hiscock	General Manager
	Kevin Barber	Dir. of Admin. & Customer Service
	Frank Zullo, Esq.	Tierney, Zullo, Flaherty & Murphy
	Lisa Roland	District Clerk
	Gwendolyn Gonzalez	

Call to Order:

Mary E. Burgess called the Second Taxing District Electors' Meeting to order at 8:09 p.m. on Tuesday, March 18, 2014. The meeting was held at SNEW, One State Street, South Norwalk, Connecticut.

Legal Call:

Mary Burgess: "I will call the Second Taxing District's Electors Annual Budget Meeting to order Tuesday, March 18, 2014 at 8:09 p.m. and I would like to introduce my fellow Commissioners: Maria Borges-Lopez, Mary Mann, Mary Geake, Cesar Ramirez, David Westmoreland and Martha Dumas and I am Mimi Burgess. And I will ask the Clerk to read the legal call [directed to the District Clerk]."

The District Clerk read the following legal notice for the record:

*Lisa Roland: Legal Notice, Notice and Warning to the Electors of the Second Taxing District of the City of Norwalk.*

*The legal voters of the Second Taxing District of the City of Norwalk are hereby notified and warned that the Annual Budget Meeting of the Electors of the Second Taxing District will be held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut on Tuesday, March 18, 2014 at 8:00 p.m. for the following purpose:*

1. To Approve the Proposed 2014-2015 Budget of the Second Taxing District, City of Norwalk as approved and recommended by the District Commissioners.
2. To Receive and Ratify the Choice of Auditors of the District Commissioners for a firm to perform Auditing Services for the Second Taxing District, City of Norwalk for the Fiscal Year Ending June 30, 2014.

In accordance with Section 1-81 of the District Charter, you are hereby notified that copies of the entire District Budget of the Second Taxing District of the City of Norwalk will be available for inspection by the public effective March 13, 2014. A copy may be obtained from the District Clerk at the office of the Second Taxing District, One State Street, Norwalk, Connecticut.

Dated this 7th day of March, 2014

Attest:

Lisa Roland  
District Clerk

Commissioner Burgess: "May I have a motion to accept the legal call and when you speak, will you please give your name for the Clerk?"

Commission Ramirez: "I, Cesar Ramirez will make a motion to accept the legal call."

Commissioner Burgess: "Is there a second to the motion?"

Joe Newell: "Second."

Commissioner Burgess: "Your name?"

John Hiscock: "Joseph Newell."

Attorney Zullo: "Joseph Newell."

Commissioner Burgess: "Thank you. Now we will vote on this motion. All in favor say aye."

Electors' Unanimously: "Aye."

Commissioner Burgess: "Opposed, abstentions? Now, a motion to...on the proposed budget a motion to place this item on the floor."

Jim Clark: "I will move that, Jim Clark, 9 Golden Hill Street."

Commissioner Burgess: "Thank you, is there a second?"

Ted Burtt: "Second, Ted Burtt, 44 Fairfield Avenue."

Commissioner Burgess: "Thank you. And now a presentation by John Hiscock and do you want to wait with questions until the end?"

John Hiscock: "No, we will take questions as we go otherwise it will be too confusing."

Commissioner Burgess: "Ok."

John Hiscock: "There is a copy available. If anybody has not gotten one; we can get you another copy. This is the proposed budget for fiscal year 2014/2015 beginning July 1, 2014 and ending June 30, 2015. Pages 1 and 2 are the consolidated budget listing the General Fund, the Water Department, the Electric Department and the District Total. I don't intend to spend too much time on that. We will go shortly to the individual items. Simply the Total Operating, and we will speak about the individual funds shortly; the Total Operating Revenue projected for next fiscal year is \$23,607,880. There is some additional Other Revenue of \$494,106 for a Total Revenue for the District for the next fiscal year projected to be at \$24,101,986. And when you look down at the Expense section on page 2 and the Operating Expenses of the entire District operation for next year are projected to be or requested to be approved of \$20,276,669 with some additional Other Expenses of \$756,567 for a total expenses of \$21,033,236 with a Net Revenue of \$3,068,750. And for those of you who have been here for these budgets previously, those are on a cash basis, there is no depreciation on that. There are a series of transfers listed. The transfers are from the water fund to the District, from the electric fund to the District, from the electric for street lighting and those are transfers internal back and forth to allow the District to operate and I will speak about that in a minute. The only notable one that is an external is Transfer to the OPEB Trust of \$900,000. And after we go through all of this the ending cash balance for the District is projected to be \$11,894,145. If there are any questions about that I can answer them and the detail comes in the next sections. Yes sir?"

Robert Burgess: "On the other page under Other Revenue, Interest \$550, what interest rate are we getting on that?"

John Hiscock: "I am sorry I can't hear what you said."

Robert Burgess: "On page 1, in the Interest column. You have \$550 in the first column ending with \$2,650. What kind of interest rate are you getting with the bank? How much money is interest?"

John Hiscock: "Interest is almost non-existent. It's well below a percent. It is more like less than a half a percent. We are restricted in our investments by State law in Connecticut. We are only allowed to invest in the securities of the State. Any of the municipalities and banks that meet the requirement for municipal deposits and that severally limits our options for obtaining reasonable returns."

Robert Burgess: "What the net amount of funds that we have in that line item?"

John Hiscock: "Net amount of funds where?"

Robert Burgess: "Other Revenue line item under Interest the \$550. What is the dollar value of the funds in the account?"

John Hiscock: "Currently, in the vicinity of \$11 or \$12 million. I can give you a more specific number without going through it. That is the amount of cash on hand generally.

Joe Newell: "On page 2, Other Post Employment Benefits, can you give me a rundown of what that is?"

John Hiscock: "Other Post Employment Benefits, retirees depending on when they started with the company, have been promised through the Employee Manual and various negotiations over the years, health insurance, dental insurance and some life insurance. It applies to employees in the water utility that were hired prior to 1991, after 1991, that benefit was no longer given and to the employees in the electric department hired after 2001, they did not receive the benefits. All employees prior to that have received that benefit as part of the benefit package and the retirement package that the employees have. GASB 45, the accounting standard requires us to set aside funds to cover that liability. We started evaluating the liability initially in 2009 to meet the rule, which we have done and as part of the OPEB arrangement, we have opened an OPEB Trust to fund that liability and the \$900,000 that is shown here is the transfer to that trust to cover that liability. Subject to checking, the actual liability today, the unfunded actuarial accrued, I can't remember the terminology, liability is about \$13 million. All of that liability doesn't appear on the Balance Sheet. Only a certain amount related to what is called the ARC (the Annual Required Contribution) to cover that appears on the Balance Sheet and that is where the \$900,000 is going to cover that liability. So, within about three years the liability on the Balance Sheet will be zero for the ARC section, the part that is on the Balance Sheet. That doesn't mean the larger liability will be covered. But the part that is required to be covered by GASB 45 will then become zero."

Joe Newell: "Thank you."

Commissioner Burgess: "Would you please remember to state your name when you ask questions."

John Hiscock: "Ok, page 3 General Fund. We have a three years comparison. Obviously the left hand column is what we are here to approve this evening. Total Revenue Interest \$550 on a little over a million dollars in cash. Expenses for Operations \$148,300, Commissioner's Salary, Clerk's Salary, Treasurer's Salary, Meetings and Printing, all of the notices and information related to the meetings, the legal ads, the transcription of minutes are all included in that. Next section is Legal of \$40,000. We generally do not spend that amount but legal is extraordinarily hard to predict so we have to start with what we budgeted at that level otherwise we would have to come back for appropriations to the Electors if we ran into a problem. Auditors \$30,000, which is fairly close to what the auditors bill is each year and Insurance of \$5,000. We have Community Service Projects for expenditures. As you can see, we have taken Madison Avenue out this year. Madison Avenue is that little triangular piece of land that backs up against the railroad tracks that the City owns, across the street from Klaff's and across the street from the

other angle from 50 Washington Street. We used to clean it up. It is in a little bit of disrepair. We took it out of the budget because the railroad is putting a substation at that location. So there is no sense in cleaning it up because they are going to start construction. West Avenue is next to the Shell Station. We clean that up slope as you enter South Norwalk with some trees. We got a grant from America the Beautiful and we continue to maintain that site by cleaning up the trash, we clean the slope up, prune the trees and try to make it at least presentable there. We have taken the holiday lights out. The District offices, we used to light the tree at Water Street. We are no longer doing that. We did receive some significant damage to the tree and the lighting system in the Hurricane. So, the major problem with it is that we had flooding in the basement and the electrical system that fed the outside tree was damaged and it is going to be fairly expensive to replace. We didn't go forward with that. Ok, \$1,500 for the SoNo Arts Celebration, which we have historically funded. It's up to \$1,500 and in recent years they haven't used the full \$1,500. It is for installation of temporary electric and the electric that is used during the SoNo Arts Festival. Summer Youth Employment Program, we have been carrying \$15,500 for the last several years. And then Miscellaneous Community Projects, we have a \$2,500 amount in there that covers smaller projects that comes up that the Commission approves. Any questions about those expenditures? Ok, Street Lighting, Purchased Electricity. That is the energy necessary to light the lights in South Norwalk. Certainly the Street Lighting that we all have so that we are not all walking around in the dark. And we have Street Light Operations and Street Light Maintenance. So, the cost of the Street Lighting system to the District is \$186,482 per year."

Jim Delgreco: "Jim Delgreco, John how come you have done such a good job in lowering those costs?"

John Hiscock: "Excuse me?"

Jim Delgreco: "How have you done such a good job in lowering those costs?"

John Hiscock: "Actually the purchased price for the electricity has actually dropped in the marketplace significantly. So, it was certainly wasn't...we weren't controlling the market, we just got the benefit of it."

Jim Delgreco: "I was trying to give you a compliment."

[Laughter]

John Hiscock: "Sorry...yes sir?"

Michael Mushak: Mike Mushak. I have noticed that some of the new street lights are like slimmer; they look like they are a different design. On our street we have got a couple of those newer ones. Are those LEDs? Are we looking at LED lights? I just noticed with the new ones, are you looking at new technology or what?"

John Hiscock: "Two things are occurring in that area. The slim profile ones that you see as you drive up to them. You don't see much light until you get under them. That is

part of that national program with respect to the dark sky situation. So, we do all of our new street lights are that style for what we call a Cobra Heads that are up on wooden utility poles. The rest of the street lights, the ornamentals are the orange high pressure sodium lights. We have just had a conversation with the City of Norwalk with respect to the ornamental lights on Cedar Street that are currently being ordered and installed and they are going to be LEDs. So we are moving in that direction.”

Michael Mushak: “Great.”

John Hiscock: “That is an interesting concept because the City, if you read the Charter, it is the City’s responsibility to determine the type of lighting, where it is located and the wattage. We get into a big argument with them all the time because they don’t want to sort of accept that responsibility. They did contact us with respect to the LEDs. We thought it was a good idea. We told them we would accept the LEDs if they would indicate that it meets with their request and their responsibility under the Charter. We are presuming that is moving forward with no trouble.”

Michael Mushak: “So just to piggy back on that. It is the City’s responsibility to determine the design or style or choice of bulb on the other street lights?”

John Hiscock: “That is correct.”

Michael Mushak: So it’s up to them to decide if those are going to go over to LEDs. A lot of cities are going over to LED street lights and it saves a ton of money.”

John Hiscock: “It is true. It is their responsibility. However, we will talk jointly with them and I think it will end up being a joint decision as we change over. The problem that you run into with respect to that is when you do a change over, you have to change a whole street at once because one is a nice white light and the other is a high pressure sodium yellow. You certainly can’t go down the street and have different colors. That makes the program a little bit more difficult because we cannot put in the LEDs randomly as the high pressure sodium’s fail.”

Michael Mushak: “Personally that wouldn’t bother me but...”

[Laughter]

John Hiscock: “You might be one of the few who might not be bothered by that.”

Jim Delgreco: “It would bother you Mike, who is kidding who.”

[Laughter]

Jim Clark: “That was Jim Delgreco.”

[Laughter]

Michael Mushak: “Ok, thank you.”

John Hiscock: "Sure. If we go to page 4 as you can see the Total Expenses are \$364,053 because we only earned \$550 in interest. The Net Operating Income is a loss of \$364,053 because we have no income in the District. We put in \$20,000 for street lighting for improvements or things that may crop up resulting in a decline in the General Fund Reserve and you can see the \$17,570. We fund that by transferring \$90,000 from the water utility; \$90,000 from the electric utility and then an additional \$186,483 from the electric utility to cover the street lighting. So, if you look at the Opening Balance and the Reserve Fund it \$1.1 million and the Ending Balance is \$1.1 million. We just bring enough money over to leave the balance the same. Any questions on the District itself? Ok, we will move to the water on page 5. Again you can see three years worth of information. The Total Operating Revenue for the water utility is a little over \$8 million and then an additional \$180,000 in Other Revenues, not Operating Revenues for a Total Revenue of \$8.291 million, very similar to the prior two years. Revenue is obviously based on sales and that is the estimate based on what we presume the sales will be. We are not increasing sales in the water utility, in fact gallons are actually dropping and has been dropping about one percent a year since 2000 or so, attributable to tighter plumbing standards. Operating Expenses..."

Jim Delgreco: "John can I ask something?"

John Hiscock: "Sure."

Jim Delgreco: "Jim Delgreco. Are we doing anything to try and conserve more? In other words, I know it is counterproductive as we get less revenue as we conserve but the concept of trying to conserve resources is obviously important."

John Hiscock: "We have historically been relying on the plumbing standard changes which have done a really good job. That is the reason for the one percent decline even though the population of the City is creeping up a little bit. Between the low flow shower heads, the low flow toilets and urinals, the consumption is continuing to decline. We don't do anymore than that. We have no active conservation program. The other thing that we have noticed over the years is the tendency to water lawns heavily in the summer has declined and part of that is cost based. Because as we conserve water in the house and the unit price has to go up to cover the revenue stream, the cost of the lawn watering is high in relationship to the house and since the per unit cost is increasing significantly, it drives the cost of lawn watering up in relationship to other things, very significantly. So you don't see as much of that either. But we have no active conservation program now."

Jim Delgreco: "Well, that is a good active conservation program right there, driving rates up."

John Hiscock: "It works."

[Laughter]

John Hiscock: "However, it is not terribly popular. Expenses at the bottom are \$5.77 million for Operating Expenses. An additional \$470,000 in total property taxes for a total expense of \$2.2 million, showing a Net Cash Basis Operating Income of \$2.3 million and then we go down a little bit further and we start looking at Principal on Debt for the filtration plant and Capital Appropriations."

Jim Delgreco: "When is that going to be paid off again?"

John Hiscock: "2029. It is a twenty year note. The original principal was \$24.75 million and the interest rate is 2.04% subsidized by the Federal Government and the State of Connecticut. It is actually half the bonding rate for the State and the year that the bonds were issued. We go through the Opening Balance of the water fund, we cancel projects. We transfer money to the OPEB Trust of \$327,000 for the expenses for that particular year. We transfer to the District operation and we end up with a Closing Balance in the water fund of \$36,396. Those of you who have been coming to meetings over the last several years realize that the water fund has run just above zero. Any questions about the water budget itself? Yes?"

Jim Delgreco: "One other question. Since we are going through a property re-evaluation in Norwalk right now, do we try and fight those property taxes up in Wilton and New Canaan when that comes due?"

John Hiscock: "We have not in New Canaan because the New Canaan assessment has been what we consider reasonable and consistent. State law says that municipal water utilities that operate in another location pay based on improved farm land. The Wilton taxes are currently under appeal. We filed in court and we have appealed. So, that suit is pending and I believe we are close to setting a conference. That doesn't mean anything because I know this is not going to get settled. Our position with respect to where those taxes should be is so far removed from what Wilton believes that this is not going to settle. This is going to go the whole deal."

Jim Delgreco: "Court?"

John Hiscock: "Yes. The last time that happened was in the early 70's and the District won that case. Same kind of situation; it kept creeping up each year and we finally get annoyed and just go back and appeal the whole thing and go from there."

Michael Mushak: "I have a question, Mike Mushak. If you win, which sounds likely, I don't want to jinx it but it sounds like you will, you have already won a previous case, do they also pay for all you legal fees?"

John Hiscock: "No. They will end up paying. I believe we will get the money back for the overage, whatever the courts decide and I think we get interest. Do you recall? [Directed to Attorney Zullo]."

Attorney Zullo: "Frank is handling that correct?"

John Hiscock: Frank Murphy is handling that. I do believe we get interest but I do not believe we get legal fees.”

Attorney Zullo: “No you don’t. You don’t get legal fees.”

Michael Mushak: “Is that retroactive then?”

John Hiscock: “Retroactive to the year we appealed. So it is actually from the appeal date going forward and I assume it will be at least three or four years before it makes it to court. So, we are going to end up paying this money and getting it back. The last time this happened we got a huge credit and it went quite a few years before we actually had to pay taxes.”

Michael Mushak: “So they thought they could sneak it in again?”

John Hiscock: “Well, yes we understand the process.”

[Laughter]

John Hiscock: “If you can get more, you get more. That is the way it is. Any other questions about the water budget? Capital Budget is on page 7 and you can see that it is a fairly light Capital Budget compared to some of the prior years. The largest expenditure is \$195,000 for Granular Activated Carbon Replacement at the filtration plant. We have had a few taste and odor problems at the plant in the last year or two at the plant and this should resolve the problem. Granular Activated Carbon wears out with time. Other than that they are relatively routine items related to our business, nothing terribly unusual. Any questions about that, yes?”

Kurt Schaaf: “Kurt Schaaf, 12 Golden Hill. It is sort of an aside question but do we add fluoride to our water?”

John Hiscock: “Yes we are required by Connecticut state law to add fluoride. We are required to have a target point of 1.0 parts per million. The bottom end compliance is .8 parts per million on the low side and on the high side it is 1.2 parts per million. We do add fluoride, we have no choice.”

Kurt Schaaf: “Do you have a guess as to how much that costs?”

John Hiscock: “I don’t. I don’t, it is not a lot of money but I have to look that up. I truly don’t know.”

Kurt Schaaf: “That is fine.”

John Hiscock: “Any other questions about the water capital budget? Let’s move over to the Electric Operating Budget. The format is slightly different from prior years because we changed our rate structure and unbundled our rates. So, if you look at the categories the way they are defined, they are slightly different. It’s now residential, small commercial, medium commercial and large commercial, fixed load lighting is rental of

lighting off of our utility poles that shine into a particular property. You see a lot of them in the commercial areas. As you can see the Operating Revenue is fairly consistent. It is \$15.5 million. The Other Revenue is \$313,000 and you can see the big number in that category is \$228,000 for Conversation and Load Management. That is a State required charge that we place on the customer's bill. We take it from all of our customers and we give it to some of our customers for conservation programs to incent structural conservation because the payback on virtually all of those doesn't exist. Some of them don't even cover the interest on the investment. So, it's a State mandated inducement and that is an issue that is controlled essentially by the State process and we go from there. Usually it ends up going to, if I had to characterize it, it usually goes to larger commercial customers. That is generally where it is spent. So, we have a Total Revenue of \$15.8 million. We move down to Operating Expenses, you can see that its \$14.1 million. The biggest number is obviously purchased electricity at \$8.9 million and you do see the affect that we talked about earlier while the kilowatt hours that we use in a year, megawatt hours, depending on how we define it; is pretty much consistent. You can see the price has dropped from \$10.8 million two years ago to \$8.9 million. And that is strictly wholesale market productions mainly due to the price of gas dropping through the floor. Although transportation of gas is up this year and that will create a little bit of a problem for this winter due to pipeline constraints and you have probably all read and heard about that. We can't get enough gas in Connecticut and that is a problem. Other Expense, \$286,567 and again most of that is Conservation Load Management this is the other side of the money going out of \$239,767. Net Cash Operating Income of \$1.3 million and a new item showing up is Principal on Debt on the substation itself. You all remember that we approved a \$10 million bond issue. We have a ratings meeting with Moody's tomorrow to discuss our ratings and a bond sale on April 2<sup>nd</sup> or April 3<sup>rd</sup> with the proceeds in our hands in the middle of April."

Jim Delgreco: "John, the principal and interest...they are both \$500,000 now, will that change over time? Are we paying a lot of interest right now or are they equal...?"

John Hiscock: "We are going to do levelized payments. So from beginning to end its going to be the same dollar amount so that in the beginning you pay down way less principal, towards the end you pay down more. Yes sir?"

Robert Burgess: "Bob Burgess. If you have assets in the bank and not drawing any interest at all would it be better if you take all the money instead of buying bonds and borrowing the money at a cheaper rate?"

John Hiscock: "That is fairly risky. You really would like to have a significant amount of cash on hand in case we run into a significant financial problem. That is quite important. I am presuming that we are going to get a relatively good bond rating and I think part of it has to do with the amount of cash that we have on hand. We are in fairly good shape. Utilities generally have 100 to 120 days cash on hand. That is about the general range."

Jim Clark: "What is that number for us, Jim Clark, do you know?"

John Hiscock: "If we take the expenditures for the whole District of \$20 million about a half a year in our case."

Jim Clark: "So that's...yes six months that is one of the factors that the rating agency is looking at?"

John Hiscock: "One of the factors they look at. It certainly varies."

Jim Delgreco: "Interest rates right now are so reasonable it doesn't make sense not to borrow?"

John Hiscock: "The long-term interest rate on this is going to be in the 4½% range, somewhere in that general range. In the early years we are going to be paying out interest, there is no doubt about it. In the later years we are all presuming that interest rates will rise. If you look at the yield curve it seems to show that. That it's going to happen. So, eventually it should be close to neutral. Any other questions on that? We will end up after we do the transfers and deal with all of the other issues including that Capital Appropriations of \$366,000, which we will look at in a minute on the next page, the Closing Balance to your point is going to be about \$10.7 million. Capital Appropriations on the next page \$366,000 for transformers, poles, computer equipment, purchasing some electric meters. One of the reasons that our Capital Projects are so low is we are focusing on the substation and all of the conversion that I am sure you are aware of. You all had your power shut down at one point in the last couple of weeks as we convert over to 13.8 for our overhead voltage. So that between the \$10 million for the substation and the \$2.5 million previously appropriated, we will be focusing on completing those projects between now and a good portion of next year. Any questions on the electric in general? For those of you who are interested in looking at the OPEB issue, page 11 shows you the procedure for this particular budget year. And you can see how expensive retiree benefits are and this sheet would be significantly higher if we had continued with the old practice of paying retirees health and related benefits. The rest of the details are the master spreadsheet accounts as to how we go through budgeting and then if you go down to page 17 and it's just a compilation of all of the information in detail and how we distribute overhead. It is something if you are wide awake some night and you want to put yourself to sleep, read through it. And that is it? Are there any questions in general about the Budget itself? The Commissioners at their meeting last week, last Tuesday night passed unanimously a resolution urging the electors to approve the Budget as presented."

Commissioner Burgess: "Any other discussion?"

Robert Burgess: "Bob Burgess."

Commissioner Burgess: "Yes?"

Robert Burgess: "A motion to approve the Budget as submitted and explained by John Hiscock and talked about. I recommend to approve the Budget."

Attorney Zullo: "He is moving to approve the Budget."

Michael Mushak: "Michael Mushak, second."

Commissioner Burgess: "All in favor?" You want the cards raised right?"

John Hiscock: "For this, yes please."

*[Unanimous 22 voted in favor of passing the Budget]*

John Hiscock: "Don't need to count, ok. Opposed?"

*[None opposed]*

John Hiscock: "Abstentions?"

Commissioner Burgess: "Abstentions?"

John Hiscock: "Unanimous."

*[Applause]*

*To Receive and Ratify the Choice of Auditors*

Commissioner Burgess: "To receive and ratify the choice of auditors, I need a motion to place this item on the floor."

Attorney Zullo: "A motion would be in order to place the item of the auditor's appointment on the floor."

Jim Clark: "I will move it, Jim Clark."

Commissioner Burgess: "Is there a second?"

Ted Burke: "Ted Burke, I will second it."

Commissioner Burgess: "Ok, Mr. Hiscock."

John Hiscock: "Ok, the auditors chosen for the current fiscal year, the fiscal year ending June 30, 2014 chosen by the Commissioners, which needs to be ratified by the electors to finalize are Hope & Hernandez the current auditors. I think most of you know that we go out for proposals every three years. It's a one year engagement with the understanding and not a requirement but the understanding that if the District wishes to retain the same auditor for the next two years it can do so and if the auditor wishes to for each of the next two years or any variation there, do the audit and presuming the price and terms are similar, we go forward and essentially deal with auditors on a three year basis. This year as I said the choice of the Commissioners is Hope & Hernandez. This is the last year in a three year cycle and as part of the Commission discussion on this item

the Commission made it clear and passed a motion that this will be the last year for Hope & Hernandez and that when we seek proposals next year they will not be permitted to propose. Which in essence means that next year there will be a change of auditors, presuming of course the Commission doesn't rescind what they have done. I wouldn't anticipate that certainly but they certainly could. But at this point, the recommendation is to continue with Hope & Hernandez and this would be the last year based on the last meeting of the District Commissioners. If anybody has any questions with regard to this particular item, I can answer them."

Jim Delgreco: "And I would imagine that they didn't do anything wrong, it's just that it is time for a change."

John Hiscock: "Yes, that is absolutely the reason. We have had a good relationship with them. They have done good work. We have been pleased with the work they have done and the timeliness of their work and that not never ever been an issue. It's just something that companies should do every once in a while is change auditors. Get a fresh look and have somebody else make a comment on your books. And I think we kind of said that in previous years off and on but this year the Commission has made it firm."

Jim Clark: "Just a question. This is the end of a three-year cycle? Is this their first three-year cycle or were they on for a long time? For how long in total have they been our auditors?"

John Hiscock: "Oh no, they have been auditors since around 2000. They have been..."

Jim Clark: "Wow."

John Hiscock: "Yes, they have been somewhere between 12 and 15 years. I don't know the exact number."

Jim Clark: "A follow up question for that. Is there a best practices for utilities for kind of a ballpark range for auditors or...?"

John Hiscock: "It varies tremendously. There is no set...I know the cooperative that I am on the Board of we changed three or four years ago after about ten years with the same firm. We changed at the cooperative so we have a new auditor there."

Jim Clark: "I commend the Commissioners on that decision. It is prudent for our history. Thank you."

Commissioner Burgess: "Any other questions for Mr. Hiscock? Is there a motion to ratify the choice of auditors?"

Jim Clark: "I will move that, Jim Clark."

Jim Delgreco: "Second, Jim Delgreco."

Commissioner Burgess: "All in favor?"

Commissioner Unanimously: "Aye."

*[Unanimous 22 voted in favor of ratifying the choice of auditors]*

John Hiscock: "You can ask for the no's I have counted."

Commissioner Burgess: "Any opposed?"

[None Opposed]

Commissioner Burgess: "Abstentions? Is there a motion to adjourn?"

Jim Delgreco: "I will move the motion."

Michael Mushak: "I will second the motion."

Commissioner Burgess: "Thank you all for coming. Thank you very, very much."

**Adjournment:**

*The meeting adjourned at 8:55 p.m.*

Attest:

Lisa Roland  
District Clerk

