

SECOND TAXING DISTRICT COMMISSIONERS

Special Meeting Minutes
September 9, 2014

Present:	Mary Burgess	Chairperson
	Maria Borges-Lopez	Vice Chairperson
	Mary Geake	
	Mary Mann	Arrived 7:15 p.m.
	Cèsar Ramirez	
	David Westmoreland	
	Martha Wooten-Dumas	Arrived 7:20 p.m.
Also Present:	John M. Hiscock	General Manager
	Lisa Roland	District Clerk
Public Present:	Alan Snyder	
	Diane Rose	
	Don Burrows	
	Evette Jones	

Call To Order:

Commissioner Burgess called the Special Meeting of The Second Taxing District Commissioners to order at 7:09 p.m. on Tuesday, September 9, 2014. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Commissioner Burgess: "I will call the Special Meeting of the Second Taxing District Commissioners to order Tuesday, September 9th and it looks like 7:09 p.m. and on the Agenda is the Presentation of a Draft Water Rate Report and then Public Input and Comments. When you comment, would you stand up at the microphone and give your name so the clerk can get it."

1. Public Presentation of a Draft Water Report

Diane Rose: "Ok, I am sorry, I just missed the beginning of that."

Commissioner Burgess: "Would you stand up at the microphone and state your name to the clerk?"

Diane Rose: "Sure, so that Mr. Ramirez can arrest us afterwards."

[Laughter]

Diane Rose: "Based on what we say. Is there a presentation that is going to happen or what is the procedure?"

Commissioner Burgess: "Yes."

John Hiscock: "Yes a brief presentation."

Diane Rose: "Ok."

Commissioner Burgess: "A presentation first and then comments from the public."

Diane Rose: "Ok, fine."

Commissioner Ramirez: "And after that we are going to have a little break and we are going to have some coffee and donuts and filet mignon will be on the way, right John?"

[Laughter]

John Hiscock: "Sure."

Commissioner Geake: "As long as you have it."

John Hiscock: "We are all going over to your house right?"

[Laughter]

Alan Snyder: "I hear there is going to be dancing afterwards too. Is that correct?"

Don Burrows: "We are going to O'Neills and get a Guinness."

John Hiscock: "Ok, the purpose of this evening's meeting is to hold a hearing on the proposed water rate increase to become effective on November 1, 2014. In accordance with the Commission policy we placed a legal notice in the Norwalk Hour. We placed a display ad in the Norwalk Hour. We issued a press release to all of the local media and we sent a mailing to each of our 9,000 water customers. So, from a procedural perspective the Commission is here this evening to hear public comment on the report that the Commission had previously received. The Commission, after the public hearing this evening, can act on the rate increase at their discretion from a timing perspective other than the procedure requires the Commission to wait seven days. The Commission's regular September meeting is next Tuesday night. And next Tuesday night at the Commissioner meeting the Commission would be eligible under our policy to act. And for those of you who didn't pick up copies of the report previously or didn't print it off of the website, we have a few available. We had presumed that you would have printed them."

Diane Rose: "But that was exactly what was on the website?"

John Hiscock: "Exactly what was on the website; no different."

Diane Rose: "Thank you."

John Hiscock: "Ok, we only have about five or six. You will have to share them."

Diane Rose: "Are you saying that the meeting that will happen in September will be the result of the discussion this evening in terms of finalizing this rate or is this just sort of a nice little get together."

[Laughter]

John Hiscock: "No, this is a public hearing as required by our procedure."

Diane Rose: "Ok, so the question..."

John Hiscock: "And the purpose for the hearing is to allow the public to comment on the report and make their position known with respect to the proposed increase, as specified in this Draft Report. This is a report to the Commission. It is also a report to the public, so that they have an understanding of what the decision making process was with respect to the staff recommendation of a 6% increase."

Diane Rose: "And may I ask please, what is the impact of what the customers here tonight will have to say about this report? What do you...what will be the impact of that? How much of your decision will you take into consideration what is said here tonight?"

John Hiscock: "Ok, clarification so that everybody in the room understands. Lisa Roland on the far end of the table is the District Clerk and is here for the purpose of keeping the record. This meeting is recorded. The five individuals that you see here with their name plate in front of them, are five of the seven member Commission. The meeting is being recorded so that the two individuals, and all of our meetings are recorded, the two individuals who are not present, can come in and review the record for the purpose of making a decision. The decision with respect to the rate increase is in the sole discretion of the Second Taxing District Commission. I am sure that they will weigh your comments this evening with respect to this particular proposal. I am the General Manager, a staff person."

Diane Rose: "Your name, I am having trouble reading."

John Hiscock: "I am John Hiscock."

Diane Rose: "Nice to meet you."

John Hiscock: "Ok."

Diane Rose: "You are the General Manager?"

John Hiscock: "Yes, I am."

Diane Rose: "Of the?"

John Hiscock: "Second Taxing District and South Norwalk Electric and Water."

Diane Rose: "Lovely to meet you."

John Hiscock: "Ok, thank you. I am not going to go through the entire report line for line because a lot of it is both historical and explains the District and its structure and it also speaks to the issue of the necessity for the increase and that is basically where I intend to give this brief description of the increase. And that was the purpose of putting it on the website, making it available to the public, so the public could review it prior to this meeting. The report recommends a 6% across the board increase on water sales inside and outside of the District, including the monthly and quarterly service charges and the consumption charge. The effective date proposed in this report is November 1, 2014 so it would apply to all water consumed after November 1, 2014. I am sure most of you know that you get bills quarterly unless you are a large commercial customers in which case you get them monthly. The billing system that we use, even though you get billed on a quarterly basis, will pro-rate all of the charges effective November 1, 2014 if that becomes the Commission approved implementation date. So, that means water consumed before that date will be at the old rate; water consumed post that date will be at the new rate, if adopted."

Evette Jones: "Excuse me, are you reading from this paper or are you just talking in general?"

John Hiscock: "I am paraphrasing what is in the actual report, which was on the website and which we indicated that was available in our office."

Evette Jones: "That is what I am asking. It is in this particular paper?"

John Hiscock: "Yes, I am paraphrasing that, I am not reading it."

Evette Jones: "So you are paraphrasing from what page or is it just the whole report?"

John Hiscock: "The whole report. I will probably go sequentially because it makes it a little bit easier instead of skipping back and forth but I will go sequentially."

Evette Jones: "Ok."

Alan Snyder: "Can I ask one real quick question?"

Commissioner Burgess: "Will you state your name people when you are speaking, will you state your name for the clerk?"

Alan Snyder: "Alan Snyder, is this Second District only because I think I just heard you say this is a 6% rate increase across the board inside and outside of the District?"

John Hiscock: "This is all of customers of the Second Taxing District, South Norwalk Electric and Water. That includes every customer we serve. There are customers that are inside of the District and there are customers outside of the District."

Alan Snyder: "Because I live in Taxing District Six. So is that covered by this?"

John Hiscock: "Yes, if you receive a bill from us, you are our customer and you are affected by this."

Alan Snyder: "Ok, I keep seeing Second District and that was why I was wondering. Thank you for that clarification."

John Hiscock: "The initial portion of the report spells out the various rate increases that have occurred over the last...since about 1970 in general terms. There is an Exhibit A that spells out each of the increases that have occurred since 1970 in a tabular form. The actual structure of the Second Taxing District includes a General Fund, which is the Taxing District's government form and is a very, very small portion of our budget. It includes a Water Fund, which is what we are here to discuss...or hear about this evening from our water customers. It includes an Electric Fund for our electric customers. This rate increase is applying to South Norwalk Electric and Water's water customers only. Our Charter and the State Statutes require us to separate the Electric Fund from the Water Fund so that water customers do not subsidize electric customers and electric customers do not subsidize water customers. So we are strictly talking about the Water Fund this evening. The revenue for the Water Fund is strictly from the sales of water and some miscellaneous services, but the bulk of the revenue is from sales to customers and the rates that you pay. The Second Taxing District does have taxing power, but does not use it and does not use it for any of the utility revenues."

Diane Rose: "I am sorry, may I ask the implication of that? I am not quite sure I understand the meaning of that?"

Commissioner Burgess: "Will you state your name please?"

Diane Rose: "Diane Rose."

John Hiscock: "The Second Taxing District has taxation powers. It has not used them and historically has not considered using them for the purpose of collecting money to operate either the electric or the water utility. Historically, they have operated on utility sales revenue only."

Diane Rose: "So in other words, rather than increasing our property taxes to cover some overage of water, is that what you are saying? I mean how else would you say it?"

John Hiscock: "The taxing authority of the District is only within the Second Taxing District itself and cannot tax its customers outside. That is one of the reasons that the revenue stream comes from sales. I can't get into the structure of the City this evening. It is very long, it is very complex."

Diane Rose: "Ok but in effect would include taxing from the City in order to delay some of your increase costs?"

John Hiscock: "No."

Diane Rose: "Ok well..."

John Hiscock: "We are not part of City government at all. It's just like the Sixth Taxing District is not part of City government, the Third Taxing District is not part of City government nor is the First Taxing District. They are legal separate entities. I am going to leave it at that. The Second Taxing District does not use its taxation power for utility revenues. It is explained in a little bit of detail on page 5 of the Report. It is better explained in our Charter and the City's Charter. The revenue from the water utility covers from the sales of water, the operation of the water utility, the maintenance of the water utility, its covers the debt service on bonds issued by the Second Taxing District for the purpose of building facilities. It covers the debt service and interest on a safe drinking water loan used to build to the filtration plant located in Wilton. After those expenses are paid, there is excess revenue that the Commission has applied to the capital budget for replacing assets, pipes, pumping stations, equipment, buildings, vehicles, all of the things that are necessary in our business that are covered by the capital budget. The revenues from the sale of water cover the operating budget, debt service and the capital improvement fund. In the report it speaks to the water debt from about 1970 on. All of the water debt that has been issued prior to a recent safe drinking water loan, which is the State of Connecticut program, has been paid off. The only outstanding debt is outstanding debt related to the State of Connecticut Safe Drinking Water Loan at 2.04%, which closed in October of 2009 and the original principle was \$24.75 million. So that is the current..."

Diane Rose: "I am sorry the original principle on that is how much?"

John Hiscock: "The initial was \$24.75. If you look at Table..."

Diane Rose: "I understand that because I have a question with regard to that. That is why I am asking, so you can hold that if you prefer to and I will ask my question."

John Hiscock: "The report also speaks to electric debt. Simply for the purpose of explaining the financial structure of the Taxing District. Electric debt is covered essentially by the electric revenues and not water revenues. The District has a credit rating of "Aa1" which is a relatively good credit rating. It's one step down from "AAA" and consequently the District's debt has been issued at quite good interest rates. The Second Taxing District comparison of rates to other utilities is included on Exhibit..."

Commissioner Mann: "Is it C?"

John Hiscock: "I am sorry. I am trying to find the easiest one to look at. There are graphs in Exhibit F, which show at various consumption levels."

Alan Snyder: "In Exhibit F, the bottom portion you have 0 to 45 are those quarters, are those...?"

John Hiscock: "Those are thousand gallons. That is 25,000 gallons. Exhibit C is a better Exhibit to look at for comparison. If you look at Exhibit C and the utilities that are listed, those are the major water utilities in the State of Connecticut and as you can see prices vary to a large degree. This for 18,000 gallons per quarter for a low in the City of Danbury of \$40 to a high of Connecticut Water Company of \$173.39 for the same volume of water. Water utility rates vary significantly in the State of Connecticut and generally across the country and usually the reason for the variance has to do with their structure. Some of the cities keep utility rates low and utilize a large amount of city services through their tax base. That is why some of the municipalities here are very low. Others when you get to investor owned companies, there are investors to be paid, there are businesses that invest heavily in capital improvements and the larger your capital improvement program, generally the higher rates you have in the utility business. If you don't do improvements to your infrastructure, your rates are generally quite low. If you improve your infrastructure and keep it modern and up-to-date, you end up with higher rates because you need to cover debt service and you need to cover your capital program. Exhibit D just shows the current water rates and proposed rates. The rate increase that we are talking about for customers inside of the Second Taxing District, the increase is \$5.16 cents per quarter for the average customer who uses 18,000 gallons. For customers outside the District who pay a higher rate, the increase is slightly under \$8.00 per quarter for 18,000 gallons and 18,000 gallons is the general average and it's the average that utilities in Connecticut use to compare their rates. We all compare rates with each other. Probably the most important Exhibit to look at is the five-year pro-forma water budget, Exhibit B. It lays out a budget plan starting with 2014/2015, which is the current fiscal year going through 2018/2019. This Exhibit came out of the recent offering statement for the electric utility bonds that were issued for the new substation and while the information here is not related to the electric utility, when we made a presentation to Moody's it was necessary to give the entire financial structure of the District. There is also another document for electric, but we did not include it in the report because electric funds are not used for water operations at all. Ok, an explanation for a couple of the numbers. This being a pro-forma Exhibit given to the credit rating agency, we indicated a potential change in revenues and expenses and you can see those at the top of the chart and they were laid out so that the information here anticipates increases in expense over the time moving forward and increases in revenue over that timeframe moving forward."

Diane Rose: "Does that mean that the difference would negate any underage in terms of the financial reserve fund at the bottom of the second page?"

John Hiscock: "We will get to that in a second, if you don't mind."

Diane Rose: "Sure."

John Hiscock: "This simply lays out the revenues, lays out the expenses as we estimate them going forward and as a result of that we end up with, on the next page at the top, we

will start. The first page is just simply operations. The second page is the net operating income and this is on a cash basis. It doesn't include depreciation. It is the result of revenues minus expenses and you can see the net operating income for the water utility in this chart varies from a current year of about \$2.3 million increasing to about \$2.9 million four years out. The other issues as you move down you will see the principle on debt for the filtration plant and while everybody looks at a \$2 million plus almost up to \$3 million in the future, net operating income principle on debt comes out of that and you can see that the principle on debt is about \$1.1 million per year. You can also see that the interest on the debt is a \$367,000 this year declining to \$271,000 four years out. The next item down is capital appropriations. Those are the capital improvement projects that need to be completed in the long-term asset improvement plan. We then have a change in the reserve fund, we have opening balances and we have previous years cancelled projects. Occasionally projects are budgeted and for various reasons such as a project budgeted in an area where someone else is doing work, we might cancel it. We try to work our capital improvements around the City's capital improvement program with respect to streets. We then move down to a transfer to an OPEB Trust, \$300 and something thousand. We have a transfer to the general fund for District operations of \$90,000 per year. \$90,000 out of the total revenue of \$8.2 million is used for Taxing District operations. That is for meetings, general small improvements within the actual District. And then we end up as you run all of these numbers down through the closing balance in the financial reserve fund. What you had started to ask me about, you can see that we are projecting \$36,000 at the end of this year, dropping to (\$195,000) the next year, down to (\$477,000), then (\$377,000) and (\$124,000). The reason, as indicated for that in the report, is related to the large drops have to do with some fairly large expenditures that are going to occur in the next several years. Probably the biggest single outlay other than debt service that we deal with from an operating perspective are tank paintings. We have five steel tanks. You had asked about the large tank in the First Taxing District. We have five steel tanks and due to environmental and safety regulations tanks are getting relatively expensive to paint and they are now running about \$400,000 per tank. A fairly expensive process. So, that is really sort of a brief description of what is in the report and at this point I can answer questions, not in a debate mode, but specific factual questions and then I believe the hearing portion at this point should be opened."

Diane Rose: "Ok, may I be the first person to ask, not in a debate mode?"

[Laughter]

Diane Rose: "Thank you very much for going through that explanation."

Commissioner Geake: "Can you give us your name and address?"

Diane Rose: "Yes, Diane Rose. I live on Sycamore Street, I am from East Norwalk and I am a water customer and I have three questions that are really clarifications questions."

Don Burrows: "Can you speak into the microphone? I am deaf."

Diane Rose: "Oh sorry. I am not used to this."

John Hiscock: "Excuse me that mic is for recording purposes. It does not amplify."

Diane Rose: "Come sit over here. You can hear me better. You are referring to Exhibit B and I did some looking over of that particular Exhibit and so my first question just for clarification, is that since you just reviewed that and you reviewed the closing balance figures, I would like to ask you specifically since they are negative number, what your plans are over the next five years for rate increases? If you will give us some idea of what your projections are?"

John Hiscock: "The rate increases are very small, fairly close to the CPI. That is generally what the Commission has discussed over the last several years. This is the first increase since October, 2011 and increases relatively close to the CPI will be utilized in that timeframe."

Diane Rose: "So there will be increases every year from this point forward?"

John Hiscock: "I believe that is probable and I believe they are going to be relatively close to the CPI and that is a Commission decision of which you can speak to. There is no... and it is indicated in here, we have no major capital projects to finance going forward. So that we are moving from construction of a very large filtration plant in the mid-2000 range, brought online in 2007 and finally financed in 2009. So it is generally going to be increases to cover increases in operating expenditures."

Diane Rose: "I am going to...since you bring that question up of being financed in 2009, I will skip to my third clarification question. I only have three. On page 4 you refer to a wide variation of funds at the very end of each fiscal year and you cite the reason for that being 'filtration plant construction project started in 1999 and completed in 2009'. I am quoting. However on page 6 the document refers to a new loan agreement for \$24.75 million for 'construction of the new membrane filtration system and put into service in 2007.' Ok?"

John Hiscock: Correct."

Diane Rose: "I am not a stupid person. That confuses the hell out of me. What does that means? It appears that we have the filtration system that was completed in 2009. You said there were no major debt issues coming up. What is the issue here with \$24 million dollars?"

John Hiscock: "That \$24 million debt was finalized to permanent financing in 2009. It is the principle and interest that I spoke about on the second page of the pro-forma."

Diane Rose: "\$2 million or so."

John Hiscock: "Ok, the plant was actually put into service in 2007 using temporary financing from the same program and the actual closing on the debt was in 2009 and it is a fixed interest rate of 2.04%. And if you go back to the chart on page 2 at the top of the

page you will see that about \$1.1 million principle that I mentioned and about \$367,000 in the current year interest that is laid out in that form, is the debt service for that debt that is mentioned. It is not new debt. That was debt that has a 20-year life.”

Diane Rose: “Well it say a ‘new loan agreement.’ So forgive me. That is on page 6 and if I am misquoting I apologize but I will read it to you from page 6 and I believe it is towards the bottom of the page. I actually did read this document for those of you who stressed over putting this together.”

John Hiscock: “The District entered into a loan agreement with the State under the program for the construction of the ‘new’ membrane filtration plant. I believe that is the only place where the word new is used in that paragraph.”

Diane Rose: “Oh, it may be. Ok. So...”

John Hiscock: “It is new on the basis that water filtration plants last 30 to 40 years and to us it is new, it is brand new, even though it’s is 5 or 6 years old.”

Diane Rose: “So we are still paying that off is what you are saying. That \$2 million...that quoted figure of like a \$1 million per year is essentially paying this off.”

John Hiscock: “Right, we will actually be paying that until 2029.”

Diane Rose: “Ok, that is good. That clarifies that. Thank you. Excellent. Also on this page, if we can stay there, I have a question about what this OPEB Trust is. Can somebody explain what an OPEB Trust is? It is a significant amount of money. It goes up to \$417,000 fiscal year 2017/2018. Can you explain to me what that is? And it is referred to as a catch-up fund. Not ketchup as in lettuce and tomatoes and ketchup on your hamburger, but catch-up.”

John Hiscock: “Yes. Ok.”

Diane Rose: “I am entertaining someone back there. I hear somebody laughing.”

[Laughter]

John Hiscock: “Other Post-Employment Benefits, the employees of the Department upon retirement, if they were hired in the water utility prior to 1991 and in the electric work group prior to 2001, are entitled to health benefits and including dental and under the GASB45 rule, we are required by law to evaluate that liability going forward. Also in and I may have the exact years incorrect, but in the 2007 range I believe, we are required by the GASB45 rule to evaluate the current portion of the liability and that liability goes on our balance sheet if we don’t put aside the funds to cover it. So, we did not for about 4 years put aside funds and we built a liability on the balance sheet that and I don’t have a balance sheet in front of me, but it approached \$1.8 million. So that the number you see that refers to the catch-up amount included, is to work that liability down to zero over five years. And that is the plan under the OPEB Trust so that at the end of that timeframe we

will have a zero OPEB liability on our balance sheet. That is necessary for credit ratings. It is certainly extraordinarily important for credit ratings and as I am sure you are aware, credit ratings is what determines your interest rates and interest rates add considerably to the cost of borrowing for capital improvements. So, to date under the program, we have funded the first 2 years out of a 5 year catch-up. So for 3 more years, 3 more additional fiscal years, we will continue to work that liability down to zero and assuming we continue to fund our OPEB liability in accordance with GASB45, it will then be zero from there on out.”

Diane Rose: “The clarification I would like is on the state of ‘post’ employment. Meaning you continue to carry these benefits after people are employed? After they have left the company?”

John Hiscock: “That is correct.”

Diane Rose: “Boy, I should have been working for you.”

John Hiscock: “Ok.”

Diane Rose: “Nice.”

Commissioner Ramirez: “These are previous employees. That is correct?”

John Hiscock: “Ok however you will remember my statement that as of 1991 that program ended and in the water fund in the electric fund it ended in 2001. The Commission, which prior to 2001 was two separate Commissions, recognized the liability going forward and ended the program. However, those employees who were employed prior to those dates, still are eligible for those benefits.”

Diane Rose: “I say again, I wish I had been working for you guys.”

[Laughter]

John Hiscock: “Ok.”

Commissioner Westmoreland: “23 years ago.”

Diane Rose: “I was working 23 years ago. Ok, I am finished with my clarifications. Now, may I just make an observation with regard to this? Please bear with me this will only take a minute. Your claim that 6% is within the parameters of past years and you again mentioned within the Consumer Price Index on Exhibit E. I would like to point out first of all that 75% of your revenue comes from residential customers. We are the poor people; we are the ones who have all of the expenses. And that increases from your very early years because you were kind enough to prepare this information from 1969 forward, may have been 6% early on, but the price increases that were implemented in the most recent 3 years meaning those from 2009 to 2011, average 10%. And that is on considerable increases year upon year over the years. Furthermore, you also say that 6% is within the

CPI and that is really untrue because when I look at your figures that you provided us for Consumer Price Index for the last 3 years, it averages 3%. Take a look at it. Its 1.1% in 2011, its 4.9% in 2013. If you average those 3 years, it's about 3%."

John Hiscock: "Well, that is actually mam, cumulative. That is adding each year together. That is a cumulative number."

Diane Rose: "What do you mean cumulative? Oh you mean it is 5% overall?"

John Hiscock: "Overall for those 3 years."

Diane Rose: "For those 3 years?"

John Hiscock: "Right."

Diane Rose: "But in fact, if you look at it, it was only 1% 2011, so let's look at the full picture. And I have to say that as a former worker and I am retired now, the average increase in people's wages in this world is not 10%. People's wages are not living up to this CPI. That is the reality and some of us, and I am one of them. Finally, you made no provision for people who are elderly or retired and living on fixed incomes. And I have to say that a 6% increase when I saw it, recognizing that in 2011, which was mainly 2012 by the way, you guys unilaterally went forward with a 25% increase, which none of us had anything to say about. So, I have to say, I am really, truly opposed to this 6%. I am opposed to it on all of these levels but also because you are answering my questions and saying you have every expectation that from every year forward, you are going to increase this water rate yet again. That is not right. There has to be a way in your budget to find a compromise that makes more sense for those of us and it is not just me. We are all in this together. We are all struggling to pay our bills. This may not seem like a lot of money. You say it is \$5.00. But guess what. Next year it will be another \$5.00 and then another \$5.00 after that. God knows how much it was back in 2011 when it was 25%. So I am asking, please go back; look at your numbers. Clearly if you are asking us to make sacrifices, we are asking you to do the same thing. Thank you for your time. I appreciate it."

[Applause]

Diane Rose: "Wow, I'm sorry, I didn't mean to make such a..."

Don Burrows: "Can I ask a question for clarification? Who appoints you guys there? Are you appointed by the City?"

Commissioner Westmoreland: "Can you step to the microphone and state your name please?"

Diane Rose: "Because we are going to put a black mark next to everybody's name."

Don Burrows: "I don't give a damn."

Commissioner Westmoreland: “We have to comply with the Freedom of Information Act laws. Sorry.”

Don Burrows: “My name is Don Burrows, I am a tax payer. I get the bill from you guys. In 2012 I got a notice, I thank you for being here tonight, I had no notice of anything like this in 2012. Every dollar on the bill I pay 25 cents. That is ridiculous. Nobody explained nothing to me. It came out on a Friday. I got the damn notice in the mail, Saturday, Sunday, I knew nothing about it. There was no meeting like this. I appreciate you people being here tonight but I want to know who appointed you. Are you paid? Are you volunteers? You know, I would like to know this. It is my first time here. Who appoints you guys?”

Commissioner Burgess: “We are elected.”

Don Burrows: “Really, do you work for him or do you work for the City? [Directed at John Hiscock]

John Hiscock: “They are elected officials.”

Don Burrows: “Ok, I didn’t know that. Alright, elected, who elects you?”

Commissioner Borges-Lopez: “You the people.”

Commissioner Geake: “The Second Taxing District.”

Commissioner Ramirez: “You folks.”

Don Burrows: “Is it on a regular ballot when we go to the polls?”

Commissioner Geake: “If you vote in the...”

Commissioner Borges-Lopez: “Yes it is.”

Don Burrows: “I must have voted for you, I know I would.”

[Laughter]

Don Burrows: “You know the only reason I am here, I think they have enough of my damn money in 2012. Twenty-five cents on every dollar. That is one-quarter of the damn bill. They shouldn’t ask for anymore. I am not that articulate but, you know I wasn’t a navy senior chief for nothing.”

Evette Jones: “Hi, my name Evette and I am a little confused too. This is my first time and I appreciate you all as well.”

Commissioner Borges-Lopez: "Excuse me. Can you please state your last name as well?"

Evette Jones: "Jones, Evette Jones. I am looking at this Exhibit B as well and unfortunately and again I am not the smartest, but I kind of like don't understand, it says opening balance, water financial reserve fund is \$412,686, but then if you increase us to 6% it drops down to \$36,396 and then you are going to open up with \$36,396 and each year after that you are going to go into a hole. So, if you are increasing it to 6% why are we going down instead of going up?"

Diane Rose: "That is a negative."

Evette Jones: "That is what I mean."

John Hiscock: "It really has to do with the capital appropriations and the funds and changes in the expenditures that are being made."

Evette Jones: "So, at not 6% now, you kind of like have more in the reserve fund then you would at 6%."

John Hiscock: "That would be true if our expenses remain the same and our projects that we are doing going forward were also level. That is not the case. We are looking at the large painting of a tank in 2015, painting of a tank in 2016/2017 and a painting of a tank in 2017/2018. Those are fairly large expenditures and they are included in the page after that one you are looking at. The page that looks like this."

Evette Jones: "Painting of the tank?"

Commissioner Mann: "Water tanks."

John Hiscock: "Half way down the page you will a list of very specific items in 2014/2015 and then from there down, you will see different kinds of items. Essentially these are the planned expenditures over that timeframe."

Evette Jones: "So every year from 2015 to 2019 you are going to be painting a tank?"

John Hiscock: "Yes."

Evette Jones: "That is kind of crazy to me. Why is all of that...?"

John Hiscock: "Well unfortunately the tanks needs to be painted."

Commissioner Ramirez: "They are different tanks though. It is not one tank."

Evette Jones: "Oh, ok. So different tanks."

John Hiscock: "There are different steel tanks."

Commissioner Ramirez: "There are five tanks. We are not going to be painting the same tank over and over, no."

Evette Jones: "What happened to prior years before that? Why is that not on here now? Are you saying you didn't have the funds before?"

John Hiscock: "We were concentrating on the filtration plant."

Evette Jones: "Oh, ok thank you."

John Hiscock: "We were trying to minimize expenses during those years."

Evette Jones: "And I just want to clarify one other thing too. To me, I am a postal worker. I don't even get a 6% raise every year and I think...you know I know every year we all have to live, I know every year people want increases, but to me it is so crazy that everything is going up but my paycheck is basically staying the same. My increase every year could like 0.0 something or maybe 1% but to go up to 6% just for extra water for us and like she said that people who are retired or...I think you have to look at the overall picture. I know you are the owner of the company and you probably get the most out of all of us because you are the owner the company."

Commissioner Mann: "No, no."

Commissioner Geake: "No mam."

John Hiscock: "This company is owned by the residents of the Second Taxing District, the electors. It is not owned by anyone. It is a cooperative."

Evette Jones: "Well whoever is the big guy or the big woman they..."

[Laughter]

Commissioner Ramirez: "We are all big guys and big women."

Evette Jones: "They continue...but I am just saying."

Commissioner Geake: "We don't pocket any money from this."

Evette Jones: "No, that is not what I mean. Sometimes you have to look at people's income like she was saying in order to consider everyone. Not just a few people who can actually pay that money all the time. And like I said, I am a postal worker and I am really struggling as well. And again I thank you all for your time because before they did a big increase on us and we had no idea about it and this time I am so sorry that I didn't get to read the report but I wish I did. But, that 6% is like too much for me. It really is too much for me. Thank you."

Commissioner Ramirez: "Thank you."

Diane Rose: "Can someone tell us what the 25% increase went for?"

John Hiscock: "It went for the principle and interest on the debt."

Diane Rose: "That is a huge lump. Didn't anybody expect that to come along?"

John Hiscock: "Yes, they did."

Diane Rose: "Isn't that kind of poor planning. Well, we had to pay for it."

Don Burrows: "How come we didn't have a meeting like this? Do we ever have a meeting like?"

Diane Rose: "I am sorry. You all look really frustrated with us. But I have to tell you, we are paying the bills. I am sorry. It is really frustrating."

Commissioner Ramirez: "No, no, we share this."

Diane Rose: "Excuse me."

Commissioner Ramirez: "I personally don't feel frustrated. My personal feeling is that you express your serious concern with this."

Don Burrows: "Did they ever have a meeting for that time? You see that is important to me. I never got a notice of a meeting for that time."

Commissioner Wooten-Dumas: "I am not sure since I don't know who were Commissioners back then."

Don Burrows: "It is only two years."

Commissioner Wooten-Dumas: "I am a new Commissioner but we all live in the District and it is very hard for us to want to do this also."

Don Burrows: "We appreciate that."

Commissioner Wooten-Dumas: "To look at what needs to be done in order to keep things going. I am unemployed myself so 6% is hard."

Don Burrows: "Can I ask the boss one question, then I will stop?"

[Laughter]

Commissioner Ramirez: "You have the right to ask any questions sir."

Don Burrows: "How much more if you use stainless steel? If you use stainless steel you don't have to paint. How much more? Maybe in the long run you are better off replacing tanks with stainless steel."

Diane Rose: "You are not a happy camper are you? I can tell. You have rolled your eyes so many times tonight."

[Laughter]

John Hiscock: "I have been in the water utility business now..."

Don Burrows: "It's worth looking at."

John Hiscock: "For about 40 years. I have never, ever seen a stainless steel water tank. The cost would be phenomenally prohibitive. You couldn't..."

Don Burrows: "In the long run wouldn't it last forever and no paint jobs?"

John Hiscock: "Actually stainless doesn't last forever and it would not have to be painted that is true."

Diane Rose: "Is there a possibility that some of this painting of the tanks can be put forward for a few years? In reality, in the world of writing out checks every month and I am sorry to bring it up but can those things be put off a year or so and to that point since a 25% increase to me signals kind of a lack of forward planning. Why are you not now looking 10 years ahead and saying ok we are going to have to do these capital growth things. Why are you not planning that now and working backwards to say how much we should increase this? I mean let's maybe think about moving a tank or two off a year or so. Sorry I don't know your business, but I am asking if that is possible because anything is possible."

John Hiscock: "Yes that is true and I agree with you anything is possible. Infrastructure is expensive and we have a lot of infrastructure to repair and replace and maintain. And you hear all the time in the media, everybody has the same problem. Infrastructure is expensive and replacement of infrastructure is expensive and simply if you do not continually and routinely update it and replace it, at some point you get in the position where it becomes almost insurmountable. This is a steady, other than the filtration plant, which is once in a 40-year life cycle, all of the other expenditures are generally spaced out. And essentially the tanks do need painting, there is no doubt about it. You can certainly go look at them. We just painted one Price Street that was in awful condition behind I guess Swanky Frank's, a local establishment that most people are aware of."

Don Burrows: "Do you people use preventive maintenance? You know look at things and check them out before they break down? That is preventive maintenance."

John Hiscock: "Absolutely, painting is certainly preventive maintenance."

Diane Rose: "I wish I could afford to do preventive maintenance on my home. Sorry to be a downer but there you go. It is a reality. Ok, have we beaten you up enough tonight?"

[Laughter]

Commissioner Burgess: "Anybody else?"

Evette Jones: "So do we get to vote on this, when do we get to vote on this?"

Diane Rose: "We don't get to vote by the way. They will decide. That is it."

Evette Jones: "I thought you said you had to vote at the meeting."

Don Burrows: "We appreciate you doing this. I am sorry I didn't have the chance to come the last time."

Diane Rose: "They would have really been in trouble."

Don Burrows: "No, you know. I thought they banged us bad the last time."

Diane Rose: "You banged us bad the last time. Ok. Thanks for your time."

Commissioner Burgess: "Anyone else have anything?"

Diane Rose: "You are all good sports. Thank you for letting us vent."

Don Burrows: "How about the rest of you people are you going to talk up?" [Directed at other public present]

Alan Snyder: "She really said it all."

Commissioner Ramirez: "She did a good job though."

Commissioner Mann: "Yes she did."

Diane Rose: "Who is going to validate? That is my question this evening."

Don Burrows: "They are going to make us pay \$10 now."

Diane Rose: "Thank you very much. I gave you guys a really hard time. I appreciate it."

Commissioner Geake: "I move to adjourn."

Commissioner Borges-Lopez: "So moved."

Commissioner Burgess: "We are adjourned."

Adjournment

The meeting adjourned at 8:05 p.m.

Attest:

Lisa Roland
District Clerk