

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

February 17, 2015

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

Call To Order:

Commissioner Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:10 p.m. on Tuesday, February 17, 2015. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Commissioner Burgess: "I will call the Meeting of the Second Taxing District Commission of the City of Norwalk meeting to be held on Tuesday, February 17, 2015 at 7:10 p.m. and I need a motion for acceptances of the minutes of January 20, 2015."

1. Acceptance of the Minutes

Commissioner Wooten-Dumas: "A motion to accept the minutes."

Commissioner Mann: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "No changes, opposed, abstentions? Ok, public participation. I don't expect to see any public."

[Laughter]

2. Select Auditors for Fiscal Year Ending June 30, 2015

Commissioner Burgess: “Ok select auditors for the fiscal year June 30, 2015. We don’t have to do that tonight, is that right John?”

John Hiscock: “Yes, there is no requirement that you do it this evening, but you must do it prior to the Electors’ Meeting, which means you have to do it at the March meeting.”

Commissioner Burgess: “Right, we can do it March 10th when we may have a full complement of Commissioners?”

John Hiscock: “Certainly, we put it on the Agenda simply because we have the information, it was available and we thought there might want to be some discussion or issues related to it, but you do have the March meeting to handle this.”

Commissioner Geake: “I think we should defer...through the Chair, I think we should just defer this.”

Commissioner Burgess: “I think we should defer it until the March 10th meeting.”

John Hiscock: “Ok.”

Commissioner Mann: “Do we have to make a motion on that? Is it necessary to make a motion on that?”

Commissioner Burgess: “Is there a motion on that John?”

John Hiscock: “I believe it would be appropriate if somebody tables it to the March meeting.”

Commissioner Mann: “I make a motion that we table the selection of the auditors until the March meeting.”

Commissioner Geake: “I will second it.”

Commissioner Burgess: “All in favor?”

Commissioners Unanimously: “Aye.”

Commissioner Burgess: “Opposed, abstentions? Ok, District Budget, Kevin you are on.”

3. 2015 – 2016 District Budget – Analysis & Discussion

Kevin Barber: “Did John want to say anything at first or just want me to go into it John?”

John Hiscock: “I just want to indicate to the Commission that this, like the auditors, does

not necessarily have to be approved until the March meeting. I do know that in some years we discussed it in the February meeting and there has been a determination to accept it at point. Sometimes there is discussion and back and forth between the Commission and staff and at this point that is something that could be handled this evening, any questions, any issues, Kevin is there to present the budget because essentially it has always been Kevin's work and while I review it and have final say, Kevin is the one who puts it all together and is the most knowledgeable in the Department with respect to that. So, it is an opportunity to look at it, discuss it, listen to him, go over it and go from there. If there is an inclination to approve it however, with only four Commissioners, I don't know what you're feeling is about that, but this is usually the first time we introduce it."

Kevin Barber: "Ok, good evening everyone. What I would like to do quickly is just to give you an overview of exactly the budget process that the Department goes through, just so you get an idea of how we do it and what we go through. Approximately a month and a half ago at either the end of December or early January we start our process and we have each of our Directors, which is Scott Whittier, Tom Villa and myself prepare to start working on the preparation for budgets for each of our work groups. And for some of us it could take a little time to figure out exactly what we want to do in budget and stuff like that. So, we start that process and at the same time I go through and I calculate what we expect our Opening Cash Balance to be at the beginning of the fiscal year 2015/2016. And that is done by taking our current cash balances and kind of interpolating where we are going to be at the end of this fiscal year. Then I take all of the information from each of the Directors, compile it into a number of spread sheets and basically in a nutshell, the document that is before you is what is produced. The initial draft that we create then goes before, in this case it was John and myself reviewing it and John will review a lot of the Capital Projects to make sure it is something that the Department wants to do and if we decide it is not something for this year, we will remove it from the budget and we go through this whole process of reviewing it all to come up with what we have in front of you. So that is just a very, very quick review of how we do it. So, if we could flip to page 1 which is the Draft Budget for the District. These budget documents that you see are the exact same ones that we have used for the past 10, 15 years actually. The only addition this year is that the Commission's request, we did include a 5-year budget for the District, the Water and the Electric budgets. So, we will go through that. The first document you see is the combined budget where it shows the District, Water, Electric and then a Total column. We are going to sort of skip over this and jump right to page 3, which is the District Budget. This will show you probably more detail of what we are looking at for the District and also compare current years versus the last two year's budgets. If you see at the top, we have a Revenue section and for the District, the District does not have any normal revenues outside of interest. We don't sell anything, so we make money off of our interest on our reserves and then contributions from both the Water and the Electric Fund. So, this year, 2015-2016 the total Revenues are the same as it has been, we don't really anticipate much of a change. The next section is our Expenses and that is broken up into our Operations and our Community Service Projects. Under the Operations you will see all the salaries for the Commissioners, the Clerk and the Treasurer, they have all remained the same. The Meetings and Printings had a slight increase this year just an increase of \$1,000 to \$45,800 for the year. The Legal expense, we budgeted an increase

of \$10,000. And I know this is a point that we do need to discuss a little bit, at least bring to your attention. We did an increase after talking with John, because of the Ryan Park issues that could incur some legal expenses. So, we thought it would be prudent to increase it a little bit from \$40,000 to \$50,000, but the Commission should probably understand that if the Ryan Park gets into a larger legal issue, you may need to come back and get more funds, which would mean going back to the Electors for a budget appropriation. So, we did do a slight increase. If the Commission feels that they need to increase it more we can easily take care of that right here. So that was the slight increase for Legal.”

Commissioner Mann: “I would just like to ask a question, I am so sorry.”

Kevin Barber: “No problem, please.”

Commissioner Mann: “What do you think about that? Do you think we should consider increasing it at this stage so that if something were to happen we would not have to go back to the Electors and do the process all over again? What do you think John?”

John Hiscock: “I think that pretty much a difficult decision to make. I do know that just the routine legal work back and forth on that issue has added considerably to our expense this year. We look at the dollars and we are already creeping up to a fairly sizeable amount of dollars dealing with the Washington Village project. We are going to be pushing the budget completely this year and the amount that it has been increased probably would cover some sort of routine monitoring or going back and forth between the City, the Redevelopment Agency and SNEW. I do think however, if at some point there is a decision made to go forward with a full blown legal, aggressive approach, you are going to have to definitely go back to the Electors for sure because the amount of legal expense is going to be way more than the budget shows as presented to you at this point. I think clearly no matter what you do, if you move along and negotiate a few things back and forth and come to some agreement, it will get covered, but if the District for some reason decides to file suit, you clearly are going to have to go back to the Electors for a supplemental appropriation. I don’t know if that answers what you are looking for, but that is the gist of my general comments.”

Commissioner Geake: “Through the Chair. Do you think it is going to be as much as \$25,000 more? I mean should we be looking at maybe having the budget at \$75,000? You know where we are at as far as legal already, you would have a better idea.”

John Hiscock: “Yes, I do have a better idea and we are over \$20,000 into it right now for the amount of work that has been done and the fortunate thing is that, and I think Frank Murphy has explained to you previously, after digging through the files Lisa found a significant amount of additional work where the actual document was filed so the huge numbers that Frank Murphy was potentially talking about to go at the City over that issue has been solved. So, it really comes down to the modest increase in the budget for next year should cover anything you would do other than file suit, is kind of what I am trying to say. The extra \$25,000 quite frankly is not going to do it if you file suit. We are talking way more than that.”

Commissioner Mann: "Ok."

Commissioner Wooten-Dumas: "Through the Chair. I just want to..."

John Hiscock: "And maybe that is something you want the Electors to think about. You know if it ever comes down to that, that might be a forum and place for the Electors' comment."

Commissioner Burgess: "Ok Commissioner Dumas."

Commissioner Wooten-Dumas: "Ok, just on a note where I was at a meeting with Redevelopment, Tim Sheehan and the engineers at Mt. Zion Church and Tim Sheehan threw out the fact that the City could, it is up to the City, but they could violate the contract, the covenant."

John Hiscock: "I am sorry, I couldn't quite follow that, they could what?"

Commissioner Wooten-Dumas: "That the City violate the covenant."

Commissioner Geake: "And he said that in public?"

Commissioner Wooten-Dumas: "He said that in public and I stood up and I questioned him are you saying that the City would violate the covenant? And he said well I am not saying that, but they could and that kind of like threw me off because why would you even put it out there if...I don't trust anybody."

John Hiscock: "Yes, they certainly could do that, but it is going to be a very complex issue and if they file then SNEW defends, either way it is a large number once it gets down to any type of a legal action in which we are challenging each other."

Commissioner Mann: "Just a quick question on that John. If it came to a situation where we are considering filing suit against the City, all of that would have to be done through the Electors anyway, correct? We would have to have..."

John Hiscock: "No, the Commission does have the authority to go after the City without the Electors' approval and that sounds kind of like ok it is easy, but the other issue is you don't have anywhere near enough money in this budget to actually do that, so if you committed to do something like that, I think you would definitely need to go back to the Electors because you would be in a position of instituting an action for which you did not have sufficient funds to cover."

Commissioner Mann: "Ok, got it. I am good."

Kevin Barber: "Ok the next line item that I wanted to bring to your attention is the Auditor's Fees for the upcoming fiscal year. We did increase it another modest increase from \$30,000 to \$35,000. This was done prior to our receiving all of the proposals from

the auditors and from my quick review, I believe it would, what we have budgeted would cover most of them. I think three out of the five, if I recall correctly.”

Commissioner Mann: “Yes, one of them, that is why we do this.”

[Laughter]

Kevin Barber: “One of them was a little bit...”

Commissioner Wooten-Dumas: “\$48.”

Commissioner Mann: “Yes.”

Kevin Barber: “Yes, almost \$50,000 so. And then the last item in the Operations is just insurance, which is our Directors and Officers insurance for \$5,000. So, the total Operations have increased by I believe \$16,000 from \$148,300 to \$164,300 for this current year. Any additional questions on the Operations? Ok, the next section is just Community Service Projects, which I think we are all familiar with. We are budgeting for the West Avenue project for \$7,320. We have once again Miscellaneous Community Beautification Projects for \$3,000 and then we have some funding for the SoNo Arts Celebration for \$1,500, the Summer Youth Employment Program, \$15,500 and then Miscellaneous Community Projects for \$2,500. So that portion of the budget remains the same from last fiscal year. And then the last section on this page is our Street Lighting Expenses and this information is actually derived from the electric utility, but it is being accumulated or placed on the District’s. So for the Purchase Electricity, we are budgeting \$85,300, Operations are \$13,500 and Maintenance of \$65,400 for a total Street Lighting Maintenance of \$164,200, which as you will see is a slight decrease of just over \$12,000 from last year. If you can flip to page 4 and it will show you that the Total Operating Expenses for the District is \$358,320 and obviously because we don’t have any revenue outside of interest, our Net Operating Income is a negative \$357,770. And we will talk in a minute about how we kind of cover that, that minus. The next section is Capital Appropriations where we do budget \$20,000 for Street Lighting improvements, so then the change in the Reserve Fund is a negative \$377,770. A little bit below we talk about the Opening Balance, we calculated that the Opening Balance will be \$1,178,274 as of July 1st. Now, to make up the difference that we talked about earlier, that negative \$377,000 we do transfer some funds from both the Water and the Electric. I am going to first skip down and talk about the transfer from Electric Fund – Street Lighting. On the previous page, we talked about the total Street Lighting expense is \$164,200. We transferred that total amount from the Electric Fund to cover the Street Light Maintenance. So, the Street Lighting Expenses for the District are covered by the Electric. The balance of the operations for the District is split between the Water and the Electric. So, the balance of the operations is approximately \$195,000. So, we split that between Water and Electric and in this case we rounded it up to \$95,000 each. So, we cover the operation costs of the District and if you look at the Ending Balance, we are budgeting that the Ending Balance is going to be \$1,154,704, which is an increase of about \$54,000 from the Ending Balance from last year’s budget. So, that is a quick review of the budget for the District. Any questions related to the District? Ok, the next two pages, pages 5 and 6 actually are

the projected 5 Year Operating Budget for the District. This is one of those new reports that I mentioned earlier. And what we have done is we are taking the current year's budget and basically ran it out until fiscal year 2019 – 2020. And what we have done is we have increased our revenues and expenses by an amount and since it is hard to know exactly what is going to happen in the future, we try and go roughly about what the cost-of-living is. So we have done a 3% increase on revenues and roughly a 2% increase expenses. And by taking those numbers, it kind of shows you where we are at the end of the five years.”

Commission Mann: “I just find it very interesting under the Operations, the Treasurer’s salary...ok why did we do that?”

Kevin Barber: “As far as keeping it the same?”

Commissioner Mann: “No, in 2018 it goes down to \$2,000.”

Kevin Barber: “Oh, yes it does. That is an oversight. That is a correction that will need to be made.”

Commissioner Mann: “Ok, go ahead.”

[Laughter]

Kevin Barber: “Now, I will say that the five year budget is more for informational purposes, so it has nothing to do with what is being approved for this year, but I will definitely make that change.”

Commissioner Mann: “Thank you.”

Kevin Barber: “No problem. Thank you for catching that. Any questions on the five year, it does show at the end that our balance will be over \$1.1 million. So, financially the District is in good financial shape.”

John Hiscock: “One of the things that did come about in that five year budget is we sort of moved a few things around so that we didn’t end up with a negative balance and you know we have been having a lot of discussions about tank painting and in essence we ended up in that process of sliding a tank painting back a little bit by one year to present the numbers. Yes, that is the way we have done it.”

Kevin Barber: “Ok, John we are going to touch upon the Water five year budget right now.”

John Hiscock: “Alright, that is fine.”

Kevin Barber: “If we turn to page 7 we will start to talk about the Water Operating Budget for the current year. As I said earlier, the formats are exactly the same as we have used in the past so it should be very common. At the very top, as we did with District, is the

Revenue and we budgeted an Operating Revenue for the current year of \$8,338,456 for water, which includes metered sales, fire protection and any water that we resell to other utilities. And that is an increase of approximately \$228,000 over the current fiscal year budget that we have. The next section is our Other Revenue, which is Laboratory Services, Interest Charges, Miscellaneous Customer Charges and Late Fees, we are budgeting a total of \$184,500, which is an increase of approximately \$4,000 from the current year. So, we will have a Total Revenue of \$8,522,956 for the 2015/2016 fiscal budget. The next section below is the Expenses and it shows here all of our Operating Expenses for Water and at the very bottom you will see that our Total Operating Expenses is \$6,542,727. And if you look at last year's this is an increase of \$770,000 from last year. There are a few pieces as to what is causing that to go so high. One of them is if you were to look at the Transmission and Distribution Maintenance line, which is the fourth line from the bottom, it is \$1,047,334. That line is showing an increase of almost \$500,000 from last year. That is due to the project of painting the Summit Avenue tank. So, that tank that we have budgeted for \$500,400. A few lines above it, the Water Treatment Maintenance for \$102,562. If you look at last year's, it was \$32,656 so that is an increase of almost \$70,000. We have a project to replace a portion of our granular activated carbon for a project of \$61,000 and the carbon helps with the water quality. I know that one of our projects this year was to replace our carbon. We are now going to try and get on a schedule of replacing a portion of it each year to keep it as fresh as possible. We also at the very bottom, the Administrative and General Expense Maintenance account has increased from \$57,000 to \$121,000. We do have a project to do some maintenance over at our Water Street office of about \$35,000. So, adding those three major projects I mentioned, that increased our Operating Budget to the tune of almost \$700,000 right there or \$600,000. And then add in our normal increases from the prior year, that is what makes up all of our big increases in the Operating Expenses. Any questions on that page? Yes?"

Commissioner Wooten Dumas: "The Water Street office, what is actually at...?"

Kevin Barber: "Who operates out of that office?"

Commissioner Wooten-Dumas: "Yes, yes."

Kevin Barber: "We have a few Departments. We have our accounting department, our metering department, technical services and our maintenance and construction department are all located out of the Water Street office."

Commissioner Wooten-Dumas: "Thank you."

Commissioner Geake: "Is there any place for them to be put in here, ever?"

Kevin Barber: "Under our current configuration that we have right now, no. However, when we talk about the Electric Budget, we will talk about a preliminary survey project that we have looking at the old generation plant and possibly doing something there. So, we will touch upon that in a little bit. Ok, turn to page 8, the next page, we will go over the rest of the Water Budget. We have Other Expenses, Property Taxes, which are

standard from year-to-year, we pay Wilton and New Canaan property taxes for our water property and that is totaling \$467,000. So our Total Operating Expense for Water is \$7,009,727.”

John Hiscock: “Kevin, I will stop you there for one second. The Wilton property taxes, you know as the Commission is aware, we have filed an appeal with the Superior Court with respect to the Wilton taxes. I did have a discussion with Frank Murphy earlier within the last week and we are getting to the point where we are starting to have preliminary discussions in the legal filings and we are having a serve and discovery conference, which has been scheduled for early May to get involved in some discussions with the Wilton property taxes. Because it is probably going to drag on for quite some time, there is no reason for us to decrease it in the current budget cycle. So, in fact the Wilton taxes are matching the historic level and at this point it is speculative to think it is going to be lowered. The process is going to be fairly long. That is why the Budget, despite the fact we filed a legal proceeding, is where it is at, very close to prior years.”

Kevin Barber: “Ok, one other thing I wanted to point out is that our Net Operating Income, which is our Operating Revenue minus our Operating Expenses is a positive \$1,795,729. So that shows our Total Operating Income is good. However, we do then have to put in some more pieces to the puzzle. Most importantly is our Principal on Debt for our filtration plant. So each year we are paying back a loan to the State of Connecticut for our filtration plant project, so we have interest and principal. We then have this year’s Capital Appropriations of \$513,520. And we will go over what makes up those numbers in just a minute. We haven’t budgeted any Preliminary Survey on the Water side. So that you will see that our change in our Water Reserve Fund is a negative \$492,008 for this Budget. We have calculated an Opening Balance of \$1,045,686. We haven’t cancelled any previous projects and we are budgeting to transfer \$340,000 to the OPEB Trust. We are also going to transfer \$95,000 to the District General Fund, leaving the Water an Ending Balance of \$118,678 at the end of the 2015/2016 fiscal year. Any questions on those two pages? If we turn to page 9, this is just a listing, in a very summary form, the Water Capital Project Budget for this upcoming year. As you can see, we have 22 different projects listed on the Water side ranging from various sizes. From replacing some office phones, to a main replacement on Allview Avenue, purchasing a mini-excavator for our Maintenance and Construction Department, all the way down to water meters and modules. Does anyone have a particular question on any of these that I might be able to address? And we did provide Capital Project Designation Forms that sort of spell out each of these projects in a separate document.”

Commissioner Geake: “I have a question?”

Kevin Barber: “Sure.”

Commissioner Geake: “Replace the boat motor, which would be 13CW. We have a boat?”

Kevin Barber: “Yes, we have a small, I don’t know the size, 10 or 12 foot, little boat with a small little motor that is used for our reservoirs. So when we have to treat the reservoirs, we will take that motor boat out for treating purposes.”

John Hiscock: “Yes, we do two things with the boat. One we take samples in the lake from various sections in the lake and bring it back to the lab for microscopic analysis for algae and as Kevin was describing, we use the boat for in-reservoir treatment. We literally take copper sulfate, which the copper portion is a poison with respect to small microscopic material and we put it in burlap bags and drag it around the lake and add copper to the lake and I think most of you remember that we had a problem last summer with taste and odor and we ended up giving heavy, heavy treatments with copper sulfate in the lake. One of the problems that does happen with the outboard motor is the copper is somewhat corrosive when it is directly behind the boat and it gets sucked into the outboard motor and causes a little bit of trouble, so we end up going through outboard motors relatively fast and that is the purpose of the outboard motor for the boat.”

Commissioner Geake: “And then I see on 18CW, the purchase of a snow thrower. I guess we are going to do that after July, so we have got a snow thrower. Don’t you think we could use that now?”

[Laughter]

Kevin Barber: “We actually, I believe this would be the second snow thrower that we would be buying. I think we have a new one this year, we may have just purchased one. This one will be replacing the older one. Because right now we do have multiple sites, we have three locations and to lug a snow thrower around can be somewhat difficult. So we will have one at each location.”

Commissioner Geake: “Ok.”

Kevin Barber: “So this does detail exactly what makes up that \$513,520 in Capital Projects for the Water. I will draw your attention to the next two pages and this is an internal document that we use when we are reviewing our projects. So this isn’t something that would actually end up in the final budget for the Electors, but it our working document to show where we are with each of our projects, how much we have spent to date, the remaining balance and then the right-hand columns will show what we are expecting to spend, whether it is internal labor, purchased materials and support. So we use this as a document to help us figure out where we are at and what still needs to be done and we also identified in here which ones are either completed from previous year’s projects or as what we described as ongoing. It will last into the next fiscal year. Now, if we go to page 12. This is the Water’s 5-Year Operating Budget. This I said, is the same with the District. We take the current year’s Budget that we proposed and we then increase revenues and expenses by a predetermined percentage. We actually use the same percentage 3% for Revenues and 2% for Expenses and we allow those numbers to roll out to see where we are at. If we also look at page 14 and I apologize for having jumped to multiple pages but page 14 has the 5-Year Capital Budget, which is also incorporated in the 5-Year Operating Budget. So you kind of have to look at both at the same time to see where we are at. Overall, at the end of the 5 years, we are showing a positive balance of \$227,000 on the Water Budget, which is an increase from the \$118,000 that we are showing for the end of this Budget we are working on. As John

started to mention, if you look at page 14 near the bottom, we have three projects that are listed that are painting of tanks. The Paint Summit Avenue Tank is in the current Budget and down at the very bottom we have Paint Michael Street Tank and Paint Flower Lane Tank. Now, we budgeted the Michael Street Tank for the fiscal year 2018/2019 and Flower Lane for 2019/2020. Now when we started this, we actually had Michael Street in the 2017/2018 Budget. But once we did that, we were showing negative numbers for two years. At the end of 2017/2018, we were negative. So, as John indicated earlier, we took that project shifted it back one year and allowed our budget to appear positive throughout the 5-Year Budget. You can review, if anyone has questions on any of the projects that we have identified for the 5 years. Sometimes it is very hard for us to know exactly what we going to need to do in the 5th year, but we do our best to try and identify projects for each of the years that we kind of expect.”

John Hiscock: “One of the things that has happened historically on this 5-Year Budget is it really depends on cash flow situations and sales that affect the actual revenue. And we often have moved projects either forward or backwards depending on the amount of cash available and certainly while we would like to paint it, the Michael Street Tank a year earlier, it’s really not appropriate to give you a 5-Year Budget that shows a negative Balance in it with absolutely no way to correct the situation. But again, because we don’t control revenues and it would take one hot summer with a lot of sales for summertime use and that might allow the tank to be painted a little bit earlier. The 5-Year Budget really is an indication and the numbers move around a little bit depending on the revenue stream in those years.”

Kevin Barber: “Yes, when we do the budget next year we may be able to move Michael Street forward depending on how the numbers roll out.”

Commissioner Burgess: “The Summit Street one was really bad, right?”

Kevin Barber: “And that is the one we are going to be doing in this upcoming fiscal year.”

Commissioner Burgess: “This year, right. And the others can wait?”

Kevin Barber: “Yes, so far we have identified that it can wait until we listed them here. Obviously, if circumstances change, we will have to take appropriate action at that time.”

John Hiscock: “I think you probably recall we talked about the Summit Avenue Tank and the Summit Avenue Tank had to have some emergency welding done on the tank, which sprung a few weld seam leaks on the tank. So, we determined that one certainly could not be delayed and that one clearly has to be painted as soon as possible in the next fiscal year. The Michael Street Tank has shown no problems with respect to leakage or anything similar to that and if you go by and look at it, it is in relatively good shape. There is a little bit of rust bloom starting to show on the north base of the tank. You can view that actually from Flax Hill Road, but it is nowhere near as serious as the Summit Avenue Tank. So, a one year delay really isn’t a problem with respect to that tank if it has to happen that way.”

Kevin Barber: "Any other questions on the Water 5-Year or the Water Budget in general? If we move onto page 15, we will look at the Electric Budget for the upcoming year. The Electric Budget is set up very similar to the Water. We have the Operating Revenues at the upper portion of the page and we are budgeting an Operating Revenue of \$15,714,961, which is approximately \$220,000 more than the current Budget we are in. Other Revenue, we are budgeting \$329,162, which is once again a slight increase from \$313,000 last year. The other Revenue includes some Conservation and Load Management income, the Miscellaneous Service Charges, Interest Revenue and some Merchandising and Jobbing work for \$10,000. So, for a Total Electric Revenue we are budgeting \$16,044,122 for the fiscal year 2015/2016. Now, we will move down to the Expenses and we will see that the Total Operating Expenses is \$15,062,344. And that is an increase of approximately \$800,000 over last year. If we move back up to the Purchased Electricity, you will see that has increased about the \$800,000. From \$8.9 million to \$9.711 million for the current year. All of the other expenses that we see for Transmission and Distribution all have stayed relatively the same with some slight increases. Any questions on the Operating Expenses."

Commissioner Geake: "Through the Chair. I have noticed that on Transmission and Distribution, the Maintenance is \$114,000 more than last year. Is there a reason?"

Kevin Barber: "I am trying to quickly remember back. It will take two seconds, I can quickly look in the back and see."

Commissioner Geake: "It seems like both Maintenances are higher than...well not a lot but."

Kevin Barber: "I am trying to do my account of employees whether we had increases in our Line Department John?"

John Hiscock: "I actually had trouble hearing the question."

Kevin Barber: "The question John was the increase in the Transmission and Distribution Maintenance. It increased about \$150,000. Hang on, I remember. Alright, the reason for the increase there is we had budgeted a \$100,000 for Tree Trimming and \$60,000 for a pole survey in which they go out and inspect all of our utility poles to determine how good a shape they are in and whether or not we to go through and replace some of them. So, that right there is \$160,000, which I think covers your increase there."

John Hiscock: "About every 10 years we go out and do a pole survey. We hire an outside contractor. The contractor comes in and assesses the condition of the poles. They actually drill into the pole, take a sample of the wood inside the pole to determine if it is rotten or solid. They put a plug back in its place and then as part of that process, they actually treat the base of the pole with essentially a pesticide to prevent things, little tiny critters from burrowing into the poles and creating a problem. The treatment that is in the pole does leech out over time and it does get into the soil. There is no doubt about it and it leaches out over time and it has to be replaced. And the purpose of the survey is to

identify poles that may not look to be in poor shape, but once the internal inspection is made, they determine if the pole should be replaced or not. So, it's simply a case of doing it on a 10-year cycle. The reason for the 10-year cycle is we bring in somebody from the outside, somebody who normally does this as part of their routine business practices. It would be difficult for us to do that kind of work ourselves. But, with respect to tree trimming, we have not been aggressive in recent years with respect to tree trimming, we have been focusing on substation and conversion and similar things and now it is appropriate to get into a tree trimming cycle. And one of the reasons is, it is kind of more important in the upcoming years, it is an electrical issue. The overhead used to be 41.60, 4,160 volts. As part of the conversion process we upped it to 13,800 volts and that makes the electric system more susceptible to faults and outages during rain storms and wind events because the higher voltage can track to ground significantly quicker than the old 41.60. And it is sort of the downside that you run into when you up the voltage, you increase efficiency, improve the situation from the customer's perspective with respect to voltage. However, it is more prone to outage if you don't do a good tree trimming job. So, that is why it is in the Budget at this point and going forward it is going to be in the Budget continually from here on out."

Commissioner Mann: "Ok."

Kevin Barber: "Any other questions on the Electric Operating Expenses? If we flip to page 16, you will see we have Other Expenses totaling \$286,000, which is some Conservation and Load Management Expenses, some Miscellaneous Income Deductions and Interest Expense. The Interest Expense is the interest that we pay on customer deposits. So the Total Expenses for Electric is \$15,348,911 and our Net Operating Income, which is once again, the Operating Income minus the Operating Expenses, is \$652,617. Like Water we have some debt we are paying off. We have principal on the substation debt of \$500,000 and an interest payment of \$267,500. I will point out that last year we budgeted \$500,000 in the Budget for the interest because at last year's Budget we did not know what the interest rate was going to be. So we aimed high and we are very pleased to see that it came in a lot lower. If I recall, I think the interest rate we received was 2.803% or something right around there, which is very good. The next line item is Capital Appropriations of \$612,870. We will go through the listing of that in just a moment. As we will also go over the Preliminary Survey Project of \$150,000. So for the Electric we are showing a change in the Reserve Fund of a negative \$835,159. However, on the Electric we are budgeting an Opening Balance of \$11,333,062. During our budget review we have cancelled a total of \$702,625 worth of projects. Those are projects that during our review this year we decided were not appropriate to continue with or either we decided we weren't going to do it or we just cancelled it outright. I will show you on one of the other pages the projects that we did cancel, so you can see why we ended up cancelling them. We also from the Electric we transferred \$460,000 to the OPEB Trust. We are transferring \$95,000 and \$164,200 to the District for General Operations and for Street Lighting. And that leaves the Electric with a closing balance of \$10,481,328, which is slightly \$200,000 less than the Budgeted Closing Balance from last year. Are there any

questions on the Electric? If not, we will turn to page 17 and we will quickly review the Electric Capital Projects. On the Electric side we only have 13 of them on the Capital end. And they range from SCADA equipment to a replacing of vehicle 40, which is one of our lines trucks, at a cost of \$151,000. The line trucks are very, very expensive vehicles.”

Commissioner Mann: “Wow, ok.”

Kevin Barber: “So, we try to identify those in the 5-year budget as well so we can plan those out accordingly. We also have some standard computer equipment, electric meters. Any questions on any of these electric projects that I have or haven’t mentioned?”

Commissioner Burgess: “How old is vehicle 40?”

John Hiscock: “Vehicle 40 is our smallest line truck. It was purchased in...I am trying to remember now, I believe it was purchased in 2003 when we purchased it, it was a demo truck that had been used for demos by the company that was selling it. It replaced a very old truck that we ended up giving over to the City. Vehicle 40 isn’t all that old. It is not unusual for a line truck to be over 10 years old. They are very, very well maintained. We have had trouble with these truck because it has a dielectric boom system that is no longer manufactured and the company that maintains the boom or provided the boom for the truck, the company has literally gone out of business and we are having trouble finding people to maintain it and it is getting extraordinarily expensive. For several years it was actually taken down to Long Island for repairs. We finally found a Connecticut company who could do it except they have been having problems finding the parts for it and the boom monitor is the thing that holds the bucket that the linemen go up into the wires with. So it really is no longer worth trying to repair and fix this particular truck. We have been having trouble with it for 4 or 5 years now and the replacement truck, even though it is \$150,000, it will probably last 12, 13, 14, 15 years. Unfortunately this is one that failed prematurely due to the problem of the actual boom on the bucket end of the truck.”

Commissioner Burgess: “Thank you.”

Kevin Barber: “The truck 40 is a 2002. So it is 13 years old at this point.”

Commissioner Burgess: “Thank you John.”

Kevin Barber: “If there are no other questions in the Capital Budget, I would like to quickly talk about the Preliminary Survey Project. We have created a project for the Retired Generation Plant Feasibility Study. We budgeted \$150,000 to actually do a study to review the generation plant to determine what can and can’t be done. I think John has talked about it at prior meetings about that whole things. So, we have budgeted some money for that project.”

John Hiscock: “The biggest issue with respect to retiring the entire generation plant complex is the environmental situation and that is something that is going to be fairly expensive to make a determination. It was originally a coal fire plant in 1892 and there is

undoubtedly a significant amount of ground contamination with respect to the old coal plant, the ash that was created in it. The other issue is we have had big diesel generation equipment in the plant for many, many years once converted over from an old coal plant and invariably old equipment and old practices which at the time, no one really thought about the issue, where powerful organics, cleaning fluids, oils were used on the engines themselves fell down into the petard wells at the bottom end that the engine is located in and obviously seeped through the concrete into the ground. So, before making any determination about the use, redevelopment, removal or anything related to the generation plant complex, it is important to do a very detailed environmental analysis and probably a very large portion of that \$150,000 is going to be test borings, soil samples and analysis to determine how contaminated the site is. And that is really the first phase of any kind of a determination as to what the facility should be used for going forward.”

Kevin Barber: “Ok, if we flip to page 18/19, just like on the Water, we have Capital Projects, we have an Electric Detailed Projects Summary Report where we go through our current statuses. I wanted to point out at the bottom of page 19 is where we have identified and listed the 5 projects that we have cancelled. And two of them are directly related to the generation plant where at one point we had created some projects to do some modifications inside the generation plant building. We’ve cancelled those because we created this feasibility study to determine what we can or cannot do at that location. So we have cancelled two of those along with the Substation Control Room Modifications that was a project where we were going to make changes to the substation control room in the plant. Well, that is no longer needed because all of the substation is now located down at the new substation. So, there is no more substation at the generation plant. So we were then able to cancel that project as well along with two others, Pad Mount Switch on Pine Street and a Two-Way Radio System that we are going to reassess and determine what we want to do with. If we turn to pages 20, 21 and 22. This is the Electric’s 5-Year Budget, which is set up in the exact same format that we did for Water where we increased revenues and expenses using the same 3%, 2% we did on Water and District and we also have the Capital Project 5-Year Budget, which lists out all of the projects for the Electric. And I can identify somewhere of two-thirds of the way down there is a project called Replace Bucket Trucks where we have budgeted for two additional bucket trucks over the next 5 years. So, over the next 5 years we will be replacing or we plan to replace three bucket trucks. And the other two are quite a bit more than the one we are doing this year because they are the bigger trucks. And the Electric at the end of the 5 years we are budgeting or projecting a, obviously a positive Budget Balance of \$10,500,000, which is just about where we are right now cash wise. So, cash wise the Electric is doing well. Any questions on the Electric’s 5-Year Budget or 5-Year Capital? And the last item that I just wanted to bring to your attention is on page 23, which is the OPEB Trust Budget. And this is the document that we use to budget the amount of money that we are contributing to the trust each year. And this upcoming year we are budgeting to contribute another \$800,000 into the trust. So, at the end of the 3 years at the very bottom you will see that we contributed \$2,500,000 to the trust, which is very, very good. I had a conversation with our actuarial consultant for the trust who does our GASB 45 audits and he is gleaming; extremely pleased with how much we are contributing to this and the position we are going to be in. It is going to put us in a wonderful position going forward. And I know the District is part of and John you can

correct me if I am wrong, is part of the bonding for the substation, we had promised to or identify it in our plan that we would contribute to what we describe as a catch-up for the unfunded liability for this over 5 year period.”

John Hiscock: “Yes, when we did the Offering Statement for the substation bond issue we presented a plan where we would eliminate over 5 years the Net OPEB Liability. There was a lot of discussion about it during the rating meeting and it was probably something that helped with the ratings. We had a plan, we went forward and presented the plan and one of the things that is really important to do when you are constantly trying to maintain ratings with the ratings agencies for potential future debt is when you present a plan, you certainly should be able to meet the plan itself and if you don’t you need to (1) disclose it and (2) you certainly should have an explanation as to why you don’t. So I think it is important to continue with the plan and continue to eliminate the Net OPEB Liability on the Balance Sheet.”

Kevin Barber: “So are there any questions on page 23? Ok, the remaining 6 pages is the back up for what makes up the Water, Electric and the District’s Operating Budget. This is sort of the nuts and bolts of our budget that gets summarized into the pages that we just reviewed. And actually this is just a master page, there is actually I think 70 some odd more pages for each department that goes behind it. So, it is about 80 pages thick. It all gets formulated up into the document that we reviewed today. So, at that point that is the Draft District Budget for 2015/2016. Are there any other questions that I can hopefully answer?”

Commissioner Mann: “No, I am good.”

Commissioner Wooten-Dumas: “Do we need to?”

Commissioner Burgess: “Thank you.”

Commissioner Geake: “Do we need to make a motion that it be approved? No, we take it to the Electors next? I mean I know we don’t have them here but, what do you think?”

Commissioner Burgess: “No, what about...?”

Commissioner Mann: “Adopt it?”

Commissioner Burgess: “What about the 10th? We discussed it didn’t we?”

Lisa Roland: “Yes, you can discuss it at the next regular meeting if you want to, March 10th.”

Commissioner Burgess: “Yes, we have...”

Kevin Barber: “You can do one more, the next meeting you can still...”

Commissioner Burgess: "Because then we will have probably maybe three more Commissioners here."

Commissioner Mann: "So, we will adopt the Budget at the next meeting?"

Commissioner Burgess: "Yes."

Commissioner Mann: "Ok."

Commissioner Burgess: "Alright, yes that means you have to come to the next meeting. I can see your attitude."

[Laughter]

Commissioner Mann: "Ok."

Commissioner Burgess: "CMEEC Board."

4. CMEEC Board Appointment

Commissioner Burgess: "Now, this is from John."

John Hiscock: "I am assuming that based on the information you received today you all understand what the issues are with respect to this. The historic practice has always been that the General Manager is the lead representative for each of the municipal utilities to the CMEEC Board and there is in essence because of all the contract modifications that we did over the last three or four years that we negotiated, there is the TRANSCO, the original CMEEC and as part of CMEEC there is what is called a Member Delegation where each one of the municipal entities and there are 5 of them, has a single vote to cast in certain matters that are spelled out in the by-laws. So, I asked to put this on the agenda because I think it is appropriate at this point in time since on Monday morning you will have a new General Manager who will be representing the District at CMEEC or at least he should be representing the District at CMEEC, so I thought it would be appropriate to essentially make the change with respect to representation and make Paul Yatcko the representative to replace me on the two boards and as the Member Delegate."

Commissioner Wooten-Dumas: "I make a motion that we appoint our new CEO, Paul Yatcko as a CMEEC Board Member."

John Hiscock: "Yes, the sample in your board book or it came to you today of the Resolution spelled out exactly with respect to the three bodies."

Commissioner Burgess: "Can you read the Resolution."

Lisa Roland: "Resolution appointment of new General Manager to CMEEC Board of Directors, TRANSCO Board of Directors as CMEEC Member Delegate. Be it resolved that the Commissioners of the Second Taxing District hereby appoint Paul Yatcko, the new General Manager to serve as the CMEEC Member Delegate, as a representative on the Board of Directors of CMEEC and the Board of Directors of TRANSCO replacing former General Manager John M. Hiscock, effective February 23, 2015. Certification. The undersigned Clerk of the Second Taxing District of the City of Norwalk certifies that the above is a true and correct copy of a Resolution adopted at a legally convened meeting of the Second Taxing District Board of Commissioners held on Tuesday, February 17, 2015.

Commissioner Burgess: "That is your motion, yes? You made the motion correct?"

Commissioner Wooten-Dumas: "Yes."

Commissioner Burgess: "I just had her read the resolution for you."

Commissioner Wooten-Dumas: "So moved."

Commissioner Burgess: "Ok, is there a second?"

Commissioner Geake: "I will second it."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed? Abstentions?"

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

Commissioner Burgess: "Ok, all in favor?"

Commissioners Unanimously: "Aye."

Adjournment

The meeting adjourned at 8:30 p.m.

Attest:

Lisa G. Roland
District Clerk