

**SECOND TAXING DISTRICT ELECTORS
ANNUAL BUDGET MEETING**

March 17, 2015

Electors Present:	Maria Borges-Lopez	Mary Geake
	David Westmoreland	Mary Mann
	Martha Wooten-Dumas	James Clark
	Ernest Dumas	Antionette Trancia Dumas
	Ian Soltes	Thomas Soltes
	Sharon Soltes	Michael Mushak
	James Delgreco	Theodore Burt
	Michael Geake	Antoinette Van Loan

Also Present:	Paul Yatcko	General Manager
	Kevin Barber	Dir. of Admin. & Customer Service
	Frank Zullo, Esq.	Tierney, Zullo, Flaherty & Murphy
	Lisa Roland	District Clerk

Call to Order:

Maria Borges-Lopez called the Second Taxing District Electors' Meeting to order at 8:09 p.m. on Tuesday, March 17, 2015. The meeting was held at SNEW, One State Street, South Norwalk, Connecticut.

Legal Call:

Maria Borges-Lopez: "Good evening everyone. I will be calling the meeting to order."

Frank Zullo: "Can we have your attention please? We are going to call the meeting to order."

Maria-Borges-Lopez: "And I would like to ask Lisa Roland, District Clerk if we have a quorum?"

Lisa Roland: "Yes, we do."

Maria Borges-Lopez: "In that case, can you please read the legal call."

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

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

The legal voters of the Second Taxing District of the City of Norwalk are hereby notified and warned that the Annual Budget Meeting of the Electors of the Second Taxing District will be held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut on Tuesday, March 17, 2015 at 8:00 p.m. for the following purpose:

1. To Approve the Proposed 2015-2016 Budget of the Second Taxing District, City of Norwalk as approved and recommended by the District Commissioners.
2. To Receive and Ratify the Choice of Auditors of the District Commissioners for a firm to perform Auditing Services for the Second Taxing District, City of Norwalk for the Fiscal Year Ending June 30, 2015.

In accordance with Section 1-81 of the District Charter, you are hereby notified that copies of the entire District Budget of the Second Taxing District of the City of Norwalk will be available for inspection by the public effective March 12, 2015. A copy may be obtained from the District Clerk at the office of the Second Taxing District, One State Street, Norwalk, Connecticut.

Dated this 6th day of March, 2015

Attest:

*Lisa Roland
District Clerk*

Maria Borges-Lopez: "Thank you. I would like a motion to accept the legal call."

Michael Geake: "So moved."

Maria Borges-Lopez: "A second please?"

Ted Burt: "Second."

Maria Borges-Lopez: "Can I have a vote on this motion?"

Lisa Roland: "I will need them to state their names for the record."

Maria Borges-Lopez: "I am sorry, can you please state your names?"

Michael Geake: "Michael Geake."

Frank Zullo: "Michael Geake made the motion."

Ted Burt: "TC Burt."

Maria Borges-Lopez: "Ok, can I have a vote on this motion?"

Electors Unanimously: "Aye."

Frank Zullo: "Show your cards."

[Unanimous – 16 Electors voted to accept the legal call.]

Frank Zullo: "A unanimous vote. Ok."

Maria Borges-Lopez: "We will move on to approve the proposed budget, fiscal year 2015-2016. I need a motion to place this item on the floor."

Jim Delgreco: "So moved."

Maria Borges-Lopez: "Name please?"

Jim Delgreco: "Jim DelGreco."

Frank Murphy: "Is there a second?"

Maria Borges-Lopez: "A second please?"

Mike Mushak: "Second, Mike Mushak."

Frank Zullo: "Call for a vote."

Maria Borges-Lopez: "Call for a vote."

Jim Clark: "Are you asking who is in favor?"

[Laughter]

Frank Zullo: "You promised not to be trouble tonight."

Maria Borges-Lopez: "Any objection? None. Ok."

[Unanimous 16 Electors voted in favor of bringing the proposed budget to the floor.]

Frank Zullo: "Alright Kevin."

Paul Yatcko: "I will take it. Good evening ladies and gentlemen. My name is Paul Yatcko. I have the privilege of being the new General Manager of South Norwalk Electric and Water. I have been at my post since February the 23rd and those of you who are better at arithmetic than I am will realize that I have been on the job for a little over 3 weeks now. And as I have only been here for about 3 weeks, I did not have the opportunity to take part in the development of the budget and although I have spent considerable time reviewing the budget, trying to understand it and understand the assumptions that are underlying it, at this point it would be very difficult for me to speak to the specifics of the budget in any level of detail and I apologize for that. But with us tonight is Kevin Barber. Kevin is our Director of Customer Service and Administration. He knows this budget intimately having been with the process from the absolute beginning and Kevin is going to summarize the budget for you and take any questions you have got. Kevin?"

Kevin Barber: "Ok, good evening everyone. Everyone I would hope has a copy of our proposed budget. The budget that is presented tonight is the exact same format that we have been using for the past 10/15 years with slight modifications as we go. But, for all

of you that have been here in years past, this budget will look very, very familiar to you. What I would like everyone to do if they could, is we are going to skip pages 1 and 2. Page 1 and 2 is just the summary budget of the General Fund, the Water and Electric Budgets. And I am going to ask you to turn to page 3, which is the District's Budget. And what I plan on doing is sort of going over the budget on a relatively high level. If you do have any questions, please feel free to ask and we will do the best to answer any and all questions. For the District Budget, we will start with the Revenue section at the top. As you all may be aware, the District actually does not have a real revenue stream outside of interest. And interest is earned on our cash deposits, so we have enough in the bank and for this year we only budgeted \$550.00 in interest due to very low interest rates at the bank. The next section is listed under Expenses. We have what we classify as our Operating Expenses, which include the Commissioner's Salary, the Clerk's Salary Treasurer's Salary, Meetings and Printing, Legal, Auditors and Insurance. Now, if you will notice, actually that budget is relatively stable from last year. We did have a few minor increases in the meetings and printing, which went up slightly, the largest increase was in our Legal where we increased it from \$40,000 to \$50,000 due to potential legal issues that may come up in the next year. We did also increase our auditor's fees from \$30,000 to \$35,000, as will be discussed in our second topic for tonight, which is the auditors. This budget was generated before the auditors were selected, so we did create a budget item to cover what we perceive as more likely an increase in the auditing fees. The actual auditing fees did not increase from prior years, I believe it actually may have reduced, but Paul will discuss that next. So, our Total Operation's budget is for this upcoming year is \$164,300, which is an increase of \$16,000 from the last budget. Our next area is our Community Service Projects and those budget items actually have remained the same from the last year. So, we have not made any changes, no additions or removals from the Community Service Projects. Any questions up to this point? No questions, ok we will move on. Our next area is Street Lighting. This year we have budgeted a total Street Lighting expense of \$164,200. We are identifying that as being slightly less than last year. But, we do feel that is an appropriate amount for this coming year. I will remind everyone that the reason why the Street Lighting budget is on the District, is the District is responsible for the Street Lighting in the Second Taxing District. So while the utilities will do all of the work and accumulate all of the costs, we do pass those costs on directly to the District."

Jim Delgreco: "Why is that number continuing to go down?"

Mike Mushak: "You name, state your name?"

Jim Delgreco: "Jim Delgreco, sorry about that. Thank you Michael."

[Laughter]

Kevin Barber: "And which number was that?"

Jim Delgreco: "Why over the last three years it has gone down from \$193,000 to \$164,000. Why?"

Kevin Barber: "From two years ago, it was actually the cost of the purchase power, it dropped dramatically. From the last year, I would say some of it is the cost but some of it is also where we installed LED lighting. It has also dropped the purchased electricity down a little bit."

Jim Delgreco: "So each time you fix a light are you putting in the LED or if you change a bulb?"

Paul Yatchko: "I won't say every time. Wherever there is the opportunity to do that we will. When we have an opportunity to actually change the fixture. In some cases we have to just replace the bulb, the luminary kind."

Kevin Barber: "Any other questions relating to page 3? If you flip over, you will then see that the Total District Expenses is \$385,320 for the fiscal year. As you will see, the next line, it shows a Net Operating Income of a negative \$357,770 and obviously the reason for that is because the District doesn't have any real revenue, your revenue minus expenses will obviously show up as a negative. I will discuss a little bit further down, how the District takes care of that negative operating income. In the next area we talk about Capital Appropriations. We have budgeted, as in the past few years, \$20,000 for street lighting capital. That would be for replacements of street lighting with the newer more likely LED technology, so that the change in the reserve from Operating and Capital is a negative \$377,770. A little further down below we show that we have an Opening Balance of \$1,178,274 and that is our cash on hand that we are predicting at the end of June, 2015. Now, the next group is where we handle that negative Operating Income. We transfer funds from both the Water Fund and the Electric Fund to cover the operating of the District. So, we transfer, or are budgeting \$95,000 from both the Water and the Electric Fund to cover District operations and District operations is all of the operations of the District except the Street Lighting. And then we transfer from the electric an additional \$164,200 to cover the Street Lighting expenses. So that will then show at the very end we are predicting an ending balance of \$1,154,704 and that is actually a slight increase of approximately \$54,000 from the previous year. Any questions on the District Budget?"

Jim Clark: "Yes, Jim Clark, 9 Golden Hill, so the transfers when I total the \$354,200 I was thinking they would offset the Net Operating Income, they don't appear to. Could you explain? Shouldn't they offset each other?"

Kevin Barber: "Yes, that is the intent. You will see that the Street Lighting does cover the Street Lighting expenses and then, probably the piece that maybe is not getting covered is the \$20,000 Capital Street Lighting. We are covering the Operating Expenses. So, \$164,300 for Total Operation plus Community Service Projects of just under \$30,000."

Jim Clark: "I might request that if you want the Electors to understand that they offset each other, you could maybe subtotal so we could see easily how they offset each other in the future that would be very helpful for us."

Kevin Barber: "We could do that."

Paul Yatcko: "We could do that for sure."

Kevin Barber: "Not a problem."

Paul Yatcko: "We would be happy to do that."

Kevin Barber: "And I will also comment that, regardless of the total amount that we expend during a year in the District Budget we always transfer the allotted amount. So each year the District actually kind of ends up increasing its funds because we never spend all that we budget on the expense side. I hope I explained that clearly. And if not, I can work that out with you. Any other questions on the District Budget? Ok, now we will flip to page 5 and we will talk about the Water Budget for this upcoming year. In the Revenue section we are projecting a Total Operating Revenue of \$8,338,456 and that is from the sale of water to residential, commercial and industrial and also our fire protection, both public and private fire protection. That \$8.3 million is approximately a 3% increase from last year's budget of \$8.1 million. That increase is based on the 5% increase that was approved by the Electors in last November. So, we recalculated our projections and we are expecting it to increase from last year approximately 3%. Each year when we review this stuff, we do determine whether or not our sales overall are going up or down and our trend on water sales has been trending downward slightly. So, that would make up roughly the difference between our 5% increase and the 3% we are showing here. Any questions on that, the revenue section or the Total Operating Revenue? Ok, right below that it talks about Other Revenue. These are other non-operating income that we receive and we are budgeting \$184,500 in Other Revenues made up of the items listed just above that. So we are projecting a Total Revenue of \$8,522,956 in this upcoming year, which is up approximately \$230,000 in Total Revenues from last year. Our next section is our Operating Expenses for the Water, which is broken down by different categories. Our Source of Supply is our reservoirs and our water, our Pumping is the actual mechanisms that we use to pump the water down and the expenses related to that. Our water treatment is the treatment of our water to make it so that it meets all of the requirements and standards provided to you and our Transmission and Distribution is the expenses incurred for us to transmit it down to all of the homes, through our mains and services and all that related stuff. And then finally we do have our Administrative and General Expenses. Now, our overall Operating Expenses for this coming year is \$6,542,727, which is an increase of approximately \$800,000 from last year's budget and I can quickly point out some of the areas where that increase is. If you were to look under the Water Treatment Maintenance, we are budgeting \$102,562 in this current year, which is an increase of approximately of \$70,000. The increase of \$70,000 is made up of granular activated carbon replacement, which is a treatment process in our filtration plant that we are now going to be budgeting to replace a portion of it every year. Last year we did do a total carbon replacement, I believe it was \$250,000 and we are now going to go through a process of replacing a portion of it each year. So that project itself is \$61,000 and we are also doing some work on our Ponus Avenue Pump Station's roof, which means a replacement of \$9,000. So those two projects make up the difference of the increase in that water treatment maintenance category."

Jim Delgreco: "So Kevin, a question on that, if you did..."

Mike Mushak: "Your name."

Jim Delgreco: "Jim Delgreco, 41 Elmwood Avenue, if you did the \$200,000 replacement on the carbon last year, how come that is not reflected in that \$32,000?"

Kevin Barber: "Because that was an entire replacement, so that was a capital project. So that shows in a different category than this but this now will be considered an ongoing maintenance project so that is why it is reflected here in this maintenance item."

Jim Clark: "Jim Clark, I have a question about maintenance, so is this or do you have a multi-year forecast in place for that and what is the term of the multi-year forecast?"

Kevin Barber: "Off of the top of my head I believe it's a four or five year replacement process for the granular carbon."

Paul Yatcko: "It's between three and four actually, I think Kevin on it."

Kevin Barber: "I am sorry?"

Paul Yatcko: "I think it is three or four on the GAC."

Kevin Barber: "Ok, so it will be a third or a quarter each year and it will just be continuously done going forward."

Jim Clark: "Right, so after you finish one cycle, you will just start another cycle?"

Kevin Barber: "That is correct."

Paul Yatcko: "Yes, they are in separate beds and essentially what happens is that the carbon absorbs stuff out of the water and after a while even though you keep back flushing it, you can't do that anymore and you have to take the carbon out and replace it and you do basically a quarter of the beds or a third of the beds every year on a cycle."

Kevin Barber: "And I believe this project is actually going to regenerate the...we are going to take our carbon out and I believe have it regenerated."

Paul Yatcko: "That is true. They are going to send it back to Calgon and Calgon will regenerate the carbon. So we will get our filter material back after it has gone through a regent cycle."

Mike Mushak: "Mike Mushak, this is from two minutes ago. You said that the Water revenue is trending downwards and I am just curious, is the Waypointe project in our District? I don't know where the line is? Waypoint on West Avenue because that is a huge project."

Frank Zullo: "I think that is in the First."

Kevin Barber: "Oh, the ongoing mall?"

Mike Mushak: "No beyond that."

Kevin Barber: "Beyond that, no it is not."

Mike Mushak: "Do we stop at 95?"

Kevin Barber: "That is correct."

Mike Mushak: "So the future mall, if it gets approved will be in our District."

Kevin Barber: "Will be in our District. That is correct."

Mike Mushak: "So, if we push for fountains."

[Laughter]

Kevin Barber: "Big ones."

Jim Clark: "I am glad you stated your name."

Mike Mushak: "Thank you."

Antoinette Van Loan: "Toni Van Loan, 44 Bayview."

Kevin Barber: "Yes."

Antoinette Van Loan: "I am new to Norwalk and I am just curious about where your reservoirs actually are?"

Kevin Barber: "We have reservoirs in Wilton and also one in New Canaan. And I believe we have five reservoirs, if I count them correctly, in Wilton and New Canaan that all feed all of our customers in Wilton and Norwalk. Yes?"

Sharon Soltes: "Sharon Soltes, Garner Street. Were there any water main breaks last year?"

Kevin Barber: "Yes, there are water main breaks every year and I know that is a very generic statement, but water main breaks occur all of the time."

Sharon Soltes: "Is there a replacement, who does the repair and the replacement? Does the Second Taxing District do it?"

Kevin Barber: "We do our own repairs. As far as replacement of mains goes there is a lot of times we do end up going outside for a contractor and hire a contractor to do those types of replacements. But all of the repairs are done in house with our own staff. I did want to, if there are no other questions, point out that under Transmission and Distribution Maintenance, this current year we are budgeting \$1,047,334 in that category, which is an increase of over \$500,000 and I wanted to explain that. The

increase for that is the painting of our Summit Avenue tank and that project is budgeted to cost over \$500,000 to paint that tank. And as I am sure most people are aware, that tank is in need of painting and we have actually been doing some repairs lately, fixing some issues, so the plan for next year is to actually paint it, clean it and get it back up to proper shape and that is \$500,000.”

Jim Delgreco: “Jim Delgreco, what color are you painting it? Since its St. Patty’s day, is it green and do we get to weigh in on this?”

[Laughter]

Paul Yatchko: “To be frank, I didn’t ask that question. We will get that information for you.”

Jim Delgreco: “I think we would want to possibly weigh in on this I would suppose? Wouldn’t we want to weigh in on this?”

Mike Mushak: “Attorney Zullo is an expert on tank colors.”

[Laughter]

Mike Mushak: “Because they just built a new tank and painted it a lovely new color that blends in with the sky.”

Frank Zullo: “And it is interesting that our, on the new tank, it costs over \$400,000 just for the paint because you need that special paint even without the tank because when I first saw that budget for the First District I was amazed. So I am not surprised you are at the \$400,000 and \$500,000 also.”

Kevin Barber: “Absolutely. It is very expensive to paint tanks.”

Jim Delgreco: “So, I would like to request that we find out what the color is, since we are in the neighborhood.”

Paul Yatchko: “I am happy to do that and we will report back to you shortly.”

Mike Mushak: “Mike Mushak, that is important, yes. We don’t want it to be an electric blue or some other bright color.”

Jim Delgreco: “On the other hand we might not want to ask Mike now that I bring it up.”

[Laughter]

Mike Mushak: “This is all on the record.”

Jim Delgreco: “I can’t wait to read on Nancy on Norwalk.”

Mike Mushak: "For the record I will not request a welcome to Norwalk on the tank in our neighborhood and that is an inside joke with the First Taxing District and that is on the record."

Kevin Barber: "So that kind of gives you an idea of where our major increases were in our Operating Expenses. As I mentioned earlier, our Total Operating Expenses is over \$6.5 million. We flip the page, you will see that Under Expenses are property taxes, as you may be aware we do pay property taxes to Wilton and New Canaan for property that we own in both towns. So the total property taxes is \$467,000. Our Total Operating Expenses is budgeted at \$7,009,727 for the upcoming year. And we are projecting a Net Operating Income of \$1.795 million and once again that is our revenue minus our expenses. So we are showing that after our revenues and subtracting out our operating expenses we have \$1.7 million left. The next line talks income minus expenses. That also includes Other Operating Income and Other Operating Expenses. So after that we have \$1.5 million. Our next lines are..."

Jim Delgreco: "I am sorry. Jim Delgreco. I didn't understand that. So how did you get to the \$1.5?"

Kevin Barber: "It's the total income; that includes Operating Revenue and Other revenue. So that is, on page 5, the \$8.5 million number and then we subtract out our Total Expenses, which includes other expenses and the taxes of \$7 million. So the \$8.5 million minus the \$7 million is \$1.5 million. One number looks at just the revenue, the Operating Revenue minus Operating Expenses, the other number looks at Total Revenue and Total Expenses. Our next lines are relating to our debt, our Principal on Debt for our filtration plant is \$1.147 million for the year and our interest on that debt is \$344,295. And just to remind you, that is for the debt on the filtration plant that we rebuilt back in 2009, off the top of my head and I may be off on that. As of fiscal year 2014, we have a balance on that debt of \$18.5 million so we are working that number down, but it will take a little bit longer. Our next line item is Capital Appropriations. We are budgeting \$513,520 in new capital projects. After we complete this page and I will talk on the listing of all of the projects is on page 7, but we will get to that in just a second. We are not budgeting anything for Preliminary Survey and Investigation for this year and after all of that, it shows that we have a change in our water reserve of a negative \$492,000 for the year. We calculated an open balance of \$1,045,686. We have not cancelled any previous year's projects. We are budgeting a transfer to the OPEB Trust of \$340,000, a transfer to the District Fund of \$95,000 and that leaves the water with a closing balance of \$118,678 projected for the end of that fiscal year. Are there any questions on the Water budget?"

Jim Delgreco: "Jim Delgreco. How did we go...in Change in Water Financial Reserve Fund, how did we go from \$6,710 to the almost \$500,000 negative?"

Kevin Barber: "I am sorry, which numbers?"

Jim Delgreco: "The Change in Water Financial Reserve Fund. So, if I am reading this correctly, in 2014 we have a positive number and in 2015 we are going to a total negative number."

Kevin Barber: "That is, if we take in our tank, in a nutshell, it is the painting of the Summit Avenue tank, \$500,000."

Jim Delgreco: "Ok, it's the tank. I got it."

Kevin Barber: "That is where that large swing happens. If we were to now flip to page 7 you will see a listing of the Capital Projects that are being proposed for the water. I won't go through all of the projects. The big ticket items on here are the second one down, Allview Avenue Main Replacement. That is one where we have identified to replace a main on Allview Avenue. So we will more than likely be going out to a contractor to perform that work instead of doing it in house."

Jim Delgreco: "And if I may, that means because it runs down the street. That means you are going to tear up that street and that is a pretty narrow street. We should probably know when you are going to do that so we can let the neighbors know."

Kevin Barber: "We will notify all affected customers on that street that work will be done. We will definitely make a note of that to notify them all. The other big ticket items and we do have identified, replaced a backhoe with a mini-excavator for \$80,000, purchase water meters and modules for \$100,000. Are there any questions relating to the proposed capital appropriations for water?"

Jim Delgreco: "I would like to ask one more question, is that just going to stay on Allview Avenue, you are not going into Cedar anymore, right because we just redid Cedar Street, right?"

Kevin Barber: "No I don't believe it does, but I can..."

Jim Delgreco: "You had better not. You better not."

Kevin Barber: "No, no, if it was just redone we are not allowed to by the City."

Jim Delgreco: "Ok good."

Jim Clark: "There is a two year moratorium."

Kevin Barber: "Exactly, there is a moratorium so we won't. So no questions, why don't we flip to page 8 and we will quickly go over the Electric Operating Budget. Just like the water, the electric is set up the same way with Other Revenue and Expenses. The Operating Revenues, we are predicting at \$15,714,961 for the year, which is just a slight increase of approximately, I think \$220,000 in total revenue. I think some of the main causes for that is our new customers that we picked up, I think it is called the Ironworks for one, so we did pick up another 100 residential customers there, so that does help and also we predicted that we will see a slight increase in electric usage. The Other Revenue section we had budgeted \$329,162 made up of the items listed there for a Total Revenue of \$16,044,122 for the Electric. Below that we then get into the expenses. And we are budgeting a Total Operating Expenses of \$15,062,344 for the upcoming year. And the

main portion of that is identified on the third line down. Purchased Electricity Resale, that is our cost of purchasing electricity through CMEEC, which is the Connecticut Municipal Electric Energy Cooperative. So, we are predicting the \$9,711,200 for our purchased electricity in this coming year. Down below we have our Transmission and Distribution expenses. Our Operations portion has remained effectively stable and our Maintenance has increased by approximately \$150,000 and I can explain to you that increase is made up of two projects. One of them is tree trimming, which we are budgeting \$100,000 and we are also budgeting a \$60,000 for a pole survey, where we will go out and survey all of our poles in the District to determine their status, how healthy they are and whether or not they do need to be replaced or how much life is left in them. There was a question?"

Sharon Soltes: "Yes, Sharon Soltes, Garner Street. Regarding the purchased electricity from CMEEC, as you are probably very well aware there was just been a major merging of five different companies into Eversource. How is that going to affect CMEEC and our District?"

Paul Yatcko: "I wouldn't expect the business combination involving Eversource, which has been in the works for some time, I wouldn't expect that to have an appreciable effect on wholesale markets. The subsidiary companies of Eversource has been buying power out of New England ISO for years so the net demand in the New England ISO is not going to change as a result of that business combination. I think what you are seeing in terms of the increase is frankly the greater volatility that we have experienced the last couple of years but particularly this year into this next budget year involving the natural gas supply into the New England market. Essentially it is constrained particularly in the January and February months resulting in prices for power during the winter that continue to hit records. So, I think it is really less to do, or almost nothing to do with the Eversource combination and more to do with the more volatile and unpredictable markets. It is my estimation and the estimation of people smarter than I am, that the New England markets are broken. You are going to continue to see increases not only in energy costs but capacity costs because of dysfunctional rules in the New England market and they are going to have to get fixed, but until they get fixed we are going to see wholesale prices marching up. And it is not only for us in the District, it is going to be for anybody who buys out of the New England market."

Kevin Barber: "Ok, as I mentioned earlier, our Total Operating Expenses is just over \$15 million. Are there any questions regarding the Operating Expenses or the Revenue? If we turn to page 9, we will show our Other Expenses totaling \$286,567 for a Total Expenses of \$15,348,911. On the electric side, our Total Operating Income is \$652,617 and the Total Income is \$695,211. For the electric's Principal on Debt which is for the substation project, we have a budget item of \$500,000 to start paying that \$10 million back and our Interest is budgeted for \$267,500 for this coming year. We have identified projects, Capital Appropriations on electric for \$612,870 and a Preliminary Survey and Investigation project totaling \$150,000. And we will go over those on the next page. So on the electric our Change in Electric Financial Reserve Fund is showing a negative \$835,159. We have calculated an Opening Balance of \$11,333,062. During this process we have actually cancelled prior year projects totaling \$702,625. We are transferring to the OPEB Trust \$460,000, transferring to the District Operations \$95,000 and we are

transferring to the District for Street Lighting \$164,200. That leaves us a Closing Balance for the Electric of \$10,481,328. Any questions?"

Jim Clark: "Jim Clark. Can you please just give us an idea of the drivers for that \$835,000 Change in Electric Financial Reserve Fund and then can you just give us a very high-level overview of the Cancelled Projects because that is totaling \$700,000?"

Kevin Barber: "Absolutely. The main drivers in that change in the reserve fund is the two big projects that I mentioned. The tree trimming for \$100,000, the pole survey for \$60,000, there is \$160,000 there and if you look at the purchased electricity, we have a budgeted increase of \$800,000. So between those it does..."

Jim Clark: "Ok, so those are the increases, great."

Kevin Barber: "The \$702,000, I don't believe I have the total list of those, we did end up reviewing and cancelling a few projects. Mainly relating to the old power plant. We did have some projects, I believe one was upwards of \$400,000 to do some modifications to it. But since the substation project, where we decided to actually move our substation up the street to the new substation, we have decided that we are going to actually take a new look at the old generation plant. And if you notice, as I mentioned there is \$150,000 in Preliminary Survey. Well that survey, if you flip to page 10, in the lower section it's the Retired Generation Plan Feasibility study for \$150,000. We are going to do a study to determine what exactly to do with that project, to do at the old plant. So any of the projects that we had outstanding, relating to the old plant we have cancelled and I am sure there was another projects or two that we cancelled as well, but I just can't recall at the top of my head but if you like we can easily get that information to you."

Mike Mushak: "A question."

Kevin Barber: "Certainly."

Mike Mushak: "Mike Mushak, I strongly support that feasibility study for the generation plant. I think it is a smart move to know the facts, because there are a lot of complicated things with that and the pole survey, is that done periodically? Every 10 years or 20 years or have we ever done one before?"

Kevin Barber: "We have done one. I don't recall."

Paul Yatcko: "Typically municipal utilities will put them in their budget every seven to ten years, sometimes they get knocked out because you can't afford them. Usually you have a contractor come out and do it and they determine what poles need to be condemned, which ones are just plain good the way they are and which ones may need to be treated because they can get infested with insects, wood consuming bugs will eat them after they have been in the ground for long periods of time. I mean we have poles out there that have easily been in the ground for 50 years."

Mike Mushak: "I can notice that when I walk around and I see some poles with remnants of another era still attached to them."

Paul Yatchko: "If you see any of them that look like they have spike holes in them that is from line workers who used to climb poles wearing spurs. We don't do that anymore obviously because of modern bucket truck technology but some of those old poles are still out there.

Mike Mushak: "Thank you."

Kevin Barber: "And I do recall, it may have been 10 to 12 years ago was the last time we did a pole survey. So we are due for one and we have it budgeted for next year."

Jim Delgreco: "Kevin, one other question on this, the Closing Balance. If I am reading this correctly, that means we have \$10,500,000 in the bank?"

Kevin Barber: "We actually, what is in the bank is more than this number. This is what I will describe as the unallocated cash balance because we currently have projects that we have budgeted from prior years that we have not spent all the money on."

Jim Delgreco: "That are allocated?"

Kevin Barber: "That are allocated. So that money, while this is the allocated balance, the actual cash balance in our bank account will be higher than that and it could be a few million dollars higher."

Jim Delgreco: "So my question is where does that put us as far as the bond rating? Does that help because we have so much money in the bank? Is that what we are supposed to have in the bank? Do we anticipate to have more in the bank, where are we with that?"

Kevin Barber: "Actually I think we are in a very good position as far as the bonding goes. One thing to remember is the bonding doesn't come and look at just the electric or just the water or just the District, it looks at the District as a whole. So, on page 3, where we have combined all of the numbers, it is going to look more at the entire, so it going to look at the reserve of over \$11.7 million as the balance, but it is also going to take into account actually what is in the bank at that time as well in which we do have more than what that number says because these are just the unallocated balance."

Ernie Dumas: "Excuse me, Ernie Dumas, South Main Street. The \$10 million is that just the electric account or is there two accounts, water and electric?"

Kevin Barber: "The \$10 million and you are asking on page, that \$10 million, we actually have...the District maintains one set of accounts, but we do designate it and segregate it and keep track of the electric and the water and the District separately. So the \$10 million is the Electric's Funds, just like on the water side, the \$118,678 that is the Water's Fund. If we flip to page 10, we will quickly go over the Electric Capital Budget. We budgeted \$612,870 and I will highlight a few of the bigger ticket items. We are budgeting a SCADA system for our new substation. SCADA stands for System Control and Data Acquisition and that will be used to help operate the new substation. We also

have budgeted a replacement of vehicle 40. Well, vehicle 40 is one of our line trucks. And we are budgeted \$151,000 to replace the line truck.”

Jim Clark: “One truck?”

Kevin Barber: “One truck.”

Paul Yatcko: “And this is not a big truck. This is a relatively small line truck.”

Kevin Barber: “Line trucks are very expensive.”

Paul Yatcko: “A big line truck would cost \$200,000.”

Kevin Barber: “And I believe this is one of our older trucks too.”

Paul Yatcko: “Yes it is.”

Kevin Barber: “And let’s see, other big items. Electric meters for \$75,000 and we have a Miscellaneous Capital Purchase for \$150,000. Adding up all of those Capital Projects is \$612,870. Any questions?”

Jim Delgreco: “Jim Delgreco, since everybody is getting hacked these days and there are all sorts of security breaches, have you been thinking about that and is that built into any kind of plan here?”

Kevin Barber: “As far as cybersecurity?”

Jim Delgreco: “Yes.”

Kevin Barber: “We handle a lot of our cybersecurity in our Operating Budgets, but we do also have some line items from Computer Equipment and Software on both Water and Electric that when necessary we utilize those funds for necessary equipment. But a lot of it is also handled within the Operating Budgets of both Water and Electric.”

Paul Yatcko: “A lot of the cybersecurity work that we have done recently has been done in the context of the Automatic Meter Infrastructure Project. One of the conditions that the US Department of Energy put on accepting their money was to impose certain cybersecurity requirements on our systems and we used that project as an opportunity to upgrade our cybersecurity capabilities. In fact, any utility that took the AMI money from the DOE had that requirement put on them.”

Jim Clark: “Jim Clark, question. Is there a money in any of these budgets in this upcoming year to put a system in place for customers to pay online?”

Kevin Barber: “We actually already have a project in place that we are in the middle of. We are hoping to have that rolled out within the next two or three months. One of the biggest problems has been in some respect is testing for cybersecurity, making sure it is secure. We are right around the corner from completing that project.”

Jim Clark: "That is a prior budget item then?"

Kevin Barber: "A lot of that was part of the AMI, DOE project. Because not only will we allow customers to make payments online, they will also be able to view their transactions, they also will be able to view their interval data. When I say interval data, I mean interval meter reading data. So they can actually look in to see exactly what they have used and when they have used it. With the intent to hopefully help the customers learn their usage patterns and maybe where they use it and how they can save. The system we are using will also have some capabilities to actually help people understand their usage and provide them tips, recommendations to lower their usage."

Jim Clark: "Great, thank you."

Kevin Barber: "And that is integrating multiple systems has been a challenge for us, but we hope to have that roll off very soon. Ok, if we flip to page 11, this is just a...and this will be the last piece of document that we go over quickly. This is just a, and very quickly, a budgeting document for the OPEB Trust and it kind of shows the calculations of how we came up what we are contributing into the OPEB Trust on a yearly basis. For those of you who don't know, OPEB stands for Other Post-Employment Benefits and the District has promised retirees and current employees who were hired before by a particular date that they are eligible for post-employment benefits. So for the District, that becomes a very large liability. Well, to offset that liability, we have established a trust in which we are funding and to date we have actually contributed over \$1.7 million to that trust and with the current contributions that we are budgeting in here we will contribute over \$2.5 million into that trust for the Other Post-Employment Benefits. That is very important when you start looking at the bond ratings for the District. To have a trust established for those OPEB liabilities is huge. That will give us a thumbs up from all of the rating agencies. So we are in, what I have been told, in a very good position and sort of ahead of the curve when it comes to funding for these OPEB trusts. Yes?"

Jim Clark: "Jim Clark, a question. So are you now prefunding or catching up, what is your target because in terms of municipalities some of them are pretty far behind. Norwalk is doing pretty well compared to many municipalities as well. I don't understand how the Second Taxing District...I don't know what your targets are, have you had someone evaluate what you need?"

Kevin Barber: "Yes we have."

Jim Clark: "And are you working towards fully funding that? Usually it takes a long time to do that."

Kevin Barber: "Well, as part of the last bond offering, I believe the District committed to what I will describe to as catching-up with our unfunded liability. At the time, I believe and I apologize I don't have the numbers fresh in my head, but the unfunded liability was upward of \$2 or \$3 million or maybe even higher, \$4 or \$5 million, I think. I apologize for not remembering specific numbers, but the goal that the District set forth was to catch-up with that unfunded liability over a five year period. So we are actually in

the process of doing that catch-up. That won't fully fund the entire liability, but I think it will put us at about \$5 or \$6 million, in that neighborhood and please don't hold me to that. I can get you those numbers afterwards."

Jim Clark: "Question, so you are on track to get closer to taking care of the unfunded liability?"

Kevin Barber: "Absolutely, yes."

Jim Clark: "You are not letting that go in the wrong direction?"

Kevin Barber: "No we are not, we are actually working in a very good direction for that. So that was the last section that I wanted to review. I can explain that the next five or six pages is the detail breakdown of how we budget for all of the Water District and Electric Operating Accounts. It's just basically the nuts and bolts, everything that makes up the numbers that we just went through in the budget. So, any other questions on any one of the three budgets or the entire budget as a whole? No questions, I will turn it back."

Maria Borges-Lopez: "No questions, we need a vote from the Electors to approve the proposed budget for fiscal year 2015/2016."

Ted Burt: "So moved, Ted Burt."

Maria Borges-Lopez: "A second?"

Jim Clark: "I will second it."

Maria Borges-Lopez: "Name please?"

Jim Clark: "Jim Clark."

Maria Borges-Lopez: "All in favor."

Electors Unanimously: "Aye."

Maria Borges-Lopez: "Opposed? Abstentions?"

[No abstentions or opposed]

Maria Borges-Lopez: "Ok, we need to receive and ratify the choice of auditors. So I need a motion to place this item on the floor."

Jim Delgreco: "So moved, Jim Delgreco."

Maria Borges-Lopez: "A second?"

Sharon Soltes: "Sharon Soltes, second."

Maria Borges-Lopez: "All those in favor?"

Electors Unanimously: "Aye."

Maria Borges-Lopez: "Opposed, abstentions? None, ok. Paul will do the presentation."

Paul Yatcko: "Section 1-84 of the District Charter requires that the financial reports and accounts of the District be audited at least annually by an independent auditor who shall be appointed by the Board of District Commissioners. The appointment shall be ratified by the Electors of the District at the annual budget meeting. My understanding is that historically our audits recently had been performed by Hope & Hernandez and they have been doing an excellent job but consistent with good practice, this Commission has decided that it is time to change auditors. Typically that is done in the range of every five to ten years or so. It is not a reflection on Hope & Hernandez, as I said they were apparently doing a fine job, it is just considered good practice to change every so often. The handout you have received has a list of the firms who submitted proposals and response to the District's RFP and at their meeting last week, after some discussion about these firms, the Commissioners voted to award the work to Michaud Acavaello Woodbridge & Cusano or as I call them MAWC. They have the advantage, as you can see from your handout, of being the low bidder and their proposal also offered to cap their fee growth at 3% per year. And now the Electors have the responsibility of either ratifying or rejecting the choice that the Commission made last week."

Jim Delgreco: "Can we have questions or do we have to just move?"

Paul Yatcko: "I am happy to answer any questions you have at this point."

Jim Delgreco: "Not that I always object to the lowest cost producer, I don't think that is a bad idea but why go with the lowest cost producer? Were there any particular reasons why you went with this group?"

Paul Yatcko: "If you look at the five proposals, CohnReznik and McGladrey firms are very big firms and quite frankly they were at the top end of the cost scale because they are big firms and frankly I believe their overhead structure results in them being over priced for this job. Of the remaining three firms, I think frankly any one of these firms have the technical capability and experience to do it. They have done audits, they have the staff to do it; so it is not a question of technical capability. It's simply a matter of how do these people work with you. I did check all their references and checking references on consulting firms and auditing firms is a bit like checking reference on people you are going to hire. When somebody gives you a reference to check, they don't ever give you a reference that is going to say anything bad about them. So naturally when I checked the references they were all glowing recommendations. So we didn't get much additional information there. Essentially what we were with this was, we had three firms after discarding the two high-priced ones, that were capable of doing it and at the end of the day the primary discriminator was price and the fact that we were in effect a price cap or a price guarantee for the two option years, which nobody else had offered us."

Ted Burt: "Did they respond to an RFP?"

Paul Yatchko: "Yes they did. We put one out."

Ted Burt: "So you are looking at apples and apples."

Paul Yatchko: "Yes."

Jim Clark: "So how long will they be our auditor?"

Paul Yatchko: "Well, definitely for one year and we have option to engage them for up to two more years."

Jim Clark: "So hence the 3%."

Jim Delgreco: "Jim Delgreco, what was the cost for last year with the group that we used? Do we have that information?"

Paul Yatchko: "Ok, you stumped me, but maybe Kevin can answer that."

Kevin Barber: "Last year's fee was \$29,550."

Jim Clark: "Jim Clark, and so have all of these firms done work with utilities before?"

Paul Yatchko: "They have all done municipal audits. Some of them have done utilities, some have not but again the basic principles are the same. The audit technology is the same, they apply the same standards, the audit process is the same and audit management is the same."

Jim Clark: "Were you given any indication as to how long they think it will take them to get up to speed because whenever you are starting out you need to learn a lot."

Paul Yatchko: "Kevin you will know better than I. I think we are talking that they could be in and out of here in a matter of a few months."

Kevin Barber: "Yes, I would think that. It will take them a few weeks to get up to speed. I think the biggest thing probably for them to learn is the utility billing aspects. How we bill our customers so they can do some testing on that. Everything else we do is more or less standard accounting practices."

Paul Yatchko: "Just by way of experience, in my last posting, we had one of the bigger firms that was on this list. They would start their audit in October and they were out of there until February and we were bigger than the Second District, but not so big that it should have taken six months."

Maria Borges-Lopez: "Any other discussion? Then I would like a vote from the Electors to receive and ratify the choice of auditors?"

Ted Burtt: "So moved."

Maria Borges-Lopez: "Name please?"

Ted Burtt: "Ted Burtt."

Maria Borges-Lopez: "Second?"

Jim Delgreco: "Second, Jim Delgreco."

Maria Borges-Lopez: "All in favor?"

Electors Unanimously: "Aye."

Maria Borges-Lopez: "Opposed, abstentions? None, ok motion to adjourn?"

Mike Geake: "So moved."

Maria Borges-Lopez: "Second?"

Ian Soltes: "Second."

Maria Borges-Lopez: "All in favor?"

Electors Unanimously: "Aye."

Maria Borges-Lopez: "Abstentions, opposed. None ok. Well thank you everyone."

Adjournment:

The meeting adjourned at 9:15 p.m.

Attest:

Lisa Roland
District Clerk