

SECOND TAXING DISTRICT ELECTORS
ANNUAL BUDGET MEETING
March 30, 2010

Electors Present: Mary E. Burgess
Robert E. Burgess
Al Ayme
Alicia Ayme
Cesar A. Ramirez
Travis Simms
Mary A. Geake
Michael K. Geake
James A. Del Greco
Ian A. Soltes
Thomas J. Soltes
Joe B. Newell
Mary Mann
Charles W. Bailey
Lorrie E. Mann
Maria A. Borges-Lopez
Jannie M. Williams
Darlene O. Young
Sherelle Harris

Also Present:	John M. Hiscock	General Manager
	Kevin Barber	SNEW Director of Admin & Cust. Service
	Candace Pampoukidis	District Clerk
	Gwendolyn Gonzalez	Assistant Clerk

Call to Order:

Mary E. Burgess called the Second Taxing District Electors' Meeting to order at 8:03 p.m. on Tuesday, March 30, 2010. The meeting was held at SNEW, One State Street, South Norwalk, Connecticut.

Legal Call:

Mrs. Burgess: "I will call the annual budget meeting of the electors of the Second Taxing District to order, Tuesday, March 30th at 8:03 p.m., and before we start the meeting I'd like to say I'm Mimi Burgess. I'd like to introduce the other people who are here who are also Commissioners. My Vice... I'd like you to stand so people can see who you are. Vice Chair Al Ayme; Mary Mann; Maria Borges-Lopez; Cesar Ramirez; and Mary Geake. So it's not just me that you have to deal with; all of us. Okay, and our General Manager will present the budget, and then we will..."

Mr. Burgess: "You have to read the notice."

Mrs. Burgess: "Oh, okay. Well, yes. Will the Clerk read the notice?"

Ms. Pampoukidis: "Yes."

Ms. Pampoukidis read the following legal notice for the record:

The legal voters of the Second Taxing District for 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 the South Norwalk Electric and Water, 1 State Street, South Norwalk, Connecticut, on Tuesday, March 30, 2010 beginning at 8:00 p.m. for the following purpose:

1. To Approve the Proposed 2010-2011 Budget of the Second Taxing District, City of Norwalk, as received 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 Fiscal Year Ending June 30, 2010.

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 are available for inspection by the public effective March 10, 2010. A copy may be obtained from the District Clerk at the office of the Second Taxing District, 164 Water Street, Norwalk, Connecticut.

Dated this 18th day of March 2010

Attest:

Candace Pampoukidis
District Clerk

Mrs. Burgess: "Thank you, Candace [Ms. Pampoukidis]."

Ms. Pampoukidis: "You're welcome."

To Approve the Proposed 2010-2011 Budget of the Second Taxing District, City of Norwalk, as received and recommended by the District Commissioners

Mrs. Burgess: "Alright, Mr. Hiscock will discuss the budget."

Mr. Hiscock: "Okay, first item on the agenda is the approval of the proposed 2010-2011 budget. The Commissioners of the Second Taxing District, on March 9th, I believe... excuse me, it's been so long ago, on March 9, 2010, approved the proposed budget for July 1, 2010 through June 30, 2011. Those of you who picked up budget packets at the door, or had them previously, the format of the budget is essentially the same as it's been for many, many years, so that we don't really need to go into a lot of detail. I'll go over the highlights quickly, and then answer any questions that anyone may have. The operating revenue for the General Fund; the General Fund is the District government. It has no income whatsoever from operations, and the proposed, or the projected revenue, is zero. The operating revenue of the Water utility is \$6,901,586, up slightly from the prior year, and I'll explain that shortly. And for the Electric Department, the total operating revenue is \$16,191,114, for a total District operating revenue of \$23,092,700. We have 'Other Revenue'. In the District General Fund we have \$23,150 in other revenue, and that other revenue is interest. We have approximately \$1 million in the bank for the General Fund, and that interest is lower than it's been in previous years, because we all know interest rates have dropped significantly. Usually that's in the upper \$40,000's to \$50,000 range. Well it's dropped to \$23,150. The Water Department has 'Other Revenue' of \$212,000, and its revenue that we receive from essentially miscellaneous customer service charges, merchandising and jobbing, things that we do for customers that they're required to pay for. A quick example - if you need your water turned off so your plumber can do some work, we charge, I don't know, \$20.00 or \$25.00, something like that. I don't have the full schedule in my head. Customer late charges are included there. We charge interest. And Net Merchandising and Jobbing is where we work for contractors, and we make a profit, and we've got \$30,000 in anticipated profit from that. In the Electric utility we show \$304,900 in other revenue, \$220,000 of that is interest. The Electric Fund has about \$10 million cash in it. The Electric Fund has significant dollars put aside for a project that we're just starting on right now, a substation project, so that's the miscellaneous other revenues; \$540,050, for a total combined revenue of \$23,632,750. Expenses - we'll start off with the District. Total operating expenses of \$191,850, in two areas. Administrative and General Operations, \$130,850; and Community Service projects of \$61,000. The total operating expenses for the Water utility is \$5,788,074, and for the Electric utility \$16,822,541, for a total expenses of \$22,802,465. The net revenues for the various entities are the General Fund minus

\$168,700; and I'll explain how we offset that shortly, for the Water utility \$1,325,512, for the Electric utility a negative \$326,527. We are actually operating at a loss in the Electric utility, but based on the reserves that is not an issue for us. We have significant amounts of capital. Net District Revenue of \$830,286. The change in cash position of each of the funds, the Electric Fund [General Fund] drops by \$168,700, the Water Fund drops by \$767,754, and the Electric Fund drops by \$2.2 million. The primary reason the Electric Fund is dropping that far is because we've got capital appropriations of \$1.8 million for planned projects. The change in the cash position for the entire District is \$3.153 million. The opening balance in the Reserve Fund for the General Fund is \$1,001,226. The opening balance in the Reserve Fund for the Water utility is a negative \$952,358. The opening balance in the Electric Reserve Fund is \$6,005,648, for a total opening balance of \$6,054,516. If you had the detail you would see that the return to reserve funds, those are the monies from prior years that are unspent. We roll them back into the budget. We cancelled projects. There's \$566,920 of cancelled projects from prior years. Those are projects that we had approval for, anticipated doing, certain things changed in our business, and those projects are no longer being completed. We then go through and adjust the opening balance of all of the reserve funds. We then take care of the negative cash flow in the General Fund by transferring \$82,500 from the Water utility to the General Fund to cover our operating expenses, and \$82,500 from the Electric Fund to cover our expenses. So we do all of those transfers, that brings \$165,000 into the Electric Fund [General Fund], and on balance the Electric Fund [General Fund] closing balance is projected to increase by \$26.00 when we balance it out. The closing balance in the Water Reserve Fund will be a negative \$1.284 million; a significant shortfall in the Reserve Fund, the Reserve Fund for the Electric Fund is a positive \$5.677 million, and for the District as a whole it's \$5,420,240. The primary reason for the deficit in the Water Fund being as high as it is, is due to the completion of the Wilton filtration plant, accumulated interest during construction that we had to pay. And to give you an example, the debt service on the filtration plant for principal, paying down the loan, is \$1,036,247, and the interest is \$455,471. The shortfall in the Water utility increased slightly. It's projected to increase slightly during the year. We believe it's going to peak out during this year, and will start to move back, and eventually the Water utility will get back into the black, and we'll have sufficient reserve funds. We're comfortable in this position because the District does have a significant amount of cash, and the General Fund, plus a small amount of the Electric Fund, offsets the Water Fund. We, very, very carefully manage the Electric Fund and the Water Fund separately. We're required to do so by Charter. We cannot comingle those funds. So that's why we give you the numbers the way we do, so that everybody knows the running balance of the Electric Fund, everybody knows the running balance of the Water Fund, and the running balance of the General Fund. At this point I'm going to stop and simply indicate, and in the handout you can see the numbers on the pages in comparison to the prior years, the budget numbers are very, very consistent. They don't change much from year to year. Our rates go up very slowly, our expenses go up very slowly, and we generally maintain a similar margin other than the filtration plant issue. So I'm going to stop at this point and answer any questions anybody might have about the budget."

Mr. Del Greco: "The cash reserves, where do you put those?"

Mr. Hiscock: "The cash reserves right now are in local banks. We're required by State law, because they're municipal funds, to specifically place them in either governmental securities, securities of the State, or any bank in Connecticut that is authorized to receive municipal deposits. In some banks they're collateralized because the bank doesn't have the correct ratio according to the State of assets versus liabilities. In other banks, because they have the correct ratio, they're not required to be collateralized. So generally at this point they're in local banks. The interest rate is rather low. We negotiate for interest rates the best we can do, but they're significantly lower than they have been in previous years. Other questions?"

[No remarks]

Mr. Hiscock: "Okay, at this point you want a motion for approval, if that's what we can get [directed to Mrs. Burgess]."

Mrs. Burgess: "Sure. Well, at this point..."

Ms. Young: "You've got a question back here [referring to Mr. Burgess having his hand up]."

Mr. Hiscock: "Yes?"

Mr. Burgess: "Since there are no other questions I move that the budget be approved as presented."

Mr. Ramirez: "I second."

Mr. Hiscock: "Okay, Commissioner Ramirez seconded it. Any further questions?"

Mrs. Burgess: "Any other discussion on this?"

[No remarks]

Mrs. Burgess: "Okay, all in favor? Do you want us to hold these up [referring to the green voting cards]?"

Mr. Hiscock: "Yes, please do."

[Mr. Hiscock counted the votes]

Mr. Hiscock: "Okay, you can ask for the no's, but there are none."

Mrs. Burgess: "Opposed? I think..."

Mr. Hiscock: "Okay, we have one opposed."

Mrs. Burgess: "Okay, one opposed."

Mr. Hiscock: "Do we have any abstentions?"

Mrs. Burgess: "Abstentions?"

Mr. Hiscock: "Actually..."

Mr. Thomas Soltes: "I'm here."

Mr. Hiscock: "Okay. Abstentions? Any? Yes, I counted your hand the first time [directed to Mr. Soltes]."

Mr. Thomas Soltes: "Before... I didn't hear what she said."

Mr. Hiscock: "Okay, could you just... for clarification, is your vote in favor or against?"

Mr. Thomas Soltes: "In favor."

Mr. Hiscock: "Thank you."

Mrs. Burgess: "Oh, okay."

Mr. Hiscock: "Okay. Alright."

Mrs. Burgess: "Alright."

Mr. Hiscock: "That clarified it for me, because I saw it go up twice. Okay, thank you. The second item."

Mr. Burgess made a motion to approve the proposed 2010-2011 budget of the Second Taxing District, City of Norwalk, as presented. Mr. Ramirez seconded and the motion passed with all 19 electors present voting in favor and none opposed. There were no abstentions.

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 Fiscal Year Ending June 30, 2010

Mrs. Burgess: "Alright. Okay, the second item is to receive and ratify the choice of auditors of the Second District Commissioners for a firm to perform auditing services [for] the District. And you will explain that, Mr. Hiscock?"

Mr. Hiscock: "Yes, I will. Okay, the Charter procedure is simply that the Commissioners of the District choose the auditor, but as sort of a check and balance, the electors need to ratify that choice. So if the electors did not like the choice of auditors they would simply vote no and not ratify, and then the District Commissioners would be obligated to seek alternate auditing services. Procedurally, what we do is once every three years we request proposals from audit firms. We send out a large number of statements requesting interest from auditing firms. It's probably in the 20 [to] 25 firms we send it to. We get very little interest from firms because we want to them to have experience doing municipal audits, and not all auditors do municipal audits. So once every three years we go out and get prices. We did that last year. And while the request for proposal and the arrangement says that the auditing services are for one year only, it has always been customary that provided the auditing firm does a good job, and wants to continue, and does not significantly raise their price beyond what's appropriate; and in this case they have not, staff recommends to the Commission, and the Commission generally accepts, the auditing firms based on the fact that they got the prior year. So this would be the second year. The firm that we have been using for a considerable amount of time has been Hope and Hernandez. Those of you who make the annual audit meeting, which is in November, is aware that Bob Bailey from Hope and Hernandez comes here and answers any particular questions. They have been doing the audit for about 10 years, I believe, somewhere in that range. Okay, this will be the 10th. And once again, the staff has been pleased with their work. They want to continue. The auditing fee for the year ending June 30th of 2010 will be \$29,175.00. Over the time period that we've used them it has gone up less than \$5,000.00 in that 10-year time frame, probably less than that. I don't have the numbers all the way back, but it used to be in the \$25,000.00 range. It's now in the \$29,000.00 range, slightly higher than last year. So staff made a recommendation to the Commission to engage Hope and Hernandez. They voted at their March 9th meeting to do so. So at this point in time, if the electors are satisfied with the choice of the District Commission, the appropriate motion would be to ratify the choice of Hope and Hernandez by the District Commissioners."

Mr. Del Greco: "Question."

Mr. Hiscock: "Yes [acknowledging Mr. Del Greco]?"

Mr. Del Greco: "Do they provide any other services besides audit. Do they do any consulting work? Do they do anything other than the audit?"

Mr. Hiscock: "No, that is their sole task with us. They perform the audit, and do nothing more than the audit for us."

Mr. Del Greco: "Do you use any other accounting firm to do any other review of anything, other than when it comes to the financials, other than Hope and Hernandez?"

Mr. Hiscock: "No, we do not. Other questions?"

Mr. Ayme: "So moved for ratification."

Mr. Burgess: "Second."

Mrs. Burgess: "Moving to ratify it. Okay, is there any other questions?"

[No remarks]

Mrs. Burgess: "Alright, all in favor?"

[Mr. Hiscock counted the votes]

Mr. Hiscock: "Okay."

Mrs. Burgess: "Opposed?"

[No opposed]

Mrs. Burgess: "Abstentions?"

[No abstentions]

Mrs. Burgess: "Okay."

Mr. Hiscock: "Carried. Unanimous."

Mr. Ayme made a motion to ratify the choice of the District Commissioners for the firm of Hope and Hernandez to perform auditing services for the Second Taxing District, City of Norwalk, for the fiscal year ending June 30, 2010. Mr. Burgess seconded and the motion passed unanimously with all 19 electors present voting in favor and none opposed. There were no abstentions.

Mrs. Burgess: "We're through."

Mr. Hiscock: "Motion for adjournment."

Mrs. Burgess: "Motion to adjourn?"

Electors simultaneously: "So moved."

Mrs. Burgess: "Okay, second? Okay."

Adjournment

The meeting adjourned at 8:25 p.m.

Attest:

Candace Pampoukidis
District Clerk