

SECOND TAXING DISTRICT COMMISSIONERS

Annual Electors' Meeting Minutes

November 19, 2013

Electors Present:	Mary Burgess Cèsar Ramirez David Westmoreland Michael Geake Jim Clark Tom Soltes Jim Delgreco Joe Newell	Mary Geake Maria Borges-Lopez Robert Burgess Michael Mushak Ian Soltes Barbara Geake Dawn Delgreco Gwendolyn Gonzalez
Also Present:	John M. Hiscock Lisa G. Roland Kevin Barber Frank Zullo, Esq. Kara Murphy, Esq. Bob Bailey Vivian Rodriquez	General Manager District Clerk Director of Administration & Customer Service Tierney, Zullo, Flaherty & Murphy Tierney, Zullo, Flaherty & Murphy Hope & Hernandez Hope & Hernandez
Public Present:	None	

(There were a total of 16 Electors present for the Annual Meeting)

1. Call To Order:

Commissioner Burgess called the Annual Electors' Meeting of The Second Taxing District Commissioners to order at 8:21 p.m. on Tuesday, November 19, 2013. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

2. Legal Call:

Commissioner Burgess: "I will call the meeting of the Second Taxing District Annual Electors' meeting to order at 8:21 p.m. on Tuesday, November 19, 2013. And I will ask the Clerk to read the Legal Call of the meeting."

(Lisa Roland, District Clerk read the Legal Notice for the record)

Commissioner Burgess: "Thank you. Now may I have a motion to accept the Legal Call?"

Cèsar Ramirez: "I will motion?"

Joe Newell: "Second."

Commissioner Burgess: "Is there a second?"

John Hiscock: "Mr. Newell seconded it I believe."

Commissioner Burgess: "Who?"

John Hiscock: "Mr. Newell."

Commissioner Burgess: "Joe Newell. When you make a motion or speak, would you please give me your name and address for the record. Thank you. All in favor of accepting the legal call?"

Electors Unanimously: "Aye."

Commissioner Burgess: "Opposed? Abstentions?"

[None Opposed / No Abstentions]

Commissioner Burgess: "Presentation by John first."

3. The Election of Electors to the Ethics Committee

John Hiscock: "Alright, the next item on the agenda is election of electors to the Ethics Committee. Most of you have been here before and know the rules but I will go through them very quickly. Ethics Commission consists of seven electors no more than four of whom shall be members of the same political party shall be elected at the Annual Meeting of the Second District. Each member shall serve for a term of one year commencing upon election, at the Annual Meeting and serving until the next Annual Meeting. The moderator of the meeting shall accept nominations for candidates which nominations will not require a second. Each elector so nominated shall affirm for the record willingness to serve or a written statement signed by the elector of willingness to serve may be provided to the Clerk prior to the nomination. I believe the Clerk has received no willingness to serve statements? Is that correct?"

Lisa Roland: "That is correct."

John Hiscock: "Ok, so the process is simply for nominations for the group. We need seven for sure. The Clerk will list the name and the party affiliation and if there is more than seven, we will have an election. If there are seven and we meet the requisite, no more than a bare majority from one political party, that is all well and good."

Commissioner Burgess: "Ok, I will accept nominations from the floor."

Cèsar Ramirez: "I Cèsar Ramirez, 28 Martin Luther King, nominate Mr. Clark to the Ethics Committee."

Jim Clark: "I accept. Jim Clark, I am a Democrat."

Commissioner Burgess: "Yes?"

Maria Borges-Lopez: "I nominate Jim Delgreco."

Jim Delgreco: "41 Elmwood Avenue, Independent, I will accept."

Jim Clark: "Jim Clark, 9 Golden Hill Street, sorry I forgot to say my address, for the record."

Commissioner Burgess: "Yes."

Maria Borges-Lopez: "I nominate Dawn Delgreco."

Dawn Delgreco: "I am Dawn Delgreco, 41 Elmwood Avenue, Independent and I accept."

Attorney Zullo: "We need some more nominations."

Commissioner Burgess: "We need some more nominations. Yes?"

Maria Borges-Lopez: "I nominate Michael Geake."

Michael Geake: "39 Elmwood Avenue, I accept, a Democrat."

Cèsar Ramirez: "I, Cèsar Ramirez nominates Ian Soltes."

Ian Soltes: "4 Garner Street, Republican."

Jim Clark: "And I nominate Michael Mushak, what number are you?"

Mary Geake: "50"

Jim Clark: "50 Elmwood Avenue."

Michael Mushak: "Did you ask me for what, to be on the Ethics Committee?"

Dawn Delgreco: "Just say yes."

Michael Mushak: "Yes."

Jim Clark: "You have to give your party affiliation."

Michael Mushak: "Attorney Zullo will vouch for my affiliation."

Attorney Zullo: "I will vouch for his affiliation."

[Laughter]

Attorney Zullo: "Difficult, but I will do it."

John Hiscock: "I presume that means you are a Democrat sir."

Commissioner Burgess: "How many do we have?"

Lisa Roland: "Six."

Commissioner Burgess: "We need one more at least."

Attorney Zullo: "We need seven. If we get seven nominated and no more than four from one party, we don't even have to have an election because then we will have...am I correct John?"

John Hiscock: "At this point in time, we have three democrats, a republican and two independents so it doesn't matter at this point who is nominated."

Attorney Zullo: "Ok, that is good."

Cèsar Ramirez: "I nominate Tom Soltes."

Tom Soltes: "Alright, I accept, 4 Garner Street."

Lisa Roland: "Affiliation?"

Tom Soltes: "Republican."

John Hiscock: "We have seven now. Anymore nomination?"

David Westmoreland: "I move that the nominations be closed."

Attorney Zullo: "All those in favor?"

Electors Unanimously: "Aye."

Attorney Zullo: "All those opposed?"

[None Opposed]

John Hiscock: "Congratulations."

Attorney Zullo: "That was the easiest Ethics Committee election we have had in many years."

Commissioner Burgess: "Yes."

[Laughter]

John Hiscock: "At this point we have seven candidates. It meets the requirements of the Charter so there is no need for an election so we can move on."

4. Receive and Approve the Audit Report (the Comprehensive Annual Financial Report) of the Second Taxing District for the Fiscal Year July 1, 2012 – June 30, 2013

Commissioner Burgess: "Now we need to Receive and Approve the Audit Report, the Comprehensive Annual Financial Report. I need a motion to place the item on the floor."

Jim Clark: "So moved, Jim Clark, 9 Golden Hill."

Ian Soltes: "Second, Ian Soltes."

Commissioner Burgess: "Is there a second? Oh, you seconded it?"

Ian Soltes: "Yes I did."

Commissioner Burgess: "Ok, John?"

Attorney Zullo: "John will now make the presentation for the commission."

John Hiscock: "The electors. I am assuming most of you have picked up an audit on the way in. Kevin can you bring some in? Ok, this year's audit was prepared by the firm of Hope & Hernandez and we have this evening with us Bob Bailey of Hope & Hernandez and Vivian Rodriguez of Hope & Hernandez. They can answer any questions about the audit, how they performed it and if there any specific questions about how the audit was prepared. In addition, outside is Kevin Barber, who will answer any financial questions or questions with respect to the numbers or the items on the audit in case I forget something. He is listening in and will be able to respond and he is listed in the audit as the controller or something like that. Ok, the audit is essentially the same as in prior years, it doesn't change much and I think as you all know, the numbers don't change much either. It is a very consistent business, revenues from water and electric are pretty much the same as they are every year. They change a little bit from year-to-year. There are no dramatic changes in this audit from prior years. It starts off simply with a letter of transmittal where I essentially transmit this to the Chairperson, a lot of it is boilerplate and then it just speaks to some of the major initiatives, those that are almost completed and winding down and some of the new initiatives. The installation of the advanced metering system is complete for electric and we are doing the water system now, which means we are reading those meters by radio electronically and are reading them about once an hour and can read them as quickly as once every 15 minutes, if we so desire. The meter data management system is close, the meter data management system is functional; it is utilized at this point. It takes the meter readings and puts them into the customer information or the billing system. It stores a huge amount of data that we are

obviously collecting and it is going to be part of the customer web-based interface. We are very close and doing final testing on a web-based interface where each customer will be able to look up account information, their balances, their information, they will be able to look at their usage, they will look at all of the data and statistics that are available and that is moving along and we are very close to completion, we are in the testing stages and like any other complex integration of multiple data systems, the integration is a bear and its getting very close but we still have some bugs in it. That is moving along. GASB45 refers to Other Post Employment Benefits relating to benefits promised to retirees with respect to medical insurance. We are running a liability on the balance sheet because we have not been fully funding it in accordance with GASB45. Those of you who were here for the budget meeting in March might remember that we have a funding plan and we are working on that and the trust is almost completed. The Commission has voted about two months ago, to move forward with it and we are dealing with the trust attorney, legal counsel and banking institutions to be the trustee. We expect it to be wrapped up in December.”

Jim Clark: “Are you taking questions at this point, because I have a question about OPEB, if that is ok?”

John Hiscock: “Yes.”

Jim Clark: “It looks like you have \$3.2 million allocated over the next four years but the liability seems to be much greater than that, so how are we taking care of the...I don't understand based on what I have here how we are going to be fully funding the plan.”

John Hiscock: “I am going to start to explain it and if I make a mistake Mr. Bailey will straighten me out.”

Jim Clark: “Great.”

John Hiscock: “However, there is an annual required contribution under GASB45 in which that big liability that you see at the top of the page, the \$11 million and change is the accrued actuarial liability; it is the actual liability for the entire program. It has to be amortized over...”

Bob Bailey: “Thirty years.”

John Hiscock: “Thirty years so that what appears on the balance sheets starting in I think 2009, if I am not...”

Bob Bailey: “That is correct.””

John Hiscock: “Ok in 2009 is the fact that we didn't allocate the annual required contribution. So, as we paid the benefits out, the difference between the annual required contribution and what we paid out to the retirees in that year becomes a liability on the balance sheet. So, since 2009 we have racked up about roughly \$400,000 a year. That is the liability that appears on the balance sheet and that is the one...”

Jim Clark: "That is not this number."

John Hiscock: "Right, it is not the total one and when we get to the balance sheet I think you will see that it is \$1.8 million at this point in round numbers."

Jim Clark: "So, basically these figures here take care of the liability as shown on the books, which differs from this number here is what you are saying."

John Hiscock: "The \$800,000 will catch-up at the end of five years, that liability on the balance sheet should be very close to zero. It will change a bit because people die and other things happen and the actuarial numbers change a little bit."

Jim Clark: "That is correct yes."

John Hiscock: "Ok, alright?"

Jim Clark: "Thank you."

David Westmoreland: "John."

John Hiscock: "Yes sir?"

David Westmoreland: "John, if I am remembering correctly once we do fund this trust, this comes off of the balance sheet?"

John Hiscock: "It will come off the balance sheet in chunks of \$800,000 a year on the catch-up but that will also include the difference from the ARC that we didn't pay. So, it will work it down to an approximate zero at the end of that timeframe."

Jim Clark: "But then you still will have an annual line item to keep current at this point?"

John Hiscock: "Oh, yes we will have to continue every year to budget the ARC to keep that at zero."

Jim Clark: "Ok, great, thank you."

John Hiscock: "The other item is the power substation that we are building just north of UPS. Some of you have gone by and seen the dirt pile and all of the activity and the work on the transmission system; the new towers have been added. If you haven't been by it is worth going by. The CL&P portion of the substation, the foundations are almost completed and sometime next week they are going to start erecting steel on their portion of the substation. Our portion of the substation has had limited construction because it is very difficult for two utilities to work simultaneously so they are going to complete their work because they have outages scheduled with ISO, they have railroad issues and then we will start our portion of the substation. We are continuing to expend funds and I think

most of you remember that we approved a bond issue of over \$10 million and an appropriation of \$10 million to do the substation. So, that is moving along. Originally we wanted to have it completed by December, but due to the tight site and two utilities we are now into the March timeframe. And that is pretty much the kind of things that are in the letter of transmittal other than what I will call boilerplate for the lack of a better term. Officials are listed, org charts and then we have independent auditor's report. Mr. Bailey and Ms. Rodriguez's report explains what the audit is about and what they are actually doing and certifying. Now, we move onto the financial section and, please any questions you have ask them, it talks about how the audit is organized and what you can expect to see in it and not see in it. It explains our structure about the governmental funds versus the proprietary funds, which are for the water and electric utilities; it goes on and makes a series of comments about how things have changed in the past year. I am certainly not going to read them all for you, they are available for you to read and you can if you picked this up previously. The schedules here shows the net position of the District. It shows governmental activities and business activities. Probably the most important thing to us is on page 7 in the bottom line, the net ending position for the governmental and business activities. That is what we are worth, an important number, \$46 million in the business-type activities and \$2.7 million in the governmental activities, the library and the cash on hand. Next we get into the basic financial statements and we start off on page 10 and again it is divided into governmental and combined business activities, electric and water in the same column. Later on in the report they split it out. I am going to quickly indicate that you can look at the right-hand column and if you look at current assets, which is cash, accounts receivables, inventory and like items, we are at \$22,968,893 and then we have non-current assets which are mostly the utility plant. The pipes, wires, pump stations, substation and all of those utility things we own. The total non-current assets are \$51,280,815 and a total asset of \$74 million. We move down to liabilities, we have current liabilities which is accounts payable, customer deposits of \$2 million that we hold of customers' money to ensure their payment, we have accrued compensated absences, reserve for sales discounts and the loan payable on the water filtration plant, that is a one year payment. That is the current year's payment that we are dealing with. Current liabilities of \$4.4 million, non-current liabilities, the accrued compensated absences, non-current a little under a half a million dollars and here is the net OPEB obligation of \$1.8 million. This is the one that actually appears on the balance sheet. And then loan payable, water filtration plant, \$18.5 million. I think some of you recall that we started out at \$24.75 million so we are paying that loan down. It is a loan administered under the Federal/State Drinking Water fund administered by the State and the interest rate is 2.04%. If we go down to the bottom of the page, we have a net position of \$48.9 million. The next page is governmental functions. You can see the expenses on the left during the year, nothing unusual. These are certainly ones that you see every year and if you go down a little bit further and go to the primary government, we have primary business activities. This is generally the same data represented a different way. I am not going to go over each page because there are quite a few different views of the same information. We move to the fund financial statements on page 12. This is the general fund and the general fund balance at the end of the year is \$1.164 million. That is essentially the cash that we have in the District. It doesn't change much from year-to-year depending on the transfers in the utilities and the expenses. The last major change in this fund was when we funded the library renovation. Prior to that we had about \$2.8

million I believe in cash and we spent \$1.8 million leaving us with \$1.1 million. The net position of governmental activities on page 13 is \$2.7 million because the governmental costs of capital assets; those are the things we have that are not cash. We move down to page 14 and this is a statement of revenues, expenditures changes. Simply interest income of \$472.00, we are not doing very well there. Total expenditures of \$139,000, capital expenditures, we spent \$1,766 I believe on recording equipment, new electronic recording equipment, transfers in \$191,000 came from the two utilities split equally between both leaving a fund balance at the end of the year of \$1.164 million that we previously mentioned. And the net change in governmental position was \$4,443.00 positive. Page 16 is the budget versus actual expenditures. The right-hand column is the one to look at. The variance columns for the most part, the variances were favorable. There is one situation that I want to call your attention to. It was a mistake made by the Department when it closed its books this year. The mistake doesn't affect cash in anyway. The books were closed and we did not charge the \$206,000 for street lighting to the District. Now, we did not do that and if you look at street lighting you will see the huge variance and you will see the actual expenditure of zero. That is obviously not the case. We spent the money; we didn't reflect it in the books. So, I wanted to point that out in case anybody thought of it at a later date. It doesn't affect cash. It doesn't affect the position but it does affect the record. Ok, budget amount was \$364,000, actual spent was \$139,000, obviously low because we missed the \$206,000 for lighting. If you put that back in it, we would be relatively close but under budget. Any questions at this point? Starting on page 17 is where the two utilities actually get split out. This is where you get to see the difference between water and electric and by both statute in our Charter, we are required to have different fund balances for water and electric so this is where it starts. Total current assets in water are \$3.6 million and \$18 million for electric. You can see electric has a lot more cash, if you look at the top of the page. I can tell you right now that some of that has been spent down over the last four or five months because we are working on the substation and when we issue the bonds, the money will come back in to the Department at that point. So, at the end of the year, the current year, it will probably look pretty much similar. Total assets, this is where the two utilities are different, the non-current assets of water are \$38 million and electric are \$11 million. One of the real reasons for that is the brand new filtration plant and that puts a big number on the balance sheet and it also has a big liability down below. I am not going to go over the rest of this other than to ask you to look at the total net position at the bottom of the page. You can see that the utilities are quite similar in the area. The next page, I am going to go through the next two pages and then I am going to stop and then answer any questions and then I will be done at that point. Total sales of water are \$8 million, the total sale of electric \$14.9 million. There are some other receipts that are theirs but the total operating revenues of water is \$8.2 million and electric is \$15.5 million. Operating expense, if you look down at the total operating expense for water, its \$8.6 million with an operating income or loss of \$357,000. It is a loss. If you look at the total operating expense for electric, \$16 million and change for an operating loss of \$444,000. Two issues that you need to think about and understand. If you think about the water utility, it has a very high level of depreciation because we have some fairly new assets. So while we have a loss of \$357,000; that is not a cash situation. We have a very high positive cash flow in water utility. This often happens in utilities when you depreciate an asset over a long time frame and you have to deal with that and at the same time you are

paying off principle and interest at a much higher rate. The loan is twenty years. The useful life of the facility is fifty years and that really causes this in accounting. You end up with that situation where you might have a net loss but a very high positive cash flow. On the electric side, we did something that is a little bit different for us and we haven't done in recent years, if you look under non-operating revenues and expenses, we have a miscellaneous income or expense. If you look at the electric column you will see that we had an income of \$996,000 non-operating income. That was a result of a planned draw down for the purposes of keeping electric rates on the commercial and industrial side at CL&P's level and on the residential side below CL&P. So, we drew down out of something called the Municipal Competitive Trust, funds that were held at CMEEC to offset the operating loss. It was done because between the year 2000 and 2013, after deregulation CL&P had to pay for what it called stranded assets. Things that were no longer useable but they invested in so they had to be paid off and paid off by the ratepayers. So, that created a stream of cash and money on CL&P's rates for stranded assets. The stranded assets at the same time of the members of the municipal co-op were paid off between 2000 and 2017. We over collected funds in the period of 2000 through 2012 so that when CL&P got to drop their rates because the stranded assets, now there are many other things in the equation, but their stranded assets were paid off. We did not want to be in a competitive disadvantage and look bad so we saved this money up so from 2013 to 2017, we are using that money to keep rates low. So it was a mechanism to keep our rates at the CL&P level or lower and using money that we accumulated from 2000 to 2012, a planned operation by CMEEC. So that is one of the reason it looks this way. Ok, statement of cash flows on page 19. It just simply gives you the revenues, expenditures, how the money was spent and where it came from. I am not going to go over it line-by-line because it is difficult and tedious. You can look at the depreciation expense, which is an add back at the bottom of the page and you get a feel for where it all comes from and goes to. And at that point, I am going to end my presentation and answer any questions you might have and from here on out there is the financial section, which are the notes for the statement explaining all of the various components. And then at the very end, are some comparative, statistical tables of interest that would be of interest to the electors to look at. It's the statistical section right in the back and it does a long-term comparison, mostly a ten-year comparison of various components and information that is useful for everybody to look at and see how things have changed over time. At this point, this ends my presentation and are there any questions?"

Commissioner Burgess: "Yes, will you state your name and address please?"

Robert Burgess: "My name is Robert E. Burgess, 37 Brooklawn Avenue, South Norwalk, Connecticut 06854. I would like to make a motion to approve the audit report as presented."

Michael Geake: "Second."

Commissioner Burgess: "Receive and approve. The motion should be to receive and approve the audit."

Attorney Zullo: "So the motion is made to receive and approve the audit report, did I hear

you Mr. Burgess?”

Robert Burgess: “Yes.”

Commissioner Burgess: “Is there a second?”

Attorney Zullo: “Is there a second to the motion?”

John Hiscock: “Mr. Geake.”

Commissioner Burgess: “And we vote on the motion. All in favor say aye.”

Electors Unanimously: “Aye.”

Commissioner Burgess: “Opposed, abstentions?”

[None opposed / no abstentions]

5. Set the Compensation for Elected Officials of the Second Taxing District

Commissioner Burgess: “Now, the next is to set the compensation for elected officials of the Second Taxing District. Yes Mr. Burgess?”

Robert Burgess: “Robert Burgess, 37 Brooklawn Avenue, Norwalk, Connecticut, 06854. I know you guys are working hard, you haven’t had an increase in many, many years, but I don’t think this is the year to give out anything so I move that the salaries remain the same as last year for a Commissioner.”

Michael Geake: “I will second that, Mike Geake.”

Commissioner Burgess: “Is there a second to that?”

John Hiscock: “Mr. Geake, I believe seconded it again.”

Commissioner Burgess: “Yes. Is there any discussion on that?”

Attorney Zullo: “Call for a vote.”

Commissioner Burgess: “Yes sir. All in favor?”

Electors Unanimously: “Aye.”

Commissioner Burgess: “Opposed? Abstentions? Oh, there is one.”

[Maria Borges-Lopez raised her hand]

Commissioner Burgess: "Thank you."

John Hiscock: "Second page, Treasurer."

Commissioner Burgess: "Ok, I need a motion for the compensation for the treasurer."

Joe Newell: "So moved."

Ian Soltes: "Second it."

Attorney Zullo: "Well, what is it?"

[Laughter]

Joe Newell: "Ok, my motion is for the treasurer's salary remains the same."

Commissioner Burgess: "Is there a second to that?"

Ian Soltes: "Yes."

Commissioner Burgess: "Any discussion? All in favor?"

Electors Unanimously: "Aye."

Commissioner Burgess: "Opposed, abstentions?"

[None opposed / no abstentions]

Commissioner Burgess: "Now, I need a motion to adjourn."

Michael Geake: "I will make a motion to adjourn."

Ian Soltes: "Second."

Jim Clark: "What about the District Clerk, what about the District Clerk's compensation? Do we need to do the District Clerk's compensation?"

John Hiscock: "The District Clerk's compensation by Charter is set by the Commissioners."

Jim Clark: "Oh, ok."

Commissioner Burgess: "There was a second to the motion to adjourn right?"

John Hiscock: "Yes."

Commissioner Burgess: "All in favor?"

Electors Unanimously: "Aye."

Commissioner Burgess: "Opposed, abstentions, I would assume not."

[Laughter]

Commissioner Burgess: "We are adjourned now."

6. Adjournment:

The meeting adjourned at 9:00 p.m.

Attest:

Lisa Roland
District Clerk