SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes
November 12, 2013

Present:	Mary Burgess	Chairperson
	Maria Borges-Lopez	Vice Chairperson
	Mary Geake	
	Mary Mann	
	Cèsar Ramirez	
	David Westmoreland	
	Martha Wooten-Dumas	
Also Present:	John M. Hiscock	General Manager
	Kevin Barber	Director, Admin. & Customer Service
	Lisa Roland	District Clerk
	Frank Zullo	Tierney, Zullo, Flaherty & Murphy
	Kara Murphy	Tierney, Zullo, Flaherty & Murphy
Public Present:	None	

Call To Order:

Commissioner Mary Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:10 p.m. on Tuesday, November 12, 2013. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Acceptance of the Minutes:

Commissioner Burgess: "So, I will call the Second Taxing District Commissioners' meeting to order on November 12th at 7:10 p.m. And I need a motion for Acceptances of the Minutes of October 15th."

Commissioner Borges-Lopez: "So moved."

Commissioner Burgess: "Is there a second?"

Commissioner Westmoreland: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed?"

Commissioner Burgess: "Public Participation, there is none. Ok, Regular Agenda. Select a Chairperson and Vice Chairperson."

District Clerk: “We need to swear in the new Commissioners first.”

Commissioner Burgess: “Oh that’s right. We have to swear in the new Commissioner.”

Attorney Zullo: “Commissioners, there are two.”

District Clerk: “Martha and Cèsar.”

Commissioner Geake: “We have to swear in both of them.”

John Hiscock: “Every time you get elected, you have to get sworn in.”

Commissioner Ramirez: “Want to do us both at the same time?”

Attorney Zullo: “Yes, let’s do them both at the same time. Would Cèsar and Martha kindly raise your right hands?”

[Attorney Zullo swore in Commissioner Ramirez and Commissioner Wooten-Dumas]

Commissioner Burgess: “Congratulations to both of you.”

Commissioner Ramirez: “First, officially I want to say thank you to everyone who supported me. I appreciate it very much. I have another term and am very happy.”

Regular Agenda:

2. Select Chairperson and Vice Chairperson

Commissioner Burgess: “Ok, the Regular Agenda now, select Chairperson and Vice Chairperson. Are there any nominations?”

John Hiscock: “The appropriate section of the Charter that explains it, is in your Board Book, so you should understand the rules.”

Commissioner Geake: “Through the Chair, I make a motion that we have Mary Burgess again as Chairperson for this year.”

Commissioner Westmoreland: “Second.”

Commissioner Burgess: “Ok, I will ask the Vice Chair to take over this part of the election, since I was nominated.”

Commissioner Borges-Lopez: “Take over?”

Commissioner Burgess: “Yes.”

Commissioner Borges-Lopez: “Ok, any other nominations?”

[No other nominations]

Commissioner Borges-Lopez: “All in favor?”

Commissioners Unanimously: “Aye.”

Commissioner Borges-Lopez: “Comments? Discussion?”

Commissioner Ramirez: “Just to clarify, the term is one year or two years, what is the story?”

Commissioner Borges-Lopez: “Every time there is an election, right?”

John Hiscock: “Every time there is an election, a municipal election.”

Commissioner Ramirez: “Ok, when will be the next…”

John Hiscock: “Two years from now.”

Commissioner Geake: “Its every two years.”

John Hiscock: “Let me find the appropriate section for you. ‘The Board of District Commissioners shall elect from their members a chairperson and a vice chairperson who will serve for a period of two years from the date of election by the Board of Commissioners at the first meeting after the regular biennial municipal election in November of the odd numbered years, in the following manner.’ So it is every two years, the Commission chooses a Chair and a Vice Chair immediately after the first meeting after the biennial city election.”

Commissioner Ramirez: “Ok, you accepted the…?”

Commissioner Burgess: “Yes. Thank you very much.”

Commissioner Borges-Lopez: “Congratulations.”

Commissioner Burgess: “Are there any nominations for Vice Chairperson?”

Commissioner Ramirez: “Yes, I would like to nominate Maria Borges-Lopez for Vice Chair.”

Commissioner Geake: “I second it.”

Commissioner Burgess: “Are there any other nominations?”

[No other nominations]

Commissioner Burgess: "Ok, all in favor of Maria Borges-Lopez?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Congratulations."

Commissioner Borges-Lopez: "Thank you."

3. CL&P Easement

Commissioner Burgess: "Ok, CL&P Easement."

John Hiscock: "This is the easement that we are going to provide to Connecticut Light & Power for the purpose of locating their portion, the PTF (pooled-transmission facilities) on property owned by the Second Taxing District. This item was on the agenda last month and there were some last minute changes by Connecticut Light & Power so that counsel, Kara Murphy and CL&P counsel, Bob Bourne, I believe."

Attorney Murphy: "Right."

John Hiscock: "Had some additional discussions; there was an additional draft, so we pulled it off of the agenda last month waiting for the final version. Several weeks ago we reviewed the revised version. From management's perspective, the revised version is fine and better than the previous version and I am going to stop there and leave it to counsel to go a little bit further with the comments."

Attorney Murphy: "What happened last month is that CL&P's in-house counsel added language that confused the issue as to which entity is building which portion of the substation property. CL&P's counsel had language that implied that CL&P was actually building the substation so we had to go back; we had to do some clarification because the substation itself is being built by SNEW and CL&P is building transmission equipment. I think that is a better way of explaining it and it is all going to be on one parcel. The reason for the easement is that because everything is on one parcel, the parcel is going to be split between where CL&P has their equipment and where the Second District and SNEW has their equipment. So, we fixed the easement language and in doing that, I think we clarified it even more, so we have a better easement now. There are two outstanding issues. One, I think is a non-issue. For people who have lived in the District for a long time, you may recall that a portion of Ely Avenue abutted the property at one time before Martin Luther King Drive was built. It is not clear as to who owns that small parcel of Ely Avenue. As far as I am concerned by statute and under case law, if that property was not formally abandoned by the City and it is still City property, we have the right to travel over the property because it can't land-lock the property. CL&P's legal counsel is a little nervous about that. So, he may go to the title insurance company and, at CL&P's cost, get title insurance over that. I don't think there is an issue there. We have been driving over this property for a very long time and actually other property owners up and down the street have the same issue. For example, the UPS property next store has the same…it is just a tiny piece of property, but it's an open question. I don't think it is an issue here. One issue that we have been discussing is compensation from CL&P for their portion of the parcel. There had been many formulas discussed by management with CL&P staff and we are still working out the details of the compensation. We are waiting for an agreement back from CL&P on the compensation issue. So, tonight what we would like to do is have approval from the Commissioners for the easement with the condition that we come to a written agreement on compensation because obviously we can't proceed on the easement unless we have the compensation that goes with the easement. And so, that would be the condition and the other condition would be that if there were any material substantive changes, that we would come back to the Commission again for a new approval but for right now, based on my conversations with CL&P's counsel, it looks like we have the easement language and really it is only about compensation at this point and there is a mention of compensation at the easement."

Commissioner Ramirez: "Through the Chair, if I may?"

Commissioner Burgess: "Yes."

Commissioner Ramirez: "What part of Ely Avenue are we referring to? Are we talking about the property where the substation is going to be built on Martin Luther King and then Lowe Street so Lowe Street and Bouton Street and then right in between is that property that we bought? Ely Avenue is basically…"

Attorney Murphy: "Ok, you have the map? I didn't bring the map with me but we have, until we get the map in, we have the substation property here, then there is this…I know this is a horrible drawing, but along here we have Martin Luther King Drive…"

Commissioner Ramirez: "Are you traveling south?"

Attorney Murphy: "Ok, we will be heading towards Rowayton, this way."

Commissioner Ramirez: "That is south."

Attorney Murphy: "South and then heading north towards here, this way. Ok and John has the map. It shows the issue. I think it is a non-issue."

Commissioner Ramirez: "Think you are right if you are referring to Ely Avenue but if you are talking about Bouton Street than it might be worse for you."

Attorney Murphy: "Ok. This wedge of property here at one time before Martin Luther King Drive was built was a piece of Ely Avenue that no longer exists."

John Hiscock: "The easiest way to explain this is here is the property boundary, this is UPS, this is where the house and Wrins Garage was and if you did an aerial view this section here is the old Ely Avenue which fronted right to the property. The old Ely Avenue went this way, crossed under Martin Luther King; came out close to Laura Street."

Commissioner Ramirez: "That's right."

John Hiscock: "You know the section of the older housing, right there."

Commissioner Ramirez: "Yes."

John Hiscock: "That is Ely Avenue there and this is Ely Avenue and then it makes a turn this way and then it goes up to the current Ely Avenue where it is dead-ended off of say, Knapp Street."

Commissioner Ramirez: "Like they say, life is a learning process. I am not from Norwalk, so I am sorry."

[Laughter]

John Hiscock: "This is the old Ely Avenue and this is the new highway. And counsel is simply saying that…"

Commissioner Ramirez: "Right that the City owns…"

Attorney Murphy: "Yes."

John Hiscock: "They have always owned or controlled Old Ely Avenue and they haven't abandoned it to anybody so therefore it is essentially the City's and it is a roadway."

Attorney Murphy: "Right, so as far as we are concerned since the City hasn't abandoned this, it is still City property and you can't land-lock this parcel. So you have to be able to use these driveways to get to Martin Luther King Drive by statute. CL&P's counsel is just nervous. So, he might get title insurance over this but at their, CL&P's cost. I am not concerned about it and I am not concerned about it because the District and prior owners have been using these driveways for so long, you would land-lock this parcel and you can't do that under State law."

Commissioner Ramirez: "So it will remain open."

Attorney Murphy: "It will remain open and what will happen is CL&P will use this driveway and the District can use this driveway. Ok?"

Commissioner Ramirez: "Ok."

Attorney Murphy: "Any other questions about the easement?"

Commissioner Burgess: "Yes?"

Commissioner Westmoreland: "The last sentence in section 6. I want to make sure it is correct."

Attorney Murphy: "Ok, we had a lot of edits, so we could have missed something or read over it."

Commissioner Westmoreland: "If the Grantee in its sole and reasonable discretion determines the change of grade or ground surface elevation requires the modifications of its facilities, such modification shall be at the sole expense of the Grantor. So, once the installation of CL&P's facilities has been complete, if they decide that they want the grade changed, we have to pay for it? That is the way I read that. Is that correct?"

Attorney Murphy: "That is the way it is here but point taken."

John Hiscock: "Where are we?"

Attorney Murphy: "Right here, the Grantors and the Grantees in the editing."

Commissioner Westmoreland: "The last sentence of Section 6. Is that correct?."

Attorney Murphy: "The Grantors and the Grantees in this last sentence in the editing, I think it is an editorial change that we missed."

John Hiscock: "No, that is correct."

Attorney Murphy: "The next sentence. The Grantee…"

John Hiscock: "The Grantor, who is us, shall not significantly change the grade or ground surface elevation, either by cutting or filling in the easement areas without the written permission of the Grantee, which is CL&P and if the Grantee, in its sole and reasonable discretion determines that a change of grade or ground surface elevation requires the modification of its facilities, such modification shall be at the sole expense of the Grantor."

Attorney Murphy: "Are you comfortable with that?"

John Hiscock: "There is no other way around it."

Attorney Murphy: "Ok."

John Hiscock: "The change of grade in there is so phenomenally expensive. We use exactly the same language when we are taking easements from people."

Commissioner Westmoreland: "So this is after everything is installed."

John Hiscock: "Right."

Commissioner Westmoreland: "They decide they want to change the grade and we have to pay for it?"

John Hiscock: "No."

Commissioner Westmoreland: "That is the way I understand this."

John Hiscock: "No, if we decide we want to change the grade on their easement."

Attorney Murphy: "They are the Grantee."

Commissioner Westmoreland: "It says if the Grantee in its sole and reasonable discretion."

Attorney Murphy: "The Grantee."

John Hiscock: "Oh right. The Grantor shall not significantly change the grade…yes, we are not going to change the grade on the easement, which is there's without their permission."

Attorney Murphy: "But if they decide to change it…"

Commissioner Ramirez: "Who is going to pay for it?"

Attorney Murphy: "Who is going to pay for? That is the next line."

Commissioner Ramirez: "That is the question."

John Hiscock: "If the Grantee in its sole and reasonable discretion determines that the change of grade or ground surface requires the modification of its facilities such modification shall be at the sole expense of the Grantor…yes."

Attorney Murphy: "It should be Grantee."

Commissioner Ramirez: "So we are going to end up paying for this?"

Commissioner Westmoreland: "So this is referring to change of grade made by the Grantor, made by us?"

John Hiscock: "Right."

Commissioner Westmoreland: "It is just not very clear…determines the change of grade."

John Hiscock: "If we change the grade on their easement, we are responsible for the cost of that change."

Attorney Murphy: "Including the cost and modification of the facilities."

John Hiscock: "I will give you an example that you see every day. All of the easements on 20 North Water are written that way."

Commissioner Westmoreland: "I understand that. This reads to me that the Grantee is making the decision to change the grade but, now that you pointed it out, I can now also read it the other way. That was the only thing I was confused about."

John Hiscock: "Because it is two different sentences, it is not 100% clear that we are talking about the same grade change."

Attorney Murphy: "We can go back and look at that again."

Commissioner Ramirez: "You have to make it clear as to who is who and who is responsible for what. It is not what we think about; it should be what is in the document itself."

Attorney Murphy: "Ok, we can go back and re-clarify that language and make it clearer."

John Hiscock: "It happens a lot when we put electrical facilities down driveways to serve property and we don't want the Grantor coming in and changing the grade on that driveway and damaging our facilities. So, if they do that, in our sole judgment, they have to pick up the tab for the modifications to our facilities and I think that is what it says there."

Attorney Murphy: "Right, we can take another look at it."

John Hiscock: "Ok."

Commissioner Westmoreland: "I agree with you, I am just not sure that is what that says."

[Laughter]

Attorney Murphy: "We will take another look at it. I have made a note."

Commissioner Ramirez: "I think even the counselor was a little in doubt, is that correct?"

Attorney Murphy: "When he pointed out his confusion, I understand. When you are writing these you get in a certain mindset and sometimes it takes a third party to say 'hey wait a minute' so, I understand."

Commissioner Westmoreland: "Because you are thinking about that right now."

Attorney Murphy: "I understand. I respect your concern."

Commissioner Burgess: "Any other questions? So the action needed is to approve the granting of an easement to CL&P, correct?"

Attorney Murphy: "With the condition that we reach an agreement on compensation."

Commissioner Ramirez: "Do you feel comfortable with that John?"

John Hiscock: "Yes."

Commissioner Ramirez: "I will make a motion to approve."

Commissioner Burgess: "Is there a second?"

Commissioner Mann: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Opposed?"

[None opposed]

John Hiscock: "We have an agreement in principle on compensation, we just have to get it worded and agreed to by the parties."

Commissioner Ramirez: "With that approval, that is also clear that this issue is going to be cleared."

Attorney Murphy: "Right, I will go back and look at it."

Commissioner Ramirez: "I am sorry, what was that again?"

John Hiscock: "We have an agreement in principle between two parties with respect to how we are going to deal with the compensation. Compensation for the parcel that we just bought will be a share based on occupied square footage based on the acquisition costs of the land. So, if we spend a million dollars for it and they occupy three quarters of it; its $750,000. That principle also applies to the parcel we got from the City for nothing. But nothing times a percentage is nothing, so there is no interest there. However, there are improvements that are taking place on both of the parcels that we are dealing with and they are also going to be done by square footage and volume of the impacted area. So, CL&P will be picking up their share of the remediation. We will also have them pick up their share of the removal of the fill that we are currently working on. There are other things that are going on. We have agreed to fence this with one fencing company, so CL&P is going to hire the fencing company, we are going to pay for our pro-rated share of that. So those portions of the agreement are more construction-based activity and that is the way we decided to split it up that way. So everybody pays for the portions of the facilities they need. When you get involved with this many contractors and this many people on the same site, sometimes we are doing things for each other just to make it function properly. And that agreement will get dealt with between the two counsels.”

4. Commercial Customer Collection Issue – ***Executive Session***

Commissioner Burgess: “Item 4, we have to go into Executive Session for a Commercial Customer Collection Issue.”

Commissioner Wooten-Dumas: “Madam Chair.”

Commissioner Burgess: “Yes?”

Commissioner Wooten-Dumas: “I would like to recuse myself from this part of the discussion due to my employment.”

Commissioner Burgess: “Ok.”

Commissioner Mann: “They are my employer as well and I would like to recuse myself also.”

Executive Session began at 7:32 p.m. – Executive Session ended at 8:55 p.m.

Commissioner Burgess: “We are back into regular session at 8:55 p.m. As a result of the Executive Session, there is a motion to provide customers 1xxx03, 1xxx64, 3xxx14 and 1xxx63 with notice of termination of electric service within seven days from the date of the letter having them bring their non-residential accounts up-to-date in accordance with the enclosed SNEW Policy. Nothing else has to be done with that, correct?”

Attorney Zullo: “Is that a motion being made now with the regular commission?”

John Hiscock: “Right, the five that were in Executive Session are going to vote.”

Attorney Zullo: “Yes and just the five that were in Executive Session are now going to vote on that resolution.”

Commissioner Ramirez: “Are we going to go back…?”

Attorney Zullo: “Someone should second it.”

Commissioner Borges-Lopez: “Second.”

Attorney Zullo: “And now you can call for a vote.”

Commissioner Burgess: “All in favor?”

Commissioner Burgess, Commissioner Westmoreland, Commissioner Borges-Lopez and Commissioner Geake: "Yes."

Commissioner Ramirez: "No"

Attorney Zullo: "Is it correct to say 4 to 1?"

Commissioner Burgess: "Yes."

Attorney Zullo: "So the motion passes."

The motion passed by a vote of 4 to 1 in favor of the motion.

5. Receive, Approve and Recommend to the Electors the Audit Report of the Second Taxing District for the Fiscal Year July 1, 2012 – June 30, 2013

Commissioner Burgess: "Ok, Item 5, Receive, Approve and Recommend the Audit Report."

Commissioner Ramirez: "Thank you sir."

Attorneys Zullo and Murphy left the meeting.

John Hiscock: "Ok, you received a draft audit report earlier in the week, last week and I believe on Friday you received a correct version along with an errata page indicating the things that we changed from the first version that you saw. These were minor errors that we picked up in the process as we continued to proofread the documents but we didn't feel it was appropriate not to let you know exactly what we did. The audit as you can see is pretty much the same as the prior year's audit for those of you who have seen them. It starts off with a Letter of Transmittal from me to the Chairperson. It is a very generalized letter explaining some processes and projects that we are working on. Some of them you will recognize as being multi-year projects, others either more than multi-years. You have a series of documents then you have the independent auditor's report, which explains how he goes about doing his audit. It is all pretty much boiler plate; there is no sense in reading through it. Unless anybody has any questions, anything up to page 5, please ask. And then we have the financial section, Management Discussion and Analysis. Again, it is a narrative speaking about how the audit is performed, what the statements look like, what the statements mean. It explains governmental funds, proprietary funds and just gives a general explanation and then on page 5 it starts with major revenue/expense factors include the following. It starts off with the District's general fund expenses decreased by 7.1% during the current fiscal year to $187,029 from $201,328 spent in fiscal year 2012. And it goes onto explain various parameters in sort of a narrative sentence type form. From there we go to a series of charts and comparative information that you can compare the prior year to the current year. First one on page 6 is the District's Net Position. You can see it has changed ever so slightly downward. Then on page 7 we have the Governmental Activities versus the Business Activities and these are all in varying summary form. And one of the things you can get a feel for as you work through our audits over the years, the numbers are relatively consistent and stable. We move onto page 8, it talks about the capital assets and the outstanding loans, debts, capital assets, the budgetary highlights. This is just a very long narrative of exactly where we are and what we are doing. The real information starts in the financial section. You have here the Statement of Net Position. You can sort of look at it as a balance sheet, it is very, very similar. Just seems to have a different title in the governmental accounting. We go through and list the governmental assets and the business-type activities. The business activities are obviously the water utility and the electric utility and they are combined on this page and as we get deeper into this audit, it gets more detailed and the numbers spread out into the two utilities and they compare them to budgets. A couple of notable things and this is by the way by as of June 30th, which is important. We have been spending money on the substation and that is not included in this document. You can see that the current assets, cash and cash equivalents are about $1.1 million for the governmental activities. That is the money that is left over after we spent money on the library at one point it was $2.4, $2.5, $2.6 million. It is now down to $1.1 million. You look over and for the two utilities, cash and cash equivalents is $16.6 million, most of that being the electric company, very little of that is the water and that is explained more on the other pages. We have the accounts receivable, we have a grants receivable, that is the AAR Stimulus, we have accrued unbilled revenue, accrued unbilled revenue is product that has been sold, metered but not yet billed because we do it on an accrual basis; that is included and added. We have the Rowan Fund, the library fund in the District, the $1,000 somebody put up eons ago. It doesn't really mean a lot and if the attorney's were still here I would pick on them because the cost of legal fees to dissolve the trust would exceed the trust, so we just sort of hang out and leave it on the books and we send them money every once in a while. You can see that we have expenses paid in advance and preliminary surveys. Preliminary surveys are monies spent to investigate whether or not a capital project will go forward. Sometimes the project goes forward and the preliminary survey gets included in the capital costs and other times it gets written off to an expense account. The most appropriate expense account. Expenses paid in advance are things like insurance and those types of items. Non-current assets are essentially utility plant, less accumulated depreciation. We have construction work in progress at the bottom of the non-current assets you will see is $3.680 million. I indicate to you that most of that is electric construction with the new substation. You can see that we have $45 million in assets, utility plant that is after the depreciation mostly in the water and the electric utility and in the governmental section we have $1.6 million; that is our interest in the library. A couple of other investments higher up, non-current assets, investments, $660,298 just happens to be a pair of CD's because they are CD's and timed deposits, they are not considered current cash. We have very little money left in CD's because they don't pay anything anymore than any other accounts these days. Investment in CMEEC is explained in the notes; it was the original amount of money we invested in CMEEC to join way back in 1987. Towards the bottom, we have the liabilities and we have accounts payable. An important one to note in the utility section is the $1.996 million; those are customer deposits and advances. Those are monies we hold to offset the money we receive from our customers for deposits. Accrued payroll liability is just small accrued compensated absences current. We have very specific days of absences, which relate based on people's pay rate to dollar values and they are taken into account because they are owed to the employees under the Employee Manual, if they leave. Notable one at the bottom is loan payable, the water filtration plant. That is just one year's principle and interest, $1.1 million. Then we go down to non-current liabilities and you see accrued compensated absences, non-current, $496,000, that is the essential sick bank for the employees, which they are due under the Employee Manual when they leave. It happens to be at a ratio of two to one. For every two days you have in the sick bank, you get one day's pay and that is a long-standing policy; that is not a change. Net OPEB obligation, we talked about off and on as you can see and we have told you where this would be. It is $1.8 million now. We put away $800,000 to lower that in the upcoming year and over the next five years that will disappear completely off of the balance sheet, presuming we budget the $800,000 every year. And then finally a loan payable for the filtration plant, that is the long-term portion of the debt, everything more than one year outstanding. It is at $18.5 million. It seems like a big number but I also remember the day I reported back to you when it was $24.75 million so it is going downward and it is a twenty-year note. So, you get to the bottom of the page and you calculate the net position and go through the simple calculation of the net investment in capital assets of $29 million and the unrestricted funds of $17 million, which is mostly cash. You have to dig through these numbers to come up with it, but you can do that and the total net worth position of SNEW is $46 million. That is our value. It is not as high as it could be because for a very, very long time, the electric utility did not take into account non-cash contributions. So that number is different, however, when you take non-cash contributions, you have to amortize the contribution over the life of it anyway, so it sort of nets out in the end. So you get the number for a while, but you really don't get it permanently. If you will move over to the next page 11 and this shows you the items that deal with the Second Taxing District itself. You have the governmental activities, total governmental activities of $187,029. You have the public official's salaries, clerk salary, treasurer, community service projects, legal accounting, meetings, printings and other, taxes and insurance and depreciation expense. As you know, depreciation is non-cash expense, but it shows total government activities costing $187,000. Then it has the business activities and it has the total business activity and the primary government of about $25 million. You have charges for services on the next column over, the only thing we charge for are water and electric and when you see you add up the total primary government expenses versus the charge for services they exceed the charges, which is the revenue, by a significant number, actually $187,029. The primary reason for that by the way is depreciation and while the depreciation here is only $47,000, the depreciation in the two utilities is quite extensive. So while it is obviously a net loss, change in financial position for the District, it is not a change in cash position that is a loss. It is important to point out. And we will talk a little bit later about why this happens and it has to do with the timing of things like the filtration plant. When you are building a very large asset in a very large chunk, you end up with a very large depreciation and a very large amortization of principle and interest, you very often end up in that negative position where you are technically losing money but collecting way more in cash than you are actually expending. Move down to the financial section and you have the fund financial statements, a lot of this is repetitive; it is just shown in different detail. We went over this previously. The bottom line is the general fund had total assets of $1,164,995 and a total fund balance of $1,164,821. There are some liabilities, some accounts payable, there is non-fundable, there is unassigned. You can see the Rowan Fund again; you can see the preliminary survey. It is the same numbers, just put in different places to portray different information. If you go to the next page and you deal with the cost of governmental capital assets and the accumulated depreciation on the above assets, you end up finally with a net governmental position of $2.793 million. I know a lot of this doesn't mean much to you, really when you look at it. It gives you an order of magnitude; it doesn't speak a lot to our operations. We move onto statement of revenues, expenditures and changes for the District. And here you get some insight as to what happens. Interest income was only up $472.00; it used to be way bigger. It used to be bigger; we had a bigger fund balance, it used to be bigger and we used to get reasonable interest, neither which we have at the moment. You go down through the expenditures for the Commissioners. Salaries, the clerk's salary, the treasurer's salary, community service, legal accounting, meetings, printing and other, insurance and taxes adding up to $139,000 and then you have an excess or deficiency, in this case a deficiency of revenues over expenditures, taking into account the $472.00 in revenue and the $139,593 in expenditures, we have a deficit of $139,121. We could have obviously offset that deficit by a tax, we don't do that, we have never done that. So we come down to other financing sources or uses. We have a capital expenditure of $1,766, which probably was the recording equipment."

Kevin Barber: "I believe so."

John Hiscock: "Yes the recording equipment, the brand new, digital, high-end recording equipment we are using, sitting down at the end of the table. We got rid of all of the old tapes that were a problem. The transfers in, $191,000 shared equally by the two utilities. So the utility money is, has and always has run the District because we don't tax. So then we have the excess revenues over the other financing sources of $50,000. We have the fund balance at the beginning of the year of $1.114 million and we have an ending balance of $1.164 million. Essentially that is the $50,000 that we put into the District in excess of what we spent and obviously all of that came from the two utilities. So, slowly over time, the utilities have been contributing a little bit more than meeting the exact needs of the District, so we are slowly building capital back up in the District. Yes sir?"

Commissioner Ramirez: "Through the Chair?"

Commissioner Burgess: "Yes."

Commissioner Ramirez: "A simple question. Under meeting, printing and other, what are the others, $39,859, page 14?"

John Hiscock: "Others would be salaries. People who attend meetings, we need to transcribe minutes, just like legal and accounting. Our fees, community service projects are the things we spend money on and the Commissioners salaries are the things that we give to the Commissioner's as their stipend. So…"

Commissioner Ramirez: "I am questioning the meeting, printing and other for $39,000. The others have their own account but this one; I just wanted to know what the other was."

John Hiscock: “Yes, we didn’t split those out. Things that go in there are public notices, every time we put a notice in the newspaper so that is meetings, primarily or every time we change a meeting or do something along that line; that is an example. If we put a display ad like we either have or will for the meeting next week. That goes into meetings. Printings are relatively small.”

Commissioner Ramirez: “I understand that. I just needed to know what the ‘other’ is.”

John Hiscock: “The other is probably just salaries and maybe some supplies. I would chalk it up to probably salaries. And it is actually I think broken out further in the report. And insurance and taxes are probably the D&O taxes on the District. We have D&O taxes in several places. This is the amount that is apportioned to the District function, the electric is the one that has the maximum amount of money because that is where the biggest risk is. So, that is simply what is on that page. We carry that $50,113 over and then we have governmental funds report capital outlays and expenditures and this is explaining why he is doing it this way. We got the depreciation expense that gets added back in and the change in net position of governmental activities is only $4,443. You always have to deal with the depreciation because it is not a cash expenditure. It comes out in places and goes back in others. We have two notables. One a significant notable on this page 16, this compares budget to final. As you can see, there are some variances in the Commissioner’s salaries. Some year’s there is no variance because it is a monthly stipend. In this particular year, we had actual vacancies that exceeded a month so therefore we didn’t pay out all of the money budgeted because it was not paid out because there were time period where there were no eligible Commissioners in a position in a given month. Clerk’s salary is the same thing. We had a timeframe in which we did not have a District Clerk appointed and it was a time period where we didn’t have that. So, that one is less than budget. Treasurer’s salary is over budget because the electors raised the Treasurer’s salary last November and it was not reflected in the budget. That was done post budget. And here is the big one that I want to point out to you very carefully and I am going to end up correcting. I can’t correct this in the audit but we are going to correct this with an entry in the books in the current year. Street lighting, we did not charge the District street lighting, that was a clerical error on our part. We should have done so, we did not. So consequently, the electric utility didn’t get to donate the contribution. Now, I know that sounds foolish to you because it all comes out of the same pocket, but I think it is important to note what street lighting costs from the public perspective so they have an idea.”

Commissioner Westmoreland: “John, just a question.”

John Hiscock: “Yes.”

Commissioner Westmoreland: “Why did we budget $3,650 for interest income and the actual is $472? I know it is nothing but, why is it?”

John Hiscock: “I think we anticipated that bad rates were going to get slightly better.”

Commissioner Westmoreland: “Oh, ok.”

John Hiscock: “And they didn’t get any better.”

Commissioner Westmoreland: “Alright.”

John Hiscock: “Normally that amount of a variance in interest income wouldn’t be bad at all when we have a half a million dollars in interest income but…ok. So the fund balance at the end of the year again is $1.164 million. Next page splits out the electric and the water into the separate proprietary fund and you can look at this…this gives you some sort of order of magnitude between the companies, at least a little bit of it. You can see that the current cash for water is only a million where electric is $15.5 million. We have an allowance in both for doubtful accounts. We have a grants receivable in electric this year of $32,603. I am assuming it is the end of the AARA.”

Kevin Barber: “Yes, it is coming down to the final months.”

John Hiscock: “Ok. Accrued unbilled revenue, water is significantly higher because we bill that quarterly. And electric is only a portion of the month. We have an accounts receivable, they are relatively close. We have inventory, we have expenses paid in advance and probably again, it is insurance. We come down to non-current investments and you have the $662,000 for the CD’s that I had mentioned. The $178,000 in CMEEC, which was put in, in 1987 and there are notes into this statement that say we reflect that at paid in. Not at book, not as CMEEC changes, it’s paid in. Deferred preliminary survey investigation charges, you can see those are small. Then we have the utility plant in-service, $63 million for water and $17 million for electric. When you take the depreciation out, water becomes $38 million and electric becomes $11 million. The electric will go up significantly next year with the new substation. As the water went up in the 2008/2009 range when we built and capitalized the filtration plant. And again, I will say electric would have been higher had over the years, but there is accumulated depreciation that would have worn it off, but all of the street lighting systems that were given to us were not taken in as non-cash contributions and evaluated on the books and they should have been. We are slowly heading in that direction but we are not there. Liabilities, we have accounts payable and the two utilities and they vary widely based on timeframe of bills that come in for payment. Customer deposits and advances, $1.996 million, I mentioned this number before, customer money that we hold for deposits and the interest on that is getting worse. We just rolled out a CD and we are going to have to lower the interest rate again. Again, we have the accrued compensated absences split up by the two utilities and we have reserve for sales discounts. It always drives me nuts, do you recall Kevin? One of these days…I made a note in here. And there is sand inside of this draft that I have here. No it is on a different version, sorry. I will make a note to myself to figure out exactly what that is.”

Kevin Barber: “John, I believe that is the amount we will be giving to customers for discounts in the first ten days of the month. I am trying to remember, that is the only thing that jumps out at me.”

John Hiscock: "Yeah, ok. Loan payable to the water filtration plant is $1.1 million. Then we have the compensated absences, we have total liabilities, the water total liability is obviously large because the $18 million long-term on debt. When you come down to the total net position of the two funds, water and electric are pretty similar. Water is $21 million and electric is almost $25 million. Operating revenues, the total sale of water is $8 million; the total sale of electric is $14.9 million. We collect gross revenue tax; we have to report it as revenue because it comes into us and then we have miscellaneous service revenues under that. Miscellaneous service revenues in water is mostly merchandising and jobbing while we do work for contractors and you can describe it as a profit, I don't think it is as much a profit as we charge for truck time, it usually picks up a fair amount of cash and that truck time is not off-set into the vehicle overhead account. That is why it appears that way. If you look at the total operating expense for the water utility, its $8,600,000, for an operating loss of $357,000. Now, you can see above $2.6 million in depreciation. So when you add that back in, the cash flow is very, very positive. If you look over to the electric utility, you have $15 million, as I mentioned in revenues, the big number that they pay for is purchased power from CMEEC. Last year it was $10.7 million and then they had the operations, the maintenance, conservation and load management, their depreciation is fairly small, it is a half a million and the gross revenue tax paid out is $410,000. It sounds like we are making a profit on it, we really aren't. It is a timing issue. We go through audits and other things and sometimes it carries from year-to-year. We are supposed to be paying out everything that we collect in gross revenues tax. In the long haul it works out that way. The operating loss for the electric company is $444,000. Their depreciation was $554,000 so they also had a cash position that was positive. The grant revenue was $268,000. An interesting section down here, miscellaneous income expense, I want you to focus on electric. The $996,431, if you remember last year we took a million dollars out of the trust from CMEEC and moved it into our bank account and got it onto our books. We also, if you remember, we did that so we could keep the electric rates lower for residential customers and equal to for commercial customers than CL&P. So we took a million dollars and we went a very long explanation of all of that, I continued to answer the questions, but that is what we did and that is how it reflects in here. We go further down the page, we have the operating transfer out, and that goes to the District. We have a net change in position for the water company of $929,000 negative and $824,000 positive for electric and then you just have the beginning and the ending of the net positions. Statement of cash flows, this is an interesting document, sometimes people find it hard to read, but it is a good example of where the money comes from and where it goes to. Cash flows from operating activities at the top of the page, water, cash received from customers, $8.4 million, we made payments for supplies and goods of $2.6 million and payments to employees and professional contractors for service of $3.2 million. So, we provided based on operating activities $2.499 million. Move over to the electric. Cash received from customers $17 million, payments for supplies and goods are $15 million, cash payments to employees and professional contractors for services is $1.1 million. So the net cash provided by operating activities in that case is only $1 million. Again, we transferred the $95,500 out. From capital and related financing activities, we spent money on acquisition of capital assets and construction of preliminary surveys, not much in water but a $1.1 million in electric. Proceeds from the sale of capital assets is $1,800 we lost in water, which means we got rid of materials that had value on the books that wasn't fully depreciated but we did not receive an amount equal to the un-depreciated value. It could have been auctioned vehicles that didn't receive enough funds, it could have been anything. In electric we actually deposited by $7,700. The same thing, we could have sold scrap wire off of a job and received it and it was fully depreciated wire. What happens is we take wire off of the pole, we almost never reuse it. It simply goes to the junk yard and gets paid as copper scrap and comes back to us. Proceeds from the federal grant of $1.268 million dollars. That is the stimulus grant."

Kevin Barber: "It is the grant plus the million dollars from CMEEC."

John Hiscock: "Yes because you have to add it up and match on the prior page. Principal paid on capital debt; that is the water debt on the filtration plant. Interest paid is Wilton taxes and New Canaan taxes and interest paid for electric of $34,000 is probably customer deposits?"

Kevin Barber: "Which one, John, I am sorry?"

John Hiscock: "$34,487."

Kevin Barber: "Yes."

John Hiscock: "Investment activities, a bunch of zeros, investment income late charges; water gets $38,000 in late charges and other charges and electric is $73,000. And then we end up with the net decreases and finally moving down to the cash and cash equivalents and you can see again water is in the million dollars vicinity and electric is in the $15.5 million vicinity. Then we add back in the operating income loss, you can see the two of them for the two utilities. You can see the depreciation expense and then we have changes in the assets and liabilities, changes in receivables, inventories, prepaid expenses, customer's deposits and payables and accrued liabilities and then we have the net cash provided by operating activities and you can see in both cases it is positive, $2.5 million for water and a million for electric. These are the notes for the financial statements. You have probably read most of them previously. They go on and on and on. Let me see if I can point out some good ones to you. We have the Rowan fund, we have the inter-fund transactions, we have the City of Norwalk lease; this is all on page 22. It talks about budgets, cash and cash equivalents, it goes down through where the money sits, it talks about the cash deposits in the banks; it speaks to an issue that is a relatively serious issue. We have a large concentration of cash in Fairfield County Bank and a small amount in Patriot's Bank. Because of the way the banking law works in the State of Connecticut, each bank that has municipal deposits is allowed to have a certain amount of municipal deposits for a dollar volume and they have to offset that with securities so that they have enough securities to cover the municipal deposits. The bank, if it gets in a position where it does not have enough securities to cover municipal deposits, they literally have to give you back the municipal deposits and that has happened to us in the past. So, while there is a large concentration of cash in a bank, it is all backed up by obligations of larger institutions and banks and it goes to cover those deposits. So it is kind of an insurance policy for municipal debt and that is one of the reasons we are comfortable with having all of that money in one particular bank. At times we thought about maybe spreading it out onto two other local banks, we are not comfortable with the two other more notable local banks at the moment based on the State ratings, so we decided not to go there. Otherwise, we would have to go with a larger bank based out of town; we are not too inclined to do that. It is just a policy decision. Certainly if the Commission felt we should do that we would absolutely do that. Again, speaking to money and risk, you can read through it. It gives you the same kind of information. Now, we talk about the utility grant depreciation schedules and they are interesting but they don't speak much to the actual audit. We go down to accounts receivable provision for bad debt. The numbers are there. It speaks a little bit about unbilled revenue. It talks about accrued compensated absences. It explains them and how they are calculated. It speaks to GASB pronouncements and filings. Again, talks about the cash customer securities deposits, it goes to the investment in CMEEC. It talks about our $8.583 million joint equity member, which will change this year because we changed all of those contracts with CMEEC and they were very up and down and moved very slowly. It speaks about the member trust fund, the rate stabilization fund, the economic development fund, the conservation and load management fund, the renewable resource investment restricted fund and the regional greenhouse gas initiative restricted fund. The funds that are actually held by CMEEC are the $2.297 million held in a municipal trust and the $1,068,389 in a non-trust account. We may be moving towards those dollars as we go through the process to continue to build the substation. It talks about conservation and load management fund, those are monies that we take from our customers and give to our other customers. It's a subsidization program mandated by the State of Connecticut in which all customers are required to pay a certain amount of money based on their kilowatt hours used and then we have a program where we distribute it for subsidizing conservation and load management programs in other customers. It is usually large customers. You hear about PV, you hear about demand reduction, that's a philosophical one, how you feel about that or not. Important one next is CMEEC's bonded debt and capital lease obligations as of June 30th electric's share was $5,596,946 and electric's net obligation, which is bonded indebtedness minus our share of member participant funds, drops down to $2,230,771. So that is how much money we owe CMEEC. A lot of it is for long-term debt. Electric's sale for resale of $8,659. It's another one of those small numbers I never remember, do you?"

Kevin Barber: "In a certain portion of our District we do provide street lighting, we end up charging to CL&P, and John you can probably explain it in great detail than I am…"

John Hiscock: "Yes, Bouton Street is out of our District, lower Bouton Street, we provide street lighting because our electric facilities are there. We also supply those customers, so that is essentially energy sold to CL&P, which they sell to the City of Norwalk. Capital assets we have gone over quite a few times in different ways, this is listed here. Here are the capital assets and the depreciation schedules. You can get a feel for what they are, such as source of supply are things we get water from Wilton pumping plant. The pumping stations that we pump water with, the water treatment plant are what we treat and create water with. Transmission distribution and pipes, general plant and office facilities and I believe that is electric, general plant and then we have the generation plant that has original value and distribution plant and then below it you have the total accumulated depreciation and then you end up with appropriate ending balances, which is essentially a depreciation schedule. Rates are on the next couple of pages. Water rate last increased October 1, 2011 and then we have electric rates and they were changed September 1, 2012. Here is an amortization schedule for the drinking water loan program on page 33, which simply says we owe about a $1.1 million each year, it split between interest and principal. As you can see the interest rate is 2.04%. This is just the rest of the summary. The next section is MERF, the employee's retirement funds that is managed for us by the State. We have no control over it other than we are a member. We pay into it according to their rules. The employees receive benefits according to their rules. On page 39 you will see contributions required and contributions made and they also deal with the percentage of our contributed and the GASB rules. The District does have a deferred compensation plan fully owned by the employees. The District does not report its balances of the plan in their financial statements. We have no control. There is also a simplified employee pension plan. Electric started one in 1978 and water started one in 2002, when the two utilities joined and 5% of each eligible employee's gross wages is placed into a plan. Again, that is a plan that is owned by the employee and we have no control over it. Next item is post employment retirement benefits, electric and water. We have been talking a lot about this. It just bears out the numbers we have been talking about and as you can see in these timeframes we did not contribute the entire annual contribution and only hit about 50% of it and that's why we built the net OPEB obligation for the $1.854 million. Again, this year we budgeted $800,000 against it. We plan to do the $800,000 every year for the next four years. When you add that up plus the annual OPEB cost you will come up with zero at the end of the timeframe. This is more of the information from the actuary. These are the big numbers. This, the actuarial accrued liability, that is the total liability over the next thirty years and actually now it is about 26 years for these benefits and it is $11.4 million and you can see we haven't funded it. Significant customers, just speaks about the size of our customers and sixty of our largest customers of water represent 19% of our income. Electric, thirty of our largest customers represent 24%. Commitments on page 43, it just discloses that we got approval for the $10 million bond obligation and temporary borrowings for the substation and the next subsequent event to owe was in August when the District Commission's authorized and approved the District to set up a Section 115 Irrevocable Trust in order to fund the OPEB obligation. This is an interesting one on page 44. I guess it makes the employees somewhat comfortable. If you look at column 4, it's the percent funded based on either the actuarial or the market base and as you can see, it was generally above 100% funded for the time period up to 2008 or just under depending on whether you use market, then it dropped down in the market very significantly and then it started to come back up. From the employee's perspective, that number should be 100, obviously meaning that the State has set up enough aside to cover the liability. It is not quite a hundred, it used to be. It will probably get back there. While this is run by the State, under the State's rules, the State does not contribute to it, does not take anything other than a small amount of it as an administrative expense out it and this has not been grabbed for budget balancing purposes by the State. This is different than the State employee's pension program, which is very similar but not nearly as well funded and is the responsibility of the State. The State does not have to the authority to go at this fund to solve their other problems because it is really the members' funds because we are all responsible for the dollars involved. Ok, supplementary combining and individual fund schedules. This is where you get to the real detail. The first one is the water department's income versus expenses, versus budget and the variances. Water operating income was $416,000 below budget, so we didn't meet the budget target. That is a difficult one for us because water use is related to weather and if it is dry, it is high and if it is wet, it not. Other income is a little bit more consistent. We usually hit it pretty accurately. Laboratory services, net merchandising and jobbing, customer charges and customer late fees. So our total income was off by $424,000. Expenses, these are the ones that we are really responsible for. This is what we put in the budget. We say to you that we can't control the income but we can control expenditures. You can see the total operating expenses for water was $5.8 million in the budget and the actual was $5.5 million. We were under by $313,000. But you can also see there were some fairly wide fluctuations in the numbers and there are kind of two reasons for that. One of the reasons is we have a fixed labor force and not fixed to the point where we couldn't unfix it but from an operating perspective it is fixed and as an example, our operations expense versus our maintenance expense is dependent sometimes on the number of main breaks, the number of power outages, the number of failures, so that we will shift operations labor over to maintenance to take care of the issues. Generally, when you add those two numbers together, they are generally pretty close, but not always. The other issue sometimes is variable labor because we may budget for a position that we don't fill and that makes a big difference. So, sometimes when we are under budget it is because we haven't filled a position. Other expense, interest on the filtration plant, that is easy to budget, it comes off of the amortization schedule, gain/loss disposition of assets, is premature retirements and disposals and again we have the property taxes and you do recall we are currently in the process of bringing suit against the Town of Wilton for excess property taxes. Yes sir?"

Commissioner Westmoreland: "Back on the maintenance, transmission and distribution, $475,000 under, that's great I guess unless we just didn't do maintenance that needed to be done because we wanted to save money."

John Hiscock: "I think that one has a labor component to it."

Commissioner Westmoreland: "A variable labor?"

John Hiscock: "Yes."

Commissioner Westmoreland: "Driven by?"

John Hiscock: "A vacancy we have not filled."

Commissioner Westmoreland: "$475,000?"

John Hiscock: "No, no, no please, that is one portion of it, a small portion of it."

Commissioner Westmoreland: "Sign me up."

[Laughter]

John Hiscock: "If we do the year's comparative, at the very end and you will see it, we budgeted to paint the Price Street tank. The painting of the Price Street tank was about a half a million dollars. We did not complete the painting of the Price Street tank in the fiscal year. The thing that you are going to see next year is we are going to be over significantly in that item, close to the underage. That is a big issue."

Commissioner Westmoreland: "Do you carry forward items like that, unspent expense into the next year? That is a pretty common practice."

John Hiscock: "We could do that. Sometimes we have used extraordinary maintenance in our budgeting process. We didn't, we presumed this tank was going to be done. It did not get completed for a whole host of reasons. And judging by that number, we probably only paid for half the tank at most."

Kevin Barber: "I think it is somewhere around $200,000 to $300,000 that was paid in the current fiscal year."

John Hiscock: "And again, the numbers keep coming back to you in different ways…the transfer to the general fund. The next page is the capital project reconciliation. It speaks about the budget, what's expended, what the variance is and what the status of the project is in the extreme right-hand column. Some of them have been cancelled. Some of them are completed. One of the good things is that we judge these on an individual basis and as you can see, nothing is over budget. At the bottom there is a preliminary survey project for $12,654 that was cancelled. Now we move onto electric. We didn't budget for unbilled revenue. If you look at the rest of the information, they are ok. We took in $790,000 less than we had planned. We budgeted for $16.2 million; we took in $15.4 million. We probably had planned on some of the projects that are coming online that haven't come online at this point. There are some fairly notable ones. Total income budgeted $16.39 million, spent $15.639 million so we were $759,000 under budget. Expense, the big number again at the top is purchased electricity. We budgeted $10,850,000; we spent $10,722,000 for a savings of $127,000. It is not really a savings because we sold less electricity. So those go hand-in-hand, sales of electricity and cost of electricity. So, it is probably a little bit of a price variance and probably more of a volume variance, that number. Transmission distribution operations again we are significantly lower than budgeted. Maintenance is lower. You will see that there is no street lighting expense either budgeted or actual and that will be corrected. Customer accounts expense is fairly normal. Conservation and load management, we are not spending it as fast as we are getting it. We are obligated to spend it on the program. We can't use it for anything else. Gross revenue taxes again, we are on balance from a timing perspective. We spend everything we take in. Customer assistance program we did not spend everything budgeted by $2,400. The other issues are miscellaneous income and deductions under the actual you have the $996,431, again that is money from CMEEC. We got the incoming grant revenue of $268,000, none of these were budgeted. We have the $7,700 gain on assets and then interest expense of $34,000 compared to the $36,000. In the end we had expenses of $16,719,768 budgeted expenses and actual expenses of $14,212,657, a savings of $2.5 million."

Commissioner Westmoreland: "John, is it normal in the utility world to adopt a budget where the expenses are higher than income?"

John Hiscock: "Yes, only because we had planned on the million dollars. You could almost take that $996,431 and move that up to the income section and it would change. Now, it is sort of the way it is presented. That was a planned event on our part."

Commissioner Westmoreland: "So why isn't it in the revenue side as other income?"

John Hiscock: "Because it is not a direct sales of electricity. Here is where this money came from."

Commissioner Westmoreland: "So, I mean, I remember this but…"

John Hiscock: "Over quite a few years when we deregulated, both the investor owned companies and the municipal companies had stranded assets, things that they could no longer take a gain on. CL&P amortized them over a shorter timeframe, so that they would be done by 2011 or 2012. CMEEC did it over seventeen years so that for the years between 2012 and 2017, we would have had this competitive financial disadvantage where we were still paying off stranded assets. So, what we did was we over collected money when we were lower than CL&P's rates and put it into this competitive municipal trust and then we are drawing down on it now. So, it was monies collected in prior years and that is another reason it can't go up here. It was a prior year's collection and now we are spending it. So, the auditor believes that it belongs in the other section."

Commissioner Westmoreland: "So you knew you were going to have this million dollar swing. Normally we wouldn't budget to have expenses exceed revenues."

John Hiscock: "Correct. And normally we wouldn't have to worry about our rates being higher than CL&P's because CL&P is no longer paying the competitive transition assessment, but we are. So, that is one of the reasons we are higher. Another reason is that we bought some gas hedges at a bad point in the marketplace and they will be done by the end of this year. So that is going to help us out. But this was a planned exercise that I discussed with the Commission."

Commissioner Westmoreland: "Ok."

John Hiscock: "Just a capital program and there is one that is still a problem over here. I have to read note one. Ok, we have a variance of $201,000, we overspent. This is a project that is being paid for by the State of Connecticut and there is a reimbursement. The amount we budgeted was only for our share that we had to pay. We did not have this reimbursement in this fiscal year. So, when that money comes in from the State, we will be all set. We could have handled it a different way but we chose to budget it this way. This is another portion of the depreciation schedule shown in a different way, with a bit more detail. I am sure it is not terribly interesting. And the electric, see that, more of the depreciation schedule. Ok, we have preliminary survey and investigation on page 53. These are the projects that are not yet capitalized but we are spending dollars on. Page

54 is just a greater break down of water. Page 55 is just a greater break down of electric. Page 56 is the community service projects. There is an error in this schedule but unfortunately we caught the error too late. The total dollars are correct. Some of these items received through our automated distribution process for vehicle overhead, they ended up getting assigned vehicle overhead when in fact there was actually no work done on the project. That should have been adjusted at the end of the year, it was not done. As you remember, we eliminated Heritage Wall, we eliminated Peter's Park."

Kevin Barber: "And Hope Dock."

John Hiscock: "Yes, Hope Dock."

Kevin Barber: "The three with the same dollar value."

John Hiscock: "Yes."

Commissioner Ramirez: "What was the other one?"

Commissioner Geake: "Hope Dock."

Commissioner Ramirez: "Yes."

John Hiscock: "An interesting historical table, not a lot of detail but it gives you a general feel of where dollars are going, where they are coming from, how they balance out."

Commissioner Westmoreland: "John, the rates that we charge for public city fire hydrants; are those regulated by the State? Is there any reason why we never raised them?"

John Hiscock: "No, none of them are regulated by the State at all. As you can see, they have been consistent for many, many years, which you have caught and pointed out. Taking into account the depreciation on the asset and the dollars we actually spend, we take in more than we actually receive. The Wilton rates are higher because of a contract with Wilton going back to the 80's when we extended service into Wilton. They actually wanted their hydrants tested every year as opposed to the three year cycle that we use for the rest of the hydrants in the City. We charge them approximately three times the price."

Commissioner Westmoreland: "Why don't we charge them $400,000 or whatever it is they are taxing us."

John Hiscock: "That would be nice."

[Laughter]

Commissioner Westmoreland: "We could always negotiate it, right?"

[Laughter]

John Hiscock: "It has always been an issue with hydrants. It always looks like a small number but when you really add the depreciation against the costs it is minimal. It really doesn't even come close to matching what we take for revenue. Fire protection is a better deal. Hydrant fire protection, there is no expense for that other than we have to upsize the mains and we do a little bit of cross-connection inspection that we charge for anyway. These are rates designed to cover the assets that we have to put in place to provide large fire flows to businesses. It is a very theoretical, very subjective number. Usually what we do is look at what everybody else charges. Water production you have seen before; pretty flat. It varies a little bit by temperature during the year. Electric revenues, again you can look at them. Sales, general fund to income and expenditure historical table. And a revised debt information table, which is now current. You remember we all talked about this a while back. I believe Tom Hamilton was the one who drove the effort in getting us the information and it was prompt and it was quick and I guess there were some discussions that occurred. Not only do we have it for the year listed, we have it ten years back. They went back and did everything for us and it probably wasn't very hard. It probably sits in a data base and someone has to go on and plug it in, but nonetheless, we have the information."

Commissioner Geake: "It has been done."

John Hiscock: "And you can see that a good amount of this value is residential in one form or another, Hatch & Bailey is not, but it is either mixed or residential. And that is it."

Commissioner Geake: "Through the chair, I have a question for you John. I know we spend a lot of time going over this stuff, I would love to let all of the electors go through the same amount of time we did, can you do a concise amounts so we don't have to have them going through the same thing. In other words, a smaller one would be a lot easier, a lot less…"

John Hiscock: "Yes, in recent years we have been cutting it down quite a bit."

Commissioner Geake: "Because in some cases, they don't need to know what we are doing for the employees and things like that. They have every right to but there is really no reason to let them all know, of course they can still see it if they wanted to, but it is not like it is going to change."

John Hiscock: "I generally stick to the balance sheet and the income and expense and try to stay in that range. That seems to interest people the most. I try to stay clear of the notes because I truly don't want to have to go through and explain some of the notes and why they are what they are because, unless you understand the accounting principles, notes are meaningless to you. It will be abbreviated very definitely and they are available to the public now. I guess they were available to the public on Friday so that gives them 10 to 12 days to look at it and as you look at this and you have questions, call me, ask me, email me. I am more than willing to go through and if I don't know what it is, it won't take me long to figure it out."

Commissioner Burgess: "Now, we need a motion to accept this and recommend this to the electors, correct?"

John Hiscock: "Yes."

Commissioner Ramirez: "I will make a motion to accept this."

Commissioner Burgess: "Is there a second?"

Commissioner Borges-Lopez: "Second."

Commissioner Burgess: "Any discussion on the motion?"

Commissioner Ramirez: "I will make a motion to adjourn."

Commissioner Burgess: "Pardon me?"

Commissioner Geake: "We have to finish this first."

[Laughter]

Commissioner Burgess: "All in favor?"

Commissioner Unanimously: "Aye."

Commissioner Burgess: "Opposed, abstentions? Can I have a motion to adjourn?"

Commissioner Ramirez: "I will make a motion to adjourn."

[Laughter]

Commissioner Borges-Lopez: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

<u>Adjournment</u>

The meeting adjourned at 10:25 p.m.

Attest:

Lisa Roland
District Clerk