SECOND TAXING DISTRICT COMMISSIONERS
Special Meeting
February 24, 2011

Present:	Mary E. Burgess	Chairperson
	Al Ayme	Vice Chair
	Maria Borges-Lopez	
	Mary A. Geake	
	Sherelle Harris	
	Mary Mann	
Also Present:	John M. Hiscock	General Manager
	Candace Pampoukidis	District Clerk
Public Present:	Michael K. Geake	
Absent:	Cesar A. Ramirez	

Call to Order

Chairperson Mary E. Burgess called the Special Meeting of the Second Taxing District Commissioners to order at 7:01 p.m. on Thursday, February 24, 2011. The meeting was held at South Norwalk Electric and Water, One State Street, South Norwalk, Connecticut.

2011-2012 District Budget – Analysis and Discussion

Commissioner Burgess: "I will call the Special Meeting of the District Commissioners to order, Thursday, February 24, 2011 at 7:01 p.m., and there is only one purpose and that is to discuss the District budget. So I assume… it's your show now, John [Mr. Hiscock]."

Mr. Hiscock: "Oh, thanks. We gave you some handouts this evening. We'll talk about them when we get a chance. While this item is not on the agenda, you will see a letter that was dropped off this week after a conversation I had with the individual who signed the letter."

Commissioner Burgess: "Okay."

Mr. Hiscock: "And we'll leave it at that. Okay, so, that's fine. Alright, a couple of issues that I just… in general, to go over, first of all, in the revised budget in your booklet you will see a pink pages, pink page. The first pink page is what I want to talk a little bit about. Commissioner Ayme requested that we provide a list of the things that we changed, since we were going to make some changes, and this is the list. We'll start on the top with the Water utility, and we went through the capital projects, looked at them, talked about them, sat in a room and tried to go through, and straighten out, and simplify some things, and make it work a little bit better for us, and eliminate some of the authorized funding. So I want to start under Water, and you look at the project numbers, and I'm just going to talk about the first four digits which are obviously the year - 2005, 6, 6, 6, 6, 8, 8, 8; those are all projects. Instead of carrying them we decided to simply cancel the balance of the project. We decided to cancel the balance of the project because there are other projects in more recent years that serve the same purpose, and simply carrying these things adds to confusion, and difficulty, and a lot of issues, and it also helps to understate the amount of money in the Water fund, and we certainly don't need to do that considering what the Water fund has. And we went down through the current year capital projects and, the requested ones, and we eliminated two of them. We added one that we missed, which is kind of an interesting thing, because we needed to add that one. And then we reduced one, which is 12-06, the miscellaneous computer equipment, based on the fact that we've been budgeting $25,000 and we didn't really think we were going spend it, so we simply dropped it to $10,000, and we increased the miscellaneous capital project from $75,000 to $100,000, because of some of the cancellations that we made. That upped the current year capital projects by $78,000, but the adjustment to the previous year capital projects is a negative $235,000, so we dropped out of the capital budget $157,000. As you can see by the types of items, they're relatively routine items that we deal with. They are all, you know, hardware related construction projects that we talked about. The Allview Avenue adder of $100,000 was sort of made up by eliminating the old A/C main replacement for $87,000, which was 2006-06, and the elimination of 2009 4" replacement for $97,000. So we cut some of it out, and when we get to the summary for the Water you'll see that we're slightly better than we were. We're just less negative than we were previously, the last time we talked, at the last meeting. As we move down Electric, we spent a little bit more time looking at the Electric, and a couple of things occurred. Starting with the first one, 2005-04, this is a project that's been sitting around for a long time. It was originally budgeted in 2005. It was the Monroe Street project. As I think you all know they're rebuilding the railroad bridge on Monroe Street and there was a tremendous amount of utility work that. It was done both on the Water side and on the Electric side actually, and all of the other utilities did the same thing. Because we're municipal entities however, our costs are paid for by the State, whereas the, you know, cable, phone and others are not, because we're a municipal government form. When the project was first put into the budget it was put in in a way that it was simply the total cost of construction and simply ignored the amount of money we were going to get from the State. So we went back and looked at it. We got all of the paperwork out. We looked at the approval from the State, which only recently was finalized. We've had a long standing problem with that project, because the way it was originally estimated to the State, really was not constructed that way in the field at all, and we've been going back and forth with the State for several years trying to get all of the work approved. The individual who, and this is not to be critical of something that happened in the past, that's not my intent here, really didn't understand budgeting and project management very well, and the information that went to the State really was not very complete. The long and the short of it is we dropped $275,000 out of that item; and we dropped the $275,000, and we left $50,000 in, and even that may be more than is necessary but we want to leave that there until the project is finalized. When you do a State project, when they fund 100% of it, you have to pay two credits to the State. One is a betterment credit. In other words if you put facilities in that are bigger, better, or newer, I don't mean newer in age; bigger or better when you put the new ones in, you have to pay the State the difference between what was there and what you put in. Example - if there was a conduit bank of six conduits and we decided 12 would make some sense, we pay for the extra six. We only pay the marginal cost. We don't cut it in half and pay half just because the number's different. So we have a betterment credit, and we have a depreciation credit. We have to give the State back the un-depreciated portion of the asset that's there. So we left $50,000. The pole replacement, we cancelled the balance of the project for several reasons. Back in the 2004-05-06 time frame we did a pole replacement study and it came up with 60 some odd poles that were defective and should be replaced. We budgeted for all 66. We replaced a significant number of them. The budget was greater than necessary because we estimated for pole costs high. We also did other kinds of pole replacements, and took care of them in other projects. So we reconciled the pole replacement situation and decided to eliminate the balance of that project completely, okay, and as we go through down the list there are other pole replacement projects for smaller amounts. That's one of those things we do on an annual basis. We eliminated installing a pad mount switch on Monroe Street, a situation where we originally planned to do the work. We made some changes in our system. We don't need to do the work. We eliminated that. We eliminated the rebuild old office at the generation plant. We had planned on taking the old office and doing a minor renovation, bringing it up to code, creating about 2-½ offices out of the old building. It took a… we hired an architect. We looked at whether or not we could do that. And we could do it, under the code, and he had to use some of the exceptions in the code that allow you to leave existing, non-conforming staircases if you make certain improvements to them, and notifications, and you stripe the floors, and stripe the ceilings, and all sorts of things that warn you that it's a staircase that's not appropriate. We looked at that and decided that that renovation probably, although it would save… it would solve some space problems for us, we were better off looking at an overall space issue and not spend the money there at this point, so we decided to cancel it until we can come up with something better than that, so that one came out. Install and engineer capacitor banks, overhead, again, an over estimation of the cost. We've done some of the work, and we dropped $75,000 out of the project because we're doing a lot of it with internal labor. The next project down, build out circuit 1B09 - 1B09 was going to be built out to serve the Reed Putnam 95-7 development. It hasn't started. We don't know when it's going to start. We decided not to leave it hanging out into our budget for three, or four, or five more years depending on when that project is going to move again, so we just decided to eliminate that. Miscellaneous underground cable upgrade - we eliminated the project. Replace some solid blade switches - we decided to eliminate that because we weren't proceeding on that project. Replace… emergency replacement of conductors and devices - we dropped that by $100,000, from $200,000 to $100,000, primarily because we normally don't spend anywhere near the $200,000 we put in every year, so we dropped it out, we lowered it. Replace vehicle 32 - made a determination that that vehicle was not… not really necessary, and it would have been a nice thing to have but it really was not… we can work around it. We came up with a work-around for it. Replace portable grounds - that project was cancelled, a small dollar amount, $15,000. Replace emergency engine batteries, $19,000 - we cancelled that because we are not sure with the new substation work whether or not we're going to continue to have that engine for a long time. We decided not to replace the batteries until we have a better feel for whether or not the engine will actually stay there. We have another project that we budgeted for, which is to come up with a black start system to power the substation, the office, and the line garage without using that engine, so that engine may become obsolete. That was an engine, a small engine that was outside the engine room in an enclosure in the substation yard. It was a one megawatt engine put in I believe in the mid 90's. It was a used engine at the time. It does not have appropriate controls for our current situation. When we had a 7/24 engine room group they could go out and manually start the engine, manually start the cooling fans. This engine, without a significant amount of dollars, is not able to be set up in an auto start mode, so we felt that this engine is probably going to be phased out. The next one down is a CL&P/SNEW point of service improvement. This one will take a little bit of explanation. When we were complaining to CL&P about the number of failures we were having on the two incoming feeders, and you know that we had a lot of times where we were flat on both lines, or we had one line down, or the other line down. CL&P said to us 'We don't like the load imbalance on the line, and we think that's contributing to the failures'. The load imbalance was because one of the lines is way shorter than the other line, and it has a different impedance, a different resistivity, that's an easy way to say it that you will understand. Impedance is really resistance to electric flow. So consequently, like 85% or 90% of our incoming power was always being fed by one conductor, and they felt that was over-dutying the conductor even though our load was less than what they call the design maximum of 22 megawatts. So they told us they were going to put a reactor in our facility, or on their facility, whichever was going to be less expensive. We didn't want them to replace the reactor because it would become one of their capital improvements and we would then have to pay the 22% to 26% per year carrying charge for OM&A in capital, and if they were going to spend $1 million on this thing it was going to be $225,000 to $250,000 per year carrying cost that we were going to pay. That made no sense at all. So we talked to a consultant about changing the relay scheme and some of the relays in the substation to open the high side bust to the transformers which would have split the load, matched the split load inside of our facility, solve CL&P's problem, but would have left us in a long term position where every time a line went down we would get a bump or a spike, and that was going to be a problem. So we came up with this fairly complex relaying scheme from the consultant on the low side of the main transformers, and it was going to be $500,000; way cheaper than paying CL&P, so we put it into the budget. Once we decided to do the substation, and we were no longer going to work with TTD, the Third Taxing District, on a joint substation; so that eliminated the 27/6 scheme into our substation, so we decided we didn't want to spend the $500,000 in the substation. We instead repaired a fail over scheme on the high side of the existing substation as a temporary measure. And the only reason it's a temporary measure is every time one of the CL&P lines drops out we sense the voltage drop, the relay senses the voltage drop, it kicks out our breaker that goes to the CL&P line that's lost voltage, and the tiebreaker that we used to have manually closed, which is open now to make CL&P happy, would close. The problem with that is every time it happens we're going to get a system-wide momentary blip, enough that it will affect electronic equipment. So you're going to get a dimming of the lights, sort of what you got yesterday, but for a different reason, okay. We believe that that's acceptable for two or two and a half years, as opposed to spending $500,000 to deal with the other scheme, and parts of the other scheme would have been rendered somewhat useless by the new substation. So it sort of all went together, and we decided to take it out of the budget once and for all, okay. And purchase meters - we eliminated that one. In the current year's capital projects we made a few changes. We dropped out the emergency replacement of conductors and devices. We dropped the computer equipment from $25,000 to $10,000. We dropped the purchase meters from $50,000 to $10,000. We added $100,000 for the AMI project that we're working on, and we increased the miscellaneous capital purchases from $75,000 to $150,000 because we rejected the emergency replacement of conductors and devices. So all of those emergency things are sort of in one line item now, and not separate items that will get cancelled the way we used to budget. [We] dropped $2.2 million out of the Electric capital budget, not for the current year, but for the current year plus prior year projects. We added in some extraordinary maintenance projects. No, excuse me, we made changes to the OM&A budget because of the extraordinary maintenance item, because when you do your capital and your OM&A out of the same workforce, if they're working on a capital project their labor is assigned to the capital project. If you cancel the capital project the labor's got to go someplace, because we don't lay off 15% of a person, and they are still working, they're just going to work in a different area. So those are the changes we made. They're a significant number of changes. It makes the general budget look a little bit better, not a whole lot, I want to make that perfectly clear. So we're going to move over to, if you don't mind, page one after the second pink page. The first page doesn't change for the most part. The significant things are on the second page. If you look at the second column, on the bottom of the page, closing balance reserve fund, it's a negative $1.7 million. It was a negative $1.9 approximately last week. We… in the next column over to the right, which is the Electric fund, the closing balance in the reserve fund was $3 million last week, and it's now at $5.2 million, and it more accurately reflects the work that we anticipate doing. Again, because of the way we budget, while these numbers are our best estimate, they're our best estimate if we do every single project and spend every dollar authorized. That doesn't happen, although we're getting better at budgeting. It doesn't happen because when you have a project you don't want to keep coming back for additional, so you do a job, you budget it, and you generally spend less than the budget. Rarely do we come back for more. And it just has to do with the way we budget, where each capital project is a specific line item, and that's the authorization for that project. However, the returns will not be as good as they've been in the past because we're doing a better job of budgeting. And the example… I think I can give you an example of that if we move to page…"

Mr. Barber: "[Page]13 [directed to Mr. Hiscock]."

Mr. Hiscock: "Yes, I'm going to… yes, the Water's not… page 7, the Water's not going to be helpful because the Water budgeting was tighter and that remains the same, so we'll move to the Electric budget. Did you say [page] 15, Kevin [Mr. Barber]?"

Mr. Barber: "[Page] 13."

Mr. Hiscock: "[Page] 13, okay, move to [page] 13, and right in the middle of the page there's a line item that says return to reserve from the fiscal year audit, which is the previous year's based on the audit work. The right-hand column, which represents fiscal year 2009-2010, we returned $2 million unspent, which essentially is a $2 million over budget. That was just unacceptable. If you go to the 2010-2011 we dropped it down to $1.5 million, still not very good at all. If you look at the left column for 2011-2012 we're looking at $500,000. We're getting way better. We're doing a better… getting better estimates from people when they put projects in, getting better information from people, so that it's not a distortion, and that really was a distortion of the budget. The other thing that looks a little bit better now, if you look at the ending balance of… the closing balance in the Electric fund, it was $6 million, it dropped to $5.6 million, and now is down to $5.2 million. So that's not bad, and considering the fact that we're working on the substation and spending money there, that's actually pretty good. So we're not taking that nose dive in the Electric fund that we were taking previously, and most of the nose dive was due to lousy budgeting. I'm saying it on the record, but that's really what it was about. Everything I talked about was the capital budget, okay, virtually nothing we did changed the operating budget at all, okay, and I want to make that perfectly clear. While we went out and refined this budget, we did not change the operating situation at all, okay. I mean a few dollars here and there, but not something to even talk about. I'm going to stop here and we'll talk about something else in a minute, but the thing that I want to focus on is on page 7, which is the Water budget. And you can look, there's three columns, 2009-2010, 2010-2011, and 2011-2012. And if you go to page 7, towards the bottom of the page, the last row of numbers, closing balance, the Water financial reserve fund, it was negative $1 million, moved to negative $1.2, and then to $1.7; obviously an ugly trend and something that's not acceptable. It's resolvable. The only way to resolve it though is a revenue side. I don't think we can do it on the expense side. We've done a lot of work on the expense side, but most of our expenses are really labor, internal labor, and benefits, and that's really where we're spending most of our money. The hardware and equipment is really not a lot of money, okay, and I want to make that perfectly clear. Obviously we can't continue in this direction, there's no doubt about it. I did mention to the Commission that we're going to have to do something with the water rates come July, and we're not going to be able to do it at a 2% increase, that isn't going to work. I'm not in any way saying this evening that we should make any decisions, comments, think about or even alter this budget based on a potential increase, and one that from our perspective is a probably increase. I included this page, it's a loose page that you got this evening, and this is what I want you to look at and then we'll talk about the rest of the issue. This is a Water budget issue. We've taken the base budget, eliminated most of the detail, because the revenue and expense is the only thing we're focusing on, and the rest of the numbers below. We took the 2011-12 budget as projected with a minus $1.7. We then said if we increase rates by 10%, the end of the fiscal year we would drop the $1.7 to $1 million. If we increase the rates by 15%, we would drop the $1.7 down to $735,000. And if we increased by 20%, those are big numbers, we would drop it to $404,000. I'm providing you this just to show you that this is not… the negative situation, it can be corrected with some reasonable changes to the rates, and if we were to do something other than 20%, and we'll give you more detail later, we can come up with a five-year projection and what the rate increase should be to at what point get out, completely out of the red and into the black. I don't mean that to be part of tonight's presentation at all. That's not the issue. I just wanted you to understand that the order of magnitude of correcting the situation in one year is a little over 20%, and we're not making that recommendation, but I wanted you to understand that issue, okay. And it's easy to see, if you look at the top under total revenue, simply a 10% increase moves our revenue from $6.8 to $7.5; 15% goes from $6.8 to $7.8; and a 20% goes from $6.8 to $8.1, and that's the only numbers that change, I mean, because the only thing we're talking about is a revenue change, okay. Everything else remains the same. Again, this is not a presentation for raising rates, it's simply to give you some ideas of the kind of things that we're thinking about and might have to do. Because I knew this was not going to be comfortable looking at that number, I thought it would be a very good idea to let you know what that would do to our rates in comparison to everybody else's rates, because that's usually what you can compare to. 20% always sounds terrible, and again we're talking upper end here. 20% always sounds terrible, because it's a big percentage number, okay, but the actual number of where are rates are relative to everybody else is really what counts. You had a question [directed to Commissioner Ayme]."

Commissioner Ayme: "Yes, I have a couple of questions, through the Chair. In real figures…"

Mr. Hiscock: "Okay."

Commissioner Ayme: "…do you recall how we ended up last year, last fiscal year?"

Mr. Hiscock: "In…?"

Commissioner Ayme: "On the Water side, in terms of the… in terms of the bottom line? Did we…?"

Mr. Hiscock: "To give you an… I'm not sure if I know where you're going, but I'll give you one quick example. I believe we ended up with a cash balance of $35,000 in the Water utility last year at the end of the audit [directed to Mr. Barber]?"

Mr. Barber: "Yes, something in…"

Mr. Hiscock: "Somewhere in that vicinity."

Commissioner Ayme: "So we ended up in the positive, is that right?"

Mr. Hiscock: "We ended up with cash on hand of $35,000, actual real cash, okay, and you come back and look at the $1.2 projected fund balance, part of it is because we didn't do all of the capital improvements. That's clear. There's another issue that we're wrestling with, and it comes up in budgeting a lot, and we're looking at our cash on hand, and we're looking at the fund balances, and we're looking at the snapshots of it, and we're going to, over the next several months, try to reconcile the actual cash on hand against projections, because we have a lot of cash on hand in relationship to the fund balances that we're showing. We're going back and looking at the projects and trying to determine if we're continuing to over budget so much that the ending balances in these funds look low but they never approach that level. That's an issue. That's not a good thing. Is it compounded budgeting errors over time? Maybe. We're not sure. But we do know that every time we go through these projections we always end up with more cash on hand than we project. Some of it is timing, some of it is old projects not completed, some of it is projects that come in significantly under budget, some of it is OM&A that comes in under budget. You'd always expect to project to have less cash than you would, because you never spend everything. I mean that's common."

Commissioner Ayme: "Right."

Mr. Hiscock: "We've been reluctant to sort of true this up and put a one-time adjustment until we know exactly why it looks the way it does. So it's going to be a concerted effort to do that."

Commissioner Ayme: "Okay, I understand that."

Mr. Hiscock: "Okay."

Commissioner Ayme: "It's always better to be on the safe…"

Mr. Hiscock: "I know that was a long explanation, but…"

Commissioner Ayme: "I understand. It's always better to be on the safe side. I understand that. And I also understand why we are a little bit on the inflated side in many cases. Now my… is that a correct statement?"

Mr. Hiscock: "Yes [responding to Commissioner Ayme]."

Commissioner Ayme: "Okay, alright. My other question is on the… what we were talking about before, the 10%, 15%, and 20%. How… supposing that we go to the 20% increase, how is this going to put SNEW as opposed to the, within the region, as opposed…"

Mr. Hiscock: "That's where I was headed."

Commissioner Ayme: "Oh, that's next. Okay."

Mr. Hiscock: "Next."

Commissioner Ayme: "Alright. Okay, thanks."

Mr. Hiscock: "Here is a packet that you are also getting for the first time this evening. Take it home and take a look at it."

Commissioner Ayme: "Okay."

Mr. Hiscock: "First page is the current water rates for representative companies, not every company, but companies of comparable or greater size. Remember, we have in the District rates and out of the District rates, and that's important to remember. Under this current situation this is a little bit strange, the Danbury Public Utilities is $38.00 for a quarterly bill for 18,000 gallons. That's a bizarrely low number. I mean that is bizarre by anybody's standards. The next one up is New London at $51.00. Then First District at $60.00, Waterbury at $60.58, and SNEW at $68.00. And you can see as we go down through the list it goes up to some pretty big numbers. And if you look at the numbers on the bottom of the page, compared to the numbers on the top of the page, that's kind of astounding when you really look at it, okay, that's just interesting to say the least. The companies at the bottom of the page, the one that stands out and I found is interesting is Groton Utilities. Groton is one of our fellow Muni's in the electric business. When I saw the numbers I had a discussion with their utility manager, and the reason for this is they've been increasing rates over the last four years. They lost some extraordinarily large commercial customers, to the point that their water consumption per day, their average consumption, dropped from 12 million gallons per day to 6. That put them in a phenomenal financial bind. They had to make it up. It took them four years to make it up. It got them right to here. They're the highest muni in the State by far because of an unusual situation. In essence they lost massive customer that was paying a very large portion of their budget. Okay, so that's an anomaly. The rest of the ones on the bottom of the page are investor owned companies. They are generally more expensive. The only other thing I want you to note on this page is if you look at the right-hand column under SNEW, the out of District for the same gallons is $103.00. If you move that $103.00 down into the column just to think about it, it puts those customers right in the middle; right at Regional Water Authority, which is the Regional Water Authority from New Haven. Okay, that's where we are today. If you flip the page for comparison purposes, and it's important to give you this comparison, if we went 20% we drop down to almost the middle of the page, not… close to… close to the median. We drop down on the page because we go to $82.81. Yes, we go below MDC and below Aquarion. So we drop from fifth to eight, okay, but we're still in a reasonable range. If you move, however, across to the out of District rate, we go to $123.00. You move down into the column; that puts us at the very beginning of the investor owned utilities. So that outside the District rate, other than Groton, puts us above the other, significantly above the other Muni's. But I wanted you to see this so you understand that even at, and we're not recommending, even at 20% we're still reasonably priced in comparison to others. So when a decision is made you can at least feel comfortable that our rates are not way high compared to others, and that when somebody is given the data to look at in the range of, for our inner District, we would go to almost the median, okay. So that's certainly something that I wanted you to see. The rest of this is simply current rates, proposed… and it does not say proposed, it says with a 20% increase, and I wanted to avoid the word proposed because that's not what we're proposing. Here is the detail page of everybody's rates. You can look at the detail. It's not terribly relevant. You can look at the graphs to give you an idea where we are. You can follow the colors down and see where we are. The other thing I wanted you to see is that everybody's rates are pretty linear. Nobody has unusual rate structures. Nobody has huge inclining blocks. Nobody has huge declining block. Almost everybody today has a flat per gallon charge from top to bottom. A few of them you can see there are some breaks in there, there's some bends in them; generally not. And the last graph would be… well, it's got four graphs actually. A comparison of current Connecticut rates is the first one. The other one is Fairfield County, our neighbors. The next one after that is with investor owned utilities, it shows where we are. The next one after that is comparison with Municipal owned utilities. And it's just the kind of information that we generate routinely. This is information that is updated pretty much on an annual basis. And I think most of you have seen similar information previously as we talked about rates. So the Water situation is not good. It's fixable. When we come back with a proposal you'll see a five-year projection. You know in year three, four, five of a five-year projection they get a little fuzzy, but they'll give you an idea, and it will really give you an idea, and will your decision making process as to what kind of a rate increase is appropriate so that we can see when we get into the black. I also hope to have a better reconciliation of projected fund balances versus cash in the bank, and maybe that will help out also. Okay, that's why I didn't want to talk about… I'm not proposing we talk anything about increases at this point. There's not sufficient information. But I did this really to show you simply it's solvable."

Commissioner Burgess: "When do we have to figure this out, the rate increase; not…?"

Mr. Hiscock: "By the June meeting."

Commissioner Burgess: "By June?"

Mr. Hiscock: "By the June meeting."

Commissioner Burgess: "So we can't…?"

Mr. Hiscock: "We're not prepared ourselves to make any recommendation until at least April, okay, and maybe we'll come back with some preliminary numbers in April."

Commissioner Burgess: "Thank you."

Mr. Hiscock: "And I didn't want to make this part of the budget presentation, but when you look at numbers that negative you've got to have a game plan to resolve the situation."

Commissioner Burgess: "Okay."

Mr. Hiscock: "One other comment for you. You also know that we're having trouble in the Electric utility. We've hired a rate consultant and we're looking at our rates compared to the other companies and restructuring our rates. There's no reason to discuss them at this point until we have that rate study so we can look at a detailed, completely revamped rate structure, and at that point we'll have a better idea of how to resolve the Electric problem. I don't want to even attempt to resolve the Electric problem until we get our rates normalized like other utilities, and get rid of the archaic rate structure that we have."

Commissioner Ayme: "Yes, on the… going back to the Water side, between now and June I think I'm going to be requesting a lot of information in terms of… through the Chair, how are we doing in terms of collections on the Water side this year as opposed to the past?"

Mr. Hiscock: "Collections on the Water side are very easy. We have statutory tax lien rights."

Commissioner Ayme: "Right."

Mr. Hiscock: "So the only time we lose on the Water side is when the City has liens on the property that exceed its value. It happens in forced relocation situations where they condemn a piece of property and move everybody out. Their relo costs are added to the property taxes and that's a simplification, but that's what happens. We try to go to court and say that we were ahead of relo. The judge basically told us we were nuts. The City was more important than us. Well… and that was about 10 years ago. We believe that we were correct statutorily. There was no doubt that the language was clear, but we didn't win the case. Judges sometimes think about what they think is appropriate as opposed to what the law says. That's okay. But nonetheless we end up with situations where we have reasonable… we have money outstanding, and when you do aged receivables there are accounts and situations where we've got significant aged receivables. Often in abandoned parcels or under-utilized parcels we're very, very diligent with respect to putting the liens on. We get the money eventually. We write off very, very little in the Water utility. I… I'm going to go out on a limb and say I'd be shocked if we wrote off $10,000 per year. Okay, there's very little that gets written off in the Water utility. That's because every time the property changes hands we get paid."

Commissioner Ayme: "We get our money."

Mr. Hiscock: "There are situations in bankruptcies where we get crammed down and we don't get our money. Even usually in bankruptcies we do okay. So the Water side collections is not an issue. Are our collections this year slower than prior years? I haven't looked at that. I wasn't terribly concerned about that because of our ability to collect; that the money does come to us. I'm much more concerned about the Electric side, okay, but on the Water side the write offs are so small that they don't have a significant factor with respect to cash or cash flow."

Commissioner Burgess: "Could we limit ourselves to discussion of the District budget, which is on the agenda."

Mr. Hiscock: "That's all I have for the budget presentation. I can certainly answer questions about it."

Commissioner Burgess: "Well are there any questions?"

[No remarks]

Commissioner Burgess: "Are we to vote on this tonight to send it to...?"

Mr. Hiscock: "Yes."

Commissioner Burgess: "Yes. Right."

Mr. Hiscock: "Yes, we need to make a… we need to vote on it so that it can be published, so that it can be provided to the electors. You have an opportunity in your March meeting, which is March 8th I believe… right, 6th, 7th, 8th… the second Tuesday."

Commissioner Geake: "That would be the… that would be…"

Mr. Hiscock: "Whatever, the second Tuesday…"

Commissioner Geake: "It's the 8th."

Mr. Hiscock: "…is out of the normal sequence because the third Tuesday is the electors' meeting, budget."

Commissioner Burgess: "Well we know it's not Maria's birthday."

Mr. Hiscock: "So the second Tuesday is where you have to make the final recommendation to the electors."
Commissioner Burgess: "Yes."

Mr. Hiscock: "You can accept this budget as presented. You can obviously modify it. You can reject it, but this evening you can accept it as presented and still not make a recommendation to the electors until your regular meeting the second Tuesday in March."

Commissioner Burgess: "Okay."

Mr. Hiscock: "And that's normally what we've done the last couple of years."

Commissioner Burgess: "Yes. Yes."

Mr. Hiscock: "We wait until that meeting to actually pass a resolution recommending that the electors adopt the budget as presented, but a positive action has to happen this evening so that we can put it in the paper, print it, and it's essentially the tentative budget to go to the electors."

Commissioner Burgess: "Well are there any questions?"

Commissioner Ayme: "No, I don't have anymore."

Commissioner Burgess: "No?"

Commissioner Borges-Lopez: "I make a motion to accept the budget as presented."

Commissioner Geake: "I second it."

Commissioner Burgess: "Any discussion on the motion?"

[No remarks]

Commissioner Burgess: "All in favor?"

Commissioners simultaneously: "Aye."

Commissioner Burgess: "Opposed?"

[No opposed]

Commissioner Burgess: "Abstentions?"

[No abstentions]

Commissioner Borges-Lopez made a motion to accept the 2011-2012 District Budget as presented. Commissioner Geake seconded and the motion passed with all six Commissioners present voting in favor and none opposed.

Commissioner Burgess: "Alright that is it for this evening, although we might want Kevin [Mr. Barber] to speak [laughing]."

Commissioner Ayme: "Motion to adjourn."

Commissioner Burgess: "All in favor?"

Commissioners simultaneously: "Aye."

<u>Adjournment</u>

The meeting adjourned at 7:53 p.m.

Attest:

Candace Fox
District Clerk