

The minutes of the Budget Hearing for the Green Island Power Authority held on Wednesday, April 6, 2011 at 5:30 p.m., at the Green Island Municipal Center, 19 George Street, Green Island on the proposed budget for 2011-2012.

Chairman John J. Brown called the public hearing to order.

In attendance: Chairman Brown, Vice Chairman Cocca, Trustees Reinoehl, Greaves, McNulty-Ryan, Attorney Legnard, Kristin M. Swinton, GIPA CEO, David Paterniani, GIPA CFO and Anne M. Strizzi, GIPA Recording Secretary.

Present from the public – Tom Torrisi, Derek Mellon, Rachel Perfetti, Tina Burns, Carol Lansing, Jack McNulty, Rick Jones and Sean Ward.

Chairman Brown asked the Secretary to read the Notice of Public Hearing.

To all residents, please take notice that the Board of Trustees of the Green Island Power Authority will hold a public hearing on Wednesday, April 6, 2011, at the Green Island Municipal Center, 19 George Street, Green Island, at 5:30 p.m. The purpose of the public hearing is to consider the preliminary 2011-2012 budget for the Green Island Power Authority.

Dated March 22, 2011

Chairman Brown stated that he would to turn the presentation of the budget over to David Paterniani, Chief Financial Officer, who has prepared the budget this year and has done a great job and he has a power point presentation to present.

David Paterniani stated that this is our budget presentation for our fiscal year ending May 31, 2012.

Dave proceeded to give a quick overview of what he will be talking about and the items are as follows:

- Rates
- Year to Year Budget Comparison
- Projected Revenue
- Projected Expenses
- Capital Projects
- Bond Indenture Test

Dave stated that again there will not be **Rate** increase and the last increase was in 1987 or 24 years ago. Base rates will stick to \$.055 and then we will have the additional PPAC that you always see on your bill, which generally comes in around \$.03 to \$.05. So, basically the \$.085 to \$.105 you are paying is really about 50% less than what a National Grid or NYSEG customer would pay.

He provided a Year-to-Year Budget Comparison slide and as you can see from 2009 to 2012 our budget expenditures have actually decreased significantly. Part of it is due to the recession, we have been moving along with the recession cutting costs where we can and we have actually decreased the budget by 7½% since 2009.

Dave proceeded to the next slide, which is a **Budget Summary** and stated that there is one on the table for anyone who would like a copy. The total budget for this year is going to be \$5,406,752 that goes for Revenues and Expenses. So, we have a balanced budget this year and we are projecting to not have to use any of our cash reserves this year to infuse to cover any expenditures.

Dave proceeded on to **Revenue Projections**. Industry experts are expecting a 2.6% increase in electric usage for the upcoming year that projection put our distribution sales at approximately \$2.8 million. This is basically pretty easy to take a guess at because we haven't taken on any new customers and we haven't lost any significant customers. Power sales within in Green Island from year to year stays on the flat level until we eventually take on new customers. The other side of our revenue comes from our hydroelectric plant. Last year was probably our worst fiscal year but our current year to date is approximately 20% higher than what we saw last year. We are hoping that continues into the next year. We are projecting to get \$.063/KWH sold on 41,000,000 KWH'S that our plant generates and that would bring our revenue to \$2,575,000. Total revenue for the year will be \$5,406,752.

Dave proceeded on to the **Projected Expenses**. The first area is our hydro plant operations. Our costs at the hydro plant outside the debt service, we have budgeted \$472,667. These costs can fluctuate. He analyzed where these costs have been in the past few years and used a flat line to see where they generally land. So as long as we have no major/catastrophic events, this number should be good and it includes all labor and material and equipment and other expenses related to the operations at the hydro facility.

Dave stated that our **Purchased Power** is basically a past through item. It is a line item on your electric bill that you can see the PPAC. This is also flat from year to year considering we have no new customers and haven't lost any major power users. Our projected Purchased Power for the year is \$1,380,000 and that represents a big portion of the PPAC that you see on your bill. It is not the whole entire rate because some of the purchased power is already billed into our base rate of \$.055.

Dave stated that the next item is our **Transmission Expense**. This is actually a one line item and again it is another pass through. It basically, Article 18A, mandated by the PSC and we are estimating it be approximately \$49,000.00 next year and what the PSC does is take our gross sales from the prior year and project we should pay into this Article 18-A fund, which just goes into the PSC's General Fund to help support their operating expenses. This mandate will actually disappear after 2014 and there should be a reduction starting in 2013. This is also a line item that you see right on your electric bill.

Dave continued with Distribution Operations. This is basically all of the power lines that you see in the village and all expenses related to our line crew, the direct and indirect costs for the system upkeep. It consists of labor and material costs and basically, our labor and material purchases are new poles, lines, transformers and we are currently in the process of replacing all of the meters. We recently approved at a board meeting a new GE model as set up by our new Director of Operations. Every meter in Green Island will be replaced within three (3) years. The total for our distribution and operations is \$374,703.00.

Dave stated that the Consumer Accounting is basically the expense of running our billing office. Most of the budget is attributable to salaries and there are supplies, computer equipment and software expenses that come along with that and in addition, the postage expense is approximately 10% of this budget and that is budgeted for \$88,677.00.

Dave proceeded to the Administrative and General is actually the biggest area of the budget. It is employee benefits, which this year is kind of flat, last year we had a big increase in health insurance and also retirement costs. Retirement costs last year went up 13.9% and our health insurance jumped about 20%. However, projecting for the next year they should stay right where they were last year. Part of the health insurance costs have been reduced on our retirees and the Village has found another plan that might save us some money. The other costs are property and worker's comp insurance. The management services line includes are auditors and our consultants. We have grant administrators and also a new network IT manager. It also includes the Executive Department expenses; the Legal and Association expenses, General Office expenses and the costs for this part of the budget are \$727,300.00.

Dave went on to the next slide Other Expenses. Other Expenses incurred by the Power Authority represent the Municipal Services Agreement, this is paid to the school and the Village and it is \$676,286.00 and there will not be an increase for this year because of GIPA's budget constraints and the other part includes Debt Service payments which is basically the repayment of our debt and for the current year it will be \$1,638,119.00.

The next slide is Capital Projects and they are trying to stay thin with these this year. There are some parts of the system that need to be updated and the area that needs the most work is the area on Hudson Avenue between Market St. and Clinton St. There is an underground feed that starts there and goes under the bridge and that feeds are south end and the poles are in very bad shape. We have an estimated cost for the project at \$25,000.00 and Wynn Braun; our Director of Operations will be managing the project. We will save money on this project because our linemen will be doing all of the work versus using an external contractor.

Dave stated that the last piece of our budget process is the Bond Indenture - Rate Covenant Test. The rate covenant test is associated with the indenture and what it says is that we have to have equivalent net income of a 115% or more of our debt service. Basically, the way it is calculated is that our net income from operations, you add back the Municipal Service Agreement and then divide that by the annual debt service. For

purposes of the budget it is 182% this year and is a pass. This is the last portion of our budget.

Dave stated that he would entertain any questions at this time.

Mayor/GIPA Trustee Ellen M. McNulty-Ryan wanted to thank Dave for all the hard work he did on this project. She appreciates Dave's loyal and dedication.

Chairman Brown thanked Dave for his presentation.

Mr. Tom Torrisi of 103 Hudson Avenue asked if the Power Authority had any plans in the future for putting in underground lines in the village and taking out all of the power poles?

Chairman Brown stated that we probably won't take them all out, we would like to for aesthetic purposes and the exposure of ice and the chance for the poles to be hit but it is a major undertaking considering what is already in the ground and the fact that there is pavement but we are doing some underground where we can and when it is practical we will.

Mayor/GIPA Trustee McNulty-Ryan stated to add to that when we have done projects such as the street lights on Cannon Street, they did run conduit and everything around the corner of George St. and the park so whenever we do have the road dug up for something, they have been working to do those kind of things. In the future, when we do something, we can just pull the lines and go from there. When you do that you have to put down all new sidewalks and repave your roads.

Chairman Brown asked if there were any other comments or questions.

No further comments or questions.

Chairman Brown asked for a motion to close the public hearing.

On a motion by Trustee McNulty-Ryan seconded by Trustee Reinohl and carried, to adjourn the public hearing at 5:45 p.m. All ayes.