

## **Clerks' report for 2009 – to the 2010 Annual Meeting**

The Prudential Committee met nine times during 2009, usually with most of the District's officers. The Committee re-elected Joseph McLaughlin, SSE, Chairman and reappointed Jerry Flanagan District Manager and Thomas Van Dzura Assistant Treasurer. In May, Marcel Rainville, SSE, was re-elected Vice Chairman and Brian Lee was re-appointed Assistant Clerk in view of the Chairman's upcoming research sabbatical. Committee attendance was very good (85%), with most of the absences (3) due to the Chairman's being away for the second half of the year. Though abroad, he maintained regular contact with his colleagues through email communications. Meetings were well prepared and usually kept to within one hour in length. The year itself was another eventful one for the District, and the following attempts to summarize developments more fully reported on in the Committee minutes.

2009 saw a considerable expansion of capital improvements to the District's water system, done mostly in conjunction with the State's repaving of College Parkway (Rt 15) during the summer. Gate valves and valve boxes along the District's main were repaired or replaced and another fire hydrant was replaced. Early in the year, Superintendent Nadeau submitted plans for the projects, and the Finance Taskforce developed a capital budget to finance the work. Thus, the Prudential Committee was able not only to give early approval to the projects but to budget their funding (about \$63k) from the District's savings. At the same time the District also applied for federal 'economic recovery' funds. Although the application submitted by Mr Nadeau was deemed fundable and ranked among the highest from Greater Burlington, all the available federal funds (\$19.5m) were allocated to about 45 other water systems in Vermont that obtained higher priority points. Nevertheless, the District completed most its planned projects and thus significantly upgraded its water infrastructure. When the District's main under College Parkway broke last January, it was quickly contained and then repaired in frigid conditions by Mr Nadeau and his colleagues. Their fine work and the improvements made to the system the previous year enabled the break to be fixed without any interruption of service to customers. The District also continued its planned replacement of customers' water meters; slightly more than half of the standard-sized meters and readers used by residential customers have now been upgraded.

During the past year, District officials were able to reach agreement with officials of Fletcher Allen Healthcare (FAHC) on a plan to correct long-identified and serious problems with the water lines serving the Fanny Allen Campus. While some elements of the plan were implemented by FAHC during the summer, engineers encountered physical obstacles in the ground that prevented progress on others. Both District and FAHC officials will continue to explore alternatives that may prove feasible next year.

Mr Nadeau devoted a good deal of time and effort with officials of the Vermont Housing Authority (VHA) to identify the extent of the continuing water loss at the Windemere MHP. He conducted three more water audits that confirmed a substantial volume of water being lost in the park beyond the meter, and he suggested ways by which the park's owner (VHA) could determine the nature and cause(s) of the loss. VHA has been responsive and expressed appreciation for Mr Nadeau's assistance. A state-funded comprehensive planning study for Windemere was to have been completed by now but results have yet to be released. Following up on a matter raised at last

year's Annual Meeting (item 3), the Chairman met with the president of Saint Michael's College in February to share concerns about the possible impact the proposed 'Colchester connector' along Johnson Avenue might have on Windermere residents. He reported the College had already begun to address such concerns.

The water storage facilities planning study, launched in mid-2006, was finally concluded this past fall. The Colchester 'consortium' (the Town, CFD 1 and 3) and CWD received the consulting engineers' final report: it recommended replacing the older 850k gallon-tank on Water Tower Hill with a new and larger 1.175m gallon-tank on the same site at an estimated project cost of \$1.6m. This would meet the projected water storage needs of the parties over at least the next 20 years, including the District's 24k gals. However, no agreement has yet been reached by the parties on funding the project and allocating the cost. Manager Flanagan continued not only to ably represent the District in these trying negotiations but to advance suggestions developed by District officials to work through recurring log-jams. He and the Chairman also met with CWD officials to see if a preliminary 'interlocal agreement' might be drafted, similar to the one CWD developed for the construction of the newer tank in 2003, to depict how the project cost might be apportioned and new allocations combined with those of 2003. Presuming some agreement is reached on these matters, District officials examined options for financing the District's share and, if agreement is not attainable, possible alternatives for obtaining its additional capacity. Fortunately, declining water sales have increased the amount of idle storage capacity available.

Early in the year, the District raised questions about claims made in the Town of Colchester's application for State designation of Severance Corners as the town's 'growth center'. The Town's application appeared to lay claim to 850k gallons of capacity on Water Tower Hill for the center's needs. The District, on the other hand, believed that all 1.7m gallons of capacity (the total of both tanks) was fully allocated by the 2003 Interlocal Agreement between five water systems, the District being one and the Town not being one. With the wise counsel of the District's attorney, Joseph McNeil, the District in May obtained written acknowledgement of the Town's acceptance of the terms of the Interlocal. At about the same time, the Town received approval for its 'growth center', for which most of new storage capacity to be provided by the replacement tank mentioned above was and is intended.

For only the second time since 2002, the Prudential Committee found it necessary in 2009 to raise the District's water rates, or what it charges customers for their metered consumption of water. The increase was about \$0.005 per cubic foot. Rates for residential customers rose in January from \$0.016 to \$0.021 per cu. ft., and for other customers from \$0.019 to \$0.0235 per cu. ft. In his letter to all customers in April, the Chairman explained that what drove the District's rate hike were three successive rate increases since 2007 by Champlain Water District (CWD), which produces the fine water the Fire District distributes. For its part, CWD has been faced with significant declines in the amount of water it sells, especially to industrial customers, in Greater Burlington. Having to spread the production and distribution costs over a smaller volume forced CWD's rate increases. A few years ago, the District began gathering data, both retrospectively and currently, on the annual volumes of water it purchases and sells within Winooski Park. The study, compiled mainly by Treasurer Vincent and Asst Treasurer Van Dzura, showed a similar downward trend over the past nine years in the total amount of water used here. Even after this year's rate increase, however, the District's rates remain among the lowest in Greater Burlington – which themselves are low on a national basis - and the Prudential Committee does not anticipate raising rates in 2010, even though CWD plans another modest rate increase this year. Last year, CWD won national recognition for the superior quality of the water its produces, the only water system in the country to win such recognition for ten consecutive years.

Besides seeing that the District's water system was well-maintained (e.g., by flushing hydrants, exercising all gate valves, checking meter, clearing snow around hydrants, etc.), Superintendent Nadeau and his associates continued to do the quarterly readings of most customers' meters, conducted water audits at Windemere, and advised the Committee and District officials on several water issues. In accordance with the CFD-CWD 'Shared Management Agreement', he also provided semi-annual work plans and spearheaded the District's capital projects (see above) thereby continuing a pro-active approach to the management of the District's water infrastructure. And at year's end, he proposed making digital copies of all paper plans CWD has of the Fire District's water system. Manager Flanagan agreed and requested a duplicate copy, both at a modest cost.

No new service connections were approved this year, but a temporary allocation permit for 1,125 gals for a commercial development at 162 College Parkway was extended for two years (until Jan 2011). The permit stipulates that the owner is to build a service line from Johnson Avenue to the western side of College Parkway, to be deeded to the District so it can upgrade its line serving neighbouring customers and abandon old lines under the northern section of College Parkway.

The Finance Taskforce held only one formal meeting, at which it prepared the District's 2009 budgets and revised water rates for presentation to the Prudential Committee. It also analyzed the factors behind 2008's successful investment management performance, adjusted the investment strategy for 2009, and worked on some other matters. On a number of occasions during the first half of the year, the Taskforce 'met' via email exchanges to monitor investment performance, develop liquidity targets, and re-invest funds from a maturing CD into new and longer-term CDs. In a very difficult financial environment and while expending considerable funds for capital projects, the District exceeded all of its annual investment targets in 2009, as the accompanying charts indicate. With respect to the District's basic objective of having its assets earn an amount equaling the rate of inflation over a five-year cycle, the good performance of the past two years narrowed the gap.

Vice Chairman Rainville arranged for the quarterly financial reports prepared by Asst. Treasurer Van Dzura to be reviewed by the Prudential Committee, thus enabling the Committee to monitor the performance of this year's complex budgets. Asst. Treasurer Van Dzura continued his good work of handling both the billing of customers and the accounting for the same as well managing cash flows. The District was forced to place a lien on the property of one customer who has been delinquent in paying his water bill and consistently unresponsive. Treasurer Vincent updated the valuable study of the District's water sales and purchases through 2009.

The District's historical records, most of which had been stored for the past four years in the basement of the Klein Center, were 're-united' with existing archival and current records in Nicolle Hall after the Clerk and Manager disposed of superfluous material. Asst. Clerk Brian Lee volunteered to begin processing this collection of more than 20 linear feet of records for archival preservation. Mr Lee also took care of posting copies of the warnings for the 2010 annual meeting.

At the Prudential Committee's request, Webmaster Maria Rinaldi developed an e-library on the District's website of material from recent Annual Meetings (i.e., minutes and reports), which is easily accessible by the public. She also expanded the material accessible only to District officials by building new pages for records of the Finance Taskforce. The Clerk and Asst. Clerk provided her with the copies.

In addition to his duties as District Manager, Mr Flanagan was elected the new Town Moderator by Colchester voters and re-elected CWD Moderator at its annual meeting. In response to an initiative by Town Manager Al Voegele to foster collaboration among various bodies in

Colchester, Mr Flanagan accepted in May to represent the District on a 'Committee of Committees' that met periodically.

In November, CWD circulated to its member water systems copies of a draft 'Memorandum of Understanding' intended to clarify ownership and responsibility issues relative to respective waterworks of CWD and the systems. The Prudential Committee authorized Manager Flanagan to sign the copy prepared for the Fire District, after consulting with Chairman McLaughlin. After some points the Chairman raised were addressed by CWD, Mr Flanagan duly signed the revised text (dated 28 Dec 2009) on behalf of the District. The 'Memorandum' and accompanying 'chronology' should complement the 2006 'Shared Management Agreement' between the District and CWD. The collection of approved 'Memoranda' should clear up any misunderstandings over responsibilities for waterworks used by multiple systems.

The City of South Burlington received a federal 'economic recovery' grant-and-loan of \$2.1m towards the planned \$25m expansion and upgrade of the Airport Parkway Wastewater Treatment Facility, but construction was delayed as bids came in higher than expected. An additional 1m gals of treatment capacity is to be shared between the city and the Town of Colchester. District officials reviewed aspects of the strategy they intend to pursue with Town officials for distinguishing upgrading costs from expansion costs so that District customers are spared the latter, per the 1987 Agreement, as there will be no addition to the District's entitled share of capacity (310k gals). They also explored the possibility of the District's licensing some its idle capacity during the plant's reconstruction.

With respect to resolution no. 5 of the 2009 Annual Meeting that approved disbursements up to \$23k for stipends to District officer and Committee members, the Prudential Committee approved the following: \$6k each for the Manager, Asst. Treasurer, and Clerk; \$1.2k for the Treasurer, and \$50 per person for each officers and PC member's attendance at Prudential Committee meetings. Total disbursements came in under the \$23k. (The Clerk's stipend was shared with the Asst. Clerk and Vice Chairman.)

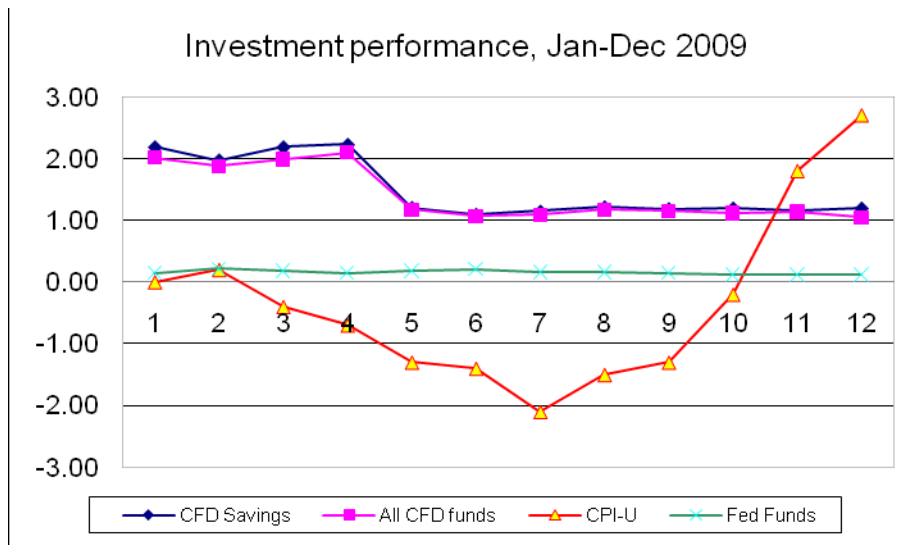
The District Officers and Prudential Committee would like to acknowledge Chairman McLaughlin's continued work on behalf of the District while away on his sabbatical in Ireland. His expertise on all matters and continued input from afar has been most helpful to everyone and has benefited all residents of the District.

Respectfully submitted,

Joseph McLaughlin, SSE  
Clerk

Brian Lee  
Asst. Clerk

25 January 2010



Average distribution of all assets during 2009: CDs, 67.2% - money mkt, 28.9% - 'cash', 3.9%

**Comparative Performance Data: annual rates of return**

years	CFD's Assets		CPI-U	Fed	Fidelity	CFD
	Total	Savings	all items	Funds	Cash Res	Budget
2000	4.00	4.68	3.4	4.97	6.19	
2001	3.47	4.07	2.8	3.23	4.09	
2002	1.65	1.94	1.6	1.35	1.62	
2003	1.06	1.17	2.3	1.13	0.09	
2004	0.65	0.76	2.7	1.67	1.06	
2005	1.57	1.84	3.4	3.38	2.93	
2006	2.37	3.02	3.2	4.97	4.75	
2007	2.24	2.75	2.8	5.05	5.06	4.00
2008	3.18	3.44	3.82	1.86	2.89	3.60
2009	1.41	1.50	-0.35	0.14	0.61	0.95
average all	2.16	2.52	2.57	2.78	2.93	2.85
5-year avg	2.15	2.51	2.57	3.08	3.25	

*CFD investment 'targets'*

For Total CFD Assets: to match the rate of inflation (CPI-U) over a 5-year cycle.

For CFD Savings: to match Fed Funds interest rate annually

*Yellow-shaded numbers indicate years when targets were met or exceeded. In no 5-year period during the past ten years was the first target met.*

17 Jan 2010

JMcL