

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

August 18, 2015

Present: Mary Burgess
Cèsar Ramirez
Mary Geake
Mary Mann
David Westmoreland

Absent: Maria Borges-Lopez Vice Chairperson
Martha Wooten-Dumas

Also Present: Paul Yatcko General Manager
Lisa Roland District Clerk
Frank Murphy, Esq. Tierney, Zullo, Flaherty & Murphy
Kara Murphy, Esq. Tierney, Zullo, Flaherty & Murphy

Public Present: None

Call To Order:

Commissioner Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:01 p.m. on Tuesday, August 18, 2015. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Commissioner Burgess: “Ok, I will call the Regular District Commissioners Meeting to order on Tuesday, August 18, 2015 at 7:01 p.m. Lisa, would you read the call please?”

Lisa Roland: “Sure. Legal notice and warning to the Electors of the Second Taxing District of the City of Norwalk. The legal voters of the Second Taxing District of the City of Norwalk are hereby notified and warned that a Regular Meeting of the District Commissioners will be held on Tuesday, August 18, 2015 at 7:00 p.m. The meeting will be held at SNEW, One State Street, South Norwalk, Connecticut for the following purpose.”

Commissioner Burgess: “Thank you.”

1. Acceptance of the Minutes

Commissioner Burgess: “I need a motion for acceptance of the regular meeting minutes of July 21st.”

Commissioner Geake: “So moved.”

Commissioner Westmoreland: “Second.”

Commissioner Ramirez: "One abstention please."

Commissioner Burgess: "Pardon me?"

Commissioner Ramirez: "I abstain. Sorry to talk like this, I went to the dentist."

Commissioner Burgess: "Oh, ok. Any corrections to the minutes, no? Wait, I am abstaining too. All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "Ok, no public participation. So, I need a motion to go into Executive Session."

Commissioner Westmoreland: "So moved."

Commissioner Geake: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

EXECUTIVE SESSION

Commissioner Burgess: "The Executive Session will consist of the General Manager, counsel...two of them, the Clerk and the Commissioners."

The Commission entered into Executive Session at 7:02 p.m.

The Commission came out of Executive Session at 8:45 p.m.

Commissioner Burgess: "I need a motion to come out of Executive Session."

Commissioner Ramirez: "I place a motion to come out of Executive Session."

Commissioner Westmoreland: "Second."

Commissioner Ramirez: "Do you need a motion to adjourn?"

Commissioner Geake: "No."

Commissioner Mann: "No, we have two more items."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Ramirez: "I was just kidding."

Commissioner Burgess: "Ok, we are out of Executive Session and as a result of the Executive Session there will be no action taken. Ok, Item 2."

REGULAR AGENDA

2. Unaudited Financial Results – FYE 2015

Paul Yatchko: "The next item on the agenda is we shared with you for the first time since I have been here an income statement for our water and electric business. This is part of our initiative to improve the visibility of the financial performance of SNEW and its two major businesses both at the Commission level and down into the organization. I asked Kevin Barber and his financial staff to put in place some processes to start putting together for me monthly income statements and balance sheets and hopefully at some point cash flow statements. This is clearly a work in progress. This is their first attempt at putting together income statements for electric and water. They still need a little bit of work; we don't have a cash flow statement yet. There are probably some adjusting entries that still have to be made because they are unaudited and they are not final yet. But we shared this with you because I wanted you to see roughly how we did in the last fiscal year. If you look at the page labeled South Norwalk Electric & Water – Electric, you can see that the actual revenue is at \$15.8 million, which was essentially right on budget. I think if you look at that closely I believe, and I haven't fully confirmed this yet, that this is a combination of two affects. You will remember last year you increased the purchase power adjustment charge right around June or July last year so that increased the average price and I think sales were a little softer than we anticipated them, but the net effect of those two things was to produce revenue that was right on budget. Looking down at expenses, purchase power there is a \$516,000 unfavorable variance there. That is because it's inconsistent with the increase in the PPA and the revenue, we also increased the amount we were going to be sending up to CMEEC in terms of purchase power charges and that change in July came after you all approved the budget earlier in the year. Transmission and distribution was \$267,000 under budget; that happened because of two things. First, we capitalized more labor; that is we charged it to capital and put it on the balance sheet as part of capital work. We capitalized more of that than we anticipated and also there were some contingencies in that budget that were unutilized. So that one was favorable. Customer accounts, that variance is probably not correct. Kevin tells me there are a couple of things that need to be...some adjusting entries that need to be made and for that one they didn't have the final numbers done yet. And the administrative and general favorable variance of \$77,000, that is some administrative salaries, fringes and associated payroll taxes. Down in the non-operating section, there is an item in there for the gain or loss on the disposition of the utility plant. That \$40,000 occurred essentially as a result of the sale of some unneeded transformers out of our transformer yard. And the interest expense; that \$253,000 favorable variance; that is because when we put the budget together last year, we estimated our interest rate higher than the actual rate on the bonds that we actually sold. So you get a favorable variance out of that. So net, net, net, income before operating transfers was about \$620,000, that

wasn't quite as good as budget of \$880,000, but it was still solidly in the black. Anybody have any questions on electric before we turn to water?"

Commissioner Westmoreland: "Why wasn't depreciation expense budgeted?"

Paul Yatcko: "Kevin tells me that we don't budget depreciation historically."

Commissioner Westmoreland: "So that is always just thrown in as a surprise every year, I guess?"

Paul Yatcko: "Pardon me?"

Commissioner Westmoreland: "So that is always just thrown in as a surprise every year? Because you wouldn't have any variance at all if that weren't there basically."

Paul Yatcko: "Essentially there is no variance, because the depreciation accrual should have been flat."

Commissioner Westmoreland: "It doesn't mean anything anyway."

Paul Yatcko: "That variance means nothing. And that is why in my summary when I refer to operating expenses, I referred to them as excluding depreciation."

Commissioner Westmoreland: "Well, because otherwise it is like you missed the mark by almost 50%."

Paul Yatcko: "Right."

Commissioner Westmoreland: "But that is not really the case."

Paul Yatcko: "That is correct. Thank you for pointing that out. Looking at water, we had a good year in revenue at about 5½% over the budget and I think that result was obtained as a result of the rate increase that you put in during the last half of the fiscal year last year. So that clearly had a positive effect. Looking at expenses, water supply expenses were \$256,000 under budget. Some of that is chemicals. When you budget for chemicals, you tend to budget, I know this is also for electric power and the water industry, you tend budget for a really hot summer because those are expenses that can break you if you don't budget for them. So, you budget for a really hot summer and then when you get a normal or cooler summer, you usually end up with a positive variance there. There are a couple of other items in there, we did well on sludge disposal and miscellaneous expenses as well. A&G was the other big item there. Again, on the electric side, that is mostly savings on salaries, benefits and associated taxes. Again, as David pointed out, that is really a false variance with respect to depreciation. The budget didn't have a depreciation budget in it, so we will correct that in the budget next year."

Commissioner Westmoreland: "I don't know whether to panic or not. It is just so confusing."

Paul Yatcko: "On a cash basis David, on an income basis, clearly income before operating transfers is negative \$272,000. Two things, first if you compare that to last year's number, I think that number last year was about \$800,000 or \$900,000 in the red. So clearly the business performance has made a significant improvement. And the second thing is that depreciation is a non-cash expense. So, if you were to add back that \$2.535 million to that bottom line on a cash basis, the water business is pretty healthy; on a book income basis it is negative."

Commissioner Westmoreland: "I can't really grasp from this because this is such a big swing whether or not we need to do at least a minor increase in water rates."

Paul Yatcko: "It is something we need to look at. I don't want to leap to that conclusion, I want to do a detailed analysis of sales and as we go through the fiscal year, get a little bit more sales data."

Commissioner Westmoreland: "I just want you to be aware of the past history with rate increases on the water side. We have always gone along and not done any, not done any, not done any and hope for the best and then we did like a 25% increase, which is nothing on people's bills, but you get a notice that you are getting a 25% increase and people go nuts."

Commissioner Mann: "We got a lot of flak."

Commissioner Geake: "People went crazy."

Commissioner Westmoreland: "It is one of the reasons why I wanted to be on this commission because I was so angry because it was like...how can you do that even though it wasn't much money?"

Paul Yatcko: "Right, even though it might have been \$5.00 a month, it is 25%."

Commissioner Westmoreland: "Right, 25%. So I would rather do 1% or 2% every year and keep up with it, but I can't tell from these numbers what we need to do."

Paul Yatcko: "I understand, it is deja vu for me, we had the same conversation in Groton two year or three years ago, when we had an 18% rate increase, two of them in fact eighteen months apart. People were screaming about it. Of course average bills went up about \$6.00, but they were big percentage increases but that made a big different in the bottom line of the water business."

Commissioner Ramirez: "I personally believe, I will definitely go along with you to wait to see what is going on. We just did an increase not too long ago and now we are talking about another increase. I don't think that would be fair. I would like to see your analysis to see how far we are, and then maybe we could recommend some or none."

Commissioner Westmoreland: "I hope we don't have any increase, but I will just remind the Commissioners that when we did vote on the increase, we did less of an increase than was proposed knowing we would probably have to do another smaller increase in the next year. So, that is what I don't understand and want to see your analysis as well, is whether or not we need to do another 1% or 2% and maybe if we win the Wilton thing..."

[Laughter]

Paul Yatcko: "That won't occur until after we put the budget to bed, so it will be a windfall in our next budget year if we win that."

Commissioner Westmoreland: "Or not."

Paul Yatcko: "Or not, right. This is a start. If there are other things that you want to see, please shoot me an email or give me a call and I also need some feedback from you in terms of how often do you want to see this? Do you want a monthly financial report like this or are you more comfortable with quarterly? Let me know what you like? You don't have to give me an answer tonight. Shoot me an email or call me and let me know your thoughts. We are happy to respond to that."

Commissioner Ramirez: "This entails a lot more work for the staff?"

Paul Yatcko: "It is work they weren't doing before."

Commissioner Ramirez: "Well of course, this is fantastic and you can see basically where you stand."

Commissioner Mann: "Quarterly I think would be fine, even though I am in total agreement with you on a monthly report from your management, total agreement. They need to be able to look at the numbers and understand."

Paul Yatcko: "Right, as management we need to be managing this stuff monthly."

Commissioner Mann: "Yes, definitely."

Commissioner Ramirez: "Absolutely, so you know where you stand."

Paul Yatcko: "Right."

Commissioner Mann: "Plus they need to understand what they are doing."

Paul Yatcko: "And I do have to thank Kevin and his staff. They started providing me with this stuff in early draft form two months ago and we are working on making it better and make it more managerial. Because when you first produce this stuff, it's just a bunch of numbers and gradually I am asking them to provide me with more managerial content."

Commissioner Westmoreland: "At some point in the next year, I would also like to see operating measures, as well like what is their up time, how many outages we had, how many customer service call we had."

Paul Yatcko: "I would like to see that too."

Commissioner Westmoreland: "All of those normal things that you see monthly, I would be more interested in that on a monthly basis, just to know how we are doing operationally."

Paul Yatcko: "It's a great point. I don't get a regular report that tells me how many electric outages I had this past month, how many customers were out and for how long and what is the trend? I don't get a report on outages by cause. I don't get a report about main breaks and service breaks and again, I don't know what the trend is. These are not things that the organization has historically done."

Commissioner Ramirez: "Look at the point of customer service, the issue we had with the water when it came out black. How many times people called me and said when is this going to stop? We just called, they don't know when this is going to stop. They tell me in a half an hour it will stop and the water is still coming out dirty or brown or whatever the case might be. Some people say don't use it, they place another phone call and they says you have to boil the water. We have to know what we are doing."

Paul Yatcko: "The discolored water you would not have to boil. It wasn't a biological or chemical issue."

Commissioner Ramirez: "But the customers don't know that."

Paul Yatcko: "Exactly right, it is an issue of their being suspended solids in the water affecting the turbidity and it's frankly unappetizing. You don't want to wash in it, you don't want to drink it and you don't want to cook with it. And that is one of the reasons we stopped the flushing program short of what operations wanted to do. I told them no it has to stop now. Wait until the fall before you do the second transmission main. Do not do it again. We have had too many problems this spring. Now some of it was caused by our hydrant flushing and we do, I think, a third of the system every year and that is unfortunately you can't avoid stirring stuff up. Some of it was caused frankly by vandalism. We had somebody running around opening up hydrants in the middle of the night on us and that caused some of it and then some of it was caused by the flushing of our transmission mains."

Commissioner Ramirez: "Talking about hydrants, can you do me a favor? If you don't mind? In front of Silver Star there is one hydrant, they use some type of connections that is, to me, very unprofessional and its leaking and has been leaking water for who knows how long. Please have somebody look into it."

Paul Yatcko: "I will have somebody look into it."

Commissioner Mann: “Silver Star on Connecticut Avenue?”

Commissioner Ramirez: “Yes. Just, if you have time, can you stop by and look at it?”

Commissioner Westmoreland: “But the thing is, I hear random complaints like Mary had discolored water, but I asked her next door neighbors and me down the street, we were a block away, never had any problems. I never know whether we are doing well or not; other than what I experience at my own house.”

Commissioner Ramirez: “As a matter of fact, one of those complaints, the person sent the letter to the main office. The first letter was answered, the second letter was not answered. The third letter was not answered. The explanation they gave them and they gave me a copy, and I thought it was very inappropriate and it was not right.”

Paul Yatcko: “I never saw those inbound letters, so I don’t know who responded.”

Commissioner Ramirez: “I am not talking about you but somebody in customer service management level service sent it.”

Paul Yatcko: “Again, if we are not responding to customers appropriately, I need you to tell me that, when it happens so I can address it.”

Commissioner Ramirez: “You will get a copy next time.”

Paul Yatcko: “That needs to be part of my relationship with you folks on the Commission. You are going to hear stuff in the community that I don’t hear and you need to be my eyes and ears out there and I rely on you for that.”

Commissioner Mann: “They were blowing my phone up.”

Commissioner Ramirez: “Ok, what is next?”

3. Email Accounts – Commissioners

Paul Yatcko: “This next item is about email accounts. The State of Connecticut requires us to preserve public records for a number of reasons, just because they can. Secondly, because they are concerned about transparency of government and having information available to support the Freedom of Information Act as well as litigation. So we have been implementing an email archiving system. What this will enable us to do is retrieve copies of any and all electronic correspondence. We will have to invest in a lot of storage media in order to do that, but we have an automatic archiving system now and it is functioning. That way if we get FOIA requests or a request for a legal discovery we can respond. Now the problem we have now, is if you use your own personal email accounts to do SNEW business and we get a FOIA request like I have seen in other jurisdictions, they ask that you provide any and all emails on a certain subject, then you are going to have to go through your email account. If it happens to be a legal proceeding, they won’t even ask

for any and all emails on a subject, they will subpoena your entire email account and they will go through it for you. So all of your personal stuff will be subject to scrutiny, which is why I only carry one phone and not two and I don't do SNEW business by way of text or personal email, I use my SNEW account. So what we are recommending is that each of you get a SNEW email account. Some of you already have had what looks to you like a SNEW email account. That is really an alias. That is just a name that actually maps to your personal email account. It essentially forwards to your personal account. So, we have put together a procedure to give you access to SNEW email using the Outlook Web Application or OWA. It is the same one that I use at home when I want to look at SNEW email. It's relatively easy to use. What we are asking you to do is to contact Lisa at your convenience. She will give you your SNEW email ID, as well as the instructions for accessing your email account from your home computer. And that way all of your SNEW emails will be kept separate from your personal account and we will have the benefit of being able to automatically archive them. So, you don't need to take any action on this as a Commission today, but again we are doing this for your protection and our use as well."

Commissioner Geake: "Through the chair? I would like to thank you as I have been after the powers that be for a long period of time, for like five years to have my own account and to get on the right track and they would laugh at me and say it wasn't important and I kept saying but it is. So the fact that it's on the record now and it's very important, I have already got mine; Lisa did it today."

Commissioner Mann: "We are going to start this immediately right? Because I guess my other thought process, to save you a little bit of time, maybe you want to do it at our next month's meeting...no? Ok."

Lisa Roland: "No, I mean we have to do it through the email system, so I am going to have to email you the information. I am going to actually send you an encrypted email and then you will have to open that up and in that email there will be instructions and a password telling you how to do it. So then you go out of that, go onto the web, put in the address and put in your password. You just have to remember that now you have to start checking your emails because we are going to start cutting it off from your personal. So you are going to have to make a habit of checking it."

Commissioner Ramirez: "So when you open an email would you be looking at the entire business of everyone?"

Paul Yatcko: "You will be looking at emails that get sent to you at your SNEW.org account."

Commissioner Ramirez: "Ok."

Commissioner Geake: "And nothing else."

Paul Yatcko: "And nothing else."

Commissioner Burgess: “Well, am I going to have to get rid of my husband since we share a computer?” He doesn’t allow me near it.”

[Laughter]

Paul Yatcko: “I ask that you reach out to Lisa, she is administering it and while I appreciate your thanks and gratitude, really Tom Orgovan who is our IT Manager did all the work on this and set it up and between he and Lisa they are the ones who should be thanked for it.”

Commissioner Geake: “However, he put me down as Mark rather than Mary, so I have one on him.”

[Laughter]

Commissioner Ramirez: “Well, in general I want to personally thank you for the strong leadership you have been demonstrating so far. I appreciate that.”

Paul Yatcko: “Thank you for that.”

Commissioner Westmoreland: “I have two questions not related to the agenda. Are we going to do a ribbon cutting for the new substation and a big press release saying what an accomplishment it is?”

Paul Yatcko: “I would like to get the paving done first.”

Commissioner Westmoreland: “First it was the landscaping and the landscaping is done.”

Paul Yatcko: “Well I am sorry, do you want to go around and walk in the dirt? That is alright.”

[Laughter]

Commissioner Westmoreland: “When is that going to be done?”

Paul Yatcko: “It is supposed to be done sometime this summer. I will have to follow up on it, but thank you, ribbon cutting is a good idea.”

Commissioner Westmoreland: “Well, we need to get some press. Our constituents need to know what a wonderful thing this is, because this is a big deal.”

Commissioner Ramirez: “It is a big deal for us. A lot of work and a lot of money went to it.”

Paul Yatcko: “It’s a good idea.”

Commissioner Ramirez: “And a lot of effort.”

Commissioner Westmoreland: “And it should improve our reliability substantially, especially with major issues.”

Paul Yatcko: “Absolutely.”

Commissioner Ramirez: “That was the reason we did it.”

Paul Yatcko: “Although to be frank, because of the higher voltages, it makes us a little bit more subject to outages in the overhead zone because it is easier to draw an arc between the two conductors so you get a branch on there, it makes us a little bit more vulnerable.”

Commissioner Westmoreland: “Yes, but that is all stuff we can fix. It’s the...what we couldn’t fix because it was out of our hands.”

Paul Yatcko: “True.”

Commissioner Mann: “Right.”

Commissioner Westmoreland: “Ok.”

Paul Yatcko: “Ok, you said there was another thing?”

Commissioner Westmoreland: “When are you going to paint the Summit Avenue water tank?”

Paul Yatcko: “The Summit Avenue water tank, we just got the lead testing back this past week. There are going to be some repairs that are going to have to get made, so we are writing the spec for that now. I would expect it to go out for bid sometime in the autumn and we will paint it in the spring. And I have told our Director of Operations that he needs to get that done before the end of the budget year under pain of death, his death.”

[Laughter]

Commissioner Westmoreland: “Well, now that I know about the Summit Avenue water tank and I walk my dog around it, I look at it and I either imagine or see the rust spots visibly getting bigger so I worry about it, which is why I am asking. If I see water coming out of it, I am going to call.”

[Laughter]

Paul Yatcko: “Please, please call. Don’t hesitate. I had one more item that I needed to share with you. With your permission...”

Commissioner Geake: “On or off the record?”

Paul Yatcko: "On the record, I would like to postpone the September meeting from the 15th to the 22nd. I am going to be unavailable on the 15th, I will be traveling. So, if that is alright with you. You are perfectly welcome to have the meeting without me. Lisa actually runs South Norwalk Electric and Water."

[Laughter]

Commissioner Geake: "We try not to let her know that though, but we all know that."

Commissioner Ramirez: "I have no problem with it."

Lisa Roland: "It is the following Tuesday."

Commissioner Ramirez: "The 22nd. Ok, Chair do you need a motion to adjourn?"

Commissioner Burgess: "Yes."

Commissioner Ramirez: "I put a motion in to adjourn the meeting please?"

Commissioner Burgess: "Is there a second?"

Commissioner Westmoreland: "Second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Adjournment

The meeting adjourned at 8:50 p.m.

Attest:

Lisa G. Roland
District Clerk