

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

October 20, 2015

Present:	Mary Burgess Maria Borges-Lopez Cèsar Ramirez Mary Geake Mary Mann David Westmoreland Martha Wooten-Dumas	Chairperson Vice Chairperson
Absent:	None	
Also Present:	Paul Yatcko Lisa Roland Kevin Barber	General Manager District Clerk Director of Administration & Customer Service
Public Present:	Robert Burgess	

Call To Order:

Commissioner Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:03 p.m. on Tuesday, October 20, 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, October 20, 2015 at 7:03 p.m. and the first order of business is the acceptance of the minutes. I need a motion for that."

1. Acceptance of the Minutes

Commissioner Borges-Lopez: "So moved."

Commissioner Burgess: "Is there a second?"

Commissioner Mann: "Second."

Commissioners Unanimously: "Aye."

Commissioner Burgess: "All in favor? Any corrections? No. Ok. Public Participation. You are not the public, you are private."

[Laughter]

CONSENT AGENDA

2. Quarterly Customer Electric Write-Offs – July 1, 2015 thru September 30, 2015

Commissioner Burgess: “I need a motion to approve the Consent Agenda.”

Commissioner Westmoreland: “So moved.”

Commissioner Ramirez: “Second.”

Commissioner Burgess: “All in favor?”

Commissioners Unanimously: “Aye.”

REGULAR AGENDA

3. Quarterly Financial Statements – 1st Quarter FY 2015-2016

Commissioner Burgess: “Ok, next the quarterly financial statements.”

Paul Yatcko: “Kevin, will you take us through them please?”

Kevin Barber: “Sure. As the Commission has requested the...”

Commissioner Ramirez: “I am sorry, if you don’t mind, will you get a little closer please?”

Paul Yatcko: “He is afraid he is going to get hit.”

Commissioner Geake: “That is the reason why I’ve got this. I can get him good if need be.”

[Laughter]

Commissioner Ramirez: “Thank you sir.”

Kevin Barber: “Oh, you are very welcome. As requested by the Commission, we started generating some financial reports and I think at the last meeting it was decided that we would start with quarterlies. So the report that was presented to you is the first quarterly report for the water and electric. Looking at the water first, it does show that for the first quarter we brought in Operating Revenue of \$2.5 million, which is approximately \$485,000 ahead of our projected budget for the year. So, on the water revenue side we are in good shape. Anyone have a simple question on the water revenues? If not, I can move onto the Operating Expenses. For the same first quarter, the Water Operating Expenses, we incurred Operating Expenses of \$2.1 million for the first quarter and now the budget shows that we had a budget of \$1.6 million. Now, to point out the depreciation expense, I think I have mentioned to you in the past, is that we have never

budgeted for a depreciation expense, so while it is showing in the actual column, our budget column is off by that amount. So, the actual variance and actual expenses to budget is positive or on the good side, I think was \$120,000 for the first quarter, if I did my math correctly. So, on the water side we are in good shape as far as compared to our budget. The lower section is our non-operating revenue in expenses and we have budgeted \$73,000 of revenue and expenses and we incurred \$114,000 to date. So right now for the first quarter we are over budget on that, but we do expect that over the next three quarters to come back and end up under budget for those categories.”

Commissioner Mann: “Can I? Under miscellaneous expenses, what are those pretty much comprised of? I guess more on the electric side than I’m questioning this than on the water side.”

Kevin Barber: “Alright, the explanation I give will actually cover both. That is the account category what we call ‘Merchandising and Jobbing’. The best way to describe it is, if somebody was to hit a pole or a hydrant we have to go out and repair it. We incur expenses on repairing that but we then turn around and invoice either the motor vehicle insurance for that amount. So we incur expenses throughout the year that may appear on that line that we have not invoiced yet. And the number on the electric side is what I will describe as quite large and that is exactly what it is and that scenario; it’s the State of Connecticut I-95 road widening project where we’ve incurred \$160,000-\$170,000 in expenses that we have not invoiced the State for yet. So once that’s invoiced, that number will come back down and it will then show up as what we call a net. The income minus the expenses, that number will also come back into what we call reality.”

Commissioner Borges-Lopez: “After you invoice, do you get paid?”

Kevin Barber: “Yes, we do.”

Paul Yatcko: “Slowly.”

Commissioner Wooten-Dumas: “That is a good question.”

Commissioner Borges-Lopez: “Well, with the budget problems the State is going through right now I have to pose that question.”

Kevin Barber: “And that’s a fair question but we have not run into any issues with the State paying and they usually pay us fairly quickly.”

Commissioner Ramirez: “You have a question here.” [Referring to Commissioner Geake.]

Commissioner Geake: “Through the Chair. I just saw the other day where they replaced a fire hydrant. Now do we have...is that under a work order or is that miscellaneous? I mean, was it something that was planned? I mean I know it’s not on one now, but still.”

Kevin Barber: “It probably depends because it could be either a maintenance project or it could be capital replacement.”

Commissioner Westmoreland: "No it's a car."

Paul Yatcko: "That was a vehicular accident."

Commissioner Geake: "Oh it was, ok."

Kevin Barber: "That one would fall in the miscellaneous income expenses."

Commissioner Geake: "Ok, that's what I was wondering."

Commissioner Ramirez: "Through the chair. On motor vehicle accidents, what is the... is it actually 100% that you collect or less than 90%?"

Kevin Barber: "It's not always 100%. We do go after the insurance companies and sometimes we do deal with the court system to get payments, but there are times we end up settling for less than what the actual cost of it was."

Commissioner Ramirez: "Well what seems to be the issue? When it is what it is and this is what we spend, this is what we..."

Paul Yatcko: "Often it's a matter of an individual having no insurance or inadequate insurance and in case of no insurance, we are forced to pursue them through the courts and in many cases we'll get a judgement in our favor and they will be told to make restitution to us, but they don't and the probation system isn't that strong in enforcing those restitution orders."

Commissioner Ramirez: "When they do have appropriate insurance, you do collect the majority, is that correct?"

Kevin Barber: "Yes,"

Commissioner Ramirez: "The insurance companies have no problem in that case to actually reimburse whatever you guys are billing."

Kevin Barber: "Lisa does a lot of that work. Would you like to hear how that works?"

Lisa Roland: "I know how this works, so I am sitting here going pick me. Anyway, usually a lot of the people have limits on their insurance so we end up getting a lot less. It's getting harder and harder to collect. I would say we collect 60% if we are lucky, 40% if we're right on."

Commissioner Ramirez: "60%?"

Lisa Roland: "Yes, it's a lot lately. It's a lot, people don't have insurance or people are under insured or like Paul said we go all the way through the court system you know, and they end up eventually having to make restitution and they just don't and I call up the

court all the time and they don't follow through with it."

Commissioner Ramirez: "The reason why I was leading to this question is I was wondering, lately I've seen a lot more on average, motor vehicle accidents and all that kind of things. I was wondering how much damage at the end of the year, we suffer from paying from this out our budget? You guys kind of put that also in the budget just in case that..."

Kevin Barber: "That is usually incorporated into our maintenance expense accounts where if we are not able to collect from an insurance company, we end up having to write it off as an expense, so it will go toward hydrant maintenance or street light street pole maintenance accounts."

Lisa Roland: "It depends on the accident too. We have had one accident which cost \$37,000 alone."

Commissioner Ramirez: "I've seen it is very, very expensive."

Lisa Roland: "We didn't collect that at all."

Commissioner Ramirez: "Especially when you have to hire..."

Lisa Roland: "Pardon."

Commissioner Ramirez: "Especially if you have to hire you know officers or whatever to come out and do traffic, that could be very..."

Lisa Roland: "Yes."

Kevin Barber: "And on the electric side if you have a pole with a number of transformers it gets quite expensive."

Commissioner Ramirez: "Exactly, I was wondering, no forget it, it will be a question for another day."

Commissioner Borges-Lopez: "Is there any type of insurance that would cover the loss?"

Commissioner Ramirez: "That's what I was going to ask, exactly."

Kevin Barber: "You mean insurance that we as a company purchase? I am not aware of any."

Paul Yatcko: "You can purchase property and casualty insurance like any business can. In general companies like ours have a pretty high deductible so an individual hydrant replacement due to a vehicle accident would likely fall below the deductible and so you are essentially self-insured for amounts like that. You generally, with your insurance policy, you try to cover the big pieces of equipment and recognize that you are going to be

self-insured for the smaller casualty losses.”

Commissioner Burgess: “Are there any other questions?”

Commissioner Mann: “Yes I do. What’s interest expense?”

Kevin Barber: “Interest expense – and you are looking at the water?”

Commissioner Mann: “Yes.”

Kevin Barber: “OK, that is the interest on our loan for the filter plant.”

Paul Westmoreland: “Why is higher than budget?”

Kevin Barber: “I think it’s sort of a timing issue of when we paid, probably two in a given month.”

Commissioner Westmoreland: “Because we know exactly what it is, right?”

Kevin Barber: “So at the end of the year that should all roll back into place.”

Commissioner Mann: “And balance out, ok, I’m good.”

Kevin Barber: “A lot of entries fluctuate and sometimes are tied into one entry.”

Commissioner Westmoreland: “Great.”

Kevin Barber: “So the water as I said we are slightly under budget for the year and on the electric side we have taken in \$4.2 million for the first quarter and we budgeted just over \$4 million, so we are ahead by about \$240,000 which is good. On the operating expenses as I mentioned before on the depreciation expense on the water side, we have the same scenario in electric. Our operating expenses for the first quarter are \$3.6 million and we budgeted \$3.8 million. So without removing the depreciation, we are under budget by \$163,000 when in reality it is more about \$370,000 - \$380,000 under budget. Our non-operating revenue and expenses are...we’ve incurred expenses of \$409,000 and we budgeted \$69,000, so we are over budget for the first quarter so far by \$339,000. But I will mention that just like on the water side, that miscellaneous income in expense line item, once we invoice for the State project and a number of poles that have been hit, that number will come back down to show just the net whether it be positive or negative for the miscellaneous expenses.”

Commissioner Westmoreland: “That’s if we collect the full amounts.”

Kevin Barber: “That’s if we collect the full amounts. What ends up happening as I mentioned, if we don’t we end up transferring it out and into the expense accounts up above, so it all gets incorporated in the financial statements in one category or another. So any questions on the electric side that I could answer?”

Commissioner Ramirez: "The station is already working at full capacity or not?"

Paul Yatcko: "The substation is fully operational. We are carrying about half load on it right now. We have spare transformer capacity there."

Commissioner Ramirez: "The reason I'm asking is, does this have anything to do with this, and I mean I didn't see any fruits on the investment."

Paul Yatcko: "Well the Transmission Service Agreement that we had with CL&P has gone away so that reduces our transmission and distribution expense and that helps offset the interest on the bonds that we sold in order to pay for the substation."

Commissioner Ramirez: "Would it be a fair question to ask you, what would be the time when you might see some better apples than what we we're getting right now?"

Paul Yatcko: "I'm sorry I don't understand the question."

Commissioner Wooten-Dumas: "Like comparing apples to oranges."

Commissioner Ramirez: "Yes like that."

Commissioner Borges-Lopez: "The return on the investment, when will we see the return on the investment of the power plant?"

Paul Yatcko: "Well, over the life of the facility, you'll make a positive return on investment. I don't know when it's going to break even, I haven't looked at that."

Commissioner Westmoreland: "I'm pretty sure over the life, we have no idea."

Paul Yatcko: "It certainly isn't going to be in the first couple of years of the investment."

Commissioner Westmoreland: "We're seeing returns simply because we are not paying the \$200,000 a year or whatever it was to CL&P. We are just paying for the interest."

Paul Yatcko: "And that offsets the interest expense."

Commissioner Westmoreland: "We're seeing that the other benefit is when we have the next hurricane Sandy and we don't have an outage because we're connected right into the northeastern whatever you call it, what is it?"

Paul Yatcko: "Convex."

Commissioner Westmoreland: "The grid, the grid yes."

Paul Yatcko: "The Regional Transmission Exchange."

Commissioner Ramirez: “Well that was all part of the program itself, but we also were hoping that within a specific time obviously not in our lifetime of course, we were not going to have it in the first or even a second year, but I would probably assume that even the third or the fourth year based on how the numbers are coming along, they might be having better results that earning some money or making some money whatever the case may be.”

Kevin Barber: “I also want to remind you that a lot of the savings is from avoided costs where the cost the transmission with the connection to CL&P was going to be increasing year by year. There was going to be a point where I believe, correct me if I’m wrong, there was going to be a large investment being made by CL&P. So by doing the transmission with the substation, we avoided those costs to keep things...”

Commission Ramirez: “If that’s the case, would it be fair to ask you folks to keep track to see how much the other company is going to raise for the next two years versus what we are making?”

Paul Yatcko: “We can take a look at that.”

Commissioner Ramirez: “So at least we can show the statistics in case the people keep asking you know are you guys saving us any money or making any money comparing apples with oranges you know what I’m saying? This is the money we are making or we should be paying versus what we are not paying because of the expenses.”

Paul Yatcko: “A fair characterization is the station is paying for itself on a cash basis right now because as I said the interest expense on the bonds is offset by the transmission savings and as those expenses would have escalated over time and the interest stays flat over the life of the bonds, you’ll get to a crossover point at some point in time.”

Commissioner Ramirez: “You say over its life, I’m getting confused with that number, what number would you give me when you say life, meaning what, 25, 50 years, 100 years what?”

Kevin Barber: “Typically an electric distribution substation has a useful life of at least 30 years.”

Commission Ramirez: “Ok, I needed a number and that’s it, thank you.”

Commission Mann: “I do have another question, through the chair, on the budget. The Customer Assistance Program, and I’m assuming that is the money that we used to give to NOEN to assist customers?”

Paul Yatcko: “That is correct.”

Commissioner Mann: “And it is going to be very cold soon. Are we doing any sort of Customer Assistance Program at this point?”

Kevin Barber: "Do you want to handle that?"

Paul Yatcko: "No go ahead."

Kevin Barber: "We have started investigating some action agencies or local groups that we could utilize to fund it."

Commissioner Mann: "Ok."

Kevin Barber: "When NEON was available, we utilized NEON and they actually were able to administer the program very effectively. So, now we have to find a replacement organization that can do the same thing for us."

Commissioner Mann: "So, and I understand the process because I used to work for NEON, but when a customer comes in here now at this point in time, we don't offer any sort of help if we recognize that they might be in dire need?"

Kevin Barber: "We typically would send them to Person-To-Person or...I'm drawing a blank, I believe there is another one that we also send them to and get assistance right up front."

Commissioner Mann: "OK, CCA?"

Kevin Barber: "We don't have the internal...I'm trying to come up with the right word to use here."

Commissioner Mann: "Staff skills in order to accommodate and figure out what the problems are."

Kevin Barber: "And also then to go dole it out the funds in an appropriate fashion."

Commissioner Mann: "Exactly."

Kevin Barber: "That's why we utilized NEON in the past. So we are investigating who we can utilize to do that."

Commissioner Mann: "Thank you."

Commissioner Ramirez: "A quick follow up to that question. If it goes to Person-To-Person and you recommend it goes to Person-to-Person and they provide let's say \$3,000 for instance. The Person-To-Person agency obviously has a tight budget that they are dealing with they will come back and say, ok we thank you very much for your client, but we've given \$3,000 how can we get the money back to assist others? Since that budget is there, has been there, you follow what I'm saying? We have what, \$25,000 in the budget for assistance?"

Kevin Barber: "There is \$25,000 in the budget that we would provide to an organization for them to dole out to customers as they identify being needy and they would then...and that money would actually come back to us, whether before establishing a security deposit, paying past due balances for whatever."

Commissioner Ramirez: "Ok, we understand the process, but the question is, would you reimburse that money to Person-To-Person?"

Kevin Barber: "What we need to do, is we need to establish a...."

Commissioner Ramirez: "Until these mechanisms are in place, until you find the agency that actually will administer this \$25,000."

Kevin Barber: "I think our goal is to find that agency and then we will provide them with an amount of money up to \$25,000."

Paul Yatcko: "Until we establish that contractual relationship we're not dispersing any funds."

Commissioner Mann: "And it has to be contractual."

Paul Yatcko: "Yes, we want to be very clear how the process is going to work and how the money gets dispersed."

Commissioner Wooten-Dumas: "Because when I worked, I did a little of that while I was at NEON energy. Its only, it's not like any amount, it's only a set amount that they allowed and it goes between Joe and that person and before I mean you know we don't, we didn't issue the money actually, it actually came from them."

Commissioner Ramirez: "The reason for this is the weather is very unpredictable now a days and it's getting tough in a very strange way and you have a lot of elderly people that actually have or utilized it in the past, but a good assistance and therefore these agencies which are not being utilized... "

Commissioner Burgess: "Maria."

Commissioner Borges-Lopez: "Through the chair. From what I understand, when this program was in place, it wasn't only the contractual agreement, it was stipulated that they use the same criteria as the State was using to give assistance to a person. So of course you need someone who is qualified and who is knowledgeable of all the criteria and the rules and regulations as far as income, so there is a lot that goes into it and that is the reason SNEW could not have this internally administered. So it had to be administered by a third party and also to avoid monies being dispensed to friends, to family members and to avoid all that and that is the reason it has to be someone who is qualified and who is also doing the same thing through the State department and the same standards were used for SNEW as well."

Commissioner Burgess: "Yes David."

Commissioner Westmoreland: "So it's my understanding that the Housing Authority is going to be the cap agency?"

Commissioner Mann: "Yes."

Commissioner Westmoreland: "So will the Housing Authority, will they be administering this program? Is this part of the cap agency? Do we know the answer to that? Its part one of my question?"

[Laughter]

Commissioner Mann: "I look at Kevin because who said we are looking at programming."

Kevin Barber: "Because there are Person-To Person, Housing Authority is also an option. I believe there are a few others at least one other, Third District uses I believe Person-to-Person, if I recall correctly."

Commissioner Mann: "Yes."

Kevin Barber: "So we have to look at all of them and determine which one will best fit our program and be able to administer it."

Commissioner Westmoreland: "So the \$6,250 we didn't spend in the first quarter."

Kevin Barber: "Right."

Commissioner Westmoreland: "Is that money accrued and still available and if we have a bad winter?"

Kevin Barber: "Yes."

Commissioner Westmoreland: "So the whole amount can still be spent, even though we didn't spend any this summer?"

Kevin Barber: "Yes, absolutely."

Commissioner Westmoreland: "Once we identify an agency."

Paul Yatcko: "Absolutely. We have a full \$25,000 budgeted and it's available throughout the year."

Commissioner Westmoreland: "And do we have any idea when we will be able to nail it down since it is getting cold?"

Paul Yatcko: "Yes, Kevin why don't you and I get together on that this week? We did have a couple of conversations about it over the course of the summer and we didn't do anything about it."

Commissioner Westmoreland: "OK. Thank you."

Commissioner Mann: "I'm done."

Commissioner Burgess: "Any other questions?"

Paul Yatcko: "Great, thank you."

Paul Yatcko: "Madam chair, our next item on the agenda, the issue of Bozrah Light and Power membership and CMEEC. I like to request that we go into Executive Session because this is an area for potential litigation, while I have laid out the facts of the issue in the book, I do think we need to talk about potential legal strategy and I would like to do that in Executive Session."

Commissioner Burgess: "Motion to go into Executive Session."

Commissioner Westmoreland: "So moved."

Commissioner Ramirez: "Second"

Commissioner Burgess: "All in favor."

Commissioners Unanimously: "Aye."

EXECUTIVE SESSION

The Commission went into Executive Session at 7:30 p.m.

The Commissioner came out of Executive Session at 7:55 p.m.

Commissioner Burgess: "We are back."

Commissioner Borges-Lopez: "Ok, we need to make a motion to table item #4. I would like to make a motion to table Item #4."

Commissioner Geake: "And I'll second it."

Commissioner Burgess: "All in favor."

Commissioners Unanimously: "Aye."

REGULAR AGENDA

5. Update on Audit and Annual Electors'

Paul Yatcko: "Lisa if you want to walk us through the schedule for the audit and the electors' meeting please."

Lisa Roland: "Sure. Before you is the schedule. You did see it one other time last year. It tells you when the Annual Meeting schedule is coming up. It tells you that in November you will be getting a draft audit report, when the annual meeting notice will be put in the paper, when the regular meeting will take place, which is November 10th. You will be reviewing and receiving and hopefully approving to the Electors the Audit Report and then we will put another notice in the newspaper and finally we will have the Annual Electors' Meeting on Tuesday, November 17th".

Commissioner Geake: "Through the chair, will you have someone makes doubly sure to put this in the computer so that they will be able to see it when the meeting will be held, as whoever is in charge of the computer would make a note..."

Lisa Roland: "You mean the website?"

Commissioner Geake: "Yes on the website,"

Lisa Roland: "Ok."

Paul Yatcko: "Yes it will be there."

Lisa Roland: "It will be there."

Commissioner Geake: "Thank you."

Lisa Roland: "No problem."

Commissioner Borges-Lopez: "I make a motion to come out of Regular Session and go into Executive Session."

Commissioner Westmorland: "Second,"

Commissioner Burgess: "All in favor."

Commissioners Unanimously: "Aye."

EXECUTIVE SESSION

The Commission went into Executive Session at 8:05 p.m.

The Commission came out of Executive Session at 9:00 p.m.

Commissioner Borges-Lopes: “I make a motion to approve the revised new organization structure, the head count, the revised SNEW job description manual, as well as the process in managing unplaced employees, including the severance benefit.”

Commissioner: “I second it.”

Commissioner Burgess: “All in favor.”

Commissioners Unanimously: “Aye.”

Commissioner Burgess: Opposed, Abstentions? None, ok can I have a motion to adjourn?”

Commissioner Borges-Lopes: “So moved.”

Commissioner Westmoreland: “Second.”

Adjournment

The meeting adjourned at 9:05 p.m.

Attest:

Lisa G. Roland
District Clerk