

**SECOND TAXING DISTRICT ELECTORS  
ELECTORS' ANNUAL BUDGET MEETING**

March 15, 2016

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Electors Present:	David Westmoreland	Mary Geake
	Maria Borges-Lopez	Mary Mann
	Martha Wooten-Dumas	James Clark
	Barbara Geake	Sandra Stokes
	Ian Soltes	Thomas Soltes
	Dawn Delgreco	Gwendolyn Gonzalez
	James Delgreco	Theodore Burt
	Michael Geake	

Also Present:	Paul Yatcko	General Manager
	Kevin Barber	Director of Finance & Service
	Frank Zullo, Esq.	Tierney, Zullo, Flaherty & Murphy
	Lisa Roland	District Clerk

Call to Order:

David Westmoreland called the Second Taxing District Electors' Meeting to order at 7:00 p.m. on Tuesday, March 15, 2015. The meeting was held at SNEW, One State Street, South Norwalk, Connecticut.

Commissioner Westmoreland: "Alright, I like to call the meeting of the Second Taxing District Annual Budget Meeting to order. I like, if the clerk could verify if we have a quorum."

Lisa Roland: "Yes we do."

Commissioner Westmoreland: "Alright and if the clerk would read the legal call."

*[Lisa Roland read the Legal Call for the record]*

Commissioner Westmoreland: "Thank you. Do I have a motion from the floor to accept the legal call?"

Michael Geake: "So moved."

Commissioner Westmoreland: "Michael Geake made the motion, now I need a second."

Theodore Burt: "Second."

Commissioner Westmoreland: "T.C. Burt. All those in favor."

Unanimously: "Aye."

Commissioner Westmoreland: "Opposed, abstentions, motion carries thank you. I also need a motion from the floor to approve the proposed budget to place the item, the budget on the floor."

Mary Geake: "So moved."

Jim Delgreco: "Second."

Commissioner Westmoreland: "Mary raised her hand first, Mary Geake and Jim Delgreco seconded it. I'm sorry. Alright, the presentation by the staff, Paul if you want to go over the budget."

Paul Yatchko: "Thank you David. Good evening and thank you all for coming out. I like to say a couple of thank yous before I get started tonight. First I like to thank Kevin Barber. Some of you may know that we reorganized the South Norwalk Electric and Water back in October and whenever you reorganize an operation, it usually causes havoc with financial reporting and budgeting for a period of several months. In order to prepare us for the budgeting process, Kevin did a tremendous amount of restructuring and a lot of staff work to make the budget process go as smoothly as possible and because of his work, we were able to get through it in quick order. I was surprised on how well it went. I also like to start by thanking my staff. Whenever you get a new manager in an organization and you have to produce a budget for him, it can be a pretty traumatic experience because all of us come to these things with different ideas on how budgets get assembled, different ideas on underlying assumptions and the staff did a really great job of working with me, helping to educate me and I also educated them what my budgeting theories and philosophies work and we didn't leave too much blood on the floor and all of us who participated in the process I think are satisfied where we are now. So let's talk about our proposed budget, all budgets are foundations upon a set of assumptions and ours is no different than anybody else's. Our budget includes a general wage in salary increase of 2.5%, effective on January 1. We built in a health insurance rate increase of 15% also on January 1, 2017. The budget funds 47 positions that's consistent with the October 20<sup>th</sup> commission approval when they approved our new organization and the slots we were going to fill in it. That that includes two positions that are currently filled right now that's the Safety and Security Coordinator, which we are going to try and fill by July 1 of this year and a Key Accounts Manager that we are going to try to fill by January 1<sup>st</sup>. The Key Accounts Manager position I think is going to be critical with the development of the SONO Collection Mall. That's going to be a project that's bigger than anything that South Norwalk Electric and Water has ever handled before and we are going to need somebody whose full time job is to interface with that project and to assemble and coordinate our resources to make that project go smoothly and efficiently. We assume a 100% contribution in aid of construction by that nature commercial development. I will alert you in advance that some expenses, some people have been moved into different accounts as a result of the October reorganization. We have changes in labor allocations and other overhead allocations that really results from us taking a fresh look at some of the ways that we have done that in the past. And finally, the way we made this all come together, we looked at revenues, we looked at expenses and we looked at capital expenditures because those are the three policy levers that we have to pull and we managed each one of those to avoid a major drawdown of or

a negative fund balance at the end of the fiscal year. And in order to do that you'll see that we've built in the water budget at the rate of 3%. I don't know what that rate increase is likely to be, we are going to keep working on that sharpening our analytical pencils, but in order to make the water fund balance come out to a positive number, we had to increase water rates because there's no growth in sales in a short term. Let's look at the district budget, which in your handout is page 3. The good news on the district budget there are no major changes from the prior year. The district revenue is limited just to a small amount of interest income on the balance in the bank, our operating expenses total about \$154,000 there are not changes in the salary items based on your vote. Meeting costs are virtually unchanged from the prior year. Legal fees are unchanged in this budget, but I will point out that there is some risk in that legal fee budget because of the risk of a continuing Ryan Park and Washington Village litigation that we're going through right now with the Friends of Ryan Park. We have lower auditor fees in this budget because the auditors are charging us \$10,000 less than we budgeted last year. We have slightly higher insurance premiums built into it, community service expenses are essentially unchanged from last year and street lighting expenses amount to a whopping \$174,000, slightly lower on the purchased energy side of things, but we did an analysis of history and where our electric people are spending their time so it has resulted in a greater allocation of electric department labor to street lighting because of the analysis of recent history. Net income is a negative \$357,000 and we take care of that by making certain transfers from electric and water. There are \$95,000 each from electric and water to cover general expenses and another \$174,000 to exactly balance the street lighting expenses that comes over from electric. So the net change in the reserve fund net, net, net, net, is a negative \$13,000 and the reserve fund balance at the end of the year for the District remains a healthy \$1.188 million. What questions do you have for me on the District Budget? Hearing none, I'm going to keep moving through this because I'm hungry. [Laughter] Let's look at the water budget. Revenue from sales are a little over \$8.5 million in this budget, up about \$215,000 from the prior budget. That assumes a flat sales volume, we are not pushing any more volume through the system than we were in the prior year and we assumed, as I said earlier a 3% rate increase, but that wasn't applied to the public fire protection because the municipality is already putting its budget to bed and to be fair to them, we didn't give them advance notice of a rate increase. Other revenue in the water budget, is mostly unchanged but there are a couple of items that I want to call to your attention. We've increase the budget for revenue for laboratory services up by about \$13,000. That's also based on our analysis of recent historical revenue for lab services. Merchandising and jobbing revenue is also up about \$11,000 based on recent history and miscellaneous revenue of \$43,000 is included in this budget and that reflects revenue from the rental of space on our water tanks for cell phone towers and that's an amount that we never recognized in the our budget before. It's a pretty significant number and it's not uncommon for water utilities to see a number like that and it has been previously unbudgeted, but we put it in this year's budget. So total revenue for the water business is \$8.8 million up about \$283,000, which is roughly 3%. Expenses on the water side for source of supply, our reservoir system they're \$176,000 total. That's down about \$29,000 due to labor and overhead allocations. For those of you who are following along, that's on page 5. Pumping expenses to move the water around are \$239,000, that's up a little tiny bit. We've got higher forecast electricity expenses because we are running some more equipment at the plant, as opposed to what we had done historically and that's been

partially offset by labor and overhead allocations that have gone somewhere else in the budget. Water treatment costs are almost a million and a half dollars, an increase of a modest \$9,000 that reflects the cost of the repairing the fluoride paint, which I believe is budgeted at \$47,000 and then that is offset by labor and overhead allocations in the budget. Transmission distribution, the piping in the street, budgeted at almost \$1.1 million down about \$367,000. Last year's budget, if you recall, was somewhat elevated by the \$500,000 that we budgeted for the painting of the Summit Avenue Tank and also we had money in there for large meter testing as well. Those amounts are not in this budget. Customer account expenses are \$572,000, they are up almost \$200,000, most of that is due to the reorganization and the labor reallocation. There is also, if I remember correctly, about \$40,000 in there for credit card processing fees. As we are starting to take credit cards through our electronic payments channels, we are incurring credit card fees and we had to budget for them in this particular budget. And finally administrative and general expenses are budgeted at \$3.16 million, that's up about \$374,000 lot of puts and takes in that, we have historically not budgeted for OPEB expenses that's Other Post Retirement Employee Benefits, we are including that in this budget for the first time. There's an allocated portion of the two new positions are in the A&G expense. I hired a new safety consultant and I'm having that individual be on the property a whole lot more in this fiscal year than in the last fiscal year because I think our attention to safety needs to be sharpened and heightened. We've included some additional legal fees because of our pursuit of the tax appeal in the town of Wilton, we hope that will pay dividends and there are also increases in the employee benefits costs. Total O&M expenses are about \$6.73 million, that's an increase of only \$187,000 net, net, net, net, or about 1.7%. Turning to page 6 in your handout, property taxes we are forecasting no change of \$467,000, but it sure would be nice to win the Wilton Tax Appeal and have that number go down quite a bit. Total expenses in the budget are \$7.2 million up \$187,000 or about 1.6%. Capital expenditures, which we will talk about in a couple of minutes, are \$455,000. Debt services are unchanged at a little less than a million and a half, the net change in the water reserve fund is a negative \$338,000 and the closing balance in the fund is \$48,000. So the closing balance in the fund is pretty thin as it has been for the last several years. The real story on the water business is that you're really running on a shoe string, there's not a lot of extra cash in this budget to reinvest in infrastructure and part of that is due to the large debt service that we have in here at \$1.5 million, which is going to pay off the debt on the water treatment plant upgrade. Until you work your way through that, this is going to be a very tight situation and it's going to be difficult to squeeze any more than about half a million dollars a year for reinvestment in the infrastructure of the water business, something that concerns me over the long haul. Capital expenditures in the water budgets on page 7, amount to about \$455,000. The big items in there are purchase and installation of AMI, Automatic Meter Infrastructure meters in the water business for about \$150,000, repair of the bridge at Pope's Pond for the intake structure to the shore there is about \$121,000, that's a fairly dangerous situation right now, I don't like having people walk out on that bridge in its current condition. Variable frequency drives at the filter plant for about \$56,000 to improve electric efficiency, there's money in there for replacement of a vehicle in our meter department for \$12,000 and before you ask me, no it's not possible to get a vehicle for \$12,000 these days. We split that vehicle 50/50 between electric and water, so this is the left hand side of that vehicle, the right hand side is in the electricity budget. We have a provision for the miscellaneous unspecified capital items that might come up

during the year of about \$50,000 and there's a bunch of miscellaneous small items in there for another \$66,000. In the O&M budget already, and in the numbers that you've seen, there is \$140,000 in there for what I would consider to be extraordinary maintenance items. It includes certain door replacements, it includes hatches up at the Stevens Hill Tank, I believe for about \$25,000, the fluoride tank repair as I said was about \$47,000 and the GAC replacement, the Granular Activated Carbon section of our filter plant a piece of that, its either half or a third I forgot which, has to get replaced annually and it's there for between \$60 and \$65,000. What questions do you have for me on the water budget? Yes."

Jim Delgreco: "Jim Delgreco, 41 Elmwood Avenue, so I guess the Summit Tank is supposed to be painted this year?"

Paul Yatcko: "Yes we're expecting the contractor to start mobilizing on the first of April."

Jim Delgreco: "And that's should all come out of this year's budget and finish up at any time."

Paul Yatcko: "Yes, yes, I'm holding some people's feet to the fire to make sure that that happens."

Jim Delgreco: "And then number 2, is I don't know if anybody has driven up to Wilton these days where the reservoirs are. The reservoirs are unbelievably low, and I haven't seen a lot of rain this last year, so I would think that the replacement, the water replacement from rain coming down has been fairly insignificant this year."

Paul Yatcko: "Actually, we are in a surprisingly good shape right now. I just talked to my people about that last week and they assure me that we are getting pretty close to where ought to be for this time of year."

Jim Delgreco: "Oh good."

Paul Yatcko: "Which is full up. I mean we were very concerned about it back in October, we were down below 50%, we were in the mid 40's and we were worried and we didn't exactly have a wet December and November, but we got enough snow fall and we've had enough rain since the first of the year. We refill pretty quickly so they assure me that we are in pretty good shape right now."

Jim Delgreco: "And last but not least, it seems to me when you are trying to drive conservation of anything, it increased the price, so what was the decision to not increase it more than 3%?"

Paul Yatcko: "We had to pick a number, as a matter of fact we dealt with a range we looked from 2% to 5% and the other thing we need to look at is the trajectory. I mean do you want to have one big rate increase, let's pick a number, 10%?"

Jim Delgreco: "No, we did that once."

Commissioner Westmoreland: "25%."

[Laughter]

Jim Delgreco: "We did that once, we don't ever want to do that again."

Paul Yatcko: "And then go a few years without having one or would you rather have a relatively slow trajectory, shallow trajectory and do 3% or 4% a year for four or five years."

Jim Delgreco: "Right, so why 3 and not 4?"

Paul Yatcko: "Because it balanced up. I don't what the numbers are really going to be. We have to sharpen our pencils and do some analytic work before we take a proposal to the Commission, 3% made it balance up for the budget purposes."

Jim Delgreco: "My feeling is a little bit more is better because I can remember that year when it went up, what was it 15% or something?"

Commissioner Westmoreland: "'25%."

Jim Delgreco: "25% that was, that was bad."

Paul Yatcko: "And I've been there and in my last posting, we had two consecutive increases in two years of 18% each, did not make people real happy."

Dawn Delgreco: "That is why our yard looks so bad honey."

[Laughter]

Jim Delgreco: "I understand that, but my recommendation is you definitely continue to keep that in mind and I would also think and hope that it would continue to foster more conservation, which hurts in the end because then they use less water, which means you can collect less, so it's a ying and yang, but I like the idea of increases small but steady."

Paul Yatcko: "Thank you. Other questions?"

Tom Soltes: "Yeah you probably say I'm watching too much television, but Tom Soltes, 4 Garner Street. I'm concerned, I'm looking at, I noticed you had one item very minor about safety and is there anything in the budget or any plans for security is the word I want to use in other words terrorist's organizations, there is a lot of this buzzing around these days."

Paul Yatcko: "No, I wouldn't suggest that you're watching too much television at all. It's something that does concern us, in fact we have a consultant on the property right now whose doing a security survey for us and we are expecting some recommendations for better facilities, access control, and better perimeter control, but you know I'll be frank

with you, if somebody wants to get in the water shed and do harm they can do it. Somebody who is determined enough. Some of those properties are fairly remote.”

Attorney Zullo: “They can do it.”

Paul Yatcko: “Somebody could get in there and it is a tremendous vulnerability in the American Public Water Supply and it is something that concerns us but it’s also something that we’re looking at now, but if you’re asking me can I ever completely seal access to our water shed area? No.”

Tom Soltes: “But, you’re looking at it.”

Paul Yatcko: “Yes we are.”

Tom Soltes: “Am I going to...just in the event for example of a power outage, you know area wide, will the water keep flowing or we have like?”

Paul Yatcko: “We have emergency generators at key places in the system, but frankly will they power everything? No, we should be able to keep the pressure in the system, but the real question is for how long, in a lengthy power supply, our ability to do that really depends on our ability to get fuel trucked into the emergency generators and that’s what I see as the key vulnerability in the system, because you’re really, it’s your fuel supply chain that determines how long you can run your generators.”

Tom Soltes: “But they should go at least for a while.”

Paul Yatcko: “”Yes.”

Jim Delgreco: “Don’t forget to fill up your bath tub.”

[Laughter]

Paul Yatcko: “Other questions? Alright, let’s talk about electricity. On page 9 in your package, revenue from electric sales are \$16 million in the budget, up about \$300,000. There are modest increases in the small and mid-size customer classes due to an increase in the purchase power adjustment that was not included in the prior year’s budget, but is actually in place already. We are not enacting another one in this budget, its already in place from last year, sales are essentially assumed to be flat, so the slight increase in the PPA, we get a little bit more revenue out of those classes and that partially offsets what we consider to be continuing weakness in the large commercial sector as well, we are not seeing strength there at all. We had a significant increase in other revenue interest income of \$12,000 up about \$8,000 in the budget, just based on recent history. Our cash balances have been stronger than they have been in a while and we’re seeing better interest income despite the low interest rates, and miscellaneous operating income of \$767,000. That’s a huge figure and that’s the assumed contribution from the large commercial development that’s going on in the territory and as a contribution towards the capital that we’re going to spend in this fiscal year for transformers and switch gear to serve that customer. Total revenue in the budget is

\$17.1 million and it's up over \$1 million in the strength of those two pieces, the contribution and aid in construction and any little bit of revenue from the PPA. Continuing on page 9, the purchased energy costs were forecasting to be pretty steady. Sales are relatively flat, we are not seeing a big change in the unit cost of power from our supplier CMEEC. Transmission and distribution O&M is \$1.23 million, a reduction of about \$240,000. We eliminated a mechanics position due to a retirement and that saved us some money there as well as an analysis of history, we think we can tighten our budget a little bit for overtime and we are also lowering tree trimming expense, we were very aggressive with our tree trimming this year. I think that's paying off, so we don't have to be so aggressive in the year that's coming up. Customer accounts expense are budgeted about \$580,000 and that's up \$81,000 due to credit cards fees, which are about \$88,000 I believe on the electric side, an increase in the allowance for uncollectibles and that's offset by lower labor allocations. In the A&G costs in the electric budget are \$2.8 million, a slight increase of \$129,000 and just like on the water side, there are lots of cats and dogs in A&G. We have the OPEB amount in there, I've included some consulting costs in there that weren't in the last budget, I think I might want to have somebody come in and help advise us on developing special rates for the SONO Collection Mall, increases in benefits costs, the safety consultant, some service contracts on software and hardware, and some repairs to the line garage out there across the yard where the roof is leaking and some of the sheet rock inside the building is rotting away as a result. That's offset by lower labor allocations, we reduced legal expenses because we don't think that there is any significant litigation going on in the electric side of the business and better insurance costs. Total operating expenses is around \$15 million down about \$20,000 or 3/10 of our...actually that's a bad number, that's about two, less than 2/10 of a percent, shoot the guy who did this slide, which was me. It's about a better percent or a percent and a half. Income less expenses is about \$1.79 million and again it reflects that increase in revenue offset by capital expenditure. Capital expenditures, which we will look at on the next slide, is a little over a million and a half, which is an unusually big amount for the electric business. Net change in the electric reserve fund is a negative \$525,000, but the electric business can sustain that for a short period of time because your closing balance is a very healthy \$11.7 million, so there is a little bit of room here to operate at a net cash deficit. Capital expenditures in the electric business as I said are over \$1.5 million in this budget. The big item there is the \$767,000 of transformers and associated switch gear that we are going to have to order in advance of the actual construction out at the mall property. Some power transformers can take as much as 26 to 39 weeks depending on the size and particular configuration and we haven't placed an order yet, so we are going to have to get going on that as soon as we get a reasonably stable specification from the developers there, we'll be looking to specify and order some transformer capacity. We have a line truck to be replaced in this budget, truck number 26, that truck spends entirely too much time in the shop and it's gotten extremely unreliable and costly, as a matter of fact it was just in the shop again last week that's in there for \$228,000. We got a line item in there for the purchase and installation of overhead capacitors. That's a requirement that's put upon us by the independent system operator here in New England. Essentially, they require us to do certain things in the system to electrically support voltages and power flows and they have determined that we need to increase the so called reactive power supply in our distribution system and the way you do that is by installing capacitors and to avoid sanctions from the independent system operator we need to install capacitors. We got

\$75,000 in there for replacement metering, a couple of annual appropriations that all distribution utilities budgets contain, a pole replacement and transformer replacements for about \$175,000 between the two of them, some switch replacements at about \$33,000. There's the right side of that metering vehicle for the other \$12,000. We built in about \$150,000 from miscellaneous unknown capital in the electric budget and that's consistent with what we have been doing recently and there are some other small item in there for \$17,000 and I'll be honest with you I don't remember what they are. In the numbers you have already seen for operating and maintenance expense, there is about \$40,000 for a completion of a pole survey, that survey is going on this spring, essentially got a contractor out there, physically going out and looking at every one of our poles, hitting them with a hammer, taking some core samples and seeing what's rotted out out there and so we can put together a plan to replace them over some future period. So we are not faced with replacing them upon failure, which is always a bigger problem than plan replacements. That is the electric budget. What questions do you have for me on electric? Yes Jim?"

Jim Delgreco: "So I think I remember in the past that we were locked into some electric contract purchasing energy or purchasing maybe gas through CMEEC, do you know how long is that corrected and is that ongoing?"

Paul Yatcko: "Actually, CMEEC enters into contracts on all of our behalves. They developed a relatively sophisticated hedging program based on a risk management policy that has been approved by the board of directors. They do some hedging that's if I recall correctly as far out as maybe twenty four months in the future. They really don't go out much longer than twenty four months and a lot of their focus of the hedging program is the current budget year and they are very active on a day to day, week to week, month to month basis. There are other hard assets that they have, assets in the generating capacity, they have the so called micro gen units, which are a bunch of two or two and half megawatt diesels that are scattered around Connecticut, there is the Pierce Plant which I believe is in Wallingford and a couple of other hard assets that they have around and we have pieces of those projects and we aren't going to get out of those any time soon. Those are long term contracts."

Jim Delgreco: "So, do you see it's really a short time do you see the purchase of energy staying fairly stable?"

Paul Yatcko: "I think for this fiscal year, yes I think there's going to be I mean, if you think about it logically, natural gas can't go much lower than it is right now of course every time I say something like that the market makes me look stupid to be frank, but I think there's going to be a little bit, a little bit of upward pressure on natural gas prices but I don't think the natural gas commodity you know the Henry Hub Price is going to move all that dramatically this year. The only thing that concerns me really about natural gas is what happens to so called basis or transportation component of cost up here in New England. In the winter the supply system is fine, the transportation system is not, it's constrained, when you get a really cold winter you get tremendous swings in the transportation costs of natural gas, you just can't get it for power generation, when you can get it its extremely expensive. We were lucky this winter because of the mild winter you didn't see those swings that you saw the prior two winters. If I could predict

the weather, I wouldn't have to work for SNEW for a living because I would get rich doing that, but you really don't know what it's going to do, but that's the piece, that's the most volatile that worries me the most."

Jim Delgreco: "And there is no, I don't see any horizon big picture new pipeline type of construction or anything for that matter."

Paul Yatcko: "I think the economics will probably support new pipeline capacity in New England, what we have lacked so far is the political will. I mean there is not agreement that we should be burning fossil fuels in New England. There is one fraction in society that says we should be encouraging work conservation and more renewables and that we shouldn't build pipeline capacity. There is another side that says, yeah we should be developing renewables, but they are not going to happen at the pace we need them and we need more pipelines capacity to support more power generation and until we complete that regional debate and resolve it, I don't think you are going to see any pipelines built in the New England."

Jim Delgreco: "So two other questions, any movement on the building across the street?"

Paul Yatcko: "We have a draft report from CDM Smith, which is a firm we hired to look at Water Street, the Line Garage and the Power Plant. I think the high level summary is that the buildings all have reasonable structural integrity, building systems, HVAC, electrical mechanical and so forth are well passed the ends of their useful lives, things like windows and doors and so forth certainly don't meet today's energy codes, we have other issues with respect to egress, ADA, seismic considerations, that if you ever decided to completely rehabilitate and renovate those facilities that you have to deal with. I'm not anywhere close to making the recommendation of how we should proceed to the Commission, but I think there are some clearly some future costs associated with those facilities that are going to need to be considered on a go forward basis."

Jim Delgreco: "And it would also seem like the land costs or at least the land usage for the power plant being so close to the train station would be of interest to someone?"

Paul Yatcko: "Absolutely, you got the Water Street property, which is literally right on the water and that has tremendous value that has yet to be exploited and then you got this one within a hundred yards of the entrance to the train station and the questions that you have to ask are can somebody else extract value out of it better than we can in its current use and if so can we monetize that and move into another facility and consolidate all of our operations in one place in the District. And those are some of the things we will be looking at on a go forward basis. In fact, I just had a conversation with my people on that yesterday."

Jim Delgreco: "And the last question is, on the use of the credit cards have you found that the additional expense is worth it, either through corporate collections or better collections or anything like that?"

Paul Yatcko: "I thing, and Kevin may disagree with me on this, I think there's some improvement in some accounts on collections. I don't think you can ever from my

perspective, ever fully justify on economic basis. I think its part of the reality of doing business in today's environment that customers in the market today demand different ways of paying their bills then they have historically. And if we don't respond to that we are missing an opportunity to serve our customers better. So I think it's more across of doing business than it is an economic benefit for us, but if you got a different view on that, please slap me and tell me I am wrong."

[Laughter]

Kevin Barber: "No."

Commissioner Westmoreland: "I would just add to that, from the Commission's perspective this is one of the first issues that I was involved when I became a Commissioner like three years ago and the staff was very clear with the Commission up front that this is really a money loser for us, but the reality is both the staff and Commission has received so much grief over not being able to pay your bill on line, you must be backwards and stupid and all this stuff, we made the decision to go ahead with this as Paul said politely to serve our customers, but from day one everyone was very upfront about it. There's no you know, you're not laying off thirty people from Accounts Receivable or there is no gains here. This is all money out the door to serve our customers better and that's fine, it's good, it's been received very well I think."

Dawn Delgreco: "Do you have a feel as to the customer is paying, the person whose paying by check and within that period to get the 10% discount whereas the person who uses the credit card?"

Paul Yatcko: "I think far and away the bulk of payments we are getting by credit card are also in the discount window."

Dawn Delgreco: "Oh they are. Ok."

Kevin Barber: "Oh Yeah, they all are."

Paul Yatcko: "People are almost religious about paying in those first 10 days."

Dawn Delgreco: "Right."

Paul Yatcko: "You ought to see the window out here on the 9<sup>th</sup> and 10<sup>th</sup> of the month."

Dawn Delgreco: "So the credit..they are using the credit cards more often as well?"

Paul Yatcko: "What are we up to about 2,000 now, accounts that are using credit card payments?"

Kevin Barber: "Somewhere around there."

Paul Yatcko: "Pretty close to 2,000."

Kevin Barber: "Is it 10 to 15% of our payments?"

Paul Yatcko: "Yes, the last time I looked it was 12% or..."

Dawn Delgreco: "I was just curious how the consumer was using it as far as how they are budgeting themselves."

Kevin Barber: "It's actually, from my perspective, I've been impressed with how many people have used it. Each month the amount of payments that we process electronically does increase and the budget numbers we put out there is, we had to come up with an idea of, is that number going to continue to increase and get larger? So we tried to make a fair estimate, hopefully we shot high."

Dawn Delgreco: "There is a lot of credit cards out there so."

Kevin Barber: "And if the budget numbers we put out there are going to be well in excess but a lot of it is the more people that pay by credit card the more fees we're going to pay."

Paul Yatcko: "And maybe we will be benefiting a little bit from the float on that because maybe we'll get the money faster but and there is also a practical limit to it, at some point it's going to saturate. I mean if you look at the demographics of our service territory there is a segment of the population that are electronically savvy and they are into e-commerce. They also have access to consumer credit, there are other people that don't and there is a segment of our population that lives in a cash economy. A lot of them are at the window every month. You know we process a surprising amount of cash and that part of the economy of our service territory is never going to be paying by credit card. They will never pay by check either. Any other questions on the budget? Thank you for your kind attention."

Commissioner Westmoreland: "Alright, thank you Paul. Alright, if I could have a show of hands, all those in favor of approving the proposed budget for the fiscal year 2016 – 2017. All those opposed? Any abstentions? Alright, the budget passes. Thank you very much. Now we move on to item 4 Receive and Ratify the Choice of Auditors."

#### 4. Receive and Ratify the Choice of Auditors

Commissioner Westmoreland: "May I have a motion to place this item on the floor?"

Jim Clark: "So moved."

Commissioner Westmoreland: "Jim Clark, ok."

Mary Geake: "Seconds."

Commissioner Westmoreland: "Mary Geake seconds. Alright, Paul."

Paul Yatcko: "You're going to be spared another dog and pony show from me, I'm going to sit here and probably only speak about three or four sentences. Last year the District Commission chose the firm of Michaud, Accavallo, Woodbridge and Cusano, LLC to be the auditors for the Second Taxing District and you all ratified that choice at your March 17<sup>th</sup> meeting. Historically, those appointments are for one year. The proposal that the auditors make is usually for one year with two optional renewals. They have submitted an engagement letter to us. We were extremely happy with our relationship with MAWC this past year. We think they did a great job, they worked extremely well with our staff, they were very constructive and we recommended to the Commission last week that they be reappointed and that's the issue before you tonight, to ratify the commission's decision to reappoint MAWC as our auditors."

Jim Delgreco: "Question. Any comparison from because this is the first year we used the new company. Any comparison to the last year, versus the previous?"

Paul Yatcko: "I can't speak much about that because I wasn't here when those folks were here, but from my perspective they probably spent more time up front on the learning curve than the prior folks did because they had been here a number of years. But other than that, I think they were professional they used generally accepted auditing principles and standard protocols and they were good people to work with. Kevin, you worked with them closer than I did."

Kevin Barber: "Yeah, they were actually wonderful to work with, very similar to the previous auditors, very professional and did a very thorough job. So comparing, I mean I think they both, I would say did a fine job. It was nice to have a different change, a different outlook and perspective from auditors. So, as Paul indicated we were very pleased working with them and enjoyed them tremendously."

Paul Yatcko: "One of the things I appreciated about them was that whenever there was something that came up they didn't hold it for the last minute and spring it on you, if there was an issue that they wanted to discuss during the process, they did it. So we were able to sort things out and get things resolved before we got to the end. But, the worst thing you can do from a managerial perspective if you're an auditor is spring a surprise on the client the week before the report is supposed to be published."

Commissioner Westmoreland: "Any other discussion? All those in favor of receiving and ratifying the choice of auditors? All those opposed, abstentions? Motion carries, thank you very much. Alright, we will move to item 5 and may I have a motion to adjourn?"

Commissioner Stokes: "So moved."

Commissioner Westmoreland: "Sandra Stokes made a motion to adjourn. I need a second?"

Ian Soltes: "Second."

Commissioner Westmoreland: "Ian Soltes in the back. Thank you very much everyone."

Unanimously: Thank you.”

**Adjournment:**

*The meeting adjourned at 9:15 p.m.*

Attest:

Lisa Roland  
District Clerk