

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

December 20, 2016

Present:	David Westmoreland Harold Bonnet Mary Geake Mary Mann Sandra Stokes	Chairperson
Absent:	Maria Borges-Lopez Martha Wooten-Dumas	Vice Chairperson
Also Present:	Paul Yatcko Lisa Roland	General Manager District Clerk
Public Present:	None	

The meeting was recorded in its entirety.

Call To Order:

Commissioner Westmoreland called the Regular Meeting of The Second Taxing District to order at 7:05 p.m. on Tuesday, December 20, 2016. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

1. Acceptance of the Minutes:

1.1 Special Meeting Minutes of November 7, 2016

Commissioner Geake moved to accept; Commissioner Mann seconded.
The minutes were approved unanimously. (16-12-20-1.1)

1.2 Annual Electors' Meeting Minutes of November 15, 2016

Commissioner Mann moved to accept; Commissioner Geake seconded.
The minutes were approved unanimously. (16-12-20-1.2)

1.3 Appeals Meeting Minutes of November 15, 2016

Paul Yatcko and Commissioner Westmoreland felt it inappropriate to make any motion on Appeal Committee meeting minutes during a full Commission meeting. It was decided that the Appeal Meeting Minutes should be approved by the Appeals Committee at one of their meetings (although this procedure has never been followed before).

This item was tabled until the next Appeals Committee Meeting. The next meeting is anticipated for January 2017.

Public Participation

No Public was present.

CONSENT AGENDA

2. Ratify Appeals Committee Decision
 - 2.1 Relief on Large Water Bill / Account Number 07000
 - 2.2 Subdivision of 34 Meadow Street / Water Rules & Regulations
3. Approve 2017 DC Regular Monthly Meeting Schedule
4. Approve 2017 SNEW Holiday Schedule

Commissioner Mann motioned to move the items in the Consent Agenda. Commissioner Geake seconded.

Items 2, 3 & 4 were approved unanimously. (16-12-20-2)
(16-12-20-3)
(16-12-20-4)

REGULAR AGENDA

5. Salary, Benefits & Employee Manual Report

No changes to the Employee Manual or to the organization were proposed. Changes to the medical insurance were handled at the November (7th Special) Meeting.

The only change to be considered was an employee wage adjustment to cover cost of living. Paul Yatcko made a recommendation to increase salaries for all grade levels, 1 – 15, by 2%. He arrived at this number by reviewing Bureau of Labor Statistics Consumer Price Indices (CPI-U of 1.6% and CPI-W of 1.55%) data for the tristate region, and by (informally) benchmarking against a local utility's recently contracted wage increase (2.25%).

Commissioner Mann asked if rate increases (customer charges for electric and/or water) were likely this year (2017). Paul Yatcko stated that no rate changes were anticipated for the electric side. On the water side, the water storage emergency is affecting the rate schedule. A water rate increase was budgeted for, but has been delayed because of the water supply situation. It would not make sense to embark in "normal rate setting" while in an emergency condition. However, in the interim, some charges will probably have to be passed on to customers to cover emergency water supply measures (to be discussed later in this meeting).

Commissioner Stokes asked if the increase applied to all grades 1 – 15, and 15 (Director's level) having a sliding scale, would there an additional increase besides the 2% for grade 15? Paul Yatcko explained that when an employee reaches the top

step in his/her position's grade, he/she only gets the cost of living adjustment. Anyone in a lower step gets both the step increase and the cost of living adjustment. Grade 15 doesn't have steps. If the employee isn't at the top, salary increases are dependent upon performance, and, as with the other lower grades, the cost of living adjustment would also apply.

The custom at SNEW has been that step increases occur by time of service, but Paul Yatcko would ultimately like to reevaluate the salary administration system to better tie salary and wages to performance. The performance review infrastructure that would be required is not currently in place. Any new performance review system would be a culture shock to this organization and would need to be phased in over time. Employees would need to get used to setting personal performance goals. The changes would take a number of years to implement.

Commissioner Westmoreland commented that a few years ago almost all of SNEW's employees were at the top of their grades, and now with the number of changes over the past couple of years he is wondering how the mix has changed. Paul Yatcko replied that due to a change in the employee population there are a few employees that are not at the top of their grades. These include the apprentice linemen, the younger M&C crew members, some Customer Service employees, and the Financial Analyst.

Commissioner Bonnet questioned SNEW's financial health. He understands that SNEW has to increase employee salaries to meet increased costs of daily living, but he is concerned with SNEW's ability to meet any future financial hardships or challenges. He feels the Commission's responsibility is to keep SNEW in operation to serve its customers, and he asked how SNEW would handle a financial crisis.

Paul Yatcko understood the concern and agreed that the ability to absorb a costly catastrophe would be a challenge for any small municipal utility such as SNEW. He explained that any future catastrophic events would be reimbursed, in part, from property and casualty insurance, as well as customer rate increases. Additionally, SNEW maintains a sound financial cash reserve, has significant real estate holdings, and has a good bond rating which would enable borrowing. All of these help to cover any potential future financial emergencies.

The electric side of the business is doing well and continues to run at a positive cash flow. The water business, on the other hand, has been budgeted on a break even basis, but has done better than anticipated over the last couple of years. The reserves on the water side are not as deep as SNEW would like them to be. There is a considerable amount of financing on the balance sheet to pay down due to the cost of rehabilitating the water treatment plant 7 or 8 years ago.

Commissioner Stokes moved to accept a 2% cost of living increase across grades 1 through 15. Commissioner Geake seconded.

The motion was approved with one exception. Commissioner Mann abstained.

(16-12-20-5)

6. Management Update

Paul Yatcko presented three items: the water supply situation, the hiring of a Director of Electric Operations, and the status of the financial audit.

Water Supply:

Recent precipitation (4 inches of snow and over ½ inch of rain) over the past weekend helped to bring reservoir capacity up to 27% as of December 19th. This represents approximately 67 days of supply assuming the current rate of usage and no additional rain. The situation has improved slightly, but is still serious. Twenty three steps have been taken from September 15th to date to promote conservation. Additionally, water leaks are attacked as soon as SNEW becomes aware of them.

This week Paul Yatcko will be requesting Connecticut's Department of Public Health (DPH) to declare a water supply emergency in order for SNEW to implement four emergency sources of water, two of which do not require any changes in infrastructure. The first would be the purchase of water from Aquarion at an existing interconnection located at Wilton pump station. The interconnection is already registered with DPH and is capable of diverting as much as 3 million gallons per day to SNEW, but the actual amount will depend upon how much Aquarion is willing to sell. The second is a purchase from First Taxing District (FTD) Water Department at the existing interconnection located at Gregory Blvd. This is also a registered interconnection and essentially would allow East Norwalk customers, at about 280 thousand gallons per day, to be supplied by the FTD Water system.

The other two sources would require infrastructure additions. The first would be to install a pipeline connecting the FTD's New Canaan reservoir system to SNEW's lower reservoir system. The new pipeline would connect to the FTD's raw water pipeline in New Canaan. Relatively minor, simple and quick engineering modifications (piping, fittings and a control valve) would be necessary to make the connection. Currently, the FTD's New Canaan reservoir fills (before SNEW's reservoir would be able to were it to rain) and the excess spills over into the Norwalk River. The new connection would direct some of the overflow to spill into SNEW's lower reservoir system. Because FTD is not only reliant upon surface water, but instead is currently utilizing its wellfield, its reservoirs are at a higher water level and can fill faster than SNEW's system. Although the amount of overflow water SNEW would harness is uncertain, this interconnection could conceivably allow enough capture of overflow for next spring, potentially providing SNEW with some relief for the next high demand water use cycle.

The fourth and most complicated, as well as most expensive (estimated <\$200,000), source would be to draw water out of the Silvermine River by a process called “flood skimming”. A pumping system would be installed in the river to draw excess supply, resulting from rainfall, off the “top” of the river’s normal level and pump it into SNEW’s reservoir system. One issue with this option is that SNEW does not own any property along the river. Equipment would have to be erected within the street right of way or on private property. The pumping system would require either an electric or diesel fuel source, and SNEW would have to install either electric lines or a diesel fuel storage system. The amount of water harvested with this option is also uncertain in that the river needs to rise above its normal level in order to have water to ‘skim’. This option would tap a supply SNEW doesn’t currently have access to, but is dependent upon rainfall. No rain, no excess river water to skim.

Thinking ahead in light of South Norwalk’s continued growth, Commissioner Westmoreland is concerned with SNEW’s ability to provide the necessary resources for future residents and asked what a ballpark figure might be to build a new reservoir on SNEW’s property in Wilton. Paul Yatcko replied that the Comstock Dam research of 30 years ago is grossly outdated. A new cost analysis would need to be performed, and the additional costs and time delay of the regulatory process (obtaining permitting for a new dam) considered.

Commissioner Westmoreland liked all of the measures Paul Yatcko brought forth for the short term, but would like to see a plan developed over the course of the next couple of years to add a new reservoir on SNEW’s property in Wilton. He believes a new reservoir is the only real long term solution for SNEW.

Another long term idea to be considered would be to build a wellfield. This option presents other issues, one being potentially contaminated water resulting from industrial endeavors.

There are water systems comprised solely of surface systems, while others consist solely of wellfield systems. Each type presents inherent difficulties. Other systems are comprised of both surface and wellfield systems.

In the meantime, short term solutions are a priority. The first option of purchasing water from Aquarion’s Bridgeport Reservoir (at 68-70% capacity) will be pursued assuming the DPH issues a water supply emergency declaration. The cost of purchasing is unknown at this time, but will be passed on to customers. It is hoped that the price increase will bring about behavior change and encourage residents to conserve. Unfortunately, there is usually very little behavioral change without tangible consequences. One issue working against the hope for increased conservation is the fact that South Norwalk is dominated by multi-family

rental dwellings and tenant(s) don't feel the consequences of the owner's higher water bill.

Paul Yatcko forewarned that the declaration from DPH, if we get it, will likely come with conditions such as requirements for increased reporting, monitoring, testing of big meters for accuracy, auditing of top 20 water customers, and additional customer notification and educational measures.

SNEW usage is currently at about 5 million gallons per day. This is normal usage – not much is being conserved, but at least the demand is static. (Peak summer consumption is about 8 million gallons per day.)

Some of the Commissioners brought up the fact that they have seen emergency water road signs at various locations.

The Commissioners and Paul Yatcko also discussed a few water breaks located throughout South Norwalk, and the fact that the water crew is hard at work repairing them.

Director of Electric Operations

An offer was extended to an excellent candidate currently residing in Iowa. Unfortunately, the economics of the East Coast, particularly housing costs and real estate taxes, didn't make sense for him so he declined the offer.

The search has continued through LinkedIn. A few candidates were identified, but they did not indicate interest. The next step is to use a recruiter. The position will not be posted again, and there are no internal candidates that meet the requirements.

Audit Status

The pension liability data from CMERS was finally received. The auditor has provided SNEW with the accounting information that needs to be entered into the financial statements and SNEW is in the process of doing so right now. SNEW has requested an extension from the State of Connecticut to January 31st to complete the audit. This shouldn't be an issue. An Electors' Meeting will be scheduled for January.

No additional pension contributions are required. The pension fund payments are already being made in accordance with the State's formulas. This was merely an informational reporting change.

EXECUTIVE SESSION

7. Customer Account

Commissioner Geake made a motion to enter Executive Session to discuss legal strategy regarding a customer account. Commissioner Mann seconded.

Commissioners Westmoreland, Bonnet, Geake, Mann, and Stokes, along with Lisa Roland and Paul Yatcko, entered Executive Session at 7:50 p.m. and exited at 8:05 p.m.

No action was taken.

Adjournment

Commissioner Stokes moved to adjourn. Commissioner Geake seconded.

The meeting adjourned at 8:05 p.m.

Attest:

Lisa G. Roland
District Clerk