

SECOND TAXING DISTRICT COMMISSIONERS

Special Meeting Minutes

March 17, 2017

Present:	Maria Borges-Lopez Harold Bonnet Mary Geake Mary Mann Sandra Stokes	Vice Chairperson
Absent:	David Westmoreland Martha Wooten-Dumas	Chairperson
Also Present:	Paul Yatcko Kevin Barber Lisa Roland Kara Murphy, Esq.	General Manager Director of Finance & Services District Clerk Tierney, Zullo, Flaherty & Murphy
Public Present:	Mr. Rafael Aparicio (left at approx. 6:03 p.m.)	

The meeting was recorded in its entirety.

Call To Order:

Commissioner Borges-Lopez called the Special Meeting of The Second Taxing District to order at 5:36 p.m. on Friday, March 17, 2017. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

The District Clerk read the Agenda.

1. Acceptance of the Minutes:
 - 1.1 Regular Meeting Minutes of February 21, 2017

Commissioner Geake moved to accept. Commissioner Mann seconded.

Minutes were approved unanimously. (2017-03-17-1.1)

Public Participation

Mr. Aparicio was present, and Attorney Kara Murphy asked him if he wanted to speak. He declined to speak, but remained to observe.

Commissioner Borges-Lopez asked for a motion to enter the Consent Agenda, but Commissioner Bonnet expressed his desire to make comments regarding Item 2.1. Thus, Paul Yatcko and Attorney Kara Murphy advised that a motion would be required to move the item out of the Consent Agenda and into the Regular Agenda.

Commissioner Bonnet motioned to move Item 2.1, Enforcement of Water Rules &

Regulations / 202-204 Rowayton Avenue out of the Consent Agenda, and into the Regular Agenda, in order for more discussion to occur on this subject. Commissioner Mann seconded the motion.

The remainder of the Commissioners accepted the motion, and Item 2.1 was reopened for discussion.

TEMPORARY MOVE INTO REGULAR AGENDA

Commissioner Bonnet stated he didn't understand the purpose of Article 29 and asked for clarification on the case. Paul Yatcko and Attorney Kara Murphy briefly summarized the issues previously discussed at the Appeal's Meeting of March 8th. Commissioner Bonnet agreed that upon splitting of the property into two parcels with different owners, separate water service and meters should have installed.

Commissioner Bonnet also expressed his concern that other similar cases exist and ought to be rectified now. Mr. Paul Yatcko stated that the water system being 100 years old, other non-compliant cases probably do exist but he is currently unaware of them. The situation at 202-204 Rowayton was discovered unexpectedly during emergency repairs at 204 Rowayton. Commissioner Bonnet expressed urgency in rectifying the current situation as well as any similar non-compliant circumstances at other properties. His opinion was that allowing up to 60 days was too long a grace period. Paul Yatcko explained that due to snow cover and frozen ground, 60 days was a reasonable amount of time.

CONSENT AGENDA

2. Ratify Appeals Committee Decision

2.1 Enforcement of Water Rules & Regulations / 202-204 Rowayton Avenue

Commissioner Geake moved to ratify the Appeal's Committee Decision. Commissioner Mann seconded.

The motion passed unanimously. (2017-03-17-2.1)

Paul Yatcko voiced that Mr. Aparicio, and Mr. & Mrs. Murray be notified of the decision as soon as possible. Attorney Kara Murphy agreed to have it (notification letter) by Monday morning, March 20th, 2017.

REGULAR AGENDA

3. Select Auditors for Fiscal Year Ending June 30, 2017

Commissioner Stokes asked about the length and terms of the agreement with the current auditors, and about the bidding process.

Paul Yatcko explained that the District last solicited bids on auditing services in 2015. The firm of Michaud Accavallo Woodbridge & Cusano, LLC made the best bid and was ratified by the Electors in March 2015. The agreement was for one year (fiscal year 2014-2015), with two exercisable option years at the same rate i.e. the option to continue – twice - for an additional fiscal year's audit (FY 2015-2016 & FY 2016-2017). Fiscal year 2016-2017 is the last year the option can be exercised. The District does not typically solicit bids within the option years. The fee with the current auditors is approximately \$25,000 per year.

Both Kevin Barber and Paul Yatcko highly recommended the District renew with the current firm. They stated that the auditors are knowledgeable, professional, efficient, communicative and easy to work with.

Commissioner Geake concurred with the current choice of auditing firm.

Commissioner Bonnet stated he had no issue with the financial audit, but expressed concern over the water side of the business. He would like to see a management audit for the water side. He would like to review how SNEW manages the water processes and systems.

Paul Yatcko offered to make on-site touring arrangements for the Commissioner(s) to tour the facility while having the water operations staff present to discuss water supply, inventory, treatment, distribution and/or service, or any other questions.

Commissioner Bonnet and Commissioner Stokes expressed an interest in doing so.

Commissioner Mann stated she had been on tours in the past and they were very helpful in understanding the water business.

Commissioner Borges-Lopez highly recommended the tour and encouraged the Commissioners to take the opportunity to do so.

Commissioner Stokes asked why SNEW doesn't perform, like Commissioner Bonnet is suggesting, a management audit for the water operations business. Paul Yatcko's response was that an operations audit is not customarily performed unless there are problems such as chronic water quality issues, for example. This type of specialized audit would require specialized technical consultants. There is no need for an audit of this type at this time. The water chemistry and quality is very good. The water treatment plant is state of the art and managed very well. Paul Yatcko offered to make on-site touring arrangements for the Commissioner(s) to tour the facility while having the water operations staff present to discuss water supply, inventory, treatment, distribution and/or service, or any other questions.

Paul Yatcko expressed that his concern with the water side of the business, other than lack of rainfall, is infrastructure. The piping in places is up to 75 years old and this is worrisome. Funds are being built into upcoming budgets to start to address

the replacement of aging mains in the system. It will be a long term commitment.

Commissioner Stokes asked when the engagement with Michaud Accavallo ends. Paul Yatcko responded that bidding will be solicited later this calendar year and presented to the Commissioners in February or March of 2018.

Commissioner Stokes wanted to know the criteria, besides cost, used to select the auditing firm. Paul Yatcko replied that experience in the industry and references are considerations.

Commissioner Geake moved to accept the firm of Michaud Accavallo Woodbridge & Cusano, LLC, to perform (financial) auditing services for the fiscal year ending June 30, 2017. Commissioner Mann seconded. Commissioner Stokes abstained.

The motion passed with one abstention.

(2017-03-17-3)

4. Approve and Recommend to the Electors the 2017-2018 District Budget

Paul Yatcko streamlined the presentation by focusing mostly on the changes made to the draft budget previously presented at the February 21st, 2017 Commissioner's Meeting. There are budgets for each business entity - District, Water and Electric.

For the District, the only change is a reduction of nearly \$5000 for purchased power for street lighting. This results in a reduced transfer of funds being required from the electric reserve fund. The closing balance in the general reserve fund remains unchanged at \$1.151 million.

No changes were made to the water budget. Total expenses are projected at \$7.06 million. Total capital expenditures are budgeted at \$880,000 (capital projects are listed on page 7). Debt service is the biggest fixed expense at \$1.49 million. The net change in the water reserve fund is a negative \$513,000, which would be worrisome except for the fact that SNEW is anticipating a tax refund of slightly over \$1 million from the Town of Wilton. Thus, the closing balance in the water reserve fund is expected to be a positive \$938,000.

Capital projects for the water side are listed on page 7. There are no changes from previously discussed. The biggest line item cost listed there is \$350,000 for the installation of a solar electric system at the water filtration plant. The net financial effect, however, will be zero as the funds will be withdrawn from the conservation fund deposited with CMEEC. CMEEC has authorized the use of these funds for the project. If, however, the funds become unavailable, the project will be scrapped. The other large line item cost, at \$100,000, is for the main replacement program. While this is a very small amount in terms of the total cost that will be required for this ongoing program, it is essential to start making replacements.

Commissioner Stokes asked how the open ended 'end of project' expiration date is controlled, and if the project could extend beyond the year it is budgeted for. Paul

Yatcko replied that most projects are built as one year projects, and although the project could possibly extend beyond the budgeted year, any extended expenditures would have to be approved in the next budget approval process. Additionally, unused funds for short term projects are forfeited, and would need to be reauthorized in the new budget year. Longer term projects are carefully identified and although their associated expenditures are budgeted over the course of more than one year, these expenses would also require authorization from budget year to budget year. Nothing is spent that hasn't been specifically authorized in the budget, with the exception of funds held in the miscellaneous capital purchases fund (a contingency fund of up to \$50,000 for water) whose use only Paul Yatcko can authorize. Any additional expenditures not already budgeted for must be presented to, and approved by, the Commissioners and Electors.

Nevertheless, Commissioner Stokes asked for more finite dates in the 'expiration' column of the Water - Capital Budget project chart. She wants to see anticipated project end dates. Paul Yatcko replied that he would try to oblige.

Kevin Barber explained that finite dates can cause issues when emergency situations arise, pulling resources off current projects, and potentially delaying progress on the project to a point that would require extending the end date. The expiration date 'end of project' is a budgetary tool. Actual control of project end dates is better performed at monthly management meetings. Kevin Barber and Paul Yatcko keep a close watch on the scheduling, progress and expenditures of all projects at these meetings.

Commissioner Stokes asked if the \$20,000 for 'State Street security' is just for the one door previously discussed at another meeting. She felt the figure excessive for just one door. Responses from Paul Yatcko, Kevin Barber and Lisa Roland were that the figure includes more than the door. Securing the surrounding windows and walls are included. The figure is a ballpark estimate obtained from one quote, but the project would go out to bid nevertheless, as any and all SNEW projects are required to be.

On the electric side of the house, there are 3 changes in the newly drafted budget from that previously presented.

On page 9, the 'miscellaneous service charges' line item under other revenue has been increased to \$75,000 from \$24,000 following a detailed analysis of more recent historical data. This is a projected increase in revenue from that previously presented in February.

Another change is for 'purchased electricity for resale.' After reviewing the sales forecast more closely, this line item cost is being reduced from \$9.71 million to \$9.55 million. This reduces O&M expense by \$155,000, which, in turn, increases electric income.

The final change in the electric budget is in 'gross revenue tax.' The expense is being

reduced by \$78,000 to reflect the reduction in SNEW's budgeted operating revenues. This reduction in O&M expense, in turn, increases electric income.

All four changes affect the budgets in a positive direction – reduced expenses and increased revenue.

To summarize, total operating expenses are \$14.7 million, the income less expenses are \$2.4 million, and capital expenditures remain unchanged. The resulting change in the electric reserve fund has improved to a negative \$144,000 from a negative \$430,000. The closing balance of the electric reserve fund is \$11.57 million.

The capital projects for the electric side are listed on page 11 and are unchanged from previously discussed. The big line item cost (at \$1.25 million) listed there continues to be service for the big, new commercial customer. SNEW is still waiting for better load demand information from this customer so that the electrical equipment can be properly sized. Nevertheless, the net impact on the fund balance will be zero because the cost will be covered by the developer's 'contribution in aid of construction.'

Commissioner Stokes asked why some capital projects appear on both the water and electric sides. Paul Yatcko explained that the project costs are split between the two business sides.

Commissioner Stokes asked how the \$80,000 figure for the new accounting system was arrived at. Kevin Barber responded that the cost was estimated based on what the previous system cost. Bids will be solicited.

Commissioner Stokes asked if the \$20,000 for the phone system was also a rough estimate. Kevin Barber responded that a ballpark quote was obtained for that particular project.

Kevin Barber reiterated that all capital project expenditures follow SNEW's purchasing policy.

Commissioner Stokes again requested specific project expiration dates and wanted to know if they could be available for next week's Electors' Meeting. Paul Yatcko replied that they would not, but he committed to providing dates to the Commission at next month's meeting.

The District Clerk read the Fiscal Year 2017-2018 Proposed Budget Resolution.

Commissioner Geake motioned to accept the Resolution. Commissioner Mann seconded. Commissioner Stokes abstained.

The motion passed with one abstention.

(2017-03-17-4)

5. Management Update

Paul Yatcko presented the following.

Reservoir Status

As of Monday, March 13th, capacity was at 82.1%. Additionally, the fourteen inches of snow that fell on Tuesday, March 14th, in the watershed area will help as it melts and flows into the reservoirs. Additional snow is expected this week and the situation is improving. However, the capacity is not quite what it should be at this time of year which is typically in excess of 90%. Paul Yatcko is not ready to ease up on drought restrictions nor to ask the City to lift the conservation order. A decision on lifting will be eminent in April as the weather warms up and constituents look to irrigate their lawns and plants.

Director of Electric Operations

The search consultant firm, Mycoff, Fry and Prouse, provided a list of 6 potential candidates for the Director of Electric Operations. Four have been selected for the interview process, to commence on March 22nd and run through to the end of the month. A decision will be made on April 1st.

Organization Review

The consultant has completed his assessment, and is finalizing his observations and recommendations. A presentation will be made to the Commissioners at the April meeting.

Adjournment

Commissioner Geake moved to adjourn. Commissioner Stokes seconded.

The meeting adjourned at 6:30 p.m.

Attest:

Lisa G. Roland
District Clerk