

SECOND TAXING DISTRICT
Electors' Annual Budget Meeting Minutes
March 20, 2018

Electors Present:	Harold Bonnet	Gestha Bonnet
	T.C. Burt	James Clark
	Dawn Delgreco	James Delgreco
	Antoinette Dumas	Mary Geake
	Steven M. Klocke	Lorrie Mann
	Mary Mann	Ian A. Soltes
	Thomas J. Soltes	Sandra Stokes
	Antoinette (Toni) Van Loan	
	David Westmoreland	Martha Wooten-Dumas
	Darlene Young	
Also Present:	Paul Yatcko	General Manager
	Anthony Zeolla	Director of Finance & Services
	Eric Strom	Director of Customer Care
	Alan Huth	Director of Water Operations
	Lisa Roland	District Clerk
	Gwendolyn Gonzalez	Collections Specialist
	Kara Murphy, Esq.	Tierney, Zullo, Flaherty & Murphy
Public Present:	Kurt Schaff	

(There were a total of 18 Electors present for the Annual Meeting)

The meeting was recorded in its entirety.

1. CALL THE MEETING TO ORDER

Call To Order:

Commissioner Westmoreland called the Electors' Annual Budget Meeting of The Second Taxing District to order at 7:04 p.m. on Tuesday, March 20th, 2018. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

2. LEGAL CALL

The District Clerk confirmed a quorum, and read the legal call aloud.

James Clark made the motion to accept the legal call. T.C. Burt seconded. The motion passed unanimously.

3. APPROVE THE PROPOSED BUDGET (Fiscal Year 2018 - 2019)

Mary Geake motioned to place the proposed budget for fiscal year 2018 – 2019 on the floor. Dawn Delgreco seconded.

Paul Yatcko introduced his management team to the Electors. With the exception of the District Clerk, Lisa Roland, the management team has completely turned over in the last three years. All of the Directors are fairly new to the organization.

Alan Huth, Director of Water Operations, with the company just a couple of months, has the water side in good shape with the reservoirs full and spilling over. Eric Strom, Director of Customer Care, has been working on reforming customer service processes, as well as taking responsibility for the organization's new website and social media presence. Anthony Zeolla, Director of Finance and Services, with the District for less than four months, has been responsible for completing the audit of the 2016 – 2017 fiscal year books, and has prepared the next fiscal year's budget being presented tonight. Additionally, he will be responsible for over-hauling the organization's financial processes. Lisa Roland, in addition to acting as District Clerk, is responsible for HR operations and facilities management. Marvin Ayala, Director of Electric Operations, was not able

to attend tonight's meeting. Paul Yatcko is looking forward to working with his new team in making changes to SNEW which are more forward looking, better planned, and ultimately provide more value to customers.

This fiscal year's budget philosophy was to hold the line on all expenses except where it wasn't possible.

Assumptions built into the proposed budget include:

- A general wage and salary increase for the non-union employees to be implemented in two parts – July 1, 2018 and January 1, 2019. The first increase will account for cost of living increases deferred from December 1, 2017 due to pending union negotiations. The second increase will be cost of living for the same group of employees for the 2019 calendar year. An increase for the union employees has also been built into the budget, but will not be disclosed here in open session. There are 47 positions funded, four of which are currently vacant.
- A 15% increase in the health care premium has been built in for January 1, 2019.
- A previously approved 3% increase in water rates for the current fiscal year will be bumped up to 5% and implemented prior to July 1, 2018, and then another 5% increase is being proposed for the next fiscal year, to be implemented on January 1, 2019.
- A 100% contribution in aid of construction from the largest commercial development occurring in our territory right now.
- Capital projects are being kept to a minimum in order to manage the fund balances for electric and water.

Looking at the District budget first, there are no major changes from last year with one exception. On page 3, District revenue is limited to a very small amount of interest income. Operating Expenses total \$156,000. There is no change in salary, meeting, legal fees and audit costs. Community Service expenses remain flat. The big change in the budget comes from street lighting costs. Street light expense is budgeted at \$209,000, an increase of \$42,000. The increase is based on staff performing a field count of the actual number of street lights.

Turning to page 4, net income is shown as a negative \$394,000. Transfers of \$95,000 each from the Water and Electric Funds to cover general expenses, plus the \$209,000 from Electric to cover street lighting, results in a net change in the reserve fund of a negative \$15,000, and an ending balance of \$1.21 million for the District.

Jim Clark asked whether the four (position) vacancies mentioned earlier are to be left vacant or will be filled. Paul Yatcko replied that they are trying to fill at least a couple of them right now. The positions are Water Operations Manager, a water maintenance and construction worker, a safety professional, and a Senior Accounting Clerk. The position of Safety Coordinator has proven to be a difficult one to find a qualified individual for.

Darlene Young asked for more information on the lighting cost. Paul Yatcko explained that the cost of keeping the street lamps maintained and operating, including the power purchased to keep them running at night, amounts to \$209,000. The cost is directly related to the number of street lamps and that number was recently updated as a result of a staff walk down.

Moving on to the Water Budget on page 5, sales revenue from water is predicted to be \$8.76 million, up about \$70,000 from the prior budget. This figure assumes a flat sales volume at the rate increases already mentioned. Other revenue is expected at \$271,000, which includes some decreases in line items to account

for historical trends, but also an increase in miscellaneous income due to anticipated contributions in aid of on-going construction. Total revenue is expected at \$9 million, or \$108,000 more than the current year's budget, mostly due to the water rate increases.

Continuing with expenses, source of supply expenses are \$333,000, up about \$80,000 due to a multi-phased project to upgrade SCADA (system control and data acquisition) technology, and also a pump repair project. Pumping expenses are essentially the same at \$228,000. Water treatment expenses are \$1.35 million, down about \$77,000 due to a reduction in the amount held in contingency for water treatment chemical costs. Water transmission and distribution expenses are slightly less than \$950,000, down \$94,000 from last year due to the elimination of one-time drought related expenses in the current fiscal year. Customer accounts expense is \$586,000, down a bit due to the elimination of a system's replacement project included in the current budget that won't be carried forward in the next budget. A&G expenses are \$3.2 million, an increase of about \$92,000 primarily due to increases in labor. Total O&M is \$6.6 million, a net increase of only \$25,000 over the current year.

Continuing on the next page, property taxes are budgeted at \$467,000, assuming Wilton's assessment remains unchanged from recent history. Although SNEW settled a court case with the Town of Wilton last year which resulted in a decreased assessment, it is being assumed that Wilton will find a way to increase the assessment back to the original level. Total expenses are a little over \$7 million, up only \$25,000. Capital expenses and preliminary survey costs are approximately \$600,000. Debt service on the loan for the plant rehabilitation completed a decade ago is approximately \$1.5 million.

The net change in the water reserve fund amounts to a negative \$148,000. After transferring \$95,000 to the District fund, the ending balance on the water fund is a little over \$300,000.

Capital projects on the water side total about \$500,000. They include \$150,000 for the main replacement program, \$45,000 for a new front loader, \$150,000 for water meters and AMI modules, \$30,000 for computer related items, \$39,000 for customer service related items, \$15,000 for replacement of the warehouse roof, \$20,000 for a handful of small items, and a \$50,000 contingency for use at the discretion of the General Manager.

Extraordinary maintenance items, for which numbers were already included elsewhere, total \$156,000. These include the replacement of the peerless pump bowl assembly, the SCADA phase 1 replacement and upgrade, and tree replacements at Water Street.

Additionally, given the stress the water supply system has been under the past couple of years, funds have been set aside to begin work on a preliminary water survey to explore additional water supply sources for the future.

Jim Clark asked whether the main replacement program would be ramped up going forward. Paul Yatcko replied that as much as he would like to do so, the competition for funds on the water side is very stiff. There are a lot of needs and not enough cash is being generated to cover them all.

Toni Van Loan asked about the age of the mains. Paul Yatcko replied that they varied in age, some as much as 100 years old and some much newer.

Looking at the Electric Budget on page 9 of the handout, total operating revenue is expected at \$15 million, down about \$800,000. Budgeted sales over the last few years have been routinely over estimated, and therefore this budget has been adjusted accordingly. Paul Yatcko believes electric sales have declined due to increased efficiency and conservation from more efficient appliances and light bulbs. Other revenue at an anticipated \$1.9 million assumes 100% contribution in aid of construction from the one major commercial developer. The District is

starting to incur costs of construction, such as cable pulling, switch gear and transformers. A Memorandum of Understanding is being drafted, requiring the developer to reimburse the District for these costs. Total revenue is expected at \$17.3 million, down \$150,000 net.

Operating expenses in this budget include \$9.1 million for purchased energy, down \$400,000 due to lower kw-hour sales, transmission and distribution O&M is about \$1.28 million, an increase of about \$94,000 and includes allocating more labor into these functions than previously accounted for in addition to more aggressive tree trimming, customer accounts expenses are down a little at \$616,000, A&G costs are about \$2.86 million, an increase of about \$122,000 due to built-in labor increases and condo fees for the State Street facility. Total operating expenses are \$14.5 million, down \$263,000 net.

Income less expenses come in at about \$2.5 million, with capital expenditures at \$856,000. The resulting change in the electric reserve fund is \$950,000, with a closing balance in the electric reserve fund of \$13.3 million.

Electric capital expenditures shown on page 11 total the \$856,000 already mentioned, and include \$50,000 in repairs to the line garage, routine purchases of transformers for \$100,000, a new bucket truck for \$235,000, replacement of a passenger vehicle at \$35,000, converting an existing bucket truck into a material handler by removing the bucket and boom and adding a crane for \$35,000, routine pole replacements for \$25,000, small amounts for computer related and customer service, meters (mostly for Washington Village) at \$75,000, a number of small items for \$20,000, and a contingency fund of \$150,000 for use at the discretion of the General Manager.

Extraordinary O&M are already included in the budget for tree trimming and electric meter testing at a total of \$80,000.

There were no questions from the electors.

The proposed 2018 – 2019 budget was unanimously approved by the electors.

4. RECEIVE AND RATIFY THE CHOICE OF AUDITORS

Mary Mann moved to place this item on the floor. Sandra Stokes seconded.

Paul Yatcko explained that normally after 3 years of service the selection and appointment of financial auditing firm would be put out to bid. This year management is making the recommendation to retain the auditing firm of Michaud Accavallo Woodbridge & Cusano LLC in place for a fourth year. The reasoning is to maintain continuity in the accounting process, specifically since the organization has a new Director of Finance.

The electors voted unanimously to accept the auditing firm of Michaud Accavallo Woodbridge & Cusano LLC for another year.

5. ADJOURNMENT

Mary Geake moved to adjourn. T.C. Burt seconded.

The meeting adjourned at 7:38 p.m.

Attest:

Lisa G. Roland
District Clerk