

**SECOND TAXING DISTRICT**  
Electors' Annual Budget Meeting Minutes  
March 19, 2019

Electors Present:	Harold Bonnet	Robert Burgess
	Ted Burt	James Clark
	Dawn Delgreco	James Delgreco
	Ernest Dumas	Steven M. Klocke
	Mary Mann	Lorrie Mann
	Travis Simms	Thomas J. Soltes
	Sandra Stokes	Antoine Van Loan
	David Westmoreland	Martha Wooten-Dumas
	Darlene Young	

Also Present:	Paul Yatcko	General Manager
	Lisa Roland	District Clerk

Public Present: None

**(There were a total of 17 Electors present for the Annual Meeting)**

---

*The meeting was recorded in its entirety.*

1. CALL THE MEETING TO ORDER

1.1 Call To Order:

Commissioner Westmoreland called the Electors' Annual Budget Meeting of The Second Taxing District to order at 7:05 p.m. on March 19, 2019. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

A quorum was present.

2. LEGAL CALL

The District Clerk read the legal call.

**T.C. Burt moved to accept the call. Jim Clark seconded. The motion was approved unanimously. (2019-03-19-2)**

3. APPROVE THE PROPOSED BUDGET (Fiscal Year 2019 - 2020)

Travis Simms moved to place the item on the floor. Dawn Delgreco seconded.

Paul Yatcko presented an overview of the proposed budget. The overall assumptions were to hold the line on expenses except when there was good reason not to do so, to avoid increasing electric rates, to keep general wage and salary increases consistent with the recently ratified union contract terms, and to build-in a 12% increase in health insurance premiums effective on January 1, [2020]. Forty four positions are funded in the budget, with five positions currently vacant. The effect of two 5% water rate increases having occurred in the current 2018 – 2019 fiscal year, with another increase (of 2%) to take effect in January 2020, have been incorporated. Another assumption is that the mall will open in October 2019, with a gradual increase in occupancy, but not at 100% by end of the fiscal year. Additionally, capital expenditures are being controlled to manage the fund balances while meeting the infrastructure needs of the business.

The District budget remains essentially the same as last fiscal year. There is a small amount of interest income and operating expenses total \$138,000. There is no change in assumed salary items, costs for meetings and printing have been reduced based on recent history, community service projects were also slightly reduced due to our recent spending, and street lighting expense is about \$201,000, down about \$8000 from last year's budget. Net income for the District is a negative \$363,000. To cover the deficit, transfers of \$95,000 each are made

from the water and electric funds. Additionally, a transfer of \$201,000 from the electric fund makes up for street lighting costs. The net change in the reserve fund after expenses and after transfers is \$28,000, resulting in an ending balance in the reserve fund of a "reasonably healthy" \$1.43 million for the District.

Elector Jim Delgreco asked what reasonably healthy meant. The response was that there isn't an objective standard for what the fund balance should be.

Jim Delgreco asked the purpose of the reserve fund. The response was to address fluctuations in expenses and revenue that weren't planned for, i.e. a "rainy day" fund. Commissioner Westmoreland added that he had seen the fund drawn down only when the District had been involved in major legal issues.

Jim Delgreco asked what levels of electric and water uses were anticipated from the Mall. Paul Yatcko would not speak about any specific customer on the record, but stated that certain assumptions had been made and included in the budget.

Elector Jim Clark asked about the wage increases. Paul Yatcko would not elaborate because although the contract had been ratified by both union members and the Commission, it had not been executed and was not a public document. Jim Clark then asked what the wage increases were the prior year. The response was zero. Wage increases have been on hold pending contract negotiations. Mr. Clark requested his questions be answered once the contract became public since he assumes salaries are a big portion of expenditures. Paul Yatcko stated that of the \$25 million plus or minus revenue budget, approximately \$4.5 million goes to salaries but it isn't the biggest expenditure. The largest expenditure is for purchased power which amounts to in excess of \$9 million. Commissioner Westmoreland categorized the salary increases as being "very fair." Commissioner Stokes added, "...not just fair, but consistent with other..."

Looking at the Water budget on page 5, sales revenue is about \$8.93 million, up about \$172,000 from the prior year's budget, and up more than \$400,000 from the current fiscal year's estimated due to the water rate increases. Sales volume is assumed to be flat. Other revenue is estimated to be about \$207,000. The changes in this account are due to changes seen in recent history. Primarily that is miscellaneous income, which is projected to be \$64,000 less. The total revenue is about \$9.1 million, up about \$108,000 net from last year's budget.

Moving on to expenses, source of supply expenses are \$229,000, down about \$104,000 from last year's budget. Last year's budget had a couple of one-time expenses which are no longer included. Pumping expenses are \$181,000, down about \$47,000 due to efficiency gains, water treatment costs are estimated to \$1.31 million, a minor decrease of \$36,000, transmission and distribution costs are a little over \$1 million, up about \$56,000 due to the replacement of granulated activated carbon (GAC) filter material which has to be replaced every couple of years. A significant tank cleaning is also included for next year. Customer Accounts expenses are a little over \$500,000, down about \$79,000, due to the planned implementation of a new enterprise resource planning system which will eliminate some of the expenses on our current customer information system. In addition, there has been a minor reallocation of customer account costs from water to electric. A&G costs, which are all the other costs it takes to maintain the water business, is a little under \$3.3 million, an increase of \$109,000, primarily due to an increase in the required employer contribution towards the CMERS employee pension as well as costs for information system improvements. That brings total O&M expenses to a little over \$6.5 million, a net decrease of \$100,000.

Other expenses include property taxes. The amount budgeted for the Wilton property tax is \$200,000 less than that shown in the budget for last year, but still represents a 12% increase over this year's actual assessment. A higher budgeted amount was left in last year's budget as a precaution after a tax assessment battle with the Town of Wilton. The District will be appealing the

current tax assessment.

Total expenses are \$6.78 million, down about \$310,000 or a 4% reduction.

Water capital expenditures are shown as \$842,000. Debt service on the filtration plant loan is unchanged at \$1.49 million. The change in the Water Reserve Fund is \$17,000, and the closing balance after transfers is \$348,000. Paul Yatcko would like to see this balance get bigger over time and this is one of the reasons for having included a 2% water rate increase in January 2020.

Capital expenditures are shown on the next page.

- The water filtration plant rehabilitation is 10 years old, and the plant uses membrane filters to remove impurities from the water. The membranes have a life of 10 years and need to be replaced now. The cost will be spread out over two years at a cost of approximately \$445,000 each year.
- The original emergency generator failed and was replaced with a spare that now needs additional work to become permanent. \$25,000 has been allocated.
- \$100,000 was budgeted for the main replacement program.
- \$25,000 for hydrant replacement.
- \$12,000 for miscellaneous maintenance and construction equipment.
- \$50,000 for meters and modules.
- \$41,000 for computer related items, including the replacement of failed and/or obsolete equipment as well as replacement of the main network server.
- \$78,000 for customer care related items including the network interface for the automated meter system and the replacement of the customer information system.
- \$16,000 for miscellaneous small items including tools etc.
- \$50,000 for miscellaneous purchases at the GM's discretion.

Dawn Delgreco asked how long a hydrant lasted and what the cost of replacement was. Paul Yatcko responded hydrant replacements were mostly due to vehicle contact, but he was unable to answer the question as to per unit replacement costs at this time. He committed to getting an answer.

Travis Simms asked the extent of the customer service system changes. Were the changes upgrades or something new? Paul Yatcko answered that the changes were substantial in nature, and included the replacement of the network interface for the automated meter system and the replacement of the customer information system.

As a note, contained in the O&M budget is \$148,000 for extraordinary items such as replacement of the granulated activated carbon (GAC) and for tank cleaning.

Darlene Young asked about the membrane filtration replacements. Paul Yatcko responded that there are 3 member trains, they will be replaced in phases one at a time, and the cost will be spread equally over two years.

Jim Delgreco asked how many more years of \$1.5 million annual debt were due. Commissioner Westmoreland answered that the debt would be paid off by 2028. Jim Delgreco continued with a comment that this country has a problem with spending on infrastructure, and that he hopes that isn't the case with the District because "we love our water when we have it, and we hate when we don't have it". He hopes that the needs of the infrastructure are taken into consideration in this capital budget as well as going forward. Paul Yatcko could not promise the 100% reliability Mr. Delgreco is looking for. Toni Van Loan commented that weather plays a part. Paul Yatcko continued that he was taking infrastructure needs into consideration but the operating environment – large debt service, fixed work force, and a business that doesn't produce much cash - makes it difficult to generate enough money to meet infrastructure demands fast enough. Paul Yatcko responded that the District is trying by inching up water rates from time to time, although some would argue too fast or maybe not fast enough. Jim Delgreco applauded the

[small and frequent water rate] increases as opposed to [an infrequent but whopping] a 25% increase. Mr. Delgreco emphasized that he personally understands that infrastructure needs to be fixed. Paul Yatcko added that the biggest problems the District has is with 3 "M's" – membranes, mains and meters. Meters in the field are past their useful lives and we have to embark on a meter replacement program. We chase a lot of breaks in our main system and that continues to be a problem, and then there's the membranes and the business doesn't throw off enough cash to address everything at the same time. Jim Delgreco added that preventative or continuing to increase the capital budget was critical. Paul Yatcko agreed.

Commissioner Westmoreland added that the Commission is working with the staff over the next few months to develop a five year capital plan for both water and electric. Additionally, past 2028 the plant will be paid off but additional investments will need to be made to maintain it as well as to establish new sources of water. Last year the electors approved \$100,000 to investigate additional sources of water. This is a long term project, requiring planning going out 10 years or more, in order to ensure infrastructure is in place for the future especially as climate change accelerates.

Revenue from the electric budget amounts to \$16.6 million, up about \$1.5 million. Revenue projection includes the SoNo Collection which is assumed to open by October 2019 with a gradual ramping of occupancy, although not at 100%, throughout the fiscal year. Offsetting the increase due to the mall, however, is the loss of a significant customer to self-generation.

The District became aware that this customer had installed a fuel cell when their electric bill went down to nearly zero. Paul Yatcko stated that the District's tariffs never envisioned customers going to self-generation, with the exception of small solar installations. The District's tariffs are not set up to recover system distribution costs. This issue will need to be addressed.

Jim Delgreco asked for a description of that customer's power generation source. Paul Yatcko stated he believed it was a natural gas powered molten carbonate fuel cell. High temperature activates carbonate salts to produce DC electricity.

Jim Delgreco asked if the \$1.5 million increase in revenue resulted from the Mall. Paul Yatcko would not comment about specific customers. The increase is due to overall increased system demand.

Darlene Young asked if the 5 year strategic planning would include addressing customers using alternative power sources. Paul Yatcko replied that the District could restructure its distribution rates to require such customers to contribute to distribution costs whether or not their power came directly from the District. The District doesn't make money on the resale of power it buys from CMEEC which is passed through to the customer at cost. The District makes money by investing in the distribution system and then monetizing that investment. The customer is still connected to the grid and the District needs to maintain the customer's account and provide backup power. The District doesn't want to stop people from self-generating, but those choosing to do so need to pay their fair share i.e. without subsidy from customers.

Paul Yatcko continued with the budget. There is also a significant decrease in other revenue, as anticipated, due to contributions in aid of construction from the SoNo Collection having been realized in the current fiscal year, and therefore not in the next. Total revenue is estimated at \$16.9 million, down about \$342,000. On the expense side, purchased energy is \$9.9 million, up about \$733,000, driven by the higher Kw-hour sales that are being forecast. Transmission and distribution operating and maintenance costs are \$1.63 million, an increase of \$356,000 due to an estimated \$500,000 having been included to clean-up the old power plant. The plant site would be put up for sale after the clean-up. Customer accounts expenses are about \$630,000, up 2%. Administrative and general expense remains essentially flat at \$2.87 million. Total operating expenses are \$15.6 million, up about \$1.1

million, being driven by the higher purchased power cost and the \$500,000 allotted for clean-up of the old power plant. Income less expenses are \$1.03 million. Capital expenditures are \$687,000. The closing balance in the Electric Fund after transfers is \$11.7 million.

Capital expenditures for Electric are shown on page 10.

- The big ticket item here is \$600,000 for LED street light replacement. The item will be funded by withdrawal from the District's conservation funds (\$1.25 million) held by CMEEC and the net cost is zero. The project will proceed slowly to allow for trial and error in the quest for the best choice of lamp.
- The next costly item at \$150,000 is UG cable replacements. There are areas of the system with 30 year old cable with a concentric neutral system that are past useful life and are basically a failure waiting to happen.
- A couple of submersible transformers need replacement at an approximate cost of \$100,000.
- The conference room at State Street is the emergency operations center for the District. \$50,000 is being allocated to engineer an emergency source of power for the center.
- \$18,000 is allocated for GOD (gang operated disconnect) pole mounted switches.
- \$20,000 for Visi-Break UG switches (window shows when circuit is open).
- An equal amount of \$41,000 for computer hardware and software on the electric side as on the water side.
- \$107,400 on the electric side for the customer service projects because there are more electric customer bills than water customer bills.
- \$75,000 for meter replacements.
- \$26,000 for small items.
- And a miscellaneous line item of \$150,000 for use with the GM's approval only.

As previously discussed, \$500,000 for the one extraordinary maintenance item in electric O&M.

Jim Delgreco commented that \$500,000 was not enough to clean up the old power plant, and asked what return was expected if the property were sold. He doesn't support spending funds for nothing. Paul Yatcko's reply was that before anything, a study would be conducted to determine the likely range of cost. Jim Delgreco also asked if the study would determine the value of the property and if it was worth cleaning the site. Paul Yatcko replied that an appraisal had already been done two years ago, but he would not release the value publicly. Commissioner Westmoreland added that the value was significantly hindered by the fact that the plant is not clean. Several developers said that in order to get the best value, the site needs to be cleaned up.

Jim Delgreco asked if the \$11.7 rainy day [Electric] fund was a "good, bad, reasonable ...number..." Paul Yatcko expressed his opinion that the number was too high. Holding that much cash is expensive because it isn't working for you.

Jim Delgreco returned to the infrastructure issue. He expressed that he wants water, he wants power. He feels the extra money can go to investing in infrastructure. Paul Yatcko replied that there are projects already in the works and being planned to address infrastructure issues.

Regarding the emergency center, Jim Delgreco asked if there had been some thought to teaming up with the fire house as they have built-in emergency resources. Paul Yatcko replied that that was where the City's [Norwalk] emergency operations center ran out of, and the District had not contacted them to embed a District representative at their center. However, the District needs to have their own emergency operations center. Luckily there hasn't been a need in the last four years to open the District's emergency operations center, but Paul Yatcko is concerned that the District isn't more prepared.

Steve Klocke asked how much above flood level the State Street building was. The reply was not very, but higher than Water Street.

Steve Klocke also asked if dark sky certification was a consideration for the street lighting lamps. Paul Yatcko replied that it was. Commissioner Westmoreland added that different lamps would be tested prior to making a choice and being installed on a permanent basis.

Toni Van Loan asked the square footage of the generation plant. Paul Yatcko could not recall. Toni Van Loan commented that she was aware of a Con Edison owned plant along the Hudson River in Yonkers, NY whose clean-up estimated costs were astronomical, somewhere in the 100's of millions of dollars. The plant was very large and in a very good location. Commissioner Westmoreland added that an environmental assessment had already been done. The interior contained "the typical stuff but it isn't just huge amounts of things." The big cost would be from dismantling the generators. There is some remediation, but not a huge amount. Paul Yatcko clarified that a complete environmental assessment had not be done. The assessment was more for the condition of the property, with an environmental fly over. Inside the building, above the ground, there doesn't seem to be anything unmanageable – lead based paints, non-friable asbestos, and drums of unknown contents – but in-ground, if any, toxins are unknown at this time.

Commissioner Westmoreland is hopeful that environmental clean-up will be manageable, and the 1.25 acre site abutting a major train station and 40 miles from Manhattan can be sold and to benefit the District.

Paul Yatcko continued the presentation with information on what had to be left out of the next fiscal year's budget due to monetary constraints.

- The water meter replacement program, spanning over 7 years at a cost of \$200,000 per year had to be scrapped from the proposed budget. A negative cash flow of \$300,000 for the first year was the primary reason the program is being postponed.
- 2 vehicles,
- Repair of roofing leaks at Wilton,
- Rehabilitation work inside the line garage,
- Paving equipment,
- Leak detection equipment,
- 3 positions were left unfunded – substation technician, accounting clerk, and meter reader that was part of the water meter replacement program.

Paul Yatcko thanked his staff for their hard work in preparing the budget, and hoped that the electors would approve it.

Travis Simms asked what steps are being taken to fill open positions by in District candidates which he believes would be beneficial to the District and keep costs down. He would like to see a bigger recruitment within the District. Paul Yatcko replied that recruitment ads are crafted from the employee job description, posted in local print media and electronic print media to cast a net over the most relevant geographical area. Sometimes the ad works too well, other times it doesn't work well at all. Generalizing about applicant sourcing and flow is a difficult endeavor depending upon the position to be filled, the availability of applicants in the industry, and the high cost of living in this geographical area. Paul Yatcko stated that he would be happy to consider local applicants – no relocation costs and a short commute. Travis Simms thanked Paul Yatcko for his consideration and time.

**The budget was approved unanimously.**

**(2019-03-19-3)**

4. RECEIVE AND RATIFY THE CHOICE OF AUDITORS

Dawn Delgreco moved to place this item on the floor. Travis Simms seconded.

Paul Yatcko presented. The District has employed the firm of Michaud Accavallo Woodbridge & Cusano, LLC, for the last 3 years. Normally the District would have gone out to bid this year but there has been considerable turnover in the finance and accounting department to the point that we have only two employees left from regular staff of a year ago. The other positions are being filled by contract personnel. Additionally, Paul Yatcko will soon begin interviewing for the position of Director of Finance. In this environment of instability within the staff, Paul Yatcko is reluctant to change auditing firms. Continuity is of extreme importance, the firm has done a good job, it is professional and a good working relationship has been developed. They know us and they have offered to perform the audit for \$25,750, which is only a slight increase of \$750 more than in the past three years. Paul Yatcko recommended remaining with the firm of Michaud Accavallo Woodbridge & Cusano, LLC, again for fiscal year ending June 30, 2019.

Jim Clarke asked that the District consider going out to bid the following year. Paul Yatcko agreed that things being equal, the District would go out to bid next year, and to do so is "healthy."

**Fifteen electors voted to approve the retention of the auditing firm. One elector opposed. (2019-03-19-4)**

5. ADJOURNMENT

Dawn Delgreco moved to adjourn. Tom Soltes seconded.

*The meeting adjourned at 8:01 p.m.*

Attest:

Lisa G. Roland  
District Clerk