

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

January 15, 2019

Present:	David Westmoreland	Chairperson
	Maria Borges-Lopez	Vice Chairperson
	Harold Bonnet	
	Robert Burgess	
	Mary Mann	
	Sandra Stokes	
Absent:	Martha Wooten-Dumas	
Also Present:	Paul Yatcko	General Manager
	Lisa Roland	District Clerk
	Eric Strom	Director of Customer Care
	Darlene Young	Treasurer
Public Present:	Frank Hennessey	
	Basil Zaharis	

The meeting was recorded with the exception of Executive Session.

Call To Order:

Commissioner Westmoreland called the Regular Meeting of The Second Taxing District to order at 7:02 p.m. on Tuesday, January 15, 2019. 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, 2018

Commissioner Borges-Lopez moved to accept. Commissioner Mann seconded.

Minutes were approved unanimously. (2019-01-15-1.1)

1.2 Regular Meeting Minutes of November 13, 2018

Commissioner Borges-Lopez moved to accept. Commissioner Mann seconded.

Minutes were approved unanimously. (2019-01-15-1.2)

1.3 Annual Electors' Meeting of November 20, 2018

Commissioner Borges-Lopez moved to accept. Commissioner Stokes seconded.

Minutes were approved unanimously.

(2019-01-15-1.3)

Public Participation

Frank Hennessey asked why the water rate is proposed to increase by 5%. He is concerned about rising costs. Commissioner Westmoreland duly noted his concern and stated the issue would be discussed during the appropriate agenda item.

CONSENT AGENDA

2. Approve 2019 DC Regular Monthly Meeting Schedule
3. Approve 2019 SNEW Holiday Schedule
4. Electric Write-Offs – October 1, 2018 through December 31, 2018

Commissioner Borges-Lopez moved to accept the consent agenda. Commissioner Stokes seconded.

The Consent Agenda was approved unanimously.

(2019-01-15-2)

(2019-01-15-3)

(2019-01-15-4)

REGULAR AGENDA

5. Water Rate Increase – Public Hearing

Paul Yatcko presented. On March 20, 2018, the electors ratified the 2018 – 2019 fiscal year budget which contained two water rate increases – one which took effect on September 1, 2018, and the second intended to take effect on January 1, 2019.

The Water business in the last five years has not seen significant growth in sales, but has experienced increased business costs – labor, employee benefits, maintenance and repair of aging infrastructure, in addition to the significant debt service resulting from the rehabilitation of the treatment facility in 2007. The debt service of approximately \$1.5 million per year is a continuing burden on the operating budget on the water side. The end result is that the Water Fund balance is under continual pressure to remain positive. Future capital projects for the water business are still being determined, but will likely include continuing efforts to repair aging infrastructure and update customer meters.

The average bill per **in District** SNEW customer (with a **usage of 6000 gallons**) would increase \$1.62 from \$31.57 to \$33.17 per month, amounting to less than \$20 per year. The increase for out of District customers is \$2.39 per month for 6000 gallons of usage. The 5% increase will keep SNEW water rates in the middle of a panel of rates from water suppliers within a 25 mile radius. The average bill

for that panel is approximately \$38.00 per month.

SNEW has implemented its policy on informing the public regarding a water rate increase. Notices have been posted on its website, as well as in newspapers such as The Hour and the Wilton Bulletin. Tonight is the initial public hearing. The final public hearing will be conducted during the next regular Commission meeting scheduled for February 19th, at the conclusion of which the Commission will either approve or disapprove the increase. The expected implementation date is March 1, 2019.

Commissioner Westmoreland asked for the meter rates for in District and out of District customers. Paul Yatchko summarized the current and proposed charges **per month for a 5/8" (residential) meter***:

	Current Rates		Proposed Rates	
	Meter	Usage	Meter	Usage
In District	\$8.39	\$3.86/1000 gal	\$8.81	\$4.06/1000 gal
Outside District	\$12.59	\$5.80/1000 gal	\$13.22	\$6.09/1000 gal

*Full rate information is available on the SNEW website.

Frank Hennessey, of 86 Ponus Avenue, asked if he is in or out of District. Eric Strom clarified that if Mr. Hennessey receives electric service from SNEW, he is in District.

Commissioner Westmoreland asked if the figures on the water operating budgets shown in Exhibit B of the attachments included the latest proposed water rate increase. The Commissioner noted that 3 years ago, the water side barely broke even; two years ago, the fund balance increased significantly due to a refund from excess property taxes paid to the town of Wilton, but without the refund the fund would again break about even; and this year's closing fund will amount to approximately \$312,000 assuming the rate increase takes place. The increase will generate roughly \$450,000 in revenue. Without the increase, the fund could potentially be negative assuming actual expenses occur as budgeted, which is rarely the case.

In response to Commissioner Westmoreland's question, Eric Strom stated that residential customers typically have a 5/8" meter and are billed quarterly. The data is being presented on a monthly basis.

Commissioner Burgess asked several questions. What is an out of District customer paying as opposed to an in District customer? What is the expiration date of the debt service and what are we paying for the debt service?

The annual debt service is approximately \$1.5 million per year.

An out of District customer with a 5/8" meter using 6000 gallons per month pays \$47.39 versus \$31.55 for an in District customer under the same assumptions.

With the rate increase, an out of District customer would pay \$49.76 whereas an in District customer would pay \$33.17.

	Current	Proposed	Difference
In District	\$31.55/mo*	\$33.17/mo*	\$1.62/mo
Outside District	\$47.39/mo*	\$49.76/mo*	\$2.37/mo

*Assumptions: 5/8" meter, 6000 gallons usage

Commissioner Westmoreland asked more questions regarding the debt service. Shown on the audited books from last year, the outstanding balance on the loan is approximately \$13.9 million, and thus another 10 years or so of payments remain. Theoretically, the useful life of a water plant is approximately 30 years, give or take, depending upon its care. The plant should last, at least, another 10 years **after** the loan has been repaid, although continuing and increasing operating and maintenance costs are to be expected as the plant ages.

Required in the near future to keep the plant operational is the replacement of the membrane filters (which are at end of useful life already). Additionally, distribution infrastructure such as in-ground mains, for example, as well as revenue meters need to be replaced. The cost of the meters is estimated at \$3.5 million.

Commissioner Burgess asked if there was a way to determine which mains are corroded and thus to have these replaced proactively. The short answer was, "no, but..." Paul Yatcko stated that failure data could be reviewed, and any repetitive, systemic failures that exhibit a common thread such as the same technology, date of installation and/or general physical location could signal a need to replace the main sooner rather than later. Historically, SNEW has not performed this analyses in the past, but it is trying to establish a main replacement program based on a more rational approach rather than to merely chase failures.

Commissioner Westmoreland requested that Paul Yatcko make a PowerPoint presentation for the upcoming water rate increase hearing on February 19th. The presentation should include a brief explanation of the water business, the financials and the impact of the increase. Based on the input from the hearing, the Commission will vote on whether to approve or disapprove the rate increase.

6. Library Board Vacancy

Lisa Roland presented. Under the charters of the City of Norwalk and the Second Taxing District, two individuals from the district are appointed to the Library Board for 3 year terms. Mary Mann and Jannie Williams have been serving. Ms. William's term has expired, but she has expressed an interest in continuing to serve. The appointment needs the Commission's approval.

Commissioner Borges-Lopez moved to accept the appointment. Commissioner Stokes seconded.

The motion was approved unanimously.

(2019-01-15-6)

Commissioner Mann commented that Ms. Williams is the treasurer of the library board, has served in this capacity for approximately 6 years, and regularly attends the meetings. The Commissioner is looking forward to working with her again should she be reappointed.

Darlene Young expressed her gratitude for Ms. Williams' and Commissioner Mann's active and engaged service on the library board.

7. Annual Budget Approval Schedule - Review

Paul Yatcko presented the proposed schedule. The schedule is predicated on the hard stop, contained in the District Charter, of the electors' annual budget meeting scheduled this year for March 19th, 2019. The Commissioners will receive their first draft of the 2019-2020 fiscal year budget on or about February 12th for perusal prior to, and subsequent discussion during, the regular District Commission's meeting of February 19th. Transmittal of the final version to the Commissioners is anticipated by March 1st, for adoption at the Commission's regular meeting of March 12th. Various public notifications will occur before the electors' annual budget meeting of March 19th.

Commissioner Westmoreland asked if we would have audited financials for the previous fiscal year by that time. Paul Yatcko replied we are still waiting for CMERS data from the state's municipal pension system, and it is unlikely we will receive the data by then. The data is needed to complete the audited financials. The delay affects the February 5th electors' meeting, causing a second rescheduling from its original date of November 2018. The February 5th meeting will be cancelled. Commissioner Westmoreland asked Paul Yatcko for an emailed statement of the issue/hold-up that he could then forward to the district's state legislators asking for their assistance.

Commissioner Burgess wondered how next year's expenditures could be determined if we don't have all of this year's financial data. Paul Yatcko replied that we have the unaudited financial data, as well as spending information year-to-date. This information is sufficient to prepare the next fiscal year's budget. Commissioner Westmoreland added that we have all the numbers other than the CMERS data.

8. Management Update

Electric Outages & Water Main Breaks:

8 outages to report since the last meeting:

- November 13: one customer out on Taylor Avenue due to a bad connection at the weather head on their premises.

- November 20: 7 customers on Shorefront Part out for about 20 minutes due to a transformer failure.
- November 27: 1 customer on Chestnut Street out for short period. Transformer need to be changed out.
- December 3: 24 customers on Taylor Avenue out for about 1.5 hours. A small overhead transformer was out.
- December 5: 17 customers on Bouton & Cliff Streets out for about 35 minutes due to a bird contact.
- December 5: 10 customers on Baxter Drive out for about 48 minutes. A bad secondary connection had to be repaired.
- 8 customers on Lexington Avenue out for 1.25 hours due to a bad secondary connection.
- January 3: 2 customers Taylor Avenue were out for about 2 hours. A service installation had to be made.
- January 6: all of circuit 7 tripped out affecting 309 customers for about 1 hour and 38 minutes. There was a blown cut out but the root cause was not determined.

9 main breaks:

- November 16: 11 services affected on Little Brook Road for a short period of time.
- November 27: 43 customers affected on Shorefront Park for about 3 hours.
- December 3: 5 services affected on Connecticut Avenue for about 6.5 hours. There was a split in the pipe.
- December 6: 21 customers affected on Rowayton Avenue for 10.5 hours due to circumferential break.
- December 6: no customers affected on Alden Avenue, but repair of a hole in the pipe was necessary.
- December 8: 5 customers affected on Raymond Street for about 1.5 hours dues to circumferential break.
- December 8: 23 customers affected on Goldstein Place for about 9 hours due to longitudinal break.
- December 12: 8 customers affected on Nathan Hale Road for about 15 hours due to a longitudinal split near a valve.
- December 30: 43 customers affected on Shorefront Park for 6.25 hours due to split main.

Shorefront Park is an area in the system of concern. The area is low and wet. Breaks occur in that area year round. Paul Yatcko is considering putting money in the budget to deal with the issues in the area sooner rather than later.

Commissioner Burgess asked if repairs are done during regular business hours or on over time, and if money is included in the budget for that [overtime]. Paul Yatcko responded the repairs are done whenever they occur, and the budget accounts for work done on overtime hours.

Mall

Four new transformers have been set, connected and tested. A big issue for SNEW at the Mall is construction interference. The building and construction equipment take up most of the footprint of the site, and the work area is tight. It has been a challenge whenever SNEW crews need to perform work there, however, SNEW has not caused construction delays. Some work has been done on off hours to accommodate.

Director of Electric Operations

Scott Murphy started last month as Director of Electric Operations. He comes from UI with extensive experience, including line work.

The Director of Finance and Services position, which is currently held by a contractor, has been posted. Paul Yatcko has decided he wants a SNEW employee, rather than a contractor, in the position. In less than a week's time over 100 applications have been received. The challenge now will be to sort, sift and prioritize through so many resumes. Commissioner Westmoreland asked if the Robert Half staffing agency could help. Paul Yatcko's reply was that they could but at a cost, and he preferred to attempt to fill the position on his own. He has already identified a few potential applicants.

Commissioner Stokes asked if Paul Yatcko's goal was to fill the position internally, from a current SNEW employee. Paul Yatcko clarified that he wanted [to hire] a SNEW employee, rather than to have a contractor in the position. Commissioner Stokes further asked if there was an opportunity, if anyone from within SNEW had applied. Paul Yatcko replied the position had been posted internally and that no one had applied. Paul Yatcko continued, "*And that's not surprising because historically SNEW has not developed employees that can step into positions at that senior level. It is one of the difficulties you have in a small organization, developing the next generation of managers and leaders is very difficult.*"

Commissioner Stokes asked where else the postings were being made. Paul Yatcko replied the position had been posted on Linkin and Indeed, which is both good and bad because the ease of the application process makes for a greater number of applications to sift through.

Legislative Session in Hartford

The State Legislative session opened on January 9th. A senator from the eastern part of the state of Connecticut is likely to introduce legislation through the Energy and Technology Committee that would potentially have a serious effect on CMEEC and its ability to provide value to SNEW in the form of purchased power at a cost that is lower than the market rate. Due to this concern, SNEW has engaged the firm of International Government Strategies to represent SNEW

in Hartford. Paul Yatcko met with firm principal, Jim Amann, and some members of his staff to alert them of the potential legislation and SNEW's concern. They also met with the senate majority leader. Paul Yatcko will continue to meet with members of the Norwalk area delegation, and key committee chairs outside the Norwalk delegation, as well as key individuals in the executive branch, to convey that despite what has happened at CMEEC with a number of individuals under the cloud of indictments, the organization still delivers significant value to SNEW. The loss of that value could have significant impact on our customers and the rates they pay for power.

Commissioner Westmoreland mentioned that we are finishing the calendar year with the cost of power to SNEW customers being 21% less than the cost to Eversource customers. Additionally, SNEW is 35-40% less than UI. These savings are due to the value CMEEC brings to SNEW. The cost of power is 70% of SNEW's cost structure.

Commissioner Burgess asked if the senator was from within or outside of the CMEEC service area. Paul Yatcko's reply was the senator represents a CMEEC serviced utility in the eastern part of Connecticut, and is as aware of CMEEC's operations as much as any senator can be. She has her own resources, is smart, is being briefed by a knowledgeable lobbyist, and is being aggressive with the matter.

EXECUTIVE SESSION

Commissioner Borges-Lopez moved to enter executive session to discuss strategy and negotiations regarding collective bargaining. Commissioner Stokes seconded. Executive session began at 7:50 pm with Commissioners Westmoreland, Borges-Lopez, Bonnet, Burgess, Mann and Stokes present. Also present were Paul Yatcko and Lisa Roland.

Commissioner Stokes moved to exit executive session at 8:08 pm. Commissioner Borges-Lopez seconded. Executive session was closed at 8:08 pm.

Adjournment

Commissioner Borges-Lopez moved to adjourn. Commissioner Stokes seconded.

The meeting adjourned at 8:08 p.m.

Attest:

Lisa G. Roland
District Clerk