

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

February 18, 2020

Present: David Westmoreland Chairperson
Maria Borges-Lopez Vice Chairperson
Harold Bonnet
Robert Burgess
Mary Mann
Sandra Stokes
Martha Wooten-Dumas (arrived at 7:10 p.m.)

Absent: None

Also Present: Paul Yatcko General Manager
Lisa Roland District Clerk
Kara Murphy, Esq. Tierney, Zullo, Flaherty & Murphy
Alan Huth Director of Water Operations
Scott Murphy Director of Electric Operations
Eric Strom Director of Customer Care
Lori Walker Director of Finance and Services
Gwen Gonzalez Collections Specialist
Connie Luis Clerical Assistant

Public Present: Travis Simms

The meeting was recorded in its entirety with the exception of Executive Session.

Call To Order:

Commissioner Westmoreland called the Regular Meeting of The Second Taxing District to order at 7:00 p.m. on Tuesday, February 18, 2020. 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 December 3, 2019

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

The minutes were approved unanimously with the exception of one abstention. **(2020-02-18-1.1)**

1.2 Regular Meeting Minutes of January 22, 2020

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

The minutes were approved unanimously. **(2020-02-18-1.2)**

1.3 Electors' Meeting Minutes of January 23, 2020

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

The minutes were approved unanimously. **(2020-02-18-1.3)**

Public Participation

No members of the public requested to speak.

REGULAR AGENDA

2. Legislative Update – Jim Amann

Paul Yatcko presented. Last year, the District was facing potentially adverse legislation with respect to its whole sale supplier, CMEEC. The firm of International Government Strategies (IGS) was engaged to represent the District's interests in Hartford at both the executive and legislative levels. Because the firm did such a good job last year and because issues potentially affecting SNEW still remain in Hartford, the firm was re-engaged. Jim Amann, a principal and founder in the firm, is here to provide an update on the key issues in the Hartford legislature this year. The legislature is currently in short session – that is, only the Committee Chairs (House and Senate) can raise bills.

Although still early in the legislative process in Hartford this year, Mr. Amann presented the key issues thus far. There is one bill recommendation from the Governor concerning safe drinking water (PFAS etc.). Additionally, there are some legislators, up for reelection, that continue to pursue the CMEEC issue. Senator Somers is one that has a lot of publicity on this issue. Although not specifically affecting SNEW and CMEEC, there are issues with the Port Authority that are similar in nature to those with CMEEC. Mr. Amann is watching that CMEEC isn't tacked on with any potential Port Authority legislation. Additionally, Mr. Amann will reach out to SNEW for direction on anything that he may be unsure about or that may remotely affect SNEW operations. The bottom line is that currently there isn't any actual legislation in front of the Committees – only concepts.

Commissioner Westmoreland asked if anything came out of the Energy and Technology Committee Meeting on February 13th. Mr. Amann stated that nothing in writing nor legislative language had resulted. Only concepts and ideas came out of the meeting. Mr. Amann suggested that language may materialize within the next two weeks.

Commissioner Westmoreland added that the Commission could coordinate with Mr. Amann to apply pressure on the District's local legislators. Mr. Amann added

that he could pursue any direction provided him by the Commission, as well as coordinate meetings, prepare testimony and provide public relations support. IGS wants to put SNEW's best face forward as well as educate Hartford on SNEW's mission.

(Jim Amann left at 7:30 pm)

3. Appoint OPEB Advisory Committee

The OPEB Trust was created in 2014 to prefund certain post retirement employee benefits. Three members of the Commission are needed serve on the Advisory Committee for a term of two years, ending in March 2022. The Committee meets twice a year with the Trustee (Webster Bank) to discuss current and future investment planning. Commissioners Borges-Lopez, Wooten-Dumas and Stokes are currently serving. They may be reappointed or new appointments made tonight.

Hearing no objections from the three sitting Commissioners, Commissioner Burgess moved to reappoint them. Commissioner Mann seconded.

The motion to reappoint the currently sitting Commissioners passed unanimously. **(2020-02-18-3)**

4. Water Rate Increase - Discussion

A 2% increase in water rates had been previously approved to take effect on January 1, 2020. However, due to insufficient resources during the December/January transition to the new customer service customer system, the increase was not implemented. A future water rate increase will need to take place, with the amount of the increase subject to Commission input and discussion. The last increase, at 5%, took effect on March 1, 2019.

The water business sees continuing pressure on the bottom line due to various cost increases including labor, employee benefits, and maintenance and repair of the aging distribution infrastructure including replacement of obsolete equipment and replacement of the filter membranes. In addition to operating costs, the filtration plant is paying off the debt incurred as a result of the 2007 plant rehabilitation. There is no sales growth in water revenue due to the District's limited service area and increased appliance efficiencies, thus rate increases are the only way to increase revenue.

The previously approved 2% increase is not likely to offset last year's deficit and/or cost increases which will be included in the FY 2021 budget currently being prepared. Management is recommending a 4.75% increase to be implemented as soon as possible. Such increase is projected to increase revenue by \$400 thousand, depending upon the timing of the implementation. Public notice requirements take about 4 months to complete, resulting in an

approximate implementation date of July 1, 2020 and reflected in August 2020 billing.

Commissioner Mann asked if we (the District) had already approved the 2% increase, was public notice for a 4.75% increase still required. The response was that public notice is required for any and all rate increases, and the process takes approximately 4 months.

Commissioner Westmoreland asked if the Commission was to vote on the increase tonight and if the amount of the proposed percentage increase could change after the public hearings. The response was that the proposed percentage increase of 4.75% could be initiated tonight, but the amount could be modified as a result of input from the public hearings.

Commissioner Westmoreland asked to have this item added to next month's agenda with an analysis of out-of-District rates for SNEW, First District and Aquarion with and without the proposed rate increase. He also requested a history of SNEW water rate increases and a comparison of regional water rates.

Commissioner Westmoreland commented that although no one is happy with a rate increase, they will be less happy if the water business is mismanaged and the District doesn't provide the resources it needs to maintain the system. The Commission has tough decisions to make and needs as much information as possible to make them.

5. 2020 – 2021 Draft District Budget – Analysis & Discussion

The Director of Finance, Lori MS Walker, presented the first cut of the FY 2020 - 2021 draft budget.

Some of the assumptions in building the proposed budget were to:

- hold the line on all expenses except where there are safety concerns,
- incorporate the previously approved 2% water rate increase,
- incorporate the proposed 4.75% water rate increase,
- keep electric rates the same,
- incorporate COLA increase of 2.25% for all employees,
- incorporate an anticipated 10% increase in health insurance premiums effective January 1, 2021,
- fund 44 positions (same as last year) of which 8 currently vacant positions would be filled, and
- continue to see projected consumption levels from certain customers.

The proposed budget was calculated to first meet all operating and maintenance expenses, and then to look at cash flows in order to allocate funds to the most critical capital projects.

Interest revenue will increase significantly due to implementation of a new cash management program.

The District budget will not see any huge changes with the exception of interest revenue of approximately \$10,000, as opposed to \$500 in the past two fiscal years, due to the new cash management program.

The operating expenses total \$198,000 with the largest change occurring in the Meetings and Printing line item. An increase of \$35,000 is being included for expenses related to the recruitment of a new General Manager. Community Service expenses are about the same. Street Lighting expense is expected to decrease due to replacement with new LED lamps.

A discussion on LED lamp replacements ensued. Testing of different kinds of lamps will be performed and the replacements phased in over time. Commissioner Westmoreland expressed his interest in viewing the choices prior to a final choice being made. The General Manager agreed that the Commissioners' input on brightness, color, directionality, and footprint is desired and will be sought out. Lamps will be phased in to allow for community feedback.

Some of the Commissioners expressed feedback on neighboring lamps on Ely Avenue. Opinions from the community on the brightness and directionality of the new lamps were mixed. The brightness of the lighting filtering into residents' homes may be annoying to some.

Commissioner Westmoreland asked a philosophical budget question. He wanted to know how the District decides what the appropriate balance for the District Reserve Fund should be. The proposed District budget shows an ending balance of approximately one million dollars. Is this the amount we should be maintaining year to year? The General Manager's response was he has attempted to keep the balance relatively constant because he has not found any rationale to go either higher or lower. Commissioner Westmoreland asked what the funds could be used for. Paul Yatcko stated the funds were for contingencies.

Commissioner Stokes asked for more clarification on the street lighting. General Manager Paul Yatcko and Director Scott Murphy provided information. A firm has been hired to do an audit of the District's lamps and make recommendations. The type of lamp will be prescribed accordingly to suit the location and desired purpose. Currently there are 1800 street lights in a 2.5 square mile radius. Replacing each with the same lamp would result in over lighting. The temperature and tone for each location will be determined and once the type of lamps have been chosen, the cost for the project will go out to bid.

The proposed budget presentation continued with the Water Operating Budget handout, page 5. Sale revenue is projected to be \$8.7 million, down from the previous year, taking into account the downward trend over the past couple of years and including the 4.75% water rate increase. Weather is a big factor in

water usage and affects sales revenue. Other water revenue is projected to remain essentially constant.

On the expense side, a couple of items affect the total downward. These include internal labor changes and source of supply. There is one position on the Water side that is not being filled. Pumping expenses are anticipated to be lower due to net metering from the purchase of the output from someone else's solar field project, thereby offsetting the cost of electricity we purchase from Eversource. There are anticipated increases in water treatment costs due to an extraordinary maintenance item, sludge removal, and internal labor changes. There are anticipated decreases in transmission and distribution due to internal labor. Customer accounts expense is anticipated to increase due to labor and processing fee allocation changes. A&E expenses are anticipated to decrease due to decreases in pension and insurance costs. Assuming property tax to remain the same, the total operating and maintenance expense is down \$139,000. \$678 thousand is being allocated to spend on capital. Debt service continues at about \$1.5 million. Even with reducing expenses and assuming a 4.75% water rate increase, the ending balance in the water reserve fund is approximated at \$114 thousand which is very low.

Commissioner Westmoreland asked how the \$678,000 in capital appropriations was being spent. Alan Huth responded that the majority of the expense was for the second phase of the filter membrane replacements. There are some other miscellaneous expenses included in the total that are absolutely necessary.

Commissioner Westmoreland added that the good news is that in 2027 or 2028, the debt service will be done and more cash will be available to both invest in capital and to remain in the reserve fund. We just have to figure out how to manage between now and then. In the water business, we really need to think and work in terms of a 10-15 year plan.

Continuing onto the electric budget, sales revenue is anticipated at \$17.5 million, an increase of nearly one million over last year. An increase in revenue is anticipated in large commercial sales which are currently meeting expectations. Other revenue is up \$114,000, for a total of \$460 thousand. Most of the increase is from increased interest revenue due to the newly implemented cash management program. Conservation and Load management revenue increases along with increased sales. Total revenue comes to \$17.9 million.

On the expense side, purchased power is going to go up along with sales. Transmission and distribution is about \$1.7 million of which \$500,000 is earmarked for cleanup of the old power plant. Customer accounts expense is down, and administrative and general expense is flat. A lineman position has been added.

Total operating income is approximately \$1.5 million, but looking to spend \$1.8 million in capital.

Capital projects include remodeling of the line garage, two submersible transformers, various other general transformers, installation of a blast wall at the substation, street light replacements, rebuilding of the transformer at St. Paul's, switches and interrupters, and various regular maintenance and equipment replacements including vehicles, computers, meters, State Street kitchen remodel, conference room table replacements, fire extinguishers, plus some miscellaneous items.

Commissioner Mann asked about the number of submersible transformers being budgeted. She had been under the impression that 5 were needed, but only 2 are being budgeted. Director of Electric Operations, Scott Murphy, responded that there are a total of 12 submersible transformers currently in service that were installed between 1990 and 2018. The one that blew in manhole 66 was installed in 1980. An engineer was brought in to confirm that it was in fact the transformer that failed, and not a cable or switch. Additionally, the remaining 12 transformers were inspected. An issue was found outside the Crowne Theatre at manhole 102 which had to be addressed immediately. An above ground transformer was installed at that location. The oldest remaining submersible transformer in manhole 86 was installed in 1990, and is slated for replacement. Of the remaining ten, 5 were installed in the 2000's and 5 in the 1990's. Oil from these will be tested for contaminants, and one of the transformers will be selected for replacement. Scott Murphy also noted that the manholes where the submersible transformers are housed need to be better inspected and maintained to provide better ventilation and to preclude buildup of water, sludge and dirt from the street.

Commissioner Westmoreland reiterated that the submersible transformer that failed at the Crowne Theatre was permanently replaced with an above ground transformer. He also stated that if for some reason it became necessary to replace more transformers than being budgeted, the Commission would be more than happy to consider a special appropriation for additional replacements. Public safety comes first.

Scott Murphy added that the transformer order for Washington Avenue is being expedited but is still 26 weeks away from completion. Furthermore, each utility has a unique specification for its transformers and the units are built to order. They are not mass produced and not available "off the shelf." Usually submersible transformers are not desirable.

Lori Walker continued with budget presentation. A list of items that were either not funded or underfunded are: the meter replacement program, a replacement sludge vacuum truck for Water, paving equipment for Water, 2 vehicles, Water Street parking lot, Water Street boiler, Water Street conference room table, replacement phone system, and leak detection equipment.

Director of Water Operations, Alan Huth, spoke that he was unaware that leak

detection had been taken off and that he would need to make some adjustments to include it in the budget. Paul Yatcko replied there would be opportunity to make some changes.

Lori Walker continued. Positions not being funded include Substation Technician, Safety Officer, Meter Reader, and Grounds Maintenance I.

Commissioner Mann asked had we not replaced the phone system some time ago. Paul Yatcko replied that the phone system had been included in the last 3 budget years but had been knocked off each time.

Commissioner Westmoreland asked what job was the Substation Technician. Scott Murphy replied that the position was not a 40 hour position. Paul Yatcko added that his predecessor had intended for the linemen to do both line and substation work but that has proven difficult because the skill set and training required are radically different. He had added the position when he reorganized the organization 4 ½ years ago but the position description was never fully developed and the position difficult to fill. The necessary work has been done with current staff and contractors.

Commissioner Westmoreland wanted confirmation that the substation was being maintained properly. Scott Murphy addressed his issue. Inspections are being performed monthly. The budget includes some necessary testing, a hydrogen detection alarm system, and a blast wall between transformers. Some items are behind but will be addressed by a contractor. The monthly inspections go over most of the equipment.

Commissioner Mann asked if we had a Safety Officer now. Paul Yatcko replied that safety functions were being performed in-house by various staff and a Safety Committee. The position has proved difficult to fill because it requires high voltage certification.

Commissioner Westmoreland suggested consideration of an electric rate reduction might be feasible in a year or so once the electric side 5/10 year capital budget plan is in place. A rate reduction would be something to consider at that point in time when things have settled down.

Commissioner Burgess asked about the status of the leak at the water filtration plant. Alan Huth responded that the leak status has not changed. A bypass pipe is being manufactured before the repair can be made. Alan Huth wants to ensure he has everything ready and a backup is available before digging up the leaking pipe. The leak is small by comparison and it is in the raw water feed. Mr. Huth did not have a time frame for the repair and he noted that the part of the bypass piping is not in the proposed budget.

Paul Yatcko summarized that a final budget would be presented a month from now at the next regular meeting and the Commission will vote on it. It would then

be presented to the electors at their meeting a week later.

6. Management Update

Paul Yatcko presented.

Reservoirs

Reservoirs are at 100% capacity.

Continuous monitoring of the oil spill at Pope's Pond has not shown any contamination.

Outages

There have been no water main breaks in the past month.

There have been only two significant electrical outages.

- One group of brief electric outages were related to the transformer failure on North Main Street on January 22nd. Fifteen customers were out from 10 minutes to an hour.
- On February 2nd, 3 customers on Pine Street were out of service for approximately 3 hours and 20 minutes due to customer secondary failure on the customer side.

Commissioner Westmoreland reported a request from an out of district water customer that wanted to see the reservoir capacity status reported on the District website. The Commissioner felt it was a good idea to do so. Paul Yatcko replied that it had been considered during the last drought but there were more reasons not to disclose the information. Eric Strom suggested that disclosure be reconsidered, and possibly removed from the website, during a drought situation. Commissioner Westmoreland stated there would not be a decision made right now but that it would be something to consider. It was the staff's job to come back to the Commission with the rationale as to why the information should not be provided on the website.

Alan Huth added that better communication with the public during a drought is desirable. To that extent, Second and First Taxing Districts have come to a verbal agreement that if either should have a shortage, they would come up with a unified message for the town.

7. Appoint Interim General Manager

This item was passed over, to possibly be brought back to the table after Executive Session.

EXECUTIVE SESSION

Pursuant to CT General Statute Section I-200(6)(A) a discussion concerning the employment of a public officer or employee.

Commissioner Stokes moved to enter Executive Session at 8:25 pm. Commissioner Borges-Lopez seconded. The Commissioners, Lisa Roland and Kara Murphy were present.

Commissioner Borges-Lopez moved to exit Executive Session at 8:50 pm. Commissioner Wooten-Dumas seconded.

As a result of Executive Session, Item 7, Appoint Interim General Manager, was brought back to the table.

Commissioner Burgess moved to appoint an interim General Manager. Commissioner Borges-Lopez seconded.

Commissioner Westmoreland moved to appoint Steven R. Sax as Interim General Manager.

The motion carried unanimously with the exception of one abstention. Commissioner Stokes abstained. (2020-02-18-7)

Adjournment

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

The meeting adjourned at 8:55 p.m.

Attest:

Lisa G. Roland
District Clerk