

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

February 19, 2019

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

Absent: Sandra Stokes

Also Present: Paul Yatcko General Manager
Lisa Roland District Clerk
Eric Strom Director of Customer Care
Kara Murphy, Esq. Tierney, Zullo, Flaherty & Murphy
Frank Murphy, Esq. Tierney, Zullo, Flaherty & Murphy

Public Present: None

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 7:02 p.m. on Tuesday, February 19, 2019. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

1. Acceptance of the Minutes:

1.1 Regular Meeting Minutes of January 15, 2019

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

Minutes were approved with one abstention. (2019-02-19-1.1)

Public Participation

No members of the public were present.

REGULAR AGENDA

2. Water Rate Increase – Public Hearing

Commissioner Westmoreland asked if any members of public were present to comment on the water rate increase. Although no members of the public were present, Commissioner Westmoreland asked Paul Yatcko to present for the

record.

Paul Yatcko presented an overview of the water business, including the need for a rate increase, the proposed rates and a rates comparison.

The water business is a very complex and extensive set of infrastructure. It consists of watershed lands and reservoir properties, the water filtration plant and associated treatment facilities, pumping and storage, transmission and distribution including piping and meters, and supporting personnel. The infrastructure is aging and requires ongoing investment and predictive maintenance, as well as keeping up with technology and regulations.

Looking at the last five years of revenue and costs, revenue has bounced between \$8 and \$9 million dollars a year. Expenses have come in at around \$7.5 to \$8.5 million dollars a year. So net-net-net in any given year, the excess of revenue over expenses is never been more than \$1 million and is usually down around \$0.5 million. That isn't a lot of money to reinvest in infrastructure and support proactive maintenance and meter replacements.

Additionally, when the filtration plant was refurbished, a loan of \$24.57 million, at a 2.04% interest rate, was received from the Drinking Water State Revolving Fund. The term of the loan is twenty years. About half of the loan has been paid off. Even so, the annual debt service is \$1.5 million which is about 17% of gross revenue. It is a fixed cost that comes right off the top, in addition to \$4 million in labor and labor related costs. More than half – close to 60% - of the water business revenue goes to fixed costs.

On top of that, our cost structure is under a lot of pressure in the near future. The "3M's" – filter membranes, mains, and meters - of our infrastructure need replacement. The proposed budget for the next fiscal year will contain funds for two of these replacement projects - \$0.5 million for the filters, and \$100,000 for the mains. There isn't enough room in the budget to support meter replacement at this time, although there will be continuing pressure to fund this project as an estimated 17% of revenue is being lost to malfunctioning revenue meters.

In addition there are employee related costs consisting of direct wages, medical benefits (although this calendar year was a good year as premiums did not increase), and employer contribution to CMERS (this year the contribution unexpectedly increased from 12.5% to 14.22%).

The water rate is proposed to increase 5%. A typical customer with a 5/8" meter would experience a \$0.42 increase in the service charge as well as a \$0.20 increase for every 1000 gallons of water used. These are monthly numbers. In other words, the bill for a typical in-district residential customer using 6000 gallons in the month would increase to \$33.17 from \$31.55. The increase amounts to \$1.62 per month, or a little less than \$20 per year. An out-of-district customer will see an increase to \$49.76 from \$47.39, translating into an increase

of \$2.37 per month. Even with the increases, SNEW's rates remain competitive and in the middle of a panel of water companies located within 25 miles.

Commissioner Westmoreland asked why the rates for Newtown are so high. Paul Yatcko explained that water municipalities calculate their rates differently, sometimes including expenses another utilities might not include. Thus, he is unsure the comparisons being made are apples to apples.

Commissioner Burgess asked which districts had lower rates than SNEW. The answer was Danbury and First District.

Commissioner Bonnet commented that we need to fix the business of water. Everywhere in the world, the business of water is not doing well. Water has to be managed and controlled every single day, and people do not understand this.

Paul Yatcko added that as tough as it is to run this (water) business, we are very fortunate in the United States to have clean water. Environmental regulations result in clean water, but they also result in increasing costs to run the business. Another problem with the business is that it is made up of tiny utilities like ours where there are no economies of scale. There are larger organizations out there, such as The American Water Company and Aquarion, that are trying to buy up properties, but it won't happen overnight. Trying to run a capital intense industry without economies of scale is extremely difficult.

The 5% water rate increase the Commission is being asked to approve implementation of tonight was built into the 2018 – 2019 fiscal budget, and it was approved during the budget process by both the Commission and the electors. The annualized amount comes to \$400,000 - \$450,000 in revenue.

Commissioner Westmoreland closed the public hearing as no one was present to make a comment.

Commissioner Burgess moved to approve implementation of a 5% water rate increase, effective March 1st, 2019. Commissioner Wooten-Dumas seconded.

Implementation of the rate increase was approved unanimously.
(2019-02-19-2)

3. Management Update

Reservoir Status

The reservoirs are at 99.1% of capacity and spilling, with the exception of New Canaan which is being kept slightly below in order to repair the spillway. The levels are higher than normal at this time of year, and the district is in good shape going into the demand season.

Mall

The cable contractor pulled additional cable last week. Additionally, the intention to energize the 7th transformer was thwarted due to considerable construction interference on the site. However, a temporary alternative feed was found in order to energize the 7th transformer.

Outages

5 electric outages in the last month:

- January 20th, 3 customers were out for about 2.5 hours on Cedar St due to squirrel contact.
- January 21st, 11 customers were out for about 2.25 hours on Meadow St and West Meadow Place due to a failed transformer.
- January 25th, 259 customers were out for 40 minutes at the Washington Village project due to a demolition contractor making an inadvertent contact with a customer owned transformer and triggering a fault which, in turn, caused circuit #6 to trip out. The transformer was permanently isolated from the system and power restored to the area.
- Another big outage took out 176 customers for about 1.5 hours on numerous streets due to a failed elbow in a manhole.
- This morning (February 19th), 2 customers were out for about 9 hours due to a garbage truck having snagged a communication wire and breaking a SNEW pole. The pole was replaced.

Commissioner Burgess asked why a customer would have a need to own a transformer and what commitment comes with ownership. Paul Yatcko replied that the option to own the transformer was available historically, enabling the customer to take primary service at a lower cost. It isn't done much at all any more. Eric Strom added that currently there are only about a dozen customer owned transformers in the system. Ownership is an outdated, legacy practice.

Commissioner Westmoreland asked who owned this particular transformer. Eric Strom explained that the transformer was left energized on the old Washington Village site and he surmised it was owned by the Norwalk Housing Authority. Commissioner Westmoreland asked for verification of ownership.

Commissioner Burgess asked who would be liable for a customer owned transformer. The answer was the owner is liable, although SNEW would be the first one called. SNEW would, however, typically assist in the recovery of power.

Commissioner Westmoreland asked about the upcoming budget meeting. Paul Yatcko replied that the commissioners would receive a draft budget packet shortly and a more formal presentation would be made at next week's special meeting. Commissioner Westmoreland asked if the Commissioners were aware and available for the special meeting next Tuesday, February 26st.

EXECUTIVE SESSION

Strategy & Negotiations Regarding Collective Bargaining

Commissioner Borges-Lopez moved to enter Executive Session to discuss strategy and negotiations regarding collective bargaining. Commissioner Burgess seconded. Executive Session began at 7:28 p.m. with Commissioners Westmoreland, Borges-Lopez, Bonnet, Burgess, Mann, and Wooten-Dumas, as well as attorneys Kara Murphy and Frank Murphy, Lisa Roland and Paul Yatcko present.

Commissioner Borges-Lopez moved to exit Executive Session at 7:55 p.m. Commissioner Burgess seconded.

New Business

Commissioner Burgess requested the addition of New Business.

Commissioner Burgess asked to discuss the policy and process of hiring at SNEW. He believes in promoting from within where possible, and also in hiring local talent. Since there are a few possibilities for new employment coming up, he asked what has to be overcome here at SNEW to promote hiring from within and also hiring local. What type of advertising has to be done to attract local applicants?

Commissioner Westmoreland asked if these issues could be discussed at a future meeting. Commissioner Burgess agreed. Commissioner Westmoreland added the Commission's role is limited to setting policy and to hiring/firing of the General Manager position only. All other personnel staffing is handled by the General Manager.

Commissioner Burgess stated that he wanted to ensure both internal and local candidates, including minorities, are vetted. Commissioner Westmoreland stated that Paul Yatcko could reply to that next meeting.

Additionally, Commissioner Burgess requested that his name be added to the letterhead.

Adjournment

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

The meeting adjourned at 7:58 p.m.

Attest:

Lisa G. Roland
District Clerk