

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes
February 20, 2018

Present:	David Westmoreland Maria Borges-Lopez Harold Bonnet Mary Geake Mary Mann Martha Wooten-Dumas	Chairperson Vice Chairperson
Absent:	Sandra Stokes	
Also Present:	Paul Yatcko Lisa Roland Alan Huth Anthony Zeolla Eric Strom Kara Murphy, Esq.	General Manager District Clerk Director of Water Operations Director of Finance & Services Director of Customer Care Tierney, Zullo, Flaherty & Murphy
Public Present:	None	

The meeting was recorded.

Call To Order:

Commissioner Westmoreland called the Regular Meeting of The Second Taxing District to order at 7:19 p.m. on Tuesday, February 20th, 2018. 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 16th, 2018

Commissioner Wooten-Dumas made a motion to accept the minutes. Commissioner Borges-Lopez seconded.

Minutes were approved unanimously. (2018-02-20-1.1)

Public Participation

No Public was present.

REGULAR AGENDA

2. Vacant CMEEC Board Position and Alternate

Commissioner Westmoreland asked for nominations for the appointment of SNEW's ratepayer member to the CMEEC Board of Directors. Commissioner

Borges-Lopez motioned to appoint Dawn Delgreco. Commissioner Geake seconded.

Dawn Delgreco was appointed SNEW's ratepayer member to the CMEEC Board.

Commissioner Westmoreland asked for nominations for the appointment of a District Commissioner to the CMEEC Board to serve alongside Paul Yatcko. Commissioner Westmoreland, at the January 2018 meeting, had volunteered himself to serve. Commissioner Wooten-Dumas motioned to appoint Commissioner Westmoreland. Commissioner Geake seconded.

Commissioner Westmoreland accepted the nomination and was appointed to serve as a member of the CMEEC Board.

Commissioner Westmoreland further asked for nominations for the appointment of two alternates from the SNEW organization to serve on the CMEEC Board. Paul Yatcko declined to nominate anyone at this time as most of the Directors are fairly new to the organization. He would like to wait until they have more experience and knowledge of SNEW before making nominations.

The appointment of two alternates was postponed until further notice.

3. Final Audit Report – July 1, 2016 – June 30, 2017

The Final Audit Report for the last fiscal year, July 2016 – June 2017, was completed from the preliminary report presented to the electors in November 2017. There is no material difference between the preliminary and final reports. Adjusting entries (OPEB, pension, Conservation and Load Management to name a few) were completed, and entries to show fund transfers between the business units and capital expenditures are now also included.

Commissioner Borges-Lopez asked for explanation regarding the finding that cash reconciliations were not performed throughout the entire year, and could have materially affected the financial statements. Paul Yatcko replied that the previous Director of Finance & Services was remiss in his duties to have monthly cash reconciliations completed. Remedial action has been taken to preclude this from happening again. Ultimately, nothing was materially amiss.

Commissioner Westmoreland requested that the Director of Finance report to the Commission on a quarterly basis, just for this year, confirming cash reconciliations are being performed. Paul Yatcko agreed.

Commissioner Bonnet was pleased with the auditor's attention to detail and with their findings and recommendations. He felt they did their job well.

Commissioner Mann had a question regarding page 85 of the auditor's report. It

appears the table of “largest assessments” references properties outside of the Second Taxing District’s domain, and she wondered why these were being listed rather than properties within the District such as 50 Washington Street and SoNo Gardens for example. Commissioner Westmoreland agreed that only properties within the District should be listed and had been in the past. While the Second Taxing District does not currently levy taxes, Commissioner Westmoreland stated that it might have to the future and that the report should list the largest assets within the District. Paul Yatcko directed Anthony Zeolla, the Director of Finance & Services, to make a notation of this for next year’s audit report.

No action required.

4. 2018 – 2019 District Budget – Analysis & Discussion

Paul Yatcko presented the initial draft 2018 – 2019 budget. This fiscal year’s process was particularly difficult in that most of the management team is very new. Paul Yatcko commended his team in getting a budget together under the circumstances.

This fiscal year’s budget philosophy was to hold the line on all expenses except where it wasn’t possible, and to then have a discussion as to why it wasn’t possible.

Assumptions built into the proposed budget include:

- A general wage and salary increase which is not being disclosed in open session to keep the information from getting back to the IBEW (Union) negotiators. Union negotiations begin February 21st. The built in increase will be absorbed into the budget in two stages – July 1, 2018 and January 1, 2019. 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 3% increase in water rates will be implemented prior to July 1, 2018, and then another 3% increase will be implemented for January 1, 2019.
- A 100% contribution in aid of construction of the mall is anticipated.
- 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. Operations Expenses total \$156,000. There is no change in

salary items. Meeting costs are up just slightly, and legal fees remain unchanged. Community Service costs are up slightly. The big change in the budget comes from street lighting costs. Street light expense is now \$209,000, an increase of \$42,000. The increase is based on staff performing a field count of the actual number of street lights.

The line in the District's budget showing costs of electricity for street lighting is merely an accounting entry to show what portion of purchased power is used for the purpose of lighting the street lamps. Any missed appropriations in past budgets were absorbed in the electric division's purchased power budget.

Commissioner Westmoreland asked why include this line item in the budgets at all, and asked the new Director of Finance if this line appropriation in the District's budget might be eliminated from future budgets.

Net income is 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 with the ending balance of \$1.2 million for the District.

Moving on to the Water Budget on page 5, sales revenue from water is predicted to be \$8.55 million, down about \$140,000 from the previous budget. This figure includes two 3% rate increases, one before the end of the current fiscal year and the other on January 1, 2019. Other revenue is expected at \$271,000 which includes an increase in miscellaneous income primarily in anticipation of contributions in aid of construction. Total revenue is expected at \$8.8 million, or \$100,000 less than the current year's budget.

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 contingency for chemical costs.

Transmission and distribution expenses are \$949,000, down \$94,000 from last year due to the elimination of one-time expenses.

Customer accounts expense is \$618,000, down \$48,000 due to the elimination of a system's replacement project included in the current budget that won't be repeated in the next budget.

A&G expenses are \$3.2 million, an increase of about 3% primarily due to the built-in labor increase, plus some other small items.

Total O&M is \$6.6 million, a net increase of only \$25,000 over the current year.

Property taxes are budgeted at no change, assuming Wilton's assessment remains unchanged from the historical level. Wilton is due to do a reassessment this year, and Paul Yatcko expressed his opinion that they may try to recoup what the court took away from them. This year's tax assessment may be delayed, however, because the tax assessor retired.

Commissioner Westmoreland thought the reassessment was due in October 2017. Attorney Kara Murphy offered to look into the matter.

Commissioner Westmoreland also asked about having received the property tax refund awarded by the court. Paul Yatcko replied that most of the money was received in the form of a check (for the four years, early in this fiscal year) and the remainder was credited against the current year's tax payment due. The Commissioners were surprised to hear that the refund had been made in the form of cash, and asked where the money went.

Total expenses are a little over \$7 million, up only \$25,000. Capital expenses are half a million dollars. Debt service is the continuing principal and interest repayment on the loan for the plant rehabilitation completed a decade ago.

The change in the water reserve fund amounts to a negative \$258,000. After transferring \$95,000 to the District fund, the ending balance on the water fund is a weak \$203,000.

Commissioner Westmoreland asked to see what the scenario would look like with two 5% increases – the first this July and the second next January. Paul Yatcko stated that a 1% increase in water rates correlates to \$90,000 in revenue, to which Commissioner Westmoreland responded that the 5% increases are required. Commissioner Westmoreland asked that the rate increase process be put into motion as soon as possible. Paul Yatcko replied that the proposed budget needs to be approved before the rate increase notification process can begin.

Additionally, Commissioner Westmoreland asked to have funds set aside to have a consultant conduct a water supply feasibility study. The Commissioner wants to ensure that the District's water supply is plentiful going forward, considering the recent drought or near drought conditions, and the continued growth, and presumably demand, in the District.

Paul Yatcko replied that it may necessitate thinking more expansively on the strategic options for the water business. Business as usual is probably not going to suffice, and alternatives not previously considered may need to be taken into account.

Commissioner Westmoreland agreed with a comment previously made by Commissioner Bonnet that something has to be done about the issues –

financials and water supply - on the water side of the house. Commissioner Westmoreland will not support this year's proposed budget without funds being included to conduct a study regarding a long term plan for the water business, whether it be a 10-15 year fix or some other dramatically different option on how the District runs its water business. Paul Yatcko replied that he and staff would come up with a budget number for the study.

Capital projects on the water side total about \$880,000, correcting an error on a prior slide, and include \$150,000 for the main replacement program, \$45,000 for a new front loader, \$150,000 for water meters and modules, a small amount of money for computer related and customer service related items, replacement of the warehouse roof, a handful of small items for \$20,000, and a \$50,000 contingency for use at the discretion of the General Manager.

Extraordinary maintenance items, for which numbers were already included and presented to the Commission 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.

Looking at the Electric Budget, total operating revenue is expected at \$15 million, down about \$800,000. Sales over the last few years have routinely come in 3 - 6% lower than budgeted, and therefore this budget has been adjusted accordingly. Additionally, this budget does not anticipate any Mall related revenue although there may be a small amount. There is, however, a significant increase in other revenue due to an anticipated \$1.9 million contribution in aid of construction. (Contribution in aid of construction refers to costs of construction, such as cable pulling and transformers, to be incurred by the District but paid for, upfront, by the developer. A Memorandum of Understanding is currently being drafted, but not expected to be completed before the end of this fiscal year.) 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-hours sales, transmission and distribution O&M is about \$1.28 million, an increase of about \$95,000 and includes additional tree trimming, customer accounts expenses are down due to one-time projects being eliminated, administrative and general expense are about \$2.8 million, an increase of about \$103,000 due to built-in labor increases and some small items. Total operating expenses are \$14.4 million, down \$282,000 net.

Income less expenses come in at about \$2.6 million, with capital expenditures at \$856,000. The resulting change in the electric reserve fund is \$975,000, with a closing balance in the electric reserve fund of \$13.4 million.

One reason for the healthy closing balance is the \$1.9 million in revenue being booked here in this budget where the associated capital costs were already appropriated in the last two fiscal years.

Commissioner Westmoreland questioned why the OPEB Trust transfers are so low. Paul Yatcko replied that H&H determined the amounts could be lower.

Electric capital expenditures shown on pages 11 & 12 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, repurposing an existing line truck chassis by removing the bucket and boom and adding a lifting device 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, 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.

Paul Yatcko completed the preliminary proposed budget presentation acknowledging Commissioner Westmoreland's request for the inclusion of additional water rate increases and for funds to conduct a water supply study. Commissioner Westmoreland clarified that the water study he is looking for would require an engineering component as well as a business strategy component. He is looking for an outline to be completed this year.

The proposed budget will be revised and sent back to the Commissioners for their review at the next regular meeting on March 13th, and then to the electors on March 20th.

5. Management Update

Water Supply Status:

Reservoirs are up to 84% capacity, and the New Canaan reservoir is actually spilling over today.

Mall

The contract for cable pulling has been awarded. The transformer and switch gear contract has also been awarded. Requisitions and contract documents for both projects are being finalized. Recent construction activities have included pulling of wire down from riser poles into the underground area to form the connection points for the underground network once the cable has been pulled. A Memorandum of Understanding that addresses the contribution in aid of construction is in the working stage. Rate structure is being held up because GGP hasn't matched power supply to expected demand/occupancy. They don't want to buy too much too early, or too little too late.

Pricing

Commissioner Westmoreland wants to know, before a final rate is agreed upon, the effect on the District's ratepayers due to GGP's rate contribution to administrative and distribution costs. He feels there should be some benefit to the community. Paul Yatcko replied that he didn't know at this time. He still doesn't know if electric use charges will be on a tariff or a contract rate. There may be an opportunity to change electric rates for the District, by averaging down costs over a bigger sales base.

Staffing Update

Staffing is budgeted at 47 positions, with four of those currently vacant. One of the vacant positions is Key Accounts Manager. Some of the functions of this position are being performed by a contract employee and Paul Yatcko is unsure this position will be filled on a permanent basis. The other vacant positions are Water Operations Manager, and Maintenance Worker in Water Department, and Safety and Security Coordinator. The two positions in water will be filled. The Safety and Security Coordinator position was previously advertised, but is proving to be a difficult position to find a qualified candidate for (must be qualified in high voltage safety).

Paul Yatcko introduced the members of his management team in attendance at this meeting: Lisa Roland – District Clerk, Executive Assistant, Office Manager & HR guru, Eric Strom – Director of Customer Care, Anthony Zeolla – Director of Finance & Services, and Alan Huth – Director of Water Operations. Marvin Ayala – Director of Electric Operations was unable to attend the meeting. He will be introduced to the Commission another time. Paul Yatcko is very pleased to have a complete management team going forward.

Outages

There have been five significant outages since the first of January, occurring on January 1st and 29th, February 7th/8th, February 16th, and February 17th/18th. They lasted between a couple of minutes to 6 ½ hours, and affected between 2 to 492 customers. The average duration for most was 1 ½ - 2 hours.

The one this past weekend, a tree limb came down and took out 2 phases of the primary under tough weather conditions. This occurred on Ely Avenue at Lexington and affected 172 customers.

The one two weeks ago on February 7th on South Main in manhole 61 involved a switch failure affecting 492 customers. The first customer went out at 8 pm and the last one was restored at 4 am the next day. The average customer was restored in less than 2 hours, but unfortunately the average doesn't do any good for those customers that were out much longer.

Although two of the outages were particularly tough, they haven't been anything

unusual nor do they exhibit a pattern. Some outages can be prevented by more aggressive tree trimming and by putting up animal guards.

Commissioner Westmoreland brought up broken hydrants and low water pressure as reported at a community meeting he had attended. Paul Yatcko replied that as of this morning, he was only aware of one report of low water pressure and the problem was on the customer side. There were no broken hydrants that he knew of. Those kinds of issues are investigated very quickly.

Paul Yatcko encouraged customers to call regarding issues such as broken hydrants, low pressure, and dirty water.

Commissioner Mann asked about online notification of outages to the community because she receives too many phone calls when they occur. Eric Strom responded that outages and other issues are promptly posted on the website in a red banner across the top of the homepage except in the wee hours of the morning. They are also posted on Twitter and sometimes on Facebook. Estimated time of response or repair will never be posted because, inevitably, the time frame will probably not be correct.

Commissioner Westmoreland brought up the fact that sometimes calls aren't made because customers are uncertain as to whether SNEW is already aware. Eric Strom replied that an iPhone app is going to be available soon so that anyone having the app can report an issue. Additionally, a new call center has been contracted to deal with outages day and night. They will be able to track outages as well as to notify customers of when the power/repair has been restored/completed.

Adjournment

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

The meeting adjourned at 8:30 p.m.

Attest:

Lisa G. Roland
District Clerk