

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

March 12, 2019

Present: David Westmoreland Chairperson
Maria Borges-Lopez Vice Chairperson
Harold Bonnet
Robert Burgess
Mary Mann
Sandra Stokes (arrived 7:30 p.m.)
Martha Wooten-Dumas

Absent: None

Also Present: Paul Yatcko General Manager
Lisa Roland District Clerk
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 7:00 p.m. on Tuesday, March 12, 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 February 19, 2019

Commissioner Mann moved to accept the minutes. Commissioner Burgess seconded.

Minutes were approved unanimously.

(2019-03-12-1.1)

Public Participation

No members of the public were present.

EXECUTIVE SESSION

Strategy & Negotiations Regarding Collective Bargaining

The order of the agenda was switched. Executive Session was originally listed as the last item on the agenda, after New Business. It was moved up to before the Regular Agenda items.

Commissioner Borges-Lopez moved to open Executive Session at 7:02 p.m.

Commissioner Wooten-Dumas seconded. Commissioners Westmoreland, Borges-Lopez, Bonnet, Burgess, Mann and Wooten-Dumas, as well as Paul Yatchko, Lisa Roland and attorney Frank Murphy were present.

Commissioner Borges-Lopez moved to exit Executive Session at 7:25 p.m. Commissioner Wooten-Dumas seconded.

Attorney Frank Murphy left the meeting at 7:27 p.m.

Commissioner Borges-Lopez moved to approve the contract ratified by the bargaining unit employees between the Second Taxing District of the City of Norwalk and IBEW Local 420, AFL-CIO. Commissioner Burgess seconded.

The contract was approved unanimously (with the exception of Commissioner Stokes whom was not present). **(2019-03-12-ES)**

Commissioner Westmoreland thanked the management team as well as the employee negotiation team for all their hard work over the past year to reach an agreement, and he looks forward to moving forward together.

(Commissioner Stokes arrived at 7:30 p.m.)

The meeting continued with Regular Agenda, Item 2.

REGULAR AGENDA

2. CMEEC Microgen Project – Ownership Reallocation

Wallingford Electric Department (WED) has advised CMEEC that it is withdrawing from the Microgen Project. This will require CMEEC to reallocate Wallingford's 29.567% project ownership among the remaining members.

The Microgen Project consists of twenty internal combustion generators, each of which has a capacity of 2.5 megawatts. The generators are sited in a number of locations in CMEEC member territories. They are usually operated for a few hours each month, to offset CMEEC's monthly peak demand, resulting in significant savings in peak transmission charges.

The project continues to provide significant net benefit to CMEEC's members. Project shares – before and after the reallocation – are shown in the attached table. As shown in the table, SNEW's project share will rise from 5.832% to 8.2802%. With Wallingford retaining its ownership share, SNEW's net benefit was projected to be \$432,000 for calendar 2019. Based on the

proposed reallocation, SNEW's 2019 net benefit is projected to be \$613,000.

**CMEEC MICROGEN PROJECT
OWNERSHIP SHARES BEFORE AND AFTER REALLOCATION**

Groton	34.9180%	49.5762%
Norwich	21.6520%	30.7413%
Jewett City	1.3600%	1.9309%
SNEW	5.8320%	8.2802%
TTD	4.2100%	5.9773%
Bozrah	2.4610%	3.4941%
Wallingford	29.5670%	0%

Paul Yatcko recommended that the Commission approve SNEW's increased allocation in the project.

Commissioner Westmoreland asked if CMEEC would take some of the District's equity funds as a result of the reallocation. Paul Yatcko replied that there would be debt that gets reallocated among the members on CMEEC's balance sheet but net net these projects generate a lot of money. Paul Yatcko stated that this was a no-brainer for SNEW, providing tremendous value at very little cost. There would be a slight increase to SNEW's A&G allocation from CMEEC of about \$3,500.

Commissioner Westmoreland added that since this [\$613,000] is net benefit, debt was already taken into consideration.

Commissioner Mann asked why, if this is such a financially feasible program, Wallingford is pulling out. Commissioner Westmoreland provided a speculated answer having to do with Wallingford choosing to leave CMEEC and a long legal battle in doing so.

Commissioner Westmoreland expressed this [reallocation] was a win for SNEW with no down side.

Commissioner Borges-Lopez moved to approve SNEW's increased ownership in the CMEEC Microgen Project. Commissioner Wooten-Dumas seconded.

The motion was approved unanimously.

(2019-03-12-2)

3. Select Auditors for Fiscal Year Ending June 30, 2019

In accordance with the Charter, the District Commission chooses the auditors for the current fiscal year during the March meeting. The choice must be ratified by the electors at the Annual Budget Meeting which is next week [March 19th].

Under some circumstances after having an auditor on board for a number of years, the District has gone out to bid its auditing services to see what it could get in terms of pricing. The District has not gone out to bid this year in light of the significant turnover in the finance department. Management is currently recruiting a new Director of Finance. Thus, Paul Yatchko recommends remaining with the firm of Michaud Accavallo Woodbridge & Cusano, LLC, again for fiscal year ending June 30, 2019 in order to maintain some level of continuity between the team producing the current year's audit [fiscal year ending 2018] and the one producing the audit for the next fiscal year [ending 2019].

The firm has proposed a fee of \$25,750, a slight increase of \$750 over last year's fee.

Commissioner Stokes asked why the increase. The response was that the firm had spent a lot of extra time with adjusting entries for this year's [fiscal year ending June 30, 2018] audit, and the increase wasn't an unreasonable amount.

Commissioner Borges-Lopez moved to accept the auditing firm. Commissioner Burgess seconded.

The motion carried unanimously.

(2019-03-12-3)

4. Approve and Recommend to the Electors the 2019 – 2020 District Budget

Two changes to the proposed budget were requested during the regular District Commissioner's meeting of February 26st. These were for the addition of funds to develop, produce and distribute a public relations document, and for an additional water rate increase. The budgets have been revised to incorporate these requests. The budget assumptions remain the same as previously discussed at that meeting with the exception of a water rate increase. Electric rates will remain the same.

There are no changes to the District budget.

Moving on the water budget and incorporating a 2% water rate increase (effective January 1, 2020), water sales revenue increases to \$8.93 million, up \$172,000 from the previously proposed budget and up more than \$420,000 from the current budget. That assumes flat sales volume. There are no changes in other revenue so total revenue is now \$9.14 million, up about \$108,000 from last year's budget. On the expense side, there is no change except for the customer accounts expense line item with an increase of \$10,000 over the previously proposed

budget. This may sound like a lot but a direct mail drop of anything costs more than \$6,000 in postage alone. A total of \$20,000 has been built in, split equally between water and electric, for the public relations document. Net net the total O&M is \$6.52 million, and the change in the Water Reserve Fund is a positive \$17,000 as a result of the additional revenue. The closing balance in the Water Reserve Fund is \$348,000, which is a \$90,000 increase from the previously proposed budget. There are no changes in the water capital expenditures.

The only change in the electric budget is an increase of \$10,000 for the customer accounts expense line item for a total estimated \$630,000. The \$10,000 passes all the way through the budget so that the operating expenses are now \$15.6 million, income minus expenses is \$1.03 million, with the capital expenditures and transfers made the change in the Electric Reserve Fund is a negative \$387,000, and the closing balance in the Electric Reserve Fund is \$11.7 million after all the transfers. There is no change in the electric capital expenditures from the previously proposed budget.

Of the list of unfunded projects/items presented at the last meeting, there are three positions that are not possible to fill this upcoming fiscal year.

Commissioner Westmoreland commented that the capital projects lists were not comprehensive. Paul Yatcko responded that he would be distributing to the Commissioners five year projections of capital expenditures for both water and electric, but with the understanding that the lists had not been fully internally vetted and scrutinized as they should have been. The lists are being provided for information and context for this year's capital budgets. If allowed to, Water would be spending a million and a half each year, while Electric would be more reasonable at below a million each year. The figures do not include additional funds for the power plant clean-up. It will be up to the Commissioners to hold the line on spending.

Commissioner Westmoreland said the lists were very helpful, and asked if it would be appropriate to perform a review of the scrubbed version of the lists mid-way through the fiscal year. Paul Yatcko agreed it was a possibility, but a lot more work needed to be done to come up with a more reasonably feasible plan. Paul Yatcko added that the message to take away from all this was that both the water and electric businesses are capital intense industries that require investment in infrastructure in order to remain viable.

Commissioner Burgess asked where the submersible transformers were located. Paul Yatcko responded that there are a number of them scattered around in the system – Washington Street and Monroe Street as examples of two that the District has had trouble with. The proposed budget accounts for the replacement of two – one of which will replace the temporary transformer currently sitting on the sidewalk on Washington Street. Submersible transformers are used and located in underground vaults which tend to get flooded.

Paul Yatcko asked the Commissioners to approve the budget as presented at the February 26st meeting, with the revisions made and discussed at this meeting, and to recommend this budget to the electors at next week's March 19th meeting.

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

The newly revised budget was approved unanimously. (2019-03-12-4)

5. Management Update

Reservoirs:

Water levels are at 98.4% capacity, the equivalent of 1.24 million gallons. All of the reservoirs are spilling with the exception of New Canaan which is under repair.

Mall

Eight transformers have been energized. Work remaining to be done includes another three transformers to be installed, the purchase and installation of a 6-way switch, 2 significant underground cable pulls, and numerous connections and terminations. The District is working closely with Brookfield Construction Management to work around on-site interferences. The District is not holding up construction progress. The only issue at this time is that SNEW is behind in billing for labor, contractor services and equipment.

CMEEC

The Energy and Technology Committee of the legislature held hearings last Tuesday, March 5th, on Senate Bill 961 which is going to take Public Law 1773 and extend some of its provisions in an attempt to create better transparency with respect to CMEEC finances and contracts and at the same time restrict CMEEC activities to the purchase and delivery of power. The District has engaged the firm of International Governmental Strategies to work with the District and the Norwalk delegation in Hartford. Paul Yatcko presented oral and written testimony at the Committee's meeting last Tuesday, and also took the opportunity to speak with Terrie Wood to ask for her support as well. If the bill is interpreted in a certain way, it could put CMEEC out of the project business and adversely affect SNEW to the tune of \$1 million plus per year. Paul Yatcko is vigorously opposed to the bill. At this time it is not clear which way the Committee is leaning, with only 2 ½ to 3 months left in the session. Even if the bill is defeated in this Committee, it could be brought up as part of another bill package and so vigilance is of the utmost importance.

Water Main breaks:

Three main breaks have occurred since the last meeting.

- February 19th – on Day Street at Concord 3 customers were out for 4 hours.
- March 2nd – on Nash Place 43 customer were out for 8 hours.
- March 2nd – on Glenwood Avenue 21 customers were out for 10 hours.

Electric Outages:

- February 19th – on Woodward Avenue 2 customers were out for 9 hours. A garbage truck snagged telecommunication wires causing the pole to snap. The pole had to be replaced and the District's electric equipment transferred to the new one.
- March 6th – on Quintard Avenue 8 customers were out for 4 minutes. The cause is unknown.

Commissioner Westmoreland asked Paul Yatcko to update the Commission next regular meeting on the status of Aquarion's application to draw water from the Cannondale Aquifer, and to discuss the ramifications and what the District might be doing about it. Paul Yatcko had met with the consultant just yesterday and agreed that next meeting would be a good time to bring the discussion to the Commissioners.

Commissioner Burgess asked what else the Commissioners could do to have the bill regarding CMEEC defeated and when the public hearing was scheduled for. Paul Yatcko replied that the public hearing had already taken place (last week), but suggested that Commissioners speak with members of the delegation and express the harm the bill would do to District customers were the bill to pass. The bill would harm Second and Third Taxing District customers, as well as all other customers served by other CMEEC member utilities.

Commissioner Burgess asked for an informational memo to be kept aware of the status of Senate Bill 961. Paul Yatcko agreed to send his testimony to all the Commissioners.

Commissioner Westmoreland added that all of this stemmed from the Kentucky Derby issue and other misbehavior. All the CMEEC Board members except for four have turned over, and while the CMEEC member utilities are working diligently to comply with all the requirements passed by the legislature two years ago, addressing all the bylaws takes time. Commissioner Westmoreland feels that some are using this as a political platform rather than considering the end effects on customers.

6. New Business

Nothing more.

Adjournment

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

The meeting adjourned at 7:55 p.m.

Attest:

Lisa G. Roland
District Clerk