

SECOND TAXING DISTRICT COMMISSIONERS

Special Meeting Minutes
February 26, 2019

Present:	David Westmoreland Harold Bonnet Robert Burgess Mary Mann Sandra Stokes	Chairperson
Absent:	Maria Borges-Lopez Martha Wooten-Dumas	
Also Present:	Paul Yatcko Lisa Roland Eric Strom Frank Murphy, Esq.	General Manager District Clerk Director of Customer Care 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 Special Meeting of The Second Taxing District to order at 7:00 p.m. on Tuesday, February 26, 2019. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Public Participation

No members of the public were present.

EXECUTIVE SESSION

1. Strategy & Negotiations Regarding Collective Bargaining

The order of the agenda was switched. Originally numbered item 2 became the first item up for discussion.

Commissioner Mann moved to open Executive Session at 7:01 p.m. Commissioner Stokes seconded. Commissioners Westmoreland, Bonnet, Burgess, Mann and Stokes were present. Also present were Lisa Roland, Paul Yatcko, and attorney Frank Murphy.

Commissioner Stokes moved to exit Executive Session at 7:25 p.m. Commissioner Burgess seconded. No action was taken.

The meeting continued with originally numbered Item 1 on the agenda, now Item 2, below.

REGULAR AGENDA

2. 2019 – 2020 District Budget – Analysis & Discussion

Paul Yatcko presented an overview. The overall assumptions were to hold the line on expenses except when there is good reason not to do so, to avoid increasing water and electric rates, to keep general wage and salary increases consistent with recent contract negotiations, and to build-in a 12% increase in health insurance premiums effective on January 1, 2019. Forty four positions are funded in the budget, with five positions open on the organization chart. Two water rate increases were voted on and approved – one in late summer/early autumn and one just last week. These rates were incorporated into the budget as they will be in effect for the entire fiscal year. Another assumption is that the mall will open in October 2019, with a gradual increase in occupancy but not at 100% by end of the fiscal year. Additionally, capital expenditures are being controlled to manage the fund balances.

The District budget remains essentially the same as last fiscal year. There is a small amount of interest income of \$550, and even that hasn't been achieved due to low interest rates. Operating expenses total \$138,000. There is no change in assumed salary items, costs for meetings and printing have been reduced based on recent history, community service projects were also slightly reduced due to our recent spending, street lighting expense is about \$201,000, down about \$8000 from last year's budget. Net income for the District is a negative \$363,000. Transfers of \$95,000 each are made from the water and electric funds to cover expenses. Additionally, a transfer of \$201,000 from the electric fund makes up for street lighting costs. The net change in the reserve fund after expenses and after transfers is \$28,000, resulting in an ending balance in the reserve fund of \$1.43 million for the District.

Looking at the Water budget on page 5, sales revenue is about \$8.85 million, up about \$90,000 from the prior year's budget, and up about \$400,000 from the current fiscal year's estimated due to the water rate increases although sales volume is assumed to be flat.

Commissioner Westmoreland asked about the projected water usage for the mall. Paul Yatcko replied that a big increase in water usage is not expected, even with usage from store lavatories and the food court.

The budget presentation continued. Outside of the sales revenue, other revenue is estimated to be about \$207,000. The changes in this account are due to changes seen in recent history. Miscellaneous income is projected to be \$64,000 less due to lower expected contributions in aid of construction. The total revenue is about \$9.0 million, up about \$25,000 from last year's budget.

Moving on to expenses, source of supply expenses are \$229,000, down about \$104,000 from last year's budget. Last year's budget had a couple of one-time expenses which are no longer included. Pumping expenses are \$181,000, down about \$47,000 due to efficiency gains, water treatment costs are estimated to \$1.31 million, a minor decrease of \$36,000, transmission and distribution costs are a little over \$1 million, up about \$56,000 due to the replacement of granular activated carbon (GAC) which is part of the filtration system and essentially a bed of crushed up carbon which absorbs 'stuff' out of the water. It is partially replaced every 3 years. A tank cleaning is also included for next year. Customer Accounts expenses are \$497,000, down about \$97,000, and A&G costs, which are all the other costs it takes to maintain the water business, is a little under \$3.3 million, an increase of \$109,000, primarily due to an increase in the required employer contribution towards the CMERS employee pension as well as costs for information system improvements but also offset by some reallocations in labor.

Commissioner Westmoreland asked what kind of expenses are included in customer accounts expense. Paul Yatcko replied that it includes everything from meter reading to billing to customer service representatives to meter technicians ... a fair amount is labor, some are license fees for CIS, for example.

Paul Yatcko continued. Total O&M expenses are \$6.5 million, a net decrease of \$110,000.

Other expenses include property taxes. The amount shown for the Wilton property tax is significantly less than that shown for last year. A higher budgeted amount was left in last year's budget as a precautionary measure after the District won a settlement with the Town of Wilton, but was unsure as to what the reassessment would amount to. A recently received assessment has been increased by 12% for the upcoming budget.

Commissioner Westmoreland asked if the District would be appealing the assessment. Paul Yatcko replied that he was working with Frank Murphy on that issue.

Total expenses are \$6.78 million, down about \$310,000 or a 4% reduction.

Commissioner Westmoreland asked what had happened with the District's New Canaan property assessments. The response was one property went up and another went down.

Water capital expenditures are shown as \$842,000. Debt service on the filtration plant loan is \$1.49 million. The change in the Water Reserve Fund is negative \$56,000, and the closing balance after transfers is \$275,000.

Capital expenditures are shown on the next page.

- The big expense is the first of three installments to replace plant membrane

filters. The first installment will cost approximately \$445,000.

- The original emergency generator failed and was replaced with a spare that now needs additional work to become permanent. \$25,000 has been allocated.
- \$100,000 was budgeted for the main replacement program.
- \$25,000 for hydrant replacement.
- \$12,000 for miscellaneous maintenance and construction equipment.
- \$50,000 for meters and modules.
- \$41,000 for computer related items, including the replacement of failed and/or obsolete equipment as well as replacement of the main network server.
- Customer care related items including the network interface for the automated meter system and the replacement of the customer information system. [\$77,600]
- \$16,000 for miscellaneous small items including tools etc.
- \$50,000 for miscellaneous purchases at the GM's discretion.

As previously discussed, included in the [transmission and distribution] O&M budget is \$148,000 for extraordinary items such as replacement of the granulated activated carbon (GAC) and for tank cleaning.

Commissioner Westmoreland suggested that a five year plan for the capital items would be more helpful in seeing and planning for priorities, especially since several capital projects will take more than one year to complete. This type of planning is used by other boards he sits on and he would like to see it implemented at SNEW. Paul Yatcko clarified that the District would still only be approving the budget one year at a time. Commissioner Westmoreland added that the City [Norwalk] approves the current year's budget and everything else is a recommendation in the years out. Paul Yatcko stated that such planning had already been done to some degree by the water division, and committed to providing a five year look ahead for both water and electric for the next meeting.

Commissioner Stokes asked what RNI replacement referred to. The answer was the network interface for the meters.

Commissioner Stokes also asked about the CIS replacement project. She was under the impression that replacement had been contained in last year's budget and wanted to know the status. Had the project not been started? Eric Strom clarified that some small changes/improvements had been made to the CIS system, but the system was to be totally replaced with new vendor software. The new system will basically start from scratch and include everything having to do with billing a customer and collecting payment, including bill printing and the customer web portal (link). The new system is a utility specific system and will integrate with the current meter system. The meter system will remain.

Commissioner Stokes asked what the computer hardware and software item

entailed. Paul Yatcko responded that it included miscellaneous replacements of old and obsolete equipment such as monitors and field tablets, as well as replacement of the network server (SANS).

Revenue from the electric budget amounts to \$16.6 million, up about \$1.5 million being driven by the SoNo Collection which is assumed to open by October 2019 although not at 100% occupancy. Offsetting the increase due to the mall, however, is the loss of a significant customer to self-generation.

The District became aware that this customer had installed a fuel cell when their electric bill went down to nearly zero. Paul Yatcko stated that the District's tariffs never envisioned customers going to self-generation, with the exception of small solar installations. The District's tariffs are not set up to recover system distribution costs. This issue will need to be addressed.

Paul Yatcko continued with the budget. There is also a significant decrease in other revenue, as anticipated, due to contributions in aid of construction from the SoNo Collection having been realized in the current fiscal year, and therefore not in the next. Total revenue is estimated at \$16.9 million, down about \$342,000. On the expense side, purchased energy is \$9.9 million, up about \$733,000, solely driven by the higher Kw-hour sales that are being forecast for the mall and the anchor stores. Transmission and distribution operating and maintenance costs are \$1.63 million, a surprising increase of \$356,000 due to an estimated \$500,000 having been included to clean-up the old power plant.

Commissioner Westmoreland asked for confirmation that there would still be an increase in revenue without the contribution in aid of construction funds. Paul Yatcko replied in the affirmative and added that the aid shouldn't have been classified as revenue in the first place. It should have been a separate line item.

Customer accounts expenses are about \$620,000, up a minimal \$4,000. Administrative and general expense remains essentially flat at \$2.87 million. Total operating expenses are \$15.6 million, up about \$1.1 million, being driven by the higher purchased power cost and the \$500,000 allotted for clean-up of the old power plant. Income less expenses are a little over \$1 million. Capital expenditures are \$687,000. The net change in the Electric Reserve Fund is a negative \$377,000, and the closing balance after transfers is \$11.7 million.

Commissioner Westmoreland confirmed that he had asked Paul Yatcko to include funds in this budget to clean-up the old power plant. The Commissioner had been told by several independent sources that in order to sell, a clean developable site would yield the best offers. The appraisal done a few years ago reflected the probable sell price if sold as-is as the cost of the clean-up. Commissioner Westmoreland believes that a clean site would yield a profit since the 1.25 acre site directly abuts a major train station 40 miles from Manhattan. The Commissioner believes selling a clean site will unlock more value than if sold as-is and the funds can be used towards combining SNEW facilities.

Commissioner Stokes asked how the \$500,000 allocation was determined. Paul Yatcko responded that he simply “pulled it out of the air.” He had nothing to base it on, nor does he know what the actual figure might end up to be. Commissioner Westmoreland added that he thinks clean-up will probably be on the order of up to a couple of million dollars, and the \$500,000 could be a starting point to planning and maybe doing some of the work. Commissioner Burgess asked if there was a grant the District could apply for. Commissioner Westmoreland stated there could be if the property were to be determined to be a brownfield. The assessment did not identify any significant brownfield issues within the building itself, but did not delve into the condition of the soil/land. Paul Yatcko continued that in order to apply for a grant, they had to know what was there first.

Capital expenditures for Electric are shown on page 10.

- The big ticket item here is \$600,000 for LED street light replacement. The item will be funded from the conservation funds (\$1.25 million) held by CMEEC and is an appropriate use of the funds.

Commissioner Westmoreland added that he would like the staff and Commissioners to choose which LED lamps to use as he has seen some that are annoyingly too bright.

Paul Yatcko continued with the capital expenditures.

- The next costly item is UG cable replacements. There are areas of the system with 30 year old cable with a concentric neutral system that is basically a failure waiting to happen. There are 3 or 4 cable runs that have to be replaced.
- A couple of submersible transformers need replacement at an approximate cost of \$100,000.
- Something needs to be done to support emergency generation for the State Street facility. The conference room at State Street is the emergency operations center for the District. \$50,000 is being allocated to engineer an emergency source of power for the center.
- \$18,000 is allocated for GOD pole mounted switches.
- \$20,000 for Visi-Break UG switches.
- An equal amount of \$41,000 for computer hardware and software on the electric side as on the water side.
- Additional funds [total of \$107,400] on the electric side for the customer service projects because there are more electric customer bills than water customer bills.
- Money for meters [\$75,000].
- \$26,000 for small items.
- And a miscellaneous line item of \$150,000 for use with the GM’s approval only.

As previously discussed, \$500,000 for electric O&M.

Commissioner Westmoreland asked about the underground transformer that is currently sitting on Washington Street. Paul Yatcko confirmed that it will be replaced but still needs to be ordered.

Commissioner Westmoreland asked if the funds allocated for the plant clean-up also included having an architect look at potentially new SNEW combined facilities. Paul Yatcko replied that the \$500,000 was only a swag and it could conceivably include that task.

Commissioner Westmoreland asked to have a high level, easy to understand, glossy newsletter made up to distribute to customers 1) giving an overview of what the District does, 2) describing the investments it has made and what has been accomplished in both the electric and water divisions, such as the substation and water filtration plant, and 3) distinguishing SNEW from First Taxing District Water Company. Paul Yatcko asked what the point was since the substation is over five years old and the water filtration plant is over 10 years old. "What are we selling?"

Commissioner Westmoreland believes customers have little idea about the filtration plant, nor do they understand the investments and progress that have been in the infrastructure. Paul Yatcko disagreed stating that not much has been done with regards to infrastructure since the water treatment plant. Commissioner Westmoreland continued that he felt there were a lot of good news stories to share with customers. Paul Yatcko responded that he is a problem solver, not a marketer.

Commissioner Burgess agreed with Commissioner Westmoreland that it would be a good idea from a public relations point of view.

Eric Strom asked if it would be a one-time newsletter for each water and electric, or would it be an ongoing quarterly endeavor. Commissioner Westmoreland stated he was thinking once a year or every other year.

Commissioner Burgess added that he would like to see future candidates for the Commissioner positions to run an information campaign informing constituents of what they could do for the District.

Paul Yatcko continued the presentation with information on what had to be left out of the next fiscal year's budget due to monetary constraints.

- The water meter replacement program, spanning over 7 years and potentially recovering up to 10-15% more revenue, but with a first year cash flow effect of negative \$300,000. The negative cash flow was the primary reason the program had to be scrapped from the proposed budget.

Commissioner Westmoreland asked how much the total meter (9000 meters)

replacement program is estimated to cost. Paul Yatcko responded that the cost for the first year was approximately \$225,000 - 250,000, with a total cost of approximately \$1.5 million plus an incremental staff person.

Additional items left off the 2019 – 2020 fiscal year budget included:

- 2 vehicles,
- Repair of roofing leaks at Wilton,
- Rehabilitation work inside the line garage,
- Paving equipment,
- Leak detection equipment...

Commissioner Westmoreland asked the extent of the line garage rehabilitation. Paul Yatcko recollected an estimated cost of between \$50,000 and \$100,000. Commissioner Westmoreland interjected that we are thinking of moving. Paul Yatcko replied that he had asked for a minimal expense plan to possibly address just the bathroom, locker area, and some minor clean-up, but he had not yet received a proposal back from the line department.

Additional items left off the budget:

- 3 positions were pulled out – substation technician, accounting clerk, and meter reader. Hiring of a Substation Technician can be temporarily put off with the hiring of a new Electric Distribution Engineer. One of the accounting clerk positions, currently filled by a contractor, is being eliminated. Eric Strom would have liked to hire a meter reader so that one of the meter technicians could install the meters, but because the program is on hold the position will not be filled.

Commissioner Westmoreland asked if the District would be replacing any of the water meters. Paul Yatcko responded that \$75,000 in capital funds was included in the proposed budget for meter replacements. This is a regular budget item number that is included in the budget every year.

Paul Yatcko asked if Commissioner Westmoreland still wanted a glossy newsletter to go out considering all the work that was not going to be done. Commissioner Westmoreland responded in the affirmative, and also asked if another water rate increase was in order. Paul Yatcko did not believe short term water rate increases would help much. A 1% increase results in approximately \$90,000 in revenue. Having recently implemented two increases, Paul Yatcko was not recommending another so soon. Commissioner Westmoreland was concerned that if not, another might not be recommended for years and the District would fall further behind.

Commissioner Mann stated she would not support another rate increase so soon.

Paul Yatcko added that he had reduced appropriations by between 30 – 40% for

submersible transformers, UG cable replacements, and switches.

Paul Yatcko recapped the input received from the Commissioners at this meeting – to fine tune revenue numbers, to provide a 5 year capital plan, and to produce a glossy newsletter for distribution to customers. The changes would be incorporated in time for the March 12th regular meeting, and hopefully approved for presentation to the electors at a March 19th meeting.

Commissioner Westmoreland clarified that although he was inclined to support another water rate increase, he was unsure the other Commissioners would do so and, thus, he asked for input from those present.

Commissioners Burgess and Stokes expressed support for an increase, and Commissioner Burgess suggested that the newsletter would be helpful in making customers aware of the need. Commissioner Bonnet expressed concern that customers couldn't bear another increase, but he understood it may be necessary. Of the Commissioners present, only Commissioner Mann did not support another increase.

Commissioner Westmoreland also clarified that the newsletter should not cost more than a few thousand dollars – not \$25,000 or \$50,000.

Adjournment

Commissioner Burgess moved to adjourn. Commissioner Mann seconded.

The meeting adjourned at 8:22 p.m.

Attest:

Lisa G. Roland
District Clerk