

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes
June 25, 2013

Present:	Mary Burgess Maria Borges-Lopez Mary Geake David Westmoreland	Chairperson Vice Chairperson
Also Present:	John M. Hiscock Kevin Barber Lisa Roland	General Manager Director Admin & Customer Service District Clerk
Absent:	Mary Mann Cèsar Ramirez	
Public Present:	None	

Call To Order:

Commissioner Burgess called the Regular Meeting of The Second Taxing District Commissioners to order at 7:02 p.m. on Tuesday, June 25, 2013. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Acceptance of the Minutes:

Commissioner Burgess: "I will call the regular meeting of the Second Taxing District Commissioners to order on Tuesday, June 25, 2013 at 7:02 p.m. And we need a motion for acceptance of the minutes."

Commissioner Westmoreland: "So moved."

Commissioner Geake: "I will second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Burgess: "You are abstaining?"

Commissioner Borges-Lopez: "One abstention, yes."

Commissioner Burgess: "And acceptance of the Special Electors' Meeting minutes."

Commissioner Westmoreland: "Moved."

Commissioner Geake: "And I will second."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Borges-Lopez: "One abstention."

Commissioner Burgess: "Ok."

Public Participation

Commissioner Burgess: "Public participation, none. Ok the regular agenda, resignation of Sherelle Harris."

Regular Agenda

Resignation of Sherelle Harris

John Hiscock: "In your packet you have all of the information with respect to the resignation and at the very end we have a resolution which simply states, 'Whereas Sherelle Harris has resigned her seat as a Commissioner on the Board of District Commissioners effective as midnight on June 14, 2013. Now, therefore be it resolved that the Commissioners of the Second Taxing District in accordance with Section 1-79D of the District Charter, do hereby declare a vacancy on the Board of District Commissioners.' If you pass this resolution and I actually don't think really you have a choice, you have her resignation; this really under the Charter is the formality that starts the process. Once this process is started, the Democratic Town Committee, through the members on the Democratic Town Committee who reside in B1, get to name the replacement Commissioner. They have 60 days to do so. So, once this resolution is passed declaring the vacancy they have 60 days to comply with the Charter. If they fail to do so, the District Commissioners then fill the vacancy. It is highly unlikely that will occur. We have been through this a few times recently. You haven't quite yet, although you have been the beneficiary of one." [Directed to Commissioner Westmoreland]

Commissioner Westmoreland: "Well, it was fun going through."

[Laughter]

Commissioner Burgess: "So we need a motion to pass the resolution."

Commissioner Westmoreland: "Can I ask a question? We could just table this and do it later. We don't really have to do this right now, do we?"

Commissioner Burgess: "No."

Commissioner Westmoreland: "It would just delay the process."

Commissioner Burgess: "I don't know. John?"

John Hiscock: "There is nothing specifically in the Charter that says you have to do this at a specific time. It says that we are required to give you ten days notice so that you are aware of the event. However, if you don't take an action, you don't take an action and it is pretty clear that it doesn't specifically say you have to do it."

Commissioner Borges-Lopez: "But the Democratic Town Committee has sixty days to act on this so..."

Commissioner Geake: "Once we make the selection."

Commissioner Westmoreland: "Once we make the resolution."

John Hiscock: "Right, once you declare the vacancy."

Commissioner Borges-Lopez: "Right. I mean she resigned. I will make a motion to accept the resolution, to pass the resolution. I mean at least let's put it to a vote. If it doesn't pass that is fine, but I will make the motion to pass the resolution."

Commissioner Westmoreland: "It is fine. I am just making sure I understand our options."

Commissioner Burgess: "Yes."

Commissioner Westmoreland: "I will second."

Commissioner Burgess: "Ok, all in favor?"

Commissioner Westmoreland: "I could change my vote, couldn't I?"

Commissioner Burgess: "Yes."

Commissioner Westmoreland: "I will abstain."

Commissioner Geake: "I am going to abstain."

Commissioner Burgess: "I will too."

Commissioner Westmoreland: "We are going to pass this though because one person voted for it."

John Hiscock: "Yes."

Commissioner Borges-Lopez: "So it is a tie."

John Hiscock: "It is a pass."

Commissioner Westmoreland: "I didn't think about this until just now."

Commissioner Burgess: "Ok."

Commissioner Westmoreland: "Very sensitive..."

John Hiscock: "Ok. That is unique."

Legal Counsel – Annual Retainer – FYE 2013-2014

Commissioner Burgess: "Ok, legal counsel, annual retainer."

John Hiscock: "Ok, included in your board book for this evening is the letter of June 18, 2013 from Tierney, Zullo, Flaherty and Murphy with respect to representing the District for the upcoming fiscal year. The letter is similar to previous years, as I have indicated here. We have been represented for approximately twenty by Tierney, Zullo, Flaherty and Murphy with Frank Zullo being the lead counsel. The rate quoted this year is up slightly from the prior year and is \$225.00 per hour. I have also indicated to you that this is relatively inexpensive however; there is a \$10,000 retainer. The \$10,000 retainer is the same \$10,000 retainer that we have dealt with for twenty years. I guess you can say the quid pro quo there is they get \$10,000 up front and we get discounted legal fees. The arrangement has worked reasonably well in that timeframe. We have been represented by the firm for a substantial time period. We haven't had any complaints with respect to that representation and I have not heard any comments from anyone with respect to any change in representation. This has sort of become a..."

Commissioner Burgess: "I would like to say something. I think we are all aware of what a great job the law firm did with CMEEC. I think it is important for us to stay with somebody who knows what we are trying to do."

Commissioner Borges-Lopez: "I make a motion that we approve the firm of Tierney, Zullo, Flaherty and Murphy as general legal counsel based on the attached Retainer Agreement."

Commissioner Geake: "And I will second it."

Commissioner Burgess: "Any comments?"

Commissioner Westmoreland: "Looks reasonable to me."

Commissioner Burgess: "All in favor?"

Commissioners Unanimously: "Aye."

Electronic Customer Payments – Update

John Hiscock: “Item 4, Kevin Barber is going to give you an update on the electronic customer payment process that we are relatively close to implementing. It has taken quite some time and is relatively complex so Kevin is going to go through the process and explain to you how it works and answer all of your questions.”

Kevin Barber: “Good evening everyone.”

Commissioner Borges-Lopez: “Good evening.”

Commissioner Geake: “Good evening.”

Commissioner Burgess: “Good evening Kevin.”

Kevin Barber: “What I wanted to do is kind of explain to you where we are in the process. What still needs to be done and probably give you a brief overview on how we expect this to work for our customers. Currently, a few months ago, we actually solicited pricing from multiple vendors and I believe we received pricing from four different vendors to process credit card payments, debit cards and electronic check payments for our customers. We received as I said four pricings and we reviewed them. We were able to narrow it down to two of the four after a little deeper review and we decided to recommend to the General Manager that we go with a company called TWI, Inc., which stands for Teleworks Incorporated. They are a vendor that is; I will call them a preferred provider, for our CIS vendor and they are integrated with the Harris Payment Gateway. Harris Payment Gateway is the parent company of Advanced Utility Systems which is the developer of our CIS system. So they already have a relationship with Harris in processing payments through the Harris Payment Gateway. We have entered into an agreement with them to handle electronic payments, credit cards, debit and e-checks in three different methods. One of them is going to be online through our customer portal a second one is going to be through an IVR System which is an interactive voice response system and the third will be in person here at our customer service window. We have entered into a Merchant Agreement with them to establish a merchant account because for SNEW to accept credit card payments, we have to be a registered merchant. So we started the process to get those merchant accounts set up. We had one or two more final pieces of the puzzle that we were just completing, so those should be set up pretty soon. To talk about our online payments, it is going to be through our online customer portal. We are in the midst of testing a product from Advanced called CIS Infinity.Link, which is an online portal where customers can log in, register their account for themselves and view their customer information. They can view their account, their transaction history, their bills and meter readings that were used to generate the bills. They will also then be able to make payments online. So they will select an icon such as ‘pay online’ which will then redirect them from our website to TWI’s website to process that payment. And as I said earlier, they will accept credit card, debit and electronic checks. The interface between TWI is being finalized right now. As I said, they have an existing interface with the Harris Payment Gateway. Advanced is just finalizing their interface with Harris

Payment Gateway and I know it is going to get a little confusing but there are actually two interfaces that need to be set up and Advanced is working on completing their portion of the interface and once that is done then we should be able to at least be able to start testing the payment interface. The second option we are going to have is the IVR. Customers can call up on the phone and through our phone system select an option, let's say 8, which will then redirect them to TWI's phone payment system, which will be integrated with our CIS System so they can enter their account number and pick between payment or balance information and then also generate a payment through the phone system. Once again, credit card, debit and e-check can also be done the same way. The IVR System will be set up in both English and Spanish, so we should not have any issues with that. Customers can call in directly or even if they are talking to one of our Customer Service Representative, our Customer Service Representative can then forward them to that same payment system so they can make a payment through the phone. The final option for us is going to be at our customer service window. That, I don't have the final set up as to how that is going to be done, whether we are actually going to have a card swipe or we are going to be set up to go through an online gateway at that point. We are working through those details so I don't really have specifics on that. Now, we are hoping that all of the interfaces will be done by the end of June, so once that is completed then we can go into our testing phase. And I am hoping and that is a big hope is that possibly by the end of July or early August we can actually get our payment systems up and operating. I do expect our IVR System will probably be the first one that we will be able to get up and running very quickly. But the online one where the customers can log into their own account and see what is going on, depending on whether we have any glitches could take a little bit longer but it is important for us because we want to make sure things are very secure and that we are processing credit cards properly. The last thing I want to run into is any type of headache or problem with that. So, I am hoping within the next month or two we should be up and running with this. That is just a very quick overview. I don't know if anyone has any specific questions?"

John Hiscock: "You might want to talk a little bit about how the cash comes to us."

Kevin Barber: "How the cash comes to us."

John Hiscock: "Ok, just so that we know we are going to get the money and how it interfaces with CIS."

Kevin Barber: "Ok, the way that this is going to work for example, if a customer makes a payment today it is actually done through the payment processor. The payment processor, I think at the end of each day, I think it is set up for around 5 p.m. or 6 p.m. each night will actually close, sort of batch the day. We will then receive the money in our accounts the next business day. So we are set up to be a one day transaction as opposed to sometimes what is normally a two day, which is very good because right now collecting checks could take us a few days before that money is actually in our account. The cash we receive from customers will be quicker. We have established a separate bank account at Fairfield County Bank for the specific purpose of handling the credit card payments and electronic payments. We did not want them in any way to be interfaced directly into our main checking or any of our accounts. So, this is a special account that is going to be

used just for this, so that in case we have any issues it should limit our exposure. Not that we are going to have problems like that but it is going to segregate everything and also allow us to better track and reconcile these transactions. We are expecting that will be the next day. The e-checks I think may actually take a second day but a lot of that is dependent upon the clearing with the payees' bank, if I recall correctly. It has been a while since I talked to them about that, but it does have to go through and when somebody goes in and initiates an electronic check and they enter all of the information, TWI is not actually able to clear all of that with the bank until the next day because of the way banking rules work. So, the intent for the next day is to have most of our funds available to us."

Commissioner Borges-Lopez: "I have a question, through the chair. If a customer generates an electronic payment, let's say on the 10th and you receive it on the 11th. How is that going to affect the payment?"

Kevin Barber: "We will handle it the same way we do now. If a customer comes in and makes a payment by check on the 10th, we don't receive that money until two to three days later. Well, we give them credit on the 10th, so we will actually when they come in and make an online payment and let's say they made it on the 10th; that is when they will get credit on their account."

Commissioner Borges-Lopez: "So you will use the date of the electronic payment."

Kevin Barber: "Yes."

Commissioner Geake: "Through the chair. So in other words we can have payments on Saturdays and Sundays and we get credited on Saturdays and Sundays as compared to having to wait?"

Kevin Barber: "Yes."

Commissioner Geake: "Ok, that was important because often time people will say they got their Friday night and it was too late and then they don't come until Monday afternoon."

Kevin Barber: "Yes, the way the online system is going to work is as they make a payment they go online through the portal and make a payment, it is going to show up on their account right then and there. It's not like the drop box where they have to wait for us to process it. It actually will show up on their account as what is called a pending payment and it is not until we complete a process at the end of the day to post that, so it goes from pending payment to an actual posted payment. So we are still going to work through the specifics on that because we haven't gotten into the testing phase, but the whole intent is if they make a payment on a Saturday that is the day it will show up on their account."

Commissioner Borges-Lopez: "You are going to do your test on the Commissioners first, right?"

[Laughter]

Kevin Barber: "The testing is actually going to be done on our test system, which is an exact copy of our live CIS System, so that we won't be playing around with any live data."

John Hiscock: "From the customer's perspective the discount is the only issue that they are concerned about obviously. We have a very specific set of rules with respect to what we call 'received in hand' and when it is received and how it is received and when the 10th occurs on a Saturday or Sunday, as long as you get it into the box before we open it Monday morning, it is posted as received in time for a discount. We haven't actually talked too much about how we are going to deal with the electronic issue with respect to Saturdays and Sundays when it bridges, but we will have, just as ridged a rule, very specifically spelled out so that we use exactly the same process. And maybe we will mimic the drop box, though we haven't really discussed that yet."

Kevin Barber: "I think possibly the bigger problem is right now people can go and drop payments at 6 o'clock in the morning on the 10th. Well, we probably have to work through the process and if somebody makes a payment at 8:00 a.m., at what point do we draw that line where a payment is made before or after. So we just have to work through the logic of that. We will come up with a nice, firm policy that is clear."

Commissioner Westmoreland: "I am generally all for what you are talking about. My question is how much does all of this cost and whether this is a kind of thing we should expect a payback on although the world is moving in this direction and we probably have no choice? Although I think it is, is it fairly leading edge for a utility to be doing this?"

Kevin Barber: "No, not really."

Commissioner Geake: "No, we are behind."

Commissioner Westmoreland: "We are behind. Well, I mean, I have never had another utility where I could pay with credit card."

Kevin Barber: "Yes, there is a lot utilities right now who allow you to log into your account, pay online and pay by credit card. So, we are not cutting edge. I am not sure how many smaller utilities of our size are actually at the point of online payments and stuff like that. I am not really sure."

Commissioner Geake: "What about CMEEC, how many of them do it? Do you know?"

John Hiscock: "I think most everybody accepts credit cards. We are a little slow in doing that. That is fairly common. All of the other forms of payment that Kevin has talked about, the portal and the IVR, very few people do that when you are our size. That is a little bit unusual and there is no doubt that this is going to cost us money. We have spent..."

Commissioner Burgess: “Do you know, excuse me; I have a question on that. Do you know how much each transaction would cost?”

Kevin Barber: “Precisely? No and here is the reason why. With TWI we are being charged on what is called an interchange rate pass through. The interchange rate is, and hopefully I am not going to mess this up, it’s the rates that the banks will charge for the processing of the credit cards. So TWI is going to just pass that rate through to us at 30 basis points which is .3% to that and then a 30 cents per transaction fee for the processing of credit cards. Now, the reason why I can’t say exactly what it is going to cost us is every credit card has a different interchange rate. You can have a standard credit card that may charge 1.17% however, if you have a rewards card and the interesting thing with rewards cards is that it is not the banks who are paying for those rewards, it is the merchants who are paying, so that rewards card may cost us 2% interest because banks are having us, the merchants, pay those rewards. So, it is hard to say exactly what the fees will be and it is also going to depend on the types of cards. I should also mention, when they pay through an IVR there is an additional per transaction fee on it and that is for the maintenance of the phone system that needs to be set up. So it is hard to say exactly what the fees are going to be and it is also hard to really say how much it is going to cost us at the end of the year because we don’t know how many customers are going to make payments. We don’t know whether they are larger customer’s dollar wise or smaller customers. I did calculate, just to throw out some numbers earlier today that if we had 10% of our customers and I am just looking at the electric customers for this, which is 600 and if they had a \$100 bill, so that is approximately \$60,000 a month. The monthly fees that we would incur if the credit card was at 1.17% interest; would be about \$1,000 a month for SNEW. I should make sure you are aware we have decided to absorb the fees in that SNEW is basically paying for it.”

Commissioner Burgess: “You are not passing this along to the customer.”

Kevin Barber: “Right. The other option for us is to charge what is considered a convenience fee which the customer, when they make a payment, would have to pay an additional fee which if I recall correctly could have been like \$4.95 per transaction. The credit card industry has shown that if you do a convenience fee your adoption rate is a lot less than if you just absorbed the fee.”

Commissioner Westmoreland: “But it is not clear that it is a benefit for us to have half the people adopt a credit card payment.”

John Hiscock: “I say it is probably not a financial benefit for us to do this. This is truly an assistance to the customer. We get a lot of complaints from customers who can’t pay by either check or in person. We take a significant amount of abuse for it and to charge the convenience fee in a utility is kind of an anomaly. I know the city tax office does it but you only pay your taxes twice a year as opposed to twelve times a year for this and our bills are relatively small in relationship to the size of your tax bill. We discussed that about three or four months ago. We had a long discussion about that and the consensus of the Commission was, absorb the fee and we have to deal with it that way.”

Commissioner Westmoreland: “Well, I can’t believe I am even going to suggest this because I just live for the discount by the 10th myself and will drive down here at night to put it in the box if I forget it, but would the responsible thing to do would be to look at that if we are providing conveniences for our customers. Maybe we think about, and that is costing us money, maybe we think about either eliminating the discount or reducing how much we give to offset the cost of this. This is a possibility which would probably open a whole other can of worms with our customers, but at the end of the day, I don’t think the customers are paying us to increase our cost structure. They want us to make their costs go down and this is making costs go up.”

Kevin Barber: “You could look at it from some of the processing side of savings. Every time a payment comes in on a check. We have to take that check, we have to review it against the stub, we then have to batch it all up and enter it and we have to take that check to the bank. So we are going to be saving labor in processing or handling all that.”

Commissioner Westmoreland: “You are only saving labor if you eliminate jobs, which I don’t think you are going to do.”

Kevin Barber: “No, but if we can take that labor and utilize it for other functionalities to better serve our customers.”

Commissioner Westmoreland: “You are only reducing expenses if labor costs go down. I hear your argument, but at the end of the day.”

Kevin Barber: “I hear your point and I am not going to disagree with you. I think the best thing we could do is, because it is hard to know exactly what the numbers are going to be until we see how the adoption rate goes. We could probably look at in how our cash flow change comes through. Granted interest rates right now aren’t going to show us much as far as getting the money a day or two days earlier, stuff like that, but as interest rates start going back up, we may see a benefit on that.”

Commissioner Borges-Lopez: “Through the chair. Can also a customer opt to have a paperless billing?”

Kevin Barber: “Yes.”

Commissioner Borges-Lopez: “So that would save SNEW some money on postage as well, right?”

Kevin Barber: “Yes.”

Commissioner Borges-Lopez: “So you have that ability to just go paperless?”

Kevin Barber: “Our online portal will also have that capability.”

Commissioner Borges-Lopez: “That is fantastic.”

Commissioner Westmoreland: "Can we think about perhaps in the future maybe we only offer the discount by the 10th if you go paperless and some things like that?"

John Hiscock: "We have a customer base that..."

Commissioner Westmoreland: "May not have access to computers."

John Hiscock: "A significant number of our customers do not have access to banking facilities at all and that does become somewhat problematic. Those customers are still going to have to come to the window obviously with this system. But if we get into pricing differentials with respect to people's access to banking we kind of get to an area we get criticized for."

Commissioner Westmoreland: "Right."

John Hiscock: "Just a thought. We haven't thought it all the way through, but those are some of the considerations that sort of crop up."

Commissioner Westmoreland: "Right."

Commissioner Geake: "Through the chair. I have two questions first of all, what if we were to have 50% of the people that would pay online? That is really going to up it a lot more right?"

Kevin Barber: "It potentially could."

Commissioner Geake: "Will that be...in other words by having more people get involved we would actually be paying more which means we are actually be losing money which means this isn't going anywhere, this isn't the right thing?"

John Hiscock: "If we get to that level we then may very well have a labor savings because the front window is not going to be utilized by very many people at that point. I mean a penetration rate at that high a level, one which would be probably unlikely with our customer base, but two you then would end up with a labor savings. Obviously people come in chunks; they don't come in half a person or a quarter of a person, but from a staffing perspective. We have had major changes in staffing over the years by technology. We have done it in meter readers; we have done it in customer service clerks, simply because of decreased errors, corrections and all of that. So we have over a longer span and with technology in certain cases, have actually decreased labor."

Commissioner Geake: "My other question is you refer to credit cards, what credit cards are you accepting versus what are you not accepting? There are a lot of credit cards out there."

Kevin Barber: "Absolutely, Visa, MasterCard, Discover, we are accepting. Right now we have elected not to accept American Express. That is something that we can address later

on if we feel we need to accept it, but the fees on American Express are quite a bit larger and we felt we would be better served by starting with the, what you call the basics, Visa, MasterCard and Discover.”

John Hiscock: “It appears to me, just an anecdotal comment, that most people who carry the American Express card also carry another card because of that difficulty. Not as much as it used to be but even today. You certainly wouldn’t want to only have an American Express card.”

Commissioner Geake: “Thank you.”

Commissioner Burgess: “And then some of us have cut up our American Express cards.”

[Laughter]

Commissioner Geake: “I cut mine up and then I got it back.”

Commissioner Westmoreland: “Is it appropriate to ask for a, at some point, when it makes sense, a financial update on this project?”

Kevin Barber: “Sure.”

Commissioner Westmoreland: “It is really hard for me and I don’t want to sit here and pick apart something that maybe trivial numbers. But it just sort of worries me that it could be more than trivial.”

Commissioner Burgess: “Are you prepared to do the update Mr. Barber?”

Kevin Barber: “Yes, when we have been operating for six months to a year, I think that would be a good time to come back and talk about where we are at and how it had been accepted and what the fees have been.”

Commissioner Westmoreland: “Ok, great.”

John Hiscock: “It also gets a little bit more complex because portions of the technology we are using with respect to the web portal are from a different project. Some of it is being covered by the stimulus grant that we received with a matching 50% which, after we did all the paperwork, only comes down to about 30%. It doesn’t work out so well, but the web portal that Kevin is talking about is partially funded by that. So, it really gets fairly complex with where all the funding sources are.”

Commissioner Westmoreland: “Well, clearly we have no choice but to go in this direction anyway because everything in the world is going this way. My only concern is that we are just managing our expense for going forward appropriately.”

John Hiscock: “It is sort of like the old phone company, we all complained about the old

phone company and how bad the phone bills were and we get all of this great technology and we spend five times as much on phones today.”

Commissioner Geake: “More than that.”

Commissioner Burgess: “That is it. There is no action needed on this.”

Commissioner Borges-Lopez: “Thank you Kevin.”

Commissioner Burgess: “Thank you Mr. Barber.”

Commissioner Geake: “I make a motion that we adjourn.”

Commissioner Borges-Lopez: “I will second that.”

Commissioner Burgess: “All in favor?”

Commissioners Unanimously: “Aye.”

Adjournment:

The meeting adjourned at 7:40 p.m.

Attest:

Lisa Roland
District Clerk