

SECOND TAXING DISTRICT COMMISSIONERS

Regular Meeting Minutes

March 8, 2016

Present: Maria Borges-Lopez Vice Chairperson
Mary Geake
Mary Mann
Sandra Stokes
Martha Wooten-Dumas

Absent: David Westmoreland

Also Present: Paul Yatcho General Manager
Kevin Barber Director of Finance & Services
Lisa Roland District Clerk

Public Present: None

Call To Order:

Commissioner Borges-Lopez called the Regular Meeting of The Second Taxing District Commissioners to order at 7:00 p.m. on Tuesday, March 8, 2016. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

Commissioner Borges Lopez: "I call the regular meeting of the South Norwalk Electric & Water to order at 7:00 p.m. and I would like the District Clerk, Lisa Roland to read the notice and warning to the Electors."

(Lisa Roland District Clerk, read the legal notice for the record)

1. Acceptance of the Minutes

Commissioner Borges-Lopez: "Ok, thank you. I need acceptance of the minutes for the special meeting minutes of February 16, 2016 and I need a motion?"

Commissioner Mann: "I make a motion, Mary Mann."

Commissioner Borges-Lopez: "Second?"

Commissioner Geake: "I second it, Mary Geake."

Commissioner Borges-Lopez: "All in favor?"

Commissioners Unanimously: "Aye."

Commissioner Borges-Lopez: "Any abstentions? I don't believe you were here for that special meeting Martha, right? Ok."

Commissioner Wooten-Dumas: "Yes you are right."

Commissioner Borges-Lopez: "Ok, that's why I didn't want to combine them. I just wanted to make sure of that, alright."

Commissioner Wooten-Dumas: "I am sorry."

Commissioner Borges-Lopez: "And motion passed, one abstention. I need a motion to accept the minutes of the regular meeting minutes of February 16, 2016."

Commissioner Mann: "I make a motion, Mary Mann."

Commissioner Geake: "Second."

Commissioner Borges-Lopez: "All in favor."

Commissioners Unanimously: "Aye."

Commissioner Borges-Lopez: "Abstention, motion passed no abstention. We move on to Public Participation. No one for Public Participation so we go into our Regular Agenda, Reappoint OPEB Advisory Committee, Section 2."

REGULAR AGENDA

2. Reappoint OPEB Advisory Committee

Paul Yatcko: "Alright, the District established an OPEB Trust in 2014 and as part of the trust agreement, an advisory committee was formed. That advisory committee currently consists of David Westmoreland, Maria Borges-Lopez and Mary Geake. Their terms of office on that committee expire at the end of this month. The District Commissioners must either reappoint the members of the committee or choose new members for a two year term that expires in March 2018."

Commissioner Geake: "Through the chair, I have a question. With the fact that David can't be here to decide if he should or shouldn't, what can we do?"

Commissioner Borges-Lopez: "Well it expires at the end of this month, so I think we should really decide tonight, right?"

Commissioner Geake: "Yes, I know, but I'm just saying did anybody talk to David?"

Lisa Roland: "Well he reviewed the agenda. He knows what's on it."

Commissioner Geake: "Oh, Ok."

Commissioner Wooten-Dumas: “So, we could go forward? I’ll make a motion that we continue with the three set people on the committee.”

Commissioner Borges Lopez: “Ok, do I have a second?”

Commissioner Mann: “Second, Mary Mann.”

Commissioner Borges-Lopez: “All in favor? Any discussion, abstentions?”

Commissioners Unanimously: “Aye.”

[Laughter]

Commissioner Borges-Lopez: “Thank you, moving along, Section 3, Select Auditors for Fiscal Year Ending June 30, 2016.”

3. Select Auditors for Fiscal year ending June 30, 2016

Paul Yatcko: The Charter requires that the District Commission chooses the auditors at the March Meeting and that choice must be ratified by the Electors at their annual budget meeting, which is next week. Historically, we put a bid out every three years as you might recall. Last year we selected for the first time the firm of Michaud, Accavallo, Woodbridge and Cusano. I think it’s fair to say that both I and the finance staff were very pleased with their performance. They did a very professional job, they worked very, very well with our staff and they produced a high-quality audit document and they did it in a cooperative not an adversarial manner, we were very happy with them. Their proposal provided for not only for the first year but also for two option years and management recommends that we exercise the option to name them auditors for the coming fiscal year.”

Commissioner Borges-Lopez: “Any discussion? Any comments? No? So I need a motion, I’m sorry?”

Commissioner Wooten-Dumas: “I have a question. Because this, we only used these once, before them was the Hope and...”

Commissioner Borges-Lopez: “Hernandez, yes.”

Commissioner Wooten-Dumas: “And we had them for quite some time.”

Commissioner Borges-Lopez: “Yes, over ten years I think.”

Paul Yatcko: “Right.”

Commissioner Wooten-Dumas: Ok, so alright.”

Commissioner Borges-Lopez: “So I need a motion to approve the firm of Michaud, Accavallo, Woodbridge, I’m sorry, you have a question, no, ok, so I need a motion to approve the firm of Michaud, Accavallo, Woodbridge and Cusano LLC to perform auditing services for the Second Taxing District for the fiscal year ending June 30, 2016.”

Commissioner Geake: “I’ll make a motion.”

Commissioner Borges-Lopez: “Mary Geake, second?”

Commissioner Mann: “I’ll second, Mary Mann.”

Commissioner Borges-Lopez: “All in favor?”

Commissioners Unanimously: “Aye.”

Commissioner Borges-Lopez: “Opposed? Abstention? Alright, and now we go back to the audit.”

Paul Yatcko: “Budget.”

Commissioner Borges-Lopez: “Approve and Recommend to the Electors the 2016-2017 District Budget.”

4. Approve and Recommend to the Electors the 2016-2017 District Budget

Paul Yatcko: “Alright, we reviewed the draft budget with you at our last meeting a month ago and in accordance with the Charter you must receive and recommend that the Electors of the Second Taxing District approve the budget next week. We have made several modifications to the budget since our last meeting. What I propose to do, is not go through the budget line by line, like we did last month but merely highlight for you what the changes are and what the impacts are of them. If you would turn to the absolute dead last page in your book please, you’ll see that there is a tabulation of a handful of changes that we’ve made. And frankly they’re not many. The first two items, 1A and 1B are due to a recalculation of the OPEB Liability and the amount that’s being transferred into the OPEB Trust. That was necessitated by the fact that in the draft budget we didn’t use the correct number for retiree life insurance for water and electric, so this is the correction from the last budget. Item #2, we had a project in there for upgrading SNEW’s website. If I recall correctly that was in at \$50,000, \$25,000 each for water and electric. We had classified that as a capital project, it was part of our capital budget in the draft budget, we have since based on our internal discussions and decided that that’s not capital, but it’s an operating and maintenance expense and so it gets charged to operations and not to capital expenditures. Similarly, Item #3 we had some money set aside for doing some hydraulic modeling in the water system again after some discussions about what that would entail and how it should be treated from an accounting perspective, we’ve concluded that that is more appropriately classified as an operating and maintenance expense, as opposed to a capital expenditure. So we transferred that out of capital expenditure and moved it into operations. Item #4 is a new item, subsequent discussions

with our Director of Electric Operations indicate that we are being required by CONVEX, the Connecticut Valley Exchange, which is an arm of our independent system operator for New England, is requiring us to install some capacitors to provide for voltage support that is reactive power supply in the system. That is required by our membership in CONVEX and in the ISO. We can't avoid making this expenditure, so we are increasing the electric capital appropriation by \$103,090 to cover the cost of the purchase and installation of those capacitors. The last three items, item numbers 5,6 and 7 we are removing from the capital budget to partially offset the expenditure on the capacitors, so we're removing the storage shed at the new substation, the backup generator and the breaker house heating ventilating and air conditioning systems. We're going to look at the possibility of funding those through the existing substation authorization. If there are funds left in there that are available, we may do these projects but they will not be coming out of this fiscal year's current appropriation. So net, net, net the impacts, water operating and maintenance expenses are up \$75,000, operating income as a result is down \$75,000 but since, for the most part, that's due to a transfer from capital to O&M, the net change in the water financial reserve is essentially nothing and the closing balance in water as a result of the OPEB changes is down about \$12,000 from the budget you saw a month ago. On the electric side, O&M is up about \$18,000. Capital expenditures net are up \$44,000. The net of those two things is that the change in the electric financial reserve is \$62,000 lower and so the closing balance, when you net the OPEB contribution into it as well, is the closing balance of the electric fund reserve is down about \$70,000 from the last version of the budget, but it's still extremely healthy. And both Kevin and I are both happy to answer any question that you have got."

Commissioner Stokes: "So when did you find out about the requirements, the CONVEX requirements, is that new?"

Paul Yatcko: "It was just brought to my attention about a week and a half or two weeks after our budget meeting with you. I think this was something that has been in the works as a result of a system performance last summer and it has evolved into this requirement just recently."

Commissioner Stokes: "And is this a onetime thing, how often will we see this?"

Paul Yatcko: "I would expect it to be a one-time thing assuming again that the capacitors that we add provide for the necessary reactive supply and voltage support in the system and in effect if they work the way they are intended assuming that they are, it would be a one-time thing."

Commissioner Wooten-Dumas: "So this is pertaining to the new electric station?"

Paul Yatcko: "Actually it comes from two things. First it's a new electric station that enabled us to upgrade the voltage of our distribution system to 13kV and when we did that we had to install some new transformers and the installation of the new transformers with their reactive power requirements basically caused some changes in our voltage profile and they require us to add some capacitates to compensate for it electrically."

Commissioner Wooten-Dumas: "It wasn't something that in the process of doing that it would have been inputted or it just didn't...?"

Paul Yatcko: "I don't believe that it was anticipated. I don't think that the system modeling had been conducted at a sufficiently detailed level that the second order effect was understood. And this was something that just evolved after seeing the way the system performed this past year."

Commissioner Wooten-Dumas: "Ok."

Commissioner Borges-Lopez: "Any other questions?"

Commissioner Mann: "Yes, I have a simple one. The acronym OPEB what is the actual wording?"

Paul Yatcko: "Other Post Retirement Employee Benefits. It's basically the liability for employee benefits for retirees."

Commissioner Mann: "Yea, I know it was employee benefits, I just couldn't figure out what the OP is."

[Laughter]

Commissioner Borges-Lopez: "Any other questions?"

Commissioner Stokes: "I do. I have another question. So when David, when our Chairman he review, did he get feedback about the budget or does he have any questions or concerns that, nothing?"

Paul Yatcko: "No, he has not expressed anything to us. And as you know, he is not bashful."

Commissioner Stokes: "Not at all."

[Laughter]

Commissioner Borges-Lopez: "Any other questions? No? So I guess an action is required to recommend to the electors the proposed consolidated District water and electric budget for the fiscal year 2016/2017 by adopting the attached resolution and maybe Lisa Roland, District clerk will read the resolution please."

(Lisa Roland, District Clerk read the Resolution for the record).

Commissioner Borges-Lopez: "Thank you. I need a motion please?"

Commissioner Geake: "I will make a motion."

Commissioner Borges-Lopez: "Second?"

Commissioner Wooten-Dumas: "Second."

Commissioner Borges-Lopez: "Martha seconds. Opposed, in favor, abstention? May I have a show of hands? Thank you. Everyone is reading huh? So I guess that's the end of all that."

Paul Yatcko: "Madam Chair we have one more item with respect to the District Budget that we would like to distribute to you for your ultimate review and consideration. Historically we have provided you with a five year forecast of expenditures and revenue that dovetails with the fiscal year budget that we've asked you to approve. Kevin's got the latest version of that. We're not obviously asking you for approval of this, this is a management document that merely puts the upcoming fiscal year budget in a five year context, but we did want to share this with you for your review and if you've got any questions or comments on it we're certainly happy to answer those questions and respond to your comments. Kevin do you want to give a high level summary of this document?"

Kevin Barber: "Certainly. As Paul indicated, this is what you have in front of you, is a five operating budget for the district water and electric, operating utilities. I have been asked to come a little closer to the table."

[Laughter]

Commissioner Borges-Lopez: "To the microphone."

Kevin Barber: "As Paul has indicated, this five year budget is developed off of the budget that you just approved. So the first column in each of the budgets 2016 - 2017 should match up exactly with what we just reviewed and approved for the budgets. For each of the operating budgets what we've done is we sort of projected on the operating side, standard increases for each district water and electric. For example, for the District we budgeted increases in the expenses of 2% per year. All we've done is just sort of built up in each year adding 2% increases which will then provide us with where we are. So if we look at page 2 just to highlight at the very bottom, we can show you where we are projecting our District budgets to be at the end of five years. The end of the fiscal 16 - 17 were projecting a cash reserve fund to be \$1.18 million. At the end of the 20 - 21 fiscal year we are projecting a balance of \$1.26 million. So for the District we are showing basically a continual slight growth to the five years. I wasn't planning on going in detail but if anyone has any questions on any of the income or expenses of the District, I would be happy to answer."

Commissioner Stokes: "How did you determine 2%?"

Kevin Barber: "It was more of a feeling of where we've been over the past few years. It's pretty steady, our expenses do not jump huge in the District; they are very consistent. They only thing that can potentially change and actually which did not change that I should point out is the salaries of the commissioners, clerk and treasurer salary. Those

are set by the Commissioners or actually by the Electors at the audit meeting each year. So those remain the same in this budget five-year projection, but they are up for change obviously each year.”

Paul Yatcko: “Another thing I will point out is that if you look at CPI Urban NY area the last several years you generally see increases somewhere between 0.5% a year and maybe 2 to 2½% a year. So the 2% might be on the higher end of that range so it’s conservative.”

Commissioner Geake: “Through the chair? This is going to sound funny, but why are we still putting down Madison Street. We’ve had it at zero. Why are we continuing and why are we also continuing with the holiday lights.”

Kevin Barber: “There was an oversight and that should have been removed, that is why they are zero. We just carried it from year to year. It was actually, if you look at our district budget because we carry a few years, I believe the third year still had some numbers on it. So probably next year those will be removed from this budget.”

Paul Yatcko: “The mechanics of doing this stuff, you need to be very careful when you remove lines from spreadsheets.”

Commissioner Mann: “Yes.”

Commissioner Geake: “Yes it uncovers everything.”

Paul Yatcko: “Because your links can get destroyed.”

Kevin Barber: “Yes, very easily.”

Commissioner Wooten-Dumas: “Can I ask a question? You know the water tanks that was supposed to be painted. The one that you can see from Connecticut Avenue, what is that Summit?”

Commissioners Borges-Lopez: “Summit Street.”

Commissioner Wooten-Dumas: “We did that?”

Kevin Barber: “That was done I believe two years ago maybe a year and a half ago.”

Commissioner Wooten-Dumas: “Right. Ok, so somebody got us.”

Kevin Barber: “I’m sorry?”

Commissioner Wooten-Dumas: “Somebody got us. It’s a big old gang tag.”

Paul Yatcko: “We have been tagged?”

Commissioner Wooten-Dumas: “Yes. I was looking at it and I thought we did that tank.”

Commissioner Mann: “At an extreme cost.”

Commissioner Wooten-Dumas: “Yeah.”

Commissioner Geake: “Any idea just off the record how much it’s going to cost take care of that?”

Paul Yatcko: “No idea. We will have to go out and survey it to see what needs to get done.”

Commissioner Wooten-Dumas: “The little house that is next to it. Is that ours?”

Kevin Barber: “That is not ours I believe. I believe that is the cellular phone company that has mounted cellular antennas. That I believe is theirs.”

Commissioner Wooten-Dumas: “Ok. I thought that maybe we should get a camera.”

Kevin Barber: “Any other questions on the District? So then we will move quickly forward to the water. As I mentioned with the District water is built off of the current year and we’ve also projected some revenue increases and operating expense increases, like the District our operating expense increases are at 2% based on CPI as Paul indicated. On the revenue side, we have projected for fiscal years 2017 – 2018, a 5% increase, a fiscal year 2018 – 2019 a 4% and then the remaining two 3% increases.”

Paul Yatcko: “The reason we built those increased in is that, as we discussed last month, the water business does not throw off a lot of cash and it makes it very difficult to reinvest in the water infrastructure by funding it out of the current appropriation. And so what we are trying to do here is balance the need for some, what I’ll call minimal reinvestment in the business, with also the need to keep at least a modest or minimal positive fund balance at the end of the year. And so the variable that we flexed in order to do that based on the capital expenditures and the other expenses, is we flexed revenue upward to try to accommodate that. Now what we’re actually do with revenue in the future remains to be seen, but in order to create a positive closing balance down at the bottom line in water, is we flexed the revenue up by those percentages shown on the table.”

Kevin Barber: “If you can flip to page 4, which is the second page of the water operating budget. At the very bottom you’ll see, as Paul indicated, the water closing balance and how we projected it for each of the next five years. And it does vary each year depending upon mainly a lot it is the capital projects that we have identified, which is on page 5 is your listing of all the five years of projects that we’ve currently have projected for the water. As you can see, it’s kind of a fairly in depth listing, some highlights are at the very bottom. We do have two tanks that we have identified to paint. We projected those to be done in fiscal year 2019/2020 and then 2020/2021 for Michael Street and Flower Lane tanks. Does anyone have any questions on the water budgets or five-year projection?”

Paul Yatcko: "I hesitate to call them budgets because they're really not."

Kevin Barber: "Yea, yea. Forecast projections, whichever you prefer."

Commissioner Wooten-Dumas: "What is vehicle 23?"

Kevin Barber: "Vehicle 23; that is one of our meter reader vehicles. To point out, you probably going to ask why only \$12,500. That vehicle is actually a used by both water and electric, so if you would actually flip to the electric, you'll see another one for \$12,500. We budgeted \$25,000 to replace that vehicle."

Commissioner Wooten-Dumas: "Ok, yes that was what I was going to ask."

Commissioner Geake: "Where is vehicle 23?"

Commissioner Wooten-Dumas: "On Page 5 at the top."

Kevin Barber: "Second line after page 5."

Commissioner Geake: "Oh, thank you."

Commissioner Wooten-Dumas: "I was asking the question because I know we were supposed to purchase a vehicle. Have we purchased or replaced any other vehicles?"

Kevin Barber: "In the current budget, I think we have."

Paul Yatcko: "We just replaced a pickup."

Kevin Barber: "Right. We have a line truck part of the water that is."

Paul Yatcko: "The small line truck is in there I think at \$150,000 this year. I don't recall that we have anything else in the current budget. Frankly, the operating people would love to replace vehicles a whole lot more quickly than we are. We have some passenger vehicles right now that some people are driving that have between 150,000 and 200,000 miles on them, but I am hesitant to replace them. I'd rather replace working vehicles than passenger vehicles, so when people ask me to replace a passenger vehicle, I push back hard."

Commissioner Wooten-Dumas: "So the passenger vehicles, are these the vehicles that are kept here or taken home?"

Paul Yatcko: "There are a handful that are taken home, our Directors take cars home. I don't believe any other vehicles go home with the exception of the water on call vehicle and if I mischaracterized that..."

Kevin Barber: "No, I think you're correct on that."

Commissioner Mann: "I have one more question, what is GAC-OMN?"

Paul Yatcko: "GAC or GAC is Granular Activated Carbonate. It's part of our filtration system at the plant. They are big beds that the water gets pushed through and after a while it can't absorb any more contaminants and you got to take it out of there and replace it and you send it back to, I'm am trying to remember who it is, Calgon?"

Kevin Barber: "That sounds familiar."

Paul Yatcko: "One of the chemical companies."

Commissioner Mann: "Yea that something like that."

Paul Yatcko: "And they refresh the bed out for you."

Commissioner Mann: "Yea, actually from going through the process and seeing the filtration plant, but my God, \$65,000, \$68,000, \$70,000."

Paul Yatcko: "Yea, that's not unusual, we had the same situation when I was in Groton they were between \$75,000 and \$90,000 for a bed replacement."

Commissioner Mann: "Thank you."

Kevin Barber: "Any other questions on the water? If not we flip to I believe page 7. We will take a quick look at the electric forecast. As I mentioned, we did the same thing with electric as water, we budgeted say roughly 3% increases in revenue and 2% on the expense side."

Paul Yatcko: "On the electric side with revenue, it's less of a concern for the final closing balance because as you can see, we have a healthy reserve in electric. The line I'm looking at on electric, is the line that's says Change in The Electric Financial Reserve Fund. Try not to let that get too far negative for two sustained a period of time."

Kevin Barber: "That's on the middle of page 8."

Paul Yatcko: "You can run at a deficit for a while, but you don't want to sustain that, so we built some nominal 3% increases in there to get that back to a gentle positive."

Commissioner Geake: "I have a question. If we end up having a mall, that's going to completely change our entire budget? Are we going to have it as a just by itself? How is that going to affect us?"

Paul Yatcko: "It will change the financials radically. We have not built that in there."

Commissioner Geake: "Oh, of course not."

Paul Yatcko: “Because we are still in conversations with the developers over just what the demand it. We had conversations with them late in the summer into the autumn indicating that they were going in one direction with their energy consumption. We had another conversation with them right after the first of the year that indicated to us that they had gone into a completely different direction and it wasn’t going to be quite a big as customer as we thought. And then we had a conference call with them last week and they are indicating that they are moving back towards their original concept that they had back in the autumn. So at this point in time, I can’t tell you how big a customer it’s going to be, what the costs are with any degree of certainty and what the revenue picture is going to be and what the profitability is. So, we built some capital expenditures into the electricity budget and we offset them with a contribution in aid of construction from the customer, but we haven’t built any revenue or other purchase power expenses in there at this point because we just do not know.”

Kevin Barber: “So as Paul has indicated the bottom of page 8 you do see the closing cash balances and the reserve fund balances that we forecast for 2020/2021. On page 9 is the forecast of the capital budget and I will point to the, sort of a second grouping, where we’ve indicated the mall systems reinforcement project, that’s the amounts that Paul indicated that we have budgeted and that same number the \$1.8 million is offset on page 7 with a miscellaneous non-operating income. So the amount that we are planning on spending capital wise, we are expecting to bring in as a contribution. And then also listed are the other projects that we have identified for the next five years. Any questions relating to the electric or any of the budget for that matter?”

Commissioner Borges-Lopez: “Any questions, comments?”

Paul Yatcko: “As I indicated, if you have insomnia and you find yourself reviewing this stuff in the middle of the night and coming up with any questions or any thoughts for us, please don’t hesitate to pick up the phone or send me an email or communicate with Kevin as well and we will be happy to address them.”

Commissioner Borges-Lopez: “Thank you, thank you Kevin.”

Kevin Barber: “You’re welcome.”

Commissioner Borges-Lopez: “And I need a motion to adjourn. Mary, we need a motion to adjourn?”

[Laughter]

Commissioner Geake: “Yes, but Sandra has her hand up first. I’ll second hers.”

Commissioner Borges-Lopez: “Second.”

Commissioner Geake: “I second it.”

Commissioner Borges-Lopez: “All in favor.”

Commissioners Unanimously: “Aye.”

Adjournment

The meeting adjourned at 7:35 p.m.

Attest:

Lisa G. Roland
District Clerk