

SECOND TAXING DISTRICT COMMISSIONERS

Special Meeting Minutes

November 7, 2016

Present:	David Westmoreland Harold Bonnet Mary Geake Mary Mann Martha Wooten-Dumas	Chairperson
Absent:	Maria Borges-Lopez Sandra Stokes	Vice Chairperson
Also Present:	Paul Yatcko Kevin Barber Lisa Roland Mike Sutton	General Manager Director of Finance & Services District Clerk Benefit Planning Services LLC
Public Present:	None	

The meeting was recorded in its entirety.

Call To Order:

Commissioner Westmoreland called the Special Meeting of The Second Taxing District to order at 7:03 p.m. on Monday, November 7, 2016. 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 October 18, 2016

The motion was made to accept the minutes by Commissioner Geake and seconded by Commissioner Wooten-Dumas.

Minutes were approved unanimously.

(16-11-07-1.1)

Public Participation

No Public was present.

REGULAR AGENDA

2. State of Health Insurance Marketplace – Review

Mike Sutton gave an update from the September 20th meeting. Armed with SNEW's census, he was able to obtain bids from three other carriers in addition to two bids from Oxford. He received a total of 5 bids from 4 carriers.

SNEW's current carrier, UnitedHealth Oxford, initially proposed a 14.5% increase for renewal of the current plan with the same deductibles and co-pays. Having obtained other quotes, Mike Sutton was able to negotiate Oxford's rate increase down to 9.5%. He also received an alternative option from Oxford at only a 2% increase in premiums, but with a \$500 increase in the deductible.

A very competitive bid was received from Anthem Blue Cross Blue Shield, which offered a comparable plan to the current plan with the additional benefit of a slightly better hospital co-pay after meeting the [same] deductibles [as Oxford] for only a 1.6% increase in cost to the District.

Aetna's bid for a comparable plan to Oxford's came in at a 9% increase.

Additionally, an attractive rate offer from Harvard Pilgrim was received. However, this bid did not take into consideration SNEW's funding of employee HSA accounts. A recalculation of premiums with SNEW funding the HSA accounts would result in an increase comparable to that of Anthem's proposal. Additionally, Harvard Pilgrim is new to Connecticut and does not yet have an extensive network of specialists. The hospital network is basically the same. Harvard Pilgrim could, however, be a possibility in the future as they expand their network of specialists.

At this time, if SNEW were to entertain a change in carrier, it appears that Anthem would be a better choice than Harvard Pilgrim.

SNEW's generous level of HSA account funding affects premium prices negatively because carriers believe that employees tend to use insurance more when the employer subsidizes the deductible.

Mike Sutton brought up the possibility of rolling back, at some point in the future, SNEW's contribution to employee HSA accounts to a maximum of 75% of the deductibles in order to avoid a \$36,000 Cadillac Tax on the company. [Originally scheduled to take effect on January 1, 2018, the Cadillac Tax's effective date has been delayed to January 1, 2020.]. Commissioner Westmoreland agreed that this rolling back might be a necessity in the future.

However, Commissioner Westmoreland's position is that no changes to the level of employee medical benefits be made for the 2017 benefit year, nor should future changes occur without fully investigating the consequences into the employees' total benefits package. Also as previously requested by Commissioner Westmoreland and agreed to by Paul Yatcko, Mr. Yatcko will be benchmarking the industry's medical benefits offerings to ensure that SNEW is competitive and in line with others in the industry. This process will begin in early 2017, with the goal to notify employees of changes in the level of benefits, if any, in a timely manner for the 2018 benefit year.

In summary, renewal of the current Oxford plan terms would result in a \$78,000

increase, while the alternative Oxford plan would result in a \$60,000 increase. The Anthem plan would result in a \$13,000 increase, a significant difference from the Oxford options.

After some discussion, the Commissioners decided that changing carriers was the most cost effective option for employer and employee, with minimal impact regarding participating doctors/specialists and facilities. Employees would not be required to contribute to premiums and some co-pays would be reduced, resulting in a better medical benefits plan. The only down side to changing carriers is that some individuals may need to change doctors to stay within network. The networks for the top 3 carriers – Oxford, Anthem and Aetna - are approximately 91-93% the same.

Commissioner Wooten-Dumas moved to accept the Anthem bid. Commissioner Geake seconded.

The motion passed unanimously.

(16-11-07-2)

Mike Sutton will work with Lisa Roland and Paul Yatcko to schedule employee meetings and make the transition for the first of the year.

(Mike Sutton left at 7:18 pm)

3. The Manresa Association – Economic Impact Analysis – Discussion

Commissioner Westmoreland felt the Commission should make a small contribution in the range of \$1000 seeing that the results of the study could have an impact on the District. Additionally he felt that making a contribution would give the District a right to be informed and to comment on the results of the study.

Commissioner Geake disagreed, and felt that the majority of people in South Norwalk have no interest, nor will they receive any benefit, in supporting Manresa. She was also concerned that a donation would take away from more worthy community causes.

After some discussion, and a general lack of interest and support from the Commissioners on this issue, Commissioner Geake moved to limit the donation to \$500. Commissioner Mann seconded.

Commissioners Westmoreland, Geake, Bonnet and Mann approved the limited contribution. Commissioner Wooten-Dumas opposed.

The motion passed 4:1.

(16-11-07-3)

4. The Norwalk Walk Bridge

The discussion tonight was a continuation of a brief discussion initiated by Commissioner Westmoreland at the October 18, 2016 meeting.

A definitive [system and equipment] cost estimate of the impact to The Second Taxing District cannot be made at this time because the final designs on various aspects of the project will probably not be known until the first quarter of 2017. Paul Yatcko has been consulting with SNEW staff and believes the impact to be minimal and limited. An indirect impact on the District will be the loss of some revenue as a result of some customers losing buildings.

Commissioner Westmoreland has not heard anything more from The Third Taxing District nor does he have any knowledge on their position paper.

The City of Norwalk will be holding a Public Hearing, to take place on Thursday, November 17th, for all of the Commissions regarding the City's legal strategy. The City has hired a law firm that has already stated that the Commissions should be objecting to the project. The law firm will be providing the Commissions with guidance.

As an example, Commissioner Westmoreland explained a federal preservation law (Section 4F) which states that if tax payer money is being used to negatively affect an historic resource, all possible options must be evaluated and an explanation given as to why the resource must be impacted. An addition to the law allows the DOT to declare the impact as 'di minimis,' or, in other words, 'of no impact.'

The CT DOT is trying to declare this project di minimis even though the Walk Bridge, the Catenary Towers, and a few other bridges and structures, all of which have historical significance, are slated to be torn down.

The City of Norwalk does not agree and will be trying to enforce Section 4F regulations.

The cost of the project is estimated at a billion dollars, as opposed to \$400 million to repair the current bridge.

Written commentary to the DOT must be made by December 5th. The Second Taxing District has time to make comments if they are inclined to do so.

No action taken.

5. Review of Unaudited Financial Results for the Fiscal Year Ending June 30, 2016.

The implementation of GASB 68 requires the District to show its liability for the State of Connecticut's Municipal Employee's Retirement System pension payments on its balance sheet. The State is delayed on providing the required data, thus the

District cannot complete its financial statements for certification by the auditors. The State hasn't provided the data because they themselves are going through their own audit process which has yet to be completed.

Because the District Charter requires that a financial report be made by the Commission to its electors at the annual Electors Meeting (third Tuesday of the month of November), unaudited financials will have to be presented at that meeting. The financials can be supplemented later once the data has been incorporated and the statements certified by the auditors. A legal opinion on how to present – whether formally or informationally - the audited financials should probably be obtained.

Kevin Barber presented the unaudited financials for the District, Water Operations and Electric Operations for the fiscal year ending June 30, 2016. These are the financials to be presented to the Electors at the Annual Electors' Meeting.

The District's total revenue (interest) amounted to \$405, which was \$145 under budget. Total operating expenses were \$346,483 or \$11,837 under budget (disregarding depreciation expense). Legal and accounting expenses were over budget by nearly \$65,000. Of the \$120,702 spent on legal, most of it was due to the Ryan Park/Washington Village litigation. The income before operating transfers was \$12,241 (again disregarding depreciation expense).

Commissioner Westmoreland wanted to know if the street lighting expense came in under budget because of savings due to LED lighting. Kevin Barber replied that most of the savings was due to less maintenance being required/performed and to savings in purchased power costs.

On the Water Operations side, total operating revenue was \$9.119 million while total operating expenses were \$8.848 million. The total operating revenue came in nearly \$600,000 over budget (positive variance) due to increased water sales revenue and increased miscellaneous revenue (work and jobs done at the expense of others). The total operating expenses were less than budgeted (positive variance) by \$480,000. The resulting operating income was a positive \$271,000, which was \$1.077 million over the budgeted \$806,000 loss. Including total non-operating expenses of \$356,000, the income before operating transfers amounted to a loss of \$85,000. This was less than the budgeted loss of \$1.15 million by \$1.065 million. SNEW is ahead on the water side by \$1.065 million.

On the Electric Operations side, total operating revenue was \$15.674 million while total operating expenses were \$14.538 million. The total operating revenue was \$364,000 under budget (negative variance). Less electricity was sold than anticipated because of cooler weather over last year (upon which the budget was based). The total operating expenses were \$14.538 million, or \$1.35 million under budget (positive variance) largely because purchased power costs were nearly \$900,000 less than budgeted. The resulting operating income was \$1.136 million, or \$985,000 over budget. Total non-operating expenses were \$262,000, which was less than the budgeted loss by \$33,000 (positive variance). The income before

operating transfers amounted to \$874,000, well over the budgeted loss of \$145,000. SNEW is ahead on the electric side by \$1.019 million.

No action required.

6. Management Update

Paul Yatcko provided updates regarding the water reservoir capacity, the search for Director of Electric Operations, and the status of a new agreement regarding One State Street Condominium.

Water Emergency

Water capacity as of Thursday, November 3rd, is 29.6%, down from 30.3% the prior week, and represents approximately 70 days of water. Two inches of rain fell last week which was helpful. Consumption is approximately 5.3 million gallons a day. This number would have been an estimated 5.1 million a day had it not been for the impact of a recent and substantial water main break at West Avenue. The break has been repaired. Consumption has decreased due to the cooler weather and less irrigation use, some adherence to mandatory conservation measures, and a diminished vegetative load thus allowing more of the rain fall we do get to flow into the reservoir system rather than getting sucked up by the soil. Conservation is difficult to enforce. SNEW doesn't have policing power. All SNEW can do is to ask violators to stop. Norwalk Police are authorized to ticket abusers, but have not provided any information to SNEW in this regard.

Commissioner Westmoreland asked what the plans are for worst case scenario. Paul Yatcko responded that SNEW doesn't have much of an emergency water supply, and would first contact other water suppliers to ask if they can spare any. Additionally, SNEW may need to request the City to mandate shorter work weeks and/or closures of businesses and schools. SNEW has never reached this stage of the Water Plan before nor has it ever run out of water.

The Commissioners discussed a few ideas such as trucking water in, delivering bottled water door to door, desalination, and imposing penalties on users that don't reduce their usage from one billing cycle to the next. The latter idea was discussed as a desperate way to monitor usage and try to enforce conservation, but was acknowledged as a terrible idea and is not being considered.

The biggest issue working against conservation measures is that water usage habits and behaviors are ingrained, and changing them requires conscious thought and effort.

Efforts have been taken to educate the public, such as automated telephone messages, speaking to the largest water customers (businesses), asking restaurants not to serve water, including a flyer in with bills, and putting the message out on social media and the company website.

Additional notification measures to be taken include a letter to Nancy On Norwalk and/or to the Editor of The Norwalk Hour, more automated telephone calls, possibly a special news segment on Channel 12, and sending a separate mailing flyer (no bill).

At some point before completely running out of water, prioritizing usage for sanitary, human consumption, and firefighting uses **only** may need to be mandated. It is at this point where shortened work weeks and closing of businesses and schools would need to take place.

Without significant rainfall very soon, SNEW will run out of water by early January. Snowfall would need to melt in order to affect the reservoirs.

Director of Electric Operations

Paul Yatcko and Lisa Roland have conducted telephone screening of three very good candidates for the Director of Electric Operations position. All 3 are very articulate, accomplished and well qualified individuals. Onsite interviews will be conducted this month.

One State Street Condominium Agreement

Paul Yatcko will be starting negotiations on the Condo Agreement with the City of Norwalk Parking Authority at 1 State Street. It was discovered that the agreement expired last December [2015]. Paul Yatcko will be meeting with Ms. Hebert, City of Norwalk Executive Director, to discuss the terms of a new agreement.

In the past, SNEW had been giving the City a \$15,000 credit on their electric bill in return for no condo fees and SNEW's (limited # of) parking spaces both inside and outside of the SoNo train station.

Commissioner Westmoreland believes there used to be short term, or hourly, spaces within the garage. No one at the meeting could confirm this. In any case, lack of short term parking is a real issue for SNEW customers.

The short term spaces in front at 1 State Street are actually SNEW's. SNEW could enforce its rights to these spaces for customer use, although it would mean no parking spaces for drivers picking up/dropping off railroad passengers. Exacerbating the lack of spaces for passenger drop off/pick up are the taxi queue spaces which were also previously SNEW's, but were given away for taxi use by the NPA.

No action required.

Adjournment

Commissioner Mann moved to adjourn the meeting. Commissioner Geake seconded.

The meeting adjourned at 8:20 p.m.

Attest:

Lisa G. Roland
District Clerk