

**SECOND TAXING DISTRICT**  
Electors' Annual Budget Meeting Minutes  
March 21, 2017

Electors Present:	Harold Bonnet James C. Clark James Delgreco Mary Geake Steven M. Klocke Michael Mushak Thomas J. Soltes David Westmoreland	Maria Borges-Lopez Dawn Delgreco Ernest Dumas Gwendolyn Gonzalez Mary Mann Ian A. Soltes Sandra Stokes Martha Wooten-Dumas
Also Present:	Paul Yatcko Kevin Barber Lisa Roland Kara Murphy, Esq.	General Manager Director of Finance & Services District Clerk Tierney, Zullo, Flaherty & Murphy
Public Present:	None	

**(There were a total of 16 Electors present for the Annual Budget Meeting)**

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*The meeting was recorded in its entirety.*

1. CALL THE MEETING TO ORDER

Call To Order:

David Westmoreland called the Electors' Annual Budget Meeting of The Second Taxing District to order at 7:16 p.m. on Tuesday, March 21, 2017. The meeting was held at South Norwalk Electric and Water, One State Street, Norwalk, Connecticut.

*The District Clerk confirmed a quorum was present.*

2. LEGAL CALL

2.1 The District Clerk read the Legal Notice for the record.

2.2 Mary Geake motioned to accept the legal call.

2.3 Mary Wooten-Dumas seconded.

2.4 **The motion passed unanimously. (2017-03-21-2.4)**

3. APPROVE THE PROPOSED BUDGET (Fiscal Year 2017-2018)

3.1 Michael Mushak motioned to place this item on the floor.

3.2 Sandra Stokes seconded.

3.3 & 3.4 Paul Yatcko presented the budget and answered questions from Electors as summarized below.

Paul Yatcko thanked 1) his staff for compiling the budget on an extremely compressed timeframe and working with a lot of incomplete information, and 2) his finance staff under the leadership of Kevin Barber for pulling everything together and making the information understandable.

Paul Yatcko listed the underlying assumptions made in preparing the proposed budget: a general 2.5% increase in employee wages, effective January 1, 2018; a health insurance premium increase of 15%, effective January 1, 2018; the continued funding of 47 positions (no change); a water rate increase of 3%, effective July 1<sup>st</sup>, 2017 (the first day of the fiscal year); a

100% contribution of aid-in-construction from the one major commercial development about to commence shortly in the District; and the tweaking/adjusting of O&M and capital expenditures to avoid drawing excessively on the electric and water reserve fund balances.

Page 3 contains the District's General Fund budget. There is essentially very little change from the prior year's budget. Revenue is limited to a small amount of interest income. Total operating expenses are budgeted at \$155,000. There are no changes in salary related items, and only small increases in projected expenses for meetings and printing, and insurance premiums. Budgeted legal fees remain unchanged from last year because Ryan Park expenses were not budgeted for in the 2016 – 2017 fiscal year. Total community service projects at \$29,000 are up slightly from the previous year. Total street lighting expenses are budgeted at \$162,000, reflecting a lower labor allocation from last year due to recent history.

The District's budget continues on page 4. The net change in the reserve fund from operations is projected at a loss of \$366,000. Transfers of \$95,000 each (fixed amount transferred annually) from the water and electric funds help cover the general expenses of the District. An additional \$162,000 is transferred from the electric fund to directly cover the street lighting expenses in full (variable amount transferred annually to exactly cover these expenses). Although the net change in the General Reserve Fund is a negative \$14,000, the ending balance is expected to be a very healthy \$1.151 million.

The Water Operating Budget is presented on pages 5 and 6. Total operating revenue is expected at \$8.69 million, up \$145,000 from the prior year's budget and includes a 3% rate increase for metered sales, but also a reduction in projected sales. The rate increase is not applied to public fire protection sales. Total other revenue (non-sales revenue) is projected at \$234,000, with changes in some of the line items based on history. Budgeted laboratory services increased slightly by \$2,000, while net merchandising and jobbing (work done at the expense of others) is expected to decrease by \$13,000. Miscellaneous customer charges are also expected to decrease (by \$20,000). Customer late fees are expected to increase from last year by \$10,000. Thus total revenue for the water business is budgeted at \$8.9 million, up a net of \$118,000.

Michael Mushak asked if SNEW should expect the decrease in water sales to be more than budgeted as a result of water use restrictions. Paul Yatcko replied he was not sure what water restrictions would apply for this upcoming season, nor is he convinced that any conservation has been, or will be, achieved. The drought water restrictions didn't take effect until October 2016 when the bulk of the irrigation season was over. Current usage, at approximately 5 million gallons per day, is typical for this time of year. Water usage is a behavioral issue and this part of the country is not used to conserving. Paul Yatcko is reluctant to ask the Mayor to lift restrictions when a peak water usage season is imminent and the reservoirs are not yet at 100%. The current reservoir capacity at about 83% is low for this time of year (typically over 90%).

Continuing on page 5 with water expenses, source of supply expenses (costs associated with the reservoir system) are budgeted at \$254,000, an increase of approximately \$78,000. The increase is due to increased labor in the monitoring of water levels, and increased dam inspections and associated repairs. The budgeted expense for pumping at \$227,000 has decreased due to less labor being anticipated. Water treatment is the big expense on the water side at approximately \$1.42 million, but is also decreasing (by \$75,000) from the previous year. The previous budget for this item included a onetime expense for fluoride system repairs. Transmission and distribution (i.e. pipes and valves in the street) is budgeted at nearly \$1 million, a decrease of approximately \$94,000. Meter calibration and water audit expenses, in response to the drought, are built into the budgeted number and these

expenses will be off-set by lower overhead allocations. The customer accounts expense is budgeted at \$618,000, an increase of approximately \$46,000, primarily due to an upgrade of the customer information system (CIS) planned for this fiscal year. Finally, administrative and general expenses, which is everything else, are budgeted at approximately \$3 million, a decrease of approximately \$176,000, and consists of a bunch of small things. The total operating expenses, shown on page 5, come in at nearly \$6.6 million, a decrease of approximately \$133,000 from last year's budget.

The water operating budget continues on page 6. Total property taxes are budgeted at \$467,000, assuming the assessment up at Wilton remains unchanged. Even though the District won the Wilton tax appeal and will be getting a refund of the overly assessed taxes of the past five years, reassessment this coming fiscal year is expected to remain high.

Total expenses are approximately \$7.06 million, a decrease of approximately \$133,000 or 1.8%. Capital expenditures are approximately \$880,000, and details are presented on page 7. Debt service which includes interest and principal payments on the outstanding loan for the filtration plant is approximately \$1.5 million. Thus the net change in the Water Reserve Fund due to operations and capital is a negative \$500,000. The beginning balance of the Water Reserve Fund is \$1.44 million, reflecting the anticipated \$1.1 million lump-sum Wilton tax refund expected to be received within the next month. This payment will greatly improve the fund balance in the water business. Once everything is netted out, the closing balance on the Water Reserve Fund is expected to be \$938,000.

Capital expenditures for water, shown on pages 7 and 8, total \$880,228. There are some typical items such as the purchase and installation of meters and electronic modules. The more unusual items include changes in our customer information system (CIS) such as CIS Infinity mobile modules (allows meter readers to obtain information from the customer information system on a mobile basis) at about \$29,000. A big item in the budget is the installation of a solar photovoltaic system on the roof of the water treatment plant, at approximately \$350,000, but which will be paid from the Electric Conservation Fund (kept in deposit with CMEEC) which currently has a balance of over \$850,000.

Steven Klocke asked what the return on investment for the photovoltaic system would be. Paul Yatcko replied on the order of 6-7% over a 10 year period. This number is dependent upon the assumptions made about the future of electric power, the conversion efficiency of the PV equipment and how it degrades over time, etc. The project will be put out for competitive bid. Renewable energy credits and incentives are factors to consider.

Other capital projects on the water side include \$40,000 (with an equal investment on the electric side) for the accounting system upgrade; the installation of ultrasonic clamp on meters and associated leak survey at \$25,000; and the main replacement program (proactive replacement of aging infrastructure) at \$100,000. Extraordinary maintenance projects totaling \$224,000 include costs already included in the O&M budget and are not incremental. These projects include CIS upgrade, website redesign, dam inspections and repairs, system water audit, leak detection survey, intake repairs, and clarifier repairs.

Michael Mushak wanted to know how the conditions of the mains are determined - are cameras used? Paul Yatcko replied that while the use of cameras is a possibility, he is proposing the development of a predictive model which will take into account piping age and break line history to focus on the more suspect lines first.

Michael Mushak also wanted to know about the age of sediment sitting in the lines that eventually make it into a home's supply line. Paul Yatcko replied

he has no way of knowing the age of the sediment. Michael Mushak explained that he was asking because of stories about Flint Michigan and he wondered about SNEW's mains. Paul Yatcko replied the Flint issue was lead leaking into the water from the service lines. Paul Yatcko stated he believed there are only five lead service lines in SNEW's service territory, and lead testing is done regularly according to statute.

David Westmoreland added that the leaded lines belong to customers/owners whom have elected not to replace them. The lines are on their personal property. There are no lead lines belonging to SNEW. SNEW, nevertheless, does extra monitoring on these lines.

The Electric Operating Budget is presented on pages 9 and 10. Revenue from sales is projected at \$15.8 million, down \$166,000. Modest increases are predicted in the small customer classes, completely offset by declines in the mid and large customer classes. Paul Yatcko believes this decrease is due to economic and subsidized conservation among business owners who are increasingly and proactively managing their usage, and pursuing energy savings wherever they can.

There is a significant increase in other revenue. While miscellaneous service charges have dropped by \$7,000, a big bump in other revenue comes from miscellaneous non-operating income, budgeted at \$1.25 million. This bump assumes SNEW will be reimbursed for all of its capital expenditures related to the large commercial construction project about to commence in the District. However, the current fiscal year's budgeted \$766,000 has yet to be collected because construction has been delayed, and thus capital expenditures have not been made to date on behalf of this project. Because the project developer will be reimbursing SNEW for the project's capital expenditures, the net result on the Electric Reserve Fund will be zero.

David Westmoreland added that if the project is not built, no money will have been spent.

The total electric revenue is expected at \$17.4 million, an increase of approximately \$300,000.

Jim Clark asked when the large commercial project might be commencing. Paul Yatcko replied that a number of things are going on, but he has no insight other than what is reported in the newspaper (The Hour) or on Nancy-On-Norwalk. The other variable in play is that the developer needs to iron out the project's anticipated total peak electric demand before SNEW can size the necessary equipment. SNEW has the capacity even if the anticipated demand comes in at 10 megawatts (MW). SNEW's current demand is 20 MW and it can supply up to 40 MW total.

Michael Mushak asked if that commercial project will be using solar panels. Paul Yatcko didn't believe solar panels to be in the current design.

Michael Mushak continued, commenting that solar panels would not be advantageous to SNEW business. Paul Yatcko replied that it would really depend upon how the rate agreement was structured, and that he could construct the agreement such that it would be an economic push for SNEW.

Purchased energy (purchased electricity – resale) at \$9.5 million is down \$159,000 from last year's budget based on the sales forecast and assuming prices remain consistent. Transmission and distribution is budgeted at \$1.18 million, a reduction of almost \$50,000, reflecting lower tree trimming expenses and lower labor allocations. Customer accounts expenses at \$627,000 are up \$48,000 mostly due to the CIS upgrade. A&G costs are \$2.7 million, a decrease of \$84,000, and include numerous small items. Gross revenue taxes are down, budgeted at \$588,000, primarily due to revenue and sales forecasts. Total operating expenses are about \$14.7 million, down

\$322,000.

On page 10, net income above expenses is \$2.4 million reflecting the increased revenue due to the contribution in aid-of-construction for the major construction project. Capital expenditures are budgeted \$1.8 million. The net change in the Electric Reserve Fund is a negative \$144,000, with a closing balance of \$11.6 million.

Capital expenditures for electric are shown on pages 11 and 12, and total over \$1.8 million. The biggest expense is \$1.25 million for the big commercial development. The other half of the CIS mobile and the accounting system upgrades are included here. There are annual projects such as meters, pole replacements, and transformers. Additionally, small amounts are included for substation improvements such as the ventilation system for the switchgear house, underground switch replacements, and motor controllers. The extraordinary maintenance projects already built into the O&M budget amount to \$80,000 and include CIS upgrade, tree trimming, and website redesign.

The budget presentation concluded with Paul Yatcko inviting questions. He also invited anyone having questions at a later date to call him or Kevin Barber.

Steven Klocke asked whether funds from the Conservation Fund could be used to promote water conservation if SNEW were inclined to push for it. Paul Yatcko replied those funds are for electric conservation projects only. Funds would have to be found elsewhere in the budget. Paul Yatcko also explained that because SNEW's service community consists of a high number of multi-unit, non-owner occupied, dwellings, it is difficult to foster water conservation measures. He believes that because tenants do not receive the water bill, and owners of apartment buildings typically look to spend the minimum possible on repairs in order to maximize their return, there is little incentive to fix leaking faucets or toilets. It is difficult in this environment to curtail water leakage. SNEW makes repairs in the system to minimize leakage, but cannot control leakage at the individual customer level.

3.5 David Westmoreland asked for a vote on the proposed budget.

**The proposed 2017-2018 fiscal year budget was accepted unanimously by the Electors. (2017-03-28-3.5)**

4. RECEIVE AND RATIFY THE CHOICE OF AUDITORS

4.1 Jim Clark made a motion to place this item on the floor.

4.2 Mary Mann seconded.

4.3 & 4.4 Kevin Barber made the presentation and answered questions as summarized below.

The District Commission has the responsibility of selecting the auditors for the current fiscal year. The selection is then ratified by the electors at the annual budget meeting. Historically, the District has gone out to bid for auditing services every three years. The agreement is for one year, with options to renew twice for an additional one year term each time. Bids were received in 2015, and the firm of Michaud Accavallo Woodbridge & Cusano, LLC was selected. The Commissioners chose to continue with this firm in their last meeting of March 17<sup>th</sup>, 2017. The cost of the audit will be \$24,200. If ratified by the Electors' this evening, it will be the third and final year of the contract for this firm. Bidding for an auditing firm will be solicited again next year.

4.5 David Westmoreland took a vote to ratify the choice of firm.

**The Electors unanimously ratified the choice of Michaud Accavallo  
Woodbridge & Cusano, LLC. (2017-03-21-4.5)**

5. ADJOURNMENT

5.1 Mary Geake made a motion to adjourn.

5.2 Dawn Delgreco seconded.

5.3 **The Electors voted unanimously to adjourn. (2017-03-21-5.3)**

*The meeting adjourned at 8:00 p.m.*

Attest:

Lisa G. Roland  
District Clerk