

FINAL

THIRD TAXING DISTRICT
of the City of Norwalk
Special Meeting
June 19, 2014

ATTENDANCE: Commissioners: Charles Yost, Chair; David Brown, Debora Goldstein, Dr. Michael Intrieri, Treasurer

STAFF: James Smith, General Manager; Ron Scofield, Assistant General Manager; Atty. John Bove

OTHERS: Joseph Cristino

CALL TO ORDER.

Commissioner Yost called the meeting to order at 7:00 p.m. A quorum was present.

PUBLIC COMMENT.

No one present from the public wished to comment at this time.

5 YEAR CAPITAL BUDGET.

Mr. Smith then reviewed the Five Year Capital Budget summary page. He said that if the TTD had an open checkbook and could spend whatever they wished to improve the infrastructure of the system, it would come to \$1,892,000 as outlined in the first year of the Five-Year Capital Budget Forecast.

However, given funding constraints, he recommended prioritizing four (4) Capital projects be undertaken. The four priority projects are:

1. The replacement power transformer, which has a 48 to 52 week lag between the order and the delivery, is the largest single piece of equipment that is being requested for the five year budget. It would require a 10% deposit, approximately \$50,000 to \$75,000. Commissioner Brown asked how Mr. Smith calculated that deposit on the order. Mr. Smith directed the Commissioners to the appropriate page and explained that the equipment costs about \$750,000 and the deposit would be 10% of the equipment. Commissioner Goldstein asked about the contingency amount. Mr. Cristino explained that they may find issues underneath the concrete pad.

2. Replacing a mile of overhead line, the details of which are found in the Distribution Plant Overhead Conductors. Mr. Smith recommended that they follow the schedule to replace one mile of overhead wire. Commissioner Goldstein asked how the priority for the replacement of the wire was being done. Mr. Cristino said that there were a stretch of line that had

FINAL

fluctuations in the voltage and there should be standardization of overhead construction. Commissioner Goldstein asked if this was a result of repairs or other issues. Mr. Cristino gave a brief overview.

3. Replace the lead cable, which is outlined in the section labeled Distribution Plan - Underground Conductors. Mr. Cristino said that the estimated cost will be \$87,500. Mr. Cristino explained that these were low voltage cables. There are only two remaining contractors in the area who will work with lead cables. All the cables should be removed within the next five years. The removed cables can be sold for scrap.

4. Replacing the 50 Circuit relay found in the section titled Distribution Plan Substation Equipment. Mr. Cristino spoke about a long term project when the relays were installed following a major outage. This would complete the project started 15 plus years ago. Mr. Smith said he had discussed this with Mr. Cristino and that the amount of \$25,000 should be changed to \$50,000 since the work will be done on both ends of the project. This roughly comes to \$400,000 for the total Capital projects for this upcoming fiscal year.

Mr. Smith then reviewed the funding sources with the Commissioners. He said that there would be between \$400,000 and \$700,000 available between the Capital Improvements account and the Short Term Debt financing with Patriot Bank through the line of credit. These are two different funding sources. Mr. Smith said that he would prefer to pay for the projects from the Capital Improvements Account and avoid the debt service from Patriot Bank. This would not drain down the cash resources that the District has. He said that the Capital Improvements Account had a balance of about \$925,000 right now.

Commissioner Yost asked for a break-out of the various project costs. Mr. Smith clarified some of the details and explained that it would be about \$50,000 for the equipment deposit, \$187,500 to replace the mile of cable, \$87,500 to do the lead cable replacement and \$50,000 to replace the 50 Circuit. He said that he didn't want to stretch the cash in the Capital Improvements account.

Mr. Smith then updated the Commissioners on the details of the Bento project. He explained that short-term financing had been used when the District purchased the Bento project and demolished the house. The only remaining part to be done is putting up the building. The fencing was approved last month for the property. The parking lot will be paved and sealed in the coming week. Once the fencing is installed, then only item remaining to be done will be the building. These items are all in the budget.

Commissioner Brown asked if the materials would all be within the Bento property. Mr. Smith said that all of the materials will be warehoused there for the crew. He said that he would like to complete the project by locating a building there in the coming year, but if the funding was not available, that would be fine.

FINAL

Commissioner Brown asked if these items had been discussed earlier. Mr. Smith replied that it was all included in the budget. He said that he had discussed this with the Commission when he presented the proposal and it was listed as one of the items to be discussed this year.

Commissioner Brown asked about the \$925,000 in the Capital Improvements Fund. Mr. Smith said that he thought the District should take the \$375,000 out of the Capital Improvements Account rather than tapping into the short term financing unless there was a problem. He added that he would not like to use the line of credit unless he had to.

Commissioner Brown asked how the funding of the Capital Improvement fund occurred. Mr. Smith said that in the past there had been regular quarterly transfers from the Operating Account into the Capital Improvements Account. In the last year or so, the transfer stopped in order to build up the Operating Account balance. Mr. Smith said the plan would include starting up the quarterly transfers into the Capital fund again knowing that the money will be withdrawn to pay for the projects. Commissioner Brown said that it would be important to include this in the minutes.

Mr. Smith said that the budget was a planning tool. He added that if there was additional funding available above the amounts budgeted for the four projects, he would bring the other project proposals to the Commissioners for consideration.

Commissioner Brown said that in the past there had been items purchased and when he inquired about this, he was told that the item was in the approved budget. He said that the budget was a tool, not a carte blanche to purchase whatever. All the projects should come to the Commission for approval.

Commissioner Goldstein asked if there would be progress reports included in the Commissioners' information packets. Mr. Smith said that this was so. He explained he would be adding additional materials about construction projects into the packets. Mr. Smith said that if the four items were approved, starting on July 1st, it would provide a road map for the District. He recommended that the budget be approved with the four items that were identified and prioritized.

Commissioner Brown said that he was in favor of approving the four projects, but not approving the overall budget. He said that he had not had a chance to sit down with Mr. Smith to discuss the various items. Commissioner Goldstein said that approving the four projects was different from approving the entire budget. Mr. Smith agreed and said that it would be his recommendation to approve the budget based on the presentation with the ability for him to come back to the Commissioners for approval for additional spending in this budget as the finances permit. He said that he was committed to doing the four projects and that if the Commission wished to restrict the budget to those four projects, he would be fine with it.

Dr. Intriери said that while he had no vote, he felt that the projects were reasonable and a step forward.

FINAL

Commissioner Brown said that he was not in favor of passing the budget, but was in favor of approving the four projects. He said that he did not want to approve anything without having the item explained to them. He said that he had not had the chance to sit down with Mr. Smith to discuss the various items. There were items that were in the budget that were not clear as to what they were. He reiterated that he would only approve the four items presented, but not the budget. Commissioner Yost asked Commissioner Brown what would happen if the District had the opportunity to do the fifth project on the list if there was funding available. He pointed out that the District would not be able to do it because it was not included in the budget. Discussion followed.

Mr. Smith explained that if the Commission approved the budget, he would have the latitude to come to the Commission with any one of the additional projects on a project by project basis later in the year if finances were available. Mr. Smith said that if he completed the projects by December, he would come before the Commission to request a building at Rowan Street.

Commissioner Goldstein said that she basically agreed with Commissioner Brown, particularly since Mr. Smith said he would come back and asked for approval of a project later in the year. She wished to know where the funding would come from if it was not in the Capital Improvements Fund now. Mr. Smith said that there may be some things that come up during the year that would allow the District to have additional funds available. Commissioner Goldstein wanted to know what would happen if the Commissioners approved the four priority items in the budget and have Mr. Smith come back to the Commission if additional funds were available. Mr. Smith said that this would be possible. He also pointed out that this was the first time the Commission had ever used this process. Discussion followed.

Commissioner Brown then said that he did not want to have a project done and then have someone say, "It was approved in the budget and it is in the minutes." He said that he did not feel comfortable with the other projects. He asked how long it would take him to review the various projects with Mr. Smith. Mr. Smith said that he would be glad to review the individual items with Commissioner Brown, but that it could take quite a while. It would depend on the amount of detail needed.

Dr. Intrieri said that it was his understanding that if the Commissioners only approve the four projects, then Mr. Smith would not come before them to request an additional project because it was not in the budget. Commissioner Brown said that he felt Mr. Smith could come before the Commission with an additional project. In order to feel comfortable with the process, Commissioner Brown would like to be more familiar with the other potential projects. Mr. Smith reiterated that he would be glad to review the individual items with Commissioner Brown.

Mr. Smith said he would like to have the budget in place by July 1, 2014, which is the beginning of the fiscal year. Commissioner Brown asked why the budget had to be passed by July 1st. Mr. Smith explained that July 1st was the beginning of the District's fiscal year and that the budget would become part of the financial records. Commissioner Brown asked if not having an

FINAL

approved budget by the 1st would mean that Mr. Smith would go to jail. Mr. Smith he would like to be able to have the budget approved in order to use it as a planning tool. Commissioner Brown said that he would go to jail in Mr. Smith's place, but didn't know if the budget would be approved by July 1st. He added that he did not think that the budget had to be approved by July 1st.

Atty. Bove said that the Commission needs to pass a budget. Commissioner Goldstein said that she did not want to pass a budget that was a wish list, but not a budget that was a realistically expect to do list. She said that she was being asked to approve a potential budget of 1.8 million when only half of that was in the Capital Improvements account. She said that she had not seen the plan to fund that budget for the next twelve months.

Mr. Smith suggested that in order to begin this process, the Commission pass the four recommended projects as part of the overall budget. He then said that regarding any additional projects, he would present them to the Commission as time and funding allows.

Commissioner Brown then pointed out that one of the vehicles that was used for meter reading was listed as undersized and not the appropriate vehicle for such heavy use as meter reading in the field. Mr. Smith said that the vehicle was almost 10 years old and he had just replaced an engine in the vehicle hoping to get another few years out of it, but felt that a small pick-up would be a better vehicle.

Commissioner Goldstein asked what the purchasing threshold was without Commission approval. Mr. Smith said that it was \$15,000. Commissioner Goldstein asked if there was anything else on the project list that would exceed the threshold and would need to be addressed by the Commissioners. She listed a number of items from the budget. She asked if this would be a comfortable process for the other Commissioners. Discussion followed about the details.

Commissioner Yost said that the wheel was being recreated and he would abstain from it. Dr. Intrieri said that from what he heard, Mr. Smith would have to come back to the Commission for approval, so the Commission would still have control. Mr. Smith pointed out that the projects were major capital items that the Commission would have to vote on anyway. Commissioner Brown said that he would not approve a budget that he did not understand. Dr. Intrieri pointed out that it would be important for the Commissioners to give the staff some flexibility in decision making. He reiterated that based on his understanding of the discussion, the Commission would still have control of the budget. Atty. Bove pointed out that Mr. Smith has stated for the record that he would not do anything beyond the four priority projects without the Commission's permission.

Commissioner Goldstein said that she was not interested in approving a \$1,000 tool purchase on a case by case basis. She added that she did not want to be told that she had approved something because it was in the budget, regardless of the spending level. She had concerns about the idea of having \$925,000 in the Capital Improvement account and being asked to approve a budget of 1.8 million without a plan as to where the difference was going to come from,. She was being

FINAL

asked to sign off on a million dollar deficit spending budget. She said that she was not prepared to do that. She said that no corporation in their right mind would do that unless there was a bond proposal being made. Identifying it as a priority list or a wish list is fine, but it should not be approved as a budget.

Atty. Bove pointed out that the \$925,000 was not a static number and that there were projections regarding the supplemental income during the year. Mr. Smith agreed. He said that the five year budget was created in order to list the various things that needed to be done over the next five years and what the staff believes it will cost in order to accomplish these projects. The four projects that he presented at the meeting are the priority items and the ones that he believes can be accomplished this coming year. His goal would be that if there were finances available, he would come to the Commission with any additional projects. Atty. Bove said that he was assuming that there was an income projection that would match the expenditures. Mr. Smith confirmed this and said that the District did not have the money to fully fund the budget. Commissioner Goldstein said that was why she did not want to approve the budget.

Commissioner Yost said that this was the first time that this had been done. Mr. Smith agreed. Commissioner Yost then commented that the Commission should have started the process much earlier in order to give Commissioner Brown time to sit down with Mr. Smith with his questions. Commissioner Yost asked if there could be a Special Meeting in July. Commissioner Brown asked how this process was done in the past. Mr. Smith said that a Five-Year Capital Plan and Expense Budget had not been prepared in the history of the Department.

Mr. Cristino left the meeting at 8:02 p.m.

OPERATING BUDGET.

The Commission then moved to the Operating Budget. Mr. Smith then reviewed the key budget figures with the Commissioners. He then directed everyone's attention to the expense line items.

The discussion moved to the taxes paid on Rowan Street, previously known as the Bento property, listed in line 408-50. Commissioner Goldstein wished to know why the District was paying taxes on the parcel. Mr. Smith said that he would follow up on that.

Commissioner Goldstein asked about the supplies for the substation maintenance that was listed under distribution expenses and the other substation supplies. Mr. Smith said that the equipment accounts were different and reviewed the details with the Commission.

Commissioner Goldstein asked about the credit card fees. She asked if the District could negotiate a better rate. Mr. Scofield said that it was Electronic Transfer Funds and other items in there. Mr. Smith said that he could not tell Commissioner Goldstein the specifics, but he would look at this. Mr. Scofield said that the District did change to Payment Service Network a few years ago because they offered a better rate than the previous vendor.

FINAL

Commissioner Goldstein asked about Mr. Cristino's engineering fees. Mr. Smith reviewed the scope of service with the Commissioners.

Commissioner Brown asked how much it cost to have cables underground. Mr. Smith said that with all the permits, conduits and various other items, it works out to approximately one million dollars a mile.

Commissioner Yost then asked how this would affect the Capital Budget. Mr. Smith replied that the way it would affect the Capital Budget was the projected income would be a source for the Operating account. All of the transactions listed in the budget were funded from the Operating account. If transfers are made from the Operating account into Capital Improvements, it would be listed as part of the budget. He then gave the details of how this would be done and explained that the line item expense for this was not currently in the budget because it was not being done at this time. Commissioner Yost asked what would happen if the Capital Budget was changed. Mr. Smith said that there would be much less pressure on the Operating Budget.

Commissioner Yost pointed out that the Commission would have to determine how the budget would be handled in the July. Discussion followed about scheduling a special meeting. It was decided to schedule a Special Meeting on July 9th.

Commissioner Brown asked for clarification on the transfer of funds into the Operating Budget. Mr. Scofield and Mr. Smith said that the District had stopped transferring funds into the Capital Budget about 12 months previously in order to build up the Operating account and the cash balance because the Fitch Street project was underway.

Commissioner Goldstein asked how much was in the Energy Conservation Fund. Mr. Smith said that it was just over \$300,000. He added that the State was pushing the various utilities to spend down their Conservation funds.

**** COMMISSIONER YOST MOVED TO TABLE THE APPROVAL OF THE BUDGET UNTIL THE JULY 9TH SPECIAL MEETING.
** COMMISSIONER GOLDSTEIN SECONDED.
** THE MOTION PASSED UNANIMOUSLY.**

EXECUTIVE SESSION.

**** COMMISSIONER YOST MOVED TO ENTER EXECUTIVE SESSION TO DISCUSS PERSONNEL ISSUES.
** COMMISSIONER GOLDSTEIN SECONDED.
** THE MOTION TO ENTER EXECUTIVE SESSION TO DISCUSS PERSONNEL ISSUES PASSED UNANIMOUSLY.**

Commissioner Yost, Commissioner Brown, Commissioner Goldstein, Mr. Smith, Mr. Scofield, Dr. Intrieri and Atty. Bove entered into Executive Session at 8:27 p.m.

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FINAL

The Commissioners, Dr. Intrieri, Mr. Smith, Mr. Scofield and Atty. Bove returned to public session at 9:52 p.m.

ADJOURNMENT.

**** COMMISSIONER BROWN MOVED TO ADJOURN.**

**** COMMISSIONER GOLDSTEIN SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 9:53 p.m.

Respectfully submitted,
Sharon L. Soltes
Telesco Secretarial Services