

FINAL

THIRD TAXING DISTRICT
of the City of Norwalk
Commission Meeting
February 11, 2019

ATTENDANCE: Commissioners: Johnnie Mae Weldon, Chair; Debora Goldstein;
Pamela Parkington

STAFF: Kevin Barber, General Manager

OTHERS: Peter Johnson, CMEEC Ratepayer Representative
Michael Lane, Interim CEO CMEEC

PUBLIC: Diane Cece, East Norwalk Neighborhood Association
Kathy Cray, East Norwalk Improvement Association

CALL TO ORDER

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

PUBLIC COMMENT

No one from the public was in attendance to comment.

ENNA REQUEST FOR COMMUNITY SHREDDING EVENT

Ms. Diane Cece, as a representative of the East Norwalk Neighborhood Association (ENNA), spoke to the Commission about the Association's plan to host a Shredding Event on Saturday, April 27, 2019 for East Norwalk residents (no commercial businesses) and possibly other Norwalk citizens, which happens to coincide with Earth Day Week and Keep Norwalk Beautiful Day.

They have secured the company Shred-It for the event. The event will be held for four hours, which includes set-up, shredding time and take-down. ENNA is asking the Commission for permission to use the East Norwalk Library's parking lot for the event. ENNA has already approached the Library Board and Executive Director with the request and have received their approval provided the Commission authorizes the use of the parking lot. In addition, ENNA is asking to promote the event through TTD's marketing venues, i.e., newsletter and email blast.

The plan would be to allow the East Norwalk residents two bags or two banker boxes for "free" shredding. Any additional bags/boxes would be charged a small fee. Any other residents of

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Norwalk who would come to the event would be charge a modest fee for any shredding. The shredding will be limited to documents only.

**** COMMISSIONER PARKINGTON MOVED TO APPROVE THE EAST NORWALK NEIGHBORHOOD ASSOCIATION'S REQUEST TO USE THE LIBRARY PROPERTY ON SATURDAY, APRIL 27, 2019 TO BRING IN SHRED-IT TO OFFER THE CITIZENS OF 06855 EAST NORWALK THE OPPORTUNITY TO SHRED THEIR DOCUMENTS.**

**** COMMISSIONER GOLDSTEIN MADE A FRIENDLY AMENDMENT TO THE MOTION: CONTINGENT UPON PROVIDING EVIDENCE OF A CERTIFICATE OF INSURANCE.**

**** COMMISSIONER GOLDSTEIN SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

CMEEC UPDATE

Mr. Barber introduced Michael Lane, Interim CEO of CMEEC, who will be talking to the Commission and answering any questions with regard to the CMEEC Update topics: Rating Agencies, Forensic Examination and Legislation.

Update on the Rating Agencies

Mr. Lane informed the Commission that there are two rating agencies for CMEEC, Moody's Investors Service and Fitch Ratings. There are three levels of ratings: negative watch, negative warning and credit negative. At the time of the indictments, Fitch took the first action and gave CMEEC a negative watch, which is the worse of the three levels. Moody's gave CMEEC a credit negative. CMEEC is still rated A+ with Fitch and AA3 with Moody's, which are very good ratings.

Subsequent to the Moody's and Fitch actions, Moody's provided CMEEC with their update credit opinion, which was favorable for CMEEC. They kept CMEEC's rating stable, but with a credit negative.

The next milestone the rating agencies are going to take upon CMEEC will be once the Special Committee makes their recommendation to the full CMEEC Board for the two individuals that are being investigated at this time. Once the Board vote is released, the rating agencies may take another action. They could choose to leave it alone for a while, choose to downgrade CMEEC or return everything back to stable.

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CMEEC Forensic Examination

Mr. Barber stated that one of the requirements of Public Act 17-73 required CMEEC to have a forensic examination performed for the past five years. The examination is now complete.

Mr. Lane said the examination was a large undertaking. Thousands of transactions were provided to the examiners, Cohn Reznick, a multi-national firm. The examination was slated to take approximately 90 days and ended taking about five months. It was completed and posted prior to the end of the fiscal year. The results were a testament to the organization as a whole. There wasn't much new news that came out regarding the Kentucky Derby over the five-year period.

The recommendations that came out as a result of the examination were items that both Mr. Lane and his staff were already instituting - putting in additional controls and best practices. The charitable contribution recommendation that came out was something that was already going to be done. It was not completed at the time of the examination, which made it a finding on the examiner's part. The staff is working on putting a draft together for Mr. Lane's review and it will then be presented to the CMEEC Board for their approval.

Another finding was on the Economic Development Fund. The examiners could not see the end result of where the funds went, which is true as the funds do not truly belong to CMEEC. The funds belong to the MEUs. Should the MEUs decide to participate in the program, they can have a charge added to their CMEEC power bill. These fees are then placed into a liability fund for the MEU. CMEEC has the cash and the liability. At the MEU's determination of an Economic Development project, the MEU requests the funds from CMEEC. The recommendation was to release the funds to the MEUs on a monthly basis, which is not feasible. Mr. Lane stated the change that will be made is if the MEU requests funds for a project, it will be sent to directly to the MEU and then they will disperse it to whomever the MEU feels is necessary.

The third recommendation is that CMEEC align their expenses with their purposes. That is something which they have been practicing since the Kentucky Derby news was released at the end of 2016.

In the end, Cohn Reznick did not find anything accounting-wise, there were no misstatements, or no hidden accounts. Over a five-year period (2013-2017) there were only four expenses during the entire time that were found to be either not with a purpose or questionable. Mr. Lane feels that in the end the examination was a success.

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Legislation Proposed That May Affect CMEEC

Mr. Barber and Commission Goldstein wanted to bring to the Commission's attention any legislation that is being proposed at the Connecticut State Legislature which relates to CMEEC. Mr. Barber provided the Commission with a 4-page listing of all types of legislation that is identified as affecting CMEEC.

Commissioner Goldstein noted that Senator Somers did not actually introduce legislation that would have terminated CMEEC. There are a handful of bills in the list that are directly targeted to CMEEC. There are concerns about some of the bills because they could have the potential to change or interfere with the way CMEEC operates. There are two bills that actually reach through CMEEC, the intended target, and actually have language directed at the municipal electric utilities.

One request that came through was for the MECA (Municipal Energy Consumer Advocate). He is asking for \$30,000 to hire expert consultants in order to monitor CMEEC. This is on top of PA17-73 which already provides him access to all of CMEEC's records and staff, except for exemptions such as HR records.

The Commission continued to discuss the list of proposed bills. Mr. Lane will keep the Commission up-to-date on all legislative matters as updates become available.

CMEEC MICROGEN PROJECT REALLOCATION

Mr. Barber informed the Commission that on December 21, 2018, Wallingford notified CMEEC of its intention to not continue with their participation in Microgen 50 in 5 Project effective December 31, 2018.

CMEEC staff is recommending the reallocation of Wallingford's Entitlement Allocation (EA) to the other project participants. Wallingford's EA for this project was 29.567%. TTD's EA is 4.21%. Reallocating Wallingford's EA would provide TTD with an additional ownership share of 1.7673% of the project. TTD's revised share would be 5.9773%. Based on past history and future projections, this project appears to be very positive over the next five years, but there always remains a risk.

The Commission discussed what TTD would want to do if one of the other project participants declined to take on their proportionate share of Wallingford's EA. They discussed whether or not it would be a good move for TTD to take an additional share if this were to happen. Commissioner Goldstein suggested that it might be worthwhile to authorize Mr. Barber to take on any additional EA share if it should become available with a limitation of an additional 2.5%.

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**** COMMISSIONER PARKINGTON MOVED TO AUTHORIZE THE THIRD TAXING DISTRICT'S MEMBER DELEGATE, KEVIN BARBER, TO APPROVE TTD'S INCREASED PARTICIPANT SHARE OF THE MICROGEN PROJECT FROM 4.21% TO 5.9773% FOLLOWING WALLINGFORD'S DECISION TO WITHDRAWAL FROM THE PROJECT AND THE REALLOCATION OF WALLINGFORD'S ENTITLEMENT ALLOCATION, AS PER THE REPLACEMENT POWER SALES CONTRACT. FURTHER MOVED TO AUTHORIZE THE MEMBER DELEGATE, KEVIN BARBER, IF THE OPPORTUNITY ARISES TO INCREASE OUR ALLOCATION BY AN ADDITIONAL 2.5%.
** COMMISSIONER GOLDSTEIN SECONDED.
** THE MOTION PASSED UNANIMOUSLY.**

MINUTES OF MEETING

January 7, 2019 Regular Meeting

Noted corrections:

Page 2: 4th paragraph from the bottom, second line – change the word “install” to “swear in.”

Page 3: Second motion on page – change the word “ACCEPTANCES” to “IN FAVOR.”

Page 4: 4th bullet on top of page: Change the wording of the sentence to clarify the roadway being made wider is East Avenue.

Page 4: 3rd paragraph below first set of bullets – Strike the last sentence of the paragraph.

Page 5: 5th paragraph after bullets, last line – change “is” to “be made.”

**** COMMISSIONER GOLDSTEIN MOVED TO APPROVE THE MINUTES OF JANUARY 7, 2019 REGULAR MEETING AS AMENDED.
** COMMISSIONER WELDON SECONDED.
** THE MOTION PASSED UNANIMOUSLY.**

February 4, 2019 Special Meeting

**** COMMISSIONER GOLDSTEIN MOVED TO APPROVE THE MINUTES OF FEBRUARY 4, 2019 SPECIAL MEETING.
** COMMISSIONER PARKINGTON SECONDED.
** THE MOTION PASSED UNANIMOUSLY**

DISCUSSION/ANALYSIS OF FINANCIAL STATEMENTS/KEY PERFORMANCE INDICATORS

Mr. Barber referenced the Financial Highlights. He continued by informing the Commission that the Profit & Loss Budget vs. Actual now has a new format which is inclusive of both the current month and year-to-date, for both the Electric Company and now the District. Mr. Barber explained the new format to the Commission and reviewed some of the accounts. The Commission was very pleased with the new formatting of the budget.

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Mr. Barber continued with the newly added District Profit & Loss Budget vs. Actual which the Commission has been asking to have included with the financials. He reviewed the accounts with the Commission and answered any questions. Mr. Barber will continue to fine-tune this budget report.

KPI's – All in line with the industry bandwidth.

PCA – At the end of this current fiscal year, we are expecting to be just under \$3.5 million. Under the current forecast, it should drop to \$2.5 million at the end of fiscal year 2021.

DISTRICT BUDGET PRESENTATION

Mr. Barber explained the new format of the District Budget to the Commission and reviewed each section (Revenue, Expenses, Capital Projects) in detail. The total funding required for FY2019/20 is \$330,773, which is up 5.65% over the current fiscal year. The Opening District Fund Balance for FY2019/20 is projected to be \$58,254.

The Commission discussed the Budget and thought that the request of \$330,773 was on the high side and noted that the Budget continues to increase year-over-year. Since there is a large Opening District Fund Balance, the requested funds could be decreased by \$25,000, making the request to transfer from the Electric Company \$305,773.

**** COMMISSIONER GOLDSTEIN MOVED TO AMEND THE BUDGET IN THE COMMISSION PACKET TO CHANGE THE TRANSFER FROM ELECTRIC LINE TO \$305,773 WITH THE CONSEQUENT CHANGE TO THE DISTRICT ENDING FUND BALANCE.**

**** COMMISSIONER PARKINGTON SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

ANNUAL MEETING PACKET REVIEW

The Commission reviewed the Annual Meeting Packet for March 6, 2019, which consists of the Agenda, Outline, Legal Notice and March 28, 2018 Meeting Minutes.

The change on the Agenda was to remove the “Third Taxing District and Your Community” presentation. All other items were to remain the same. The Outline was updated to reflect the change on the Agenda and to update who the presenters will be for each item. The Legal Notice and the March 28, 2018 Meeting Minutes remain as is.

Mr. Barber walked the Commission through a simplified presentation of the District Budget that he will be presenting to the electors. The Commission liked the presentation, but thought the typeface was still a bit small for anyone sitting across the room. Mr. Barber will work on enlarging the typeface or spreading the District Budget out over multiple pages.

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**** COMMISSIONER GOLDSTEIN MOVED TO TABLE GENERAL MANAGER'S REPORT AND PROJECT SUMMARY TO THE MARCH 4, 2019 REGULAR MEETING.**

**** COMMISSIONER PARKINGTON SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

ADJOURNMENT

**** COMMISSIONER WELDON MOVED TO ADJOURN.**

**** COMMISSIONER PARKINGTON SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

The meeting adjourned at 9:27 p.m.

Respectfully submitted,

Cynthia Tenney
Executive Assistant
Third Taxing District