

**CITY OF GROTON UTILITIES COMMISSION
/WATER POLLUTION CONTROL AUTHORITY**

Minutes of Meeting
August 15, 2018

1. CALL TO ORDER

Chairperson Hedrick called the meeting to order at 10:01 a.m.

ROLL CALL

Present: Chairperson Mayor Keith Hedrick

Commissioners: Paul Duarte, George Scully, Robert Zuliani

Staff present: Director of Utilities Ronald A. Gaudet
General Manager-Utility Finance David F. Collard
General Manager-Information Technology Susan G. Blanchette
General Manager-Key Accounts Leonard J. Mediavilla
General Manager-Customer Service Tina M. Daniels
General Manager-Water Operations Raymond L. Valentini
Manager-Engineering Brian J. Roche
Manager-Water / PAF Richard M. Stevens
Manager-Operations Electric Randall S. Surprenant at 10:10 a.m.
Manager-Operations Water Raymond L. Valentini
Economic Development Manager Frank E. Winkler
Energy Engineer-Hollis McKee
Accounting Manager Yi Xiang
Executive Administrator Deborah J. Damm
Human Resources Director Linda Avedisian

2. APPROVAL OF MINUTES

Commissioner Duarte moved, **Commissioner Zuliani** seconded a motion to approve the minutes of the regular meeting of July 18, 2018 as corrected. The vote on the motion was 3 ayes and 1 abstention (**Commissioner Scully**).
Motion carried.

Chairperson Hedrick noted he was moving the presentation by Scan-Optics up on Agenda. General Manager Blanchette gave an overview of the partnership between the City of Groton and Scan-Optics, and introduced Mr. Andy Tran, Chief Technology Officer.

Mr. Tran gave a PowerPoint presentation entitled *Technology Trends Changing How Cities Operate*. The presentation reviewed current trends in data management, including open data, 'stat' programs and data analytics, online citizen engagement, geographic information systems (GIS), and general data protection regulations (GDPR). Hardcopies of the presentation were made available for the Commission.

Chairperson Hedrick noted the City and Groton Utilities has a tremendous amount of records and have certain record retention requirements per the State of Connecticut. Chairperson Hedrick has sent a letter to the State requesting relief from the requirement of maintaining original documents in hard copy or microfiche mediums only, as the State is in the process of digitizing their own records and documents.

Commissioner Duarte stated he likes the idea of protecting this type of data and noted this will be a continuing cost going forward due to the complexity of cyber hacks and attacks. General Manager Blanchette addressed the level of security Scan-Optics has for the documents entrusted to them for scanning and Chairperson Hedrick agreed.

3. REVIEW AND ACCEPTANCE OF TREASURER'S REPORT

Commissioner Zuliani moved, **Commissioner Duarte** seconded a motion to approve the Treasurer's Report for the month ending July 31, 2018.

4. COMMUNICATIONS AND CORRESPONDENCE

There were no communications or correspondence to report.

5. PUBLIC COMMUNICATIONS

There were no public communications.

6. CONNECTICUT MUNICIPAL ELECTRIC ENERGY COOPERATIVE (CMEEC) BOARD OF DIRECTORS REPORT

Director Gaudet reported last month's Board meeting was cancelled. Most committees meetings have been postponed due to summer vacations and schedules. Regarding the ongoing discussion of indemnification of Board members, Director Gaudet asked if the Commission wanted CMEEC to be public entity or an innovative, money-making business. Director Gaudet stated he felt the Commission should want board to be innovative and take risks to increase revenue, and not simply be a buying co-op. Currently, CMEEC is perceived as an aggressive, innovative money-making entity, and with the diversity of the current Board, should be the "smarts" that drive board decisions, and they will always do the right thing for all members. The other option would take away the authority and flexibility of the Board, similar to how state entities are governed.

Commissioner Zuliani stated this is a very complicated decision to make and the level of aggressiveness going forward needs to be considered. Chairperson Hedrick said he didn't see why CMEEC could not do both and still be an ethical business with openness and transparency. The indemnification would not cover malicious intent, but honest mistakes made. Director Gaudet stated that decision should be left up to the Board at CMEEC, or they lose that power of control and authority to make those decisions. Inherently that would take away innovation and change the nature of CMEEC's business culture; forcing it to operate more like the state, and hindering its ability to make so much margin profit.

7. REGIONAL WATER UPDATE

There was no regional water update.

8. MONTHLY FINANCIAL HIGHLIGHTS

General Manager Collard presented the following financial highlights:

Electric:

- Overall total Electric revenues for July are only \$149 less than budget. The industrial non-manufacturing class was 8% below budget and was offset by all other classes of service. However, new rates applicable to the non-manufacturing industrial class is designed to safeguard the bottom line from revenue variances. Just because there is a negative variance in the revenue, it does not mean the Division is not earning what it is supposed to be earning as there are fixed costs involved and fixed electric rates, which flow positively to the bottom line.
- Cooling degree day requirements were 21% more than last year, validated by the recent hot, humid weather. In addition, there was actually one (1) heating day requirement during the month.
- Operation and maintenance expenses for the month are almost 29% less than budget.
- The net income from operations for the month is 39% more than budget; the result of lower operating expenses for the month. Net performance after the effects of TVC is 48% less than budget for the month.
- Days' cash on hand for the Electric Division is 65 days.
- For the month of July, 324,000 kWh were purchased from solar customer production, which is 11% more than last July.

Water:

- Water Division cash due from Electric is over \$1.4 million, and cash due from Sewer is \$3,000.
- Days' cash on hand is 234 days. The combined days' cash on hand for the Electric, Water, and Sewer utilities is 82 days.

- The reimbursement process with the state for the Water Treatment Plant project continues to be timely, such that monies are received from the state in time to pay billings when due without using internal cash. For the fiscal year-to-date, over \$10 million has been incurred for the project, and a total of \$9 million has been received from the Drinking Water State Revolving Fund (DWSRF) loan and grant. The Construction Work in Progress account is over \$16 million and will continue to rise as the project progresses.
- Total revenues overall for July are \$2 more than budget. The 12% negative industrial class variance was offset by positive residential and sale-for-resale revenues.
- Operation and maintenance expense for July are almost 29% less than budget. Net earnings before the DWSRF grant are 10 times greater than budget for the month.
- The Water Treatment Plant restricted fund contains \$1.9 million for collections through June 30, 2018.

Sewer:

- Effective July 1, 2018, the Sewer Division was moved from the City General Fund to an enterprise fund under Groton Utilities.
- Total sewer revenues presented for the first month of operations as a division of Groton Utilities are 35% below budget. The budget revenues were developed by the rate consultant as part of a Cost of Service Study (COSS), which used historical cubic-feet data from water sales to City of Groton residents. The COSS did not provide for metered water usage that would not be disbursed into the sewer system, and as such, these were not identified. Subsequently, major industrial accounts identified that they have meters in place to measure water that is not disbursed into the sewer system and have requested that such amounts be deducted from the cubic feet of water basis for their sewer usage fees. As a result, Industrial revenues will be considerably below budget for the first year of operation.
- Operation and maintenance expenses for the first month of operations is 44% below budget and includes only three (3) weeks of payroll. The positive variance helped to offset over half of the negative revenue variance for the month. The budgeted operating expenses were developed based on the Pollution Abatement Facility (PAF) historic operating expenditures under the City General Fund plus a 10% allocation of Groton Utilities' Administration, Information Technology, and Customer Service costs. As a result, net income from operations for July is 36% less than budget.
- Net cash flow for the month of July is negative \$13,554. Only 27% of July revenue was collected during the month. For the month of July, current assets exceed current liabilities by only \$11,000.
- Days' cash on hand for the Sewer Division is negative 3 (-3) days.

General Manager Collard stated for the first month of operations under Groton Utilities, revenues for this time of season may be reasonable. It is anticipated industrial revenues will come in less than forecasted due to the deduction of water basis for water not being dispersed into the sewer system.

Commissioner Zuliani noted the figures are typical for a first month of operations of a new business or entity, and adjustments can be made going forward. He complimented General Manager Collard for the sewer financials and stated they were very well done with the information provided. Commissioner Zuliani also expressed the hope that the public would give Groton Utilities enough time to figure out all the particulars and plan for the future. This will take a bit of time to get in place, and he is confident staff will succeed.

Chairperson Hedrick reiterated that this was the first month of operations under Groton Utilities. This has been discussed many times at various meetings. This is a new enterprise account with no cash reserves in place. There will be tweaks that will need to be made, and will need to include the requested deducts from industrial and commercial customers, as well as potential residential customers. It is possible that some customers will begin to conserve more water due to the new sewer fees.

Chairperson Hedrick also noted that July through September are routinely higher utility usage months. The reason for the decision to move the sewer division from the City General Fund to an enterprise account under Groton

Utilities in July was due to the beginning of a new fiscal year. The Council did not want to leave the sewer division in the tax base, with charging the full tax, then have to pull the sewer division out in the middle of year. This would have added the new fees on top of the taxes already in place as there is currently no mechanism in place to refund tax payments. Chairperson Hedrick stated he has talked to some customers and understands their emotional, visceral reaction to the July bills. However, when customers sit and really look at the bill, the increase is mostly due to an increase in water usage for the month of July, not just the sewer fee. Some customers have changed habits to reduce water usage and therefore reduce their sewer use costs.

Chairperson Hedrick noted the levels of the sewer fee schedule, which is the same about up to 700 cubic feet, increases at 1,100 cubic feet, and then again at 1,500 cubic feet. The current utilities bill now show exactly how much cost is associated with the processes of wastewater, compared to a tax bill which does not breakdown the costs for various services. Chairperson Hedrick restated that the City Council had considered a flat fee as well as a winter average, with different classes for residential, commercial and industrial customers. Many other municipalities do not differentiate on how the water is used to determine the sewer use fee, and this creates equity among the users. Those customers that use more, pay more. Those who use less, pay less.

Chairperson Hedrick said management and the Commission will continue to review the process each month and continue to tweak as needed by reviewing the revenues versus expense and how it applies to the fees. However, there is still a budget and payroll responsibilities, which is a first priority, along with continuing to fund needed projects to maintain the infrastructure.

The Commission discussed the ability to contribute to reserves and projects, as well as having varying classifications of service. There was discussion on if the revenue sources from non-profits, non-tax paying, or not-for-profit customers could be separated.

9. PROJECTS / INITIATIVES UPDATE

Manager Valentini gave an update on the Water Treatment Plant Upgrade project. The new generators have been delivered, and the electrical underground work is being done. Management has met with the contractor and representatives from the State of Connecticut, Department of Public Health (DPH) regarding the polychlorinated biphenyls (PCB) remediation issues, and plans for the remediation and associated costs will be reviewed by all regulatory agencies. Director Gaudet stated there are contingency funds for the remediation issues.

Manager Valentini gave an update on the Walker Hill Standpipe project. Contractors are spraying final coats and dropping framework inside the tank. There is still a lot of work to be completed before the tank can begin to be filled. Chairperson Hedrick stated watching the progress of the project was very impressive.

Manager Stevens offered the Commission tours of both projects.

Manager Roche gave an update on the Crystal Lake Road project. The project is now completed. Chairperson Hedrick asked if customers are aware. Manager Roche stated the Navy is aware the project is complete.

Manager Roche gave an update on the LED Streetlight Upgrade project. The project is 98% complete. There have been a few complaints from the Groton Long Point area, and staff will be installing shades on the streetlights to alleviate the complaints.

Manager Roche also updated the Commission on the Trails Corner breaker maintenance, an outage at the Stop and Shop plaza this morning, and an outage affecting the Avery Point feeder on Shennecossett Road in July. The Commission discussed tree trimming in that area. Manager Roche and Chairperson Hedrick will discuss a plan for the removal of trees in the area.

General Manager Blanchette gave an update on the Skype for Business installation and the internal InfoHub replacement for the current subnet.

General Manager Mediavilla discussed incentives for electric charging vehicles. Groton Utilities will be offering a \$2,000 incentive as well. The Commission discussed installing a charging station in the City and potential locations.

10. OLD BUSINESS

There was no old business to discuss.

11. NEW BUSINESS

GUC-18-08-14: Consideration of and action to approve the Annual Report of the City of Groton Utilities Commission for Fiscal Year Ending June 30, 2018

Commissioner Duarte moved, **Commissioner Scully** seconded that the City of Groton Utilities Commission / Water Pollution Control Authority approve the Annual Report of the City of Groton Utilities Commission for Fiscal Year Ending June 30, 2018. **Motion carried.**

GUC-18-08-15: Consideration of and action to approve a Schedule of Meetings for Calendar Year 2019

Commissioner Zuliani moved, **Commissioner Duarte** seconded that the City of Groton Utilities Commission / Water Pollution Control Authority approve a Schedule of Meetings for Calendar Year 2019. **Motion carried.**

Chairperson Hedrick asked for a motion to suspend the rules to add two (2) new motions to the agenda. **Commissioner Scully** moved, **Commissioner Duarte** seconded a motion to suspend the rules and add two (2) new motions to the agenda as follows:

- Consideration of and action to **rescind** GUC-18-07-13 – Consideration of and action to approve the Groton Utilities / Bozrah Light and Power Company Rules and Regulations as revised July 2018 as approved July 18, 2018
- **GUC-18-08-16:** Consideration of and action to **approve** the Groton Utilities Rules and Regulations as revised August 15, 2018

Motion carried.

Commissioner Scully moved, **Commissioner Duarte** seconded that the City of Groton Utilities Commission / Water Pollution Control Authority **rescind** GUC-18-07-13 – Consideration of and action to approve the Groton Utilities / Bozrah Light and Power Company Rules and Regulations as revised July 2018 as approved July 18, 2018. **Motion carried.**

Commissioner Duarte moved, **Commissioner Zuliani** seconded that the City of Groton Utilities Commission / Water Pollution Control Authority approve the Groton Utilities Rules and Regulations as revised on August 15, 2018. **Motion carried.**

12. ADJOURNMENT

There being no further business, at 11:54 a.m., **Commissioner Duarte** moved, **Commissioner Scully** seconded a motion to adjourn. **Motion carried.**

Attest:

Paul Duarte

Clerk