

Town of New Hartford Water and Wastewater Asset Evaluation Team
Special Meeting
Thursday, May 9, 2019

MINUTES

Present: First Selectman Dan Jerram (Chairman); Members: Joe Toro, Bud Butler, Kim Estep; Invited Guests: Don Morrissey, Aquarion Water Co., Mike Crawford, Aquarion Water Co; Administrative Assistant Christine Hayward.

Others Present: David Rosengren, Laura Garay, John Burdick, Mary Beth Greenwood, David Douyard, Tony Mitchell, Eric Claman; Member of the Press Kathryn Boughton- Republican-American.

Chairman Dan Jerram called the meeting to order at 6:12 PM. He informed the public that there would be no opportunity for public comment this evening. They were welcomed to the meeting and were encouraged to listen to the discussions. He stated that there would be other meetings where questions would be entertained.

Update re: USDA discussions:

Mr. Jerram, with assistance from Mr. Butler, presented an update regarding where things stand with respect to the possible sale of the water and wastewater assets of the Town of New Hartford to Aquarion Water Company. Mr. Jerram reviewed the history of the process thus far. He explained that the meetings have been held in Executive Session while negotiations continued with Aquarion Water Company following acceptance of their \$8 million bid for the purchase of the assets. Complicating the matter was the disposition of the USDA grant that had been awarded to the Town for the construction of the Wastewater Treatment Plant. The Town has asked the USDA for consideration of relief from paying back the \$1.7 million portion of the Grant that has not yet been depreciated. The Town would like to use the proceeds of the sale of the assets to fund expansion of the sewer lines in the Pine Meadow area of town. Forgiveness of Grant repayment will be pivotal in affording the Town the ability to proceed with protection of the town's aquifer and provide financial assistance to households in that area that would need to connect to the new sewer lines. Preparation of information to present to USDA as they consider the proposal for grant relief has been a lengthy process and has resulted in slowing down the original projected timeline of completion of a sales agreement. The USDA has not had such a request before and therefore this is 'new territory' for them which has led to numerous phone calls and several meetings as they continue to ask for information that they feel could be helpful in their decision making.

Mr. Jerram informed those present that the most recent meeting with representatives of USDA was held in Amherst, Massachusetts. At that meeting, concern was expressed regarding ensuring that a private entity (Aquarion) would not profit from the sale of an asset that was purchased with Grant funding. The director was pleased with the answers provided to his questions and asked the Town to develop an

escrow agreement that would solidify this intended use of proceeds. Mr. Jerram explained that town attorney has been asked to provide assistance in the development of such an agreement.

Mr. Butler distributed copies of several documents to members of the AET and to the public assembled.

Mr. Butler explained that delays in the process have occurred due to some misunderstandings along the way between USDA personnel and the Town. Originally, the USDA was under the false impression that the Town was seeking relief from repayment of the loan received and once they understood that full repayment of the loan would result from this transaction, they took renewed interest in the request. Atlantic Rural States Wastewater Association was contacted by USDA to confirm that user rates in New Hartford are higher than any others in the state. A letter to USDA was prepared by Atlantic States outlining the rate structure and the difficulties faced by a small number of users on the system. Butler explained that the sale of the assets to a PURA regulated company such as Aquarion will offer relief to those who are water and sewer users in the way of rate stabilization and the ability to provide capital improvements to the system. Additionally, protection of the aquifer and the Farmington River can be accomplished by expansion of the sewer lines which can occur by using the proceeds of the sale to cover the cost of these expenses. USDA has stated that they are committed to helping rural communities thrive. Forgiveness of the grant repayment would be in alignment with that goal. The object is to get the USDA to recognize that and to consider that use of the funds in the manner outlined by the town is kind of like using the grant forgiveness as a grant itself.

Review of draft sales/purchase agreement:

Copies of the draft agreement were distributed to the committee members and to the public. A cursory review of the agreement was performed by the committee. Jerram noted that there are some parcels of land that are currently part of the assets that will need to be “carved out.” He explained that the Blackbridge Well house sits on the parcel of land that also houses New Hartford Elementary School. There will have to be a separation of this parcel from the main parcel. Additionally, the town would like to hold on to a parcel of land adjacent to the Wastewater Treatment Plant so that a wash bay could be constructed on it. Mr. Jerram asked that members take the document home and review it more thoroughly and be prepared to discuss it at the next AET meeting. This document will also be reviewed by town counsel. It is the opinion of the Town Attorney that the sales/purchase agreement should be finalized prior to submittal to USDA. They should review the actual contract that will be used to complete the transaction.

Mr. Butler explained that the WPCA will remain as an entity that will form a public private partnership with Aquarion Water Company. They will work together to accomplish the sewer line extensions. When the assets are sold, Aquarion -- A PURA regulated company-- is not authorized to issue orders to connect. Therefore, in order to achieve expansion of the system, (which will lead to protection of the aquifer and protection of the river) and assist in compliance with sanitary easement areas surrounding the wells, the WPCA will operate as an ombudsman for the users of the system.

Member Toro asked if there will be an expectation that the WPCA will need to make good on its outstanding debt service obligations. He noted that the WPCA is currently behind with several payments

owed to the Town. He expressed concern that there may be a requirement to pay this back and he asked how that would be possible. First Selectman Jerram replied that there will need to be a conversation among various Boards regarding those kinds of issues. Jerram stated that it is his opinion that selling the assets to a regulated entity will be beneficial to the users and to all residents of the town; adding that “being independent has not worked out so well....” He noted that the town budget has had to cover emergency repairs for well repairs in the past because the WPCA did not have the funds to do so. He stated that there could be many more instances of having to pay for infrastructure repairs in the future. He said, “this sale affords a way to solve the problems.”

Discussion of next steps:

The Asset Evaluation Team members agreed to read, review and critique the draft sales and purchase agreement. They agreed that the next step is to present to the WPCA and get approval from them to sell the assets. After obtaining that approval, there needs to be a recommendation to the Board of Selectmen regarding the sale. If the recommendation is approved, public presentations should begin. It was noted that this should all happen concurrently while waiting for a decision from USDA regarding the USDA grant. It was noted again that the public will be the final decision makers with respect to the sale of these assets.

The group agreed to meet again on May 23 at 6:30 PM.

MOTION: by Butler to adjourn at 7:20 PM; seconded by Toro.

Unanimous.

Respectfully Submitted,

Christine Hayward, Administrative Assistant

Attachments filed with Town Clerk:

Basics For Escrow Proposal

USDA letter to State Office from Ronald Koontz; dated March 20, 2019

Water Subsidy Expense Example/Sewer Subsidy Expense Example (2 sided document)

Town of New Hartford –USDA RD Meeting; April 25, 2019 Highlight Review

New Hartford Drinking Water – Six Quarter Benchmarked Trend Analysis

The Sale of New Hartford’s Water and Sewer Assets – Summary Presentation prepared for USDA-RD

NOTE: DRAFT Asset Purchase Agreement for the Water and Wastewater Systems of the Town of New Hartford, Connecticut by and Between The Town of New Hartford and Aquarion Water Company dated as of June 18, 2018 is available upon request in the Office of the First Selectman, New Hartford, C