Board of Selectmen
Special Meeting
Monday, January 13, 2020

MINUTES
NOTE: These minutes will also be filed as Asset Evaluation Team Minutes for ease of finding information related to potential sale of assets of water and wastewater systems

Present: First Selectman Dan Jerram, Selectman Alesia Kennerson, Selectman David Rosengren, Asset Evaluation Team Members Bud Butler, Joe Toro, Tom Hart; Invited Guests Mike Crawford (Aquarion Water Co.); Dan Lawrence (Aquarion Water Co.), Tim Dupuis (CDM Smith Engineering), Member of the Press Kathryn Boughton; Administrative Assistant Christine Hayward.

Others Present: Approximately 45 residents of New Hartford (no sign in sheet; no attendance taken -- not required by Freedom of Information Act).

It is noted that hand outs were distributed to the audience so that they could follow along with the presentation.

Board of Selectmen to meet with members of the Asset Evaluation Team and resource personnel (to include Mike Crawford, Aquarion Water Co., Dan Lawrence Aquarion Water Co., Tim Dupuis –CDM Smith Engineering) to hold a discussion concerning the potential sale of the water and wastewater assets of the Town of New Hartford and the formulation of a public presentation regarding the potential sale.

First Selectman Jerram called the meeting to order at 6:40 PM. He welcomed all those present to the meeting and explained that this meeting was a chance for the Asset Evaluation Team to present information to the Board of Selectmen regarding a proposed sale of the water and wastewater assets of the Town of New Hartford to Aquarion Water Company. Jerram explained that the sale of the assets is not a new concept. There has been discussion of this in the past. He explained that several years ago there had been a task force created that reviewed options for the sewer operations. One of the options was to consider sale of the assets. That review did not take place and then in 2016, The Board of Selectmen decided that it was time to research the possible sale due to the financial state of the Water Pollution Control Authority. The Asset Evaluation Team was created and they were charged with several tasks leading up to and including making a recommendation regarding the potential sale of the assets. The AET has made a recommendation to the Board of Selectmen to sell the assets; however, the Board of Selectmen has asked for a presentation on this topic prior to making a formal decision to move this request forward to other Boards for consideration.

Selectman Rosengren expressed his concern that this was an illegal meeting due to a quorum of Asset Evaluation Team members being present. He felt that the meeting had not been properly noticed. Mr. Jerram replied that he was of the mindset that since this involved hearing from a

subcommittee that was formed by the Board of Selectmen and the agenda clearly stated that members of the Asset Evaluation Team would be presenting information to the Selectmen, there was sufficient notice to the public of what the meeting consisted of and he felt that the meeting should continue. There was no attempt to "hide" this meeting. Mr. Rosengren did not state any objection to continuing with the meeting. He did, however, request that the Asset Evaluation Team (AET) not go forward with a full presentation regarding the potential sale due to the fact that there had recently been a meeting of the AET where the full presentation was given and pretty much the same people that attended that meeting are present at this meeting. He requested that the meeting go directly into a Q&A between the Selectmen and the AET. First Selectman asked Selectman Kennerson if she wanted to hear the full presentation or move on to Q&A. She replied that she wanted to hear the full presentation; to which Mr. Jerram added, "so would I." Thanking the members of the AET for their 3 years of dedicated service to this subcommittee, First Selectman Jerram turned the meeting over to Mr. Denton (Bud) Butler to begin the presentation.

Mr. Denton (Bud) Butler began his presentation by stating that the members of the Asset Evaluation Team were appointed by the Board of Selectmen. The members are First Selectman Dan Jerram, who serves as the Chairman; Tom Hart, a former member of the Town of New Hartford Sewer Commission and a current user of the water and sewer system; Joe Toro, vice chairman of the Water Pollution Control Authority (WPCA) and a user of the water and sewer system; Kim Estep who lives on the South End of town and therefore is not a user of either the water or sewer system and himself, Bud Butler, Chairman of the WPCA and not a user of the water or sewer system. Mr. Butler explained that this meeting is the initial meeting in what will be a series of presentations that will be held in order to inform the general public of the potential sale of the water and wastewater assets of the Town of New Hartford. The Board of Selectmen had charged this committee with 4 tasks initially and then added the 5th charge of preparing public presentations once the committee had recommended the potential sale of the assets. There will be several public presentations as well as meetings with Boards and Commissions. The matter will go before the public at a referendum once the Planning and Zoning Commission and the Board of Finance have been consulted. The Planning and Zoning Commission will rule on whether or not this proposal is consistent with the Plan of Conservation and Development and the Board of Finance needs to be consulted on all matters related to finance for the town. The public presentations will be scheduled at multiple locations in town. The presentation is considered to be in draft form as it is a working document that may be changed as additional information is added in response to questions that may be asked as time goes on. Mr. Butler informed all present he was aware that there had been dissemination of the presentation that had been developed for the January 6, 2020, meeting and noted that the presentation document being used tonight has some changes in it as a result of discussion that occurred at the January 6 meeting. The current version of the

presentation is AET-Rev#6 (1-8-20) and stated that any others in circulation are no longer being used. Copies of the current presentation are available.

Mr. Butler reiterated Mr. Jerram' s earlier comments regarding that this investigation into a proposed sale of assets is not the first time a sale has been considered. He stated that in 2012, there had been an informal discussion with CT WATER and the MDC wondering if they might be interested in discussing ownership of the facilities. A task force formed by the Selectmen investigated options for consideration including: continuing with the contracted operators "as is," bringing the entirety of the operations in-house and having the Town be the operating entity, or consider a sale of assets. That task force came back with a recommendation to investigate the possibility of a sale.

Mr. Butler commented that since the development of the document used for the presentation, there has already been an increase in the estimated losses for the FY 2020 due to additional equipment costs that have just been received. Mr. Butler referenced the current ordinance that governs the WPCA that indicates that the cost of operations of the WPCA are borne by the users and should be a break even operation. He noted that debt service expenses may be shared by the town, according to the ordinance, but not routine operating expenses. He stated that unbeknownst to many, the Town has already been paying the full cost of the debt service associated with the Wastewater Treatment Plant upgrade. Although the WPCA has an agreement to pay for a portion of that debt service, the truth is that they have not been able to meet their obligation for 11 quarters and are behind in their payments. The town has covered the debt service.

Mr. Butler presented specific examples of the maintenance costs that are overwhelming to the budget. He explained that the Blackbridge Well has an issue with high levels of manganese that requires regular replacement of several of the components needed to operate the well. He stated that there are 16,000 feet of water main with 62% being installed prior to 1895. He noted that a recent break that occurred at Loomis Heights resulted in losing 156,000 gallons of water in 8 hours.

Butler stated that the current water and sewer rates are among the highest in the State – he does not have the most recent rate study and therefore cannot confirm that the rates are still the highest at this time; however, they have been the highest in past studies.

Butler gave a brief history of the bidding process. There were 5 interested parties that came to a bidders conference and of those 5, 3 tendered bids. CT WATER bid $6.5 million; Torrington Water bid $2 million (interested in water system only) and Aquarion Water bid $8 million. The Request for Proposals did include a caveat that preference would be given to those bidders who bid on both the water and sewer assets. The Asset Evaluation Team interviewed all bidders and chose to enter into negotiations with Aquarion. Butler explained that Aquarion Water Company is a regulated public utility which means that they are governed by regulations set in place by the Public Utility Regulatory Authority (PURA). The current WPCA is not a

regulated authority and the WPCA has the right to raise rates at any time and can change them as often as they need to. A regulated company, on the other hand, needs to file with PURA and is limited by a "guaranteed rate of return" when establishing a rate structure.
Butler explained that the WPCA will remain as an entity to work with Aquarion and the WPCA will retain control over certain wastewater issues; such as orders to connect, designation of the Sewer Service Area, and will act as agents to assist in water and sewer expansion to be consistent with the Town Plan of Conservation and Development (POCD). The WPCA will be the local point of contact for those residents who have concerns that need to be addressed.
Mr. Butler continued the presentation by introducing the plan of action that has been established should the sale of the assets be approved by the residents of New Hartford. He stated that it is the intent that the proceeds of the sale will be used to pay off all outstanding water and sewer loans due to the United States Department of Agriculture, Rural Development (USDA-RD) and the $61,750 debt owed to the Town of New Hartford. Butler explained that one of the hold ups that prevented in having this proposal come forward was that the Town had requested relief/forgiveness of paying back a portion of the USDA Grant that had been awarded to the town to aid in the construction of the upgrade to the Wastewater Treatment Plant. This request for forgiveness of that grant repayment took a substantial amount of time for response; however, that response has been received and the USDA has issued a reply in favor of the town and will not require the town to reimburse the USDA for the grant portion of funding received. This favorable response was received due to the fact that the Town/WPCA has stated that those funds would be used to expand the sewer system in Pine Meadow in an effort to protect the aquifer that supplies the town's drinking water. Personnel from the USDA stated that they were impressed that the proceeds would be used in this manner, which benefits the users of the system, rather than using the proceeds for an expense contained within the General Operations of the Town. An additional use of proceeds would be to create subsidies that would be used to offset the high rates currently experienced by users of the water and wastewater systems. This would result in the stabilization of water and sewer rates for a specified number of years. Additional use of proceeds would be to fund a connection assistance fund where funds would be available to assist in the connection to the sewer system.

Mr. Butler presented information related to the question," What if the asset sale is not approved?" He started this portion of the presentation by stating that capital needs do not go away and operating needs do not go away. He stated that the contract for operations would still need to be in effect because there needs to be qualified people operating both the water and the sewer operations. A projected increase of 4% each year was used for contracts. A projected capital budget is also included in the presentation document. The figures used for the projected capital budget were obtained by using information contained in the bid proposals submitted by prospective bidders. They were asked, as part of the bid document, to prepare an analysis of the capital needs they saw as critical to the continued operations of both the water

and sewer systems. The projected figures are based on Aquarion's bid response.
Mr. Butler gave specific examples of some capital needs that the WPCA is currently aware of.
At this point, Mr. Butler declared the AET presentation complete and turned the meeting back to Chairman Jerram for questions from the Board.
Selectman Kennerson posed questions to the AET. Her first question was one that she felt may be on the minds of many residents; stating that she has heard concerns expressed over the potential sale of "our water." She asked "Why should we sell our water and what exactly are we selling?"
Mr. Butler responded to her question by stating that it is a misconception that the water is owned by the Town of New Hartford. He explained that the town is granted access to the water by the State of Connecticut. The Town has a diversion permit that has been granted to them by the State. This allows the Town to pump a certain number of gallons of water per day to be used as drinking water for the residents. If a sale goes through, Aquarion would need to take over that permit and would be required to follow the same guidelines that the Town has been following.
Selectman Rosengren asked "then what are we selling to Aquarion if we are not selling them the control of the water?"
Mr. Butler replied that the town owns the assets involved in the supplying of the water to the residents. He stated specifically the pumping systems, the well houses, the water storage tanks, the lease with the MDC for the land that holds the water tanks, the water mains, the wastewater physical plant, the collection system, the wet well at Route 219 and 44.
Asset Team Member Joe Toro commented that there is liability looming with the town having aging water and sewer mains. He stated that the liability goes away if the assets are sold to Aquarion.
Selectman Rosengren stated that there is a long history of neglect on the part of the Town with respect to proper maintenance of the system. He said that the issue of neglect goes back to before the formation of a Water Pollution Control Authority. His concern is that if the assets are sold to a company like Aquarion who is only in the business to make a profit, they will build those repairs into their rates and there will not be any relief to the users.
Mr. Butler rebutted that Aquarion will be constrained by PURA with respect to their return. PURA regulates their profit and it is based on a geographic area, not confined to just New Hartford.
Mr. Rosengren argued that the Asset Evaluation Team is not able to definitively state what the rates will be. He said "you don't know what the rates will be – no one has told you what the rates will be."
Mr. Rosengren stated that the WPCA is trying to avoid placing the burden of the sewer and water systems on the general taxpayer. He commented that the schools and the roads are the responsibility of the taxpayers and the sewer and water systems should be too, as they are town assets. Selectman Rosengren said that he would like to see study where the costs of the

water and sewer are spread across all taxpayers. He negated Mr. Butler's earlier comments regarding an ordinance that says the operations must be borne by the users. He stated that the debt should be paid down by the town –the community should take care of its fundamental responsibilities – and those include water and sewer. He stated that the presentation is a 'big scary story about a system that needs maintenance.' He agreed that there are things that need to be addressed, but they should be addressed by the taxpayers.

Selectwoman Kennerson asked Mr. Rosengren if he had any data that could be used to negate some of the facts that have been presented by the AET. Mr. Rosengren replied that Aquarion is a for profit company that has shareholders that it has allegiance to. They need to make a profit and they see an opportunity to make a profit using New Hartford water. "Water is the new gold," he said. "they don't want your sewers, they want your water."

Mr. Rosengren asserted that the WPCA has not historically been underwater. "The town got stuck with a white elephant – the sewer plant." This is a town problem, not a user problem.

Selectman Rosengren questioned the plan to expand the sewer in the Pine Meadow section of town as a means to protect the aquifer. He stated that this should be an expense borne by the town as protection of the aquifer benefits the town as a whole not just the users. The Selectman stated that there are grants available through the USDA that can be used to expand sewers, there is no need to sell the assets to fund the expansion.

First Selectman Jerram asked Mr. Butler to explain how the rate structure for Aquarion would be developed if a sale of assets was approved. Mr. Butler explained that Aquarion would need to go before PURA to establish rates for New Hartford. Currently, rates for New Hartford are higher than any rates Aquarion has. PURA will not allow other towns within the rate area to subsidize rates for other towns. The subsidization of rates would occur at the local level using proceeds from the sale to offset the current rates. The expansion of the sewers would result in increased users which would translate into increased revenues which would result in reduction of rates over time. Butler noted that the bottom line is that New Hartford rates are already higher than any rates within any division of Aquarion. PURA operates on a guaranteed rate of return.

Selectman Kennerson noted that a concern expressed by Selectman Rosengren is that Aquarion is interested in this acquisition for profit only. She asked "Isn't Aquarion already making a profit from the New Hartford Operations contract?" Butler replied that is correct.

Additional discussion occurred regarding areas of improvement needed it the presentation as it is refined for public presentation.

It was agreed that rate structure needs to be better addressed. This will be an area of concern for many residents. The number of actual water and sewer customers needs to be included in the presentation so that all are aware of the actual number of customers this issue affects. It

was agreed that this presentation will change as questions get asked.
First Selectman Jerram stated that it has been shown that raising the rates will not increase revenue. Usage starts to be a factor and people start really conserving when the rates become too high. This is already happening.
The discussion ended with the promise that additional presentations will be scheduled soon.

(NOTE: at this point in the meeting, most of the residents exited from the meeting room)

First Selectman Jerram asked those in the meeting room to please exit quietly as there was still some additional business that needed to be conducted by the Board.
Selectman Rosengren asked that these items be removed from the agenda as he felt that he did not have any information regarding what these were about and felt that he needed additional information before he could be asked to take any action on these items. First Selectman Jerram replied that these were 'housekeeping items' that did not require a lot of detailed information in order to understand what was being requested and he denied Mr. Rosengren's request to remove them from the agenda.

Resolutions:

A) Department of Emergency Services and Public Protection – Division of Emergency Management and Homeland Security Resolution – for FFY 2019 State Homeland Security Grant:

First Selectman Jerram informed the Selectmen that this is the annual grant that is received by Region 5 for equipment that is owned by the Region and can be shared with member communities. The Northwest Council of Governments has each town pass a resolution authorizing the First Selectman to sign the application.

Selectman Rosengren interrupted the First Selectman and asked him under what rules he was running this meeting. Mr. Jerram replied that he was operating under State Statutes. Mr. Rosengren asked, "which Statute?" Mr. Jerram proceeded with the business at hand.

MOTION: by Jerram to approve the Resolution as submitted; seconded by Kennerson.

At this point, Selectman Rosengren stated "point of order" and asked for an answer to his question; stating he had not received an answer and wanted to know which Statute Mr. Jerram was operating under.

Mr. Jerram proceeded to call for a vote on the Motion.

Kennerson and Jerram responded AYE; Rosengren remained silent.

Mr. Jerram asked Mr. Rosengren to respond – Mr. Rosengren remained silent. Mr. Jerram ruled it an abstention; Mr. Rosengren stated that abstentions are not recorded.

Mr. Jerram announced that the Resolution was approved by a 2 – 0 vote.

Resolutions requested by Northwest Hills of Council of Governments:

Selectman Jerram informed the Selectmen that the Northwest Hills Council of Governments has two regional programs that they have endorsed and are seeking federal funding to support these initiatives. All member towns have been asked to issue supporting Resolutions. There is no obligation on the part of the towns that endorse these initiatives to utilize the facilities or fund them; this is conceptual support only.

Resolution re: Regional Produce Processing Service:

MOTION: by Kennerson to approve the resolution endorsing the Regional Produce Processing Service; seconded by Jerram.

Mr. Jerram called for a vote.

Kennerson and Jerram responded AYE; Rosengren remained silent
Jerram announced the resolution approved by a 2-0 vote.

Resolution re: Construction of Litchfield Hills Animal Shelter Facility

MOTION: by Jerram to approve the resolution endorsing the proposal for the project entitled, "Construction of Litchfield Hills Animal Shelter Facility," seconded by Kennerson.

Mr. Jerram called for a vote.

Mr. Rosengren repeated his point of order that he had called earlier. Mr. Jerram questioned what the point of order referenced. Mr. Rosengren repeated his earlier question of "under what rules are you governing this meeting?" Mr. Jerram replied that it was in section 7- of Ct Statutes; the Statute that states that the First Selectman superintends the needs of the Town. Mr. Rosengren stated that Roberts Rules of Order were not being followed. Mr. Jerram replied that he was not required to adhere to Roberts Rules for small meetings. He was the Chairman of this Board and was operating under his right as Chairman to chair the meeting.

Mr. Rosengren expressed his displeasure that the First Selectman did not know under what rules he was running meetings and stated that he would be looking into this further.

Mr. Jerram repeated his call for a vote on the motion on the table.
Kennerson and Jerram voted AYE; Rosengren remained silent.

First Selectman Jerram declared the resolution adopted by a 2 – 0 vote with no opposition, no abstention.

MOTION: by Kennerson to adjourn at 9:06 PM; seconded by Jerram.

Mr. Rosengren stated that there is no need to call for a motion to adjourn.

Mr. Jerram ruled the motion to adjourn as approved and declared the meeting adjourned.

Respectfully Submitted,

Christine Hayward, Administrative Assistant

ATTACHMENTS;

Document entitled "Key Elements of the AET's Proposal for the Sale of Sewer and Wastewater Assets (Executive Overview and Conclusion)" AET –Rev #6 (1-8-20)
Resolutions (3)