

**Town of New Hartford
Water and Wastewater Asset Evaluation Team
Special Meeting**

Monday, January 6, 2020

Present; Chairman/First Selectman Dan Jerram, Members Denton Butler, Joe Toro; Mike Crawford (Aquarion Water Co); Administrative Assistant Christine Hayward; Members of the Public; David Rosengren, Polly Pobuda (exit at 6:00 PM); Republican American Reporter Kathryn Boughton.

Chairman Jerram called the meeting to order at 6:35 PM.

Mr. Jerram welcomed all to the meeting and stated that the purpose of this meeting was to review a and discuss a DRAFT presentation that will be given to the Board of Selectmen on Monday, January 13, 2020 at 6:30 PM regarding the potential sale of the water and wastewater assets of the Town of New Hartford. A recommendation has been made by both the Asset Evaluation Team and the Water Pollution Control Authority to consider this sale and move it forward for public vote. Prior to moving the initiative forward, the Board of Selectmen has asked that a presentation be given to them so that they have an opportunity to hear the facts and then ask questions in order to determine if they feel comfortable with the recommendation made by the AET and the WPCA to move this forward.

Mr. Jerram commented that the AET has spent a lot of time researching this topic; gathering facts and meeting with other agencies to discuss this potential sale of assets. It is complicated in nature and has taken a lot of time to put everything together in an understandable and comprehensive format. He turned the meeting over to Denton Butler who had prepared a draft presentation as a starting point for discussion by members. The draft was distributed to AET members for discussion.

Mr. Butler stated that there is a lot of history that goes along with how things led to a consideration of a possible sale of the water and wastewater systems. He noted that when the Wastewater Treatment Facility upgrade was initially being discussed, concerns were expressed back then regarding “what happens if things do not turn out as planned?” Rate projections were based on adding additional users to the sewer system that would be needed in order to cover the higher costs of operations and to cover the debt service for the cost of the plant. There had been talk of growth in the Industrial Park, additional housing developments were also being considered due to the fact that the housing market was in a state of development when the larger plant was being required by the State of Connecticut. Those increases never happened and the anticipated revenues associated with the growth never materialized. When it became increasingly clear that the users of the water and sewer system were experiencing financial burden due to having the highest rates in the state, a task force was created circa 2012 to determine what course of action may be best with respect to operations of the water and wastewater systems of New Hartford and what action might be best for the users of the systems. Both water and sewer operations were contracted out to private vendors. The task force would look at options for consideration with respect to management of the systems – Should the town take over the management of the systems and bring it ‘in-house’? Should the systems continue to be operated by outside vendors? Should there be consideration of sale of the systems?

The Task force did come to the conclusion that the operations could not be undertaken by the town. The town was not equipped to become operators and the cost of taking on the business would not provide

any rate relief to users. There was initial discussion with MDC to see if perhaps the town could become a member of the District. However, it was noted that MDC is one of the largest taxpayers in New Hartford and if such a partnership were to occur, a substantial loss of taxes would ensue. This could not easily be absorbed by the taxpayers; therefore this option was not acted upon. A final option was “should there be consideration of the sale of the assets?” No formal action was taken on this consideration at the time and it was left open for consideration at a future point in time.

Butler noted that when the Asset Evaluation Team was formed, the Board of Selectmen and WPCA supported investigation into a possible sale – and were interested in releasing a Request for Proposals. The AET was given the charge of gaining a working knowledge of the water and sewer assets, review and modify the proposed RFP for sale of assets and make a recommendation regarding the release of the RFP; review submitted proposals, and make a final recommendation to the Board of Selectmen regarding the sale.

CDM Smith Engineers assisted the WPCA/Town with providing an estimate of the assets to see if a sale was anything worth pursuing. CDM opined that there could be a variety of bids received – some from entities that would be willing to pay for the system and then there could also be bids from those that were just bidding “to take it off our hands.”

The process of issuing a Request for Proposals began and led to 4 interested bidders. One dropped out soon after the beginning of the process and three bids were eventually received. Torrington Water Company bid \$2 million for the water assets only, with no interest in the wastewater system. Ct Water Company bid \$6 million for both and Aquarion bid \$8 million for both.

Mr. Butler went on to explain the current financial situation of the WPCA. The WPCA anticipates a deficit of \$263,025 for fiscal year 2020. Equipment failures and repairs continue to cause issues with the budget. When the RFP was released, the RFP included a request for the bidders to list what capital expenditures would be a priority for them if they purchased the system. This list helps to show what the future expenses of the system could include.

Mr. Butler explained that the ratemaking at the Public Utilities Regulatory Authority (PURA) has gotten complicated. The town is not currently regulated by PURA but a successful bidder of the system would be required to abide by those regulations. It was noted that the Water Pollution Control Authority would still remain an active local authority; however, there would need to be a change in the Ordinance that would address the new role this Authority would be involved in.

The Town has recently received confirmation from the USDA that the Town will not be obligated to repay the Grant funds that were used to construct the Wastewater Treatment Plant. This was a question that the AET had been working on for a long time due to the fact that it has a huge effect on what the actual proceeds of a sale of the systems would be. There is a plan to use the proceeds of the sale of the assets to reinvest into the expansion of the sewer system in the Pine Meadow area of New Hartford. This expansion would serve to protect the town’s aquifer so that drinking water would not be contaminated in the future. Proceeds of the sale could also be used to subsidize water and sewer rates to provide stabilization of rates. A Sewer expansion may be done without having to implement connection fees or benefit assessments. The USDA has backed this proposed use of the forgiven grant funds and did ask that an escrow account be established once the sale is completed so that the proceeds are used as promised. Proceeds are planned to be used to aid the users of the systems.

Mr. Toro stated that there are those in the community who have expressed opposition to the sale of the water assets due to their belief that the town is losing control over “our water.” Mr. Butler explained that the water does not belong to the Town of New Hartford. New Hartford is able to take water from the ground and use it for distribution as drinking water due to a diversion permit that is acquired through the State of Connecticut Department of Public Health. Butler noted that the permit allows for a certain amount of gallons to be drawn each day and that the primary use of that water is to provide potable water to New Hartford residents who subscribe to public water. He added that it would be necessary to get approval from the State of CT before being allowed to draw any more water than what is currently permitted. Those that think the water ‘belongs’ to the town are mistaken.

Mr. Butler briefly reviewed the “what if the asset sale is not approved” question as part of the proposed presentation. Specifically addressed was the escalation of costs of using third party operators for the systems and the proposed expenditures for necessary capital improvements and no additional revenue stream to fund these expenses. He added the costs for expansion of the sewer area which is necessary for the protection of the aquifer. He estimated that water and sewer rates would need to increase dramatically to cover expenses. The cost would be so high that the only alternative to provide relief to the users would be to see if the Town of New Hartford would take on the expenses of the water and sewer districts. This would need to be approved by the taxpayers by public vote.

Discussion of the overall presentation occurred and there was concern expressed of an area in the presentation that referred to the role of the WPCA when and if the sale is approved. The AET members had concerns with the statement that the WPCA would “act as agents to secure future project loans and grants.” After discussion of this section, it was determined that a more accurate statement would be that the WPCA will act as agents to assist in sewer and water expansion consistent with the Town’s Plan of Development. This change will be made to the presentation.

It was agreed by all that there will need to be several public presentations so that the residents have a chance to understand this issue and have a chance to ask questions and express their thoughts and concerns.

MOTION: by Toro to adjourn at 8:45 PM; seconded by Butler.

Unanimous.

*Respectfully Submitted,
Christine Hayward, Administrative Assistant*

ATTACHMENT:

Executive Overview Key Elements of the AET’s proposal for the Sale of Sewer and Water Assets; dated 1-6-20