

Town of New Hartford
Water and Wastewater Asset Evaluation Team (AET)
Special Meeting
Tuesday, February 11, 2020

MINUTES

Present: Chairman/First Selectman Dan Jerram, AET Members Denton (Bud) Butler, Tom Hart; Board of Finance Members: Chairman Regina Wexler, Members Reggie Smith, Stephen Tuxbury, Kerry Guilfoyle, Dan Charest, Ben Witte; Alternate Members Bart Baxter, Paul LeClair, Lourena Helt; Board of Finance Recording Secretary Penny Miller, Administrative Assistant Christine Hayward.

Others Present: Approximately 30 members of the Public

The Asset Evaluation Team Special Meeting was called to order by Chairman Dan Jerram at 7:00 PM

Members of the Asset Evaluation Team will attend the regularly scheduled meeting of the Board of Finance to give a presentation and answer questions posed by the Board of Finance members regarding the proposed sale of water and wastewater assets:

Board of Finance Chairman Wexler addressed the audience and explained that the Asset Evaluation Team (AET) was in attendance to present information to the Board of Finance regarding the proposed sale of water and wastewater assets of the Town of New Hartford to Aquarion Water Company. She stated that there would be opportunity for the public to ask questions following the presentation but she asked that the questions be limited to those that are financial in nature.

First Selectman Dan Jerram introduced AET members Denton (Bud) Butler and Tom Hart. Mr. Jerram commented that the proposed asset sale is a complicated matter to fully grasp, but the research has been done by the AET and they have made a recommendation to sell the assets. A hand out of the presentation had been distributed to the Board of Finance in advance of the meeting and the Chairman asked that the presentation this evening revolve around questions from the Board, rather than be given a full presentation of the document already distributed to the BOF members.

Mr. Butler presented a brief history of his involvement on the WPCA. He stated that the financial challenges of the WPCA is not a new issue. He stated that several years back, he and Roy Litchfield, a member on the Board of Finance at the time, gathered together financial information regarding the WPCA due to their concern of the finances of this authority. The information was presented and then sat fallow for a while. After several years, the issue was brought up again and a task force was created to explore options regarding the future of water and wastewater operations for the town. The task force investigated options which included: (1) continue using 3rd party contracted operators to operate the water and wastewater operations of the Town;(2) bring back the operations "in-house" and hire employees to operate and manage the operations and (3) consider a sale of the assets.

Mr. Butler explained that the current practice consists of having Torrington Water Company operate the water system and Aquarion Water Company operate the wastewater system. If the Town were to consider taking the operations back "in-house" there would be an increase in costs to operate the system. There would be a need to hire certified personnel to run the systems as well as a need to invest in capital expenses and other fundamental expenses. A sale of the assets was briefly explored when the

Town approached MDC to see if they had any interest in purchasing the system. That was a short-lived discussion when it was made clear that the Town of New Hartford would become a member town of MDC and member towns do not receive taxes from MDC. It was quickly realized that the loss of those tax revenues from one of the largest taxpayers would not be beneficial to the Town and this option was discarded.

A question was posed to the AET regarding the stabilization of water and sewer rates. Mr. Butler explained that if the sale is approved, the New Hartford system becomes part of the Eastern Division of Aquarion Water Company's published rates. New Hartford Water rates are currently \$8.08/thousand gallons whereas Aquarion's published rates are \$5.66/thousand gallons. Following a sale, PURA (the Public Utility Rate Authority) will determine when New Hartford's water rates can be assimilated into Aquarion's rates – that is an unknown factor at this time, but the plan is to have subsidization of rates provided by the proceeds of the sale of the assets during the interim. A subsidy would result in a reduction of both water and sewer rates to the users. (Jerram noted that there is a full explanation of the process on the town website in the Potential Sale of assets page; specifically referencing A.5 – use of proceeds from Asset Sale).

Reference was made by the questioner to a "negotiated contract;" to which Mr. Jerram clarified that there currently is no negotiated contract; there is a non-binding letter of intent, but no signed contract. Jerram stated that there will be no signing of a contract until a vote of approval has occurred.

Chairman Wexler stated her concern regarding the need for a final contract to be presented to the Board of Finance for review so that they can fully understand all the details of the transaction. She expressed the need for all of the terms and conditions to be fully defined before asking the Board to make any decisions regarding a sale.

Member Tuxbury expressed his concern that once the subsidization funds are expended and PURA has not yet authorized the assimilation of the rate structure, a request to fund the subsidy would be brought forth before the public for consideration. Mr. Jerram replied that this would need voter approval and it is doubtful that such a request would ever be brought forth before the people to consider. He further stated that the Town will be pushing PURA to provide a decision regarding the rate structure within a 5 year period, recognizing that there is no guarantee of a timeframe for approval.

A question regarding the value of the assets was posed and the response was that there currently is no assessed value assigned by the Assessor due to the fact that municipally owned facilities are not assigned an assessed value. Jerram replied that there is a valuation document that can be reviewed on the website; document B.4.

Member Tuxbury asked why there is no plan to repay the Town for the WPCA shortfall that has been covered by the town for 11 quarters, noting that the auditors have documented that there is money owed to the general fund. Mr. Jerram replied that the proposed use of the proceeds is geared toward giving the current and future users of the systems the benefits from the sale.

Alternate Member Baxter asked why is Aquarion interested in acquiring the sewer in addition to the water; noting that the sewer system seems to have the most liability when it comes to expenses. Mr. Butler replied that Aquarion has the benefit of economies of scale to their benefit. They operate with a larger budget and are subject to being held to a guaranteed rate of return established by PURA which holds them to what their profits can be. Butler stated that when an additional 106 users in the Pine Meadow district are hooked up to the sewer system, PURA will keep an eye on the revenues generated by those additional users and guidelines are in place regarding the amount of revenue that can be

received and when that cap is reached, the regulated authority needs to give that back to the users which ultimately results in a reduction of rates.

Chairman Wexler asked why the town did not seek grants from the Department of Environmental Protection to expand the sewer line into the Pine Meadow area. It is her understanding that there were/are funds available. Mr. Butler replied that the grants are not 100% funding; there would be a match required which would result in additional debt service costs to the town. He explained that the funds Ms. Wexler was referring to are known as “set aside” funds and there is a process for requesting funding from that source. There is a ranking system in place for towns that seek consideration for use of those funds and not all requests are able to be fulfilled. He noted that the “ground rules have changed considerably regarding qualifying for those funds and he is not certain that New Hartford would even qualify.” Mr. Jerram added that the WPCA is not even able to pay their share of the debt service that is currently in place. He stated that the sum total of the revenue is going towards operations expenses. Member Smith asked “what is it that the Board of Selectmen and the Water Pollution Control Authority need from this Board (BOF)?” First Selectman Jerram replied that since this is an appropriation (use of the proceeds from the sale to fund the proposed expansion) Board of Finance approval will be needed to move the proposal forward. He stated, however, that they are not seeking that approval this evening. This is informational only and the Board of Selectmen will forward a request for consideration at a later date.

Member Witte commented that “this issue is not going to go away.” He stated that the auditors have stated for several years that the WPCA has been operating in a deficit. Witte noted that there had been some prior discussion regarding having the entire town share in the costs of the operations but that did not go far.

Member Wexler asked who is the town’s legal counsel for this matter. Mr. Jerram replied that Attorney Roraback continues to be the Town’s Attorney. Ms. Wexler opined that “maybe we need a specialist on board sooner rather than later” to assist in defining the substantive terms of a proposed contract. Mr. Jerram replied that he will defer to the Town Attorney to decide whether or not this is a matter he wishes to pass on to another attorney or handle it himself.

Opportunity for Public Comment:

Chairman Wexler opened the floor to accept comments from the public.

Bill Baxter, 201 Steele Road, New Hartford commented that the investigation into a sale of the assets is not a new topic. He stated that selling the water system was a topic for consideration 15 years ago. He opined that the town does not have the resources or competence to take on the responsibility in house. He stated that he was concerned about the proposed expansion of the Pine Meadow sewer; wondering who would be liable for any cost overruns if the extension costs more than what the revenue from the sale would be. Ms. Wexler echoed this concern, adding that the Town would need to be conscious of escalating costs of construction. Mr. Jerram replied that the expansion would be adjusted to fit the cost of construction.

Lorna Gawlik, 217 Turnbull Road, New Hartford asked if Aquarion would be selling “our water to other towns?” Mr. Jerram answered that the RFP stated that the bidder is required to deliver water to the current and future users within the Town of New Hartford. He stated that water will not be “trucked out of town.” Ms. Gawlik then asked if she, a resident on Turnbull Road, would someday be required to

“close our well and be forced to connect to public water?”

Board of Finance Chairman Wexler stated that it was her understanding that “if they decide to protect the aquifer on West Hill, they would ‘plow right by’ and you would be forced to connect.”

Aulay Carlson, 455 West Hill Road, New Hartford stated that consideration of the proposal comes down to numbers; adding that no one has any clear idea of what the numbers are. He asked, “how can you expect the town to approve such a plan if you don’t have all of the answers regarding the numbers?”

David Rosengren, 495 Town Hill Road, New Hartford agreed with Mr. Carlson. He stated that he has practiced law for over 35 years and was legal counsel for the New Haven WPCA. He stated that he had not been approached by anyone to assist or become a member of the Asset Evaluation Team. He stated that PURA laws and regulations are complicated and there needs to be someone with expertise in the area offering guidance on this matter. He said that volunteers need to know their limitations and further stated that the Asset Evaluation Team members have no knowledge of how PURA will act with regards to the assimilation of New Hartford rates into Aquarion’s eastern division rates. He cautioned that the contract should be thoroughly reviewed because “once they own it, they control it.” Mr. Rosengren also cautioned against the promises made that rates will be lower. He stated that a review of Aquarion’s recent requested rate increase showed that they requested a 20% increase.

First Selectman Jerram responded to Mr. Rosengren, saying one needs to examine the entirety of a 15 year rate history to see that Aquarion’s published rates are still lower than what the WPCA charges today. He stated that the WPCA, since it is not regulated, could raise their rates as often as they want without having to get any kind of approval. There is no guarantee at all as to how often and how high rates could be raised by the WPCA to meet expenses.

Mr. Jerram closed the AET presentation by stating that he encouraged everyone to gain as much knowledge as they could regarding this proposal to sell the water and wastewater assets by attending informational sessions and by viewing the documents on the website.

MOTION: by Butler to adjourn the Asset Evaluation Team meeting at 9:00 PM, seconded by Hart.

Unanimous.

Respectfully Submitted,

Christine Hayward, Administrative Assistant

Attachment:

Key Elements of the AET’s Proposal for the Sale of Sewer & Water Assets (Rev# 2 (2-7-20)