

Town of New Hartford
Water and Wastewater Asset Evaluation Team
Public Presentation

February 20, 2020

Present: Chairman/First Selectman Dan Jerram, Members Bud Butler, Tom Hart, Joe Toro
Others Present: approximately 60+/- members of the Public.

Asset Evaluation Team Members to hold Public informational Session regarding proposed sale of water and wastewater assets, followed by Q&A:

The Public Presentation began at 7:05 PM.

Chairman/First Selectman Jerram welcomed all to the presentation and explained that the presentation this evening was to give information that supports the decision made by the Asset Evaluation Team to recommend that the water and wastewater assets be sold to Aquarion, Inc., a private company. He encouraged those present to listen to the presentation and to please ask questions following the conclusion of the prepared presentation. He gave a brief background of the history of the financial struggles of the Water Pollution Control Authority.

He stated that many are of the belief that the problems faced today are entirely due to the debt service associated with the costs of the upgrade to the wastewater treatment plant (WWTP). Jerram said that the financial difficulties predated that construction. He explained that there was a town meeting where a \$130,000 loan from the town to the WPCA was granted so that operational expenses could be paid prior to the referendum that sought approval of the upgrade. The costs associated with the WWTP then became the 'straw that broke the camel's back.' Once the town received the loan from the USDA for the construction, a request was made to the USDA requesting a principal deferral. The Town/WPCA asked for consideration of repayment on interest only for the first two years in order to allow for the WPCA to have time to generate additional users of the system and increase their revenues. This was granted and the debt was restructured. The WPCA had some extra cash flow on hand for a couple of years when they made progress in collecting some delinquent balances owed for services and receiving large sums from a few customers who had been found to be connected to the sewer system without being billed for the service. Over the past few years, the revenues have been declining – due to loss of a large customer (a laundromat), several vacant properties resulting in no billable services and rates that have become so high that conscious efforts to reduce personal usage has resulted in lower bills.

Due to the decrease in revenues, the WPCA has not been able to meet its obligation of paying its share of the debt service owed for the construction of the plant. The Town has not received reimbursement for the debt service from the WPCA for 11 quarters. This means that the Town (all taxpayers) is paying the full cost of the debt service and has been for almost 3 years.

Mr. Jerram encouraged all present to attend more than one informational meeting, stating that it is a complicated matter to fully understand. Mr. Jerram informed the audience that Town Clerk Donna Laplante would be acting as a moderator for the evening. She will be the one taking the questions and keeping order to the meeting. Jerram asked that no questions be asked until the end of the presentation. He stated that copies of the power point will be available upon request after the conclusion of the presentation.

Mr. Jerram introduced Mr. Denton (Bud) Butler, Chairman of the Water Pollution Control Authority (WPCA) and member of the Asset Evaluation Team (AET) as the presenter for the evening presentation.

Mr. Butler addressed the crowd and stated that the goal of the presentation was to present information to the public so that an informed decision could be made when it comes time to vote on the matter at the polls.

He began by explaining the different components that make up the water and wastewater systems. He began with the water system and explained that public water is supplied to residents by two existing wells; one in Pine Meadow and one on Blackbridge Road. A diversion permit is issued to the town water system that dictates the maximum amount of water that can be drawn from the wells. The State of CT issues the permit to the water supplier. There are two holding tanks that hold water and provide the pressure needed to have the water go through the 65,000 feet of water mains that are used to supply water to individual homes and businesses. 50% of the existing pipes were installed prior to 1895. Fortunately, there have only been 3 recent occurrences of problems with broken water mains. There are currently 535 water users and 326 sewer customers; of which some customers have both water and sewer. There are numerous fire hydrants in the water service area, and those are currently being evaluated as to their condition.

The Wastewater Treatment Plant was completed in 2010 and is already 10 years old. On average, 20 years is considered “useful life” of many components in the plant. One can anticipate many repairs will be needed when it reaches that age. Already, there has been over \$50,000 of mechanical repairs needed to the plant this year alone. Mr. Butler explained the various components that make up the entirety of the wastewater system. There are sewer mains on Loomis Heights, Prospect Street and Route 219 that connect and go under the Farmington River to a collection point known as a wet well. This wet well is showing signs of concern as there have been occasions where debris – consisting of sand and cobblestone-- have caused a plug that has required pumping out of the wet well. This wet well is where effluent is stored until it is pumped up to the main sewer line located on the old railroad bed on Route 44 on the hill behind the roadway. The sewer line ends at the WWTP. There are other lines that service Pine Meadow Farms and the River Run Condominiums and also lines on parts of Main Street. Mr. Butler explained that the asset sale consists of the sale of the WWTP, the pipes, the wet well, leases and property. There is a permit issued by the State of CT called the NPDES that governs the amount of waste that can be treated at the sewer plant and provides guidelines for how the effluent must be treated before it can be released into the river.

Mr. Butler stated that the WPCA is insolvent – they cannot pay their obligations. He stated that there is a Town Ordinance that states that the WPCA is run as a break even operation. Expenses are paid by the revenues received. The debt service payment obligation is not being met. \$69,000 worth of equipment needs has been paid by the town taxpayers due to health responsibilities. Rates have nowhere to go but up. Rates have been raised 7 times in the last 14 years and the last increase showed that the users have reached the saturation point of affordability and revenues actually declined due to lower usage.

Mr. Butler explained that selling the assets provides for a ‘path out of the maze.’ The Aquifer will be protected due to the potential to expand the Pine Meadow sewer line; financial and environmental risks to New Hartford will be minimized; rate stability and reduction of rates will occur. A partnership with a regulated utility company will be established. Expertise of Aquarion Water Co will be a benefit to the

town. Butler commented that Aquarion Water Company has been a partner with New Hartford since they took over operations of the Sewer Plant; they are not a new entity. They have proven to be a good partner already.

Mr. Butler explained the proposal that the voters will consider. He stated that the decision will be in the hands of the voters once local approvals to proceed have been approved. He explained that the Planning and Zoning Commission and the Board of Finance have to agree to move forward. Once a town vote is held, the proposal is then reviewed by Department of Energy and Environmental Protection, Department of Public Health and PURA. The process is a lengthy one.

Mr. Butler stated that if the proposed sale is approved by the voters, Aquarion will pay the Town \$8 million. The proceeds will be used to pay off the existing loan that was used to pay for the expansion of the Wastewater Treatment Plant and will also be used to pay off other existing water debt that remains from earlier projects. The \$61,750 debt owed to the Town coffers will also be paid off. The balance of the remaining proceeds will be used to fund an expansion of the sewer line in the Pine Meadow section of town and will also be set aside to assist homeowners with connections to the new sewer lines. These funds will allow for subsidies to be used to provide stabilization/reduction of rates for the users of the water and sewer systems. The subsidy will be used during the period of time that PURA is reviewing the purchase.

Mr. Butler showed a graph that compared water rates of Aquarion Water company eastern division with Town of New Hartford. He noted that New Hartford water rates have been higher than Aquarion and Aquarion still makes a profit with their existing rates. Mr. Butler gave an explanation of how PURA restricts the amount of profit that can be made. He explained that there is a rate of return determined by PURA that cannot be exceeded. Mr. Butler noted that the WPCA is not held to any limits regarding rates—they can raise them as high and as often as they need to in order to meet expenses. Mr. Butler stated that Aquarion has cash flow available to them to invest in capital expenditures due to the number of customers they have. Capital expenses/improvements are spread across the customer base.

New Hartford resident Pam Thistlewaite of Ridge View Terrace asked if Aquarion will pool everyone together or will New Hartford have their own separate rate. Mr. Butler explained that, initially, New Hartford rates will not be lowered by Aquarion directly- they are not allowed to have new customer rates be subsidized by the other members in the division. PURA will be providing oversight to see what revenues are being brought in by New Hartford and what the associated expenses of the system are before allowing Aquarion to bill at the Eastern Division rate to New Hartford customers. However, the Town will use proceeds from the sale to subsidize New Hartford ratepayers during the initial PURA review period. The subsidy will result in a lower rate than what users are currently paying. Eventually, New Hartford rates will be assimilated into Aquarion's Eastern Division rates; which will result in lower rates billed by Aquarion. Butler cautioned that there is a difference between how rates will be implemented between the water and the sewer systems. He explained that New Hartford is the first sewer system that Aquarion will be purchasing and therefore, it will be handled in a different manner. The Town will use funds from the sale to subsidize the sewer rates during this period of review.

Expansion of the Pine Meadow sewer will result in additional revenues that will lead to a reduction in rates. Neil Whittaker of Frey Road, New Hartford questioned what determined where the sewer lines would be installed. Mr. Butler responded that the sewer service area had to be identified when the Wastewater Treatment Plant was being constructed. There is a map available that shows the area. The WPCA will continue to exist in order to facilitate any sewer hook ups. Mr. Butler explained that there

has not been any expansion of the sewer system due to the fact that the WPCA cannot afford the debt that they have now; therefore they could not promote any expansion of the system. The proposed sale provides an opportunity to expand the system which increases the number of users which generates more revenues which then will provide relief to current users.

Heather Morin, Turkey Hollow, President of the Pine Meadow Farms Homeowners Association, stated that there are 64 homeowners in Pine Meadow Farms and they all have high sewer bills. She asked if there would be forced hookups when new lines are installed as she did not think anyone would voluntarily sign up for sewer connection. She also expressed her concern that this will put others in the same situation they are in – high sewer rates.

Mr. Butler addressed her concerns and stated that State Statutes allow for mandatory connection and if someone does not connect, they can still be billed as if connected. As previously stated, a program will be put in place using the proceeds from the sale to assist in the connection costs. He clarified that there still will be out of pocket costs incurred, but they will be reduced if the homeowner connects during the time that the offer is extended. He stated that the WPCA had given consideration to betterment fees and high connection fees, but it was not feasible due to the financial obstacles being faced by many within the Pine Meadow area. Mr. Butler repeated that increased users results in increased revenues which lowers costs for everyone.

Daria Hart, Main Street, New Hartford identified herself as former Chair of the WPCA and stated that betterment fees had been implemented during her tenure on the WPCA and asked when the WPCA decided to drop the fees. Mr. Butler responded that to the best of his knowledge, betterment fees were never added to the existing regulations. Ms. Hart recollected that betterment fees were instituted and she asked when they were rescinded. Mr. Butler stated that he would have to research that before providing an answer. However, there had only been one new sewer connection since the completion of the plant, therefore there wasn't a loss of revenue due to not implementing such fees. First Selectman Jerram interjected that over the course of the years of the history of the WPCA, there were often many things that were discussed as "to be implemented" when, in fact, they never were. Mr. Jerram commented that it does no good to look back – it is important to look forward.

Rebecca Poppel Royer of High Street stated that it appears that the WPCA is currently only 'band aiding' issues and is not really addressing them due to their financial issues. She asked if Aquarion will have a better way to look ahead and see what needs to be done. Mr. Butler replied that Aquarion will face scrutiny from PURA when they go ahead and seek approval of the purchase of the sewer assets. He added that they have already shown that they are forward thinking and have saved the WPCA money on many repairs and maintenance issues. Capital improvements will be part of their regular operations. First Selectman Jerram commented that he had conducted a telephone survey and contacted area towns to see who operates their water and sewer. The Town of Washington, as one example, has Aquarion as their water operator and they said that Aquarion is a good partner and they have worked well together. Mr. Jerram stated that he has received positive feedback about Aquarion. The First Selectman also stated that New Hartford is one of the few remaining towns in the area that have not sold to a private company. Mr. Jerram asked, "Has our continued independence helped our families?" Regina Wexler, Town Hill Road, Chairman of the Board of Finance stated that she wanted to share some questions that the Board of Finance has raised. She commented that she has read through the documents that are available on the website. She said that although Aquarion has a lot of expertise in the water service area, New Hartford is the first sewer system that they will acquire and that raises

some concern because there is no history to review. She stated that for the Board of Finance to vote, they need to see a complete plan. She said that they still have questions regarding the proposed purchase and sale contract. She said that the Board of Finance cannot commit to approving a proposal that includes subsidizing rates until they can see the results of an RFP that has been put out for contract for the installation of the sewer lines. They need to know how much money will be put back into the system. She stated that the CDM Smith Engineering Plan indicated that Cottage Street should be sewer, yet that is not part of the Pine Meadow expansion being proposed. She wanted to know why this recommendation is not being followed and who makes the decision. She said that we don't know if it is a good idea to be issuing a check to Aquarion to subsidize the rates because there is uncertainty as to what the rates are going to be. She expressed concern that a public asset is being turned into a private asset and the Board of Finance has big concerns over the assessed value. Ms. Wexler referred to minutes from a WPCA meeting where it was stated that Aquarion would not be taking ownership of the sewer lines until they were fully depreciated. She questioned who is then responsible for the maintenance until the lines are transferred to Aquarion.

First Selectman Jerram replied that the discussion regarding depreciation of the lines occurred prior to receiving the approval from the USDA to not pay back the Grant. If the Grant forgiveness had not occurred, then extension of the lines would not have been able to be considered and there may have been need to go an alternate route to extend the lines. However, with the additional funds available by not having to pay back the Grant, that is no longer the case. Mr. Jerram explained that the Board of Finance will be asked to consider the appropriation of the funds received from the sale to invest in the sewer line expansion. He also addressed Ms. Wexler's question regarding why Cottage Street is not currently included in the line extension plan by explaining that protection of the aquifer is the priority. Cottage Street is not part of the aquifer; that is not to say that it is not an area of concern for the future. Andrew Ossolinski of Holcomb Hill commented that when the debate over Bakerville School occurred a few years back, the entire town decided as a whole to keep Bakerville open, even though that school does not serve students on this side of town. He said that over the course of 10 years, the cost for his water and sewer has cost \$20,000 and in 20 years it will cost \$40,00 which is equal to the cost of replacing a septic system. He hoped that the other side of town would be willing to help this side of town.

Mr. Jerram agreed that the Town did vote to keep the school operating and pointed out that the town has, as a whole, has been paying the sewer debt for several years. The rates for the water and sewer are still the highest rates in the state, even with the WPCA not paying into the sewer debt. The debt for the plant is not the problem. Jerram stated that the water and sewer rates are not fair and there needs to be a solution. The Asset Evaluation Team has a proposed solution. Jerram exclaimed that the town does not have the expertise that Aquarion has. They have 51 systems in 169 towns—other communities have broached this issue before us. The water is still going to be the same water—the same wells will be producing the water.

Peter Anderheggen of Litchfield Turnpike stated that there have been two options presented—sell or don't sell. He offered another suggestion—consider organizing a co-op to operate the systems. It would keep it in house and keep it under the town's control.

Mr. Butler responded by stating that the Co-op would need to have a certified operator and fundamental equipment to be able to run the systems. He estimated that it would take startup costs of at least \$600,000 to just “get it off the ground.”

Mary Beth Greenwood, South Road asked if the diversion permit gets sold or transferred. Mr. Butler responded that the diversion permit is issued by the State of Connecticut to whatever entity has responsibility to deliver water to consumers as authorized by the State. Ms. Greenwood then asked if the surcharge that has been listed on the quarterly bills as being used to fund debt service will no longer be applied if the system is sold and the debt service is retired. Mr. Butler replied that the statement that appears on the invoices is misleading and he has not been able to find any documentation that authorized such a statement to be placed on the bills. He stated that there should have been a sinking fund established to separate out the revenues received but there is no fund and there never has been. The revenues received have all been used to pay for the operations and maintenance.

Ms. Greenwood stated that not expanding the sewer system was a choice that was made and now the WPCA cannot pay their bills.

Mr. Jerram said that ‘we all brought into a dream that growth would occur’ and then asked, ‘how can you leverage more debt when you can’t pay the debt that exists?’

Ms. Greenwood asked what will happen when the subsidy runs out? Mr. Jerram explained that once there is a clearer idea of what timeline PURA will take for the review of the sale, calculations will be done to determine amount and length of time for the subsidy. He stated that the town will be watching the process closely with PURA to make sure that things are progressing as they need to.

David Rosengren, Town Hill Road, Member of the Board of Selectmen and former member of the Water Pollution Control Authority stated his concern with the format of the public presentation. He commented that there has not been a “Q&A” – there has been a one-sided lecture. He said it has not been fair and balanced. He stated that when the upgrade to the Wastewater Treatment Plant was presented to the public for consideration, the information disseminated at that time indicated that the “users” of the system would be paying 19% of the debt service; yet the users have been charged with paying 61% of the debt. Mr. Rosengren added that it should be the Town’s obligation to pay for all of the debt service and all capital expenses/improvements. He referred to the same ordinance that Mr. Butler had referred to earlier in the presentation. He argued that the ordinance does not say that all expenses must be paid for by the WPCA. The Town may pay for capital expenses. He asked why the WPCA capital has not been included in the town budget. He stated that the presentations have continued to state that if the WPCA does not sell the assets, the WPCA will be in debt. Capital costs should be paid by the entire town, he said.

Mr. Butler replied, “we do it the same way that capital expenses have always been handled – the same way that they were handled when David was a member of the WPCA.”

Daria Hart, Main Street, New Hartford called for Point of Order and stated that “we do not disparage, we do not characterize” at meetings conducted under Parliamentary Procedures.

Pam Thistlewaite, Ridge View Terrace, New Hartford asked that since the debt service payments will not be included in the budget if the sale is approved, can the Town make a guarantee that taxes will be lowered?

First Selectman Jerram replied that the proposal to sell the assets is important to families because it provides a way to lower water and sewer rates. Promising that there will be a reduction in taxes is not a promise that can be made because tax rate is dependent on a variety of reasons. He stated again that

Aquarion water rates are already lower than those of the WPCA. Aquarion is already making a profit using rates that are lower than New Hartford's. They are looking to increase their customer base; they want to keep growing. "Selling to Aquarion is a way to help our families who are struggling with the high rates," he said.

Daria Hart, Main Street, New Hartford asked if there had been consideration of using proceeds from the sale to put into a fund to be used to subsidize rates rather than expand the sewer line. She stated that this level of funding would provide rate relief funding for a long period of time and perhaps during that time, there would be expansion of the system by developers rather than the town having to fund it. Such a fund could buy time necessary to increase revenues.

Christina Sayer, owner of Brewery Legitimus, New Hartford questioned why the rates for sewer are dependent on water usage. She stated that most of the water used for their business does not enter the sewer system, yet they are billed for it. Daria Hart, former WPCA member, answered the question, stating that there would be a need for separate meters to be installed if sewer charges were based on sewer usage. There would be a big expense to initiate that.

Mr. Rosengren repeated his earlier statement that if the Town budget paid for the capital costs and the debt service, the expense would not be an issue. He added that if the capital costs and debt service were taken out of the WPCA budget, the WPCA would be in the black.

Mr. Jerram asked if there were any more comments to be heard from anyone else who may not have had an opportunity to speak and upon hearing none, thanked everyone for attending.

The public presentation was adjourned at 10:00 PM by First Selectman/Chairman Dan Jerram.

Respectfully Submitted,

Christine Hayward, Administrative Assistant

Attachment :

Power Point Presentation – Asset Sale Evaluation & Recommendation; Public Information Session Dated February 20, 2020 (filed with the Town Clerk and available upon request)