

JOINT SPECIAL MEETING

BOARD OF FINANCE, BOARD OF SELECTMEN, NEW HARTFORD WATER POLLUTION CONTROL AUTHORITY

OCTOBER 8, 2013

Present: Board of Selectmen: Dan Jerram, Alesia Kennerson, Jack Casey
Board of Finance: Chairman Ben Witte, Reggie Smith, Dan Charest, Bill Coates, Joe Gareis.
Maria Moore (7:02), Kate Rieger(7:06), Absent: Jim Fitzgerald.
Water Pollution Control Authority: Chairman Bob Krzys, Bill Michaud, Steve Hanright, Ken Krohner, David Rosengren; Absent: Mike Leclair, Joe Nerney.

The proceedings of this meeting were recorded digitally and copies are available at Town Hall.

Chairman of the Board of Finance Ben Witte opened the meeting at 7:00 PM. He discussed a Code of Conduct for the evening; stating that it was the expectation that all would be treated with respect and that individuals would be allowed to speak without interruption by others.

One half hour was being allocated for the public comment portion of the meeting. He clarified for all that this was a public meeting and not a public hearing.

Chairman Witte noted that he had set the agenda for the meeting to include information that would allow for the understanding of the history of "how'd we get here." He stated that it was his intent for the meeting to be "short on blame and long on solutions."

SEATING OF ALTERNATES:

Board of Finance Chairman Ben Witte seated alternate Bill Coates for the absent member Jim Fitzgerald.

OPPORTUNITY FOR PUBLIC TO SPEAK:

Resident Martha Bussmeyer spoke to those assembled stating that she was not a sewer user; she has a septic system. She said that she has heard people say that they have expenses associated with their septic systems and they don't feel that they should have to pay for sewer system. However, she, as a non-user feels it is not fair to burden the 300 users of the system with 61% of the debt. It is her understanding that the loan does not have a specific breakdown of the repayment requirements.

Resident Pam Thistlewaite commented that she and her family did not live in New Hartford when the sewer treatment plant was being built and was not here when "all of this was enacted." She stated that her family's quarterly bill for water and sewer is \$580.00 per quarter. She further stated that due to these high bills, her family cannot afford to go on a vacation. Ms. Thistlewaite estimated that over a period of 30 years she will have paid over \$60,000 on water and sewer expenses. She is concerned that these high rates will have an effect on those who may want to sell their homes. No one will want to purchase a home with such high quarterly bills. She stated that septic systems provide more of a value to a home than being on a sewerline does. Her final comment was that she has been talking to local business owners and has been told they cannot afford the rates that are currently being charged. She stated that no new businesses will want to come to New Hartford if they have to pay such high rates.

Resident Brian Zelasko took the floor and stated that he has been a New Hartford resident for about 3 years. About 6 months ago, he began to understand why his water and sewer charges are so high. He commented that these high rates are not fair, especially to Senior Citizens and single-parent families. He stated that he has been talking to people and gathering information and realizes that this is not a problem just for the residential sewer users. Businesses are suffering. He indicated that there are 5 or 6 homes in the Pine Meadow Farms subdivision that cannot sell due to the high rates; these homes are now being rented out. He asked the Boards to work together to seek a solution to move forward so that the town does not continue to be divided by this issue.

Resident Donna LaPlante addressed the public. She identified herself as a resident and as the Town Clerk for the Town. She stated that she believes that there is a workable solution. She stated that she realizes that she was fairly lucky recently when she had to have her septic system replaced as it only cost her between \$10,000 – \$12,000. She noted, however, that she had to find her own source of financing to pay for the repair. She commented that she hopes to see a solution that falls somewhere “between the town taking 100% responsibility for the debt service and doing nothing to change the current arrangement.”

Ms. LaPlante stated that as the Town Clerk, she is privy to information recorded on the Land Records with respect to foreclosures and that her observation is that there are foreclosures occurring all over the town, not limited to just the sewer district. She agreed that large expenses for sewer bills may make it difficult to sell one’s home, but she disagreed with the statement that there are differences in values to homes based on sewer or non-sewered. Ms. LaPlante said that she had checked with the Town Assessor to see if there is a difference in how a property is assessed based on whether or not they are connected to sewer and she was told that there is no distinction.

Resident Daria Hart asked the Board of Finance Chairman if this point in the meeting would be the only opportunity for the public to speak and address the Board. She asked if the public would be able to address specific items as they were being discussed. Chairman Witte replied that he would take occasional public comment throughout the meeting as long as comments were relevant and brief.

Resident Jay Bailey stated that it was his belief and that his experiences had shown that property values that are connected to public sewer are more valuable than those with septic systems. He then stated that he believed that the entire Town should kick in and cover the debt associated with the sewer plant. However, he felt that senior citizens and those with a lower income should be able to get some form of relief or assistance with this obligation.

Resident Jennifer Benham spoke and stated that she had received water and sewer bills for \$811.00 for one quarter and had also received a bill for \$900.00 another quarter. Ms. Benham said that the excess capacity of the plant was intended for economic development of the town not for the benefit of the existing users. She asked the Board of Finance why there has to be a fixed percentage of a “split”, stating that she wondered if there could be a sliding scale for repayment of the debt; as new users get connected, the users take on a larger share of the debt.

JOINT BOF, BOS, WPCA, discussion: WPCA financials review:

Debt Service:

Chairman Ben Witte asked Water Pollution Control Authority Chairman Bob Krzys to present information regarding the debt service. Krzys gave a brief overview of the outstanding debts owed for various projects.

There are 4 on the “water side” as follows:

1995 General Obligation Bond due to expire in November of 2015. The bond was for \$480,000; Principal and Interest is due each November; \$28,862.00.

1997 Prospect Street, original loan \$96,300 with a balance due of \$44,940.00; Principal and Interest paid in July of 2013 was \$5,232.00. This is due to expire in July of 2026.

2001 USDA Water system improvement grant/loan. The Loan was for \$591,000 and Principal and interest payments are due each July. Balance due is \$505,847.00. Payment in July 2013 was \$32,141.00. This is due to expire in July of 2040.

2003 USDA loan of \$165,730. Principal and Interest each June is \$9,008.00. Balance in June 2013 was \$146,681. Payment term expires in June 2042.

The sewer debt is:

2011 USDA loan of \$3,594,000. Principal and Interest for 28 years commencing September 2013; interest only 2011 and 2012. 3.25%.

Board of Finance member Reggie Smith asked what loans were being paid by both the town and the users? Bob Krzys replied that only the USDA loan is paid by both.

Resident Elaine Santoro asked what the town was currently earning for interest on the surplus in the general fund. Ben Witte replied “not a lot.” Debt consolidated was suggested, and First Selectman Jerram replied that he had discussed consolidation with the Town’s financial advisor and “there is no value in refinancing the existing debt.”

2012-2013 year end revenues versus expenditures:

WPCA member Bill Michaud presented information related to the 2012-2013 year end. He noted that the year was short on revenues yet also had expenses that were lower than anticipated. BOF member Smith asked what the shortage in revenues could be attributed to. Michaud replied that usage was one large variable. There had been a drop in the overall water usage. Another variable was that their collections rate has decreased. Michaud stated that as rates increase, collections go down. Mr. Smith asked what the WPCA was doing to collect the \$140,000 that is in arrears. WPCA member Dave Rosengren replied that bills are sent out but accounts are not considered delinquent until after a quarter has ended. \$90,000 in arrears is attributed to businesses in town, according to Rosengren.

Chairman Witte noted that the number one expense beyond the debt service is the routine charges for

operations. Krzys replied that \$165,000 is for services from the Waterplanet Company for sewer operations (including staff at the wastewater treatment plant) and \$89,000 to United Water Company for routine charges for the water operations. Krzys explained that currently there are 2 separate companies that provide services for the WPCA. Prior to this, CT WATER was contracted to operate both sides (water and sewer).

Board of Selectmen member Jack Casey asked “where do the operators hang their hat?” He wondered if they are here in town or if they work from offsite. Krzys replied that the WWTP is a Class 3 facility and operators from Waterplanet Company are on site at the sewer plant Monday through Friday. United Water personnel come out periodically to check the wells, read meters and provide services as needed. United Water has sent a letter to the WPCA/Town that they will not be extending their contract for services beyond this year.

Waterplanet Company will renew their contract.

Current year Budget:

Member Bill Michaud presented information regarding the current year (2013-2014) budget. He started by stating that since the Waterplanet Company has taken over sewer operations, the non-routine costs have been more stable. The expenses were adjusted to be more accurate so as not to over budget this line item. Collected revenues are down, and expenses will be tight. Chairman Ben Witte stated that increasing collections is an opportunity for increased revenue. Member Michaud replied that they are working on lien procedures. Rates were increased as of October 1, 2013 and the WPCA expects to operate at a loss this year. Sludge hauling costs have increased 62% over last year. This is due, in part, to the septage receiving contract. Although there is revenue from this arrangement, there are expenses associated with the processing of raw sewage. Two new line items were added to the expenses this year - short lived assets and capital improvements. A condition of the loan approval is to show equipment and materials that will need to be replaced over a 5 – 10 year period.

Selectman Casey asked how the income revenue is broken down. \$211,000 is from water usage charges; \$214,000 from sewer use charges, \$112,000 from revenue surcharge, fees account for \$105,000 for a total of \$431,000 for the sewer side. Casey asked for particulars of how many users. Krzys replied that there are 444 units receiving water; 267 that have sewer and water and 5 sewer only.

Resident Rob Fulton asked what River Run was counted as. Krzys replied that there are 124 individual units (98 two-bedroom and 26 one-bedroom) but it is considered to be 1 water/sewer unit paying a cost of approximately \$112,000 per year. Mr. Casey asked how many businesses are on the system. Mr. Michaud replied that it all depends on how one defines ‘a business’ – is an apartment building a business? Therefore this question was left unanswered.

A question was asked regarding how the WPCA is doing this first quarter. Mr. Michaud replied that the revenues are down by \$20,000 but expenses are on target. He noted, however, that the WPCA did not make the debt service payment for the WTP; this is pending.

A general discussion regarding the current arrangements for septage receiving ensued. First Selectman Jerram noted that there are 3-4 trucks a day hauling septage to the plant. A question was asked regarding the plant not running at capacity and if it’s currently only operating at 25%, why aren’t the costs less. Michaud replied that there are fixed costs –i.e. labor. A 400,000 gallon plant is required to have 2 operators. Board of Finance member Rieger asked if additional septage contracts could be acquired. Michaud replied that there are technological limits to how much raw sewage can be processed on a daily basis. Smith asked what would it take

to bring on another hauler, stating that “we need to find a revenue opportunity for the entire town.” Michaud explained the limitations.

Collections history/arrears:

In 2011, there was \$59,000 in arrears and by October 2013 this has grown to \$145,000. The WPCA has the intent to lien 48 properties. Anyone owing over \$500 for over 120 days will be liened. Jack Casey asked if interest is being charged on overdue accounts. Krzys replied that they not currently doing that but will begin charging interest when they execute the liens. Member Rosengren commented that liens will not produce immediate revenue. He stated that placing liens is “like stacking deck chairs on the Titanic.” He commented that in order to collect the money, a lawyer needs to be hired to begin a foreclosure process. A lawyer would take a third of whatever monies were collected. It’s very complicated to get the money, he said. Liens will not solve the problem of collections.

Town Clerk Donna LaPlante commented that as Town Clerk she sees first hand when liens are placed on properties. She also noted that as a Town, New Hartford has one of the highest tax collection rates due to the fact that the tax collector files liens. Ms. LaPlante stated that placing liens is a standard business practice. She said that there is opportunity to get monies owed when property is sold, transferred or refinanced. She commented that she thought that placing liens is a good step for the WPCA to take. First Selectman Jerram added that placing liens shows fairness to everyone who is paying their bill.

Pam Thistlewaite stated that there are many who cannot pay their bills; therefore she is not surprised that there are problems with collections.

Economic development status/plans

Chairman Witte explained this agenda item is a duplicate and will be discussed later in the meeting.

39/61 split discussion:

Chairman Witte requested that the First Selectman begin the discussion regarding the 39/61 split. First Selectman Jerram read the letter of opinion received from Attorney Judith Blank (attached). To summarize, the attorney opined that the current “split” for repayment of the WWTP debt is non-binding. The bond that was issued to the Town to pay the expenses associated with the construction of the sewer treatment plant was secured by the full faith and credit of the Town. Choosing how this debt should be repaid is a “political” decision – one that rests with the boards as how to best proceed. This opinion was forwarded to the Town Attorney for his advice regarding how assuming a larger share of the debt service would need to be handled during mid-cycle of a budget, if it were decided to go that route. His opinion is that the Board of Finance has line item transfer authority and it could be handled that way.

Resident Hart asked Mr. Jerram what, exactly, was the question that was posed to the attorney regarding the financing of the bond. Jerram replied that he had asked ‘was the split mandated to stay the same due to the fact that there was publicity, such as public mailings, that were sent out to residents informing them of the agreement for repayment of the bond?’ The Attorney replied verbally that while it was voted on and it is never wrong to consult with the voters regarding a decision, it is not mandated to do so.

Resident Joe Toro commented that the 61/39 split was never voted on by the voters. Chairman Witte replied that the Boards of Finance, Selectmen and the Water Pollution Control Authority publicized the first vote and it failed. There was additional discussion regarding the repayment structure, a modification occurred, additional information was distributed and it went to the voters again. Mr. Toro asked why does the whole town have to vote on a change to the repayment structure when a change to the users has already occurred --- the 19% became 61%.

Resident Zelasko stated that there shouldn't be a vote on the split.

Resident Hart commented that at the time of planning the construction of the plant, there was discussion of economic development in town. This concern was brought to the WPCA. If the WPCA had built a plant based on only the residential users, the plant would have been a 250,000 gallon per day plant.

Board of Finance Member Moore added that the repayment agreement was not sold as 61% - 39%, it was sold as 42% (Economic Dev) 19% (existing users) 39% (general taxpayer).

Economic Development status/plans as it relates to new users and increased utilization of wastewater treatment system:

WPCA Chairman Krzys that the flyer that was distributed prior to the referendum referenced 19-42-39 as percentages for the split. There was a DEEP loan as the funding source at that time. Following the referendum, a USDA loan/grant was approved. The DEEP grant was then reduced to 1.5 million (no loan). As part of acceptance of the grant, a letter of conditions was agreed to. One of the conditions agreed to was to build up the user base. A deferral of principal payment was granted to allow some relief to the users since the user base was so small. A 400,000 gallon per day treatment was built based on the promise of economic development in the sewer service area. Currently, the WPCA is investigating options for line extensions. The State of CT DEEP has set aside 1.2 million for sewer line extensions along Cottage Street. This is 75% loan at 2% interest and a 25% grant. However, there aren't any funds available to pay the excess costs.

Chairman Witte asked First Selectman Jerram if he had anything to add regarding Economic Development and its relation to the sewer issue.

Mr. Jerram replied that there is sensitivity by the Planning and Zoning Commission to changing the density for homes along Route 44. There is currently discussion regarding the implementation of an Incentive Housing Zone which allows for greater density. Jerram noted that extending the line down Cottage Street would be cash flow negative due to the debt service that would be incurred for that extension. He noted that Economic Development for commercial business along Route 44 is a long shot, explaining that in the past 25 years, there have only been 2 new commercial buildings constructed in that area --- one being Main Stream Canoe and the other being Northwest Community Bank. There are currently no specific proposals before the town.

Ms. Moore asked if the economic benefits of a sewer line extension into the Industrial Park have been considered. Jerram replied that only 1 business in that Industrial Park had expressed an interest in having access

to sewer lines. Moore stated that a Cottage Street sewer line extension should be looked at as being one step closer to having a line into the Industrial Park.

WPCA member Michaud stated that he and others from the WPCA have met with the DEEP and that they were cautioned not to publicly finance a line that would benefit a private developer. They were advised to focus their attention on to the Cottage Street and Pine Meadow neighborhoods. However, in order to recoup the expenses associated with a line extension, it would be necessary to charge an assessment of approximately \$34,000 per unit. He asked rhetorically “is a home on Cottage Street benefited by \$34,000 if they have sewer?”

Mr. Krzys commented that if 42% of the debt service agreement was based on the assumption that economic development would cover those costs, then lines need to be installed in order for that to happen. The 42% should be shifted to the town and as economic development happens, it can shift back to the users.

Mr. Witte countered that it didn’t seem like Economic Development is the solution to the problem. Chairman Witte then asked for each member of the Board of Finance to take a moment and share their thoughts.

Ms. Moore stated that she echoed the sentiments of Mr. Krzys. Shift the 42% to the town and as economic development increases, shift it back.

Mr. Gareis was concerned that this would be an open ended shift.

Mr. Coates said he was in favor of providing some relief, but he didn’t think it was fair to ask the taxpayers to fund all of it. He felt that the entire town should vote on it, it wouldn’t be fair for the Boards to make such a decision that was originally made by the entire town.

Ms. Rieger commented that she was in the position of having an engineered septic system, but also has a husband whose business is connected to the sewer system. She felt that some relief needs to be provided; however, she cautioned that there are other large capital expenses looming and they all should be looked at. This should not be done “piecemeal.” She then expressed her gratitude to those serving on the WPCA, stating that she understood the difficult position that they were in and valued their commitment to the Board.

Mr. Charest stated that the debt service is not equitable. This is a hindrance to the town. There needs to be some kind of sliding scale. The projections made at the time of determining the debt service payment arrangement have not come to fruition and there needs to be an adjustment.

Mr. Smith stated that the answer is someplace in the middle of where things are now. He believes that this is a decision that the entire town should be involved in. There is more permanence in any decision if the townspeople are involved.

Chairman Witte stated that there needs to be some kind of vote – either a town meeting or a referendum. However, he would like to see what the budget would look like for the town and WPCA and would also like to see what the fees for the users would look like.

Resident Thistlewaite said that she had an issue with the informational flyer due to the fact that it implied that existing users would only be paying 19% of the costs and the flyer also stated that as new users were connected, it would reduce the burden on the Town's budget; further implying that it was the town picking up the majority of the costs.

Resident Zelasko asked about expanding lines and new connections. He wanted to know how many existing properties could be hooked up to existing lines now. Chairman Krzys stated that the WPCA had issued orders to connect to 34 property owners; but that 17 of those property owners had pending requests for deferrals. The WPCA will be meeting soon to make decisions regarding the requests.

Resident Jennifer Benham commented that she doesn't like the thought of having people have to spend \$34,000 to connect to a sewer line; yet she also doesn't want to spend more than the 19% that was advertised. "I don't want to pay for what I am not using," she said.

Resident Marshall Janes cautioned that if a new referendum were to be held, the outcome may not be what was desired; there is the possibility of total defeat.

First Selectman Jerram thanked those present for attending the meeting, noting that it is nice to see people take notice of an issue and take the time to voice their opinions and concerns. Mr. Jerram stated that he has done a lot of reading on the background of this issue and noted that "in a perfect world, we would have a plant that was smaller, more affordable and self sufficient; however, this is far from a perfect world" and therefore we are where we are today.

Jerram stated that he has heard from several residents whose families are struggling to pay their water and sewer bills. It is difficult for him to hear what they have to say and he empathizes with them and the situation they are in. He commented that during his administration, when mailings are sent from "town hall" he is very careful about what the BOS signs their names to. He stated that he has some issues with the mailing that was sent out; to promise that 42% would be taken care of by future users was wrong. However, that is in the past and not much can be done about that now. Jerram thought the idea of a sliding scale as mentioned by Board of Finance member Charest was an interesting one. Line extensions, to him, did not seem to be the answer due to the costs involved. Jerram noted that his biggest concern is that the town is divided on this issue; it is his wish to see the town come together. He stated that it is his belief that when a town votes on something, it needs to get voted on again. He would love to see a payment schedule enacted that is agreeable to all. Mr. Jerram would also like to see the Planning and Zoning Commission continue to work on being able to increase density along Route 44, which may make line extensions more affordable.

Selectman Kennerson said that she agreed with what has been said regarding the high costs and liked the idea of a sliding scale. She noted, however, that if action is taken now using the current budget, there will be a revenue "hole and then how do we plug it?" Action now would be short term when there needs to be a long term solution. She felt that forming a study group to study the situation and come up with a specific recommendation to bring to the people would be the best way to go.

Selectman Casey commented that action needs to be taken quickly.

Resident Mary Ann Gunning stated that she wanted it clarified that the town voted to build a plant, but did not vote on a split.

Status/plans for publicly financed sewer extensions through state/federal grants or direct bonding by the town:

Discussion turned to grant funding that was obtained to finance the plant construction. WPCA member Bill Michaud stated that the \$4 million grant from the USDA reduced the taxpayers burden by \$890,000. Michaud and the WPCA feel that the proceeds from this grant should have reduced the burden on the rate payers due to their contention that the grant was based on the median income of the downtown area. The median income of this area is on average lower than the remainder of the town.

Mr. Michaud presented an analysis of WWTP debt service alternatives based on current and on changed conditions. The information discussed was difficult to follow and record into these minutes; so please view the attached page outlining the options. Michaud stated that it is critical that the entire town support the investment of our downtown area.

Board of Finance Chairman Ben Witte stated that he thought the idea of a working group established to “agree on it and then sell it” was a good idea.

WPCA member Dave Rosengren commented that he felt that in order to come up with a solution, professional help is needed. He said that in his opinion, the town is deteriorating and there needs to be help with economic development.

Chairman Witte reiterated his belief that for now, the way to go is to set up a working committee that can discuss viable options and then “sell it and implement it” and make the decision as to Town Meeting versus Referendum.

Selectman Casey agreed with the concept of a committee, but felt that there needs to be a quick timeframe on this. He suggested that a committee be established within a week or so and that they report back within 60 days.

Board of Finance Member Moore stated that she was very concerned about taking this matter to a Town Meeting/Referendum. She felt it was a dangerous route to go down.

WPCA Chairman Krzys replied that the WPCA is prepared to move quickly on this, and that they were not so sure that this needed to go to a Referendum vote. He agreed that expertise is needed in order to assist the town with economic development.

First Selectman Jerram stated that all three members of the Board of Selectmen would serve on the committee, along with 2 members of the WPCA and 2 from the Board of Finance. Jerram also stated that he would reach out to the town auditors to see if they had any advice or could offer assistance in this matter. He stated that he would also ask the town’s financial advisor if he should be involved in the discussion of the repayment of the debt.

Ms. Moore expressed her concerns regarding the “overweight” of the representation from the Board of Selectmen. Additional discussion ensued, with an agreement being reached that each Board would seek 3 members to serve on the committee, for a total of 9 members. The Boards were asked to give some thought to representation and to forward the names of those willing to serve in this capacity to the First Selectman’s office.

Prior to closing the meeting, Chairman Witte asked if there were any additional public comments to be made.

Resident Mary Beth Greenwood stated that she was in the unusual position of being both a septic system owner and a water/sewer rate payer. She said she was encouraged by the discussion that occurred throughout the evening, but she was disappointed that some are thinking of taking the matter to a referendum. This will perpetuate the situation. She stated that the Boards have the authority to change the agreement and that, as elected officials, they should take care of it.

Krish Dasgupta echoed the sentiments of Ms. Greenwood regarding a referendum vote. He stated that it is very difficult to properly educate people on this matter and that a referendum or town meeting vote could be dangerous.

Resident Daria Hart stated that it was disingenuous to take this to referendum as such an action could end up making things worse. She stated that repayment of the wastewater treatment plant debt is a town wide problem. The Grant was given to the town based on the income of the sewer users and the low income area. She stated her displeasure that access to Grant paperwork has been problematic. To this, Chairman Krzys replied that he had recently located and subsequently forwarded documents to the town for their files.

Resident Benham thanked the members of the WPCA for their efforts thus far, stating that they have done a good job in an impossible situation.

WPCA member Bill Michaud commented, as a final statement that there is a need to look at the long term problems facing the WPCA and that despite the initial expenses involved, there needs to be follow through on sewer line extensions.

Chairman Witte thanked everyone for attending and declared the meeting adjourned at 10:10 PM.

Respectfully Submitted,

Penny Miller, Board of Finance Secretary and
Christine Hayward, Administrative Assistant

