

**Wastewater Financing Review Subcommittee
and
Board of Selectmen
Special Meeting
Wednesday, May 21, 2014**

MINUTES

Present: Committee Members First Selectman Dan Jerram, Selectman Alesia Kennerson, Selectman Jack Casey, WPCA members Bill Michaud, Denton Butler, Steven Hanright, Board of Finance Members Ben Witte, Jim Fitzgerald. ABSENT: Board of Finance Member Dan Charest.

Others present: Board of Finance members Maria Moore, Reggie Smith, Steve Tuxbury, Members of the Public Bob Howson, Meg Toro, Joe Toro, MaryBeth Greenwood, Troy Lamere, Lori Lamere, Mike Dezzani, David Krimmel, Brian Zelasko; Member of the Press Bob Moore (New Hartford Independent), Administrative Assistant Christine Hayward.

Discussion/action regarding modifications to the current “split” for the WWTP debt service:

First Selectman Dan Jerram began the meeting by stating that the purpose of this meeting was to get the Subcommittee back together prior to the fiscal year end to try and reach consensus among the members of the subcommittee and their respective Boards to restructure loan payments for the wastewater treatment plant facility upgrade loan payments. The purpose of this committee has been to try and find a way to offer some relief to the ratepayers who are currently paying 61% of the total debt service, while general taxation accounts for 39%.

Jerram noted that previous discussions of this group had led to consideration of a 25% user/75% general taxation based allocation for debt service. The WPCA rejected that proposal, endorsing 19% user/81% general taxation. WPCA Chairman Michaud presented a 5 point plan to the WPCA in March that outlined several areas that would be addressed for consideration of debt reallocation. Jerram noted that one item, the refinancing of the \$130,000 loan to the WPCA has already been successfully approved. Since that approval, the Board of Selectmen has been working to see how they could proceed with some sort of repayment modification similar to what was done with the \$130,000 loan.

Board of Finance Member Maria Moore, present in the audience, raised a concern to the Subcommittee regarding the absence of one of the members of the Subcommittee. She noted that the absent member, a fellow Board of Finance member was a ‘user’ of the water and sewer system and noted that the other Board of Finance members present were not users of the system. She asked if there would be objection to her being seated for the evening on the subcommittee, since she was a user of the system and wanted to insure that there was adequate representation of users to take part in the evening’s discussions. Discussion ensued as to whether or not this action should be taken.

MOTION: by Butler to allow the Board of Finance Chairman Witte to seat an alternate on the subcommittee.

AYE: Butler, Hanright, Michaud, Kennerson, Jerram, Casey, Witte OPPOSED: Fitzgerald
Motion carries.

Mr. Witte seated Maria Moore as alternate for absent subcommittee member Charest.

Mr. Jerram presented a modified debt service proposal for consideration to the Subcommittee members, noting that the users will still be paying for 61% of the debt; but payments will be structured to allow for lower payments during the first 5 years; with payments increasing in later years. For the first five years of the loan it would be discounted. He said, in essence that you're creating a situation where the rate payers could receive roughly \$43,439.88 of relief from the \$120,446.94 currently in the system, and that the discount could be added onto the end. This payment plan represents a sliding scale. Adjusting the payments allows for time for the WPCA to increase their revenue. The payments are structured to be paid quarterly ; with equal payments being due after receiving revenue from billing.

MOTION: by Butler

“to adopt the proposed USDA-WWTP debt service proposal dated May 21, 2014 as presented with the caveat that the WPCA pay the \$120,000 for repayment of the debt service that it currently possesses and is outstanding for the current fiscal year. “

SECONDED: by Witte

Discussion:

Jerram clarified that the plan includes the current payment , that we’re still in that fiscal year, 2013-14.

Subcommittee Member Fitzgerald stated that he wants to see the \$120,000 paid that is outstanding for 2013-2014 and also wants the \$120,000 due in 2014-2015 paid; and then this could be phased in for the next year. Fitzgerald felt it was important for the taxpayers to weigh in on this proposal; claiming that the voters voted on a 61%-39% split and that they should vote on any changes regarding this matter. Mr. Witte clarified that the motion did address the \$120,000 that is due; but provided for exception for the 2014-2015 year.

Mr. Fitzgerald commented that voters voted on a budget that showed \$120,000 being received in 2014-2015 to pay the WWTP debt and wondered how this could be changed without going to Town Meeting /Referendum.

Jerram replied that there is a legal opinion that the split can be altered and changed without a formal vote.

Discussion ensued among members regarding what the “split” is supposed to be.

Mr. Michaud stated that 61% 39% was based on an ‘old reality.’ Those numbers changed when there was an assumption of growth thrown into the equation. He also stated that when the USDA loan/grant was secured, it offered financing that was not considered into the overall debt repayment. It is his contention that the general taxpayers are paying less than what they would have paid without the USDA funding, with no change to the split being considered.

Ms. Moore added that the split that was presented was that 19% would be paid by existing users, 42%

by new users and 39% to the general tax base. The Town (through Economic Development) was supposed to bring in the new users -- the 42%; and that never happened. At some point, the 42% was added on to the existing users; and that is when "injustice occurred." Moore stated that she liked the 1st 5 years of payment plan but would like to see it re-evaluated at that point. Has the town been successful in bringing on new users at that point? Otherwise, she noted, the WPCA is set up for failure. Selectwoman Kennerson agreed that she would like to see a 'stop point' to re-evaluate. Kennerson did clarify that she did not agree that the 42% "was dumped" on the WPCA ; it is her opinion that the 42% responsibility lies with the WPCA. Kennerson stated that she hoped that 5 years would provide the opportunity for a lot to happen. Abutters should be on the system by then. She agreed that helping the WPCA to achieve success is the responsibility of 'all of us' (the WPCA, the Board of Finance and the Board of Selectmen). She gave the example of the revolving loan fund as being a tool to help move forward. Kennerson supported the modified debt payment plan because it 'stays in the spirit of the 61%-39%' and is in agreement that a formal vote is not needed to change the terms of the payment plan.

Mr. Witte stated that he was confident that the Board of Finance would not approve any change in payment restructure unless the \$120,000 owed for 2013-2014 is paid. He also was concerned that some may not support it unless there were some real plans and promises to get action regarding some of the concerns that have been expressed by the Finance Board members regarding their current path of operations. He noted that the "5-point" plan might be the action item needed to garner support.

Selectman Casey liked the proposed revised debt repayment plan, stating that it gives some immediate relief to the users.

Mr. Fitzgerald commented that he agreed that injustice has been done to the users of the system, but felt that the injustice was done due to an ineffective WPCA. He stated that "they have been ineffective since day one." They have done nothing to get new connections.

Mr. Butler commented on Mr. Witte's statement that the 5 point plan recently approved by the WPCA might be viewed favorably by the Board of Finance as an action plan and therefore he suggested that the 5 point plan be included as part of the payment plan revision. First Selectman Jerram thought this might complicate the issue. Butler disagreed, stating that the 5 point plan shows direction and future planning and provides a framework for moving forward.

Ms. Moore agreed that the 5 point plan should be added to the payment plan because it helps to clarify what steps will be taken to get to where the WPCA needs to be going. She commented that part of that plan is incumbent upon the Board of Selectmen assisting with helping to get sewer line extensions. Jerram replied that the Board of Selectmen has received no request from the WPCA for any assistance with sewer line extensions.

Mr. Michaud interjected that the cost of installing sewer lines has increased 4 times since the costs were explored for the facilities plan. He said that the WPCA cannot afford to install/extend lines without the

help of taxpayer dollars. "If we go into this modified payment plan without the 5 point plan and help with sewer line extension costs, we will be back here in 5 years with no forward movement."

Mr. Hanright voiced his support for the repayment plan; noting that it provides relief right away and agreed that help for sewer extensions will be needed.

Mr. Witte noted that sewer line extensions could cost taxpayers \$30 to \$40 per \$100,000 worth of property value whereas spreading out the debt equally among taxpayers might add \$6.00 to \$10.00 per \$100,000. He stated that supporting the debt payments might not be as much of a financial burden as it is an emotional one.

Other items of the 5 point plan were discussed by the group. The majority agreed that at 5 years, the modified repayment plan would be reviewed to see if any adjustments need to be made. At this time, review of the implementation of the 5 year plan would occur. There was consensus that two of the 5 points would be discarded, #1 – To establish the WPCA's share of the WWTP debt and #4 - Restructure \$130,000 loan to WPCA, since these had been addressed already.

Mr. Jerram said that three of the five-point plan items would remain, saying provision for readjustment will be based on success of reasonable addition of new connections (#2); completion of and approval of the revolving loan fund proposed by the Board of Selectmen and subsequently approved by the Board of Finance (#3); and third would be the successful establishment of the lien program currently under legal review (#5).

The 5 point plan includes the WPCA and the Boards of Finance and Selectmen working collaboratively to investigate the sewer line extensions in the sewer service areas, working together to investigate a possible revolving loan fund to be used to help pay for the installation of lateral connections to the sewer system. The WPCA will finalize orders to connect for existing abutters and issue orders to connect and implement connection programs for new sewered areas. The WPCA will also implement a formal lien program to secure balances owed on existing overdue accounts.

Recording Secretary Christine Hayward was asked to read the motion as it now stood. She read:

"Adopt USDA WWTP Debt Service Proposal dated 5/21/14 as presented, with the caveat that the WPCA return \$120,000 for repayment of the debt service that it currently possesses outstanding for the current year; and subject to the provision of review of successful connections, successful revolving loan fund, and implementation of a firm lien program that is currently under legal review."

Jim Fitzgerald expressed concern that tying the items remaining in the 5-point plan together with the debt service restructuring proposal will cause it to fail at a Board of Finance meeting, rather than just trying to resolve this problem, the payment restructuring, getting this approved, and then working on those other items.

Mr. Jerram said that he is planning on just adopting three of the five items.

Recording Secretary Christine Hayward clarified that just those three things that were mentioned, provision of review of connections, success of a revolving loan fund and implementation of a firm lien plan currently in legal review are included.

A vote was taken on the motion as read by the recording secretary.

AYE: Butler, Moore, Fitzgerald, Witte, Hanright, Michaud, Kennerson, Casey, Jerram.

Motion carries, plan passes.

First Selectman Jerram applauded the efforts of all of the members of this committee working together to help provide relief to the ratepayers.

Opportunity for Public Comment:

Mr. Troy LaMere asked if anyone knew what the actual savings would be to the users by adopting this plan. He stated that it was his understanding that this would only amount to about \$100.00 per year, which is “nothing and a waste of time.”

Ms. Toro stated that she, as a user, was insulted that this was all that was going to be done with the debt service. She said that this doesn’t fix anything. Who will pay for the extensions? She asked. She commented that elected officials need to ‘sell this to the town – need to make them understand the problem; need to educate them.’

Mr. Krimmel said that the water and sewer services are an asset to the town, just as schools are. They should not be seen as a liability. All of the town should pay for this. The treatment plant is an asset that will allow the town to grow; and it needs to be seen as a community investment.

MOTION: by Fitzgerald, second Kennerson to adjourn at 8:34 PM.

Unanimous.

Respectfully Submitted,

Christine Hayward, Administrative Assistant