

**Town of New Hartford  
Board of Finance  
Virtual Regular Meeting (via ZOOM)  
December 8, 2020**

**Present (Virtually)** Chairman Regina Wexler, Members: Dan Charest, Kerry Guilfoyle, Paul LeClair, Steve Tuxbury, Ben Witte, Alternates: Bart Baxter, Ryan Bingham, Lou Helt, and Recording Secretary Penny Miller

**Others present (virtually)** First Selectman Dan Jerram, Selectmen Alesia Kennerson and David Rosengren, WPCA Chairman Bud Butler, WPCA member Joe Toro, Kathryn Boughton (reporter Republican American) and others members of the public.

Chairman Wexler opened the meeting at 7:06 pm.

As all members of the board were present no alternates were seated.

**MOTION** by Ms. Guilfoyle to adopt the agenda as presented. Seconded by Mr. LeClair.

*Unanimous*

**Approval of minutes from the November 10, 2020 Regular Virtual Meeting.**

As there were no objections or corrections to the minutes Chairman Wexler said they were approved by consent.

**Communications and Other Items presented to Board**

Several items of communication have been presented and were sent out as handouts when the agenda was posted. They are available for viewing at the New Hartford Town Clerk's office.

**Opportunity for Public Content**

Mary Beth Greenwood, 155 South Road and a business at 8 Bridge Street, said after attending many meetings on the sewer and water topic she had a couple of questions. The first was how will the newly constructed line extension will be handled. At the meeting in June 2019 the AET did a presentation at a WPCA meeting. According to Ms. Greenwood, at that time Mike Crawford of Aquarion, said that New Hartford would own it until it was fully depreciated. He didn't know how long that would be. In February 2020 there was a joint meeting between the AET and the BOF and Ms. Greenwood stated that at that meeting it was stated that a separate agreement would be presented that would cover how this line extension would be handled. Ms. Greenwood doesn't know if that agreement has been formulated yet. But she feels it is important on how any revenues of the newly constructed line would be handled. How any operation & maintenance fees or repair costs would be paid while under town ownership. The 2<sup>nd</sup> thing that stands out is the subsidization of sewer lateral connection fees and costs for new sanitary sewer system users. She isn't clear on what this could be. It could take a lot of different forms which she feels haven't been identified.

First Selectman Jerram said in response to the first question there may be a gap of time in between approval of a referendum, issuance of an RFP, the beginning of start of operations for construction, connecting people and the actual conclusion of the sale. The town may hold possession of the line and may need an operations agreement. It is unclear on how long this will be. The intent of the town and the AET has never been to make this a money-making venture. There are many moving parts to this proposal to be considered and it won't happen in one day. This proposal is about working with a partner to help our water and sewer users with lower rates to all of our users and protecting our public drinking water wells.

With regard to the implementation of the connection funding. That was discussed at the November meeting. It will not only be the 106 users in the Pine Meadow district but it will also include the 30+ homes that are in the sewer district in the center area but not connected. This will be done on an enticement basis where the town, if the Board of Finance approves the appropriation and the public votes & approves this. We have 136 homes that are not connected. We have always said we would offer an enticement with a limited time offer. A per household stipend would be calculated depending on the response to that offer to connect the 136 homes not currently connected. This would be a timed offer.

David Rosengren, Town Hill Rd, following up on a couple of things, said that the Pine Meadow extension will be owned by the town. Mr. Rosengren stated that Mr. Crawford had said it would be owned by the town as long as it takes to depreciate the asset. This may take 20 years. One thing missing is how we would work out with Aquarion and the users what they will be charged on this separate line. He feels that BOF can't vote on a motion like this that is so open ended. You are basically selling a "pig in a poke". Secondly, he thinks this motion violates the law because it purports to delegate to the Board of Selectmen the right to dispense town funds. That is what this motion is doing. Because the WPCA is in charge of billing, collecting and making decisions on what to spend or not. It may be a dual obligation of the WPCA and the Board of Finance to deal with money. Rosengren believes it is probably ultra-virus to hand over that responsibility to the Board of Selectmen. The Pine Meadow extension as a practical matter will not be built for 4 or 5 years. Third, according to Mr. Rosengren, it is a terrible idea to leave out the users who are supposed to be the beneficiaries. He has an alternate motion that he would like the BOF to consider. Chairman Wexler interrupted him by saying he couldn't make a motion at the Board of Finance meeting. Mr. Rosengren said he has a proposed motion that he would like the board to consider instead of the one that is before the Board of Finance. He read the following into the record.

#### **MOTION**

Whereas the Asset Evaluation Team has publicly stated that its primary goal is to benefit the users of the sewer and water systems from the sale of those systems to a private company, the Aquarion Water Company; and

Whereas it is therefore necessary for any Referendum language to adequately ensure that the sewer users, both current and future, are so protected and benefited; and

Whereas the currently proposed Referendum language fails to accomplish the stated purpose of the sale to *guarantee* amounts to be allocated for the benefit of the sewer users; and

Whereas, as acknowledged by the AET that the sale price has never been the subject of any

negotiations with the proposed Buyer; and

Whereas the AET has determined that the proposed Pine Meadow sewer line extension is in substantial part being proposed for the protection for the Town's Acquifer and is therefore a *Town-wide responsibility* and should not be borne solely by the sewer users;

NOW, THEREFORE, THE BOARD OF FINANCE HEREBY RECOMENDS THE FOLLOWING TO A TOWN MEETING:

1. The sale of all the assets (the "Sale") of the Town of New Hartford public water supply and sanitary sewer system (the "Assets") to Aquarion Water Company of Connecticut ("Aquarion") for the contract price of \$8,250,000;
2. The appropriation of so much of the sale proceeds as is necessary to repay in full all indebtedness pertaining to the assets owed to the United States Department of Agriculture, Rural Development;
3. The appropriation of not more than \$3,000,000 for the design and construction of a gravity sewer in strict and full accordance with a plan dated May 2016 for a P-2 gravity sewer drafted by CDM Smith ("Pine Meadow Extension), a copy of which is attached hereto;
4. All the remainder of the proceeds of sale to be used upon closing and thereafter for the benefit of the current and future users of the system to subsidize sewer rates for a period of not less than 5 years and to subsidize connection fees of any future users ordered to hook up to the Pine Meadow Extension.

Chairman Wexler said as there is no other public comment that portion of the meeting is closed.

#### **AET – discussion and possible action on Sale of Water and Sewer Assets**

Chairman Wexler thanked Dan Charest for his help in revising the motion.

**MOTION** by Mr. Witte to bring the following motion forward and to accept the motion to sell the water and sewer plant as revised by the town attorney with input from Dan Charest. Seconded by Mr. Tuxbury.

To recommend to the Town Meeting, to be adjourned to referendum (i) the sale of all the assets, including without limitation those assets listed on Exhibit A hereto, of the Town of New Hartford public water supply system and sanitary sewer system (the "Assets") to Aquarion Water Company of Connecticut or any parent, subsidiary or affiliate of Aquarion Water Company of Connecticut (together, "Aquarion") for the contract price of not less than \$8,000,000, subject to usual and customary closing adjustments and costs of sale; (ii) the appropriation of so much of the sale proceeds as is necessary to repay in full the outstanding balance as of the date of sale of the Assets of all indebtedness pertaining to the Assets owed to the United States Department of Agriculture, Rural Development, and to the Town of New Hartford as shown on Exhibit B hereto; (iii) the appropriation of an amount not to exceed \$3,600,000.000 for the design and construction of extensions and improvements to the sanitary sewer system in the Pine Meadow area of the Town of New Hartford as shown on the schematic map attached hereto as Exhibit C entitled "New Hartford, CT Pine Meadow Residential Area Option P-2 Gravity Sewers

with Pump Station, Portion of Easement 1 inch= 300 feet DRAFT May 2016" prepared by CDM Smith, a copy of which map is attached hereto as Exhibit C and available for inspection in the office of the New Hartford First Selectman, or so much of said sanitary system extensions and improvements as can be designed and constructed for the sum of \$3,600,000.00; (iv) the appropriation of an amount not less than \$435,000 and not to exceed \$500,000.00 of the balance of the sale proceeds available after the appropriations set forth in subsections (ii) and (iii) above as determined appropriate by the Board of Selectmen to fund the subsidization of public water and public sewer use fees; (v) the appropriation of the balance of the sale proceeds not to exceed \$355,000 available after the appropriations set forth in subsections (ii), (iii) and (iv) above to subsidize sewer lateral connection fees and costs for new sanitary sewer system users as allocated by the Board of Selectmen; and (vi) the appropriation of any balance of the proceeds of sale remaining after the expenditures set forth in subsections (ii)-(v) above as may be recommended by the Board of Selectmen for uses consistent with subsections (iii), (iv) and/or (v) above upon the approval of the Board of Finance and Town Meeting.

The following exhibits accompanied this motion.

Exhibit A: List of Assets

Exhibit B: Summary of debt

Exhibit C: Map of proposed sewer area in Pine Meadow

Discussion followed. Mr. Charest said for the record regarding the appropriation of the sale proceeds and how will the disbursements be worked out. Mr. Jerram said in the public presentation they have always talked about the current water rates of \$8.08 per 1,000 gallons with a quarterly charge. For the record the subsidization of rates will not be done by household or individual but will be applied evenly across the user base. We want to make sure we are clear for the record that this is a subsidy applied evenly across that board for the users - not to the individuals. A particular amount of money depending on the amount of time of this subsidization is to reduce the \$8.08 per 1,000 gallons down evenly so that all people on the water & sewer system will benefit equally. This is the intent of the desire of the motion. The rate structure is uniformly given to everybody across the board. The water rates could hypothetically come down to \$6.00 per 1,000 gallons with the quarterly charge added. This includes all profit and other surcharges on top. This also gives you access to the capital budget of \$120,000,000.

Ms. Wexler said you mentioned Board of Finance approval. She is concerned that the last phrase of this motion includes the words "*upon the approval of the Board of Finance and Town Meeting*". Based on what was just said why doesn't the motion also include those words upon approval by Board of Finance immediately before the paren. 5 and immediately before paren. 6. You have Selectmen to fund the subsidization of public water and public sewer use fees upon approval of by Board of Finance. The same with connection fees and costs for new sanitary sewer system users as allocated by the Board of Selectmen upon approval of the Board of Finance. You indicated that this was the case and isn't that language missing.

Mr. Jerram said the motion has been reviewed and crafted by the Town Counsel. If there are any residual funds left over as a by-product of paying, for instance, more debt service before the transaction occurs, we can come back to the Board of Finance and say we made more debt service payments and have additional funds for use. Ms. Wexler interrupted him by saying he wasn't answering her question. Ms. Wexler again asked why the Board of Finance isn't included as having to approve first 2 allocations for subsidies and hook-ups. Mr. Jerram responded by saying you approve the motion and you approve

the specific terms and conditions of the funds. It is up to the townspeople to make the final approval. The administrative function of superintending the affairs of the town, the actual writing of the checks, is a Board of Selectmen function not the Board of Finance.

Ms. Wexler said we have had issues before where Board of Finance has based on past exchanges with Board of Selectmen and past opinions issued by town counsel which were somewhat contradictory. For example, it has been deemed that the Board of Finance does not have control over inter-departmental line items. Ms. Wexler expressed her concern regarding that there be a partnership between the two boards on how to disperse those funds.

Mr. Jerram replied you are confusing a general appropriation within the budget with a special appropriation. This motion was discussed with town counsel and Mr. Charest. In no uncertain terms can money can be taken from the connection assistance fund and used for anything else without coming back to the Board of Finance and then to a Town Meeting. This is a special appropriation and is not subject to line-item transfer. Attorney Roraback said you can't take these funds and use them for anything else other than the specific area that is designated within the motion. For instance, if no one takes us up on our connection offer we would need to come back to the Board of Finance for approval and then to a town meeting on how to use those specific funds.

Mr. Baxter had concerns about what might happen in the future if there is a change in the Board of Selectmen. Does the Board of Selectmen alone have the ability to determine how the funds are split? Based on the language here, could the Board of Selectmen say we will approve the first 10 people and then they will get the entire \$355,000. We know the way the Board of Selectmen works and there are 2 people on the same party that make those decisions. Mr. Baxter believed that the Board of Finance would be aggregating some control to the Board of Selectmen. Why do we give up our right to participate in that decision as a Board of Finance? Couldn't we change the wording in the motion so that both agreed? It does add a layer of administrative and bureaucracy but it does protect the user. It's a ridiculous situation but not unheard of.

Mr. Jerram responded that every year the Board of Finance gives the Board of Selectmen money to pave the town roads. We are trusted that we don't do the same roads every year. You have to identify the users that want to connect. Then if you take the \$355,000 and 136 possible candidates. If everyone agrees it is \$2,600 per household. At some point the Selectmen will put a cap on it. As an example, the most recent addition of a pump-up system was over \$10,000. He doesn't see the town subsidizing up to \$10,000 per household but he could see the Selectmen implementing a cap of maybe \$3,000 to \$5,000 maximum. We want to encourage people to join and become part of this system. You don't want to lose the subsidy and then have to pay more to connect. The town may be willing to cover part of the cost, if funds are available.

Ms. Wexler stated that It isn't clear as to when the subsidies will start. Is it as soon as the money is received from Aquarion? We will start subsidizing existing users.

Mr. Jerram said on the water side all of Pine Meadow area has water there. Are all of the components going to happen on the same day – absolutely not. Once it is approved it moves onto the final hurdles - PURA, RFP, construction that will take a while before the rate making is set.

Ms. Wexler just wants it to be clear for the minutes. Can the current users expect some relief once the money is in our bank? Mr. Jerram said you need to get through PURA first. Ms. Wexler asked will you be requesting that the current users get a subsidy upon closing of the sale? Mr. Jerram replied immediately upon closing of the sale or immediately on approval of the rates by PURA. Ms. Wexler asked when you ask PURA to approve the rates does that come with a request that the current users start being subsidized or will it come with a request that once the line is built all the users will be subsidized. What

is the request you intend to put before PURA? Mr. Jerram said the PURA rates and the subsidy rates are two different things. Water and sewer rates are two different things. Until you go through the entire process you can't put a date on it. Ms. Wexler said she doesn't understand what the intention is. Is it to subsidize the exiting users as soon as we have the \$8,000,000 in the bank or is it a request of PURA that we want to subsidize them as soon as we can before the extension is built? Mr. Jerram said the intent is to implement the subsidies as fast as we can, but the timeframe is uncertain.

Mr. Witte asked if PURA is involved with what our rate subsidy is whether it be 1% of 20%? Does it have any bearing on what they are doing? Mr. Jerram said when he and members of the AET met with PURA, they did want us to include all the information on what we were trying to achieve. In the meeting the Office of Consumer Counsel was in support of the town's application. They said to PURA why are you getting involved with what the town does with its money. The goal of the Office of Consumer Counsel is to work for the benefit of rate payers for public utilities to get them the lowest possible rates. They said to PURA you have a group here that is trying to lower rates for people and they said that PURA should be doing everything to further our application and request.

Ms. Wexler asked does PURA have any say or control about what the Town of New Hartford does to subsidize rates. Mr. Jerram replied that to the best of his knowledge, he doesn't think so.

Ms. Wexler replied if it is our decision only and not PURA's, when will the Town of New Hartford start subsidizing the rates and for whom? The current users have an expectation that as soon as the sale is completed and we have our \$8,000,000 their rates will begin to be subsidized. If we don't have to wait for PURA to approve that then it is completely in the purview of the Town of New Hartford then what is the intention of the Board of Selectmen because the way the motion is written the Board of Finance doesn't have any input into this. Ms. Wexler stated that she believes that the town has an obligation to let our users know what our intention is for that money. When will they see some relief? Is it right away? Mr. Jerram replied that we have to make it through the rate making process and once that happens and we know what the surcharge fee will be we can then calculate the exact distribution at that point.

Bud Butler, WPCA chairman, said to the best of his recollection the sale will be approved at the same time PURA approval comes for our application. Until we have an approved sale it probably isn't in anyone's best interest to invoke a subsidy for funds we don't have. Ms. Wexler responded that once PURA approves the sale and we have the funds but we haven't started construction on the extension, will we start to subsidize the current users or will they wait until the extension is completed?

Mr. Butler said that water users because they are system-wide should expect upon approval of the sale and approval of PURA that they could get their subsidy. He strongly suggests to wait until the implementation of the project in Pine Meadow is complete before you begin the connection subsidy. Otherwise, you are giving rate relief to one class of service that's established and not giving relief to future users. A determination will have to be made as to whether or not it would be reasonable to extend subsidies to existing customers who are established or wait until there is a common community base with 136 new users. Ms. Wexler said what she is hearing is the recommendation from Mr. Butler is that we don't subsidy any rates until the new line is completed. Mr. Jerram said there is no planned construction on the water lines. If the Board of Finance doesn't approve the this then no one in the sewer district will get help. The goal is to help people by moving forward on this proposal to lower the rates. It won't be instantaneous. It will take a few years.

Mr. Baxter asked who is making these decisions a year or two down the line. Is it the Board of Selectmen or the Board of Finance? Who makes the decision as to when we subsidize? Mr. Jerram responded if you are talking about sewer line connections no more than \$355,000 will be allocated.

Money won't walk out the door for possibly 2 years. There are 30 houses in the center of town that might sign on earlier.

Mr. Butler said PURA needs to approve the sale. Once the money is received, we can subsidize the water users and when the sewer is completed, they can be subsidized.

The motion incorporates all the exhibits.

*Aye: Witte, LeClair, Tuxbury, Guilfoyle, Charest; Nay: Wexler*

*Motion carries*

**Reports:**

**a. Bookkeeper: Revenue & Expenditures Fiscal YTD and previous Fiscal YTD**

Mr. Jerram reported that the collections are okay. We all share the concerns about the upcoming winter and the increase of COVID. Admission to the Town Hall is by appointment only. Mrs. Wieduwilt said a certain amount of people pay their taxes before the end of the year. There is nothing to indicate a deviation of the norm.

**b. First Selectman's Report**

Mr. Jerram said the town was fortunate enough to get some funding to do some work on the bathrooms at Brodie Park. The town received a \$90,000 STEAP appropriation from the state. The town has transitioned over to engineered salt. The salt will not be available for town residents. The town is now out of the sand business. Any remaining sand is available only at the public storage site on Antolini Road. The town had to rent a skid steer as ours is no longer functional. Budget season will start soon and he hopes that Ms. Guilfoyle stays on the CAPEX board.

**c. Treasurer's Report**

No report was given.

**Discussion and possible action on 2021 Meeting Date Schedule**

**MOTION:** by Mr. Witte to approve the 2021 Calendar as presented. Seconded by Mr. Tuxbury.

*Unanimous*

**Other Business**

Mr. Jerram thanked the members for their patience over the sale of the sewer and water.

**Adjournment**

Chairman Wexler deemed the meeting closed at 8:44 pm

Respectfully submitted,

Penny Miller, Recording Secretary

**Handouts:**

Minutes of November 10, 2020

New Hartford Sewer Resolutions

2021 Meeting Date Schedule

MOTION emailed from David Rosengren to BOF Chair Regina Wexler 12/7/2020 "Whereas the Asset..."

FY 2020-21 Expenditure Report from 11/1/2020 to 11/30/2020

FY 2020-21 5-year Comparison Report (Expenditure) as of 11/30/2020

FY 2002-21 Revenue Report from 11/1/20 to 11/30/2020

Exhibits to accompany motion "To recommend to the Town Meeting, to be adjourned..."

Exhibit A: List of assets

Exhibit B: Summary of debt

Exhibit C: map of proposed sewer area in Pine Meadow