

New Hartford WPCA
Special Meeting October 9, 2012

Present: Water Pollution Control Authority Chairman Bob Krzys, WPCA members Bill Michaud, Steve Hanright, Joe Nerney, Dave Rosengren, Ken Krohner; Board of Finance Chairman Ben Witte, Members Reggie Smith, Kate Rieger, Maria Moore, Jim Fitzgerald, Dan Charest, Alternate Joe Gareis; First Selectman Dan Jerram, , Selectman Alesia Kennerson, Town Treasurer Gordon Ross, Bookkeeper Annie Witte, Members of the Public Bud Butler, Dan Eddy, Marybeth Greenwood, Member of the Press Sarah Bogues (Register Citizen), New Hartford Plus videographer Bob Moore, Administrative Assistant Christine Hayward.

Joint Meeting discussion with WPCA:

Chairman Bob Krzys called the Special Meeting of the WPCA to order at 7:03. Mr. Krzys noted that a quorum was present; identifying members Michaud, Rosengren, Hanright, Nerney, and Krohner in attendance.

Mr. Witte stated that the discussion with the WPCA would revolve around three key points as outlined on the agenda: a) update on 2011-2012 year end financials, b) revenue generating plans to offset treatment plant upgrade payments and c) any other WPCA key initiatives. At this point, Mr. Witte asked Mr. Krzys to begin the discussion.

WPCA Chairman Bob Krzys presented summary responses to each of the three key points specified on the agenda. Krzys stated that the 2011-2012 fiscal year had closed out with approximately a \$30,000 cash balance. There was a shortfall in collections for the year, which caused revenues to be lower than what had been projected. Collections were adversely affected by a bankruptcy and several foreclosures. The WPCA met their obligation of \$71,000 towards the USDA loan payment.

Regarding revenue generating plans, Krzys noted that one way to increase revenue is to raise rates; commenting that there have been steady increases to the rates for the past few years. A 6% rate increase took effect in July of 2012. Chairman Krzys indicated that the challenge that the WPCA faces is that there is a 400,000 gallon per day wastewater treatment plant that is currently processing on average 70,000 gallons of effluent per day. In order to generate revenue to help offset the costs of operation of the plant, an increase in the user base is desired. To this end, the WPCA has just issued "orders to connect" to 37 properties that abut, but are not connected, to the existing sewerlines. A Public Hearing regarding the matter is set for October 18. Mr. Krzys commented that many are 'not happy' to receive this order and they will have a chance to address the WPCA at the hearing. It is anticipated that the last quarter of Fiscal year 12-13 should see an increase in revenues due to new connections that occur as a result of this order. The WPCA has a change order pending review with the USDA to use excess funds from the plant construction to increase automation that would allow for less manpower to perform required functions at the plant. The plant is currently classified as a Class III plant (due to size) and as such is required to have 2 operators on site; however, it is the intent of the WPCA to seek special relief from the Dept of Energy and Environmental Protection (DEEP) of this requirement due to the low flows currently being processed. Additional excess funds will be used to make modifications needed in order to move forward with a septage acceptance policy at the plant. Both of these modifications would offer positive steps in reducing the financial burden of plant operations.

Chairman Krzys informed the Board of Finance that sewer extensions are a very costly initiative. The WPCA has been placed on the DEEP priority list and has received funding from the state in the form of a 25% grant, 75% loan in the amount of \$1.2 million for line extensions along Cottage Street. The loan has an interest rate of 2% over 20 years. Krzys noted that the WPCA is currently carrying a heavy debt load and stated that the WPCA would look to the Board of Selectmen to seek support for a bonding initiative to ease the burden of the users. Krzys commented that the STEAP grant that the Town (through the First Selectman) has applied for 'piggybacks' the sewer line extension along Cottage Street. The 2012-13 STEAP Grant seeks funding for sewer extensions along Greenwood Road and the Industrial Park

area. Another option being considered to increase revenues is the implementation of Benefit assessments to existing users. State Statutes allow for this type of assessment to those properties that benefit from having a sewer connection. An assessment of between \$4,000 - \$7,000 per user that can be paid in installments over a 10-15 year period is being discussed. Mr. Krzys noted that resident MaryBeth Greenwood has been assisting the WPCA in searching for grant options. Unfortunately, there is very little public funding left that leads to Grant funding.

Board of Finance Chairman Witte asked Mr. Krzys if he had any documentation, such as a revenue/expenditure summary that could be shared with the Board. Krzys replied that Member Michaud did have a powerpoint presentation that could be viewed by members at their convenience. Nothing was distributed at the meeting. Witte asked what the difference was between revenues and expenditures. Michaud replied that the year ended with \$80,000 under budget for expenditures and was \$90,000 under budget with expected revenues. Mr. Michaud claimed that revenues were affected mainly by accounts in arrears and a lack of collections. Mr. Witte asked if the WPCA would be able to cover the Wastewater Treatment Plant debt service payment due next September considering that it would be a larger payment as it would not be interest only as the first two were. Mr. Michaud replied that expenses have been lower with the new clean and wastewater operations contracts currently in place. He praised Chairman Krzys's 'negotiating skills' stating that the Chairman was able to get some good contracts in place. Michaud added that even with the savings, it will be necessary to get additional revenue to meet future obligations. It was noted that last year's audit report showed an increase in revenue over the prior year. Michaud also noted that the collection rate of this past year was not typical; it was a difficult year as far as collections went. Mr. Krzys added that the collections were down due to the economy, with customers having to choose between groceries and water/sewer bills. Board of Finance Member Charest asked Mr. Michaud how a benefit assessment would effect revenues. Michaud replied that an assessment would be paid out over several years; revenues would be spread out and be ongoing for a set number of years, depending on the actual plan. If a home sold before an assessment was paid off, the assessment would be paid in full at the time of the sale of the home. Board of Finance member Rieger asked what impact such an assessment might have on commercial businesses. Michaud replied that the WPCA was currently struggling with how to implement the assessments. There had been discussion of breaking down units by square feet and assessing by square footage, but it doesn't seem right, according to Michaud. They are open to suggestions and welcome input regarding this matter.

Mr. Witte questioned Mr. Michaud about sewer line extensions; specifically asking what cost assumptions were used when the plant was first built. Mr. Michaud replied that estimates for extensions were based on \$150.00 per linear foot at the time, and that costs are now estimated at between \$500 – \$600 per linear foot. Michaud noted that paying for extensions now looks almost impossible. Estimates for costs per EDU on Cottage Street are at \$30,000 each. First Selectman Jerram asked if the proposed extension will help offset the current debt. Krzys replied that there are 48 units on Cottage Street, 2 homes are currently in foreclosure (each with 4 units) and 1 home is abandoned. The property owners on Cottage Street will be burdened with a heavy debt load that they cannot pay. Mr. Krzys commented that "you can assess it, but you have to collect it." At this time, the anticipated revenues will not offset the costs of the extensions. The water side of the WPCA operations is covering the sewer costs right now. Mr. Jerram asked if the STEAP grant does not materialize and the Town needs to fund the extensions, would the revenue from the extensions cover the debt incurred? Mr. Witte commented that "it needs to do more than break even." Resident Bud Butler asked if the \$1.2 million funding from the priority list (combination grant/loan) covers the entire cost of the proposed extension. Mr. Michaud replied that the \$1.2 million is for construction only and there would be an additional \$400,000 for engineering costs. Board of Finance member Smith asked when the revenues from the extension might begin to offset the expenses. Michaud answered that as the costs of operations continue to rise, the breaking even point of the investment may be farther out, but over the lifetime of the sewerline, the revenues will start to make a difference. Board of Finance member Moore interjected that it was her understanding that the once the lines were extended to

Cottage Street, it could allow for the sewers to go into the Industrial Park. She noted that this could be a good source of revenues, if that were to happen. Mr. Jerram replied that the current grant was modified in content and that the Industrial Park sewer line extensions were secondary to an extension along Greenwoods Road and into the “Hurley property.” The Economic Development Commission was supportive of this change as they felt that a line extension here would be a boost for the potential of the Hurley Property and the Town Garage property. Mr. Jerram added that the Greenwoods Road parcels of land are large attractive parcels of land, one of which currently has a community septic system on it, which would benefit greatly from being added to the sewerline, as it is along the river.

Mr. Michaud stated that in order to get the sewer side of the WPCA operations to be self funding , extensions will be needed to help close the gap. Once the goal for being self funding is reached, the water side of the equation will be helped as it no longer needs to carry the burden and then water rates can be reduced. Mr. Smith commented that he did not feel it was right to have the water customers paying for the costs of the sewer operations. Mr. Jerram added that currently, the water only customers are being asked to pay a premium for something they get no benefit for. Mr. Witte asked how can the WPCA get the revenues they need to cover their costs. Mr. Jerram replied that the Economic Development Commission had discussed the revenue generating septage acceptance policy that has yet to be put in place by the WPCA. The EDC noted that this was billed as a “free service” to residents; Jerram noted that this representation will have to be modified. Chairman Krzys agreed that this will need to be clarified. WPCA member Rosengren interjected that the promise was made when the plant was originally proposed as \$3.16 million and adjustments to that original proposal have had to be made. Mr. Smith asked if the WPCA will be able to re-pay the \$135,000 loan that was given to them a few years back. Mr. Krzys replied that the WPCA may have a shortfall and would like to wait to discuss what can and cannot be done. Mr. Jerram noted that the most current audits have shown that there have been surplus funds in most recent years, therefore it may be do-able. Mr. Rosengren interjected that the current users of the water and sewer systems are paying some of the highest rates in the state. The people that are paying these rates also happen to be in the most economically depressed area of the town. He stated his concern that “these people cannot sustain these payments.” Rosengren commented that the Town needs to share in some of the responsibility of supporting the new wastewater treatment plant. The 400,000 gallon per day plant was not requested by the residents; it was forced on them. These people are now being forced to subsidize the construction costs, even though they had no option as to what was built. Mr. Rosengren further stated that “it is time for the town to roll up its sleeves and see what the costs have done to the users and to the downtown commercial/businesses users.” He noted that many small towns share the costs of this infrastructure among all of its residents. Mr. Smith replied that the town is already sharing in the costs at a percentage that was agreed to by the town – 61%-39%. Mr. Rosengren responded that he would like to have a discussion regarding adjusting the debt sharing. Mr. Smith stated that he has heard townspeople say that they would not be willing to carry on a larger portion of the debt service. Rosengren countered that the downtown belongs to everyone and that a better downtown leads to increased revenues for all. First Selectman Jerram interjected that he would be uneasy having a discussion regarding changing an arrangement that had been agreed to by the townspeople.

Resident MaryBeth Greenwood stated that she had supported the new Wastewater Treatment Plant when it was being considered because she was under the impression that lines would be extended in an effort to combat public health concerns. She is discouraged that new users are not on the system helping to lower overall costs. Board of Finance member Charest noted that water and sewer users are stuck with the major portion of the burden of paying for the improvements to the treatment plant even if they, themselves, didn’t support the project. He stated that “even if every single user on the system had voted ‘no’ on the project, they still got stuck with paying for it. With only 420 something users, it got stuck to everyone.” Board of Finance member Fitzgerald commented that the treatment plant is currently a very unfortunate situation for everyone and as bankruptcies and foreclosures increase, the financial situation will get worse. He stated that no one wants to see it fail, but all need to remember that non-users have chipped in toward the cost in order to offer some relief to the users. However, those that are not on the water/sewer system have their own

costs to bear with their septic systems and wells and no one helps them with those costs. Fitzgerald added that revenues will need to come from somewhere other than the non-users. Mr. Charest commented “let’s not fool ourselves with hoping for economic development – that is not the answer; no one’s coming.”

Board of Finance Chairman Witte informed the WPCA members that he would like to see ‘on paper’ what the costs and revenues are and what they will be with the additional hook ups along the proposed sewer line extension. An analysis should be performed and the answer might be ‘if you don’t get a good grant, it’s not worth doing.’ He’d also like to see an analysis if what might happen if the “current split” were changed.

The First Selectman commented that the STEAP grants he has applied for during his tenure have had a sewer component to them. Maintenance projects have been done by the Town to aid the WPCA. Using STEAP grants in this manner does not afford the opportunity to have grant money for other projects. Mr. Jerram stated that the clean and wastewater study group has been reviewing data and discussing options. The unanswered questions are “does the quest for an independently run operation create a burden for the ratepayers? And Is there someone with expertise and the capital to back it that can help the situation?”

Board of Finance member Maria Moore reinforced WPCA member Rosengren’s belief that the Wastewater Treatment Plant costs are a town-wide problem. She compared having to help pay for the treatment plant as having to pay for education costs even if the payor does not have children in the school system. Ms. Moore suggested that someone approach the businesses in the Industrial Park to see if they would help pay for line extensions.

WPCA Chairman Krzys summarized that the pressing issue at hand is to determine what course of action to take with respect to the sewerline extension on Cottage Street. The WPCA needs to know what funding will be available for this project. Mr. Witte replied that it is important to know how much the WPCA is considering asking the townspeople to pay. Krzys did not have an answer, but promised that the WPCA would try to have some figures together for the October 23 Board of Selectmen meeting.

Chairman Witte closed the discussion by stating that he commended the WPCA members for their service. He stated that it is always easy to sit on the outside and criticize the actions of others, but felt that the WPCA members were making improvements and heading in the right direction.

WPCA Chairman Krzys asked for a motion to adjourn the WPCA meeting at 8:21 PM. Motion was made by Michaud, seconded by Hanright. The meeting was adjourned. (Krzys, Michaud, Hanright, Krohner, Rosengren, Nerney exited the meeting room at 8:22 PM and the Board of Finance continued with the remainder of their meeting.

Respectfully Submitted,

*Christine Hayward, Administrative Assistant
Substituting for Recording Secretary Stacey Sefcik*