

**WATER POLLUTION CONTROL AUTHORITY
PUBLIC HEARING - MINUTES
THURSDAY, AUGUST 27, 2013 – 7:00PM
NEW HARTFORD TOWN HALL – 530 MAIN STREET**

PRESENT: Chairman Robert Krzys, Steve Hanright, Joe Nerney, Bill Michaud, David Rosengren.
ABSENT: Kenneth Krohner, Michael LeClaire.

Chairman Robert Krzys called the public hearing to order at 7:03PM. All regular members present were seated for the meeting. The proceedings were recorded digitally and copies are available at Town Hall.

Mr. Krzys briefly reviewed the proposed rate increase as detailed in the legal notice for this public hearing. He explained that the proposed rates included a 1.5% increase effective October 1, 2013 for the remainder of the 2013-2014 fiscal year. Mr. Rosengren commented that, as the rates would only become effective as of the second quarter, this was really only a 1.25% increase for the entire 2013-2014 fiscal year. Mr. Krzys then provided sample increases to user's rates based on whether they were sewer only, water only, or water/sewer customers at various levels of usage. Hearing no further comments from the Board, Mr. Krzys opened the floor to public comment.

A Town resident (name and address inaudible) noted that rates had increased significantly over the previous two years and questioned why the Board proposed to raise them again. Mr. Krzys explained that the Board's payments on the USDA loan for the construction of the new treatment plant were changing from interest only to principal and interest payments effective September 2013; the payments were increasing from approximately \$77,000 to \$122,000 per year. He noted that the Town had also provided a \$130,000 loan to the Board in 2008 for five years at 0% interest; that loan would be coming due this fiscal year. While he hoped the Town would consider permitting a deferral, the Board had to plan for repayment. Additionally, Mr. Krzys explained that the Board was planning for an escalation of operational costs of 3% as well as increases in water and sewer operator contract costs. The contract with The Water Planet was due for review and possible renewal in September, and the contract with United Water would be due in December.

Mr. Michaud explained that the Board was also limited by a stagnant user base as no new users had been added yet; the increases in operational costs could not be spread over a large group of users. He noted that the financial picture had improved significantly as a result of the septage receiving contract with Russ's Septic Service. In previous years, the rate increases were 5-6%; this year it would only be 1.5%. Mr. Michaud then briefly reviewed the operational costs facing the Board as well as his projections and assumptions for the upcoming year. He noted that the budget and resultant rate proposal included \$18,000 to be added to the operating reserve, which would bring the total operating reserve balance to \$100,000. He explained that this was not considered a very high reserve in the wastewater treatment industry. Mr. Krzys noted that all warranties on the plant had expired by now, and a reserve was necessary to be able to address any unforeseen but necessary repairs. Mr. Rosengren concurred, explaining that he had served as General Counsel to the Water Pollution Control Authority for the City of New Haven; they had a multi-million dollar operating reserve. He explained that it was only prudent to have a reserve in case of emergencies such as sewer line breakages.

Brian Zelasko, 10 Turkey Hollow, then addressed the Board to ask whether the Board anticipated any future rate increases after this one. Mr. Krzys stated that this would be difficult to answer as there were several issues still not resolved that could potentially impact rates in subsequent years. Both Mr. Krzys and Mr. Michaud stated that they would guess rates would remain somewhat similar to what was currently proposed; however, they could not say for sure due to some unknown variables such as orders to connect, water debt retirement, etc.

Michelle Teodorczyk, 6 Park Meadow, next addressed the Board to inform them that she had sent emails to Christine Hayward in the Selectmen's Office to pass on to First Selectman Dan Jerram requesting that he attend this public hearing. She questioned where Mr. Jerram was. Mr. Krzys explained that the Board of Selectmen was having their regular meeting downstairs at the same time as this public hearing. Ms. Teodorczyk stated that she wanted to also speak with the selectmen as she felt that the system users were small in number and therefore consistently outvoted.

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Liza Bocchichio, 26 Ridge View Terrace, then addressed the Board to question whether the rates under discussion were already effective or could be changed. Mr. Krzys explained State requirements for changing water and sewer rates. Ms. Bocchichio then questioned whether the wastewater treatment plant was Town infrastructure. Mr. Krzys responded affirmatively, stating that the treatment plant was owned by the Town. Ms. Bocchichio then asked what efforts had been or could be made to enlist the Town's help to alleviate the current situation. Mr. Krzys explained the status of the USDA loan and the 61%/39% repayment split between the users and the Town, and the Board's attempts to request renegotiation of this percentage. He also reviewed the Board's attempts to obtain funding for sewer line expansions from the Town. Mr. Rosengren stated his belief that the Town should pay the capital cost of the wastewater treatment plant since it is the Town's property; the system users should only pay for operational costs.

Pam Thistlewaite, 13 Ridge View Terrace, then addressed the Board. She stated that she wanted to know who exactly in the Town's government the Board had contacted who had refused to assist with these projects. She observed that the system users were being hit twice by the costs associated with the treatment plant; first in their rates as system users, and again in terms of the money coming from their Town taxes. Mr. Krzys explained that the Board had spoken with both the Board of Selectmen and the Board of Finance. He explained that the WPCA was its own self-sustaining entity and does not receive money from the Town. Ms. Thistlewaite observed that increasing rates would lead users to decrease consumption, which would lead to less money for the Board over time, thereby likely leading to another rate increase the next year. She asserted that users' quality of life was being adversely affected in comparison with that of residents in other parts of the Town. Mr. Krzys concurred that continued rate increases over the long term was not a sustainable practice.

A member of the audience then addressed the Board to observe that the 61%/39% was not likely to change. He stated that the Board should try to find other ways to increase revenue. He stated that abutters to the sewer line had still not been required to connect, and the Board appeared to be permitting many stipulations allowing exceptions and deferrals; this was limiting revenue. He also noted that there were many overdue accounts where the Board had not collected the money due. Mr. Michaud stated that the Board was limited in terms of who they could require to connect, and while requiring the connection of the few abutting property owners would help, it was only a short-term solution. He stated that the Board needed many more users such as those on Cottage Street or in Pine Meadow, and in order to create these line extensions the Board needed a lot of capital. However, Mr. Michaud said that the Town would not discuss this issue.

Mary Beth Greenwood, owner of 8 Bridge Street, next addressed the Board. She noted that all residents of Loomis Heights were required to connect when that extension was created; residents on Main Street were never required to connect by previous Boards and administrations. Ms. Greenwood said that the members of this Board had done a lot that had never been done by previous Boards over the past 40 years, including the issuance of the Orders to Connect. Mr. Krzys then updated those present on the status of the Orders to Connect. He also updated those present on the status of the delinquent accounts, noting that the Board had a 90-92% collection rate.

Ms. Greenwood asserted that the Board should try to pursue efforts to modify the USDA loan split agreement with the Town. She noted that the sewer debt service payment was the second largest expense the Board faced, and it represented 25% of the budget; by contrast, the portion of the USDA loan paid by the Town only represented 1/3 of 1% of the Town's entire budget. She stated that while she owned property on the sewer system, she lived in an area of Town not on the sewer line. However, she had talked with her neighbors about the users' issues with the 61%/39% split, and those nonusers had agreed this arrangement was not fair.

Brian Zelasko again addressed the Board to observe that many of the current system users moved into the area after the vote that established the 61%/39% split. He questioned whether it was legal to hold them to decision that so adversely affects them when they were not even able to participate in the vote. He also questioned the legality of the Town requiring only users to pay for Town-owned infrastructure that was considered a public good, and he pointed out that all Town residents are required to pay school taxes. Mr. Krzys explained that some towns pay for all sewer and water infrastructure and some do not pay for any at all. He reiterated that New Hartford was a small town with a small user base, and he noted that the debt repayment split arrangement had been predicated on economic development which had then never occurred.

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Mr. Rosengren stated that he had spoken with an attorney in Town regarding possible action against the Town's decision on the 61%/39% split using an equal protection argument. He also noted that Mr. Jerram had attended a previous Board meeting and had suggested that the Board not "stockpile" money in an attempt to create reserves. Mr. Rosengren stated that he had asked whether the Town would then be willing to assure the Board that they would assist in the event of an emergency repair that would have been funded by an operational reserve. Mr. Jerram had said that he would consider this possibility; Mr. Rosengren then suggested that audience members go to the Board of Selectmen meeting being held that night in order to question whether the BOS was willing to agree to this arrangement. If so, the Board could potentially lower their proposed rates for the upcoming year.

Liza Bocchichio again addressed the Board to note that the Town had a \$4 million reserve; she questioned why the Town would not use some of those funds to alleviate the sewer users' situation. She stated that it was the Town's decision to build the treatment plant, and they now appeared to be washing their hands of the situation.

Chuck Hampton, 6 Turkey Hollow, then addressed the Board to question what would happen if the Board defaulted on the USDA loan. Mr. Krzys explained that the loan had been taken out in the Town's name, not in the Board's name. Mr. Krzys and Mr. Michaud then discussed the demographics of the sewer service area, noting that the income level in that area was also the lowest in Town. Mr. Michaud pointed out that this was the reason why the Town became eligible for the Rural Development Program \$4 million grant that lowered the total cost of the treatment plant; however, the entire Town, not those users of lower income, reaped the benefit of the grant.

Mr. Krzys then explained that action might be taken once the public hearing had closed, but it might be deferred until another meeting when the two absent Board members could be present.

The Board agreed to adjourn at 8:00PM.

Respectfully submitted,

Stacey M. Sefcik
Board Clerk