WATER POLLUTION CONTROL AUTHORITY
PUBLIC HEARING - MINUTES
MONDAY, JUNE 30, 2014 – 7:00PM
NEW HARTFORD TOWN HALL – 530 MAIN STREET

PRESENT: Chairman Bill Michaud (7:04PM), E. Kenneth Krohner, Denton Butler, Rob Fulton, Steve Hanright, Mary Beth Greenwood, Michael LeClaire.

ABSENT: None.

OTHERS: First Selectman Dan Jerram, Joe Toro, Maria Moore, Bob Moore, Kim Estep (7:18PM), Scott Estep (7:18PM) Troy LaMere (7:30PM).

Acting Chairman, Vice Chairman E. Kenneth Krohner, called the public hearing to order at 7:02PM. All regular members present were seated for the meeting. The proceedings were recorded digitally and copies are available at Town Hall.

Ms. Maria Moore addressed the board regarding the proposed rates of the Water Pollution Control Authority (hereinafter referred to as WPCA) in contrast to the published rates of Torrington Water Company (hereinafter referred to as TWC). Specifically she was inquiring as to charges for repairs which she said appeared to be about three times what TWC charges.

Mr. Denton Butler asked if the charges that Ms. Moore made reference to were what the Town of New Hartford is being charged by Torrington or whether these were what Torrington charges their customers. Ms. Moore reported that when she spoke to them, they said "this is our charge". Mr. Michael LeClaire recalled that the board had looked at this before and recollected that there was not much of discrepancy between what the WPCA charges and what Torrington charges.

Mr. Krohner turned meeting over to Chairman Mr. Bill Michaud at 7:04PM.

Mr. Butler asserted that a comparison of the two entities, TWC and WPCA, functions as a comparison between apples and oranges. Mr. Butler described TWC as the apple, having its own cost structure and its own rate charges while WPCA contracts with TWC to provide its services. He further maintained that cost structure of the two entities is not the same and that WPCA has x amount of revenue flowing in that is offset by its expenses. Mr. Butler stated that to adopt something that is ¼ to ⅓ less would diminish the amount of revenues collected and place the WPCA further in jeopardy of having a negative cash flow. His position was that the issue of what TWC charges has no bearing on what WPCA needs to charge to support its rate structure to offset its expenses. Ms. Moore then sought clarification that the WPCA had previously stated that they do not seek to make a profit in the bill passed along to customers on repair bills. Discussion ensued as to the difference, if any, on rates that may have been applicable with the previously contracted water company as opposed to TWC, the current contracted provider. Mr. LeClaire thought that the current contract also has provisions on minimum 2-3 hour calls. Mr. Bob Moore commented that his recent bill seems to be a 300%-400% markup beyond that of TWC published rates and questioned whether there is profit being made by WPCA on services provided. Mrs. Mary Beth Greenwood reiterated that the WPCA is not attempting to make a profit but instead to run the plant as a business. She also noted that TWC customer base is much larger than that of WPCA possibly explaining the difference.

Mrs. Moore said she would like to know what the arrangement is between WPCA and TWC. Mr. Butler responded that the contract between the two entities is a matter of public record. Mr. Butler proceeded to describe from memory that the contract contains a base line provisional services that start at $85,000. In addition to that, there are non standard or non routine charges for which they charge WPCA a certain amount per hour, ranging from $55-$85 depending on the service provided. Mr. Michaud explained that while TWC is billing WPCA for either $55-$85, the actual cost of that service is a different based on a variable which depends on what the demand is. Mrs. Moore asked whether a system that allows for a pass-through bill procedure is possible as a more simple uniform way of charging for services. Discussion about the administrative overhead of that process occurred. Mr. Michaud said he would be happy to ask the board to consider approaching TWC with a different structure, one that asks how much they would charge us for each of these services, non-holiday, holiday, minimum during business hours, and after business hours. They would need to take into account all those provisions provided in the contract and different rates. For the time being, Mr. Michaud suggested that in order to establish rates, and because that process is going to take some time, the WPCA should maintain these rates and then consider adjusting these rates for the next month.

Mr. Michaud sought further questions regarding rates.

First Selectman Dan Jerram then acknowledged the amount of time and work put into developing a rate plan by the various WPCA members as well as members of the Board of Finance and Board of Selectmen to do everything they could in an effort to reduce rates. He asked what caused members to keep the rates the same. He pointed out that TWC's contract is actually lower than United Water's contract and debts have been paid on behalf of the rate payers to try to control costs. He questioned where the costs are increasing that is causing WPCA to maintain rates. He noted that rates are staying stable as opposed to being reduced.

Mr. Michaud agreed that significant efforts have been made to lower costs and offered to go through each account to talk about where costs are higher and lower. He led with the water side by discussing reductions in routine operation with an expected $7,000 in savings. With regards to non-routine expenses, he explained that those charges have been very volatile over the last couple years. He explained that he used a two year average on that which brought non-routine charges $12,000 lower than last year. He spoke of some increases due to increased electrical costs, general escalation costs, so that the net savings on the water side is about $20,000 lower than last year and attested that figure is based on actual expenses over the last year and projections which non-routine costs may or may not come true. He continued with the sewer side describing a significant savings associated with the debt continuation. An increased sludge hauling figure and decreased non-routine overtime charges, a savings, offset somewhat by escalation savings resulted in somewhere in the order of $68,000-$70,000. Debt service is $50,000 lower than last year.

Mr. Michaud reiterated that the water side will be $20,000 lower and that the sewer side will be $120,000 lower for a combined lower figure of $140,000. He described that as they went through the budgeting exercise, they had asked the operators what they think the WPCA should be putting aside for capital projects, such as the assets that have a defined life. Planning to put aside some money into the budget for capital projects seems prudent for times when faced with a $30,000-$40,000 expense. It would prevent having to just jump up rates for those situations, according to Mr. Michaud. Having capital assets aside would allow WPCA to handle those types of expenses and not have that kind of rate spike. It had been suggested to him that he include a $25,000 capital water plan to try to

keep expenses equal to revenue side but that was cut down to $20,000. Similarly on water side, TWC had given WPCA an estimate of $35,000 a year to replace meters. However, the budget has only a $15,000 line item for this purpose.
Mr. Michaud said that the bottom line is that of the $140,000 lower cost, the plan is to take $20,000 which will be capital fund allocation less capital expenditures and that's going to be the accumulated capital estimate, or $120,000 savings relative to last year. Mr. Michaud continued with the revenue side reminding board members that the WPCA will no longer be receiving seepage revenue and so that number is a bit unclear. He maintains that the revenue could be anywhere from $0 – $20,000 so he plugged in a number of $10,000 just for estimation purposes. This resulted in a net decrease in revenue from $105,000 to $110,000 or a decrease of $95,000. He continued by pointing out that WPCA is now at $120,000 savings but also $95,000 in lost revenue. Accounting for the new hookups and estimating them at 15 new hookups this year, a figure of $6,000 is added to the plus column. A revenue analysis between what was projected and the actual resulted in a much lower number in the actual figures. He pointed out that this was with billing and not with collection. Lower usage resulted in lower revenues. He pointed out that while they originally had $30,000 in professional fees, this figure has been adjusted to $15,000. He concluded the hope was to see a better outcome based on the lower debt service payment but it did not occur.

Ms. Kim Estep inquired as to the reaction of the bond holders when they were approached by the WPCA to discuss the revenue shortfalls. She followed up with asking who holds the bond. Mr. Michaud replied that the USDA holds the bond. She asked about when the bond underwriter cleared the bond, what were they basing that revenue on? She speculated that either there was supposed to be a bunch of economic development in town which would cover the revenue which she observed did not happen. She questioned that knowing the shortfall now, "Who is approaching the entity, that we now owe money to, to say that plan didn't come to fruition and we can't expect all of the population here to pay for it? What kind of consideration can you give us?"

Mr. Jerram explained that the USDA has been approached three times. The USDA's answer was to allow the town interest-only payments for two years but the same request for the third year was declined. Ms. Estep suggested that the town should threaten default. Mr. Butler responded that there is no basis for default. Discussion followed regarding the original project and the history behind its size and development. Ms. Estep contended that the facility was too big in the first place. Mr. Jerram explained that the capacity level that was built has a long window of time. It had never been expected to build out within a 12 month or 18month period. Ms. Estep then asked what does the state say if we don't reach the target in 20 years. Ms. Estep asked who is going to negotiate with the people that we owe money to, to find out whether they're willing to take less than 100 cents on the dollar. Pros and cons of the notion of default and/or threat of default of the town's sewer plant debt were discussed. Discussion followed as to another town that defaulted on their loans because of unfulfilled predicted economic development: Jefferson County, Alabama. Mr. Michaud wrapped up this debate by pointing out that the discussion was not going to affect setting the rates unless they chose not to pay. He did not see that as likely. He offered to go to USDA and see what other alternatives might be out there in terms of relief. Mr. LeClaire said that he would be interested to see what the USDA's position is on the loan, whether it was granted based on the town's ability to pay or whether it was based on 300-400 users. Ms. Greenwood pointed out that even if the WPCA defaulted on the debt, the plant still needs to be run and there are significant costs related to that. Mr. Michaud agreed in saying that a default would bring the budget from $700,000/year to $650,000/year.

Mr. Krohner suggested that the solution is to add users to the system. Mr. Michaud concurred adding that the hurdle to get over is to create a sustainable system with reasonable rates that don't have to go up every year.

MOTION Mr. Butler, Mr. Krohner 2nd, to adjourn the public hearing at 7:54PM; unanimously approved.

Respectfully submitted,

Pam Colombie
Commission Clerk