

Summary - Evaluations & Conclusion Of The AET

This discussion document has been updated since being presented to the BOS on 1-13-20 to: (1) correct typographical errors and amend financial data correctly to synch-up with FY; (2) add new, updated or revised information

Current Situation

- The WPCA has been losing money under the current schedule of operations fees and rates last raised in June 2017. As matter of fact, the WPCA raised its rates (7) times in the past fourteen-year period. The last increase of (2.5%) yielded a reduction in water usage an no increase in revenues to offset rising costs. The current rates for water \$8.08 per thousand gallons (PTG) and \$20.89 (PTG) for sewer and are among the highest rates in the State of Connecticut. The WPCA is unable to sustain its daily operations and debt repayment.
- In the Fiscal year (FY) ending 2018, the Town paid \$66,150 in Wastewater Treatment Facility (WWTF) payments for which the WPCA had no funds. The Town paid a like amount of debt in FY 2019 (\$66,150) and has paid \$90,335 of debt service payments so far in FY 2020 for a grand total of \$222,635. Additionally, the Town provided financial support for “emergency repairs” in FY 2019 in the amount of \$69,030 to rehabilitate and replace the Black Bridge Road and Church Street well water pumps. The WPCA has intermittently made progress payments against an outstanding Town loan that was originated at \$130,000 and currently has an outstanding balance of \$61,750. The WPCA is (3) quarters in the rears on this debt (\$9,750) and (11) quarters behind in the USDA WWTF debt. The WPCA anticipates a major deficit for FY 2020 to be estimated in excess of \$200,000 at the current run rate.
- The WPCA has historically not been able meet the terms of Town Ordinance 86-1 to facilitate operations at “break-even” with an accompanying provision that we “may provide for amortization of indebtedness”
- The combined expense of: (1) debt service for the WWTF (Wastewater Treatment Facility), Prospect Street sewers and drinking water infrastructure facilities, (2) the expense of contracted operations services for Sewer (AWC) and

drinking water operations contracted to TWC (Torrington Water Company), (3) the non-recurring operating expenses for both sewer water and (4) the myriad of ongoing expenses for “unforeseen/underfunded repairs” have combined to produce our financial losses. The WPCA is currently deferring an estimated \$100,000 of repair costs, compliance reports (requiring professional preparation) and inspections directed by regulations.

- As the WPCA and AET looked forward with the benefit of a “professional review of potential capital items” such as water main breaks in the distribution system, the burden to replace our aging water supply mains, repair storage tanks, hydrants, valves and meters (water side) and wet wells, pumps, and sewer mains, (sewer side), we were convinced that relief could only come about from professional management under private ownership and significant capital reserves to support an infrastructure replacement plan. Many of the WPCA’s assets have exceeded their useful lives and will need to be rehabilitated or replaced soon.

Proposition Moving Forward – Sell Water & Sewer Assets

The AET concluded that:

- New Hartford sell its drinking water and wastewater assets to Aquarion Water Company (AWC) for \$8,000,000 dollars.
- As a public utility, AWC is regulated by the Public Utility Regulatory Authority (PURA) who will approve rates for sewer and water for all customers currently served by the New Hartford Water Pollution Control Authority (WPCA). AWC is constrained by a “guaranteed rate of return.”
- When the sale receives all regulatory approvals, the WPCA will have no role in rate making, regulating or delivering drinking water to New Hartford water customers.
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- The WPCA will, however, continue its water and wastewater partnership with AWC, retaining control over:

- (1) Orders to connect to the sewer (currently a statutory requirement).
- (2) Designate the Sewer Service Area (SSA) and wastewater sewer project(s) (expansion).
- (3) Act as agents to assist in sewer and water expansion consistent with the Town's Plan of Development.
- (4) Maintain communications and initiate reviews of future projects with AWC and New Hartford taxpayers when such opportunities for future partnership arise.
- (5) Act as an ombudsman on behalf of both water and sewer customers and AWC.

The analysis executed by the AET completes the fifth and final charter instruction of the Board of Selectmen (BOS) to "prepare a presentation and recommendation on the potential sale of the drinking water and wastewater assets and that such presentation serve as a foundation for presentations to our constituents."

It is with that charge at the forefront, the AET recommends and the WPCA endorses the sale of these assets to AWC. We do so with the affirmation that sale proceeds as defined in Section A-5 and in the *Potential Asset Sale Information Directory* will be directed toward the accompanying AET Action Plan. This Plan as presented achieves a solution to the pending issues of insolvency, protection against potential pollution to the Town's aquifer and provides the foundation for long-term viability of sewer and water service that is in the best interest of Users and Taxpayers alike, by attainment of these objectives:

- (a) Minimize financial, operational and environmental risks to the Town of New Hartford;
- (b) Stabilize, to the extent possible, user rates in the short-term and implement a plan acceptable to PURA that holds the potential to stabilize and reduce rates over time;

- (c) Leverage the capabilities (financial, personnel and expert industry knowledge) of a professional organization for the benefit of the Town and its residents;
- (d) Maximize the value received for both the drinking water and the wastewater systems and use the proceeds to pay-off debt, expand the sewer system and stabilize water & sewer rates;
- (e) Protect critical environmental assets (including the aquifer and the Wild & Scenic Farmington River) and promote the development of the Town;
- (f) Expand the public private partnership between AWC and the Town to achieve the objectives cited above.

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