



atlantic  
states

RURAL WATER & WASTEWATER ASSOC.

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October 10, 2018

Rural Development-United States Department of Agriculture  
Business and Community Programs (MA/CT/RI)  
451 West Street, Suite 2  
Amherst, MA 01002

Attn: Jennifer Lerch, Director

Re: New Hartford CT grant payback

Dear Jennifer,

At your and the Town of New Hartford CT request the following information is provided in regards to the possible sale of the New Hartford CT water and wastewater system's assets.

The Town is seeking relief from paying back, in full, the approximate USDA RD \$4 million grant that was used in part to fund the 2010 upgrade to the wastewater treatment plant. The Town intends to pay off the total remainder of the USDA RD loan portion.

The following notes are made to the USDA RD agency in an effort to assist in its review of the Town's request to relieve its obligation to pay back the grant monies in entirety.

In the past month the Atlantic States Rural Water & Wastewater Association (ASRWWA) Wastewater Technician (WT) has met with members of the New Hartford Water Pollution Control Authority (WPCA), the Town's First Selectman, and Aquarion representative. E-mails have been exchanged with questions answered and documents provided. Many reports, plans and correspondences have been received and reviewed by the ASRWWA WT.

To date the Town used a competitive RFP process and selected Aquarion as the preferred highest bidder of \$8 million to purchase its wastewater and water assets. Conditions of the purchase agreement are that once all debt associated with the utilities has been retired, that is all outstanding balances on loans due the USDA and notes to the Town have been paid off, then the approximate \$4 million in remaining funds will be 100% reinvested in expanding the existing wastewater system. A sort of "Public/Private Partnership" would be formed between the Town and Aquarion.

There are several circumstances that contributed to the Town and the WPCA considering putting up for sale its wastewater and water assets.

Firstly, water consumption and wastewater usage is at a 25% decrease, adding additional financial strain to an already strapped WPCA. Successful water conservation efforts, increases in property vacancies that corresponds to no use of water and wastewater and the fact that there have been only two new wastewater customers in 17 years has caused a substantial loss of revenue.

Secondly, rates have risen about 23% over the past ten years in order to pay the WPCA bills that are associated with the operation and maintenance (O&M) of the water and wastewater assets. The Contract Operations firm, Aquarion, is responsible for the daily O&M of 14,350 linear feet of sewer pipe, 3 pump stations, an inverted siphon beneath the Farmington River and a state-of-the-art automated Sequencing Batch Reactor (SBR) 400,000 gpd design capacity wastewater plant. Additionally on the water utility side there are two well fields, 61,000 linear feet of water main, 88 fire hydrants and two above ground storage tanks that are part of Aquarion's O&M contract with New Hartford.

The current water rate of \$8.08/1000 gallons equates to an annual typical residential cost of \$736.44; the current sewer rate of \$20.89/1000 gallons equates to an annual typical residential cost of \$1,504.08. The total typical utility annual cost to homeowner is \$2,241. Compared to neighboring towns with similar wastewater systems (Canton, Kent, Litchfield, New Canaan, Norfolk) New Hartford has the highest rate with the lowest customer base of 451 water and 333 wastewater users. The high rates place a burden on a small population of New Hartford residents in an area of Town where users are predominately at the bottom of the four economic sectors in the census quadrants.

Last Fiscal Year the WPCA operated at a \$100,000 deficit and has not made a profit in years.

Lastly, the wastewater and water systems have had zero capital improvements over the last five years. The wastewater collection system is over 50 years old and 50% of the water lines were installed before 1895 and there are major anticipated repairs in the near future.

There is no option to combine services with other municipalities due to New Hartford's physical location. In order to avoid a takeover by the State agencies and instead take an action that creates a professional management by forming a Public/Private Partnership appears to foster a "Best Practices Outcome".

It is apparent that there needs to be an increase in users and the remaining \$4 million monies leftover from the sale would be used for engineering and construction costs to expand the New Hartford wastewater system. To deduct \$4 million, or \$1.5 million based on depreciation values, for the payback of the USDA RD grant owed would not make this approach economically feasible.

The plan is to first provide stabilization through subsidized rates for a defined period and develop a Capital Improvement Plan. By doing so rate stabilization is provided, affordability of basic services to disadvantaged users improves.

I hope this information is helpful in assisting with you making a decision regarding the payback of the New Hartford grant to the USDA RD. Please feel free to contact me if you need further assistance.

Best Regards,

A handwritten signature in blue ink, appearing to read "Diane Johnson", with a stylized, cursive script.

Diane E. Johnson, P.E.  
ASRWWA Wastewater Technician