

The Sale Of New Hartford's Water & Sewer Assets

Summary Presentation

Prepared For

USDA-RD

Note: This is dated information

The information contained in section #1 and section #2 of this presentation were delivered to USDA on 4-25-19. Information may no longer be up-to-date or more information defined in the representative examples used for illustration.

System Overview

New Hartford is approximately 37 square miles in area with a population of 7,190 and consists of 2,930 dwelling units as reported in 2017. Town residences and businesses connected to the drinking water system total 14.8% of dwelling population and 7.2% are users linked to the town's wastewater system.

The infrastructure consists of 64,460 feet of water mains ranging in size from 4"-12", 52% of which were installed before 1895. The water supply system is exclusive to the downtown and Pine Meadow districts of New Hartford. Fire protection for these districts are covered by (88) hydrants. The sewer collection system contains 14,650 feet of mains and (3) wet wells and serves the downtown district, a portion of Church Street in the Pine Meadow section and a (124) unit condominium complex that resides adjacent to the WWTP. The majority of sewer mains were installed in 1968-69 with follow-on additions in 1995-96.

Operational & Financial Issues - Background

New Hartford initiated a plan for remediation of its sewage treatment facility beginning in 2004 as a result of a consent degree issued by the CT DEP for violation of its federal discharge permit (NPDES). Following approval through a town-wide referendum in 2008, construction was begun in 2009 for a new four hundred thousand gallon capacity WWTP that was turned into service in May 2010.

The growth plan and economic expectations forecasted did not materialize with the advent of the "Great Recession" of 2008, from which New Hartford has yet to recover. The WWTP currently processes 45,000-51,000 gallons of effluent per day or approximately 10-11.3% of its total design capacity.

The New Hartford WPCA, under the auspices of a Town Ordinance has the responsibility to require "water and sewer rates to ensure at least break-even operation" and has not achieved that as a consistent goal since the inception of the Town's Water & Sewer Commission in 1969 (a forerunner of today's WPCA).

The USDA RD commissioned The Atlantic States Rural Water and Wastewater Association (ASRWWA), to examine and prepare a formal summary of the financial plight of consumers/rate payers of New Hartford's water and sewer charges:

"The current (New Hartford) water rate of \$8.08/1000 gallons equates to an annual typical cost of \$736.44; the current sewer rate of \$20.89/1000 gallons equates to an annual typical residential cost of \$1,504.08; and the total annual utility cost to a typical homeowner is \$2,241."

In contrast to similar communities within close proximity - Canton, Kent, Litchfield, Canaan, and Norfolk, ASRWWA points out that New Hartford's wastewater user fee is 78% higher than the next closest municipality and over 500% higher than Canton.

The median household income (MHI), according to US Census Data for the residents consuming water and sewer in the downtown New Hartford district has changed from \$53,182 in the year 2000 to a meager \$49,750 MHI in 2010, a decline of (-\$3,432). New Hartford's "all MHI" has increased to \$96,291 during the same period. In the year 2000, MHI for downtown was 77% of "All MHI" and today it is 52% of "All MHI." Correspondingly, the US labor Department reports that the annual inflation rate during the period through 2018 has increased by more than 43%. Moreover, the WPCA has raised rates (7) times in the past (10) years, increasing rates approximately 23%. The last rate increase for 2% was in 2017.

Effective with its last rate adjustment in 2017, the WPCA determined that it had unwittingly achieved: (1) Attainment of the highest water and sewer rates in the State of Connecticut. (2) By its rate structure, forced users to extreme measures (use of rain barrel water capture, snowmelt to flush toilets) to conserve water usage, thus reducing water consumption, by 12+% from the period of 2015 to present day. (3) Coupled with an unfavorable housing climate, the WPCA is experiencing a vacancy rate that has ranged between 18-28 households and several business establishments during the period of April 2017 to July 2018. (Study Attached.) (4) With the advent of emergency repairs in 2018, which are continuing into the 2019 fiscal year, the WPCA turned to the Town to make all USDA debt service payments for the WWTP.

Additionally, the WPCA received \$70K+ in FY 2018 to offset emergency repairs for our drinking water facilities. This has contributed to an operating deficit of more than \$100,000 for the FY ending 2018. The WPCA is projecting a deficit for 2019.

Events Leading To Assessment Of A Potential Sale

Before turning to the New Hartford Board of Selectmen in 2016, a Volunteer Task Force examined possible options as a means to achieve the goal of the Town's Ordinance to "breakeven." The Task Force examined: (1) Continuance of the professional services contracts with third parties, (the WPCA's current methodology). (2) A conversion to a full-time municipal sewer& water department. (3) Consideration of the sale of water and sewer assets to a regulated utility that could bring professional management and capital resources to the problem. All of the options under review included a plan to expand the sewer system to specific areas within the sewer service area (SSA) (#1 - Pine Meadow, #2 - Cottage Street) where protection of the town's aquifer and the federally designated Wild & Scenic Farmington River would be protected. The analysis concluded that such expansion in a "public/private partnership" would lead to stabilized rates, protection of our natural resources risk avoidance, and would encourage economic development based upon competitive rates when compared with other communities.

The expanded area served in Pine Meadow (the Town's #1 priority) would reflect an increase of (106) sewer users, an additional 50.2% gain in paying sewer customers. (Impact to revenues)

RFP Issuance

In October of 2017, the Town issued a nationwide call for competitive bidding for its drinking and waster assets. Following (11) initial inquires, bids were received from (3) Respondents: Torrington Water Company (TWC)-\$2.0M water only; Connecticut Water Company (CWC) - \$6.5M Water & Sewer; Aquarion Water Company (AWC) - \$8.0M Water & Sewer. (A copy of the RFP and the responses by the above referenced companies has been enclosed in this submittal.)

Following RFP submittal reviews with each of the respondents, the Asset Evaluation Team (AET), the Committee charged by the Board Of Selectmen with making the valuation and recommendation, chose AWC as its preferred utility with which to do business based upon: (a) current track record of performance as New Hartford's contracted services provider for wastewater operations; (b) the depth and breadth of AWC's response to the details of the RFP; (c) industry reputation and level of excellence represented in written and oral interactions with the evaluators; (d) best price/performance analysis with regard to capital budget for repairs and improvements, expansion, willingness to work with the seller and the perception of "partnership" already exhibited in their day-to-day role with the WPCA.

What's At Risk - The What if The Sale Doesn't Happen - Summary

Just as the AET has projected the impact to the rates for water and sewer under an asset sale, it has also evaluated the impact in a "no-relief" decision by USDA and/or a "no-go" vote at a town-wide referendum. The assumptions accompanying no-sale of assets includes:

- (1) The WPCA meets the letter of the Town Ordinance to break-even and accordingly sets a rate to attain the same.
- (2) The WPCA adopts a capital budget equal to an amount submitted by the two regulated utilities on their RFP response.
- (3) The WPCA prepares its budget and establishes rates consistent with items #2-3 above, without regard to the question of "who pays" - users alone, all taxpayers as a group.

(Example To Follow)

The Presentation Summary that follows this introduction is designed to Summarize the Charge of the AET; Depict the Objectives To Be Achieved With An Asset Sale; Describe How The Proceeds From The Asset Sale Will Be Utilized; and answer the question: "What If No Sale Happens?"

The appendix of this submittal contains documents, graphs, charts, rate schedules, projections, RFPs, and other information utilized in support our position that the Sale Of Assets Is Necessary To The Economic Vitality Of New Hartford.

Please return to the Information Directory and select Section #2 to continue review of this presentation.

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