

Minutes to Special Meeting

STTRATFORD WATER POLLUTION CONTROL AUTHORITY

Thursday, June 25, 2015

The Stratford Water Pollution Control Authority (SWPCA) conducted a special meeting on Thursday, June 25, 2015, in Town Council Chambers in Stratford Town Hall, 2527 Main Street, Stratford CT 06615 immediately following a public hearing that convened at 6:30 pm

Presiding: The Honorable Joseph A. Kubic

Members in Attendance: The Honorable Stephanie Phillips, The Honorable Matthew Catalano, The Honorable Jason Santi, The Honorable Brian Dempsey, The Honorable Kenneth Poisson, The Honorable Gavin Forrester, The Honorable Joseph A. Kubic, The Honorable Paul Hoydick

Members Absent: The Honorable Peter Massey, The Honorable James Connor, and the Honorable Joseph A. Kubic

Others In Attendance: The Honorable John Harkins, Mayor. Chief Administrative Officer, Steve Nocera, Town Attorney Timothy Bishop

Documents Submitted Into Record:

Exhibit A: NACWA 2014 Cost of Clean Water Index

1) **Call to Order:**

Chairman Joseph Kubic called the Special Meeting to order at 7:06 pm

2) **Communications**

No Report

3) **Town Attorney's Report**

No Report

4) **Operations Report**

No Report

5) **Unfinished Business**

None

6) **New Business**

A) *To establish and/or revise charges in connection to the use of the sewage system*

Proposed Commercial Rate: \$5.36 per unit

Proposed Residential Rate: \$460 per household

Chairman Kubic called Chief Administrator Officer, Steven Nocera, to the podium to address the proposed rate changes and answer questions from the WPCA Board members.

Mr. Nocera cited the National Association of Clean Water Agencies (NACWA) report on national trends in water treatment and sewer fees throughout the United States to the WPCA Board. The report is included in these minutes as *Exhibit A: NACWA 2014 Cost of Clean Water Index*

The NACWA report cited that the national average sewer rates per residential household was \$448 for 2014, and the projection for 2015 will be \$468. Rates are increasing higher than inflation and the national trends suggest that aging infrastructure and overburdened municipal structures in waste water management are attributing in increasing costs of waste water treatment and sewage services. Mr. Nocera also discussed the Environmental Protection Agency (EPA) region, New England States, in which Connecticut is a part has an average sewer rate for \$772 for 2014. This leaves the Stratford proposed rates under the regional average throughout the New England region.

Mr. Nocera also noted that \$250,000 of the \$6 million capital outlay fund balance to help offset a more significant rate increase. Mr. Nocera also noted that the capital outlay primary purpose to is build funds for eventual capital upgrades of sewer pipes and lines, pump stations and other infrastructure needs over time in order to maintain a stable budget and that the fund is not primarily designated for contingency spending or a long term financial fix to other budgetary needs for the SWPCA.

Chairman Kubic questioned what the budgetary impact would be if the fees were not increased as proposed. Mr. Nocera projected a budget shortfall in the SWPCA of \$1.8 million to \$1.9 million in deficit. The reduction from the capital outlay fund balance would also reduce the ability to finance long term infrastructure repairs to older sewer lines and other facility needs.

Mr. Dempsey questioned how long would it take for the Town to reach a residential sewer rate of \$600 per year and \$700 per year under the current SWPCA system. Mr. Nocera answered that the average rate of increase would be \$25 per year and the Town would reach a \$700 residential sewer rate in approximately 10 years. Mr. Nocera also noted that under a regionalized WPCA, the rate of increase would be lessened as rates would still be under \$500 five years from now.

Mr. Santi asked why the Town charges the SWPCA back for certain services and what those services are. Mr. Nocera noted that the Town of Stratford charges the SWPCA approximately \$408,000 for personnel and benefits of Stratford Department of Public Works (DPW) employees who are working on SPWCA related functions. There is also a \$350,000 charge back to the SPWCA for additional administrative services, which in part include Human Resources, Finance, IT and other municipal departments and services that support SWPCA functions. There is also approximately \$600,000 in land rentals that the Town collects from the SPWCA for Town property used by the SWPCA. Mr. Nocera also noted that recent changes in Connecticut law

provide municipalities to charge back services and assets that are used by other public entities such as WPCAs and other public utilities.

Mr. Santi also inquired about the purpose of the \$6 million fund balance (AKA: Capital outlay). Mr. Nocera explained that the fund balance has capital need for sewer repairs and new pump stations or repairs to existing pump stations. Mr. Nocera projects that there will be approximately \$8 million in pipe replacements in upcoming years. Mr. Nocera also noted that the fund was also designed in the event of severe storms such as Super Storm Sandy and Hurricane Irene that place additional damage and strain on the sewer system.

Mr. Catalano asked for an explanation regarding the differential in the charge backs between DPW and SPWCA personnel and for the land charge backs. Mr. Catalano also followed up with an question regarding what the offset would be if the charge backs were not issued and how that would affect the current year's rate of \$400 for FY 2014-2015. Mr. Nocera noted that the State of Connecticut environmental laws mandate that storm water run-off and waste water must be separated and this requires a lot of piping and manpower to achieve. The cost to the DPW for WPCA related services is approximately \$408,000 in the current fiscal year (2014-2015). Mr. Nocera also stated that if the Town did not charge the SPWCA land rental of \$600,000, the current rates of \$400 would have be adjusted to \$430 to compensate for that lost revenue.

Mr. Poisson asked what the spectrum of rates are in surrounding municipalities. Mr. Nocera cited FY 2014-2015 for both Shelton and Trumbull. Shelton was at the low end of the spectrum at \$220 per year and Trumbull was at the higher end of the spectrum at \$679 per year. He also noted at the EPA New England region has an average rate of over \$770 currently and Stratford is well below that average.

Mr. Poisson also asked if the sale to the Greater New Haven Water Pollution Control Authority (GNHWPCA) was approved by the public per referendum would GNHWPCA change the rates as originally proposed to the Town. Mr. Nocera said he received communication from GNHWPCA that the rates would be the same, which would be \$428 for the upcoming fiscal year. Mr. Nocera noted that after the large SWPCA rate increase in 2012, that the Town is weighing the question to maintain the status quo with local control and pay more or try to find solutions via regionalization to drive down the cost for ratepayers and taxpayers.

Mr. Hoydick inquired whether the rates can be divided twice a year in the event a referendum approves the regionalization with the GNHWPCA. Mr. Nocera notes that it is difficult to implement that system and either rebate checks would have to be issued or the lower rates under GNHWPCA would have to wait until the next fiscal year.

Ms. Phillips challenged the assertion of using other municipalities and regional rates as a measure for what is a fair rate, and the rates should be needs based. Ms. Phillips also challenged the need for a fund balance, stating that it was 40 to 50 percent more than the 10 percent the WPCA budget the State of Connecticut and bond rating agencies recommend for a capital outlay fund balance. Ms. Phillips also had a problem with the proposed \$450,000 charge back if the plant was regionalized with the GNHWPCA> Mr. Nocera noted that the fund balance is not intended for a long term fix to the problem as long term infrastructure needs would be compromised. The depletion of the capital outlay fund balance could lead to larger WPCA rates later as capital and infrastructure repairs transpire. Ms. Phillips stated that the fund balance might be used to provide some relief for ratepayers.

Ms. Phillips argued that the ratepayers should get relief as the water treatment plant generates a profit for the town, and that no rate increase is necessary for this year. Mr. Nocera mentioned that the rates will continue increase under the current local control of the WPCA based on the historical trends of the WPCA budget and sewer use in town. Mr. Nocera cited that rates were kept low for many years prior to 2012 that the budget caught up to the WPCA usage fees and the WPCA Board in 2012 had to raise the rates by \$95 to maintain a balanced WPCA budget.

Ms. Phillips stated that the WPCA budget is overfunded currently and that capital outlay funds have not been allocated or spent and an increase taxes can offset rate increases and leave the rates table. Ms. Phillips suggested that the WPCA budget should be cut, the sludge contracts cut or revised and other specific cuts to WPCA overhead. Mr. Nocera noted tha the sludge contract that the WPCA currently uses was the lowest bidder and that the contract terms are still active and not easily broken as it is a contractual obligation. Mr. Nocera also noted that the Town charge backs to the WPCA for DPW personnel is a flat rate.

Mr. Santi asked what the benefits to ratepayers are if the Town regionalized its sewage facilities. Mr. Nocera noted that the rates would be \$425 instead of \$460 under the GNHWPCA regional rates as there is increased purchasing power and less overhead with a larger water pollution control authority. Mr. Nocera also said tha thte deficits from the WPCA would also be assumed by the GNHWPCA and those costs would be part of the \$425 rate. The current deficit of the Stratford WPCA accounts for approximately 10 percent of the Town's liabilities. This would lead the town to a better bond rating and lower interest rates in future bonding and Town capital projects.

Mr. Hoydick asked what the breakdown is ni the WPCA budget that has led to a proposed \$60 rate increase since the previous year. Mr. Nocera noted that last year's rate should have been \$450 to maintain a balanced budget. The rate increases were proposed because there was increase overhead with the pump station upgrades, pension and retirement benefits for DPW staff working on WPCA projects, the most recent sludge contract, and an increase in electrical utility fees at WPCA sites. Mr. Nocera noted that the treatment plant is considered a gem but it requires routine investments of resources to maintain its operation.

Mr. Forrester inquired about the status of union negotiations, the chemical system maintenance in the budget and the proposed electric rate decrease from United Illuminating Mr. Nocera noted that the union contract may not be up for negotiations for a few years, the chemcical system maintenance costs about \$100,000 annually and this is to clean toxins in the waste water, and that the electrical utilities rates were based on the last year's actual expenditures. Mr. Forrester noted that the electrical rates make Stratford the second highest in the area and an outlier.

Mr. Forrester also inquired about the sludge contracts and when the Town started to charge the WPCA back for Town and/or DPW personnel time. Mr. Nocera noted that there was an increase in the sludge contract, and the the current contract was the lowest bidder that was presented to the Town. Mr. Forrester also asked about the status of worker's compensation expenditures in the WPCA budget and Mr. Nocera noted that the workers compensation claims have increased in last year.

Mr. Forrester inquired about the \$250,000 payment to Bridgeport for partial pumping in certain parts of the eastside of town. Mr. Nocera noted that water's general tendency is the path of least resisence and tends to flow downhill, and this is why the Bridgeport facility was used and paid for by Stratford. Since then, a pump station has been erected by the Stratford WPCA and the

Town will start seeing a return of investment by not having to pay Bridgeport anymore within four years.

Mr. Forrester noted that Stamford, Connecticut and Southington, Connecticut asset values are based on percentages for the fund balances. Mr. Nocera noted that Stratford's fund balance is roughly 8 percent and the State of Connecticut wants a fund balance between 7 percent and 10 percent.

Mr. Forrester wanted the projection of the WPCA fee collection rate and Mr. Nocera noted that the collection rates are based on the previous year's actual collection rate. Mr. Forrester also asked what the budgetary impact would be on a \$900,000 shortfall. Mr. Nocera responded that the shortfall was based on a \$425 rate with using some fund balance to offset an otherwise \$450 sewer rate for residential properties.

Ms. Phillips inquired about the legal contracts associated with the GNHWPCA negotiations. Mr. Nocera noted that at \$53 million dollar acquisition requires legal services in order to bolster the Town's ability to broker a deal for Stratford ratepayers. Mr. Nocera noted that even with smaller acquisitions or even acquisitions between private property owners, the two sides would often employ the services of legal experts to craft contracts and mutually agreeable acquisitions. Ms. Phillips asked whether the legal fees should be paid for by the Town budget instead of the WPCA budget. Mr. Nocera noted that the legal expenses are a one-time expense during the negotiation of the regionalization deal.

Ms. Phillips questioned whether the WPCA authorized the legal expenditure. Chairman Kubic noted that the Town Council in previous years voted to approve funding, as the Town Council ultimately approves all Town spending including the WPCA budget.

Ms. Phillips reiterated her question about the capital outlay fund balance as a means to reduce costs at the WPCA. Mr. Nocera reiterated that this would harm the WPCA's ability to finance capital improvement upgrades such as fixing ailing pipes, pump stations and other major repairs. To do so would be a risky proposition that could lead to a larger rate increase in the future.

Ms. Phillips asked what the major operating costs are in relation to the legal services and all contracts with the WPCA. Mr. Nocera noted that human resources and personnel also drive up the cost for legal fees between personnel disputes, hiring or reassignments of new personnel, retirements, terminations, and general personnel matters. Mr. Nocera also noted that the sludge contract negotiation has to be treated differently due to the very different nature of that service as opposed to other legal expenditures incurred by the WPCA. He also noted that many of the staff and legal costs are contractually obligated by the Town and the WPCA.

Mr. Dempsey asked if there were any other towns that connect to the SWPCA. Mr. Nocera reported that three commercial entities from Trumbull use the SWPCA sewers at a cost of roughly \$600 per user. Shelton properties also use the SWPCA and this accounts for \$200,000 a year in revenues coming into the SWPCA.

Mr. Catalano recalled never having voted on the sludge contract. Mr. Nocera noted that the bids are still ongoing.

Chairman Kubic called Town Attorney Timothy Bishop to the podium to answer questions from the WPCA Board.

Ms. Phillips inquired about the legal costs associated with the appeals regarding the referendum court hearings, and how were those funds approved. Mr. Bishop noted that there was de facto approval from the previous year's budget when the Town Council voted to approve the budget for FY 2014-2015 and when the WPCA Board set the rates for FY 2014-2015 in 2014. Mr. Bishop said he will need to research the costs associated with the appeals process and report back to the WPCA Board.

Ms. Phillips asked what process was to stop the appeals challenging the referendum. Mr. Bishop noted that the authority lies with the Mayor.

Mr. Catalano inquired about how long have the workers compensation claims have been active. Mr. Bishop responded that the workers compensation claims have been around for several years and the claims are not recent. He also noted that workers compensation claims are usually long processes.

A MOTION WAS MADE BY MR. HOYDICK, SECONDED BY MR. FORRESTER TO ESTABLISH THE RATES AS FOLLOWS:

COMMERCIAL RATES:	\$5.36 PER UNIT
RESIDENTIAL RATES:	\$450 PER HOUSEHOLD

Mr. Dempsey entered into discussion the question of how the \$450 dollar rate would impact the budget instead of the proposed \$460 rate for residential properties. Mr. Nocera noted that the budgetary deficit would be \$230,000. Mr. Nocera also noted that the commercial rate is often adjusted with the residential rate in order to keep both commercial and residential rates on a level platform in order to prevent a disproportional rate burden either on residential properties or commercial properties.

MR. HOYDICK OFFERED A FRIENDLY AMENDMENT TO ADJUST THE COMMERCIAL RATE TO \$5.25 PER UNIT. MR. FORRESTER ACCEPTED THE FRIENDLY AMENDMENT. THE AMENDMENT TO THE MOTION WAS APPROVED SIX VOTES IN FAVOR AND TWO VOTES OPPOSED. MR. SANTI, MR. DEMPSEY, MR. POISSON, MR. FORRESTER, MR. HOYDICK AND CHAIRMAN KUBIC VOTED AYE AND MS. PHILLIPS AND MR. CATALANO VOTED NAY.

A MOTION TO ESTABLISH THE CHARGES IN CONNECTION TO THE SEWER SYSTEM TO FOR RESIDENTIAL RATES AT \$450 PER HOUSEHOLD AND THE COMMERCIAL RATE AT \$5.25 PER UNIT WAS MADE BY MR. HOYDICK AND SECONDED BY MR. FORRESTER BY ROLL CALL VOTE:

Ayes (6):
Mr. Santi
Mr. Dempsey
Mr. Poisson
Mr. Forrester
Mr. Hoydick
Chairman Kubic

Nays (2):
Ms. Phillips
Mr. Catalano

MOTION PASSES SIX VOTES TO TWO VOTES.

7) **New Business**

B) West Broad Street Resolution

This item was struck from the agenda as it is a Town Council item to be placed for a Town Council Meeting.

8) **Adjournment**

Hearing no further business Chairman Kubic entertained a motion to adjourn the special meeting of the Stratford Water Pollution Control Authority at 7:58 pm.

A MOTION WAS MADE MR. SANTI AND SECONDED BY MR. FORRESTER TO ADJOURN. MOTION CARRIES EIGHT VOTES TO ZERO. Meeting is adjourned at 7:58 pm.

Document(s) Enclosed:

Exhibit A: NAWCA 2014 Cost of Clean Water Index

Respectfully Submitted

David Fuller
Recording Secretary