

Beacon Falls Board of Selectmen
10 Maple Avenue
Beacon Falls, CT 06403



**BEACON FALLS BOARD OF SELECTMEN
SPECIAL MEETING
October 22, 2014
MINUTES
(Subject to Revision)**

1. Call to Order/Pledge to the Flag

First Selectman Chris Bielik called the meeting to order at 7:01 P.M.

Members Present: First Selectman Chris Bielik, Selectman Peter Betkoski, and Selectman Dominick Sorrentino

Others present: Joe Dowdell, Jack Levine, Joe Rodorigo, & Marc Bronn from the Board of Finance; Jeff Smith, Walt Opuszynski, Charlie Edwards, Rich Komar, and Rob Pruzinsky from WPCA; Dave Prickett and Jay Sheehan from Woodard & Curran; Tom Broesler, Finance Manager; and Mike Krenesky, Town Treasurer.

2. Joint Workshop with the Board of Selectmen, Board of Finance, and the WPCA with regards to the Treatment Plant Upgrades

C. Bielik began with the purpose of the meeting tonight being that point of discussions that need to get a hand on internally before moving it to the public. He thanked Dave Prickett and Jay Sheehan with all their work in getting the information for tonight's meeting. C. Bielik turned the meeting over to D. Prickett and J. Sheehan to begin the discussion.

D. Prickett began by referring to the handout that J. Sheehan was passing out to the people in attendance. He began with stating the current year mil rate of 32 ½ and the annual wastewater O & M budget of \$600,000 which is paid by the General Fund by taxes which equates to 1.26 mils. There is a proposed plant upgrade that has a current fiscal year value of \$16,000,000. That has been escalated production costs by 3% per year to bring it out to the anticipated mid-point of construction 2016. They projected the O & M budget to go up likely due to new requirements and initial reserves for capital expenditures. If it is increased from \$600,000 to \$800,000, then the mil rate increased to 1.68 (.42 mil increase).

There are different funding opportunities through the state and Rural Development. They have gone with the funding commitment that is strongest. We are on the priority list, up at the top of it, and they have committed funding the full project amount with a 25% grant, and the balance at a 20-year loan at 2%. This is the formula used to calculate each scenario. Rural Development may provide a higher grant percentage, may/would allow a 40-year note, but we don't know when that commitment will come.

Scenario 1 is as we are currently managing the wastewater costs at 100% through taxation. Between the increase in O &M and the annualized capital costs, the projected increase by 2.05 in the mil rate. This would result in the mil rate going from 32.50 to 34.55. C. Bielik noted that this doesn't address anything else that affects the municipal budget.

Scenario 2 is going to the other end of the spectrum. No longer would anything come out of taxes, it would be 100% based on a user fee system. This scenario would reduce the mil rate from 32.50 to 31.24, based on approximately 1,300 EDU (single family homes). This would be a cost-per-home of approximately \$1,200 per year for wastewater, about 4 times the current state average for wastewater based on 2011 data. Each household on the sewer would be paying for the costs. Households not sewerred but paying for a portion of the costs today would pay about \$200 less per year.

T. Broesler felt that it was comparing apples and oranges. He asked if they could quantify one way or another, what would the 2.05 mil rate resulting on the overall tax average for homeowners. C. Bielik indicated that if they estimate, if looking at about $\frac{3}{4}$ mil decrease for homeowners on septic, then looking at about $2\frac{1}{2}$ to 3 mil increase on homeowners on sewer system. D. Prickett indicated that based on the median, the increase townwide per home would be approximately \$550.00.

J. Levine questioned that under the first scenario, the mil rate would increase by 2 mils, approximately \$600.00 per household. Under the second scenario, about half the people would have an increase of 4 mils while the other half would pay less. D. Prickett indicated that that is correct. J. Levine indicated that those who have the grinder pumps are paying for that grinder pump, and the cost is about \$600 to \$800 per year. P. Betkoski asked J. Smith how long on the grinder pump. J. Smith replied that they didn't pay for the initial installation but they are paying the electrical cost. C. Bielik indicated that he nudged the town attorney on the question of the shift of responsibility of the grinder pumps since the loans have effectively been paid off. He is still waiting on the answer to that.

D. Prickett continued that Scenario 3 would have the O & M costs being removed from the General Fund and paid through sewer user fees. The proposed WPCF capital debt would be paid by the General Fund resulting in a slight increase to the mil rate. The mil rate would go from 32.40 mils to 32.93 mils, up by .43. The O &M fees would be paid for by the sewer users at approximately \$615 per EDU.

J. Rodorigo interjected that the people using the system are going to get some tax increase. We can say that it is revenue neutral by in reality; at least 50% of the people in town are getting an increase. If we do a cost share, 100% of the people are getting an increase but at two different stages. J. Sheehan indicated that he is correct. D. Prickett indicated that it is about \$400 increase in cost per year. J. Rodorigo estimated that it would be approximately a 30% increase. J. Smith indicated that you would hear from everyone if going with the first scenario.

J. Levine questioned Scenario 3, asking if half the town would have an increase of .43 mils. Half the people would pay \$200 and half the people would pay \$800. The people paying \$800 have the direct connection to the sewer system. He indicated that assuming we really need to take action on this project, the question is timing. We will have to do this, the costs are only going to higher, and the grants may or may not be available. T. Broesler also noted that the interest rates may not be as favorable as they are now. J. Levine indicated that he feels that the user fee is fair and that the tax burden should be spread out evenly.

J. Smith also noted that there is an area off Lasky Road wanting and asking for sewers, and don't have them, and now you want them to pay a user fee. Those people are going to be livid. These are the questions that we need to have the answer for when we go to the public.

J. Rodorigo noted that the discussion is how it's going to be paid for and you haven't figured how to pay for it, and yet you want to bring it to the public and vote for \$17,000,000. This is the wrong thing to do. He felt that it should go by setting up the sewer user fee and a year from now you say that there is what is happening and you know who is hooked up and what the costs will be. C. Bielik indicated that we are discussing how to pay for it now. J. Rodorigo indicated that if the fee is \$1,200 then it is a 21% increase in taxes; a fee that is \$600 is about an 11% increase in taxes. These are higher than our neighbors to our east and west. They are higher than the town we share with and our house values are decreasing. Beacon Falls is a depressed housing market. Adding 2 mils does not make the property value go up. We need to get this stuff in place first and then work towards it when the economy turns around. J. Dowdell indicated that we need to look at this not as half the households. This is a community and everyone should be included. He indicated that he doesn't have children but still pay the same taxes as others. C. Edwards noted that it could be a 4 mil increase if we wait two to three years down the road.

J. Levine agrees that this is going to be difficult to get the voters support and it is a big increase relative to everything else. We have to look at the other side. The costs are going to go up, not down. The interest rates cannot go lower than what they are now. As town officials, we cannot turn back on asking the public to take care of something that could be a catastrophic event. We have a responsibility to bring it to the public. J. Rodorigo left the meeting at this time, which is 7:37 P.M.

J. Levine continued that collectively if we feel that this is right for the town, then we collectively go to the town and explain it to them. It is going to be a tough sell, but if we believe in it then we need to fight for it.

T. Broesler indicated that the next step is how we will market it if this is what we want to do. He asked about the bonding being mutually exclusive. C. Bielik indicated that he believes that they are by his understanding. There was a discussion during the summer with a gentleman from USRDA and tried to get a grant and parlay them with additional grants from the state, it would increase the amount that we're getting from outside sourcing funds so we don't have to finance it all ourselves. T. Broesler asked about the bonding with the state giving us 20 years at 2%, and another one is a 40 year bond at a different rate. If we can blend the two together, are we able to knock down the mil rate since part of the bond is not due for 40 years. The amortized cost is going to go from 5% to 2 1/2%. He isn't sure if you can do multiple lines. J. Sheehan indicated that, in certain circumstances, you can. You have to be careful that you don't make it so low that it skyrockets up. A suggestion is that instead of going up 2 mils in the first year, maybe you go up 1 1/2 mils but this is where an investment advisor is important in working with the Board of Selectmen and the Board of Finance. You don't want it too steep.

D. Prickett indicated that the numbers are based on the state formula on the 20-year note. If Rural Development can come up with a \$16,000,000 project cost and they like to spend \$4,000,000 to \$5,000,000 per year per community, and they come up with 45% or even a 35% grant, and the interest rate stays low on the 40-year note, then the mil cost per year would be lower than the 1.63 projected. USDA and the state could work together and get to a more favorable grant allocation, but they don't like to due to unique programs.

J. Smith questioned about putting the money from the dump and putting it towards this, it would be approximately \$100,000 a year. C. Bielik believes that those numbers are off. We are still receiving revenue from that every year but have been declining. J. Smith indicated that it has increased. D. Prickett indicated that the town has a contract with the collation, and you have the ability to reopen those terms. P. Betkoski indicated that they will look into this.

M. Bronn asked what the useful life of the new plant. D. Prickett indicated that he would say 50 years on the structures, 20 years on the mechanical and electrical equipment. We are maintained and reusing your buildings and structures. P. Betkoski asked if the bottom line is \$16,000,000 and no additional costs as we go along. D. Prickett indicated that there is a 20% contingency in that number. There are always things that fall under the "act of God" category. If you make a decision to move further, we can spend \$30,000 to put holes in the ground to do testing for contaminations. No testing has been done as of yet.

C. Bielik added that if we spend \$30,000 testing and get happy results, we are hopeful in getting a better return on the back side. But, we don't know what that would be until we put holes in the ground. R. Pruzinsky asked what the cost would be in we built a brand new plant at that size. D. Prickett indicated that it could be approximately \$40,000,000 to \$60,000,000 depending on the site. M. Bronn asked about the capacity if everyone in the town hooks up to the sewer system. D. Prickett indicated no, not everyone in town. M. Bronn asked in 20-50 years, if there is 90% are on sewer, can the plant handle it. D. Prickett is not sure if he could answer that, but may be about $\frac{3}{4}$ that. C. Edwards added that there may not be a need for the entire town may never happen.

C. Bielik indicated that if we go the state funding route, the alternative to that is USRDA may decide to fund us a higher level of the grant, but his understanding of USRDA is that they don't like to give large amount to any one community in any one year. It would have to be phased over a couple of years if we were lucky enough to get 33% for the sake of argument. D. Prickett indicated that 15 months ago, the USRDA rate was 2.7% and now it is around 4%. It changes every quarter.

M. Krenesky indicated that everyone needs to be prepared to talk about the other items out there that affect the budget, primarily the school system and increases that it's going to put in place over the next few years. The public will want to know what the true payment is going to be. You can argue how important it is to do this project but roads are important too. The school building project is going to start hitting us over the next two years. All these issues have to be looked at and put into place so that everyone understands what the real dollar increase will be.

C. Bielik indicated that no matter what happens with the vote, when and if we take it to the public tomorrow, next month, or next March, we need to come up with a plan now to implement as quickly as possible something that's going to affect the 1,300 people using the system now. C. Edwards noted that if we don't have a sewer plant, then we don't have a school system. This is fundamental. J. Levine noted that this something that needs to be mentioned to the public. J. Dowdell also noted that Derby is going to be voting on a \$31,240,000 project for their sewer plant on the 4th of November, which is an additional increase on a single family house of \$257.00 and on a two family house of \$514.00 per year.

C. Bielik added that what we are talking about with Scenario 1, 2, and 3 is adding the wastewater treatment plant upgrade to a steady state operating budget. This is where the Board of Selectmen and the Board of Finance have some real decisions to be making because what are the possibilities for us to look at as far as what the municipal budget is. What are we willing to sacrifice from that budget to help offset some of the additional costs. That is a completely different discussion and that is something that come budget season is the right time for us to be having those discussions which is why doing this as a "bring it to the public" kind of thing is probably the right time to be doing because at that point we will have answers.

D. Prickett reiterated that the contract with the collation landfill has a reopen clause if your permit changes and your permit has change. Right now, you are paid \$5.00 per 1,000 gallons forever, til the end of time. You have the opportunity to back with them and negotiate better terms because the game has changed. Whatever money you get from them can at least go towards to trying to offset the .43 mil adjustment that we think should be made.

C. Bielik wanted to relook at Scenario 3. There is going to be a slight/modest increase that everyone in town absorbs and there is a much more significant whack that is going to the people physically hooked up to the system and using it continuously. Some people have suggested that maybe that doesn't fully capture the costs allocated throughout the users of the system. There are people that not hooked up to the system directly or indirectly benefit from it. He asked if there is an alternative that someone may have to help lower the hooked up side by increasing something on the not-hooked up side.

C. Bielik asked if anyone had something new to add or discuss tonight. W. Opuszynski noted that Cotton Hollow side of town gets their service from Naugatuck and should be out of the equation if you separate everyone now. We need to factor this into our discussions.

C. Bielik asked for everyone to look at their calendars for the next time before Thanksgiving to schedule one of the meetings for a joint recommendation vote. If we don't do it before Thanksgiving, then we will probably not get it done this calendar year. J. Levine mentioned that the boards have regular scheduled meetings; we have had community discussions, so we should be able to vote on it at our next meetings. He also noted if the First Selectmen could send the recommendation that the Board of Selectmen made to the chairs of the other two Boards for their next meetings.

The next Board of Selectmen meeting is on Monday, November 10, 2014. The next Board of Finance meeting is on Tuesday, November 18, 2014.

3. Adjournment

With nothing further to discuss at tonight's meeting, C. Bielik asked for a motion to adjourn tonight's meeting.

Motion to adjourn tonight's Board of Selectmen Special Meeting at 8:22 P.M.:
Levine/Edwards no discussion; all ayes.

Respectfully submitted,

Marla Scirpo
Clerk, Board of Selectmen