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Cc:

WATER POLLUTION CONTROL AUTHORITY
FCC POLICY REVIEW SUBCOMMITTEE
SPECIAL MEETING
July 26, 2011

1. CALL TO ORDER

Paul Gilmore called the special meeting of the FCC Policy Review Subcommittee to order at 7:00 a.m. at the Simsbury Water Pollution Control Facility Conference Room, 36 Drake Hill Road, Simsbury. The following members were present: Michael Park and Loren Shoemaker. Also present were: James Clifton, WPC Superintendent, Richard Sawitzke, Town Engineer, as well as other interested parties.

2. DISCUSSION OF FCC POLICY REVISIONS

Mr. Gilmore stated that the Subcommittee is studying the FCC Policy with an objective evaluation and deciding if any changes should be recommended to the Water Pollution Control Authority.

Mr. Gilmore thanked Mr. Clifton for the historical data that was provided to the Subcommittee. He questioned if the approximately \$11 million of the \$21 million original loan principal is attributed to the expansion of the capacity. Mr. Clifton stated that this was calculated based upon infrastructure and allocated costs among the various phases and components of work to be completed. Mr. Gilmore questioned how the balance of the Capital Improvements in the amount of \$10 million would be paid for. Mr. Clifton stated that a portion of this comes from user fees. If there is a shortfall, then reserves would be used, although to this point, they have not needed to go into the reserves. He stated that there are several revenue streams that meet their needs, including septage fees, user fees and facility connection charges (FCC), although the core source of revenue was based on the FCC. Mr. Gilmore questioned if the FCC was intended to cover both the expansion and the modernization of the plant. Mr. Clifton stated that it was to cover the expansion.

Mr. Gilmore stated that the \$4,095 for the FCC was based upon 134 new

connections per year over a 20 year period. Mr. Clifton stated that this was correct; neither economic burden nor cost recovery of the interest that it will take to retire the debt were taken into consideration in this timeline.

Mr. Clifton stated that the bond payments started in 2008 and, he believes, will retire in 2017, although he will check on this date and report back to the Subcommittee. Mr. Shoemaker stated that the Subcommittee needs to determine how long the payment plan originally was and also how much income they are getting against the original formula to meet these obligations. Mr. Gilmore stated that the Water Pollution Control is collecting less than one-third of what was forecasted to be brought in. The difference is being supplied through other revenue sources.

Dr. Park commented in contradiction to a letter from Mark Deming to Mary Glassman, dated June 15th, that the FCC is not arbitrary and expensive and is not based upon 25 year old data.

Mr. Gilmore stated that there are two different methodologies in determining the FCC. There is one charge for residential dwelling units, which does not consider size. The commercial charge is determined by a process of evaluation. Mr. Clifton explained the factors that are used in this evaluation, which include use and design flows. He stated that the charge is based on capacity. The FCC is a uniform fee per dwelling irrespective of the size of that dwelling. To determine the amount of this charge, policies in surrounding Towns were looked at. The Subcommittee discussed other Town's policies regarding these charges and why there might be such disparity between them.

Mr. Gilmore stated that the Water Pollution Control Facility is non-profit. He stated that they need to cover their cost with some amount going into reserves so that they are not fiscally irresponsible about being able to have a sustainable operation. Mr. Gilmore questioned if the amounts of money they have put into the reserves had gone below what is fiscally prudent for sustainability. He also questioned if there was more room to have a lower intake of FCCs and still have a sustainable and prudently administered facility. Mr. Clifton stated that the biggest variable is the availability of Clean Water funds. He stated that if these funds are not available, they cannot meet their obligations. The Subcommittee had a short discussion regarding the current budget for the WPC.

The Subcommittee also discussed the reserves. Mr. Sawitzke stated that he has studied several scenarios in terms of growth and new connections as well as capital projects. He stated that if all of the capital projects in the budget were funded, the reserve funds would reflect a negative amount by 2018. Although, if certain non-essential capital projects are taken

out, the reserves would go to approximately \$1.2 million and they would stay constant going forward. He stated that the reserves are currently at \$3.8 million.

In response to a question from Mr. Gilmore, Mr. Sawitzke stated that Jim Clifton and he would look into the viability of modeling based upon a fixed cost recovery component combining this with an additional factor that reflects a guaranteed, more minimal use of flow capacity. Also, they will look at potentially a reflection of some time value of money component to generate an incentive for development sooner along the timeline. Mr. Shoemaker stated that the WPC is bringing in one-third of what was projected in terms of the FCC, yet still covering their financial responsibility. He feels that even with this formula, the greater group would be subsidizing the connections.

Mr. Gilmore stated that if someone was connecting to the system sooner rather than later, it may be more valuable. He questioned if an incentive component to stimulate development has been considered. Mr. Sawitzke stated that although they have not modeled this, the Town had the biggest number of connections the year that they offered an incentive to residents when the plant was coming online.

Mr. Gilmore asked if there were any comments or questions from members of the audience.

Mr. Janeczko, Landworks Development, stated that he believes there are differences in types of users. He stated that, from a usage standpoint, apartments are commercial. He stated that his development will be a commercial use; the units will be rented. He believes that the usage for the units in this development will be a fraction of what the Town's baseline home would be. Mr. Janeczko stated that all of the apartment complexes in Simsbury pre-date the \$4095 FCC. He also stated that this new development will be a new classification of development under the PAD; an area in Town where development was not expected.

Mr. Peck stated that he would like to take some time at the next Subcommittee meeting to discuss the broader concept of the two different classes of zoning in terms of what the current zone is and other areas in Town that will, most likely, be available for this type of zoning.

The next meeting date of the FCC Policy Review Subcommittee will be held on Tuesday, August 23, 2011 at 7:00 a.m. in the Water Pollution Control Conference Room.

3. ADJOURN

Mr. Shoemaker made a motion to adjourn the meeting. Dr. Park seconded the motion, which was unanimously approved.