

**THE METROPOLITAN DISTRICT COMMISSION**

555 Main Street

Hartford, Connecticut 06103

Wednesday, November 13, 2019

**Present:** Commissioners Andrew Adil, John Avedisian, William A. DiBella, Peter Gardow, Denise Hall, Allen Hoffman, Gary LeBeau, Jacqueline Mandyck and Pasquale J. Salemi (9)

**Also**

**Present:** Christopher Martin, Chief Financial Officer  
Christopher Stone, Assistant District Counsel  
John S. Mirtle, District Clerk  
Kelly Shane, Chief Administrative Officer  
Sue Negrelli, Director of Engineering  
Nick Salemi, Special Services Administrator  
Victoria S. Escoriza, Executive Assistant  
Julie Price, Professional Level Trainee  
David Silverstone, Independent Consumer Advocate

District Chairman DiBella, called the public hearing to order at 5:30 PM

Chairman DiBella read the following statement:

“This is a public hearing of The Metropolitan District. The District Board will receive public input on the proposed 2020 budget for The Metropolitan District, Water & Sewer Rates, and Revisions to Ordinances.”

“On October 25, 2019, the 2020 proposed budget was made publicly available and posted on [www.themdc.org](http://www.themdc.org). At its November 6<sup>th</sup> meeting, the District Board referred the proposed budget to the Board of Finance. A final decision on the 2020 proposed budget, rates and ordinances has yet to be made. The District Board will consider and approve a final budget at its December 2, 2019 public meeting, and will take into account what is said at this hearing.”

John Mirtle, District Clerk, read the following into the record:

The following hearing notice was published in the Hartford Courant on November 2, 2019 and again on November 8, 2019; and the notice was filed, for public inspection, in the office of the town clerk in each municipality that is a member town of The Metropolitan District.

November 8, 2019

**NOTICE OF PUBLIC HEARING  
OF THE METROPOLITAN DISTRICT  
PROPOSED 2020 BUDGET, WATER & SEWER RATES AND  
REVISIONS TO ORDINANCES**

**The Metropolitan District  
555 Main Street  
Hartford, Connecticut**

Pursuant to Special Act 01-3, as adopted by the General Assembly of the State of Connecticut, and Section 2-14 of the Charter of The Metropolitan District, The Metropolitan District will hold a public hearing on the proposed fiscal year 2020 budget, water and sewer rates, and revisions to The District's Ordinances. The hearing will be held in the Board Room at Metropolitan District Headquarters, 555 Main Street, Hartford, Connecticut, on Wednesday, **November 13, 2019 at 5:30p.m.**

The proposed fiscal year 2020 budget, rates and ordinance revisions are available for inspection at the Office of the District Clerk of The Metropolitan District, 555 Main Street, Hartford and [www.themdc.org/budget](http://www.themdc.org/budget).

Proposed changes to the following sections of the Water Supply Ordinances will be considered:

- § W1a "WATER USED CHARGE (TREATED WATER)"
- § W1f "SURCHARGE OUTSIDE THE METROPOLITAN DISTRICT FOR CAPITAL IMPROVEMENTS"
- § W4c "PAYMENT OF ASSESSMENT"
- § W5a "CHARGES FOR SERVICE PIPE"
- § W6f "CHARGES FOR PRIVATE FIRE PROTECTION SERVICE"

Proposed changes or additions to the following sections of the Sewer Ordinances will be considered:

- § S1b "DEFINITIONS"
- § S2e "WASTES EXCLUDED FROM ALL SEWERS"
- § S2l "USE OF SANITARY SEWERS"
- § S2s "THE STATE OF CT GENERAL PERMIT FOR DISCHARGES FROM MISCELLANEOUS INDUSTRIAL USERS" (NEW ORDINANCE)
- § S3d "MATERIALS AND WORKMANSHIP FOR SEWERS, DRAINS, CONNECTIONS, ETC."
- § S3i "SPECIFICATIONS FOR LAYING"
- § S3k "ENGINEER SHALL SUPERVISE AND INSPECT DRAIN WORK"
- § S3s "MAINTENANCE OF SEWER CONNECTIONS"
- § S3t "SEWER STOPPAGES"

§ S3v	“SPECIFICATIONS FOR LINING HOUSE CONNECTIONS AND SEWERS” (NEW ORDINANCE)
§ S5b	“ASSISTANCE AND PROCEDURE IN SUSPECTED VIOLATIONS”
§ S7s	“INSTALLMENT PAYMENTS OF SANITARY SEWER CONNECTION CHARGES”
§ S9c	“INSTALLMENT PAYMENTS (LAYOUTS PRIOR TO 1967)”
§ S9d	“INSTALLMENT PAYMENTS (LAYOUTS AFTER JANUARY 1, 1967)”
§ S12c	“DEFINITIONS”
§ S12m	“PAYMENT OF SEWER USER BILL”
§ S12w	“PAYMENT OF MISCELLANEOUS SEWER BILLS”
§ S15l	“BILLING OF FOG CHARGES”
§ S15o	“NON-PAYMENT & SHUTOFF” (NEW ORDINANCE)

All interested parties from The Metropolitan District’s member municipalities may appear to be heard.

John S. Mirtle, Esq.  
District Clerk

John Mirtle, District Clerk, read the public hearing guidelines.

Christopher Martin, Chief Financial Officer, presented changes to the proposed increase in water rate.

### **PUBLIC COMMENTS**

Judy Allen of West Hartford submitted the following written comments:

Comments for Public Hearing 11/14/19  
Proposed 2020 budget and rates

I want to begin by saying I support the ordinance change that creates a new schedule for paying the ad valorem tax. This should help towns in their budgeting process going forward.

We take our drinking water for granted. If we consider all that goes into providing that water, we pay only a fraction of what it's really worth.

While I don't like the prospect of paying the proposed rate for water, I do support setting a price for water that reflects how important it is. At the same time, everyone has the right to water at a cost they can afford. This will be a greater challenge with the new water rate. And so I expect that the rates are set wisely, with every effort made to keep costs down.

The budget commentary indicates that the funding for Operation Fuel will be increasing, yet the numbers show the same funding as last year.

It is hard to suggest where savings might exist without an accurate accounting of what was spent. One example is the item under Executive Office – Administration, expenses for Dues-Professional Associations:

The amount adopted in 2017 was \$40,000, while what was actually spent was \$500.

In 2018 the amount adopted was \$60,000, while what was actually spent was \$47,678.

In 2019 the amount adopted was again \$60,000 and it's projected the whole amount will be spent by the end of the year and then proposed to go up to \$80,000 for 2020.

I think this is an item that can be nailed down more accurately than rounding to the nearest \$10,000. And it's a lot of professional dues for one person.

Reducing this expense could provide increases for Operation Fuel.

I strongly believe that while Riverfront is fabulous, it's not an appropriate expense for the MDC rate payers. This money could also add to Operation Fuel to help those struggling with new water rates.

Lastly, I continue to be concerned that decisions are being made based on an assumption that the Integrated Plan will be approved as submitted. A more realistic assumption is that ultimately an approved plan will be a compromise. Assuming that the state will be able to provide the same level of funding as in the past is also risky.

The feedback from DEEP has been clear, your LTCP must first describe a plan that would meet the goals now in place. Then use your Integrated Plan as a proposal for how these goals can be met using a different financing model. By down playing the environmental requirements of the Clean Water Project you risk a protracted adoption process that serves no one. When you developed your first LTCP you created a committee of stakeholders that included the environmental community to help you design that plan. It costs you nothing to revive that committee and potentially save millions in time and money.

Judy Allen  
West Hartford

State Representative Tom Delnicki spoke in opposition to the rate increases being above the consumer price index, and also spoke regarding the hydrant maintenance fee increase over the past three years.

Independent consumer advocate David Silverstone submitted the following written statement:

COMMENTS OF THE INDEPENDENT CONSUMER ADVOCATE ON

2020 PROPOSED BUDGET AND RATES

NOVEMBER 13, 2019

The Independent Consumer Advocate( ICA) has reviewed the proposed 2020 Budget and rates. These comments represent the areas of greatest concern to the ICA and he asks that the Board of Finance and the District Board give them careful consideration.

The proposed increase for water usage of 14.5% is somewhat mitigated by holding the water customer charge flat. It is further and substantially mitigated by holding the Clean Water Project charge (CWP) flat. Without these mitigating factors which hold the increase in water and sewer bills to approximately 5%, an increase of such magnitude would simply not be affordable to a large number of customers.

THE PROJECTED TREND IN WATER AND SEWER COSTS TO CONSUMERS IS NOT SUSTAINABLE.

Water and sewer costs to consumers have increased substantially over the last ten years. These increases have largely been fueled by the need for capital improvements to the existing water and sewer system and the capital improvements associated with the CSO and SSO abatements. The result has been a substantial decline in water use, above and beyond what could be attributable to those factors affecting all water suppliers, e.g. more efficient appliances. From 2008 to 2019, water use declined on average by 1.9% per year, almost twice what might be attributable to water efficiencies. In 2008, MDC sold 22,297,000ccf as compared to 17,700,000 ccf in 2019.

Such a steep decline foreshadows the beginning of a 'death spiral': Water use declines as rates go up, rates need to go up even further to offset the decline in use, use declines even more due to the higher rates, and so on. Indeed, in the current proposed 2020 budget, a 14.5% increase in the water rate(\$3.50/ccf to \$4.01/ccf ) only produces a 5.6% increase in revenue over 2019 budget. (It should be noted that a portion of this difference between the 14.5 and the 5.6 percentages is due to the customer charge being held flat.).

Even if the long term integrated plan(IRP) currently being considered by the DEEP is approved, that alone, especially given the MDC preferred plan for funding, will not halt this spiral. There are several steps that the MDC must consider during 2020 that could at least ameliorate the current trends.

First, it needs to rethink its current preferred plan for funding the CSO and SSO abatement. In its IRP filing of December 2018, it proposes to shift cost burdens away from the ad valorem and toward the CWP charge borne by individual customers. That is, if it determines that a capital expenditure has any relationship to mitigating CSO and SSO, even if it also represents capital improvements to the regular sewer system, it will finance this expenditure through the CWP and not the ad valorem. The result will be a substantially higher CWP charge than it might otherwise have been.

While the CWP portion of the customers' bills are not due to the cost of providing water, from the customer perspective, each gallon of water used incurs two charges: one for water and one for CWP. Each gallon not used reduces both these charges. If the IRP is approved, then this relationship between

the capital expenditures associated with ALL sewer improvements and the ad valorem charge needs to be reconsidered from that which is currently being proposed.

Second, longer durational bonds need to be considered. Currently all financing by the MDC is through 20 year bonds. While some bonding will have to remain at 20 years, the MDC does have the discretion to finance a portion of its capital needs through 30 year or longer bonds. Given that most capital expenditures are for assets with useful lives much longer than even 30 years, such longer durational bonds would be appropriate. For the same reason that many homeowners opt for 30 year mortgages, notwithstanding slightly higher interest rates, instead of 15 year mortgages, MDC must consider the affordability to customers of longer durational bonds.

Third, there needs to be a strategic use of the rate stabilization fund associated with CWP. This fund currently amounts to \$100 million. If the IRP is approved and after taking the foregoing steps, it can then be determined as to how it can best be used to mitigate rates over the long run.

The MDC cannot adopt a business as usual plan. Once consumption is lost, it is unlikely to return.

#### THE PROPOSED BUDGET FOR PAYROLL SHOULD BE DECREASED BY AT LEAST \$750,000.

During budget deliberations last year, the ICA urged a reduction in the payroll budget to take into account vacancies. While there was some accounting for retirements, the budget essentially fully funded all 485 positions. It assumed all positions would be filled every day of the year.

This assumption flies in the face of reality. It is virtually impossible to fill every position on every day of the year. Resignations, terminations, retirements, the hiring process, all lead to there being vacant positions throughout the year. In 2019, despite 485 positions being authorized, the employment count never exceeded 475 in any month (Figures through 9/30/19). The monthly average was 469 (Measured at the beginning of each month through September). Most tellingly, even though an unbudgeted 53<sup>rd</sup> payroll week was accelerated from 2020 into 2019, the total payroll (inclusive of regular pay, overtime, temporary help, etc..) was still \$400,000 less than budgeted.

Budgets ought to represent the most accurate projection of what will actually be spent in any given time period. This year, 481 positions are being proposed. A vacancy factor of 3%, or 14 positions, should be adopted for budgetary purposes. At a conservative assumption of \$60,000 for salary and benefits, this would equate to a reduction in the budget of \$840,000. To be more conservative, the ICA adjusts this to a \$750,000 reduction divided proportionately between water and sewer.

#### THE ALLOCATION OF SEWER COSTS NEEDS TO BE RE-EXAMINED.

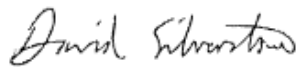
Sewer revenues consist of several revenue streams. Most relevant here are ad valorem taxes, sewer user charges, and the sewer customer service charge. Ad valorem is proposed to increase by 6.9%, the sewer user charge (levied on certain commercial customers such as large apartment complexes, certain industrial users, tax exempt users, etc..) is proposed to increase by 11% from \$4.64 to \$5.15, and the sewer customer service charge by 16.6% from \$6.00 per month to \$7.00 per month. There does not appear to be any rationale for this different rates of increase. Given that the sewer user charge is often

based on the amount of water billed to the customer, this charge further exacerbates the 'death spiral' discussed above. There may very well be a rational reason to differentiate these customers in this way, but it is not presented in the budget materials.

#### CONCLUSION

The MDC must address the unsustainability of the current rate of growth in water and sewer costs to consumers. The proposed increase in such costs to consumers for 2020 need to be adjusted as set forth here. During the coming year the MDC must address the amelioration measures discussed above and provide more affordable and sustainable costs to consumers. The alternative is an ever-decreasing consumption base from which to raise necessary revenues.

RESPECTFULLY SUBMITTED,



David Silverstone

Independent Consumer Advocate

The Advocate thanks Chris Martin and the finance staff for responding over the last two months to my numerous questions and comments regarding the budget. Their cooperation is appreciated.

### **ADJOURNMENT**

The public hearing was adjourned at 7:19 PM

ATTEST:

John S. Mirtle, Esq.  
District Clerk

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Date of Approval