Commissioner Pasquale J. Salemi acting as chairman, called the public hearing to order at 5:06 PM

Commissioner Pasquale J. Salemi made the following statement:

“This is a public hearing by The Metropolitan District’s Board of Finance. The Board of Finance will receive public input on the proposed 2019 budget for The Metropolitan District.”

“On November 2, 2018, the 2019 proposed budget was posted on www.themdc.org and distributed to member municipalities’ town clerks. At its November 7th meeting, the District Board referred the proposed budget to the Board of Finance. A final decision on the 2019 proposed budget has yet to be made. The District Board will consider and approve a final budget at its December 10, 2018 public meeting, and will take into account what is said at this hearing.”
John S. Mirtle, District Clerk, read the following into the record:

The following hearing notice was published in the Hartford Courant on November 8, 2018 and again on November 16, 2018; 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.

NOTICE OF PUBLIC HEARING
THE METROPOLITAN DISTRICT
BOARD OF FINANCE
PROPOSED 2019 BUDGET AND RATES

The Metropolitan District
555 Main Street
Hartford, Connecticut

The Board of Finance of The Metropolitan District will hold a public hearing on the proposed fiscal year 2019 budget and rates. The hearing will be held in the Board Room at Metropolitan District Headquarters, 555 Main Street, Hartford, Connecticut, on Monday, **November 19, 2018 at 5:00p.m.**

The proposed fiscal year 2019 budget and rates 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).

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

John S. Mirtle, Esq.
District Clerk

PUBLIC COMMENTS

Mayor Shari Cantor of West Hartford spoke and submitted the following written statement:

I want to start by thanking the MDC for their work in our community, especially in the Linbrook Road area when dozens of homes were affected by a sewer liner failure. Many of our residents experienced significant property damage and a number were even displaced. The MDC has been responsive and committed to serving these residents. For this the Town of West Hartford is very grateful.

I am here this evening to speak to the MDC’s proposed annual budget and if approved with no changes, the impact that will have on our community.
The Town of West Hartford is facing an unprecedented $1.8M or 17.3% increase in the Ad Valorem tax as proposed by the MDC Administration. If approved, this tax would certainly be the highest Ad Valorem increase the Town has ever seen. To put this in perspective, this proposed increase would almost double the Town’s Ad Valorem tax that was paid ten years ago and just last year the increase to the Ad Valorem tax was $1,033,800 or 10.8%. This will likely represent the highest increase in any expenditure category in the Town’s operating budget, surpassed only by education spending driven largely by contractual increases.

Based on the fiscal forecast that was provided by the MDC’s CFO, this is only the beginning of many more years of similar level of increases; compounding the increases to property taxes unless those increases are offset by very difficult and significant cuts in our Town budget.

West Hartford is primarily a residential community with most property taxes paid by residents. In an effort to keep our property taxes as low as possible, we consistently review every expense, strive to identify and implement efficiencies and examine all services provided to the community.

The majority of our taxes are property taxes; Real Estate and Motor Vehicle. We have very limited options to initiate other revenue streams. As a comparison, the $1.8M increase is more than the entire budget of the following five departments which are essential for town operations: Town Clerk, Town Manager, Corporation Council, Registrars of Voters and Town Council, which includes an all-volunteer Council.
As with any other public entity, I know the MDC is struggling with the same structural costs as we are such as contractual wage increases and rising pension and medical liabilities. These costs are difficult to contain. However, there are areas of the proposed MDC budget such as use of bond premium, filling vacant positions and Other Post Employment Benefit future liability calculations that could be re-examined and adjusted. The MDC also needs to evaluate its support for regional/state resources. I understand that these adjustments would result in minor reductions to the overall Ad Valorem tax, however, any adjustment that would result in savings are important and appreciated.

I also recognize that a significant portion of the proposed budget increase is related to a robust capital plan to repair and replace the aging sewer system infrastructure. I understand that this approach is necessary in order to prevent future sewer system failures. However, is financing this capital plan through the Ad Valorem tax the most logical method?

To impose this Ad Valorem tax-based on taxes collected by each municipality misses the mark. It inflates all the member towns’ property taxes, making community by community comparisons difficult when trying to explain to local taxpayers why MDC member community’s property taxes are higher than their close neighbors. In addition, due to the recent changes in Federal tax laws, many residents cannot deduct their share of the Ad Valorem in their tax filings. This is not an equitable distribution of cost, especially to the low-income residents throughout the majority of the member towns.

This antiquated method is no longer used throughout our country. The EPA’s moratorium on Ad Valorem systems in the 70’s recognized the lack of equitability and proportionality basing charges on grand lists/taxes collected. The accepted and practiced method is to actually charge all users the full cost of water consistently and fairly.

The MDC has proposed an Integrated Plan to member towns focused on the prioritization of funding aging infrastructure. This proposal considers the shift of significant future capital costs from the Ad Valorem tax directly to the MDC customers. While we acknowledge that this approach may reduce and stabilize year over year Town Ad Valorem increases, we still question if this is the only viable option. Over the past year, a working group from member Towns has been meeting with an outside consultant hired by the MDC to examine options to possibly replace the Ad Valorem method of financing sewer operations with a sewer user fee methodology that is used by virtually every other sewer and water authority in the country. So, it is my position that a direct sewer user fee based on water consumption would prove a fair, equitable and proportional method to finance all sewer operations and finally relieve member Towns of the onerous and significant Ad Valorem tax burden.
There has been little or no activity in these discussions regarding sewer user fees since late August and I urge the MDC Administration to accelerate the review and recommendation process so a proposal by the member Towns can be finalized. Residents of all member towns that would qualify for assistance or reduced fees based on income deserve and are entitled to the same treatment.

Please do not interpret my fiscal concerns as a lack of appreciation for the work that you do. I’m sure everyone in this room understands the difficulty in maintaining an aged sewer and water system, so I thank you on behalf of the residents of the Town of West Hartford. I do, however, hope that the near future will include a different approach on how these services are financed and I look forward to upcoming discussions on how that can happen.

Thank you for your time and your service.

Respectfully,

Shari G. Cantor
Mayor, Town of West Hartford

State Representative Derek Slap spoke in support of Mayor Cantor’s statement and support for water as a public trust. He also stated concern about the economic development rate that is being proposed.

Bloomfield Town Councilman David Mann spoke in opposition to large volume discounts and stated his agreement with Mayor Cantor’s statement.

State Representative Matt Lesser of the 9th District commented that he has heard a lot of opposition to rate increases and ad valorem tax increases from his constituents.

Brad Klein, of Bloomfield, spoke in opposition of an economic development rate. He also expressed concern about the MDC Charter being out of date and supports a statewide coordination of policy regarding water.

Judy Allen, of West Hartford, spoke in opposition to continued increases to water rates and ad valorem tax each year and the proposed economic development rate. She also spoke in opposition to the Park River discharges deadline extension.

Paula Jones, of Bloomfield, spoke in support of the MDC removing the economic development rate from the proposed 2019 Budget. She also spoke in support of Charter revisions. She expressed thanks for the Operation Fuel assistance fund.

Alicea Charmut, of the Connecticut River Conservancy, spoke supporting full communication by the MDC to the public about the LTCP so that they can understand the benefit.
Karen Hatcher, of Windsor, spoke in opposition to the high volume discount.

Val Rossetti, of Bloomfield, and Save Our Water CT spoke in opposition of high volume discounts continually being proposed. She also spoke in support of water conservation due to recent reports that South Central Connecticut may face shortages in the near future.

Tolli Miller, of Bloomfield, read the following statement from Margaret Miner of the Rivers Alliance of Connecticut:

I write on behalf of Rivers Alliance of Connecticut to express dismay that the MDC is contemplating renewing the outdated practice of offering discounts to high-volume water customers and sewage-service customers. The MDC was not closely involved in the development of the State Water Plan, but certainly the utility is aware that conservation of high-quality water is a planning priority. There are various rate structures that reward conservation and/or discourage high-volume use. To sustain the resource, please adopt a conservation approach to your rate structure.

Of course, you also know that Rivers Alliance believes that when a utility is so desperate to move “product” that it is seeking new and large customers far and wide, and offering generous discounts, then here is no reason it should not be honoring its responsibilities to the natural waters of the state. Even if you do not see a responsibility to maintain free-flowing natural waters as far as possible, think of streams as the green infrastructure of water supply in Connecticut. We are not so water rich that we can safely continue to take more water from the environment than is necessary to meet true needs. Thank you for your consideration.

Hannah Roditi, of Bloomfield, spoke in opposition to the proposed high volume user discounts and concern that corporate interests are being considered before citizens.

Mark Saunders, of Bloomfield, spoke in support of water conservation.

Alex Rodriguez, of West Hartford, spoke in opposition to the proposed discounted water rates to high volume users. He also spoke in support of water conservancy and protecting our most valuable resource.

Paul Milne, of Wethersfield, spoke in support of environmental protection and sewage separation that is currently practiced. He also suggested sewage treatment before going into the Connecticut River.

Independent Consumer Advocate David Silverstone submitted the following written statement:
INTRODUCTION

The MDC has proposed an operating budget of $189 million (water and sewer) or an increase of 13.2% over 2018 budget. The capital improvement budget is proposed at $73 million. In addition, capital funds will be expended on the Clean Water Project. Customer bills will, on average increase 10.99% in member towns and 5.05% in non-member towns. Ad Valorem taxes will increase 15%.

These increases are daunting. While there are a variety of drivers for them, the biggest single one is the need for capital improvements to both water and sewer facilities. Debt service (principal and interest on bonds used for capital improvements) totals over one-third of the proposed operating budget and the increase in debt service from 2018 to 2019 represents 40% of the budget increase. In addition debt service on Clean Water Project bonds represents another $49 million in costs.

There are two drivers to these capital costs. First, for a variety of reasons, MDC underinvested in water and sewer capital improvements over the last several decades. While that had the effect of keeping water and sewer rates low, it has resulted in the need to ‘catch up’ now, resulting in higher increases to rates. Second, the Clean Water Project, undertaken at the behest of federal and state environmental authorities in order to reduce the amount of sewer overflows into streams and rivers, is in full swing and will require substantial investments going forward.

The MDC has designed a Long Range Integrated Plan (LRIP) to manage these two drivers over the coming decades. If that Plan is approved by the relevant federal and state agencies, the effect should be a somewhat reduced need for capital improvements from current projections and therefore a lessening of pressure on increasing debt service and the need for additional revenue. While capital spending will continue, and therefore the need for increased revenue will continue also, the increases should be more modest.

PROPOSED BUDGET REDUCTIONS

The second major budget driver is payroll related (wages and benefits). The proposed budget increases these by $11 million or one-half of the overall operating budget increase. This increase should be reduced by at least $750,000. This amount was arrived at as follows. In the presentation to the Finance Committee on November 9, 2018, (p. 11), 411 employees were in the 2018 budget. 418 employees are identified in the 2019 budget. However, the 2018 projected (i.e. actual) employees in 2018 totaled only 399 due to vacancies. On average, then, there were 12 vacancies from authorized levels in 2018. Assuming the same rate of vacancy in 2019 and an average salary of $50,000 plus benefits of 25%(health insurance, workers comp, unemply comp, social security, medicare, etc..) the amount the budget should be reduced is $750,000. While not an overwhelming amount in a budget of $189 million, it should not be ignored.

It should be emphasized that a reduction in headcount is not being suggested here. Rather, this reduction represents a more realistic total cost given the headcount increase and the time it takes to complete the hiring process.
RATE DESIGN ISSUES

After establishing the overall revenue needs of the MDC, the next significant question is how to charge customers to raise that amount of revenue. Somewhat surprising is that there is no effort to link rates to cost causation—a fundamental principle of rate design. That is, those customers who cause a utility to incur a cost ought to bear that cost. For example, all customers need to have meters read, bills prepared, bills sent out (either physically or electronically), and payments collected and posted. Therefore, every customer, regardless of size should pay at least this amount. There is no analysis to demonstrate what this cost is for the MDC or to make sure that all customers are paying at least this amount.

I do commend the MDC for revising some private fire protection rates so that those customers receiving this service are in fact paying something for it. Unfortunately there is no cost analysis to demonstrate whether the level of this charge is correct. The same comments can be made regarding the new backflow prevention inspection charge.

There are two proposed rates which are especially problematic.

Economic Development Rate.

The proposed Economic Development Rate would give a 20% discount on all water consumption over 600,000 gallons per day. There is no cost justification for such a discount. Second and perhaps more importantly, for these largest customers the clean water project charge (also known as the special sewer service charge) would no longer be based on water consumption for water in excess of this 600,000 gallon threshold but rather would be based on sewer flow associated with this excess over 600,000. The fundamental principle of linking the clean water project charge to water consumption would therefore be broken. This approach favors water customers who discharge less into the sewer than water used. This favors customers like water bottling plants, golf courses and the like.

The MDC should not be picking which types of customers get better rates for service. It should be providing service to all customers on an equitable basis. This treatment is simply not equitable. For example, a condominium association approached the MDC in the last several months and argued that it should not have to pay the clean water project charge on water it used for irrigation. It meters this irrigation water separately from domestic consumption and the irrigation water was not discharged to the sewer. The argument was rejected on the grounds that all metered water is subject to the clean water charge, whether it goes into the sewer or not. Under this proposed economic development rate, that principle is clearly violated.

The magnitude of this change in how the clean water charge is calculated will vary depending on the type of customer. It could be substantial and in all likelihood will be far in excess of a 20% discount. For example, if a customer only discharges 30% of purchased water to the sewer, the customer would be getting a discount of 70% off the clean water project charge for water usage in excess of the 600,000 gallons a day.
Sewer User Charge.

The Sewer User charge is being levied in violation of both federal regulations and the MDC’s own ordinance. Part 12 of the General Sewer Ordinance established in 1981 a Sewer User Charge for certain high flow (measured by volume or strength) users and for non-municipal tax exempt water and sewer users. It was intended to act in concert with the Ad Valorem tax paid by member municipalities and more equitable spread the burden of the sewer system among all users. Section 12t of the Ordinances requires that “A ‘Cost of Service Study’ shall be conducted by the District in accordance with applicable Federal Water Pollution Control Regulations not less than every two years.”

The budget proposal before the MDC includes a proposed Sewer User Charge of $4.64, an increase from the current $3.74 or an increase of 24%. Apparently this was calculated using total water sold in member towns and total sewerage treated at the treatment plant. This calculation assumes all of the sewerage treated at the plant in excess of water sold is attributable to these high users and non-municipal tax exempt users. This is obviously incorrect. Much of this excess flow is attributable to Infiltration and inflow which is produced throughout the sewer system when rainwater finds its way into the sewer system.

In any case this calculation is in no way consistent with Federal Water Pollution Control Regulations as required by Federal Law and the District’s own Ordinances. Not only is this charge being levied without authority but it also threatens the District’s ability to access federal grants should they be available. While it is recognized that the elimination of the revenues associated with this charge will create a significant shortfall in the District’s budget, it has no choice but to reject this charge unless and until there is compliance with federal law and its own Ordinances.

CLEAN WATER PROJECT

The Clean Water Project and its funding was established over ten years ago. That financing model made a variety of assumptions about cost, level of water sales, acceptable rate impacts, size of rate stabilization funds, etc. In light of the fact that it has been ten years and especially if the Long Term Integrated Plan becomes reality, the fundamental assumptions behind this charge should be reviewed to determine if revisions are necessary.

CONCLUSION

The Independent Consumer Advocate has tried to focus on those issues of most relevance to customers of the District. As the above discussion illustrates, the budget should be reduced, the economic development rate rejected, and the Sewer User Charge should be eliminated until there is compliance with law.
ADJOURNMENT

The meeting was adjourned at 6:07 PM

ATTEST:

John S. Mirtle, Esq.
District Clerk

Date of Approval