



# BOARD OF FINANCE

Clifford J. Hurgin Municipal Center, 1 School Street  
Bethel, Connecticut 06801 Telephone: (203) 794-8501

## MINUTES OF SPECIAL MEETING

Wednesday, May 8, 2013  
7:00 p.m.

CJH Municipal Center – Meeting Room “A”

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TOWN OF BETHEL  
TOWN CLERK

**PRESENT:** William Kingston, Chairman, J. Phillip Gallagher, Eileen Freebairn, Gary Regan and Timothy Draper. Also in attendance were Comptroller Robert Kozlowski and First Selectman Matthew S. Knickerbocker, Town Counsel Martin Lawlor and Town Engineer Andrew Morosky.

William Kingston called the Special Meeting to order at 7:00 p.m.

### **1.) Presentation of Aquarion Water Company Proposal to purchase Bethel Water System as approved by the Board of Selectmen and Public Utilities Commission.**

First Selectman Knickerbocker gave an overview of the history of how and why both the Public Utilities Commission and Board of Selectmen approved the recommendation to sell the water assets to Aquarion. Some of the major reasons include the cost to build a water tank on property owned by Bethel but rejected three times by the City of Danbury. He noted that because of a variety of reasons, we have been advised that we are not likely to win in court. However, using the same reasoning why we would not likely win in court, Aquarion as a private company, should not face the same obstacles. He also noted that later this year, the state Department of Public Health will require all water suppliers to begin moving to well water only. But without a storage tank, we cannot comply.

Board of Finance members had received the proposal for the purchase of the Water System and asked a number of questions, which were answered by Town Counsel Martin Lawlor, Comptroller Robert Kozlowski, First Selectman Knickerbocker and Town Engineer Andrew Morosky.

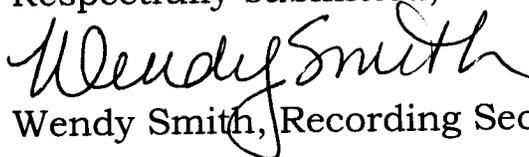
- Aquarion will assume responsibility for all infrastructure repairs and improvements, including half the cost of a \$400,000 replacement pump station that must be brought online within the next few months to comply with DPH regulations.
- Aquarion will begin paying property taxes on the infrastructure they acquire as part of the sale, which would be about \$110,000 per year.

After the associated debt and expenses are paid including paying for demolishing the Hickok tank and the Reservoir Street pump house, there will be approximately \$4,000,000 left, and will have to be held in escrow for at least 3 years. At this time, it is not sure what or how the balance would be distributed or used. It needs to be determined if these proceeds would be town assets or rate payer assets or a combination of both.

In addition to the Public Hearing and Special Town Meeting, Finance members encouraged the Board of Selectmen to send this proposal to referendum.

As there was no more discussion, J. Phillip Gallagher made a motion, which was seconded by Gary Regan, to adjourn the Special Meeting at 9:20 p.m. Vote, all in favor, motion unanimously approved.

Respectfully submitted,



Wendy Smith, Recording Secretary

Residents would retain the recreational use of the properties. The property would be passed to Aquarion but returned to the Town when the waterways were decommissioned. Wording in the contract does read that it is at Aquarion's discretion but as they would be paying taxes on this property, there is no real need for them to retain the property any longer than necessary. Building a storage tank somewhere else in Bethel would be an expense of millions of dollars and would take years to complete and we would have to hire an engineering firm and have to install long sections of new piping.

Aquarion has offered 7.2 million – members questioned the price point. It was pointed out that the assets have a set book value determined by an appraisal company. This is not a traditional transaction based on market values and negotiated price, more that the price is determined by its actual book value and has to be approved by PURA.

First Selectman Knickerbocker explained that the water system is undercapitalized and is in debt by over \$2 million dollars. An additional sum in excess of \$5 million in capital improvements will be needed over the next five years. These new costs would cause water rates to exceed the rates Aquarion charges today. Part of the agreement is that Aquarion will hold current pricing for three years.

He explained that the Public Utilities Commission and the Board of Selectmen have come to the conclusion that turning our water delivery system to a professional outside company makes the best financial sense for our town and the rate payers. Aquarion has the engineering expertise and capital resources needed to invest in the aging infrastructure, deliver higher quality water to Bethel residents at a lower cost than if Bethel continues to provide these services on its own.

Other financial benefits of selling the system include the following:

- Infusion of \$7.2 million, which will eliminate the accumulated water department debt as well as repay interest back to the general fund.
- Substantial boost to the general fund reserve, which improves the metrics used by bond rating agencies to determine Bethel's creditworthiness.
- Aquarion will assume responsibility for construction of storage tanks as well as interconnecting Bethel with their regional water supply system.