

**Special Meeting of the
WLSB Board**

Finance Committee

**Capital Project
Funding Issues**

July 26, 2014

Agenda

- A bit of WL history
- CT General Statutes for special assessments
- WLSD Consultants
- Estimated Project Costs per W&C
- Grants and Loans Available
- Loan Repayment Examples
- Legal process for WLSD
- Benefit Assessment and Appraisals
- Q & A
- Next Steps

Purpose of Presentation

- WLSD has been dealing with DEEP on the option for a replacement plant, which is less costly than the pipeline to Torrington.
- WLSD is nearing the end of discussions with DEEP so it needs to explore the financial consequences of either option and its impact on all taxpayers.
- This presentation will **not** advocate a taxing method but rather will show the options for servicing the bonded debt.

First, a bit of WL history

- In 1970 the Torrington Area Health District required Boise Cascade, the WL developer, to install a sewer system before selling any lots.
- The sewer plant cost \$1.7 million and was completed in mid 1974.
- The sewer pipes and pump stations were extra.
- When we bought our lots, you and I did not pay any portion of this cost nor did we have to install a septic system now costing about \$25,000.

More history.....

- Boise Cascade built a clubhouse and a pool as a community amenity in order to sell lots.
- You and I did not pay for the original clubhouse and pool.

New Amenities.....

- In 1995, the new pool/cabanas cost \$505,000 which was paid from reserves and a special assessment for a cost \$580 per lot owner (house and vacant land).
- In 2002/3, the new clubhouse cost \$2,230,000, which was paid from reserves and an assessment for a cost of \$2,700 per lot.

WLSD Experts

- Dave Prickett, P. E., Engineering
 - Woodard & Curran
- Matthew Ritter, Esq., Legal & Finance
 - Shipman & Goodwin
- R. Bruce Hunter, MAI, Licensed Appraiser
 - Hunter Associates LLC

CT General Statutes

The CT Statues Sections 7-249 through 7-254:

- A pollution control authority *“has acquired or constructed a sewage system or portion thereof”* may *“levy benefit assessments upon the land and buildings in the district which, in its judgment, benefitted.”*

The CT General Statutes are available on
WLS D web site www.wsld-goshen.org

Benefit Assessment

- The benefit assessment is defined as *“such assessment may include a proportionate share of the cost of any part of the sewage system, including the cost of preliminary studies and surveys, detailed working plans and specifications....damage awards, construction costs, interest charges, legal and other fees, or any other expense.”*
- Benefit assessments may consist of fixed charge and a variable charge. *“The water pollution control authority may give consideration to the area, frontage, grand list valuation....and to any other relevant factors.”*

Benefit Assessment

- Benefit assessments can be levied on all residential properties in the District, whether connected or unconnected.
- Sec 7-254 states *“any benefit assessment or thereof, not paid within 30 days after the due date, shall be delinquent and shall be subject to interest”*.

Estimated Project Costs

Dave Prickett, P.E., Woodard & Curran

- I&I and SCADA estimated cost of \$1.25 million
- Replacement Plant estimated cost of \$15.8 million
- Pipeline to Torrington estimated cost of \$20.5 million

Grants and Loans

- CT Clean Water Fund offers a 20 year loan @ 2% interest payable annually in arrears with grants up to 25%.
- US Dept of Agriculture-Rural Development offers a 40 year loan @ 3.25% interest (current rate) payable annually in arrears with grants up to 45%.

NB: Grants are not a given. Our experts recommend combined grants of 45% for financial planning.

<u>SCADA / I&I</u>			
<u>Monthly Cost of Debt Service *</u>			
<u>Assessed</u>	<u>Flat</u>	<u>Ad</u>	<u>70-Fixed</u>
<u>Valuation</u>	<u>Rate</u>	<u>Valorem</u>	<u>30-AdVal</u>
\$100,000	\$2.99	\$1.07	\$2.41
\$150,000	\$2.99	\$1.60	\$2.57
\$200,000	\$2.99	\$2.14	\$2.73
\$250,000	\$2.99	\$2.67	\$2.89
\$300,000	\$2.99	\$3.20	\$3.05
\$350,000	\$2.99	\$3.74	\$3.21
\$600,000	\$2.99	\$6.41	\$4.01
\$1,000,00	\$2.99	\$10.68	\$5.30
*Monthly cost for first 20 years			

<u>New Plant Option</u>			
<u>Monthly Cost of Debt Service *</u>			
<u>Assessed Valuation</u>	<u>Flat Rate</u>	<u>Ad Valorem</u>	<u>70-Fixed 30-AdVal</u>
\$100,000	\$44.60	\$15.93	\$36.00
\$150,000	\$44.60	\$23.90	\$38.39
\$200,000	\$44.60	\$31.87	\$40.78
\$250,000	\$44.60	\$39.83	\$43.17
\$300,000	\$44.60	\$47.80	\$45.56
\$350,000	\$44.60	\$55.77	\$47.95
\$600,000	\$44.60	\$95.60	\$59.90
\$1,000,00	\$44.60	\$159.34	\$79.02
*Monthly cost for first 20 years			

<u>Torrington Option</u>			
<u>Monthly Cost of Debt Service*</u>			
<u>Assessed</u>	<u>Flat</u>	<u>Ad</u>	<u>70-Fixed</u>
<u>Valuation</u>	<u>Rate</u>	<u>Valorem</u>	<u>30-AdVal</u>
\$100,000	\$59.48	\$21.25	\$48.01
\$150,000	\$59.48	\$31.88	\$51.20
\$200,000	\$59.48	\$42.50	\$54.39
\$250,000	\$59.48	\$53.13	\$57.57
\$300,000	\$59.48	\$63.75	\$60.76
\$350,000	\$59.48	\$74.38	\$63.95
\$600,000	\$59.48	\$127.50	\$79.89
\$1,000,00	\$59.48	\$212.50	\$105.39
*Monthly cost for first 20 years			

Monthly Average Costs

What is a reasonable monthly cost for your sewer service?

- Average car lease.....\$300.00
- Membership in POA.....\$112.00
- Average iPhone\$ 90.00
- Richard's cell (no data).....\$ 40.00
- Richard's Cablevision:
 - TV.....\$105.00
 - Internet.....\$ 55.00
 - Phone.....\$ 20.00

Legal Process for WLSD

Matthew Ritter, Esq.

- Resolution to Appropriate Funds and Authorize Borrowing must be approved by District Taxpayers.
- Resolution:
 - Describes project, maximum amount of borrowing
 - Borrowing may be secured by sewer system revenues (e.g., assessments) or District's full faith and credit, or both. Need not specify exact allocation; can authorize Board to determine

Legal Process (cont.)

- Special Assessments – Proposed assessments determined by Board, property owners notified, public hearing held, assessments levied by Board, property owners can appeal to court. Recent change in law could allow Board of Assessment Appeals to hear appeal before going to court
- Payable in installments to match District debt service; payable in full upon property transfer for consideration

Legal Process (cont.)

- Assessment of Properties
 - Currently built upon – Assessed currently
 - Unimproved land zoned business, commercial or industrial – Assessed currently
 - Unimproved land zoned residential, and farm, forest and open space land - Not assessed, caveat placed on land records, assessed when developed
 - Change in status
 - Assessed when development approved or occurs

Bruce Hunter, Appraiser

- MAI Designated member, Appraisal Institute
- CT - Certified General Real Estate Appraiser
- CT Certified Revaluation Supervisor (all real property types)
- Qualified as an expert witness before the Federal Court and the Courts of the State of Conn.
- Past President and on Board of Directors of the Connecticut Chapter of the Appraisal Institute
- Real Estate Instructor for UConn (adjunct Professor) and the Appraisal Institute

Bruce Hunter, Appraiser (continued)

- Appraised a wide variety of property types over 30+ years
- Significant experience in valuing Litchfield County properties
- Has been hired by many Litchfield County Towns for appraisals/consulting/Assessment Appeals
- Extensive Court Testimony experience

Bruce Hunter, Appraiser (continued)

- Properties Appraised in Goshen include:
 - Former Blue Cross Parcel (866+ ac)
 - Former Camp Birchwood (E/S Beech Street)
 - Former Litchfield Reservoir (300 ac) property
 - Ivy Hill Farm (625) acres, Hageman Shean Road
 - N/S Brooks Road - 245 Acres
 - Plus various commercial buildings
 - Conducted impact study for the proposed wind turbine on WLSD Property

Bruce Hunter, Appraiser (continued)

- Regarding Woodridge Lake Values and as part of other Litchfield County research,
- Conducted several extensive studies of the differences in value attributed to lots with direct waterfront/proximity to those lots without, using Woodridge Lake sales data

Bruce Hunter, Appraiser (continued)

- Hired by the WLSD Board as its independent, impartial and objective advisor/appraiser
- Benefit assessments “*shall not exceed the special benefit accruing to the (each) property*”.

Bruce Hunter, Appraiser (continued)

- Most of your lots are about the same size, all are served by wells.
- The lots cannot legally support septic systems due a combination of poor soil, steep slopes, and location within a drinking watershed.

CT DEEP - Benefit Assessment Methods

According to the CT Department of Energy and Environmental Protection (CT DEEP),

Municipalities base benefit assessments associated with capital costs of wastewater treatment plant or collection system using the following methods:

CT DEEP - Benefit Assessment Methods

- **Fixed Charge** (each property assessed the same, no matter the size, flow or value – **works if all are identical properties**)
- **Front Footage** (properties assessed based on front footage – **problems with “Flag” or irreg.-shaped lots**)
- **Lot Size** (Benefit Assessments based on size – **problems with shape, topography, wetlands, etc.**)
- **Property Value** (Benefit Assessments based on Assessed Value of properties – assumes that increase in value due to sewerage is a fixed percent of total property value – there is **large variability inherent in this approach**)

CT DEEP - Benefit Assessment Methods

- **Flow Proportion** (Benefit Assessments based on estimated or actual proportional use - alternate method where water records are unavailable is to bill based on the number of Equivalent Dwelling Units [EDUs] served)
- **General Taxation** (total cost of wastewater project is placed on overall tax base)

WLSD Considerations

Based on my preliminary review,

- **WLSD historic assessed value approach will have extreme variability in allocation of costs** due to the differences in value between waterfront and non-waterfront properties
- Using this method, high-end waterfront values will likely be impacted substantially more than the Benefit Assessment due

WLSD Considerations

Based on my preliminary review,

- Lower-assessed properties (primarily undeveloped lots) will pay very little, far below a proportionate share of the wastewater project costs.
- Yet, these lots benefit the most from the wastewater project, as it guarantees their buildability (and ultimate values)

WLSD Considerations

Based on my preliminary review, the WLSD may wish to explore using:

- **Benefit Assessments based on Equivalent Dwelling Units [EDUs] served, as water use records are unavailable** (individual wells).
- This approach best reflects the burden placed on the wastewater system by similar existing and proposed residential uses of each property within the District
- Reduces risks and costs of litigation for WLSD

Question Period

- Please identify yourself
- Please direct your question to the expert
- Please limit yourself to 3 minutes

Web Site

- The information provided in the WLSD Finance Committee presentation can be found at the District's web site:
- www.wlsd-goshen.org

Material will be posted under “Community Meetings”

Next Steps for WLSL

- DEEP will approve the replacement plant or dictate the pipeline to Torrington
- WLSL will send out RFB (bids) to qualified contractors to obtain cost proposals
- WLSL will accept a winning contractor bid
- WLSL will hold a taxpayer meeting to vote to approve the bond authorization including the proposed tax method (flat, ad valorem or mix)