

[NORTHFIELD FINANCE COMMITTEE /SELECTBOARD MEETING MINUTES]

March 21, 2022
Northfield Town Hall
69 Main St

Via Remote Participation:

Selectboard Present: Heath Cummings, Chair; Barbara “Bee” Jacque, Vice Chair; Bernard Boudreau, Clerk

Selectboard Absent: Alexander Meisner; Mary Sullivan-Bowen

Finance Committee Present: Lois Stearns, Chair; Dan Campbell, Bernard Porada; Jack Spanbauer; Susan Kaczinski

Finance Committee Absent: Tony Matteo

Also Present: Andrea Llamas, Town Administrator; Sandra L. Wood, Town Secretary; Beth Walker, Finance Committee Secretary; Tyler Bourbeau, BNCTV

Others Present: Julia Blyth, Open Space Committee Chair; Sean Cunningham, Thomas Aquinas College; Charlie Blanker, Conservation Commission; Donald Glascoff, President East Northfield Water Co.; Andrew Evans, RCAP Solutions; Tom Baxter, part-time resident and consultant; Margaret Connor; Dennis McCarthy, VP Finance Thomas Aquinas College; Steve Seredynski, Planning Board; Catherine Hurley; Karen Boudreau, Sewer Commission & Board of Health; Robin Conley, Conservation Commission; Patter Field, Tedd Thornton; Sam and Barb Richardson; Jeff Shander

Meeting called to order by Chairs Lois Stearns and Heath Cummings at 6:04 pm.

Stearns announced a public forum presentation of the proposed Water District would be held on April 6, 2022, at Pioneer Valley Regional School

- Andrea Llamas presentation
 - Summary
 - The East Northfield Water Company (**ENWC**) is generally cash flow break even with the full implementation in June 2021 of the recent rate increase.
 - ENWC, however, faces **capital needs** for:
 - Repairs and upgrades along Pierson and Linden among other routes
 - Cost to comply with MassDEP’s requirements for additional filtration or a new water source
 - Projected growth of water usage
 - ENWC, as a private company, does not have ready access to governmental funding for these capital needs.
 - A new water district, East Northfield Water District (ENWD), as a governmental entity, would have access to governmental grants and loans for the projects listed above.
 - Another benefit of transitioning to a water district is that a water district may operate at a lower cost, for example, a water district does not pay Commonwealth tax.
 - Background
 - East Northfield Water Company (ENWC) is a private corporation owned by Northfield Mt. Hermon School (NMH) which was incorporated in 1927. The current reservoir and dam were completed in 1936.
 - ENWC serves 283 accounts (approximately 665 individual residents based on average household size) ranging from Thomas Aquinas College through seasonal residents on the Ridge.
 - In 2018 in an unprecedented event, ENWC reported a higher than acceptable level of coliform in the water of Grandin Reservoir before the water underwent treatment and distribution to customers.
 - Due to this input water test failure, MassDEP required ENWC to enhance the treatment of the Grandin Reservoir water or obtain an acceptable alternate water source.
 - ENWC lacked the financial resources to comply with MassDEP’s requirements and so responded to MassDEP.
 - ENWC is exploring enhancing the filtration at its Grandin Reservoir site or obtaining water from wells near the Reservoir. Problematically, both solutions are deemed too expensive for ENWC to implement without access to public grants and/or loans. Research on options continues.
 - As a private company, ENWC has extremely limited access to low-cost grants and loans which has led to the investigation of transitioning ENWC to a water district, which has greater access to government grants and loans.
 - For many years, ENWC ran at a loss in part due to the closure of the NMH Northfield campus in 2005.
 - Recently, ENWC was able to secure rate increases from MassDPU which were fully implemented in June 2021.
 - With the full implementation of the rate increase and the growing use of the Northfield campus by Thomas Aquinas College, ENWC is now generating sufficient revenue to cover its operating costs.
 - A pro forma (as if) financial projection reveals that ENWC, if it were a water district, could:
 - reduce certain operating costs, such as the elimination of taxes, and
 - obtain governmental grants and loans to finance needed repair of its distribution system and new filtration equipment.

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- A Committee comprised of:
 - Andrea Llamas, Northfield Town Administrator,
 - Don Glascoff, President of ENWC,
 - Andrew Evans and Jim Starbard of RCAP Solutions, a government funding consultancy,
 - Dennis McCarthy, CFO of Thomas Aquinas College , and
 - Thomas Baxter, Northfield resident and highly experienced water operation administrator
- are working together to investigate the feasibility and sustainability of moving the ENWC water operations into a newly formed water district and obtain government funding for any needed spending.
- Jeff Blake, Town counsel from KP Law, is providing guidance to the Committee as needed.
- Commonwealth Senator Comerford and other government personnel are providing counsel.
- Steps to Create a Water District
 - Andrea Llamas is leading the effort to (i) create the Water District and then (ii) transition ENWC's water operations into a newly formed water district. This will be a two-step process.
 - The Committee is drafting a proposed "Act to Establish an East Northfield Water District" which would spell out the creation of a Commission comprised of customers and representatives from Northfield to supervise the employees of the Water District to provide clean, dependable and affordable water.
 - Steps to the process to create the Water District and transition the assets include:
 - Obtain Northfield Selectboard support to move forward and present the Water District option to residents.
 - Present the information on forming the Water District to residents for consideration and discussion at a public meeting.
 - Place an Article on a Town Meeting Warrant for approval.
 - Obtain support from Mass DPU and MassDEP for the proposal to resolve the waiver issue.
 - Submit a Home Rule Petition to the Legislature with support of our Legislators, and others, for approval. (Obtain approval of Petition by House, Senate and Governor.)
 - Upon creation of the Water District, apply for government grants and loans to fund planned work (with the help of RCAP).
 - Upon indications of funding, complete the transition of the assets of ENWC into the new Water District.
 - If this process is not completed within this Commonwealth legislative cycle, the process must start over for the next cycle.
- Example of a ACT Establishing the East Northfield Water District
 - Hilited excerpts included:
 - "The District shall, at the request of the Town, include in each budget compensation to the Town for any services rendered and expenses incurred by Town officers with respect to the District."
 - "A bond issued by the District shall not be included in any debt or other limitation of the Town pursuant to any general or special law. A bond issued in accordance with this act not paid by the District as it becomes due and payable shall constitute a pledge of the full faith and credit of the District and a debt of the District within the meaning of section 23 of chapter 59 of the General Laws. A bond issued pursuant to this act shall be signed by a majority of the commission.
 - Pro Forma (as if) Projected Operating Results
 - There are several recent developments which make the transition to a water district feasible:
 - ENWC is currently generating higher revenue:
 - ENWC obtained rate increases which were fully implemented in June 2021.
 - Thomas Aquinas College is a large and growing customer (currently 50% of revenues). The Moody Center, another potentially large water customer, is also expanding and has additional plans for growth.
 - As a water district associated with Northfield, some costs are eliminated or reduced:
 - Eliminate the expensive water rate application process which cost ENWC over \$140,000 in recent years.
 - Planned use of the Northfield Collector should reduce slow pay or bad debt costs.
 - A water district pays no Commonwealth tax (as a non-profit).
 - There is potential cost savings of purchasing/shared services with the Town and the Sewer District.

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- RCAP Solutions, consultants with substantial experience obtaining grants and loans for water districts in MA, indicate that other districts have obtained funding in the mix of grants up to 75% (on the high end) with the balance in low-rate governmental loans.
- The pro forma (as if) projected financials present the performance of the water district as if it were in operation from **January 1st 2022 shows that ENWD would be self-sustaining.**
- The pro forma projection includes the following assumptions:
- **Revenues**
- Historical revenues reflect actual customer counts for hookups and hydrants with the 2021 hookup count used for pro forma 2022
- Actual historical water usage volume for 2020 is assumed for both 2021 and 2022.
- Step 2 rates are assumed for the years 2020 through 2022 (in other words, as if the Step 2 rates were implemented in Jan. 2020).
- **Costs**
- 2020 and 2021 reflect actual operating costs for ENWC (Note: the President and Board members of ENWC are unpaid positions in the historical costs).
- For 2022, actual hours of staff and operations personnel were assumed but paid at current hourly rates.
- 2022 Pro Forma estimates a new full-time Superintendent will earn \$65,000.
- 2022 assumes no cost for rate applications or taxes in 2022 but includes legal costs for the transition to a water district.
- 2022 projected accounting income presents an estimated \$45,000 available for payment of interest and principal on government loans or other expenses.

Summary Historical and Pro Forma Operating Results (Pro Forma Revenue)

	Pro Forma 2020	Pro Forma 2021	Pro Forma 2022
Calendar Year			
Pro Forma Revenue at Step 2 Rates	\$ 364,225	\$ 363,584	\$ 363,584
Total Historical and Pro Forma Costs	201,658	248,905	317,409
Staffing	71,048	66,765	181,032
Office and Administrative Charges	4,962	3,086	3,504
Maintenance	44,373	55,666	66,164
Professional Services	30,108	67,238	27,500
Insurance	15,191	22,786	23,241
Bad Debt Expense	12,875	13,133	13,395
Miscellaneous	2,381	2,522	2,573
Taxes Paid	20,720	17,709	-
Interest	0	0	-
Payment to NMH	0	0	0
Accounting Income	162,567	114,680	46,176

- **Next Steps**
 - Approval by Town voters and by Commonwealth legislators are required to form the new ENWD and create a ENWD Commission charged with negotiating the transition and operating ENWD.
 - Once ENWD is formed, it will seek governmental funding before the actual transition of operations from ENWC to ENWD.
 - Currently, ENWC (and eventually ENWD) has engaged RCAP Solutions, a consultancy with substantial expertise in helping entities like ENWD, to obtain grants and loans. RCAP Solutions assists at no cost to the client.
 - Once sufficient capital is obtained in grants and loans, the ENWD Commissioners will finalize the transition and begin operations as a water district.
 - The current projection is for ENWD to seek grants and loans totaling at least \$750,000 which ensures that ENWD, alone, is responsible for repayment.
 - The cost of operating ENWD and of repaying any loans for capital improvements will be borne by the customers of ENWD.
 - Neither the Town nor non-customers will bear any cost of ENWD.

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- Request to the Finance Committee
 - To recommend that the residents of Northfield meet to discuss the creation of a Water District, and as a result of that discussion support the placement of an Article on a Town Meeting Warrant for a vote on the formation of a Water District.
 - This doesn't commit the Town to anything other than further work on the project as there are additional steps before the transition of operations to a new Water District.
 - The Working Committee, and eventually, the Water District Commission, will continue to evaluate the financial feasibility of the project with the help of RCAP Solutions (consultants).
 - The Water District will not take on the responsibility to operate the District until it is clear that government agencies will provide grants and loans to the Water District to pay the capital cost of the planned infrastructure projects and upgrades.
- Questions:
 - Who is the Employer of personnel working for the District?
 - The District. All payroll and benefits are paid through the District
 - Who pays for the hydrants?
 - Currently Thomas Aquinas and Moody Center pay for their hydrants. Decision of the District
- Andrew Evans, RCAP presentation
 - Who Is RCAP Solutions
 - N. E. Branch of the national RCAP Network
 - Assist small/Rural Communities with water & wastewater issues and funded by Federal/State Grants
 - USDA
 - Asset mapping and management, including GIS (Geographic Information System) services for a select number of communities;
 - Community and leadership development;
 - Compliance and environmental health;
 - Facilities development;
 - Management and finance;
 - Technical, managerial, and financial capacity building;
 - Operations and maintenance;
 - Emergency preparedness, response, and recovery;
 - Source water protection
 - Income Survey
 - Survey the community's income to qualify
 - Trainings
 - Supported by State and Federal Grants and free to the public
 - Community Resources
 - Assist small communities with water and wastewater utility issues.
 - Many areas of Technical Assistance Available
 - Private Well Assessments
 - How to comply once notified by MassDEP order
 - Asset Management
 - Capital Improvement Planning
 - Operations and Maintenance
 - Emergency Response Plans/ Vulnerability Assessments
 - General reporting and monitoring requirements
 - New requirements
 - Rate Setting
 - Drinking Water
 - Public Water System (PWS)
 - A system for the provision to the public of
 - water for human consumption, through

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- pipes or other constructed conveyances, if
 - such a system has at least 15 service
 - connections or regularly serves an average of
 - at least 25 individuals daily at least 60 days
 - of the year.
- Basic Requirements for creating PWSs
 - Obtain Mass DEP approval for the drinking water source and the water system (a PWS ID number will be assigned)
 - Hire (or become) a state-certified water operator of the appropriate grade
 - Test the water according to an individualized sampling schedule using a state-certified lab
 - Report all laboratory results to MassDEP
 - Install treatment if water quality requires it
 - Report to Mass DEP any changes in ownership/management, water, and land use
 - Make improvements as identified in the Mass DEP sanitary survey
 - Restrict land uses around the well to prevent impairment of water quality
- Water supply Protection Area Requirements
 - Each PWS is expected to own or control the “Zone I” area around the well (a radius of 100-400 feet).
- Water Quality
 - Meet water quality standards
 - Meet monitoring and reporting requirements
 - Meet record keeping requirements, including preparing an emergency response plan, and an annual statistical report
 - Meet public notification requirements
 - Meet operator certification standards
- Emerging Issues of Concern
 - PFAS
 - Medications
 - Lead
 - Water source and Cyber Security
- Cost
 - None. RCAP is a non-profit
- Requirements
 - Signed workplan (already done)
 - Initial and Final Technical Managerial Financial (TMF) Tool.
 - Highlight/Identify the needs of a community
 - How can we help? What areas do you want to focus on?
 - Track our performance as TAPs
 - A simple and data driven way to show the impact RCAP is making in our communities across the nation.
- Questions
 - Northfield Mount Hermon currently owns the reservoir, will the District own it?
 - Don Glascoff: Reservoir could be transferred; there has been no specific discussion. The District would be a separate legal entity from the town, the town would not be responsible.
 - Llamas: Commissioners would need to decide
 - Dennis McCarthy: East Northfield Water Co. would be willing to transfer to the District
 - Was the cost of the purchasing the reservoir included in the projection?
 - Dennis McCarthy: cost of purchasing assets were not included
 - Don Glascoff: goal is to transfer reservoir, dam and watershed to the District
 - Are there pending items in need of correcting, open reservoir?

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- Don Glascoff: the Water Company is working on them. Wells won't serve the needs. A new filtration system, replacing water mains
- Well placement farther down?
 - Don Glascoff: not in favor. System is gravity fed. Use of pumps to direct water back up would be more costly than the filtration improvements
- Town has no responsibility other than town counsel services?
 - Llamas: correct
- Who will represent the District and who will appoint the commissioners?
 - To be written into the enabling legislation
- Are you operating at a loss today?
 - Don Glascoff: No, operating at break even with no capacity to make any improvements described
- Was any thought given to combining the two water districts in town?
 - Llamas: Northfield Water District is not interested at this time
- To RCAP: If you get a USDA assistance for the new water district, can only 25% be a grant and 75% must be bonded? At a current rate of 1.25% over 40- year period of time?
 - Andrew Evans: that is a minimum standard. It is the opposite of maximum standard 75% grant, 25% bonded. Dependent on census data. Another division of RCAP then enters its own survey as a double blind. An 80% return rate determines the assistance rate.
- If you bond, the users would see an increase?
 - Llamas: There will be money left over to carry the debt. This has to be a viable operation, or it will not be done. The Pro Forma was done with no rate increase. All utilities over time have rate increases.
 - Glascoff: If the transfer does not happen it will be guaranteed there will be a large rate increase due to the DEP requirements
- To RCAP: there are no guarantees of USDA funding?
 - A Evans: There are no guarantees in anything but have assurances from personnel at USDA as they do not waste their time on projects that are not feasible. I would be very surprised if they did not accept.
- Can you explain the \$300,000 filtration system?
 - D Glascoff: Rain for Rent, a national company that installs small pocket systems. Data still needed to see if Massachusetts regulators will accept it. Bids are out. 2 water mains need work and need to finalize with Rain for Rent
- What's the plan if the regulators do not approve?
 - D Glascoff: If Rain for Rent is not approved, we will have to investigate wells, drilling into the low- lands and pump back up which is very expensive
- Two rate increases included expenses and maintenance with a profit component. What happened to profit component?
 - D Glascoff: That is the way DPU rates artificially. The Water Co. does not have a profit. The Water Co. is in default to the school and is not paying the debt and as of three weeks ago, not paying the employees
- B Jacque to Glascoff and McCarthy: Does the Pro Forma include assumptions include debt? Regardless of private or public must be done.
 - Glascoff: we must do what the state tells us to do unless we do not have funding, which we don't. We are now breaking even but can't afford \$5,000,000 improvement. That has been worked into the USDA loans
 - McCarthy: the proforma does not reflect assumption of loans from East Northfield Water Co. or NMH.
- B Jacque as a member of the Select Board and user of the Water Co. fielding questions that may come up at the April 6 meeting. Chicken or egg problem on USDA loan. If Water Co. continues, guarantee of increases. Pro Forma sounds like a more sustainable option. As a user, not looking at an immediate increase upon set up.
 - Glascoff: correct, no immediate increase.
- How common is it to have a small district?
 - A Evans: List of water companies, short. List of districts, long. Not the most common but not unheard of.
- Should the Northfield Water District choose to join the new district is it an option?
 - Llamas: yes, districts can merge
 - D Glascoff: 3 years ago, when approached, the Water District was not interested.
 - The two systems are connected if needed.

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- Cummings and Patter Field thanked those who have been working on the project.
- Select Board: Jacque motioned to adjourn, Bernie Boudreau seconded, Select Board adjourned at 8:03pm.
- Finance Committee: adjourned.

Recorded by Sandra L. Wood, Secretary

Selectboard Clerk

Date Approved