

## [NORTHFIELD SELECT BOARD MEETING MINUTES]

April 6, 2022

Pioneer Valley Regional  
School Auditorium  
97 F. Sumner Turner Drive  
Northfield, MA 01360

Select Board Present: Heath Cummings, Chair; Barbara “Bee” Jacque, Vice Chair; Bernard Boudreau, Clerk; Mary Sullivan-Bowen

Select Board Absent: Alexander Meisner

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

Others Present: Andrew Evans, RCAP Solutions; Dennis McCarthy, Thomas Aquinas College Chief Financial Officer; Don Glascoff, East Northfield Water Co. President (remote); Sean Cunningham, Thomas Aquinas College; Attorney Jeff Blake, Kopelman & Paige

Audience Participants: Patter Field, Bernie Porada, Dave Kaczinski, John Bezzant, Tim Cosgrove, Dave Clark, John Tibbets, Matt Lucier

Called to order at 6:04 pm

### PUBLIC FORUM- PROPOSED WATER DISTRICT PRESENTATIONS

Town Administrator presentation:

#### **Transition from East Northfield Water Company to a New “Grandin Water District” Northfield Town Forum**

**April 6, 2022**

##### Summary

- The East Northfield Water Company (**ENWC**) is generally cash flow breakeven 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, Grandin Water District (GWD), 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 ranging from Thomas Aquinas College through seasonal residents on the Ridge or approximately 665 individuals including college students, faculty and staff on the college bill.
- 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. 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.
- A Committee comprised of:

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- 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, highly experienced water administrator with ties to the area.

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 Grandin 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 a Grandin 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 Grandin Water District.
- If this process is not completed within this Commonwealth legislative cycle, the process must start over for the next cycle.

### Example of An Act Establishing The East Northfield Water District (draft)

- "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 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.
  - 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.

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- The pro forma (as if) projected financials present the performance of the water district as if it were in operation from **January 1<sup>st</sup> 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**
    - Historical 2020 and 2021 reflect actual operating costs for ENWC (Note: the President and Board members of ENWC are unpaid positions in the historical costs).
    - Pro Forma 2022 reflects the additional cost of a full-time Superintendent.
    - Pro Forma 2022 assumes the historical actual hours of staff and operations personnel but paid at current hourly rates.
    - Pro Forma 2022 assumes no cost for rate applications or taxes but includes legal costs for the transition to a water district.
    - Pro Forma 2022 projects accounting income estimated just above \$45,000 which would be 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	Pro Forma	Pro Forma	
Calendar Year	2020	2021	2022	
<b>Pro Forma Revenue at Step 2 Rates</b>	\$ 364,225	\$ 363,584	\$ 363,584	
<b>Total Historical and Pro Forma Costs</b>	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	
<b>Accounting Income</b>	162,567	114,680	46,176	

### Next Steps

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

### Questions

Patter Field, Highland Avenue: Are administrators at Northfield Mount Hermon not being paid? Will there be a back pay debt?

McCarthy: John Alden, former president of East Northfield Water Co. was not paid before the rate increase in 2020. There was no back pay accumulated

Bernie Porada: the water company's current debt is \$950,000. Would the new district or NMH assume or write off the debt? Will NMH transfer assets or charge the district for the sale of property and assets? (To Atty. Blake) If the town gets involved with the tax collection and Select Board appointing a representative to the district does the town have any liability to the district if it operates at a loss or goes into default?

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Atty. Blake: Once the district is created it becomes a life of its own. The town would enter into a contract to provide services. The town would not have any liability.

Llamas: we requested a term sheet. Because the district doesn't exist, yet they can't cut a deal. The term sheet is clear they would transfer 230+ acres, the water shed, the dam, the buildings, all the assets for \$1. The debt will be written off.

Dave Kaczinski felt creating a district would create debt with upgrades. Non-compliances would be inherited and suggested the current owner fix everything first citing loans and grants were "iffy"

Llamas responded the presentation from RCAP would explain the funding

McCarthy added as TAC is the largest user, not changing would bring bigger costs

John Bezzant, Birnam Rd: What sort of collection mechanism will the district have?

Atty. Blake: Under act as drafted under Chapter 40, allows the district to report any unpaid water bills that are more than 1 day overdue, becoming an automatic lien lasting three and a half years unless it can be forwarded to the assessor who can report it to the collector where it becomes part of a tax bill which is then collected in a normal course under Chapter 60. Significant advantage over a water company which does not have that ability.

McCarthy: if an old bill it disappears, the district does not want the water company's unpaid debts. Currently \$214,000 debts. Tim Cosgrove, Birnam Rd: what is the cost of a filtration system required if moving into a district or stay with water company?

Llamas: Andrew Evans from RCAP will speak on this

Dave Clark, Birnam Rd.: How much will this affect the tax base if NMH gives it away? Doesn't feel the money is anywhere near what it needs to be

Llamas: analysis was done as part of the proforma for 2020 and 2021 tasks. All costs for the past two years was accounted for. John Tibbets, Main St.: will need full time superintendent, insurance. \$100,000 for superintendent is low. With all other staff can't do it for \$180,000

Llamas: staffing is \$317,000. Office and administration is \$181,000. Filtration proposed by the district will have to done by the water company with the cost going to the users.

### RCAP Solutions Presentation

- Who is RCAP Solutions
- N. E. Branch of the National Rural Communities Assistance Partnership (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

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- 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 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.

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Evans clarified the numbers for the pro forma were not fabricated and taken from solid data.

Examples of similar projects

Llamas: can't move forward without appointed commissioners to take to the next step to do the negotiations

Evans explained the grant versus loan percentages being 25-75%. Targeted income survey helps determine. Other options available beside USDA.

### Questions

Dave Kaczinski: who is going to review the charter for the benefit of the owners and making sure the town is not involved with the district? When will the commissioners be appointed? Targeted income survey will result in low percentage because of wealth

Atty Blake: as an act of the legislature there would be no charter. The commissioners would be empowered to retain counsel. The act effective upon passage.

Llamas: if target survey is not viable it won't be used

Bowen: can users expect an abnormal rate increase when the business shifts? Lots of pros, any cons?

Llamas: pro forma based on current rate and not anticipating any rate increase if it can be helped. Need to go through the process to see what the loan would be; USDA would be a fixed rate for 40 years.

Evans: list of water districts in Massachusetts is long, there are very few water companies.

Llamas: water district not in business to make money. Users have more say and can vote out commissioners. Cons will be discovered during the process.

Jacque: the con being this is a big step. The same problem exists in both scenarios. All utilities are subject to rate increase. The district would have larger base of customers with control. Now we have no control. The USDA would want to update the whole system not just small fixes.

Steps and timeline: At town meeting, vote for the legislature to create a district only. Not transferring assets, debts, or commitment. Deadline for this year's legislature is July otherwise we would have to wait until January of next year. Next step to appoint commissioners happens once the legislature passes, creates the district.

Atty Blake: commissioners could be appointed for 1 year until the next election takes place.

Porada: If one appointed by Thomas Aquinas, one appointed by Select Board and one elected, why not all three be users? Why give the college a guaranteed say? Selectboard member may not be on the system.

Atty Blake: that decision can be made. The college is the largest user, but the residents would have 2/3 vote with the Select Board appointment and election. Not set in stone.

Llamas: The Select Board could appoint someone from the district, not necessarily be on the Select Board

Cummings commented this was an issue 3 years ago when he first got on the Select Board and to delay will lead to bigger problems.

Llamas: if this becomes a district with commissioners, it's a public body that must post meetings and are subject to open meeting law

McCarthy: a website has been created GrandinWaterDistrict.org

Matt Lucier: if ENWCo. Folds, what happens? State will not finance wells. If no water, homes become condemned. This presentation gives us a way out.

Motion by Jacque, seconded by Boudreau the Select Board voted to adjourn at 8:00 pm

Recorded by Sandra L. Wood, Secretary

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Select Board Clerk

04/19/22\_  
Date Approved