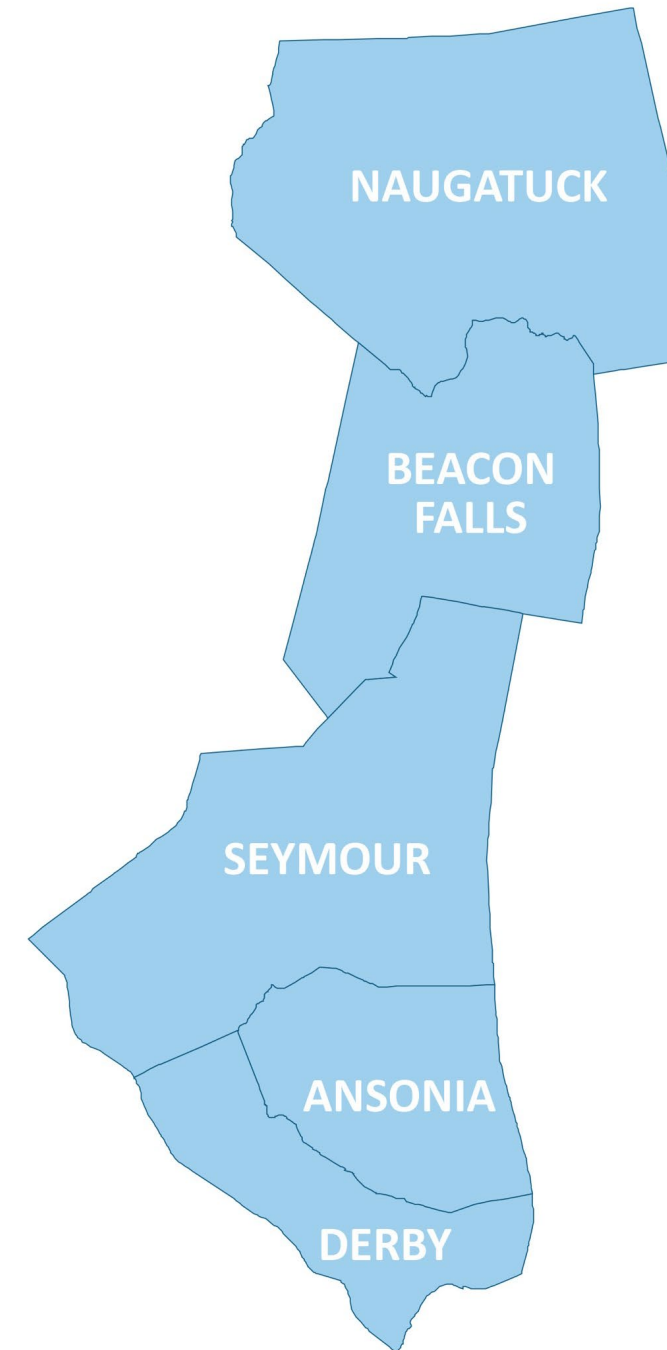


Naugatuck Regional Wastewater System Study

Public Presentation of Findings

January 26, 2022

EDWARD J. COLLINS, JR. CENTER FOR PUBLIC MANAGEMENT
JOHN W. McCORMACK GRADUATE SCHOOL OF POLICY AND GLOBAL STUDIES
UNIVERSITY OF MASSACHUSETTS BOSTON



Overview of the Collins Center for Public Management

Mission Statement

The Collins Center is dedicated to improving the efficiency, effectiveness, governance, responsiveness, and accountability of public sector organizations, with a particular focus on local and state governments.

Our Expertise

- Cross-disciplinary team of practitioner-consultants with decades of experience working in municipal, regional, and state governments
- Consult on all aspects of public governance and management
- As a member of the NVCOG team, we bring expertise in:
 - Financial analysis
 - Governance and organizational structures
 - Legal underpinnings of regional wastewater districts
 - Facilitation of organizational change, from legal to political aspects
 - Sensitivity to local history and control and issues of representation and equity

Our Role in this Study

1. Recommend ownership and governance models for the recommended regional alternative, including drafting regional WPCA ordinance and bylaws
2. Complete a financial analysis of the recommended regional alternative that shows capital and operating and maintenance (O&M) costs in the regional model compared with the base case costs for each participating municipality

Our Process



Presentation Agenda

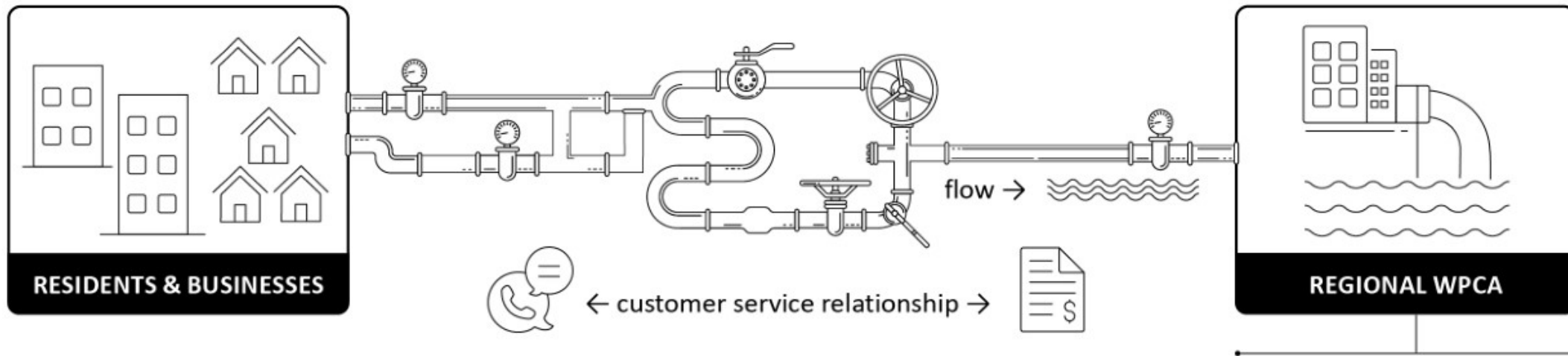
- Ownership model recommendation
- Financial analysis
- Governance model recommendation

Ownership Model Recommendation

FULL REGIONAL OWNERSHIP MODEL

Locally-owned wastewater systems are transferred, *in their entirety*, to a newly-created regional WPCA that:

- collects, transports, treats, and disposes of all wastewater generated by the member communities;
- develops rates and charges, rules and regulations, and billing systems; and
- provides customer service directly to the end users of the system



- responsible for setting:
- rules & regulations
 - rates – retail or wholesale

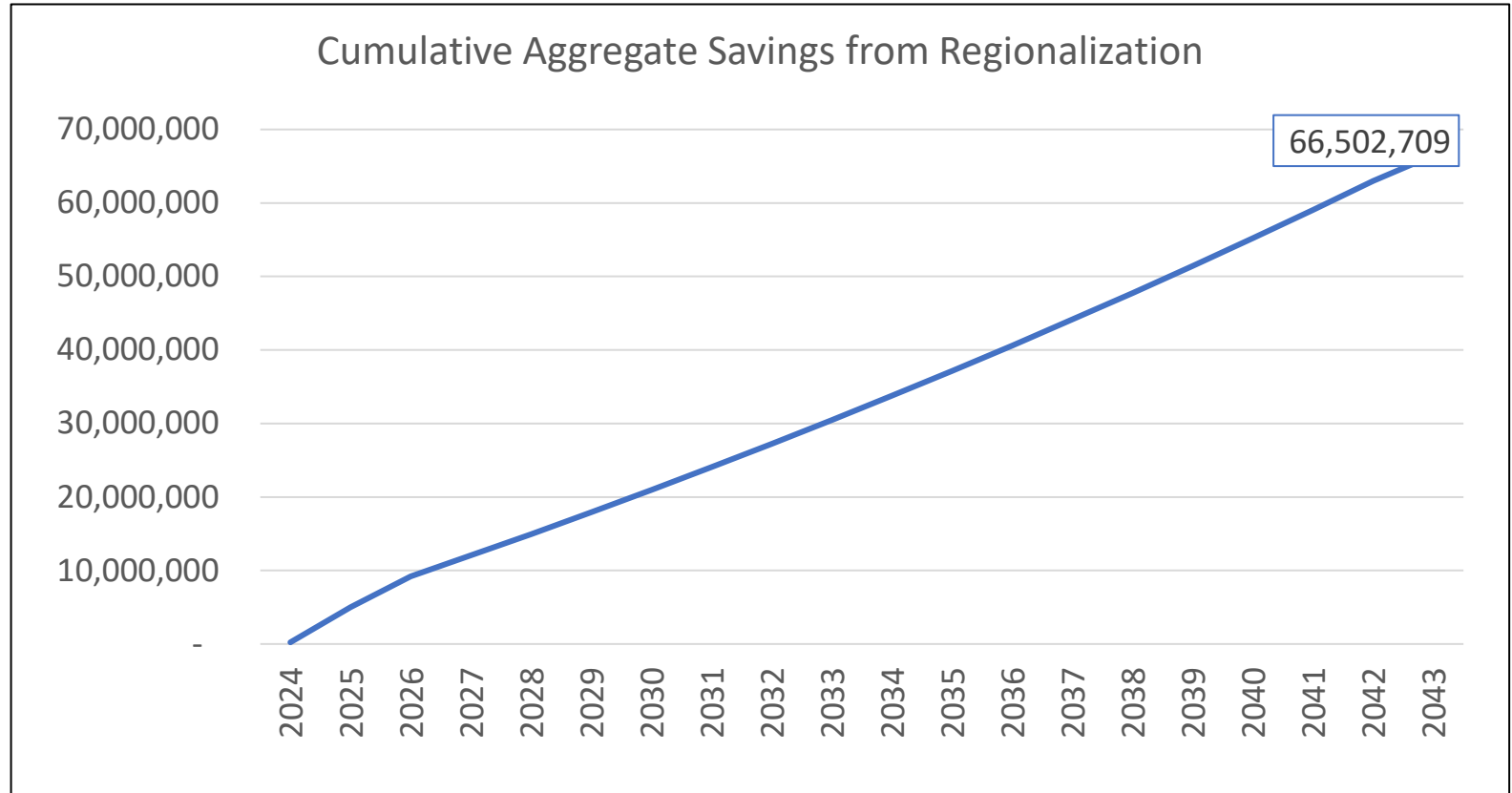
How Full Ownership Works

Benefits of Full Ownership

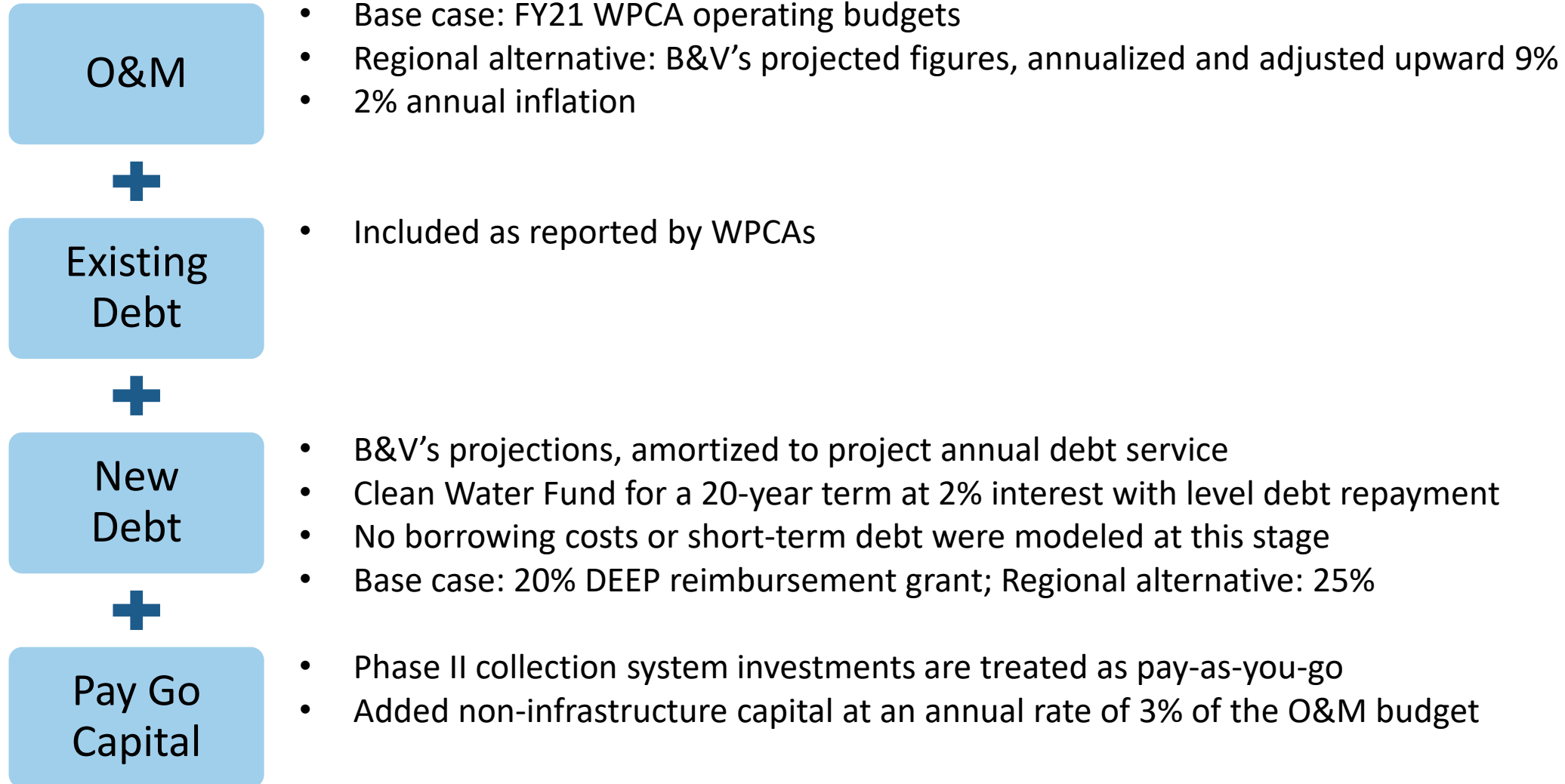
- More efficient
 - Eliminates the need for coordination with multiple local WPCAs
 - Produces economies of scale in purchasing and labor
 - Eliminates a layer of bureaucracy between WPCA and customer
- Consolidates regulatory compliance effort
- Greater opportunity for grant funding
- Preferred by regulatory agencies because of greater accountability for the entire system

Regionalization Saves \$66.5M over 20 Years

- We agree with B&V's finding that the recommended alternative saves money
- Our analysis builds on B&V's cost comparison



Model Inputs and Assumptions



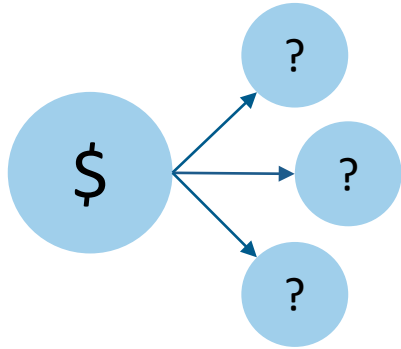
Additional Assumptions

Timeline:

- Regional WPCA will be formed in FY22
- Phase I collection system investment will begin FY23 with debt repayment starting in FY24
- Pumping station, treatment, and conveyance capital: engineering in FY23, construction in FY24-25, and debt repayment starting in FY26

Funds held in reserve – Any reserves or stabilization funds will remain with the municipality and may be used to stabilize user fees during or after the transition to regionalization, or for any other legal purpose

Cost Allocation Methodology



While regionalization saves money overall, to determine the effect on each municipality, costs have to be allocated. There are many ways to do this.

Examples:

1. Mattabassett District: O&M costs allocated based on five-year average flow. Capital costs allocated based on each member's reserved plant capacity.
2. Mass Water Resources Authority: O&M costs allocated based on three-year average flow with adjustments for strength of flow. Capital costs allocated based on combination of:
 - Three-year average peak month flow and average concentration of TSS and BOD
 - Proportion of population of the community that is served
 - Proportion of the community's Census population to the total Census population of the system
3. Mansfield-Foxboro-Norton District: O&M costs are coded as either flow-variable or semi-fixed. Flow-variable costs are allocated based on average flow. Semi-fixed O&M and capital costs are allocated based on reserved plant capacity.

Cost Allocation Model Development



Who decides how costs are allocated?

- Member municipalities have the right and responsibility to make this decision
- They should actively negotiate to design a cost allocation methodology that is acceptable to all
- The agreed-upon methodology should be defined in a formal agreement

Cost Allocation Model Development

The Collins Center developed a model to use as a starting point which includes:

Allocated based on proportion of B&V's total estimated annual flow:

- O&M costs
- Treatment & Conveyance capital (existing and new)
- Pay-As-You-Go capital

Allocated based on municipal borders:

- Collection & Pumping capital (existing and new)

Cost Comparison by Municipality

Ansonia, Derby, & Seymour	Total \$ FY24-FY43	Total \$ Savings (Cost)
Base Cases - Total	328,776,576	
Regional Alternative	262,273,867	66,502,709

Ansonia

Base Case	102,810,149	
Regional Alternative	97,051,738	5,758,410

Derby

Base Case	143,054,654	
Regional Alternative	100,787,344	42,267,310

Seymour

Base Case	82,911,773	
Regional Alternative	64,434,785	18,476,989

Cost Allocation Model – Next Steps

We recommend our model be used as the starting point for ongoing negotiations because:

- All municipalities save money versus the base case
- Each municipality continues to bear financial responsibility for existing and future capital costs associated with its collection system
 - This is important since we do not have a detailed assessment of the condition of the collection systems or the future capital needs

What are the next steps?

- Consider having existing treatment assets valued by an asset valuation expert
 - We believe this would improve the financial model and allow the municipalities to consider a financial buy-in arrangement that could enhance equity of projected savings

Governance Models – Overview

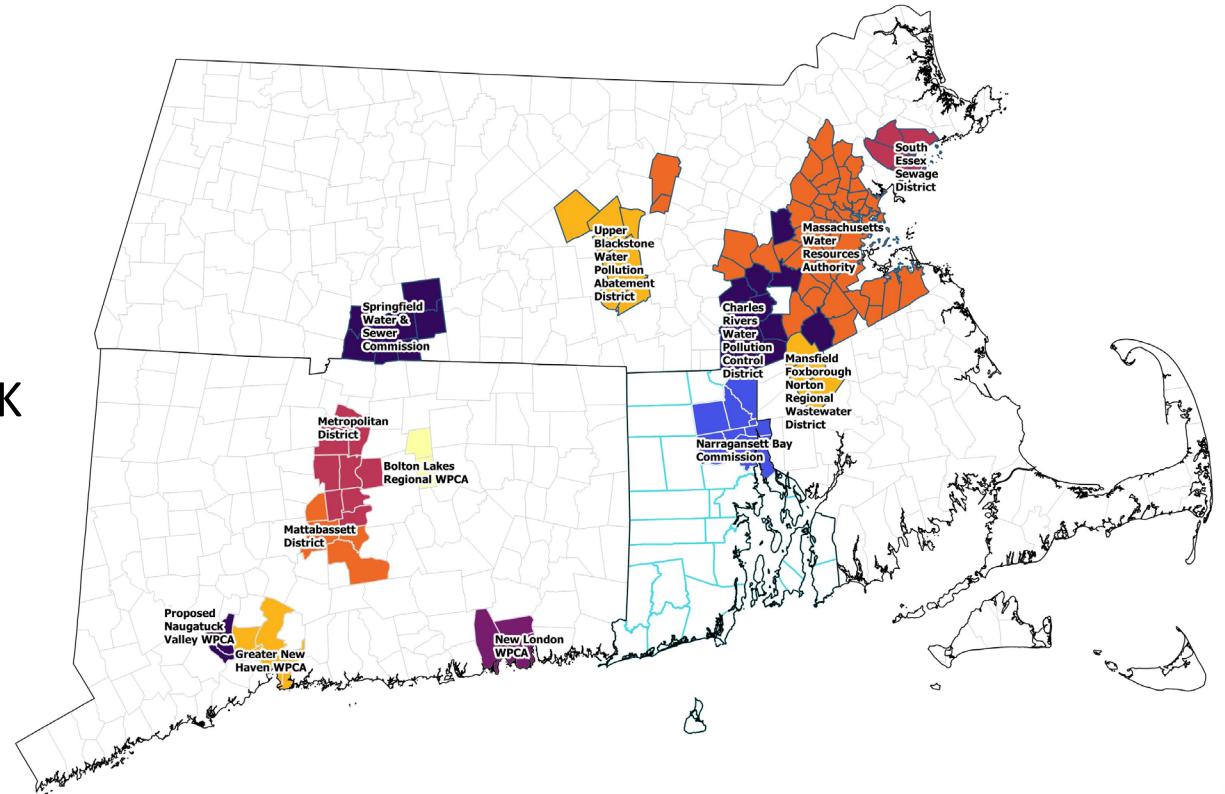
We reviewed the governance models of a dozen regional wastewater systems across southern New England

Enabling legislation options

- Connecticut Model Legislation (Chapter 446K Sections 22a-501 to 519) or
- Special Legislation

Governance structure documents

- Ordinances, Bylaws, and Intergovernmental Agreements are commonly used to establish structure and operating procedures
- Collins Center has provided drafts of both an Ordinance and Bylaws



Enabling Legislation Recommendation – Connecticut Model WPCA Statute

- **Established Track Record.** The model statute has been used, most notably by the New Haven Region
- **It is Timely.** Creating Special Legislation would delay creation of the district
- **Meets Established Criteria.** It meets the criteria set forth by the State which will aid in obtaining necessary approvals
- **Grant Funding.** The statute contains language providing for increased grant funding to support regionalization
- **Comprehensive.** The statute contains all the necessary language enabling district formation, financing, land acquisition, project planning and construction, and staff selection

How to Establish the Regional WPCA

- **Concurrent Action.** Each municipality's legislative body must concurrently adopt an ordinance that establishes the regional WPCA
- **Approval Required.** The ordinance and a "preliminary plan of operation" must be approved by the DEEP Commissioner and State Treasurer
- **Board of Directors.** The ordinance establishes a Board of Directors that then adopts sewer rules and regulations and hires officers
- **Bylaws Required.** The powers and duties of the Board and officers are spelled out in the ordinance, and initial bylaws are also adopted by the constituent municipalities

Recommended Design of the Board of Directors

- **Recommended Representation.** Three members from each municipality, three-year staggered terms, and the appointing authorities remain the same as for the existing local WPCAs
- **Recommended Eligibility Requirements.** Directors must reside in the district and have relevant environmental, engineering, or financial knowledge or experience
- **Super Majorities Recommended.** Six votes are required to adopt budgets, determine user fees, and issue debt and at least one voting member from each community must be among the super-majority

Key Ordinance and Bylaw Provisions

- **Officers.** Board appoints an Executive Director (CEO), Treasurer, and Secretary
- **Budgeting.** Executive Director prepares operating and capital budgets for Board approval
- **Cost-of-Service Study.** Annual requirement for a study prior to rate setting
- **Annual Audit.** An external and independent audit is required annually
- **Rules and Regulations.** Board must adopt sewer user rules and regulations

Next Steps

Step 1: Finalize cost allocation methodology

- Consider hiring an asset valuation consultant to assess existing value of infrastructure
- Negotiate the specifics of cost allocation methodology
- Incorporate into a legal agreement

Step 2: Finalize all legal foundational documents

- Vet the cost allocation agreement, ordinance, and bylaws with legal counsel, DEEP, and other stakeholders
- Develop the preliminary plan of operation (PPO)
- Legislative bodies adopt cost allocation agreement, ordinance, and bylaws after public engagement process
- Receive approval of the ordinance and PPO from DEEP Commissioner and State Treasurer

Step 3: Implement the regional WPCA

- Appoint Directors to regional WPCA Board of Directors

Thank you!



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