

To: Rep Townsend, Chair, House Government Operation Committee
From: P. Howard Flanders P.E, President Water Village Trustees and
Chair, Waterbury Water and Sewer Commissioners
Subject: H.716 Charter for Edward Farrar Utility District
Date March 29, 2018

After the Village testimony on March 15, 2018, some questions have been asked about how the Edward Farrar Utility District would use the financial assets of the Village of Waterbury, in particular the current Urban Development Assistant Grant, UDAG Loan Funds.

Manager Bill Shepeluk has provided a detailed explanation how these funds came to be distributed to the Village of Waterbury from a block grant to the Village of Waterbury to be loaned to Ben and Jerry's to construct the ice cream plant.

This new facility in 1984 connected to the Waterbury Village Water System and Village Wastewater Treatment Facility. Without these critical water and sewer services, the ice cream plant could not have been built.

As the funds were repaid, the Village established a revolving loan fund that was loaned on application to businesses to either construct or expand within the Village resulting in increased revenues to both the water system and the wastewater system. The availability of these funds in many instances have been key in business construction, which generated additional income to both the water and wastewater systems.

For both of these systems the system growth through additional connections is important to reduce the need for rate increases to support the increasing costs of operation and maintenance.

The wastewater facility which has 365 fewer customers than the water system is facing another increase in user rates without additional connections to generate additional fees.

By continuing to have these funds available to loan to businesses to allow connection to the water and sewer system increases the opportunity for increased revenues and to keep future fee increases to a minimum.

These funds will continue to be used in the same manner they have been since they were paid back to the Village by Ben and Jerry's. The five person Utility Commission which will include the three existing trustees who have been doing so since the inception of the loan fund, will continue to have authority to approve loans and provide general oversight of the fund. In addition, the office of the municipal manager will continue to provide the day to day administration of the loan fund, the loan portfolio and other assets in the fund.

The Village water and sewer systems and future Utility District Systems operate at no cost to town residents who are not connected to either system while these systems provide large benefits to the Town of Waterbury as a whole.

Water System Hydrants, Piping and Storage

The water system is a state of the art system that provides and maintains large distribution lines with fire hydrants and adequate storage for use by the town Fire Department to provide fire protection. Residents and businesses, even those which are not connected to the system, receive benefits, including lower fire insurance *rates*, because of the infrastructure the water system provides. The water system has 660 connections in the Village, 280 connections in the town and 125 connections in the Duxbury Moretown Fire District for a total of 1,025 connections. In recent years, the Village Water Systems has picked up service to three substandard public water systems and in the process has provided fire protection through the hydrants and distribution system to areas of Duxbury and Moretown adjoining Waterbury.

Wastewater System

The state of the art wastewater system recently upgraded to remove phosphorous (to .08 mg/l) to improve water quality in the Winooski River and Lake Champlain. The wastewater system is operated and maintained at no cost to the Town of Waterbury. This system allows business and residents, which require substantial quantities of water, for both use and disposal, to be located in the service area of these two systems. The ability to serve these businesses in Waterbury enhances the Grand List and tax base and provides jobs and opportunities for residents *and business owners alike*. The wastewater system serves 660 connections within the village of Waterbury.

Loan Funds

The loan funds are a tool the Village Trustees and Water Commissioners developed and utilized to assist businesses that connect to the systems to provide additional customers and revenues to the systems. As you have been made aware, the Village's revolving loan fund came into existence in 1984 when the Village of Waterbury received a UDAG grant from the federal government in the amount of \$650,000. That amount was lent to Ben & Jerry's and it was paid back to the village with interest by 1999. Since 1993, when the village made its second loan from UDAG Fund, at least 19 additional loans have been made to local businesses or not-for-profit organizations, accounting for more than \$1.5 million in additional loans.

At least half of the loans have been made to entrepreneurs that started new businesses. Many of the others allowed expansion of existing businesses and three helped finance the purchase, renovation, and repurposing of important historic structures. In addition, except for the three properties owned by not-for-profit organizations, these loans have played a direct role in the expansion of the town's grand list, benefitting both Waterbury's municipal taxpayers and the state's education fund.

The annual budget for the Water System is \$1,147,165 and for the Wastewater System is \$1,127,045 totaling \$2,274,310 every year. The Ben and Jerry' facility which was the original source of these funds in 1984 continues to pay annually \$125,000 in water bills and \$132,000 in wastewater bills. In addition, all of the properties that were built or improved through these loans are customers of the water and wastewater systems, providing a necessary and important revenue stream for those systems.

Another development expansion that benefitted from the loan fund is Pilgrim Park, which also provides significant income to the Water and wastewater system.

In addition to providing loans to expanding businesses, the Village has also invested in alternative energy projects to reduce demand on fossil fuel and generate income to help keep user rates at a minimum. A solar farm was constructed on Village property on Loomis Hill and an inline hydro generator has been installed in a water transmission line to generate electricity by the gravity flow of water.

These UDBG loan funds are important tool in supporting the operation of both water and wastewater systems and the Village residents have voted to retain these funds in the Edward Farrar Utility District Charter amendment. The funds will continue to be used as they have for 34 years in support of maintaining the financial health of both the water and sewer systems necessary to benefit the users and the Waterbury Community.