

fyi.

(We are taking up the Waterbury charter again on Thursday, March 29. Mr. Shepeluk, Mr. Anderson, Gwynn, and also hopefully an expert on utility districts will be joining us.)

From: William Shepeluk <wshepeluk@waterburyvt.com>
Sent: Tuesday, March 20, 2018 4:25 PM
To: Maida Townsend
Cc: Theresa Wood; Tom Stevens; 'Skip F.'; 'Natalie Sherman'
Subject: RE: H.716

Representative Townsend:

It was a pleasure to testify before your committee last week. I'd be happy to come in again if there are additional questions after you read this response.

The UDAG Fund is and always has been a village fund. It is definitely a current asset of the village. The desire and expectation of the village voters is that the asset (the fund) will transfer to the utility district when the utility district is created.

In 1984, the federal government made an Urban Development Action Grant to the Village of Waterbury in the amount of \$650,000. This was not a block grant that was passed through the state, as most federal grants are today, but was made directly to the village from the federal treasury. (See the attached excerpt from the village's annual report for 1984). The \$650,000 was loaned to Ben & Jerry's and was used by that company as part of its financing package used to build its factory on Rt 100 here in Waterbury. The loan carried a "low interest rate" of 9.00%! If you remember the early 1980s, Certificates of Deposit offered interest rates above 16% and commercial mortgages were often at rates above 12%, especially so for startups, like Ben & Jerry's. Nine percent was a good deal for them at the time.

Just as was suggested in the annual report of 1984, the village used the repayment of the principal and interest on that loan to establish its own revolving loan fund. The village began making loans from that fund to local businesses and not-for-profit corporations even before Ben & Jerry's paid off their loan in full. In the end, Ben & Jerry's paid about \$1 million in principal and interest back to the village. Subsequent loans from this UDAG revolving loan fund allowed for development of new businesses, the loans have financed expansions of businesses, housing and a center for senior citizens, the renovation of the railroad station in our downtown, an ice center and an affordable housing project, among other things. The private development of Pilgrim Park, the industrial park that is home to Keurig Green Mountain (formerly Green Mountain Coffee Roasters) was partly financed with a loan from the village's UDAG Fund. Many local restaurants including the Prohibition Pig, the Blue Stone and Maxi's obtained part of their financing packages through a UDAG Fund loan from the village, as did a number of retail businesses.

The UDAG Fund never belonged to the town and the town has had no part in the management or oversight of the loan fund. The asset should move from the balance sheet of Village of Waterbury to the balance sheet of the new Edward Farrar Utility District seamlessly along with all of the other assets and liabilities of the village. As you can see from the attached balance sheet, the fund held cash and securities of about \$710,500 at the end of February in addition to an outstanding loan portfolio of about \$954,945. Those loans are due and payable to the Village of Waterbury now from all those businesses and organizations who have outstanding debt payable to the Village. When the new district comes into being on July 1st, the Edward Farrar Utility District should be the creditor of that loan portfolio.

The district intends to continue operating its revolving loan fund and will likely consider applications for loans from customers of its water or sewer systems whether they are located inside or outside of the district's boundaries. This may spur economic development in wider area of greater Waterbury making capital from this loan fund available outside the boundaries of the current village for the first time.

In addition to the excerpt from the 1984 Annual Report of the Village of Waterbury, I have attached the balance sheet for the village's UDAG Fund as of February 28, 2018.

Please let me know if you have questions. As stated above, I will be happy to come in to discuss this or any of the village's assets and liabilities with the committee, at your convenience.

Thank you.

William A. Shepeluk
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(802) 244-7033



From: Maida Townsend [<mailto:MTownsend@leg.state.vt.us>]
Sent: Tuesday, March 20, 2018 12:45 PM
To: wshepeluk@waterburyvt.com
Cc: Theresa Wood <TWood@leg.state.vt.us>; Tom Stevens <TStevens@leg.state.vt.us>
Subject: Fw: H.716

Bill: Thanks so much for coming in last week. Your presentation was great, but we are still in the information gathering process, and trying to make certain that we understand the information gathered. A question regarding the Economic Development Fund... Where does that fund "live" exactly? Does it "belong" to the village or the town? I recall that during

testimony there was mention made of Ben and Jerry's when the money in the fund was UDAG money. That sounds like the town is the answer. If it is in the town and will be there after the charter change goes into effect, it would not be considered a utility district asset, correct? Any help would be most appreciated!! Best, Maida (Maida F. Townsend, Chair, House Government Operations)

From: Theresa Wood
Sent: Thursday, March 15, 2018 3:37 PM
To: wshepeluk@waterburyvt.com
Cc: Tom Stevens; Tom Stevens; Maida Townsend
Subject: H.716

Hi Bill,

I had a follow-up question for Rep. Townsend since I had to leave before your testimony was finished. I inquired whether there was any mention of the economic development fund (former UDAG monies), in terms of what was being recommended to transfer to the Farrar Utility District. She said it didn't come up, so I just wanted to give you a heads up that you may be hearing from her with regard to whether the funds are used for development outside the proposed Utility District.

From reports I heard, it sounds like all went well and with the additional info that Carla sent along, I'm sure we'll see the committee act on the charter request in the near future.

Thanks,

Theresa

Theresa A. M. Wood
State Representative