

THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

ORIGINAL
N.H.P.U.C. Case No. DW 13-171
Exhibit No. 8
Witness Panell
DO NOT REMOVE FROM FILE

DW 13-171

IN RE EASTMAN SEWER COMPANY, INC

Sale of Assets and Liabilities to the VILLAGE DISTRICT OF EASTMAN

TESTIMONY OF ROBERT LOGAN

MEMBER OF VILLAGE DISTRICT OF EASTMAN

NOW COMES, ROBERT LOGAN, Member of the Eastman Community Association,
and submits the following TESTIMONY:

Q. The Joint Petitioners stated in their PUC filing of 6/13/13 that “the Village District of Eastman possesses the Managerial, Technical and Financial capabilities to own and operate this public utility --Eastman Sewer Company.” Do you agree that this statement reflects the capabilities of the VDE?

A. I find that the actions and inactions of the Village District of Eastman's officials: both Commissioners and District Manager in the past 24 months, do not demonstrate any such qualifications. On the contrary VDE officials have:

- a) Ignored and acted in direct rejection of RSA Chapter 91 – as is outlined in the NH Attorney General's Memorandum updated on July 15, 2009 which I

hereby adopt as part of this Testimony.

- b) In responding to my Discovery questions they have demonstrated an almost total financial reliance on the existing Eastman Sewer Company's managerial staff and financial reports.
 - c) Failed to perform any independent buyer engineering evaluation of the Eastman Sewer Company, as originally requested on 2/7/13, certified request 2/25/13, restated at 3/20/13 VDE commissioners meeting and reiterated on 4/3/13 (a meeting supposedly to address the aforementioned requests). A response from Mr. Weber dated 4/15/13 was inadequate and I addressed its inadequacies in my reply of 5/1/13 and I sent a certified letter once again addressing my due diligence request on 6/13/13. All the aforementioned materials with the timeline are contained in my pre-filed testimony/attachments of 7/26/13. The failure of VDE officials to reasonable address and respond to buyer due diligence requests demonstrates either a lack of knowledge as to how to perform such an evaluation or a disinterest in fulfilling their responsibilities to represent the public and the public interest.
 - d) Despite repetitive requests on my part, the VDE officials have failed to produce any independent financial report showing that they possess competence to assess and assume the financial responsibilities of the sewer company.
- 1 To support the above statements I hereby adopt the Pre-Filed Testimony of 7/26/13 of Robert Logan and that Testimony's Attachments and Exhibits of that date as part of

this Testimony. I also hereby adopt the following Discovery Requests and Responses as part of this Testimony:

- a) Set #1--9/12/13 Geraldine Logan Requests/Responses and Robert Logan Requests/Responses contained in PUC Docket No. 13-171
DataRequestResponse_Set1_Part6.pp162-226
 - b) Set #2--10/17/13 Geraldine Logan Requests/Responses and Robert Logan Requests/Responses contained in PUC Docket No. 13-171
DataRequestResponse_Set2 Part 1 of 2
 - c) Set #3--12/3/13 Geraldine Logan Requests/Responses contained in PUC Docket No. 13-171 DataRequestResponse Set3 Part 1 of 3 (pp. 2-19),
 - d) Set #3--12/3/13 Robert Logan Requests/Responses contained in PUC Docket No. 13-171 DataRequestResponse_Set3 Part 3 of 3 (pp. 115-138)
 - e) I hereby adopt the VDE minutes attached and as posted on their website as of 12/1/2013 for the years 2012 and 2013.
- 2 To substantiate the lack of VDE Officials' capabilities, I submit the following details and Due Diligence Analysis:

A. MANAGERIAL:

- 1) On Feb. 7 and 15th of 2012 (**EXHIBIT 5**) VDE officials met privately with ESC and ECA Board officials to discuss a potential ESC acquisition. In orchestrating and participating in these non-public sessions VDE officials violated VDE member rights and the public Right to Know law RSA 91-A.

- 2) They violated the public right to record, to listen to the communication between VDE officials and officials of ECA and ESC as well as the right for the public to speak.
- 3) In addition, the public does not really know the total scope and dialogue of the non-public meetings because the public does not have access to the complete recordings of these meetings nor can they with any confidence know that the published minutes accurately reflect the complete dialogue. Given the VDE breach of the Public Trust, even if a recording were to be made available, how would the public know such a recording was in fact a complete and unedited transcription of any and all VDE/ESC/ECA meetings, communications etc.?
- 4) The VDE officials' actions of secrecy and collusion prevented members of the public and of the VDE from formulating an alternative proposal on a timely basis in parallel to the activities that the VDE officials were engaged in privately with the ECA Board.
- 5) Unlike the Eastman Sewer Company process the VDE does not publish its agenda in advance for its constituency on its website or post in public locations.
- 6) In addition, the VDE approves its minutes of meetings 30 to 70 days after the actual meeting occurs in violation of the NH State law requiring the minutes be made available within five (5) days of the meeting. **(EXHIBIT #9)**: email from Mr. William Weber to MaryLou and Phil Schaefer 3/5/13):
 - “7.) Again, you are correct that some minutes of 2013 meetings are approved and not posted on the web site. Any postings on the web site are

done as a courtesy for the district customers and we do our best to add the data to the site as quickly as we can, however, with the annual report due and many other tasks to be completed, the posting of minutes becomes a lower priority this time of year. All public session approved minutes are available at the office generally within 2-3 days of approval.”

- 7) For the VDE public meetings, based on VDE minute documentation, the first “public” session at which the potential acquisition of the Eastman Sewer company was mentioned at a VDE meeting was the March 21, 2012 session. **(EXHIBIT #12)** The minutes for that meeting show they were signed and posted by the Commissioners on April 18, 2012 almost 30 days after the session occurred. However, no mention is made in the March minutes of the February 7 and 15th Non- Public sessions. Furthermore, what is documented about that meeting is fairly thin. The April 18th meeting **(EXHIBIT #13)** includes a statement where in Commissioner Fairweather moved to go into non-Public session:

"at this time Commissioner Fairweather moved to go into non-public session which was seconded by Commissioner Sullivan. Non-public session was begun at 10:30. The commissioners ended the non-public session at 10:45 and recessed the remainder of the meeting until after the briefing and walk-through of the ESC facility.”

- 8) This tardiness of reporting on the part of VDE officials compromised the

ability of the VDE members to engage in dialogue about alternative approaches or to express their perspectives to the Commissioners. Furthermore, as the above quotations indicate, what actually occurred during the non-public sessions is unknown. No subsequent dialogue is shown until June 20th meeting. **(EXHIBIT #15)** The July 18th meeting minutes **(EXHIBIT #16)** which were signed and published August 15, 2012 (28 days later) wherein the Commissioners state:

"Commissioner Wood made the motion that the VDE formally inform the ESC that after due deliberations it has been concluded that the possibility of expanding Village District oversight to include the sewer operations is not appropriate. Commissioner Sullivan seconded; the motion passed unanimously".

Then the August **(EXHIBIT #17)** and September **(EXHIBIT #18)** VDE meetings make no mention whatsoever of any dialogue between the VDE officials and the Eastman Board nor with ESC officials.

9) Suddenly, at the October 17th VDE meeting **(EXHIBIT #19)**, with no advance warning or agenda posted, the subject of the Eastman Sewer Company acquisition reappears with an extensive narrative about dialogue that indicates that a good deal of communication has been on-going between VDE and ESC/ECA unbeknownst to the VDE members or to the general public. Also clear from that dialogue as shown in attachment (Exhibit #19-- this meeting occurred at 8:00am without prior public posting of the agenda) is the fact that the full-time VDE District Manager Mr. Weber had been engaged not only in dialogue with ESC

officials but also with other parties including bank officials regarding the outstanding ESC loan.

Once again the tardiness of approving/posting minutes occurred as is habitual of VDE officials in that these October 17th minutes were not approved until the November 14th meeting--too late for VDE members to be aware of any details for the scheduled November 17 ECA meeting.

We recommend and request that PUC Staff open and review all VDE private minutes for 2012 and 2013.

10) By the VDE Officials' failure to properly document and to conduct public meetings of its on-going negotiations and meetings with the ECA and ESC officials the ESC acquisition project was a secretive and collusive effort. VDE Officials knowingly prevented the public from being a party to the ECA/ESC/VDE acquisition plan formation. By the time the public was made aware of the closed non-public VDE February 7th and 15th 2012 meetings (EXHIBIT #5), the VDE officials had participated for several months in discussions with ECA and ESC officials in constructing the plan they eventually would begin to reveal on November 7, 2012 at a **private** ECA Forum (**EXHIBIT # 2**). VDE Officials participated in a collusive effort orchestrated primarily by the Eastman Community Board of Directors to select the Village District as the buyer of the Eastman community-owned Eastman Sewer Company. The purpose of the

collusion was to deny to independent Eastman Sewer Users and community members the opportunity and right to establish an independent Village District facility while simultaneously removing the Eastman Board from its on-going responsibility to properly fulfill its fiduciary and financial responsibilities as owner and operator of the Eastman Sewer Company.

11) On page 2 of the minutes of the VDE Commissioners October 17, 2012 meeting (EXHIBIT #19), one finds the topic ESC with the following details documented:

"At 8:24 Brian Harding, Brad Moses, Jim Donoghue, and John Walters, all representatives of the Eastman Sewer Company joined the meeting."

COMMENT: Clearly the participation of ESC officials had been pre-arranged by VDE officials. NO mention of this participation or re-engagement by VDE Officials in dialogue with ESC Officials was mentioned in the September 9/26/2012 VDE minutes (EXHIBIT #18) of that monthly meeting. Nor was there any mention in their August 15, 2012 minutes (EXHIBIT #17). The last public action on the part of the VDE commissioners was contained in the July 18 meeting minutes published on 8/15 wherein the Commissioners unanimously **declined** to expand Village District oversight to include Sewer Operations. The VDE does not post its agenda in advance of its monthly meetings and therefore VDE members are unaware of what will be discussed at each session.

12) Continuing on page 2 of the minutes of the VDE Commissioners October 17 2012 meeting:

"DM Weber explained that he and Commissioner Wood attended the ESC Board meeting on October 16. The issue has been raised again about the possibility of the VDE acquiring the ESC....."

COMMENT: The Eastman Sewer Company Board of Directors meeting commenced at 2 o'clock the previous day October 16 and ended at 3:15 that day: (Continuation of above quote):

"Mr. Moses gave a quick summation of that discussion (10/16); he believes the next step is to have DM Weber and Mr. Harding continue their work outlining the process. Commissioner Wood took time to further explain the information gained from the 10/16 meeting. It is clear that there is a major financial need – the ESC has an infrastructure that must be maintained. Money has to be raised to make these capital improvements; how to do that is the issue at hand, as it can be done through user fees or an additional precinct tax/special assessment collected by the town of Grantham."

ADDITIONAL COMMENT: Mr. Wood's statement contains absolutely no new information. Everything he communicated was known to the members of the community who were aware of the age and capital condition of the Eastman Sewer Company. In fact, the substance of what he communicated had been

discussed on numerous occasions both at Eastman Sewer Company meetings and other community meetings for a number of years prior to this occasion. It was well understood by the VDE officials at the July 18, 2012 meeting. Therefore, no reason was provided by either Commissioner Wood or DM Weber as to why those parties and the officials of the VDE had re-engaged in a dialogue about an acquisition they had rejected only three months earlier.

ADDITIONAL COMMENT: Mr. Moses' statement that "he believes the next step is to have DM Weber and Mr. Harding continue their work outlining the process" indicates that these two parties were working in constructing a process to facilitate the acquisition of the Sewer Company by the Village District of Eastman without public awareness of this fact.

13) On November 7, 2012 a notice (**EXHIBIT #2**) authored by the Eastman Sewer Company Board of Directors and Village District of Eastman Commissioners notified ECA members that a "Special Community Open Forum" would occur on Saturday, November 17th at 9 AM. This meeting was an ECA sponsored activity and therefore was subject to the ECA Board President's rules as stated in witness Maynard Goldman's Discovery response 9/12/13 to request number Geraldine Logan 1b-7 (8/13/13). (**EXHIBIT #1**)

Mr. Goldman's Discovery response, 1b-7 includes the following statements:

- "Minutes are not taken nor is there any formal documentation of what is

said"

- "As you have indicated we are a private organization and are not subject to the rules of the Right to Know law."....

Furthermore at ECA community Forums recording is not authorized. All of the aforementioned means that the 11/17/12 ECA/VDE Meeting did not comply with RSA Chapter 91-A.

14) Again, at this meeting of November 17, 2012 VDE Officials were in violation of RSA Chapter 91-A as detailed in the NH Attorney General's July 15, 2009 Memorandum. That Memorandum requires adherence to the following (for example):

“IV. Meetings

A. What Constitutes a Meeting of a Public Body?

2. When members of a public body constituting a quorum find themselves together either coincidentally or when gathering for a purpose other than discussing or acting upon a matter or matters over which the public body has supervision, control, jurisdiction or advisory power, communications between the members shall not be used to circumvent the spirit and purpose of the Right to Know law. RSA 91-A: 2-a, II. The convening of a quorum of a public body that does not have a purpose to discuss or act on business could easily constitute a meeting...”

D. Meeting Procedures

2. Basic Meeting Requirements

- c. “A person shall be permitted to use recording devices including but not limited to tape recorders, cameras, video tape equipment at such meetings...”
- e. “Meeting minutes must be kept and must include:
 - (1) The names of the members present;
 - (2) The names of people appearing before the board;
 - (3) A brief description of each subject discussed; and ...”
- g. “Minutes are a permanent part of the body's records and must be written and open to public inspection not more than five business days after the meeting. RSA 91-A:2, II. There are no exceptions to this requirement for minutes of open meetings....”

15) Commissioner Sullivan and Commissioner Wood were present at the ECA November 17 2012 ECA Open Forum meeting thereby constituting a VDE quorum. The Commissioners also co-authored the announcement of this meeting. No recording of the meeting was allowed as per ECA rules. No minutes were produced by the VDE.

In early December the Eastman Sewer Company Board (of which Mr. Goldman is a member) sent to all Eastman Owners the document labeled: “Greetings Eastman Owners!” (**EXHIBIT #23**) This document purports to represent what occurred at the November 17th 2012 meeting, however how its contents were created and sourced from that meeting is unknown. That is because upon request of the ECA

General Manager we were told there was no recording made as is consistent with ECA Board policy.

Furthermore in the second paragraph of this document one finds a bullet that states

- "Duncan Wood, one of the three VDE commissioner's presented the Commissioners' point of view about the acquisition and it's process."

16) There is nothing in any 2012 VDE meeting minutes (**EXHIBIT #6**) to document the fact that the VDE Commissioners agreed to any information to be presented at this Community Forum. Furthermore, Commissioner Sullivan consistently disagreed with the acquisition both at VDE meetings and at this Forum. In addition, no slides or information are identified as being sourced from Commissioners. Nevertheless in both VDE monthly meetings and ECA meetings both Commissioners Fairweather and Wood have endorsed the November 17, 2012 ECA Forum meeting and the documentation claimed to represent what happened at that meeting--in violation of RSA 91 –A.

17) An even greater violation of the public's Right to Know law occurred in the VDE commissioners' orchestrating the July 25th 2013 Community Forum with the other Joint Petitioners for the acquisition. In this case the VDE Commissioners designated Mr. Brian Harding to represent them and other joint petitioners to engage in dialogue with Mr. Phil Schaefer in order that he would

participate in that Community Forum. **(EXHIBIT #4)** shows the correspondence between Mr. Harding and Mr. Schaefer which failed to reach mutual agreement.

Mr. Harding's email to Mr. Schaefer **(EXHIBIT #4)** extended an invitation for Mr. Schaefer's participation in the 7/24 ECA private forum. Mr. Schaefer's 7/5/13 email outlined to Mr. Harding and the entities (ECA/VDE/ESC) he represented, the conditions under which he (Mr. Schaefer) would participate. Mr. Schaefer's requirements included:

- 2) Location--Town hall
- 5) No presenters may be ECA employees, ECA board or council members, or parties to existing agreements among between ECA/ESC/VD
- 9) Meeting must be video recorded and broadcast on the Eastman community TV channel during prime time (7–10 p.m.) and three times a week until the election.

Mr. Harding's 7/10/13–4:04 PM response stated:

"After reviewing your responses to our offer for you to participate in the forum, it is clear that your conditions are not acceptable."

These emails demonstrate that the VDE as one of the parties Mr. Harding was representing rejected a public meeting in a public location.

18) I find Mr. Weber's pre-filed testimony of 6/21/2013 misleading and in error. In that testimony Mr Weber states:

“ In February of 2012 the VDE was approached by the Eastman Sewer Company, (ESC) requesting that the Board of Commissioners, (BOC) consider acquiring the ESC. After numerous public meetings with the ESC and other consultants, the BOC determined that; 1) the wastewater operation would better serve the community if operated under the direction and control of a municipality, 2) that although only one third of the VDE customers were customers of the ESC, the ongoing and future repairs and maintenance would benefit the entire community, and, 3) the immediate savings of funds could be set aside for future capital expenses. In a two to one vote by the BOC to move forward the VDE requested that the ESC conduct an informational session for the sewer users to include the entire community to outline and address the pros and cons of the potential acquisition. The session was held on Saturday November 17, 2012, this date offered the opportunity for the greatest amount of the community to attend.”

As documented above in my testimony the first public session of the VDE where in the proposal to acquire the Eastman Sewer Company was discussed briefly was at the March 21, 2012 VDE meeting. The first public meeting with ECA/ESC officials is documented is the June 20, 2012 VDE meeting. Four and a half (4.5) months after the VDE officials actually commenced meeting with ESC/ECA officials. As this testimony further documents, that proposal was rejected unanimously at the July 18, 2012 VDE meeting.

FINANCIAL:

A. Cost Comparison

A comparison of cost between VDE and ESC (**EXHIBIT #7**) demonstrates the following:

1) The current General and Administrative cost of the VDE fully loaded: benefits, payroll taxes, and retirement contributions is about \$290,000.

2) It is reasonable to assume that the district manager Mr. Weber and the office manager are primarily engaged in administrative and managerial functions. These functions would be similar to the functions carried out today by Brian Harding and his assistant at ESC.

3) It is reasonable to assume that the district manager and office manager's compensation is somewhat greater than the other two individuals who work in the water engineering and maintenance function. For comparative purposes I've therefore chosen to use \$150,000 to compare the ESC managerial and administrative costs of \$3,600

4) Assuming the management and administrative work of running a utility that services approximately three times the users that the sewer company has one would expect the cost to run the VDE would be $3 \times \$3600$ if one uses the efficiencies Mr. Harding has been able to achieve operating the Sewer Company.

This assumption includes no cost reductions due to economy of scale

5) On the other hand if one uses general and administrative cost of \$150,000 to operate the VDE it would be expected that the sewer company would cost one

third of that amount or \$50,000 under the current VDE structure .

6) Given the above analysis one can reasonably expect that if the VDE acquisition of the sewer company is approved, the ESC general and administrative costs will increase perhaps by about \$40,000.

7) The only other alternative would be that today the current VDE infrastructure has excess capacity.

8) Given the refusal of VDE officials to do financial due diligence one can conclude that they do not have financial knowledge to create a pro forma accompanied with assumptions as to what the financial increase cost expectations are to operate the ESC under the existing VDE organization

9) The above analysis indicates the value of doing financial due diligence in just one aspect of cost. The failure of VDE officials to do financial analysis demonstrates that the public good is at risk and can reasonably expect increased costs if this merger is approved.

B. Reduce Costs and Time Delays:

In answer to Discovery Request No. Robert F Logan 2-2 , Mr. Weber's reply on 10/17 included the statement:

"The primary objective is to reduce the cost and time delays associated with raising the required capital to undertake the upgrades to the system that are required by NH DES or the aging of the original equipment."

The Village District municipal process calls for an annual meeting once per year. Alternatively the VDE commissioners can call for a special meeting. The process of preparing for these meetings as stated by the Village District officials as being substantially time-consuming and lengthy. Furthermore if it is appropriate for those meetings to be preceded by informational meetings because of the magnitude of the capital expenditures it actually adds incremental weeks to the front end of the approval process by Village District voters. As an example the informational meeting prior to that March 21st vote on acquiring the Eastman Sewer Company was nine weeks earlier. At the January meeting the decision to pursue further the possible acquisition of ESC by VDE passed by only 11 votes.

Since two thirds of the community is on septic systems and all residences are experiencing rapid cost increases in four areas:

- 1) Town taxes
- 2) Increased community assessments
- 3) VDE cost increases and for some
- 4) Condo Association cost increases

It is reasonable to expect voters to resist significant cost increases particularly if those cost increases affect septic system owners. The net results could be incremental delays in funding the necessary capital improvements to the sewer system. The exact opposite of what the Joint Petitioners are claiming will occur if this acquisition goes through.

From a risk management point of view I think the acquisition is too risky to the sewer system and to the sewer system users.

C. Areas of Savings:

The Joint Petitioners have claimed there will be four areas of cost savings by having the VDE acquire the Eastman sewer company:

- 1) Real estate taxes to Grantham and other towns
- 2) Utility property taxes to the state
- 3) CPA expenses
- 4) Extra insurance

A closer look at these four items indicates there are no savings in two of them or perhaps three, specifically:

- 1) **Real Estate taxes** could continue to be paid by someone as a recent case involving the Manchester Waterworks (**EXHIBIT #8**) as to its properties in Auburn demonstrates a PILOT agreement was reached to reduce those taxes. Manchester Waterworks is a municipality similar to the VDE and is paying taxes on its various properties. While currently Grantham, Springfield and Enfield are not collecting taxes from the VDE at least so ECA would suggest; the reality is that that situation could change at any time and therefore any claimed savings are really only as long as the towns choose not to require the VDE to pay something.

3) **CPA Expenses:** In answer to Discovery Request Robert F. Logan 2-1, Mr. Weber stated that the Village District of Eastman district manager spoke to the accountant Greg Colby of Plozdyk and Sanderson....." Mr. Colby stated that he thought the future two department audit would be in the range of \$12,000, based on a one district operation. If there were two separate districts, one water and one wastewater, each district would need to budget \$10,000 for a total of \$20,000 or a savings of up to \$8000. That difference was used in the 7/24/13 presentation"

(**EXHIBIT #7**): (selective comparison of VDE and ESC costs) shows a \$9.7 K Legal and Accounting cost for the ESC in 2012. The VDE 2013 budget for the audit is \$9.5 K. It is reasonable to assume that the water district audit would cost approximately what it has in past years and in 2013 which is about \$10,000. Given that, it would mean the ESC Legal and Accounting cost (includes audit) as a department within the VDE would cost \$2000 for Legal and Accounting or about 20% of what it currently costs. I find that cost estimate incomplete and unrealistic. The source seems to be hearsay. There are no actual quotes nor is the scope of work defined on which this cost savings is based.

4) **Insurance:** No details are provided for the claimed insurance cost reduction however it is unlikely such a cost-reduction can be substantiated. The reason is that any property insurance will need to be continued and is not duplicative. The only other possible insurance would be personal

liability and such a cost would only apply to members of the board who are not either ECA board members or employees or officers of the sewer company who may not be covered by other insurance. In the latter case the advisory board for the sewer districts would require similar insurance. In addition if the VDE commissioners and officers have a liability for the sewer company then the existing policy would need to be expanded to cover them.

VDE officials have demonstrated no financial capability to operate the Eastman Sewer Company as it pertains to its efforts in the acquisition process nor have they acted in the public good. The purchase and sale agreement the commissioners signed on May 29, 2013 with the sellers (ECA/ESC) item 6.04 states that:

"in the event that the VDE discontinues its operations and maintenance of the sewer system, for any reason, ECA shall be given the first option to reacquire the sewer system for one dollar (\$1)...".

This agreement is pre-emptive and excludes other parties including those who are sewer users and therefore the parties who have and will pay for all capital improvements and all costs associated with the sewer company from forming a separate entity to acquire this utility. This agreement is consistent with the collusive relationship ECA/ESC/VDE have formed and is not in the public good.

Furthermore the VDE officials in responding to my discovery set of questions 10/17/13 Set 2 (which I hereby adopt as part of my testimony) stated as part of its response to my request 2-6:

"The updating of current condition summaries and maintenance priorities is an on-going process. The study prepared by CLD in 2008 needs to be updated to reflect the work that has been completed and the passage of time....."

By not updating the CLD report to 2013-14 costs and condition of capital, the VDE officials have abdicated understanding the capital liabilities they are agreeing to take on.

TECHNICAL

A. In response to discovery request number Robert Logan 3-6b (VDE) witness

William Weber stated:

"The parties to the purchase and sale agreement have negotiated a fair price"

By failing to perform their own engineering due diligence the buyer has taken all of the representations of the seller as reasonable and accurate as to the future liability the new buyer will take on to improve the capital infrastructure. The minimum estimate is about \$1.5 million in the next 3 to 5 years however that estimate assumes the vast majority of the capital infrastructure forty years old does not deteriorate rapidly given it is past its useful life.

Had the VDE officials performed their own technical assessment (outsourced) that estimate probably would've approached \$3 million or greater. A fair price would most likely be a significant seven-figure seller payment to the buyer to

invest in upgrading some of the infrastructure and putting the sewer company on a solid financial base rather than its current deteriorated liability position that its balance sheet reflects. Details:

- Total current liabilities. \$79,314
- Total long-term liabilities. \$291,813
- Retained earnings. \$9,074

B. The current owner, the ECA Board, for the duration of its ownership has allowed the financial health of this entity to deteriorate excessively; while simultaneously investing over \$3 million of capital funds into the golf course grounds and capital equipment. By its decisions as a 501(c) 4 it has prioritized wants: golf and dining, as being more important than needs: sewerage. Less than 300 ECA members are golf members who benefit from the golf course grounds improvement; more than 500 ECA members have been penalized because they are on the sewer system. All condo and other residences on the sewer system pay a \$5000 member buy in fee when a real estate sale occurs on one of those properties. None of this money goes toward improving the sewer system, however some of it goes to improving the golf course and dining facilities.

A reasonable seller payment to the buyers if a sale transaction were to be approved would include at least 1/3 of the total Membership Fees collected since the institution of that fee.