

Northern Westchester Joint Water Works
NWJWW Board of Trustees Meeting – February 18, 2022

Convened at 10:04 A.M.

Adjourned at 11:40 A.M.

Present:

Richard Becker, Chairperson, absent	Ray Reber, Consultant
Robert Scorrano, Treasurer	Tom Wood Esq., Attorney, remotely via zoom
Jeffrey Scott, Vice Chairperson	Donna Albanese, Recording Sec’y
Matthew Slater, Trustee	
Matthew Geho, Operations Director	
Catherine Paget, Business Director	

A motion was made by Trustee Slater to adopt the January 7, 2022 minutes. Motion was seconded by Trustee Scorrano. Motion approved 3-0.

Review and request approval of 2021 Year End Reconciliation Billing

Mrs. Paget mentioned that the Joint Water Works annual budget falls between \$11 million and \$12 million for the last few years. The black box represents the 2021 cost to run the services which are not related to water production and not included in the water rate. This is the Administrative fee, which is basically general government support, the water billing done to the residential for the members that have that service, and the Distribution fee which has several components. Given that it is not paid for in the rate what the charter of any Water Works denotes is that these types of services are billed back to the members in proportion to the percentage of water they purchased in that fiscal year.

Of all the water we produced, Montrose bought 15% , the Town of Cortlandt bought 41%, the Town of Yorktown bought 40% and Somers bought 4%. Cortlandt and Yorktown tend to exchange numbers year to year. Somers falls roughly between 3% and 4% and Montrose between 15% and 18%. We are seeing a reduction on the Montrose end and a slight increase on the 2 members end. This is just for the 2021 year and not a trend to say every year this is what it is. We take that percentage and allocate it out amongst the annual cost to provide services we just referred to being the Administrative and Distribution services.

The Distribution fee components are maintaining the transmissions lines for the Water Works, providing outside support to our members when needed and to manage the Montrose Improvement District. Sampling efforts made on behalf of the Town of Cortlandt are an example of a direct contractual expense of distribution. It is also for if the Water Works secures or purchases any services from an outside source or buys items on behalf of a member. We track it and bill it back to the member.

Administrative costs were budgeted at \$725,913 and they came in at \$727,412. Billing costs were \$444,864 and came in at \$351,533. Regular transmission distribution and central garage costs mean that we subtract out what is specific to a member and any item we had a different discussion on how to fund. We had a budget of \$586,422 and the actual cost came in at \$509,108.

We had a large transmission break in June 2021 and it was agreed to be paid out of fund balance. Since the money comes out of fund balance, we do not issue the members a bill. Mrs. Paget subtracted out the laborer's position because we budgeted that in the water rate. If she bills it now then she is double dipping. We also allocate out the cost of the administrative vehicle from the distribution charges so they fall in the right place within the budget. The total amount due is \$1,227,221 for the administrative plus transmission distribution reconciliation.

When we talk about allocation of Billing costs, that expense was \$351,533. This gets billed out to the members that receive that service based on the number of accounts they have. Cortlandt had somewhat of an increase in their account base with Yorktown and Montrose being stable. Last year Cortlandt added into their request for service the sewer districts for the main corridor on Route 6. They wanted to bill them separately from water charges as they are not usage charges where they are not driven by consumption but driven by benefit assessment. There are about 190 accounts added to their base which gets factored into this as well. There are supplies and staff time and Cortlandt pays for this in their percentage.

Montrose is responsible for \$282,312, Cortlandt for \$615,767, Yorktown for \$637,050, and Somers for \$43,625.

The grand total of all services is \$ 1,578,754 an overall positive variance of \$ 178,455. This happened because we had 3 positions which had not been filled in 2021. One was a support position in Billing, and a water meter repairer position in the Distribution department. We had a laborer for part of the year in Distribution and we did employ some summer help in lieu for full time help last year. The overall cost decreased and the members received that benefit.

Comparatively speaking to the year 2020, we had a budget of \$1,749,571. The actual in 2020 were \$1,669,257. Everything we budget for, if we do not spend it, the members do not pay for it because it is expense driven. We do not create fund balances out of other services budget. The only opportunity to create fund balance for the Water Works is through the rate.

Mrs. Paget reported that the 2021 budget was \$9,035,672 budget and we came in at \$8,236,828 with a positive variance of \$ 798,844. This is mainly attributable to the cost of water purchases from the City of New York and Peekskill. Even with \$133,000 due to the

City of Peekskill, we came in lower than the budgeted forecast. The budget forecast was developed with a 10% rate increase factored in. We tend to do that every year because over time it has been shown that when New York City raises the rate they raise it in that area. Since there was not a rate increase the time we had developed the 2021 budget, they had talked about it in 2020 for their fiscal year which is July 1st through June 30th then they deferred it. We had the benefit of not having that rate increase for 6 months. In July 2021 the City decided on an 8.8% rate increase so we will see that impact in the 2022 year. In July 2022 the City of New York will probably raise the rate again.

Across the board, member demand decreased about 16%. The water restrictions may have been a factor. Trustee Slater asked if we found out the issue with Peekskill and was the water purchasing resolved. Mrs. Paget said that they have not responded or answered questions about the information that was on the bill and how they developed their rates. This goes back to 2020 and we still have not had a response from them. We made the appropriate accounting for it on the books as an audited liability figure. Mr. Reber stated that Peekskill is our backup when the aqueduct is not functioning.

In the water production contractual lines, we budgeted \$786,361 and we spent \$ 490,867, a variance of \$295,493. Mrs. Paget said despite that these lines include a \$90,000 overage in residuals removal at the Amawalk Plant. Mr. Geho said that that line contains \$4,000 and \$5,000 for if the boiler fails or for HVAC components and fortunately we have not spent the money. We did really well with that section. Mr. Geho stated that we have about \$18,000 in hardware for electrical components. If you look at the 2022 budget it is about \$110,000 less so something was determined that was not needed. Part of what we have been doing the past 5 years is that we are stockpiling parts and theoretically we are in a better place that we can cut the O and M budget.

We knew that there would be an overage in the chemical costs at the Amawalk Plant and there is an \$80,000 deficit there.

Trustee Scott asked what does it cost to produce water at the Amawalk Plant. Mrs. Paget said that we do account for expense of the 2 plants separately. We can get back to the Board with a specific figure on how much it costs to treat at Catskill and how much it costs to treat at Amawalk. Mr. Geho said that he thinks it could be in the \$4.50 to \$5.00 per thousand-gallon range. Right now, the cost is \$3.95.

Trustee Scott asked what do we pay Peekskill? Mr. Geho said a little over \$1.00 per thousand. Trustee Scott asked that if we have to make up for a water deficit what criteria do we use to decide if we get water from Amawalk or Peekskill. Mr. Geho mentioned that it is cheaper to get it from Peekskill and treat it at this Plant but long term the quality of water that comes out of Hollowbrook is more detrimental to the Distribution system in the long run. We rely on Amawalk even though it is more expensive to treat it. Now that we have done all the work at Amawalk the likelihood of us using Peekskill will be less since we have the clarifiers up and running.

Mrs. Paget said that when we are funding water production, there are 2 categories, one being water sales and the other electrical surcharges, plus miscellaneous revenues. . In 2021 the

water sales budget was \$8,472,858 and it came in at \$8,386,411 with a negative variance of \$ 86,447. We held the member rate at \$3.58, the same rate as the 2020 budget. She said that Mr. Geho had already mentioned that across the board the members did not consume as much water as they did in 2020. We tried to factor that in when we developed the 2021 budget knowing that 2020 was a crazy year. Yorktown and Cortlandt have a deficit of \$322,206 and \$219, 285 respectively. Montrose is over because of sales to their 2 bulk customers one being the Village of Buchanan. The demand that comes through the Village of Buchanan is not predictable even with the shutdown and decommissioning of Entergy. There are fluctuations. Trustee Scott stated that we took a conservative approach. Trustee Slater asked if the deficit in water sales is reflective of a decrease in use and Mrs. Paget said yes. Somers was steady throughout the year.

Electrical surcharges represent the cost over and above of powering both treatment plants. It represents charges incurred by each member to actually pump the water out to their distribution system. Historically between 50% and 55% of the total electrical cost is billed back to the members. Mrs. Paget reported that we have an issue with NYSEG. They have not performed meter readings at the Amawalk Plant since October 2021 and we have no invoices for the 2021 4th quarter. She emailed the representative that Kim from the Town of Somers gave us and he said he would look into it. He encouraged us to use the smart meter which we had it installed a few years back. Maybe NYSEG's meter system is not reading properly and they do not have the personnel to go out and read it. We did estimates for the 2021 4th quarter and Amawalk was supplying everyone because the aqueduct was down.

NYSEG rates are higher than New York Power Authority rates so Mrs. Paget had to bump it up. It is a conservative configure and it results in 70% of the total expense being passed to the members yet it may not be once we get this all ironed out. Due to the Amawalk production, Mr. Geho said it will be higher. Given the fact that we have 2 negative revenues and a positive surplus, the water production budget did well and created some operating fund balance for the Water Works.

Mrs. Paget gave an overview of some of the expenditures regarding central garage and distribution expenses. We budgeted \$614,272 and we spent \$589,144. In that there was an expense of \$56,000 for an outside contractor who repaired the 16" transmission line. In this budget, we had a vacant position half of the year and we had a position we did not fill which you can see in the salary and benefits line. When we look at salaries, we have a \$15,472 negative variance.

When the 2021 budget was developed, the 2 Directors salaries were not factored into the Board decisions in terms of salary increases so it was not accounted for in the salary line at the time. The decision was made after the budget was adopted.

The equipment line did not have a budget but we spent \$4,419 for the video conferencing system.

Regarding water billing expenses, Trustee Scott asked if anything ever became of the initiative to have a service to the billing production. Mrs. Paget stated that we have a draft of bid specs to outsource the bill printing mail. Hopefully in the next month we will create a bid

to advertise it.

Overall in terms of operating expenses with a budget of \$11,070,721 our actual came in at \$10,290,030 for an overall operating surplus of \$780,691.

Mrs. Paget mentioned that regarding capital projects the 2021 budget called for funding with an additional 20 cents per thousand, budgeting \$473,344. Additionally, the 30% surcharge is on top of what the City of New York will levy additional costs on any community that exceeds their per capita. When you exceed that, they bill an additional charge. In 2021 that was forecasted about \$75,000. The excess revenue for capital needs was \$468,733, and the 30% excess surcharge came in at \$110,475 giving us \$579,208. We spent \$744,348 on various projects so we went over of what we actually brought in for the year. \$165,140 is not bad because we have a 5-year plan and those variances are accounted for. In 2016 we put in the 20 cents per thousand plan into effect. We found that to be successful in funding capital improvements of a smaller magnitude. Any project that is a multimillion-dollar project would not be able to be funded through this method because it takes too long to recoup from consumption - that is a bonding issue.

Mrs. Paget stated that nothing ever materialized from the County as far as the transmission line funding request, and that could potentially be \$10 million project. Trustee Slater asked why the Joint Water Works cannot borrow and Mr. Wood stated that it is a state law that borrowing is by the members and we have to look at it as a partnership without independent borrowing done. Mr. Wood says that the allocation is based on our consumption then we have a certain amount built into our rates that we use for capital funding projects. Trustee Slater mentioned that we should be pursuing additional funding. Mrs. Paget mentioned that we should have work sessions regarding future capital projects and bonding if need be.

A motion was made by Trustee Slater to approve the 2021 Year End Reconciling billing. A motion was seconded by Trustee Scott. Motion approved 3-0.

Trustee Slater asked if there is any update on the fluoride project. Mr. Geho said that we are having training on Wednesday and it should be operational by the middle of this year. There are some safety issues with the building that the Joint Water Works will not assume responsibility until it is resolved. Water permeates through the foundation and it sits in the secondary containment where we have chemicals stored.

Request approval for Business Director to attend NYS GFOA Conference held April 5 to April 8, 2022 in Albany NY

A motion was made by Trustee Slater to approve Mrs. Paget to attend the NYS GFOA Conference held April 5 to April 8, 2022 in Albany NY. A motion was seconded by Trustee Scorrano. Motion approved 3-0.

Request for approval for Operations Director and the Chief Operator to attend the annual NY Section AWWA conference April 12-14, 2022 In Saratoga Springs, NY

Mr. Geho needs the credit because his license expires this year. He and the Chief Operator will share a room.

A motion was made by Trustee Slater to approve the Operations Director and the Chief Operator to attend the annual NY Section AWWA conference April 12-14, 2022 in Saratoga Springs, NY.

Request to reimburse Business Director for nwjww.net domain license

Mrs. Paget mentioned that when Logically was Sullivan Data they would pay for this cost, then invoice their clients. Logically will not do this and the charge has to be paid upfront using Mrs. Paget's credit card.

A motion was made by Trustee Slater to reimburse the Business Director for nwjww.net domain charge of \$119.97. A motion was seconded by Trustee Scott. Motion approved 3-0.

Attorney's Report

Mr. Wood said that he would like to have an executive session regarding union negotiations.

A motion was made by Trustee Scott at 11:01 A.M. to enter into Executive Session. Motion seconded by Trustee Scorrano. Motion approved 3-0.

A motion was made by Trustee Scott at 11:19 A.M. to exit executive session. Motion seconded by Trustee Slater. Motion approved 3-0.

Business Director's Report

Mrs. Paget mentioned that the 2021 audit commenced February 7, 2022. PKF O'Connor Davies audit team was here and performed their field work. We are in the process of reviewing their draft reports. The Montrose Improvement District also commenced this Monday and their field work was finished yesterday. She has a question in to PKF O'Connor Davies on whether they can do a presentation for the March 18th Water Works Board meeting and if not then the April Board meeting. She does not see that there is anything unusual to tell the Board about regarding the audit. The audit team spent 2 to 3 days here to physically examine the information and it has been a successful process.

Mrs. Paget informed the Board that we are preparing to process the unpaid water re-levees onto tax bills for Yorktown, Cortlandt and Montrose and work with the assessors and tax offices at each location. This will begin the second week of March. Mr. Wood had helped with the process as public notices about the re-levy had to be made to allow anyone experiencing problems due to COVID to request a deferred payment plan. She had reached out to the individual clerk's office and we developed some language that was shared.

Operations Directors Report

Mr. Geho mentioned that we have to receive and file the 4th quarter 2021 Operations report. We submitted a draft of the Montrose Annual Water Quality Report to the Health Department for approval.

Mr. Geho showed the Board a liner for the 16' main which is called a cured in place (CIP liner) which is a sleeve through the pipe and be cured. If the existing pipe would ever fail this would support the flow as is and it would support the hydraulic load and live load under pressure. It is

cured in place using steam and resins. This in place of ripping Blue mountain up and the main we are talking about runs through Blue Mountain where there is about a 2 mile right away. If we go this way, it will save us a lot of money.

Mr. Geho reported that we have a problem with the Amawalk generator. He needs an approval from the Board to do an emergency bid for a new radiator for a 1.25-megawatt generator. Two quotes came in one at \$120,000 and the other at \$104,000. We believe that the radiators failed and is dumping coolant out of the fan when it runs. As a precautionary measure, we are pulling an oil sample to verify that we do not have coolant in the oil. This would indicate a head gasket issue. This was not planned for and we just noticed it 2 weeks ago. We shut down and was low on the coolant level. When we investigated it, we were short 8 gallons. We feel the radiator itself has failed and misting out of the radiator when it runs and then getting blown out of the radiator. We have to resolve this because we do not have a backup generator at Amawalk.

Mr. Geho mentioned that this generator is only 12 years old and there is no reason to believe that the radiator has failed. We maintain it annually and the coolant has been changed about 3 times. He hopes it is the radiator and not the head gaskets because this would be a very big endeavor. We need to put a bid out with a quick turn around time so we can get it approved at the March Board meeting and hopefully we can get the work started in April. Aside from the actual work to replace the radiator, we would also need plumbing, wiring and some sort of temporary generator. Trustee Scott said that we are not 100% sure if it is a failure. Once the bid goes out, we will be certain that that is the problem. When the oil sample is pulled we will get that analyzed. We had 2 vendors come in and look at it and they both gave us their professional opinion. The oil sample will go to a lab and that will be a third party giving us their opinion. If we have to replace the head gasket we hope it is not warped. If it is the radiator, the turnaround time is probably about 8 to 10 weeks by the time we order the materials.

Mr. Geho feels is that in the interim we may want to bring in some kind of backup generator which would cost between \$20,000 to \$25,000 and we are working with our electrician to do this. At the next Board meeting, Mr. Geho will have a breakdown of the cost.

A motion was made by Trustee Slater to bid out the Amawalk generator radiator replacement. A motion was seconded by Trustee Scorrano. Motion approved 3-0.

A motion was made by Trustee Scott to receive and file the 4th quarter Operation Director's report. Motion seconded by Trustee Scorrano. Motion approved 3-0.

Consultant's Report

Mr. Reber spoke briefly about the fluoride project. Mr. Geho mentioned that the fluoride will not flow into any system but the Yorktown system. The fluoride project started about 10 years ago. Mr. Geho reported that the fluoride unit can come online either in April or May. Yorktown and Somers will get fluoridated. We would have to make a public announcement so that dentists are notified.

Mrs. Paget mentioned that at our organizational meeting we discussed that we had to get signature cards to update the bank records. Trustee Scott held the role in 2021 and this year Trustee Scorrano will be Treasurer. Mrs. Paget said that we had a few signatures leaving and signature cards will be

prepared with both signatures so we have a backup in place.

A motion was made by Trustee Slater at 11:40 A.M. to adjourn the meeting. Motion seconded by Trustee Scott. Motion approved 3-0.

Resolution # 2021-25

A motion was made by Trustee Slater to adopt the January 7, 2022 minutes. Motion was seconded by Trustee Scorrano. Motion approved 3-0.

Resolution # 2021-26

A motion was made by Trustee Slater to approve the 2021 Year End Reconciling billing. A motion was seconded by Trustee Scott. Motion approved 3-0.

Resolution # 2021-27

A motion was made by Trustee Slater to approval Mrs. Paget to attend the NYS GFOA Conference held April 5 to April 8, 2022 in Albany NY. A motion was seconded by Trustee Scorrano. Motion approved 3-0.

Resolution # 2021-28

A motion was made by Trustee Slater to approve the Operations Director and the Chief Operator to attend the annual NY Section AWWA conference April 12-14, 2022 in Saratoga Springs, NY.

Resolution # 2021-29

A motion was made by Trustee Slater to reimburse the Business Director for nwjww.net domain charge of \$119.97. A motion was seconded by Trustee Scott. Motion approved 3-0.

Resolution # 2021-30

A motion was made by Trustee Slater to bid out the Amawalk generator radiator replacement. A motion was seconded by Trustee Scorrano. Motion approved 3-0.

Resolution # 2021-31

A motion was made by Trustee Scott to receive and file the 4th quarter Operation Director's report. Motion seconded by Trustee Scorrano. Motion approved 3-0.