

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

Convened at 10:08 A.M.

Adjourned at 10:41 A.M.

Present:

Richard Becker, Chairperson, remotely via zoom	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, remotely via zoom, arrived at 10:35 A.M.	Alan Kassay, PFK O’Connor Davies LLP, left at 10:20 A.M.
Matthew Geho, Operations Director	Ken Rundle, Town of Yorktown, Water Superintendent
Catherine Paget, Business Director	

A motion was made by Trustee Scott to adopt the February 18, 2022 minutes. Motion was seconded by Trustee Scorrano. Motion approved 3-0.

PFK O’Connor Davies – Presentation of the 2021 audited financial statements

Mr. Kassay from PKF O’Connor Davies presented the 2021 financial audit. He reviewed the independent auditor’s report and issued an unmodified opinion which is the best opinion you can receive. The opinion was based upon the work that was performed in accordance with government audit standards. Mr. Kassay gave an overview of the financial activities which occurred in 2021 and reviewed the comparative statement of net position. The NWJWW’s financial statements are prepared based on a full accrual basis which means you have to record all the long-term liabilities as opposed to the towns who are on a modified accrual basis.

Mr. Kassay reported that the unrestricted net assets is a deficit of \$2.4 million due to the recording of the other post-employment benefits known as OPEB. There is about \$270,000 in retiree health benefits but there is a liability at the end of the year of \$12.7 million, included on the statement of net position and generates the unrestricted deficit. If you reverse the opening balance out of the liability you have a \$10 million surplus in the unrestricted, and your net position would be about \$26 million. The other post-employment benefits are required for a full accrual. This is a government accounting standard.

When looking at the statement of net position, cash is comparable to the prior year. Even though we have the unrestricted deficit, cash is 4.3 times your existing liabilities as Mrs.

Paget indicated in the Management Discussion and Analysis section of the report.

Mr. Kassay reviewed the comparative statements of revenues, expenses and changes in net position. The total operating revenues were \$11.3 million. The pandemic had affected the Joint Water Works. In 2020 the water sales and surcharges were \$11.4 million and in 2021 they were \$9.7 million due to the fact that in 2020 people were home and in 2021 things were getting back to normal so there was less water usage. Between the Towns the decrease ranges from 13% to 24% in water usage. The revenues are down by \$1.7 million which is about 15%.

The revenue side of your budget or operations is hard to control and you cannot control the expenditure side. In July 2021 New York City raised their rates by almost 9%. The personal services and employee benefits both are down because we had vacant positions which were not filled. By having those vacant positions, instead of being able to provide all the services, the salaries were down about \$700,000 which is a good savings. Water treatment was the other big expense which was down about \$200,000. Overall, the expenditures were down about 14% which is about \$1.6 million.

If you look at the operating loss, it increased slightly from the prior year and the change in net position decreased a little bit more than the prior year by \$552,000. The total net position for the end of the year is \$14,350,000.

Mr. Kassay reviewed the calculation for OPEB. Interest is \$240,000. In New York State the only way to fund the money is to put the money into an irrevocable trust and New York State does not have an irrevocable trust. Because of the fact that you cannot put the money to invest to offset the liability which would therefore earn interest they penalize you and charge you interest for not funding the liability.

Overall, the audit went well and there were no issues. In addition to this report which is the report those charged with governance usually there are comments but there were no comments this year, no control issues, no weaknesses and no significant deficiencies. The books were kept very well and everything was in order.

Trustee Becker asked Mr. Kassay if he could comment that our water usage is down about 20% from 2021 compared to 2020 which is related to the pandemic and if there are any financial trends. Mr. Kassay said that it is just the vacant positions which were important and he thinks this is basically in terms of water treatment down \$200,000. Utilities increased from \$567,000 to \$708,000 due to increase in usage. Mrs. Paget stated that we had an increase in rate from the Power Authority in the Fall. Everything is related to water purchases and water sales which is the majority of the activity. There are no other major significant changes. The charges for services were comparable to the prior year.

Trustee Becker thanked the Finance team who have been tracking this and keeping us on track and at the position we are in in early 2022.

Review results and request award of Bid# 2022.1 Amawalk Generator Radiator Replacement

Mr. Geho stated that last month we disclosed to the Board that we discovered a leak in the

Amawalk generator radiator. We have a 1.25-megawatt generator to run the facility if there is a power loss. The unit is about 11 years old and the radiator is starting to show signs of failure. We identified the problem and we received a quote from one of our vendors we normally deal with for \$126,000 to replace it and we had to bid the project out. We had 5 vendors show up for the walk through and only 2 vendors submitted a bid. One was for \$101,813 and the other bid was \$107,000. We did not budget for this and it was discovered after the 2022 budget was set. We feel given the nature of the generator, it should be done since we had identified it. Mr. Geho is asking the Board to approve this repair.

Mr. Geho mentioned that we have some other projects that we can look to forego to try to offset some of these costs. He feels that we may be able to not do the telemetry project. Mrs. Paget said that there is an opportunity to pay for this out of the 20 cents per thousand without touching the operating budget at all.

Mr. Geho said that the radiator should not have to be replaced because it is 11 years old. If we do not do this, it can lead to failure of the entire system. This is a Cummins diesel generator and Yorktown sewer just had theirs replaced. In early 2010 or 2011 we found out Cummins subcontracted the generator's radiator system to an English company and the sealants and the hardware they used to build the generators are now failing which is the cause of the problems. Trustee Becker asked if Mr. Geho thought this would be a problem for the new generator radiator we are purchasing that maybe we would be getting a longer life out of it, Mr. Geho said no because the company we are outsourcing the new radiator from is an American made company that has a long track record of manufacturing radiator systems. Right now, this is the best choice we have and looking at the fact that Yorktown just went through this shows that radiators need to be replaced.

When we did the generator project in years ago, the cost was \$1.3 million. This is roughly 10% of the total project. Trustee Scorrano said does this mean that the life span is about 11 or 12 years. Mr. Geho said no the motor itself has not been compromised just the cooling system. The motors typically run 247 365 days of the year and on ours we have 870 hours on it. Once we start to lose that coolant catastrophically, then we can compromise the entire motor. He feels that we have to do this because if we delay this, it puts us into the peak demand season and it can put us in jeopardy and we can have bigger issues. We do not want to be in a situation where we cannot produce water because we do not have the power.

Last month we discussed that this is our backup generator and we had looked at bringing another generator in the interim. To do this it would cost us \$40,000 to \$50,000 so we are going to forego that because we have the Catskill facility online, which will serve as our backup for the Amawalk facility in the event we lose power there. We would shut down and use the Catskill facility instead. This generator is a high voltage generator and it is very rare. It produces 13,300 volts and most three phases generators only put out 480 volts. It can get costly to bring in electricians to wire it. It is best to invest money in the generator radiator and get it back online.

Once we get the unit offline, it will take 4 days to complete the project. There is a 4-week lead time to get the radiator fabricated and sent here. Both bidders are very reputable companies. The lowest bidder Gentech does all the work for Yorktown in servicing their units. This saved us about \$26,000 from the initial quote we received and this will be an asset

to the Joint Water Works. We will look to offset these costs to O and M and we can probably fund it though the 20 cents per thousand.

A motion was made by Trustee Becker to award Bid # 2022.1 Amawalk Generator Radiator replacement to Gentech Ltd in the amount of \$ \$101,813.60. Motion was seconded by Trustee Scott. Motion approved 3-0.

Attorney's Report

Mr. Wood reported that they have been back and forth with the union a few times and received a counter proposal. He does not feel it is sweet enough to bring to the Board for discussion and consideration. He feels that at the next Board meeting they may be able to discuss the union negotiations.

Business Director's Report

Mrs. Paget reported that other than finishing the Joint Water Works and Montrose Improvement District audits, herself as well as the employees of the Billing department assisted and completed the Towns of Yorktown, Cortlandt and Montrose water re-levies last week which is the unpaid water charges that gets sent to the town tax offices and roll on to the water bills for collection. The new tax receiver at the Town of Cortlandt has been very involved.

Currently, we are working with Civil Service to receive the Water Treatment Plant Operator trainee list. We are in the process of canvassing and getting the results back on that. We will update the Board at the next Board meeting.

Operations Directors Report

Mr. Geho said we will be looking to take the Amawalk Clarifier #2 offline for our continued work. This was a project we started in 2021 with part of the project being completed in 2022. The clarifier work will begin in April. He explained to Trustee Becker that the clarifiers are being painted and the mechanical components replaced. We started that in 2021 yet some of the parts we ordered in April 2021 are just being delivered now because of supply chain issues. It should be complete in July or August 2022. We have to wait for the weather to be cooperative to paint the clarifier and we are looking at mid-June.

Consultant's Report

Mr. Reber mentioned that he took all his course work and the State has renewed his license for another 3 years.

At this time, Trustee Slater jointed the meeting.

Mrs. Paget mentioned that there was a carryover topic from last month - questions about what is the variance in the cost of treating a gallon of water at the Amawalk Plant versus treating a gallon of water at the Catskill Plant. She put together a 6-year view of actual costs. The margin of treating water at Amawalk is more expensive.

Mr. Geho stated that in 2018 and 2019 and going back to 2017 there is no purchased water from Peekskill. In 2018 the aqueduct shut downs began. You can see in 2019 it peaked at 170 mg purchased from Peekskill but with the work we have been doing at Amawalk we cut that out. We are now producing the water at Amawalk which was the intent, to get that facility to be able to carry

the full load for the Joint Water Works. The long-term plan has been coming to fruition. It is definitely costlier to produce the water at the Amawalk Plant than the Catskill Plant. We try to run the Catskill facility 75% of the time so we can keep that budget low. Trustee Scott asked if that number is measured at Amawalk or through the Distribution system. Mrs. Paget said that is what we apply from New York City so that we are taking into account if there is any kind of loss during processing. Trustee Scott stated so on top of the production costs there is additional costs of delivering the water to the Distribution system. Mr. Geho said that no that is the electricity and we bill the electrical surcharges back to the members which is a pass through. Mr. Geho said that part of the production of water does not include the delivery but includes the electricity for the production of the water. Mr. Geho said that when we have to produce water at Amawalk, Montrose will actually get an electrical surcharge.

Trustee Becker mentioned to Trustee Slater that we had a very good report from the auditors and optimism for 2022 and that we are financially solvent.

A motion was made by Trustee Scorrano at 10:40 A.M. to adjourn the meeting. Motion seconded by Trustee Slater. Motion approved 4-0.

Resolution # 2021-32

A motion was made by Trustee Scott to adopt the February 18, 2022 minutes. Motion was seconded by Trustee Scorrano. Motion approved 3-0.

Resolution # 2021-33

A motion was made by Trustee Becker to award Bid # 2022.1 Amawalk Generator Radiator replacement to Gentech Ltd in the amount of \$ \$101,813.60. Motion was seconded by Trustee Scott. Motion approved 3-0.