

Northern Westchester Joint Water Works

NWJWW Board of Trustees Meeting – November 1, 2024

Raymond A. Reber Catskill Water Treatment Facility 2065 East Main Street, Cortlandt Manor, NY

Convened at 10:07 A.M.

Adjourned at 11:37 A.M.

A.M. Present:

Robert Scorrano, Chairperson	Matthew Geho, Operations Director
Ed Lachterman, Vice Chairperson	Catherine Paget, Business Director
Richard Becker, Treasurer	Michael Cunningham, Attorney
Charles Peterson, Trustee	Donna Albanese, Recording Sec'y

A motion was made by Trustee Becker to adopt the October 4, 2024 minutes. Motion seconded by Trustee Lachterman. Motion approved 4-0.

A motion was made by Trustee Becker at 10:08 a.m. to enter into Executive Session to discuss a particular employee. Motion seconded by Trustee Peterson. Motion approved 4-0.

A motion was made by Trustee Becker at 10:44 a.m. to exit Executive Session. Motion seconded by Trustee Peterson. Motion approved 4-0.

Mrs. Paget mentioned that the Board of Trustees had discussed and approved a retirement transition agreement in an effort to make some planning on a schedule that was mutually predictable and to achieve a cost savings measure to the Joint Water Works. They have elected to take a vote on the retirement transition agreement between themselves and Ms. Barbara Marshall. Mr. Cunningham said that Ms. Marshall would normally get her retirement and health benefits at 10 years. She will not have 10 years when she would like to retire, so her official retirement date will be March 30, 2025 with her benefits to continue. Ms. Marshall will be able to work part-time until the end of 2025. Mrs. Paget said that we would make a plan that would be mutually beneficial to everyone.

A motion was made by Trustee Lachterman to approve the retirement transition agreement and to allow Ms. Barbara Marshall to retire March 30, 2025 with health and dental benefits to continue and to allow her to work part time through the end of December 2025. Motion seconded by Trustee Becker. Motion approved 4-0.

Review results and reject Bid# 2024.7 Water Storage Tank Rehabilitation

Mr. Geho stated that Bid #2024.7 Water Storage Tank Rehabilitation cannot be awarded. Yorktown has rebid and he believes the work is underway. Trustee Scorrano reported that the Town of Somers will also be rebidding soon. Mr. Geho said we put together a consolidated bid because Yorktown had to get the French Hill tank painted and the Town of Somers had to get the Ross Hill tank painted.

The Amawalk tank needed painting so we thought we should consolidate. All the numbers were favorable for everyone but the second bidder flipped the numbers. This one contractor did not follow suit as the other contractors did, and it went from Yorktown paying \$500,000 to now paying \$700,000 and visa versa on the other one. The bid was reviewed by all sides and the additional costs were too expensive. The cost that came in for the Amawalk facility was \$1,065,000.

Mr. Geho feels that we should not paint the Amawalk tank at this time. When we do the work at the Amawalk facility, we would look to replace that tank with a new concrete. The life expectancy of a steel tank is about 50 years and we are about 55 years on that tank. With the structural issues, the tank has to be brought up to code because it is grandfathered in. We will be proactive when we do the review on the Amawalk Plant.

A motion was made by Trustee Lachterman to reject Bid #2024.7 Water Storage Tank Rehabilitation project. Motion seconded by Trustee Peterson. Motion approved 4-0.

Review results and request approval of Commercial Insurance Package Renewal

Mrs. Paget reported that on our behalf Arthur Gallagher Risk Management put out to market the expiring program of our insurance, which would include our commercial package, general liability, machinery, etc. as detailed on the spreadsheet Mrs. Paget provided. When they went to market, Travelers Insurance declined to quote. Travelers could not compete with the Munich pricing because their coverage levels were not the same and their combined limits in different aspects and buckets of the policy were all combined not individual.

One of the benefits of the program we have is the fact that we have different aggregate and per occurrence limits for our general liability, excess coverage, auto coverage, etc. We have a robust \$6 million per occurrence and in aggregate for each of those buckets. Whereas they would be combining those different lines of coverage, all get combined in that \$6 million. If you have a claim in each of those buckets happening at the same time, you still have a \$6 million coverage whereas a claim in each of those buckets happening at once would all be subject to that one \$6 million coverage.

Mrs. Paget mentioned that with Glatfelter, the coverage was not competitive and the bodily injuries reported after 14 days of incident are subject to coverage exclusion. There are times if you have a general liability bodily injury coverage, you do not know about it right away because it comes after the fact. For them to exclude that, that would not be in the best interest. If it is not reported within 14 days, it is not covered.

Mrs. Paget said that the Houston Casualty Company declined to quote because they could not compete with Munich regarding pricing. Old Republic pricing was \$180,000, where as far as Munich they are assuming the administration of the program from Zurich quoting in at \$123,000. The increase is about 7% and we had planned a 10% increase. Going to market did help Arthur Gallagher Risk Management secure a lower package price. Based upon that, we are getting all our programs at the same coverage levels and deductibles going forward. This means that while we planned the budget the cost is about \$7,800 less.

Mrs. Paget actually explored the idea of increasing our deductible from \$25,000 to \$50,000 but because of the way the program is structured, it would not benefit us in the premium. Mr. Geho

asked if the insurance covered any environmental. Mrs. Paget said it depends on the line of coverage and Mr. Geho is talking about pollution control. She said that it would depend upon the line of coverage and what the source of the event was but we can discuss it further with Arthur Gallagher. She said that we do not have anything underground anymore. Mr. Geho said that our liability has been reduced but we do have fields of oil stored.

Mr. Cunningham mentioned that he knows we are going to get the facility evaluation and he feels that it would be very helpful so that we can find out our liability and everything that we own. When we looked at the cost of pollution coverage about 10 years ago, the cost of coverage then, it would have been more advantageous to set up a reserve fund because of the deductible involved and the cost of coverage rather than annually pay for a specific coverage line for that. We knew that there was going to be modifications and changes to some of our storages.

Mr. Geho said that prior to this Board we had a fuel oil leak due to a switch that had failed. About 400 gallons of fuel had gotten pumped from our day tank into the parking lot. The leak showed up 4 months later after we had gotten heavy rains. The cost was about \$580,000 and we received \$25 from the insurance company for a new switch. Mrs. Paget mentioned that we also received money for our property's cleanup. We had a \$25,000 deductible on our cleanup and we received \$200,000.

Mrs. Paget also mentioned that there is no increase in Arthur Gallagher's annual fee.

A motion was made by Trustee Lachterman to approve the commercial package premium in the amount of \$147,228 with Arthur Gallagher Risk Management to begin coverage on November 10, 2024. Motion seconded by Trustee Becker. Motion approved 4-0.

A motion was made by Trustee Lachterman to approve the insurance broker services from Arthur Gallagher Risk Management with no change in service or terms in the amount of \$26,250. Motion seconded by Trustee Becker. Motion approved 4-0.

Request approval of LogicCare Agreement for computer network managed services

Mrs. Paget reported that our annual support agreement for services managing the computer network expires December 1, 2024 and we were presented with a 3-year agreement. She has gone through four versions with Logically and this is to provide all of our monitoring services. They do remote monitoring of our network, manage our software, licensing, and our warranty renewals as well as remote patch management. They are also available 24/7.

We have the core people servicing the integrity of the servers that we had with Sullivan Data Management, which had begun in 2008. Both she and Mr. Geho spoke about if they should go elsewhere. If we do that we would have to expose some of the inner workings the Water Works and due to Homeland Security, it has always been our approach that if we do not have to make a change then we would prefer not to.

Trustee Lachterman mentioned that the Town of Yorktown is considering going out for an RFP for services. Trustee Becker said that the Town of Cortlandt has concerns about Logically and they too have been using them for years. Their IT director, Matt Logerfo has expressed concerns that he feels they are going to be bought out with a lot of changes in personnel coming up. Mrs. Paget said we should table it for now and she will speak also to Ms. Gennelle MacNeil from the Town of Yorktown

as well as Mr. Logerfo. Mr. Cunningham said we can go month to month with Logically since we are not ready to go forward with the agreement.

Mrs. Paget said that we have multiple levels of agreements for different types of services because of cybersecurity requirements in order to keep the insurance coverage level like last year. Some agreements are not expiring and it is just the day to day services. We can have the discussion with Logically that we are not ready to commit to a 3-year commitment.

Trustee Becker said that Mr. Logerfo was upset when they had that new program that went worldwide and shut down all the airlines and we were affected. Logically could not get there quick enough so they had to do it in house. The Town of Cortlandt's IT department felt that Logically was not up to speed. Mr. Geho said they saw that with the initial turnover and their services have been more predictable since then.

Resume discussion of 2025 Proposed Budget and consider adoption

Mrs. Paget reported that the proposed budget was prepared with an overall increase in spending of \$557,682 which is a 4.74% increase in spending. In order to fund water production expenses, there will be a shortfall this year once we factor in electrical surcharge revenues of \$382,652. We have very conservative interest earnings. Rental income from renting 82 Locust Avenue is \$25,776 and water sales projected volumes is \$8,856,808. There will be a deficit of \$381,191. If you wanted to fund that deficit that will require a proposed rate increase of 16 cents to bring it to \$4.08 which gives you an additional \$363,248 which factors in a 5% increase for the New York City raw water rate.

Mrs. Paget mentioned that the chemical budget increased by 20%. Also considered is the health premium increase of 10%. We will not know the increase until December. It also funds the increases in percent for the retirement for different tiers, and it funds the 2025 salary increases as the 2024 budget was prepared with the 2023 rates. We were in negotiations at that time so basically, we did 2 years of salary increases in the 2025 budget for accuracy. It includes the accountant position and the commercial package at the time at 10%, which we know that we are now more favorable.

Last meeting, we said we had not received information from the New York Power Authority as to what their projected costs were going to be. The email just came in and the overall increase cost of service will be 10% mainly due to the cost of purchasing the energy and not internal costs that they have control over. We are projecting this year's electrical expenses to come in at \$706,787. We do not have invoices from NYSEG dating back to May of this year due to the utility pole fiasco. The new meter was never reinstalled until a few weeks ago. Since we have no billing to base a real projection, we made some of our projections based from activity from last year and current rates. Even with the New York Power Authority's increase, she feels that we are going to still be in a good position. It is a decrease of 10% from what we budgeted this year.

Mrs. Paget said that if you look at what the activity is, our highest year was in 2022 of \$908,000. Our actual cost last year was \$641,397. Our actual in 2021 was \$670,000. She feels that it is okay to leave it at that \$90,000 decrease from 2 different budget years and we would still cover that 10% increase in cost of service based on our regular activity. We may have been overly conservative in budgeting \$870,000 because of the \$908,000 but we have held that number since 2023.

Trustee Lachterman asked what was the reason for the \$250,000 increase in a previous year. Mr. Geho that was the year they started implementing the ECA (Energy Curtailment Adjustment) charge and we had a couple of \$30,000 to \$40,000 ECA charges which were unexpected. They will give you a credit as needed but in a small amount. New York Power Authority said it was an excessively cold winter and natural gas was higher so they had to pass the cost on to the consumer. NYPA said they were not going to raise their rate but ECA will be utilized if needed and we know it is not operational. Trustee Peterson said they are going to make sure they have safeguards in place so that they break even. Mr. Geho said they are also charging a COVID 19 charge.

In 2022 our demand dropped when we were coming out of the pandemic so the cost per unit volume increased. Mrs. Paget said that with New York City for several years we always planned a 10% increase that shows us a different period of time from the early 2000's through 2015 and we carried that practice through. A 10% increase was last implemented in 2015. We then had a zero then another zero and all before COVID and Mr. Geho said it was a lawsuit where the city was sued over the water rates so everything was frozen for a couple of years. In 2021 and 2022 there was an 8.47% increase, in 2022 1.46% increase and 6.73% increase in 2023. This past July we had an increase of 1.80%. If we average out 2019-2024 and not including 2020 you get an average rate increase of 5.54%.

Mrs. Paget prepared this budget with 11 cents increase on the New York City rate bringing in at 5.09%. There is an option to consider the fact that for the years that a 10% increase did not materialize. You can consider not factoring in a rate increase from New York City, working off the times we had planned for the 10% increase then slowly start to bring it down, which would be a use of fund balance to do so. We will not know what is going to happen until July 2025. If we did that, you would reduce the deficit by \$138,479. You could reduce the water rate by 6 cents. From \$4.08 you can bring it to \$4.02 which would bring it to a 2 ½% increase in the water rate. Trustee Peterson asked if she felt we were safe at that rate and she felt we are and the fact that we planned for a higher insurance premium rate so that differential helps even with an increase in the electricity.

We have about \$5 million locked up in the fund balance in a certificate of deposit and we have other monies available. Regarding our certificate of deposit interest earnings this year, we come in at \$197,000 which will help this year and carry over into next year.

Trustee Peterson mentioned that he does not like raising the water rates on the residents. Trustee Scorrano felt the same and would like only to see the overall spending increase around 3%.

Mr. Geho said that the big driver for the Amawalk Water Treatment Plant is the coagulant cost. This year we budgeted \$100,000 with the idea that we underfunded it by \$50,000. In the event that we needed the money we would have tapped into the fund balance. The Amawalk Plant has been offline for 3 weeks. Next year we budgeted the full cost which is \$161,000. He stated that we had a conversation with the manufacturer of the coagulant and he feels there will not be any significant jump. If we artificially funded that and we did not use it, that could be used to offset something if we needed and perhaps we can shut the Amawalk Plant back down again this time next year. The cost to run the Amawalk Plant is costly. We would bring it back on line in January so that nothing freezes.

Mrs. Paget said that the \$4.02 per thousand would be a 10-cent increase on the rate. We would still keep the 20 cents per thousand which is separate to fund capital projects. It would bring your overall spending increase down to 3.56% rather than 4.74%. Trustee Scorrano said he would rather see the rate at \$3.99 but because if we can't get there then we can't and everything is compounded. Pure expenses no profit. Mr. Geho said that both he and Mrs. Paget discussed this and asked if they are proposing splitting the 11 cents cost for the raw water rate. Mrs. Paget said that we would be reducing 16 cents down to 10 cents to fund the deficit. We had talked about not funding any increase in the raw water until July 2025. We can shave off more if we came back in July and said okay we need to increase 1% or something.

Mr. Geho said that if we set the budget without any rate increase for next year and assume NYC will not have any rate increase. If they come in at 5% we would then have to pass that 5% directly on to the members through the pass through. Mrs. Paget said that if we do not change the Water Works rate, they do not increase their pass-through rates from us. She said that the Water Works is doing the water purchase and that is factored into the rate we charge the members. So, when the wholesale rate changes to the members that is when you see that change on the consumers bill. It will align with whatever the billing cycle it is for the residents.

A motion was made by Trustee Becker to adopt the 2025 proposed budget with the overall expenditure and revenue being \$12,175,625. The proposed base water rate will be \$4.02 per thousand gallons and an additional \$.20 per thousand to be added to the base rate to fund capital projects. Motion was seconded by Trustee Lachterman. Motion approved 4-0.

Request a final meeting for 2024 of the Board of Trustees on Friday, December 6, 2024

Mrs. Paget mentioned that they would discuss the Logically agreement and the accountant position at the next Board meeting.

The Board of Trustees schedules will allow a meeting held on Friday, December 13, 2024 instead of Friday, December 6, 2024. .

Business Director's Report

Nothing further to report

Attorney's Report

Mr. Cunningham mentioned that in the next month or so, we will have more information on the demolition of the house at 78 Locust Avenue.

Operations Director's Report

Mr. Geho mentioned that we have a lab audit every 2 years for our environmental lab. There were a few deficiencies which Mr. Geho will be addressing. He also had a meeting with the DEP yesterday to move forward with our water supply agreement and after the meeting, our liaison said we are going to be making some water conservation restrictions. They are requesting that everyone put something on their website like a press release for everyone to be mindful of water conservation. Mr. Geho is not going to implement any odd even at this time just voluntary water restrictions.

Trustee Becker asked what was the status of our reservoir. Mr. Geho said we are in the 70th percentile which is where we should be. Their concern is that the Delaware aqueduct is offline. He said that they are trying to shunt water and if the Ashokan system gets too low too fast and there is no recharge then they cannot divert water from the Delaware system into the Ashokan system because of the work they are doing right now. There will be a release from the DEP next week and we will do a press release.

Mr. Geho reported that we purchased new cameras and radios to update our security system on the facilities. All work is being done in house. Hopefully, by the next Board meeting some of these cameras will be online.

A motion was made by Trustee Becker at 11:37 A.M. to adjourn the meeting. Motion seconded by Trustee Lachterman. Motion approved 4-0.

Resolution #2024-85

A motion was made by Trustee Becker to adopt the October 4, 2024 minutes. Motion was seconded by Trustee Lachterman. Motion approved 4-0.

Resolution #2024-86

A motion was made by Trustee Lachterman to approve the retirement transition agreement and to allow Ms. Barbara Marshall to retire March 30, 2025 with health and dental benefits to continue and to allow her to work part time through the end of December 2025. Motion was seconded by Trustee Becker. Motion approved 4-0.

Resolution #2024-87

A motion was made by Trustee Lachterman to reject Bid #2024.7 Water Storage Tank Rehabilitation project. Motion was seconded by Trustee Peterson. Motion approved 4-0.

Resolution #2024-88

A motion was made by Trustee Lachterman to approve the commercial package premium in the amount of \$147,228 with Arthur Gallagher Risk Management to begin coverage on November 10, 2024. Motion was seconded by Trustee Becker. Motion approved 4-0.

Resolution #2024-89

A motion was made by Trustee Lachterman to approve the insurance broker services from Arthur Gallagher Risk Management with no change in service or terms in the amount of \$26,250. Motion was seconded by Trustee Becker. Motion approved 4-0.

Resolution #2024-90

A motion was made by Trustee Becker to adopt the 2025 proposed budget with the overall expenditure and revenue being \$12,175,625. The proposed base water rate will be \$4.02 per thousand gallons and an additional \$.20 per thousand to be added to the base rate to fund capital projects. Motion was seconded by Trustee Lachterman. Motion approved 4-0.