

Northern Westchester Joint Water Works
NWJWW Board of Trustees Meeting – September 16, 2022

Convened at 10:06 A.M.

Adjourned at 10:55 A.M.

Present:

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

A motion was made by Trustee Scott to adopt the July 15, 2022 minutes. Motion was seconded by Trustee Scorrano. Motion approved 3-0.

Review results and request award of Bid# 2022.10 Catskill 400HP Motor and Pump Installation Project

Mr. Geho mentioned that a bid went out for a 400-horsepower motor and pump which would benefit the Towns of Yorktown, Somers and Cortlandt. When we originally put together the engineering report in 2020 and 2021, the project was estimated to be about \$135,000. The bids came in at \$257,000, \$439,000 and \$485,000 which is substantial from the original bid projection. We found that the pump itself when it was originally bid out was estimated to be about \$60,000 and now the pump is \$135,000. He feels this reflects the cost of living today, materials and billed time for the pumps and motor. It is more than what we anticipated.

Looking at the breakdown of the prices, Mr. Geho is requesting the Board to consider awarding the bid to Longo Electrical for \$257,000 so that we can start this project. This is a redundant system and in the long term it will reduce our electrical consumption by 100 horsepower per hour per day for getting the water out the door. We would look to make that money back in the electrical surcharge we charge to the Town of Somers, Yorktown and Cortlandt on a monthly basis. Mr. Geho mentioned that Longo Electric was the vendor a few years back for the 300 horsepower VFD and pump replacement in the high lift pump at Amawalk.

A motion was made by Trustee Becker to award Longo Electrical Supply the bid for the Catskill 400HP motor replacement in the amount of \$257,297. A motion was seconded by Trustee Scott. Motion approved 3-0.

Request to approve contract amendment for Bid# 2021.3 Amawalk Clarifier Project

Mrs. Paget mentioned that a previous conversation at the Board level had indicated that it was not going to work out to go forward with work on clarifier #2. This amendment is to modify the contract held with TAM Enterprises to reduce that obligation by the amount for the work on clarifier #2. Mr. Geho stated that the amount was \$263,268. We are going to amend the contract we have with them from \$881,745 down to \$618,477. This will allow us to issue a letter of final acceptance and we will be saving money.

The super structure on clarifier #2 has been compromised through rust. When we started the project, we put a line item in there that if we do not do the work there would be a negative change order which is what we are doing now. The steel is so far gone that when they started to blast it for prepping for painting they basically blasted it away. We had stopped and did some temporary fixes. We will eventually replace the steel super structure inside the clarifier with new steel preferably stainless steel.

In a few years, Mr. Geho may come back to the Board to ask for bid approval for replacement of the entire steel structure. Mr. Geho said that the clarifier is in service and we were able to support with some angle iron and some welding to the other steel beams to make sure that it was in a secure setting but it has not been painted. Mr. Reber said that stainless steel pricing has come down so much over the years and if you can get it without special manufacturing to solve our need it is the way to go.

A motion was made by Trustee Becker to amend Bid #2021.3 with TAM Enterprises for the Amawalk Clarifier project. The contract between NWJWW and TAM Enterprises is to be amended to reduce the amount due to TAM Enterprises by \$263,268. A motion was seconded by Trustee Scott. Motion approved 3-0.

Resolution appointing Melissa Orlando to Senior Account Clerk

Mrs. Paget stated that this is to formalize the position of Senior Account Clerk. We discussed her previous experience which included banking and financial record keeping for Caremount Medical. Ms. Orlando has a very strong interest in the Accounts Receivable cycle which will make her a valuable asset to the Water Billing function as well as she has some additional administrative tasks to assist Ms. Albanese and Ms. Barbara Marshall for the financial end of the Water Works accounts payable and bank reconciliations.

We did the pre-employment evaluation, with the results being acceptable. She is available to begin her employment on September 23, 2022.

A motion was made by Trustee Scott to appoint Ms. Melissa Orlando to the position of Senior Account Clerk effective August 25, 2022 with an unpaid administration leave up to and including September 22, 2022 with a salary of \$60,000. All pre-employment screenings have been performed and are acceptable. A motion was seconded by Trustee Scorrano. Motion approved 3-0.

Request receipt and file of the 2022 Records Disposal List

Mrs. Paget mentioned that we annually perform records inventory management. We use the New York State Archives approved schedule to determine which records we need to maintain and which records we can dispose of. For over 17 years both Ms. Albanese and she have developed a flow and routine. We utilized our seasonal laborer this year to help assist with the physicality of the job. Typically, every year we dedicate a day for records management and we did not have to use that full day this year. We used the assistance of the Westchester County Mobile Shredder to come onsite to destroy everything.

A motion was made by Trustee Becker to receipt and file the 2022 Records disposal list. A motion was seconded by Trustee Scorrano. Motion approved 3-0.

Review 2023 Proposed Budget

Mrs. Paget reviewed the proposed 2023 budget and the cost drivers.

In 2022 we budgeted \$748,371 for electric and we are projecting based upon trends so far this year an increase in rates. We are coming in at \$842,558. In 2023 we are proposing \$870,182. This projection is based upon using the Amawalk Plant in the same capacity it has been used all year. Mrs. Paget said that by late August or early September we usually know what the rate increase for the following year will be for New York Power Authority and NYSEG but we have not been advised.

Regarding chemicals for 2022, we budgeted \$431,929 and projected at \$369,869. Last year when we developed the budget, we make certain assumptions for what increases and costs will be in the following year. We had a very good first half of the year because the market was relatively stable. The remainder of 2022 will not be as good. We are back to water quality issues and other factors that affect operations. We are proposing for 2023 the chemical cost being \$478,000 which is an average over 3 years which is why there is a \$46,000 increase over what is budgeted for 2022.

Both chemically and electrically and as recent as yesterday, operations have been talking about discontinuing the use the Amawalk Plant because the cost of residual hauling and chemical supply will have a negative effect on the budget. We are strong financially because of the fund balance but that can reduce that effect. This number is very conservative and we may have to revisit it in October depending upon what the plan is and what is worked out. We are not sure how that will carry over into next year. Some of the factors that are in the draft budget are just that and we may want to revisit before adopting the 2023 budget in October.

For the New York City raw water rate, we always count on a 10% increase. If you look at the actuals over the past several years, this has been to our benefit. There has been a small stance on increasing the rate and this year the rate increase was only 1.46%. New York City held a public hearing to increase it to almost 9%. We know that 10 years ago they had 2% increases then hitting us with an increase of 24%. Mrs. Paget thinks that we continue with the plan for a 10% increase. It is available to offset other unforeseen increases in costs including the capital projects. Since we do a 20-cent rate increase to fund the capital projects, the best way to continue to fund the capital plan and not have to come back to the members to borrow is to continue to be able to be conservative to what might happen.

Mrs. Paget reported that the 2023 proposed operating budget is \$11,662,820 which is \$217,071 over what we adopted for 2022 which was \$11,445,749. The biggest breakdown of that is our forecasted expenses for water production which is \$9,356,313.

Last year, we had discussed and developed a plan to include in the treatment rate the possibility of funding 2 transmission line emergency repairs. We used an actual scenario between \$55,000 and \$60,000 for an outsource contractor to do that. Offsetting those costs as revenue would be projected electrical surcharge revenue which is based on 50% of what we anticipate as expenses. There is a certain amount charged back to the members for pumpage to get water out into the system. We also take projected interest earnings and offset the rate with that as well as the rental income from 82 Locust Avenue and come up with what else needs to be funded. Currently, our base rate not including 20 cents for capital is \$3.75.

Member demand in 2023 will bring in \$8,732,626 leaving a deficit of \$267,820. If it is the Board's wish to eradicate that deficit, you would raise the water rate about 11 cents to \$3.86 which would generate an additional \$256,157 and that is where you can balance the revenue to the projected expenditures. It is also our recommendation to keep the 20 cents per thousand for capital projects for all the factors we previously discussed. There is a 5-year plan in the budget. We do have some volume reduction of about 40 million gallons projected right now based on what the Village of Buchanan's draw has been from the Montrose Improvement District. This is coming in a little less than a third of what it had been at the same

time for the last 2 to 3 years and it does affect our production needs and affects what we will pay the City. Factoring in the fact that it is only 1%, there is not that much of an increase in the water purchases line within the budget.

If you think about what we are proposing, the increase in our water rate is only 2.93%. In past years, we have been hovering between 4.75% and 5%. The City's rate did not increase that much and there is a reduction in demand. However, other factors that affect the cost of water for example the increase in the electricity rate and the chemical market we discussed are considered when we plan this budget.

Mrs. Paget mentioned that in order to properly prepare for the members budgets, our next meeting is October 14th and that meeting would be to adopt the 2023 budget. Trustee Becker asked how much does an 11-cent increase affect the average homeowner. Mrs. Paget said between \$20 and \$30 a year. Trustee Scott asked if the Joint Water Works bills the members only at the base rate and do the members bill out the excess usage? Mrs. Paget stated that the Joint Water Works bills the members at the base rate and passes on any excess consumption bill from New York City at that amount. Five years ago, the Board elected to enact a 30% surcharge. If a member incurred a surcharge from New York City because their per capita was exceeded, additionally 30% would be added on and kept as Water Works revenue for that. Mr. Geho stated that that was to help fund the 16" transmission main.

Trustee Scott asked what is the background of the excess revenues from the surcharges versus the revenues from the base rate. Mrs. Paget said that on the residential side it would be a different equation then it would be on the bulk billing side. Both he and Mr. Reber spoke and felt it would be preferable to do something on the excess if the numbers are there to support it rather than giving it to the residents on the base rate. The people who are using the most water can afford to pay more for the water than the people who are using lower amounts. Mr. Geho said that the 11 cents per thousand would be the vouchers that are generated on the operations side and go out to the members and the monies for excessive would go to residential. This would be something through Edmunds. He mentioned that the Towns of Yorktown, Somers and Cortlandt have had excessive consumption. Somebody in your system was drawing a large amount of water and if you could pinpoint who they are they can pick up more of that rate. Trustee Scott said that you could increase the base rate to everyone.

Mrs. Paget stated that you can also examine a tiered structure. Yorktown has a tiered rate structure but Cortlandt and Montrose do not. Mr. Wood said that if someone wants to irrigate maybe they can trigger into a higher rate. Trustee Scott said that if you increase the base rate, you increase the surcharge because it is based on the base rate. The surcharge is not independently set. Mrs. Paget said that if we are talking about the Montrose residential rate schedule, it is separate from your base rate in that the factors that go into developing it have not been talked about in about 10 years. Over the course of the year, a resident can use 120,000 to 150,000 gallons of water for someone who does not irrigate a lot. We have a rate and the members have a rate for their residential members as well as a pass through. Trustee Scott said is there a way to shift that burden to the larger consumer and protect the smaller. Mr. Wood said that would be a rate setting factor on the District's side. The Towns would have to do a tier grade system. Mrs. Paget said that whatever you want to do has to be at the District level because we bill the entities at bulk. She mentioned that years ago Yorktown and then Cortlandt adopted legislation. Yorktown bought their water directly from the City. Anytime that rate went up, they would take whatever that incremental difference was and pass it through to that consumer as a separate line on the water bill so their base rate never had to change just because purchasing water would increase. They would put that through as an individual line item and this still exists for the past 11 years. She mentioned that now you are buying your water from the Water Works so that 11 cents increment will go into that pass-through rate that is on the bills. In the Town of Cortlandt's case, one base rate does not need to change just because the increase in water purchase increased. You have a way of recouping that by putting it in that separate line to remain segregated.

Mrs. Paget reported that we eliminated the laborer position which was in the treatment plant's budget.

For the last 3 budgets, we budgeted for 13 employees which included the laborer position. In 2023 both she and Mr. Geho decided to eliminate the laborer position and go with the segment of 12 which includes the Chief Operator, Assistant Chief Operator, five 1A licensed operators and five 11A licensed operators including one that is currently a trainee.

In the Distribution section, we have a Foreman, Maintenance Mechanic for Utility and a Water Maintenance Grade 1 and what has been budgeted for the last few cycles but never ever filled is a Water Meter Reader position. Each year we have a discussion with Cortlandt and Montrose to assist in meter service calls and assist in reading cycles but specifically would help with repairs. We have not collectively gotten to the point where anyone wants to fill that position. During the pandemic, there was no point in filling the position due to no one going into anyone's homes. This can be a consideration for the 2023 budget because it is part of the Distribution budget which is a fees based budget not a water rate budget. If we do not fill the position and spend it, you do not get billed for it and it does not affect your year end fee if it is not billed.

Staffing levels for the Billing and Administration departments are remaining at budgeted positions. We are now reaching the staffing level to service 3 of our 4 members for the Water Billing and Account Management aspect of the function. Overall, salaries are budgeted at the current collective bargaining agreement in place for 2023. The 2022 budget was reflected at 2021 salaries so we are seeing 2 years of a budget impact on that line. The benefit line has always been a flexible area for consideration. You can see by what we are projecting by the end of this year is to spend \$1.2 million. We also have 2 positions which were not filled. We are asking for the same budget level as we did last year.

We do not have health insurance rates for 2023 yet. Effective in New York State in October, Worker's Compensation will have the experience modification factor that is going to be overhauled. There is a virtual seminar being hosted by PERMA, our worker's compensation management company. It will give us an indication of what they will do which will affect how rates are developed. Since we do not have a lot of experience with comp claims, this should be favorable for us. Since we are small, if we have one claim, it will have more of an impact.

Retirement system rates have a nominal increase. Due to the settlement of the bargaining agreement, our salaries have increased so there is an impact with that. The request is to keep the benefit line as is and we can make further decisions on that if other factors come out between now and the adoption of the budget.

Mrs. Paget reported that our commercial insurance is about to go out to market since the renewal comes up in November. We have been advised by our broker, Arthur Gallagher to plan a 10% policy renewal for the commercial. Cyber is about a 25% to 50% increase. Our server replacement project which was approved in July will hopefully help with this because we are modifying, upgrading and enhancing security. We planned for the package to increase about \$17,000 but of that \$9,000 is just cyber alone. We think we will come in favorable. In the insurance market, it is Arthur Gallagher's job to advocate on our behalf. Mrs. Paget feels that on the commercial end we will come in between 6 -7%, not 10%.

In the 2018 budget, the Joint Water Works started levying a 30% surcharge on excess consumption which has raised \$641,912 and is factored into this budget. The Village of Buchanan was the main driving factor to where excess capita came in. The members themselves only periodically incur a surcharge, usually in the summer months. Buchanan has told the Operations Director it is their intent to stick to their per capita allotment for their draw through Montrose. This has dramatically declined what the surcharge is and that number one the processing we have to do and pass on to Montrose and number two the 30% surcharge. With the trend for the rest of the year, we are not going to generate much on that. It would be helpful with capital but it is not going to be relied upon for the future based on the current information. Mr. Geho said that that 30% was for trying to recoup the cost of the \$1.2 million we had to spend on the 16" transmission main project, in 2017.

Trustee Becker reported that Indian Point is using a lot less water and Mrs. Paget said they are getting their water from the Village and the Village gets some of their water from Montrose. Montrose's demand from the Water Works is declining because of that. In July of 2023 we are still expecting a 10% increase from New York City. Based on the current forecast, the volume will not be as much and also you have a half year factor coming in at a little over 1%. In the next few weeks we will see if we have to do any revisions to the 2023 budget before the budget is adopted.

Attorney's Report

Mr. Wood reported he is working with Mrs. Paget and Mr. Geho to finalize the draft of the union contract based on the memorandum of agreement which we previously approved.

Business Director

Mr. Paget reported that the agreement between 74 Locust Avenue and the Town of Cortlandt has been executed and returned to Mr. Michael Cunningham as requested.

Mrs. Paget is working with the Town of Cortlandt staff in resolving some billing issues we have been asked to resolve and we are making progress.

She also mentioned that in the Fall we will start the server replacement project and probably have some work station replacements.

We will also work to acclimate our new employee, Melissa Orlando.

Operation's Director's Report

Mr. Geho mentioned that at the end of August we had our annual sanitary survey for the Catskill facility with no violations noted. Amawalk's sanitary survey will be next week which is part of our annual review from the Department of Health.

We had a shutdown on the 16" transmission main. If you look at the capital plan, you will see \$5 million for the 16" which we keep pushing out. Since it is our responsibility, we are in the process of reviewing options for replacing or realigning the 16" through Blue Mountain Preserve. The reason for this is that we have shut that main down about 5 times in the last 12 years. Looking at that trend, we have the potential to have issues and we are addressing it as it comes up. There may be a point in time where we want to address it in a holistic approach and replace sections of that main. There are monies that we do have assigned to that and hopefully we do not have to spend it. We do not want to be ripping up Blue Mountain Preserve going after a leak we had in the past.

Mr. Geho reported that we are in the process of shutting Amawalk down for the winter.

He is working with the Town of Yorktown on the fluoride project which at some point is coming on line but there are still a few complications. The fluoride will be at the Catherine Street pump station and just Yorktown and Somers will get the fluoride as well as some residents off of Lexington Avenue, within the Town of Cortlandt

A motion was made by Trustee Becker at 10:55 A.M. to adjourn the meeting. The motion was seconded by Trustee Scott. Motion approved 3-0

Resolution # 2022-70

A motion was made by Trustee Scott to adopt the July 15, 2022 minutes. Motion was seconded by Trustee Scorrano. Motion approved 3-0.

Resolution # 2022-71

A motion was made by Trustee Becker to award Longo Electrical Supply the bid for the Catskill 400HP

motor replacement in the amount of \$257,297. A motion was seconded by Trustee Scott. Motion approved 3-0.

Resolution # 2022-72

A motion was made by Trustee Becker to amend Bid #2021.3 with TAM Enterprises for the Amawalk Clarifier project. The contract between NWJWW and TAM Enterprises is to be amended to reduce the amount due to TAM Enterprises by \$263,268. A motion was seconded by Trustee Scott. Motion approved 3-0.

Resolution # 2022-73

A motion was made by Trustee Scott to appoint Ms. Melissa Orlando to the position of Senior Account Clerk effective August 25, 2022 with an unpaid administration leave up to and including September 22, 2022 with a salary of \$60,000. All pre-employment screenings have been performed and are acceptable. A motion was seconded by Trustee Scorrano. Motion approved 3-0.

Resolution # 2022-74

A motion was made by Trustee Becker to receive and file the 2022 Records disposal list. A motion was seconded by Trustee Scorrano. Motion approved 3-0.