

DUTCHESS COUNTY



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DUTCHESS COUNTY WATER AND WASTEWATER AUTHORITY APPROVED MINUTES OF NOVEMBER 4, 2015 BUDGET WORKSHOP

Authority Board Members

Thomas LeGrand
Chairperson

Vincent DiMaso
Vice-Chairperson

Rudy Vavra
Treasurer

Lawrence R. Knapp
Secretary

Board Members Present

Tom LeGrand
Vince DiMaso
Rudy Vavra

Staff Present

Bridget Barclay
Jackie Burger
Peter Fadden
Mary Morris
Doug Odell

Ex officio Members

Brian Scoralick
Acting Executive Director
Soil and Water Conservation District

Eoin Wrafter
Commissioner
D.C. Dept. of Planning & Development

Staff

Bridget Barclay
Executive Director

Mary C. Morris
Deputy Director

Meeting Open

Tom opened the meeting at 3:33 p.m.

2016 Salary Policy and Schedules

Bridget began with the Draft 2016 Salary Policy and schedules. All Authority staffing costs run through all of the budgets. Every year we present and update the Salary Policy and included in that document are the proposed schedules for the salary structure for 2016. There are no changes to the draft policy with one exception. Because we follow the County CSEA contract we have gone from 8 steps for each position, each step is an opportunity for an annual merit increase, to 9 steps. That was included in the contract that the County settled with CSEA in 2014.

We have updated the salary schedules Appendix B for non-management positions and appendix C for management positions. Each Staff position is assigned a grade to correspond with comparable positions within the County. The steps represent the transition from the starting salary through the ninth year with potential merit increases. These are updated showing from 2015 a 2.5% cost of living increase in accordance with the County contract and the new step 9. Tom asked how the County came to that percentage. Bridget said the County contract reads that for 2015-2016 all positions will receive a 2.5% increase.

Bridget then referred to Appendix C, the salary scale for Management, which consists of Bridget, Mary and Doug who will also receive a 2.5% increase in keeping with the County. There are no steps in the Management positions as there are in the non-management positions.

positions, unless there is something else happening with their particular salary, is getting about a 5% increase in their salary from 2015-2016.

Tom asked if he was correct that the difference on the 2016 Proposed Budget of \$74,574 is the actual dollar increase. Bridget said yes. From 2015-2016 we have the increases of all the existing employees. In 2015 we promoted Lisa McGuire from an Account Clerk to an Administrative Assistant which had been vacant since Rose retired in 2013. We then hired Marie Smith to fill the Account Clerk position.

Bridget added that staff had also hired a new staff person at the Hyde Park Plant in September. Bridget said the other changes that are reflected in these numbers is that we anticipate that in 2016, about mid-year, Peter Fadden is retiring as is Steve Heupler from the Hyde Park Plant. We have taken the salaries for those positions and done about half of the year reflecting the salary of the person currently in that position and the other half of the year with a starting salary for that grade level. All combined impact the overall change in the salaries from 2015-2016.

Benefits are affected by projected increases in health insurance costs and staffing changes. Tom said the increase of 3.4% was reasonable. Bridget said we got a decrease in our New York State Retirement. Tom asked if Authority staff purchases Health Insurance through the County. Bridget said no. Bridget said collectively between salary costs and benefits it is about a 4.7% increase.

Staff also provided how those expenses are allocated between different revenue sources for the Authority. Bridget advised the Board that per the County Executives recommended budget we would receive a \$10,000 increase in staffing support from the County. Most of the increase in staffing expenses is being absorbed by the Authority. Within that number there is direct billed expenses to the system, the admin fee, money we will get from escrow funds, and money from Capital Project budgets. For the overall Capital Projects we anticipate getting approximately \$44,000 in 2016 in Project Management fees from the County for managing the Dutchess County Airport Water Line Project on their behalf.

Bridget then noted that the biggest factor through all of the budgets that effects the changes from 2015-2016 is the fact that we are acquiring 9 new systems, 5 of which we have already acquired and we should have 4 more by January. This is an increase of about 29% in the number customers we are billing and takes our overall annual operating expenses up about 12%.

Vince noted that all of the billing is done at the Authority Office and asked about the number of customers in total. Bridget said we had about 4200 and with the additional customers from the Hyde Park Systems we will have about 5400. Vince noted that the City of Poughkeepsie reads meters remotely from City Hall. Bridget said the Authority staff is working toward that. Meter change outs have been done at Fairways and Rokeby Water Systems that are now radio read meters.

Bridget said she believes Poughkeepsie has an antenna based system that has a fixed point that can capture all of their meter readings. Our systems are spread out through the County so a single fixed point wouldn't capture all of our readings. We are transitioning to

a system where the meter reader just drives to the area of our systems and his hand held meter will pick up the readings from that system.

2016 System Budget Projections

Mary said the CPI through September is only showing a 0.3% increase. We generally use the September CPI as a guideline when we review potential rate increases. The bottom line is that we were able to hold the rates in a lot of the systems due to the acquisition and the integration of the new systems, as we are now spreading direct expenses over 19 systems instead of 10 or 11. Staff provided a summary rate comparison from 2012 to 2016 for all systems.

Tom asked what was the average cost increase across the systems. Bridget said we have not figured everything as an aggregated average. Increases range from 0% for the Hyde Park systems that we have not yet acquired to the highest increase of 1.4% in the rate but only a 1% increase to the customers. Tom said that was a reasonable increase and he would always prefer that the systems were able to maintain their fund balance and not have to use it for operational purposes. Vince said he would like to see the same rate across all of the systems. Tom said that would not be possible. Bridget said that is correct because customers are served by different infrastructure, different factors that affect their costs, etc. Discussion followed.

Mary said a memo was provided at the meeting to accompany our review of the individual budgets which helps to give an overview of some of the decisions made regarding the individual line-items. Mary then brought the boards' attention to the Authority General Budget. The Authority expense lines and revenue lines cut across –five different areas; benefit assessment preparation; our administrative line, our direct line for items that are performed for which would include the billing and bookkeeping, the meter and samplings and the operations support; and revenue from Dutchess County which also includes the dollars the County is contractually obligated to contribute to the Central Dutchess Water Transmission Line Capital Reserve Fund. Tom asked what that amount was. Mary said \$12,375.

Mary noted that we now have an Airport Water Line Project expense and revenue item. Tom asked if the Authority would have our own account for the airport water line. Mary said the expenses will not be running through the Authority other than our own project management expenses. We will review the vouchers and invoices and the County has opted to make the payments directly. Tom said the Authority will okay the contracts and the County will make the payment. Bridget said yes. Mary added that we will not see this on our warrant. Discussion followed

Mary referred back to the Authority General budget. One item that increased differently than in prior years or differently from the CPI is the accounting line in anticipation of a larger scale audit as we will have 9 new systems. We also anticipate bonding in 2016 and will need accounting assistance. We have increased the insurance line due to the addition of the new systems. We have also increased the professional services line as we have ongoing work right now and anticipate the possible acquisition of the Tivoli water and sewer systems. Tom said we would not pay for the Tivoli Systems they would be turned over to us. Bridget said yes. Tom asked who was handling the evaluation of the systems.

Bridget said the Village received funding through the Shared Services Program and hired Tighe & Bond to do the evaluation which is underway. Discussion followed.

Mary advised the Board that the operations contract proposal is solicited on a 3 year cycle with a CPI increase. We have budgeted for an insurance increase of about 6%. All but 2 All but 2 of the systems that the Authority bills through water use had increases in water sales. Tom said he was glad to see that as consumption has been down. Mary said Schreiber Water System consumption is down significantly. Staff has created a chart which is included in the budget memo. Valley Dale Water is down again but is not as significant as Schrieber. Tom asked if there might be a number of houses for sale and/or vacant. Mary said staff will be looking into that because all it would take is a change of a 4 person family home to a 2 person family home to see a change in water use. Discussion followed.

Arbors Water System

Mary said we acquired the Arbors Water System in September. This is one of the 3 systems that get their water from the Poughkeepsie Joint Water Board. Their budget is basically our cost to maintain the distribution system and our administrative cost to oversee the billing and the bookkeeping. One of the things we assessed when we did this particular budget is that there are 6 residential customers and 1 other customer which is the Arbors Condominiums. There is a flat rate fixed billing up to a certain amount of usage for the residential customers and for the Arbors Condominiums. The condos were being billed at a hundred times the rate of a single family home however, there are 150 condominium units. Staff felt it appropriate to re-align the distribution between the single family residential customers and the Arbors as a condominium complex. The Arbors are now at billed at about 109 times the rate of a single family home.

Tom asked if they take the water from a bulk meter. Bridget said a single master meter. Tom said the Authority then bills the condo association. Bridget said yes. Overall the average annual cost for the single family is going up 0.3%. The condominium annual cost is going up about 7.5% based on the reallocation. Bridget said this is an annual increase of \$18.00 per residence. Mary then noted that in the past the Town had been using system fund balance to offset any potential rate increases. Tom said he did not want to do that. Mary said we have reduced that for 2106.

Birch Hill Water System

Mary said that chemicals are going up as we now have to add phosphate as a corrosion inhibitor. We looked at projected heating expenses through the end of 2015 and they are exceeding what was budgeted We do not understand why it has gone up so we have taken a more conservative approach with that line item and are working to find the reason for the increase and keep it under control. We have placed additional funds in the operations contingency line mainly because we were able to do this with the rate that we were seeking to achieve and add some funds to offset the capital and facility work that we have planned. Staff recommends an overall rate increase to \$8.59/thousand gallons in addition to a quarterly service charge. This is an increase of 0.23% to the 2016 water rate and an increase of 0.14% to the average annual customer with an average annual cost of \$867.37. No fund balance used.

Chelsea Cove Sewer System

Mary said because there is a very large capital project going on in terms of the treatment plant we have maintained the debt service capital improvement fund line which we had previously used to pay the 2005 debt which was retired this year. We have also maintained that capital contingency line in order to reduce the amount of funds we will need to borrow for that project. Staff has recommended a 0.26% increase bringing the average annual cost per customer to \$699.48 or \$174.87 per quarter.

Dalton Farms Sewer System

Mary said again there is capital work to be done for facility improvements so we increased their capital contingency line. Staff has recommended a 0.33% rate increase for the Dalton Farms Sewer System to \$6.13/thousand gallons and a .21% increase to the average annual customer with an average annual cost of \$508.10. There were no questions.

Dalton Farms Water System

Mary said the capital contingency line for the Dalton Farms Water System increased for the same reason as the sewer system. Staff has recommended a 0.29% rate increase for the Dalton Farms Water System to \$3.42/thousand gallons and a 0.20% increase to the average annual customer with an average annual cost of \$272.17. There were no questions.

Fairways Sewer System

Mary said Fairways Sewer is another system we acquired in September. We have initiated a 0.24% increase, over the budget that the board adopted earlier this year, with an average annual cost of \$396.96. This is a flat rate system so we are guaranteed the revenue.

Fairways Water System

Fairways Water System chemical line has been increased due to what we see occurring in 2015. This has been partially offset by additional water sales. We are looking over all at a 0.16% average annual increase to the average customer. Staff recommends this budget increase to \$5.23/thousand gallons with an average annual cost of \$760.18.

Greenbush Water System

Mary said the next 3 systems, Greenbush Water, Greenfields Sewer and Greenfields Water are 3 of the 4 systems that we do not yet own but are in the process of acquiring in January. Staff has created budgets based on the prior conversations with the Town of Hyde Park. The only change affecting the Greenbush Water System is that when the Town of Hyde Park set up their rate structure the operational rates were set up to mirror the benefit assessment rates on a per unit basis. In the process of the benefit assessment review for 2016 there was a customer that grieved their amount of units and was determined to be a reasonable grievance. As a result, benefit units were reduced. The O&M rates reflect the same reduction in benefit units.

Tom asked how the benefit assessments were reduced. Bridget said it is a certain number of benefit units per residential unit; commercial properties are

assigned a number of benefit units based on estimated water usage in proportion to a single family residence. Tom asked what kind of commercial user this was. Bridget said it is a manufactured home park. They meter themselves so we verified that they were using less than half of the water that the Town estimated. Tom asked how much water they were using. Bridget said about 110 gallons per day per unit. Tom asked what the assessment use was. Bridget said about 250 gallons per day, per unit. This was a legitimate grievance. Because of that, the system lost about 5% of their customer base. We will still hold it at an increase of about 2.7%. Discussion followed.

Greenfields Sewer System

Mary said this is a system with a flat rate fixed amount. In the acquisition process we indicated to the Town that rates would be about \$447.00 per year, per customer and those are the rates we are proposing for 2016.

Greenfields Water System

Mary said this system is metered with an allowance per billing cycle. This system has capital needs to be addressed. During the acquisition discussion process the Town and the customers were made aware that the rates would be increasing. Mary said water rates would be \$5.68 per thousand gallons in addition to a monthly service charge with an annual cost of \$322.17.

Hyde Park Regional Water System

Mary said we have very specific rate increases in ERM plant and the ERM system. ERM plant has been increased as the alum sludge will need to be hauled twice in 2016 instead of once. The ERM system line has increased due to the system aging and anticipated increased leak repairs. Our primary vendor that does that leak repair work for us has closed the business and we anticipate our cost for leak repairs will be greater in 2016. Discussion followed on possible vendors and the process involved.

Mary advised the Board that there is an increase to the health plan line as we hired an additional staff member. We have some offsetting revenue lines. We will be receiving revenue from Arbors, Greenbush and Violet Avenue water systems for the operations. We are still proceeding with the rate structure to bring parity to the Hyde Park, Zone D and Zone L customers with Staatsburg so we are not increasing Staatsburg's rate of \$5.78 thousand gallons but we are increasing the other three systems to \$5.72 per thousand gallons. By next year we expect to be in parity.

Pinebrook Sewer System

Mary said we acquired this system in September. Line items are in line with what we discussed earlier. This is a flat rate billed system we are proposing and a rate increase of 0.15% and average annual cost of \$591.90.

Pinebrook Water System

This system was also acquired in September with the sewer system. They will have a marginal increase of 0.21% with an average annual cost of \$355.07.

Quaker Hills Water System

This system was also acquired in September. This is a flat rate billed system. We are proposing a water rate increase to the flat rate of \$38.69 and average annual cost of \$464.28. This is a 0.26% increase to the average customer annual bill.

Rokeby Water System

Mary said Rokeby's chemical line has been increased due to addition of chlorine for the system but the other budget lines offset it somewhat. This is a tiered system where we have a monthly service charge up to 9,000 gallons then there is a rate between 9,000-25,000 gallons and a rate above 25,000 gallons. Staff has recommended a base rate of \$84.96 or \$9.44 per thousand gallons up to 9,000 gallons. Then between 9,000-25,000 gallons \$9.44 per thousand gallons and over 25,000 is \$11.27 per thousand gallons. This is an increase of 0.21% increase to the average annual customer.

Schreiber Water System

Mary said Schreiber earlier has had a decrease of over 11% in water usage, but we were able to get them to a rate increase of only 0.10%. They have a monthly service charge of \$30 or \$360 yearly with a metered rate at \$10.11 per thousand gallons and an average annual cost of \$724.84.

Shore Haven Water System

We have increased their ERM system line due to what we experienced 2015 and increased their operations contingency line. Bridget said we continue to try to avoid any significant impact on their rate until their improvements are done. Mary said they still have 4 customers that are not metered so we have a fixed rate for them that would be their water rate and then in addition to that the same monthly meter charge the other customers have. Staff recommends a marginal increase for the metered customers of 0.21% and about 0.79% increase for the non-metered customers.

Valley Dale Sewer System

Mary said this system has a flat rate fixed. They will have a 0.29% rate increase with an average annual cost of \$1032.32. There is nothing outstanding or unusual to note.

Valley Dale Water System

Mary said this system will have a .13% rate increase with an average annual cost of \$417.85.

Violet Avenue Water System

Mary said this is the last of the 4 systems that we do not yet own. An updated rate sheet for this system was then distributed to the Board. We will be using the same rates that the Town of Hyde Park used. There will be no increase.

Central Dutchess Water Transmission Line

Mary said we essentially maintain the line items because we are not allowed to have a fund balance for this system. There were specific changes occurring, such as operational costs and health insurance so we adjusted those line items. Water sales are take or pay; they have a 0% increase in the Poughkeepsie Water Rate because CPI was 0% in July when that rate gets calculated.

Mary noted that in 2015, prior to the acquisitions of the systems, we had a 10.25% admin rate to everyone's budget. With these new systems we are decreasing the admin down to 9.5%.

Adjournment

At 4:35 p.m., the meeting was adjourned.

Respectfully submitted,



Jackie Burger
Senior Typist