

A clear glass filled with water, with a dynamic splash of water rising from the center. The background is a solid light blue color. The text is overlaid on the image in white, bold font.

Water District No.2

August 18, 2010

Water Rate Increase

Public Hearing

INTRODUCTION:

The purpose of this presentation is to provide a comprehensive depiction of the necessity to raise the water rate in North Castle Water District No.2.

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District History

- The water district originally started out as a private farm-estate back in the 1920s. During the 1940s it was sold to developers who began selling lots and building custom homes. Drinking water was supplied to these early homeowners from wells powered by windmills through what was then a very small distribution system. Hence, the community was named Windmill Farm. Over time, the wells in the windmills were converted to an electrically powered hydro pneumatic system. As the community reached full development during the 1950s and early 1960s the distribution system was modified, storage was added, and new wells were installed. At that point, the windmills became strictly ornamental.
- The district was formed by the town in 1976 with input from the residents. The district is known today as North Castle Water District No.2.
- When the district was created the residents established the method of payment for any capital improvements by choosing to pay per lot as opposed to an assessment based calculation. Capital costs, include the paying back of the bond for the initial district purchase and any future capital improvements to the infrastructure, i.e. new water tank.
- Residents proposed that any outside district users would pay double the inside water rate because the properties are not subject to capital improvement costs and are not geographically located within the district boundaries.



WATER DISTRICT No. 2 -----Current / Proposed Rates

Current Rate

= \$4.75/1000 gallons

Minimum charge= \$40.00 up to 11,000 gals

Proposed Rate

= \$7.50/1000 gallons

Minimum charge= \$40.00 up to 5,300 gals



WATER DISTRICT No. 2 -----Current Consumer Annual Costs

What are the costs associated with your water service?



- The annual capital payment covers your share of any capital debt for infrastructure improvements, etc. i.e. new storage tank & well. Costs are calculated based upon an amount which includes principle & interest divided by the number of lots in the district (379).
- Four quarterly water billings are your actual metered water usage.

WATER DISTRICT No. 2 -----Current Consumer Annual Costs

Actual 2010 billing data

CAPITAL PAYMENT = \$803.70 ($\$304,605 \div 379 = \803.70)

AVERAGE ANNUAL WATER USAGE = 106,840 gallons (*based upon actual 2009 consumption data*)
(65% or 238 of the 368 accounts are below the average)

@ \$4.75 /1000 gals (current rate) ---Average Annual cost ==\$528.10

TOTAL ANNUAL COST === Capital Payment + Water usage === \$1,331.80

The concern with the above scenario is two fold:

1. The annual capital debt of \$171,162 was inflated to \$304,605, this amount was collected to adjust for the shortfall in water sale revenue necessary to balance the budget.
2. The current water rate of \$4.75/1000 gals, (based upon annual average water sales of approximately 40 million gallons) does not generate enough revenue to balance the O & M budget.



WATER DISTRICT No. 2 -----Current Consumer Annual Costs

TOTAL ANNUAL MEAN AVERAGE WATER COSTS

Average annual gallons =106,840 (65% or 238 of the 368 accounts are below the average)

CURRENT

- ANNUAL CAPITAL PAYMENT
=\$803.70
- AVERAGE ANNUAL WATER
COST \$4.75/1000 GAL
=\$528.10
- TOTAL ANNUAL COST
=\$1,331.80

PROPOSED

- ANNUAL CAPITAL PAYMENT
=\$451.61
- AVERAGE ANNUAL WATER
COST \$7.50/1000 GAL
=\$828.00
- TOTAL ANNUAL COST
= \$1,279.61

**AS PROPOSED THE MEAN AVERAGE ANNUAL COST WILL BE
⬇ \$52.19 LESS ⬇**



WATER DISTRICT No. 2 -----Current Consumer Annual Costs

TOTAL ANNUAL MEDIAN AVERAGE WATER COSTS

Median average annual gallons =78,500 (50% or 182 of the 368 accounts are below the median)

CURRENT

- ANNUAL CAPITAL PAYMENT
=\$803.70
- AVERAGE ANNUAL WATER
COST \$4.75/1000 GAL
=\$372.88
- TOTAL ANNUAL COST
=\$1,176.58

PROPOSED

- ANNUAL CAPITAL PAYMENT
=\$451.61
- AVERAGE ANNUAL WATER
COST \$7.50/1000 GAL
=\$577.50
- TOTAL ANNUAL COST
= \$1,029.11

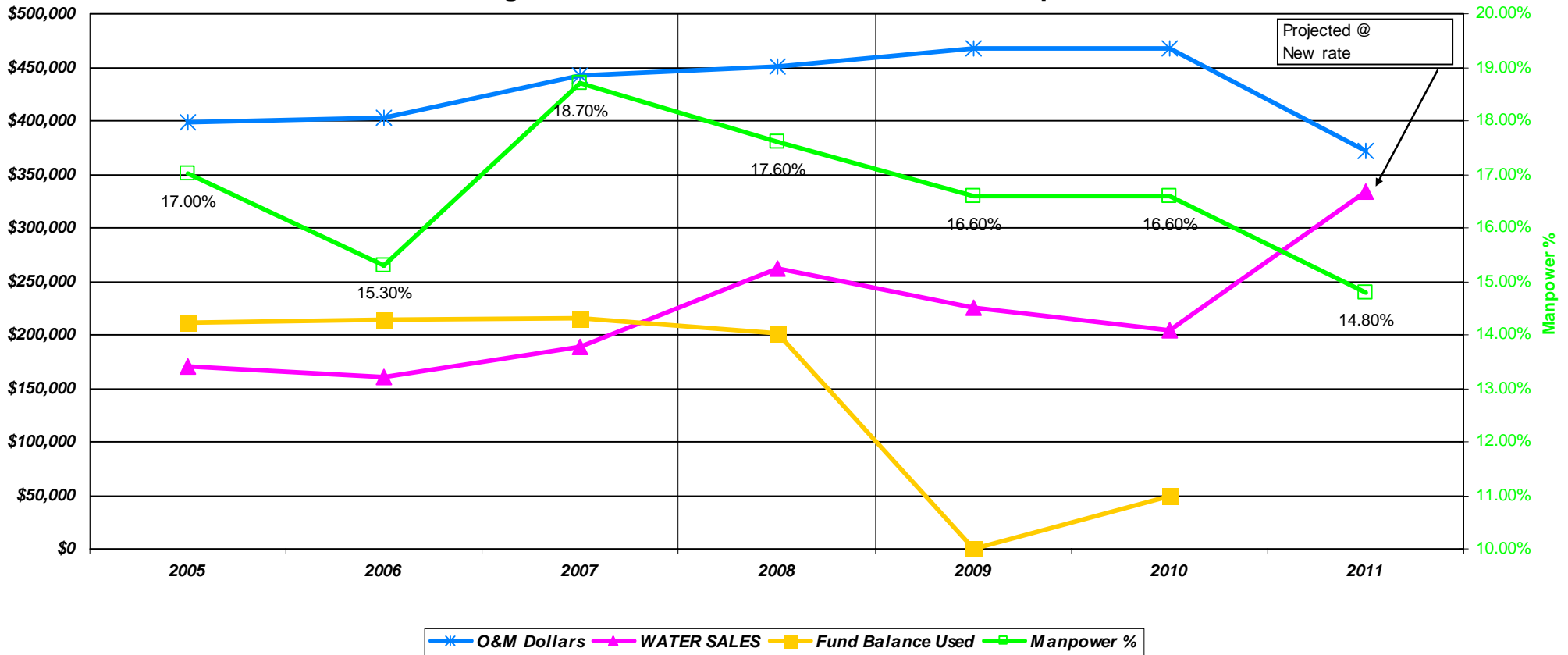
**AS PROPOSED THE MEDIAN AVERAGE ANNUAL COST WILL BE
⬇ \$147.47 LESS ⬇**



WATER DISTRICT No. 2- O&M / Revenue Expenditure History

Water District No. 2

O&M Budget vs. Water Sales, Fund Balance & Manpower %



WATER DISTRICT BUDGET DATA (O&M—ONLY) 2005-2011

Water 2	2005	2006	2007	2008	2009	2010	2011
Water Revenues	\$171,060	\$160,430	\$188,191	\$262,302	\$225,693	\$257,500 *	\$334,000
Fund Balance used	\$210,769	\$214,232	\$215,000	\$201,900	\$0	\$50,000	
O&M Budget	\$398,662	\$402,963	\$441,794	\$450,431	\$467,158	\$467,409	\$372,470

* With two remaining quarters at proposed rate

Projected

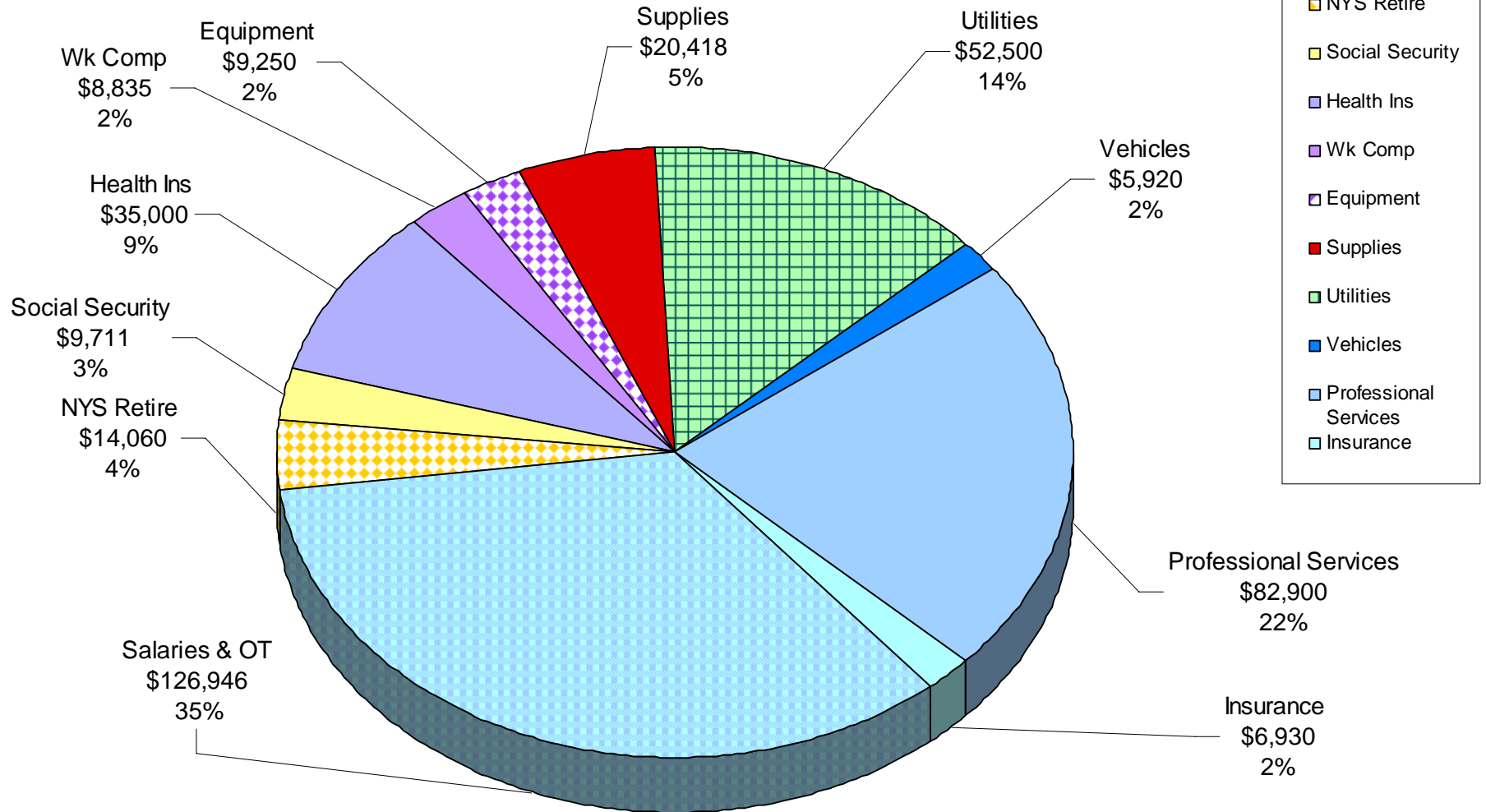
WATER RATE HISTORY

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
W2	3.62/1000gal						3.45/1000gal						4.75/1000gal			



WATER DISTRICT No. 2 -----2011 Projected Costs

**Projected Water District No.2 --2011 ~ O&M Budget Breakdown
\$372,470 (14.8% of manpower)**



SUMMARY / CONCLUSION

- By correcting the capital debt payment schedule and increasing the water rate, actual statistics show that the majority of the homeowners will pay LESS annually.
- The costs which have been illustrated for the 2011 budget are expected to go down during the budget year.
- Based upon average annual water sales every .25¢ of water rate will generate \$10,000 in annual revenue.
- Budgeted costs for professional services will decrease upon completion of the new well project which will integrate the new supply into the system. This will result in a more efficient operation and further savings in utility costs.
- It is our intension to lower the rate once things catch up.



QUESTIONS & COMMENTS

Utilization of the Workforce

The Sewer & Water workforce structure is unique for several reasons:

- ▶ The current workforce of 9 covers all of the 10 special districts including the operation of a wastewater treatment plant 24 / 7 / 365.
- ▶ Specific operations and responsibilities are necessary in order to comply with Federal, State and County regulatory requirements.
- ▶ All maintenance staff are required to pass a civil service exam for their respective title, in addition to acquiring an State operator license for both water and wastewater treatment. Licenses require renewal every three to five years by accumulation of continuing education credits. These requirements are specific to water and sewer employees unlike employees in the Highway and Recreation departments.
- ▶ Workforce require skill in, mechanical, electrical controls, plumbing/piping, laboratory sampling, chemistry and laboratory techniques, mathematics, basic hydraulics, public relations, as all functions are relative to public health and safety.

Perhaps the most unique feature of the workforce is how it is managed and funded by the 10 special districts.

Allocation of costs is a direct relation to the hours worked within the individual districts. This procedure is based upon a study performed in 1991 by a certified public accounting firm, Montalto and Company, a direct quote from the report summary is as follows:

“Based upon our analytical procedures, the use of the direct labor hours method of cost allocation, to reflect the services rendered, as a basis of establishing the 1991 budget, would have resulted in a more equitable distribution of costs.”

Utilization of the Workforce

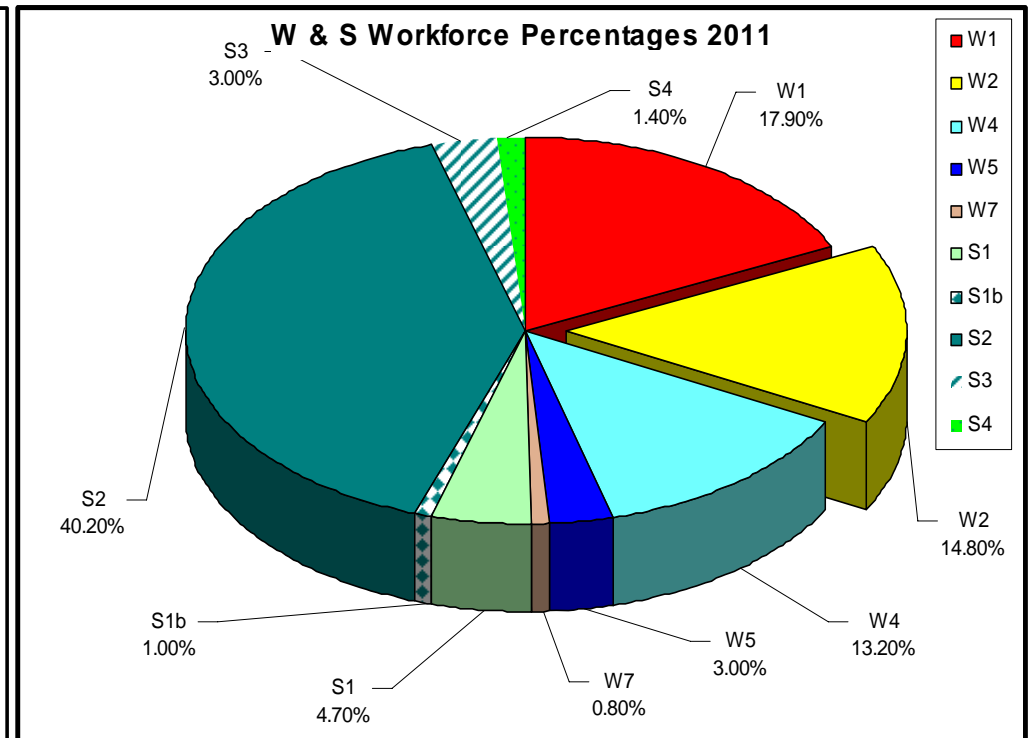
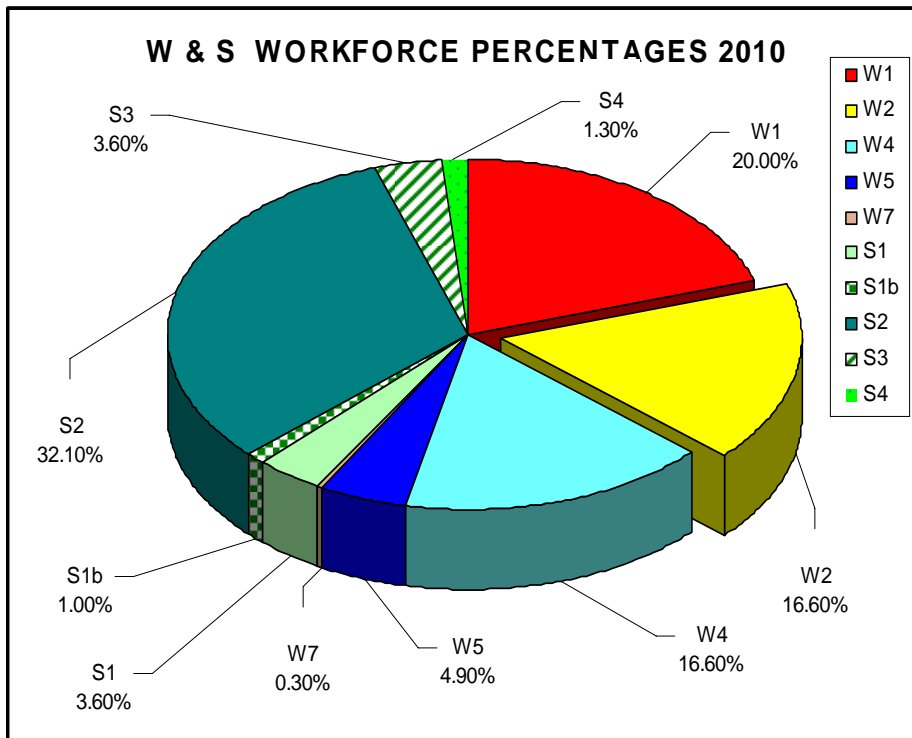
The Montalto procedure is in effect today:

A quick example of how this works is as follows--- Each employee completes a summary sheet of daily duties performed and hours worked in any of the various districts. These sheets are tabulated on an ongoing basis by logging the data into a spreadsheet. The result is percentages of time worked within the districts. The data is used for the following year budget appropriations.

This system has several advantages, allowing for a very fair and equitable practice of budgeting salaries and benefits to each special district. Additionally, other budgeted items are also based upon the same percentages, such as vehicle fuel and repairs, insurance costs, new vehicles, or district shared pieces of equipment.

2010 percentages are below

2011 percentages have already been calculated



WATER DISTRICT No. 2 -----2010 / 2011 Budget Comparison

WATER DISTRICT NO. 2 WATER RATE BUDGET COMPARISON					2011				
EXPENSES					REVENUE				
BUDGET ITEM	BUDGET CODE NO	18.89% 2010	14.80% 2011	-7.80% Difference(%)	BUDGET ITEM	BUDGET CODE NO	2010	2011	Difference(%)
8510. Administration									
Salaries	11.0	\$149,825	\$121,268	-19.05%	Property - T	1001.0	\$ 304,605.00	\$ 171,560.00	-43.00%
Sal/PT	12.0	\$0	\$0		Metered Water	2140.0	\$ 250,000.00	\$ 334,000.00	33.60%
Sal/OT	13.0	\$6,140	\$5,578	-7.62%	Unmetered	2142.0	\$ 0.00		
Equip/Off	211.0	\$588	\$750	27.65%	Service Charge	2144.0	\$ 2,338.00	\$ 2,338.00	0.00%
Equip/New V	212.0	\$7,470	\$2,664	-64.34%	Meter Charge	2144.1	\$ 3,200.00	\$ 3,200.00	0.00%
Equip/Other	214.0	\$8,500	\$8,500	0.00%	Int & Penalty	2148.0	\$ 3,500.00	?	#VALUE!
Judgements	401.0	\$150	\$150	0.00%	Interest E	2401.0	\$ 12,635.00	?	#VALUE!
Insurance	42.0	\$6,300	\$6,930	10.00%	Int Cap. Proj	2401.1	\$ 0.00		
Comb/Eq Rep	431.0	\$15,000	\$15,000	0.00%	Hydrant rent	2414.0	\$ 12,293.00	\$ 12,293.00	0.00%
Contractual	432.0	\$60,000	\$60,000	0.00%	Sale of Equip	2655.0	\$ 0.00		
Comb/Wind	434-W	\$30,000	\$0	-100.00%	Ins. Rec.	2690.0	\$ 0.00		
Prof Ed/Sem	441.0	\$400	\$400	0.00%	Other Comp	2690.0	\$ 0.00		
Prof Expi/Dues	443.0	\$200	\$200	0.00%	Refund Pri	2701.0	\$ 0.00		
					Unclassified	2770.0	\$ 0.00		
Util/Tele.	451.0	\$2,500	\$2,500	0.00%	EmerDisaast	4960.0	\$ 0.00		
Util/Water	450.0	\$0	\$0		Inter fund trans	5031.0	\$ 0.00		
Util/Elec & Gas	452.0	\$48,000	\$48,000	0.00%	NYS retire	5050.0	\$ 0.00		
Util/Heat & Fuel	453.0	\$2,000	\$2,000	0.00%	App.fund B	8021.B	\$ 0.00		
Legal Notice	46.0	\$150	\$150	0.00%	App.fund Balance	8021.0	\$ 50,000.00	?	#VALUE!
Veh/Fuel & Oil	491.0	\$2,490	\$1,480	-40.56%					
Veh/Repair	492.0	\$1,660	\$1,776	6.99%					
Bldg. Supply Office	411-B	\$29,925	\$0	-100.00%					
Supplies	411.0	\$17,500	\$17,500	0.00%					
Uniforms	413.0	\$1,029	\$918	-10.83%					
8520. Source of Supply									
Power, Pumping									
Prof City Lab	444-L	\$5,500	\$7,000	27.27%					
Util/Water	450.0	\$0	\$0						
Util/Heat & Fuel	453.0	\$0	\$0						
Supplies Chem	411-C	\$1,900	\$2,000	5.26%					
NYS Retire	81.0	\$21,750	\$14,060	-36.30%					
Social Sec	82.0	\$11,931	\$9,711	-18.60%					
Wk Comp Adm	83A-0								
Wk Comp	83.0	\$8,400	\$8,735	3.99%					
Disability	87.0	\$100	\$100						
Health Ins	84.0	\$25,700	\$33,000	28.40%					
Dental/Vision	85.0	\$2,300	\$2,000	-13.04%					
9710. Serial Bonds									
Principal	6.0	\$102,709	\$106,980	4.15%					
Interest	7.0	\$68,453	\$64,580	-5.66%					
9730. BAN									
Principal	6.0								
Interest	7.0								
Totals		\$ 638,570	\$644,030	-14.50%			\$ 638,571	\$ 625,381	
	O & M ONLY	\$487,408	\$372,470	-20.31%			METERED REV. ONLY	\$ 384,000	
		Avg Ann Sales gals	44,573,593						
			44,574						
		Avg Ann Sales/O&M x1000	\$8.36						
			\$8.36						
		Ann Sales x Exist. Rate- 7.50/1000gals	\$334,302						

WATER DISTRICT NO. 2



WATER DISTRICT CONSUMPTION DATA

used for comparison calculations

GALLONS

	Total Gallons	Avg. (Mean)	Median	Accounts Below Avg (Mean) %	# Accounts Below (Mean)	Accounts Below Median
Quarter 1 <i>(Nov, Dec, Jan)</i>	13,958,250	35,621	22,500	69.7%	250	184
Quarter 2 <i>(Feb, Mar, Apr)</i>	8,929,500	18,171	17,000	58.1%	215	182
Quarter 3 <i>(May, Jun, Jul)</i>	7,573,650	19,429	18,000	62.7%	219	182
Quarter 4 <i>(Aug, Sep, Oct) '09</i>	12,336,350	33,618	21,000	70.9%	267	178
TOTAL	40,797,750	106,839	78,500	65.4%	238	182

Current Rate <11,000-\$40.00 >11,000-\$4.75/1000 DOLLARS

	Total Qrtly \$	Avg. (Mean)	Median	Accounts Below Avg (Mean) %	# Accounts Below (Mean)	Accounts Below Median %	# Accounts below median	Total Minimums (current rate)
Quarter 1 <i>(Nov, Dec, Jan)</i>	\$71,215.98	\$170.68	\$106.88	68.2%	250	50.20%	184	63
Quarter 2 <i>(Feb, Mar, Apr)</i>	\$35,111.89	\$88.69	\$80.75	58.5%	215	50.10%	184	99
Quarter 3 <i>(May, Jun, Jul)</i>	\$38,970.15	\$94.46	\$85.50	59.6%	219	50.10%	184	90
Quarter 4 <i>(Aug, Sep, Oct) '09</i>	\$63,932.78	\$174.26	\$99.75	72.7%	267	48.20%	177	57
TOTAL	\$209,230.79	\$528.10	\$372.88	64.8%	238	49.7%	182	306

At Proposed rate <5,300-\$40.00 >5,300-\$7.50/1000 DOLLARS

	Total Qrtly \$	Avg. (Mean)	Median	Accounts Below Avg (Mean) %	# Accounts Below (Mean)	Accounts Below Median %	# Accounts below median	Total Minimums (proposed rate)
Quarter 1 <i>(Nov, Dec, Jan)</i>	\$112,038.25	\$268.38	\$165.00	68.1%	250	48.70%	179	15
Quarter 2 <i>(Feb, Mar, Apr)</i>	\$54,758.38	\$138.18	\$123.75	58.4%	214	50.00%	184	28
Quarter 3 <i>(May, Jun, Jul)</i>	\$60,885.50	\$147.39	\$131.25	59.6%	219	50.00%	184	25
Quarter 4 <i>(Aug, Sep, Oct) '09</i>	\$100,549.25	\$274.07	\$157.50	72.7%	267	48.20%	177	19
TOTAL	\$328,231.38	\$828.01	\$577.50	64.7%	237	49.2%	181	87

