

Northern Westchester Joint Water Works

NWJWW Board of Trustees Meeting – March 15, 2024

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

Convened at 10:07 A.M.

Adjourned at 10:46 A.M.

Present:

Robert Scorrano, Chairperson, arrived 10:15 A.M	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
Alan Kassay, PKF O'Connor Davies, left at 10:25 A.M.	

A motion was made by Trustee Becker to adopt the February 16, 2024 minutes. Motion was seconded by Trustee Peterson. Motion approved 3-0.

Presentation of 2023 Financial Audit by PKF O'Connor Davies

Mr. Kassay from PKF O'Connor Davies presented the 2023 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 which was performed in accordance with government audit standards. He gave a narrative overview of the financial activities taken place over the 2023 year written by Mrs. Paget.

Mr. Kassay gave an overview of the comparative statement of revenue expenses and changes in net position. Water sales and surcharges decreased about 10%. Water purchases decreased 5% which is a direct function of the sales. The operating revenues are down about 8% primarily due to the water sales. Employee benefits increased to about \$600,000. This is spread across all the categories: retirement, health, dental and medical. The total operating expenses are \$11,811,493 versus \$11,582,840 which is comparable to about 2% which is not significant. In the non-operating revenues, the interest income increased \$221,000 from 2022. The change in net position is (\$471,000) versus last year which was \$463,000.

The Joint Water Works is on a full accrual basis and we have to record depreciation expense and all accruals. With retirement, there is a liability from GASB 68 which says that all municipalities have to record their proportionate share of the state's retirement liability. The actual expenses are significantly less than that. Mr. Kassay has a reconciliation to back out all of the accruals to put us on a modified accrual basis and then you can see the difference. The \$600,000 is the increase from last year to this year for all the retirement, health insurance and

dental and includes retirees.

Mrs. Paget said that in fund level presentation of the information a lot of those liabilities are recorded in a different fund not in the general fund. It is not that something different is happening, it is in accordance with the GASB requirements for the type of entity that the water works is. You see those impacts even though they do not have anything to do with how we budget and how we cover our expenses on a year to year basis.

Mr. Kassay mentioned that about 20 years ago the Government Accounting Standards Board came out with GASB 34 which required all municipalities to put in this statement and the statement of activities one full accrual basis for all municipalities, towns and villages and so forth. You have to record your OPEB liability, your post-employment benefits liability that you pay to all retirees and employees for their health insurance for when they do retire. The OPEB liability which does not affect your budget is \$9,343,068 which represents what is actuarially determined what the Joint Water Works will have to pay at this point in time for all current and retired employees for health insurance. The benefit payments of \$329,505 is what you actually paid in retirees health benefits in the current year 2023 which accounts for part of the \$600,000. He said a good decision was made to split your cash.

The total cash and investments are comparable to the prior year with investments and certificate of deposits earning about 4.8% which is the reason for the interest income. Due from other governments is the amount due from all the members of the Joint Water Works which is a little down from last year. Regarding capital assets, we purchased about \$420,000 split between various categories. Due to other governments is the amount due to New York City Water Board. The net investment in capital assets is \$15,000,000 which is equal to your total capital assets because normally that calculation and investment in capital assets is your capital assets less any debt used to acquire those assets. The Joint Water Works does not have any outstanding debt which makes the two numbers equal. The total net position decreased slightly from the prior year from \$14.8 million to \$14.3 million.

On the full accrual basis, which means you are capturing all your liabilities and expenses, the Joint Water Works had a net change position of (\$471,000) and last year the change in net position was 463,000. If you add back or take out the OPEB which is the accrual that is the actual expense, the actuary does this analysis every year, there is an increase of (\$54,000). Depreciation, a non-cash item, is \$1,133,000 which is comparable to the prior year. With GASB 68, which is the employee retire system, you have to add back almost \$300,000.

Mr. Kassay reported that the change in net position on the modified accrual basis is \$1,378,000. If you take your unrestricted full accrual of (\$966,000) and combine the both, your unrestricted net position on the modified accrual basis would have been \$413,000. When GASB came out with this, the intent was for anybody purchasing bonds, etc. in the private market GASB felt that they should be able to compare a municipality with a non-municipal entity doing the purchases of their bonds for their investment purposes. The rating agencies have never discussed the full accrual statement for the towns and villages when they do a bond rating call. We have to follow their statements in order to comply with all the pronouncements. The full accrual basis does not affect the budget in terms of operations.

Mr. Kassay mentioned that PKF O'Connor Davies issues a management letter if there are any control deficiencies and he is happy to say there were none. We always have the issue of segregation of duties because it is a small office but there are controls in place that they feel are adequate to alleviating the appropriation of assets. The audit went very smoothly as it always does. Mrs. Paget and her staff had no issues at all with turnaround time. Trustee Scorrano said is there any way to improve and Mr. Kassay said he does not think so. The Joint Water Works has a cost benefit relationship so another person looks at the same thing. Which he feels is sufficient. O'Connor Davies does control testing and look at various cycles such as payroll, cash disbursements, cash receipts and claims and there were no deficiencies or errors. Everything is operating the way it should be.

Mrs. Paget stated that the audit went very smoothly, communication was open and it was timely. We felt that we had a good line of communication to keep the process going.

Trustee Becker asked how is the fund balance from 2022 to 2023. Mr. Kassay said that the fund balance in 2022 was \$14.8 million verses \$14.3 million in 2023. Mrs. Paget said that we did have the operating surplus which Mr. Kassay mentioned when we reviewed it at last month's board meeting. We thought we were going to use some fund balance to offset the 2023 expenditures but because of the investment interest we were able to alleviate that. We had \$250,000 for investment interest as well as some other miscellaneous revenues. The rent which we collect on 82 Locust Avenue put us in a positive position of \$413,076. If we did not have that investment interest, we probably would have come close to breaking even in result of operations. Mr. Kassay said the interest on the \$6 million certificate of deposit was almost 5%.

Mrs. Paget said that generally speaking on a modified accrual basis, our fund balance is running about \$10 million. It is largely the capital plan and the 25% of budget which we need to keep on deposit in accordance with the chapter of unconsolidated laws that the Joint Water Works is formed under. The fund is to be available for any unforeseen circumstances. Anything over and above is what the Board has been using to make decisions for capital needs and probably PFOS for the upcoming years depending upon what comes of that.

Request for approval of change order #1 from Longo Electrical and Mechanical for Bid# 2022.10, Catskill High Lift Pump Upgrade

Mr. Geho mentioned that this request is for a formal approval for the change in the valves for the new pump we are putting in on the discharge going to the towns of Yorktown, Somers and Cortlandt. When the Plant was built, they put 150-pound flanges in which should have been 250 pounds. There is a conversion that we want to make sure that we stay in the right flange class. We are going on our second year with this project because of material delays and delay in Health Department approvals. Trustee Peterson asked if it was a delivery or ordering error. Mr. Geho stated that it was an oversight on both engineering and his behalf. There was a conversion from the 2 different class flanges and it was not picked up in the initial review when the bid went out but the contractor actually caught it. It is insurance that will protect the Joint Water Works. If the pipe breaks in the basement, we can lose the Plant. Trustee Peterson asked if it was just the flanges. Mr. Geho believes that he does not think the pipe was originally spec'd correctly and it is the wrong class pipe down there.

Mr. Geho mentioned that we cannot change the pipe but the valve that leads to the pipe. On the discharge side of the pump we are at about 160 pounds of pressure. Mr. Geho said that next year he is thinking of putting in a check valve because we identified a potential serious liability that we have downstairs. If the pipe breaks going out into the Yorktown system, it has about 160 pounds of pressure sitting on it. It sits at the lowest point of the plant which would flood the plant and all the motors. Trustee Peterson asked what the pipe is rated for and Mr. Geho said the pipe is rated for 250 psi.

If you have a major disruption in distribution like a break or a power surge where you lose a pump, this would be an additional safeguard. Trustee Becker asked if we should put the check valve in now while we are doing this. Mr. Geho said he thought about that but he said no because you need additional engineering work and Health Department approval. He would like to get this pump online because it gives us the additional capacity we need with new interconnect off of the 24-inch transmission main. We will move to get that on the 2025 capital plan so that we can start the work this year and we will have approvals and drawings in 2025.

A motion was made by Trustee Peterson to approve change order #1 to Longo Electrical and Mechanical for Bid #2022.10, Catskill High Lift Pump, in the amount of \$19,935. This will increase the initial cost to \$277,232 with proper funding to come from the capital project rate per thousand. The flanges were incorrect in size to properly support the pressure needed in the related piping. A motion was seconded by Trustee Becker. Motion approved 4-0.

Requests for permission to bid:

Amawalk Lagoon Residual Removal

Mr. Geho said that the Amawalk lagoon residual project is about every 3 years. The lagoons have to be dredged and we are looking to move about 1.2 to 1.5 million gallons out of the lagoons.

Mrs. Paget mentioned that we do not put this cost in the operating budget because then you would have this spike every 2 to 3 years. The cost usually runs from \$250,000 to \$300,000. We fund it out of the 20 cents per thousand. It is not on the capital project list because it does not technically qualify as a capital project. It is removal and there is nothing left behind to add to fixed assets. It has always been the intent that when we do the project, it is with the fact that it is paid from the 20 cents per thousand and thereby funded in that manner. Mr. Geho said that it is a 8 to 12 cents spike every 2 to 3 years in the water rate to fund this.

A motion was made by Trustee Lachterman to approve to bid out the Amawalk Lagoon Residuals removal which is performed every 2 to 3 years with a cost from \$250,000 to \$300,000. A motion was seconded by Trustee Peterson. Motion approved 4-0.

Amawalk One Million Gallon Water Storage Tank Painting

Mr. Geho said that this is the project we entered into a proposal for engineering last month which is a consolidated project with the Towns of Yorktown, Somers and the Joint Water Works. The applications are going to the Department of Health. We are looking to keep this project moving forward and just have blanket approval. Once all the documents are prepared

and approved, we will issue the bid and bring it back to the Board for approval. We are looking at June to have this sequencing. The Joint Water Works will look to take the lead on the actual bid process for the other entities. Once we get the documents ready to go and get it out, we will give time to get to the contractors to give us a price.

A motion was made by Trustee Becker to prepare documents and bid out the Amawalk One Million Gallon Water Storage Tank Painting. This is a consolidated project with the Towns of Yorktown, Somers and the Joint Water Works. A motion was seconded by Trustee Lachterman. Motion approved 4-0.

Amawalk/Catskill Interconnect Upgrade

Mr. Geho said that the Amawalk/Catskill Interconnect Upgrade was a budgeted capital project on the capital list approved in January. We are replacing a pressure reducing valve with a new altitude valve to help modulate pressures coming from Yorktown into the Catskill system.

A motion was made by Trustee Lachterman to approve to bid out the Amawalk/Interconnect Upgrade whereas the Joint Water Works is replacing a pressure reducing valve. A motion was seconded by Trustee Peterson. Motion approved 4-0.

Landscaping and Grounds Maintenance

Mr. Geho mentioned that the landscaping and grounds maintenance is an annual bid budgeted less than \$25,000 and we are looking to award this bid in April. Per the responsibility and authority of Mrs. Paget's position, she can award this bid provided it is at the price budgeted.

A motion was made by Trustee Lachterman to approve to bid out the Landscaping and Grounds Maintenance. With Mrs. Paget's responsibility and authority, she can award this bid at the price budgeted. A motion was seconded by Trustee Peterson. Motion approved 4-0.

Research of easements related to NWJWW and MID Properties

Mrs. Paget mentioned that we are going to table this subject from today's Board meeting. Mr. Geho said that we have an issue because there are a few easements that we have with our transmission mains which we have to clean up and have access to. He asked Mr. Cunningham that moving forward we may need some assistance in getting records of all our easements and what rights we actually have and look at potentially liabilities. Mr. Cunningham asked if we had copies of all our easements and Mr. Geho said we do not have the copies. Mr. Cunningham said it may make sense to get the help from a title company and then review it. We want to look at the potential liability that all the new developments have on us.

Trustee Peterson asked about the disruption which is going on with the 24-inch transmission main. Trustee Lachterman said that there have been inspections to make sure everything is far away as possible. No problems have come to Trustee Lachterman's attention. Mr. Geho said he spoke to the site manager and requested detailed drawings. The pipe is a much higher elevation than they thought so there is going to be a very small space between their infrastructure and our existing infrastructure. We want to have an idea of what they are proposing. We cannot have any kind of wall that we have to remove to fix to put back up and we just need to be protected.

Attorney's Report

Mr. Cunningham said that both he and Mr. Geho have been working with the class action attorneys on the PFOS litigation. We submitted everything we needed to so in a couple of months we should have a better idea about the timing of funding disbursements. Mr. Cunningham had a bill of sale for the Chairman to sign which is related to the resolution from last month with the Town of Yorktown transferring pipes.

Business Director's Report

Mrs. Paget reported that the field work audit for the Montrose Improvement District is complete and in a draft financial statement stage. We just completed work on unpaid water relevies for the Towns of Cortlandt, Yorktown and the Montrose Improvement District with the respective tax and assessor's office.

Mrs. Paget mentioned that we have a tentative date on the calendar to put the union agreement draft together.

Operations Director's Report

Mr. Geho said that he met with Sergeant Sarcola from the Town of Yorktown and walked the facility. We had a vulnerability assessment for the EPA which was done for compliance. He found out some things were needed to be addressed. This has been on the capital project list for quite some time and Mr. Geho would like to act on it. Prices for security cameras have gotten much cheaper which is a plus.

Mr. Geho reported that regarding the fluoride, he feels that around May we could have fluoride online. He is working with Mrs. Paget and the billing agency that processes the bills for the Town of Yorktown to send out a notice because we have to do a mailing to the residents. We should do one for the Town of Somers so he will request an address list from Mr. McQuillan.

Executive Session

A motion was made by Trustee Becker at 10:41 A.M. to enter into executive session. The motion was seconded by Trustee Peterson. Motion approved 4-0.

A motion was made by Trustee Scorrano at 10:45 A.M. to exit executive session. The motion was seconded by Trustee Lachterman. Motion approved 4-0.

A motion was made by Trustee Lachterman to authorize the provisional appointment of Mr. Ed Bagen, Water Treatment Plant Operator 11A to the position of Water Treatment Operator 1A effective March 18, 2024. A motion was seconded by Trustee Becker. Motion approved 4-0.

A motion was made by Trustee Peterson at 10:46 A.M. to adjourn the meeting. Motion seconded by Trustee Becker. Motion approved 4-0.

Resolution #2024-39

A motion was made by Trustee Becker to adopt the February 16, 2024 minutes. Motion was seconded by Trustee Peterson. Motion approved 3-0.

Resolution #2024-40

A motion was made by Trustee Peterson to approve change order #1 to Longo Electrical and Mechanical for Bid #2022.10 Catskill High Lift Pump in the amount of \$19,935. This will increase the initial cost to \$277,232 with proper funding to come from the capital project rate per thousand. The flanges were incorrect in size to properly support the pressure needed in the related piping. A motion was seconded by Trustee Becker. Motion approved 4-0.

Resolution #2024-41

A motion was made by Trustee Lachterman to approve to bid out the Amawalk Lagoon Residuals removal which is performed every 2 to 3 years with a cost from \$250,000 to \$300,000. A motion was seconded by Trustee Peterson. Motion approved 4-0.

Resolution #2024-42

A motion was made by Trustee Becker to prepare documents and bid out the Amawalk One Million Gallon Water Storage Tank Painting. This is a consolidated project with the Towns of Yorktown, Somers and the Joint Water Works. A motion was seconded by Trustee Lachterman. Motion approved 4-0.

Resolution #2024-43

A motion was made by Trustee Lachterman to approve to bid out the Amawalk/Interconnect Upgrade whereas the Joint Water Works is replacing a pressure reducing valve. A motion was seconded by Trustee Peterson. Motion approved 4-0.

Resolution #2024-44

A motion was made by Trustee Lachterman to approve to bid out the Landscaping and Grounds Maintenance. With Mrs. Paget's responsibility and authority, she can award this bid at the price budgeted. A motion was seconded by Trustee Peterson. Motion approved 4-0.

Resolution #2024-45

A motion was made by Trustee Lachterman to authorize the provisional appointment of Mr. Ed Bagen, Water Treatment Plant Operator 11A to the position of Water Treatment Operator 1A effective March 18, 2024. A motion was seconded by Trustee Becker. Motion approved 4-0.