

**ARBORS, GREENBUSH & VIOLET
AVENUE WATER DISTRICTS**

Hyde Park, NY

REORGANIZATION STUDY AND PLAN

**Evaluation of District Dissolution and
Transfer to Dutchess County
Water and Wastewater Authority**

January 2015

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INTRODUCTION

Partnership and Evaluation

The challenges of maintaining aging infrastructure and growing complexities in the regulation of water systems, coupled with the current economic climate and growing pressures to reduce the costs of providing municipal services, has prompted the Town of Hyde Park (Town) to partner with the New York State Department of State (DOS) and the Dutchess County Water and Wastewater Authority (DCWWA) to evaluate alternative solutions to continue providing potable water to the residents of the Arbors, Greenbush and Violet Avenue Water District. To advance this effort, the Town formed a Reorganization Study Committee (RSC) that includes representatives from the Town Board, the Advisory Committee and DCWWA Staff, and charged the RSC with the task of developing this Reorganization Study. The Town Attorney and Town Consulting Engineer, along with additional DCWWA staff, provided technical advice to the RSC.

The goal of the Project is to determine whether meaningful benefits can be realized by dissolving the existing Town Arbors, Greenbush and Violet Avenue Water Districts, and transferring ownership and management responsibilities for the water systems to the Dutchess County Water and Wastewater Authority (DCWWA). Benefits are considered to include; improved efficiency and quality of service delivery; keeping rates as low as possible while taking into account both the current system's operational expenses as well as long-term maintenance and rehabilitation of infrastructure; and improved efficiencies, services and savings Town-wide as local government officials are relieved of the increasing complexities of operating and managing small water systems and thereby able to commit greater time and attention to core municipal functions.

Over the coming years, the Town faces significant issues in terms of financing and managing the necessary maintenance, repair and future rehabilitation of the water system's aging infrastructure. Yet there are inherent difficulties faced by the Town, as with all municipalities, in meeting these challenges, most notably the competing demands on the time and resources of local government officials, the lack of full time staff with the necessary technical knowledge and experience, and the difficulty, in the face of biennial coterminous elections, of maintaining continuity in system oversight and the management of capital projects with two to four year life cycles. Specialized expertise and a long-term planning perspective are needed to develop alternative, regional solutions to optimize operational and capital efficiencies found with increasing scale, leading to stability in customer costs.

In contrast, the DCWWA has full time professional staff dedicated to the proper operation and long-term management of water and wastewater systems, with a long track record of successfully managing infrastructure rehabilitation and improvement projects. Through

consolidated management with existing DCWWA systems, there are opportunities for economies of scale and improved efficiencies.

This Reorganization Study Report is the result of the RSC's efforts to evaluate the potential dissolution of the Town's Arbors, Greenbush and Violet Avenue Water Districts (the Districts) with the intent that ownership of the systems and responsibility for the provision of water services would be transferred to the DCWWA.

GOALS AND OBJECTIVES

Specific objectives of this Re-organization Study include:

1. To develop a full understanding of the Violet Avenue, Greenbush and Arbors distribution systems and appurtenances in terms of their current physical condition and capacity, and the short and long term capital improvement needs;
2. To develop a full understanding of the current water purchase contracts between each District and the Poughkeepsie Joint Water Board, including term of contracts, water volume purchase obligations and availability compared to system demand, termination rights, and ability to assign the contract to another entity.
3. To develop a full understanding of water quality at the point of purchase from the Poughkeepsie Joint Water Board and as water quality parameters may change through the distribution systems to the point of end use.
4. To develop a full understanding of the fiscal condition of the Districts, in terms of actual revenues versus actual expenses, and availability of sufficient fund balance, and to understand future expenses and revenue requirements needed to properly operate and maintain the facilities into the future;
5. To develop a full understanding of the District's liabilities and indebtedness, possible opportunities to reduce debt service expenses, and the potential options for disposition of outstanding debt in the event of a transfer of ownership;
6. To evaluate options and develop preliminary cost estimates to interconnect each of the Districts to the existing DCWWA Hyde Park Regional Water System.
7. To develop a full understanding of any legal issues arising or potentially arising from the dissolution of the Districts, transfer of ownership of facilities, and establishment of water services by the DCWWA;
8. To identify the steps and timelines for dissolving the Districts and transferring ownership of facilities to the DCWWA.
9. To develop an accurate estimate of costs of dissolving the Districts and transferring ownership of facilities to the DCWWA; and
10. To educate District customers/property owners regarding the implications of dissolving the Districts and transferring ownership of facilities to the DCWWA, and to gauge the level of public support for such action.

To meet the above objectives, the Town retained the firm of T&B Engineering P.C. to complete the engineering evaluation. Their full report is provided as Appendix A. Legal analysis was provided by the Attorney to the Town is included as a Memorandum as Appendix B. The financial evaluation was completed with Town and DCWWA staff. DCWWA staff prepared the estimates of projected expenses and revenue requirements under DCWWA ownership.

Should the Town Board decide to dissolve the Districts, the Study will provide them with a road map of the steps to be taken and an estimate of the expenses that will be incurred (Draft Reorganization/Dissolution Plan.) Should the Town Board determine to maintain the Districts and ownership of the system, the Study will have provided them with an improved understanding of the physical and financial condition of the Districts, and will thereby provide the basis for efficient and effective management of the systems moving forward.

Overview of the Town

The Town of Hyde Park is located within the eastern portion of Dutchess County New York. Among its many municipal duties, the Town is responsible for the operations and maintenance of six water and two sewer special improvement districts, with responsibility for a third sewer district shared with the Town of Rhinebeck. Administration of the Town is directed by a five person Town Board, including a Supervisor (representing the entire Town) and four Town Board Members representing four separate Wards. The Supervisor and Board Members are each elected to serve two year coterminous terms. The Supervisor serves as the chief executive officer of the Town. The Town Board is the legislative body responsible for establishing policy and sanctioning expenditures.

The Arbors, Greenbush and Violet Avenue Water Districts (Districts) are special improvement districts that provide potable water supply service to their respective customers. Each District is an administrative subdivision of the Town, managed directly by the Town Board. The Town previously adopted, by resolution pursuant to the powers vested in it by S. 198(1)(9) and 3(c) of Town Law, rules and regulations for the Arbors and Greenbush Districts, but not the Violet Avenue District. The Town Board appoints residents from within the District to an Advisory Committee representing each district, charged with providing the Town Board with general advice regarding the oversight of the District. The Town's Comptroller Office oversees the financial management of each District. A full time Senior Account Clerk evaluates requisitions. A part-time Clerk processes payment for contracted work and materials. The Town's Receiver of Taxes collects utility payments from District customers and annually collects unpaid amounts through the relevy tax process.

The Town relies on a private contract operations firm to handle day to day operations, including management of potable water production and distribution, regulatory compliance including sample collection and interpretation, preparation of monthly reports, and routine equipment and facility maintenance. Major repairs, emergency response and additional services such as meter reading, customer tracking and development of customer bills, are provided on a time and material basis, as defined by the operations contract or additional proposals. The Town Consulting Engineer advises the Town on an as needed basis.

Overview of the DCWWA

The Dutchess County Water and Wastewater Authority (DCWWA) is a public benefit corporation that was established in 1991 by an act of the State, at the request of Dutchess County. The DCWWA is empowered to supply water; to accept and treat wastewater; fix rates and collect charges for its services; to acquire real property; and to issue debt, among other powers. In carrying out its functions, the DCWWA is deemed to be acting in a governmental capacity; the DCWWA is tax-exempt, it must comply with general municipal law requirements regarding competitive procurement practices, and its actions are subject to the requirements of the State Environmental Quality Review Act (SEQRA.) As a public organization, the DCWWA is subject Open Meetings and Freedom of Information Laws.

The DCWWA is governed by a Board of Directors appointed by the County Executive and the County Legislature, for staggered five year terms. Ex-officio board members include the Dutchess County Commissioner of Planning and Development, and the Manager of the County Soil and Water Conservation District. The DCWWA has a full time professional staff of 20 including management, project and administrative staff, a staff engineer and licensed water and sewer operators. The DCWWA operates its systems with a combination of staff operators and contract operators.

The DCWWA currently owns and operates eleven water systems, three sewer systems and one water transmission system, located within ten different municipalities. Collectively these systems serve just over 4,100 residential and commercial customer connections. Since 1995, the DCWWA has completed over \$45 million in capital improvement projects, the largest of which was the \$23 million Central Dutchess Water Transmission Line.

System Description

Water Districts

The Arbors Water District is located along the southern edge of the Town west of US Route 9G. The Arbors customer base (Service Area Map: Appendix E) consists of a population of approximately 450 served through one wholesale connection to the Arbors Condominiums water system and five additional residential contract customers. The Arbors Water District

(Arbors) was originally served by wells within the property of the Arbors condominiums, by the privately held Arbors Water Corporation. Arbors was acquired by the Town of Hyde Park in the 2002-2003 time frame. Poor water quality and supply forced them to seek an alternate source, and in 2003 the Poughkeepsie Joint Water Board (PJWB) began delivering water to the District, with a meter pit located near the intersection of Legion Road and Windsor Drive. The original treatment building from the former water district now serves as the customer meter enclosure for the condominiums.

The formation of the Violet Avenue Water District preceded the Greenbush Water District by several years. The exact date of formation for the Violet Avenue District is not known but it was created in the 1985 to 1995 time frame. The Greenbush Water District was created between 2002 and 2004. The Violet Avenue and Greenbush Water Districts were both formed in response to methyl tert-butyl ether (MTBE) contamination found to be impacting individual property wells.

The Greenbush Customer base consists of approximately 181 residential and commercial connections located along Route 9G on the southern edge of the Town. The Violet Avenue customer base consists of eleven residential and commercial service connections. The Violet Avenue district is located on the southern edge of the Town serving parcels adjacent to Route 9G.

Physical Facilities

Water Supply and Treatment System

Water for the Arbors system is purchased from the Poughkeepsie Joint Water Board (PJWB), whose water source is a 19.3 MGD water treatment facility drawing water from the Hudson River. Water sold to Arbors is metered via a master meter near the intersection of Legion Road and Windsor Drive. The Arbors Water District has an agreement with the PJWB to use 32,000 gal/day of water with an encroachment fee charged for additional usage above 40,000 gal/day. This is a "Take or Pay" agreement, which means that the District pays for 32,000 gal/day whether or not the District uses the entire amount.

The Violet and Greenbush Water Districts also purchase water from the PJWB. The Violet Avenue District interconnection with the Town of Poughkeepsie's water system is located at the northeast corner of the property at 2 Cobey Terrace at the master meter station. Greenbush retails water through Violet Avenue District. Violet Avenue and Greenbush share the Master Meter at the interconnection to Town of Poughkeepsie water distribution system. The Violet and Greenbush Water Districts have an agreement with the PJWB to use 80,000 gpd of water with an encroachment fee charged for additional usage above 120,000 gpd. This is also a Take or Pay agreement.

Transmission and Distribution

The Arbors Water District distribution system includes a master meter at point of purchase from PJWB, approximately 1,300 feet of 8-inch ductile iron water main prior to the customer owned master meter at Arbors Condominiums, five single family residential service connections, and appurtenances.

The master meter for the Arbors Condominium is housed in the Arbors Former Treatment Building. The building is owned by the Arbors Condominium Homeowners Association. The easement documents granting the Town access to the water main on the Arbors property and to the Former Treatment Building create some ambiguity regarding responsibility for maintenance of the building. As the building is in generally poor condition, it is imperative that this issue be resolved.

The Violet Avenue Water District includes approximately 600 feet of 8-inch ductile iron water main, a shared master meter with Greenbush, eleven service connections, and appurtenances. The Greenbush water district includes approximately 2,600 linear feet of ductile iron water main along route 9G, and another 11,850 feet of ductile iron water main along Town roads. According to plans prepared by the design Engineer, the water mains in the system are primarily 8-inch, with a small section of 10-inch along Route 9G, and a small section of 4-inch ductile iron along Pells Court, after the booster pump station. The system piping is approximately 10 years old and is in good condition.

Engineering Evaluation

The full text of the Engineering Evaluation prepared by T&B Engineering, P.C. may be reviewed in Appendix A. A brief summary of the report is provided below.

The infrastructure within in all three districts was identified by the evaluating engineer as being in generally good condition, however recommendations were made to protect worker safety and site security. In addition, improvements were recommended to the Pells Court Booster Station in the Greenbush Water District. The three distribution systems were found to be in good condition, with no significant history of water main failures, and so there is no reason to believe that the pipe will require replacement prior to its expected useful life of 50-80 years.

The primary concern that the Districts face is addressing the water quality issues associated with Disinfection By-Products (Total Trihalomethanes and Haloacetic Acids.) Disinfection By-Products levels are primarily a function of the quality of water leaving the treatment facility, and water age. Water age is complex and affected by the operation of storage facilities in the Poughkeepsie system, and the flow of water throughout the entire Poughkeepsie system as well as within the Arbors, Violet Avenue and Greenbush systems.

The Districts are currently addressing these issues with a proactive flushing program. It is anticipated that water quality will improve with future improvements now being designed for the Poughkeepsie water treatment facility. According to the PJWB construction is anticipated to be complete by the spring of 2016.

Arbors Water District

Source Capacity and Quality Evaluation

Water for the Arbors system is purchased from the PJWB, and is metered via a master meter near the intersection of Legion Road and Windsor Drive. The water purchase agreement requires the District pay for a minimum of 32,000 gallons per day with the opportunity to purchase additional usage above this at the typical rate. An additional encroachment fee may be charged when flows elevate above 40,000 gallons per day. Typically, district flows appear to be on average 23,044 gallons per day or 16 gallons per minute based on data presented in the Engineering Evaluation. High flow days, represented in the engineering report, were attributed to distribution system flushing and leak events occurring within the Arbors Condominium's distribution system. A review of long term usage data may indicate an opportunity to right size the minimum flow purchased.

The Agreement between the Arbors Water District and the PJWB states that Poughkeepsie is not obligated to provide fire service to the District. Due to the capacity of the Poughkeepsie's Spring Street pumping station, which provides flow to the Arbors District, system capacity is insufficient to meet fire flow requirements.

Facility Conditions

The Evaluation Report includes recommendations for system improvements, organized by the priority level assigned to the recommendation.

Urgent Items represent those issues that should be addressed immediately, including security concerns, OSHA safety, fire/smoke protection and sanitary concerns. Specific recommendations include:

- Develop confined space entry procedures for meter pit
- Service the existing pressure reducing valve

Short Term Items are recommended to be addressed in the next five years or fewer. Key recommendations include:

- Provide bollards
- Repaint pipe and repair pipe supports for meter pit
- Provide ladder up, safety net, and davit arm base for meter pit

Short Term Planning/Studies:

- None

Long Term Items are recommended to be addressed in the next six to fifteen years.

- None

The following table summarizes the anticipated investment required in the system for the Urgent, Short Term and Long Term Items for the District. For additional detail refer to Sections 2 of the Evaluation Report. Note that the table below includes the estimated total project cost, but does not include projected cost escalation over time. For additional breakout, refer to Appendix D of the Evaluation Report. The Former Treatment Building is owned solely by the Arbors Condominium Homeowners Association. Costs related to its repair and maintenance are shown in the Evaluation Report as reference.

Action Category	Total Capital Cost
Urgent	\$ 8,500
Short Term Items – 5 years of less	\$ 18,375
Total	\$ 26,875

Greenbush/Violet Avenue Water District

Source Capacity and Quality Evaluation

Water for the Greenbush/Violet Avenue Water system is purchased from the PJWB, and is metered via a master meter near the intersection of Cobey Terrace and Violet Avenue. The water purchase agreement requires the District pay for a minimum of 80,000 gallons per day with the opportunity to purchase additional usage above this at the typical rate. An additional encroachment fee may be charged when flows elevate above 200,000 gallons per day. Typically, district flows appear to be on average 47,436 gallons per day or 33 gallons per minute based on data presented in the Engineering Evaluation. Despite the occasional max day, the district does not typically exceed the minimum purchase. Between July and November the max day exceeded 110,000 seven times as determined by the evaluating engineer.

The Agreement between the Greenbush and Violet Avenue Water Districts and the PJWB states that Poughkeepsie is not obligated to provide fire service to the District. Due to the capacity of the Poughkeepsie’s Spring Street pumping station, which provides flow to the Arbors District, system capacity is insufficient to meet fire flow requirements.

Facility Conditions The Evaluation Report includes recommendations for system improvements, organized by the priority level assigned to the recommendation.

Urgent Items represent those issues that should be addressed immediately, including security concerns, OSHA safety, fire/smoke protection and sanitary concerns. Specific recommendations include:

Meter Pit

- Develop confined space entry procedures for meter pit

Pump Station

- Post warning signs for electrical equipment
- Re-wire transmitters

Short Term Items are recommended to be addressed in the next five years or fewer. Key recommendations include:

Meter Pit

- Provide ladder up, safety net, and davit arm base
- Re-seal pipe penetrations

Pump Station

- Provide bollards
- Provide security fencing around pump station
- Provide alarm system
- Provide manual transfer switch portable generator receptacle

Long Term Items are recommended to be addressed in the next six to fifteen years.

Pump Station

- Replace pumps with above grade package pump station
- Install stand-by generator and automatic transfer switch on site

Recommended Studies:

- Survey of existing right-of-way at Pells Court to determine if Greenbush Pump Station lies within right-of-way

The following table summarizes the anticipated investment required in the system for the Urgent, Short Term and Long Term Items for all three districts. For additional detail refer to Sections 2 of the Evaluation Report. Note that the table below includes the estimated total project cost, but does not include projected cost escalation over time. For additional breakout, refer to Appendix D of the Evaluation Report.

Action Category	Total Capital Cost
Urgent	\$ 9,600
Short Term Items – 5 years or less	\$ 67,500
Long Term	\$ 663,000
Total	\$ 748,300

Interconnection Alternatives

The Evaluation Report also considered the potential for an interconnection between the Arbors Water District and DCWWA Hyde Park Water District, and for interconnections between the Greenbush District and both the Pinebrook District and the DCWWA Hyde Park Water District. Note that, although not detailed in the Evaluation Report, the Pinebrook District is also considering interconnections with the DCWWA Hyde Park System via Holt Road. This alternative has the added benefit of serving many additional homes along Holt Road where water quality issues are currently a problem due to failing septic systems. The cost saving benefits associated with shared interconnections should be considered in any future evaluation.

Interconnection Alternative	Total Capital Cost
Interconnection – Arbors with DCWWA	\$ 3,155,200
Interconnection – Greenbush with DCWWA	\$4,957,200
Interconnection – Greenbush with DCWWA via Holt Road and Pinebrook	\$3,324,700

At such time as major improvements are required, or the current water supply does not improve in quality, the District(s) may benefit from interconnection to the Hyde Park Regional Water System. The benefits include provision of fire protection, improved water quality and economic stability associated with spreading production, treatment and storage costs with the considerably larger Hyde Park Regional Water System customer base. When considering replacement of current infrastructure versus an interconnection, the District must weigh both the capital cost and operations and maintenance costs over the full life-span of the infrastructure as well as water quality from the current source.

FINANCIAL REVIEW AND EVALUATION

The Town of Hyde Park annually develops a budget to operate and maintain the Water Systems, taking into account anticipated expenses for labor, electric, chemicals, insurance, laboratory fees and so on. Additionally the budgets include anticipated repair expenses. A public hearing is held on the proposed District budgets in conjunction with Town's overall budget development process.

Arbors Water Rates

The district's rate structure contains two categories that include individually metered single family residences and the Arbors Condominium. Charges to individually metered single family residences includes a quarterly charge of \$91.05, up to 27,300 gallons, plus a charge of \$3.75 per thousand gallons of metered water usage above the minimum. Charges to

the Arbors Condominium include a quarterly charge of \$9255.71, up to 2,775,501 gallons, plus a charge of \$3.75 per thousand gallons of metered water usage above the minimum. The below table depicts annual cost per customer category.

Table: Water Rates and Typical Cost Per Customer			
Charge	Type	Rate	Typical Annual Charge Per Customer
INDIVIDUALLY METERED SINGLE FAMILY RESIDENCE			
Flat Rate Water	Quarterly Charge	\$91.05	\$364.20
Metered Rate	Usage Charge	\$3.75/1000 gal	\$0*
		Grand Total	\$364.20*
ARBORS CONDOMINIUM - MASTER METER			
Flat Rate Water	Quarterly Charge	\$9,255.71	\$37,022.84
Metered Rate	Usage Charge	\$3.75/1000 gal	\$0**
		Grand Total	\$37,022.84
<i>*Based on 110 gallons per day for typical residential customer, which are below the minimum.</i>			
<i>**Based on 2013-14 Recorded Usage Data depicting flows below minimum.</i>			

The Town reports no recent change in the rates. No rate change is anticipated for 2015.

Greenbush Water Rates

The typical Greenbush Water District customer’s operation and maintenance bill includes a biannual flat rate charge of \$150 per benefit unit. The below table depicts annual cost for the typical customer with a single benefit unit.

Table: Water Rates and Typical Cost Per Customer			
Charge	Type	Rate	Typical Annual Charge Per Customer
Flat Rate Water	Quarterly Charge	\$150.00	\$300.00
Metered Rate	Usage Charge	NA	NA
		Grand Total	\$300.00

The Town reports no change in the rates since 2010. No rate change is anticipated for 2015.

Violet Avenue Water Rates

The typical district customer’s operation and maintenance bill includes a quarterly charge of \$50.00, plus a charge of \$2.30 per thousand gallons of metered water usage. The below table depicts annual cost per customer.

Table: Water Rates and Typical Cost Per Customer			
Charge	Type	Rate	Typical Annual Charge Per Customer
Flat Rate Water	Quarterly Charge	\$50.00	\$200.00
Metered Rate	Usage Charge	\$3.75/1000 gal	\$92*
		Grand Total	\$300.00

**Based on 110 gallons per day for typical residential customer.*

The Town reports no change in the rates since 2010. No rate change is anticipated for 2015.

Multi-Year Expense and Revenue Evaluation

For purposes of this Report, actual revenues and expenses for 2011 through 2013 were evaluated, as were the projected revenues and expenses for 2014, and budgeted revenues and expenses for 2015. Summary presentations of each Districts budgets are provided below.

ARBORS WATER DISTRICT

ARBORS WATER DISTRICT
Multi-Year Budget Evaluation

	2011 ACTUAL	2012 ACTUAL	2013 ACTUAL	2014 ADOPTED BUDGET	2014 ADJUSTED BUDGET	2015 ADOPTED BUDGET
Beginning Fund Balance	(38,941)	5,648	32,661	32,157	32,157	25,157
Annual Expenses	37,449	48,388	39,271	46,000	46,000	45,000
Water Purchase	23,447	34,824	22,860	24,000	24,000	24,000
Power/Chemicals	-	-	-	737	737	-
Operations	8,551	8,006	8,263	8,263	8,263	8,263
ERM	3,265	525	161	3,000	2,280	4,737
Lab/Sampling/Permit	-	735	4,309	3,000	2,500	-
Administration	1,050	3,162	2,500	5,000	5,000	5,000
Legal/Engineering	1,136	576	678	1,500	2,720	2,500
Insurance	-	560	500	500	500	500
Operations Contingency						
Annual Revenues	82,038	75,401	39,271	46,000	46,000	45,000
Water Sales/Penalties	32,656	39,082	38,767	39,000	39,000	39,000
Property Taxes	35,683	36,320	-	-	-	-
Other	13,699	-	-	-	-	-
Transfer from Fund Balance		-	504	7,000	7,000	6,000
Ending Fund Balance	5,648	32,661	32,157	25,157	25,157	19,157

It should be noted that the largest component of the budget for Arbors -more than half – is the payment to the PJWB for the Take or Pay water purchase obligation. As this is a fixed expense, the Town has appropriately established a rate structure wherein the usage allowance included within the fixed quarterly charge covers the full 32,000 GPD Take or Pay purchase obligation established in the water purchase agreement. The water purchase line in the budget is consistent with the water charges from the PJWB. However in the event of a distribution system leak or the need for extensive flushing, the District could be subject to additional water charges at a higher encroachment rate (as occurred in 2012), without the ability to collect additional user charges from customers. This should be taken into account in determining the most appropriate use of system fund balance. It appears the District’s 2015 Adopted Budget makes no allowance for Sampling and Laboratory expenses in 2015, despite the historical expenses and the regulatory requirements to which the District is subject (particularly to monitor Disinfection By-Products levels.)

The District should also note that, pursuant to the water purchase agreement, the PJWB may pass on to the District “a proportionate share of subsequent capital costs to the water treatment facility.” Based on the current estimated costs of the ongoing improvements to the water treatment plant, the PJWB has estimated the additional cost to be in the range of \$0.25 per thousand gallons, or a 13% increase over the current rate. This would increase the District’s annual water purchase cost (for the Take or Pay volume) by about \$3,000 per year.

Under the current Administration, the Town has taken steps to understand and more

appropriately assign value to the level of effort required by Town personnel to administer each water and sewer system under its purview. Accordingly, the Town has annually increased its administrative charges to the system, and intends to continue to do so until the budgets reflect the full value of services provided.

Through the system evaluation, the need for increased oversight from professional management has become evident. As the System ages the need increases for this type of management. At the time of this writing, the District enjoys pro bono engineering consulting services to assist with oversight of operations of its water and sewer systems, provided by the Town engineering consultant currently under retainer for all other engineering services to the Town. This situation is considered a temporary stop gap measure until a permanent solution involving professional management can be arranged or the districts are transferred to the DCWWA. If the stop gap measure is to become the norm, it is generally acknowledged that the systems should contribute toward Town's annual engineering retainer fee.

System fund balance is the difference between a District's current assets and its current liabilities. Any fund balance which is not designated or reserved for specific purposes serves as a general operating contingency fund for the District, to provide for cash flow and to enable the District to respond to unanticipated events or emergencies during the year. The determination of the appropriate level of fund balance to maintain should also take into account the projected cost

of needed system maintenance and improvement items that have been identified, and the plan for financing those improvements.

The Arbors District accumulated significant fund balance (\$71,600) in 2011 and 2012, when it appears revenues were collected through both the quarterly user billing and property tax methods. The District used a small allocation in of fund balance in 2013, and has budgeted to take \$7,000 and \$6,000 from fund balance to offset budgeted expenses in 2014 and 2015 respectively. While the system is budgeted to end 2015 with a reasonable amount of fund balance (approximately \$19,000), and assuming a reasonable amount of fund balance is retained for contingency and cash flow purposes, the District will be unable to continue to offset rates at this level beyond 2016. In addition, the engineering evaluation identified Urgent and Short Term Improvement Items that should be funded from a combination of current revenues and fund balance.

GREENBUSH AND VIOLET AVENUE

**GREENBUSH WATER DISTRICT
Multi-Year Budget Evaluation**

	2011 ACTUAL	2012 ACTUAL	2013 ACTUAL	2014 ADOPTED BUDGET	2014 ADJUSTED BUDGET	2015 ADOPTED BUDGET
Beginning Fund Balance	83,173	30,408	33,268	30,645	30,645	30,645
Annual Expenses	233,334	237,359	260,002	264,214	264,214	255,000
Water Purchase	53,916	54,545	57,608	54,000	64,000	58,000
Power/Chemicals	2,294	788	1,480	2,500	2,500	3,000
Operations	8,033	10,888	10,924	10,924	10,924	10,924
ERM	465	1,866	3,109	8,576	3,136	6,076
Lab/Sampling/Permit	3,170	720	9,855	1,000	3,868	3,845
Administration	6,620	10,523	15,000	19,500	19,500	19,500
Legal/Engineering	2,532	851	3,193	2,500	7,000	5,500
Insurance	-	3,020	2,000	1,000	1,000	1,000
Debt Service	156,304	154,159	156,833	164,214	152,286	147,155
Annual Revenues	233,334	240,219	257,379	264,214	264,214	255,000
Water Sales/Penalties	1,416	84,233	103,220	99,000	99,000	103,845
Property Taxes	172,823	154,867	154,159	165,214	165,214	146,155
Other	6,330	1,120				
Transfer from Fund Balance	52,765					5,000
Ending Fund Balance	30,408	33,268	30,645	30,645	30,645	25,645

**VIOLET AVE WATER DISTRICT
Multi-Year Budget Evaluation**

	2011 ACTUAL	2012 ACTUAL	2013 ACTUAL	2014 ADOPTED BUDGET	2014 ADJUSTED BUDGET	2015 ADOPTED BUDGET
Beginning Fund Balance	30,706	34,143	36,695	40,499	40,499	29,499
Annual Expenses	818	2,479	2,550	10,000	17,000	7,000
Water Purchase	-	271		1,000	1,000	1,000
Power/Chemicals				843	843	-
Operations		667	800	800	800	800
ERM		205	60	2,357	9,057	200
Lab/Sampling/Permit			112	-	300	-
Administration	818	1,100	1,278	3,500	3,500	3,500
Legal/Engineering		136		1,000	1,000	1,000
Insurance		100	300	500	500	500
Operations Contingency						
Annual Revenues	4,255	5,031	6,354	10,000	17,000	7,000
Water Sales/Penalties	4,255	5,031	6,354	4,000	6,000	4,000
Transfer from Fund Balance				6,000	11,000	3,000
Ending Fund Balance	34,143	36,695	40,499	34,499	29,499	26,499

Greenbush and Violet Avenue purchase water from the PJWB pursuant to a single water purchase agreement. It should be noted that the largest component of the combined District budgets -more than half – is the payment to the PJWB for the Take or Pay water purchase obligation. The water purchase line in the budget is consistent with the water charges from the

PJWB. However in the event of a distribution system leak or the need for extensive flushing, the District could be subject to additional water charges at a higher encroachment rate (as appears to be the case for 2014 in Greenbush), without the ability to collect additional user charges from customers. This should be taken into account in determining the most appropriate use of system fund balance.

The District should also note that, pursuant to the water purchase agreement, the PJWB may pass on to the District “a proportionate share of subsequent capital costs to the water treatment facility.” Based on the current estimated costs of the ongoing improvements to the water treatment plant, the PJWB has estimated the additional cost to be in the range of \$0.25 per thousand gallons, or a 13% increase over the current rate. This would increase the combined Districts’ annual water purchase cost (for the Take or Pay volume) by about \$7,300 per year.

From time to time it has been determined that properties have been connected to the Greenbush Water distribution system without the Town’s knowledge, and therefor without being billed for water services. It is not known at this time how many connected properties are not being billed. Diligent efforts should be taken, on an ongoing basis, to ensure that all properties benefiting from a connection to the water system are being properly billed.

Under the current Administration, the Town has taken steps to understand and more appropriately assign value to the level of effort required by Town personnel to administer each water and sewer system under its purview. Accordingly, the Town has annually increased its administrative charges to the system, and intends to continue to do so until the budgets reflect the full value of services provided.

Through the system evaluation, the need for increased oversight from professional management has become evident. As the System ages the need increases for this type of management. At the time of this writing, the District enjoys pro bono engineering consulting services to assist with oversight of operations of its water and sewer systems, provided by the Town engineering consultant currently under retainer for all other engineering services to the Town. This situation is considered a temporary stop gap measure until a permanent solution involving professional management can be arranged or the districts are transferred to the DCWWA. If the stop gap measure is to become the norm, it is generally acknowledged that the systems should contribute toward Town’s annual engineering retainer fee.

System fund balance is the difference between a District’s current assets and its current liabilities. Any fund balance which is not designated or reserved for specific purposes serves as a general operating contingency fund for the District, to provide for cash flow and to enable the District to respond to unanticipated events or emergencies during the year. The determination of the appropriate level of fund balance to maintain should also take into account the projected cost of needed system maintenance and improvement items that have been identified, and the plan for financing those improvements.

Both Violet Avenue and Greenbush Water Districts have budgeted for the allocation of fund

balance in 2014 and 2015 to offset system expenses, and are budgeted to end 2015 with comfortable amounts of fund balance. Fund balance appropriation going forward should take in to account the trends in increasing electric, equipment repair and maintenance costs and associated consultant costs, and the increasing water purchase costs, as well as the need to fund the Urgent and Short Term Improvement Items identified in the engineering evaluation.

Potential future water district bonding and State Tax Cap implications

As permitted by Town Law §202, a Special District, such as the Greenbush, Violet Avenue and Arbors Water Districts, may levy special assessments on benefited property within the district to fund capital improvements. The Town of Hyde Park Board serves as the governing board for the Districts and has the power to levy special assessments (benefit assessments) on benefited properties within.

In accordance with “The Property Tax Cap Guidelines for Implementation” published by the NYS Department of Taxation and Finance and the NYS Department of State (Publication 1000 9/11), for the purposes of the New York State Property Tax Cap Law, any such benefit assessments levied by the Town in the Districts must be applied to the tax levy limit of the Town. Under this scenario, the Town may be forced to adjust the Town wide budget to remain under the tax cap limit or breach the cap in order to finance repairs within a Special District.

Proposed Transfer of Ownership to DCWWA

Benefits of transfer to DCWWA

The stated mission of the DCWWA is, “to protect and enhance the health, environmental sustainability and economic stability of Dutchess County and its residents through the provision of clean drinking water and proper treatment of wastewater, acting at all times with a commitment to accountability and transparency.” Through strong operational oversight and sound fiscal management, the DCWWA is committed to providing reliable service to its water and sewer system customers at a reasonable cost commensurate with the cost of proper operations.

All meetings of the DCWWA Board of Directors are open to the public. Through the website www.DCWWA.org, the public has access to annual drinking water quality reports; approved system rates; board meeting schedules, agendas and minutes; and emergency contacts information. Via this website, customers and interested parties may receive timely advisories and alerts, including emergency notifications and announcements of routine system maintenance, such as water line flushing. Customer newsletters mailed with every utility billing statement contain 24/7 emergency contact information, updates on improvement projects, and reminders regarding the basic rights and responsibilities between the customer and service provider.

The DCWWA maintains sound fiscal management practices and controls in accordance with government accounting and other applicable standards and guidelines. Policies addressing Procurement, Accounting, Investment and Banking, and Property Disposal are annually reviewed and adopted, and are available to the public. The DCWWA is subject to an annual audit by an independent, certified accounting firm. As the owner of fifteen public water and sewer systems, the DCWWA's significant purchasing power and strong emphasis on competitive procurement leads to more economical pricing for goods and services ranging from contract operations to sludge hauling and chemical purchases.

The DCWWA Board is responsible for annually approving budgets and establishing rates for each system. Draft budgets and rates are prepared in early November, and made available to customer advisory committees, local elected officials and interested customers. Proposed rates are posted on the DCWWA website. A public hearing on the draft budget and rates is held in mid-November. Budgets and rates are approved by the Board at its December meeting. Final rates are distributed to all customers in the next bill mailing and posted on the Authority website.

DCWWA staff includes a licensed engineer and experienced water and sewer operators that hold the highest levels of licenses and certifications. This strong and knowledgeable management provides the opportunity to monitor and address issues in a timely manner, to ensure regulatory compliance and continuity of service, to ensure routine maintenance is completed thereby

prolonging equipment lifecycles and avoiding unnecessary repairs, and to avoid unintended consequences with serious negative outcomes.

The DCWWA annually develops and adopts a 5-year capital improvement plan for its water and wastewater systems. The project management capabilities of a full-time professional staff enable DCWWA to consistently complete major capital improvement and expansion projects on-time and on-budget. DCWWA enjoys an "AA" rating from Standard & Poor's, allowing it to bond for capital improvement projects at low interest rates. In addition, the DCWWA has often been successful in obtaining grants and low-interest loans to keep project costs as low as possible.

Ownership and Operation of Arbors, Greenbush and Violet Avenue under DCWWA

DCWWA operates its water and sewer systems with a combination of staff operators and contract operators. Should ownership of the Water Systems be transferred to DCWWA, the current contract operator would be retained to ensure a smooth transition. Oversight of the contract operator would be provided by DCWWA's Director of Operations with assistance from its System Operations and Maintenance Specialist. DCWWA solicits proposals for contract operations on a three year cycle. DCWWA will periodically analyze whether it is more cost effective to continue to use a contract operator for Pinebrook, or to assign DCWWA staff to operate the System. Additionally, DCWWA would proposed to evaluate whether there any advantages, from operations, regulatory and administrative perspectives, of consolidating the operation of the Violet Avenue and Greenbush Water Districts.

Projected 2015 system budgets have been prepared by DCWWA, and are presented in summary form below. The budget projections assume the Systems are transferred to the Authority during 2015. Should the systems be transferred mid-year, the budgets would be pro-rated for the portion of the year DCWWA would own the systems. Based on an analysis of the Town's current rate structure and historical revenue figures, and assuming the same level of fund balance allocation for 2015 as budgeted by the Town, DCWWA projects that the current rate structures would be sufficient to cover projected expenses. Accordingly, DCWWA would propose no increase to the current rates for 2015 operation by DCWWA. However, it should be noted that increases are likely to be needed in future years as the Arbors District fund balance is depleted, and upon the addition of capital improvement costs to the Poughkeepsie water purchase rate.

As of this writing, the Town has addressed several of the "Urgent Items" and Short Term Items identified in the engineering evaluations for Arbors, Greenbush and Violet Avenue, such as re-wire transmitters and installing alarms in the Greenbush booster station, and installing electrical equipment and confined space warning signs. DCWWA has evaluated and prioritized the remaining Urgent and Short Items. With the assumption that most tasks could be completed by contract operators and DCWWA staff, DCWWA projects that these items could be completed for a total cost of approximately \$7,000 in the Arbors District, and another \$8,000 to address Urgent and Short Term Items in the Greenbush and Violet Avenue Districts. It is proposed this work be completed through the appropriation of system fund balance. DCWWA would propose to monitor other recommended improvements on an ongoing basis and assess in the context of available system funding.

**DCWWA PROPOSED 2015 BUDGET
ARBORS WATER SYSTEM**

Beginning Fund Balance	25,157
Annual Expenses	45,097
Water Purchase	24,000
Power/Chemicals	
Operations	9,647
ERM	1,800
Lab/Sampling/Permit	2,757
Administration	5,233
Legal/Engineering	750
Insurance	500
Operations Contingency	410
Annual Revenues	45,097
Water Sales/Penalties	39,097
Property Taxes	
Other	
Transfer from Fund Balance	6,000
Ending Fund Balance	19,157

Arbors Water District Proposed Improvements – First Five Years

Funding Source: Fund Balance and Current Revenues

- Service existing pressure reducing valve
- Provide bollards to protect meter pit
- Repaint pipe and repair pipe supports in meter pit

Total Estimated Expense: \$7,000.

**DCWWA 2015 PROPOSED BUDGET
GREENBUSH WATER SYSTEM**

Beginning Fund Balance	30,645
Annual Expenses	
Water Purchase	57,000
Power/Chemicals	887
Operations	13,874
ERM	4,915
Lab/Sampling/Permit	3,870
Administration	27,662
Legal/Engineering	750
Insurance	1,139
Debt Service	147,155
Annual Revenues	257,252
Water Sales/Penalties	105,097
Property Taxes	147,155
Other	
Transfer from Fund Balance	5,000
Ending Fund Balance	25,645

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**DCWWA PROPOSED 2015 BUDGET
VIOLET AVENUE WATER SYSTEM**

Beginning Fund Balance	29,499
Annual Expenses	7,083
Water Purchase	1,000
Power/Chemicals	
Operations	1,017
ERM	1,000
Lab/Sampling/Permit	366
Administration	1,540
Legal/Engineering	300
Insurance	500
Operations Contingency	1,360
Annual Revenues	7,083
Water Sales/Penalties	4,083
Transfer from Fund Balance	3,000
Ending Fund Balance	26,499

Greenbush and Violet Avenue District Proposed Improvements – First Five Years

- Pump Station Warning Signs
- Provide bollards to protect pump station
- Provide a manual transfer switch and portable generator receptacle at the pump station

Total Estimated Expense: \$8,000.

DISCUSSION OF STEPS AND TIMELINES TO ACHIEVE TRANSFER

Upon final completion of this Reorganization Study and after the Town has held the required public hearing on the Study, the Town may then formally accept this Reorganization Study. It is anticipated that the Town would then make a final determination on whether to proceed with the transfer of ownership of one or more of the distribution systems and the dissolution of the said District(s). Should the Town opt to proceed, the steps would be as discussed below.

Provisions of General Municipal Law Article 17-A process for Dissolution

The recently enacted “New N.Y. Government Reorganization and Citizen Empowerment Act” establishes procedures in Article 17-A of the General Municipal Law for the dissolution of special improvement districts, such as the Town of Hyde Parks water and sewer districts. The

dissolution of a special district can be initiated by a citizen's petition, or by action of the governing body. This project relates to the dissolution of a special district initiated by the governing body.

A Proposed Dissolution Plan, meeting the requirements of Article 17-A, has been developed as part of this Reorganization Study, and is included as Appendix D to this report. Should the Town Board decide to proceed with the possible dissolution of the Arbors, Greenbush or Violet Avenue Water Districts, its first step would be to adopt a resolution endorsing the Proposed Dissolution Plan. After the endorsing resolution is adopted, the Proposed Dissolution Plan is to be made available for public review, and a public hearing held, no less than 35 days and no more than 90 days, after adoption of the Town's endorsing resolution.

After completion of the public hearings, the Town may amend the Dissolution Plan, approve a final Dissolution Plan, or decline to proceed further with dissolution proceedings. A decision by the Town to proceed with dissolution must be made within 180 days of the Town's endorsing resolution.

The DCWWA's ability to accept ownership of any water system is predicated on the creation of a County Water District Zone of Assessment by resolution of the County Legislature, as discussed below. As this is a discretionary action by the Legislature, and one which may be subject to a public referendum, it is recommended that the Town defer its final approval of the Dissolution Plan until after the Zone of Assessment is established.

Creation of Part County Zone of Assessment

As the first step in the transfer of ownership of the Water Systems, the DCWWA would request that the County form new Zones of Assessment within the County Water District. The purpose of the Zones of Assessment is to delineate those properties that are provided services by the Greenbush, Violet Avenue and Arbors Water Systems, and to enable Dutchess County to levy assessment on the DCWWA's behalf to fund debt service on any bonds issued for capital improvements to the Systems.

The creation of a Zone of Assessment (Zone) within the County Water District would be established pursuant to the provisions of Article 5-A of New York State County Law. The DCWWA would prepare and submit to the Legislature a Map, Plan and Report (MPR) containing the information required for the formation of each proposed Dutchess County Water District Zone of Assessment including; the properties to be included; a description of the current and proposed infrastructure by which water will be treated and conveyed; the estimated capital expenditure for the acquisition, construction or improvement of the facilities; and an estimate of the total annual cost (capital and operation and maintenance) for a typical property included in the proposed Zone.

The Legislature must hold a public hearing before acting, by resolution, to create a Zone of

Assessment. The resolution of the Legislature is then subject to a forty-five (45) day permissive referendum period. A referendum on the County Legislature's action is triggered by a petition signed by 5% or 100, whichever is lesser, of the owners of taxable real property within the proposed district. Eligibility to vote in a referendum under County law is limited to "resident electors," being individuals who are registered to vote and reside within the proposed district. Eligible voters do not need to be property owners. The action of the County Legislature is upheld if approved by majority of those voting in the referendum.

Legal Issues

In accordance with the opinion of the Town Attorney (Appendix B) and the Draft Dissolution Plan (Appendix D) there have been no issues identified that would prohibit or impede either the transfer of ownership of the Arbors, Greenbush or Violet Avenue Water Districts to the DCWWA. The Greenbush/Violet Avenue and Arbors water purchase agreements with the PJWB are subject to assignment by the Town to the DCWWA, but such assignment would require the approval of the PJWB, the City of Poughkeepsie and the Town of Poughkeepsie.

State Property Tax Cap Implications of Transfer

At the time of this report the Greenbush Water District annually levies benefit assessments to fund debt service on outstanding bonds. In accordance with "The Property Tax Cap Guidelines for Implementation" published by the NYS Department of Taxation and Finance and the NYS Department of State (Publication 1000 9/11), for the purposes of the New York State Property Tax Cap Law, any such benefit assessments levied by the Town in the District must be applied to the tax levy limit of the Town. The Town Attorney has been advised by the State Comptroller's office that, upon transfer of a District's assets to DCWWA, a new tax cap levy would be calculated by the State Comptroller (see further discussion in Appendix B.)

Final Transfer and Dissolution

Upon successful formation of new Zones of Assessment by the Dutchess County Legislature, and final approval of the Dissolution Plan by the Town, ownership of the Water System(s) would then transfer to the DCWWA in accordance with the terms and conditions set forth in an agreement between the DCWWA and the Town of Hyde Park for the transfer of all system assets including real and personal property, accounts payable/receivable and current fund on hand. DCWWA would be responsible for applying to the NYS Department of Environmental Conservation for Water Supply Permits and to DC Department of Health for the required Permits to Operate a Public Water Supply. All assets of the Districts transferred to DCWWA shall be used for the benefit of, and specifically to meet the continued obligation to supply water to, the properties that comprise the current Districts.

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