PINEBROOK ESTATES WATER DISTRICT

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 alterative solutions to continue providing potable water to the residents of the Pinebrook Estates Water District. To advance this effort, the Town formed a Re-organization Study Committee (RSC) that includes representatives from the Town Board, the Pinebrook Estates Water 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 Pinebrook Estates Water District, and transferring ownership and management responsibilities for the water system 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 Pinebrook Estates Water District (the District) with the intent that ownership of the system 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 Pinebrook wells, water treatment facility, storage and distribution system and appurtenances in terms of their current physical condition and performance compared to water supply permit and general regulatory compliance, and the short and long term capital improvement needs;
2. To develop a full understanding of the fiscal condition of the District, 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;
3. To evaluate options and develop preliminary cost estimates to interconnect the District to the existing DCWWA Hyde Park Regional Water System.
4. To develop a full understanding of any legal issues arising or potentially arising from the dissolution of the District, transfer of ownership of facilities, and establishment of water services by the DCWWA;
5. To identify the steps and timelines for dissolving the District and transferring ownership of facilities to the DCWWA.
6. To develop an accurate estimate of costs of dissolving the District and transferring ownership of facilities to the DCWWA; and
7. To educate District customers/property owners regarding the implications of dissolving the District 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 and is included 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 District, 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 District and ownership of the system, the Study will have provided them with an improved understanding of the physical and financial condition of the District, and will thereby provide the basis for efficient and effective management of the system 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 management and operation 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 Pinebrook Estates Water District (District) is a special improvement district that provides potable water supply service to 132 residential customers and a recreational building owned by the Homeowner's Association. The District is an administrative subdivision of the Town, managed directly by the Town Board. The Town does not have in place Rules and Regulations for the governance of the District. The Town Board appoints residents from within the District to an Advisory Committee, 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 the 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

Purpose of Powers 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 to 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 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

Pinebrook Estates Water District

The Pinebrook Estates Water District (Pinebrook or the District) is located along the southern edge of the Town west of US Route 9G. The customer base (Service Area Map: Appendix E) consists of 132 attached dwellings, one Home Owner's Association recreation building and a sewage treatment plant serving the same area. The planned community has reached full build out. The Pinebrook Estates Water System (the Water System) was originally constructed in the mid-1980s by a private developer. When that developer abandoned the project (after constructing 24 units), the Home Owners Association, by necessity, took over operation of the system. A new developer purchased the project in 2001, took over the operation of the water system, and ultimately built out the remainder of the planned development. At the request of the developer, the Town acquired the Pinebrook Water System in 2010, and established the Pinebrook Estates Water District.

Physical Facilities

Water Supply and Treatment System

The District uses ground water from three wells as the source. The ground water from the wells is disinfected with sodium hypochlorite, and stored in two buried tanks. There are two water softener treatment units that have been off-line for several years. Water is again disinfected and then sent to the system on demand, using system supply pumps and a hydropneumatic tank. There are no booster stations within the distribution system.

Transmission and Distribution

The Pinebrook distribution system includes approximately 3,800 feet of 6-inch ductile iron pipe.

Service laterals include ¾-inch copper to the individual condominium units within Pinebrook Estates. There are currently nine flushing hydrants located in the system. The water system as originally designed and built does not provide fire protection. All customer connections are individually metered.

Engineering Evaluation

An engineering evaluation of the Pinebrook System may be reviewed in the full text of the Pinebrook Water District Evaluation Report prepared by T&B Engineering, P.C. (Appendix A.) A brief summary of the report is provided below.

As the Pinebrook Water System is now about thirty years old, and with no significant reconstruction or rehabilitation projects undertaken under the Town's ownership, it is generally recognized that most system components are beyond their typical service life. Despite the age of the system the facility was deemed to be generally in good condition by the evaluating engineer. There are several mechanical and safety issues that must be addressed immediately and in the next five years, including new booster pumps and chemical feed system upgrades to address safety concerns, and a new roof will be required in the next five years. The District is currently addressing supply and water quality issues. The distribution system was 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 years.

Source Capacity and Quality Evaluation

With a total combined capacity of 137 gallons per minute (gpm) from the three wells, the system has sufficient capacity to comply with the required standard of meeting the maximum day demand of 33 gpm with the best well out of service. However, Well 3 is currently off-line, and Well 2 is generally not used due to high levels of iron and manganese.

The system has historically had issues with high levels of iron and manganese above the maximum contamination level (MCL.) Raw water hardness levels of 300 to 400 MG/L are well in excess of the level of 80 MG/L considered to be moderately hard. Iron, manganese and hardness levels are particularly high in Wells 2 and 3. Sodium levels have ranged from 52 to 128 MG/L; levels in excess of 20 MG/L are not acceptable for people on severely restricted sodium diets. The two water softener treatment units, originally installed to address iron, manganese and hardness levels, have not been maintained in an operable condition and have been off-line for several years. In 2013 the District was issued violation by the Dutchess County Department of Health for the inability to operate more than one well at the facility, since treatment is required to operate Well 2 or 3. The Town is currently working to bring the treatment units back on line; it is important to do so, to allow Wells 2 and 3 to be fully utilized. The effectiveness of the existing treatment system will need to be monitored moving forward to determine if additional action will be required.

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:

- Provide secondary spill containment for chemical storage
- Provide labels for tanks
- Provide eye wash/shower station
- Provide vent for generator fuel tank to building exterior
- Provide fire extinguisher
- Provide GFI receptacle for metering pump
- Replace sample taps and portions of piping

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

- Replace electrical distribution equipment including panel boards, generator and manual transfer switch
- Move generator fuel tank out of pumphouse; consider switch to natural gas or propane to eliminate risk of fuel spill
- Provide second metering pump and flow pacing for chlorine disinfection system
- Surface prep and paint hydropneumatic tank to prevent corrosion
- Improve security for wells
- Improve grading around Well 2
- Surge protection for wells
- Secure storage tank vents and manway
- Generator signage and hearing protection
- Replace roof, eave trim and gutters
- Clean and paint interior door lintel
- Provide GFI receptacles

Short Term Planning/Studies addresses the need to conduct flow testing studies on wells.

Long Term Items are recommended to be addressed in the next six to fifteen years. Key recommendations include:

- Replace pumps for Well 2 and 3
- Replace two atmospheric storage tanks with one new tank
- Replace hydropneumatic tank
- Replace hypochlorite chemical day tank
- Replace piping inside treatment building
- Replace exhaust fan

- Replace unit heater

The following table, excerpted from the Evaluation Report, summarizes the anticipated investment required in the system for the Urgent, Short Term and Long Term Items. 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	$ 32,700
Short Term Planning/Studies	$ 26,100
Short Term – 5 years or less	$ 271,300
Long Term	$ 556,600
Total	**$ 886,700**

The Evaluation Report also considered the potential for interconnections between the Pinebrook District and the Greenbush Water District, Arbors Water District, and DCWWA Hyde Park Water District. The interconnection to the DCWWA Hyde Park District via Holt Road appears to be the most beneficial and cost effective interconnection alternative. 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. Note that, although not detailed in the Evaluation Report, the Greenbush and Arbors Districts are also considering interconnections with the DCWWA Hyde Park System. The cost saving benefits associated with shared interconnections should be considered in any future evaluation.

Interconnection Alternative	Total Capital Cost
Interconnection with Greenbush	$ 1,932,900
Interconnection with Arbors	$ 4,653,900
Interconnection with Hyde Park System via Violet Ave	$ 3,402,100
Interconnection with Hyde Park System via Holt Road	$ 1,183,300

At such time as major improvements are required or the current water supply declines in quality and/or quantity, the District 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. For example a new treatment plant has a life span of thirty years with ongoing maintenance, while a modern transmission main will typically operate in excess of seventy-five year. At this time, no interconnections are planned.

FINANCIAL REVIEW AND EVALUATION

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

Water Rates

The typical district customer operation and maintenance bill includes a quarterly charge of $40 plus a charge of $5.25 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	$40	$160
Metered Rate	Usage Charge	$5.25/1000 gal	$210*
		Grand Total	**$370**

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

The Town reports no change in the rates since the District was established in 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 projections for 2015. A summary presentation is provided in the table below. The analysis indicates the district has typically collected sufficient revenue to meet expenses while building appropriate fund balances necessary to meet repair and maintenance liabilities typical of a system nearing 30 years of age.

PINEBROOK WATER DISTRICT
Multi-Year Budget Evaluation

	2011 ACTUAL	2012 ACTUAL	2013 ACTUAL	2014 ADOPTED BUDGET	2014 ADJUSTED BUDGET	2015 ADOPTED BUDGET
Beginning Fund Balance	**81,792**	**85,437**	**113,378**	**124,624**	**124,624**	**116,624**
Annual Expenses	**30,668**	**24,688**	**36,845**	**40,000**	**48,000**	**49,000**
Power/Chemicals	5,125	3,399	5,100	6,000	10,338	7,000
Operations	12,267	11,180	12,240	13,240	12,240	12,240
ERM	5,736	2,775	9,788	8,760	13,422	17,760
Lab/Sampling	525	840	2,000	1,000	1,000	1,000
Administration	6,070	5,610	5,750	9,000	9,000	9,000
Legal/Engineering	945	384	1,468	1,500	1,500	1,500
Insurance		500	500	500	500	500
Annual Revenues	**30,668**	**52,629**	**48,091**	**40,000**	**48,000**	**49,000**
Water Sales/Penalties	34,313	52,629	48,091	30,000	40,000	29,000
Transfer from Fund Balance	(3,645)			10,000	8,000	20,000
Ending Fund Balance	**85,437**	**113,378**	**124,624**	**114,624**	**116,624**	**96,624**

However, the system has been experiencing increasing costs. Electric rates have increased throughout the region. Expenditures for repairs and associated consulting expenses have increased for 2013 and 2014 compared to prior years. Additionally, through this process the Town has come to better understand facility conditions and the need for urgent improvements, and has budgeted for increase repair and maintenance expenditures in 2015.

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 the Town's annual engineering retainer fee.

Given the trend of increasing expenses, absent an increase in water rates charged to customers, the District will switch from building appropriate fund balances to depleting the fund balance. At the end of 2013 the District financial documents depict a fund balance of $124,624. It appears the District may need to utilize some amount of fund balance in 2014 and 2015 to meet

projected and/or budgeted expenses.

System fund balance is the difference between a District's current assets—cash, short-term investments, inventories, receivables, and other unrestricted assets expected to be available to finance operations in the immediate future—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 in to account the projected cost of needed system maintenance and improvement items that have been identified, and the plan for financing those improvements.

The engineering evaluation identified approximately $330,000 in Urgent Items, Short Term Studies, and Short Term construction items. As of this writing, the District has addressed a number of the Urgent Items. If operating revenues are to be used to fund the remaining Urgent and Short Term Items, and the annual budget cannot accommodate those needs, it would be prudent to plan ahead and designate portions of the fund balance to address these system needs.

Potential future water district bonding and State Tax Cap implications

At present the Pinebrook Estates Water System is now around thirty years old with no significant rehabilitation projects since startup. The District has no outstanding bonded indebtedness. The engineering evaluation identified approximately $854,000 in Short Term Studies, and Short and Long Term Improvement Items. It may be deemed unaffordable to fund all of these items through current system revenues. Additionally, many of these Items constitute major repairs or renovations which will materially extend the useful life of capital assets and are, therefore, appropriate to be financed through long term bonds. As permitted by Town Law §202, a Special District, such as the Pinebrook Estates Water District, 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 Pinebrook Special District 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 District 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 such as the Pinebrook Estates Water 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 meeting 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 Pinebrook under DCWWA

DCWWA operates its water and sewer systems with a combination of staff operators and contract operators. Should ownership of the Pinebrook Water System 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.

A projected 2015 system budget has been prepared by DCWWA, and is presented in summary form below. This budget projection assumes the System is transferred to the Authority during 2015. Should the system be transferred mid-year, the budget would be pro-rated for the portion of the year DCWWA would own the system. Based on an analysis of the Town's current rate structure and historical revenue figures, DCWWA projects that the current rate structure, with no increase and no allocation of fund balance, should be sufficient to cover projected expenses. Accordingly, DCWWA would propose no increase to the current rate for 2015.

As of this writing, the Town has addressed several of the "Urgent Items" identified in the engineering evaluation, including the provision of secondary containment and the sample tap replacement. DCWWA has evaluated and prioritized the remaining Urgent Items, most notably the venting of the generator to the building exterior. 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 $10,000. It is proposed this work be completed through the appropriation of system fund balance.

As of this writing, several of the Short Term Items, most notably the reconnection of Well 3, have been accomplished. DCWWA has assessed and prioritized the remaining items, and identified those that can be completed by operations staff. It is estimated that those items related to well security and protection, tank maintenance and building improvements can be completed within the next five years through an 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.

It is recommended that several of the five year improvements, particularly the generator and electrical system upgrades and the new booster pump skid, and the recommended well flow testing study, be deferred until further analysis is done of the benefits and feasibility of establishing an interconnection with the DCWWA' Hyde Park Regional Water System. In the event an interconnection is not deemed feasible, DCWWA recommends that the

generator/electrical upgrades and booster pumps be funded through long term bonds.

DCWWA PROPOSED 2015 BUDGET

Beginning Fund Balance	**114,624**
Annual Expenses	**48,044**
Power/Chemicals	8,384
Operations	13,703
ERM	11,500
Lab/Sampling	3,089
Administration	9,799
Legal/Engineering	500
Insurance	569
Operations Contingency	500
Annual Revenues	**48,044**
Water Sales/Penalties	48,044
Transfer from Fund Balance	0
Ending Fund Balance	**114,624**

Proposed Rate:

Flat Rate (Quarterly) $40.00

Metered Usage Rate $5.25/thousand gallons

Projected Annual Cost per Typical Customer: $370.00 per Year

Proposed Improvements – First Five Years

Funding Source: Fund Balance

- Provide eye wash/shower station
- Provide vent for generator fuel tank to building exterior
- Provide fire extinguisher
- Surface prep and paint hydropneumatic tank
- Improve security for wells
- Improve grading around Well 2
- Surge protection for wells
- Secure storage tank vents and manway
- Generator signage and hearing protection
- Replace roof, eave trim and gutters
- Clean and paint interior door lintel
- Provide GFI receptacles

Total Estimated Expense: $55,000

DISCUSSION OF STEPS AND TIMELINES TO ACHIEVE TRANSFER

Upon final completion of this Reorganization and 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 the Pinebrook Water System and the dissolution of the Pinebrook Estates Water District. 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 York 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 Pine Brook Water District, 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 the Pinebrook 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 pubic 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 System, the DCWWA would request

that the County form a new Zone of Assessment within the County Water District. The purpose of the Zone of Assessment is to delineate those properties that are provided services by the Pine Brook Water System, 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 System.

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 a 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 the 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 Pinebrook Water System to the DCWWA nor the dissolution by the Town of the Pinebrook Sewer District.

State Property Tax Cap Implications of Transfer

User fees, such as the quarterly flat rate and usage charge, are not taxes subject to the levy limit. Relevies of delinquent user fees are not subject to the tax levy limit of the local government which relevies or levies the charges. A unit based benefit assessment is subject to the limit; however at the time of this report the District carries no such charges. For these reasons, the Pinebrook Estates Water District and thereby the Town of Hyde Park, as the governing body, is not currently subject to the tax cap for this system.

Final Transfer and Dissolution

Upon successful formation of Zone of Assessment by the Dutchess County Legislature, and final

approval of the Dissolution Plan by the Town, ownership of the Water System 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 funds on hand. DCWWA would be responsible for applying to the NYS Department of Environmental Conservation for a Water Supply Permit and to DC Department of Health for the required Permit to Operate a Public Water Supply. All assets of the District 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 District.

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