

PINEBROOK ESTATES SEWER 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 sewer 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 sewage treatment to the residents of the Pinebrook Estates Sewer District. To advance this effort, the Town formed a Re-organization Study Committee (RSC) that includes representatives from the Town Board, the Pinebrook Estates Sewer 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 Sewer District, and transferring ownership and management responsibilities for the sewer 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 sewer 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 sewer 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 Sewer District (the District) with the intent that ownership of the system and responsibility for the provision of sewer 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 Sewer wastewater treatment plant and collection system in terms of its current physical condition and performance compared to State Pollutant Discharge Elimination System (SPDES) 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 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 sewer services by the DCWWA;
4. To identify the steps and timelines for dissolving the District and transferring ownership of facilities to the DCWWA.
5. To develop an accurate estimate of costs of dissolving the District and transferring ownership of facilities to the DCWWA; and
6. 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 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 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 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 Pinebrook Estates Sewer District (District) is a special improvement district that provides sewage treatment 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 sewage collection, treatment and discharge, 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 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 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 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

Pinebrook Estates Sewer District

The Pinebrook Estates Sewer 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 Sewer 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 sewer system, and ultimately built out the remainder of the planned development. At the request of the developer, the Town acquired the Pinebrook Sewer System in 2010, and established the Pinebrook Estates Sewer District.

Collection System

The Pinebrook Estates Sewage District collection system consists of 8-inch pipe installed within the public right of way or easements. There are currently thirteen manholes located in the system. The collection network was built in two parts.

Sewage Treatment System

The Pinebrook Estates Wastewater Treatment Facility receives raw sewage from a single influent lift station feeding a steel equalization tank. The balance of the facility is two, identical treatment trains. Wastewater then flows to the primary clarifier and then to the rotating biological contactor (RBC) that discharges to the secondary clarifier. The secondary clarifier effluent is then passed through a sand filter which then flows to the chlorine contact and post aeration chambers before discharge into the Maritje Kill draining to the Hudson River. The wastewater treatment system is in poor condition requiring attention to urgent concerns.

Engineering Evaluation

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

Wastewater Treatment Facility

An engineering study initiated February 2014 includes an evaluation of the existing infrastructure and the identification of short term and long term capital improvements. The consulting engineer has identified serious and significant structural, operational and safety deficiencies. In specific, several steel tanks appear to be exfoliating and heavily deteriorated. The observed damage is so extensive as to prevent sequential replacement of individual system components while keeping the treatment system operational. Mechanical components, such as blowers, airlifts, RBCs, pumps, controls, electrical panels, filters and generator have all surpassed their service life, are no longer functioning as intended, and are requiring frequent and costly repairs to maintain minimally acceptable treatment levels.

Systemic failure throughout the facility is impacting downstream treatment modules and presenting in recurring SPDES permit exceedances for ammonia (NH₃), biological oxygen demand (BOD) and Total Suspended Solids (TSS). The original wood frame structure enclosing the treatment system is inappropriate considering the moist and corrosive environment. Although the structure was not determined to be subject to imminent collapse, it was identified as a serious safety concern that requires regular evaluation due to the structures age and aggressive environment. Numerous worker safety concerns identified include trip hazards combined with lack of railings near open tanks, poor lighting, lack of alternative building egress, open atmosphere tanks without fences, electrical hazards, failed catwalks over treatment tanks, falling ceiling tiles and unguarded moving mechanical equipment. Issues requiring immediate attention have been referred by the evaluating engineer to the Town for action.

In conclusion, the engineer has determined the Pinebrook Wastewater Treatment Plant is not salvageable and should be replaced immediately. The report identified two alternatives for plant replacement; a connection to the Town of Poughkeepsie wastewater collection system, or construction of a new wastewater treatment plant. A capital project of this order of magnitude requires a minimum of three years from start to finish including such efforts as conceptual planning, financing, request for proposal, design, permit approval, bidding, construction and construction inspection and facility start up.

The Evaluation Report noted that, due to the age of the plant or deferred maintenance, there were a number of improvements, primarily related to safety, that were recommended to be undertaken immediately, even given the planned replacement of the facility. As of this writing, several of the noted items have been addressed. Urgent Items still to be resolved include:

- Provision of fully functioning eye wash stations
- Repair walkways needed for facility access; remove unnecessary walkways
- Replacement of electrical panels; locate new panels outside of the building
- Remove damaged ceiling panels that may fall
- Inspect exposed trusses and protect from further moisture damage
- Install ventilation equipment

DCWWA estimates the expense of the unresolved open issues to be approximately \$55,000.

The single Short Term Item (to be undertaken within 5 years) identified is the replacement of the wastewater treatment facility, at an estimated capital cost of \$3.4 million. For additional detail refer to Sections 2 of the Evaluation Report. Note that the cost estimate presented 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.

Collection System

Overall, the collection system of the District is in fair to good condition, and there are a few items that will need to be addressed to ensure continued success.

While no inspection of collection piping was completed, residents and wastewater operators have indicated that the section of piping between the WWTP and the recreational building may have deficiencies, which may include a belly or depression, reverse slope or a very flat/no slope section. There have been debris and clogs in this pipe section in the past, which are believed to have contributed to sewage back-ups into the Recreation Center building.

There were no Urgent Improvements recommended for the Collection System. Recommended Short Term Improvements, to be addressed within 5 years, included;

- Repair and seal manholes

- Install manhole insert shells on all manholes
- Video inspection of suspect pipe section

Estimated Cost: \$14,300

Recommended Long Term Improvements (to be addressed in years 6-20) included:

- Sealing of additional manholes
- Repair of manhole frames
- Replace suspect section of pipe if deficiency confirmed by video inspection

Estimated Cost: \$37,400

Note that the cost estimate presented 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.

FINANCIAL REVIEW AND EVALUATION

The Town of Hyde Park annually develops a budget to operate and maintain the Sewer 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.

Sewer Rates

The District bills sewer customers on a flat rate quarterly charge of \$133, or \$532 annually. The Town of Hyde Park has identified no change in rates since the District was created in 2010.

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 below in the table below. The analysis indicates the District rates generate insufficient 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 SEWER DISTRICT
Multi-Year Budget Review**

	2011 ACTUAL	2012 ACTUAL	2013 ACTUAL	2014 ADOPTED BUDGET	2014 ADJUSTED BUDGET	2015 ADOPTED BUDGET
Beginning Fund Balance	21,342	102,760	140,480	80,172	80,172	60,172
Annual Expenses	35,788	41,852	131,327	90,000	90,000	80,000
Power/Chemicals	3,938	6,429	7,197	6,500	8,446	9,000
Operations	18,875	18,300	19,060	19,060	18,860	19,360
ERM	3,630	5,590	67,994	41,140	34,194	18,640
Sludge Hauling	5,505	3,081	16,433	9,000	9,000	10,000
Lab/Sampling/Permit		1,260	3,171	1,300	2,500	3,500
Administration	3,700	5,799	10,250	8,000	8,000	11,000
Legal/Engineering	140	524	6,223	4,000	8,000	7,500
Insurance		870	1,000	1,000	1,000	1,000
Operations Contingency						
Annual Revenues	117,206	79,572	131,327	90,000	90,000	80,000
Sewer Sales/Penalties	97,105	79,572	71,019	70,000	70,000	70,000
Property Taxes						
Other	20,101					
Transfer from Fund Balance			60,308	20,000	20,000	10,000
Ending Fund Balance	102,760	140,480	80,172	60,172	60,172	50,172

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.

The District accumulated significant fund balance in 2011 and 2012, due in part to an unidentified "Other revenue" and unsustainably low expenditures on equipment repair and maintenance. Significant transfers from fund balance were made in 2013, projected for 2014 and budgeted for 2015.

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 in to account the projected cost of needed system maintenance and improvement items that have been identified, and the plan for financing those improvements.

Based on 2014 projections, the District will end the year with approximately \$60,000 in fund balance. The engineering evaluation identified numerous Urgent Items, not yet addressed, that the DCWWA estimates will cost approximately \$55,000. Additionally, given the condition of the facility, it should be anticipated that repairs will be needed on an ongoing basis to keep the facility functioning until it can be replaced. As these are short-term “stop gap” items, they will need to be funded through current system revenues and fund balance.

Potential future water district bonding and State Tax Cap implications

At present the Pinebrook District has no outstanding bonded indebtedness. The engineering evaluation identified approximately \$3.6 M in Short Improvement Items and an additional \$37,400 in long term needs. It will be unaffordable to fund all of these items through current system revenues. The replacement of the wastewater treatment facility constitutes a major capital investment and is appropriate to be financed through long term bonds. As permitted by Town Law §202, a Special District, such as the Pinebrook Estates Sewer 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 Sewer 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 sewer 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 and contract operators. Should ownership of the Pinebrook Sewer 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.

The Engineering Evaluation brought to light the imperiled nature of the Pinebrook Estates Sewage Treatment Plant (STP). Lacking the technical and professional staff to manage the facility, the Town entered into an Agreement for the DCWWA to provide assistance, acting as the Town's agent to oversee the plant operations, beginning in July of 2014 through the end of the year. (See Interim Management Agreement Scope of Work – Appendix F.)

The DCWWA evaluated the treatment process, mechanical components, and safety concerns to develop a holistic outcome based solution to permit the STP to operate until a replacement solution could be selected, designed and implemented. The DCWWA, working directly with the Contract Operator, implemented typical best management practices to reduce (and eventually eliminate) permit violations, odors, noise emanations, corrosive atmosphere (inside building) and helped to extend the life span of imperiled equipment. Specifically, the substantial cost to rehabilitate sand filters, estimated at \$17,000-\$19,000 was avoided through a diagnostic effort resulting in training the contractor in low cost restorative practices and routine maintenance. Upstream solids entrapment and handling practices were altered resulting in diversion of rags from clogging pumps and reducing decomposing organics within EQ tank. Ancillary benefits from these practices likely include enhanced plant efficiency, elevated resistance to treatment shocks and avoided emergency calls, extra operator time, double pumping and unnecessary process water hauling. A maintenance program was enacted to protect the remaining life span of key plant components. Recommended practical repairs to the chlorine contact tank and effluent aeration chamber restored these tanks to service at a minimal cost, avoiding more costly alternatives in the \$20,000 range. Additional resolutions include identification and guidance on negotiations with regulators regarding an expired State Pollution Discharge Elimination System (SPDES) permit that will be re-issued without fines or violations in 2015. Several employee safety issues identified and resolved include marking of trip, fall and drowned hazards as well as improved lighting, general site cleanup, facility documentation, note taking practices and guidance on adding minimal fencing around tanks accessible to the public. At the time of this writing the Pinebrook Sewer Plant is running efficiently and all recent sampling shows the facility's discharge is well within permit.

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.

**DCWWA 2015 PROPOSED BUDGET
PINEBROOK SEWER DISTRICT**

Beginning Fund Balance	60,172
Annual Expenses	79,665
Power/Chemicals	7,919
Operations	20,691
ERM	19,500
Sludge Hauling	9,000
Lab/Sampling/Permit	2,603
Administration	14,701
Legal/Engineering	3,250
Insurance	1,000
Operations Contingency	1,000
Annual Revenues	79,665
Sewer Sales/Penalties	79,665
Property Taxes	
Other	
Transfer from Fund Balance	-
Ending Fund Balance	60,172

While DCWWA has projected expenses for 2015 slightly below those presented in the District's approved 2015 budget (\$79,665 versus \$80,000), it is recommended that customer rates be increased to meet the anticipated expenses, and no fund balance be allocated to offset those expenses. This would represent an increase to \$591 per year per customer, or about \$60 per year (\$5 per month) above the current charges.

DCWWA would continue to work to reduce the incidence of emergency repairs to the system, as discussed above, and accomplish the remaining Urgent Items through a combination of current funds and system fund balance.

Based on the engineer's estimate, project development, environmental review and engineering design for development of a replacement wastewater treatment option is projected to cost just under \$400,000. It would be DCWWA's intent to finance this expense through a one year bond anticipation note that would ultimately be rolled into the long term bonding for the project construction. Assuming repayment of interest expenses only at 2.5% (a conservative estimate), the first year's capital charge would add approximately \$40 per customer to the annual charges.

In sum, total first year charges are estimated at \$631, or about \$100 per household higher than current District charges.

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 Sewer System and the dissolution of the Pinebrook Estates Sewer 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 Sewer 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 Sewer System is predicated on the creation of a Part County Sewer District 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 Part County Sewer District is established.

Creation of Part County Sewer District

As the first step in the transfer of ownership of the Sewer System, the DCWWA would request that the County form a new Part County Sewer District. The purpose of the Part County Sewer

District is to delineate those properties that are provided services by the Pine Brook Sewer 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 Part County Sewer 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 Part County Sewer District including; the properties to be included; a description of the current and proposed infrastructure by which sewage will be collected, treated and discharged; 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 County District.

The Legislature must hold a public hearing before acting, by resolution, to create the Part County Sewer District. 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 Sewer 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 Sewer District, and its transfer to the DCWWA, would have no implications for the Tax Cap calculations for the Town of Hyde Park.

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 Sewer 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 State Pollution Discharge Elimination System (SPDES) Permit. All assets of the District transferred to DCWWA shall be used for the benefit of, and specifically to meet the continued obligation to provide sewer service to, the properties that comprise the current District.

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DRAFT - For Discussion Purposes Only