

QUAKER HILLS 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 alternative solutions to continue providing potable water to the residents of the Quaker Hills Water District. To advance this effort, the Town formed a Re-organization Study Committee (RSC) that includes representatives from the Town Board, the Quaker Hills 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 Quaker Hills 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 three to five 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 Quaker Hills 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 Quaker Hills 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 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;
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 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 Quaker Hills Water District (District) is a special improvement district that provides potable water supply service to 109 residential customers. The District is an administrative subdivision of the Town, managed directly by the Town Board. The Town has 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 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

Quaker Hills Water District

The Quaker Hills Water District is located along the northern corner of the Town of Hyde Park. The customer base (Service Area Map: Appendix D) consists of 109 detached dwellings. The Quaker Hills Water System was originally constructed through the 1970's by a private developer. The current Special District was formed by the Town in 1970's after acquiring the privately held water system.

Physical Facilities

As the Quaker Hills Water System is now over forty four years old, and with minimal reconstruction projects undertaken under the Town's ownership, it is generally recognized that most system components are beyond their typical service life. The evaluating engineer noted concerns regarding the condition of the treatment building and distribution system, and identified several mechanical and safety issues. While the water supply of the District is of very high quality, the physical assets are outdated and will require some investments in the near future. All safety and mechanical items have been prioritized or addressed by the Town.

Water Supply and Treatment System

The District uses ground water as a source. The ground water from two wells is disinfected and stored in a buried hydropneumatic tank. Water is then sent to the system on demand using system supply pumps and the hydropneumatic tank. There are no booster stations within the distribution system. The water treatment building has been identified as having significant structural issues and is in poor condition.

Transmission and Distribution

The Quaker Hills Water District distribution system includes approximately 9,500 feet of 6-inch cast iron pipe installed during the 1970's and is reputedly located in the center of the roadways,

excluding one section of water main reputedly running through back lots. Service laterals include ¾-inch copper to individual dwellings within the water system. Plastic services have been reported. There are currently four flushing hydrants located in the system. The water system as originally designed and built does not provide fire protection.

Engineering Evaluation

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

As the Quaker Hills Water System is now about forty years old, and with minimal 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. Electrical components appear to be in fair condition but are obsolete, increasing replacement cycles while presenting worker safety hazards. Despite the various safety, structural, electrical and mechanical deficiencies at the Quaker Hills Water Plant a high quality water product is produced.

Source Capacity and Quality Evaluation

The Districts two wells produce on average approximately 24,428 gallons per day (gpd), or 17 gallons per minute (gpm). There are 109 properties presently served with water from the treatment plant with 109 service connections. This indicates the use per residence of 224 gpd which is elevated above typical residential flows ranging between 100-165gpd. The District appears to have exceptional water quality, with no major water quality issues.

Treatment Building

The water treatment building has been identified as having significant structural issues and is in poor condition. Occupancy of the building during an earthquake or significant wind or flooding event would be unsafe. There is cracking of the mortar joints and concrete masonry. The asphalt shingle roof is heavily deteriorated and approaching a failed condition. Settlement of the building and floor slab has resulted in misalignments of the piping system and stress on existing piping system joints. Cracks in the floor slab leaving the wells vulnerable to contamination. The building has been subjected to flooding, which has also impacted the life expectancy of the structure and its equipment. During flooding in 2012 District representatives stated that flood waters rose to just below the electrical equipment inside the building, the generator and transfer switch were partially submerged. The DCDOH has issued ongoing violations for failure to exercise care and due diligence in the operation and maintenance of a public water system based on the condition of the treatment plant and building. The evaluating engineer has recommended replacement of the building with a new treatment building.

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:

- Prepare plan to address DOH Violations regarding condition of treatment building and piping
- Repair opening in perimeter fencing
- Provide labels on chemical storage tanks and piping
- Provide secondary containment for chemical storage
- Provide fire extinguisher
- Provide eye wash station
- Provide protection for propane tank fuel piping and add tie-downs and signage
- Provide machine guard for compressor
- Replace exterior LB (Urgent)

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

- Replace treatment building including new large hydropneumatic tank or atmospheric tank with small hydropneumatic tank and system supply pumps
- Replace Well No. 1 (separate project)
- Recoat propane tank
- Conduct flow testing for wells
- Provide individual flow meters and level instrumentation for wells
- Replace customer meters
- Add chlorine injection point at Well No. 2
- Evaluate (ground or elevated) atmospheric versus a hydropneumatic tank for storage

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

- Replace Well No. 2 with a pump large enough to meet demands or provide alternate source

Recommended Studies:

- Prepare plan to address DOH comments
- Conduct Flow Testing for Wells
- Conduct leak detection program
- Evaluate alternatives for ground or elevated atmospheric storage versus hydropneumatic tank storage

Distribution System

According to District records, the water main was set directly on shale, with no gravel bedding. This has resulted in a multitude of failures over the years, with major problems from leakage reported as early as 1976 when significant failures resulted in an average daily production of over 240,000 gpd. It has also been noted that in general the water main was not installed to 5' below ground surface, and on average has just over 3 feet of cover, rendering the piping susceptible to damage from frost penetration. In the time from June 2013 to December 2014, six substantial leaks were repaired in the system. Based on the installation conditions and the history of leaks, the potential exists for additional substantial leaks to be present in the system and major pipe breaks.

Leak detection programs have been conducted in the past but have had minimal success because of the fractured and freely draining nature of the shale. The Engineer recommends that the location and extent of repairs be recorded to better track where the leaks are occurring and identify any "hot spots" for failures. Using this data, in the future the District can proceed with targeted water main replacement projects. Pipe lining, a rehabilitation method that utilizes a cured-in-place liner to renovate pipes without excavation, may be a suitable approach for the District.

The location of the hydrants provides an adequate means of flushing all areas of the system with the exception to the entrance to Quaker Hills Drive.

It was noted during prioritization workshops that meters in homes on the top of Guerney Drive spin backwards when the system is down, indicating backflow into the system; this is a potential source of contamination in the system.

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

- Provide a flushing hydrant at Quaker Hill Drive
- Conduct leak detection program
- Replace customer meters
- Provide customer backflow preventers

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

- Strategic water main improvements

Cost Estimates

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	\$ 38,500
Short Term Planning/Studies	\$ 61,200
Short Term – 2 Years or Less	\$ 190,800
Short Term – Treatment Building	\$ 906,000
Long Term – Well No. 2	\$ 66,100
Long Term – Water Mains	\$ 2,689,200
Total	\$ 3, 951,800

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 \$105. The below table depicts annual cost per customer.

Charge	Type	Rate	Typical Charge Customer	Annual Per
Flat Rate Water	Quarterly Charge	\$105	\$420	
		Grand Total	\$420	

Prior to 2014, the Town reported a change from flat rate plus usage to a flat rate charge as depicted above. 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.

**QUAKER HILLS WATER DISTRICT
Multi-Year Budget Evaluation**

	2011 ACTUAL	2012 ACTUAL	2013 ACTUAL	2014 ADOPTED BUDGET	2014 ADJUSTED BUDGET	2015 ADOPTED BUDGET
Beginning Fund Balance	44,943	40,541	48,325	25,136	25,136	14,136
Annual Expenses	45,256	38,970	70,160	50,000	56,000	50,000
Power/Chemicals	6,339	4,967	10,415	9,127	8,151	11,000
Operations	19,543	19,808	19,873	20,373	19,873	19,873
ERM	12,477	7,700	30,911	10,500	17,176	8,127
Lab/Sampling/Permit	1,566	510	1,435	1,000	1,300	1,000
Administration	5,173	5,020	5,900	7,500	7,500	7,900
Legal/Engineering	158	344	626	500	1,000	1,100
Insurance		620	1,000	1,000	1,000	1,000
Annual Revenues	45,256	46,754	70,160	50,000	56,000	50,000
Water Sales/Penalties	40,854	46,754	46,971	42,000	45,000	47,000
Transfer from Fund Balance	4,402		23,189	8,000	11,000	3,000
Ending Fund Balance	40,541	48,325	25,136	17,136	14,136	11,136

Equipment maintenance and repair costs, due primarily to the recurring leaks in the distribution system, has been the major factor impacting the District's operational and maintenance budget over the past two years. In 2013 the District incurred over \$30,000 in repair costs, mostly due to leak repairs. Due to several major leaks in 2014, including two in the month of December, total 2014 leak repair costs are projected to be about \$14,300.

The District is also being impacted by increases in other costs. Electric rates have increased throughout the region. 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.

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.

Based on the 2014 Adjusted Budget, the District would have \$14,000 in fund balance going into 2015, however this does not account for the \$6,700 in repair costs experienced in December, so the final 2014 year-end balance may be less. Given the history of repair costs and trend of increasing expenses, the continued use of fund balance to offset user charges is not sustainable.

Potential future water district bonding and State Tax Cap implications

At present the Quaker Hills Water System is now around forty years old with minimal rehabilitation projects since startup. The District has no outstanding bonded indebtedness. The engineering evaluation identified significant short and long term capital improvement projects. As much of this work constitutes major repairs or renovations which will materially extend the useful life of capital assets they are appropriate to be financed through long term bonds. As permitted by Town Law §202, a Special District, such as the Quaker Hills 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 Quaker Hills 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 Quaker Hills 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 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 Quaker Hills under DCWWA

DCWWA operates its water and sewer systems with a combination of staff and contract operators. Should ownership of the Quaker Hills 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 Quaker Hills, 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. DCWWA's recommended budget reflects a 3% increase over the Town's adopted 2015 spending plan, reflecting increased expenditures for repair and maintenance costs, in keeping with historical expenditures, and more pro-active system management to address long-term problems (treatment building and pipe condition.) Based on its broad experience with contract operations for water systems, DCWWA recommends renegotiation of the contract for operations to bring standard monthly costs more in line with what has been experienced for comparable systems.

DCWWA 2015 PROPOSED BUDGET QUAKER HILLS WATER DISTRICT

Beginning Fund Balance	14,136
Annual Expenses	51,489
Power/Chemicals	11,802
Operations	10,580
ERM	15,100
Lab/Sampling/Permit	2,324
Administration	10,043
Legal/Engineering	500
Insurance	1,139
Annual Revenues	51,489
Water Sales/Penalties	51,489
Transfer from Fund Balance	-
Ending Fund Balance	14,136

DCWWA recommends 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 \$463 per year per customer, or about \$43 per year (\$3.60 per month) above the current charges.

DCWWA would continue to work to reduce the incidence of emergency repairs to the system, as discussed below, and accomplish the remaining Urgent Items through a combination of current funds and system fund balance. 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 repair of the propane tank piping. DCWWA has evaluated and prioritized the remaining Urgent Items. With the assumption that most tasks could be completed by contract operators and DCWWA staff, DCWWA projects that the priority items could be completed for a cost of about \$2,000.

Emphasis would be placed on tracking the history of water main leaks, as recommended by the evaluating engineer, to determine if there are “hot spots” that should be targeted for pre-emptive pipe replacement and other “trenchless” rehabilitation methods such as pipe linings. The concerns regarding frequent leaks and breaks in water mains extends beyond the cost impact to the system and temporary inconvenience to customers of service disruptions. Every water main break is an opportunity for dirt, debris and contamination to enter the pipes. The fact that some customer meters have run backward during service disruptions indicates backflow into the system is occurring, creating an opportunity for contaminants to enter the system, such as through a garden hose submerged in a pesticide mix, or standing water with bacteriological contaminants in a sink. Water main leaks can also damage other infrastructure, for example destroying pavement and undermining other underground utilities.

Further engineering evaluation is required to determine the most cost-effective solution for the replacement of the treatment building. The cost of the engineering work could be funded through a short-term bond anticipation note, to be rolled into the long term borrowing to fund the selected construction project. DCWWA would seek grant and low-interest loan funding to help reduce the cost impact of the project on the customers.

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 Quaker Hills Water System and the dissolution of the Quaker Hills 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 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 Quaker Hills 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 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 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 Quaker Hills Water System to the DCWWA nor the dissolution by the Town of the Quaker Hills Water 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. Reliefs of delinquent user fees are not subject to the tax levy limit of the local government which relieves 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 Quaker Hills Water 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 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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