

Suffolk County Water Authority

FINANCE COMMITTEE

DATE: January 28, 2013

LOCATION: Administration Building, Oakdale, New York

ATTENDEES: James Gaughran, Chairman
Patrick Halpin, Member
Jane Devine, Member
Jeffrey W. Szabo, CEO
Larry Kulick CFO
Donna Mancuso, Director of Administration
Timothy Hopkins, General Counsel
Douglas Celiberti, Director of Accounting
Elizabeth Vassallo, Accounting Department Manager

The meeting was called to order by James Gaughran at 4:08 p.m. upon all Members of the Committee being present.

Mr. Kulick distributed the Authority's Rate Study Update (January 2013) which is based on the January, 2011, Rate Study performed by Black & Veatch. He reviewed several items that were included in that Rate Study, such as utilization of \$75,000,000, net MTBE Settlement – debt restructure; reduction of Capital Budget to maintain level of \$57,000,000 through 2015; New York State Retirement incentive and reduction of staff; reduction of 2011 Operating Budget; and final rate recommendation – 4.2% each year (average customer).

Mr. Kulick further reviewed the Capital Budget indicating that the Capital Budget is the driving force behind rates. The Authority has kept the Capital Budget relatively stable. There needs to be future discussion during budget discussions as to any adjustments to the recent years level of capital expenditures.

A discussion took place between Mr. Szabo and Mr. Kulick about long term rates, Capital Budget and infrastructure costs. Mr. Halpin and Mr. Gaughran further discussed the cost of money now and in the future.

Mr. Kulick then reviewed Debt Service. He discussed Debt Service over the past three (3) years, as well as the debt service levels into 2039 based on current outstanding debt and its' effect on future revenue requirements.

Next, Mr. Kulick reviewed Operating and Maintenance Expenses. He discussed items that are out of the Authority's control such as main breaks, hydrant repairs, treatment

costs, etc. He further discussed the Authority's power cost, as well as the Authority's ideas in reducing this cost.

The New York State Retirement cost was discussed at length, as well as health insurance costs.

Mr. Kulick discussed overtime and how overtime has gone down by investigating how jobs were being done. Mr. Szabo stated the improvements made to SAP reporting regarding overtime for justification and using smart management to lower overtime. Mr. Hopkins stated that it is the Authority's on-going goal to create shifts that would be working 24/7, so the need for overtime will be mitigated. Mr. Szabo discussed beginning to create "hybrid" positions in order to reduce overtime.

Mr. Kulick then reviewed his recommendation. His recommendation was to stay consistent with the Rate Study. There has been nothing that has drastically altered the bottom line effect of the capital program and ultimately the rates. He recommends an increase which would affect the average user by 4.2% effective April 1, 2013.

Mr. Gaughran asked Mr. Kulick to ascertain the cost of producing a gallon of water and the cost of delivering it - perhaps looking at a chart to see the change that has taken place.

Mr. Kulick indicated that costs associated with wholesale water rates are increasing at a higher percentage than in cost not associated with this rate category. Mr. Halpin asked that this be looked at in more depth for a possible rate increase to this rate category higher than the average proposed for the Authority's general customer.

Mr. Kulick reviewed the annual water bill comparison, CPI v. SCWA rates, the rate study update chart and the Authority's debt service coverage.

Mr. Gaughran stated that he appreciated the work that was done by Mr. Kulick.

On motion made by Mrs. Devine, duly seconded by Mr. Halpin, the following resolution was unanimously carried for recommendation to the full board:

RESOLVED, To recommend an increase averaging 4.2% on General, Fire Island and Wholesale water effective April 1, 2013.

The Members reviewed the minutes of the last Finance Committee meeting, held on November 19, 2012.

On motion made by Mr. Halpin, duly seconded by Mrs. Devine, it was unanimously

carried to:

**Approve the minutes of the Finance Committee meeting held on
November 19, 2012.**

The meeting was adjourned at 4:55 p.m.

Respectfully submitted by:

Maria Trupia

Executive Assistant

Reviewed by:

Larry Kulick, Chief Financial Officer