

***The following is the presentation made during a rate hearing on January 24, 2011 by SCWA Chief Executive Officer Jeff Szabo and Chief Financial Officer Larry B. Kulick.***

**Jeff Szabo**  
**Chief Executive Officer**

Good Evening and thank you all for attending, today is January 24, 2011 it is approximately 5:30 pm and welcome to the Suffolk County Water Authority's Public Hearing to establish rates for 2011-2012. My name is Jeff Szabo and I am the Chief Executive Officer of the Water Authority.

The format for the hearing will go as follows:

- I. Overview of cost reduction efforts made at the Water Authority the past year.
- II. A review of the significant expenditures for the fiscal year
- III. A presentation as to the recommended rate increase for 2011-2012.
- IV. Public Comment – Anyone attending tonight from the public wishing to comment or ask a question should fill out the index card and return it to me so that you may be called upon once the presentation is complete.

I am joined tonight by Larry Kulick our Chief Financial Officer who will be joining me in the presentation shortly. But first I would like to ask the Authority's Chairman Jim Gaughran to say a few words. I would also like to thank Board members Board Members Patrick Halpin, Jane Devine, Frank Pellegrino and Errol Toulon Jr. for attending.

It is important to note, the Water Authority had not increased rates for four consecutive years. A year ago, The Authority issued an RFP for the purposes of hiring an outside consultant to perform a rate study.

The Authority selected Black and Veatch for this purpose and they began their analysis shortly thereafter. Based on projected revenues, expenditures and consumption, Black and Vetch originally believed the Authority would require a double digit increase in general rates in order to meet expenditures and maintain a debt to equity ratio of no less than 1.5.

Upon learning of this possibility, the Board of the Authority directed the senior staff to devise a plan to cut expenditures and reduce the projected double digit increase.

The Authority made significant reduction in expenses we could control. We reduced over time by \$400,000 by using smart management protocols and cut the overtime budget from \$2.2 to \$1.8 million.

We also implemented a hiring freeze for nonessential staff and participated in the New York State Early Retirement Incentive. These efforts reduced overall staff from 605 to 570.

The Board approved a reduction in the Authority's Capital of \$15 million dollars from \$72 million to \$57 million and will remain at that level for the next four years. Most significantly, the Authority also used a portion of its cash reserves to pay off upcoming debt therefore reducing the need for higher rates.

This approach allows for the Board to consider today a 4.2% rate increase for the average residential customer. I would like to note, this is not a multi-year proposal. The Board has decided to consider

rates on a year by year basis and further actions will be taken during the year to continue to reduce costs.

This is all done after reviewing our operating budget and considering expenditures that includes almost \$33 million dollars in payroll, health care costs that have almost doubled since 2005 and more than a tripling of our contribution to the state pension fund.

This next slide further illustrates an ever increasing operating expense. The Authority's power cost to LIPA has increased steadily. Over the last four years, the Authority has spent \$15.2 M more than would have been paid based on 2006 rates.

I am going to ask Larry Kulick our Chief Financial Officer to now make his presentation.

**Larry B. Kulick, CPA**  
**Chief Financial Officer**

In order to establish rates, which are equitable to the service they receive, the Authority has historically performed cost of service and rate studies, using the results as a guide for establishing the respective rates. Over the past year, as previously mentioned, the nationally recognized firm of Black and Veatch was engaged to perform a Cost of Service and Rate Study for the years 2012 – 2016. Preliminary estimates showed potential double digit rate increases. Utilizing a forecast of operating & maintenance expenses, capital costs, as well as debt service and taking into account the cost cutting measures discussed by Mr. Szabo, the resulting report indicates the need to generate approximately \$4.5 million in revenues. Further breaking down this revenue need to the costs associated with the different rate categories, the general service rate, which comprise the most of our customer base, would see an average increase of 4.2%.

Taking this information into account, the Authority proposes the changes as shown in the public notice, which has been posted on the Authority's web site and is summarized on the screen: [SHOW PUBLIC NOTICE]. Hi- lighting these changes, the Authority is proposing to the General Service rate an increase in the Service Availability Charge from \$18.23 (\$6.08m) to \$18.93 (\$6.31m). In addition the commodity rate would change from \$1.46 to \$1.52 per thousand gallons. What this means to the consumer using 160,000 gallons of water per year is an annual increase of \$12.40 or \$1.033 per month.

As you can see by the graph on the screen, after being able to "freeze" rates for 4 years, the customer using 160,000 gallons of water per year has seen over the past 6 years an increase of \$36.36 or \$.50 per month. Furthermore, as this next graph indicates, the Authority continues to maintain the lowest water rates in the region for similar water utilities and one of the lowest in the country.

Another change of note relates to the Fire Island rates. Over the past 17 years, SCWA has been acquiring the water systems on Fire Island. At the outset, the systems, for the most part, had unmetered flat rates. Over time, meters were installed and the current rates were set based on the additional costs associated with servicing systems not integrated with the existing SCWA distribution system on the mainland. At this point, SCWA operates substantially all of the systems on Fire Island and for the **first time**, since beginning to operate on fireisland, the Authority is proposing an increase in rates to be **more in line** with current costs. These changes include an increase in the annual service availability charge from \$140 to \$156. In addition, the commodity rate would increase from \$1.87 to \$2.12 per thousand gallons.

Other changes reflected in the notice include changes to private hydrant rates, wholesale water, and Bridgehampton/Surfside Service Area.

In conclusion, after completing an extensive review of how we do business, a review which is ongoing, we consider the small increases following four years of no increase show the great importance we place on accomplishing our mission, which is to provide the highest quality of water at the lowest possible price in an atmosphere of excellent customer service.

Thank you and I will now turn this hearing back to Mr. Szabo.

Thank you Larry,

Questions and Answers

Close of hearing at 5:49 pm



# **Suffolk County Water Authority**

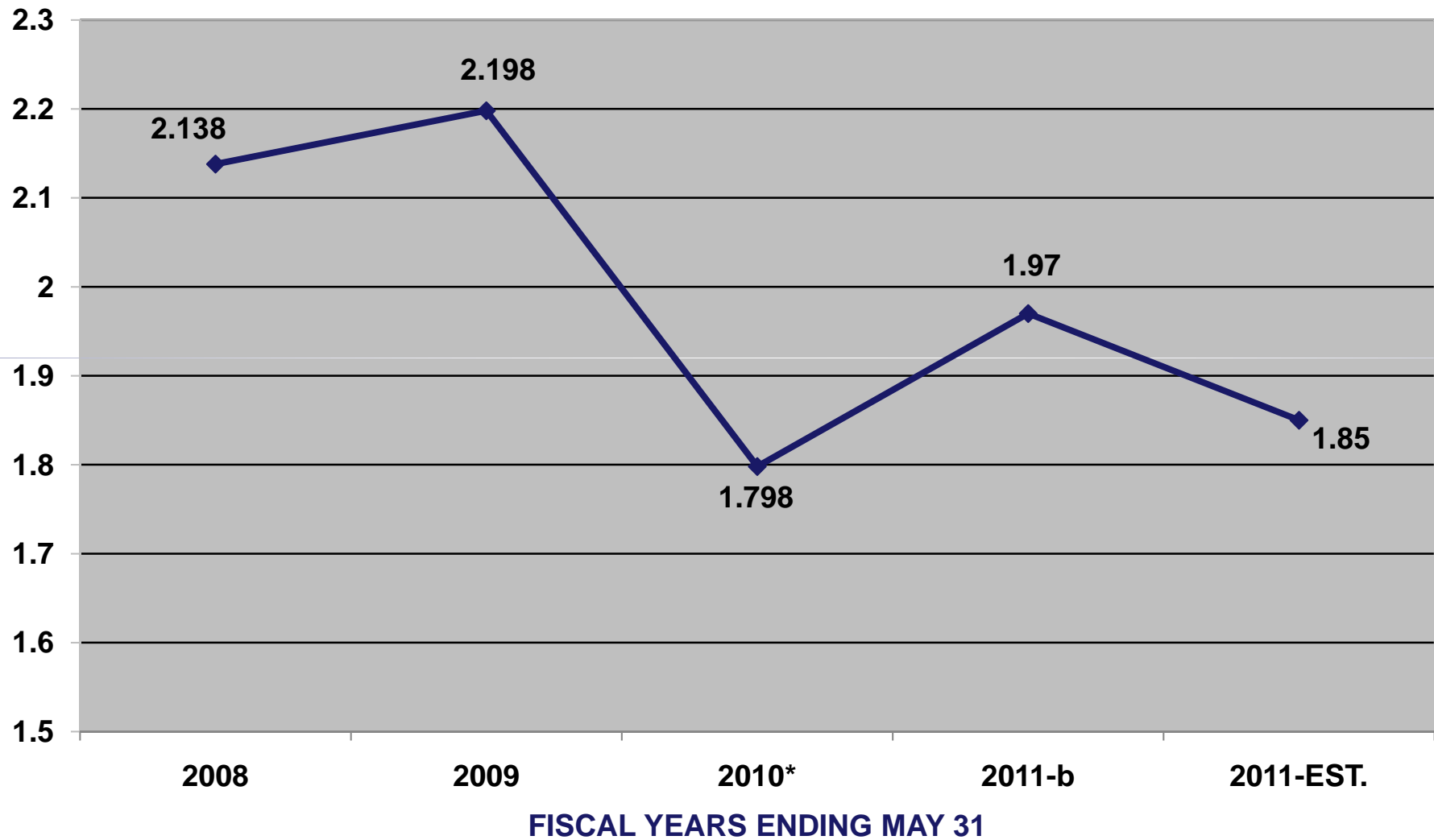
## **Rate Hearing**

*Jeffrey Szabo, CEO*

January 24, 2011

5:30 p.m.

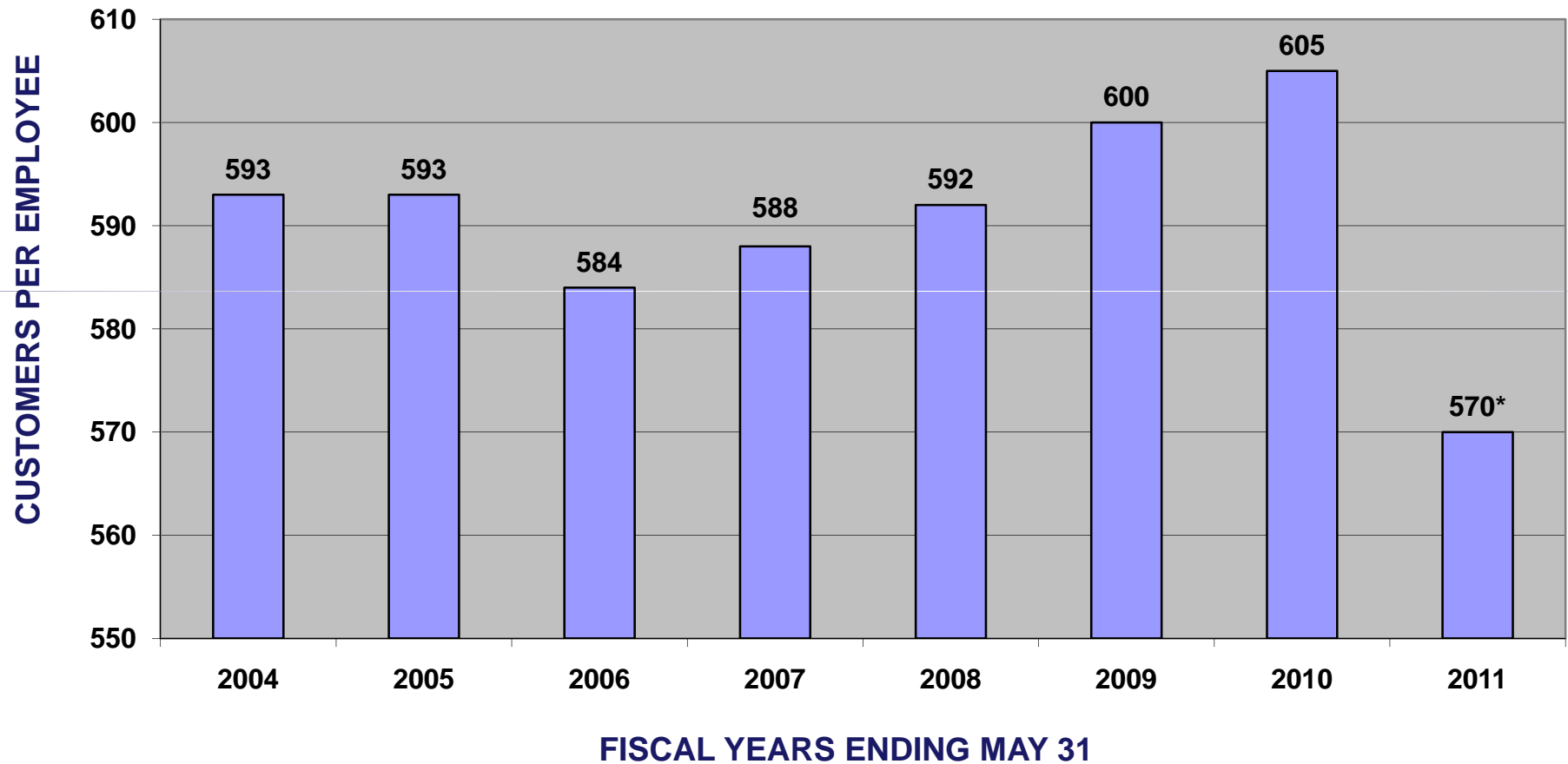
# OVERTIME



\* Budget for Fiscal Year 2010 is \$2,154,000



# EMPLOYEES



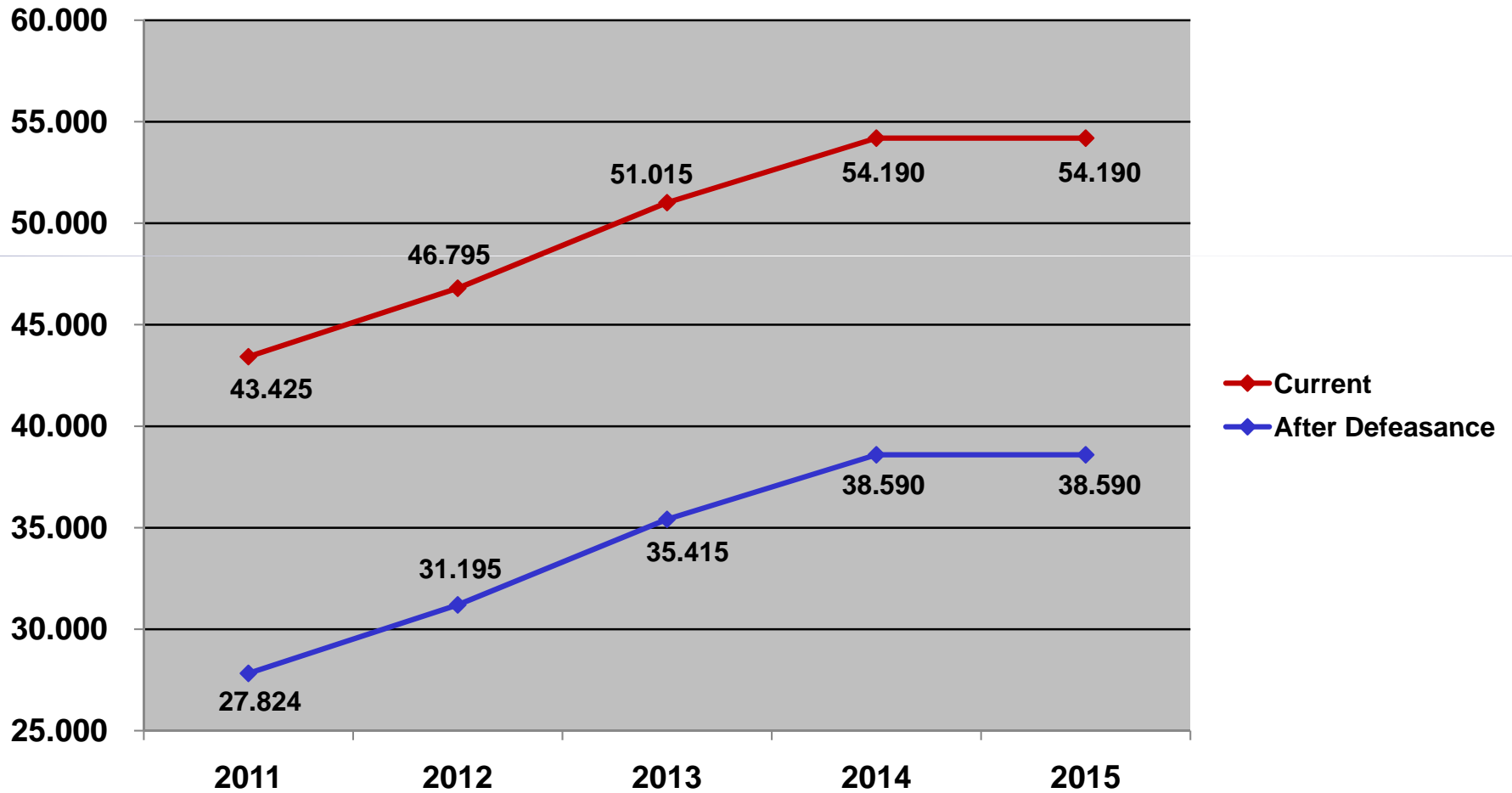
\*As of January 10, 2011, SCWA staff is 554

Backfill of specific vacant positions is estimated to result in a staff of 570 by May 31, 2011

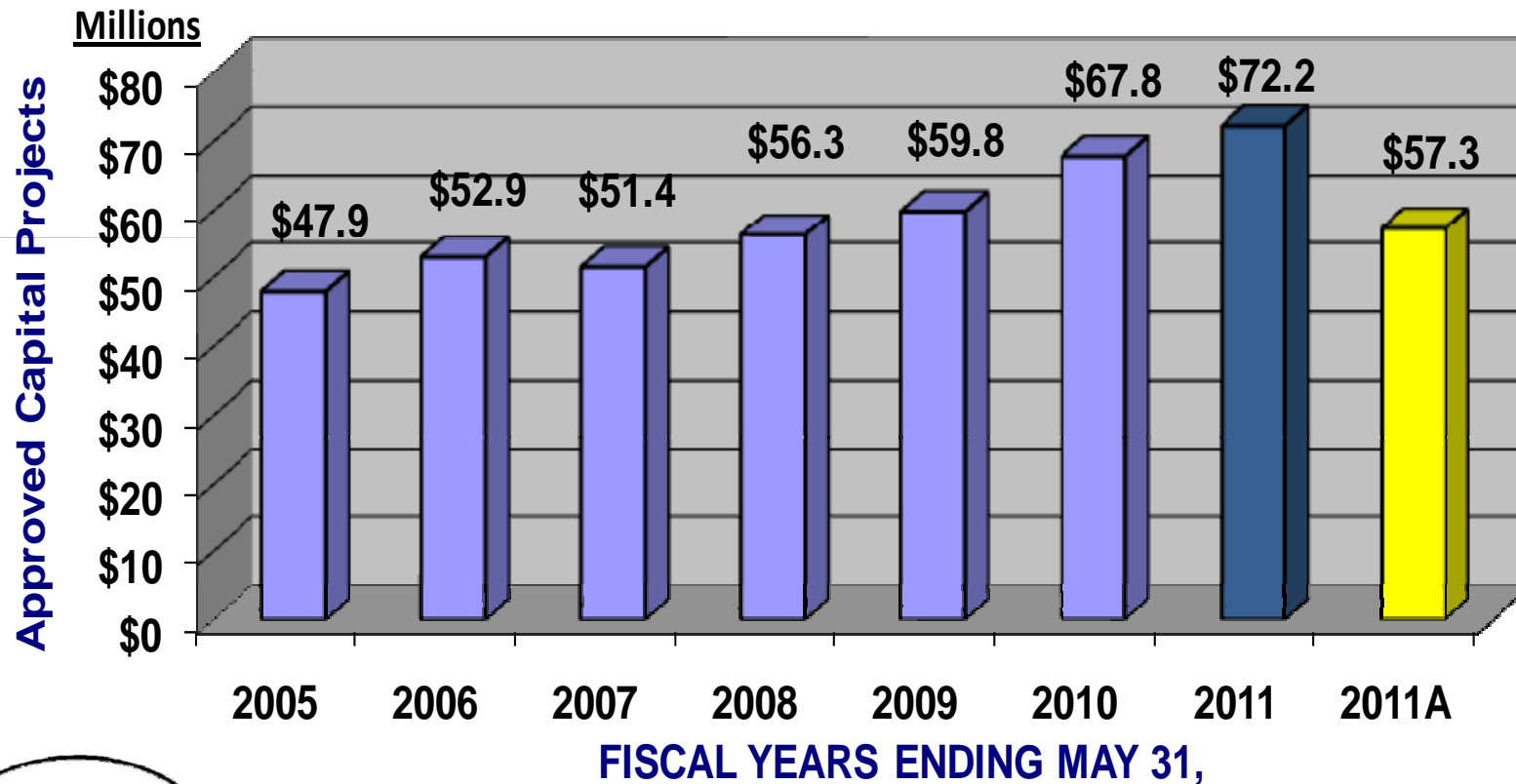


# DEBT SERVICE

## CURRENT VS. PROJECTED



# CAPITAL BUDGET



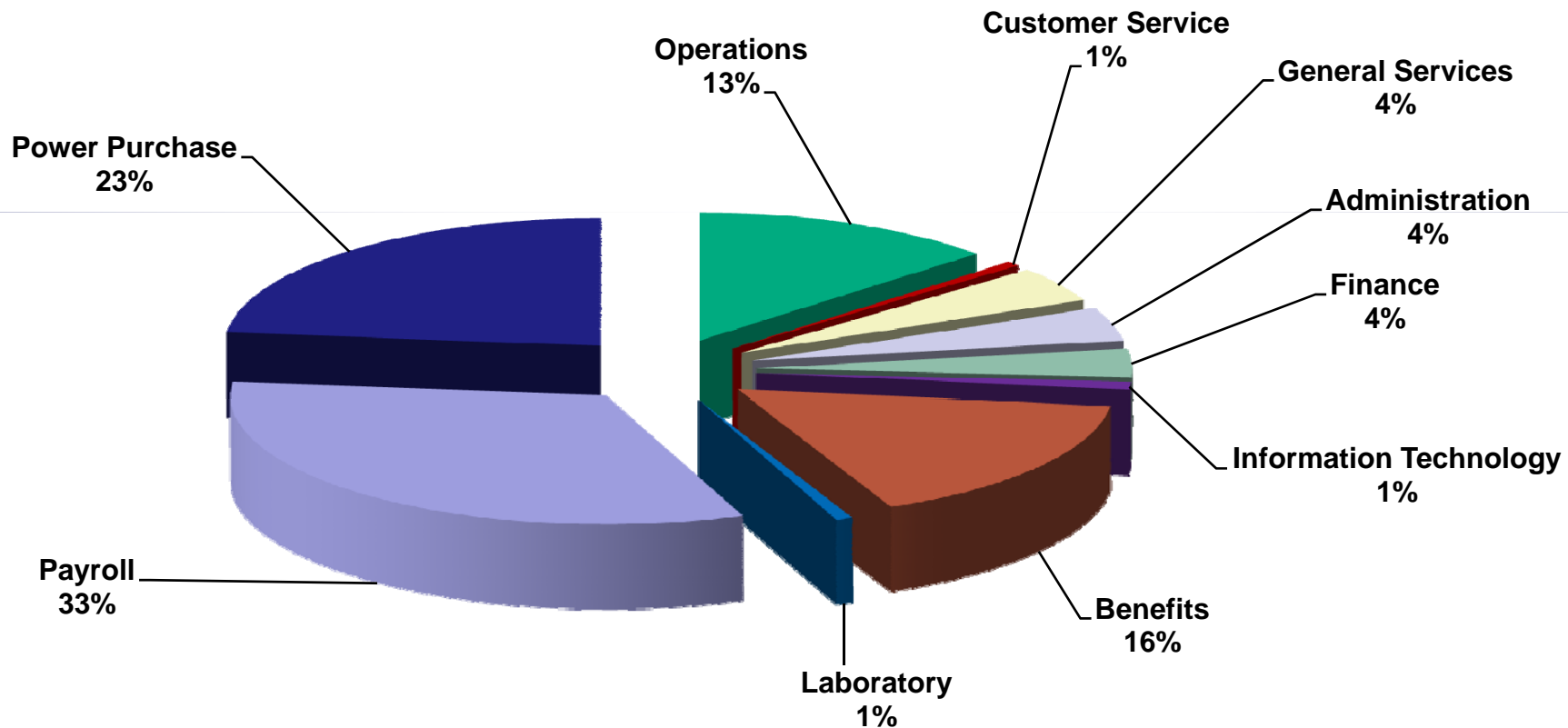
Purple = Authorized

Blue = Adopted Budget

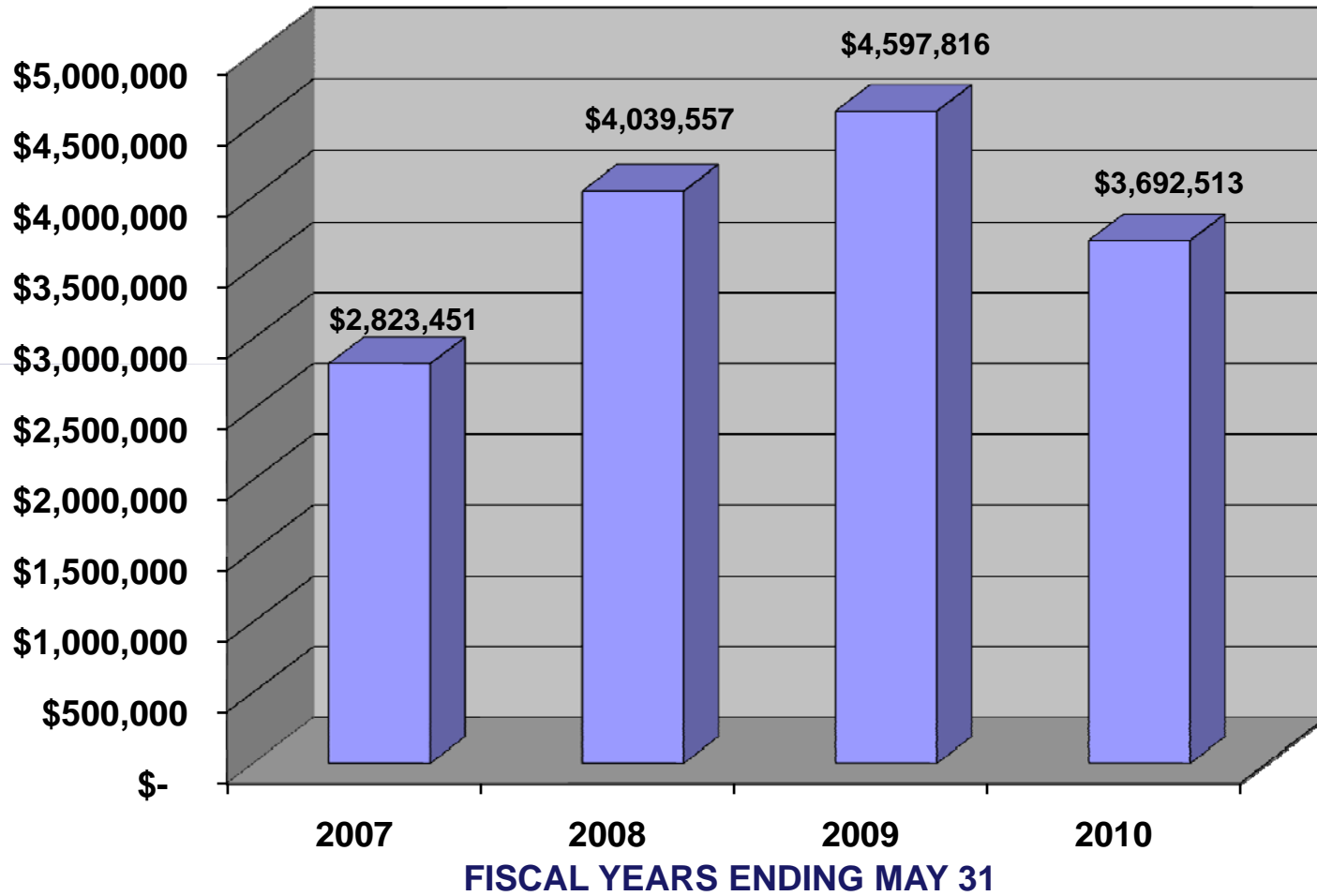
Yellow = Amended Budget (Does Not Include Cost to Takeover Operations of East Farmingdale Water District -\$4.9 Million)

# OPERATING & MAINTENANCE BUDGET

## MAY 2011



# ***INCREMENTAL POWER COST***



Paid \$15.153 million more than 2006 avg. rate per thousand gallons



# **LEGAL NOTICE**

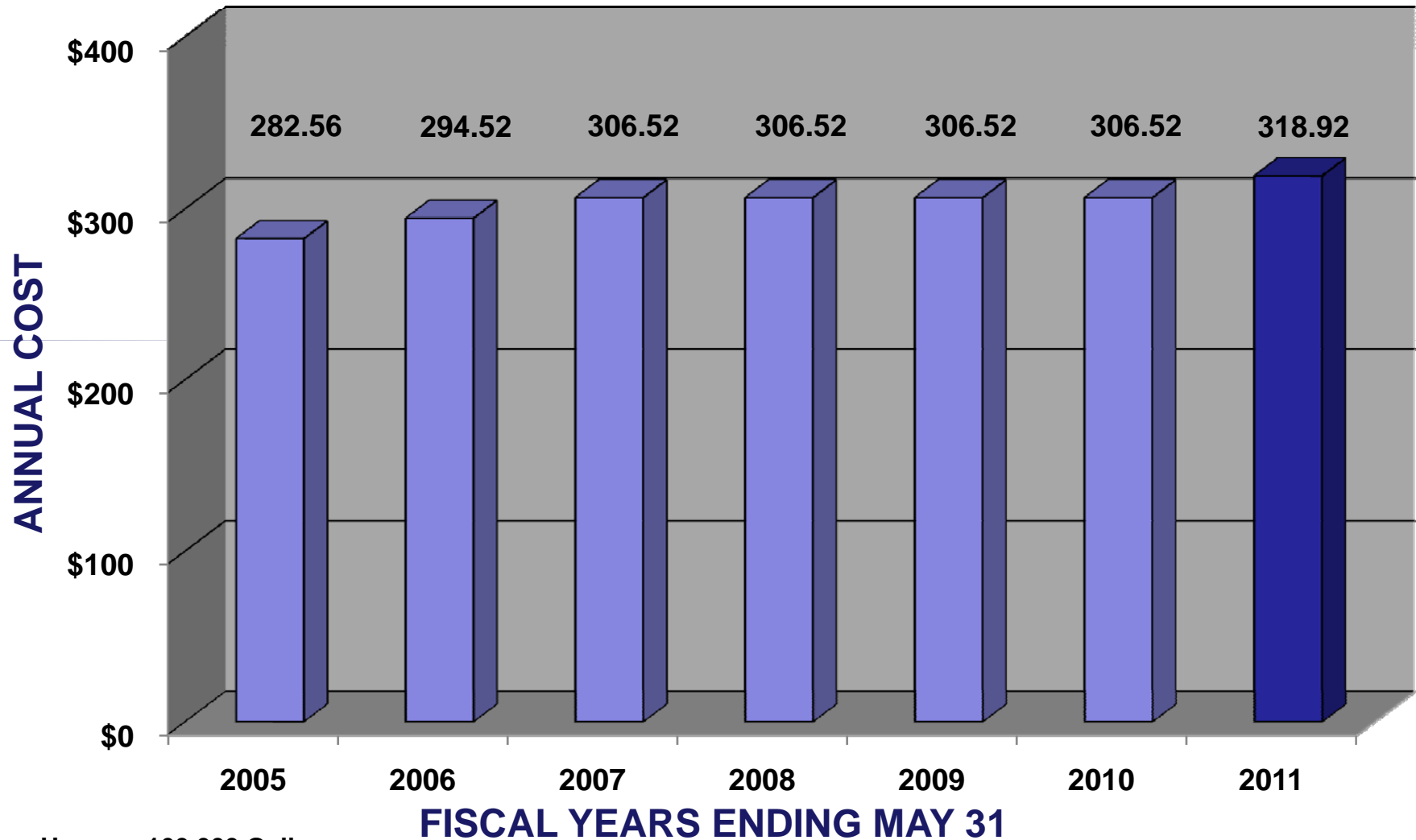
NOTICE IS HEREBY GIVEN a Public Hearing will be held on January 24, 2011 at 5:30 P.M. at the Offices of Suffolk County Water Authority, 4050 Sunrise Highway, Oakdale, New York, to consider rate increases for certain Suffolk County Water Authority service classifications as follows:

	<u>Current</u>	<u>March 1, 2011</u>
<b><u>Minimum Service Charge</u></b>		
Service Classification 1 - Quarterly - General	\$18.23	\$18.93
Service Classification 1 - Quarterly - Bridgehampton/Surfside	\$12.00	\$14.40
Service Classification 1 - Monthly - General	\$6.08	\$6.31
Service Classification 1 - Monthly - Bridgehampton/Surfside	\$4.00	\$4.80
Service Classification 1D - Annual - Fire Island	\$140.00	\$156.00
<b><u>Commodity Charge</u></b>		
Service Classification 1 - Quarterly - General	\$1.46	\$1.52
Service Classification 1 - Quarterly - Bridgehampton/Surfside	\$1.51	\$1.52
Service Classification 1 - Monthly - General	\$1.46	\$1.52
Service Classification 1 - Monthly - Bridgehampton/Surfside	\$1.51	\$1.52
Service Classification 1D - Annual - Fire Island	\$1.87	\$2.12
Private Hydrants - SemiAnnual	\$80.60	\$92.10
Service Classification 1B - Special Service Water Districts (Effective January 1, 2012)	\$1.04	\$1.15



Dated: Oakdale, New York, January 10, 2011  
Jeffrey Szabo, Chief Executive Officer

# ***AVERAGE ANNUAL BILL***

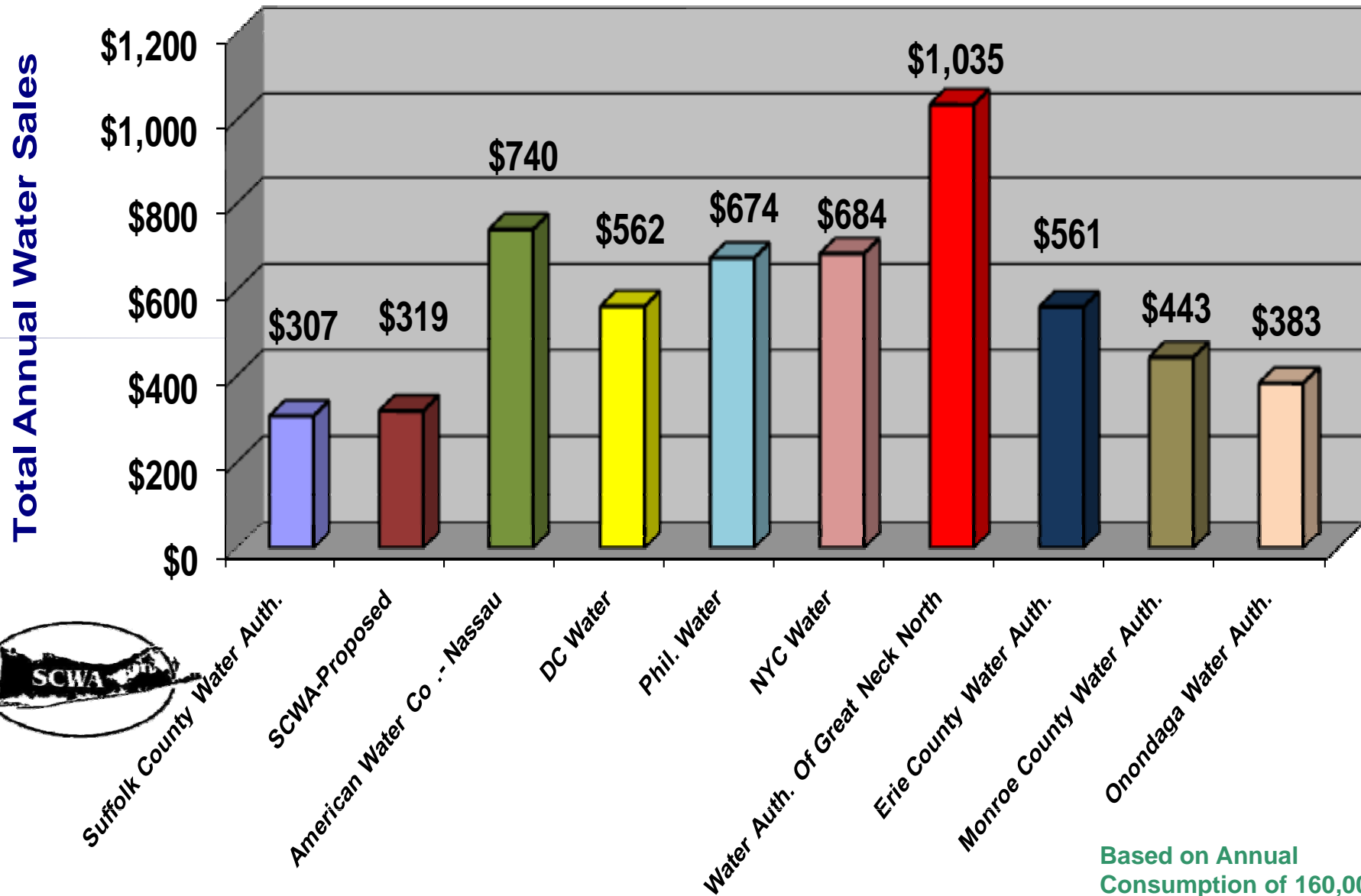


Avg. Usage – 160,000 Gallons

Fiscal 2011 = Proposed Rate Changes



# ANNUAL WATER BILL COMPARISON



\*With Exception of SCWA – Proposed, Rates Reflected Are Based on 2010 Information

Based on Annual Consumption of 160,000 Gallons.

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Dated: Oakdale, New York, January 10, 2011  
Jeffrey Szabo, Chief Executive Officer



**SUFFOLK COUNTY  
WATER AUTHORITY**

*Pure, Safe & Constantly Tested*

**Our Mission:** To provide the highest quality water at the lowest possible price in an atmosphere of excellent customer service.

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Service Classification 1 - Monthly -	Bridgehampton/Surfside	\$ 4.00	\$ 4.80
Service Classification 1D - Annual	Kismet, Fire Island	\$ 140.00	\$ 156.00
Service Classification 1D - Annual	Davis Park, Fire Island	\$ 140.00	\$ 156.00
Service Classification 1D - Annual	Summer Club, Fire Island	\$ 140.00	\$ 156.00
Service Classification 1D - Annual	Lonelyville, Fire Island	\$ 140.00	\$ 156.00
Service Classification 1D - Annual	Cherry Grove, Fire Island	\$ 140.00	\$ 156.00
Service Classification 1D - Annual	Fire Island Pines, Fire Island	\$ 140.00	\$ 156.00
Service Classification 1D - Annual	Atlantique, Fire Island	\$ 140.00	\$ 156.00
Service Classification 1D - Annual	Ocean Bay Park, Fire Island	\$ 140.00	\$ 156.00

<b>Commodity Charge</b>			
Service Classification 1 - Quarterly -	General	\$ 1.46	\$ 1.52
Service Classification 1 - Quarterly -	Bridgehampton/Surfside	\$ 1.51	\$ 1.52
Service Classification 1 - Monthly -	General	\$ 1.46	\$ 1.52
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Service Classification 1D - Annual	Ocean Bay Park, Fire Island	\$ 1.87	\$ 2.12
Service Classification 1D - Annual	Point O'Woods, Fire Island	\$ 1.87	\$ 2.12

Private Hydrants - SemiAnnual \$ 80.60 \$ 92.10

Service Classification 1B - Special Service Water Districts effective January 1, 2012 \$ 1.042 \$ 1.153

Service Classification 1 - Quarterly -		Bridgehampton/Surfside		Minimum Bill	
		<u>Current</u>		<u>March 1, 2011</u>	
5/8"	900 cubic feet	\$ 22.17		0 cubic feet	\$ 14.40
3/4"	1200 cubic feet	\$ 25.55		300 cubic feet	\$ 17.82
1"	2100 cubic feet	\$ 35.72		600 cubic feet	\$ 21.21
1 1/4"	3000 cubic feet	\$ 45.89	deleted		
1 1/2"	4200 cubic feet	\$ 59.44		1500 cubic feet	\$ 31.44
2"	6600 cubic feet	\$ 86.55		2100 cubic feet	\$ 38.28
3"	12600 cubic feet	\$ 154.32		4500 cubic feet	\$ 65.55
4"	20700 cubic feet	\$ 245.81		8400 cubic feet	\$ 109.89
6"	41100 cubic feet	\$ 476.22		17400 cubic feet	\$ 212.22
8'	n/a			33000 cubic feet	\$ 389.61

Service Classification 1 - Monthly -		Bridgehampton/Surfside		Minimum Bill	
		<u>Current</u>		<u>March 1, 2011</u>	
5/8"	300 cubic feet	\$ 7.39		0 cubic feet	\$ 4.80
3/4"	400 cubic feet	\$ 8.52		100 cubic feet	\$ 5.94
1"	700 cubic feet	\$ 11.91		200 cubic feet	\$ 7.07
1 1/4"	1000 cubic feet	\$ 15.30	deleted		
1 1/2"	1200 cubic feet	\$ 19.81		500 cubic feet	\$ 10.48
2"	2200 cubic feet	\$ 28.85		700 cubic feet	\$ 12.76
3"	4200 cubic feet	\$ 51.44		1500 cubic feet	\$ 21.85
4"	6900 cubic feet	\$ 81.94		2800 cubic feet	\$ 36.63
6"	13700 cubic feet	\$ 158.74		5800 cubic feet	\$ 70.74
8'	n/a			11000 cubic feet	\$ 129.87

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 Jeffrey Szabo, Chief Executive Officer