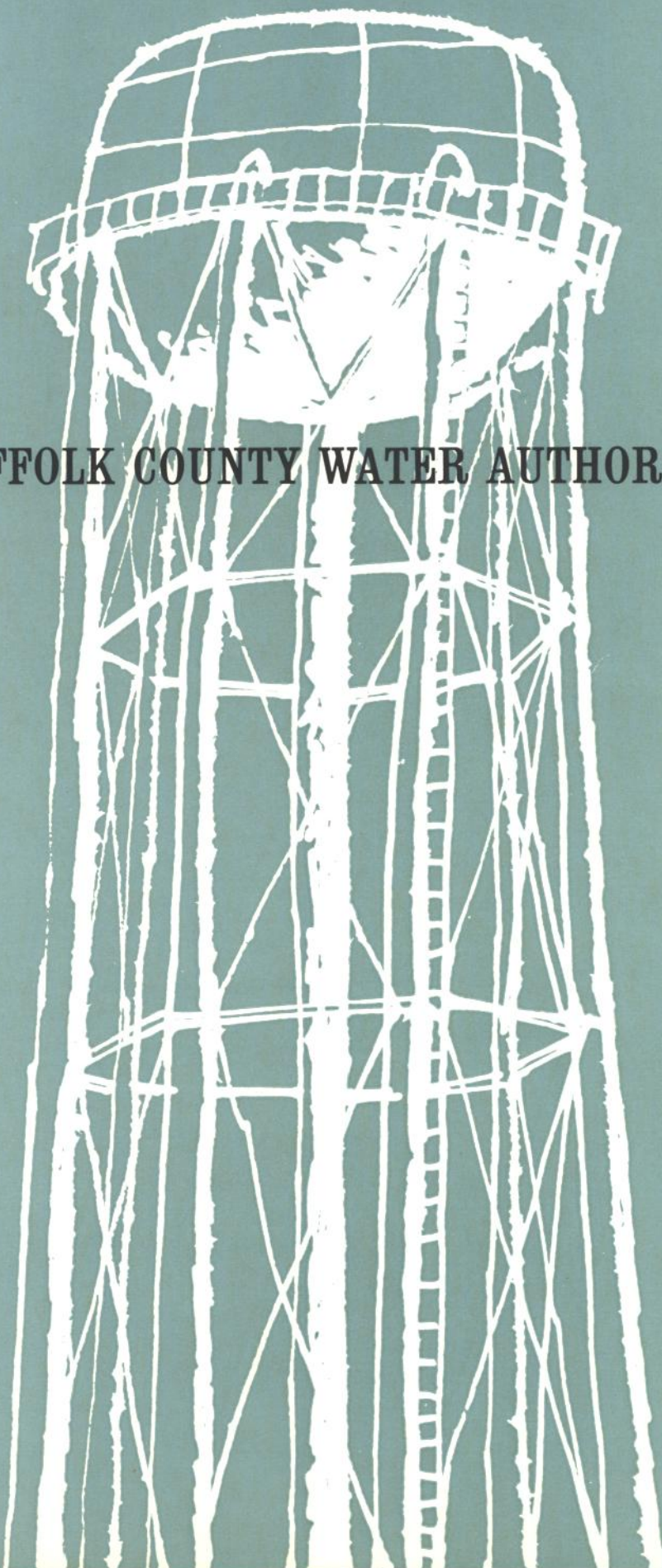
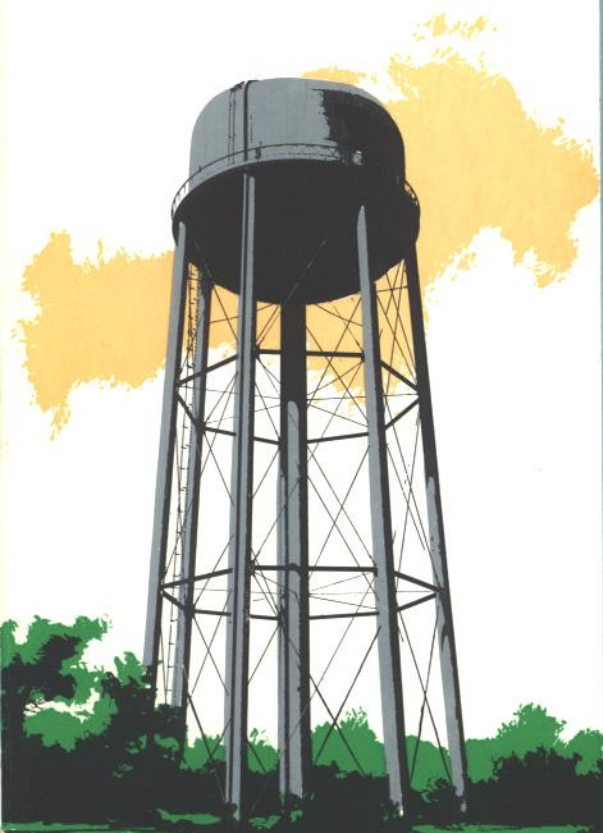


ANNUAL REPORT 1960

SUFFOLK COUNTY WATER AUTHORITY



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# ANNUAL REPORT

## SUFFOLK COUNTY WATER AUTHORITY

### 1960

#### AUTHORITY MEMBERS

T. BAYLES MINUSE, *Chairman*  
HARRY PAUL FISHEL, *Secretary*  
CHARLES W. FRIEMAN, *Assistant Secretary*  
CARLL S. BURR, JR., *Treasurer*  
HERMON F. BISHOP\*

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FRANKLIN S. KOONS, *Executive Director*  
N. F. FENN, *General Manager*  
HOMER F. GARDNER, *Assistant General Manager and Chief Engineer*  
LOUIS W. WEINFURT, *Assistant General Manager, Distribution*  
EUGENE SIDOTI, *Assistant to General Manager*  
DAVID L. GLICKMAN, *Counsel*  
J. LEONARD NEWMAN, *Chief Accountant*

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WILLIAM V. BURNELL, *Consulting Engineer*  
STONE & WEBSTER ENGINEERING CORPORATION, NEW YORK, *Advisory Engineers*  
UNITED STATES TRUST CO. OF NEW YORK, *Fiscal Agent*  
PRICE WATERHOUSE & CO., *Independent Accountants*  
R. W. PRESSPRICH & CO., NEW YORK, *Financial Advisors*

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\*Mr. Bishop was appointed Suffolk County's Commissioner of Public Works. He resigned August 1, 1960.  
Mr. Adrian F. Mason was appointed a Member by the Suffolk County Board of Supervisors August 22, 1960.

## THE YEAR'S RESULTS IN BRIEF

YEAR ENDED MAY 31<sup>st</sup>

	1960	1959
Revenues . . . . .	\$3,417,472	\$2,944,517
Operating and Maintenance Expense, except depreciation . . . . .	1,188,604	1,082,741
Interest on bonds and notes; also amortization of debt discount and expense . . . . .	655,448	600,046
Allowance for depreciation . . . . .	347,088	310,219
Net earnings . . . . .	1,226,332	951,511
Earnings employed in the business ( <i>since May 31, 1951</i> ) . . . . .	5,427,559	4,201,227
Total Water Plant at cost . . . . .	35,522,033	27,260,971
Net Additions to Water Plant . . . . .	8,261,062	3,028,533
Customers (Active Services) . . . . .	76,878	61,578
Miles of Mains in Service . . . . .	1,205	970
Fire Hydrants in Service . . . . .	7,982	6,457
Water Production (Million Gallons) . . . . .	6,720	5,755



*The Administration Headquarters building  
at Oakdale, Long Island.*

## THE CHAIRMAN'S LETTER

**A**s a result of Authority operations for the fiscal year ended May 31, 1960, a total of 15,300 new customers were added to Authority lines—9,820 through acquisition of other properties and 5,480 in the normal course of population growth.

Three properties were purchased during the year, the Amity Harbor Water District, with 316 customers, already taking its water wholesale from the Authority, the properties of the Indian Head Water Company, Inc., with 1,414 customers, and The Northport Water Works Company with 8,090 customers. These properties are strategically located in rapidly developing territories and were acquired at prices below their respective appraisals. The application of Authority rates constitutes a decided advantage to their consumers.

At the year end, the Authority had a total of 76,878 active customers and 7,982 hydrants in service. Two hundred and thirty-five miles of mains, a new high, were added to Authority lines—one hundred and fifty miles by acquisition and eighty-five miles installed by Authority contractors. It is estimated that the Authority now provides approximately 70% of public water in Suffolk County.

The Water Authority, on May 10, 1960, sold \$5,500,000 South Bay Division Water Works Revenue Bonds, Series F, at an average interest cost of 4.152%. The proceeds were used to redeem \$1,200,000 Series F Bond Anticipation Notes, for the acquisition of The Northport Water Works Company, to augment the Debt Service Fund to the required amount for the new bonds, to pay expenses relating to the issue, and to provide additional funds for new construction.

Net Earnings before depreciation available for debt service were \$2,228,868, an increase of \$362,092 over the previous fiscal year. Interest and amortization on bonds and notes totalled \$1,022,574.

As a result of Authority expansion, its expenditures for capital improvements totalled \$4,093,246, as compared with \$3,028,533 in 1959, and \$2,493,763 in 1958.

During the past nine years of operations the bonded indebtedness has decreased from 103% of the total value of its plant to 68% at the end of the 1960 fiscal year. The people of Suffolk County now have a substantial interest in their water plant compared with none nine years ago. This reflects the employment of earnings in the business and speaks well indeed for the management of your Authority.

FOR THE MEMBERS OF THE AUTHORITY



CHAIRMAN

October 17, 1960

*Three*

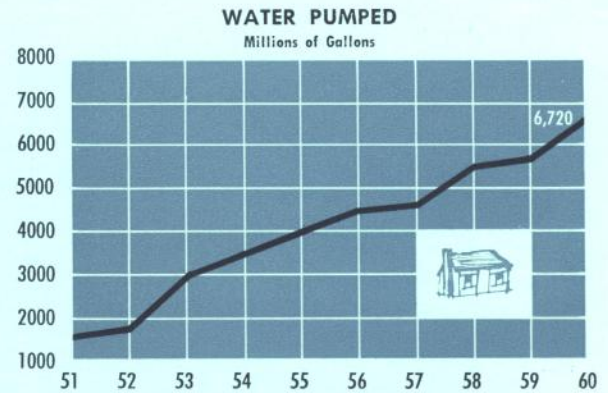
## REVIEW OF OPERATIONS

Gross revenue for the fiscal year ended May 31, 1960 amounted to \$3,417,472, an increase of \$472,955 over the previous year. This increase reflects the addition of 5,480 customers and 515 hydrants to the system and a small amount of revenues received near the end of the fiscal year following the acquisition of the Indian Head Water Company, Inc. and The Northport Water Works Company.

Dry weather during the late summer and early fall of 1959 resulted in a substantial increase of the use of water for irrigation purposes, which was reflected in higher revenue during this period.

Water pumped to the system increased from approximately 16,000,000 gallons per day to 19,000,000 gallons. Customers increased their average use of water by approximately 5% during the fiscal year. Home construction increased substantially during the year. At the end of its fiscal year, the Authority was providing service to 76,878 customers. This includes 9,820 customers added to the system through acquisition of properties.

Operating and maintenance expenses, excluding depreciation, increased from \$1,082,741 to \$1,188,604, or an amount of \$105,863. The major part of this increase relates to the growth of the business. Wages of operating personnel were increased approximately 4% in June 1959. Comparable increases were made to administrative employees. It is noteworthy that the ratio of operating expenses against operating revenues declined slightly



ly during the year. However, under the New York State Employees' Retirement System, in which the Authority became a participating employer on June 1, 1959, the Authority's portion of the cost did not commence until April 1, 1960; consequently, the full effect of this expense will be reflected in the fiscal year beginning June 1, 1960.

The provision for depreciation for the fiscal year was \$347,088 and the accumulated depreciation reserve to date is \$1,741,126.

Net earnings (for the fiscal year) before interest and depreciation (balance available for debt service requirements) increased from \$1,861,776 to \$2,228,868. Net earnings, after deducting interest on bonds and notes, bond redemption premium, amortization of debt discount and expense, and depreciation, amounted to \$1,226,332 compared to \$951,511 in the previous fiscal year. Accumulated earnings employed in the business between June 1, 1951, when the Authority first became engaged in water works operations, and May 31, 1960 amounted to \$5,427,559. These earnings have been reinvested in the business for plant improvements, for debt retirement, and for new facilities. This has served to increase the Authority's earnings and its borrowing power.

Interest on bonds and notes totalled \$629,973. Combined debt service, including amortization of outstanding bonds, totalled \$1,022,574. Net earnings before interest and depreciation, for year ended May 31, 1960, for the South Bay Division equalled 2.13 times debt service requirements, and for the Huntington-Babylon-Sag Harbor Division equalled 2.25 times debt service requirements.

The balance sheets and statements of earnings for each Division, and combined for the Authority, included in this report, have been certified by Price Waterhouse & Co. under date August 5, 1960.



*The Authority's most recent completed station and 500,000-gallon storage tank to serve the community of Deer Park.*

## EXPANSION AND IMPROVEMENTS

Construction expenditures during the fiscal year, after retirements, were \$4,093,246, as compared to \$3,028,533 in the previous year, an increase of \$1,064,713, or 35%.

Distribution System . . .	\$3,236,080
Production Facilities (Wells and Pump Stations) . . .	376,423
Storage Tanks . . . . .	342,502
General . . . . .	138,241
Total . . . . .	<u>\$4,093,246</u>

Construction expenditures for fiscal year ending May 31, 1961 are forecast at \$5,385,000.

Eighty-five (85) miles of pipe lines were added to the distribution system to provide service to new homes, to existing homes previously supplied by small private wells, and to strengthen certain sections of the distribution system to improve fire protection service.

New wells and pumping station facilities were placed in service at Babylon, Deer Park, Port Jefferson and Southampton. A 500,000 gallon elevated storage tank was erected at Deer Park, and a 750,000 gallon elevated storage tank at Bay Shore. The Authority now has in service (including facilities recently acquired) 111 operating wells, 34 pumping stations, and 29 storage tanks. Total storage capacity is 12 million gallons.

A new office building of modern design is being constructed on West Oak Street in Amityville. This will replace the old district office now located on the Authority's well field across the street. The Amityville district office staff will move into this new building late this fall.

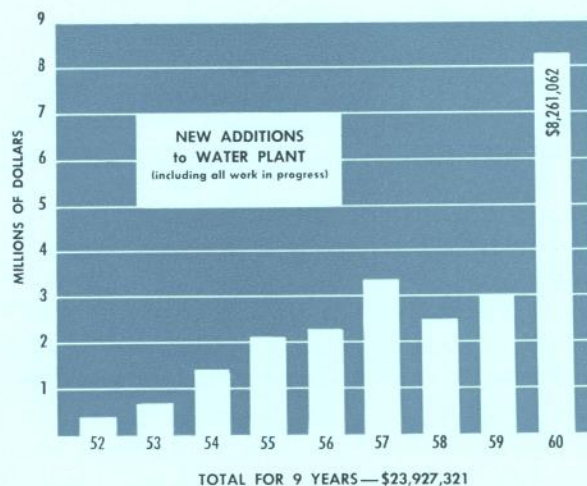
The Operating Headquarters, located at Oakdale, has been completed and was fully occupied in October 1959. This houses the meter shop, garage, storeroom, laboratory and quarters for the construction and maintenance department personnel.

Under a contract with the State University of New York for water service to the new State College at Stony Brook, mentioned in our last

report, the Authority is purchasing two tracts of land, one for a new well site and water plant, and a second tract for a 1,500,000 gallon storage tank. These facilities are scheduled to be completed by September 1, 1961.

The Authority has recently entered into agreements to purchase tracts of land for new well sites at strategic locations in the rapidly growing communities it serves. The construction budget for the current fiscal year includes approximately \$1,000,000 for additional water production facilities. Six (6) new pumping stations will be constructed and four (4) additional wells will be drilled at existing pumping station sites.

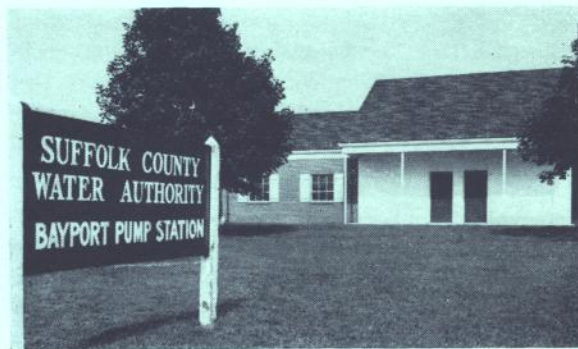
On September 1, 1959, the Authority amended its regulations for extension of water mains by increasing the allowance from 60 feet to 70 feet of pipe for each bona fide customer on a public highway. This has assisted owners of existing homes on public streets, whose source of water was from small private wells, to obtain public water more readily. Many home owners in densely populated areas, particularly in the western towns of the County, have been concerned about small amounts of detergents in their private well supplies. Since the new regulation was put into effect, there has been a great demand for the extension of water mains under the new 70 foot rule. The construction budget for the fiscal year ending May 31, 1961 provides for \$1,200,000 of new pipe line extensions under the 70 foot rule.



## ACQUISITION OF PROPERTIES

As detailed below, the Authority during the year ended May 31, 1960 acquired three existing water works properties, thereby adding 9,820 customers and 1,010 fire hydrants to the Authority's system.

On December 1, 1959, the Authority acquired from the Town of Babylon the distribution system of the Amity Harbor Water District, which served 316 customers and 17 hydrants. This system previously purchased its water from the Authority. The Authority paid the Town \$24,913 for the system and, in addition, agreed to make certain improvements to the system estimated to cost \$25,000 within a year.



*This pumping station was rebuilt and enlarged to provide for diesel generator stand-by equipment to insure continuous service during emergencies.*

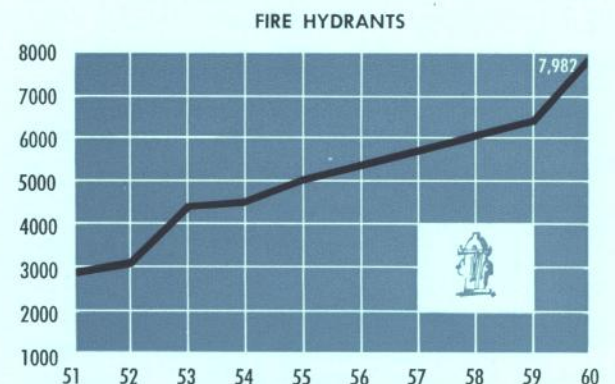
On April 1, 1960, the Authority acquired the property of the Indian Head Water Company, Inc., which served 1,414 customers and 201 hydrants at Commack, Long Island, including three pumping stations, whose water supply is more than ample to serve this community. It plans to connect this system by a 12-inch transmission main to the Authority's Kings Park system. This interconnection will make the surplus Commack water available to the Kings Park area. In turn, the latter's elevated tank will provide more adequate storage facilities for the homes and shopping center in the Commack area. The Authority paid \$573,325 for this property subject to terms of an agreement to pay additional sums for new houses connected to the existing system prior to September 1, 1961.

On May 26, 1960, the Authority took title to the property of The Northport Water Works Com-

pany. This property served 8,090 customers and had 792 hydrants in use. Water is supplied from 3 pumping stations, and there are 3 elevated and 1 underground storage tanks on the system. The purchase price was \$3,167,581. The Authority agreed to assume the payment of certain refunds under existing Construction Loan Contracts during the remaining life of such contracts. However, the payment of such refunds is contingent upon the connection of new homes to the system, for which the Authority will derive additional revenue.

Acquisition of the Northport and Indian Head properties was approved by the New York State Water Resources Commission, the New York State Public Service Commission, the Board of Supervisors of Suffolk County, and the Authority's advisory and consulting engineers. The acquisition costs of these properties were lower than the appraised value and were based on the assumption that, before the end of 1960, the Authority would put into effect its system-wide water rates for the customers served by these properties. Such rates are approximately 25% lower on the average than the rates charged by the former companies. Monies for the acquisition of these two properties were provided out of a portion of the proceeds of a \$5,500,000 Bond Issue referred to elsewhere in this report.

The Authority believes the earning power and growth prospects of all of these properties make them desirable acquisitions in conformity with its long-range policy of providing water service to the residents of Suffolk County. The Authority is currently studying several small water properties looking toward their possible acquisition.

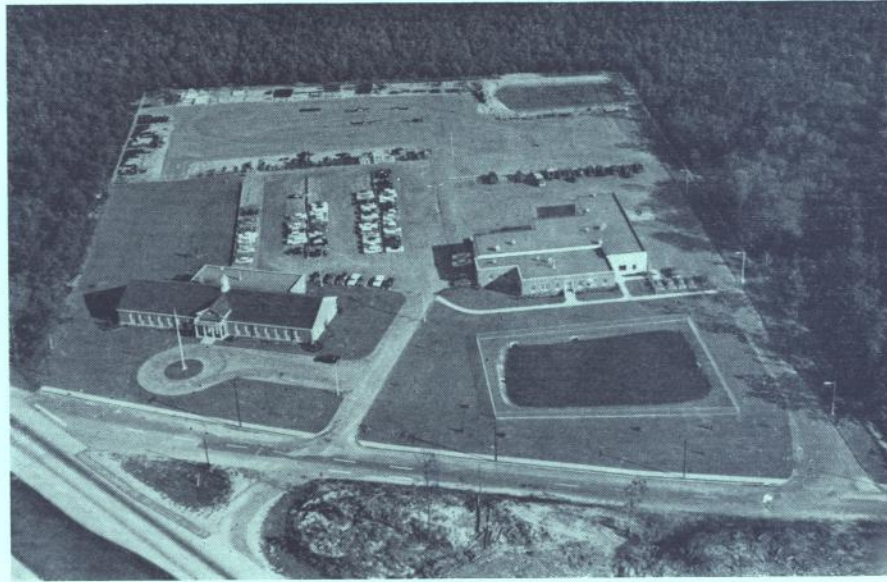


## FINANCIAL REVIEW

The continued expansion and improvement program of the Authority to provide water service to the rapidly growing communities it serves in Suffolk County requires a large amount of capital.

In addition to such monies derived from the operations of the Authority, which are reinvested in the business, it is necessary to borrow monies by the issuance of Bond Anticipation Notes and Revenue Bonds. Major acquisitions of new properties are financed by the issuance of Revenue Bonds. The Authority has no taxing power.

On May 10, 1960, the Authority took sealed bids on \$5,500,000 South Bay Division Water Works Revenue Bonds, Series "F," which were sold to the bidder rendering the lowest and best net interest cost to the Authority at an average interest cost of 4.152%. The proceeds were used to redeem \$1,200,000 Series "F" Bond Anticipation Notes, to pay for the acquisition of The Northport Water Works Company, to set up the required Debt Service Reserve Fund for the new bonds, to pay expenses relating to the Bond Issue and to provide some \$600,000 additional funds for new construction for the South Bay Division. Part of the monies received from the sale of the Series



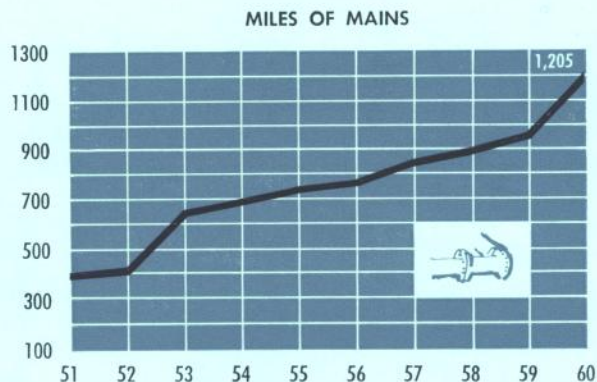
*Aerial view of Administration and Operating Headquarters at Oakdale, Long Island.*

"F" Bond Anticipation Notes was used to acquire the property of the Indian Head Water Company, Inc. Additional monies to complete the construction program of the South Bay Division for the current fiscal year will be provided by the issuance of Bond Anticipation Notes and from current revenues.

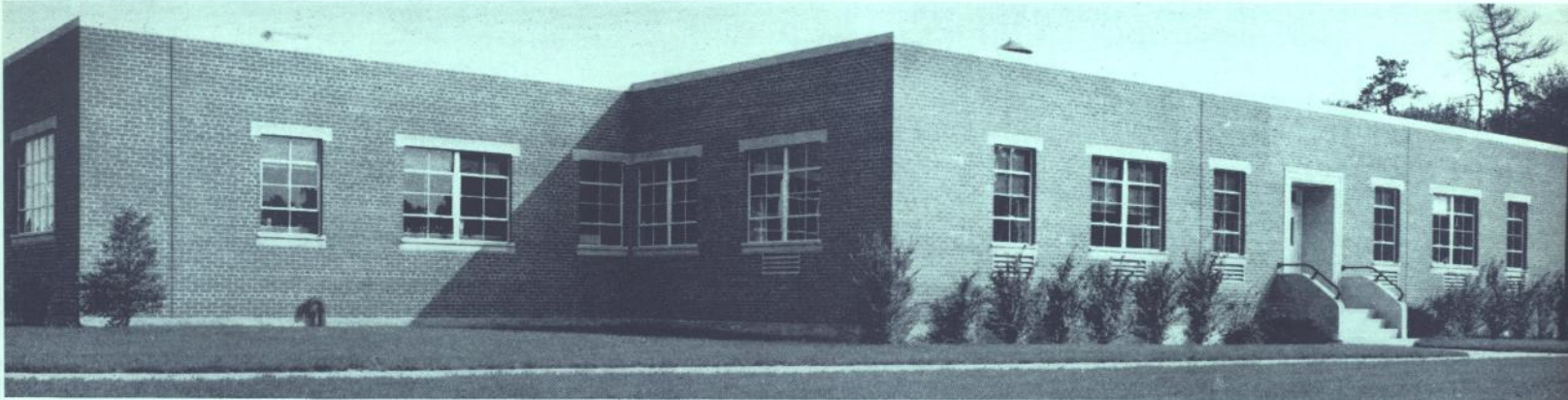
During the fiscal year, the Authority issued \$1,000,000 of Series "C" Bond Anticipation Notes under a resolution adopted by the Authority on June 22, 1959, authorizing the issuance of \$1,500,000 of Series "C" Bonds of the Huntington-Babylon-Sag Harbor Division. It is anticipated that additional notes will be issued during the fiscal year to provide monies for new construction.



*This new 750,000-gallon elevated storage tank was placed in operation in May 1960 at Bay Shore.*



## NEW OPERATING HEADQUARTERS AT OAKDALE



*The Operating Headquarters building, complete with meter shop, storeroom, garage, and modern laboratory for water analysis, was finished and occupied this year.*



*Offices of the Distribution-Construction department at Operating Headquarters in Oakdale.*

*A fleet of Authority service trucks at the Operating Headquarters parking lot.*



*Approximately 10,000 meters are tested and repaired annually in the Authority's new modern meter shop to insure accurate registration.*

