1969 Annual Report

SUFFOLK COUNTY
WATER AUTHORITY

ANNUAL
REPORT

AUTHORITY MEMBERS

RICHARD D. ZEIDLER
Chairman

HERMON L. BISHOP
Treasurer

MATTHEW B. KONDENAR
Secretary

J. HARVEY McCOY

H. WARD ACKERSON

LOUIS W. WEINFURT
General Manager

JOHN H. SCHEETZ
Executive Secretary

WILLIAM J. SCHICKLER
Assistant General Manager and Chief Engineer

HERBERT C. KOEHLER
Assistant General Manager Distribution

KENNETH L. MORRIS
Assistant General Manager Commercial Office Operations

EUGENE SIDOTI
Controller

J. LEONARD NEWMAN
Chief Accountant

VAN NOSTRAND & MARTIN
Counsel

N. F. FENN
Resident Engineering Consultant

WILLIAM V. BURNELL
Consulting Engineer

STONE & WEBSTER ENGINEERING CORPORATION
Advisory Engineers

UNITED STATES TRUST CO. OF NEW YORK
Fiscal Agent

PRICE WATERHOUSE & CO.
Independent Accountants

THE PRESSPRICH CORPORATION OF NEW YORK
Financial Advisors

CHAIRMAN'S LETTER 1969

The fiscal year which ended May 31, 1969, was another banner year in Authority history as revenues passed the $10 million mark and water pumpage soared to a new high of 20,964 million gallons. A corresponding increase in revenues before interest and depreciation, which stood at $6,823,823 or 1.94 times debt service, combined to maintain the excellent financial condition of the Authority.

Fiscal 1969 also saw an increase in total plant which now stands at $108,867,993 as compared to $100,393,680 on May 31, 1968. Revenues invested in facilities since 1951 reached a new high of $23,592,066.

Preliminary steps aimed at insuring the long term financial security and the continued utilization of the high caliber management practices which have characterized the Authority's activity to date were undertaken by the members. At this writing negotiations were under way with two management consultant firms, one of which would undertake a study of Authority activities to insure that modern management techniques are being fully utilized. While at the same time initial consideration has been given to employing a nationally recognized firm to undertake a complete study of the Authority's rate structure to insure its continued financial stability in the face of rising material, labor and financing costs.

The $1 million Test Well and Comprehensive Study and Report of the Water Resources of Suffolk County, which is jointly sponsored by the Authority, the Suffolk County Health Department, the Suffolk County Board of Supervisors and New York State, passed the halfway point. Slated for completion this year, the report is designed to provide a guide for the proper development of the available water resources of Suffolk County that the Authority and officials of local government can follow over the next 50 years.

Cooperative efforts were continued with the U. S. Geological Survey in the continuous monitoring of stream flows and the underground water table throughout Suffolk. Work was also continued on the Authority's own test well program which has saved the Authority thousands of dollars while at the same time providing invaluable information on Suffolk's geological formations and its water bearing strata.

Service was extended to 8,804 new customers during the year, bringing the total number of Authority customers to a new high of 162,995. Service to these customers was improved by the installation of 108 miles of main, and the addition of 884 hydrants.

Funds to complete budgeted construction were obtained in a $7,500,000 Series "L" Bond Anticipation Note Issue sold to the lowest bidder at 3.139 average net interest cost on September 19, 1968.

All conservative estimates of the foreseeable future predict the continued rapid growth of the Authority and the continued maintenance of its excellent financial structure.

August 15, 1969

REVIEW OF THE YEAR'S OPERATIONS

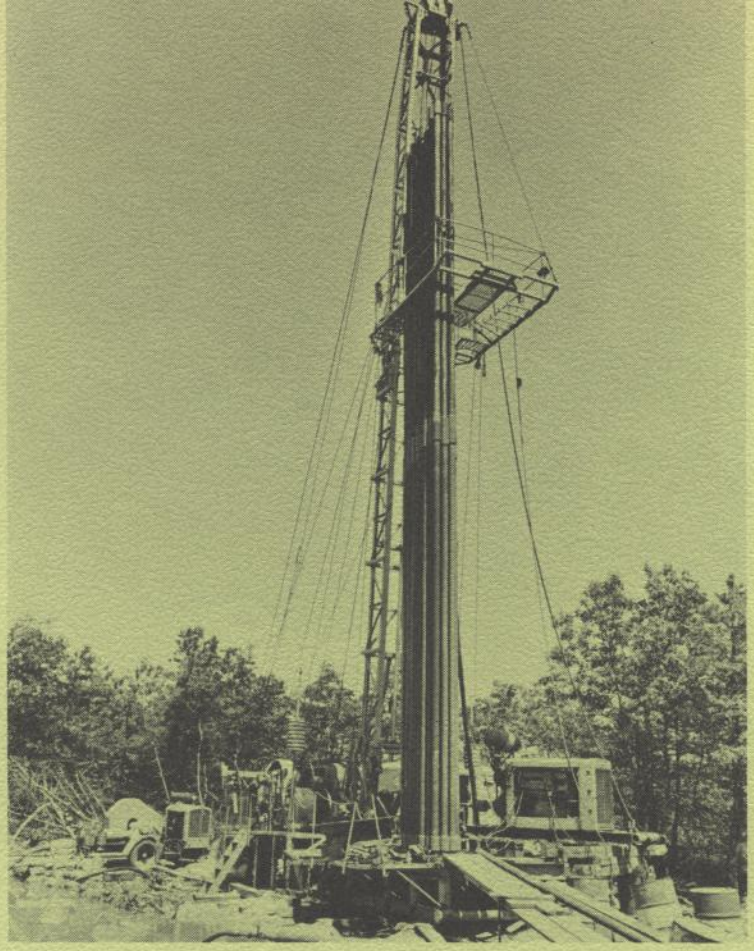
The spectacular financial and operational gains which have characterized the Authority's operations since its inception in 1951 were continued throughout the fiscal period just ended. For the first time in the history of the Authority revenues topped the $10 million mark while water pumpage surged to 20,964 million gallons.

Revenues for fiscal 1968-69 reached a total of $10,664,660 while revenues before interest and depreciation, namely revenues available for debt service, were $6,823,823 or 1.94 times debt service.

Year end results indicated a total plant value of $108,867,993 as compared with $100,393,680 as of May 31, 1968. Of this total plant cost $23,592,066 represents revenues of the Authority reinvested in the business.

Rapid advances were also shown in the number of new customers, 8,804, who joined the system during fiscal 1969, bringing the total number of customers to a new high of 162,995. Not included in the above are four water districts which purchase their water from the Authority. These districts had approximately 7,605 customers as of May 31, 1969. This gives the Authority a combined total of 170,600 customers representing nearly 53 percent of Suffolk County's population.

During the year just ended the Authority installed 108 miles of main bringing its total to 2,490 miles and 884 hydrants for a total of 15,040. There were 13 new wells placed in service during the year with construction being completed on 4 new pumping stations.



THE YEAR'S RESULTS IN BRIEF

	Year Ended May 31 1969	1968
Revenues	$ 10,664,660	$ 9,186,276
Operating and Maintenance Expense, except depreciation	3,840,837	3,461,216
Interest on bonds and notes; also amortization of debt discount and expense	2,620,086	2,422,317
Depreciation	1,270,477	1,156,887
Revenues Invested in Facilities for the Year	2,933,260	2,145,856
Revenues Invested in Facilities (since June 1, 1951)	23,592,066	20,658,806
Total Water Plant at cost	108,867,993	100,393,680
Net Additions to Water Plant (excluding property acquisitions)	8,473,888	8,987,616
Customers (Active Services)	162,995	154,191
Miles of Mains in Service	2,490	2,382
Fire Hydrants in Service	15,040	14,156
Water Production (Million Gallons)	20,964	18,038

EMPLOYEE RELATIONS

The Authority embarked on a new Employee Service Award Program during 1969 in a major attempt to recognize the valuable contributions the employees have made to its outstanding progress over the years. Under the program every employee receives a badge of recognition regardless of his length of service. The plan does, however, utilize precious gems set in a special Authority emblem to indicate years of employment.

Award periods have been established for 5, 10, 15, 20 and 25 years of service. The employee's length of service determines which award he receives. To launch the program all awards were presented at briefing sessions held for the various Authority departments. In the future, all awards will be made on the individual employee's anniversary date.

In making the awards, Authority Chairman Richard D. Zeidler stated, "We hope that all employees wear their awards with as much pride as we take in presenting them to you in recognition of the many years of dedicated service you have shown both to the Authority and to the many thousands of people served by the Authority."

MANAGEMENT AND PERSONNEL

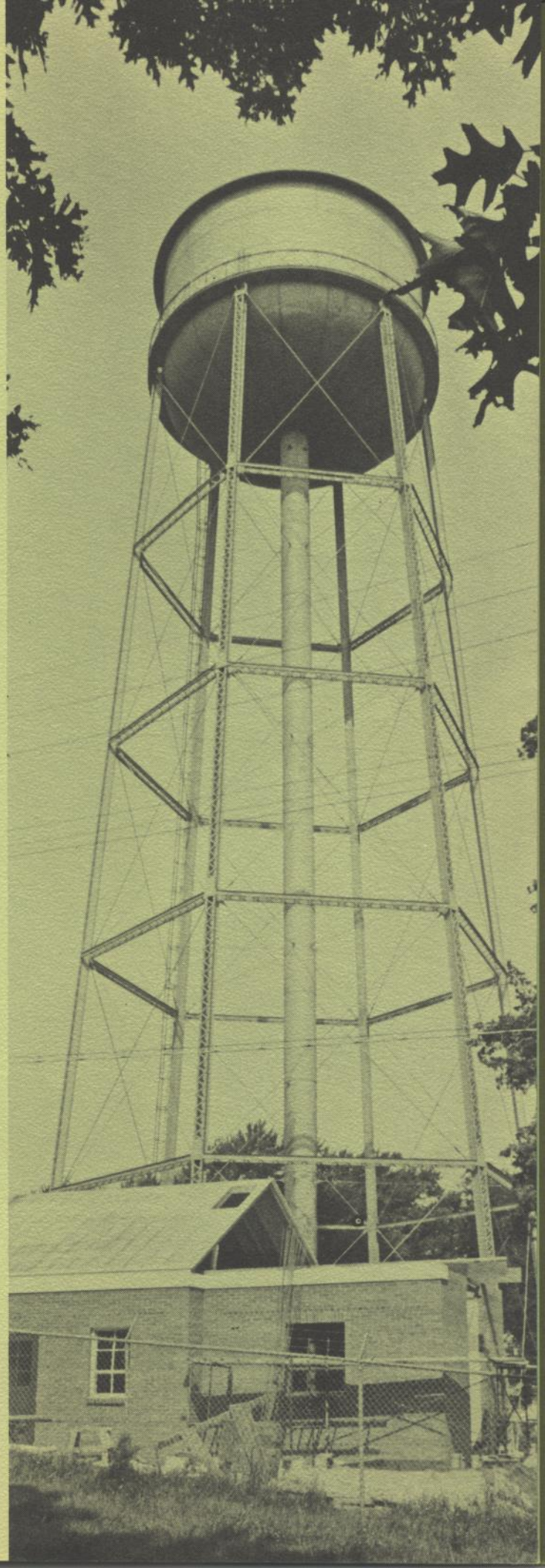
Effective January 1, 1969, Mr. William Schickler was named Assistant General Manager and Chief Engineer following the retirement of Homer F. Gardner, who served as Assistant General Manager and Chief Engineer from 1951 to December 31, 1968. Mr. Gardner will remain with the Authority on a consultant basis in the capacity of Resident Engineer.

Mr. Schickler is a professional engineer and graduate of Cornell University's School of Engineering. He has been associated with the Suffolk County Water Authority since 1953 serving since 1963 as Assistant Chief Engineer. He was formerly associated with The Port of New York Authority and the New York Water Service Corporation.

On May 11, 1969 provisions of the 25-month collective bargaining agreement signed July 12, 1968, calling for a six percent general wage increase became effective. These provisions cover the period from May 11, 1969 to July 13, 1970. Corresponding increases were granted to employees not covered by the collective bargaining agreement effective June 1.

At the close of the fiscal year, which ended May 31, 1969, there were 386 personnel carried on the Authority's payroll as compared to 388 a year earlier.

Once again the Members of the Authority would like to extend their appreciation to all employees for the continued cooperation and efforts which have contributed so greatly to the success the Authority has had since its inception in 1951.



FINANCIAL REVIEW

During the fiscal year recently completed, the Authority authorized the issuance of $7,500,000 Bond Anticipation Notes, Series L, to provide funds for the cost of additions, extensions and improvements to the existing water supply system.

On September 19, 1969, $7,500,000 of notes were sold to the lowest bidder at an average interest cost of 3.139%. These notes are to mature September 15, 1969.

The use of these funds was scheduled over a twelve-month period. The Authority reinvested the proceeds of this bond anticipation note issue in U. S. Government Obligations and Certificates of Deposit, in a manner that would provide sufficient cash when needed during the period. As a result, the actual interest cost was substantially reduced.

As the year ended, plans were going forward for the issuance of $11,000,000 Series L Bonds; however, due to the statutory rate limitation of 6%, the bonds could not be sold. Until the bonds can be sold, the Authority has authorized the issuance of $11,000,000 bond anticipation notes for the purpose of redeeming $7,500,000 existing notes and providing necessary new money as may be required. When the bonds are sold, the proceeds of this sale will be used to redeem all outstanding Bond Anticipation Notes, Series L, increase the balance required in the Debt Service Reserve Fund, pay necessary bond issuance expenses, and, thereafter, any remaining moneys will be used for budgeted construction.

PLANT FACILITIES

SERVICE AREAS OR PLANTS	WELLS IN SERVICE		PUMPING PLANTS				STORAGE FACILITIES				ACTIVE SERVICES	
			No.		Capacity—1000 Gals. Daily*		No.		Capacity in 1000 Gallons			
Amityville	5	10	1	3	936	8,498	1	2	295	1,045	3,260	9,086
Babylon	12	38	3	12	4,464	41,412	1	5	300	4,770	5,829	32,723
Bay Shore	19	46	2	13	5,040	48,612	2	6	558	3,080	7,366	37,944
East Hampton	5	5	3	3	3,750	3,750	2	1	210	500	2,048	2,278
Huntington	7	23	3	7	4,620	16,784	5	6	1,292	3,832	6,835	12,476
Northport	7	12	3	6	7,500	18,160	4	5	1,700	3,020	8,090	12,198
Patchogue	11	24	8	13	10,942	29,042	2	6	428	4,843	8,094	21,429
Port Jefferson	6	23	2	11	2,664	26,860	3	6	863	5,504	3,281	15,642
Sag Harbor	1	3	1	2	432	1,170	1	1	235	235	662	835
Smithtown-Kings Park	10	27	8	14	10,784	35,020	2	4	568	2,084	3,589	14,108
Southampton	2	4	1	1	1,296	2,592	1	1	300	300	1,413	2,000
Westhampton	8	13	2	3	2,229	4,409	1	1	234	500	1,154	2,276
TOTALS	93	228	37	88	54,657	236,309	25	44	6,983	29,713	51,621	162,995
PERCENT OF INCREASE (since acquisition)					332				326		216	

*Based on 24-hour operation.

At Acquisition

As of May 31, 1969

NEW CONSTRUCTION

New construction for fiscal 1969 saw a continuation of the rapid growth pattern so typical of Authority operations over the past 10 years. New construction expenditures totaled $8,779,824 for fiscal 1969 while retirements stood at $305,936.

Highlighting new construction during the period covered was the $350,000 program on College Road in Farmingville to provide water and fire protection services to the Suffolk County Community College and the surrounding residential area. The College, founded in 1960, now serves more than 7,000 full and part time students and is expected to handle more than 10,000 students in the near future.

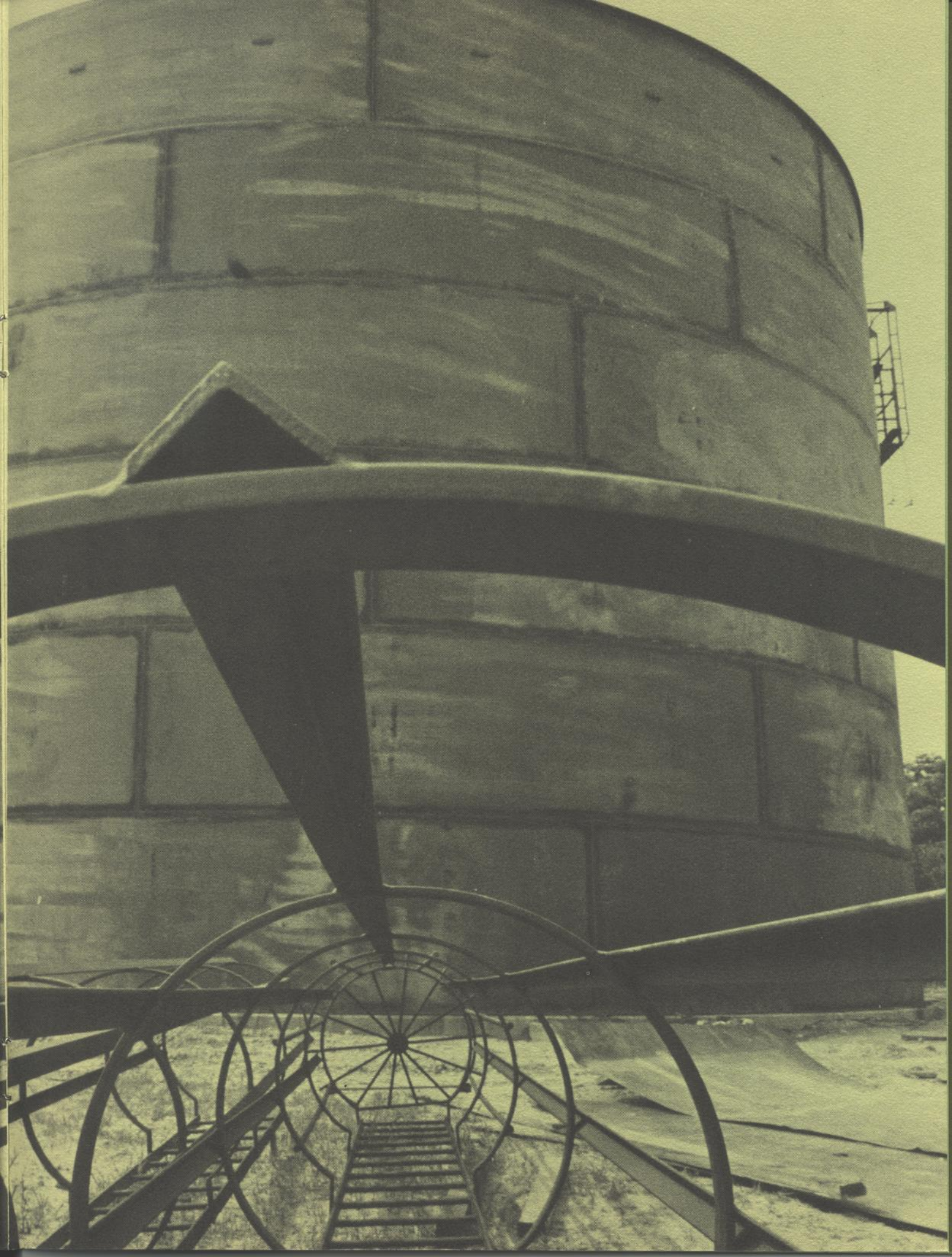
The College Road project included erection of a 1,500,000 gallon standpipe, the construction of a pump station and the drilling of 2 glacial wells to supply water to the new facility. The new complex was placed in service on November 14, 1968.

Fiscal 1969 also saw a modernization project completed on one of the oldest water production facilities on Long Island. Enlarged and modernized at a cost of $125,000 was the Greene Avenue Pump Station in Amityville. This station was first placed in service in 1890 by the Amityville Water Works Company which the Authority obtained when it purchased the South Bay Consolidated Water Company in 1951.

The Greene Avenue project included the drilling of a 632 foot well, the installation of electrical controls and the renovation of the former power station owned by the Long Island Lighting Company to serve as a pump station. Water production of the Greene Avenue Station was increased by 1,440,000 gallons per day.

During the year the Authority added 13 new wells increasing its pumping capacity by more than 20 million gallons daily. There were 4 new pump stations added bringing the total number of stations in operation to 88. These pump stations are capable of pumping in excess of 236,309 million gallons daily. In addition, standby diesel generators were installed in three more Authority pump stations.

There were 108 miles of pipelines and 884 fire hydrants included in the additions to the water plant this year. The Authority now operates a distribution system with 2,490 miles of pipeline and a total of 15,040 fire hydrants.



To the Members of

Suffolk County Water Authority

In our opinion, the accompanying balance sheet and statement of revenues present fairly the financial position of Suffolk County Water Authority at May 31, 1969 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Mineola, L.I., N.Y.
July 28, 1969

SUFFOLK COUNTY WATER AUTHORITY

STATEMENT OF REVENUES

	Year Ended May 31, 1969	Year Ended May 31, 1968
Revenues:		
Operating	$10,110,467	$ 8,703,137
Interest	554,193	483,139
Total revenues	10,664,660	9,186,276
Operating expenses:		
Operation	3,212,741	2,860,072
Maintenance	628,096	601,144
Total operating expenses, except depreciation deducted below	3,840,837	3,461,216
Revenues before interest and depreciation (Note C)	6,823,823	5,725,060
Deduct:		
Interest on bonds and notes	2,549,282	2,355,077
Amortization of debt discount and expense	70,804	67,240
Depreciation	1,270,477	1,156,887
	3,890,563	3,579,204
Revenue invested in facilities:		
For the year	2,933,260	2,145,856
At beginning of year	20,658,806	18,512,950
At end of year	$23,592,066	$20,658,806

(See notes to financial statements)

SUFFOLK COUNTY WATER AUTHORITY

BALANCE SHEET

ASSETS

	May 31, 1969	May 31, 1968
Water Plant, at cost	$108,867,993	$100,393,680
Less—Accumulated depreciation	8,064,834	6,985,482
	100,803,159	93,408,198
Funds Held by Fiscal Agent (Notes A and B):		
New construction fund	1,179,387	444,880
Debt service reserve fund, principally U.S. Government securities at cost, which approximates market	3,584,204	3,673,623
Bond proceeds fund, comprising cash of $1,585,934 ($603,799 in 1968) and U.S. Government securities at cost, which approximates market	5,553,745	1,609,264
	10,317,336	5,727,767
Current Assets:		
Cash (Note B)	2,054,860	2,837,810
U.S. Government securities at cost, which approximates market, and bank certificates of deposit of $2,900,000 ($2,200,000 in 1968)	3,369,750	2,577,149
Additional funds held by Fiscal Agent:		
General Fund	19,112	143,456
Debt service fund	2,269,509	2,082,964
Accounts receivable, less estimated doubtful accounts	1,055,269	967,665
Accrued unbilled fire protection revenue	328,355	301,437
Materials and supplies, at average cost	607,097	561,927
Prepayments	84,232	87,881
	9,788,184	9,560,289
Deferred Charges:		
Unamortized debt discount and expense	1,311,305	1,377,349
Other	42,331	15,764
	1,353,636	1,393,113
	$122,262,315	$110,089,367

LIABILITIES

Water Works Revenue Bonds (Notes A and D)	$ 63,339,000	$ 64,300,000
Bond Anticipation Notes (Note D)	7,500,000	
Current Liabilities:		
Accounts payable	1,084,270	800,243
Accrued interest on bonds and notes	1,330,069	1,188,720
Other accrued liabilities	715,357	731,425
Customers' deposits	1,857,017	1,708,715
Current maturities of revenue bonds	961,000	914,000
	5,947,713	5,343,103
Advances for Construction	9,664,578	10,157,898
Contributions in Aid of Construction	12,218,958	9,629,560
Revenues Invested in Facilities	23,592,066	20,658,806
	$122,262,315	$110,089,367

(See notes to financial statements)

Note A—Bonds Outstanding:

The Authority's resolution authorizing the bond issues requires that all revenues be deposited in the name of the Fiscal Agent and allocated to specific funds. After certain dates, bonds are redeemable in the inverse order of their maturity at varying prices in excess of principal amount depending upon the redemption date. The bonds bear annual interest rates and mature as follows, exclusive of current maturities:

Series	Interest Rate	Principal Amount	MATURITY* Final Date	Annual Amounts
A	2¾%	$ 2,955,000	1984....	$165,000 to $. 235,000
A (Term)	2¾%	1,909,000	1985....	88,000 to 263,000
B-D	3½%	1,605,000	1988....	60,000 to 115,000
F	4.10-4½%	5,255,000	1998....	30,000 to 350,000
G	4-5%	4,350,000	2000....	25,000 to 500,000
H	3¼-5%	5,350,000	2001....	25,000 to 1,100,000
I	3¼-5%	15,885,000	2002....	250,000 to 1,000,000
J	0.10-5%	14,300,000	2002....	210,000 to 910,000
K	4.10-5%	11,730,000	2002....	150,000 to 1,000,000
		$63,339,000		

* The bonds are serial bonds which mature in increasing annual installments, except that $1,909,000 of the Series A bonds are term bonds which mature on June 1, 1985. However, the resolution authorizing this issue provides for the retirement of the term bonds in increasing annual amounts out of the sinking fund accumulated for this purpose. The annual maturities shown for serial bonds represent the amounts maturing in 1970 and in the last year of their term, respectively, and the required sinking fund payments have been treated as maturities for the term bonds.

Note B—Funds Held by Fiscal Agent:

A substantial portion of cash represents monies received from the New Construction Fund held by the Fiscal Agent and from housing developers to be used solely for new construction. In addition, the Bond Proceeds Fund is similarly restricted.

Note C—Debt Service Requirements:

Debt service requirements (interest on bonds and notes, principal of bonds maturing serially, and sinking fund requirements) for the year ended May 31, 1969, were $3,511,639. Revenues before interest and depreciation for the year ended May 31, 1969, equaled 1.94 times debt service requirements.

Debt service requirements of the bonds for the next five years ending May 31 are as follows:

Fiscal Year	Amount
1970	$3,354,365
1971	3,346,553
1972	3,350,048
1973	3,350,700
1974	3,354,298

Note D—Authorization of Issuance of Water Works Revenue Bonds, Series L, and Issue of Bond Anticipation Notes:

On August 26, 1968, the Authority authorized the issuance of $7,500,000 of Water Works Revenue Bonds, Series L, and subsequently approved the issuance of $7,500,000 of Bond Anticipation Notes dated September 26, 1968, with an average interest rate of 3.139% per annum. These Notes will mature September 15, 1969. The resolution authorizing the Series L Bonds was superseded and replaced by the resolution, adopted as of June 23, 1969, authorizing $11,000,000 Water Works Revenue Bonds, Series L. By supplemental resolution of July 28, 1969, the Authority approved the issuance of Bond Anticipation Notes, Series L, not to exceed $11,000,000 to provide for the payment of the Bond Anticipation Notes in the amount of $7,500,000 maturing September 15, 1969.

The proceeds from the sale of the Series L Bonds are to be used: (1) to pay the outstanding Bond Anticipation Notes and (2) to increase the Debt Service Reserve Fund as required by the resolution and the supplemental resolution. The remaining proceeds shall be used to pay the expenses of the issuance and sale of the Series L Bonds and the cost of extending and improving the water plant.

COMMUNITIES SERVED

AMITYVILLE

Amityville
Copiague
North Amityville

BABYLON

Babylon
Deer Park
Lindenhurst
North Babylon
West Babylon
Wyandanch

BAY SHORE

Bay Shore
Brightwaters
Central Islip
East Islip
Great River
Islip
Islip Manor
Islip Terrace
North Brentwood
Oakdale
West Islip

EAST HAMPTON

East Hampton

HUNTINGTON

Centerport
Cold Spring Harbor
Halesite
Huntington
Huntington Bay
Huntington Station
Lloyd Harbor

NORTHPORT

Asharoken
Commack
East Northport
Northport

†Water Districts.

PATCHOGUE

Bayport
Bellport
Blue Point
Bohemia
East Patchogue
Farmingville
Lake Ronkonkoma
Medford
North Patchogue
Patchogue
Sayville
West Sayville

KINGS PARK

Retail:

Commack
Kings Park

Wholesale:

Smithtown†

PORT JEFFERSON

Retail:

Belle Terre
Centereach
East Setauket
Miller Place
Poquot
Port Jefferson
Port Jefferson Station
Selden
Setauket
Sound Beach
South Setauket
Stony Brook
Terryville

Wholesale:

Pipe Stave Hollow†
Stony Brook†

WESTHAMPTON BEACH

East Quogue
Quiogue
Quogue
Westhampton
Westhampton Beach

SOUTHAMPTON

Southampton

SAG HARBOR

North Haven
Sag Harbor

SMITHTOWN

Retail:

Hauppauge
Head-of-the-Harbor
Nesconset
Nissequogue
Smithtown
The Branch

Wholesale:

St. James†