

SUFFOLK COUNTY WATER AUTHORITY

SW

1972 ANNUAL REPORT



AUTHORITY MEMBERS

HERMON L. BISHOP, *Treasurer and Assistant Secretary*

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*

VAN NOSTRAND & MARTIN, *Counsel*

N. F. FENN, *Resident Engineering Consultant*

HOMER F. GARDNER, *Resident Engineering Consultant*

WILLIAM V. BURNELL and Associates, *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*

MESSAGE

Fiscal 1972 saw net revenues before interest and depreciation of \$8,038,121 or 1.76 times debt service. While at the same time net additions to plant reached an all time high of \$12,440,017 with total plant value climbing to \$140,685,721. Most of the large increase in plant additions was represented by increased production facilities and other aspects of the backbone plant.

The year just completed also saw the Authority continue to make great strides in terms of fulfilling its ultimate goal as described in the Legislative Act creating it, which calls for the eventual establishment of a single, integrated public water supply for all of Suffolk County.

Reaching out to serve all areas of Suffolk with a modern up-to-date public water supply system is costly both in terms of time and money. Since its inception in 1951, the Authority has invested more than \$140 million in plant expansion and has added more than 145,000 new customers.

This tremendous growth was made possible by a dynamic, continuous expansion program which makes it possible for all segments of Suffolk's rapidly expanding population to avail themselves of a public water supply.

The ongoing expansion program is conducted under terms of the Authority's Rules and Regulations which provide many different methods for service extensions. The individual homeowner can obtain water service in areas currently served under provisions of the "75-foot rule" which calls for the installation of 75 feet of water main at Authority expense. This rule also makes it possible for large groups of people residing either on the same street or in contiguous neighborhoods to band together to obtain service with each homeowner receiving 75 feet of water main at Authority expense.

Residents are also able to obtain service under terms of a construction revenue contract or construction loan contract. These contracts are usually signed by more than one individual to enable them to spread the costs of main installations over a longer period of time or larger number of potential customers.

The rules and regulations also provide for the installation of water mains in large and small developments at the builder's expense. Thousands of new services are installed annually under this provision as developments keep getting bigger and bigger and the demand for new homes continues to rise.

The Authority also conducts an extensive acquisition program which has seen 22 municipal and private water companies acquired since 1951. In most cases the systems acquired are in drastic need of modernization and the Authority is forced in effect to install completely new systems. In size, these companies have ranged from a very few customers to companies with a thousand or more customers serving thousands of individuals. Negotiations are conducted continuously with the remaining private companies to effect eventual acquisition at an equitable cost.

Water supply districts formed in conjunction with Town governments are another manner in which the Authority extends its services to the public. To date nine water supply districts have been formed serving 3,765 customers.

As you can see, the Authority is well on its way toward meeting its avowed purpose and is currently serving approximately 60 percent of Suffolk's population. Every working day more people obtain a public water supply through the efforts of the Authority, and with every mile of pipe, every fire hydrant and every new well, the public we serve can feel just a little more secure, a little more certain of being able to continue obtaining a supply of man's most precious possession, "water."



HIGHLIGHTS

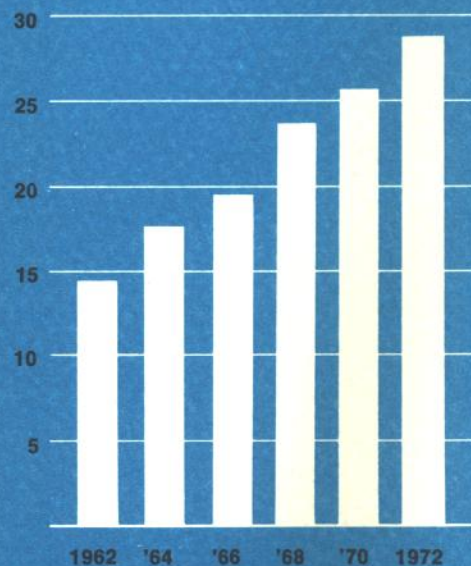
YEAR ENDED MAY 31

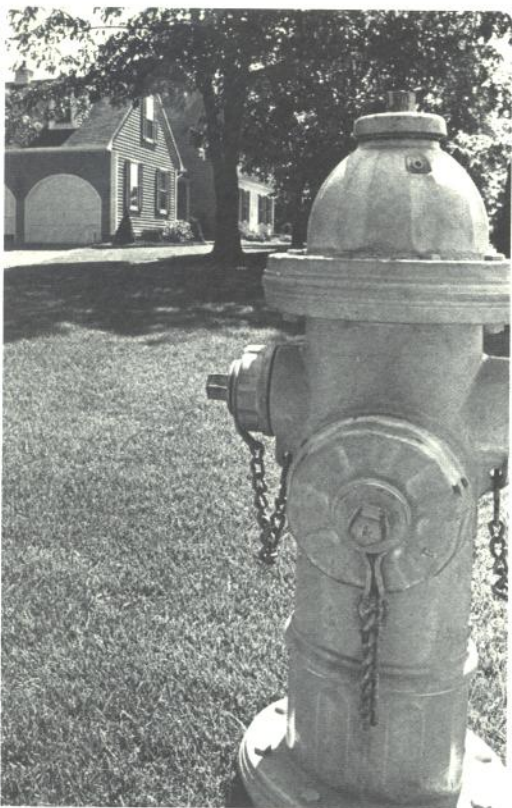
	1972	1971
Revenues	\$ 13,755,341	\$ 12,641,453
Operating and Maintenance Expense, except depreciation	5,717,220	4,896,776
Interest on bonds and notes; also amortization of debt discount and expense	3,445,568	3,394,760
Depreciation	1,582,057	1,490,221
Revenues Invested in Facilities for the Year	3,010,496	2,859,696
Revenues Invested in Facilities (since June 1, 1951)	32,425,822	29,415,326
Total Water Plant at cost	140,685,721	128,245,704
Net Additions to Water Plant (excluding property acquisitions)	12,440,017	9,897,532
Customers (Active Services)	187,079	179,257
Miles of Mains in Service	2,796	2,687
Fire Hydrants in Service	17,510	16,646
Water Production (Million Gallons)	27,213	24,277



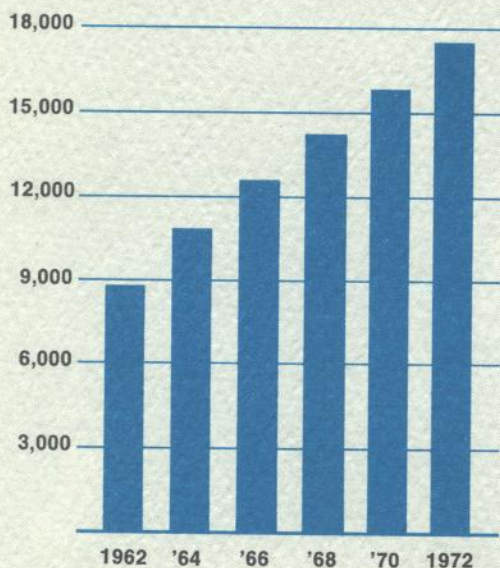
MILES OF MAIN

Hundreds





FIRE HYDRANTS



OPERATIONS AND RESULTS

Fiscal 1972 saw a continuation of the upward trend of Authority revenues and operations established over the past 21 years. Revenues for the fourth straight year topped \$10 million posting a 1.76 times debt service after interest and depreciation. During the year, the number of Authority customers reached a new high, increasing from 179,257 on May 31, 1971, to 187,079, a net increase of 7,822.

Water districts which buy their water from the Authority are not included in the above figure. These districts served approximately 7,800 customers as of May 31, 1972, and bring the Authority's combined total to 194,879 customers or an estimated 682,000 people.

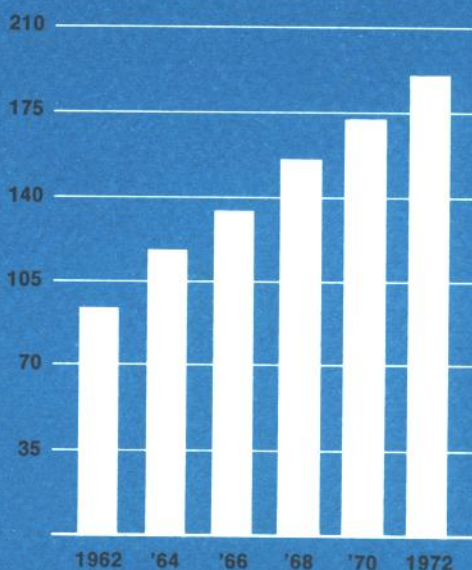
Total revenues for fiscal 1972 stood at \$13,755,341, with net revenues before interest and depreciation of \$8,038,121 or 1.76 times debt service. Total plant value increased to \$140,685,721 at year's end as compared with the total as of May 31, 1971, of \$128,245,704. This amount includes \$32,425,822 represented by revenues of the Authority invested in the business.

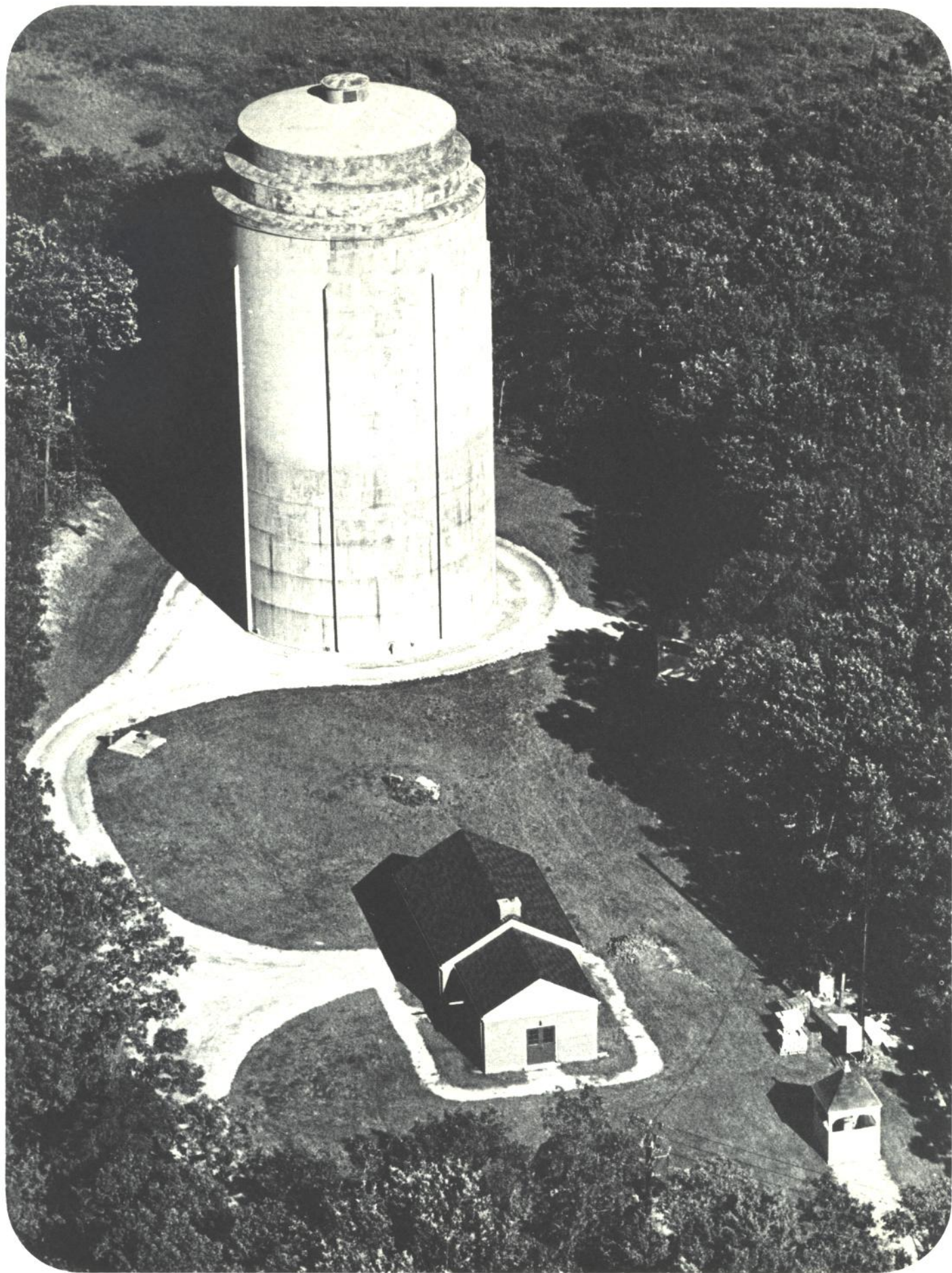
During the year, the Authority installed 109 miles of main, bringing the total to 2,796 miles, and 864 fire hydrants were placed in service for a total of 17,510.

NEW CONSTRUCTION

New construction topped all previous records established by the Authority during fiscal 1972 with net additions to plant climbing to an all time high of \$12,440,017. Highlight of this construction program was the installation of 21 wells, the most ever installed in a 12-month period by the Authority's engineering staff.

ACTIVE SERVICES





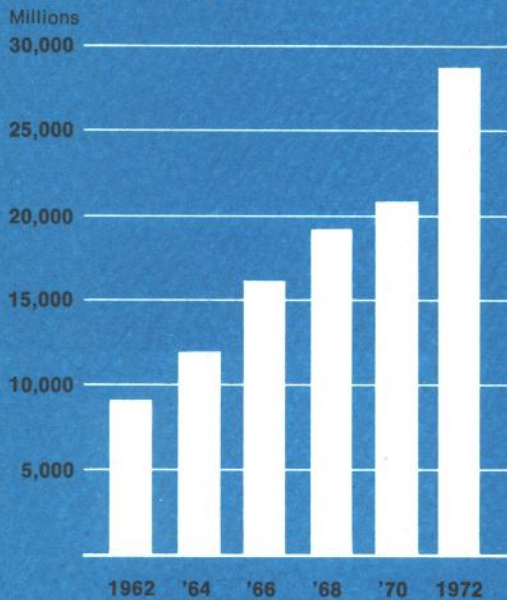
During the 12-month period a total of \$507,895 was invested in production facilities with another \$877,190 represented by storage facilities. In addition five new pump stations were constructed at a total cost of \$350,000.

Innovation also characterized fiscal 1972 as the Authority's engineers introduced two new concepts, "variable speed electrical systems" and "automatic chlorinating equipment." Variable speed electrical control is a revolutionary approach designed to control future water pumping equipment installed at Authority well field sites.

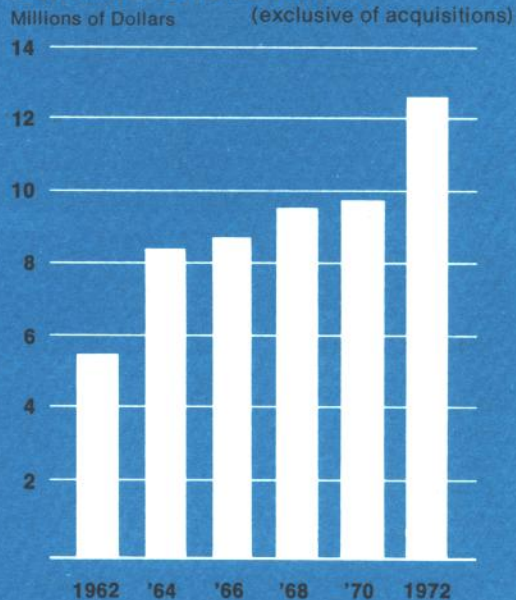
The system operates through a complex system of electrical controls designed to vary the electrical frequency supplied to the pump motor. The varied frequency makes it possible to create a corresponding variation in the speed of the motor, thus, providing for a greater or lesser amount of water output from the individual well or station. This increases the water system's ability to vary production in direct relation to the demand for water placed upon it.

The variable speed method is expected to have several beneficial results for the Authority. First, as its very name implies, it gives the Authority the ability to better meet the water needs of its customers by maintaining a Constant Pressure

GALLONS PUMPED



NET ADDITIONS TO PLANT



System, unaffected by peaks or lows in demand. Secondly, it is expected that the new system will mean operating economies brought about by savings on electricity and a reduction in the amount of water pumped for storage purposes.

Meanwhile the automatic chlorination system was designed to insure a continued safe potable water supply at all times. The new system features a new residual chlorine analyzer, coupled with the chlorinator and represents the latest advance in automatic chlorination equipment. The system maintains a constant chlorine level matched to the amount of water being pumped and to the quality of the water going into the system. In actual operation a converter detects fluid flow, controls an orifice which injects chlorine into the main after a sample obtained from further down the line is automatically analyzed. The amount of chlorine added is predetermined in our water quality laboratory.

These two advances are characteristic of the Authority's ongoing construction and improvement program all designed to make available to its customers the latest and most modern water supply system possible.

INCREASING COSTS

A recent survey conducted by the Authority indicates clearly that the SCWA is caught in the middle of the inflation spiral just as the average American family is. Our costs of operation have been soaring over the past years to unprecedented highs as a quick glance at the table below will demonstrate.

These soaring costs are making it more and more difficult for the Authority to continue its huge expansion program, at an annual cost in excess of \$10 million, while at the same time maintaining normal operations on the water rate established in 1958.

Operating costs more than doubled over this 14-year period. The Authority, meanwhile, through prudent, capable management has been able to hold the line in terms of rate increases. How much longer this policy can be maintained is questionable. In fact, the Authority's Consulting Engineers, Stone and Webster Engineering Corporation, in the Authority's latest official statement compiled for the \$10 million bond sale held August 22, recommended a rate increase as soon as possible in order for the Authority to maintain its excellent financial condition.

No final decision has been made on their recommendation pending completion of a rate study currently underway and the settlement of current contract negotiations with Local 393, Utility Workers' Union of America, which represents Authority employees. Terms of this contract could represent still larger increases in Authority costs, thus forcing some adjustment in rates by the Authority.

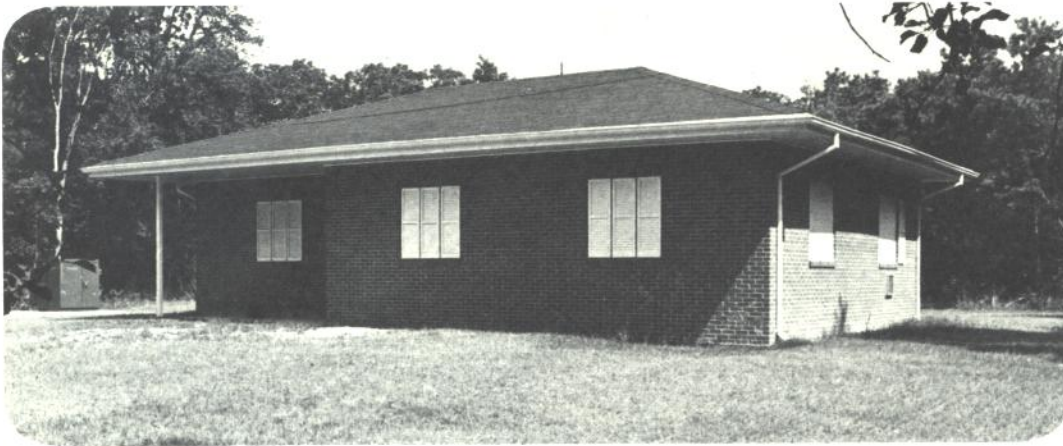
	Installed Cost		% of Increase
	1958	1972	
8" Cast Iron Pipe (per foot)	5.28	8.32	58
Service Connections	57.00	164.23	188
Labor Rates (Average hourly contract rates)	2.05	4.43	116
Money	3.57	6.50	82





FINANCIAL REVIEW

In anticipation of future capital requirements, the Authority has authorized a \$10,000,000 Series N Bond Issue. The proceeds of the Series N Bond Issue and other moneys from operations will enable the Authority to continue its construction program for the greater part and possibly all the 1973-1974 period.



New pump station design adopted by the Authority features pollution control devices and maintenance free operation. The traditional colonial design was retained but electric heat was substituted for oil, cement block for windows and each building contains additional square footage to provide room for new, modern equipment being employed by the Authority.

PLANT FACILITIES

Service Areas Or Plants	Wells In Service		Pumping Plants				Storage Facilities				Active Services	
			Number		Capacity—1,000 Gallons Daily*		Number		Capacity In 1,000 Gallons			
Amityville	5	11	1	3	936	11,093	1	2	295	1,045	3,260	9,697
Babylon	12	45	3	13	4,464	53,522	1	6	300	5,770	5,829	36,174
Bay Shore	19	54	2	14	5,040	62,452	2	8	558	6,370	7,366	41,637
Patchogue	10	31	7	16	10,740	42,390	2	7	428	6,465	8,094	28,041
Huntington . . .	7	25	3	8	4,620	19,954	4	6	1,007	3,832	6,835	12,804
Port Jefferson .	7	34	3	15	2,808	44,148	2	7	750	7,404	3,745	21,036
Smithtown	10	33	8	14	10,784	47,130	2	6	568	5,434	3,589	16,996
Northport	7	17	3	9	7,500	26,520	4	5	1,700	3,020	8,090	12,857
Westhampton .	8	13	3	4	2,880	5,060	1	2	250	750	1,154	2,502
Southampton .	2	5	1	1	1,296	3,600	1	1	300	300	1,413	2,081
Sag Harbor . . .	1	4	1	2	432	2,178	1	1	235	235	662	866
East Hampton .	5	6	3	3	3,750	4,470	0	1	0	500	2,048	2,388
Totals . . .	93	278	38	102	55,250	322,517	21	52	6,391	41,125	52,085	187,079

*Based on 24-hour operation

At Acquisition

As of May 31, 1972

OPINION OF INDEPENDENT ACCOUNTANTS

To the Members of
Suffolk County Water Authority

In our opinion, the accompanying balance sheets, the related statements of revenues and of changes in financial position present fairly the financial position of Suffolk County Water Authority at May 31, 1972 and 1971, the results of its operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were 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.

July 14, 1972
Huntington Station, L.I., N.Y.

STATEMENTS OF REVENUES

	YEAR ENDED MAY 31,	
	1972	1971
Revenues:		
Operating	\$12,853,092	\$11,626,125
Interest	902,249	1,015,328
Total revenues	<u>13,755,341</u>	<u>12,641,453</u>
Operating expenses:		
Operations	4,707,720	4,102,916
Maintenance	1,009,500	793,860
Total operating expenses, except depreciation		
deducted below	<u>5,717,220</u>	<u>4,896,776</u>
Revenues before interest and depreciation (Note E)	<u>8,038,121</u>	<u>7,744,677</u>
Deduct:		
Interest on bonds	3,368,593	3,309,726
Amortization of debt discount and expense	76,975	85,034
Depreciation (Note A)	<u>1,582,057</u>	<u>1,490,221</u>
	<u>5,027,625</u>	<u>4,884,981</u>
Revenues invested in facilities:		
For the year	3,010,496	2,859,696
At beginning of year	29,415,326	26,555,630
At end of year	<u>\$32,425,822</u>	<u>\$29,415,326</u>

(See notes to financial statements)

BALANCE SHEETS

	YEAR ENDED MAY 31,	
	1972	1971
Assets		
WATER PLANT, at cost, less accumulated depreciation (Note A)	\$128,237,309	\$117,392,854
FUNDS HELD BY FISCAL AGENT (Notes B and C):		
New construction fund, cash	691,563	972,069
Debt service reserve fund, principally U.S. Government securities at cost, which approximates market and cash of \$10,963 (\$931,201 in 1971)	5,025,165	5,106,584
Bond proceeds fund, 1972—cash, 1971—principally U.S. Government securities at cost, which approximated market and cash of \$1,272,797	577,377	6,094,057
	<u>6,294,105</u>	<u>12,172,710</u>
CURRENT ASSETS:		
Cash (Note C)	1,812,926	1,225,566
Bank certificates of deposit and in 1971 U.S. Government securities at cost, of \$431,128	2,850,000	3,131,128
Additional funds held by Fiscal Agent:		
General fund	101,111	210,877
Debt service fund	2,845,376	2,818,072
Accounts receivable, less estimated doubtful accounts of \$46,796 (\$38,220 in 1971)	938,346	1,201,850
Accrued unbilled fire protection revenue	379,635	360,864
Material and supplies, at average cost	830,967	648,135
Prepayments	85,592	73,602
Total current assets	<u>9,843,953</u>	<u>9,670,094</u>
DEFERRED CHARGES:		
Unamortized debt discount and expense	1,596,308	1,670,168
Other	84,872	40,750
	<u>1,681,180</u>	<u>1,710,918</u>
	<u>\$146,056,547</u>	<u>\$140,946,576</u>
Liabilities		
WATER WORKS REVENUE BONDS (Note B)	\$ 76,975,000	\$ 78,182,000
CURRENT LIABILITIES:		
Current maturities of water works revenue bonds	1,207,000	1,154,000
Accounts payable	878,123	1,118,665
Accrued interest on bonds	1,662,239	1,688,040
Other accrued liabilities, principally retirement contributions (Note D)	1,178,687	999,903
Customers' deposits	2,195,465	2,040,909
Total current liabilities	<u>7,121,514</u>	<u>7,001,517</u>
ADVANCES FOR CONSTRUCTION	9,253,526	9,232,980
CONTRIBUTIONS IN AID OF CONSTRUCTION	20,280,685	17,114,753
REVENUES INVESTED IN FACILITIES	32,425,822	29,415,326
COMMITMENTS (Note F)		
	<u>\$146,056,547</u>	<u>\$140,946,576</u>

(See notes to financial statements)

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	YEAR ENDED MAY 31,	
	1972	1971
Financial resources were provided by:		
From operations:		
Revenues invested in facilities	\$ 3,010,496	\$ 2,859,696
Add non-cash charges to revenues—depreciation and amortization	1,655,917	1,571,735
Working capital provided from operations	4,666,413	4,431,431
Net proceeds from sales of water works revenue bonds		5,828,999
Advances and contributions for construction, net of refunds of \$483,000 in 1972 and \$609,000 in 1971	3,186,478	2,329,171
	<u>\$ 7,852,891</u>	<u>\$12,589,601</u>
Financial resources were used for:		
Additions to water plant, net of retirements	\$12,426,512	\$ 9,935,450
(Decrease) increase in funds held by Fiscal Agent for new construction, debt service reserve and bond proceeds	(5,878,605)	2,675,052
Current maturities of water works revenue bonds	1,207,000	1,154,000
Other	44,122	65,089
Increase (decrease) in working capital	53,862	(1,239,990)
	<u>\$ 7,852,891</u>	<u>\$12,589,601</u>

NOTES TO FINANCIAL STATEMENTS—May 31, 1972

Note A—Water Plant:

	MAY 31,	
	1972	1971
Land and land rights	\$ 3,742,788	\$ 3,381,304
Wells, reservoirs and structures	16,139,388	15,237,936
Pumping and purification equipment	3,606,372	3,511,064
Distribution system	101,694,640	97,285,382
Construction in progress	14,159,960	7,520,589
Other	1,342,573	1,309,429
Water plant, at cost	140,685,721	128,245,704
Less—Accumulated depreciation	12,448,412	10,852,850
	<u>\$128,237,309</u>	<u>\$117,392,854</u>

The Authority provides depreciation on a straight-line basis at a composite annual rate of 1.4%.

Note B—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	FINAL DATE	MATURITY*	
				ANNUAL AMOUNTS	
A	2¾ %	\$ 2,445,000	1984.....	\$180,000 to \$	235,000
A (Term)	2¾ %	1,640,000	1985.....	94,000 to	263,000
B-D	3½ %	1,415,000	1988.....	70,000 to	115,000
F	4.10-4½ %	5,155,000	1998.....	35,000 to	350,000
G	4-4.10%	4,275,000	2000.....	30,000 to	500,000
H	3¼-3.40%	5,265,000	2001.....	30,000 to	1,100,000
I	3¼-5%	15,105,000	2002.....	280,000 to	1,000,000
J	0.10-5%	13,635,000	2002.....	250,000 to	910,000
K	4.10-5%	11,270,000	2002.....	170,000 to	1,000,000
L	5-8%	10,770,000	2003.....	120,000 to	1,670,000
M	6¼-6½ %	6,000,000	2005.....	2,000,000	
		<u>\$76,975,000</u>			

*The bonds are serial bonds which usually mature in increasing annual installments, except that \$1,640,000 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 through Series L represent the amounts maturing in 1973 and in the last year of their term, respectively, and the required sinking fund payments have been treated as maturities for the Term bonds. The Series M bonds mature \$2,000,000 annually from 2003 to 2005.

Note C—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 D—Pension Plan:

The Authority makes annual contributions to the New York State Employees' Retirement System to provide retirement benefits for its employees as determined by New York State. Total provision for pension costs amounted to \$844,000 (\$668,000 in 1971).

Note E—Debt Service Requirements:

Debt service requirements (interest on bonds, principal of bonds maturing serially and sinking fund requirements) for the year ended May 31, 1972 were \$4,579,003. Revenues before interest and depreciation for the year ended May 31, 1972 equaled 1.76 times debt service requirements (1.74 in 1971).

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

FISCAL YEAR	AMOUNT
1973	\$4,570,055
1974	4,564,053
1975	4,564,568
1976	4,566,053
1977	4,551,025

Note F—Commitments:

The Authority has authorized a capital improvement construction budget for the year ended May 31, 1973 of approximately \$15,342,000 (\$12,800,000 in 1972 budget). A majority of this amount has been committed at May 31, 1972.

On June 26, 1972 the Authority authorized the issuance of \$10,000,000 of Water Works Revenue Bonds, Series N. The proceeds from the sale of Series N bonds are to be used to increase the Debt Service Reserve Fund, to pay the expenses of the sale and issuance, and to construct, acquire, extend, and improve the Water Works System, as provided by the resolution.



COMMUNITIES SERVED

AMITYVILLE DISTRICT

Amityville
Copiague
North Amityville

BABYLON DISTRICT

Babylon
Deer Park
Lindenhurst
North Babylon
North Lindenhurst
Pinelawn
West Babylon
Wyandanch

BAY SHORE DISTRICT

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

EAST HAMPTON DISTRICT

East Hampton
Freetown

HUNTINGTON DISTRICT

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

NORTHPORT DISTRICT

Asharoken
Commack
East Northport
Eatons Neck
Fort Salonga
Northport
Vernon Valley
West Fort Salonga

PATCHOGUE DISTRICT

Bayport
Bellport
Blue Point
Bohemia
Brookhaven
Coram
East Holbrook
East Lake Ronkonkoma
East Patchogue
Holbrook
Holtsville
Lakeland
Lake Ronkonkoma

North Bellport
North Patchogue
Patchogue
Ronkonkoma
Sayville
Selden
South Centereach
South Holbrook
South Medford
South Yaphank
West Bellport
West Ronkonkoma
West Sayville
Yaphank

PORT JEFFERSON DISTRICT

Belle Terre
Centereach
Coram
East Setauket
Lake Grove
Middle Island—Ridge
Miller Place
Mount Sinai
North Centereach
North Selden
Poquott
Port Jefferson
Port Jefferson Station
Setauket—South Setauket
Sound Beach
South Stony Brook
Stony Brook*
Terryville

SMITHTOWN DISTRICT

East Commack
Flowerfield*
Hauppauge
Kings Park
Nesconset
Saint James*
San Remo*
Smithtown
South Hauppauge
West St. James
West Smithtown*
Village of the Branch

SAG HARBOR DISTRICT

Sag Harbor

SOUTHAMPTON DISTRICT

Southampton

WESTHAMPTON BEACH DISTRICT

East Quogue
Quogue
Quogue
Westhampton
Westhampton Beach

**Included in Wholesale
Water Districts*

