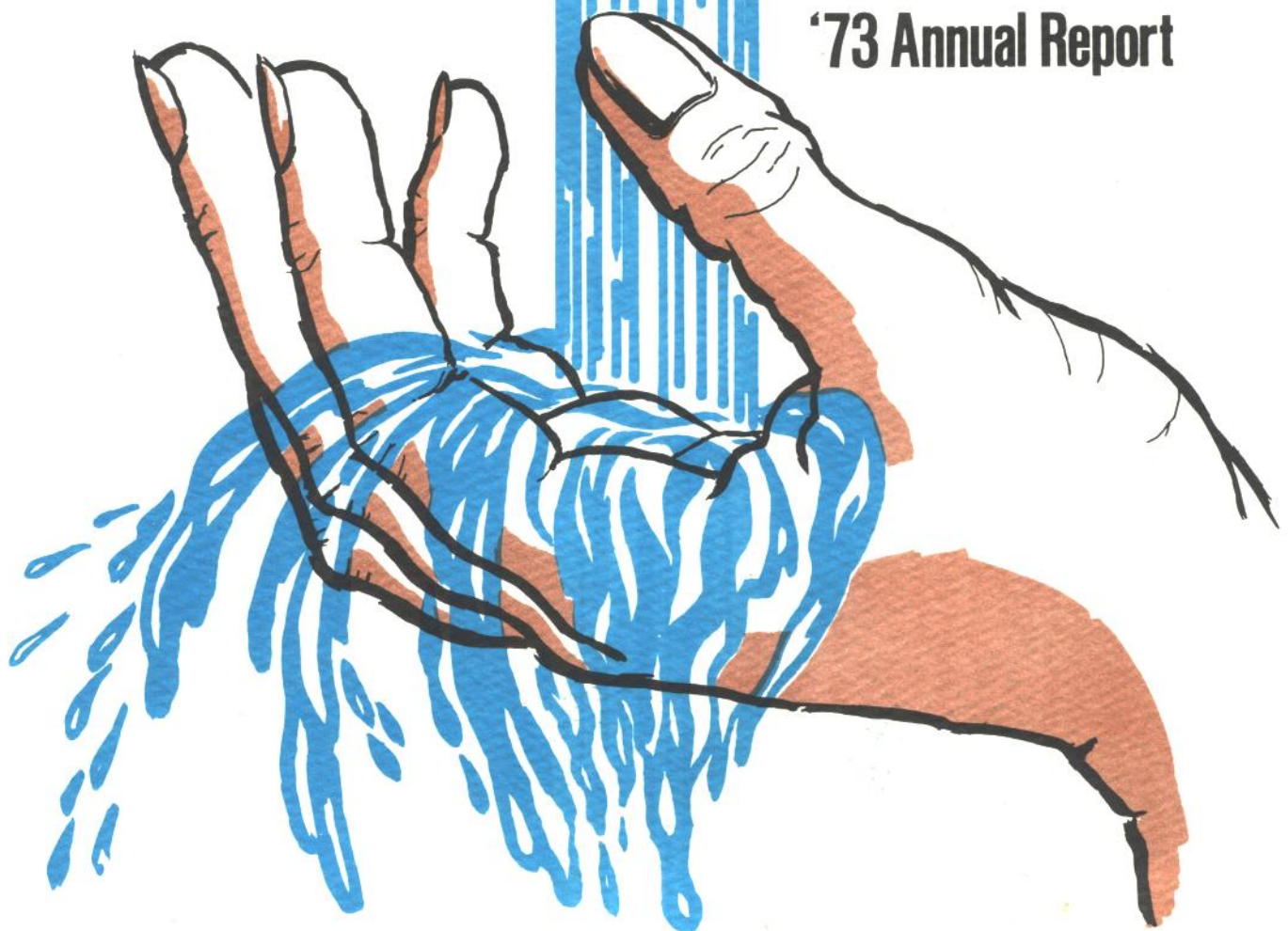


Suffolk County Water Authority

'73 Annual Report



WALTER C. HAZLITT, Chairman
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
BERNARD T. HANRAHAN, 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

**authority
members**

chairman's letter

On behalf of the Members, I am pleased to submit the Authority's Annual Report for the fiscal year ending May 31, 1973. The report reflects a continuation of the growth pattern that has characterized the Authority's operations since its inception in 1951.

Fiscal 1973 saw gross revenues reaching an all-time high of \$14,450,000, while 8,281 new customers joined the Authority's system. At year's end, total plant value before depreciation stood at \$154,358,000 with \$34,584,000 represented by Authority revenues invested in facilities.

During the year just completed the Authority acquired the Montauk Water Supply Corporation at a total cost of \$374,704. At acquisition Montauk was serving 1,102 customers, or approximately 4,000 people residing at the easternmost tip of Long Island. The system consisted of 9 wells, 150 fire hydrants, and 32 miles of water main. The Authority will continue to operate the Montauk system, based on the present rate for water service being paid to the Montauk Water Supply Corporation by its customers.

Action was also taken by the Members during the year to safeguard the Authority's excellent financial position, which has earned it a Moody's Investors Service rating of A-1, by the adoption of a rate increase effective January 1, 1973 on water bills paid after April 1, 1973. It is anticipated that the new water rate will generate approximately \$2 million additional revenue annually. The new minimum rate is now \$7.05 for the consumption of 1,200 cubic feet of water as compared to old minimum of \$6.15. The action was taken following completion of a rate study undertaken by the nationwide firm of Stone & Webster Management Consultants, Inc.

Scientific exploration of Long Island's underground water resources has long been one of the Authority's main concerns and obligations. In line with this the Authority has joined with the Suffolk County Department of Environmental Control, the U. S. Geological Survey, and the Town of East Hampton in the South Fork Water Resources Study which will gather information on available and future fresh-water supplies on Long Island's South Fork. It is expected that this study will provide valuable information on which the Authority can base its development and conservation planning in meeting the water-supply needs of the people residing in a large portion of its water-service area.

The Authority is also continuing its cooperation with the U.S. Geological Survey and the Suffolk County Department of Environmental Control in continuing studies and monitoring projects of Suffolk's water resources.

Long-range projections for both the Authority and Suffolk County indicate continuation of the extremely rapid growth each has undergone in the past two decades. The Authority plans to continue working to expand its services to an ever-increasing portion of Suffolk's population and the eventual establishment of a single, public water-supply system for all Suffolk County. In doing this, every attempt will be made to employ the latest conservation techniques and planning available in order to safeguard our available fresh-water supplies for the use of Suffolk's growing population.

For the Members of the Authority,

Walter C. Hazlitt
Walter C. Hazlitt, Chairman



highlights

	YEAR ENDED MAY 31	
	1973	1972
Revenues	\$ 14,450,000	\$ 13,755,000
Operating and Maintenance Expense, except depreciation	6,797,000	5,717,000
Interest on Bonds and Notes; including amortization of debt discount and expense	3,782,000	3,445,000
Depreciation	1,713,000	1,582,000
Revenues Invested in Facilities for the Year	2,158,000	3,011,000
Revenues Invested in Facilities (since June 1, 1951)	34,584,000	32,426,000
Total Water Plant at Cost	154,358,000	140,685,000
Net Additions to Water Plant	13,673,000	12,440,000
Customers (Active Services)	195,360	187,079
Miles of Mains in Service	2,946	2,796
Fire Hydrants in Service	18,724	17,510
Water Production (Million Gallons)	27,261	27,213

review of the year's operations

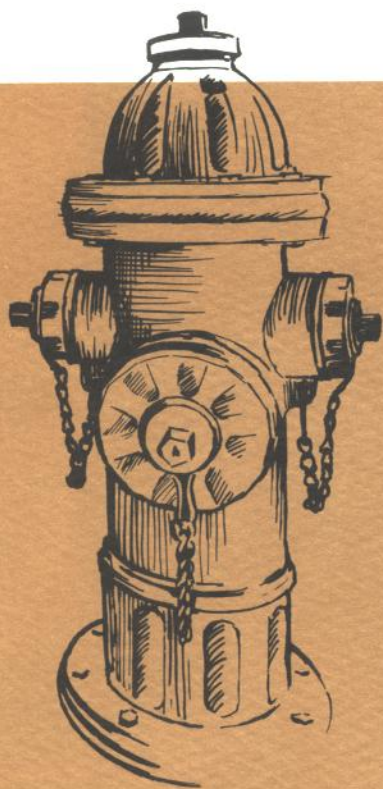
Authority operations during fiscal 1973 saw the expenditure of \$13,595,000 for construction of water-service facilities to keep up with the demands being placed upon the Authority for increased water service by Suffolk's unparalleled population explosion. Suffolk County is the nation's fastest growing county with thousands of new single-family dwellings being erected every year. Keeping abreast of this booming growth has been the major challenge facing the Authority in recent years and has necessitated the development and implementation of a major expansion program.

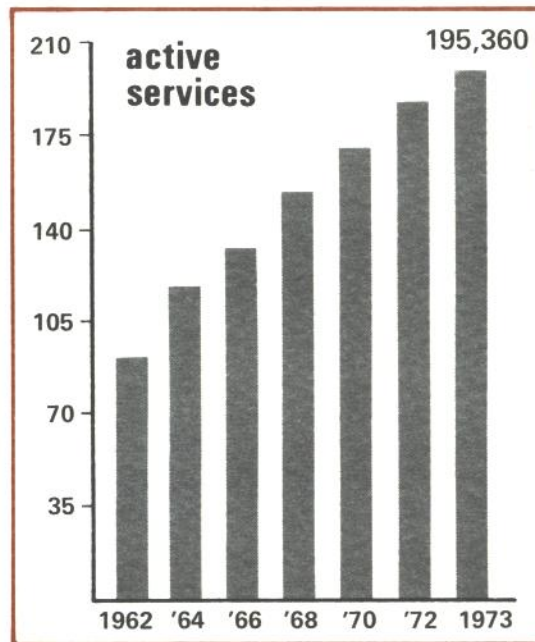
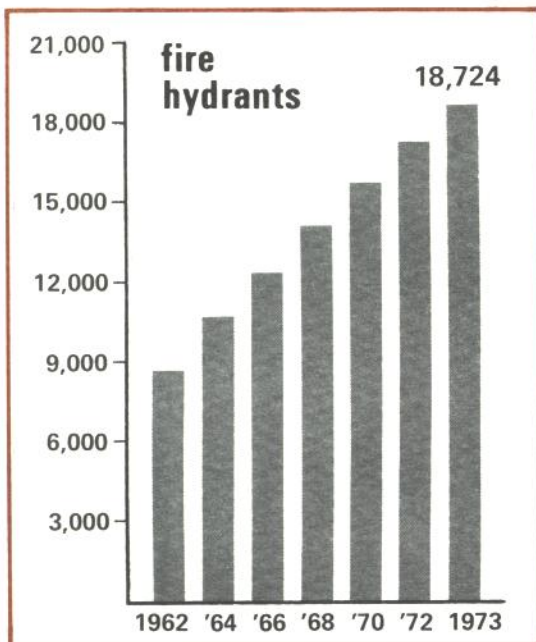
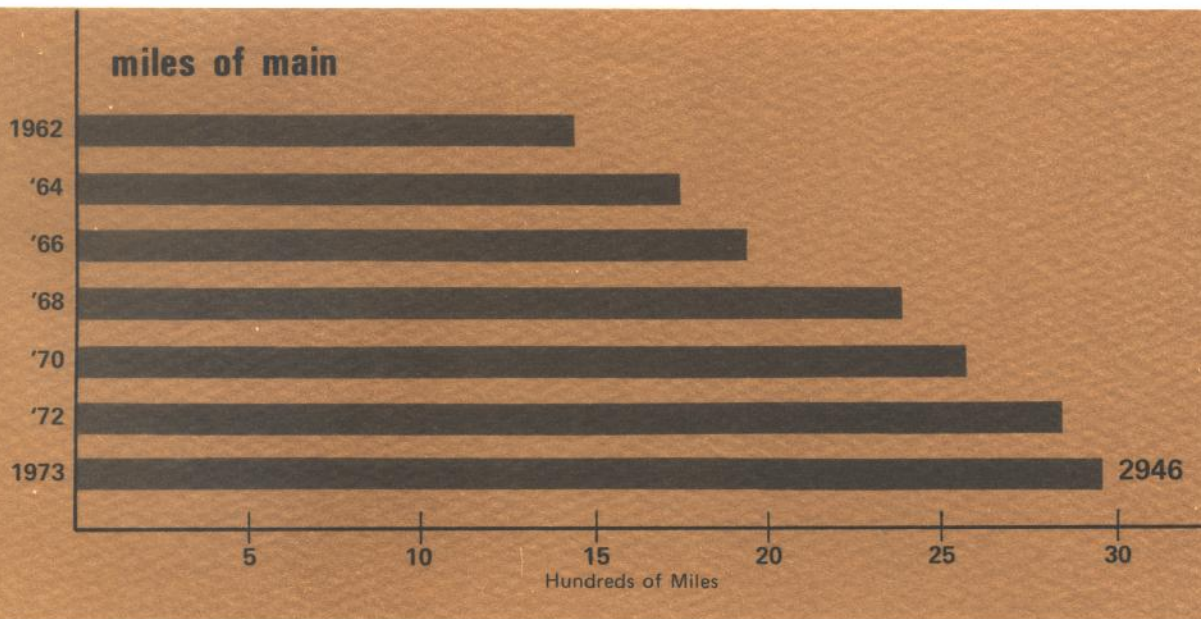
At the close of fiscal 1973 the Authority was supplying water service to a total of 195,360 customers, 8,281 of whom joined the system during fiscal 1973. During the period covered by this report the Authority acquired the facilities of the Montauk Water Supply Corporation, which served 1,102 customers included in the above total. Not included in the above were four water districts which purchase their water from the Authority. These districts had approximately 8,100 customers as of May 31, 1973. Combining the customers served by these districts with those of the Authority, the total number of customers receiving water produced by the Authority stands at 203,460, or an estimated population of more than 712,000 people.

Water production for the fiscal year was 27,261 million gallons. Revenues for the year reached a total of \$14,450,000.

Revenues before interest and depreciation, namely, revenues available for debt service, were \$7,653,000 or 1.54 times debt service.

At the close of the fiscal year, total plant value stood at \$154,358,000 with \$34,584,000 representing revenues of the Authority reinvested in the business.





new construction

Record smashing is becoming the norm at the Authority as each year greater and greater strides are made in expanding the water system to meet the needs of Suffolk's ever-growing population. During fiscal 1973 the Authority installed 25 new wells, the most ever, acquired nine other wells, and increased its pumping capacity a phenomenal 50 million gallons per day, breaking all previous construction records.

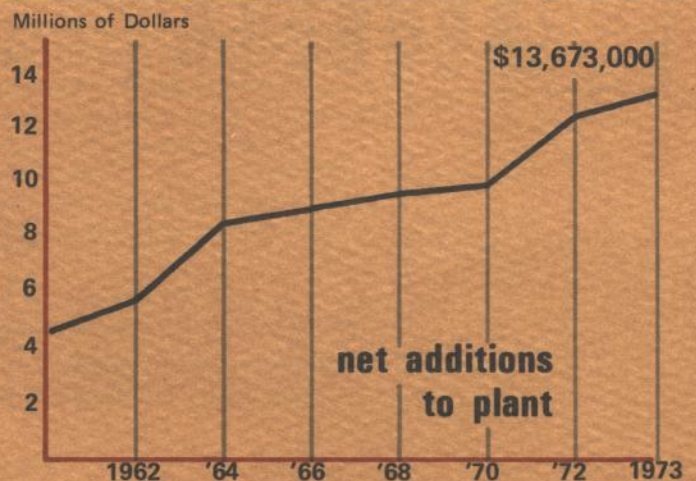
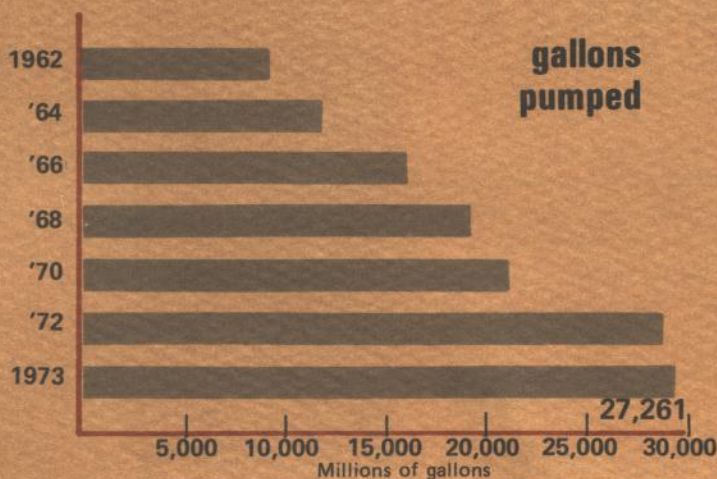
In addition, nine pumping stations were constructed on Authority-owned sites and six pumping stations were obtained in the acquisition of the Montauk Water Supply Corporation.

Also constructed was a 1.5 million gallon standpipe at Division Street in Sag Harbor. The new standpipe measures 55 feet in diameter and 85 feet to high-water level. The old 235,000 gallon standpipe located at Jermain Avenue was demolished. The Authority also acquired a 250,000 gallon reservoir in the Montauk acquisition.

Storage capacity registered a net gain of 1,515,000 gallons during the year.

Steps were taken during the year to increase the automatic operation of the water-pumping facilities in times of emergency. This was accomplished by the installation of automatic electrical controls at key pumping stations, designed to automatically start and stop standby diesel generators. These devices operate to activate emergency power supplies in the event of a power failure and to deactivate the emergency power when and if the power outage is overcome. Automation is becoming increasingly important as more and more pumping stations are placed in operation and the number of Authority customers continue to increase.

During fiscal 1973 the Authority expended \$13,970,000 on new construction and acquisition while retirements for the same period totaled \$297,000 for a net addition to water plant of \$13,673,000.





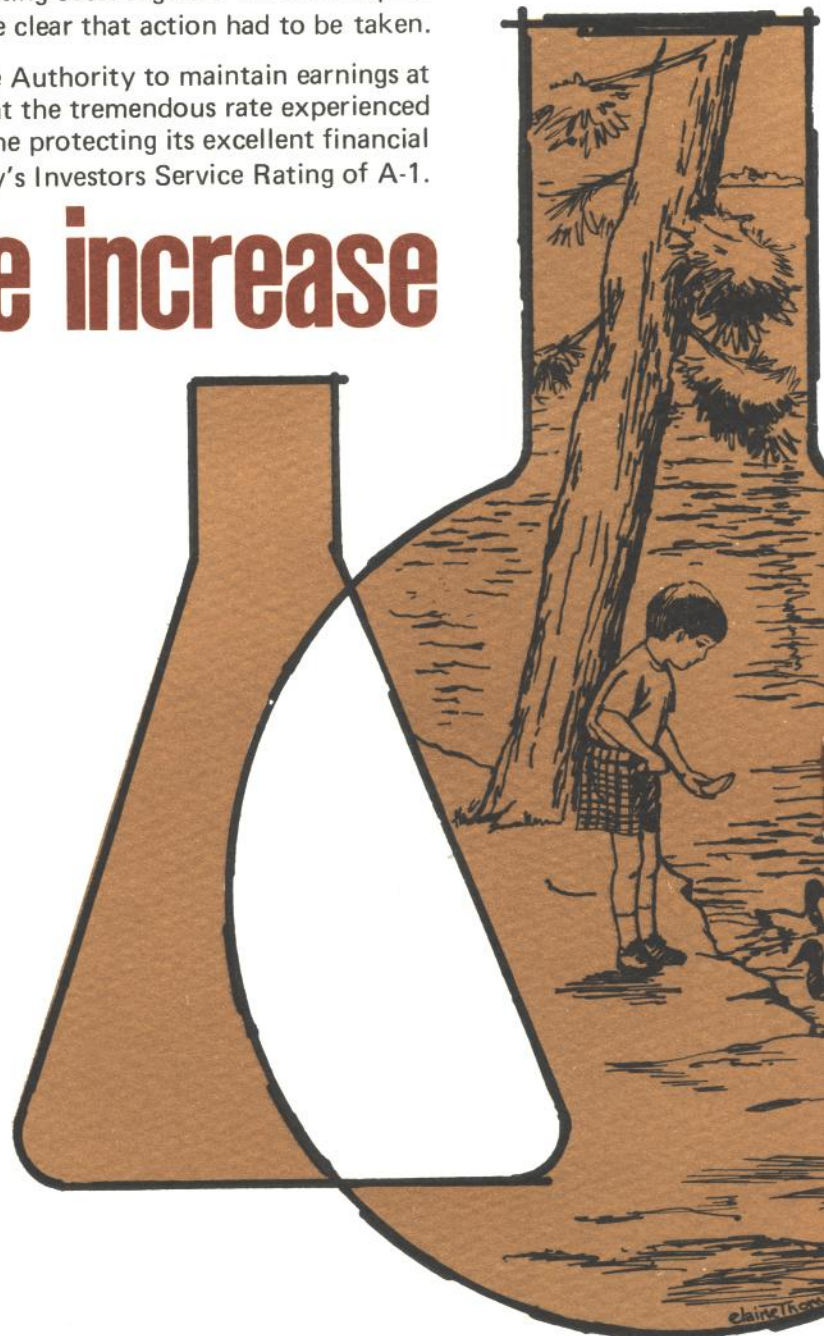
Under terms of a new rate schedule adopted by the Authority Members, following completion of a comprehensive rate study undertaken by the nationwide firm of Stone & Webster Management Consultants, Inc., Authority minimum bill customers will now pay approximately 30 cents a month more for water than in the past.

The new rates adopted by the Authority, following a public hearing held November 30, 1972, increases water rates by 16.2 percent and represents the first water-rate increase by the Authority since March 1958. The new rates went into effect on January 1, 1973.

The possibility of a rate increase was first discussed in 1970, but through careful management the Authority was able to postpone action for two years. In the 1972 Annual Report the Authority again mentioned the possibility, but even then was hopeful the increase could be avoided. However, after the Management Consultant firm completed its rate study, which included a careful examination and projection of the annual operating costs together with the capital requirements of the Authority, it became clear that action had to be taken.

The rate increase will enable the Authority to maintain earnings at levels that will permit expansion at the tremendous rate experienced over the past 22 years, while at the same time protecting its excellent financial structure, which has earned it a Moody's Investors Service Rating of A-1.

rate increase



management and personnel

On February 27, 1973, the Suffolk County Legislature appointed Walter C. Hazlitt to the position of Chairman and Authority Member for a four-year term ending March 29, 1977.

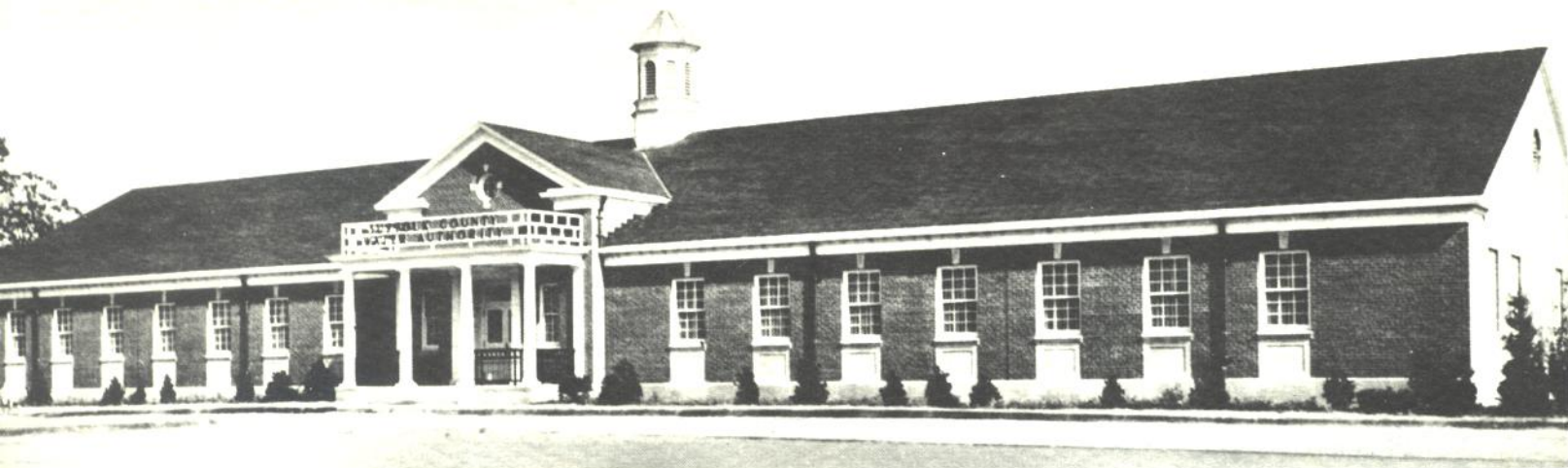
Mr. Hazlitt has a broad background in governmental service, having formerly served as a Member of the Suffolk County Legislature, representing the Fifth Legislative District, where he earned the respect of governmental and community leaders. He has more than eight years of experience in water service as Superintendent of the Stony Brook Water District, and has been active in the business world as a Sales Executive of Interstate Container Corporation.

During fiscal 1973 the Authority made various commercial-office adjustments, designed to better serve the needs of its customers, by opening a new office in Smithtown and closing its commercial-office operation in Northport. The new Smithtown office has assumed responsibility for all water-service accounts located within Smithtown which were formerly handled out of the commercial office located in Port Jefferson. James J. Rhatigan, Jr., who formerly managed the Northport office, has been named manager of the new installation.

All accounts formerly served out of the Northport office have been transferred to the Authority's commercial office in Huntington. Christian H. Limbach has been named the new manager of the Huntington office, replacing Bernard T. Hanrahan, who was appointed by the Authority on January 1, 1973 to the position of Assistant General Manager in Charge of Commercial Offices, assigned to the Oakdale administrative headquarters.

All Authority employees were granted a 7.5% wage increase effective July 11, 1972, under terms of a Legislative Report adopted by the members of the Authority on October 10, 1972, relating to negotiations carried on with representatives of the Utility Workers' Union of America, Local 393.





financial review

On August 22, 1972, \$10,000,000 Series "N" Bonds were awarded to the lowest bidder at an annual average interest cost of 5.34%. This issue, dated June 1, 1972, matures serially to 2006 and was rated "A-1" by Moody's Investors Service, Inc. and "A" by Standard & Poor's Corporation. Net proceeds of \$8,877,612, after providing for debt service reserve requirements and issuance costs, were available for new construction and acquisitions during this fiscal period, as well as providing sufficient funds for part of the 1973-74 period.

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	11	1	3	936	11,093	1	2	295	1,045	3,260	9,870
Babylon	12	47	3	14	4,464	56,982	1	6	300	5,770	5,829	37,064
Bay Shore	19	57	2	14	5,040	68,214	2	8	558	6,370	7,366	42,705
East Hampton** .	14	15	9	9	6,270	6,990	1	2	250	750	3,150	3,529
Huntington	7	26	3	8	4,620	22,114	4	6	1,007	3,832	6,835	12,922
Northport	7	18	3	9	7,500	28,250	4	5	1,700	3,020	8,090	13,095
Patchogue	10	34	7	17	10,740	47,866	2	7	428	6,465	8,094	30,099
Port Jefferson . .	7	43	3	19	2,808	61,296	2	7	750	7,404	3,745	22,679
Sag Harbor	1	4	1	2	432	2,178	0	1	—	1,500	662	902
Smithtown	10	39	8	17	10,784	58,654	2	6	568	5,434	3,589	17,796
Southampton . .	2	5	1	1	1,296	3,600	1	1	300	300	1,413	2,120
Westhampton . . .	8	13	3	4	2,880	5,060	1	2	250	750	1,154	2,579
TOTALS	102	312	44	117	57,770	372,297	21	53	6,406	42,640	53,187	195,360

PERCENT OF INCREASE OVER ACQUISITION

544

565

267

*Based on 24-hour operation

**Includes acquisition of Montauk Water Supply Corp.

At Acquisition

As of May 31, 1973

report of independent accountants

To the Members of
Suffolk County Water Authority

In our opinion, the accompanying balance sheets and the related statements of revenues and of changes in financial position present fairly the financial position of Suffolk County Water Authority at May 31, 1973 and 1972, 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.

Huntington Station, N.Y.
July 13, 1973

PRICE WATERHOUSE & CO.

statements of revenues

	YEAR ENDED MAY 31,	
	1973	1972
Revenues:		
Operating	\$13,551,000	\$12,853,000
Interest	899,000	902,000
Total revenues	<u>14,450,000</u>	<u>13,755,000</u>
Operating expenses:		
Operations	5,565,000	4,708,000
Maintenance	1,232,000	1,009,000
Total operating expenses, except depreciation deducted below	<u>6,797,000</u>	<u>5,717,000</u>
Revenues before interest and depreciation (Note D)	<u>7,653,000</u>	<u>8,038,000</u>
Deduct:		
Interest on bonds	3,696,000	3,368,000
Amortization of debt discount and expense	86,000	77,000
Depreciation (Note A)	<u>1,713,000</u>	<u>1,582,000</u>
	<u>5,495,000</u>	<u>5,027,000</u>
Revenues invested in facilities:		
For the year	2,158,000	3,011,000
At beginning of year	32,426,000	29,415,000
At end of year	<u>\$34,584,000</u>	<u>\$32,426,000</u>

suffolk county water authority

balance sheets

assets

	YEAR ENDED MAY 31,	
	1973	1972
WATER PLANT, at cost, less accumulated depreciation (Notes A and B)...	\$140,371,000	\$128,237,000
FUNDS HELD BY FISCAL AGENT (Note A):		
New construction fund, cash	625,000	692,000
Debt service reserve fund, principally U.S. Government securities at cost which approximates market	5,787,000	5,025,000
Bond proceeds fund, 1973 — certificate of deposit, 1972 — cash	800,000	577,000
	<u>7,212,000</u>	<u>6,294,000</u>
CURRENT ASSETS:		
Cash (Note A)	1,439,000	1,813,000
Bank certificates of deposit	6,050,000	2,850,000
Additional funds held by Fiscal Agent:		
General fund	100,000	101,000
Debt service fund	3,166,000	2,846,000
Accounts receivable, less estimated doubtful accounts of \$45,000 (\$47,000 in 1972)	1,133,000	938,000
Accrued unbilled fire protection revenue	406,000	380,000
Material and supplies, at average cost	862,000	831,000
Prepayments	118,000	86,000
Total current assets	<u>13,274,000</u>	<u>9,845,000</u>
DEFERRED CHARGES:		
Unamortized debt discount and expense	1,834,000	1,596,000
Other	100,000	85,000
	<u>1,934,000</u>	<u>1,681,000</u>
	<u>\$162,791,000</u>	<u>\$146,057,000</u>

liabilities

WATER WORKS REVENUE BONDS (Note C)	\$ 85,686,000	\$ 76,975,000
CURRENT LIABILITIES:		
Current maturities of water works revenue bonds	1,289,000	1,207,000
Accounts payable	1,641,000	878,000
Accrued interest on bonds	1,903,000	1,662,000
Other accrued liabilities, principally retirement contributions (Note A)	1,467,000	1,179,000
Customers' deposits	2,405,000	2,195,000
Total current liabilities	<u>8,705,000</u>	<u>7,121,000</u>
ADVANCES FOR CONSTRUCTION (Note A)	10,900,000	9,254,000
CONTRIBUTIONS IN AID OF CONSTRUCTION (Note A)	22,916,000	20,281,000
REVENUES INVESTED IN FACILITIES	34,584,000	32,426,000
COMMITMENTS (Note E)		
	<u>\$162,791,000</u>	<u>\$146,057,000</u>

statements of changes in financial position

YEAR ENDED MAY 31,

1973 **1972**

Financial resources were provided by:

Operations:

Revenues invested in facilities	\$ 2,158,000	\$ 3,011,000
Add non-cash charges to revenues—depreciation and amortization	1,795,000	1,655,000
Working capital provided from operations	3,953,000	4,666,000
Net proceeds from sales of water works revenue bonds	9,751,000	
Advances and contributions for construction, net of refunds of \$406,000 in 1973 and \$483,000 in 1972	4,282,000	3,187,000
	<u>\$17,986,000</u>	<u>\$ 7,853,000</u>

Financial resources were used for:

Additions to water plant, net of retirements	\$13,846,000	\$12,427,000
Increase (decrease) in funds held by Fiscal Agent for new construction, debt service reserve and bond proceeds	918,000	(5,879,000)
Current maturities of water works revenue bonds	1,289,000	1,207,000
Other	88,000	44,000
Increase in working capital	1,845,000	54,000
	<u>\$17,986,000</u>	<u>\$ 7,853,000</u>

notes to financial statements

MAY 31, 1973
AND 1972

NOTE A — SUMMARY OF PRINCIPLE ACCOUNTING POLICIES:

WATER PLANT —

The Authority carries its water plant at cost, including costs of purchased and contributed property. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with dismantling costs less any salvage, is charged to accumulated depreciation. The costs of repairs and minor renewals are charged to maintenance expense accounts.

DEPRECIATION —

Depreciation of water plant is provided on a straight-line basis using a composite annual rate of 1.4%.

FUNDS HELD BY FISCAL AGENT —

The Authority's resolution authorizing the bond issues requires that all revenue be deposited in the name of the Fiscal Agent and allocated to specific funds.

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.

RETIREMENT CONTRIBUTIONS —

The Authority makes annual contributions to the New York State Employee's Retirement System to provide retirement benefits for its employees as determined by New York State. Total provision for pension costs amounted to \$985,000 (\$844,000 in 1972).

ADVANCES FOR CONSTRUCTION AND CONTRIBUTIONS IN AID OF CONSTRUCTION —

Under standard construction loan contracts with residential real estate developers and others, the developer advances to the Authority the cost of new main installations. The Authority refunds such advances, without interest, based upon the number of new customers obtained or as a percentage of the additional revenue received, in annual installments over a period not exceeding five years. After expiration of the contract, the remaining balance of the advance is transferred to Contributions in Aid of Construction.

Contributions in Aid of Construction also includes the original cost of systems contributed to the Authority by municipalities and others and service tapping and other fees.

NOTE B — WATER PLANT:

	May 31,	
	1973	1972
Land and land rights	\$ 4,330,000	\$ 3,743,000
Wells, reservoirs and structures	20,055,000	16,139,000
Pumping and purification equipment	4,365,000	3,606,000
Distribution system	111,982,000	101,695,000
Construction in progress	12,379,000	14,160,000
Other	1,247,000	1,342,000
	<u>154,358,000</u>	<u>140,685,000</u>
Water plant, at cost	154,358,000	140,685,000
Less — Accumulated depreciation	13,987,000	12,448,000
	<u>\$140,371,000</u>	<u>\$128,237,000</u>

NOTE C — BONDS OUTSTANDING:

The bonds outstanding at May 31, 1973 exclusive of current maturities bear annual interest rates and mature as follows:

Series	Interest Rate	Principal Amount	Final Date	Maturity
				Annual Amounts
A	2½%	\$ 2,265,000	1984	\$180,000 to \$ 235,000
A (Term)	2½%	1,546,000	1985	101,000 to 263,000
B-D	3½%	1,345,000	1988	70,000 to 115,000
F	4.10-4½%	5,120,000	1998	35,000 to 350,000
G	4-4.10%	4,245,000	2000	30,000 to 500,000
H	3½-3.40%	5,235,000	2001	35,000 to 1,100,000
I	3½-5%	14,825,000	2002	285,000 to 1,000,000
J	0.10-5%	13,385,000	2002	270,000 to 910,000
K	4.10-5%	11,100,000	2002	180,000 to 1,000,000
L	5-8%	10,650,000	2003	120,000 to 1,670,000
M	6¼-6½%	6,000,000	2005	2,000,000
N	5-6½%	9,970,000	2006	40,000 to 1,910,000
		<u>\$85,686,000</u>		

The bonds are serial bonds which usually mature in increasing annual installments, except that \$1,546,000 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 required sinking fund payments have been treated as maturities for the Term Bonds. The annual maturities shown for serial bonds through Series L and Series N represent the amounts maturing in fiscal 1974 and in the last year of their term, respectively. The Series M bonds mature \$2,000,000 annually from 2003 to 2005. After certain dates, the bonds are redeemable in the inverse order of their maturity at varying prices in excess of principal amount depending upon the redemption date.

NOTE D — DEBT SERVICE REQUIREMENTS:

Debt service requirements (interest on bonds, principal of bonds maturing serially and sinking fund requirements) for the year ended May 31, 1973 were \$4,984,000. Revenues before interest and depreciation for the year ended May 31, 1973 equaled 1.54 times debt service requirements (1.76 in 1972).

Debt service requirements of the bonds approximate \$5,140,000 in each of the next five years.

NOTE E — COMMITMENTS:

The Authority has authorized a capital improvement construction budget for the year ended May 31, 1974 of approximately \$18,091,000 (\$15,342,000 in 1973). A majority of this amount has been committed at May 31, 1973.



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
Montauk

HUNTINGTON DISTRICT

Asharoken
Centerport
Cold Spring Harbor
Commack
East Huntington
East Neck
East Northport
Eatons Neck
Fort Salonga
Halesite
Huntington
Huntington Bay
Huntington Station
Lloyd Harbor
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 DISTRICT

East Quogue
Quogue
Quogue
Westhampton
Westhampton Beach

**Included in Wholesale Water Districts*

