



SUFFOLK COUNTY WATER AUTHORITY



1974 ANNUAL REPORT





Authority Members

WALTER C. HAZLITT, *Chairman*

HERMON L. BISHOP, *Treasurer and Assistant Secretary*

MATTHEW B. KONDENAR, *Secretary*

WILLIAM A. FRANKENBACH

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*

Chairman's Letter

Fiscal 1974 saw a continuation of the upward trend of Authority operations despite the inflationary spiral that has adversely affected other segments of our economy. Gains were registered in all areas during the twelve-month period covered by this report with gross revenues reaching an all-time high of \$17,709,000, a direct result of a new rate schedule which went into effect on January 1, 1973.

Another major factor contributing to the Authority's ability to absorb the spiraling costs reflected in competitive bids being received by the Authority, was a three-year labor contract which was signed in September of 1973 which provided for wage increases of 6.5 percent for each of the first two years covered and a 7 percent increase for the third year with a provision for a 2 percent cost-of-living increase during the third year. In addition, this labor agreement provided a new dental program supported by contributions by the Authority.

Indications of the continuation of the excellent financial condition of the Authority are evidenced by revenues before interest and depreciation; namely, revenues available for debt service, which stood at \$10,176,000 or 1.84 times debt service for the twelve-month period.

The Authority continued its participation 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. In addition, agreement was reached with the Department of Environmental Control and the Geological Survey to continue the water studies and monitoring projects of Suffolk's water resources that have been underway for several years.

Contained within this report you will find a cost comparison covering the past 16 years of operations. We intend to keep a watchful eye on all operating costs during the next fiscal period in order to insure that proper steps are taken to continue the excellent financial condition of the Authority. At present some consideration is being given to retaining the service of a nationally recognized firm to study our rate structure in order to project our earnings ability over the next five years on the basis of current operating expenses.

For the Members of the Authority



Walter C. Hazlitt

Highlights

	YEAR ENDED MAY 31	
	1974	1973
Revenues	\$ 17,709,000	\$ 14,450,000
Operating and Maintenance Expense, except depreciation	7,533,000	6,797,000
Interest on Bonds and Notes; including amortization of debt discount and expense ..	4,251,000	3,782,000
Depreciation	1,867,000	1,713,000
Revenues Invested in Facilities for the Year ...	4,058,000	2,158,000
Revenues Invested in Facilities (since June 1, 1951)	38,642,000	34,584,000
Total Water Plant at Cost	168,860,000	154,358,000
Net Additions to Water Plant	14,502,000	13,673,000
Customers (Active Services)	202,464	195,360
Miles of Mains in Service	3,066	2,946
Fire Hydrants in Service	19,593	18,724
Water Production (Million Gallons)	29,634	27,261



Review of the Year's Operations

The fiscal period just completed represented another banner year for the Authority in terms of increased revenues and customer service installations, more than bearing out original forecasts. Fiscal 1974 saw the expenditure of \$14,834,000 for construction of water-service facilities with a net increase in new customers of 7,104.

At the end of the 12-month period, the Authority was supplying water service to a total of 202,464 customers. Not included in the above were four water districts which purchase their water from the Authority. These districts had approximately 8,300 customers as of May 31, 1974. 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 210,764, or an estimated population of more than 738,000 people.

Water production for the fiscal year was 29,634 million gallons.

Revenues for the year reached a total of \$17,709,000.

Revenues before interest and depreciation; namely, revenues available for debt service were \$10,176,000 or 1.84 times debt service.

At the close of the fiscal year, total plant value stood at \$168,860,000 with \$38,642,000 representing revenues of the Authority reinvested in the business.

New Construction

During fiscal 1974 the Authority installed 22 new wells and increased its pumping capacity by approximately 36 million gallons per day. In addition, six pumping

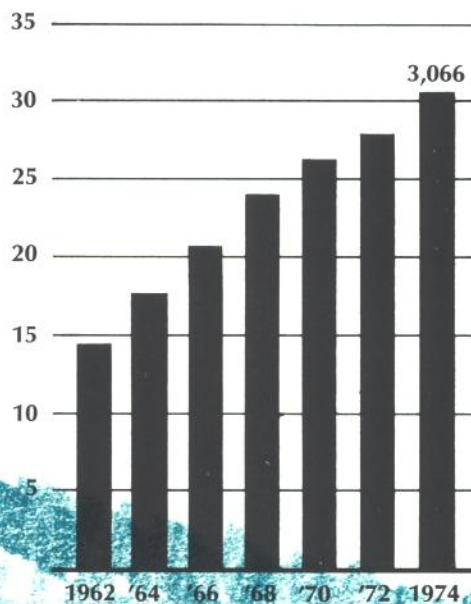
stations were constructed on Authority-owned sites. Also constructed were two new storage facilities—a three-million-gallon standpipe at Arnold Drive, Huntington and a one-million-gallon elevated tank at Patchogue-Yaphank Road, Yaphank, thereby increasing its storage capacity by a record-breaking four million gallons.

Four fully automated diesel-generator sets for standby electric power were installed at four separate stations during this fiscal year. These four units can generate a total of 1.3 megawatts of electrical energy to operate all well pump motors at their respective pump stations in the event of a power failure. This additional standby power is the greatest amount ever added to the Authority system.

During fiscal 1974 the Authority expended \$14,842,000 on new construction while retirements for the same period totaled \$340,000 for a net addition to water plant of \$14,502,000.

MILES OF MAIN

Hundreds of Miles



Management and Personnel

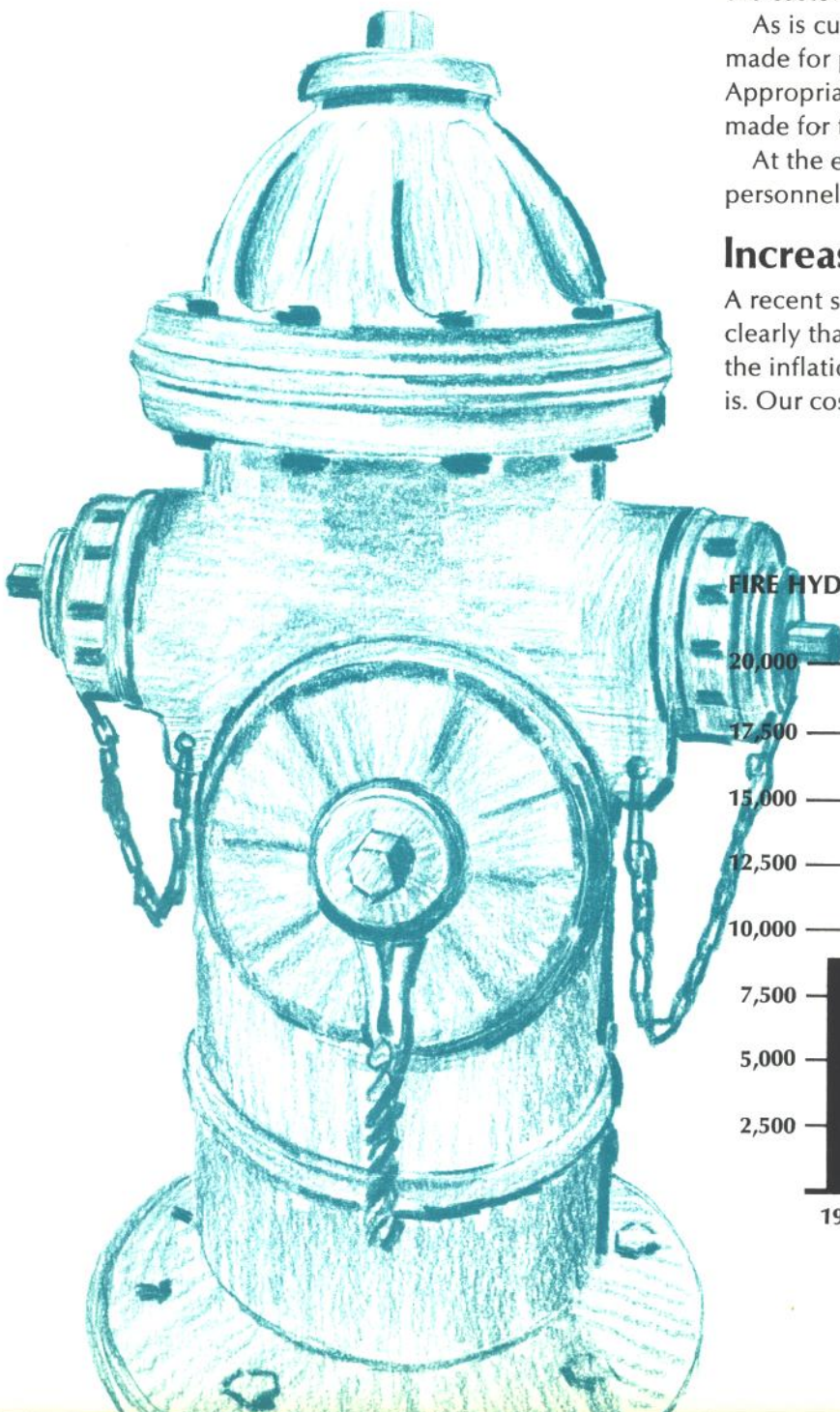
A new three-year collective bargaining agreement with Local No. 393, Utility Workers' Union of America, was signed and became effective as of July 10, 1973. It provided for a 6.5% general wage increase for the first two years and 7% increase for the third year of the contract, with a provision for a 2% cost-of-living increase in the third year. It also provided for certain job title reclassifications and for some revisions of fringe benefits including an Authority-supported employee Dental Plan. The Authority's relations with its employees continued throughout the year on the customary basis of respect and confidence.

As is customary with the Authority, increases were made for personnel not covered by the agreement. Appropriate upward revisions in salaries were also made for those on the managerial and supervisory staff.

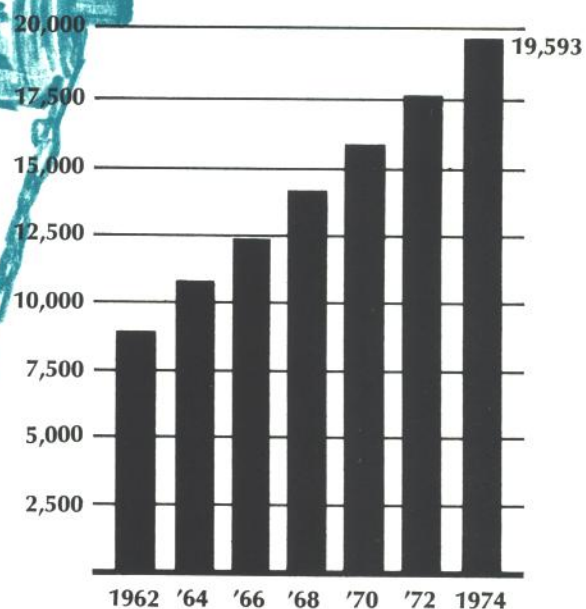
At the end of the fiscal year under review, the personnel on Authority payrolls stood at 440.

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



FIRE HYDRANTS

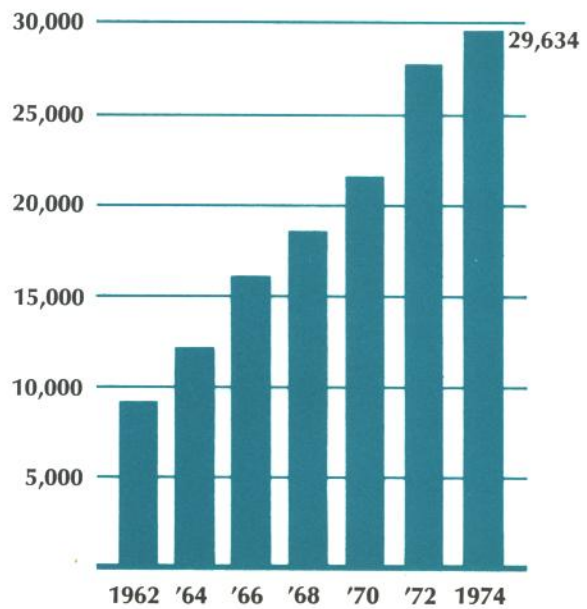






GALLONS PUMPED

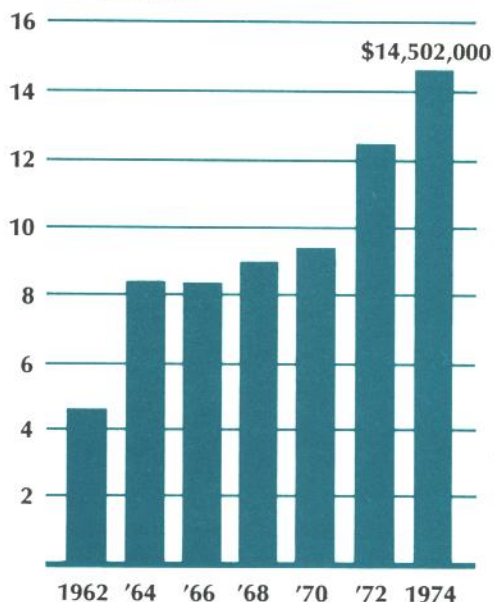
Millions of Gallons





NET ADDITIONS TO PLANT

Millions of Dollars



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 \$10,000,000, while at the same time maintaining normal operations on the water rate established in 1973.

Costs for materials have more than doubled in the past 12 months. How much longer the Authority's prudent management can continue to absorb these increases is questionable. Should these soaring increases continue, some action in adjusting water

rates to meet them will have to be undertaken.

At present consideration is being given to obtaining the services of a nationally-known firm to conduct a rate study and to more accurately project our financial condition over the next five-year period.

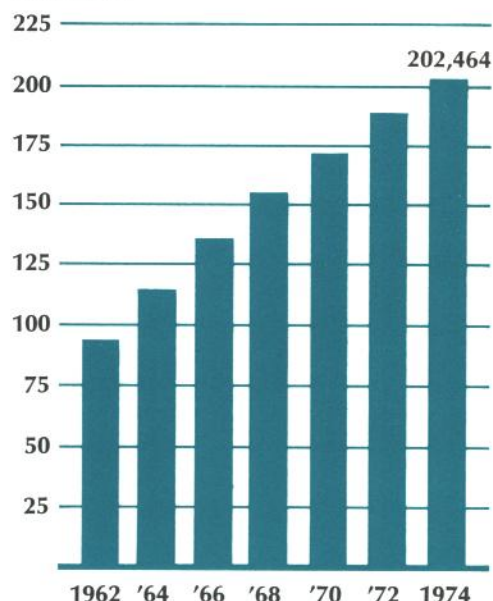
	Installed Cost		% of Increase
	1958	1974	
8" Cast Iron Pipe (per foot) ..	5.28	9.30	76
Service Connections	57.00	186.99	228
Labor Rates	2.05	5.08	148
(Average hourly contract rates)			
Money	3.57	5.63	58

Financial Review

On November 13, 1973, \$13,000,000 Series "O" Bonds were awarded to the lowest bidder at an annual average interest cost of 5.6%. This issue, dated June 1, 1973, matures serially to 2007 and was rated "A-1" by Moody's Investors Service, Inc. and "A" by Standard & Poor's Corporation. Net proceeds of \$11,570,000, 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 the 1974-75 period.

ACTIVE SERVICES

Thousands



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	12	1	3	936	13,109	1	2	295	1,045	3,260	9,992
Babylon	12	48	3	14	4,464	58,998	1	6	300	5,770	5,829	37,836
Bay Shore	19	59	2	15	5,040	72,246	2	8	558	6,370	7,366	43,557
East Hampton . .	11	12	9	9	5,910	6,630	1	2	250	750	3,150	3,663
Huntington . . .	7	27	3	8	4,620	22,114	4	7	1,007	6,832	6,835	13,007
Northport	7	18	3	9	7,500	28,538	4	5	1,700	3,020	8,090	13,470
Patchogue	9	42	7	20	10,380	62,196	2	8	428	7,465	8,094	32,586
Port Jefferson . .	7	46	3	20	2,808	67,344	2	7	750	7,404	3,745	24,185
Sag Harbor	1	4	1	2	432	2,178	—	1	—	1,500	662	922
Smithtown	10	41	8	17	10,784	64,130	2	6	568	5,434	3,589	18,446
Southampton . .	2	5	1	1	1,296	3,600	1	1	300	300	1,413	2,143
Westhampton . .	8	15	3	5	2,880	7,006	1	2	250	750	1,154	2,657
Totals	98	329	44	123	57,050	408,089	21	55	6,406	46,640	53,187	202,464

Percent of Increase Over Acquisition

615

628

280

*Based on 24-hour operation

At Acquisition

As of May 31, 1974

Report of Independent Accounts

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, 1974 and 1973, 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 29, 1974
Huntington Station, New York

Statement of Revenues

	YEAR ENDED MAY 31,	
	1974	1973
Revenues:		
Operating	\$16,250,000	\$13,551,000
Interest	1,459,000	899,000
Total revenues	<u>17,709,000</u>	<u>14,450,000</u>
Operating expenses:		
Operations	6,200,000	5,565,000
Maintenance	1,333,000	1,232,000
Total operating expenses, except depreciation deducted below	<u>7,533,000</u>	<u>6,797,000</u>
Revenues before interest and depreciation (Note D)	<u>10,176,000</u>	<u>7,653,000</u>
Deduct:		
Interest on bonds	4,147,000	3,696,000
Amortization of debt discount and expense	104,000	86,000
Depreciation (Note A)	<u>1,867,000</u>	<u>1,713,000</u>
	<u>6,118,000</u>	<u>5,495,000</u>
Revenues invested in facilities:		
For the year	4,058,000	2,158,000
At beginning of year	<u>34,584,000</u>	<u>32,426,000</u>
At end of year	<u>\$38,642,000</u>	<u>\$34,584,000</u>

Balance Sheets

	MAY 31,	
	1974	1973
Assets		
WATER PLANT, at cost, less accumulated depreciation (Notes A and B)	\$153,220,000	\$140,371,000
FUNDS HELD BY FISCAL AGENT (Note A):		
New construction fund, cash	1,529,000	625,000
Debt service reserve fund, including certificates of deposit of \$5,646,000 and U.S. Government securities of \$1,109,800 at cost (which approximates market)	6,803,000	5,787,000
Bond proceeds fund, certificates of deposit	5,833,000	800,000
	<u>14,165,000</u>	<u>7,212,000</u>
CURRENT ASSETS:		
Cash (Note A)	943,000	1,439,000
Bank certificates of deposit (Note A)	4,950,000	6,050,000
Additional funds held by Fiscal Agent:		
General fund	91,000	100,000
Debt service fund	3,550,000	3,166,000
Accounts receivable, less estimated doubtful accounts of \$182,000 (\$45,000 in 1973)	1,348,000	1,133,000
Accrued unbilled fire protection revenue	520,000	406,000
Material and supplies, at average cost	1,222,000	862,000
Prepayments	114,000	118,000
Total current assets	<u>12,738,000</u>	<u>13,274,000</u>
DEFERRED CHARGES:		
Unamortized debt discount and expense	2,066,000	1,834,000
Other	110,000	100,000
	<u>2,176,000</u>	<u>1,934,000</u>
	<u>\$182,299,000</u>	<u>\$162,791,000</u>
Liabilities		
WATER WORKS REVENUE BONDS (Note C)	\$ 97,300,000	\$ 85,686,000
CURRENT LIABILITIES:		
Current maturities of water works revenue bonds	1,336,000	1,289,000
Accounts payable	1,120,000	1,641,000
Accrued interest on bonds	2,241,000	1,903,000
Other accrued liabilities, principally retirement contributions (Note A)	1,525,000	1,467,000
Customers' deposits	2,506,000	2,405,000
Total current liabilities	<u>8,728,000</u>	<u>8,705,000</u>
ADVANCES FOR CONSTRUCTION (Note A)	11,910,000	10,900,000
CONTRIBUTIONS IN AID OF CONSTRUCTION (Note A)	25,719,000	22,916,000
REVENUES INVESTED IN FACILITIES	38,642,000	34,584,000
COMMITMENTS (Note E)	<u>\$182,299,000</u>	<u>\$162,791,000</u>

Statements of Changes in Financial Position

	YEAR ENDED MAY 31,	
	1974	1973
Financial resources were provided by:		
Operations:		
Revenues invested in facilities	\$ 4,058,000	\$ 2,158,000
Add non-cash charges to revenues— depreciation and amortization	1,966,000	1,795,000
Working capital provided from operations	6,024,000	3,953,000
Net proceeds from sales of water works revenue bonds ..	12,748,000	9,751,000
Advances and contributions for construction, net of refunds of \$448,000 in 1974 and \$406,000 in 1973	3,813,000	4,282,000
	<u>\$22,585,000</u>	<u>\$17,986,000</u>
Financial resources were used for:		
Additions to water plant, net of retirements	\$14,715,000	\$13,846,000
Increase (decrease) in funds held by Fiscal Agent for new construction, debt service reserve and bond proceeds ..	6,953,000	918,000
Current maturities and redemptions of water works revenue bonds	1,386,000	1,289,000
Other	90,000	88,000
(Decrease) increase in working capital	(559,000)	1,845,000
	<u>\$22,585,000</u>	<u>\$17,986,000</u>

Notes to Financial Statements MAY 31, 1974 and 1973

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.

The debt service reserve and bond proceeds funds held by the Fiscal Agent aggregating \$11,479,000 and \$4,950,000 of operating funds held by the Authority were invested in certificates of deposit at May 31, 1974, at interest rates of from 8.00% to 11.00% maturing through December 31, 1974. The Authority generally maintains such short term investments to maturity.

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 \$1,048,000 (\$985,000 in 1973).

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 (\$1,148,000—1974; \$1,118,000—1973).

Contributions in Aid of Construction also include 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,	
	1974	1973
Land and land rights	\$ 4,353,000	\$ 4,330,000
Wells, reservoirs and structures	22,105,000	20,055,000
Pumping and purification equipment	5,127,000	4,365,000
Distribution system	120,651,000	111,982,000
Construction in progress	15,219,000	12,379,000
Other	1,405,000	1,247,000
Water plant, at cost	168,860,000	154,358,000
Less—Accumulated depreciation	15,640,000	13,987,000
	<u>\$153,220,000</u>	<u>\$140,371,000</u>

NOTE C—

BONDS OUTSTANDING:

The bonds outstanding at May 31, 1974 exclusive of current maturities bear annual interest rates and mature as follows:

Series	Interest Rate	Principal Amount	Final Date	Maturity	
				Annual Amounts	
A	2¾%	\$ 2,085,000	1984	\$180,000 to	\$ 235,000
A (Term)	2¾%	1,445,000	1985	101,000 to	263,000
B-D	3½%	1,275,000	1988	70,000 to	115,000
F	4.10-4½%	5,085,000	1998	35,000 to	350,000
G	4-4.10%	4,215,000	2000	30,000 to	500,000
H	3¼-3.40%	5,200,000	2001	35,000 to	1,100,000
I	3¼-5%	14,540,000	2002	285,000 to	1,000,000
J	0.10-5%	13,115,000	2002	270,000 to	910,000
K	4.10-5%	10,920,000	2002	180,000 to	1,000,000
L	5-8%	10,530,000	2003	120,000 to	1,670,000
M	6¼-6½%	6,000,000	2005	2,000,000	
N	5-6½%	9,930,000	2006	40,000 to	1,910,000
O	5½-7%	12,960,000	2007	40,000 to	3,100,000
		<u>\$97,300,000</u>			

The bonds are serial bonds which usually mature in increasing annual installments, except that \$1,445,000 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 and O represent the amounts maturing in fiscal 1975 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, 1974 were \$5,545,000. Revenues before interest and depreciation for the year ended May 31, 1974 equaled 1.84 times debt service requirements (1.54 in 1973).

Debt service requirements of the bonds approximates \$5,910,000 in each of the next five years.

NOTE E—COMMITMENTS:

The Authority has authorized a capital improvement construction budget for the fiscal year ended May 31, 1975 of approximately \$18,120,000 (\$18,091,000 in 1974). A majority of this amount has been committed at May 31, 1974.



Communities Served

AMITYVILLE DISTRICT

Amityville
Amity Harbor
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
Crab Meadow
East Huntington
East Neck
East Northport
Eatons Neck
Fort Salonga
Halesite
Huntington
Huntington Bay
Huntington Station
Lloyd Harbor
Northport

PATCHOGUE DISTRICT

Bayport
Bellport
Blue Point
Bohemia
Brookhaven
Coram
East Holbrook
East Lake Ronkonkoma
East Patchogue
Farmingville
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
Miller Place
Mount Sinai
North Centereach
North Selden
Poquott
Port Jefferson
Port Jefferson Station
Ridge
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*



SUFFOLK COUNTY WATER AUTHORITY
Sunrise Highway, Corner Pond Road
Oakdale, Long Island, New York