

VDH Water Update – September 2019

Introduction:

At every monthly Trustees meeting we provide you with an update on the quality of our drinking water, regulatory challenges, issues with the distribution infrastructure, and progress with the Suffolk County Water Authority. The project to install meters throughout the village was completed in early June. Meters are an important component in the effort to improve our water quality and ensure that our drinking water is not lost due to leaks or misused for irrigation. We have usage numbers, quality measures and production data to share with you that make it necessary to create a written report for this update. You should find these data reassuring.

At the conclusion of this report I will outline the central terms of the long-term agreement with the SCWA and address some of the uninformed claims made in a recent message to residents from one of our neighbors, but if you decide not to read beyond this paragraph, you should know these three things. First, your water quality has improved dramatically in the past year and should continue to improve. Next, your taxes have gone down significantly and any change to them as a result of a long-term agreement with the SCWA will be marginal. Finally, with this agreement, the village will be free of all operating and regulatory risks, and will never again pay for a water system related repair, chemical treatment, water test, or capital improvement beyond the improvements currently contemplated.

Production and Water Quality:

The number of gallons produced has been cut in half from 9.1 million gallons in 2017 to a projected 4.6 million gallons in 2019. During the summer months from June to August, production dropped from 5.9 million gallons to 2.1 million gallons. Chlorides during this period dropped dramatically from an average of 686 in 2017 to 48 in 2019. The EPA's guideline for safe water is 250. The improvement in water quality is the direct result of the SCWA's protocols and management of our wells and distribution system.

Water Production and Chlorides:

Pumpage	2014	2015	2016	2017	2018	*2019
Total Annual	6,049,000	4,976,000	5,185,000	9,023,000	6,625,000	4,627,736
June - August	2,512,000	2,084,000	2,561,000	5,952,000	2,892,000	2,164,000
Average Chlorides	NA	NA	NA	686	447	48
*2019 projected annual pumpage						

There are several factors that, taken together, explain the significant decline in the amount of water produced this year, but none of them can be quantified individually. For example, we know that the old tank leaked, but we do not know how much. We know that installing meters has had an impact on water usage by some residents who in past years used village water for irrigation, but we cannot know how much. Several meaningful leaks were discovered and repaired following the meter installation, but we cannot know how long the leaks persisted. Finally, following two very difficult years, it appears that there may be an elevated consciousness about water use and conservation.

The results of the meter readings revealed a variance between estimated water production and the amount of water use registered by the meters. This discrepancy is being investigated and the source of the variance will be known soon. The likely explanation is that we are not accurately measuring production. We are operating in part with very outdated technology relying on projections based on time and estimated pump capacity rather than actual gallons pumped.

Consumption:

Meters were installed over a 5-week period between May and early-June. It was a challenging process for the crew as the village had few records of connection locations. In the process of installing the meters and the inspections that followed, several residences were found to have irrigation systems connected to the village water supply. Most have been very cooperative in disconnecting their systems.

Name	Address	July 18 Meter Reading		August 13 Meter Reading	
		Consumption by Household	Average Gallons/day	Consumption by Household	Average Gallons/day
Village Hall	23 Locust Pt. Rd	2,020	24	187	7
Marian Brownlie	23 Harbor Ln	42,314	742	34,116	1,312
Brad Goldfarb	21 Harbor Ln	14,885	240	6,208	239
Timothy M. Hogue	25 Harbor Ln	41,723	22	9,208	354
Charles Modica	27 Harbor Ln	23,622	325	17,331	667
Ari J. Benacerraf	8 Harbor Ln	13,225	224	14,040	540
Robert Ruttenberg	6 Harbor Ln	26,225	369	14,369	553
Charles Modica	20 Harbor Ln	13,127	190	11,781	453
Brandon Rose	24 Harbor Ln	22,365	344	13,015	501
Cary/Morgan	26 Harbor Ln	11,781	184	9,387	361
Harold K. Ressler	14 Shore	9,230	149	1,720	66
Martha Baker	16 Harbor Ln	35,941	513	19,037	732
Ken Tropin	1 Sylvester	-	-	-	-
Ken Tropin	2 Sylvester	15	0	-	-
Maria Kempf (Catsoulis)	4 Sylvester Rd	16,217	208	6,538	251
Kim Dempster	4 South St	27,078	322	16,680	642
Linda Adams	6 South St	4,189	50	2,094	81
Stuart Goldman	2 Gardiner Way	12,267	175	12,043	463
Marianne Chort (Hogue)	3 Gardiner Way	36,054	546	337	13
Prudence Picozzi	4 Gardiner Way	-	-	-	-
Benjamin Jenkins	5 Gardiner	12,275	423	1,002	39
Marcus N. Meire	6 Gardiner Way	9,313	143	5,086	196
Douglas Tausik	8 Gardiner	16,449	249	14,429	555
Esther H. Hunt	7 Locust Pt. Rd	7,500	242	-	-
Clora Kelly	15 Locust Pt.	6,268	184	5,386	207
Devon Cross	24 Locust Pt. Rd	4,623	149	3,590	138
Karen Kelsey	3 Dering Wds Ln	5,251	125	3,680	142
Eric G. Deutsch	5 Dering Wds Ln	19,568	245	9,193	354
John T. Colby Jr	5 Dering Wds Rd	20,645	291	11,257	433
Joe Sunshine	1 Dering Wds Rd	1,982	25	37	1
Patrick Parcells	41 Manhanset	4,294	143	4,383	169
Richard Smith	6B Nicoll Rd	183,447	2,513	138,268	5,318
Richard Smith	6C Nicoll Rd	14,212	197	2,895	111
Richard Smith	6G Nicoll Rd	10,322	134	3,516	135
Alex Jackson	6E Nicoll Rd	-	-	-	-
Mickey Kostow	6F Nicoll Rd	7,500	242	-	-
Alex Jackson	4 Nicoll Rd	39,382	518	56,885	2,188
Total Gallons Consumed		695,620		447,700	
Average Consumption by Household		19,875		12,791	
*Average Consumption excluding Brownlie & Smith		13,425		7,866	

- *Brownlie and Smith currently have automated irrigation systems connected to the village water supply. Together, since the meters were installed, these two residents account for 35% of all of the water consumed in the village. For this metric, their consumption was excluded to allow for a clearer picture of normal household consumption to enable residents to gauge how their household compares to others.*
- *Average gallons per day appear inconsistent between July and August due to day count differences in the sampling periods.*

The SCWA Short Term Agreement:

The village entered into an interim operating agreement with the SCWA in June 2018. This had three consequential outcomes for the village. First, it put the operations of our severely compromised water production and distribution system in the hands of professionals with the knowledge, resources and experience to rehabilitate it. The results of their efforts are reported above. Next, it relieved the village of the many burdens and risks of operating a public water distribution system with a single part time employee. And finally, while improving water quality and reducing operating risk, this agreement will result in significant savings for village taxpayers for the period for which it is in effect. It is impossible to know the exact number as we cannot know what issues and costs would have occurred had we not entered into this agreement, but we do know that our fully loaded cost to operate the system in the year prior to this agreement was just over \$100,000.

This agreement was initially for a term of one-year but has been extended twice. It expires on November 1, 2019. We anticipate that it will be replaced with a long-term agreement on that date.

The SCWA Long Term Agreement:

A long-term agreement has been under discussion for many months. At this point, we are fairly comfortable with the form of the agreement and the capital improvements that are central to it. We are awaiting the report from the appraisers but expect that final costs will be known by mid-October.

The agreement has two components that will have an economic impact on village residents. The first is that you will be billed for the water you use. The cost will include a fixed annual charge of \$233.45 plus \$2.83 for each 1,000 gallons of water consumed. For example, a resident consuming an average of 5,000 gallons of water per month would pay \$403.25 annually. These charges will be billed directly to you similar to other utility bills. Unpaid water bills will become a tax lien.

The other component is the cost of capital improvements. These costs will be reflected in your annual property taxes. The final capital costs are not yet known, but are anticipated to be close to \$1 million. I do not anticipate any meaningful impact on your property taxes. This is because the cost of debt service for the capital improvements will be largely offset by the elimination of current operating expenses.

We will share the full text and terms of the long-term agreement with you as soon as it is in final form, but here is a brief bullet point description of the important features.

- Capital Improvements:
 - Two new low volume wells will be installed this winter/spring along Manhasset Road.
 - 1,500 feet of new water main and 3 phase electric service will be installed along the southern boundary of Parcels/Eschbach property.
 - Parcels/Eschbach will grant a utility easement to the village, endorsed by the Peconic Land Trust, at no cost to the village.
 - A portion of the highway barn will be dedicated to a new state of the art water treatment and control facility.
 - Water production from all wells will be directed to this new facility for processing.
 - Emergency generation will be installed to ensure reliable water production during power outages.
 - The estimated cost of the improvements delineated in the agreement will establish the maximum capital cost to the village.
 - Actual costs in excess of the estimate will be borne by the SCWA.
 - The village will pay the lesser of the estimate or the actual costs.
- Financing and Debt Service:
 - The SCWA is a AAA credit and will fund this project at their issue rate (currently about 3.55%)
 - Amortization and depreciation schedules will be 25 years.
 - 30% of VDH water consumption fees will be returned as an offset to capital costs.

- Net debt service is estimated to be approximately \$60,000.
 - The cost of debt service will be largely offset by the elimination of operating expenses - \$52,000 in the current budget.
 - Impact on property taxes – marginal.
- Terms:
 - The initial term of the agreement is 40 years.
 - The VDH can withdraw at any time but must pay any undepreciated capital costs.
 - The SCWA cannot withdraw but can choose not to renew in 2059.
- Features:
 - The SCWA will operate, maintain and repair at its own cost the entire water distribution system.
 - The village will not be obligated to make any future replacements, additions or improvements to the water distribution system.
 - The SCWA will make all future improvements, additions and betterments at its own cost.
 - The village will incur costs of future improvements only if it withdraws from, or does not renew the agreement in 2059. In which case the undepreciated costs of the future improvements will be included with those from the initial improvements.

Conclusion:

The long-term agreement with the SCWA will relieve the village of all operating costs and risks, the costs of future capital improvements, and the ever-increasing burdens of regulatory compliance and reporting. It will provide certainty for our water quality and quantity for domestic use, along with sufficient capacity for fire suppression.

Water quality is a serious issue for some parts of Shelter Island. The village is fortunate to have a public water supply that will, with appropriate investments and capable management, provide safe and plentiful domestic water for its residents.

Finally, many of you recently received a message from a resident that, among other things, attempts to raise doubt about the terms and efficacy of a long-term agreement with the SCWA. The message is confused, wildly inaccurate, and seems not to have been written for any constructive purpose. Since negotiations are ongoing, the agreement has not been (nor will it be) shared outside the board of trustees, the village attorney, and our counterparts at the SCWA. Therefore, the claims made in this message are pure conjecture. We regret any concern this may have caused. You may rely on the following facts.

- There are no “cost increases defined within the agreement.”
- There are no “variable or unknown costs going forward.”
- There are no “non-disclosed obligations to the SCWA.”
- There are no “tax increases in five or ten years” - or in any year as a result of this agreement.
- Pesticide trucks will never “suck water out of the system.”
- Finally, in 2044, the debt obligation will be satisfied and the village tax burden will reduce by about \$60,000.

Board of Trustees
September 2019