



MINUTES

FINANCE & BUDGET COMMITTEE MEETING

Friday, February 15, 2022 – 10:00 AM

Zoom Videoconference

Dulles State Office Building

Watertown, New York

The Development Authority of the North Country Finance & Budget Committee met in regular session via Zoom Video/Teleconference Call, Watertown, New York on Thursday, February 15, 2022 at 10:00 am.

Committee Members - Present

Margaret Murray, Chair
Mary Doheny
Thomas Hefferon
Eric Virkler

Committee Members - Absent

Nancy Henry

Other Board Members Present

Alex MacKinnon
Steve Hunt

Staff Present:

Carl Farone, Executive Director
Jennifer Staples, Chief Financial Officer
Carrie Tuttle, Chief Operating Officer
Stephen Bohmer, Director of Information Technology
Dawn Caccavo, Comptroller
Michelle Capone, Director of Regional Development
Kevin Feuka, Director of Engineering
Laurie Marr, Director of Communications and Public Affairs
Brian Nutting, Director of Water Quality
Patricia Pastella, Director of Materials Management
Regina Rybka-Lagattuta, Director of Human Resources
David Wolf, Director of Telecommunications
Angela Marra, Executive Assistant
Katie Maitland, Administrative Assistant

Guests:

Mark Hall
Andy Gardner

1. Chairman Murray called the meeting to order at 10:00 AM.

C. Farone stated that today's meeting, pursuant to Article VII of New York State Public Authorities Law is being conducted via video conference with members of the Board in attendance via video conferencing. A public notice for this meeting informed the public that video conferencing would be used and provided a link to the video conference for public attendance. The meeting is being recorded and will later be transcribed.

2. C. Farone completed the roll call, and a quorum was confirmed.

3. Review of the Preliminary 2023 Budget

C. Farone began by stating that fiscal year ending 2023 is not a year about growth, but trying to refine our operations and make sure we are doing things as efficiently and effectively as possible. We will be internally focused to utilize the technology and staff that we have to complete projects efficiently. A budget packet has been mailed and emailed to all Board members. The goal for today is to provide a high level overview of the 2023 budget, and to get a recommendation from the Budget and Finance Committee to bring this budget to the full Board next week for approval. By approving the budget in February as opposed to March, we are able to meet the Public Authorities Reporting Information Requirements on time.

C. Farone started with important items to note about the perspective of the Development Authority. We are a revenue based organization. This differs from many other public entities in that we do not receive federal or state subsidies for operations. We do apply for federal or state grants for large capital projects, and our operations are self-sustaining. The Development Authority is 36 years old, but our primary mission has stayed the same in that we are here to service Jefferson, Lewis, and St. Lawrence Counties, the City of Watertown, and Fort Drum. We have contracts outside of our service area, but we only enter into these agreements if we have been invited and it will ultimately benefit our service area. The Development Authority operates using a shared service model, meaning we can share resources and staff among smaller municipalities who cannot afford to purchase these resources on their own.

Looking at the summary of capital projects for fiscal year 2023, the Authority has \$16 million in capital projects slated for this year. This is higher than anticipated, however the Army Waterline Integrity Assessment showed vulnerabilities that need to be addressed. Also, there are a number of larger projects that are still ongoing within the landfill as well as within telecommunications.

Human Resources – C. Farone

A challenge for all businesses is retaining and recruiting professional and technical staff. COVID has played a large role in this, with people changing careers, leaving their jobs altogether, or moving south. We have also had a number of staff retire. These vacancies have been challenging. We had a wage analysis done of all the positions at the Authority, and as it was being completed we found that salaries overall are good but there are certain positions that need a little work. The Authority also offers excellent benefits, however tier six within the State of New York is not as competitive as prior tiers. Several changes have been made within HR regarding how we recruit qualified staff and retain current staff.

The Authority will be adding one position in the Water Quality division, while reducing one position in a different division. This change is part of a strategy to reduce overtime by scheduling weekend rounds as part of the normal 40 hour work week. This change will provide a better work life balance for the staff who are sometimes working 12 consecutive days. This change would also save the Authority \$54,000 per year in overtime. Due to the amount of recent turnover in Water Quality, this strategy will be implemented once staff has been hired and properly trained. The position of community planner was vacated under Regional Development this year. M. Capone has filled in for the position herself, as liaison with Fort Drum, so this position is not included in the budget.

Regarding merit based wage adjustments, reclassifications, and other adjustments we are requesting 3.75% increase of payrolls. The budget also includes a need to hire replacement employees that will overlap during training with retiring long term employees.

M. Doheny asked C. Farone to clarify that the 3.75% is an increase to the total payroll pool. C. Farone responded this is not 3.75 across the board, but a pool that gets allocated out accordingly.

Health Insurance Premiums are planned to be \$907,000 for this year which is a 10.6% increase. The deductible will stay consistent. The effective increase in the Authority health insurance plan was 4.5% in cost or \$7,000 for an individual and \$17,000 for family coverage. Post employee benefits, a pool of funds which pays for retirees' health insurance, are evaluated every two years by an actuary resulting in a rate of \$3 per hour being included in the budget. Pension costs have decreased significantly because we no longer have any tier one or two employees. The cost for tiers three, four, five, six have all decreased as well. The New York State Voluntary Defined Contribution Plan remained the same. There was also a slight decrease in workers compensation coverage.

The Organizational Chart has remained unchanged.

Administrative Budget Elements – C. Farone

Information Technology has budgeted computer equipment, programming and software at about \$250,000 this year. It is critical that we continue to invest in our IT systems since every day they could be jeopardized and the Authority is highly reliant on information technology and our electronic technology.

Office rent is reflected in the budget by continuing office space in the state office building as well as the St. Lawrence County office building. Due to privacy concerns we will continue looking for new space in St. Lawrence County.

Interest Earnings has been budgeted lower because the interest that is being derived on our investments currently is extremely low. The Federal Reserve is increasing rates which may result in an uptick.

Liability Insurance had a substantial increase based on coverage changes. The cost of insurance increases as our operation continues to increase. For example, the coverage was increased this year as the southern expansion was added to the policy. At the same time engineering staff evaluated each building within our facilities to ensure we were covered for the appropriate amount. This resulted in the value of our property increasing by \$17 million, including the southern expansion, which caused a \$78,000 increase in our insurance premiums. Part of this was an increase in our cyber security which will also provide us feedback in real time on things happening in the industry and our network. Prior to the property evaluation, our property was undervalued and had there been a loss we wouldn't have been reimbursed for the replacement cost.

Retiree Health Insurance has increased due to additional retirees. We are predicting four additional retirees this year.

Administrative Budget – C. Farone

C. Farone reviewed some of the larger Administrative Budget line items.

Miscellaneous income is the lease revenue income of our vehicles. Administration purchases all the fleet vehicles and leases them to the appropriate operating divisions.

Interest income is lower than last year because the rates we are currently earning are less than the previous year.

Administration wages will be a 2.8% increase.

Fringe Benefits will have a 5.9% decrease due to the reduction in pension expense.

Operations & Maintenance has a decrease of 4.6%

Office and administration increased by 3.5%. The majority of that was within office equipment for two reasons. The first being if we get new office space in St. Lawrence County we will need office furniture, and the second being we want to make an investment within the administrative division for ergonomically designed desks that raise and lower. These desks seem to be liked by the staff that do have them.

Professional fees decreased since the wage analysis was completed last year.

Computer equipment cost \$244,000 is necessary for Authority efficiency.

C. Farone reviewed the statement of cash flow where from our loss in net assets of \$53,000, non-cash depreciation is added back in, and subtracts a \$50,000 principal payment made to New York State each year with no interest and the FY23 capital projects of \$209,000 which nets a negative cash flow of \$59,000. However, the lease revenue from the fleet capital project will come back over the next four to five years.

Administrative Capital Projects – J. Staples

There is one capital project under administration. Six fleet vehicles are to be purchased in the amount of \$209,876. Five vehicles are replacements and one is an additional vehicle as follows; two pick-up trucks are for MMF, two pick-up trucks are for Water Quality, one Ford Escape is for Water Quality, and the additional pick-up truck is for the new position approved in December of 2021 at Water Quality. Vehicles are evaluated every year for usage to ensure they are being utilized the best way possible. Vehicles may be swapped between drivers or divisions to increase longevity.

E. Virkler asked if the Authority manages the fleet or if we have an outside provider.

C. Farone responded we currently manage the fleet ourselves, but we have met with Enterprise Fleet Management a few times over the years and again recently. We have leased vehicles in the past but found it to be more cost effective to purchase them on the state contract.

J. Staples commented that she recently spoke with Enterprise Fleet Management and they used Eric Virkler as a reference. Lewis County is using them right now and she plans to reach out to E. Virkler to ask about his experience with them.

A. MacKinnon asked if we had looked at electric vehicles.

C. Farone responded we have, but one of the issues is the lack of charging stations in our geographic area. As more charging stations are being built this is something we could potentially deploy in future years.

M. Doheny asked if the State Office Building parking garage has charging stations.

C. Farone replied that they do not currently have any charging stations, but they do have the space for them.

C. Tuttle further stated that most of our vehicles are deployed to our operators and staff who are on call meaning they take their vehicles home with them so they can respond directly from their location.

C. Farone also stated that this is something we are evaluating and this isn't the first time we have heard this question. Years ago we did have an electric vehicle. We needed to change the battery after the first three years at a cost of \$5,000 and ended up selling it. Technology has changed dramatically since then.

Materials Management Budget Elements – C. Farone

The Tip Fee increased for the first time since 2012 by the Board in August. Staff had suggested an increase of \$10 per ton, but the Board wisely determined it to be too much and recommended a \$3 increase and then an increase each year as required. This increase was not sufficient to cover the reserve requirements and operating costs. The Board authorized the staff to utilize the stabilization reserve to fund any deficits. It was determined during the 2023 budget that rates

will be reviewed annually to determine if an increase is needed. The increase would go into effect on January 1st of the following year to provide our partners plenty of time to implement this change. The 2023 budget does have an increase in tipping fees for construction and demolition, ash, and municipal solid waste by \$3 per ton from \$47 to \$50 per ton, sludge will increase by \$2.50 from \$17.50 to \$20 per ton, and contaminated soil will increase by \$2 from \$18 to \$20 per ton. Even with these increases, a withdrawal of \$714,000 is still be required from the tip fee stabilization reserve. As we move forward we will continue to compare our rates to other landfills prior to any increase to ensure we remain competitive. Rates will increase slowly so we are not hitting the customers all at once. A competitive analysis of the capital reserve requirements was also completed for the southern expansion, and it is estimated that an additional \$9.50 per ton will be required before 2027 to sufficiently fund our capital reserves. We will also continue to review ways of being more efficient at materials management to help reduce costs, such as closing the Harrisville Recycling Transfer Station.

Leachate has increased with the city from \$1.64 to \$3.01, and will continue to increase at a rate of 1% per year. This is still very competitive. P. Pastella and her staff have been reducing the amount of leachate generated by reducing the working face. When the southern expansion opens there will be two working faces, meaning double the amount of leachate. Efforts will continue to be made at that time to reduce the amount of leachate being generated.

Dual working faces will increase costs while the original landfill and the southern expansion are both operational.

LFGTE revenues are showing a 25% increase due to increased earnings with the NYSERDA contract expiring and REC's being sold through NEPOOL.

Single stream county capital expired on December 31, 2021 and is not included within this budget.

A feasibility study commenced for solar and the project continues to be ongoing. There might be a capital project based on the results from National Grid.

Waste diversion efforts continue with an evaluation of mattress recycling within the three county service area to determine the best method.

The Recycling Transfer Station (RTS) is anticipated to be closed on December 31, 2022. Authority staff are currently working on a plan for this location.

Budgeted tons have increased over FY22 estimates.

Reserve contributions increased due the southern expansion, as we are funding the liner reserve, replacement reserve, and the closure reserves.

Materials Management Budget – C. Farone

Under revenue, customer billings is the amount we can actually utilize to pay operating costs and operating expenditures. The other line items making up the total customer billings are money that is being moved to fund the reserves. The overall total is higher because we are projecting waste volumes to be higher than budgeted in FY22, as well as the increase in tip fee. This is all needed to help fund the cost of the southern expansion.

RTS revenue will decrease due to the closing of the Harrisville location.

Gain on sales assets is the profit for what we sell through the year as new equipment is purchased.

Salaries and wages appear to have increased by 6.6%, however within the MMF budget there are actually two sections. One is at MMF and the other is the recycling transfer station, and when added together they actually show a decrease. This is due to less staff once the recycling transfer station is closed in December.

O&M costs show an increase of 3% because with the southern expansion we will be operating two landfills. The majority of this increase is due to the increased cost of fuel and the amount of equipment required to operate two landfills.

Recycling transfer station costs are estimated to decrease since costs are only through December.

Waste diversion efforts will continue. We also anticipate providing the recycling incentive from April through December. This will discontinue after December giving the counties ample time to adjust their budgets. Mattress recycling is the actual cost to the Authority for disposal at the facility that recycles the parts. A proposal will be presented to the Board regarding what the next step in this should be in order to improve efficiency.

Sewage treatment is the cost to the City of Watertown for the treatment of leachate. This is lower due to the staff commitment in reducing leachate.

Closure/post closure care is the amount of money determined to be needed to care for the facility 30 years after it has closed.

Host community benefits is the agreed amount to be paid to the Town of Rodman based on tonnages.

O&M costs have increased slightly. One reason is the open house we hope to host this year. Utilities have been budgeted higher than last year as electricity rates continue to increase. Materials and supplies, especially sand, gravel and stone, continue to increase and we are going to need more with two working faces.

As noted earlier, \$714,463 is estimated to be removed from the tip fee stabilization reserve in order to cover the costs in FY23.

Materials Management Capital Projects – P. Pastella

GIS Equipment – this will include upgrading the survey equipment and purchasing a drone which will allow us to perform more frequent and quicker surveys and inspections of the landfill and utilize it for aerial photography. The cost would be \$37,000.

Waste Dozer – Dozers are scheduled to be replaced every seven years in accordance with our asset management plan. This machine currently has 8,200 hours. The total cost for this item is \$450,000, including a budgeted trade-in value of \$100,000 for the 2016 dozer.

Hydraulic Excavator – Hydraulic excavators are used to load dirt on daily cover areas, as well as other areas where we may need to bury special waste such as asbestos or sludge. Our current excavator is a 2014 with 4,900 hours. In accordance to the asset management plan these are to be replaced every nine years. The cost would be \$460,000.

Leachate Tanker Trailer – These tankers haul the leachate waste to the wastewater treatment plant in Watertown. They are scheduled to be replaced every 10 years, and this one is a 2013 meaning it should be replaced this next fiscal year. The cost would be \$100,000.

Leachate Truck Tractor – These tractors haul the leachate trailers. The asset management life is estimated at eight years, and this truck is a 2015 with 223,563 miles scheduling it to be replaced in FY23. The cost will be \$140,000.

4" Dry Prime Pump – Our current pump is 23 years old, and scheduled to be replaced every 20 years. This pump is used to pump storm water into any ponds where we need to move water. The cost will be \$50,000.

Service Truck – A used service truck was purchased in 2013 and currently has approximately 140,000 miles on it and has become a maintenance issue. We utilize this truck to provide service to any of the large machinery that breaks down on the working face. The total cost for a new service truck will be \$85,000.

O&M Building Roof Replacement – This roof was not part of the new additions at the operations building. This is the roof over the training area, office space, bathrooms, locker rooms, and to wash bay. There have been several leaks recently, and in fiscal year 2022 an evaluation of the roof was performed. The construction and design will be at a cost of \$520,000.

O&M Storm Water Improvements – This is a result of storm water impact due to runoff from the stone parking lot causing cloudy water which could create a violation on our storm water permit. This project will evaluate and modify the drainage, and will incorporate replacing the guardrail that has been damaged by plows at the facility entrance on route 177. The island on the facility entrance road will also be updated to something more conducive for maintenance and traffic control. The total cost of this project will be \$200,000.

C. Tuttle reviewed the last Capital projects.

O&M Building Modifications – Access Control Facility – This project has a design and construction cost of \$300,000. This will modify the access control building internal layout to better utilize the space and allow the Telecommunications Division to co-locate to the facility. Without expanding the building footprint, an underutilized area will be reconfigured into office space. The bullpen area has been difficult to use during COVID, and several supervisors share office space with staff, making it difficult to perform their function. There is potential to make modifications in a future phase of the project, but that is not included in the current five year plan.

Monitoring Well Decommissioning – There are 48 inactive groundwater wells on site that are no longer used for monitoring and are required to be decommissioned according to the New York State DEC policy. This will prevent the possibility of contamination entering the groundwater through the old wells. The cost of this project will be \$231,000. There are 32 active wells that we will continue to monitor.

Natural Resource Management Improvements – CCE Environmental Consulting and Planning has been hired to develop a plan to institute best management practices (BMPs). Examples of these practices would be the removal, repair, or modification of existing culverts to enable water and wildlife to pass through them, implement slope stabilization to minimize erosion, and reduce maintenance by eliminating mowing and promote employee safety. The cost of this project will be \$110,000.

Closure V Phases 1 & 2 – Each closure will be 7.5 acres. This is the side slope area near the top of landfill before you reach the plateau. Design and construction of phase one will take place in 2023 and phase two will take place in 2024. C. Farone commented that this project will be funded directly from the closure reserve. This is a good example of why we are required to have the closure reserve for these specific projects.

Maintenance Shop Upgrade – This would be an upgrade to the heating and ventilation system. Climate control in the shop area will allow for better implementation of the access control policy. Doors will be able to be kept closed resulting in increased safety and comfort of the shop area

employees. Older exhaust units will be replaced in the welding area. Design is scheduled to take place in 2023 with a cost of \$15,000. The construction will take place in 2024.

Telecommunications Budget Elements – C. Farone

Outside Consultant – The hiring of an outside consultant was approved by a Board resolution in FY22. The cost will be \$75,000. The RFP is in the process of being reviewed with the Telecommunications Committee.

Retirements – There are currently two Telecommunications staff that are retiring in FY23. Additional salaries have been budgeted to provide overlap for training.

New York State Right of Way Fees – We remain hopeful with Governor Hochul's comments that we will have legislation that will provide relief to the Development Authority as it relates to the DOT fees. The \$1.6 million has not been included in the budget. If they were to actually institute this fee we would have to make substantial changes to the budget and capital projects.

Cell towers and Fiber Replacement from Plattsburgh to Albany are in the budget under capital projects.

Telecommunications Budget – C. Farone

The Telecommunications budget shows a 2.5% increase in sales. Miscellaneous income, or late fees, are low. Interest income has decreased, as it has across all divisions. Salaries have increased 3% from the previous year. Fringe benefits have increased, while there is a reduction in pension expenses. There has been an increase under health insurance because when hiring new staff we budget them as the highest cost with family coverage.

Emergency restoration under O&M used to be a capital expense, but is now included as an operating expense.

Office and Administration cost have decreased by 36%. Office rent is down with the change from the SOB to the new offices on Washington Street. Filing fees are zero as we changed the way we file with USAC, which eliminated the fees.

The Telecommunications budget remains fairly consistent. From a P&L (profit and loss) perspective there is a \$2 million loss, but is offset when the depreciation of \$3.7 million is added back. We have \$1.9 million in capital projects being requested which will result in a negative cash flow, however, we are utilizing \$200,000 from the repair and upgrade reserve to have an overall positive cash flow of \$9,739.

E. Virkler asked to back up, commenting that capital projects are shown in the cash flow. He asked if this is reflected differently under Materials Management. C. Farone stated that the deposits are being shown to the actual reserves under Materials Management and funds for the capital projects come out of the reserve.

Telecommunications Capital Projects – D. Wolf

Dense Wavelength Division Multiplexing (DWDM) – The cost is \$120,000 modular devices to be used for customer growth.

Customer Network Construction – This \$250,000 is allocated for new fiber builds and additional customer connections. This approval is strictly for projects that have a positive return after expenses and capital.

Ethernet Test Sets – Our current test sets are from 2013. Purchasing two new sets will allow us to have greater functionality. The cost would be \$55,000.

Ethernet Core Network Upgrade – This year we will be replacing older technology in the smaller central offices such as Massena, Ogdensburg, and Alex Bay. Each piece being replaced costs \$25,000-\$30,000 for a total project cost of \$150,000.

Wireless Tower Service – We have received requests to upgrade wireless towers. For example, we have 50 Verizon towers requesting upgrade. We believe they are requesting this upgrade in anticipation of rolling out 5G in the next few years. The estimated cost would be \$470,000.

Central Office Enhancements – These enhancements will consist of items such as upgrading the power, the battery back-up, the generators, the HVAC, and the fire suppression. The total cost for these upgrades would be \$130,000.

DOT Road Projects – This year, east of Lake Placid, there is a three mile upgrade being done where we have buried fiber. We will need to move our cable and install new conduit for a total of \$50,000.

Fiber Augments – This is not a new build, but we need to add fiber to the network in an existing area to the west of Watertown. Cost would be \$80,000.

I87 Fiber Construction – Currently the Authority has swapped fiber between Albany and Plattsburgh. That swap ends in 2022 and would cost \$18,000 per month to continue. This project would construct new fiber and would save \$216,000 each year over the next 12 years. Cost would be \$450,000.

Lewis County CDBG – Lewis County has asked us to build the fiber to the Lyonsdale tower. The cost of this project is \$150,000, but will be offset by grant revenue.

Regional Development Budget Elements – M. Capone

A housing program delivery and administration plan have been completed and we are in the process of implementing this. There is an increase in contract billing due to the contracts that we have for the Village of Tupper Lake, Village of Massena, Town of Gouverneur, and St. Lawrence County.

Housing loan interest income is down due to several large housing projects having paid off their loans early. It is expected that some projects will be coming up not only in affordable housing, but also in market rate housing.

Investment income, which has been used to cover operating expenses, is low with us seeing lower numbers than we have not been seen before. Hopefully this will begin rebounding within fiscal year 2023.

Revenues will increase due to working closely with the Telecommunications staff to assist the three counties in the planning associated with broadband development.

Regional Development Budget – M. Capone

Customer Billings are projected to increase due to housing contracts, grant administration, and working in conjunction with Telecommunications.

Grant revenue reflects receiving the Northern Border Regional Commission (NBRC) grant and the Fort Drum planning grant which we have received in the past for our liaison work.

Loan interest is down due to the affordable housing loans being paid off early. This is conservative as it does not factor in any new loan closings.

Salaries and wages reflects a part-time housing rehabilitation specialist who has been hired and will be coming on board next week.

Marketing efforts will continue to support the Drum Country New York initiative.

Purchases for Resale is being utilized as a pass-through account for services such as credit reports and lead based paint services. These costs will be billed back to the customers.

Host community benefits is in the 6th year of 10 for the Beaver Meadow project.

Mileage has been increased due to the increased number of housing projects, especially in St. Lawrence County and Tupper Lake.

Consulting includes money for the Center of Community Studies at JCC, and the studies they have been performing for the Development Authority. There is also money budgeted in for any housing analysis or telecom study that may need to be done.

Grant money from ESD funded the North Country Redevelopment Fund. Half of that money is funded as a grant, the other half as a loan. Most of the grant funds from ESD have been drawn down, meaning we won't see much grant income going forward. We will however continue to see grant expenses whenever a grant recipient receives a grant. There will not be an offsetting grant revenue.

Water Quality Budget Elements – C. Farone

Three of the four budgets under Water Quality; Army Water Line, Army Sewer Line, and Regional Water Line are all breakeven budgets. Whatever the actual cost is for Fort Drum or the Regional Water Line, that is what we will be reimbursed for.

A main change being made is to management services contracts for Carthage, Clayton, Ogdensburg, and Malone, where the Authority provides management services to operate their plants. This is not one person at each location, but instead we have one point person, one project engineer, one GIS, and one in SCADA resulting in a full suite of services. In 2015 the management services were moved to engineering, but after some time to review and speaking with division directors we decided to move those contracts back to water quality to provide more synergy within the division and staff. Engineering is going to continue to help with these contracts, but from an engineering perspective. This change will result in the management service contracts moving from Engineering to Water Quality. This accounting and organizational change is reflected in the FY23 budget.

It is very difficult for us to find certified licensed operators to work in these professional fields. We have improved in recruiting the right staff that want to do this type of work.

An additional water quality operator has been included within the budget to help alleviate the time and half overtime wages.

The Army water line gets its water from the City of Watertown, who gets its water from the Black River which has a high level of organic materials. The City of Watertown is working on the issue of the high disinfection by-products. Once the city does implement a solution, there is the potential for the cost of city water to increase.

Within the Army Sewer Line there is an increase in rates due to increased costs from the City of Watertown to treat the wastewater and an increase in Authority capital cost.

The Army Water Line rates have increased due to increase in Authority capital costs and \$100,000 in interim interest expense for the AWL pipeline replacement project.

The Regional Water Line rates have increased as well, due to the increase in the Village of Cape Vincent rates.

Water Quality Budget – C. Farone

Reviewing the FY23 budget, the Army Sewer Line and Army Water Line have been reviewed by Fort Drum, and the Regional Water Line has been reviewed with its partners, and all are in agreement with the proposed budgets.

The Army Sewer Line salaries have gone down by 3.4% and total fringe benefits have decreased by 8%. O&M costs are remaining stable, but sewage treatment costs are going up as the City of Watertown rates have increased. Cellular service costs have increased as more iPads are deployed to employees who can update information, such as meter readings, in real time. This has increased productivity.

The Army Water Line salaries have increased due to the pipeline replacement project, which will require more staff time to oversee. Water purchases are down below the current year because flows were projected lower. An interest expense of \$100,000 to fund the interim financing for the pipeline replacement project has been included.

The same items were reviewed for the Regional Water Line noting no major swings in budget line items.

Water Sewer Contracts have an increase in customer billings. Of the increase, \$591,000 was from the change in management service contracts being moved from Engineering to Water Quality. Salaries and fringe benefits increased for the same reason.

A review of the user charges show an increase in rates based on previously reviewed items.

Water Quality Capital Projects – B. Nutting

Army Sewer Line – Warneck pump station pump, flow meter, and controls upgrade – The two big pumps are beyond their useful life, as well as many SCADA controls, sensors, and flow meters. Instead of replacing the items, we would like to have someone evaluate these pieces to see if we may be able to replace integral parts as opposed to replacing the whole pump. This is budgeted at \$20,000

Army Sewer Line – building modifications – This project includes updates to the exterior and some interior portions of the Warneck Pump Station. On the exterior there is some brick that needs to be reappointed as well as flashing issues with the roof causing leakage. On the interior the conference room will be expanded within the existing building footprint to accommodate larger gatherings for meetings and trainings. Two new offices are going to be created from underutilized existing space, as well as a new storage area. The total cost of this project is estimated at \$366,000. There have not been any improvements done at the Warneck Pump Station since 2011.

Army Sewer Line - BPS 1 Antenna Upgrade – This antenna acts as an information relay from other places throughout the system bringing that information back to the main computer at the Warneck Pump Station. Since being installed, other buildings have been built and trees have grown and are now blocking the signal causing operational problems, dropouts, and unnecessary overtime. This will extend the antenna height while making sure it is within the permit requirements of the town. The cost is budgeted at \$140,000.

Army Water Line – BPS 1 and 2 pump and SCADA improvements – These pumps have been determined to be beyond their useful life, but may not need to be completely replaced. There may be some things that can be replaced to extend their useful life at a lessor cost. We will hire a consultant to evaluate and make recommendations on what should be done. Regarding SCADA controls, there are different sensors on the pumps and other equipment in the pump station that are scheduled to be replaced as well.

C. Tuttle reviewed a power point presentation to provide the Board with information and understanding regarding the Army Water Line Pipeline Replacement Capital Project. The cost of this project is estimated at \$9.1 million. The waterline was installed in 1990 and serves Fort Drum, the towns of Champion, LeRay and Pamela where we sell wholesale water to these customers. This line consists of 11.2 miles of 20 inch ductile iron pipe with two booster pump stations. During the 2019 valve replacement project several areas appeared to be deteriorating. Leaks were also detected after the valve replacement project, which helped determine a further assessment was needed. A project was pursued with the Office of Local Defense Community Corporation, which was formerly the Office of Economic Development, for federal funding of \$1.2 million in grant funds for the integrity analysis of the pipeline. An ultrasonic scanning tool was selected to keep the pipeline in service continuously while the analysis was performed resulting in a significant amount of data being collected regarding the pipeline condition. Out of roundness of the pipe was evaluated, and very few pipes were found to be out of round. There was a significant amount of pipe wall loss found ranging from 15% - 95%. This means the thickness of the pipe is shown to be corroding or degrading leaving the pipe susceptible to leakage or failure. These results were validated in the field by digging up six locations that were identified to have severe loss. Soil samples were also taken in these locations. Corrosive soil can result naturally or as a result of salt corrosion from road salt run off. This testing confirmed the soil to be significantly corrosive where the pipes were confirmed to be deteriorated. The next step was to develop a priority ranking for what pipe needed to be replaced, and when. This was broken down into three categories, high being defined as widespread and significant pipe corrosion located in corrosive soils, medium defined as some pipe corrosion in moderately corrosive soil, and low defined as few areas of corrosion in noncorrosive soil. A small section between the city's water plant and booster pump station one could not be evaluated because there was no way to inset the ultrasonic scanning tool, meaning this section will need to be further evaluated. Phase one of this project will be replacing the high priority areas which is mainly the section along Patterson Road. The total cost for phase one is \$9.1 million and will completely replace the pipe with HDPE which is not susceptible to corrosion. Phase two, or the medium priority projects, would cost \$10 million and be scheduled in 2027 depending on funding availability. For fiscal year ending 2023 we have included \$437,289 as a debt service payment to be broken down with \$100,000 in interest expense. We have submitted an application for funding with OLDCC and are hopeful the funding will come through. Fort Drum is supportive of this project and the plan we have presented to them. To keep this project moving forward there will be a resolution on the agenda for the February Board meeting to authorize a portion of this capital project so we can proceed with awarding for the design phase.

C. Farone stated that this is the last year we will have the current debt service of \$337,000 for the valve replacement project.

C. Tuttle continued stating the \$430,000 budgeted for engineering would be an offset when that debt payment is retired. We plan to take that money out of the \$900,000 reserve that is provided under contract by Fort Drum for the Army Water Line, and then replenish the reserve once the grant funding is received. Loan funding will be pursued through the New York State Department of Environmental Facilities Corporation. That loan process would begin this spring. This will offer a subsidized interest rate on the portion of the \$9.1 million not covered by the DCEP grant, which is the other federal funding we are planning to pursue. The DCEP grant could potential cover \$6.1 million of this project.

C. Farone stated that the best case scenario would be we receive the \$400,000 grant, the DCIP funding, and then have an EFC loan with payments of \$123,000 for a 30 year term. Worst case scenario would be no grant money and all EFC loan at 2.44% over 30 years the debt service would be \$431,000. We did speak with Fort Drum and they authorized the Authority to utilize the \$900,000 repair reserve to move the project forward. As soon as we complete phase one of this project we will get back in the queue for grant funding for phase two.

Engineering Budget Elements – C. Farone

Management service contracts have been moved out of engineering and into water quality. Based on gaining or losing contracts we continue to look at staffing levels to ensure we have the staffing that is required and that we don't take on too many contracts.

The Town of Tupper Lake has received a grant for GIS work which the Authority will be completing. The budget reflects \$100,000 in revenue for this project to complete mapping for 25 municipalities in St. Lawrence and Franklin counties.

Engineering Budget – C. Farone

The operating budget shows a decrease in revenues due to the management services contracts no longer being under engineering. Purchase, resale and parts are slightly increased as we anticipate having more equipment required to be purchased to be passed on to third parties. Office and administration is down due to the decrease of four employees. Overall there is a positive cash flow of \$7,152.

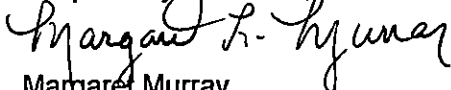
C. Farone stated that also included in the budget packet is the reserve summary, reserve narrative, debt service summary, a listing of any debt actions, and the debt narrative. A complete listing of capital projects was also included as well as a listing of municipal partner contracts, the budget calendar, and a budget risk assessment. A listing of revision and reconciliations is included, showing all Board approved budget amendments made throughout the year. Also included is a summary of all units showing all Authority divisions on one operating budget. Lastly, we have provided MWBE information showing history and current information.

Upon a motion by T. Hefferon, and seconded by E. Virkler, the Fiscal Year 2022–2023 Preliminary Budget, was unanimously approved by the Finance and Budget Committee and recommended to the Board for approval.

M. Murray thanked C. Farone and the Authority staff for assembling a good, easy to follow budget presentation.

Upon a motion by M. Murray, and seconded by T. Hefferon, the meeting was adjourned at 12:17 PM.

Respectfully submitted,



Margaret Murray
Chair, Finance & Budget Committee