

Water Customers Face Double Financial Hit

By Susan Siegel

With water usage rates slated to increase by 25% after the March 1 public hearing — and a second financial hit of a still unknown amount on the way — it's time to take a serious look at how the Water District's finances are being managed.

It's time our elected officials stopped raiding the District's rainy day fund, aka its fund balance, to cover deficit budgets. It's time they stopped playing politics with our money and our water supply.

The Water District's finances are in trouble for one simple reason: the continuing — and growing — imbalance between expenses and revenue.

As homeowners we know that if and when our expenses begin to exceed our income, it's time to make some lifestyle changes. We have to either reduce our expenses and/or find ways to add to our income.

It's no different for the town. Expenses and revenue need to be brought into balance. But that's not how Supervisor Grace has managed the Water District's finances.

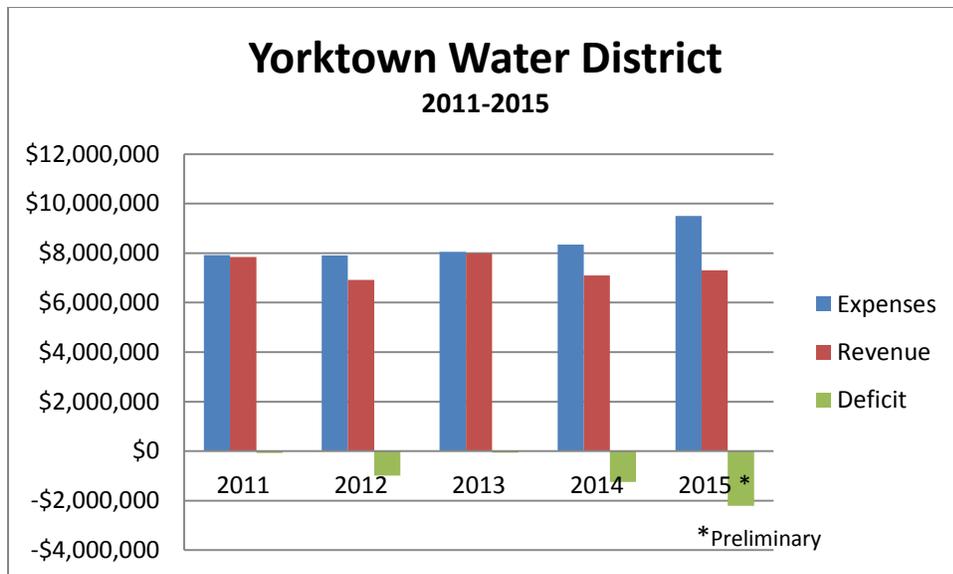
Over the past four years, while the District's expenses have continued to increase (mostly due to increased labor costs and increases in the cost of the water we purchase from the Northern Westchester Joint Water Works,) Supervisor Grace pushed through an unprecedented 40% decrease in the District tax rate, its second major revenue source. At the same time, the District's usage charge of \$5.00/1,000 gallons, its primary source of revenue, remained unchanged.

Expenses went up while revenue dropped — and politics took precedence over sound fiscal management.

By lowering the Water District tax rate, and then combining it with other taxes and creatively redefining the term "town tax," Supervisor Grace was able to achieve two politically motivated goals. First, he was able to hide the historic 2013 4.38% increase in the basic Town tax rate, the largest increase since 1996 and the only tax that every Yorktown property owner pays. Second, by using his newly crafted definition of the term "town tax," he was able to claim an historic town tax cut. Talk about political spin.

The 40% reduction in the water tax rate caused the District to lose approximately \$900,000 of revenue each and every year, from 2013 through 2016. And, since budgets have to be balanced, the revenue/expense gap was made up by using increasingly large amounts of the District's fund balance.

So far, a total of \$2.3 million from the fund balance has been used to cover three consecutive years of operating deficits, from 2012-2014. And, based on preliminary 2015 expense and revenue numbers, it looks like an additional \$1 million to \$2 million may be needed to balance the 2015 books. (As of February 2nd, actual expenses plus outstanding purchase orders totaled \$9.5 million against total revenue of only \$7.3 million — for a gap of almost \$2.2 million.)



Which brings us to the March 1st public hearing and the proposed \$1.25/1,000 gallons increase in the water usage fee.

Reality has finally set in. The Water District is in dire need of more revenue. Lowering the water tax rate in 2013 paid off politically — but now it's time to pay the piper. Or, to paraphrase Supervisor Grace when he announced the increase in the water rates: Maybe I made a mistake. Maybe the usage charge should have been increased earlier; instead of one big increase of \$1.25/1,000 gallons, I should have increased the rate gradually in smaller increments.

And maybe, just maybe, Supervisor Grace should have also acknowledged the financial recklessness of reducing the District's income by \$900,000 a year without offsetting the loss by either reducing expenses or finding an additional source of revenue.

In that regard, it's sort of ironic to note that the \$1.25/1,000 gallon increase in the water usage charge will about equal the revenue lost by the 40% reduction in the water district tax rate.

As for the average homeowner who uses 90,000 gallons of water a year, the usage charge increase will add \$112 to their bill. By way of contrast, the 40% reduction in the water tax rate saved the typical homeowner approximately \$79.00.

The unanticipated second financial hit — and the importance of fund balance.

Two weeks ago, we learned that this spring the Water District will have to come up with between \$1.25 million to \$1.5 million in cash to pay for Yorktown's share of a new water storage tank at the NWJWW. Although no decision has been made yet on how the town will come up with the cash, it's unlikely the money will come from the fund balance — because there won't be sufficient funds left in the fund balance.

It's simple arithmetic. Arithmetic that should have been obvious if Supervisor Grace had chosen sound fiscal management over politics.

After covering operating deficits in 2012, 2013 and 2014, going forward, this is what the Water District's fund balance could look like.

Fund balance as of 12/31/2014	\$ 4,878,740
Possible 2015 drawn down	- <u>1,500,000</u> (estimated)
Tentative balance as of 12/31/15	3,378,740
Used to balance 2016 budget	- <u>1,950,000</u>
Available to pay for storage tank	1,403,740
Pay for storage tank	- <u>1,250,000</u> (estimated)
Remaining fund balance	\$ 153,740 (or less than 1% of the District's annual budget, where 15%-20% is recommended.)

I don't welcome being the bearer of unpleasant news. But someone has to look at the numbers. There's a cost to providing a safe and reliable water supply. And the time is long overdue for an honest, frank and open discussion with the District's 10,000 taxpayers.

Please, let's stop the political spin. Please, let's stop kicking the financial can down the road — for the Water District as well as the town's other budget funds.