

Appendix B

Information regarding Financial Impact of this Phase of the Project

As part of the NYS Department of State Shared Municipal Services Incentive Award Grant the grantee is asked to identify the impact of the grant project (e.g. costs, saving) and express taxpayer impact as Total Cost Impact, Cost Impact per Capita and Estimated Impact on Property Taxes utilizing real property valuation at equalization rate. These metrics quantify how much a consolidation project would save or cost taxpayers and are good measuring tools to help gauge the impact of these projects.

The nature of this phase one study does not provide specific financial information relative to an overall consolidation project. Rather, it analyzes twelve factors, including the costs associated with the creation of three alternative legal structures: A Public Authority, Private Not for Profit, and Inter-municipal Cooperation Agreement. Each factor was evaluated on a scale of 1 to 5 with 5 being the most positive and 1 being the least. The final ranking of these three alternatives was based on the cumulative score of the twelve factors. No specific dollar values are estimated or analyzed.

The overall concept for consolidating water supply services between the City of Watervliet and the Town of Guilderland includes three steps:

- Preliminary Study (*this SMSI Grant*)
 - Can a consolidation be done legally? What would the legal structure look like?
- Detail Plan of Action for Consolidation
 - Financial Plan that details what a merged water supply system would cost how it would work and what is the financial impact to taxpayers. Is it financially feasibility for both communities to merge water supply systems?
- Implement the Consolidation Plan
 - The communities would determine if the consolidation of services would be in the best interest of their taxpayers. If so, they could go forward with the Plan of Action for Consolidation.

A unique component specific to these water issues worth noting deals with the notion of municipal water bills as a “tax”. Usage payment of water bills by property owners to a municipality are not a tax; it is a user fee. The assessed value of a property does not enter into the calculation of a water bill except under Town Finance Law where capital expenditures/debt is reflected in an ad valorem tax amount. Taxpayers, residents and businesses in a community, are beneficially impacted by any steps a municipality takes to reduce the cost of providing water to its customers. This benefit can be calculated and demonstrated on per customer flat rate or metered water rate per gallon of usage.

The *Watervliet-Guilderland Investigation of Consolidation of Water Supply and Filtration Services Project* funded by the NYS Department of State Shared Municipal Services Incentive Award Grant program is a first step in a consolidation process. The overall goal of this preliminary study is to determine if it is legally feasible within the context of New York State Law, Town Law and the City Charter to create a combined governmental entity or municipal partnership within which a consolidation of Watervliet and Guilderland municipal water services could be developed.

Upon the completion of this first step, it will be possible for the communities to make a decision to determine a legal structure under which a consolidation effort could go forward.

The second step in this municipal services merger project will be a Consolidated Water System Needs and Implementation Study.

This study gets into the minutia and details of consolidation. It will develop options for an Operational Plan of Action for Consolidation, a Capital Construction Costs Plan and a Consolidated Financial Plan for the merged water supply system. The phase two study will provide the blue print for a new consolidated water supply program for both communities. A financial plan will be developed for this consolidation that will include manpower needs, description of the operational structure of the merged water system and associated costs, and cost for construction and implementation of a new filter plant that will serve both communities. Each option in

an Operational Plan of Action for Consolidation will describe the costs and impact on the taxpayers and customers of the water system.

If this Operational Plan of Action for Consolidation analysis reveals a saving to the taxpayer and an enhanced effectiveness and efficiency in the water supply process, then the communities would have the information necessary to make a decision and work with stakeholders to implement a municipal shared service consolidation program.

The estimates of savings to taxpayers resulting from a possible merger of the two municipal water supply systems at this stage are very preliminary. An estimate of cost savings can be based on certain assumptions. The cost savings assumptions include: a combined water supply system would lower costs because of a reduction in duplication of services; an automated water filtration process that would reduce the manpower costs; and the consolidated water supply system would have excess finished water capacity that could be sold to other municipalities generating new revenues and savings for the taxpayer.

An illustrative overall saving of 20% in water costs to Watervliet and Guilderland water users is shown below.

Current Watervliet Water Usage Cost Information

2010 Water Rate per thousand of Assessed Value: \$ 0 (Cities include all water costs in water usage rate)

Water Usage Rate:

WATER RESIDENTAL RATE	
Yearly Flat Rate	\$358.00/yr.
Unmetered Usage	

WATER COMMERCIAL METERED RATE	
Metered Rate	\$3.95 per thousand
All gallons used	

A TYPICAL HOME in Watervliet uses an estimated 110,000 gallons of water per year. The average annual water bill per year is:

Annual Water Usage Cost (flat rate)	<u>\$358.00</u>
Total Annual Average Water Cost	<u>\$358.00</u>

(Source: Watervliet Water Dept. & Finance Office)

Current Town of Guilderland Water Usage Cost Information

2010 Water Rate per thousand of Assessed Value: \$1.0695 per thousand of assessed value

Water Usage Rate:

WINTER CYCLE	
0 to 30,000 gal	\$1.25/k
30, 000 to 50,000 gal	\$1.45/k
Over 50,000 gal	\$1.50/k

SUMMER CYCLE	
0 to 30,000 gal	\$1.25/k
30, 000 to 60,000 gal	\$1.95/k
Over 60,000 gal	\$3.05/k

A TYPICAL HOME in Guilderland uses 90,000 gallons of water annually. Also, based on an average assessment of \$175,000 for a single family home the annual water bill is:

Annual Ad Valorem part of the Water Costs	\$187.16
Annual Water Usage Cost (90K gal/yr.)	\$135.00

Total Annual Average Water Cost	\$322.16

(Source: Guilderland Annual Water Quality Report)

Watervliet Water Rate Costs estimate w/costs reduction and savings of 20%

The estimate of a 20% reduction in costs would result in an average annual savings of \$71.60 per household per year. ($\$358 - \$71.60 = \$286.40$)

Metered commercial customers would experience a reduction in water costs from the current metered rate of \$3.95 per thousand gallons to \$3.16 per thousand gallons used.

Guilderland Water Rate Cost estimate w/costs reduction and savings of 20%

The estimate of a 20% reduction in costs would result in an average annual savings of \$64.43 per household per year. ($\$322.16 - \$64.43 = \$257.73$)

Commercial customers would experience a reduction in water usage and costs from the current metered rate schedule of 20% and the ad valorem tax component of the water bill would reduce from \$1.0695 per thousand of assessed value to 0.8556 per thousand of assessed value.

Consolidation Grant Program Impact Estimates

TOTAL COST IMPACT

	TOTAL WATER FUND BUDGET AMOUNT	TOTAL COST IMPACT OF A 20% COST REDUCTION
City of Watervliet	\$2,911,000	\$582,200
Town of Guilderland	\$5,142,000	\$1,028,400

Per Capita Impact Calculation

The Watervliet residential rate is a flat rate and the commercial rate is metered so an adjustment has to be calculated to properly represent the Per Capita Impact of a 20% Water Rate reduction. The metered water commercial customers represent 11% of the total amount of revenue. To calculate the correct "Per Capita Impact" of the 20% reduction estimate, the 11% commercial/metered amount should be removed from the formula ($\$2,911,000 \times 11\% = \$320,210$. $\$2,911,000 - \$320,210 = \$2,590,790$ Water Budget without commercial accounts) ($\$2,590,790 \times 20\%$ cost reduction = \$518,159 Total Reduction)

COST IMPACT PER CAPITA (2010 Census Data)

	TOTAL COST IMPACT OF A 20% COST REDUCTION	COST IMPACT OF COST REDUCTION PER CAPITA
City of Watervliet	\$518,159 <small>(20% reduction w/o metered accounts)</small>	\$50.63
Town of Guilderland <small>(77% of population served)</small>	\$1,028,400	\$37.83

ESTIMATED IMPACT ON PROPERTY TAX RATE

	TOTAL \$ COST IMPACT OF A 20% COST REDUCTION	IMPACT ON PROPERTY TAX RATE (dollars per thousand)
City of Watervliet	\$582,200	Water costs for cities are not paid through ad valorem tax
Town of Guilderland	\$1,028,400.	0.2139 cents per thousand reduction in ad valorem tax rate