

Donna Conkling

From: Steve Pappalardo
Sent: Monday, April 16, 2018 10:24 AM
To: otten@alumni.princeton.edu
Cc: Mayor; Donna Conkling
Subject: FW: RE: RE: Water Rate Changes

Michael,

Thank you for your comments concerning the proposed FY 2018/19 water rates. As the Mayor mentioned, as a matter of Village Board policy, our local water rates generally trail the New York City wholesale rates as a pass-through for this excess use. Scarsdale rates are incrementally higher, of course, to make sure the Water Enterprise Fund is fully supported. The proposed reduction in the Scarsdale excess water rate is in response to cumulative reductions in the New York City wholesale rate for excess use since 2012. Despite the Village reduction in the excess rate for 2018, a significant excess use penalty remains. Excess units will still be charged at 3x the base rate, which is one of the highest such disincentive charge multipliers of all Westchester County municipal water utilities.

Also, your point concerning excess rate users receiving a discount is well-taken, however, and apart from the New York City rate-setting dimension, there is another bit of information that counters your vertical equity argument regarding the proposed change. But for the significant sum of money collected through the excess rate, \$5.34M in 2016/17 revenues as opposed to \$1.83M entitlement rate revenue collected over the same period, the entitlement rate would be sharply higher (about \$5.338/unit as opposed to the \$3.20/unit) because our operating and capital needs would still require full funding. Therefore, while a “discount” on the excess rate would seem to shift 100% of the “savings” burden to entitlement rate users, not only is the added entitlement burden shared equally by the excess rate users themselves, but the “savings” does very little to overcome the significant rate subsidy that excess rate users have been providing and will continue to provide entitlement users for the foreseeable future. Finally, it is reasonable to anticipate that upward pressure will continue on the entitlement rate given Village efforts to promote water conservation and efficiency. As excess rate revenues decline, the entitlement rate needs to make up the difference in order to fully fund the Water Utility. It should also be noted that our entitlement rate is highly competitive Countywide, having been the lowest in Westchester County up until last year. Your suggestion of a tiered rate structure is worthy of further consideration, and other rate(s) and structures will continue to be evaluated on a moving forward basis. I welcome your comments in this regard during future budget processes.

Regarding the issuance of debt for capital improvements, the Village’s 5-Year Capital Budget and Plan for the Water Enterprise Fund identifies \$6.2M in Village water infrastructure improvements to be funded through bond issues. The annual debt payments on the bonds will be funded through the revenue derived from the sale of water. Appropriate annual rate adjustments to the entitlement and excess rates will be made to fund the debt and, as the Mayor mentioned, restore an adequate fund balance to the Fund. Finally, both staff and the Village Board take our water rate-setting roles very seriously and we strive to identify and mitigate equity impacts, potential unintended consequences, etc. I appreciate your comments, intended to improve our consideration of such potential problems, and welcome further suggestions on this matter.

Best Regards,

Steve Pappalardo

From: M Otten [mailto:otten@alumni.princeton.edu]
Sent: Sunday, April 15, 2018 4:24 PM

To: Steve Pappalardo <spappalardo@scarsdale.com>; Mayor <mayor@scarsdale.com>

Cc: Donna Conkling <dconkling@scarsdale.com>

Subject: Re: RE: RE: Water Rate Changes

At minimum, you can propose a surcharge for heavy users that is cost-neutral, and not an effective reduction in their rate. NYC users don't usually have swimming pools.

On Sunday, April 15, 2018, 2:34:38 PM EDT, Mayor <mayor@scarsdale.com> wrote:

Michael

If you sent me to the store to buy something for you, would it be OK with you if I charged you more than it cost? That might be the kind of argument the people who use excess water might pose. I think the Board will have further discussion on the idea of adding a "super excess" rate, but I wouldn't be surprised if some residents might think they are subsidizing some of their neighbors. Any ideas that we might use to justify charging more than it costs?

Thanks

Dan

From: M Otten

Sent: Sunday, April 15, 2018 2:09 PM

To: Mayor; Steve Pappalardo

Cc: Donna Conkling

Subject: Fw: RE: Water Rate Changes

Hi Dan and Steve,

Having heard more feedback on the water rate decrease for heavy users, and thought about your response some more, I really don't think syncing with NYC is a good answer. I strongly suggest that the Trustees re-review the rates and as soon as practical restore a structure that does not result in a decrease in rates for the heavy users. By the way, from the point of view of transparency, you should not be emphasizing in your communications that there is an increase, when that is not really the case for all.

I know it's not easy to tune things, but I think you should adjust when you have new input. Please note my other suggestions below as well....

Best, Mike Otten

Stonehouse Road

Scarsdale, NY

----- Forwarded Message -----

From: Mayor <mayor@scarsdale.com>

To: Steve Pappalardo <spappalardo@scarsdale.com>; M Otten <otten@alumni.princeton.edu>

Sent: Wednesday, March 21, 2018, 5:11:23 PM EDT

Subject: RE: Water Rate Changes

Michael

During the budget sessions similar questions came up. Regarding the first one, the excess rate was lowered by NYC and we synced with the reduction. On the second one, the repair work on the water ducts may require bonding but the main thing the increased rates are trying to achieve is to rebuild the reserve that was depleted by the two major pumping stations projects.

Dan

From: M Otten

Sent: Wednesday, March 21, 2018 11:55 AM

To: Mayor; Steve Pappalardo

Subject: Water Rate Changes

The March 14 letter explained the need to increase fees to cover certain capital costs. Two things are missing from your explanation:

1. Why the reduction in the excess rate? Seems to me that the pool owners are getting a fee reduction with this 'increase.'
2. Why not a bond to cover capital improvements? Seems to me that this is a more important investment than our library being converted into a Community Center with a parking problem....

I like the Concept/Tips part of your letter. Maybe the Village can consider posting a list of "hearty, local, native plants that can survive with less water and less maintenance?" Frankly, I don't think most landscaping/gardeners are motivated or qualified to respond to this good advice. Lena should be able to help with this.

Best regards,

Mike Otten