

**Nassau County
Office of the Comptroller**



Commissioner Run Water Districts That Serve No Purpose

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**NASSAU COUNTY
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This report examines the savings that could be achieved by eliminating two tiny commissioner-run water districts in Nassau County that do not provide water to district residents. The two districts, Cathedral Gardens Water District and Glenwood Water District, merely transmit water that is provided by West Hempstead (for Cathedral Gardens) and Roslyn (for Glenwood). In both cases the districts are an expensive anachronism that Nassau County residents can longer afford to support: commissioner-run water districts that don't provide water.

The report shows that the annual savings from eliminating Cathedral Gardens in 2007 would have been \$32,502 and from eliminating Glenwood would have been \$114,856. Savings would recur every year since the expenditures to maintain these unnecessary districts would no longer have to be made. While the savings are not large when divided by each home in the newly created combined districts, in these times of extreme fiscal pressure on Nassau County taxpayers, all savings are worth pursuing. If the Cathedral Gardens and Glenwood district residents were absorbed into the districts that provide their water, taxpayers would save thousands of dollars currently spent for no good reason.

Background

Nassau County homeowners who live outside villages and cities receive water from private water companies, authorities and special districts. Special districts that provide water, with the exception of districts serving portions¹ of the Town of Hempstead, are run by paid commissioners, elected by the residents of each district.

The Nassau County Comptroller's Office recently issued an examination of fund balances retained by the 19 commissioner-run water districts in Nassau County and found that all commissioner-run water districts were over-taxing their residents by maintaining more savings than the amounts permitted school districts or recommended by the Government Financial Officers' Association.² The report found that the Cathedral Gardens Water District has enough tax dollars in its bank accounts to pay its operating expenses for approximately seven and one half years. Glenwood has a more reasonable eight months worth of operating expenses in the bank. This report examines the cost savings available if the Cathedral Gardens and Glenwood Water Districts were completely eliminated.

¹ The Town of Hempstead runs water districts serving Uniondale, East Meadow, Levittown, Bowling Green Estates, Roosevelt Field and Lido – Point Lookout.

² nassaucountyny.gov/agencies/Comptroller/NewsRelease/2008/documents/CommissionerRunWaterDistrictsFundBalance11-25-08.pdf

Cathedral Gardens Water District

The Cathedral Gardens Water District serves only 342 properties, 297 of which are homes. Cathedral Gardens does not drill for water, pump water, treat water, read water meters, bill water users, take payments for water or pursue late payers. Its water and all water billing services are provided by a neighboring water district, West Hempstead-Hempstead Gardens (“West Hempstead”). Taxes for water are included with the town general tax bill, and collected by the Town Receiver, who distributes the taxes to the district. Delinquent tax payments are made up by Nassau County and collected by the County. The Cathedral Gardens District does not provide any services beyond owning the pipes that distribute the water to its 342 parcels.

Not surprisingly, Cathedral Gardens and West Hempstead charge the average homeowner almost the identical amount for water use. In 2006, the average homeowner in Cathedral Gardens paid \$258 for water; the average homeowner in West Hempstead-Hempstead Gardens paid \$260.³ The costs for taxpayers in both districts could be reduced, and taxpayer savings achieved, if the Cathedral Gardens Water District were eliminated.

In reviewing the district’s 2007 budget, we noted that 48% of expenses were administrative while only 52% were directly related to supplying water and would continue if West Hempstead took over the district. Since West Hempstead already supplies and bills for the water, those revenues and expenses are not recognized on Cathedral Gardens’ books.

Cathedral Garden’s 2007 audited financials show expenditures of \$67,258. If West Hempstead took over the district, only the expenditures related to the water pipes in Cathedral Gardens would remain, for a total expenditure of \$34,756. We have assumed that the items marked by an asterisk could be eliminated if West Hempstead, which already serves 7,550 parcels, took over the district:

³ http://www.nassaucountyny.gov/agencies/Comptroller/Docs/PDF/Disparity_Report_2007-2.pdf page 18

**Cathedral Gardens Water District
2007
Operating Expenditures**

Administrative Expenditures	
Commissioners' fees	\$ 10,560 *
Secretary's fees	4,080 *
Rental charges	3,200 *
Commissioners' bond	151 *
Public liability insurance	7,018 *
Election expenses	364 *
Accountants' fees	4,525 *
Postage, printing, stationery	522 *
Educational meetings	495 *
Payroll taxes	1,120 *
Dues	200 *
Sundry expenditures	99 *
Unemployment insurance	168 *
Total Administrative Expenditures	32,502
Transmission and Distribution	
Consumers' line and meter replacement	20,800
Hydrant and main maintenance (including water analysis)	13,956
Total Transmission and Distribution	34,756
Total Expenditures	\$ 67,258
* Potential Expenditures to be Eliminated	\$ 32,502

Items such as Commissioners' fees representing 132 per diem payments totaling \$10,560, for 44 meetings by the commissioners each year,⁴ secretary's fees (\$4,080), liability insurance (\$7,018) and accountant's fees (\$4,525) could all be eliminated since they would be covered by West Hempstead's budget. The resulting savings of \$32,502 in every year could be shared between the taxpayers of the two districts.

A Cathedral Gardens Water District Commissioner suggested to this office in 2007 that a West Hempstead takeover of the district was not likely since West Hempstead would be reluctant to take on the potential expense of replacing the Cathedral Gardens' water pipes. However, since Cathedral Gardens has accumulated \$430,569 in fund balance as of December 31, 2007, this surplus could be reserved specifically for the purpose of paying for any necessary repairs or replacement of Cathedral Gardens pipes, considerably mitigating the potential financial exposure to the West Hempstead- Hempstead Gardens

⁴ Assuming the Commissioners received an \$80 per diem. In 2005 Town Law §214 was amended to permit commissioners a \$100 per diem rate.

district. Given the potential savings to the taxpayers in both districts, eliminating the Cathedral Gardens district entirely is worth a serious investigation.

The actual combined expenditures for the Cathedral Gardens and West Hempstead districts in 2007 were \$4,897,970. Subtracting the \$32,502 in costs that could be saved by eliminating the Cathedral Gardens district, and applying the reduced rate of expenditure to a combined West Hempstead – Cathedral Gardens district, each property owner in the joint district would have saved approximately \$4 in water charges in 2007.

Glenwood Water District

The Glenwood Water District serves only 236 properties, fewer than Cathedral Gardens. 196 of the Glenwood parcels are homes. Like Cathedral Gardens, Glenwood does not drill for water, pump water or treat water. Glenwood purchases its water from a neighboring district, the Roslyn Water District, and sends out its own bills for water use and collects late payments for user fees. Water taxes are collected by the Town Receiver and delinquent water taxes are made up by Nassau County, which collects the delinquent tax liens. Glenwood owns the pipes that deliver water to the 236 properties in the district.

The Glenwood and Roslyn Water Districts charge the average homeowner almost an identical amount for water use. In 2006 the average homeowner in Glenwood paid \$302 for water; the average homeowner in Roslyn paid \$305. The costs for all the taxpayers could be reduced, and taxpayer savings achieved, if the Glenwood Water District were eliminated.

In reviewing the district's 2007 expenditures, we noted that 38% of expenses were administrative while only 62% directly related to supplying water and would necessarily continue if Roslyn took over the district. The administrative expenses include the cost of one full time and one part time clerk, who presumably take care of billing water use to the 236 parcels. Given the small number of parcels in the district it is likely that either Roslyn's existing administrative staff, which already services 6,184 parcels, could take over the work or the staffing level could be reduced.

The expense related to the Glenwood commissioners would be completely eliminated if Roslyn took over the district. The 2007 expenditures for the three commissioners' fees was \$22,000. Divided evenly among the three commissioners, this is the equivalent of \$7,253 paid to each commissioner for working a total of 91 days each.⁵

Glenwood's 2007 audited financials show expenditures of \$316,717. If Roslyn took over the district, only the expenditures related to the water pipes in Glenwood would remain, for a total expenditure of \$201,861. We have assumed that the items marked by an asterisk could be eliminated if Roslyn took over the district:

⁵ Assuming the Commissioners received an \$80 per diem. In 2005 Town Law §214 was amended to permit commissioners a \$100 per diem rate.

**Glenwood Water District
2007
Operating Expenditures**

Administration

Personal Services:		
Office Salaries	\$	32,173 *
Commissioner Fees		21,760 *
Medical Insurance		6,964 *
Social Security		4,602 *
Other Expenditures:		
Conferences, meetings & dues		1,078 *
Legal Fees		850 *
Auditing		4,000 *
Disability Insurance		4,356 *
Insurance		13,765 *
Professional services-engineer		4,025
Professional services-other		10,494 *
Data Processing		6,263 *
Communications & telephone		5,257 *
Heat, light, power		1,242 *
Office supplies & expense		1,447 *
Election expense		394 *
Advertising/legal notices		211 *
Total Administration		<u>118,881</u>

Source of Supply, Power and Pumping

Purchase of water	152,718
Testing & analysis	213
Total Supply, Power & Pumping	<u>152,930</u>

Transmission & Distribution

Equipment:	
Operating Equipment	1,509
Other Expenditures	
Engineering	1,370
Gas, oil etc.	3,464
Maintenance-Plant & grounds	3,899
Maintenance-mains, valves etc.	19,819
Maintenance-meters	4,215
Road repair	2,850
Tools, parts & supplies	1,112
Total Transmission & Distribution	<u>38,238</u>

Debt Service

Interest Expense	2,668
Principal	4,000
Total Debt Service	<u>6,668</u>

Total Expenditures

\$ 316,717

*** Potential Expenditures to be Eliminated**

\$ 114,856

If Roslyn were to take over the Glenwood district and eliminate the unnecessary spending now being done in Glenwood, taxpayers in the two districts could share the approximately \$115,000 in savings every year.

According to its 2007 audited financial statement, Glenwood has only \$44,000 in debt outstanding. Its total debt could be repaid out of Glenwood's accumulated fund balance of \$283,864, and the remaining fund balance could be reserved to pay for any future repairs to the pipes that serve the Glenwood residents.

The actual combined expenditures for the Glenwood and Roslyn districts in 2007 were \$3,730,565. Subtracting the \$114,856 in costs that could be saved by eliminating the Glenwood district, and applying the reduced rate of expenditure to a combined Roslyn - Glenwood district, each property owner in the joint district would have saved approximately \$18 in water charges in 2007.