**7. Old Business – Establishing a Sewer Fund – General Notes Assembled**

Create a separate fund on the books titled Sewer Fund using the same accounting methodology as we use for the Water Fund.

Isolate all costs associated with running the sewer including operating expenses and salaries looking forward, the past 12 months of actual infrastructure & maintenance costs.

For discussion purposes let us say that the cost is $400,000.

The next step is to establish a unit billing rate that will break even on the cost. For example, billing 80,000 units at $5.00 each. Each customer would be invoiced based on water-in and the units would be assigned accordingly.

But as a matter of fact, we will increase the unit cost so we can make a profit running the fund. For example, if we set the billing at $6.00 per unit we are targeting a profit above operating costs of $80,000 over 12-months. Or billing at $7.00 per unit for a targeted profit of $160,000, and so forth.

In addition to making a profit we will start a capital fund dedicated to infrastructure repair and maintenance and other associated cost.

This will be accomplished by a separate charge paid quarterly of $30.00 per customer – or $120,000 per year. For arguments sake let us say we have 315 customers – this will build our capital fund at a rate of $37,800 per year.

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Of interest, this year is the introduction of a Village Sewer Fund. As you know, our sewer (and water) infrastructure are our Achilles heel - aging and decaying at an alarming rate. To pay for repairing, maintaining, and approving the system, this and prior boards rely on increasing property taxes and loans/bonds, an unsustainable strategy over the long-term considering the problem's magnitude. The NYS Comptroller encourages Villages like in our predicament to form sewer funds for the equitable billing of services and the means to raise funds for future infrastructure maintenance and repairs.  
  
The best example of how our new sewer fund will operate is our water fund.  
  
Sewer rents typically based on a water use percentage will come quarterly with the water charges. If you own a vacant property in the Village but do not use village sewer services, you will stop paying for the sewer. If you own a home and have a septic system, you will stop paying for sewer. If you use the most potable Village water, you will pay more than a resident with one bathroom. Currently, we all share the cost of running the sewer fund equally, according to our tax rate, because sewer expenses flow to your property taxes.  
Because the Board lacks experience setting rates, I put $20,000 in this year's budget to hire a professional consultant specializing in developing sewer rates for municipalities. The public will also be able to provide their input during the public hearing process next week. The establishment of a sewer fund is subject to Board approval, and I believe we have broad support.  
  
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Together with Deputy Mayor Shaw, the Village attorney and accountant, Building Inspector John Ledwith, Elizabeth Doherty and DPW Superintendent Voss, the Mayor has been examining the idea of changing the sewer billing system.  Currently, sewer costs are evenly spread amongst residents and are built into property tax payments.  What is being considered is a unit-based system, whereby the billing would be independent.  Not only would this be more equitable but instituting charges for the sewer would also allow the Village to build up reserves, which could in turn be used to offset pending infrastructure costs, particularly within the antiquated sewer system.  Residents are encouraged to reach out to the Mayor and/or the Trustees with any feedback they might have on this idea.

**Re: VILLAGE OF TUXEDO PARK**

Andrew J. Arias <aarias@cooperarias.com>

Mon 3/15/2021 10:36 AM

To:

Tinka Shaw <tshaw@tuxedopark-ny.gov>;

David McFadden <dmcfadden@tuxedopark-ny.gov>

Cc:

Margaret A. Quimby <mquimby@cooperarias.com>;

bnugent@fnmlawfirm.com <bnugent@fnmlawfirm.com>;

Shannon Daly <ShannonD@fnmlawfirm.com>

Tinka,

As for the creation of a separate Sewer Fund, I don't have a preference either way. It is ultimately a Board decision, and they need to decide how they will set the rates/fees and what it will be based on (Water usage, number of bathrooms, etc.) Additionally, I don't know if this just needs Board approval or if there are any State approvals needed so check with your attorney. As the external auditor we must be independent so we can't get involved in any management decisions, but we can certainly assist in budget calculations and setting up the account codes in the software. Additional work related to this project would be billed at our normal hourly rates.

Andrew