



# Village of Ossining

16 Croton Avenue  
Ossining, NY 10562

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Tel. (914) 941-3554  
Fax (914) 941-5940  
[www.villageofossining.org](http://www.villageofossining.org)

Karen D'Attore  
Village Manager

## MEMO

**To: Town Supervisor, Dana Levenberg**

**From: Village Manager, Karen D'Attore**

**Date: December 5, 2020**

**RE: Water Rate Projections for Village & Town of Ossining**

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As we continue work with the various taxing entities to seek exemption for the (8) water system parcels located in the Unincorporated Town, we have been working on a parallel, but distinct, path to consider what a new Intermunicipal Agreement (IMA) for water provision with the Town may look like.

Over the past several years, both the Village and Town have acknowledged that the agreement needs significant revision to reflect current realities, but due to the evolving conversation about various other facets of the relationship, the agreement has been rolled over with the same terms and conditions on multiple occasions.

In an attempt to lend some rigor to the process and ensure that water rate payers are treated fairly and equitably, I asked Tom Warren to work with Treasurer Brennan to revise the existing rate schedules for both the Village (100%) and Town (150%) and give a five year projection of the impact under various scenarios. This memo provides a concise recommendation for a path forward, representative of the distillation of a detailed fiscal analysis, wherein **the rate paid by Town decreases over an 8-year period from 1.5x to 1.1x the Village rate, while the Village rate continues to rise at 5% per year.**

We feel this solution achieves the three stated goals of:

- reestablishing rates paid by Unincorporated Town (TOS) residents fairly;
- shielding Village (VOO) ratepayers from abrupt and severe financial impact; and
- ensuring that costs borne by the Village, based on ownership and operation of the facilities and the liability of carrying Water Fund debt, are covered.

We considered a variety of scenarios, all of which involved some combination of the following:

- a reduction of the 150% rate paid by TOS residents
- the use of Water Fund balance to lessen the impact of the decreased revenue from TOS ratepayers on VOO ratepayers
- an annual rate increase of between 5% and 10%

**Across all scenarios, full tax exemption of Indian Brook Water Treatment Plant, water tanks, and all properties in service to water filtration and distribution (eight in total) is necessary.**

Options considered include:

1. TOS rate at 150% of VOO rate, no increase in 2021, 5% rate increase each year thereafter
  - a. This is the baseline condition.
2. One water rate for all users, no rate increase in 2021, 5% rate increase each year thereafter.
3. One water rate for all users, 5% rate increase each year (including 2021) increase each year thereafter
  - a. Options 2 and 3 require the use of \$6.73M and \$3.97M, respectively, of Water Fund Balance over this five-year period to achieve, which is clearly not sustainable for the Water Fund.
4. One water rate for all users, 5% rate increase in 2021, 10% rate increase in 2022, 10% rate increase in 2023, 5% rate increase each year thereafter
  - a. Option 4 requires rate increases of two years' worth of 10% rate increases, which would dramatically increase the burden on VOO ratepayers in order to achieve rate parity, which is in direct conflict with one of the stated goals of this initiative.
5. Gradually reduce TOS rate from 150% to 110% over 4 years, no rate increase in 2021, 5% rate increase each year thereafter.
6. Gradually reduce TOS rate from 150% to 110% over 4 years, 5% rate increase each year
  - a. Options 5 and 6 decrease the rate paid by TOS customers over a short time period, but are both undesirable for different reasons. Option 5 requires the use of \$3.59M of Water Fund Balance over the five year projection with no end in sight, which is not sustainable. Option 6 requires a total of just \$670K over the five years, but still doesn't produce a balance budget by the end of the projection period. Further, TOS customers will see their rate decrease each year while VOO ratepayers will see a 5% annual increase, which again is not aligned with our stated goals.
7. Gradually reduce TOS rate from 150% to 110% over 8 years, 5% rate increase each year
  - a. **Option 7, the scenario which we are suggesting the Board bring to the Town Administration for consideration in the updated IMA, decreases the TOS rate slowly over 8 years while holding the 5% annual rate increase steady for all water customers. This slower attempt actually generates a budget surplus of \$517K over the projected period, and results in a nearly balanced budget by 2025.**
8. Gradually reduce TOS rate from 150% to 110% over 8 years, no rate increase in 2021, 5% rate
  - a. Option 8 was effectively used as a contrast to Option 7- the only difference is that in Option 7, there is a 5% increase to rates in 2021 and in Option 8, there is no increase in 2021. This is merely illustrative of the compounding impact that one missed revenue opportunity can have on the budget—in this case, it would require \$2.45M of Water Fund Balance to achieve the same result as Option 7, and the budget is still more than \$650K in the red by 2025.

With regard to tax exemption of the Village's 8 water system parcels, we have presented and discussed this topic publicly with the Library and School Boards. Some members of the school board, who participated in discussions on this topic in 2016, expressed concern that the benefits of tax exemption for low-moderate income Village rate payers will be nullified by the significantly higher water rates that would be imposed on them if tax exemption was tied to immediate rate equalization between the Village and Town.

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After months of thorough analysis and consideration of the our community's shared goal of ensuring a sustainable and affordable water supply to our residents, we feel that Option 7 provides the scenario that best meets this goal.

In closing, it is our strong recommendation that the Village of Ossining and the Town of Ossining revise their Intermunicipal Agreement for the Provision of Water based on the conditions described in Option 7, with the recognition that this requires full tax exemption of all 8 water system parcels.

As always, we are available to answer any questions on the above.

Cc: Village Board of Trustees, Village of Ossining Treasurer, Dale Brennan, Maddi Zachacz, Assistant Village Manager, Village of Ossining Corporation Counsel Stuart Kahan; Town of Ossining Budget Director, Victoria Cafarelli