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The Authorities Budget Office Issues Report on the Water Authority of Great Neck North

The Authorities Budget Office released its report on the operating practices of the Water Authority of Great Neck North (WAGNN), a public authority charged with providing potable water to the residents of Great Neck, Nassau County.

The review found that WAGNN has implemented various conservation measures. However, it does not enforce its rules and regulations to restrict outdoor water use and has not adopted a rate structure that encourages water conservation. WAGNN could promote conservation by lowering the base rate for all customers while imposing a supplemental usage rate on high volume users. This would reduce the average water bill for the majority of WAGNN customers by \$117 annually while still generating sufficient revenues to meet its operating needs and other obligations.

The review found that based on its current rate structure, WAGNN annually produces a surplus with no direction from the board as to how such reserves should be managed. Since 2009, WAGNN has increased its unrestricted reserve funds by \$5 million. As of March 2014, WAGNN had a \$10 million reserve fund, which is more than sufficient to fund current and future capital needs projected to cost \$4.6 million. Under its current rate structure these reserve funds will grow. The report recommends that, rather than continue to increase unrestricted reserves for which there is no intended purpose or plan, the board should reconsider the size of its reserve funds. Excess reserve funds and anticipated operating surpluses could be used to reduce the rates charged to WAGNN customers.

The ABO's review also found that WAGNN routinely budgets funds for capital projects that exceed actual capital costs. For example, WAGNN issued \$19 million in bonds for capital improvements in 2008. Only \$13.7 million of bond funds have been expended, however, since WAGNN used \$3 million of other funds to fund bond related projects. WAGNN has over \$5 million in bond funds remaining with no plans for their use.

The ABO's report identified over \$160,000 in potential annual cost savings and made recommendations to the board to eliminate redundant management positions.

A copy of the full report is available at www.abo.ny.gov.