



# ERIE COUNTY WATER AUTHORITY

## INTEROFFICE MEMORANDUM

August 12, 2018

To: Commissioners Schad, Carney and Jones

From: Karen A. Prendergast, Comptroller *KAP*  
 Steven V. D'Amico, Business Office Manager *SVD*

Subject: Monthly Financial Report – August 2018

NOTE: Operating Revenues and Operating Expense variances in this report are for only those categories of revenue and expense which are in excess of 1% of the total Operating Revenues and total Operating Expenses contained in the 2018 adopted Budget.

### 1.) Operating Revenue: For the Month of August, 2018:

Total actual operating revenue, \$6,811,000, was less than the budget of \$6,910,000, by \$99,000, or, 1.4%.

Category	Actual	Budget	Better than Budget (Worse than Budget)
Residential	\$3,415,000	\$3,529,000	\$(114,000)
Commercial	765,000	774,000	(9,000)
Industrial	167,000	182,000	(15,000)
Public Authorities	247,000	245,000	2,000
Public Fire Protection	312,000	314,000	(2,000)
Sales to Other Utilities	404,000	384,000	20,000
Infrastructure Inv Charge	1,314,000	1,320,000	(6,000)
Other Water Revenues	187,000	162,000	25,000

### Operating Revenue: Year-to-date at August 31, 2018:

Total actual year-to-date operating revenue, \$50,376,000, was less than the budget of \$50,543,000, by \$167,000, or, 0.3%.

Category	Actual	Budget	Better than Budget (Worse than Budget)
Residential	\$25,061,000	\$25,553,000	\$(492,000)
Commercial	5,275,000	5,196,000	79,000
Industrial	1,405,000	1,297,000	108,000
Public Authorities	1,608,000	1,663,000	(55,000)
Public Fire Protection	2,479,000	2,511,000	(32,000)
Sales To Other Utilities	2,928,000	2,727,000	201,000
Infrastructure Inv Charge	10,301,000	10,346,000	(45,000)
Other Water Revenues	1,319,000	1,250,000	69,000

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**2.) Investment Income: For the Month of August, 2018:**

Total actual investment income, \$99,000, was greater than the budget of \$32,000, by \$67,000 or, 209.4%.

**Investment Income: Year-to-date at August 31, 2018:**

Total actual year-to-date investment income, \$491,000, was greater than the budget of \$260,000, by \$231,000, or, 88.8%.

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**3.) Operating Expense: For the Month of August, 2018:**

Total actual operating expense, \$3,685,000, came in under the budget of \$4,535,000, by \$850,000, or, 18.7%.

<u>Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Better than Budget (Worse than Budget)</u>
Salaries, Wages, and Fringes	\$2,120,000	\$2,410,000	\$290,000
Overtime*	174,000	186,000	12,000
Chemicals Purchased	84,000	93,000	9,000
Power Purchased	297,000	440,000	143,000
Materials and Supplies	151,000	229,000	78,000
Transportation	96,000	99,000	3,000
Other Public Utilities	52,000	65,000	13,000
Insurance and Damages	(24,000)	236,000	260,000
Special Services	10,000	24,000	14,000
Payments to Contractors	1,010,000	968,000	(42,000)
Equip. Maint. Contracts	25,000	33,000	8,000
Administrative Credits	(217,000)	(256,000)	(39,000)

\* Dollars in Overtime are included in Salaries, Wages & Fringes

**Operating Expense: Year-to-date at August 31, 2018:**

Total actual year-to-date operating expense, \$29,545,000, came in under the budget of \$33,660,000, by \$4,115,000, or, 12.2%.

<u>Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Better than Budget (Worse than Budget)</u>
Salaries, Wages, and Fringes	\$16,644,000	\$18,155,000	\$1,511,000
Overtime*	1,368,000	1,329,000	(39,000)
Chemicals Purchased	482,000	693,000	211,000
Power Purchased	2,577,000	2,872,000	295,000
Materials and Supplies	1,078,000	1,324,000	246,000
Transportation	766,000	792,000	26,000
Other Public Utilities	447,000	502,000	55,000
Insurance and Damages	1,983,000	1,887,000	(96,000)
Special Services	150,000	244,000	94,000
Payments to Contractors	5,168,000	6,702,000	1,534,000
Equip. Maint. Contracts	328,000	417,000	89,000
Administrative Credits	(1,083,000)	(1,427,000)	(344,000)

\* Dollars in Overtime are included in Salaries, Wages & Fringes

**4.) Net Income:\*\***

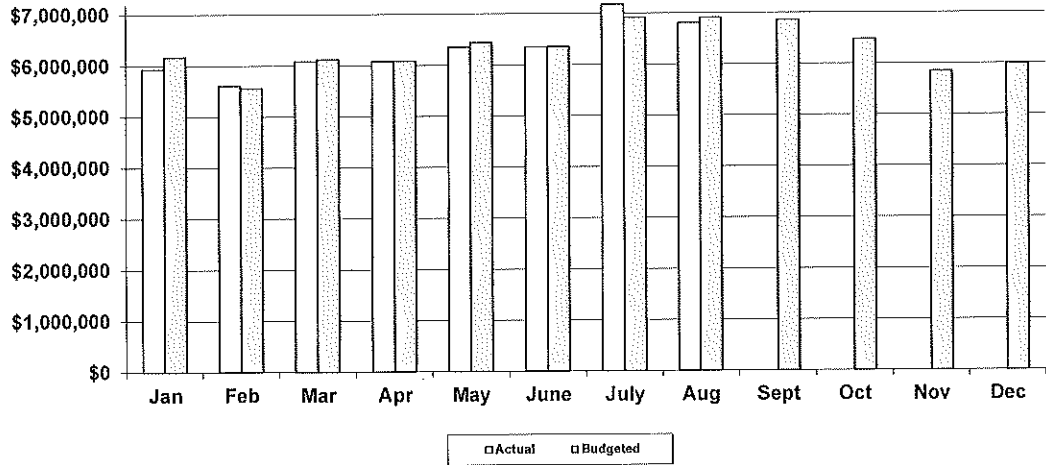
	<u>2018</u>	<u>2017</u>
Month of August:	\$1,870,000	\$905,000
Year-to-date at August 31:	\$10,770,000	\$9,417,000

Attached are charts showing actual revenues and expenses for the first eight months of this year, budgeted expectations for the remainder of the year, as well as a “number-based” financial statement analysis through August 31, 2018.

\*\* Income is shown on a GAAP basis, which takes OPEB expense and other non-cash items into account.

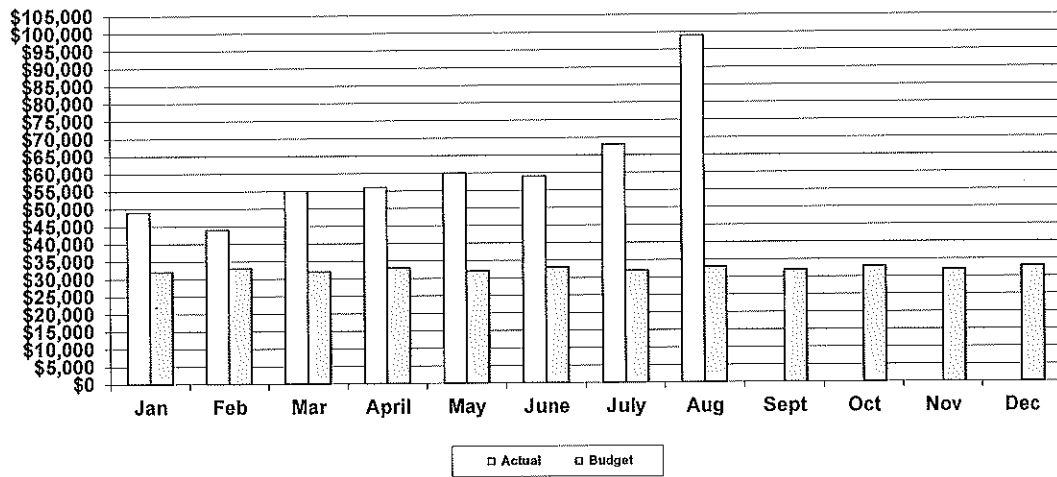
cc: R. Lichtenthal

**2018 Operating Revenue  
Actual to Budget**



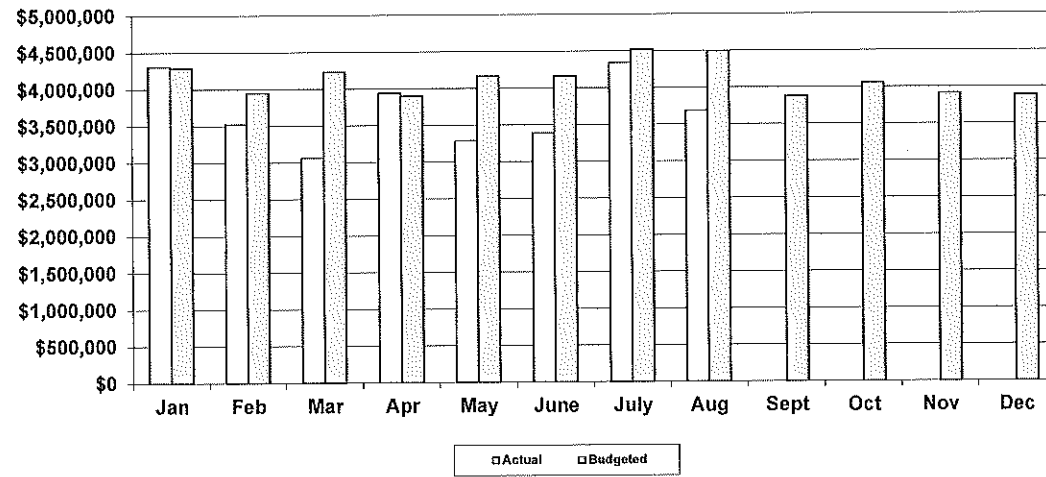
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Actual	\$5,929,000	\$5,606,000	\$6,077,000	\$6,079,000	\$6,350,000	\$6,345,000	\$7,178,000	\$6,811,000	\$0	\$0	\$0	\$0
Budgeted	\$6,168,000	\$5,556,000	\$6,118,000	\$6,083,000	\$6,436,000	\$6,355,000	\$8,916,000	\$6,910,000	\$6,859,000	\$6,475,000	\$5,846,000	\$5,996,000

**2018 Investment Income  
Actual to Budget**



	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Actual	\$49,000	\$44,000	\$55,000	\$56,000	\$60,000	\$59,000	\$68,000	\$99,000	\$0	\$0	\$0	\$0
Budget	\$32,000	\$33,000	\$32,000	\$33,000	\$32,000	\$33,000	\$32,000	\$33,000	\$32,000	\$33,000	\$32,000	\$33,000

**2018 Operating Expense  
Actual to Budget**



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Actual	\$4,307,000	\$3,526,000	\$3,085,000	\$3,942,000	\$3,291,000	\$3,398,000	\$4,342,000	\$3,685,000	\$0	\$0	\$0	\$0
Budgeted	\$4,290,000	\$3,980,000	\$4,232,000	\$3,900,000	\$4,165,000	\$4,163,000	\$4,522,000	\$4,492,000	\$3,878,000	\$4,060,000	\$3,912,000	\$3,889,000

**Financial Statement Analysis  
through month ending August 31, 2018**

<u>Cash Charges:</u>	<u>Actual Amount</u>	<u>Budget Amount</u>	<u>Variance from Budget</u>	<u>Variance as % of Budget</u>
Operating Revenue	50,376,000	50,543,000	(167,000)	-0.3%
Operating Expense:	29,545,000	33,660,000	4,115,000	12.2%
<b>Net Operating Income</b>	<b>20,831,000</b>	<b>16,883,000</b>	<b>3,948,000</b>	<b>23.4%</b>
Other Income: Interest on Investments	491,000	260,000	231,000	88.8%
Misc Non-Operating Revenue	576,000	330,000	246,000	74.5%
Income Deductions - Interest During Const.	152,000	-	152,000	0.0%
<b>Net Income Before Debt Service and Non-Cash Charges</b>	<b>22,050,000</b>	<b>17,473,000</b>	<b>4,577,000</b>	<b>26.2%</b>
Debt Service: Bond Interest Payments	1,217,000	1,102,000	(115,000)	
Bond Principal Payments	6,257,000	6,257,000	-	
<b>Net Funds Available for Capital Budget</b>	<b>14,576,000</b>	<b>10,114,000</b>	<b>4,462,000</b>	<b>44.1%</b>
<b>Non-Cash Charges (GAAP Basis):</b>				
Less: Depreciation	8,708,000	8,638,000	(70,000)	-0.8%
Amortization	(304,000)	(373,000)	(69,000)	18.5%
Other Interest Charges	-	-	-	0.0%
OPEB Expense	1,659,000	3,565,000	1,906,000	53.5%
<b>Total Non-Cash Charges</b>	<b>10,063,000</b>	<b>11,830,000</b>	<b>1,767,000</b>	<b>14.9%</b>
Add: Bond Principal Payments	6,257,000	6,257,000	-	0.0%
<b>Net GAAP Income</b>	<b>10,770,000</b>	<b>4,541,000</b>	<b>6,229,000</b>	<b>137.2%</b>

See Note 1 \*  
See Note 2 \*\*

<b>Debt Service Coverage Ratio (Cash Basis)</b>	<b>2.85</b>	<b>2.33</b>	See Note 3 ***
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Cash Items are in Green  
Non-Cash Items are in Yellow

\* **NOTE 1:** Bond Interest Payments reflect adjustment for EFC Loan Subsidy

\*\* **NOTE 2:** Funds Available for Capital Budget do not include other resources for the Capital Budget

<u>Per 2018 Adopted Capital Budget</u>	<u>Total Budgeted for Year</u>
Funds Available from 2018 O&M Budget	\$ 16,559,397
Other Resources: Cash Restricted for Future Construction	\$ 20,427,891
	<b>\$ 36,987,288</b> Total Capital Budgeted for 2018

\*\*\* **NOTE 3:** Debt Service Coverage Ratio = (Net Operating Income + Interest on Investments)/(Bond Interest + Bond Principal)