

ERIE COUNTY WATER AUTHORITY
INTEROFFICE MEMORANDUM

October 24, 2018



To: Commissioners Schad, Carney and Jones

From: Robert J. Lichtenthal, Jr., Deputy Director

Subject: Attached 2019 Budget Documents

A handwritten signature in blue ink, appearing to be "R. Lichtenthal", is written over the "From:" line.

Included with this memo is the Authority's 2019 Annual Budget for your consideration.

The final preparation of the Annual Budget includes the changes to the Capital Budget (additions) and the impact those changes had on the Operation & Maintenance Budget (Administrative Credits) as discussed during the Budget Hearings on October 16 and 18, 2019.

The adoption process consists of three separate resolutions which are supported by four separate documents. The first resolution will address the adoption of the Operation & Maintenance Budget. The second resolution will address the adoption of the Capital Budget. The third resolution authorizes the staff to file the Public Authority Reporting Information System (PARIS) Budget and Financial Plan. This report is supported by the Authority's Five Year Rate Projection Model. This Budget and Financial Plan, along with the posting of the adopted Operation & Maintenance and Capital Budget at the Authority's website, is due by November 1, 2018.

If you have any questions please contact me.

Erie County Water Authority

Rate Projections

- Meet Minimum Debt Coverage Ratio of 1.35
- Avoid Loss on GAAP Basis
- Maintain 20% of Gross Revenues

(Based on 2019 Annual Budget Numbers and Assumptions)

****As of 10/23/2018****

Year	2019	2020	2021	2022	2023
	\$3.23				
Enter Rate Percentage Change	2.0%	2.0000	2.0000	2.0000	2.0000
Amount Increased per 1,000 Gallons - Small Customers	\$0.065	\$0.066	\$0.067	\$0.069	\$0.070
New Rate per 1,000 Gallons	\$3.29	\$3.36	\$3.43	\$3.50	\$3.57
Tested Large Customer Rate	\$2.89				
Enter Rate Percentage Change	2.0%	2.0000	2.0000	2.0000	2.0000
Amount Increased per 1,000 Gallons - Large Customers	\$0.058	\$0.059	\$0.060	\$0.061	\$0.063
New Rate per 1,000 Gallons	\$2.95	\$3.01	\$3.07	\$3.13	\$3.19
Tested Bulk Customer Rate	\$2.53				
Enter Rate Percentage Change	2.0%	2.0000	2.0000	2.0000	2.0000
Amount Increased per 1,000 Gallons - Bulk Customers	\$0.051	\$0.052	\$0.053	\$0.054	\$0.055
New Rate per 1,000 Gallons	\$2.58	\$2.63	\$2.68	\$2.74	\$2.79
Enter Dollar Amount Increase in Infrastructure Charge					

CASH BASIS		2019	2020	2021	2022	2023
Operating Revenue:						
Metered Revenue:						
	Small Customers (5/8", 3/4" & 1" meters)	34,766,561	35,461,893	36,171,130	36,894,553	37,632,444
	Large Customers (> 1" meter)	16,300,656	16,626,669	16,959,202	17,298,386	17,644,354
	Sales to Other Utilities (Bulk)	<u>4,074,049</u>	<u>4,155,530</u>	<u>4,238,641</u>	<u>4,323,414</u>	<u>4,409,882</u>
	Total Metered Revenue	55,141,266	56,244,092	57,368,973	58,516,353	59,686,680
Fire Protection:						
	Private Fire Prot	624,000	624,000	624,000	624,000	624,000
	Public Fire Prot (Direct Service)	2,249,278	2,249,278	2,249,278	2,249,278	2,249,278
	Public Fire Prot (Lease-Managed)	<u>1,562,494</u>	<u>1,562,494</u>	<u>1,562,494</u>	<u>1,562,494</u>	<u>1,562,494</u>
	Total Fire Protection:	4,435,772	4,435,772	4,435,772	4,435,772	4,435,772
	Other Water Revenue	1,302,878	1,302,878	1,302,878	1,302,878	1,302,878
	Infrastructure Investment Charge					
	Small	13,095,232	13,095,232	13,095,232	13,095,232	13,095,232
	Large	<u>3,687,825</u>	<u>3,687,825</u>	<u>3,687,825</u>	<u>3,687,825</u>	<u>3,687,825</u>
		16,783,057	16,783,057	16,783,057	16,783,057	16,783,057
	Total Operating Revenue	77,662,973	78,765,798	79,890,680	81,038,060	82,208,387
	Add: Interest and Misc Income	1,576,088	936,605	941,191	956,122	963,392
	Total Income	79,239,061	79,702,404	80,831,872	81,994,181	83,171,779

LESS: Operating & Maintenance Expenses:						
	Payroll	19,195,372	19,771,233	20,364,370	20,975,301	21,604,560
	Power Purchased	3,909,000	4,026,270	4,147,058	4,271,470	4,399,614
	Chemicals	1,204,842	1,240,987	1,278,217	1,316,563	1,356,060
	Employee Benefits	9,337,750	9,527,172	9,815,929	10,117,106	10,431,263
	Insurance(Other than Workers Comp and Automobile)	732,268	768,881	807,325	847,692	890,076
	Other Expenses	<u>19,407,054</u>	<u>19,795,195</u>	<u>20,191,099</u>	<u>20,594,921</u>	<u>21,006,819</u>
	Total O&M Expense	53,786,286	55,129,739	56,603,998	58,123,053	59,688,394
	Deduct: Administrative Credits	<u>-3,173,174</u>	<u>-2,944,771</u>	<u>-3,092,009</u>	<u>-3,246,610</u>	<u>-3,408,940</u>
	Net O&M Expense	50,613,112	52,184,968	53,511,989	54,876,443	56,279,454

Total Available for Debt Service	28,625,949	27,517,436	27,319,883	27,117,738	26,892,326
Less: Debt Service Payments (Reflects EFC Subsidy)	<u>6,360,759</u>	<u>6,042,723</u>	<u>6,614,531</u>	<u>6,982,112</u>	<u>5,688,112</u>
Available for Capital Budget	<u>22,265,190</u>	<u>21,474,713</u>	<u>20,705,352</u>	<u>20,135,626</u>	<u>21,204,214</u>

105,785,094

GAAP Adjustments						
	Add: Adjustment for Bond Principal	3,934,167	3,365,142	3,674,866	4,177,808	3,045,308
	Less: Adjustment for Depreciation	-13,271,077	-13,571,077	-13,871,077	-14,171,077	-14,471,077
	Adjustment for OPEB Cost	-3,737,849	-3,999,498	-4,279,463	-4,579,026	-4,899,558
	Adjustment for NYS Pension Liability	-311,768	-1,284,781	-1,349,020	-1,416,471	-1,487,295
	Adjustment for Amortization	<u>391,115</u>	<u>391,115</u>	<u>391,115</u>	<u>391,115</u>	<u>391,115</u>
	Total GAAP Adjustments	<u>-12,995,412</u>	<u>-15,099,099</u>	<u>-15,433,579</u>	<u>-15,597,651</u>	<u>-17,421,506</u>
	Projected Net Income(Loss) on GAAP basis	9,269,779	6,375,613	5,271,772	4,537,976	3,782,708

Calculation of Debt Coverage Ratio:						
	Debt Service to Be Paid out in Year	6,360,759	6,042,723	6,614,531	6,982,112	5,688,112
	Debt Coverage Ratio	4.50	4.55	4.13	3.88	4.73

Capital Resource Summary

Funds Available for Capital Budget:						
	O& M Available	\$22,265,190	\$21,474,713	\$20,705,352	\$20,135,626	\$21,204,214
	All Other Cash (Unrestricted/Restricted for Capital)	\$70,167,540	\$52,281,565	\$61,598,700	\$48,525,799	\$33,181,463
	Return of Debt Service Reserve/Interest from Williamsville	\$1,370,188	\$190,922	\$190,922	\$190,922	\$1,053,802
	Proceeds from Sale of Vehicles	65,000	65,000	65,000	65,000	65,000
	Total Available for Capital	<u>\$93,867,918</u>	<u>\$74,012,200</u>	<u>\$82,559,974</u>	<u>\$68,917,347</u>	<u>\$55,504,479</u>
	Less: Capital Projects Requested in Budget	<u>\$41,586,353</u>	<u>\$32,413,500</u>	<u>\$34,034,175</u>	<u>\$35,735,884</u>	<u>\$37,522,678</u>
	Balance of Funds Remaining	<u>\$52,281,565</u>	<u>\$41,598,700</u>	<u>\$48,525,799</u>	<u>\$33,181,463</u>	<u>\$17,981,801</u>
	Proposed Newly Issued Bond Proceeds/Funds	\$0	\$20,000,000	\$0	\$0	\$0
	Total Balance of All Funds	<u>\$52,281,565</u>	<u>\$61,598,700</u>	<u>\$48,525,799</u>	<u>\$33,181,463</u>	<u>\$17,981,801</u>

Maintaining 20% of Gross Revenues:	<u>\$15,847,812</u>	<u>\$15,940,481</u>	<u>\$16,166,374</u>	<u>\$16,398,836</u>	<u>\$16,634,356</u>
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Differ of: \$36,433,753 \$45,658,219 \$32,359,424 \$16,782,627 \$1,347,445 8.10%

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Adopted Budget Submittal to PARIS

(Based on Annual Budget as of 11/1/2018 and 5 Year Plan)

PARIS Field Definitions

Fields in PARIS for Budget Entry	Last Year (Actual)	Current Year Estimated	Next Year (Annual)	2020	2021	2022
	2017	2018*	2019			
Revenue & Financial Sources						
Operating Revenue						
Charges for Services	\$72,740,365	\$75,328,071	\$77,662,973	\$78,765,798	\$79,890,680	\$81,038,060
Rental & Financing Income	\$505,662	\$517,732	\$536,088	\$546,605	\$551,191	\$566,122
Other Operating Revenues	\$2,548,491	\$74,723	\$19,321,163		\$13,328,824	\$15,600,258
Nonoperating Revenues						
Investment Earnings	\$524,424	\$912,385	\$1,040,000	\$390,000	\$390,000	\$390,000
State subsidies/grants	\$0	\$0	\$0	\$0	\$0	\$0
Federal Subsidies/grants	\$0	\$0	\$0	\$0	\$0	\$0
Municipal subsidies/grants	\$0	\$0	\$0	\$0	\$0	\$0
Public authority subsidies	\$0	\$0	\$0	\$0	\$0	\$0
Other nonoperating revenues	\$151,474	\$180,562	\$0	\$0	\$0	\$0
Proceeds from Issuance of Debt	\$0	\$24,900,000	\$0	\$20,000,000	\$0	\$0
Total Revenues & Financing Sources	\$76,470,416	\$101,913,473	\$98,560,224	\$99,702,403	\$94,160,695	\$97,594,440
Expenditures						
Operating Expenditures						
Salaries and wages	\$15,873,625	\$16,615,033	19,195,372	19,771,233	20,364,370	20,975,301
Other employment benefits	\$8,647,357	\$8,795,765	9,337,750	9,527,172	9,815,929	10,117,106
Professional services contracts	\$359,178	\$239,543	\$362,136	\$369,379	\$376,766	\$384,302
Supplies and materials	\$6,106,793	\$3,836,794	\$5,268,733	\$5,374,108	\$5,481,590	\$5,591,222
Other operating expenditures	\$10,702,404	\$15,308,010	\$16,449,121	\$17,143,077	\$17,473,334	\$17,808,513
Nonoperating Expenditures						
Payment of principal on bonds and financing arrangements	\$8,590,000	\$8,939,583	\$3,934,167	\$3,365,142	\$3,674,866	\$4,177,808
Interest and other financing charges	\$1,992,911	\$1,651,674	2,426,592	2,677,581	2,939,665	2,804,304
Subsidies to other public authorities	\$0	\$0	\$0	\$0	\$0	\$0
Capital asset outlay	\$25,826,517	\$29,427,978	41,586,353	32,413,500	34,034,175	35,735,884
Grants and donations	\$0	\$0	\$0	\$0	\$0	\$0
Other nonoperating expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$78,098,785	\$84,814,380	\$98,560,224	\$90,641,191	\$94,160,695	\$97,594,439
Capital Contributions	\$1,628,369	\$818,699	\$0	\$0	\$0	\$0
Excess (deficiency) of revenues and capital contributions over expenditures	\$0	\$17,917,792	\$0	\$9,061,212	\$0	\$0