

SUFFOLK COUNTY WATER AUTHORITY
Oakdale, Long Island, New York

INTEROFFICE CORRESPONDENCE

DATE: August 26, 2021
TO: Jeffrey W. Szabo, Chief Executive Officer
FROM : Elizabeth K. Vassallo, Chief Financial Officer
SUBJECT: **YEAR END REVIEW – MAY 31, 2021**



The outbreak of the novel coronavirus (“COVID-19”) has affected travel, commerce, and financial markets globally, and is widely expected to affect national, state and local economies. As of May 31, 2021, the Authority’s financial condition was not materially adversely impacted by COVID-19.

Throughout the entirety of the COVID-19 pandemic, the Authority operated without interruption and fulfilled its mission of delivering the highest quality drinking water to its customers.

The Authority continues to implement new measures to ensure the safety of its employees and the public, in accordance with all mandates and law.

The Authority spent \$2 million on this effort of safety. Operating payroll totaled \$1.0 million on precautionary and positive excused time, Families First Coronavirus Response Act, and overtime for renovations. Costs associated with office modifications including plexiglass, information technology supplies for temporary work from home equipment, cleaning services and supplies, and the leasing of trailers for social distancing requirements totaled \$1 million.

Financial Results: Revenues

Budgeted revenues for fiscal 2021 are \$243.8 million. As of May 31, 2021, revenues are \$260.0 million. This amount consists of the following:

Revenues (in thousands)	2021 (Budget)	2021 (actual)	2020 (actual)
Water Revenues	\$ 177,932	\$ 198,067	\$ 175,900
Water Quality & Treatment	\$ 30,900	\$ 26,657	\$ 12,452
Other Revenues	25,381	22,961	20,653
Capital Reimbursements	8,580	11,015	25,833
Investment Income	1,000	1,347	8,700
Total	\$ 243,793	\$ 260,047	\$ 243,538

Water service revenues increased \$36.4 million in 2021 over 2020. The Board approved rate increase of 4% effective April 1, 2020 generated an additional \$7.5 million. An increase in pumping of 9% generated an additional \$15.0 million in consumption revenues. Other operating revenues increased by \$2.3 million a result of rate increases and an execution of a new agreement with a managed district. The Water Quality & Treatment Charge increased by \$13.9 million, the result of the fee being in effect for the full year.

Financial Results: Expenses

Operating & Maintenance Expense Budget for May 31, 2021 were \$139.1 million. As of May 31, 2021, expenses were \$135,618 million.

O&M Expenses (in thousands)	2021 Budget	2021 (actual)	2020 (actual)
Power	\$ 23,100	\$ 25,887	\$ 20,456
Wages	41,890	41,936	41,256
Benefits	42,690	35,031	38,183
Operations	15,567	13,433	15,381
Maintenance	14,691	18,264	16,483
Transportation	1,208	1,067	1,079
Total	\$ 139,146	\$ 135,618	\$ 132,838

Compared to the prior year operating expenses increased \$2.8 million. This increase involves maintenance of wells and pumping, water mains, treatment expense, accounting and collecting. Power cost's increased \$5.4 million due to increased consumption and 9% increase in pumping during the hot summer of 2020.

Increases were offset by a \$3.7 million decrease of workers compensation claims paid and a reduction due to the required GASB 10 actuarial valuation of claims. The GASB 68 actuarial results for New York Retirement fund decreased expenses by \$8.7 million posted on August 24, 2021.

Financial Highlights: Summary

Highlights (in thousands)	2021 Budget	2021 (actual)	2020 (actual)
Water and Other Revenue	212,893	233,390	231,341
Water Quality & Treatment	\$ 30,900	\$ 26,657	\$ 12,452
Total Revenues	\$ 243,793	\$ 260,047	\$ 243,793
Operating & Maintenance Expense	139,146	135,618	132,838
Revenues Available for Debt Service	104,647	124,429	110,955
Debt Service	43,439	39,273	36,828
Debt Coverage			
All Debt	2.41	3.17	3.01
Excluding Water Quality Treatment	1.70	2.49	2.67
Construction	\$ 84,877	\$ 72,898	\$ 64,548
Emerging contaminants	30,900	9,900	
Total	\$ 115,777	\$ 82,798	\$ 64,548

The Authority submitted grant applications to the New York State Environmental Facilities Corporation's (EFC) 2019 Water Infrastructure Improvement Act (WIIA) Grant program to partially fund the installation of 12 Advanced Oxidation Process (AOP) Systems to remove 1,4-dioxane from groundwater at various pump stations. The Authority implemented the Water Quality & Treatment fee, and to date billed \$39.1 million. The bid was awarded to Xylem, Inc. and delivery of the first four reactors is currently projected to be in November 2021. As of May 31, 2021, the Authority paid \$9.9 million in construction expenditures.

The debt service ratio of 2.49 excludes the Water Quality & Treatment fee. The Water Quality and Treatment fee will pay for the emerging containment portion of capital and operations. Bonds are \$966.7 million and are composed of 15 Senior Lien bonds and 7 EFC Revenue Bonds with varying interest rates and maturity dates. The Authority will continue to review debt with Goldman Sachs, financial advisor.

EV/ms
cc: C. Cecchetto, S. Hannan

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