



# Budgets for the Fiscal Year Ending May 31, 2016

cc: Douglas Celiberti, Acting Chief Financial Officer  
: Elizabeth Vassallo, Accounting Department Manager

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**SUFFOLK COUNTY WATER AUTHORITY  
OAKDALE, NEW YORK**

INTEROFFICE CORRESPONDENCE

DATE: March 20, 2016

TO: Jeffrey W. Szabo, Chief Executive Officer

FROM: Douglas Celiberti, Acting Chief Financial Officer



SUBJECT: **BUDGETS – FISCAL YEAR ENDING MAY 31, 2016**

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I respectfully submit the Suffolk County Water Authority Budgets for the fiscal year ending May 31, 2016. In accordance with Public Authorities Law, these budgets must be approved by the Board and accessible to applicable agencies by March 31, 2015.

**OPERATIONS & MAINTENANCE BUDGET HIGHLIGHTS**

One of two budgets included is the Operating & Maintenance Revenue and Expense Budget. This reflects the Authority's activities as it relates to revenues and day-to-day operational and maintenance costs. The following summarizes the proposed budget for fiscal year ending May 31, 2016:

Operating & Other Revenue	\$170,097,000
Operating & Maintenance Expense	<u>108,788,000</u>
Revenues Available for Debt Service	\$ 61,309,000
Debt Service	34,896,000
Debt Coverage	1.76

**Revenues**

The Authority's tax-exempt status and its ability to issue tax-exempt debt rests with the sale of water within the boundaries of Suffolk County. The composition of Suffolk County Water Authority's Revenue Budget for fiscal year May 31, 2016 is as follows:

**1) Water Sales (\$138.4 million)**

This amount is conservatively based on the projected number of customers through May 2015, customer growth of .1% and an average annual usage of 160,000 gallons per customer. Guided by information and discussions with rate study consultants, using this level of consumption is conservative because it minimizes weather variances.

**2) Wholesale Water Sales (\$2.7 million)**

Suffolk County Water Authority previously eliminated the wholesale water rate. The municipalities who are “grandfathered” in are Smithtown and St. James Water Districts and the Village of Greenport. The recently approved rate increase includes an adjustment to the rate for these municipalities to \$1.320 per thousand gallons effective January 1, 2016.

**3) Hydrants and Firelines – (\$8.4 million)**

Suffolk County Water Authority has approximately 37,400 public hydrants and 2,200 private hydrants. Public hydrants are billed at a rate of \$160.20 per year, a rate which has not changed since 1994. Private hydrant rates are billed \$194.40 per year. Effective April 1, 2015 rates for private hydrants will increase to \$202.56 per hydrant per year.

**4) Miscellaneous Fees – (\$19.6 million)**

a. Water Related – (\$2.8 million) - These include customer late charges, reconnect fees, inter-municipal operating & maintenance agreements, rental agreements, etc.

b. Capital Reimbursements – (\$6.4 million) – Suffolk County Water Authority pays for the first 75 feet of main installed for each homeowner. Residential homeowners will pay the Authority for the costs in excess of 75 feet. Developers typically pay 100% of the cost. To help residents become SCWA customers, standard cost per foot and regional fixed fees have been established. Developer contracts in which the developer pays based on actual costs is budgeted at \$1.5 million.

c. Non-Water-Related Revenues – (\$10.4 million) – Consisting of existing antenna leases and renewed leases reflecting 3 - 3.5% annual increases. Conservatively, no new antenna leases are budgeted.

**5) Investment Earnings (\$1 million)**

Revenues remain conservative due to current market conditions.

**6) Deferred Revenue – OPEB – (\$9 million)**

In order to comply with GASB 45, the Authority is reflecting in the current budget deferred revenue for the unfunded portion of this cost in the amount of \$9 million. See Deferred Expenses – OPEB for additional information.

Major components of the submitted Operating and Maintenance budget for fiscal year May 31, 2016 are as follows:

**Expenses**

**1) Payroll – (\$34.6 million)**

As a service providing organization, payroll is the single biggest Authority cost. In fiscal year 2011, the Authority was able to reduce staff by participating in the New York

State Retirement Incentive program. Since then, the Authority constantly reviews each available position to ensure positions are filled only when deemed necessary. Through this ongoing process, the proposed budget includes seven (7) new positions in Production Control, Customer Service, Construction Maintenance, Information Technology and the Laboratory while eliminating ten (10) vacant positions in the Authority. Consequently, budgeted positions are at 582. Current base payroll is budgeted at \$41.9 million. Overtime is budgeted in the amount of \$1.38 million. In total, the Authority's payroll for fiscal year ending May 31, 2016 is estimated at \$43.3 million. In accordance with Generally Accepted Accounting Principles (GAAP), costs incurred in the course of purchasing or constructing a capital asset must be recorded as a portion of the capital asset. Therefore, costs incurred by SCWA, principally payroll and benefits, must be allocated. Based on updated information, 80% of payroll costs are attributable to operations & maintenance and 20% to capital. Consequently, \$34.6 million of payroll is reflected in the proposed operating and maintenance budget.

**2) Benefits – (\$21.6 million)**

As previously indicated, in accordance with GAAP and analysis of historical information, 80% of all benefit costs are reflected in the operation & maintenance budget and 20% in the capital budget. These costs include health, dental, optical, and social security. New York State Retirement System establishes the final contribution rates 17 months in advance. We have been advised that the rates for the period April 1, 2015 through March 31, 2016 will average approximately 18% of payroll or \$7.5 million, which represents a slight decrease of approximately \$ .6 million over the current year. Health insurance cost increased approximately 4.5% in January 2015 and is estimated to increase 5% in January 2016. Life, optical, and dental insurance is appropriated at approximately the same level.

**3) OPEB – (\$5 million actual; \$9 million deferred)**

In 2008, GASB Statement No. 45 was established, requiring state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits "OPEB". Employers are required to account for and report the annual cost in similar fashion as currently done for pensions. This annual amount pursuant to an actuarial review update done last year reflects an approximate cost of \$14 million. There is currently no requirement to fund this liability. In preparation of the fiscal year ending May 31, 2012 budget, it was recommended the Authority begin systematically funding a portion of the calculated OPEB figure, beginning with \$1 million and each year adding an additional \$1 million in funding. Consequently, I have included \$5 million in the proposed budget for this purpose. In order to comply with GASB 45, the Authority must reflect, on its financial records the total annual cost. Therefore, the Authority reflects an additional \$9 million as a deferred expense. In accordance with Financial Accounting Standards No. 71, the Authority reflects \$9 million as deferred revenue to counter the unfunded portion.

**4) Power – (\$20.5 million)**

This figure is based on all water pumped, including billed and unbilled (hydrants, fire-lines, main flushing, etc.), power used on buildings and structures. Components of

PSEG's rate structure include demand charges, fuel surcharges, and consumption rates. This budget conservatively has included a 2% increase.

**5) Administrative Operations & Maintenance – (\$11.9 million)**

Major functional components of the Authority's operations include customer billing and collecting (\$2.3 million), computer and telecommunication supplies and expenses (\$1.5 million), safety (\$.3 million), office and warehouse supplies (\$.2 million), consultants (\$1.7 million), risk management (\$4.2 million), personnel services and training (\$.3 million), facilities & general services (\$1.2 million) and other expenses (\$.2 million).

**6) System Operations & Maintenance – (\$7.1 million)**

Major functional components of the Authority's maintenance program include water mains (\$2.6 million), hydrants (\$.8 million), meters & services (\$ 1.1 million), wells & tanks (\$.5 million), pumping equipment (\$1.1 million), general maintenance of facilities (\$.5 million), and other (\$.5 million)

**7) Treatment – (\$6.5 million)**

This includes chemicals (\$2.5 million), carbon replacement (\$2.9 million), and other treatment systems, including perchlorate, nitrates, and iron (\$.6 million), laboratory expenses (\$.5 million).

**8) Fleet Services – (\$1.6 million)**

Fleet Services maintains approximately 325 vehicles and 168 in support equipment (trailers, cranes, backhoes, compressors, etc.). Whereas, the fleet and related equipment is used in connection with both the Operating & Maintenance and Capital Budgets, the costs are allocated to both budgets in accordance with Generally Accepted Accounting Principles (GAAP). Consequently, \$1.6 million, is reflected in this budget.

**Debt Service**

As required by SCWA's bond indenture, revenues available after the payment of its operating and maintenance expenses are to be applied to the payment of its debt service (principal and interest of its outstanding debt). The Authority's capital budget is funded from the issuance of bonds and net revenues remaining after the payment of its operating & maintenance expenses and debt service. The bonds issued are secured against the revenues generated. The Authority's Capital Program, the structure of its existing debt, the funding relationship of its capital expenditures between revenue and financing, and the importance placed by management to maintain strong debt coverage has allowed SCWA to be held in highest regard within the financial community as evidenced by its current rating on outstanding senior lien debt of AAA and AA+ from Fitch, Inc. and Standard and Poors Rating Services. Debt Service of \$34.896 million is budgeted for 2016.

## **CAPITAL BUDGET HIGHLIGHTS**

The Authority formulates the capital budget based on information provided by its Construction-Maintenance, Engineering, Production Control, Laboratory, Information Technology, General Services, Customer Service, and Administration Departments. The proposed 2016 capital budget of \$68.6 million begins to incorporate information technological, energy efficient initiatives, and increased emphasis on water main replacement.

The following components are part of the proposed capital budget.

### **Water Main Installations**

There are four components to the Authority's water main installation program: (1) the installation of new water mains to serve communities that were previously served by private wells (\$7 million), (2) the replacement of existing water mains (\$14 million), (3) installation of new water mains paid by developers (\$1.5 million), and (4) improvements to the distribution system to provide better service within existing service areas (\$4.5 million). With respect to the first component, fear of private well contamination, the security of having water that is constantly tested, and the safety offered by the presence of public fire hydrants drives the demand for public water. Projected customer growth is .1%.

Increases in main replacement based on its repair history and the age of the water main can result in a long-term decrease in the maintenance of the distribution system. Development has decreased in recent years and therefore this component remains at \$1.5 million. Whereas, this component is paid 100% by the developer and is reflected as revenue, should the need arise, a budget revision would be proposed and welcomed because the cost would be fully paid and there is expectation of additional water revenues from the homeowners within these developments.

### **Point of Service Distribution**

The proposed budget reflects additional hydrants at .01% as well as replacements of existing hydrants in an amount of \$1.5 million. To avoid disruption of roadways and reduce the costs of connecting future customers to new pipes installed underground, the Authority is providing easy connections to the water supply ("stub services") where existing homes do not immediately connect to the water supply system but are expected to in the future (\$5.5 million).

Meter replacement for automatic meter reading is done both internally and by an outside contractor. During the course of the year, the Authority responds to customers for repair or replacement of the meter. The Authority has determined that for efficiency, the meter will be changed out. Staff reallocation within Customer Service increases the number of meters being changed internally. This has resulted in the annual

replacement of approximately 18,000 meters by Authority personnel. The proposed budget includes \$3.9 million for this purpose.

The current budget reflects a continuation of the Authority's planned AMR implementation program. The current contractor agreement expires May 31, 2016. The budget calls for installation of approximately 27,000 meters and is reflected with a cost of \$5.9 million. This program was initiated based on the continued systematic reduction in meter reader positions and support staff.

### **Treatment Facilities**

From time-to-time the Authority must treat water to remove volatile organic chemicals, pesticides, herbicides and other contaminants through the utilization of filtration systems, such as granular activated carbon or ion exchange. Water is treated as contamination is detected. New contaminants may be added and/or the level of the standard requiring remediation may be changed in accordance with regulations of the EPA and the New York State Department of Health. The Authority also utilizes filtration systems to remove excess iron primarily for aesthetic reasons. The presence of iron in drinking water poses no known health hazard. The Authority has budgeted \$3.8 million dollars for this purpose.

### **Other Equipment**

The Fleet Services Department has examined the condition of its fleet and in conjunction with various departments assessed the manner in which the fleet is utilized. The Authority is replacing its aging fleet of vehicles at a budgeted amount of \$2.8 million. In addition, management has deemed it necessary to provide for a larger and more modern facility in which to maintain its fleet and related equipment. The estimated cost of this facility is \$1.5 million of which \$.5 million is included in the proposed budget.

To assist in the operation of the water system, SCWA needs to add or replace certain support equipment in the information technology, laboratory, communications, and clerical areas. This includes the upgrading of computer equipment, field and office equipment, and various site improvements. The proposed budget includes \$1.4 million for this purpose.

### **Technological Improvements**

After extensive discussions, the Information Technology Committee has recommended \$1.4 million to proceed with the following projects:

- a) Lab LIMS Upgrade (\$0.5 million)  
Upgrade the existing Laboratory Information Management System (LIMS) LabVantage to a new system called LabWare. This upgrade will provide enhanced functionality and address future needs of the laboratory.



b) Workforce Mgt Phase I & II (\$.5 million)

This amount represents funds necessary to retain the services of an independent third-party to assist us in the request for proposal, selection of a system, and implementation process to ensure satisfactory completion of the project within budget. .

c) Training/Emergency Centers upgrades (\$.1 million)

Establish strategic emergency centers to house personnel in emergency situations.

d) Security Improvements (\$.1 million)

Improve video surveillance equipment and coverage at various Authority properties.

e) Network Infrastructure Upgrades (WiFi) (\$.2 million)

Upgrade network equipment to provide WiFi in Authority facilities.

**Additional Facilities** – Storage, New Wells, Replacement Wells, Tanks

The Water System operates approximately 44 separate and distinct pressure distribution zones. The wells have a capacity to pump approximately 844 million gallons of water per day. To meet system demands, the proposed budget includes \$14.9 million for new well and tank construction, replacement of wells, pump station infrastructure, land acquisition, and painting of tanks.

DC:mg  
encs.

c : E. Vassallo

FIN-15-031

SUFFOLK COUNTY WATER AUTHORITY  
 HIGHLIGHTS OF BUDGET DATA  
 FOR FISCAL YEAR ENDING MAY 31,

Authority Budgets	Budget <u>2016</u>	Projection <u>2015</u>	Budget <u>2015</u>	Actual <u>2014</u>
Operating Revenues and Other Income	\$ 170,097,000	\$ 170,741,000	\$ 166,313,000	\$ 170,665,000
Operation and Maintenance Expense	<u>108,788,000</u>	<u>\$108,160,000</u>	<u>107,483,000</u>	<u>107,793,000</u>
Deferred Income - OPEB	9,000,000	10,000,000	10,000,000	11,406,000
Deferred Expense - OPEB	<u>(9,000,000)</u>	<u>(10,000,000)</u>	<u>(10,000,000)</u>	<u>(11,406,000)</u>
Operating Income Available	<u>\$ 61,309,000</u>	<u>\$ 62,581,000</u>	<u>\$ 58,830,000</u>	<u>\$ 62,872,000</u>
Capital Budget	<u>\$ 68,593,000</u>	<u>\$ 88,981,000</u>	<u>\$ 66,031,000</u>	<u>\$ 63,623,000</u>
Debt-Service	<u>\$ 34,896,000</u>	<u>\$ 32,550,000</u>	<u>\$ 31,956,000</u>	<u>\$ 30,962,000</u>
Debt Coverage				
Senior Debt	1.90	2.27	2.25	2.62
All Debt	1.76	1.92	1.84	2.03

Projection May 31, 2015

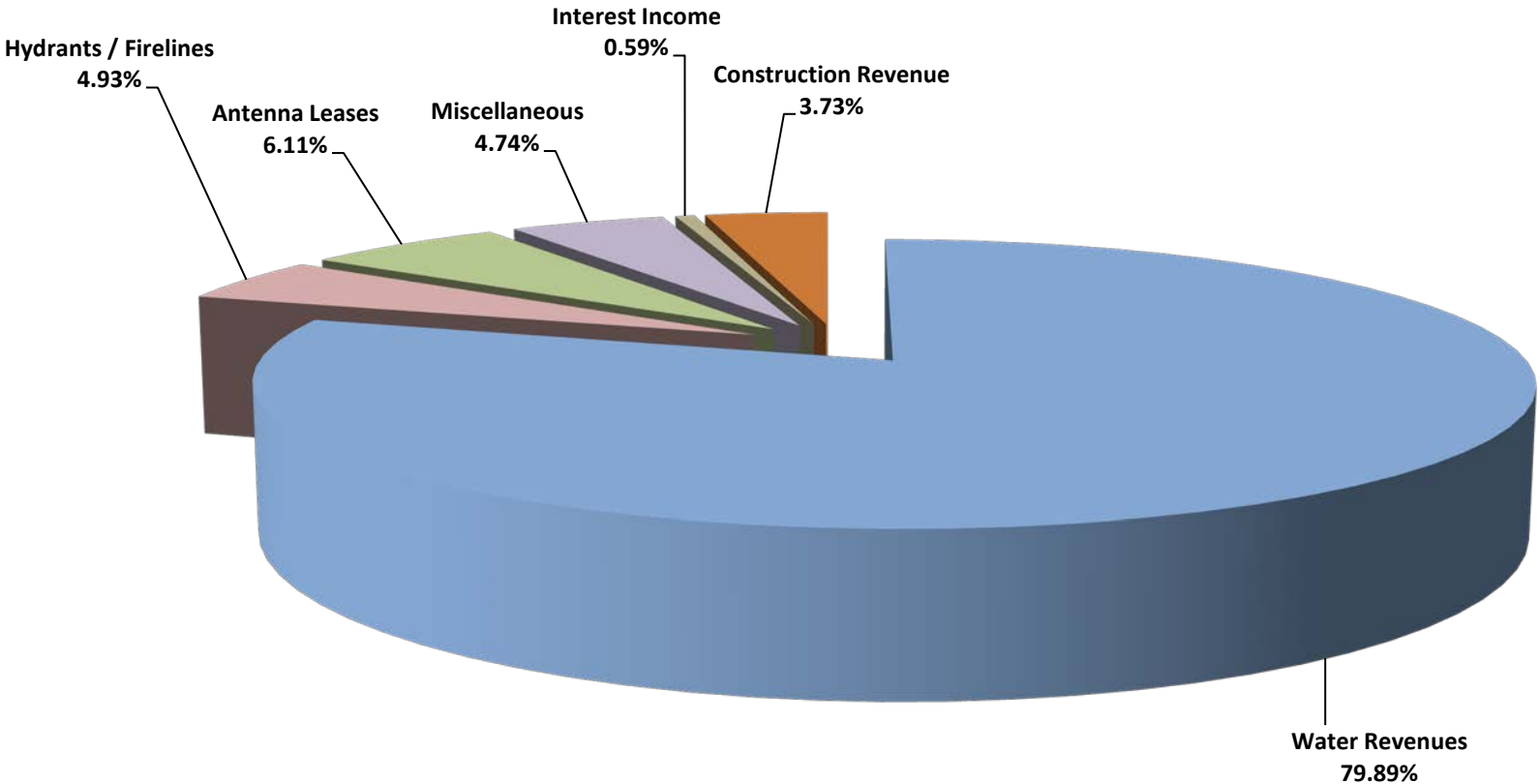
Revenues -Actual for 7 months and estimated for 5 months  
 Expenses -Actual for 7 months and estimated for 5 months  
 Capital -Figures are based on the latest available information

**SUFFOLK COUNTY WATER AUTHORITY  
REVENUE  
FOR FISCAL YEAR ENDED MAY 31,**

	Budget Year Ending 2016	Projected Year Ending 2015	Budget Year Ending 2015	Actual Year Ending 2014
<b>Water Revenues</b>	\$ 135,893,000	\$ 134,224,000	\$ 129,757,000	\$ 131,487,000
<b>Hydrants / Firelines</b>	8,387,000	8,214,000	8,379,000	8,226,000
<b>Antenna Leases</b>	10,400,000	10,633,000	10,100,000	11,087,000
<b>Miscellaneous</b>	<u>8,067,000</u>	<u>9,131,000</u>	<u>11,777,000</u>	<u>9,373,000</u>
<b>Total Operating Revenues</b>	<u>162,747,000</u>	<u>162,202,000</u>	<u>160,013,000</u>	<u>160,173,000</u>
<b>Interest Income</b>	1,000,000	2,000,000	1,000,000	1,992,000
<b>Construction Revenue</b>	<u>6,350,000</u>	<u>6,539,000</u>	<u>5,300,000</u>	<u>8,500,000</u>
<b>Total Revenues</b>	<u>\$ 170,097,000</u>	<u>\$ 170,741,000</u>	<u>\$ 166,313,000</u>	<u>\$ 170,665,000</u>

# SUFFOLK COUNTY WATER AUTHORITY

## Revenue Components:



**Revenue Budget for f/y/e May 31, 2016: \$170,097,000**

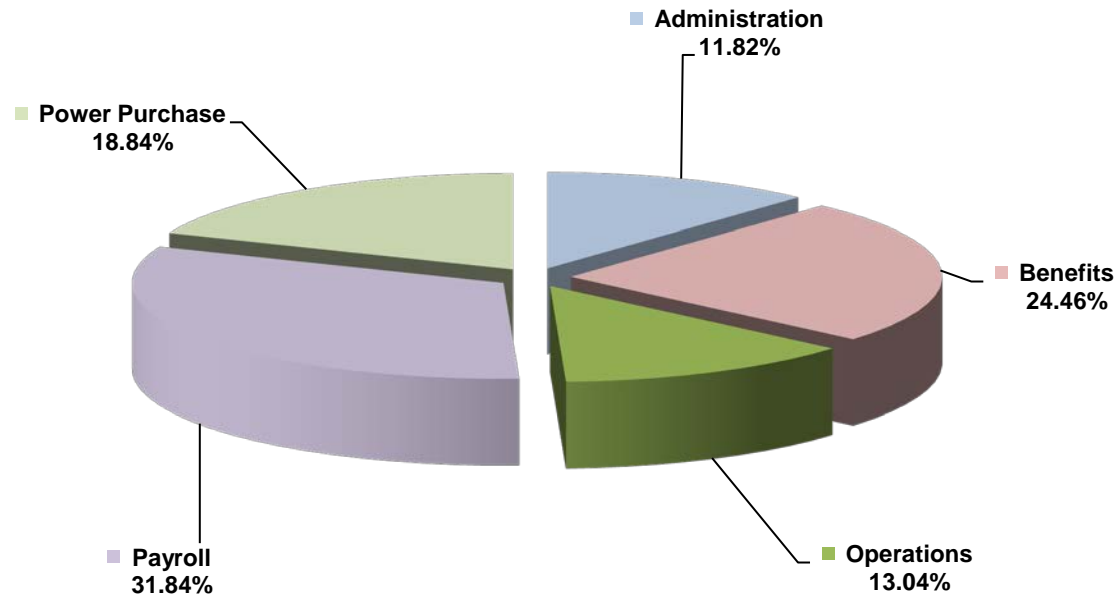
**SCHEDULE 3**

**SUFFOLK COUNTY WATER AUTHORITY  
OPERATING AND MAINTENANCE BUDGET  
FOR FISCAL YEAR ENDING MAY 31,**

	<u>2016</u>	<u>2015</u>
<b>Construction Maintenance</b>	<b>\$ 4,424,000</b>	<b>\$ 3,975,000</b>
<b>Customer Service</b>	<b>160,000</b>	<b>165,000</b>
<b>Engineering</b>	<b>4,760,000</b>	<b>5,185,000</b>
<b>Facilities Management</b>	<b>1,160,000</b>	<b>1,143,000</b>
<b>Finance</b>	<b>3,376,000</b>	<b>3,084,000</b>
<b>Benefits</b>	<b>26,609,000</b>	<b>25,834,000</b>
<b>Education Awareness</b>	<b>9,000</b>	<b>10,000</b>
<b>Information Technology</b>	<b>700,000</b>	<b>850,000</b>
<b>Laboratory</b>	<b>480,000</b>	<b>715,000</b>
<b>Stores</b>	<b>125,000</b>	<b>125,000</b>
<b>Payroll</b>	<b>34,640,000</b>	<b>35,064,000</b>
<b>Emergency Management</b>	<b>28,000</b>	<b>19,000</b>
<b>Transportation</b>	<b>1,563,000</b>	<b>1,744,000</b>
<b>Meter Shop</b>	<b>115,000</b>	<b>100,000</b>
<b>Communications</b>	<b>80,000</b>	<b>100,000</b>
<b>Power Purchase</b>	<b>20,494,000</b>	<b>20,092,000</b>
<b>Production Control</b>	<b>4,520,000</b>	<b>4,500,000</b>
<b>Risk Management &amp; Human Resources</b>	<b>4,547,000</b>	<b>3,701,000</b>
<b>Safety</b>	<b>116,000</b>	<b>127,000</b>
<b>Sustainabilty</b>	<b>32,000</b>	<b>50,000</b>
<b>Telecommunications</b>	<b>850,000</b>	<b>900,000</b>
	<b><u>\$ 108,788,000</u></b>	<b><u>\$ 107,483,000</u></b>

# SUFFOLK COUNTY WATER AUTHORITY

## O&M Components:



**O&M Budget For f/y/e May 31, 2016: \$108,788,000.**

SCHEDULE 4

SUFFOLK COUNTY WATER AUTHORITY  
Capital Budget

<u>BUD LINE</u>	<u>PROJECT</u>	AMENDED <u>2015</u>	BUDGET <u>2016</u>
005-16	EXTENSION OF WATER MAINS FOR NEW CUSTOMERS	\$8,210,000	\$7,000,000
010-16	REPLACEMENT OF WATER MAIN	9,339,000	14,000,000
015-16	DISTRIBUTION SYSTEM IMPROVEMENTS	2,250,000	4,320,000
020-16	BLOWOFFS & VAULT CONVERSIONS	200,000	200,000
025 & 026-16	HYDRANTS - CREW JOBS	1,626,000	1,500,000
030-16	SERVICES	5,481,000	5,500,000
035-16	CONSTRUCTION CONTRACTS	1,500,000	1,500,000
040-16	NEW WELLS	4,603,000	4,899,000
045-16	REPLACEMENT OF EXISTING WELLS	3,975,000	2,926,000
050-16	TANK MAINTENANCE AND CONSTRUCTION	3,975,000	1,705,000
055-16	MISCELLANEOUS TREATMENT FACILITIES TOTAL	3,735,000	3,833,000
060-16	INSTRUMENTATION REPLACEMENT	220,000	300,000
065-16	NEW MISCELLANEOUS PUMP STATION INFRASTRUCTURE	780,000	1,418,000
070-16	REPLACEMENT OF PUMP STATION INFRASTRUCTURE	2,100,000	2,351,000
075-16	SUPERVISORY CONTROL AND DATA ACQUISITION SYSTEM	640,000	658,000
085-16	FIELD COMMUNICATIONS	100,000	50,000
086-16	EMERGENCY MGMT	13,000	27,000
095-16	TRANSPORTATION	3,120,000	3,258,000
100-16	GENERAL SERVICES	474,000	215,000
120-16	LAB EQUIPMENT	384,000	384,000
125-16	OFFICE EQUIPMENT AND FURNITURE	21,000	22,000

SCHEDULE 4

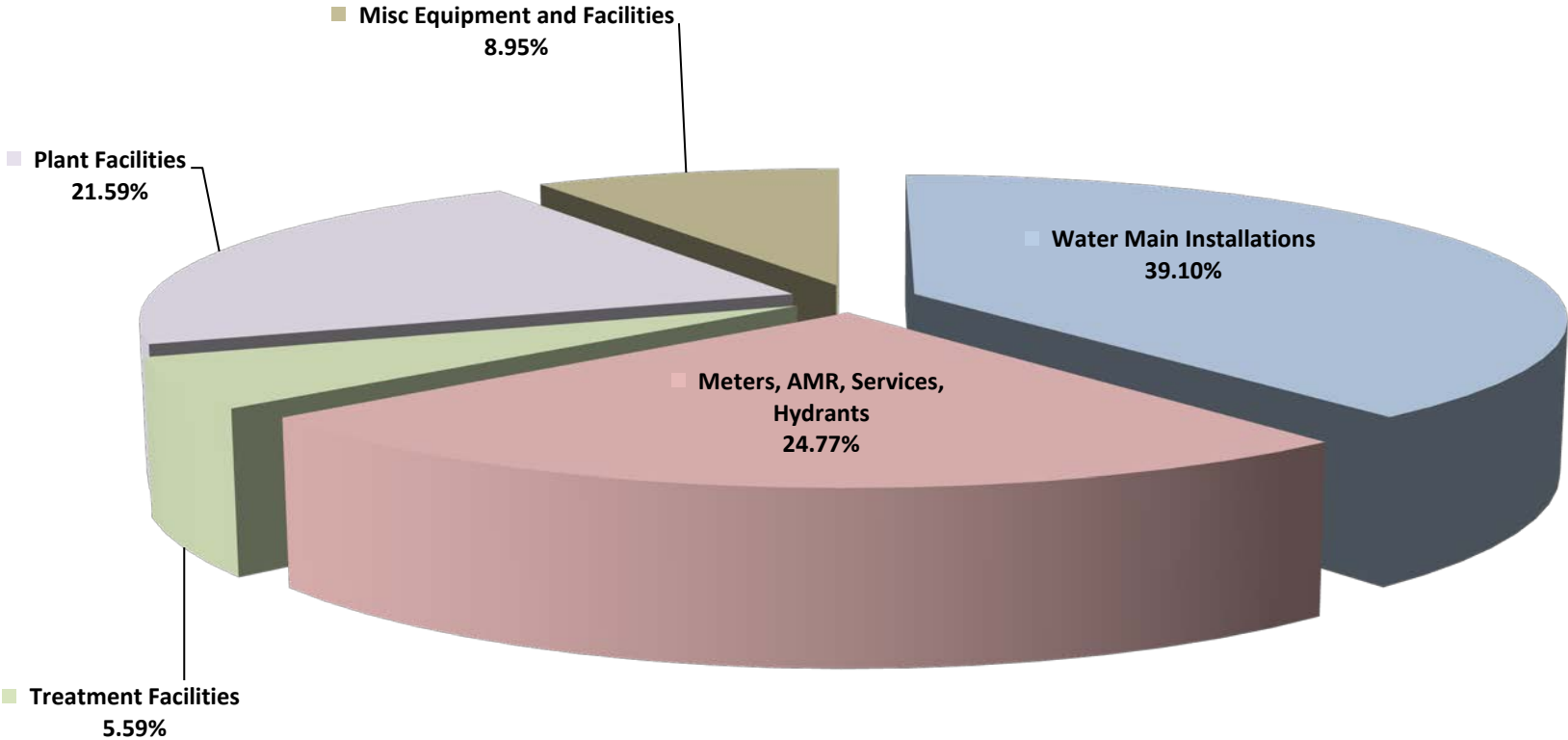
SUFFOLK COUNTY WATER AUTHORITY  
Capital Budget

<u>BUD LINE</u>	<u>PROJECT</u>	<u>AMENDED 2015</u>	<u>BUDGET 2016</u>
130-16	METERS	3,492,000	3,890,000
135-16	TECHNOLOGICAL DEVELOPMENT	650,000	1,400,000
140-16	IT EQUIPMENT	369,000	352,000
145-16	DEPARTMENT EQUIPMENT	110,000	93,000
150- 15	ACQUISITION OF LAND FOR WELL AND TANK SITES	865,000	550,000
155-16	FIELD EQUIPMENT	213,000	339,000
160-16	RIVERSIDE WATER DISTRICT	21,000	-
170-16	AMR	<u>5,815,000</u>	<u>5,903,000</u>
	SCWA Total	64,281,000	68,593,000
190	EFC Storm Mitigation Grant	<u>24,700,000</u>	-
	Grand Total	<u><u>88,981,000</u></u>	<u><u>68,593,000</u></u>



# SUFFOLK COUNTY WATER AUTHORITY

## Capital Components:



**Capital Budget for f/y/e May 31, 2016: \$68,593,000**

SCHEDULE 5

SUFFOLK COUNTY WATER AUTHORITY  
 OPERATING - CASH FLOW  
 FOR FISCAL YEAR ENDING MAY 31,

	Budget <u>2016</u>	Projection <u>2015</u>	Budget <u>2015</u>	Actual <u>2014</u>
Operating Revenue	\$ 162,747,000	\$ 162,202,000	\$ 160,013,000	\$ 160,173,000
Investment Earnings	1,000,000	2,000,000	1,000,000	1,992,000
Construction Revenue	<u>6,350,000</u>	<u>6,539,000</u>	<u>5,300,000</u>	<u>8,500,000</u>
Total Revenue:	170,097,000	170,741,000	166,313,000	170,665,000
<u>Less:</u>				
Operating and Maintenance Expense	<u>108,788,000</u>	<u>108,160,000</u>	<u>107,483,000</u>	<u>107,793,000</u>
Net Operating Income Available for Debt Service	61,309,000	62,581,000	58,830,000	62,872,000
<u>Less:</u>				
Debt Service				
a) Interest on Long-Term Debt	28,681,000	26,746,000	26,152,000	24,065,000
b) Bond Principal	6,060,000	5,445,000	5,445,000	3,206,000
c) Interest on Notes	<u>155,000</u>	<u>359,000</u>	<u>359,000</u>	<u>3,690,000</u>
Total Debt Service:	<u>34,896,000</u>	<u>32,550,000</u>	<u>31,956,000</u>	<u>30,961,000</u>
Operating Funds Available for Capital	<u>\$ 26,413,000</u>	<u>\$ 30,031,000</u>	<u>\$ 26,874,000</u>	<u>\$ 31,911,000</u>

**SUFFOLK COUNTY WATER AUTHORITY  
PROJECTED EARNINGS  
FOR FISCAL YEAR ENDING MAY 31,**

	<u>Budget Year Ending 2016</u>	<u>Budget Year Ending 2015</u>	<u>Actual Year Ending 2014</u>
<b>REVENUES:</b>			
Operating	\$ 162,747,000	\$ 160,013,000	\$ 160,173,000
Construction	6,350,000	5,300,000	8,500,000
Deferred Revenue - OPEB	9,000,000	10,000,000	11,406,000
Interest	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,992,000</u>
<b>Total Revenues:</b>	<b>179,097,000</b>	<b>176,313,000</b>	<b>182,071,000</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE:</b>			
Operating & Maintenance Expenses	108,788,000	107,483,000	107,793,000
Deferred Expenses - OPEB	<u>9,000,000</u>	<u>10,000,000</u>	<u>11,406,000</u>
<b>Total O&amp;M:</b>	<b><u>117,788,000</u></b>	<b><u>117,483,000</u></b>	<b><u>119,199,000</u></b>
<b>Net earnings before Interest and Depreciation (Available for Debt-Service)</b>	<b>61,309,000</b>	<b>58,830,000</b>	<b>62,872,000</b>
<b>Operating Ratio</b>	<b>65.8%</b>	<b>66.6%</b>	<b>65.5%</b>
<b>OTHER DEDUCTIONS:</b>			
Interest on Long-Term Debt	28,681,000	26,152,000	24,065,000
Interest on Notes	<u>155,000</u>	<u>359,000</u>	<u>3,690,000</u>
	<u>28,836,000</u>	<u>26,511,000</u>	<u>27,755,000</u>
<b>PROJECTED EARNINGS</b>	<b><u>\$ 32,473,000</u></b>	<b><u>\$ 32,319,000</u></b>	<b><u>\$ 35,117,000</u></b>
<b>DEPRECIATION &amp; AMORTIZATION</b>	<b>\$ 40,300,000</b>	<b>\$ 40,000,000</b>	<b>\$ 38,017,000</b>