



BUDGETS FOR THE FISCAL YEAR ENDING MAY 31st

2023



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A MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As we enter the third year of the COVID-19 pandemic, many of the fiscal challenges brought on by the virus and other factors remain. The Suffolk County Water Authority, though, as reflected in the following budgets for the fiscal year ending May 31, 2023, continues to thrive due to its innovative leadership team.

Although we've continued to be innovative during the pandemic, that doesn't mean we haven't faced challenges, including the immense costs of developing new treatment systems to meet and surpass strict new state regulations on 1,4-dioxane and PFAS. Rising costs for energy and materials also pose significant challenges for the future. Despite these obstacles and millions of dollars invested to ensure the health and safety of our employees, these budgets include a rate increase that averages just \$1.73 per household per month, or 4%--a fraction of the rate increases adopted by some other local utilities during the corresponding time period and an increase far below current inflation data. Additionally, SCWA had its perfect AAA bond rating reaffirmed in the past year, an incredible testament to the strong fiscal stewardship and sound finances of the organization; an achievement that helps to reduce our borrowing costs.

We've accomplished this through a finance action plan focused on:

- Continuous discussions with department heads to ensure maximum efficiency in our capital budget;
- Long-term debt management, including reducing annual debt service requirements and our outstanding long-term debt balance;
- Budget management that limits rate increases to the vast majority of our customers by charging a higher conservation rate to those who use excessive amounts of water.

Furthermore, we've been able to keep rate increases modest while still adding key new staff members that are helping us stay on the cutting edge of the water supply industry as we prepare for all future challenges. We've adopted a budget billing option to allow our customers to avoid high summer bills when water consumption is highest. We continue to invest in the latest technologies to operate at maximum efficiency and provide exemplary customer service. Most importantly, we continue to lead the way when it comes to providing water to our customers that is constantly tested and meets or surpasses all state and federal regulations.

Please do not hesitate to contact us if we can answer any questions about the content of the following budgets.

Sincerely,

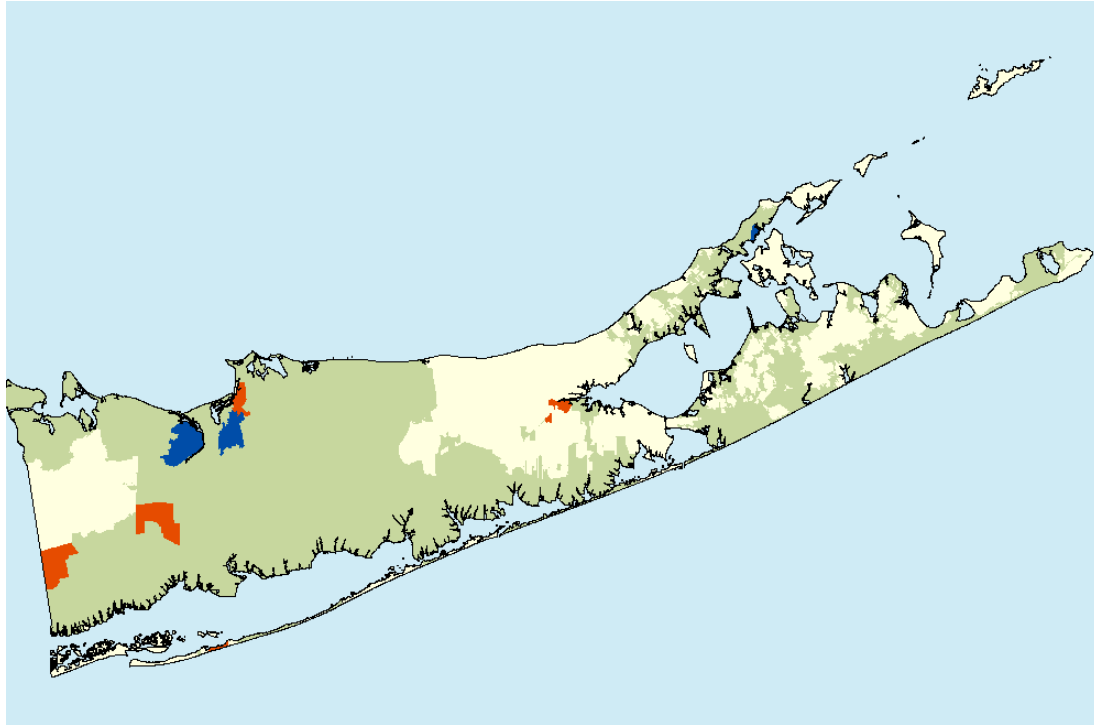


Patrick G. Halpin, Chairman
Suffolk County Water Authority



Jeffrey W. Szabo, Chief Executive Officer
Suffolk County Water Authority

SERVICE TERRITORY



- Areas served by SCWA
- Areas not served by SCWA
- Water districts managed by SCWA (Brentwood, East Farmingdale, Fair Harbor, Riverside, Stony Brook)
- SCWA wholesale water customers (Greenport, Saint James, Smithtown)

The Suffolk County Water Authority serves approximately 1.2 million Suffolk residents, which is approximately 85% of the county's population. SCWA also sells water wholesale to Smithtown, St. James, and Village of Greenport Water Districts. SCWA supplies water to and operates six public water districts in Suffolk, including Brentwood, Fair Harbor, Stony Brook, East Farmingdale, Riverside, and Dering Harbor.

HISTORY

The Suffolk County Water Authority is New York's first public benefit corporation for water service and began operations on June 1, 1951, with 21,159 customers, when the SCWA acquired the South Bay Consolidated Water Company. The new not-for-profit entity, which has since become the model for numerous other water authorities, was serving 83,313 customers by 1961.

In SCWA's second decade, a newly constructed control center in Bay Shore enabled us to monitor pump stations through telemetered circuits. SCWA engineers also designed a new type of well in Commack that was the largest well ever drilled on Long Island up to that time. During this decade, SCWA also played a major role in conducting the "Comprehensive Water Supply Study" authorized by the Suffolk County Board of Supervisors.

By the end of the 1970s, SCWA supplied 38,756,000,000 gallons of water to 238,958 customers. SCWA had introduced automated chlorinating equipment as well as new lab equipment, including an Atomic Absorption Spectrophotometer, enabling us to upgrade our ability to conduct internal water analyses. Our Production Control Department replaced a manually controlled system for monitoring pump stations with a sensor-based, automated computer system.

As water quality standards become more stringent in the 1980s, we installed water treatment facilities to meet and surpass the new standards. In subsequent years, SCWA leaders took an active part in the enactment of the Pine Barrens Preservation Act, creating the largest groundwater protection program in the country. SCWA also sued polluters and increased educational outreach and as designated as the largest supplier of drinking water in the country supplying only groundwater, by the American Water Works Association.

New leadership in the first decade of the 21st century placed an increased emphasis on building a more efficient organization that embraced transparency, accountability, and sustainability. In this decade, SCWA also passed the stern test of a massive electrical blackout that crippled much of Long Island, implemented the SAP data processing system, and centralized its Customer Service operations.

In the 2010s, SCWA was presented the Gold Awards from the Association of Metropolitan Water Agencies for exceptional utility performance in 2012 and two other awards from the same organization: The Platinum Award for Utility Excellence in 2016 and the Sustainable Utility Management Award – the highest award offered by the organization – in 2019. SCWA also led the way in creating the Long Island Commission for Aquifer Protection in 2015 to address both quantity of quality issues facing Long Island's aquifer system and to advocate for a regional approach to groundwater resource management. In 2015, SCWA released Strategic Plan 2025, a business plan that includes key initiatives to transform SCWA operations over the next decade.

At the onset of the 2020s, SCWA leadership is focused on the full implementation of its strategic business plan.

RATINGS

Standard & Poor's Rating Services ("S&P") and Fitch, Inc. ("Fitch") have assigned their long-term municipal ratings of "AAA" and "AAA", respectively, to SCWA's Outstanding Senior Lien Bonds and Outstanding Subordinate Lien Bonds. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from: Standard & Poor's Rating Services, 25 Broadway, New York, NY 10004 and Fitch, Inc., One State Street Plaza, New York, NY 10004. Generally, each rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance that any such rating will continue

for any given period of time or that it will not be revised, suspended, or withdrawn entirely by such rating agency if in its judgment circumstances so warrant.

SUFFOLK COUNTY WATER AUTHORITY BOARD

The Suffolk County Water Authority has a five-member board. Each board member and chairman are appointed by the Suffolk County Legislature and serve a five-year term. The term of the current Chairman, Patrick G. Halpin, expires March of 2023. The other four board members and the expiration of their current terms of office are as follows: Jane R. Devine, May of 2022, Timothy H. Bishop, May of 2025, Elizabeth Mercado, March of 2026, and Jackie A. Gordon, March of 2024.

All powers of the Suffolk County Water Authority are vested in the board. The board's responsibilities include providing direct oversight of SCWA's Chief Executive Officer and management employees, establishing policies and procedures, monitoring financial and management controls, and operational decisions.



PATRICK G. HALPIN, Chairman, term as member expires in March of 2023. Mr. Halpin currently serves as managing director in the New York office of Mercury Public Affairs. Mr. Halpin served for nearly two decades as Executive Vice President for External Affairs for the Institute for Student Achievement, beginning in 1994. Mr. Halpin also had an extensive career in local and state politics, which began in 1979 when he was elected to the Suffolk County Legislature. In 1982, he was elected to the New York State Assembly and served three terms in that office. In 1987, Mr. Halpin was elected to the office of Suffolk County Executive. He served as County Executive from 1988 through 1991, managing a budget of more than \$1.4 billion and supervising more than 12,000 employees. During his tenure, Mr. Halpin instituted a comprehensive anti-domestic violence program, a nationally recognized open space and environmental protection program and an extensive affordable housing initiative. He also persuaded Computer Associates International Inc. to establish its worldwide headquarters in Suffolk, creating more than 10,000 jobs. Mr. Halpin, the host of Cablevision's Meet the Leaders television program, serves as a director with the Long Island Housing Partnership, Vision Long Island, and the advisory board of the Long Island Index. Mr. Halpin received a Bachelor of Arts degree in Political Science and Economics from Old Dominion University. He is a member of the Long Island Hall of Fame.



JANE R. DEVINE, Secretary, term as member expires in May of 2022. Ms. Devine has held a variety of positions in public service both on the town and county level, most recently as a member of the Town of Huntington Planning Board. From 1988-1991, she served as commissioner of Consumer Affairs for Suffolk County. From 1978-1987, she represented the former 17th Legislative District as an elected Suffolk County legislator and for a portion of that tenure, was the first female leader of the minority caucus. Ms. Devine's professional career spans a wide range of posts dedicated to education and protection of consumers, including Director of Consumer Education, a member of the Consumer Protection Board for the Town of Huntington, and consultant to the New York State Consumer Protection Board. She was a founding partner of a small public relations company and served for a time as pastoral consultant to a Long Island AIDS-care organization. In addition to graduate work at the Fordham University School of Law, studies in sociology, and a Certificate in Clinical Pastoral Education from the Nassau County Medical Center, Ms. Devine holds a Bachelor of Arts degree from the College of New Rochelle and a Master of Arts degree from the C.W. Post - Long Island University, College of Management.



TIMOTHY H. BISHOP, term as member expires in May of 2025. Mr. Bishop is a Southampton resident and former member of the U.S. House of Representatives, serving from 2003-2015 representing New York's 1st congressional district. As a congressman, Mr. Bishop served on the Education and Workforce Committee and Transportation and Infrastructure Committee, supported numerous pieces of landmark legislation, and sponsored legislation that blocked a plan to dump twenty million cubic yards of contaminated dredge waste in the Long Island Sound.

Prior to his service in the House, Mr. Bishop served as provost of Southampton College for 16 years. As provost, Mr. Bishop served as chief executive officer in charge of the campus's day-to-day management. During his tenure at the college, Mr. Bishop oversaw the addition of four graduate programs, construction of a new academic center and development of the award-winning Cooperative Education and Freshman Programs. Since leaving the House, Mr. Bishop has served as Director of the Center for Community Solutions and visiting professor at St. Joseph's College.



ELIZABETH MERCADO, term as member expires in March of 2026. Ms. Mercado is a Brentwood resident and is currently employed as a customer care representative for Verizon, a position she has held for more than 20 years. Ms. Mercado also currently serves as Business Agent on the Executive board Communications Workers of America Local 1105, representing members in offices between Brooklyn and Suffolk County. She also serves on CWA's National Women's Committee.

As former president of the Brentwood Union Free School District Board of Education, Ms. Mercado collaborated with other trustees to establish the district's vision and goals and oversaw an annual budget of approximately \$400 million. She is a member of the Islip Town branch of the National Association for the Advancement of Colored People (NAACP), the Coalition of Labor Union Women (CLUW), and the National Association for Latino Elected Officials (NALEO). Ms. Mercado received a Bachelor of Science degree in Business Management from SUNY College at Old Westbury and an associate of applied science degree in Business Administration from Suffolk County Community College's Grant Campus.



JACKIE GORDON, term as member expires in March of 2024. Ms. Gordon is a Copiague resident, a 13-year former Babylon Town Board member, a long-time school counselor and a U.S. Army veteran. Even while serving as an elected town board member, Ms. Gordon also served her country in the U.S. Army Reserves as a military police officer from 1984 to 2014. She was deployed four times, serving in Germany during Operation Desert Storm, as an operations officer at Guantanamo Bay, as a battle captain in Baghdad during the U.S.-led invasion of Iraq and as commander of the 310th Military Police Battalion in Afghanistan in 2012.

Gordon served for a quarter-century as a school counselor for Western Suffolk BOCES in Farmingdale, where she helped students and provided crisis intervention when social or behavioral issues affected their educational and vocational aspirations. She graduated from CUNY Hunter College with a B.A. in health education in 1987, a M.S. degree in counselor education in 1997 and a professional diploma in educational leadership in 2006.

The powers of the Authority are vested in and exercised by a majority of the members then in office and may be delegated to one or more members, agents, or employees. The members of the Authority receive compensation for their service as fixed by the Suffolk County Legislature and are also reimbursed for all necessary expenses incurred in connection with their duties.

EXECUTIVE STAFF

The executive staff of the Authority consists of a Chief Executive Officer, Deputy Chief Executive Officer for Operations, Deputy Chief Executive Officer for Customer Service, General Counsel, Chief Technology Officer, Chief Human Resources Officer, Director of Water Quality and Laboratory Services, and a Chief Financial Officer.



JEFFREY W. SZABO, Chief Executive Officer. Mr. Szabo has served as Chief Executive Officer of the Suffolk County Water Authority since May 2010. During that time, he has led the effort to reposition the organization, which serves 1.2 million Suffolk residents, to meet future challenges by creating a water authority that is more accountable to its customers, more efficient, more environmentally conscious and more transparent.

Among Mr. Szabo's notable achievements to date as SCWA's chief executive are the development of the utility's first long-term strategic business plan, which identifies key objectives to transform SCWA operations over a ten-year period, including completion of the transition to automated meter reading technology; implementation of mobile workforce technology; development of long-term sustainable water supply plans for vulnerable areas; development of new treatment methods for emerging contaminants; and conducting vulnerability assessments of critical facilities, among other objectives.

Mr. Szabo was also the architect of the creation of the Long Island Commission for Aquifer Protection (LICAP), a bi-county effort to identify threats to Long Island's sole source aquifer and provide a blueprint for the regional management of Long Island's groundwater resources.

Prior to joining SCWA, Mr. Szabo served as Deputy County Executive and Chief of Staff for the Suffolk County Executive, where he played a significant role in the management of more than 11,000 employees and a \$2.5 billion annual operating budget, with direct oversight of 15 departments.

Mr. Szabo in March of 2021 was named to serve on the U.S. Environmental Protection Agency's National Drinking Water Advisory Council, making him the first SCWA official to ever serve on that prestigious body. He also serves on the Board of Directors of the Association of Metropolitan Water Agencies (AMWA) and as Chairman of its Legislative Committee. Additionally, he serves as Chairman of the Central Pine Barrens Advisory Committee. In 2005, he was a "40 under 40" award recipient of the Long Island Business News. During Mr. Szabo's tenure as Chief Executive Officer of SCWA, the utility has been presented five prestigious awards from various organizations honoring SCWA's performance and commitment to the environment.

A lifelong resident of Long Island, New York, Mr. Szabo earned a Bachelor of Arts degree from Long Island University.



JOSEPH M. POKORNY, P.E., Deputy Chief Executive Officer for Operations. Mr. Pokorny was appointed Deputy Chief Executive Officer in September 2013. He has been employed by the Suffolk County Water Authority since 1995. His employment began in the Production Control Department overseeing maintenance operations on all the Authority's water production and storage facilities. In 1997, Mr. Pokorny was promoted to Chief Engineer responsible for the budgeting, planning, design, and construction of all of the Authority's production, storage, and treatment facilities. He then served as Acting Director of Distribution in the Construction and Maintenance Department where he oversaw the installation of all pipeline construction, rehabilitation, and repair work associated with the Authority's 5,900-mile distribution system.

Prior to working for the Authority, Mr. Pokorny worked for eight years at the Long Island Lighting Company in its Electrical Engineering Department, where he worked on a variety of projects from fossil and nuclear power plants to small wastewater treatment plants. He also worked for five years as Engineering Manager for two systems integration companies designing various automation systems for water, wastewater and transportation systems throughout the Northeast United States. Mr. Pokorny has served as the Chairman of the Long Island Water Conference and has previously served as an Executive Board Member for that same organization. He is also a member of the AWWA Water Utility Council. Mr. Pokorny earned a Bachelor of Science degree in Electrical Engineering from Manhattan College, a Master's in Business Administration from St. John's University, and is a licensed professional engineer in the State of New York.



JANICE E. TINSLEY, Esq., Deputy Chief Executive Officer for Customer Service. Ms. Tinsley was appointed by the Authority in April 2008 as Deputy Chief Executive Officer for Customer Service. She is responsible for all facets of the Customer Service Division, which include Metering, Field Service, Workforce Technology, and Call Center Operations. For eight years, Ms. Tinsley served as Town Clerk for the Town of Babylon. Additionally, she served as Special Assistant to the Babylon Town Supervisor concentrating on constituent services. Before entering public service, Ms. Tinsley was employed in various positions with Northwest Airlines for over 18 years. Ms. Tinsley received her Bachelor of Arts degree in Political Science from Lycoming College and her Juris Doctor in 1992 from Brooklyn Law School. Ms. Tinsley is admitted to practice law in the State of New York.



TIMOTHY J. HOPKINS, Esq., Chief Legal Officer. Mr. Hopkins joined the Authority in 1992. He is responsible for managing the Authority's Legal Department and outside counsel and conducts litigation for the Authority. Prior to joining the Authority, Mr. Hopkins was an associate of Farrell Fritz of Uniondale, New York where he was a member of the municipal litigation department. While attending law school, Mr. Hopkins was employed by the New York State Attorney General's Office. Mr. Hopkins received his Juris Doctor in 1992 from Touro College Jacob D. Fuchsberg Law Center and his Bachelor of Science degree in Industrial Economics in 1986 from Union College. Mr. Hopkins is admitted to practice in the State of New York, the Eastern and Northern Districts of New York of the United States District Court and the United States Court of Appeals for the Second Circuit. Mr. Hopkins has played important roles in issues ranging from the creation of transferable development rights programs to Federal multidistrict MTBE contamination litigation.



ELIZABETH K. VASSALLO, Chief Financial Officer. Ms. Vassallo joined the Suffolk County Water Authority in 1994, starting as an Accountant in the Finance Department. She subsequently served as Budget Analyst, Budget Manager, Director of Finance, and Acting Chief Financial Officer. In 2018, she became the first female Chief Financial Officer in SCWA's 70 years of operation. In this capacity, she oversees SCWA's financial operations. Ms. Vassallo earned a Bachelor of Business Administration Accounting degree from Dowling College.



MICHAEL A. LITKA, Chief Technology Officer. Mr. Litka has been employed by the Suffolk County Water Authority since 1989, where he began his service as a programmer in the Laboratory. He was appointed Deputy Director of Information Services in 1998 and Director of Information Technology in 2002.

In 2016, he was appointed Chief Technology Officer, where he provides direction and support for Information Technology solutions that enhance mission-critical business operations and strategic goals for the Authority. He also oversees, directs, coordinates, and organizes all operational information technology activities for the Information Technology department. Mr. Litka received his Bachelor of Business Administration degree in 1984 from Hofstra University.



DONNA MANCUSO, Deputy CEO for Administration. Ms. Mancuso has been with the Suffolk County Water Authority since 1985. She began her career as a customer service representative in the Babylon Office before transferring to the Engineering department. In 1995, she was selected by the Members of the Board to hold the position of Secretary to the Board. In this position, she developed an educational outreach program for Suffolk County schools which has grown to reach over 10,000 students each year.

In her current position of Deputy CEO for Administration she oversees Human Resources, Transportation, Facilities, Storeroom and the Communications departments. She holds a Bachelor of Arts degree in Music from California Lutheran University and has completed graduate studies toward a Master of Science degree in Education and an MBA in Public Management at Dowling College. Ms. Mancuso is a member of the Long Island Chapter of the Society for Human Resource Management and is the Chair of American Water Works Association's Workforce Strategies Committee.



KEVIN P. DURK, Director of Water Quality & Laboratory Services. Mr. Durk has been employed by the Suffolk County Water Authority since 1990 when he began work as a chemist. He has held the titles of Section Leader and Inorganic Laboratory Manager and in 2003 was promoted to Laboratory Manager. In 2014, he was appointed Director of Water Quality and Laboratory Services. Mr. Durk has a B.S. in Engineering Chemistry from Stony Brook University. He is licensed through the New York State Department of Health Environmental Laboratory Approval Program.

This national certification allows SCWA's in-house laboratory to perform chemical and bacteriological testing. He oversees the water quality of nearly 600 wells. With his staff of 48 water quality professionals, Mr. Durk works with the U.S. Environmental Protection Agency, the State Department of Health, and Suffolk County Department of Health Services to ensure that drinking water quality and the source water monitoring program meet the highest standards.

His working relationship with the Environmental Protection Agency has resulted in the SCWA participating in multiple method validation studies and performing peer review of methods prior to them being published. This had led to SCWA being acknowledged in published EPA methodology. Mr. Durk is a member of the American Water Works Association's Water Quality Laboratory Committee.

BUDGETS FISCAL YEAR MAY 31, 2023

OPERATING & MAINTENANCE BUDGET HIGHLIGHTS

The Operating & Maintenance Revenue and Expense Budget reflects SCWA's activities as it relates to revenues and day-to-day operational and maintenance costs. The following summarizes the proposed budget for the fiscal year ending May 31, 2023:

Operating & Other Revenue	\$ 264,153,000
Operating & Maintenance Expense	140,160,000
Revenues Available for Debt Service	\$ 123,993,000
Debt Service	\$ 46,245,000
Debt Coverage	2.68
Debt Coverage (excluding Water Quality & Treatment)	2.00

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, 2023 is as follows:

1. **Water Sales (\$188.5 million)** - The Authority budgets revenues based upon actual customer and consumption data. Additionally, projected customer growth and rate increases are utilized to ensure accurate projections. Information and guidance from external rate study consultants are also considered.
2. **Water Quality & Treatment Systems (\$31.6 million)** - The New York State Department of Health has enacted new drinking water regulations for emerging contaminants PFOS, PFOA, and 1,4 – Dioxane. To meet these new standards, the Authority plans to utilize Granular Activated Carbon ("GAC") and Advanced Oxidation Process ("AOP") systems.
3. **Wholesale Water Sales (\$3.4 million)** – Suffolk County Water Authority has agreements with three municipalities to provide wholesale water; these include Smithtown Water District, St. James Water District, and the Village of Greenport. Although the Authority no longer enters into agreements of this nature, these standing agreements are honored. Effective January 1, 2022, the wholesale rate was increased to \$1.695 per thousand gallons.
4. **Managed Water Districts (\$6.1 million)** - Suffolk County Water Authority has operating agreements to operate and maintain various water districts' system infrastructure. Effectively, these agreements ensure that rates are in accordance with the Authority's most current rate structure.
5. **Hydrants and Firelines (\$8.4 million)** - Suffolk County Water Authority has approximately 38,000 public hydrants and 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 \$235.25 per year.
6. **Miscellaneous Fees (\$25.2 million)**
 - a. **Water Related (\$3.2 million)** – These include customer late charges, reconnect fees, rental agreements.

- b. **Capital Reimbursements (\$10.5 million)** – Suffolk County Water Authority pays for the first 75 feet of main installed for each new 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, which the developer pays based on actual costs, is budgeted at \$1.5 million.
 - c. **Non-Water Related Revenues (\$11.5 million)** – Consists of existing antenna leases. The Authority budgets according to the agreements and does not make any assumptions regarding new or modified terms.
7. **Investment Earnings (\$1.0 million)** – Revenues remain conservative due to current market conditions.

EXPENSES

1. **Payroll (\$44.7 million)** – As a service providing organization, payroll is the single biggest Authority cost. The Authority continuously reviews workforce data to operate as efficiently as possible. Consequently, budgeted positions are 594 for Budget 2023. Current base payroll is budgeted at \$54.0 million. Overtime is budgeted in the amount of \$1.7 million. In total, the Authority's payroll for fiscal year ending May 31, 2023 is estimated at \$55.9 million. In accordance with Generally Accepted Accounting Principles (GAAP), costs incurred due to 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, \$44.7 million of payroll is reflected in the proposed operating and maintenance budget.
2. **Benefits (\$25.8 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, social security, and New York State Retirement. Health insurance cost increased approximately 6.6% in January 2022 and is estimated to increase 10.0% in January 2023. Life, optical, and dental insurance is appropriated at approximately the same level.
3. **OPEB (\$8.0 million)** – In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75). GASB 75 addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. This annual amount is pursuant to an actuarial review, which was most recently performed in 2021 and reflects an approximate cost of \$8.0 million for 2023. There is currently no requirement to fund this liability. However, 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. To comply with GASB 75, the Authority must reflect on its financial records the entire OPEB liability.
4. **Power (\$26.2 million)** – This figure is based on all water pumped, including billed and unbilled (hydrants, firelines, main flushing, etc.), power used on building and structures. Components of PSEG's rate structure include demand charges, fuel surcharges, and consumption rates. This budget includes a 6.5% rate increase over Budget 2022 in accordance with data regarding Consumer Price Index assumptions sourced from the U.S. Bureau of Labor Statistics.
5. **Administrative Operations & Maintenance (\$14.3 million)** – Major functional components of the Authority's operations include customer billing and collecting (\$1.3 million), computer and telecommunication supplies and expenses (\$2.7 million), consulting costs (\$1.8 million), risk management (\$1.5 million), personnel services and training (\$0.3 million), facilities and general services (\$2.0 million), worker's compensation (\$2.7 million), and other expenses (\$2.0 million).

6. **System Operations & Maintenance (\$12.8 million)** – Major functional components of the Authority's maintenance program include transmission and distribution (\$10.2 million), and wells and tanks (\$2.6 million).
7. **Treatment (\$7.1 million)** – This includes chemicals (\$2.9 million), carbon replacement (\$1.0 million), other treatment systems, including perchlorate, nitrates, iron (\$2.1 million), and laboratory expenses (\$1.1 million).
8. **Fleet Services (\$1.3 million)** – Fleet Services maintains approximately 342 vehicles and 186 in support equipment (trailers, cranes, backhoes, compressors, etc.). Fleet and related equipment is used in connection with both the Operating & Maintenance and Capital Budgets. As such, these costs are allocated to both budgets in accordance with Generally Accepted Accounting Principles (GAAP). Consequently, \$1.3 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 from Fitch, Inc. and from Standard and Poor's Rating Services. Authority Debt Service of \$46.25 million is budgeted for 2023.

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 2023 capital budget of \$87.5 million incorporates information technology, automated meter reading technological improvements, and increased service & distribution system improvements.

Additionally, the Authority has included \$13.0 million to meet new expected standards proposed by the New York State Department of Health to address various emerging contaminants. This figure reflects anticipated capital costs to build and acquire necessary infrastructure as part of a multi-year plan that has been developed.

The following components are part of the proposed capital budget:

WATER MAIN INSTALLATIONS (\$35.3 million)

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 (\$4.7 million), (2) the replacement of existing water mains (\$18.8 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 (\$10.3 million). With respect to the first component, 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.

POINT OF SERVICE DISTRIBUTION (\$11.6 million)

The proposed budget reflects additional hydrants 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 (\$7.0 million).

Meter replacement for automatic meter reading is done both internally and by an outside contractor. Throughout 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 4,700 meters by Authority personnel. The proposed budget includes \$2.8 million for this purpose. Additionally, \$0.3 million is budgeted for vault conversions and sampling stations.

WATER QUALITY & TREATMENT SYSTEMS (\$13.0 million)

It may be necessary for the Authority to treat water to remove volatile organic chemicals, pesticides, herbicides, and other contaminants through the utilization of filtration systems; this includes 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.

Additionally, the New York State Department of Health has enacted new drinking water regulations for emerging contaminants PFOS, PFOA, and 1,4-Dioxane. To meet these new standards, the Authority plans to utilize Granular Activated Carbon (“GAC”) and Advanced Oxidation Process (“AOP”) systems. The Authority has budgeted \$13.0 million to construct these systems in fiscal year 2023.

OTHER EQUIPMENT (\$4.3 million)

The Fleet Services Department has examined the condition of its fleet, and in conjunction with various departments, assessed fleet utilization. The Authority is replacing its aging fleet of vehicles at a budgeted amount of \$2.7 million.

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 equipment, and office equipment. The proposed budget includes \$1.6 million for this purpose.

FACILITIES (\$4.5 million)

The Authority has numerous administrative properties and facilities that now require upgrades and renovations. The proposed budget includes \$4.5 million for this purpose.

IMPROVEMENTS IN TECHNOLOGY (\$1.2 million)

The Information Technology Committee has recommended \$1.2 million to proceed with projects concerning meter reading, desktop software, video, and SAP upgrades. Improvements in technology will also include GIS Water Model Conversions and Mobile Workforce Management initiatives.

ADDITIONAL FACILITIES (\$17.6 million)

The Water System operates approximately 51 separate and distinct pressure distribution zones. The wells have a capacity to pump approximately 870 million gallons of water per day. To meet system demands, the proposed budget includes \$17.6 million for new well and tank construction, replacement of wells, pump station infrastructure, and painting of tanks.

FROM THE DEPARTMENTS: BUDGET PRIORITIES

CONSTRUCTION MAINTENANCE

Construction Maintenance is responsible for the design, construction, maintenance of water mains, and installation and maintenance of fire hydrants. The department will be replacing and rehabilitating more than 10 miles of water mains in FY 2023, focusing on the replacement of older water mains that are undersized for modern demands and susceptible to main breaks. Additionally, there are several new water main projects planned to serve new customers. These projects include a four-mile main extension to serve homes with contaminated wells in the Manorville area and the construction of a new distribution system to serve the residents of Oak Beach in Babylon. A long-discussed transmission main from Flanders to Southold will move from the planning phase to construction; this project will improve supply to customers on the North Fork and provide relief to some of the highest demand wells in our system. The department will continue to leverage technology by upgrading our legacy hydraulic model to a GIS-based platform; a multi-year process that is nearing completion. The department will also be expanding a pilot project to use remote flow and pressure monitors in our distribution system. This will come in the form of “smart” hydrants with integrated instrumentation and communication, in addition to battery powered insertable flowmeters that communicate wirelessly.

CUSTOMER SERVICE

The Customer Service department consists of a contact center, metering, collections, and field services. The department aims to provide the best service possible in responding to the needs of our customer base. In November 2018, Field Service became the first department to implement a Mobile Workforce Management System. Throughout the year, Customer Service realized many benefits from the system. With Construction Maintenance and Production Control being added to the MWMS this year, Customer Services will reap the benefits of upgraded functionality and added features. A new telephone system is being introduced to the contact center with enhanced features such as a streamlined menu, call back functionality, and the introduction of live “chat.” Additional retailers have been added to the retail cash payments network, which provides our cash paying customers added convenience.

Customer Service has continued to further enhance our MWMS, allowing our Field Technicians the ability to complete their duties without having to enter the office. Through utilization of new technologies, our clerical staff can work virtually while continuing to serve our customers with exemplary service.

EMERGENCY MANAGEMENT

The Office of Emergency Management is responsible for supporting the Authority’s operations in response to emergency situations. Department initiatives include the continuing effort to enhance the Authority’s communications by securing and maintaining 800 MHz radios, engaging in continuity planning and facility vulnerability assessments, as well as the implementation of mobile technology and software tools to collect, share, and display critical infrastructure data in a GIS environment. Additionally, Emergency Management interacts with local, State, federal agencies, and other emergency planning professions to improve the Authority’s emergency response plan, storm, and security readiness.

ENGINEERING

The Engineering Department is responsible for designing, improving, constructing, and delivering all aspects of the Authority’s water supply infrastructure facilities (excluding water mains and hydrants) and employee facility needs. In 2023, additional capital funds will allow the Authority to continue to meet the challenges presented by emerging

contaminants, 1,4-Dioxane and perfluorinated compounds, by constructing Advanced Oxidation Process and carbon treatment systems. Funding for an additional ground storage tank will help meet peak demands and reduce stresses on our aquifers on the East End. There will be a continued focus on proactive well replacement to ensure water supply capabilities remain reliable.

INFORMATION TECHNOLOGY

The Information Technology department is charged with serving and empowering the Authority by providing the most innovative, high quality, technology-based services in the most cost-effective manner. This year, the department will continue to achieve its goals by enhancing and upgrading critical applications throughout the Authority. The department plans to complete the Mobile Workforce Management System in our operations division, which will eliminate reliance on paper orders and provide automated resource planning, scheduling, routing, and dispatching of work. Additionally, the department will upgrade the SAP Human Resources module and replace all telephone communications systems, including Customer Contact Center applications.

LABORATORY

The Laboratory maintains an aggressive and comprehensive approach to water quality testing and is responsible for ensuring that the highest quality drinking water is provided to customers. The lab tests for far more contaminants and at a much greater frequency than is required by state and federal regulations, yet its budget has remained constant for many years. This is due to a variety of practices, such as developing methodologies that combine analyses from several methods. Such practices yield a reduction of expenditures for consumables and an increase in efficiency. The next several budget years will involve performing testing for the Unregulated Contaminant Rule Monitoring 5 (UCMR5), as well as increased pilot testing required by New York State to install all future Advanced Oxidation Process systems (AOP). Additionally, the lab will be implementing increased monitoring to meet compliance requirements associated with the regulation of 1,4-Dioxane, PFOA, and PFOS. Performing this analysis internally will lead to substantial savings for the Authority.

PRODUCTION CONTROL

The Production Control department is responsible for operating our well fields, booster stations, storage tanks, and water treatment facilities. In the coming year, the department will continue its activities involving the replacement of aging infrastructure, including outdated electrical switch gear and aging chemical feed equipment. Production Control is currently evaluating options for upgrading its SCADA communications infrastructure used to communicate and remotely control pump stations. This will lay the groundwork for migrating this equipment to new technology in the future. Funds are also budgeted each year to replace older instrumentation and control equipment that is no longer supported by manufacturers due to continually evolving and improving technologies.

FLEET SERVICES

The Fleet Services department is responsible for the acquisition, maintenance, and disposal of vehicles and equipment utilized in the Authority's daily operations. The department operates out of two locations: the main facility in Oakdale and a satellite facility in Westhampton. This year, the department will replace 28 pieces of equipment that are between 15 and 26 years old. Replacement units has been redesigned to carry more tools and equipment that will enable field crews to perform multiple job functions with the same vehicle.

STRATEGIC INITIATIVES

The Office of Strategic Initiatives was established in 2016. The department works directly with the CEO to implement the Authority's Ten-Year Strategic Business Plan, further develop the historic LICAP water quality program, maintaining the Authority's water conservation program via annual updates, water quality improvements, perform GIS systems integration for the mobile workforce initiative and updated hydraulic modeling system, and seeks to make the Authority more productive and efficient by using data and technology. The department provides day-to-day oversight of the GIS department, including web-based application development for main breaks, hydrant flushings, and laboratory complaint mapping.

SCWA HIGHLIGHTS OF BUDGET DATA

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

	Budget 2023	Projection 2022	Budget 2022	Actual 2021
Operating Revenues and Other Income	\$ 264,153,000	\$ 257,638,000	\$ 255,208,000	\$ 260,047,000
Operating and Maintenance Expense	140,160,000	140,821,000	140,277,000	135,618,000
Operating Income Available	\$ 123,993,000	\$ 116,817,000	\$ 114,931,000	\$ 124,429,000
Capital Budget	\$ 87,495,000	\$ 98,740,000	\$ 98,740,000	\$ 70,029,000
Debt-Service	\$ 46,245,000	\$ 37,806,000	\$ 37,806,000	\$ 39,274,000
All Senior Debt Coverage	2.68	3.09	3.04	3.17
All Senior Debt Coverage (excluding Water Quality & Treatment)	2.00	2.27	2.20	2.49

Projection May 31, 2022

Revenues – actual for 9 months, estimated for 3 months

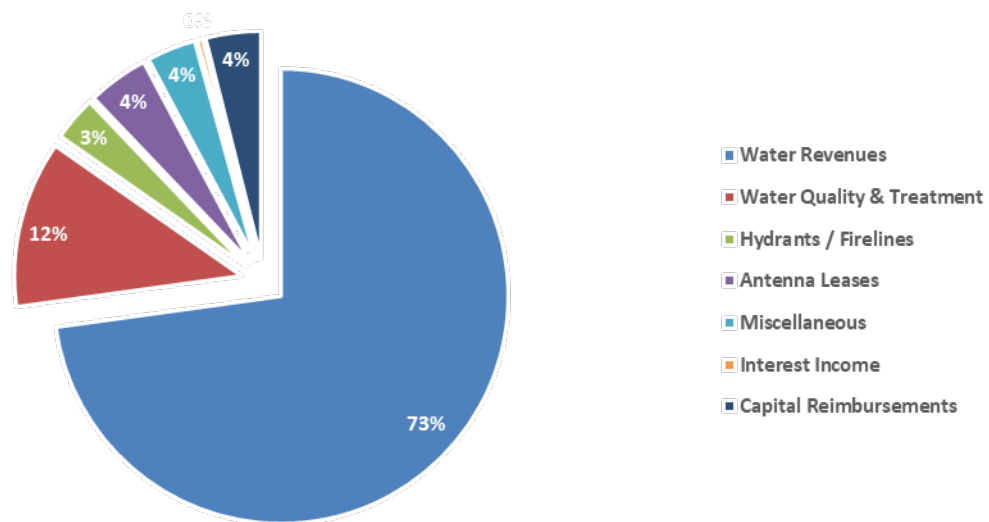
Expenses – actual for 9 months, estimated for 3 months

Capital – figures based upon latest available information

SCWA REVENUES

	Budget 2023	Projection 2022	Budget 2022	Actual 2021
Water Revenues	\$ 191,908,000	\$ 181,489,000	\$ 183,211,000	\$ 189,660,000
Water Quality & Treatment	31,600,000	31,181,000	31,600,000	26,657,000
Hydrants / Firelines	8,431,000	8,431,000	8,431,000	8,407,000
Antenna Leases	11,533,000	12,011,000	11,533,000	11,731,000
Miscellaneous	9,228,000	10,359,000	8,980,000	11,231,000
Total Operating Revenues	\$ 252,700,000	\$ 243,471,000	\$ 243,755,000	\$ 247,686,000
Interest Income	1,000,000	2,628,000	1,000,000	1,347,000
Capital Reimbursements	10,453,000	11,539,000	10,453,000	11,014,000
Total Revenues	\$ 264,153,000	\$ 257,638,000	\$ 255,208,000	\$ 260,047,000

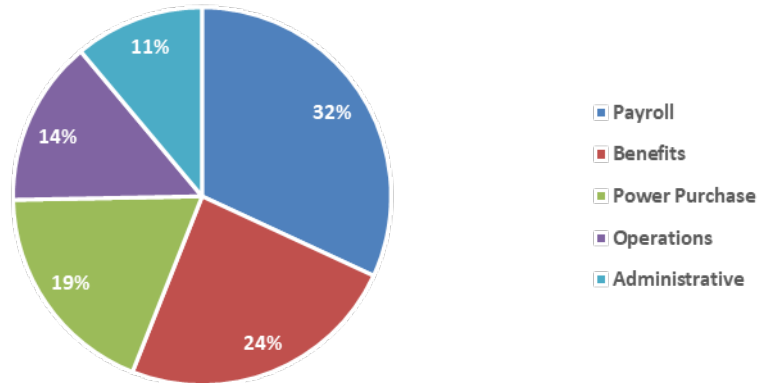
SCWA REVENUES



SCWA OPERATING AND MAINTENANCE BUDGET

	2023	2022
Construction Maintenance	\$ 9,742,000	\$ 8,444,000
Customer Service	340,000	320,000
Engineering	2,705,000	3,466,000
Facilities Management	1,949,000	1,610,000
Finance	2,476,000	2,525,000
Benefits	33,775,000	40,140,000
Education Awareness	14,000	10,000
Information Technology	2,610,000	2,372,000
Laboratory	1,125,000	820,000
Stores	191,000	160,000
Payroll	44,722,000	42,391,000
Emergency Management	30,000	31,000
Transportation	1,270,000	1,250,000
Communications	50,000	59,000
Power Purchase	26,200,000	22,578,000
Production Control	6,292,000	5,099,000
Human Resources	567,000	452,000
Risk Management	4,266,000	6,603,000
Safety	155,000	148,000
Strategic Initiatives	731,000	849,000
Telecommunications	950,000	950,000
TOTAL	\$ 140,160,000	\$ 140,277,000

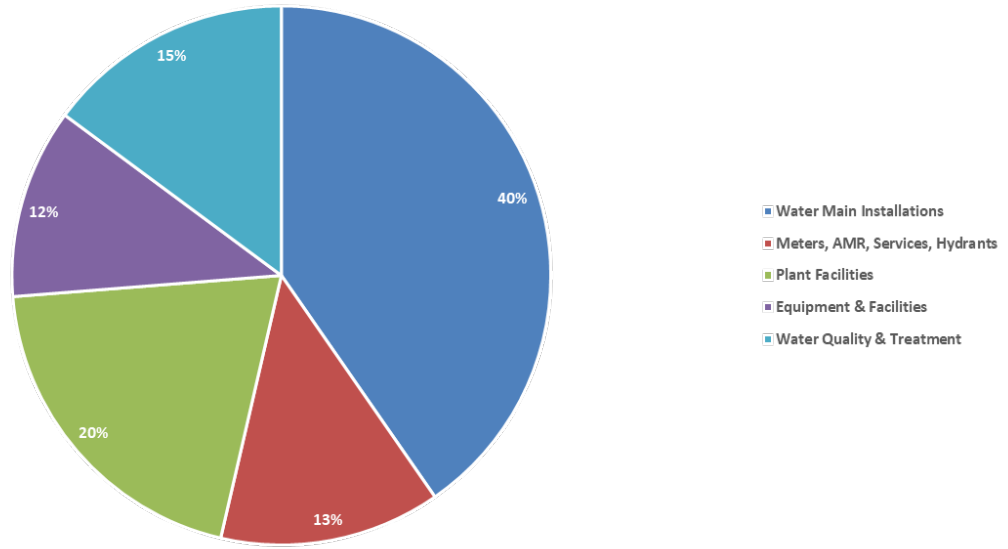
SCWA O&M BUDGET



SCWA CAPITAL BUDGET

Budget Line	Project	Budget 2023	Amended 2022
005/010/015	Mains & Distribution Systems	\$ 33,800,000	\$ 35,105,000
020	Blowoffs and Vault Conversions	200,000	200,000
021/025/026	Hydrants – Contractor & SCWA Installed	1,570,000	1,600,000
030/031	Services/Const. Contracts - Tapping	7,000,000	6,850,000
035/037	Const. Contracts / Dev Installed W/M	1,500,000	3,350,000
040	New Wells	3,700,000	5,000,000
045/047	Replacement of Existing Wells	3,190,000	4,365,000
050	Tank Maintenance and Construction	4,660,000	5,500,000
055	Treatment Facilities	340,000	-
060	Instrumentation – New or Replacement	175,000	175,000
065	New Station Infrastructure	750,000	675,000
070	Replacement of Pump Station Infrastructure	2,365,000	2,100,000
075	Supervisory Control and Data Acquisition System	530,000	250,000
086	Emergency Management	34,000	58,500
095	Transportation	2,724,000	2,395,000
100	Facilities	4,462,000	989,300
120	Laboratory Equipment	617,000	449,000
125	Office Equipment and Furniture	184,000	26,200
130	Meters	2,846,000	1,677,000
135	Technological Advancement	1,210,000	1,400,000
140	IT Equipment	384,000	331,200
145	Department Equipment	53,000	29,600
155	Field Equipment	301,000	214,200
190	EFC Projects	1,900,000	-
	SUBTOTAL	\$ 74,495,000	\$ 72,740,000
055/056/057	Treatment Facilities	-	1,000,000
195	Water Quality & Treatment Systems	13,000,000	25,000,000
	GRAND TOTAL	\$ 87,495,000	\$ 98,740,000

SCWA CAPITAL BUDGET COMPONENTS



SCWA OPERATING CASH FLOW

	Budget 2023	Projection 2022	Budget 2022	Actual 2021
Operating Revenues	\$ 252,700,000	\$ 243,471,000	\$ 243,755,000	\$ 247,686,000
Investment Earnings	1,000,000	2,628,000	1,000,000	1,347,000
Construction Revenue	10,453,000	11,539,000	10,453,000	11,014,000
Total Revenue	\$ 264,153,000	\$ 257,638,000	\$ 255,208,000	\$ 260,047,000
Less:				
Operating & Maintenance Expenses	\$ 140,160,000	\$ 140,821,000	\$ 140,277,000	\$ 135,618,000
Net Operating Income Available for Debt Service	\$ 123,993,000	\$ 116,817,000	\$ 114,931,000	\$ 124,429,000
Less:				
a) Interest on Long-Term Debt	\$ 32,781,000	\$ 32,351,000	\$ 32,351,000	\$ 32,677,000
b) Bond & Note Principal	13,464,000	5,455,000	5,455,000	6,597,000
c) Interest of Notes	-	-	-	-
Total Debt Service	\$ 46,245,000	\$ 37,806,000	\$ 37,806,000	\$ 39,274,000
Operating Funds Available for Capital	\$ 77,748,000	\$ 79,011,000	\$ 77,125,000	\$ 85,155,000

SCWA PROJECTED EARNINGS

	Budget Year Ending 2023	Budget Year Ending 2022	Actual Year Ending 2021
REVENUES:			
Operating	\$ 252,700,000	\$ 243,755,000	\$ 247,686,000
Construction	10,453,000	10,453,000	11,014,000
Investment Earnings	1,000,000	1,000,000	1,347,000
Total Revenue	\$ 264,153,000	\$ 255,208,000	\$ 260,047,000
OPERATING AND MAINTENANCE EXPENSE:			
	\$ 140,160,000	\$ 140,277,000	\$ 135,618,000
Net earnings before Interest and Depreciation (Available for Debt Service)	\$ 123,993,000	\$ 114,931,000	\$ 124,429,000
Operating Ratio	53.1%	55.0%	52.2%
OTHER DEDUCTIONS:			
Interest on Long-Term Debt	32,781,000	32,351,000	32,677,000
Interest on Notes	-	-	-
Total Long-Term Debt Interest	\$ 32,781,000	\$ 32,351,000	\$ 32,677,000
PROJECTED EARNINGS	\$ 91,212,000	\$ 82,580,000	\$ 91,752,000
DEPRECIATION / AMORTIZATION	\$ 59,008,000	\$ 52,614,000	\$ 54,393,000

SUFFOLK COUNTY WATER AUTHORITY ADVISORS

Bond Counsel
Financial Consultant
Bond Fund Trustee and Paying Agent

Harris Beach PLLC, New York, NY
Goldman, Sachs & Co., New York, NY
The Bank of New York Mellon, New York, NY

SUFFOLK COUNTY WATER AUTHORITY DEBT

THE FOLLOWING TABLE SETS FORTH SCWA'S OUTSTANDING BONDS AS OF MAY 31, 2021:

Senior Lien Bonds	Original Principal Amount	Principal Outstanding May 31, 2021
Water System Revenue Bonds, Series 2009B (Build America Bonds), dated November 16, 2009	\$ 100,000,000	\$ 100,000,000
Water System Revenue Bonds, Series 2011C (EFC Series 02G), dated July 21, 2011	4,489,841	1,032,543
Water System Revenue Bonds, Series 2012B (EFC Series 02A), dated June 21, 2012	4,523,189	823,440
Water System Revenue Bonds, Series 2012A dated October 4, 2012	80,000,000	80,000,000
Water System Revenue Bonds, Series 2013 (Refunding), dated March 5, 2013	62,380,000	62,380,000
Water System Revenue Bonds, Series 2013B (EFC Series 03F), dated August 1, 2013	4,088,936	1,192,763
Water System Revenue Bonds, Series 2014B (EFC Series 04A), dated July 2, 2014	3,947,820	1,632,820
Water System Revenue Bonds, Series 2014A dated October 23, 2014	65,000,000	45,065,000
Water System Revenue Bonds, Series 2014B dated October 23, 2014	50,000,000	50,000,000
Water System Revenue Bonds, Series 2015D (EFC Series 05B), dated August 20, 2015	4,039,184	2,014,184
Water System Revenue Bonds, Series 2015A dated November 17, 2015	49,105,000	49,105,000
Water System Revenue Bonds, Series 2015 (Refunding), dated November 17, 2015	116,660,000	113,470,000
Water System Revenue Bonds, Series 2016A dated November 15, 2016	84,280,000	84,280,000
Water System Revenue Bonds, Series 2016B dated November 15, 2016	40,000,000	40,000,000
Water System Revenue Bonds, Series 2016 (Refunding), dated November 15, 2016	53,825,000	50,935,000
Water System Revenue Bonds, Series 2018A dated August 2, 2018	100,000,000	100,000,000
Water System Revenue Bonds, Series 2020A (EFC), dated February 6, 2020	10,255,297	9,495,637
Water System Revenue Bonds, Series 2020B dated May 12, 2020	87,000,000	87,000,000
Water System Revenue Bonds, Series 2020 (Refunding) dated May 23, 2020	88,280,000	88,280,000
Total Outstanding Senior Lien Bonds		\$ 966,706,387

The Authority has issued, from time to time, Bond Anticipation Notes to finance improvements and additions to the Water System. These notes are redeemed from the proceeds of the Bonds in anticipation of which they are issued and or from any available monies in the General Fund. As of May 31, 2021, the Authority had no bond anticipation notes outstanding.

SERVICE AREAS, PLANT FACILITIES, AND WATER SUPPLY

The Authority currently serves approximately 85% of the total population of Suffolk County. The remaining population is served by other municipal water districts (12%) or private wells (3%). The population served by the Water System is estimated by the Authority to be approximately 1.2 million. The Authority projects an annual growth rate of approximately one-third percent per year over the next several years.

The Water System serves, at retail, areas in the Towns of Babylon, Brookhaven, East Hampton, Huntington, Islip, Shelter Island, Smithtown, Southampton, and Southold, including numerous villages and unincorporated communities. Wholesale service is provided to two water districts and the incorporated Village of Greenport.

CUSTOMER COUNT

The Authority supplies water to its customers in one of the three following ways: (i) direct service to retail customers through facilities owned and operated by the Authority, (ii) direct service to retail customers through facilities that are lease-managed by the Authority, and (iii) wholesale service to other municipal water systems.

THE PERCENTAGE OF TOTAL SALES (BASED ON TOTAL NUMBER OF CUSTOMERS) TO EACH OF THE AFOREMENTIONED CUSTOMERS ARE AS FOLLOWS:

Facilities owned and operated by the Authority	94.4%
Facilities lease-managed by the Authority	3.0%
Wholesale service to other systems	2.6%

As of May 31, 2021, a total of 400,160 retail and wholesale customers were served by the Authority, compared to 398,894 at May 31, 2020, an increase of 1,266 customers. The following table provides a breakdown of the number of customers served directly by the Authority by region, customers served through operating agreements and customers served through wholesale service, as well as their respective percentage growth over the two most recent Fiscal Years.

CUSTOMERS SERVED DIRECTLY:

Region	Fiscal Year Ended May 31,	
	2021	2020
Western	173,554	173,219
Central	131,235	130,968
Eastern	73,224	72,554
Subtotal	378,013	376,741

CUSTOMERS SERVED THROUGH OPERATING AGREEMENTS:

Brentwood Water District	6,621	6,600
Fair Harbor Water District	473	477
Stony Brook Water District	1,644	1,641
Riverside Water District	617	611
East Farmingdale Water District	2,442	2,440
Village of Dering Harbor Water District	37	40
Subtotal Water District Customers	11,834	11,809

WHOLESALE WATER:

St. James Water District	3,347	3,385
Smithtown Water District	5,886	5,899
Village of Greenport	1,080	1,060
Subtotal Wholesale	10,313	10,344
TOTAL	400,160	398,894

NUMBER OF CUSTOMERS SERVED AS OF MAY 31, 2017 THROUGH MAY 31, 2021:

Year	Number of Customers
2021	400,160
2020	398,894
2019	397,296
2018	395,291
2017	394,024

The Authority's customers are approximately 94% residential and 6% commercial and municipal. The following table lists the top ten metered account users of water and their corresponding water consumption for the 2021 fiscal year. The customers listed below and their corresponding usage, reflect individual metered accounts; each such customer may have more than one account with the Authority.

User	Consumption (gallons)
1. Smithtown Water District	1,020,988,890
2. St. James Water District	660,403,612
3. State University of New York at Stony Brook	223,065,194
4. National Grid	163,527,760
5. State University of New York at Stony Brook	114,227,080
6. Greenport Water District	106,848,060
7. Suffolk County Comptroller	98,103,940
8. National Grid	92,576,220
9. Bretton Woods, HOA	78,349,260
10. Artist Lake, HOA	62,597,128

Acquisitions of water systems, creation of lease-managed systems, expansion onto the North Fork of Long Island and special contractual arrangements with Federal and State agencies have resulted in average customer growth of approximately one-third of one percent per year over the last four (4) years.

According to the Five-Year Engineer's Report issued in June 2019 by the Authority's consulting engineers, H2M Architects and Engineers (the "Engineer's Report"), the pumping and storage facilities are adequately maintained in accordance with accepted standards for the supply of drinking water.

PHYSICAL PLANT

THE FOLLOWING TABLE PRESENTS CERTAIN DATA RELATING TO THE MAJOR PHYSICAL PROPERTIES OF THE AUTHORITY AS OF MAY 31, 2021:

Town	Wells		Pumping Plants		Storage Facilities	
	Active	Inactive	No.	Capacity *	No.	Capacity *
Babylon	49	8	23	65,738	8	8.22
Brookhaven	174	8	72	209,573	20	21.91
East Hampton	42	5	19	25,238	4	4.32
Huntington	51	4	25	51,888	10	12.52
Islip	102	10	40	118,199	11	11.89
Riverhead	9	-	2	1,900	-	-
Shelter Island	2	-	1	400	1	0.12
Smithtown	49	2	22	65,500	5	3.50
Southampton	60	6	20	48,088	6	6.35
Southold	54	1	17	9,200	3	2.80
TOTALS	592	44	241	595,724	68	71.64

* Millions of gallons

As of May 31, 2021, there were a total of 6,030 miles of water mains in use, an increase of 13 miles since May 31, 2020, and there were 36,049 fire hydrants in-service, an increase of 78 hydrants of which does not include approximately 2,264 hydrants used for private and SCWA pump stations.

The 2022 Capital Budget included provisions for additional wells, pumping equipment and storage capacity amounting to approximately 20% of the total amount budgeted in the Authority's capital improvement budget. (See "CAPITAL IMPROVEMENT PLAN – Plant Facilities, above.)

ADDITIONAL WELLS UNDER CONSTRUCTION, NOT CLASSIFIED AS "IN SERVICE" AS OF MAY 31, 2021, IS EXPECTED TO INCREASE THE CAPACITY OF MAJOR FACILITIES OVER THE NEXT TWELVE MONTHS AS FOLLOWS:

Site Locations	Wells and Pumping Equipment Gallons per Day
Easthampton	1,500,000
Smithtown	1,000,000
Shelter Island	200,000
TOTAL	2,700,000

HISTORICAL REVENUE AND OPERATING EXPENSES

REVENUES, OPERATING & MAINTENANCE EXPENSE

The revenues, operating and maintenance expenses, and the resulting net revenues of the Authority for the five most recent fiscal years ended May 31, 2017 through fiscal year ending 2021 are set forth in the following table. After provision for the stated debt service charges, the remaining revenues are available for new construction and for the corporate purposes of the Authority. The table sets forth the application of the revenues of the Water System in accordance with the provisions of the Resolution. For a discussion of the Authority's 2021 fiscal year results, see "Management's Discussion & Analysis" in the Authority's audited financial statements.

HISTORICAL FINANCIAL DATA:

(000's omitted)

	2021 (Audited)	2020 (Audited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Operating Revenue					
Residential & Commercial	\$ 208,962	\$ 173,686	\$ 148,437	\$ 143,185	\$ 149,577
Public & Private Fire Protection	8,407	8,317	8,409	8,171	8,205
Public Authority & Water Districts	7,355	6,349	6,956	6,256	6,643
Miscellaneous	22,962	20,653	25,904	21,379	19,691
Total Operating Revenue	\$ 247,686	\$ 209,005	\$ 189,706	\$ 178,991	\$ 184,116
Other Revenue	\$ 12,361	\$ 34,533	\$ 14,093	\$ 14,736	\$ 20,694
Total Revenue	\$ 260,047	\$ 243,538	\$ 203,799	\$ 193,727	\$ 204,810
Operating & Maintenance Expenses:					
Operations	\$ 98,969	\$ 98,416	\$ 92,328	\$ 97,812	\$ 98,411
Maintenance	36,649	34,421	32,042	31,134	29,820
Total Operating & Maintenance Expenses	\$ 135,618	\$ 132,837	\$ 124,370	\$ 128,946	\$ 128,231
Net Revenues Before Debt Service	\$ 124,429	\$ 110,701	\$ 79,429	\$ 64,781	\$ 76,579
Debt Service:					
Interest on Bonds & Notes	\$ 32,677	\$ 32,803	\$ 30,819	\$ 27,881	\$ 28,863
Principal of Bonds	6,597	4,025	4,097	4,212	5,617
Total Debt Service	\$ 39,274	\$ 36,828	\$ 34,916	\$ 32,093	\$ 34,480
Available for New Construction Fund, General Fund and General Corporate Purposes	\$ 85,155	\$ 73,873	\$ 44,513	\$ 32,688	\$ 42,099
Total Debt Service Coverage	3.17	3.01	2.27	2.02	2.22

WATER RATES

The Authority covenants that it will furnish no free service by the Water System to any person, firm or corporation, public or private. The Authority has a uniform water rate schedule for all residential, commercial, industrial, and certain public users for approximately 96% of its service area. The rest of its service territory has different rate schedules. The Authority engages with third party consultants to independently assess the appropriateness of the rate schedule. Upon the recommendation of the CFO, the Authority subsequently adopted certain changes in the rate schedules for the Water System, with current rates as set forth in the table below. Copies of the Authority's Rules and Regulations setting forth all of its present rate schedules are available for inspections, upon request, during regular business hours at the offices of the Authority. These schedules are also available on the Authority's website, www.SCWA.com.

GENERAL RATES

Service Classification No. 1 Quarterly ¹	Service Classification No. 1A Monthly ¹
Service Charge - \$30.57	Service Charge - \$10.19
Tier I	
Commodity Charge \$1.661/hundred cubic ft. ("CCF") or \$2.220/thousand gallons	Commodity Charge \$1.661/hundred cubic ft. ("CCF") or \$2.220/thousand gallons
Tier II ²	
Conservation Rate \$2.398/hundred cubic ft. ("CCF") or \$3.202/thousand gallons	Conservation Rate \$2.398/hundred cubic ft. ("CCF") or \$3.202/thousand gallons

¹ Rates reflected in this table are effective June 1, 2022; figures in thousand gallons are converted

² Customers are subject to the Conservation Rate if they exceed a certain utilization threshold as determined by quarterly/monthly consumption and meter size. See www.SCWA.com for threshold information.

Service Classification No. 1 relates to residential, commercial, and industrial customers (other than those who consume large volumes of water). Service Classification No. 1A relates to customers who consume large volumes of water.

Service Classification No.1B relates to water provided on a wholesale basis to municipal water systems within Suffolk County. Effective January 1, 2022, the following municipal water systems are provided water at the wholesale rate: Village of Greenport, St. James Water District, and Smithtown Water District are billed at the rate of \$1.695 per one thousand gallons, an increase from \$1.622 per one thousand gallons, payable monthly. Service Classification No. 1C relates to water provided on a stand-by wholesale basis to private water utilities interconnected with the Authority's service facilities, provided adequate capacity is available. The rate applicable to such service includes a service charge of \$5.40 per gallon per minute (GPM) of delivery capability, as determined by the Authority, but not less than 500 GPM and \$802 per one million gallons, payable monthly.

In addition, there is also a separate rate schedule for customers on Fire Island. The Authority has been acquiring various water systems on Fire Island since 1994. For the most part, these systems had unmetered flat rates based on various factors including number of rooms in the premise or water-using devices. Over time, meters were installed, and a rate structure created, including an annual minimum and consumption charge. In connection with the aforementioned rate study, effective June 1, 2022 the Authority will increase the annual minimum from \$243.96 to \$255.55 and the consumption rate from \$2.206 per CCF to \$2.311 per CCF.

Effective June 1, 2022, the commodity charge for Service Classification No. 1 and 1A will increase from \$1.586 to \$1.661 per CCF. Previous rate increases occurred in each of the fiscal years from 2013 through 2019, with no rate increase in 2020. The general rate quarterly service charge for Service Classification No. 1 will increase from \$29.17 to \$30.57 and in the monthly service charge for Service Classification No. 1A will increase from \$9.72 to \$10.19, effective June 1, 2022.

Effective April 1, 2019, the Authority established a second tier, or "Conservation Rate". Customers who exceed a specified utilization threshold, as determined by quarterly/monthly consumption and meter size, will be subject to a higher rate. Effective June 1, 2022, the Conservation Rate increased from \$2.289 per CCF to \$2.398 per CCF.

The Authority's financial division analyzes pertinent information and prepares applicable reports and forecasts for the purpose of evaluating water rates and service classifications. When appropriate, recommendations are made to adjust the rates charged by the Authority to remain in compliance with the Rate Covenant established under the Resolution.

The minimum bill is charged to each of the Authority's customers in advance and any excess consumption is billed following the end of the period of service. Bills are rendered for the net amount and are payable within fifteen days after presentation. A late charge of one and one-half percent (1.5%) per month is applied to all outstanding water bills rendered in excess of 45 days.

Sales to the preceding classifications of consumers are made only on a metered basis, except in the case of private fire lines for sprinkler lines.

Rates for fire protection, for the most part, include rentals for public hydrant service, which are billed semi-annually following the period of service. The Authority's system-wide uniform rate schedule for public fire protection service is \$160.20 per hydrant per annum, effective July 1, 1994. The rate schedule for the private Shorewood service area has been consolidated into the system-wide uniform Private Hydrant Rate schedule. The category Private Hydrant Rates was extracted from the system-wide uniform rate schedule and an increase in the rate from \$226.20 to \$235.25 per hydrant per annum became effective April 1, 2019.

As security for the payment of its bills, the Authority generally requires a deposit from each new commercial customer. The amount of the deposit required from a commercial user varies according to the nature and size of the establishment. The Authority may on occasion require, primarily from rental tenants, deposits from residential customers.

MISSION

“We pledge to provide the customers of Suffolk County Water Authority safe, pure, and constantly tested drinking water at the lowest possible cost with exemplary customer service”

PROFILE

The Suffolk County Water Authority is a self-supporting, public benefit corporation operating under the authority of the Public Authorities Law of the State of New York. It is without taxing power and operates as a business enterprise. It is neither an agency of New York State nor Suffolk County government.

The majority of revenues the Suffolk County Water Authority receives is obtained from the sale of water to its customers. SCWA is non-profit: all revenue received must be used for operating expenses, constructions costs, and paying outstanding debts.

