

**WATER AUTHORITY
OF
WESTERN NASSAU COUNTY**

DRAFT OPERATING PLAN

FINANCIAL FORECAST

FISCAL YEAR JUNE 2017 - MAY 2018

**PROJECTION OF REVENUES, EXPENSES
AND REQUIRED RATE RELIEF**

**Water Authority of Western Nassau County
Draft Operating Plan
Fiscal Year June 2017 - May 2018**

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Water Authority of Western Nassau County
 Summary of Revenue Requirement
 Fiscal Year
 2017 - 18

	Tariffs Projected	Rate Subsidy	Op Plan 2017 - 18	Rate Change *	Op Plan 2017 - 18	Op Plan 2016 - 17	Variance Before Increase	Percent Increase
Operating Revenues:								
Residential Water Sales	\$12,234,300		\$12,234,300	\$306,399	\$12,540,699	\$12,228,490	\$5,810	2.50%
Commercial Water Sales	3,363,100		3,363,100	84,227	3,447,327	3,126,470	236,630	2.50%
Municipal Hydrant Rentals	2,276,400		2,276,400	57,011	2,333,411	2,276,400		2.50%
Commercial Fire Sprinklers	174,200		174,200	4,363	178,563	171,140	3,060	2.50%
Water Sales	18,048,000		18,048,000	452,000	18,500,000	17,802,500	245,500	2.50%
Other Revenue	87,500	236,000	323,500		323,500	74,500	249,000	
Rate Stabilization Contribution *				(452,000)	(452,000)	500,000	(500,000)	
Total Revenues	18,135,500	236,000	18,371,500		18,371,500	18,377,000	(5,500)	
Operating Expenses:								
Operations & Maintenance	9,289,640		9,289,640		9,289,640	9,138,010	151,630	
Amortization of Plant	2,220,000		2,220,000		2,220,000	1,980,000	240,000	
Total Operating Expenses	11,509,640		11,509,640		11,509,640	11,118,010	391,630	
Total Utility Operating Margin	6,625,860	236,000	6,861,860		6,861,860	7,258,990	(397,130)	
Interest Charges & Other:								
Interest on Bonds	4,954,900		4,954,900		4,954,900	5,061,800	(106,900)	
Amortization of Debt Expense	(344,100)		(344,100)		(344,100)	(344,100)		
Transfer From Rate Fund								
Less: Interest & Other Income	(767,200)		(767,200)		(767,200)	(673,200)	(94,000)	
Net Interest Charges	3,843,600		3,843,600		3,843,600	4,044,500	(200,900)	
Surplus (Deficit)	\$2,782,260	\$236,000	\$3,018,260		\$3,018,260	\$3,214,490	(\$196,230)	
Debt Coverage Ratio	1.311		1.390		1.390	1.350		
Required Change in Rates				\$452,000	\$452,000	\$1,530,000		
Required Change in Revenue		\$236,000			\$236,000	\$2,030,000		
Percentage Rate Change				2.50%	2.50%	9.40%		
Rate Stabilization Contribution *				-2.50%	-2.50%	3.07%		
Average Residential Bill					\$471	\$459		
Average Commercial Bill					\$1,896	\$1,850		

* NOTE: A \$452,000 CONTRIBUTION IS BEING MADE TO OUR RATE STABILIZATION FUND.

**Water Authority of Western Nassau County
Draft Operating Plan
Debt Coverage Ratio
2017 - 18**

	Operating Plan Current Rates	Operating Plan Adjustments (b)	Operating Plan Rate Change	Operating Plan 2016 - 17
Total Utility Operating Margin	\$6,625,860	\$236,000	\$6,861,860	\$7,258,990
Add:				
(a) Non-cash Items	2,220,000	350,000	2,570,000	1,980,000
Interest & Other Income	767,200		767,200	673,200
Total Available for Coverage	9,613,060	586,000	10,199,060	9,912,190
Debt Service:				
Interest on Revenue Bonds	4,954,900		4,954,900	5,061,800
Principle on Revenue Bonds	2,380,000		2,380,000	2,280,000
Net Debt Service	\$7,334,900		\$7,334,900	\$7,341,800
Ratio	1.31	1.39	1.39	1.35

(a) Non-cash items are added back to Utility Operating Income and has no effect on the Debt Coverage Ratio.

(b) Adjustment required to reach 1.35 Coverage Ratio

Water Authority of Western Nassau County
Draft Operating Plan
2017 - 18

Proposed Plan vs. Prior Operating Plan Total Operation & Maintenance Expenses	Projected 2017 - 18	Op Plan 2016 - 17	Change
Supervisory Salaries	\$1,380,240	\$1,181,120	\$199,120
Non Supervisory Salaries	2,305,480	2,338,410	(32,930)
Payroll Overheads	2,071,390	1,934,010	137,380
Transportation	284,430	284,670	(240)
Materials & Stores	43,500	42,700	800
Tools & Equipment including Uniforms	40,670	55,410	(14,740)
Laboratory Charges	102,000	100,000	2,000
Chemicals	216,000	230,000	(14,000)
Production Contractors	109,350	193,990	(84,640)
T & D Contractors	120,600	111,800	8,800
Billing and Inserting Contractor	72,000	70,010	1,990
Special Services	254,400	196,800	57,600
Purchased Power	1,257,600	1,348,000	(90,400)
Building & Yard Maintenance	12,350	11,070	1,280
Various Training and Education	18,720	23,600	(4,880)
Uncollectibles	17,600	15,800	1,800
Insurance Costs	313,920	304,150	9,770
General Office Supplies & Expenses	115,200	110,400	4,800
Information Systems	211,900	212,700	(800)
Administrative Costs	45,420	38,400	7,020
Central Operations Office	164,450	157,100	7,350
Production Miscellaneous	42,500	45,750	(3,250)
T & D Miscellaneous	62,920	102,120	(39,200)
Customer Service Miscellaneous	27,000	30,000	(3,000)
Total Summary by Functional Cost	\$9,289,640	\$9,138,010	\$151,630

**Water Authority of Western Nassau County
Draft Operating Plan
2017 - 18**

Proposed Plan vs. Prior Operating Plan	Projected	Op Plan	
Production Expenses	2017 - 18	2016 - 17	Change
(Source of Supply, Pumping and Water Treatment Expenses)			
Supervisory Salaries	\$454,300	\$401,700	\$52,600
Non Supervisory Salaries	765,720	728,620	37,100
Payroll Overheads - Production	685,650	621,120	64,530
Transportation	138,540	134,390	4,150
Materials	100	2,700	(2,600)
Tools & Equipment including Uniforms	21,660	27,170	(5,510)
Laboratory Charges	102,000	100,000	2,000
Chemicals	216,000	230,000	(14,000)
Contractors:			
Pump Repairs & Maintenance	80,700	83,350	(2,650)
Structures and Improvements		84,990	(84,990)
Water Treatment	16,400	16,400	
VOC Towers Maintenance	12,250	9,250	3,000
Purchased Power	1,257,600	1,348,000	(90,400)
Snow Removal & Ground Maintenance	10,350	9,070	1,280
Miscellaneous Voucher Purchases:			
Pumping Equipment	27,500	29,500	(2,000)
Structures & Improvements	15,000	15,000	
Water Treatment Supplies		1,250	(1,250)
Total Production Expenses	\$3,803,770	\$3,842,510	(\$38,740)

**Water Authority of Western Nassau County
Draft Operating Plan
2017 - 18**

Proposed Plan vs. Prior Operating Plan Transmission & Distribution Expenses	Projected 2017 - 18	Op Plan 2016 - 17	Change
Supervisory Salaries	\$178,300	\$153,910	\$24,390
Non Supervisory Salaries	893,740	901,930	(8,190)
Payroll Overheads - T & D	602,500	580,190	22,310
Transportation	118,730	123,360	(4,630)
Materials	43,400	40,000	3,400
Tools & Equipment including Uniforms	15,070	22,970	(7,900)
Contractor Charges:			
Paving Contractors	59,600	53,800	5,800
Mark Out Contractors	61,000	58,000	3,000
Carting Refuse From Station 44	7,500	7,500	
Engineering Services	20,000	20,000	
Miscellaneous Voucher Purchases:			
Removing & Resetting Meters	2,300	2,000	300
Boring Samples	2,000	2,000	
T & D - Maintenance			
Mains	31,250	57,300	(26,050)
Services	18,670	28,420	(9,750)
Hydrants	1,200	4,900	(3,700)
Total Transmission & Distribution Expenses	\$2,055,260	\$2,056,280	(\$1,020)

Water Authority of Western Nassau County
Draft Operating Plan
2017 - 18

Proposed Plan vs. Prior Operating Plan	Projected	Op Plan	Change
Customer Service Expenses	2017 - 18	2016 - 17	
Supervisory Salaries - Office	\$182,110	\$123,870	\$58,240
Non Supervisory Salaries	444,670	558,480	(113,810)
Payroll Overheads - Customer Service	352,250	374,960	(22,710)
Transportation	18,100	19,420	(1,320)
Materials			
Tools & Equipment including Uniforms	2,990	4,470	(1,480)
Information Systems:			
MUPS Software Maintenance & Support	121,800	121,000	800
Info Systems Equipment Maintenance	83,500	82,400	1,100
Miscellaneous Data Processing Costs	6,600	9,300	(2,700)
Uncollectibles	17,600	15,800	1,800
Billing and Inserting Contractor	72,000	70,010	1,990
Annual Water Supply Statement	10,200	10,100	100
Rights & Responsibility Brochure			
Customer Outreach	5,000	5,000	
Miscellaneous Voucher Purchases:			
Meter Reading	5,500	6,900	(1,400)
Billing & Accounting	21,500	23,100	(1,600)
Total Customer Service Expenses	\$1,343,820	\$1,424,810	(\$80,990)

**Water Authority of Western Nassau County
Draft Operating Plan
2017 - 18**

Proposed Plan vs. Prior Operating Plan Administrative & General Expenses	Projected 2017 - 18	Op Plan 2016 - 17	Change
Supervisory Salaries	\$530,120	\$466,930	\$63,190
Chairman Salary	35,410	34,710	700
Non Supervisory Salaries	201,350	149,380	51,970
Payroll Overheads - Administrative	430,990	357,740	73,250
Transportation	9,060	7,500	1,560
Tools & Equipment including Uniforms Materials	950	800	150
Legal Services	175,000	125,000	50,000
Investment Consultant	7,500		7,500
Audit & Actuarial Fees	36,700	36,700	
General Liability Insurance	232,050	223,140	8,910
Property Insurance	81,870	81,010	860
Building & Yard Maintenance	2,000	2,000	
Central Operations Office:			
Lease Payments			
Property Taxes			
Office Repairs & Lease Requirements			
Electric & Heating	116,050	115,500	550
Cleaning Service	20,200	20,400	(200)
Carting Refuse Costs	3,300	3,300	
HVAC Maintenance Contract	22,400	15,400	7,000
Fire Inspections	1,200	1,200	
Pest Control	1,300	1,300	
Administrative Voucher Charges:			
Various Training and Education	8,420	13,300	(4,880)
Industry Related Conferences/Meetings	10,300	10,300	
Telephone Charges	75,500	70,700	4,800
Office Postage	17,000	17,000	
Office Machine Supplies/Expense	22,700	22,700	
Dues, Memberships & Licenses	13,590	13,790	(200)
Public/Legal Notices	9,100	7,700	1,400
Bond Trustee Fees	8,700	8,700	
Employee Programs	8,630	5,610	3,020
Miscellaneous Administrative	5,400	2,600	2,800
Total Administrative & General Expenses	\$2,086,790	\$1,814,410	\$272,380

Water Authority of Western Nassau County
Draft Operating Plan
2017 - 18

Comparison to Prior Fiscal Year Total Operation & Maintenance Expenses	Projected 2017 - 18	Actual FY 2016	Change
Supervisory Salaries	\$1,380,240	\$1,126,539	\$253,701
Non Supervisory Salaries	2,305,480	2,243,385	62,095
Payroll Overheads	2,071,390	1,775,409	295,981
Transportation	284,430	263,473	20,957
Materials & Stores	43,500	96,302	(52,802)
Tools & Equipment including Uniforms	40,670	52,052	(11,382)
Laboratory Charges	102,000	105,648	(3,648)
Chemicals	216,000	290,710	(74,710)
Production Contractors	109,350	1,670	107,680
T & D Contractors	120,600	198,476	(77,876)
Billing and Inserting Contractor	72,000	65,406	6,594
Special Services	254,400	193,164	61,236
Purchased Power	1,257,600	1,198,568	59,032
Building & Yard Maintenance	12,350	82,134	(69,784)
Various Training and Education	18,720	330	18,390
Uncollectibles	17,600	25,188	(7,588)
Insurance Costs	313,920	329,122	(15,202)
General Office Supplies & Expenses	115,200	113,982	1,218
Information Systems	211,900	117,717	94,183
Administrative Costs	45,420	27,137	18,283
Central Operations Office	164,450	256,950	(92,500)
Production Miscellaneous	42,500	21,189	21,311
T & D Miscellaneous	62,920	18,348	44,572
Customer Service Miscellaneous	27,000	25,130	1,870
Total Summary by Functional Cost	\$9,289,640	\$8,628,029	\$661,611

APPENDIX A

**Water Authority of Western Nassau County
Draft Operating Plan
2017 - 18**

Breakdown of Required Revenue by Element

<u>Category</u>	<u>Fiscal Year 2017 - 18</u>	<u>Fiscal Year 2016 - 17</u>	<u>Change</u>
Operating Revenues:	\$18,371,500	\$18,377,000	(\$5,500)
Operation & Maintenance Expenses:			
Labor	3,685,720	3,519,530	166,190
Employee Benefits	2,071,390	1,934,010	137,380
Power	1,257,600	1,348,000	(90,400)
Office Operations	491,550	480,200	11,350
Transportation, Tools & Materials	380,950	393,850	(12,900)
Chemicals	216,000	230,000	(14,000)
Insurance	313,920	304,150	9,770
Contractors	658,350	672,600	(14,250)
Other O&M	214,160	255,670	(41,510)
Total Operation & Maintenance	9,289,640	9,138,010	151,630
Financing Activity			
Interest & Other Income	767,200	673,200	94,000
Debt Requirements:			
Interest Expense	4,954,900	5,061,800	(106,900)
Principal Repayment	2,380,000	2,280,000	100,000
Total Debt Service	7,334,900	7,341,800	(6,900)
Required Return on Debt	2,864,160	2,570,390	293,770
Required Debt Coverage	10,199,060	9,912,190	286,870
Total Revenue Before Adjustments	18,721,500	18,377,000	344,500
Revenue Adjustments	(350,000)	(5,500)	(344,500)
Total Revenue Required	\$18,371,500	\$18,371,500	

APPENDIX B

**Water Authority of Western Nassau County
Draft Operating Plan
2017 - 18**

Summary of Change in Revenue Requirement

Change in Water Service Revenues		
Water Revenue per last Operating Plan	\$17,802,500	
Water Revenues Projected per Tariffs	<u>18,048,000</u>	
Change in Water Service Revenues	245,500	
Change in Miscellaneous Revenue	<u>249,000</u>	
	494,500	
Revenue Change by Category		
Change in Residential Revenue	5,810	
Change in Commercial Revenue	236,630	
Change in Other Revenue	<u>(247,940)</u>	
Change in Revenues	(5,500)	
Change in Revenue Requirement		
Additional Revenue due to Revenue Forecast	5,500	0.03%
Additional Revenue due to Operating Activity	151,630	0.84%
Additional Revenue due to Financing Activity	<u>(157,130)</u>	<u>-0.87%</u>
Revenue Shortfall		
Change in Rate Stabilization	<u>452,000</u>	<u>2.50%</u>
Required Rate Increase	<u>\$452,000</u>	<u>2.50%</u>

WATER AUTHORITY OF WESTERN NASSAU COUNTY
PROPOSED TARIFF RATES
Operating Plan
Summary of Revenue Requirement

	<u>OLD RATES</u> 2014 - 15	<u>NEW RATES</u> 2015 - 16
METER RESIDENTIAL - Service Classification 1		<u>2.50%</u>
METER COMMERCIAL - Service Classification 2		<u>2.50%</u>
Minimum Charge - Quarterly		
5/8"	\$44.38	\$45.49
3/4"	\$66.57	\$68.24
1"	\$110.95	\$113.73
1.5"	\$221.90	\$227.46
2"	\$355.03	\$363.92
3"	\$710.06	\$727.84
4"	\$1,109.48	\$1,137.27
6"	\$2,218.95	\$2,274.52
8"	\$3,550.32	\$3,639.24
Base Rates (per 1,000 gallons)		
For the first 9,000		
For the next 96,000	\$4.060	\$4.162
All over 105,000	\$4.160	\$4.264
Summer Surcharge		

**WATER AUTHORITY OF WESTERN NASSAU COUNTY
PROPOSED TARIFF RATES
Operating Plan
Summary of Revenue Requirement**

PUBLIC FIRE HYDRANTS - Service Classification 3			<u>2.50%</u>	
Quaterly Rate		\$234.00		\$240.00
PRIVATE FIRE SPRINKLERS - Service Classification 4			<u>2.50%</u>	
Quaterly Rate				
2"		\$43.98		\$45.08
2.5"		\$51.47		\$52.76
3"		\$76.37		\$78.28
4"		\$138.08		\$141.54
6"		\$282.13		\$289.20
8"		\$564.14		\$578.27