

Consent Item 2:

Financial Report for the Nine-month Period Ended March 31, 2023

Purpose:

The financial report for the nine-month period ended March 31, 2023, is presented to inform the Board of Directors of OWASA's financial position and financial performance in relation to budget.

Contents:

- Statement of Net Position
- Income Statement
- Graphs of Key Performance Indicators
- Financial Management Policy Report Card

Fiscal Performance:

- As shown on page 10 of the report, all but one of our financial performance measurement targets were met for the period. Based on the FY 2023 budget, our debt service coverage ratio for FY 2023 is projected to be 1.6, below the target of 2.0.
- Average drinking water sales for the period was 5.95 million gallons per day (MGD), 5.91 was projected. Combined drinking and reclaimed water sales for the period averaged 6.53 MGD versus a projection of 6.68 MGD.
- Combined drinking water and sewer services revenue was about \$329,000 greater than budget.
- Total income was under budget by 0.7% or about \$222,000 less than the budget.
- Total operating expenses for the period were 8.5% or about \$1.7 million less than the budget.
 - General and administrative expenses were under budget by 6.5% or about \$443,000. The largest variance is in professional services and is due to the timing of projects.
 - Water supply and treatment department expenses were under budget by 8.9% or about \$422,000. Position vacancies and maintenance expense made up most of the variance. Chemicals expense was overbudget by \$14,000.
 - Water distribution expenses were under budget by 19.2% or about \$516,000. Position vacancies and maintenance expenses made up most of the variance.

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- Wastewater treatment expenses were under budget by 7.4% or about \$336,000. Most of the variance was due to maintenance expenses. Chemicals expense was overbudget by about \$47,000.
- Wastewater collection expenses were close to the amount projected at 1.7% or about \$19,300 over budget.

Net Income less Debt Service for the period was approximately \$1.5 million greater than budget. OWASA is a nonprofit entity. Net Income less Debt Service is used to fund investments in capital improvement projects and reserves.

Capital Improvements Program (CIP) Summary

Throughout the first three quarters of FY 2023, approximately \$10.5 million (48% of the planned CIP budget) was invested in 60 active capital projects to rehabilitate, replace or improve various components of OWASA's water and wastewater infrastructure, most notably:

- water mains along West Cameron Avenue and Oakwood Drive
- water mains adjacent to the Jones Ferry Road Water Treatment Plant
- mixing, electrical, and controls improvements to a fermentation tank at the Mason Farm Wastewater Treatment Plant
- pipe and manhole rehabilitation throughout the wastewater collection system
- gravity sewer line rehabilitation and replacement along East Main Street
- gravity sewer line replacement east of Martin Luther King Jr Boulevard near Grove Park Apartments
- permanganate facility at University Lake
- solids handling improvements at the Water Treatment Plant
- gravity sewer interceptor repair and rehabilitation along Morgan Creek
- preliminary engineering related to transmission and intake design, permitting, governance and program management for the Jordan Lake Water Supply project through the Western Intake Partnership

Total Fiscal Year 2023 CIP spending is expected to be approximately 77% of budget. With the exception of sewer rehabilitation contracts, the progress of most of the larger construction projects was slow to get started in the earlier portion of the fiscal year. Material procurement and permitting has continued to delay contractor progress for both distribution and collection system work as well as treatment plant projects. CIP has expedited projects, where possible, to make up for delays caused by supply chain impacts, material availability and contractor delays. As the fiscal year continues and additional projects get underway or move into new phases, the projection will continue to be refined.

Action Requested:

Receive and review the financial report.