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# WATER UTILITY: FINANCIAL STATUS UPDATE

FINANCE COMMITTEE

NOVEMBER 26-2019



# DISCUSSION OVERVIEW

## 2018 Yearend Update

1. 2018 Financials
2. 2018 Borrowing
3. PSC Rate Case: Recent Rate Increase & Future Increases
4. Update on Property Sales
5. Financial System Conversion

## Reporting Moving Forward

1. Development of Key Performance Indicators and Reporting



# 2018 YEAREND UPDATE



## 2018 FINANCIAL STATUS

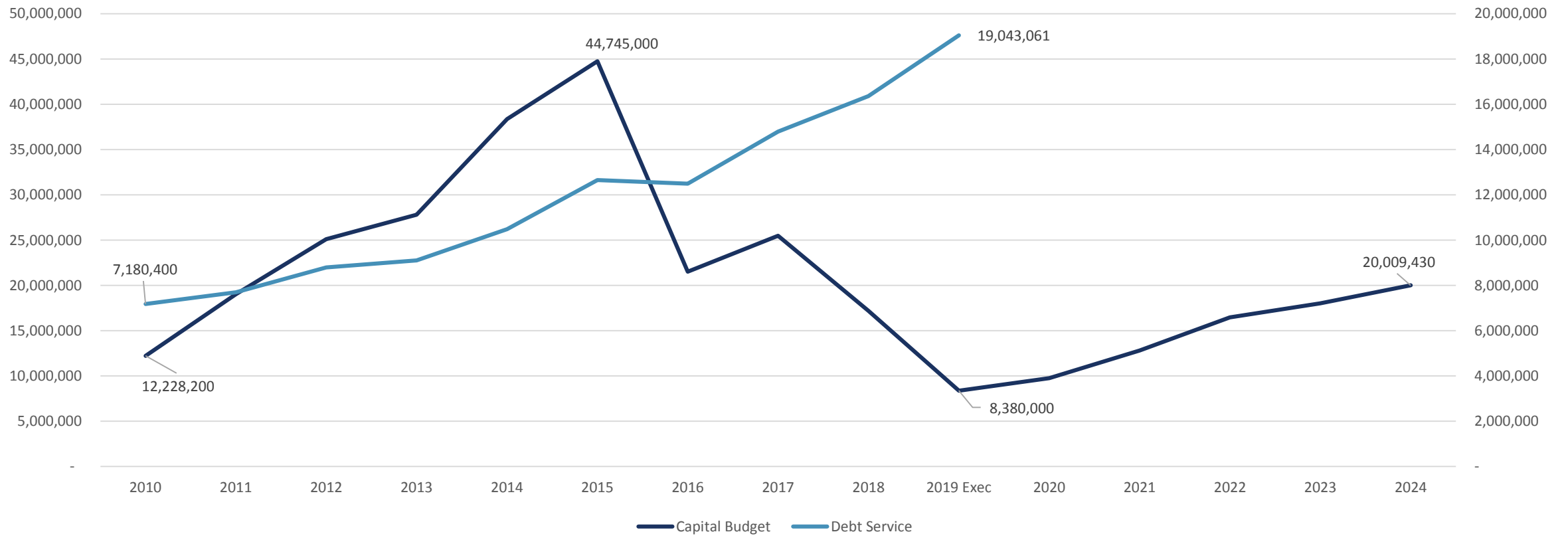
- Water Utility finished 2017 with a \$6.1 million shortfall in cash necessary to maintain required debt service reserve levels.
  - Higher than anticipated costs due to painting of three water towers and unforeseen timing of debt service payment for 2016 borrowing.
  - Revenues short of estimates due to delay in PSC rate case submittal and approval, as well as lower consumption due to wet summer.
  - A loan from City's General Fund filled the gap on a short-term basis.
- Water Utility anticipates an additional cash shortfall of \$2.1 million in 2018 due to delay in PSC rate approval to November. 2018 taxable borrowing will address this shortfall and leave an anticipated \$900,000 cash surplus at the end of 2018.
- The 2018 Water Utility projected expenses are \$1.6 million lower than 2018 budget. These savings were realized through reductions to Purchased Services & Supplies along with increased billings associated with generating the Municipal Services Bill

## 2018 BORROWING

- Debt sale scheduled for December 4<sup>th</sup>
- \$30.8 million tax-exempt 20 year bonds to finance capital projects.
  - 2017 projects -- \$7.7 million (remaining projects not funded by 2016 borrowing – includes Unit Well 31 -- \$3.8 million; Blackhawk Tower -- \$1.3 million; streets projects \$1.1 million)
  - 2018 projects -- \$14.0 million (includes Monroe Street -- \$3.9 million; CTH M / Midtown Rd -- \$1.4 million; other streets projects -- \$5.6 million).
  - 2019 projects – \$8.4 million (includes Buckeye Road -- \$1.3 million; CTH M / Pleasant View Rd -- \$0.7 million; other streets projects \$5.7 million) – all projects included in adopted 2019 capital budget.
- \$9.0 million taxable 10 year promissory notes for operating needs.
  - \$6.1 million to repay 2017 general fund financing.
  - \$2.1 million to meet 2018 cash needs in advance of PSC rate approval.

# WATER UTILITY CAPITAL TRENDS

Water Utility Capital Budget & Debt Service Trends



## PSC RATE CASE

- 30.6% rate increase – covers 2016-2018; adds \$10 million in new revenue.
- Cost overruns on certain capital projects “disallowed” and excluded from asset base for rate of return and PILOT calculations.
- Separately, PSC allowed a higher rate of return level that provided sufficient revenue to maintain minimum debt service coverage, pay debt service and meet planned obligations.
- Water Utility will be making periodic status reports to PSC.

## FUTURE RATE INCREASE SCHEDULE

- Based on adopted 2019 Capital Improvement Plan, along with the Water Utility's ten-year capital plan, annual rate increases of between 3% and 5% will be needed, beginning in 2020.
- Water Utility's forecast model includes the following:
  - Rate Increases – 2020 – 2023 – 3%; 2024-2027 – 5%
  - Cash Balances – low of \$20,000 in 2019; high of \$3.9 million in 2023
  - Operating and Maintenance Reserve – growing from \$150,000 in 2018 to \$2 million in 2027.
  - Debt Service Coverage (minimum is 1.25x) – 1.04x in 2018; maintain at least 1.26x through 2027.
- Water Utility developing timeline and requested a rate application for 2020 rate increase on November 12, 2018.



# PROPERTY SALES: STATUS UPDATE

- Nine properties are targeted for sale between Q4 2018 and Q4 2019
- Q4 2018 Properties:
  - 3821 Savannah Rd
    - 0.23 acres
    - Direct sale to abutting owner Ho-Chunk
  - 14 S. Paterson St.
    - 0.24 acres
    - Direct sale to abutting owner for assemblage
    - Appraised value \$380,000

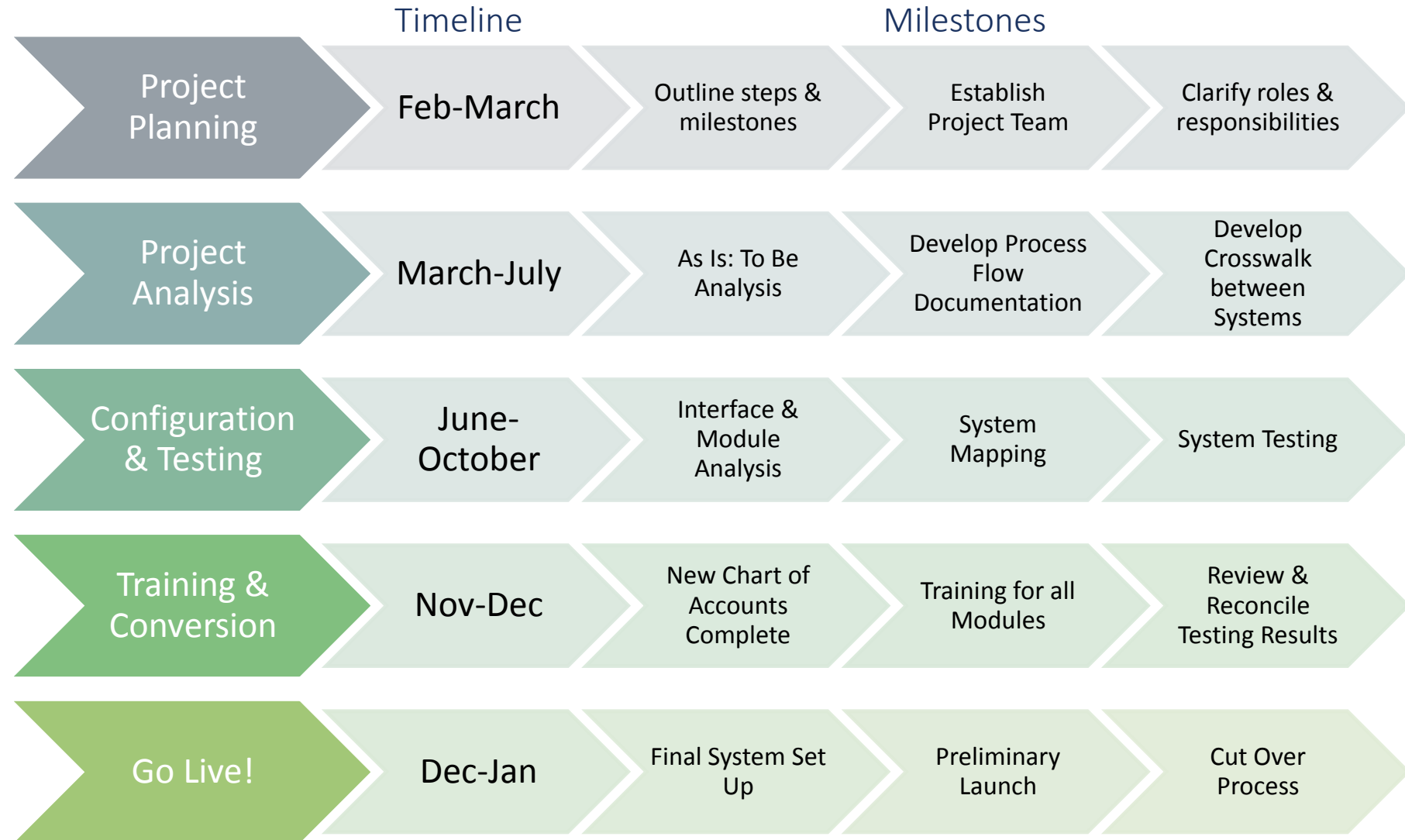
# FINANCIAL SYSTEM CONVERSION

## Goal

- Manage Water's finances within 1 system of record to improve data quality & timeliness
- Eliminate duplication of effort-entering same data in 2 systems

## Background

- Project planning & implementation has taken 1 year to complete
- Project was completed in 5 phases





# FINANCIAL REPORTING: MOVING FORWARD



# FINANCIAL REPORTING: MOVING FORWARD

- The Water Utility has worked with the Finance Department to develop a set of financial & operational Key Performance Indicators (KPI)
- Using financial & operational metrics intended to tell full story of what's happening within the Utility
- Measures prioritized based on importance and data availability
- When reporting each KPI will include:
  - Why it's important
  - What the data is telling us

