

Water Fund (Operating)

PRIMARY SERVICES

- Treatment and Distribution of Safe Drinking Water
- Repair and Maintenance of the Distribution System
- Customer Billing and Service Activities
- Systems Planning Activities - System Modeling

FINANCIAL SUMMARY

	Actual		Projected		
	FY2013	FY2014	FY2015	FY2016	FY2017
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Water Sales	\$ 22.3	\$ 20.9	\$ 22.6	\$ 23.4	\$ 24.4
Connection Charges	1.1	1.3	1.2	1.2	1.3
Operating Transfers	2.2	1.4	1.4	2.6	1.4
All Other	4.2	1.3	0.7	1.0	0.9
Total Revenue	\$ 29.7	\$ 24.9	\$ 25.8	\$ 28.2	\$ 28.0
<i>Expense:</i>					
Field Operations	\$ 2.9	\$ 3.4	\$ 4.2	\$ 3.9	\$ 3.9
Water Treatment Plant	6.9	6.8	7.7	7.7	7.8
Depreciation	3.1	3.1	3.2	3.3	3.4
Customer Service	1.1	1.1	1.2	1.2	1.2
Debt Service	1.9	1.4	1.6	1.3	1.1
Safety Service Fee	0.8	0.9	0.9	0.9	1.0
All Other	5.3	2.1	6.7	3.2	3.1
Total Expense	\$ 22.0	\$ 18.7	\$ 25.5	\$ 21.4	\$ 21.4
Net Operating	\$ 7.7	\$ 6.2	\$ 0.3	\$ 6.8	\$ 6.7
Memo:					
Debt Coverage Ratio (min 1.25)	2.6	2.7	2.3	2.3	1.6
Revenue Requirement Increase per plan	3.3%	3.5%	3.8%	4.3%	4.3%
Capital Projects/Equipment	\$ 6.1	\$ 7.0	\$ 5.3	\$ 12.7	\$ 7.9
Unrestricted Fund balance (net position)	\$ 12.2	\$ 17.2	\$ 17.5	\$ 24.4	\$ 31.0

OBSERVATIONS ABOUT ABOVE FINANCIALS:

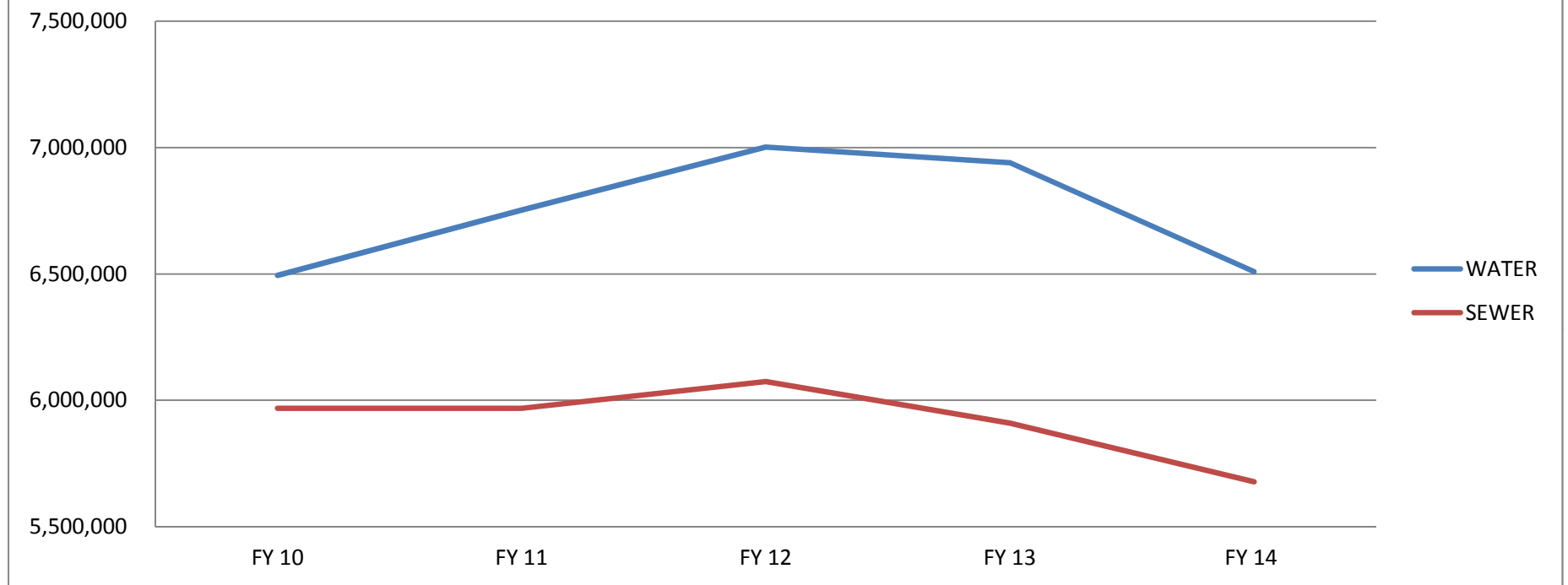
- FY14 had low volume reflected in sales. Future years assumes normal usage patterns.
- FY16 Operating Transfer includes one-time return of fund balances from the Project Mgmt and Fleet funds.
- Ongoing Debt Service expense, excluding one-time items, is approximately \$1.3
- FY14 Field Operations includes 1 time appropriation for severe winter resulting from main breaks.
- FY15 All Other includes the initial expense impact of implementing GASB #68 (pension).
- Annual savings above is planned to pay for capital improvements
- Current Bond Rating is AA-

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

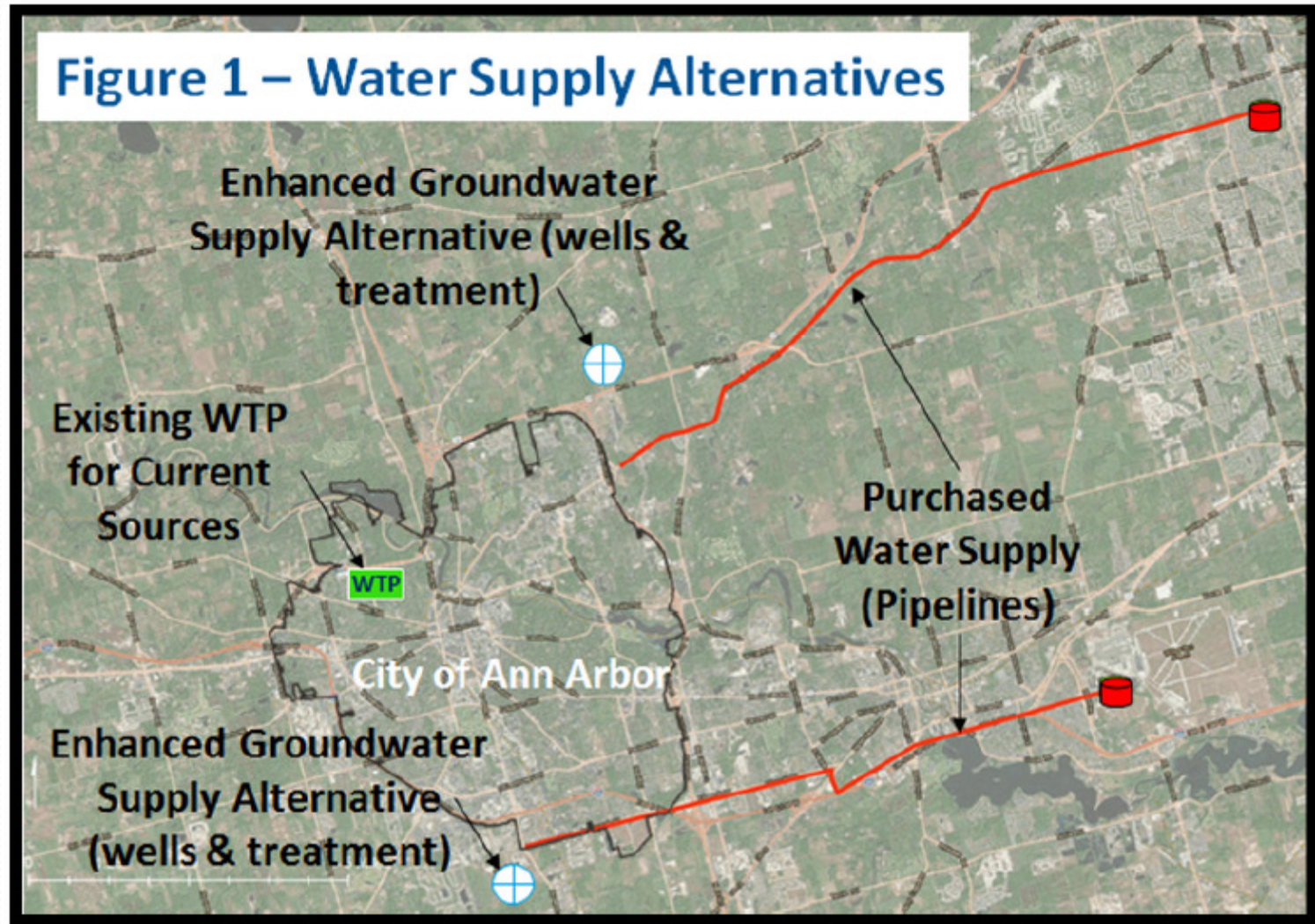
- Projected Revenue Requirement Increases to 3.8% - 4.3% Thru FY 2017. This increase would support the planned capital investments with the exception of Water Plant I replacement.
- Pending Water Plant I Replacement financing plan will be addressed during FY17 budget.
- The above projections include increased maintenance needs due to aging infrastructure.
- If ballot proposal 15-1 passes, matching road reconstruction with water main replacement will be required.

FUND BALANCE (Net Assets)	<u>FY 2014</u>
	(\$ Mils.)
6/30/14 - Total Fund Balance (Net Position)	\$ 87.6
Less:	
Restricted - Capital Assets	(55.9)
Restricted - Equipment Replacement	(10.4)
Restricted - Debt Service	<u>(4.0)</u>
Unrestricted at June 30, 2014	17.3
Less: Obligated - but not yet spent:	
- Yellowstone Water Main Repl	(0.7)
- Duncan Water Main	(0.2)
- Russell/Redemmer/ Rissett Water Main	(0.2)
- Arbor Oaks Water Main Repl	(1.6)
- Springwater Water Main Repl	(0.4)
- Stone School Water Main Repl	(0.7)
- Pontiac Trail Impr	<u>(0.2)</u>
Subtotal	\$ 13.3
Less: Minimum Balance Requirement-25% of Oper Exp	<u>(4.0)</u>
Available Fund Balance	<u>\$ 9.3</u>
<u>Known Risks</u>	
• FY 15 Anticipated Capital	5.3
• FY 16 Anticipated Capital needs	12.7
• FY 17 Anticipated Capital needs	7.9
• Water Plant I Replacement (FY 19-Preliminary)	\$65 - \$85 Mil

UTILITY USAGE TREND



Step 1: A big picture evaluation



Recommendations

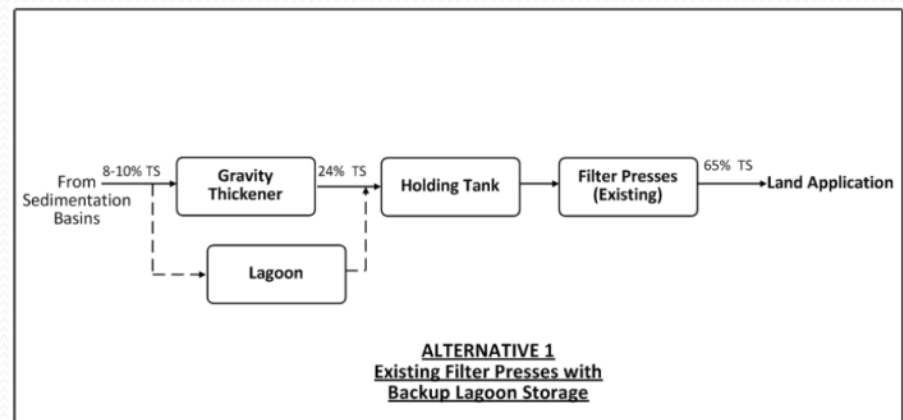


Plant 1 Facilities

- New solids contact clarifiers
- New mixing chamber
- Add'l chemical storage/feed
- Provides 44 to 50 mgd of treatment capacity in new facilities

Solids Handling Facilities

- Continued use of existing equipment
- Partial lagoon clean out for backup capacity



Sewer Fund (Operating)

PRIMARY SERVICES

- Collection, Treatment and Discharge of Sewage
- Repair and Maintenance of the Collection System
- Customer Billing and Service Activities
- Systems Planning Activities - System Modeling

FINANCIAL SUMMARY

	Actual		Projected		
	FY2013	FY2014	FY2015	FY2016	FY2017
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Sewer Sales	\$ 21.0	\$ 21.5	\$ 23.3	\$ 24.8	\$ 26.2
Connection Charges	0.3	0.7	0.2	0.2	0.2
All Other	0.9	1.5	0.5	1.0	0.7
Total Revenue	\$ 22.2	\$ 23.7	\$ 24.0	\$ 26.0	\$ 27.1
<i>Expense:</i>					
Field Operations	\$ 1.6	\$ 1.7	\$ 2.2	\$ 2.3	\$ 2.4
Depreciation	2.4	2.3	3.5	4.4	4.6
Waste Water Treatment Plant	7.5	7.5	8.9	8.9	9.1
Debt Service	2.1	2.3	3.9	3.8	3.8
All Other	2.7	2.2	2.1	2.2	2.2
Total Expense	\$ 16.2	\$ 15.9	\$ 20.6	\$ 21.6	\$ 22.1
Net	\$ 6.0	\$ 7.8	\$ 3.4	\$ 4.4	\$ 4.9
Memo:					
Debt Coverage Ratio (min 1.25)	2.4	3.4	1.8	1.66	1.31
Revenue Requirement Increase per plan	5.0%	5.0%	5.5%	6.0%	6.0%
Unrestricted Fund balance (net position)	\$ 17.8	\$ 20.2	\$ 23.6	\$ 28.0	\$ 32.9

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- Sales assume flat usage with projected rate increase to fund debt service & capital needs.
- Field Operations expense increases primarily from equipment replacement purchases
- Waste water treatment operating expenses increase projected utility & contract increases
- Increase in depreciation reflects completion of the residuals handling project. The new Facility Renovation project is not included until it becomes operational.
- Increase in debt service reflects anticipated debt service for Facility Renovation project and anticipated capital needs.
- Annual savings above is required to pay for capital improvements. Near-term requirements for improvements is listed at the bottom of the Fund Balance box.
- Current Bond Rating is AA+
- Projected Revenue Requirement Decreases to 5.5% - 5.0% Thru FY 2021

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Delivery of the Facilities Renovation Project Currently Underway
- The above projections include increased maintenance needs due to aging infrastructure.
- Resolution to policy concerns surrounding the footing drain disconnect program.
- If ballot proposal 15-1 passes, matching road reconstruction with water main replacement.

FUND BALANCE (Net Assets)	FY 2014
	(\$ Mils.)
6/30/14 - Total Fund Balance (Net Position)	\$ 118.9
Less:	
Restricted - Capital Assets	(83.1)
Restricted - Debt Service	(7.6)
Restricted - Equipment Replacement	(7.9)
Unrestricted at June 30, 2014	20.2
Less: Obligated - but not yet spent:	
- WWTP Secondary Effluent Pump Repl	(1.4)
- Wet Weather Eval	(0.5)
- Pontiac Trail Liberty/Ridgemor & Harvard Sanitary Sew	(1.0)
- Liberty/Ridgemor & Harvard Sanitary Sewer	(0.4)
- Sanitary Sewer Linings	(0.7)
Subtotal	\$ 16.2
Less: Minimum Balance Requirement-25% of Oper Exp	(4.1)
Available Fund Balance	\$ 12.1

Known Risks

- FY 15 Anticipated Capital needs \$10.0 mil.
- FY 16 Anticipated Capital needs \$7.9 mil.
- FY 17 Anticipated Capital needs \$9.0 mil.

Residuals Handling Improvements Project

WWTP

- Engineering

➤ Contract	\$4,225,604
➤ Contingency	\$ 422,000
➤ Budget	\$4,647,604
➤ Amendments	\$ 725,063
➤ Final Cost	\$4,950,667

- Construction

➤ Contract	\$42,444,927
➤ Contingency	\$ 4,244,000
➤ Budget	\$46,688,927
➤ Change Orders	\$ 3,096,679
➤ Final Cost	\$45,541,606

- Combined

➤ Budget	\$51,336,531
➤ Final Cost	\$50,492,273

- Construction Schedule

- Start: February 2009
- Completion: June 2012

- Improvements

- New biosolids management equipment
- Truck loading facility
- Odor control systems
- Rehabilitated infrastructure
- Greater flexibility and efficiency

- ACEC Awards

- MI Engineering Honorable Conceptor Award – 2013
- National Recognition Award - 2013

Facilities Renovations Project - WWTP

- Engineering

- Contract \$ 10,802,423
- Expended \$ 6,260,838

- Construction

- Contract \$ 92,929,000
- Contingency \$ 9,978,874
- Budget \$102,907,874
- Expended \$ 60,267,860
- Change Orders \$ 1,982,317
- Contingency Balance \$ 7,996,557

- Combined

- Budget \$113,710,297
- Expended \$ 66,528,698

- Construction Schedule

- Notice to Proceed – June 2012
- West Plant Start-up – September 2015
- Project Completion – September 2017

- Improvements

- New West Plant, Administration Building, plant-wide electrical distribution system, stand-by electrical generators
- Stormwater BMP's (rain gardens, porous pavement, swales)
- Rehabilitated infrastructure
- Greater reliability and efficiency



Facilities Renovations Project - WWTP

State Revolving Fund

- \$110,305,000 in State Revolving Fund low interest loan; deferred payment schedule
- \$2,592,168 in loan principal forgiveness for green project features
- \$256,153 grant for reimbursement of engineering design fees

Michigan Department of Treasury

- Estimated \$1.5 M savings from sales tax exemption for contractor purchases

Stormwater Fund (Operating)

PRIMARY SERVICES

- Collection and Treatment of Stormwater Runoff
- Repair and Maintenance of the Collection Mains
- Maintain Install Street Tree population

FINANCIAL SUMMARY

	Actual		Projected		
	FY2013	FY2014	FY2015	FY2016	FY2017
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Rate Revenue	\$ 5.6	\$ 6.1	\$ 6.4	\$ 6.8	\$ 7.2
Grants		1.5			
All Other	0.4	0.4	0.2	0.8	0.3
Total Revenue	\$ 6.0	\$ 8.0	\$ 6.6	\$ 7.6	\$ 7.5
<i>Expense:</i>					
Field Operations	\$ 3.0	\$ 2.5	\$ 2.7	\$ 3.0	\$ 2.9
Depreciation	0.3	0.3	0.3	0.3	0.3
Debt Service	0.2	0.2	1.4	1.4	1.8
All Other	2.4	3.7	2.9	1.9	2.0
Total Expense	\$ 5.8	\$ 6.7	\$ 7.3	\$ 6.6	\$ 7.0
Net	\$ 0.2	\$ 1.3	\$ (0.6)	\$ 1.0	\$ 0.5
<i>Memo:</i>					
Revenue Requirement Increase per plan	3.0%	3.0%	4.6%	6.5%	6.5%
Unrestricted Fund balance (net position)	\$ 4.4	\$ 8.6	\$ 8.0	\$ 9.0	\$ 9.5

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- Revenue assumed to increase primarily from increase in rates.
- Rates increases due to Capital Investment projects in CIP and listed in Fund balance box.
- FY16 All Other revenue includes approx. \$0.5 mil. in return of funds from Project Mgmt and Fleet fund.
- FY 2014 includes Grant revenue principal forgiveness.

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Address flooding complaints in specific neighborhoods.
- Continued partnership with County is integral to the City's participation in SRF principal forgiveness.
- The Green Streets policy is driving significant capital investment.
- The above financials do not include the \$1 mil. allocated to Forestry to catch-up on tree removal & pruning.
- Stormwater has a larger unmet capital need in relation to its resources than Water or Sewer.
- Recurring funding for Forestry may be inadequate to provide desired street tree maintenance.
- Current annual rate increases of 6.5% may not address these deficiencies.

FUND BALANCE (Net Assets)FY 2014

(\$ Mils.)

6/30/14 - Total Fund Balance (Net Positon)**\$ 17.4**

Less:

Restricted - Capital Assets

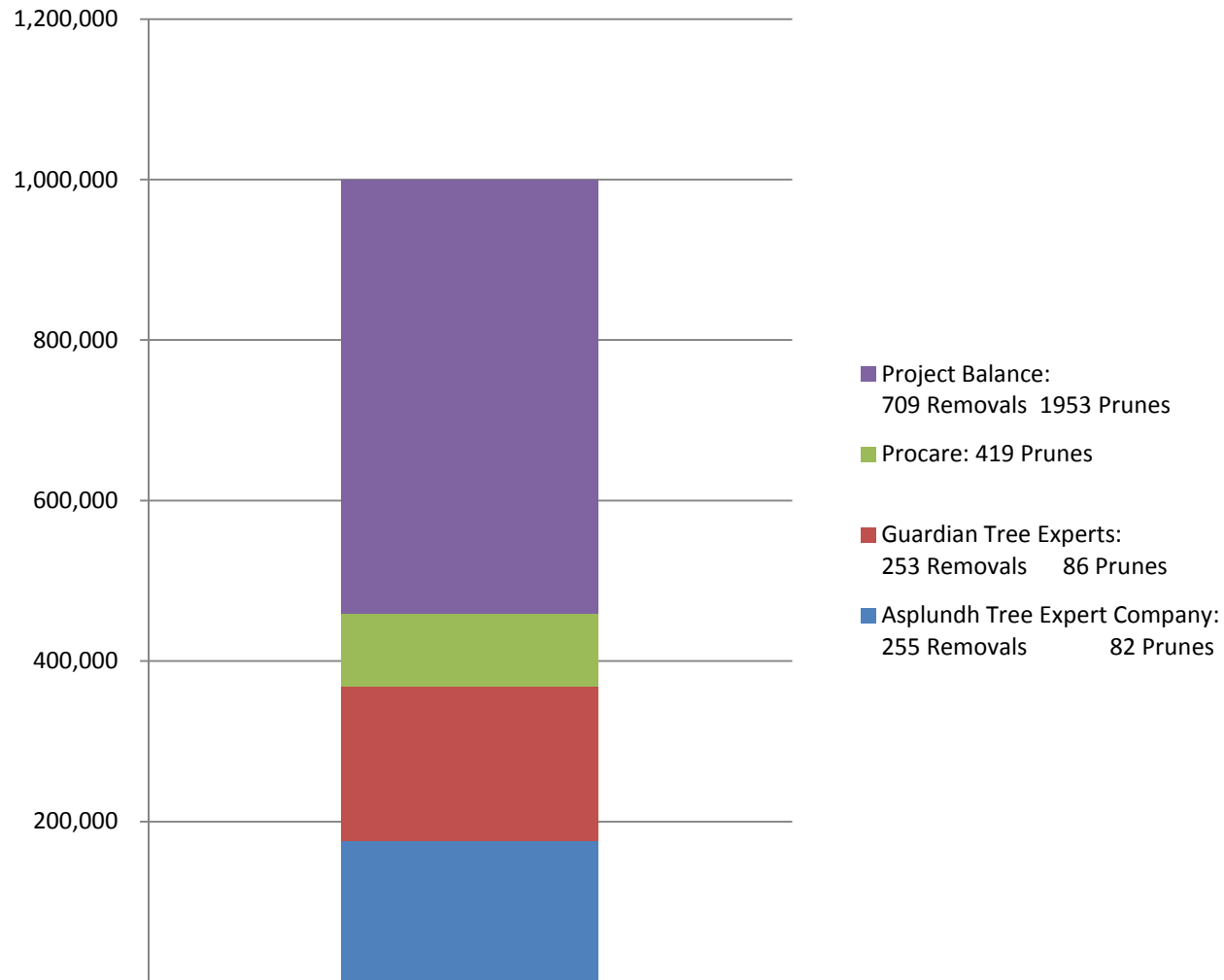
(8.8)**Subtotal****\$ 8.6**

Less: Minimum Balance Requirement-25% of Oper Exp

(1.6)**Available Fund Balance****\$ 7.0**Known Risks

- FY 15 Anticipated Capital needs 1.4
- FY 16 Anticipated Capital needs 1.5
- FY 17 Anticipated Capital needs 1.2
- FY 18 Anticipated Capital needs 4.2

Tree Removal/Pruning Project



Tree Planting

- 2013: 1222 tree planted
- 2014: 885 trees planted
- 2015: 1080 trees anticipated to be planted
- This includes both street trees and park trees.

Solid Waste Fund

PRIMARY SERVICES

- Collection of Solid Waste
- Residential and Commercial Recycling (Material Recovery)
- Compost Collection
- Responsible for Waste/Recycling Transfer station
- Landfill Maintenance

FINANCIAL SUMMARY

	Actual		Projected		
	FY2013	FY2014	FY2015	FY2016	FY2017
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Solid Waste Millage	\$ 11.1	\$ 11.5	\$ 11.8	\$ 11.9	\$ 12.2
Recycling Processing Credit	0.5	0.5	0.5	0.5	0.6
Waste Collection - Commercial	2.1	2.2	1.8	1.9	2.0
All Other	0.3	1.0	0.9	1.9	0.9
Total Revenue	\$ 14.0	\$ 15.2	\$ 15.0	\$ 16.2	\$ 15.7
<i>Expense:</i>					
Waste	\$ 5.3	\$ 5.6	\$ 6.5	\$ 6.5	\$ 6.5
Material Recovery	3.5	3.7	3.9	4.7	4.3
Compost	1.2	1.1	1.2	0.9	0.9
Depreciation	0.6	0.6	0.8	0.8	0.8
All Other	4.4	2.2	2.4	2.4	2.4
Total Expense	\$ 14.9	\$ 13.2	\$ 14.7	\$ 15.3	\$ 14.9
Net	\$ (0.9)	\$ 2.0	\$ 0.3	\$ 0.9	\$ 0.7
<i>Memo:</i>					
FY 16 Non-recurring - Revenue				\$ 0.9	
Recurring Net	\$ (0.9)	\$ 2.0	\$ 0.3	\$ 0.1	\$ 0.7
Unrestricted Fund balance (net position)	\$ 11.7	\$ 14.2	\$ 14.5	\$ 15.4	\$ 16.1

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- FY15 Waste Collection - Commercial reflects a one-time change in billing periods.
- FY15 All Other revenue includes \$1 mil. in returned monies from Project Mgmt/Fleet funds.
- Increased Waste costs are due to higher vendor contract rates & facility/equipment repairs.
- Material Recovery expense includes potential \$1 mil. facility/equipment repair.
- FY 13 All Other expense includes \$2.0 expense in Landfill Liability.
- Compost projections reflect normal volumes and quality of materials.

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Long-term revenues do not support expansion of programs.
- Waste Mgmt landfill contract (tip fees) expires FY18. Anticipate significant increase (\$1 mil).
- Resolution to contract management issues with the MRF/Transfer station.
- Solid Waste Plan envisions an expansion of the food waste program.
- Expansion of multi-families utilization of existing recycling program

FUND BALANCE (Net Position)	FY 2014
	(\$ Mils.)
6/30/14 - Total Fund Balance (Net Position)	\$ 29.4
Less:	
Restricted - Capital Assets	(14.8)
Restricted - Capital Repair & Replacement Fund	(0.3)
Restricted - Landfill reserve	(0.2)
Unrestricted at June 30, 2014	14.2
<u>FY 16 Planned Capital:</u>	
• Landfill Plume Remediation/Action Plan	(0.3)
• Natural Gas Fueling Installation	(0.3)
• Wheeler P.U.D. Sidewalk Installation	(0.8)
• Methane Gas Recovery Project	(1.5)
• Container Storage Building	(1.2)
• Termination of Dead End Streets-Truck Turn-around	(0.2)
Subtotal	9.8
Less: Minimum Balance Requirement-25% of Oper Exp	(1.9)
Available Fund Balance	\$ 7.9

Fleet

PRIMARY SERVICES

- The Maintenance and Repair of the City's Fleet
- Procurement of Fuel
- Plan and Procure Replacement Vehicles

FINANCIAL SUMMARY

	Actual		Projected		
	FY2013	FY2014	FY2015	FY2016	FY2017
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Fleet Rates to City Units	\$ 6.9	\$ 7.0	\$ 7.6	\$ 7.8	\$ 7.8
All Other	0.4	0.4	0.3	1.7	0.2
Total Revenue	\$ 7.3	\$ 7.4	\$ 7.9	\$ 9.5	\$ 8.0
<i>Expense:</i>					
Operations	\$ 5.2	\$ 5.9	\$ 3.7	\$ 5.6	\$ 3.8
Fuel	0.9	1.2	1.1	1.2	1.3
Capital	4.5	3.6	4.5	2.7	2.1
Total Expense	\$ 10.6	\$ 10.7	\$ 9.4	\$ 9.5	\$ 7.2
Net	\$ (3.3)	\$ (3.3)	\$ (1.5)	\$ 0.0	\$ 0.8
<i>Memo:</i>					
Less: Vehicle Purchases	\$ (4.5)	\$ (3.6)	\$ (4.5)	\$ (2.7)	\$ (2.1)
Change in Net Assets (per CAFR)	\$ 1.2	\$ 0.3	\$ 3.0	\$ 2.7	\$ 2.9
Unrestricted Fund balance (net assets)	\$ 15.5	\$ 15.8	\$ 14.3	\$ 14.3	\$ 15.1

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- Fleet fund is designed to save money each year for replacement of equipment. Long-term it is a break-even operation.
- FY 16 includes the return of \$2.0 M from operating underruns and changes to replacement schedules
- FY 16 includes the \$.5M for fuel system upgrades

CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Some replacement vehicles cost more than planned. Service Unit will incur supplemental charge.
- Succession planning for management of this operation.
- City's fleet of CNG vehicles is overwhelming private fuel stations capacity.

FUND BALANCE (Net Assets)	<u>FY 2014</u>
	(\$ Mils.)
6/30/14 - Total Fund Balance (Net Assets)	\$ 15.8
Less:	
Invested in Capital Assets	(8.4)
Equipment Replacement Reserve	<u>(3.7)</u>
Subtotal Available Fund Balance	\$ 3.7
Less:	
Minimum Balance Requirement (25% non-capital exp)	(1.3)
FY 16 Return of Unrestricted Fund Balance to Users	(2.0)
FY 16 Replacement of Fuel Management System	(0.2)
FY 16 Fleet Share of Compressed Natural Gas Fueling Static	<u>(0.2)</u>
Available Fund Balance	<u>\$ 0.0</u>