

## Water Fund (Operating)

### PRIMARY SERVICES

- Supply, 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		
	FY2017	FY2018	FY2019	FY2020	FY2021
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Water Sales	\$ 24.4	\$ 23.9	\$ 24.3	\$ 25.3	\$ 26.4
Capital Recovery Charges	1.1	1.6	1.2	1.3	1.3
Operating Transfers	2.1	2.3	1.4	2.2	1.9
All Other	1.2	1.6	1.8	1.8	1.7
Total Revenue	\$ 28.7	\$ 29.5	\$ 28.8	\$ 30.6	\$ 31.4
<i>Expense:</i>					
Distribution System	\$ 4.1	\$ 3.9	\$ 4.4	\$ 4.4	\$ 4.5
Water Treatment Plant	6.9	8.0	8.2	8.0	8.1
Depreciation	3.8	4.2	3.9	4.3	4.4
Customer Service	1.0	1.1	1.2	1.1	1.1
Debt Service	0.8	0.9	0.8	0.7	0.7
Safety Service Fee	0.8	0.7	0.4	0.4	0.4
All Other	3.3	10.5	5.0	5.3	5.2
Total Expense	\$ 20.7	\$ 29.2	\$ 23.8	\$ 24.1	\$ 24.4
<b>Net</b>	<b>\$ 8.0</b>	<b>\$ 0.3</b>	<b>\$ 5.0</b>	<b>\$ 6.5</b>	<b>\$ 7.0</b>
<b>Memo:</b>					
Debt Coverage Ratio (min 1.25)	3.3	3.1	2.7	3.4	2.5
Revenue Requirement Increase per plan	5.5%	6.8%	0.0%	6.0%	6.0%
Capital Projects/Equipment	\$ 5.8	\$ 6.7	\$ 10.3	\$ 12.0	\$ 7.5
Unrestricted Fund balance (net position)	\$ 21.9	\$ 15.4	\$ 10.1	\$ 4.6	\$ 4.1

### OBSERVATIONS ABOUT ABOVE FINANCIALS:

- Current Bond Rating is AA
- FY18 Included Other Post Employment Benefits of \$7.0 Mil in "All Other" Expenses, ongoing annual expense is est. \$2.2 Mil. per year in "All Other" Expenses for this (\$1.8 Mil.) and Change in Pension Liabilities (\$0.6 Mil). Budgeting started in FY20.
- Issuance of bonds are anticipated for capital projects starting in FY21.
- Additional \$800k used from fund balance for the carbon change out at the Water Plant in FY19.

### CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Projected Revenue Requirement Increases to 6% Thru FY 2024. This increase would support the planned capital investments and 1938 Pre-treatment Basin Renovation.
- No rate increase was approved mid-year FY2019, so FY2020 6% rate increase may be increased
- The above projections include increased maintenance needs due to aging infrastructure.
- Regulatory issues related to water quality are increasing recurring operating costs

<b>FUND BALANCE (Net Assets)</b>	<u>FY 2018</u>
	(\$ Mils.)
<b>6/30/18 - Total Fund Balance (Net Position)</b>	<b>\$ 106.9</b>
Less:	
Restricted - Capital Assets	(76.5)
Restricted - Equipment Replacement	(11.7)
Restricted - Debt Service	<u>(3.2)</u>
<b>Unrestricted at June 30, 2018</b>	<b>15.4</b>
Less: Minimum Balance Requirement-25% of Oper Exp	<u>(4.8)</u>
<b>Available Fund Balance</b>	<b><u>\$ 10.7</u></b>

Known Risks

- FY 19 Total Anticipated Capital needs \$ 10.3 Mil.
- FY 20 Total Anticipated Capital needs \$ 12.0 Mil.
- FY 21 Total Anticipated Capital needs \$ 7.5 Mil.
- Water Plant I Replacement (FY 19-Preliminary) \$90 Mil