

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		
	FY2014	FY2015	FY2016	FY2017	FY2018
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Water Sales	\$ 20.9	20.1	\$ 21.0	\$ 22.2	\$ 23.8
Connection Charges	1.3	2.0	1.8	1.3	1.3
Operating Transfers	1.4	2.2	3.0	1.4	1.5
All Other	1.3	5.1	1.1	1.1	1.1
Total Revenue	\$ 24.9	\$ 29.4	\$ 26.8	\$ 26.0	\$ 27.7
<i>Expense:</i>					
Field Operations	\$ 3.4	3.9	\$ 4.0	\$ 4.2	\$ 4.3
Water Treatment Plant	6.8	6.8	7.4	7.7	7.9
Depreciation	3.1	3.3	3.2	3.4	3.5
Customer Service	1.1	1.2	1.2	1.0	1.0
Debt Service	1.4	1.2	1.3	1.1	1.0
Safety Service Fee	0.9	0.9	0.8	0.8	0.7
All Other	2.1	4.3	3.1	3.3	3.5
Total Expense	\$ 18.7	\$ 21.6	\$ 21.0	\$ 21.5	\$ 21.9
Net Operating	\$ 6.2	\$ 7.8	\$ 5.8	\$ 4.5	\$ 5.8
<i>Memo:</i>					
Debt Coverage Ratio (min 1.25)	2.7	2.5	2.4	2.0	2.4
Revenue Requirement Increase per plan	3.5%	4.2%	4.2%	5.5%	7.5%
Capital Projects/Equipment	\$ 7.0	\$ 7.0	\$ 9.0	\$ 8.8	\$ 10.6
Unrestricted Fund balance (net position)	\$ 17.2	\$ 18.6	\$ 15.4	\$ 11.1	\$ 6.3

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- FY 15 Other Revenue includes Capital Contribution from Scio Township for West High Project.
- FY16 Operating Transfer includes one-time return of fund balances from the Project Mgmt, Fleet and Risk funds.
- 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 5.5% - 7.5% Thru FY 2017. This increase would support the planned capital investments and Plant 1 Replacement.
- The above projections include increased maintenance needs due to aging infrastructure.

FUND BALANCE (Net Assets)	<u>FY 2015</u>
	(\$ Mils.)
6/30/15 - Total Fund Balance (Net Position)	\$ 92.3
Less:	
Restricted - Capital Assets	(59.4)
Restricted - Equipment Replacement	(10.5)
Restricted - Debt Service	(3.8)
Unrestricted at June 30, 2015	18.6
Less: Obligated - but not yet spent:	
- FY 16 Anticipated Use of Fund Balance	(3.2)
Subtotal	\$ 15.4
Less: Minimum Balance Requirement-25% of Oper Exp	(4.0)
Available Fund Balance	\$ 11.4
<u>Known Risks</u>	
• FY 16 Total Anticipated Capital needs	9.0
• FY 17 Total Anticipated Capital needs	8.8
• FY 18 Total Anticipated Capital needs	10.6
• Water Plant I Replacement (FY 19-Preliminary)	\$65 - \$85 Mil

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		
	FY2014	FY2015	FY2016	FY2017	FY2018
	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)	(\$ Mil.)
<i>Revenue:</i>					
Sewer Sales	\$ 21.5	21.3	\$ 22.8	\$ 24.1	\$ 25.2
Connection Charges	0.7	0.5	0.9	0.5	0.5
All Other	1.5	1.2	1.4	0.7	0.9
Total Revenue	\$ 23.7	\$ 23.0	\$ 25.1	\$ 25.3	\$ 26.6
<i>Expense:</i>					
Field Operations	\$ 1.7	1.9	\$ 2.6	\$ 2.3	\$ 2.4
Depreciation	2.3	2.3	3.4	3.5	3.6
Waste Water Treatment Plant	7.5	7.4	8.3	9.0	9.3
Debt Service	2.3	3.1	3.8	3.7	3.3
All Other	2.2	4.6	2.9	3.2	3.2
Total Expense	\$ 15.9	\$ 19.3	\$ 21.0	\$ 21.7	\$ 21.8
Net	\$ 7.8	\$ 3.7	\$ 4.1	\$ 3.6	\$ 4.8
Memo:					
Debt Coverage Ratio (min 1.25)	3.4	2.3	1.6	1.3	1.4
Revenue Requirement Increase per plan	5.0%	6.0%	6.0%	6.0%	5.5%
Capital Projects/Equipment		\$ 2.8	\$ 11.5	\$ 5.5	\$ 5.5
Unrestricted Fund balance (net position)	\$ 20.2	\$ 16.5	\$ 9.1	\$ 7.2	\$ 6.5

OBSERVATIONS ABOUT ABOVE FINANCIALS:

- Sales assume flat usage with projected rate increase to fund debt service & capital needs.
- FY 15 All Other Expenses reflects the expensing of project costs that could not be capitalized
- 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 est FY 19.
- Increase in debt service reflects anticipated debt service for capital needs.
- Annual savings above is required to pay for capital improvements.
- Current Bond Rating is AA+

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.

FUND BALANCE (Net Assets)	<u>FY 2015</u>
	(\$ Mils.)
6/30/15 - Total Fund Balance (Net Position)	\$ 119.7
Less:	
Restricted - Capital Assets	(85.4)
Restricted - Debt Service	(9.2)
Restricted - Equipment Replacement	(8.6)
Unrestricted at June 30, 2015	16.5
Less: Obligated - but not yet spent:	
- FY 16 Anticipated Use of Fund Balance	(7.4)
Subtotal	\$ 9.1
Less: Minimum Balance Requirement-25% of Oper Exp	(4.1)
Available Fund Balance	\$ 5.0
<u>Known Risks</u>	
<ul style="list-style-type: none"> • FY 16 Anticipated Capital needs \$11.5 mil. • FY 17 Anticipated Capital needs \$8.4 mil. • FY 18 Anticipated Capital needs \$10.3 mil. 	