

## 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       |               |
|--|---------------|---------------|---------------|-----------------|---------------|
|  | FY2015        | FY2016        | FY2017        | FY2018          | FY2019        |
|  | (\$ Mil.)     | (\$ Mil.)     | (\$ Mil.)     | (\$ Mil.)       | (\$ Mil.)     |
| <i>Revenue:</i>                          |               |               |               |                 |               |
| Water Sales                              | \$ 20.1       | 21.57         | \$ 24.4       | \$ 23.7         | \$ 25.1       |
| Capital Recovery Charges                 | 2.0           | 1.9           | 1.1           | 1.8             | 1.3           |
| Operating Transfers                      | 2.2           | 3.9           | 2.1           | 1.4             | 1.4           |
| All Other                                | 5.1           | 0.9           | 1.2           | 1.0             | 1.2           |
| Total Revenue                            | \$ 29.4       | \$ 28.3       | \$ 28.7       | \$ 27.9         | \$ 29.0       |
| <i>Expense:</i>                          |               |               |               |                 |               |
| Public Works                             | \$ 3.9        | 3.6           | \$ 4.1        | \$ 4.1          | \$ 4.3        |
| Water Treatment Plant                    | 6.8           | 6.7           | 6.9           | 7.1             | 7.2           |
| Depreciation                             | 3.3           | 3.7           | 3.8           | 3.8             | 3.9           |
| Customer Service                         | 1.2           | 1.1           | 1.0           | 1.1             | 1.2           |
| Debt Service                             | 1.2           | 0.9           | 0.8           | 0.9             | 0.8           |
| Safety Service Fee                       | 0.9           | 0.9           | 0.8           | 0.7             | 0.4           |
| All Other                                | 4.3           | 5.1           | 3.3           | 10.5            | 4.3           |
| Total Expense                            | \$ 21.6       | \$ 22.0       | \$ 20.7       | \$ 28.3         | \$ 22.0       |
| <b>Net Operating</b>                     | <b>\$ 7.8</b> | <b>\$ 6.3</b> | <b>\$ 8.0</b> | <b>\$ (0.4)</b> | <b>\$ 7.0</b> |
| <b>Memo:</b>                             |               |               |               |                 |               |
| Debt Coverage Ratio (min 1.25)           | 2.5           | 2.5           | 3.3           | 3.8             | 2.9           |
| Revenue Requirement Increase per plan    | 3.8%          | 4.3%          | 5.5%          | 6.8%            | 6.0%          |
| Capital Projects/Equipment               | \$ 5.1        | \$ 8.8        | \$ 5.8        | \$ 7.6          | \$ 11.0       |
| Unrestricted Fund balance (net position) | \$ 18.6       | \$ 19.7       | \$ 21.9       | \$ 21.5         | \$ 28.6       |

### OBSERVATIONS ABOUT ABOVE FINANCIALS:

- FY16 Operating Transfer includes one-time return of fund balances from the Project Mgmt, Fleet, and Risk funds
- Current Bond Rating is AA
- FY18 Other Expense includes Other Post Employment Benefits of est. \$7 Mil., ongoing annual expense is est. \$1.2 Mil. per year
- FY19 Other expense includes Other Post Employment Benefits of \$1.2 Mil & \$0.3K of GASB Liability

### CHALLENGES/OPPORTUNITIES IN OPERATING THIS BUSINESS

- Projected Revenue Requirement Increases to 6.75% (FY18) and 6.0% (FY19). This increase would support the planned capital investments and 1938 Pre-treatment Basin Renovation.
- The above projections include increased maintenance needs due to aging infrastructure.

| <b>FUND BALANCE (Net Assets)</b>                   | <u>Amount</u>         |
|--|-----------------------|
|  | (\$ Mils.)            |
| <b>6/30/17 - Total Fund Balance (Net Position)</b> | <b>\$ 106.6</b>       |
| Less:  |                       |
| Restricted - Capital Assets                        | (70.1)                |
| Restricted - Equipment Replacement                 | (11.1)                |
| Restricted - Debt Service                          | <u>(3.5)</u>          |
| <b>Unrestricted at June 30, 2017</b>               | <b>21.9</b>           |
| Less: Minimum Balance Requirement-25% of Oper Exp  | <u>(5.5)</u>          |
| <b>Available Fund Balance</b>                      | <b><u>\$ 16.4</u></b> |
| <u>Significant Upcoming Events</u>                 |                       |
| • Water Plant I Replacement (FY 19-Planning Phase) | \$90 Mil              |