



Village of Kronenwetter, WI
2023 Sewer Rate Study
Phase 1: Long-Range Cash Flow Analysis

August 1, 2023 Utility Committee Meeting

Why are we here?

- Sewer Utility experiencing higher O&M expenses and planning for capital investment
- Ehlers to identify fiscal sustainability
- Our Process
 - ✓ Historical Rate Performance
 - ✓ Future Projections
 - O&M, Depreciation, and PILOT
 - Funding Project(s): Debt vs. Cash
 - ✓ Rate Impact

Sewer Rates Historical Implementation

- Last sewer rate increase went into effect on in three phases in 2015
- The increase was 15% increase in total to general service and volume:
- February 25, 2015
 - ✓ Base Rate- was \$19.00 now \$19.95
 - ✓ Consumption-was \$2.95 now \$3.09
- March 25, 2015
 - ✓ Base Rate-was \$19.95 now \$20.90
 - ✓ Consumption-was \$3.09 now \$3.24
- April 25, 2015
 - ✓ Base Rate- was \$20.90 now \$21.85
 - ✓ Consumption- was \$3.24 now \$3.39

Sewer: Historical Rate Performance

		Shown with no increase				Est	Est
Component	Description	2018	2019	2020	2021	2022	2023
Cash Basis							
1	Operating and Maintenance	\$460,425	\$548,509	\$557,352	\$460,190	\$540,933	\$635,621
2	Debt	\$0	\$0	\$0	\$0	\$0	\$0
3	Cash Funded Capital	\$10,383	\$0	\$17,629	\$97,591	\$70,750	\$110,000
Less:							
	Other Revenue	\$28,666	\$51,872	\$29,167	\$33,452	\$4,894	\$4,500
	Interest Income	\$11,783	\$15,710	\$11,689	\$7,635	\$7,016	\$21,000
	Revenue Requirement (Costs less Other Income)	\$430,359	\$480,927	\$534,125	\$516,694	\$599,773	\$720,121
	User Rates Revenue	\$600,118	\$594,179	\$655,122	\$664,497	\$660,000	\$660,000
	Rate Adequacy	\$169,759	\$113,252	\$120,997	\$147,803	\$60,227	(\$60,121)
	Rate Adjustment Needed	0.00%	0.00%	0.00%	0.00%	0.00%	9.11%
Utility Basis (PSC)							
1	Operating and Maintenance	\$460,425	\$548,509	\$557,352	\$460,190	\$540,933	\$635,621
2	Depreciation	\$215,317	\$217,691	\$219,926	\$222,261	\$217,957	\$221,070
3	NIRB	\$13,992,288	\$9,531,609	\$9,490,894	\$9,431,103	\$9,219,421	\$9,088,726
	Typical ROI (2%)	\$279,846	\$190,632	\$189,818	\$188,622	\$184,388	\$181,775
Less:							
	Other Revenue	\$28,666	\$51,872	\$29,167	\$33,452	\$4,894	\$4,500
	Interest Income	\$11,783	\$15,710	\$11,689	\$7,635	\$7,016	\$21,000
	Revenue Requirement (Costs less Other Income)	\$915,139	\$889,250	\$926,240	\$829,986	\$931,369	\$1,012,965
	User Rates Revenue	\$600,118	\$594,179	\$655,122	\$664,497	\$660,000	\$660,000
	Rate Adequacy	(\$315,021)	(\$295,071)	(\$271,118)	(\$165,489)	(\$271,369)	(\$352,965)
	Rate Adjustment Needed	52.49%	49.66%	41.38%	24.90%	41.12%	53.48%

Increase in O&M puts pressure on rates

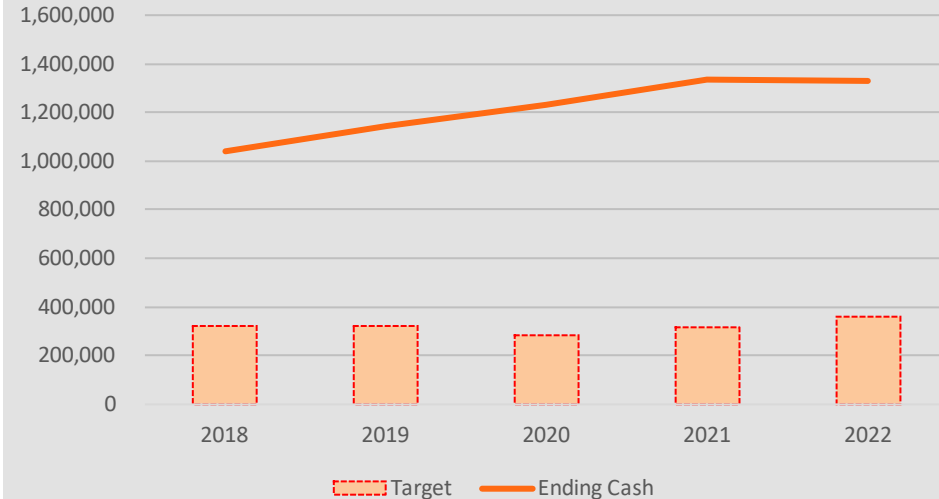
Remove ROR (0) and still not funding depreciation

Let's investigate the history further....

Notes:
^AIncludes recommended debt coverage at 1.1x annual debt payment

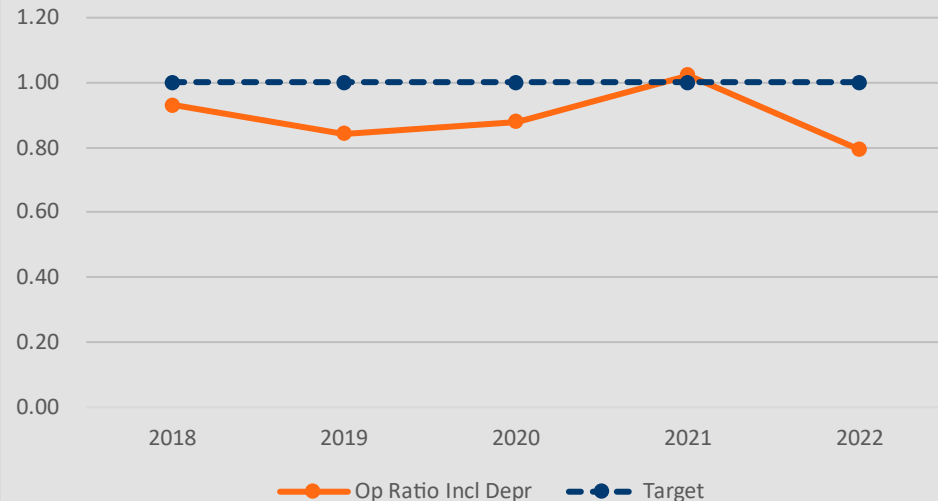
Sewer: Historical Financial Benchmarking

Reserves - Actual vs. Target



- Target 5 mos. O&M incl. Depreciation and 100% of next year's debt payment
- Reserves can fund projected deficits but only for so long

Operating Ratio including Depreciation



- Concerns of aging system if rates not funding depreciation

Future Capital

Projects	Funding	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
Sewer Lift Station Rebuild Program	User Fees	20,000	50,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	550,000
New Lift Station (#12): Design	Cash		50,000									50,000
New Lift Station (#12): Construction	Revenue Debt							1,000,000				1,000,000
Sewer Ordinance and Rate Study	Cash	50,000										50,000
Sewer Interceptor Capacity Review & Design	Cash				140,000							140,000
Water Meter Change Out	Cash	40,000	40,000	40,000								120,000
Water & Sewer GIS System	User Fees		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	450,000
Vac Truck	Revenue Debt			360,000	360,000							720,000
New Storage Building/Garage (heated)	Revenue Debt		340,000									340,000
Actual CIP Costs		110,000	530,000	510,000	610,000	110,000	110,000	1,110,000	110,000	110,000	110,000	3,420,000

Sources of Funding	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
G.O. Debt	0	0	0	0	0	0	0	0	0	0	0
Revenue Debt	0	340,000	360,000	360,000	0	0	1,000,000	0	0	0	2,060,000
Grants/Aids	0	0	0	0	0	0	0	0	0	0	0
Special Assessment	0	0	0	0	0	0	0	0	0	0	0
User Fees/Annual Surplus	20,000	100,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	1,000,000
Tax Levy	0	0	0	0	0	0	0	0	0	0	0
Equipment Replacement Fund	0	0	0	0	0	0	0	0	0	0	0
Cash	90,000	90,000	40,000	140,000	0	0	0	0	0	0	360,000
Total	110,000	530,000	510,000	610,000	110,000	110,000	1,110,000	110,000	110,000	110,000	3,420,000

- Beyond Cash & Annual Surplus listed above proposed debt downsized with cash as depicted on Table 7

Sewer: Future Projection

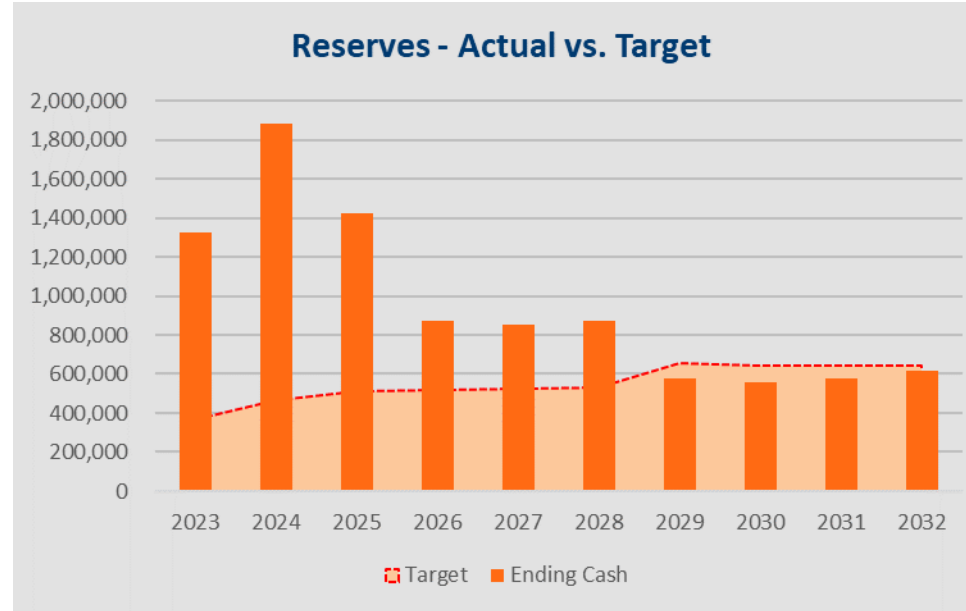
	Budget 2023	2024	2025	2026	2027	Projected 2028	2029	2030	2031	2032
Revenues										
Total Revenues from User Rates ¹	\$660,000	\$712,800	\$769,824	\$831,410	\$872,980	\$916,629	\$962,461	\$1,010,584	\$1,040,901	\$1,072,129
Percent Increase to User Rates	0.00%	8.00%	8.00%	8.00%	5.00%	5.00%	5.00%	5.00%	3.00%	3.00%
Cumulative Percent Rate Increase	0.00%	8.00%	16.64%	25.97%	32.27%	38.88%	45.83%	53.12%	57.71%	62.44%
Dollar Amount Increase to Revenues		\$52,800	\$57,024	\$61,586	\$41,570	\$43,649	\$45,831	\$48,123	\$30,318	\$31,227
Total Other Revenues	\$25,500	\$25,598	\$25,696	\$25,794	\$25,894	\$25,993	\$26,094	\$26,195	\$26,297	\$26,399
Total Revenues	\$685,500	\$738,398	\$795,520	\$857,204	\$898,874	\$942,623	\$988,555	\$1,036,779	\$1,067,198	\$1,098,527
Less: Expenses										
Operating and Maintenance	\$635,621	\$648,333	\$661,300	\$674,526	\$688,017	\$701,777	\$715,812	\$730,129	\$744,731	\$759,626
PILOT Payment	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Net Before Debt Service and Capital Expenditures	\$44,879	\$85,064	\$129,219	\$177,678	\$205,857	\$235,846	\$267,742	\$301,650	\$317,467	\$333,901
Debt Service										
Existing Debt P&I	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New (2023-2032) Debt Service P&I	\$0	\$0	\$82,981	\$116,925	\$113,625	\$110,325	\$107,025	\$213,000	\$188,825	\$182,525
Total Debt Service	\$0	\$0	\$82,981	\$116,925	\$113,625	\$110,325	\$107,025	\$213,000	\$188,825	\$182,525
Transfer In (Out)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Capital Improvements	\$110,000	\$592,163	\$510,000	\$610,000	\$110,000	\$110,000	\$1,167,788	\$110,000	\$110,000	\$110,000
Debt Issued/Grants/Aid	\$0	\$1,065,000	\$0	\$0	\$0	\$0	\$715,000	\$0	\$0	\$0
Net Annual Cash Flow	(\$65,121)	\$557,902	(\$463,762)	(\$549,247)	(\$17,768)	\$15,521	(\$292,070)	(\$21,350)	\$18,642	\$41,376
Restricted and Unrestricted Cash Balance:										
Balance at first of year	\$1,392,455	\$1,327,334	\$1,885,235	\$1,421,474	\$872,227	\$854,459	\$869,980	\$577,910	\$556,560	\$575,201
Net Annual Cash Flow Addition/(subtraction)	(\$65,121)	\$557,902	(\$463,762)	(\$549,247)	(\$17,768)	\$15,521	(\$292,070)	(\$21,350)	\$18,642	\$41,376
Balance at end of year	\$1,327,334	\$1,885,235	\$1,421,474	\$872,227	\$854,459	\$869,980	\$577,910	\$556,560	\$575,201	\$616,578
"All-in"Debt Coverage	N/A	N/A	1.56	1.52	1.81	2.14	2.50	1.42	1.68	1.83

Notes:
1) Assumes no changes in customer count or usage beyond Test Year.
2) Assumes 2.00% annual inflation beyond budget year.

Legend:
Increase depicted to maintain with assumed O&M inflation
Increase needed above inflationary adjustment

Sewer: Future Projection

- Annual surpluses going away
 - ✓ RM Metro Treatment
 - ✓ Salaries
- To fund 3.2M Capital need mix of cash and debt
- Plan uses cash to benchmark adjusts revenues to meet financial obligations



Sewer: Impact on Avg. Res. Bill

Year	Water					Sewer					Utility Bill (Annual)	Change Over Prior Year	% of MHI (84,435)	Year
	Increase	Water Vol. Charge ¹	Water User Charge ²	Utility Bill (Quarterly)	Change Over Prior Year	Increase	Sewer Vol. Charge ³	Sewer User Charge ³	Utility Bill (Quarterly)	Change Over Prior Year				
		<u>Tiered</u>	<u>Serv. + PFP</u>				<u>1,000 Gal</u>	<u>Gen Service</u>						
2022		3.59	29.40	\$ 72.48			3.39	21.85	\$ 62.53		\$ 540.04		0.64%	2022
2023	0.00%	3.59	29.40	\$ 72.48	\$ -	0.00%	3.39	21.85	\$ 62.53	\$ -	\$ 540.04	\$ -	0.64%	2023
2024	0.00%	3.59	29.40	\$ 72.48	\$ -	8.00%	3.66	23.60	\$ 67.53	\$ 5.00	\$ 560.05	\$ 20.01	0.66%	2024
2025	3.00%	3.70	30.28	\$ 74.65	\$ 2.17	8.00%	3.95	25.49	\$ 72.93	\$ 5.40	\$ 590.36	\$ 30.31	0.70%	2025
2026	3.00%	3.81	31.19	\$ 76.89	\$ 2.24	8.00%	4.27	27.52	\$ 78.77	\$ 5.83	\$ 622.66	\$ 32.30	0.74%	2026
2027	3.00%	3.92	32.13	\$ 79.20	\$ 2.31	5.00%	4.48	28.90	\$ 82.71	\$ 3.94	\$ 647.64	\$ 24.98	0.77%	2027
2028	3.00%	4.04	33.09	\$ 81.58	\$ 2.38	5.00%	4.71	30.35	\$ 86.84	\$ 4.14	\$ 673.68	\$ 26.05	0.80%	2028
2029	3.00%	4.16	34.08	\$ 84.02	\$ 2.45	5.00%	4.94	31.86	\$ 91.19	\$ 4.34	\$ 700.84	\$ 27.16	0.83%	2029
2030	3.00%	4.29	35.11	\$ 86.54	\$ 2.52	5.00%	5.19	33.46	\$ 95.75	\$ 4.56	\$ 729.16	\$ 28.32	0.86%	2030
2031	3.00%	4.42	36.16	\$ 89.14	\$ 2.60	3.00%	5.35	34.46	\$ 98.62	\$ 2.87	\$ 751.04	\$ 21.87	0.89%	2031
2032	22.82%	5.42	44.41	\$ 109.49	\$ 20.34	3.00%	5.51	35.49	\$ 101.58	\$ 2.96	\$ 844.25	\$ 93.21	1.00%	2032
Total Change over planning period					\$ 37.01						\$ 39.05	\$ 304.21		

Notes:

1. Current water volumetric rate is \$3.59 per 1,000 Gallons up to the first 15,000 gallons per quarter.
2. The water user charges include a quarterly service charge of \$16.20 plus a public fire protection charge of \$13.20 for a 5/8 inch meter.
3. The current Sewer volumetric rate is \$3.39 per 1,000 gallons and a service charge of \$21.85 for 5/8 inch meter.
4. The usage is assumed to be 12,000 Gallons per quarter.

Recommendations

- Determine timing for rate adjustment(s) (unregulated)
 - ✓ Analysis depicts 1/1/2024 implementation
- Determine customer engagement
- As applicable, move forward with Phase 2 to identify Sewer Rate adjustment by customer class developing fair and equitable rates
 - ✓ % across the board vs. COSS
 - ✓ Category B users
 - ✓ other ratemaking goals (if any)

Questions?
