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Kronenwetter, WI

2025 Sewer Rate Study LRCFA

October 2nd, 2025 Utility Committee

Why are we here?

- Ehlers to identify fiscal sustainability
- Impact of Sewer CIP projects 2026-2030
- Our Process:
  - ✓ Historical Rate Performance
  - ✓ Future Projections
    - ➢ O&M, Depreciation
    - ➢ Funding Project
    - ➢ Rate Impact

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Historical Rate Performance

Component	Revenue Requirement Description	Actual 2021	Actual 2022	Actual 2023	Estimated 2024	Estimated 2025
	Shown with no increase					
Cash Basis						
1	Operating and Maintenance	$460,190	$553,548	$745,712	$975,332	$875,332
2	Debt	$0	$0	$0	$0	$0
3	Cash Funded Capital^	$97,591	$67,761	$55,053	$73,718	$499,000
	Less:					
	Other Revenue	$33,452	$16,394	$26,655	$21,691	$8,881
	Interest Income	$7,635	$7,016	$38,625	$57,199	$35,000
	Revenue Requirement (Costs less Other Income)	$516,694	$597,899	$735,485	$970,161	$1,330,451
	User Rates Revenue	$664,497	$646,727	$719,635	$1,207,564	$1,278,874
	Rate Adequacy	$147,803	$48,828	($15,850)	$237,404	($51,577)
	Rate Adjustment Needed	0.00%	0.00%	2.20%	0.00%	4.03%
Utility Basis (PSC)						
1	Operating and Maintenance	$460,190	$553,548	$745,712	$975,332	$875,332
2	Depreciation	$222,261	$226,167	$230,138	$235,000	$280,000
	NIRB	$9,300,635	$9,199,765	$9,084,936	$8,935,637	$8,941,996
3	Typical ROI (2.5%)	$232,516	$229,994	$227,123	$223,391	$223,550
	Less:					
	Other Revenue	$33,452	$16,394	$26,655	$21,691	$8,881
	Interest Income	$7,635	$7,016	$38,625	$57,199	$35,000
	Revenue Requirement (Costs less Other Income)	$873,880	$986,299	$1,137,693	$1,354,833	$1,335,001
	User Rates Revenue	$664,497	$646,727	$719,635	$1,207,564	$1,278,874
	Rate Adequacy	($209,383)	($339,572)	($418,058)	($147,269)	($56,127)
	Rate Adjustment Needed	31.51%	52.51%	58.09%	12.20%	4.39%

Notes:
^Includes recommended debt coverage at 1.4x annual debt payment

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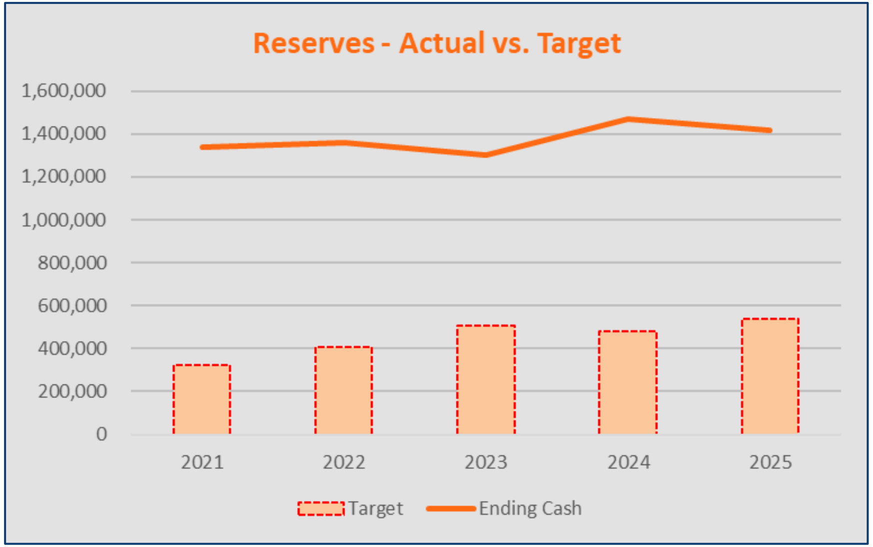
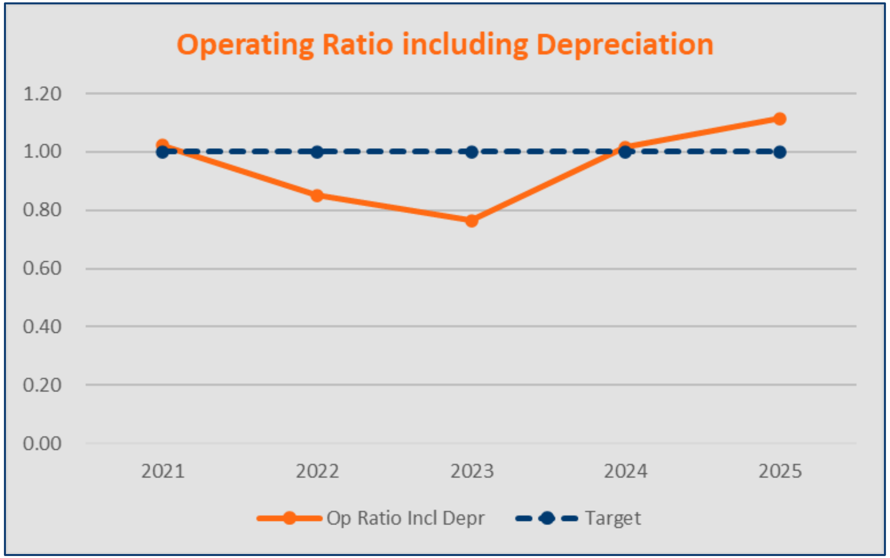
Historical Financial Indicators



Reserve target:
5 months O&M + 1 year debt service



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Historical Cash Position

Opportunity to leverage some cash to fund CIP projects

	Actual				Estimated	Budget
	2021	2022	2023	2024	2025	2026
Target minimum cash balance						
Target minimum working capital - Ehlers[1]	324,881	406,604	504,305	481,388	535,862	654,396
Actual Days Cash Available - PSC[2]	1,061	1,615	1,062	1,071	1,163	1,775
Actual Days Cash Available - Moody's[3]	837	710	343	325	341	718
Target minimum working capital - S&P[4]	837	710	343	325	341	718
Actual working capital-cash balance	1,337,228	1,359,501	1,303,026	1,470,201	1,418,624	2,527,959
Over (Under) Ehlers target	1,012,347	952,897	798,721	988,813	882,762	1,873,563
Over (Under) PSC target (90 days)	971	1,525	972	981	1,073	1,685
Over (Under) Moody's target (150 days)	687	560	193	175	191	568
Over (Under) S&P target (150 days)	687	560	193	175	191	568

Notes:

1) Target capital equals 5 mos of next year's operating expenses, including depreciation, plus 100% of debt.
2) PSC formula = O&M expense + taxes + interest on long term debt ÷ 365 to get expense per day. Then Unrestricted Cash ÷ expense per day
3) Moody's Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation
4) S&P Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation; include designated reserve funds: ERFs, RSFs, etc

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Capital Improvement Plan

- $3.35M in capital projects investment 2026 – 2030
- Mix of revenue debt & cash

Projects	Funding	2026	2027	2028	2029	2030	Totals
Lift Station 3 Removal	Revenue Debt	600,000					*600,000*
Lift Station 1 Generator	Cash	250,000					*250,000*
Village Garage 2 Sewer Bays	Cash	266,666					*266,666*
Lift Station 5 Panel Upgrade & Generator	Cash		300,000				*300,000*
Hoist Truck (if garage exists)	Cash		100,000				*100,000*
Sewer Vacuum Truck (if garage exists)	Revenue Debt		550,000				*550,000*
Replace Plow Truck	Cash		80,000				*80,000*
Lift Station 7 Panel Upgrade & Generator	Revenue Debt			500,000			*500,000*
Lift Station 9 Panel Upgrade	Cash				300,000		*300,000*
Lift Station 10 Removal	Cash					400,000	*400,000*
Actual CIP Costs		**1,116,666**	**1,030,000**	**500,000**	**300,000**	**400,000**	**3,346,666**

Sources of Funding	2026	2027	2028	2029	2030	
G.O. Debt	0	0	0	0	0	*0*
Revenue Debt (2026 Issue)	600,000	550,000	500,000	0	0	*1,650,000*
Grants/Aids	0	0	0	0	0	*0*
Special Assessment	0	0	0	0	0	*0*
User Fees	0	0	0	0	0	*0*
Tax Levy	0	0	0	0	0	*0*
Equipment Replacement Fund	0	0	0	0	0	*0*
Cash	516,666	480,000	0	300,000	400,000	*1,696,666*
Total	**1,116,666**	**1,030,000**	**500,000**	**300,000**	**400,000**	**3,346,666**

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Future Projection

	Budget	Projected								
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenues										
Total Revenues from User Rates[1]	$1,278,874	$1,310,846	$1,343,617	$1,377,207	$1,411,638	$1,446,929	$1,483,102	$1,520,179	$1,558,184	$1,597,138
Percent Increase to User Rates	**0.00%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
Cumulative Percent Rate Increase	**0.00%**	**2.50%**	**5.06%**	**7.69%**	**10.38%**	**13.14%**	**15.97%**	**18.87%**	**21.84%**	**24.89%**
Dollar Amount Increase to Revenues		**$31,972**	**$32,771**	**$33,590**	**$34,430**	**$35,291**	**$36,173**	**$37,078**	**$38,004**	**$38,955**
Total Other Revenues	$17,026	$17,097	$17,168	$17,239	$17,312	$17,385	$17,459	$17,533	$17,609	$17,685
Total Revenues	$1,295,900	$1,327,942	$1,360,785	$1,394,447	$1,428,949	$1,464,313	$1,500,560	$1,537,712	$1,575,792	$1,614,823
Less: Expenses										
Operating and Maintenance[2]	$519,900	$535,497	$551,562	$568,109	$585,152	$602,707	$620,788	$639,411	$658,594	$678,352
Rib Mountain Metro[3]	$460,000	$478,400	$497,536	$517,437	$538,135	$559,660	$582,047	$605,329	$629,542	$654,723
Net Before Debt Service and Capital Expenditures	$316,000	$314,045	$311,687	$308,900	$305,662	$301,946	$297,726	$292,972	$287,657	$281,748
Debt Service										
Existing Debt P&I	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New (2026-2035) Debt Service P&I	$0	$87,542	$173,500	$169,500	$165,500	$166,375	$167,000	$162,500	$158,000	$153,500
Total Debt Service	$0	$87,542	$173,500	$169,500	$165,500	$166,375	$167,000	$162,500	$158,000	$153,500
Transfer In (Out)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Less: Capital Improvements	$1,116,666	$1,030,000	$500,000	$300,000	$400,000	$0	$0	$0	$0	$0
Debt Issued/Grants/Aid	$1,910,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Annual Cash Flow	**$1,109,334**	**($803,496)**	**($361,813)**	**($160,600)**	**($259,838)**	**$135,571**	**$130,726**	**$130,472**	**$129,657**	**$128,248**
Restricted and Unrestricted Cash Balance:										
Balance at first of year	$1,418,624	$2,527,959	$1,724,463	$1,362,649	$1,202,050	$942,212	$1,077,783	$1,208,509	$1,338,982	$1,468,638
Net Annual Cash Flow Addition/(subtraction)	$1,109,334	($803,496)	($361,813)	($160,600)	($259,838)	$135,571	$130,726	$130,472	$129,657	$128,248
Balance at end of year	$2,527,959	$1,724,463	$1,362,649	$1,202,050	$942,212	$1,077,783	$1,208,509	$1,338,982	$1,468,638	$1,596,886
"All-in"Debt Coverage		3.59	1.80	1.82	1.85	1.81	1.78	1.80	1.82	1.84

Notes:
1) Assumes no changes in customer count or usage beyond Test Year.
2) Assumes 3.00% annual inflation beyond budget year.
3) Assumes 4% annual increases to Rib Mountain Metro expense, beginning in 2027.

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

Future Projection – Cash Position

	Budget	Projected								
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Target minimum cash balance										
Target minimum working capital - Ehlers[1]	654,396	768,221	786,111	802,993	824,276	841,762	854,723	868,304	882,529	618,582
Actual Days Cash Available - PSC[2]	1,775	1,010	771	667	513	575	632	687	738	786
Actual Days Cash Available - Moody's[3]	718	404	265	202	111	150	184	216	246	273
Target minimum working capital - S&P[4]	718	404	265	202	111	150	184	216	246	273
Actual working capital-cash balance	2,527,959	1,724,463	1,362,649	1,202,050	942,212	1,077,783	1,208,509	1,338,982	1,468,638	1,596,886
Over (Under) Ehlers target	1,873,563	956,241	576,538	399,057	117,936	236,021	353,786	470,677	586,109	978,304
Over (Under) PSC target (90 days)	1,685	920	681	577	423	485	542	597	648	696
Over (Under) Moody's target (150 days)	568	254	115	52	(39)	(0)	34	66	96	123
Over (Under) S&P target (150 days)	568	254	115	52	(39)	(0)	34	66	96	123

CIP depicted

Notes:
1) Target capital equals 5 mos of next year's operating expenses, including depreciation, plus 100% of debt.
2) PSC formula = O&M expense + taxes + interest on long term debt ÷ 365 to get expense per day. Then Unrestricted Cash ÷ expense per day
3) Moody's Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation
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Impact on Avg. Res. Bill

	Sewer									
Year	Increase	Sewer Vol. Charge[3]	Sewer User Charge[3]	Utility Bill (Quarterly)	Change Over Prior Year	Utility Bill (Annual)	Change Over Prior Year	% of MHI (107,268)	Year
		1,000 Gal	Gen Service						
2025		6.75	43.45	$ 124.45		$ 497.80		0.46%	2025
2026	0.00%	6.75	43.45	$ 124.45	$ -	$ 497.80	$ -	0.46%	2026
2027	2.50%	6.92	44.54	$ 127.56	$ 3.11	$ 510.25	$ 12.45	0.48%	2027
2028	2.50%	7.09	45.65	$ 130.75	$ 3.19	$ 523.00	$ 12.76	0.49%	2028
2029	2.50%	7.27	46.79	$ 134.02	$ 3.27	$ 536.08	$ 13.08	0.50%	2029
2030	2.50%	7.45	47.96	$ 137.37	$ 3.35	$ 549.48	$ 13.40	0.51%	2030
2031	2.50%	7.64	49.16	$ 140.80	$ 3.43	$ 563.22	$ 13.74	0.53%	2031
2032	2.50%	7.83	50.39	$ 144.32	$ 3.52	$ 577.30	$ 14.08	0.54%	2032
2033	2.50%	8.02	51.65	$ 147.93	$ 3.61	$ 591.73	$ 14.43	0.55%	2033
2034	2.50%	8.22	52.94	$ 151.63	$ 3.70	$ 606.52	$ 14.79	0.57%	2034
2035	2.50%	8.43	54.26	$ 155.42	$ 3.79	$ 621.68	$ 15.16	0.58%	2035
Total Change over planning period					**$ 30.97**		**$ 123.88**		

Notes:

1. The current Sewer volumetric rate is $6.75 per 1,000 gallons and a service charge of $43.45 for 5/8 inch meter.
2. The usage is assumed to be 12,000 Gallons per quarter.

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Recommendations & Next Steps

- Implement inflationary increases as depicted, beginning in 2027 and beyond
  - ✓ Subject to changes in CIP
  - ✓ Target all-in debt coverage above 1.40

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TONIGHT's ACTION: Consensus on sewer rate approach

Questions?