



City of Watertown, WI

2024 Water Rate Study

Phase 2: PSC CRC Application & LRCFA

November 12, 2024 Public Works Committee

Why are we here?



Phase 1 completed 10/2024: Initial Long-Range Cash Flow Analysis



Phase 2: Ehlers completes PSC CRC Application



Ehlers presents initial results of application



Action tonight: consensus to file application

Water: Historical Rate Implementation

- Rates were last adjusted in
 - ✓ April 15, 2017 through a CRC
 - ✓ July 16, 2016 through a SRC
- Ineligible for SRC
 - ✓ Only opportunity to adjust rates will be a CRC until that is completed and then another 5 year window would be opened for SRCs

Water Rate Application Initial Results

Shown with no increase

Revenue Requirement							Est	Budget	Test Year
Component	Description	2020	2021	2022	2023	2024	2025	2025	
Cash Basis									
1	O&M and PILOT	\$2,601,384	\$2,928,980	\$2,930,493	\$2,852,645	\$3,467,350	\$3,523,415	\$3,371,327	
2	Debt	\$1,331,794	\$1,328,941	\$1,330,123	\$868,016	\$874,420	\$903,542	\$1,406,181	
3	Cash Funded Capital ^A	\$1,544,152	\$1,645,565	\$1,874,648	\$2,052,774	\$1,949,393	\$535,142	\$535,142	
Less:									
	Other Revenue	\$164,204	\$211,209	\$207,029	\$228,103	\$182,500	\$182,500	\$170,000	
	Interest Income	\$38,169	\$8,287	\$28,991	\$306,790	\$140,000	\$140,000	\$140,000	
	Revenue Requirement (Costs less Other Income)	\$5,274,957	\$5,683,990	\$5,899,244	\$5,238,542	\$5,968,663	\$4,639,598	\$5,002,650	
	User Rates Revenue	\$5,242,195	\$5,408,766	\$5,442,790	\$5,367,953	\$5,442,790	\$5,442,790	\$5,329,760	
	Rate Adequacy	(\$32,762)	(\$275,224)	(\$456,454)	\$129,411	(\$525,873)	\$803,192	\$327,111	
	Rate Adjustment Needed	0.62%	5.09%	8.39%	0.00%	9.66%	0.00%	0.00%	
Utility Basis (PSC)									
1	O&M and PILOT	\$2,601,384	\$2,928,980	\$2,930,493	\$2,852,645	\$3,467,350	\$3,523,415	\$3,371,327	
2	Depreciation	\$1,034,416	\$1,070,670	\$1,070,083	\$989,522	\$1,009,317	\$1,151,722	\$1,065,720	
	NIRB	\$30,473,640	\$30,311,734	\$30,123,906	\$30,764,399	\$31,503,420	\$35,580,179	\$30,930,918	
	PSC Benchmark ROI %	4.90%	4.90%	4.90%	6.50%	6.30%	6.20%	6.20%	
3	PSC Calculated ROI	\$1,493,208	\$1,485,275	\$1,476,071	\$1,999,686	\$1,984,715	\$2,205,971	\$1,917,717	
Less:									
	Other Revenue	\$164,204	\$211,209	\$207,029	\$228,103	\$182,500	\$182,500	\$170,000	
	Revenue Requirement (Costs less Other Income)	\$4,964,804	\$5,273,716	\$5,269,618	\$5,613,750	\$6,278,883	\$6,698,608	\$6,184,764	
	User Rates Revenue	\$5,242,195	\$5,408,766	\$5,442,790	\$5,367,953	\$5,442,790	\$5,442,790	\$5,329,760	
	Rate Adequacy	\$277,391	\$135,050	\$173,172	(\$245,797)	(\$836,093)	(\$1,255,818)	(\$855,004)	
	Rate Adjustment Needed	0.00%	0.00%	0.00%	4.58%	15.36%	23.07%	16.22%	

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

Water: Future Projection Initial PSC App.

	Budget	Projected								
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenues										
Total Revenues from User Rates ¹	\$6,325,761	\$6,325,761	\$6,325,761	\$6,325,761	\$6,325,761	\$6,515,533	\$6,710,999	\$6,710,999	\$6,710,999	\$6,710,999
Percent Increase to User Rates	16.22%	0.00%	0.00%	0.00%	0.00%	3.00%	3.00%	0.00%	0.00%	0.00%
Cumulative Percent Rate Increase	16.22%	16.22%	16.22%	16.22%	16.22%	19.71%	23.30%	23.30%	23.30%	23.30%
Dollar Amount Increase to Revenues	\$882,971	\$0	\$0	\$0	\$0	\$189,773	\$195,466	\$0	\$0	\$0
Total Other Revenues	\$322,500	\$345,537	\$223,999	\$229,170	\$223,439	\$217,221	\$221,944	\$225,309	\$252,785	\$254,289
Total Revenues	\$6,648,261	\$6,671,297	\$6,549,759	\$6,554,930	\$6,549,199	\$6,732,754	\$6,932,943	\$6,936,308	\$6,963,784	\$6,965,288
Less: Expenses										
Operating and Maintenance ²	\$2,774,305	\$3,257,534	\$3,355,260	\$3,455,917	\$3,159,595	\$3,254,383	\$3,352,014	\$3,452,575	\$3,556,152	\$3,662,837
PILOT Payment ³	\$749,110	\$771,584	\$794,731	\$818,573	\$843,130	\$868,424	\$894,477	\$921,311	\$948,950	\$977,419
Net Before Debt Service and Capital Expenditures	\$3,124,846	\$2,642,180	\$2,399,769	\$2,280,440	\$2,546,474	\$2,609,947	\$2,686,452	\$2,562,423	\$2,458,682	\$2,325,032
Debt Service										
Existing Debt P&I	\$878,183	\$876,721	\$870,182	\$764,998	\$766,087	\$766,855	\$767,297	\$767,562	\$630,100	\$629,999
New (2025-2034) Debt Service P&I	\$25,358	\$516,665	\$535,999	\$637,686	\$642,164	\$637,121	\$632,077	\$769,408	\$902,862	\$858,670
Total Debt Service	\$903,542	\$1,393,386	\$1,406,181	\$1,402,684	\$1,408,251	\$1,403,976	\$1,399,374	\$1,536,969	\$1,532,962	\$1,488,669
Transfer In (Out)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Capital Improvements & COI	\$15,681,680	\$1,743,300	\$1,596,761	\$2,400,000	\$2,761,595	\$645,000	\$3,011,475	\$1,437,985	\$2,477,963	\$1,710,390
Debt Proceeds	\$15,430,800	\$0	\$1,265,000	\$0	\$0	\$0	\$2,010,000	\$0	\$1,505,000	\$0
Net Annual Cash Flow	\$1,970,425	(\$494,506)	\$661,826	(\$1,522,244)	(\$1,623,372)	\$560,971	\$285,603	(\$412,532)	(\$47,243)	(\$874,026)
Restricted and Unrestricted Cash Balance:										
Balance at first of year	\$6,090,172	\$8,060,597	\$7,566,091	\$8,227,917	\$6,705,673	\$5,082,301	\$5,643,271	\$5,928,874	\$5,516,343	\$5,469,100
Net Annual Cash Flow Addition/(subtraction)	\$1,970,425	-\$494,506	\$661,826	-\$1,522,244	-\$1,623,372	\$560,971	\$285,603	-\$412,532	-\$47,243	-\$874,026
Balance at end of year	\$8,060,597	\$7,566,091	\$8,227,917	\$6,705,673	\$5,082,301	\$5,643,271	\$5,928,874	\$5,516,343	\$5,469,100	\$4,595,073
"All-in" Debt Coverage	3.46	1.90	1.71	1.63	1.81	1.86	1.92	1.67	1.60	1.56
PSC Days Cash on Hand	845	672	728	548	441	488	505	433	424	322

Notes:

1) Assumes no changes in customer count or usage beyond Test Year.

2) Assumes 3.00% annual inflation beyond budget year.

Legend:

Simplified Rate Case (projected eligibility)

Conventional (Full) Rate Case

Water: Impact on Avg. Res. Bill

Year	Water					Sewer					Stormwater				Utility Bill (Annual)	Change Over Prior Year	% of MHI (67,189)	Year
	Increase	Water Vol. Charge ¹	Water User Charge ²	Utility Bill (Monthly)	Change Over Prior Year	Increase	Sewer Vol. Charge ³	Sewer User Charge ³	Utility Bill (Monthly)	Change Over Prior Year	Increase	Storm User Charge ⁵	Utility Bill (Monthly)	Change Over Prior Year				
2024		Tiered 3.80	Serv. + PFP 17.00	\$ 37.33			100CF 3.51	Gen Service 21.78	\$ 40.56			Per ERU 10.39	\$ 10.39	\$ 1,059.34		1.58%	2024	
2025	16.22%	4.42	19.76	\$ 43.39	\$ 6.06	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,132.01	\$ 72.67	1.68%	2025	
2026	0.00%	4.42	19.76	\$ 43.39	\$ -	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,132.01	\$ -	1.68%	2026	
2027	0.00%	4.42	19.76	\$ 43.39	\$ -	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,132.01	\$ -	1.68%	2027	
2028	0.00%	4.42	19.76	\$ 43.39	\$ -	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,132.01	\$ -	1.68%	2028	
2029	0.00%	4.42	19.76	\$ 43.39	\$ -	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,132.01	\$ -	1.68%	2029	
2030	3.00%	4.55	20.35	\$ 44.69	\$ 1.30	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,147.63	\$ 15.62	1.71%	2030	
2031	3.00%	4.69	20.96	\$ 46.03	\$ 1.34	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,163.72	\$ 16.09	1.73%	2031	
2032	0.00%	4.69	20.96	\$ 46.03	\$ -	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,163.72	\$ -	1.73%	2032	
2033	0.00%	4.69	20.96	\$ 46.03	\$ -	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,163.72	\$ -	1.73%	2033	
2034	0.00%	4.69	20.96	\$ 46.03	\$ -	0.00%	3.51	21.78	\$ 40.56	\$ -	0.00%	10.39	\$ 10.39	\$ 1,163.72	\$ -	1.73%	2034	
Total Change over planning period					\$ 8.70	\$ -					\$ -				\$ 104.38			

Notes:

1. Current water volumetric rate is \$3.80 per 100 cubic feet for the first 1600 cubic feet monthly.
2. The water user charges include a monthly service charge of \$8.40 plus a public fire protection charge of \$8.60 for a 5/8 inch meter.
3. The current Sewer volumetric rate is \$3.51 per 100 cubic feet and a service charge of \$21.78 for 5/8 inch meter.
4. The usage is assumed to be 535 CF per month.
5. The current stormwater rate is \$10.39 per ERU for a Single Family user (plus \$2.13 admin fee per customer)
6. No Stormwater Analysis completed to date. Sewer Analysis planned for 2025.

Water Rate Comparison

Utility Name	County	Utility Class	Min Quart Bill (5/8 inch meter)	6000 GAL	12000 GAL	15000 GAL	Effective Date
Cambridge Municipal Water Utility	Jefferson	D	66	148.5	231	272.25	5/1/2024
City of Waukesha Water Utility	Waukesha	AB	60.00	115.98	171.96	199.95	10/1/2024
Hustisford Utilities	Dodge	D	68.1	120	171.9	197.85	1/1/2013
Waupun Public Utilities	Dodge	C	41.46	84.18	126.90	148.26	5/1/2012
Waupun Public Utilities	Fond du Lac	C	41.46	84.18	126.90	148.26	5/1/2012
Columbus Water And Light Department	Dodge	C	43.74	84.46	125.18	145.54	2/1/2024
Iron Ridge Municipal Water Utility	Dodge	D	48	84.9	121.8	140.25	2/3/2020
Fond Du Lac Water Utility	Fond du Lac	AB	44.00	81.92	119.84	138.80	1/6/2023
Brownsville Water Utility	Dodge	D	44.56	80.86	117.16	135.31	12/31/2021
Lowell Municipal Water And Sewer Utility	Dodge	D	30	71.4	112.8	133.5	7/1/2020
Lomira Municipal Water Utility	Dodge	D	30	69.9	109.8	129.75	3/22/2024
Village of Oakfield Municipal Water Utility	Fond du Lac	D	29.58	68.7	107.82	127.38	1/1/2018
Lake Mills Light And Water Department	Jefferson	C	34.83	70.77	106.71	124.68	10/1/2023
Theresa Municipal Water And Sewer Utility	Dodge	D	42	74.04	106.08	122.1	8/2/2024
Watertown Water Department (CRC, 16.22%)	Dodge	AB	58.11	80.77	103.44	114.77	TBD
Waterloo Water And Light Commission	Jefferson	C	38.88	68.70	98.52	113.43	9/1/2023
Village of Sussex Water Public Utility	Waukesha	C	39.00	66.30	93.60	107.25	12/26/2019
City of Horicon Water Utility	Dodge	C	31.41	60.33	89.25	103.71	12/1/2023
City of Pewaukee Water Utility	Waukesha	C	30.00	58.50	87.00	101.25	3/1/2024
Jefferson Water Utility	Jefferson	C	31.59	59.19	86.79	100.59	1/1/2024
Mayville Municipal Water Utility	Dodge	C	30.00	58.24	86.48	100.60	5/29/2024
Watertown Water Department	Dodge	AB	25.20	55.60	86.00	101.20	4/15/2017
Watertown Water Department	Two	AB	25.2	55.6	86	101.2	4/15/2017
Randolph Municipal Water Utility	Dodge	D	30.9	58.38	85.86	99.6	1/2/2020
Juneau Utility Commission	Dodge	D	30	55.5	81	93.75	7/1/2020
Leroy Sanitary District No 1	Dodge	D	23.55	52.17	80.79	95.1	12/1/2023
City of Oconomowoc Utilities	Waukesha	AB	28.11	54.33	80.55	93.66	10/1/2024
City of Fort Atkinson Water Utility	Jefferson	AB	21.71	49.23	76.75	90.51	7/1/2024
Ripon Water Utility	Fond du Lac	C	25.50	49.90	74.30	86.50	9/1/2024
Beaver Dam Water Utility	Dodge	AB	18.54	44.86	71.18	84.34	2/1/2020
Johnson Creek Water Utility	Jefferson	C	37.23	52.47	67.71	75.33	6/28/2024
North Fond Du Lac Water Utility	Fond du Lac	C	23.18	40.82	58.46	67.28	1/1/2016
Clyman Utility Commission	Dodge	D	31.74	41.58	51.42	56.34	8/7/2024

Sorted by 12 kgal consumption column

Recommendations

- File CRC Application for Test Year 2025 at benchmark ROR
 - Not eligible for SRC based on Class restriction
- PSC CRC Rate Proceedings ESTIMATED Timeline:
 - Audit: 2-3 months (~January 2025)
 - Public Hearing: 4-5 months (to be held around March-April 2025)
 - Implementation: 6 months (rate order around late April 2025)
 - *Subject to PSC timing*



Important Disclosures

Ehlers is the joint marketing name of the following affiliated businesses (collectively, the “Affiliates”): Ehlers & Associates, Inc. (“EA”), a municipal advisor registered with the Municipal Securities Rulemaking Board (“MSRB”) and the Securities and Exchange Commission (“SEC”); Ehlers Investment Partners, LLC (“EIP”), an SEC registered investment adviser; and Bond Trust Services Corporation (“BTS”), a holder of a limited banking charter issued by the State of Minnesota.

Where an activity requires registration as a municipal advisor pursuant to Section 15B of the Exchange Act of 1934 (Financial Management Planning and Debt Issuance & Management), such activity is or will be performed by EA; where an activity requires registration as an investment adviser pursuant to the Investment Advisers Act of 1940 (Investments and Treasury Management), such activity is or will be performed by EIP; and where an activity requires licensing as a bank pursuant to applicable state law (paying agent services shown under Debt Issuance & Management), such activity is or will be performed by BTS. Activities not requiring registration may be performed by any Affiliate.

This communication does not constitute an offer or solicitation for the purchase or sale of any investment (including without limitation, any municipal financial product, municipal security, or other security) or agreement with respect to any investment strategy or program. This communication is offered without charge to clients, friends, and prospective clients of the Affiliates as a source of general information about the services Ehlers provides. This communication is neither advice nor a recommendation by any Affiliate to any person with respect to any municipal financial product, municipal security, or other security, as such terms are defined pursuant to Section 15B of the Exchange Act of 1934 and rules of the MSRB. This communication does not constitute investment advice by any Affiliate that purports to meet the objectives or needs of any person pursuant to the Investment Advisers Act of 1940 or applicable state law.