



Utility Enterprise Funds Budgets and Utility Rates Study

2023 Workshop Presentation

September 12, 2023



Intended Outcomes

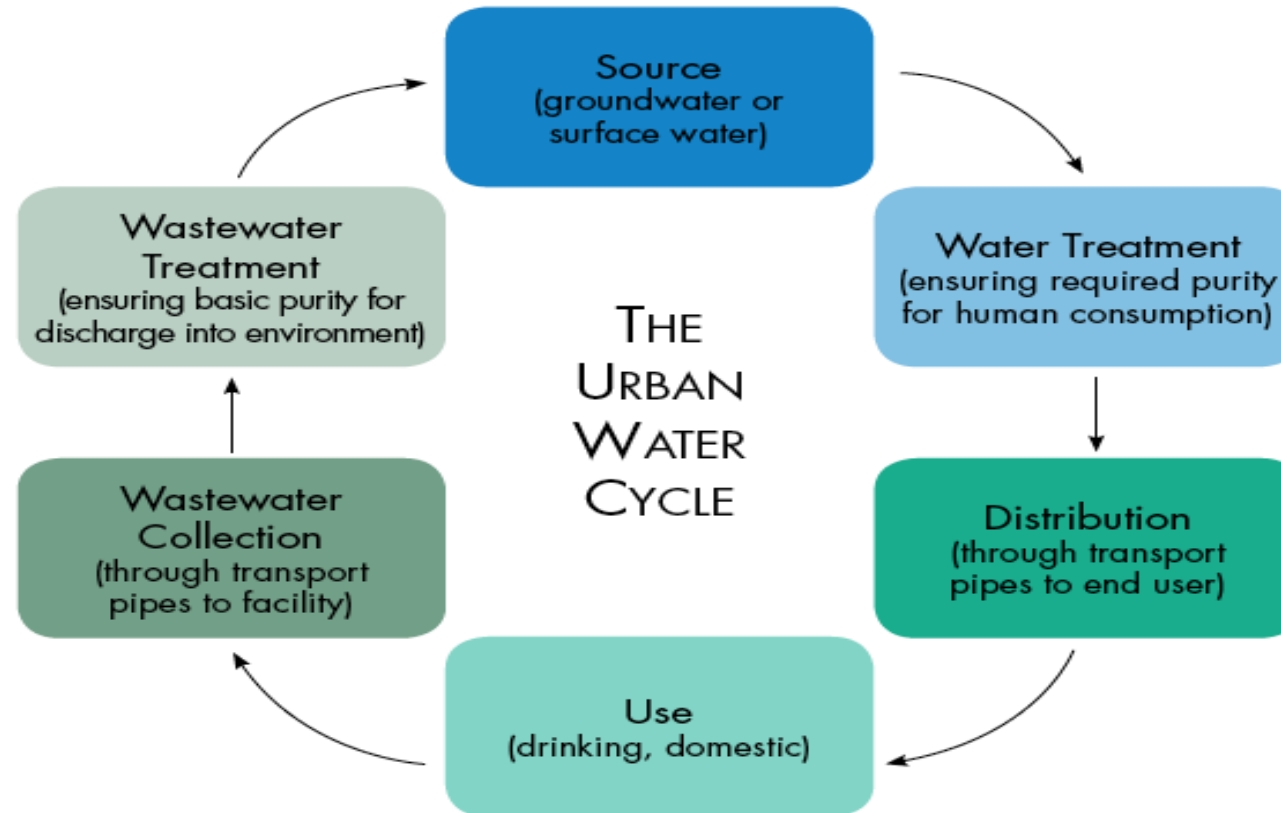
- ▶ Council discussion
- ▶ Recommendations to shape budgets for final adoption
- ▶ Understanding value of rate study

Agenda

- ▶ Background – Service level
- ▶ Budget summaries
 - ▶ Water
 - ▶ Sanitary Sewer
 - ▶ Storm Drainage
- ▶ Rate study



Background



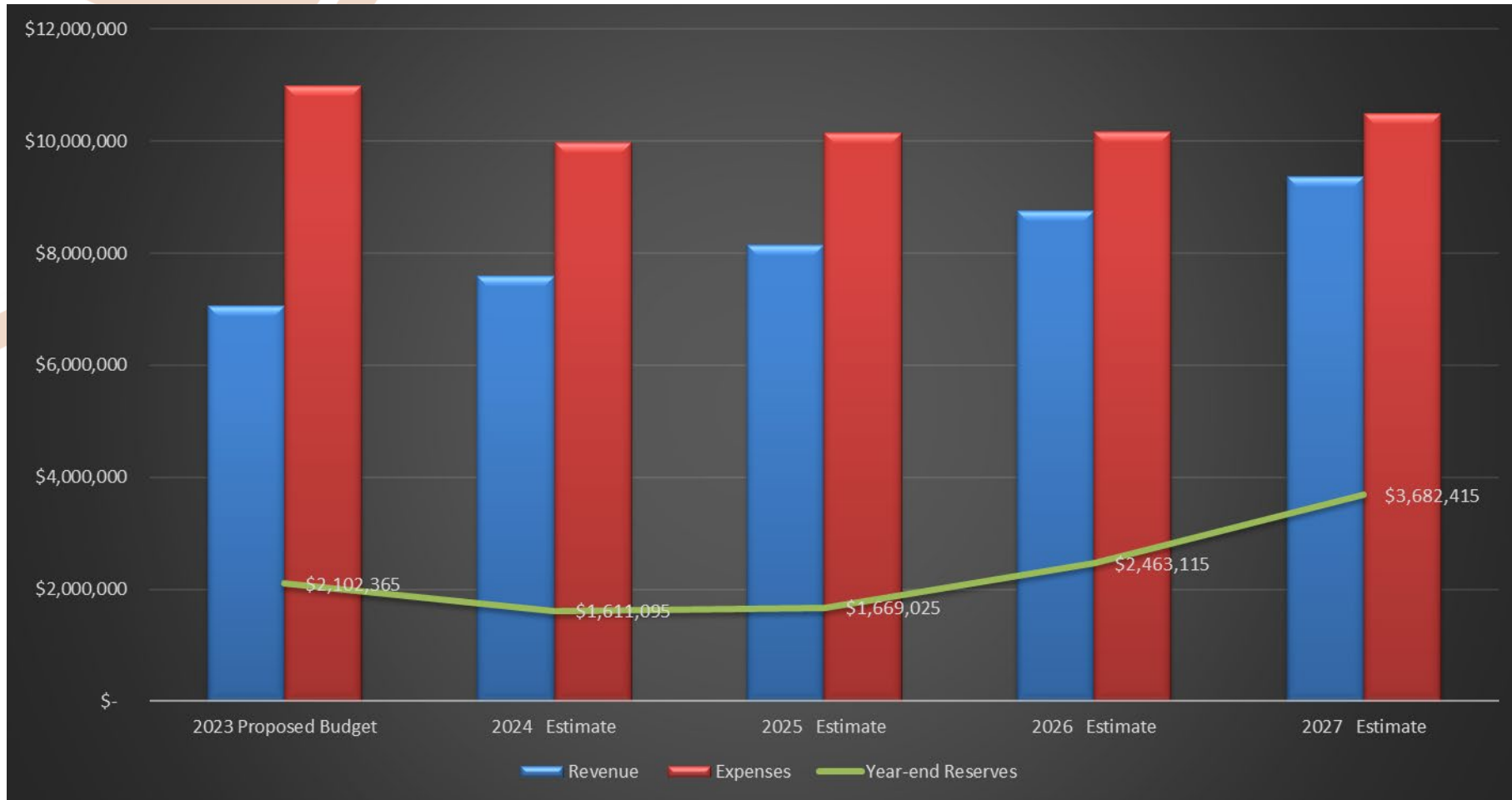
Interconnectivity of water management services provided by utilities
High service level expectations at all stages of the cycle

(Diagram from Mississippi State University, adapted from Robert B. Sowby, National Geographic)

2023-2027 Water Utility Budget Model

	2021 Actual	2022 Budget	2023 Proposed Budget	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
WORKING CAPITAL ESTIMATE	\$ 9,380,034	\$ 4,202,240	\$ 4,110,915	\$ 2,102,365	\$ 1,611,095	\$ 1,669,025	\$ 2,463,115
<u>REVENUES</u>							
Operating Revenues	\$ 6,007,238	\$ 5,669,100	\$ 6,205,700	\$ 6,825,700	\$ 7,456,200	\$ 8,102,500	\$ 8,764,900
Capital Financing							
WAC Fees	1,221,856	630,000	\$ 850,000	765,000	688,500	654,100	588,700
Other Financing Sources	-	2,500	-	-	-	-	-
TOTAL REVENUES	\$ 7,229,094	\$ 6,301,600	\$ 7,055,700	\$ 7,590,700	\$ 8,144,700	\$ 8,756,600	\$ 9,353,600
<u>EXPENDITURES</u>							
Operating							
Personal Services	\$ 1,142,003	\$ 1,147,110	\$ 1,306,170	\$ 1,363,500	\$ 1,503,300	\$ 1,547,400	\$ 1,698,900
Supplies	493,331	431,500	860,000	879,800	899,800	920,800	942,800
Contractual Services	1,212,862	1,154,730	1,375,930	1,409,600	1,440,730	1,472,930	1,506,230
Admin. & Other Charges	905,223	976,500	1,026,250	1,046,570	1,071,940	1,098,380	1,125,870
Depreciation	1,515,952	1,750,000	1,750,000	1,900,000	2,050,000	2,200,000	2,350,000
	\$ 5,269,371	\$ 5,459,840	\$ 6,318,350	\$ 6,599,470	\$ 6,965,770	\$ 7,239,510	\$ 7,623,800
Capital & Infrastructure							
Capital Equipment	44,413	375,000	299,500	305,000	160,000	65,000	-
Capital Projects	6,232,475	3,240,000	1,990,000	700,000	640,000	490,000	490,000
Debt Service	2,376,581	2,382,000	2,381,000	2,377,500	2,371,000	2,368,000	2,370,500
TOTAL EXPENDITURES	\$ 13,922,840	\$ 11,456,840	\$ 10,988,850	\$ 9,981,970	\$ 10,136,770	\$ 10,162,510	\$ 10,484,300
Net Addition Fund Balance	\$ (6,693,746)	\$ (5,155,240)	\$ (3,933,150)	\$ (2,391,270)	\$ (1,992,070)	\$ (1,405,910)	\$ (1,130,700)
<u>FUND BALANCE RESERVE</u>							
Beginning	9,380,034	7,516,155	4,285,515	2,102,365	1,611,095	1,669,025	2,463,115
Net Addition	(6,693,746)	(5,155,240)	(3,933,150)	(2,391,270)	(1,992,070)	(1,405,910)	(1,130,700)
Add Depreciation	1,515,952	1,750,000	1,750,000	1,900,000	2,050,000	2,200,000	2,350,000
Y/E WORKING CAPITAL	\$ 4,202,240	\$ 4,110,915	\$ 2,102,365	\$ 1,611,095	\$ 1,669,025	\$ 2,463,115	\$ 3,682,415

2023-2027 Water Model Performance



Proposed Changes



Rate per thousand gallons

- Tier 1 – 15 cent increase
- Tier 2 – 20 cent increase
- Tier 3 – 25 cent increase
- Tier 4 – 30 cent increase

2024-2027 Rates

- Tier 1 – 15 cent increase
- Tier 2 – 20 cent increase
- Tier 3 – 25 cent increase
- Tier 4 – 30 cent increase

Treatment Plant Foreman

- Implement safety, operating, and maintenance programs to industry standards
- \$116,660

Capital Improvement Program

2023-2027 Model

- Affordability
- \$5.1 million total
- Does not meet operational requirements

Staff Identified needs

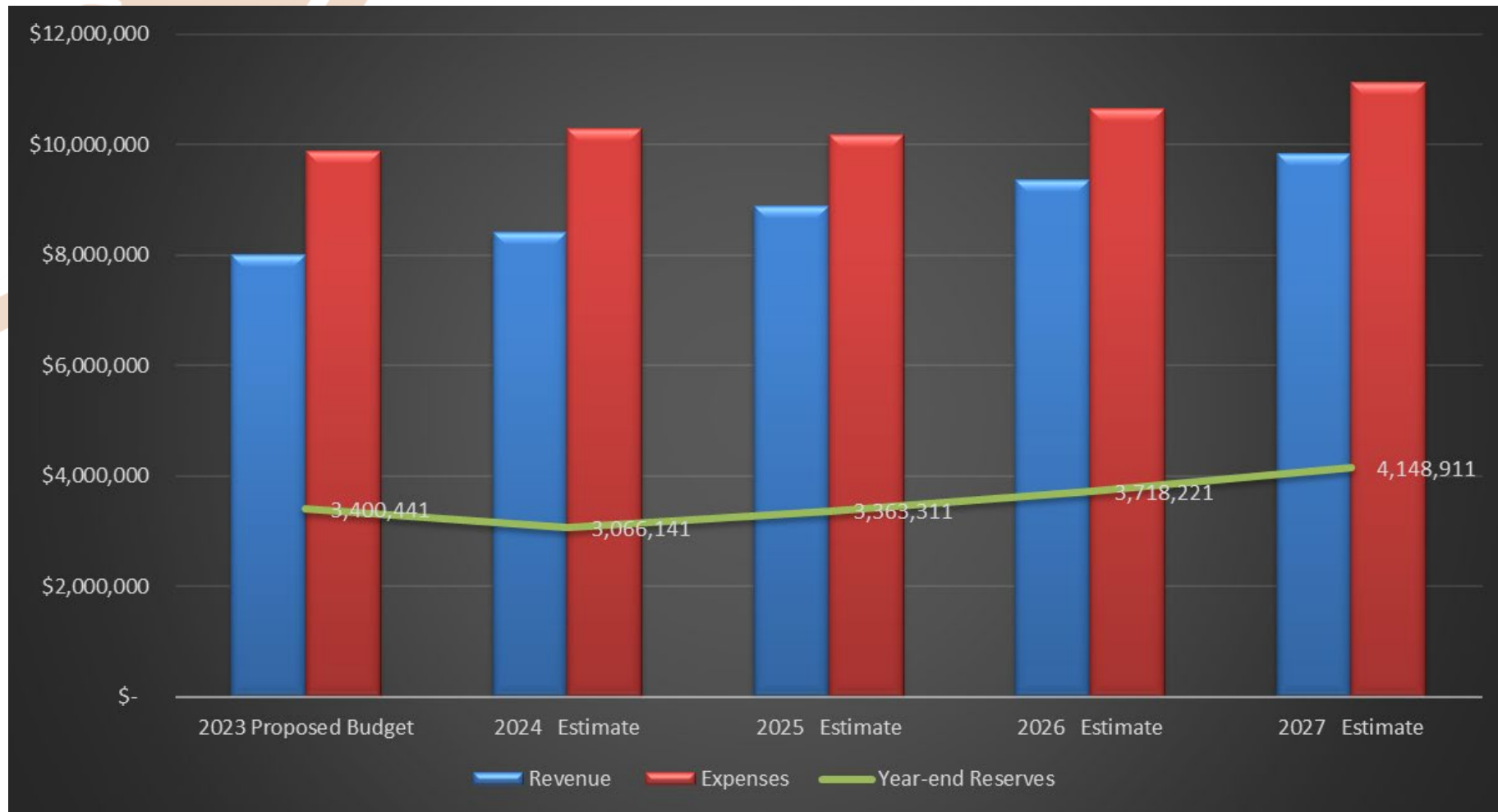
- Necessary for maintaining system integrity
- \$16 million total
- Unreachable with current revenue model



2023-2027 Sanitary Sewer Utility Budget Model

	2021 Actual	2022 Budget	2023 Proposed Budget	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
WORKING CAPITAL ESTIMATE	\$ 2,015,805	\$ 2,740,095	\$ 2,652,365	\$ 3,400,441	\$ 3,066,141	\$ 3,363,311	\$ 3,718,221
<u>REVENUES</u>							
Operating Revenues	\$ 6,978,441	\$ 7,440,480	\$ 7,980,500	\$ 8,389,000	\$ 8,850,000	\$ 9,321,000	\$ 9,802,000
Capital Financing							
Sewer Connection Charges	4,910	25,000	35,000	35,000	35,000	35,000	35,000
TOTAL REVENUES	\$ 6,983,351	\$ 7,465,480	\$ 8,015,500	\$ 8,424,000	\$ 8,885,000	\$ 9,356,000	\$ 9,837,000
<u>EXPENDITURES</u>							
Operating							
Personal Services	\$ 404,804	\$ 433,940	\$ 517,380	\$ 606,330	\$ 677,290	\$ 698,700	\$ 720,810
Supplies	25,747	36,100	43,600	42,000	42,500	43,000	43,500
Contractual Services	339,690	362,400	421,630	413,240	416,470	419,730	419,980
MCES Disposal Charges	3,908,719	4,370,320	5,062,260	5,634,400	5,944,300	6,271,200	6,616,100
Other	834,316	895,810	942,640	997,330	1,032,270	1,068,460	1,105,920
Depreciation	1,202,738	1,410,000	1,410,000	1,530,000	1,590,000	1,650,000	1,720,000
	\$ 6,716,014	\$ 7,508,570	\$ 8,397,510	\$ 9,223,300	\$ 9,702,830	\$ 10,151,090	\$ 10,626,310
Capital & Infrastructure							
Capital Equipment	300,933	319,000	75,000	65,000	75,000	100,000	100,000
Capital Projects	444,852	1,275,000	1,400,000	1,000,000	400,000	400,000	400,000
TOTAL EXPENDITURES	\$ 7,461,799	\$ 9,102,570	\$ 9,872,510	\$ 10,288,300	\$ 10,177,830	\$ 10,651,090	\$ 11,126,310
Net Addition Fund Balance	\$ (478,448)	\$ (1,637,090)	\$ (1,857,010)	\$ (1,864,300)	\$ (1,292,830)	\$ (1,295,090)	\$ (1,289,310)
<u>FUND BALANCE RESERVE</u>							
Beginning	\$ 2,015,805	\$ 2,740,095	\$ 3,847,451	\$ 3,400,441	\$ 3,066,141	\$ 3,363,311	\$ 3,718,221
Add Net Income	(478,448)	(1,637,090)	(1,857,010)	(1,864,300)	(1,292,830)	(1,295,090)	(1,289,310)
Add Depreciation	1,202,738	1,410,000	1,410,000	1,530,000	1,590,000	1,650,000	1,720,000
Y/E WORKING CAPITAL	2,740,095	2,513,005	3,400,441	3,066,141	3,363,311	3,718,221	4,148,911

2023-2027 Sanitary Model Performance



Proposed Changes



Quarterly rate

- \$3.00 increase

2024-2027 Rates

- \$3.00 increase

Public Service Worker

- Shared with Storm Drainage
- Focus on maintaining system assets
- \$47,850

MCES Treatment charges

- Fee for collection, treatment, and disposal of wastewater
- 72% of fund's operating costs
- Increasing \$691,000 (16%) over 2022. Known quantity

Capital Improvement Program

2023-2027 Model

- Affordability
- \$4 million total
- Does not meet operational requirements

Staff Identified needs

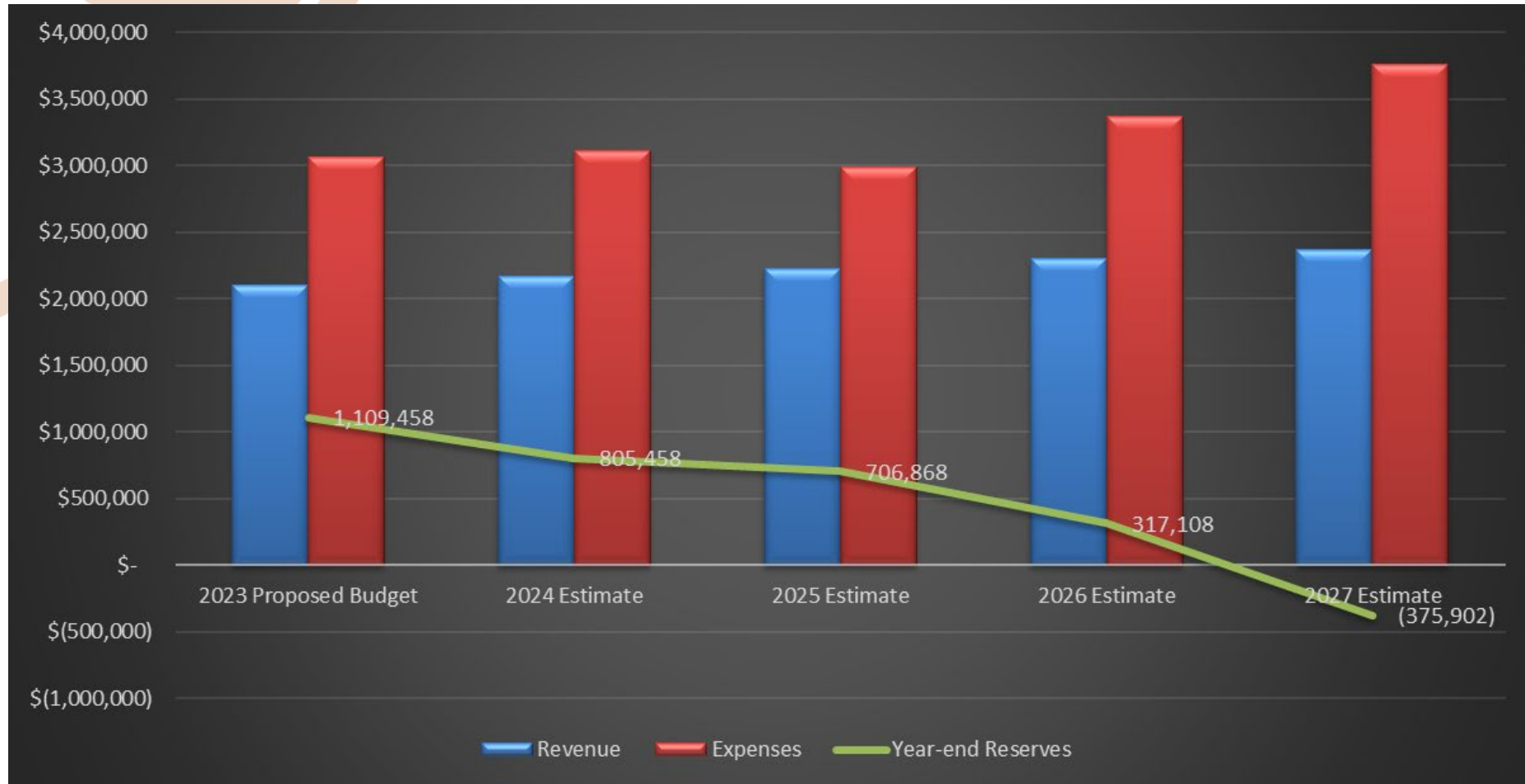
- Necessary for maintaining system integrity
- \$32.3 million total
- Unreachable with current revenue model
- Future debt issues



2023-2027 Storm Drainage Utility Budget Model

	2021 Actual	2022 Budget	2023 Proposed Budget	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate
WORKING CAPITAL ESTIMATE	\$ 1,203,827	\$ 1,803,568	\$ 1,449,478	\$ 1,109,458	\$ 805,458	\$ 706,868	\$ 317,108
<u>REVENUES</u>							
Operating Revenues	\$ 1,913,517	\$ 2,058,100	\$ 2,102,600	\$ 2,167,000	\$ 2,226,500	\$ 2,300,400	\$ 2,371,500
Other-Capital Projects		-					
TOTAL REVENUES	\$ 1,913,517	\$ 2,058,100	\$ 2,102,600	\$ 2,167,000	\$ 2,226,500	\$ 2,300,400	\$ 2,371,500
<u>EXPENDITURES</u>							
Operating							
Personal Services	\$ 633,271	\$ 808,890	\$ 869,700	\$ 936,480	\$ 963,280	\$ 1,035,720	\$ 1,065,500
Supplies	78,005	96,500	98,500	95,750	96,540	97,370	98,240
Contractual Services	105,001	177,750	183,950	187,550	188,050	188,550	189,050
Other	342,276	426,700	465,470	476,220	487,220	498,520	511,720
Depreciation	560,703	535,000	620,000	640,000	660,000	680,000	700,000
	\$ 1,719,256	\$ 2,044,840	\$ 2,237,620	\$ 2,336,000	\$ 2,395,090	\$ 2,500,160	\$ 2,564,510
Capital & Infrastructure							
Capital Equipment	56,929	122,000	175,000	110,000	90,000	320,000	600,000
Capital Projects	98,294	786,000	650,000	665,000	500,000	550,000	600,000
TOTAL EXPENDITURES	\$ 1,874,479	\$ 2,952,840	\$ 3,062,620	\$ 3,111,000	\$ 2,985,090	\$ 3,370,160	\$ 3,764,510
Net Addition Fund Balance	\$ 39,038	\$ (894,740)	\$ (960,020)	\$ (944,000)	\$ (758,590)	\$ (1,069,760)	\$ (1,393,010)
<u>FUND BALANCE RESERVE</u>							
Beginning	1,203,827	1,803,568	1,449,478	1,109,458	805,458	706,868	317,108
Add Net Income	39,038	(894,740)	(960,020)	(944,000)	(758,590)	(1,069,760)	(1,393,010)
Add Depreciation	560,703	535,000	620,000	640,000	660,000	680,000	700,000
Y/E Fund Balance Reserve	1,803,568	1,443,828	1,109,458	805,458	706,868	317,108	(375,902)

2023-2027 Storm Model Performance



Proposed Changes



Quarterly rate

- \$10.50 increase

2024-2027 Rates

- \$10.50 increase continues

Public Service Worker

- Shared with Sanitary Sewers
- Focus on maintaining system assets
- \$47,850

Capital Improvement Program

2023-2027 Model

- Affordability
- \$4.2 million total
- Does not meet operational requirements

Staff Identified needs

- Necessary for maintaining system integrity
- \$6.2 million total
- Unreachable with current revenue model
- Future debt issues



Baker Tilly Utility Rate Study



- ▶ Financial plan for utility fund operations over the next five years
 - ▶ Develop recommended rates
 - ▶ Recommend financing of anticipated capital improvements
 - ▶ Finance alternatives; minimize rate impacts
 - ▶ Recommendations for cash reserve balances
 - ▶ Identification of required revenue
 - ▶ Major capital improvement programs
 - ▶ Recurring operating and capital expenditures
 - ▶ Debt service requirements
 - ▶ Recommended rates effect on typical utility customer.



Questions and Discussion 2023 Proposed Utility Budgets & Rate Study