



City of Amery, WI
2023 Sewer Long-Range Cash Flow Analysis

June 7, 2023 City Council Meeting

Why are we here?

- Sewer Utility experiencing higher O&M expenses and planning for WWTP upgrades
- 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 January 1st, 2017
- The increase was a flat 1% increase

Sewer: Historical Rate Performance

		Shown with no increase				Est	Budget
Component	Revenue Requirement Description	2018	2019	2020	2021	2022	2023
Cash Basis							
1	Operating and Maintenance	\$494,205	\$460,085	\$523,009	\$515,780	\$525,000	\$607,250
2	Debt	\$0	\$1,197	\$900	\$2,749	\$43,171	\$186,933
3	Cash Funded Capital ^A	\$261,232	\$182,084	\$161,755	\$136,814	\$14,317	\$18,693
Less:							
	Other Revenue	\$3,983	\$4,246	\$5,121	\$6,174	\$2,814	\$5,000
	Interest Income	\$0	\$0	\$0	\$0	\$0	\$0
Revenue Requirement (Costs less Other Income)		\$751,454	\$639,120	\$680,543	\$649,169	\$579,674	\$807,876
User Rates Revenue		\$661,127	\$650,382	\$653,576	\$657,720	\$633,731	\$650,000
Rate Adequacy		(\$90,327)	\$11,262	(\$26,967)	\$8,551	\$54,057	(\$157,876)
Utility Basis							
1	Operating and Maintenance	\$494,205	\$460,085	\$523,009	\$515,780	\$525,000	\$607,250
2	Depreciation	\$159,194	\$167,125	\$173,762	\$195,537	\$195,661	\$203,333
3	NIRB	\$1,629,079	\$1,704,243	\$1,698,196	\$2,030,569	\$2,237,015	\$2,338,682
	Recommended ROI (1.5%)	\$24,436	\$25,564	\$25,473	\$30,459	\$33,555	\$35,080
Less:							
	Other Revenue	\$3,983	\$4,246	\$5,121	\$6,174	\$2,814	\$5,000
	Interest Income	\$0	\$0	\$0	\$0	\$0	\$0
Revenue Requirement (Costs less Other Income)		\$673,852	\$648,528	\$717,123	\$735,602	\$751,402	\$840,663
User Rates Revenue		\$661,127	\$650,382	\$653,576	\$657,720	\$633,731	\$650,000
Rate Adequacy		(\$12,725)	\$1,854	(\$63,547)	(\$77,882)	(\$117,670)	(\$190,663)

Increase in O&M puts pressure on rates

Remove ROR (0) and still not funding depreciation

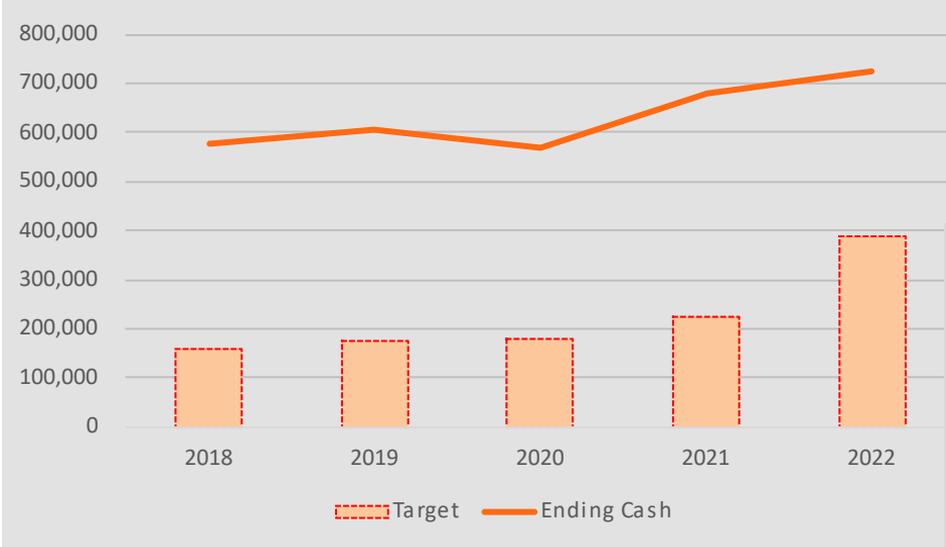
Let's investigate the history further....

Notes:

^AIncludes cash funded capital items (typically equipment) and 10% coverage for annual debt payments.

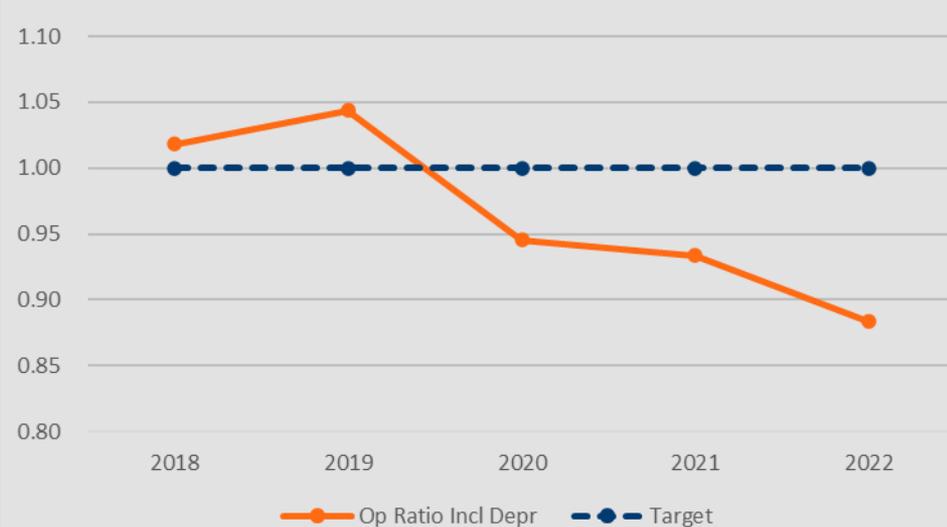
Sewer: Historical Financial Benchmarking

Reserves- Actual vs. Target



- Target 3 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; need for additional capital expenditures

Future Capital

- Future WWTP Upgrade
 - ✓ Assumed CDBG and PF grant funding
 - ✓ Assumed 30-year CWFL (engineer completed Design Life Analysis)

Projects	Funding	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
WWTP Design Engineering	Revenue Debt	600,000	40,000									640,000
WWTP Construction & Engineering	Revenue Debt	0	2,051,800	4,011,000								6,062,800
WWTP Construction & Engineering (CDBG)	Grants/Aids	0	1,000,000									1,000,000
WWTP Construction & Engineering (PF)	Grants/Aids	0	1,678,200									1,678,200
Actual CIP Costs		600,000	4,770,000	4,011,000	0	9,381,000						

Sources of Funding	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
G.O. Debt	0	0	0	0	0	0	0	0	0	0	0
Revenue Debt	600,000	2,091,800	4,011,000	0	0	0	0	0	0	0	6,702,800
Grants/Aids	0	2,678,200	0	0	0	0	0	0	0	0	2,678,200
Special Assessment	0	0	0	0	0	0	0	0	0	0	0
User Fees	0	0	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0	0	0	0	0
Total	600,000	4,770,000	4,011,000	0	9,381,000						

Sewer: Future Projection

	Budget			Projected						
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues										
Total Revenues from User Rates ¹	\$739,881	\$917,944	\$995,969	\$1,080,626	\$1,080,626	\$1,113,045	\$1,113,045	\$1,113,045	\$1,146,437	\$1,146,437
Percent Increase to User Rates	33.50%	8.50%	8.50%	8.50%	0.00%	3.00%	0.00%	0.00%	3.00%	0.00%
Cumulative Percent Rate Increase	33.50%	44.85%	57.16%	70.52%	70.52%	75.63%	75.63%	75.63%	80.90%	80.90%
Dollar Amount Increase to Revenues		\$178,063	\$78,025	\$84,657	\$0	\$32,419	\$0	\$0	\$33,391	\$0
Total Other Revenues	\$5,000	\$5,050	\$5,101	\$5,152	\$5,203	\$5,255	\$5,308	\$5,361	\$5,414	\$5,468
Total Revenues	\$744,881	\$922,994	\$1,001,070	\$1,085,778	\$1,085,829	\$1,118,300	\$1,118,353	\$1,118,406	\$1,151,851	\$1,151,905
Less: Expenses										
Operating and Maintenance	\$607,250	\$619,395	\$631,783	\$644,419	\$657,307	\$670,453	\$683,862	\$697,539	\$711,490	\$725,720
Net Before Debt Service and Capital Expenditures	\$137,631	\$303,599	\$369,287	\$441,359	\$428,523	\$447,847	\$434,491	\$420,867	\$440,361	\$426,185
Debt Service										
Existing Debt P&I	\$186,933	\$5,272,010	\$59,507	\$59,505	\$59,503	\$59,501	\$59,499	\$59,497	\$59,495	\$59,493
New (2023-2032) Debt Service P&I	\$0	\$0	\$199,001	\$320,288	\$320,237	\$320,184	\$320,130	\$320,074	\$320,017	\$319,959
Total Debt Service	\$186,933	\$5,272,010	\$258,508	\$379,793	\$379,740	\$379,685	\$379,629	\$379,571	\$379,512	\$379,451
Transfer In (Out)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Capital Improvements	\$600,000	\$4,770,000	\$4,011,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Issued/Grants/Aid	\$5,000,000	\$9,381,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Annual Cash Flow	\$4,350,698	(\$357,411)	(\$3,900,222)	\$61,566	\$48,783	\$68,162	\$54,862	\$41,295	\$60,849	\$46,734
Restricted and Unrestricted Cash Balance:										
Balance at first of year	\$726,284	\$5,076,982	\$4,719,571	\$819,350	\$880,916	\$929,698	\$997,860	\$1,052,722	\$1,094,017	\$1,154,866
Net Annual Cash Flow Addition/(subtraction)	\$4,350,698	(\$357,411)	(\$3,900,222)	\$61,566	\$48,783	\$68,162	\$54,862	\$41,295	\$60,849	\$46,734
Balance at end of year	\$5,076,982	\$4,719,571	\$819,350	\$880,916	\$929,698	\$997,860	\$1,052,722	\$1,094,017	\$1,154,866	\$1,201,599
"All-in"Debt Coverage	0.74	1.12	1.43	1.16	1.13	1.18	1.14	1.11	1.16	1.12

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: Impact on Avg. Res. Bill

Year	Water					Sewer					Utility Bill (Annual)	Change Over Prior Year	% of MHI (55,764)	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					
		Tiered	Serv. + PFP				1,000 Gal	Gen Service							
2022		2.07	40.66	\$ 71.71			5.33	42.27	\$ 122.22		\$ 775.72		1.39%	2022	
2023	0.00%	2.07	40.66	\$ 71.71	\$ -	33.50%	7.12	56.43	\$ 163.16	\$ 40.94	\$ 939.49	\$ 163.77	1.68%	2023	
2024	0.00%	2.07	40.66	\$ 71.71	\$ -	8.50%	7.72	61.23	\$ 177.03	\$ 13.87	\$ 994.97	\$ 55.48	1.78%	2024	
2025	0.00%	2.07	40.66	\$ 71.71	\$ -	8.50%	8.38	66.43	\$ 192.08	\$ 15.05	\$ 1,055.16	\$ 60.19	1.89%	2025	
2026	0.00%	2.07	40.66	\$ 71.71	\$ -	8.50%	9.09	72.08	\$ 208.41	\$ 16.33	\$ 1,120.47	\$ 65.31	2.01%	2026	
2027	0.00%	2.07	40.66	\$ 71.71	\$ -	0.00%	9.09	72.08	\$ 208.41	\$ -	\$ 1,120.47	\$ -	2.01%	2027	
2028	0.00%	2.07	40.66	\$ 71.71	\$ -	3.00%	9.36	74.24	\$ 214.66	\$ 6.25	\$ 1,145.48	\$ 25.01	2.05%	2028	
2029	0.00%	2.07	40.66	\$ 71.71	\$ -	0.00%	9.36	74.24	\$ 214.66	\$ -	\$ 1,145.48	\$ -	2.05%	2029	
2030	0.00%	2.07	40.66	\$ 71.71	\$ -	0.00%	9.36	74.24	\$ 214.66	\$ -	\$ 1,145.48	\$ -	2.05%	2030	
2031	0.00%	2.07	40.66	\$ 71.71	\$ -	3.00%	9.64	76.47	\$ 221.10	\$ 6.44	\$ 1,171.24	\$ 25.76	2.10%	2031	
2032	0.00%	2.07	40.66	\$ 71.71	\$ -	0.00%	9.64	76.47	\$ 221.10	\$ -	\$ 1,171.24	\$ -	2.10%	2032	
Total Change over planning period					\$ -				\$ 98.88		\$ 395.52				

Notes:

1. Current water volumetric rate is \$2.07 per kgal up to 22 kgal per quarter.
2. The water user charges include a quarterly service charge of 17.42 plus a public fire protection charge of 23.24 for a 5/8 or 3/4 inch meter.
3. The current Sewer volumetric rate is \$5.33 per kgal.
4. The usage is assumed to be 15,000 Gallons per quarter.
5. Water Rate Study Analysis to be completed in July. Shown for discussion purposes only.

Recommendations

- Determine timing for rate adjustment(s) (unregulated)
 - ✓ Analysis depicts half-year 2023 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
- Identify other ratemaking goals (if any)

Questions?
