

Town of Addison

Water and Wastewater Utility Update

June 14th 2022



Agenda

- 1. Introduction**
- 2. Study Process**
- 3. Preliminary Financial Plan**
- 4. Next Steps**

Financial Planning Process

1

Forecast Revenue Under Existing Rates

Given projected account growth and customer usage patterns, what would our revenues be if rates were left unchanged?

2

Forecast Operating Expenditures

How much will it cost to operate the water utility on a day to day basis?

3

Develop Capital Improvement Financing Plan

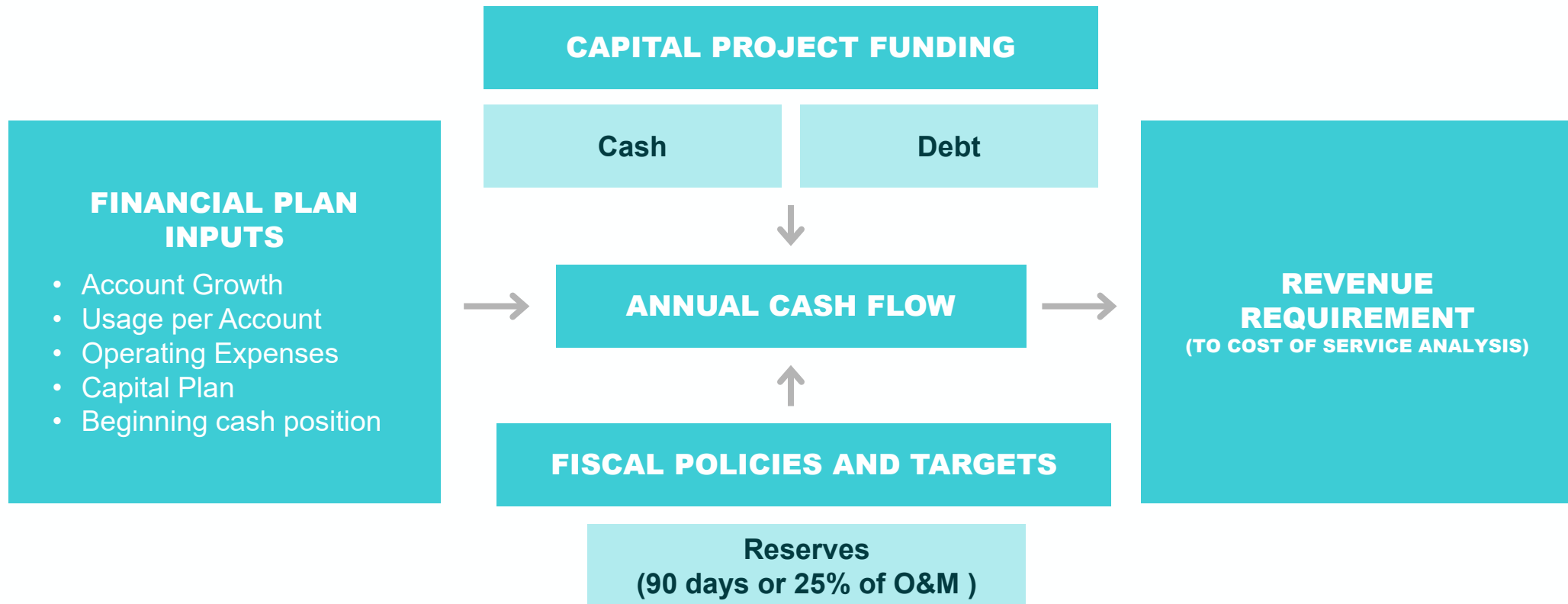
What capital repair and replacement expenditures will be needed? How will they be financed?

4

Evaluate Revenue Sufficiency

Are existing revenues sufficient to fund projected expenditures in a financially sustainable fashion?

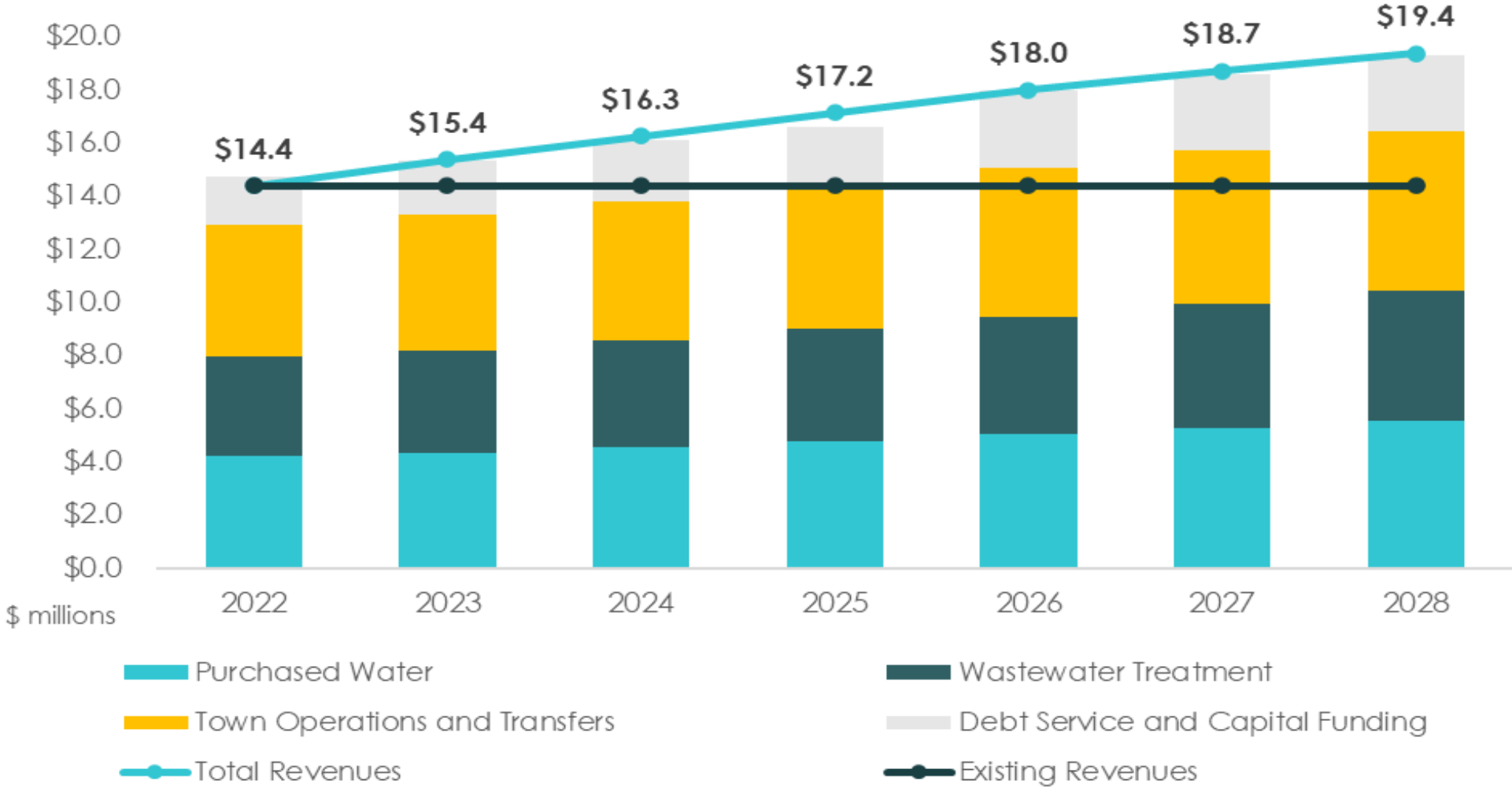
Financial Planning Process



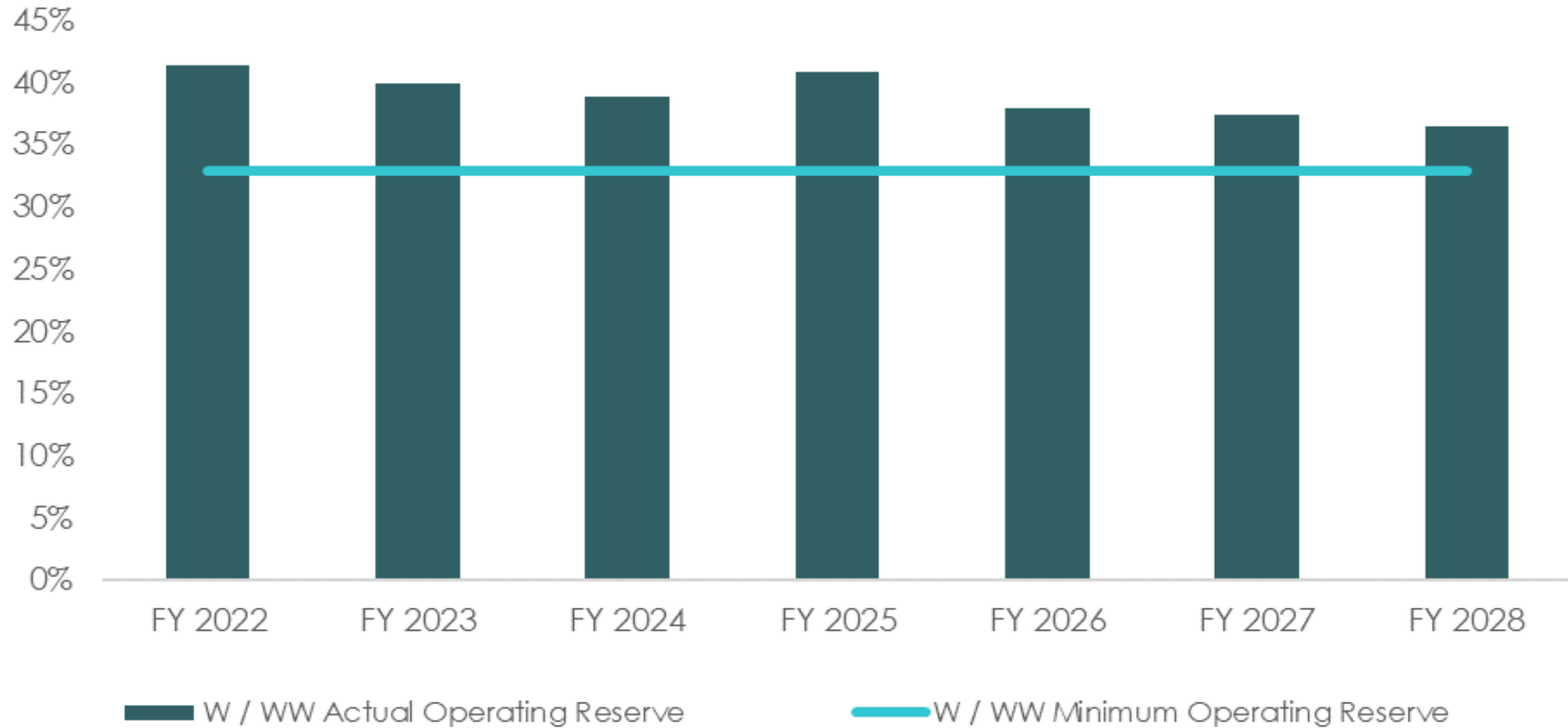
Financial Plan

- Key Drivers
 - › Utilize existing funding policy adopted by Council in 2018
 - Mix of Cash and Bond funded capital projects
 - Minimum fund balance of 25%
 - Systematic rate increases
 - › Increasing O&M costs
 - inflationary increases
 - Water Supply and WW Treatment Costs increases
 - › Cash (PAYGO) funding of repair and replacement capital and equipment
 - › Capital improvements
 - \$16.5 million CIP FY 2022-2026
 - › Proposed Debt Planned Issuances
 - \$3.0 million FY 2022
 - \$7.5 million FY 2025

Financial Plan



Fund Balance



Cash Flow

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Proposed Rate Increase	5.00%	5.50%	5.50%	5.50%	4.00%	3.50%
Total: Revenues	\$ 15,399,777	\$ 16,274,482	\$ 17,151,938	\$ 18,018,224	\$ 18,727,111	\$ 19,371,851
Revenue Requirements						
Personnel Services	\$ 2,648,931	\$ 2,810,441	\$ 2,920,817	\$ 3,035,667	\$ 3,155,176	\$ 3,279,535
Supplies	245,644	253,013	260,604	268,422	276,474	284,769
Maintenance	986,768	1,016,371	1,046,862	1,078,268	1,110,616	1,143,935
Contractual Services	1,238,717	1,132,599	1,165,796	1,199,990	1,235,210	1,271,486
Purchased Water	4,351,005	4,568,556	4,796,983	5,036,833	5,288,674	5,553,108
Purchased Wastewater Treatment	3,839,451	4,031,423	4,232,994	4,444,644	4,666,876	4,900,220
Capital Replacement/Lease	231,584	231,584	231,584	231,584	231,584	231,584
Capital Outlay	79,000	339,000	220,000	379,000	312,667	303,889
Transfers	-	-	-	-	-	-
Debt Service	1,753,502	1,755,877	1,757,077	2,315,440	2,316,655	2,318,933
Total: Revenue Requirements	\$ 15,374,602	\$ 16,138,863	\$ 16,632,718	\$ 17,989,848	\$ 18,593,933	\$ 19,287,459
Current Revenue Surplus/(Deficit)	\$ 25,175	\$ 135,619	\$ 519,221	\$ 28,376	\$ 133,178	\$ 84,393
Fund Balance as of O&M	40%	39%	41%	38%	37%	37%

Financial Plan – Key Findings and Recommendations

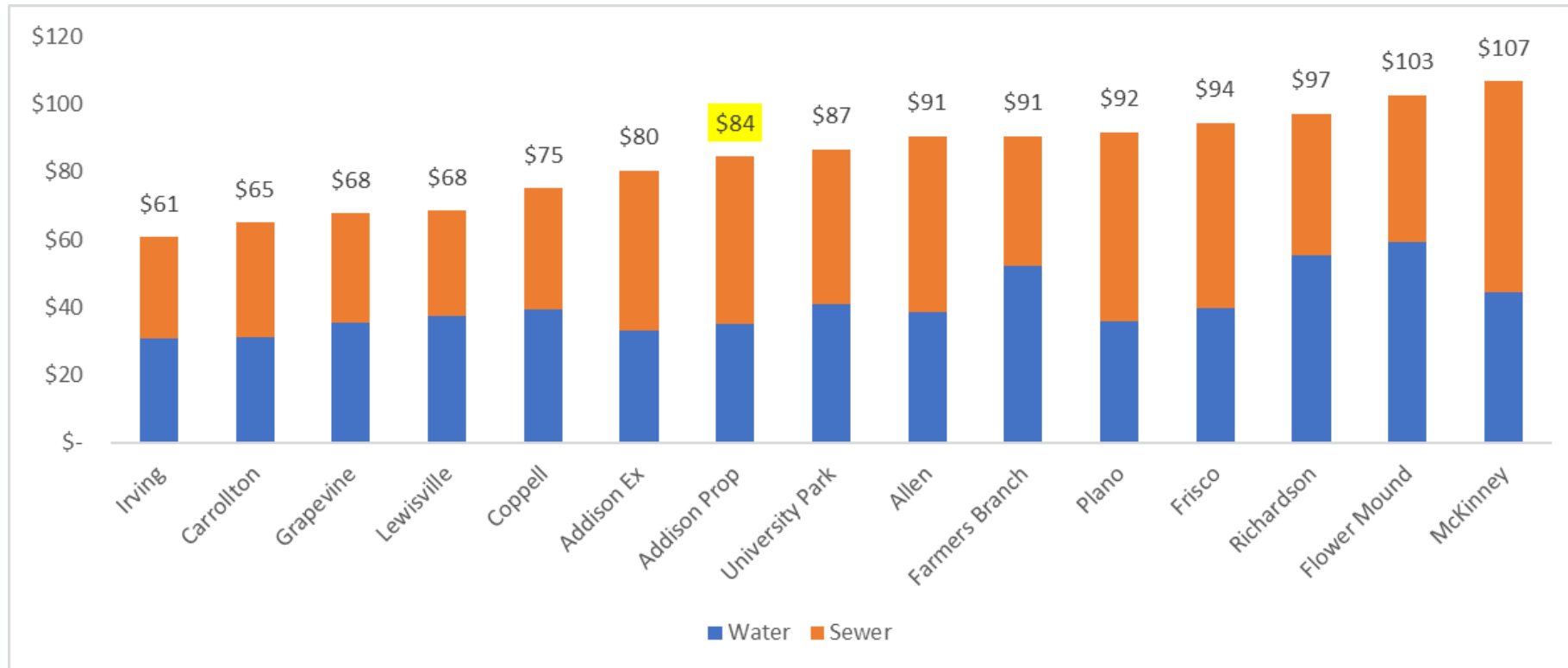
Key Finding – revenue increases are needed to maintain service levels and continue to fund the Utility’s Capital Improvement Program from Fiscal Year 2024 through Fiscal Year 2028.

Policy Questions

1. What are Council’s thoughts on the existing policy?
2. Are there any changes Council would like to examine in the funding policy and/or financial plan?

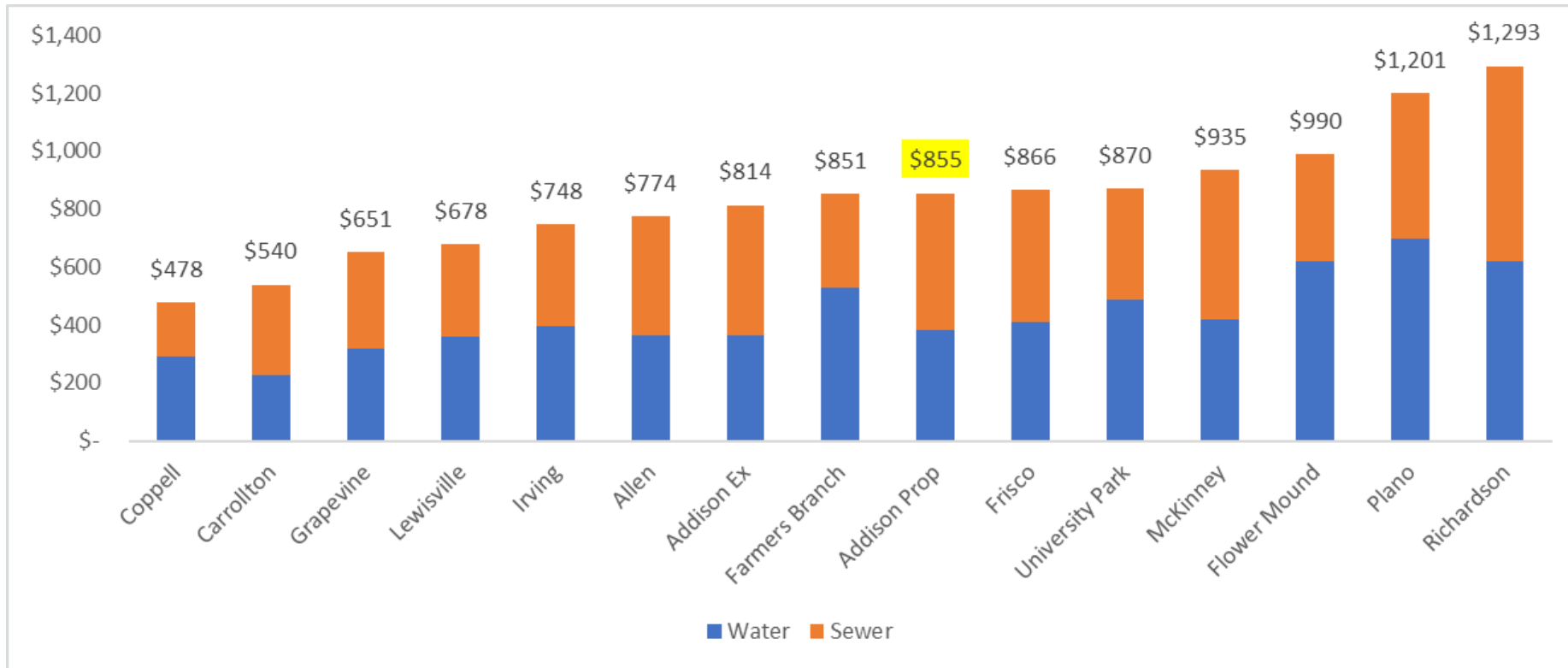
Recommendation – Direct staff to bring forward a resolution to adopt the proposed financial plan to include revenue adjustments of 5.5% in Fiscal Years 2024, 2025, and 2026, 4.0% in Fiscal Year 2027, and 3.5% in Fiscal Year 2028.

Residential Bill Comparisons (7,000 gallons)



2022 rates for all comparison cities

Commercial Bill Comparisons (75,000 gallons)



2022 rates for all comparison cities

Thank you!

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