

# ENTERPRISE FUNDS

## Sewerage and Drainage Operating Fund

### 2018 Cash Balance Statement

The sanitary sewer enterprise fund is used by the city to account for all financial activity related to the operation of the sanitary sewer enterprise. The city collects and treats effluent of city residents and residents of certain suburban areas. The city has two sewerage treatment plants. Revenues consist primarily of user charges.

The projected beginning year 2018 cash balance is \$229.6 million, which includes \$125 million in two reserve funds and an EPA mandated replacement fund.

### 2018 Sewerage and Drainage Operating Fund Balance Summary

Unencumbered Cash Balance (January 1, 2018)	\$ 229,629,941
Plus Estimated 2018 Receipts	279,602,873
Plus Estimated Encumbrance Cancellations	<u>3,500,000</u>
Total Estimated Available Resources	\$ 512,732,814
Less 2018 Recommended Operating Budget (Sewers/Drains)	(274,923,300)
Less 2018 Recommended Operating Budget (Administration)	(12,931,765)
Projected Available Balance (December 31, 2018)	<u><u>\$ 224,877,749</u></u>

### 2018 Revenue Summary

User fees support the operations of the Division of Sewerage and Drainage. Section 118 of the Columbus City Charter empowers City Council to establish separate utility rates to fully cover the cost of service. Rates are set to fully recover the cost of operations, maintenance, and debt service, and are reviewed annually by the Sewer and Water Advisory Board. City Council must approve all rate increases before they are effective.

One of the city's goals in the rate setting process is to avoid steep increases and at the same time fully meet the needs of the system. To achieve this goal, a pro forma operating statement was developed. The pro forma is routinely updated to reflect changing appropriations, expenditures, and revenues.

<b>2018 Sewerage and Drainage Operating Fund</b>				
<b>Revenue by Source and Year</b>				
<b>Historical and Projected</b>				
<b>Revenue Summary</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>
Sewer Sales	\$ 199,254,808	\$ 205,929,376	\$ 215,680,332	\$ 220,371,380
Wet Weather Charges	34,327,463	35,406,627	36,898,078	37,840,033
System Capacity Charges	5,879,322	8,530,324	7,319,530	8,197,874
Investment Income	2,074,453	2,538,990	2,239,557	2,351,535
Storm Maintenance Reimbursement	8,205,977	7,194,461	8,575,867	8,618,747
Other Revenue*	16,053,885	1,645,530	6,853,558	5,723,304
Unencumbered Cash Balance	213,732,941	214,939,630	227,682,302	229,629,941
<b>Total Resources</b>	<b>\$ 479,528,849</b>	<b>\$ 476,184,938</b>	<b>\$ 505,249,224</b>	<b>\$ 512,732,814</b>
Percent Change		-0.70%	6.10%	1.48%

\*Includes debt refinancing premiums and transfers in 2017, and encumbrance cancellations in 2015, 2016, 2017 and 2018.

**Notes:**

- The Sewer and Water Advisory Board recommended a two percent increase in revenues for 2018. With this increase, revenues, excluding the beginning balance and encumbrance cancellations, will total \$279.6 million in 2018.
- There will be no change to the sewer system capacity fee in 2018.
- Due to the volatility of the market, the interest income projection is normally very conservative, with a projected 5.0 percent increase over the 2017 estimated revenue in 2018. Investment income, as a revenue source to the enterprise funds, is based on the amount of cash available in the treasury upon which interest can be earned.
- The storm maintenance reimbursement will continue in 2018. This transfer of funds from the storm to the sanitary sewer fund is a reimbursement for shared resources.
- The low income discount is continued in 2018. This discount is applied to the commodity portion of the customer’s sanitary sewer bill to provide financial relief to qualifying customers.

## **Sewerage and Drainage Operating Fund**

### **Pro Forma Operating Statement**

Presented below is a pro forma operating statement for the sewerage system enterprise operating fund, reflecting sanitary sewer operations only. A separate pro forma statement for storm sewer operations is presented later in this document. Represented is a projection of the sewerage and drainage operating fund revenues and expenditures for the period 2016 through 2027, the assumptions for which are outlined below. The pro forma operating statement is essential to the planning and rate setting processes. The major assumptions upon which the pro forma’s numbers are based are as follows:

- The Sewer and Water Advisory Board recommended various sewer rate increases to produce two percent more revenue in 2018.

- Growth of the sanitary system is projected to be 0.5 percent throughout the pro forma projection period.
  - System capacity charges are assumed to grow by ten percent annually.
  - Projections for personnel costs reflect the rates in effect for the various collective bargaining agreements and/or management salary ordinances represented in the division.
  - The 2018 operations and maintenance budget includes \$12.0 million to pay pro rata (payment to the general fund for services provided to the utility divisions by general fund agencies).
  - In 2018, the division will pay almost \$164.0 million in debt service costs related to various debt issuances over the years. This debt was issued to help fund large infrastructure improvements and upgrades at the wastewater treatment plants and wastewater system.
  - Included in the above-noted figure is \$88.3 million in debt service payments to the Ohio Water Development Authority (OWDA). Use of these low-interest moneys help to decrease the debt retirement expenses associated with sanitary sewer projects. Unlike municipal bonds, debt service on OWDA funded construction projects is not paid until construction is complete.
  - The Division of Sewerage and Drainage's capital improvements plan has been reduced by ten percent throughout the pro forma period. This reduction recognizes the likelihood that actual debt issuance in any given year will not reach levels outlined in the capital improvements budget because of unavoidable lags in the project planning and implementation process.
  - The Division of Sewerage and Drainage's pro forma statement also assumes that all general obligation debt will be issued late in any given year, such that the interest expense is not due until the following year and the principal payment is due the year after that.
  - A portion of the costs associated with the Public Utilities Director's Office are borne by the sewerage enterprise operating fund. In 2018, \$12.9 million is allocated in this fund for the Director's Office.
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## SANITARY SEWER ENTERPRISE FUND

Pro Forma Operating Statement  
For Years 2016 - 2027 (000's omitted)

	Actuals	Estimate	Budget									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Beginning Cash Balance</b>	<b>214,940</b>	<b>227,682</b>	<b>229,630</b>	<b>224,878</b>	<b>229,533</b>	<b>226,842</b>	<b>213,332</b>	<b>211,500</b>	<b>213,128</b>	<b>220,412</b>	<b>214,763</b>	<b>209,384</b>
<b>Utility Revenues</b>												
Sewer Sales	205,929	215,680	216,759	222,090	229,732	237,641	250,490	266,507	283,564	296,147	306,379	316,969
Sewer Sales Increase	-	-	3,613	5,552	5,743	9,902	12,525	13,325	9,452	7,404	7,659	7,924
Wet Weather	35,407	36,898	37,225	38,299	39,704	41,155	43,328	45,935	48,684	50,818	52,660	54,577
Wet Weather Increase	-	-	615	931	957	1,654	2,058	2,166	1,531	1,217	1,270	1,316
Interest Income	2,539	2,240	2,352	2,469	2,593	2,722	2,858	3,001	3,151	3,309	3,474	3,648
System Capacity Charge	8,530	7,320	8,198	9,018	10,100	11,312	12,669	14,189	15,892	17,799	19,935	22,327
Other	1,646	2,212	2,223	2,234	2,246	2,257	2,268	2,279	2,291	2,302	2,314	2,325
Reimbursement from Stormwater Fund	7,194	8,576	8,619	8,662	8,705	8,749	8,792	8,836	8,881	8,925	8,970	9,014
Debt Refinancing	2,110	929	-	-	-	-	-	-	-	-	-	-
Premium Adjustment	-2,110	-	-	-	-	-	-	-	-	-	-	-
Meter Revenue AMR	-	-	-	4,500	4,500	4,500	4,500	4,500	4,500	-	-	-
Transfer in	-	213	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>261,245</b>	<b>274,067</b>	<b>279,603</b>	<b>293,755</b>	<b>304,281</b>	<b>319,891</b>	<b>339,488</b>	<b>360,740</b>	<b>377,947</b>	<b>387,921</b>	<b>402,662</b>	<b>418,102</b>
Projected Encumbrance Cancellations	-	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
<b>Total Resources</b>	<b>476,185</b>	<b>505,249</b>	<b>512,733</b>	<b>522,133</b>	<b>537,313</b>	<b>550,233</b>	<b>556,320</b>	<b>575,741</b>	<b>594,575</b>	<b>611,833</b>	<b>620,925</b>	<b>630,987</b>
<b>Utility Expense</b>												
<b>Operations &amp; Maintenance</b>												
Personnel Services	34,163	35,839	38,087	38,468	38,852	39,241	39,633	40,030	40,430	40,834	41,243	41,655
27th Pay Period	-	-	-	-	1,509	-	-	-	-	-	-	-
Health Insurance	8,822	9,748	10,905	11,669	12,485	13,359	14,295	15,295	16,366	17,511	18,737	20,049
Supplies & Materials	6,385	8,759	8,704	8,878	9,055	9,237	9,421	9,610	9,802	9,998	10,198	10,402
Pro Rata	11,301	12,333	12,024	12,646	13,119	13,822	14,704	15,660	16,434	17,086	17,749	18,444
Contractual Services	33,711	39,731	36,860	37,229	37,601	37,977	38,357	38,741	39,128	39,519	39,915	40,314
Other	25	181	175	176	177	178	179	179	180	181	182	183
Equipment	3,391	3,206	4,201	4,411	4,632	4,863	5,106	5,362	5,630	5,911	6,207	6,517
Department of Public Utilities Allocation	6,783	7,821	12,932	13,190	13,850	14,542	15,270	16,033	16,835	17,676	18,560	19,488
<b>Total Operations &amp; Maintenance</b>	<b>104,581</b>	<b>117,617</b>	<b>123,888</b>	<b>126,666</b>	<b>131,282</b>	<b>133,219</b>	<b>136,964</b>	<b>140,909</b>	<b>144,805</b>	<b>148,718</b>	<b>152,791</b>	<b>157,052</b>
<b>Debt Service</b>												
Revenue Bond	16,793	18,248	18,248	18,248	18,248	18,248	18,248	27,023	32,910	46,273	34,490	33,572
General Obligation	37,277	47,343	53,493	49,453	46,436	45,166	43,849	40,421	38,762	37,235	34,332	27,815
OWPCLF/OWDA Debt- Non Wet Weather	89,737	89,900	88,277	86,475	90,123	93,019	87,979	85,111	80,331	76,745	74,991	72,231
Proposed New Debt	-	-	3,083	11,227	23,853	46,720	57,250	68,648	76,855	87,599	114,436	125,438
Fiscal Charges	-	632	-	-	-	-	-	-	-	-	-	-
Premium Adjustment	114	-	800	500	500	500	500	500	500	500	500	500
Transfer to Power	-	1,745	-	-	-	-	-	-	-	-	-	-
Assessments	-	134	66	31	30	29	29	-	-	-	-	-
<b>Total Debt Service</b>	<b>143,921</b>	<b>158,002</b>	<b>163,967</b>	<b>165,933</b>	<b>179,190</b>	<b>203,682</b>	<b>207,856</b>	<b>221,703</b>	<b>229,358</b>	<b>248,353</b>	<b>258,750</b>	<b>259,556</b>
<b>Total Expense</b>	<b>248,503</b>	<b>275,619</b>	<b>287,855</b>	<b>292,600</b>	<b>310,471</b>	<b>336,901</b>	<b>344,820</b>	<b>362,612</b>	<b>374,163</b>	<b>397,071</b>	<b>411,540</b>	<b>416,608</b>
<b>Ending Fund Balance</b>	<b>227,682</b>	<b>229,630</b>	<b>224,878</b>	<b>229,533</b>	<b>226,842</b>	<b>213,332</b>	<b>211,500</b>	<b>213,128</b>	<b>220,412</b>	<b>214,763</b>	<b>209,384</b>	<b>214,378</b>
<b>Projected Revenue Increase</b>	-	-	2.00%	3.00%	3.00%	5.00%	6.00%	6.00%	4.00%	3.00%	3.00%	3.00%

## Electricity Enterprise Fund

### 2018 Cash Balance Statement

The electricity enterprise fund is used by the city to account for all financial activity related to the operation of the electricity enterprise. The city purchases, but does not generate, electricity and sells it to its residential and commercial customers. Revenues consist primarily of user charges.

Revenues into the electricity enterprise fund are expected to continue to parallel the expense for the purchase of power. Electrical sales revenue is expected to increase slightly over that of the previous year.

At the beginning of 2018, there is a projected cash balance of just over \$28.2 million, which reflects the combined balances of the reserve and operating funds.

<b>2018 Electricity Enterprise Fund Balance Summary</b>	
Unencumbered Cash Balance (January 1, 2018)	\$ 28,282,113
Plus Estimated 2018 Receipts	82,372,254
Plus Estimated Encumbrance Cancellations	<u>3,800,000</u>
Total Estimated Available Resources	\$ 114,454,367
Less 2018 Recommended Operating Budget (Electricity)	(86,608,487)
Less 2018 Recommended Operating Budget (Administration)	(1,816,702)
Projected Available Balance (December 31, 2018)	<u><u>\$ 26,029,178</u></u>

### 2018 Revenue Summary

The Division of Electricity is supported by revenues generated through the sale of wholesale (purchased) power. Section 118 of the Columbus City Charter empowers City Council to establish separate utility rates to fully cover the cost of service. Rates are set to fully recover the cost of operations, maintenance and debt service. City Council must approve all rate increases before they are effective.

Electricity operating fund revenues fall into two basic categories: revenue from the retail sale of electricity and specific services (e.g. operation and maintenance of expressway lighting) and investment earnings.

<b>2018 Electricity Enterprise Fund</b>				
<b>Revenue by Source and Year</b>				
<b>Historical and Projected</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Revenue Summary</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>
Charges for Electrical Service	\$ 75,963,437	\$ 78,034,429	\$ 78,128,195	\$ 80,317,604
Investment Income	221,860	270,477	285,073	125,000
Other Revenue*	2,484,263	1,633,291	12,257,489	5,598,629
Street Light Assessments	286,137	201,350	136,894	131,021
Unencumbered Cash Balance	21,127,156	21,459,468	23,732,418	28,282,113
<b>Total Resources</b>	<b>\$ 100,082,853</b>	<b>\$ 101,599,015</b>	<b>\$ 114,540,069</b>	<b>\$ 114,454,367</b>
Percent Change		1.51%	12.74%	-0.07%

\*Includes encumbrance cancellations in 2015, 2016, 2017 and 2018 and transfers in 2017.

**Notes:**

- Revenues, excluding the beginning year cash balance and encumbrance cancellations, are expected to be just over \$82.0 million in 2018.
- Revenues to the electricity enterprise fund are generated through the purchase of wholesale and resale of retail electricity.
- Effective May 2001, changes in state law caused the Division of Electricity to pay the proceeds of a kilowatt hour tax to the general fund. At that time, to avoid a net reduction in revenue to the division, the general fund reimbursed the payments to the electricity operating fund. However, in 2004, legislation was passed that allowed the general fund to keep the kilowatt hour proceeds. In turn, through 2008, the division received a portion of the costs associated with operation of the street light system from the street construction, maintenance and repair fund (SCMR fund). Starting in 2009, however, this intra-fund transfer was not made and will again not be made in 2018. In 2018, the general fund will retain 100 percent of the value of the kilowatt hour tax.
- Estimated revenues for 2017 are projected to increase by more than ten percent due to an electricity billing issue with two internal customers. In 2010, electricity meters were changed at the Division of Sewerage and Drainage, Southerly Wastewater Treatment Plant, and at the Division of Water, Hap Cremean Water Plant. These meters were not properly calibrated, causing inaccurate readings, which resulted in under billing. According to Columbus City Code, the division is only able to back bill accounts for two years. This resulted in the division recouping a total of \$3.1 million in additional revenue in 2017.

## **Electricity Enterprise Fund Pro Forma Operating Statement**

Presented on the next page is a pro forma operating statement for the electricity enterprise operating fund, which outlines projections of operating fund revenues and expenditures on a cash basis for the period 2016 through 2027. Assumptions are outlined below. This division does not follow the same rate setting processes as the Water, Sanitary, and Stormwater Divisions. Rather, its rates are determined by what the market will support given that there are other providers of retail electricity in the area. As such, the pro forma operating statement is essential to this division's planning, management, and decision making processes. The major assumptions upon which the pro forma's numbers are based are as follows:

- The pro forma assumes operating, maintenance, and debt service costs for the division's street lighting program through the entire pro forma period. The objective of the program is to install street lighting throughout the city with revenues derived from electric retail sales.
  - The largest portion, by far, of the Division of Electricity's budget is for the purchase of wholesale electrical power. In 2018, \$58.2 million is budgeted for this commodity. This amount is 13.5 percent more than expended in 2016 and 2.3 percent more than projected spending in 2017. These increases reflect the division's estimates for additional transmission, extra capacity, and other ancillary charges.
  - Growth of the electric system (i.e., sales) is projected to be 0.5 percent throughout the pro forma projection period.
  - A portion of the costs associated with the Public Utilities Director's Office are borne by the electricity enterprise operating fund. In 2018, \$1.8 million is allocated in this fund for this purpose.
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## ELECTRICITY ENTERPRISE FUND

### Pro Forma Operating Statement For Years 2016 - 2027 (000's omitted)

	<b>Actual</b>	<b>Estimate</b>	<b>Budget</b>									
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Beginning Cash Balance</b>	21,459	23,732	28,282	26,029	30,270	29,029	30,922	31,727	33,330	33,604	28,711	22,477
<b>Utility Revenues</b>												
System Growth at .05% (.005)	-	-	391	402	406	408	396	399	401	403	403	405
<b>Electricity Sales</b>												
Residential	6,471	6,775	6,809	6,843	6,877	6,911	6,946	6,980	7,015	7,050	7,086	7,121
Commercial	65,711	66,178	66,775	67,516	67,631	67,747	67,865	67,983	68,103	68,224	68,347	68,470
Expressway Lighting	593	620	627	633	639	646	652	659	665	672	679	685
Kilowatt Hour Tax Reduction	-3,132	-3,278	-3,186	-3,196	-3,207	-3,219	-3,230	-3,242	-3,255	-3,267	-3,280	-3,644
AMI	-	-	-	500	500	500	500	500	500	-	-	-
PCRA	8,391	7,834	8,902	9,169	9,444	9,728	10,019	10,320	10,630	10,949	11,277	11,615
<b>Total Electric Sales</b>	<b>78,034</b>	<b>78,128</b>	<b>80,318</b>	<b>81,233</b>	<b>81,651</b>	<b>79,269</b>	<b>79,703</b>	<b>80,117</b>	<b>80,608</b>	<b>80,570</b>	<b>81,040</b>	<b>81,163</b>
Other Revenues	1,835	1,920	1,930	1,939	1,949	1,959	1,969	1,978	1,988	1,998	2,008	2,018
Investment Earnings	270	285	125	125	125	125	125	125	125	125	125	125
Transfer in (Sewers, Water, Sinking Fund)	-	3,732	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>80,140</b>	<b>84,065</b>	<b>82,372</b>	<b>83,297</b>	<b>83,725</b>	<b>81,353</b>	<b>81,797</b>	<b>82,220</b>	<b>82,721</b>	<b>82,693</b>	<b>83,174</b>	<b>83,306</b>
Projected Encumbrance Cancellations	-	6,742	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
<b>Total Resources</b>	<b>101,599</b>	<b>114,540</b>	<b>114,454</b>	<b>113,126</b>	<b>117,795</b>	<b>114,182</b>	<b>116,519</b>	<b>117,747</b>	<b>119,851</b>	<b>120,098</b>	<b>115,685</b>	<b>109,584</b>
<b>Utility Expense</b>												
<b>Operations &amp; Maintenance</b>												
Personnel Services	8,285	8,328	9,394	9,581	9,773	9,968	10,168	10,371	10,579	10,790	11,006	11,226
27th Pay Period	-	-	-	-	376	-	-	-	-	-	-	-
Health Insurance	1,784	1,914	2,256	2,414	2,583	2,763	2,957	3,164	3,385	3,622	3,876	4,147
Purchase Power	51,240	56,872	58,183	54,910	60,327	53,854	54,587	53,389	54,447	56,120	57,264	60,254
Supplies & Materials	1,191	1,490	1,440	1,483	1,527	1,573	1,620	1,669	1,719	1,770	1,824	1,878
Pro Rata	3,535	3,783	3,876	3,748	3,768	3,661	3,681	3,700	3,722	3,721	3,743	3,749
Services	6,809	5,894	7,043	7,184	7,327	7,474	7,623	7,776	7,931	8,090	8,252	8,417
Other Disbursements	2	5	20	20	20	20	20	21	21	21	21	21
Capital Equipment	2,473	5,270	3,297	3,396	3,498	3,603	3,711	3,822	3,937	4,055	4,177	4,302
Department of Public Utilities Allocation	953	1,085	1,817	1,908	2,003	2,103	2,208	2,319	2,435	2,556	2,684	2,818
<b>Total Operations &amp; Maintenance</b>	<b>76,271</b>	<b>84,641</b>	<b>87,324</b>	<b>82,101</b>	<b>88,034</b>	<b>82,548</b>	<b>84,094</b>	<b>83,735</b>	<b>85,582</b>	<b>90,746</b>	<b>92,846</b>	<b>96,812</b>
<b>Debt Service</b>												
Distribution G.O. Debt	1,400	782	609	251	242	233	223	219	215	205	-	-
Street Lighting G.O. debt	-	669	445	331	320	312	309	301	291	279	207	202
Premium Adjustment	-7	29	7	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>1,595</b>	<b>1,617</b>	<b>1,101</b>	<b>756</b>	<b>732</b>	<b>712</b>	<b>697</b>	<b>682</b>	<b>665</b>	<b>641</b>	<b>362</b>	<b>354</b>
<b>Total Expense</b>	<b>77,867</b>	<b>86,258</b>	<b>88,425</b>	<b>82,856</b>	<b>88,766</b>	<b>83,260</b>	<b>84,791</b>	<b>84,417</b>	<b>86,247</b>	<b>91,387</b>	<b>93,207</b>	<b>97,166</b>
<b>Ending Fund Balance</b>	<b>23,732</b>	<b>28,282</b>	<b>26,029</b>	<b>30,270</b>	<b>29,029</b>	<b>30,922</b>	<b>31,727</b>	<b>33,330</b>	<b>33,604</b>	<b>28,711</b>	<b>22,477</b>	<b>12,418</b>



## Water Operating Fund

### 2018 Cash Balance Statement

The water enterprise fund is used by the city to account for all financial activity relating to the operation of the water enterprise. The city collects, purifies, and sells water to city residents and residents of certain suburban areas. Water is collected from surface areas (rivers) and wells. The city has three water treatment plants. Revenues consist primarily of user charges.

The projected beginning year 2018 cash balance is \$109.8 million, which includes \$45.0 million in a reserve fund.

<b>2018 Water Operating Fund Balance Summary</b>	
Unencumbered Cash Balance (January 1, 2018)	\$ 109,798,438
Plus Estimated 2018 Receipts	200,330,083
Plus Estimated Encumbrance Cancellations	3,500,000
Total Estimated Available Resources	<u>\$ 313,628,521</u>
Less 2018 Recommended Operating Budget (Water)	(188,652,965)
Less 2018 Recommended Operating Budget (Administration)	(11,534,025)
Projected Available Balance (December 31, 2018)	<u><u>\$ 113,441,531</u></u>

### 2018 Revenue Summary

User fees completely support the operations of the Water Division. Section 118 of the Columbus City Charter empowers City Council to establish separate utility rates to fully cover the cost of service. Rates are set to recover the cost of operations, maintenance, and debt service, and are reviewed annually by the Sewer and Water Advisory Board. City Council must approve all rate increases before they are effective.

One of the city's goals in the rate setting process is to avoid steep increases and at the same time fully meet the needs of the system. To achieve this goal, a pro forma operating statement was developed. The pro forma is routinely updated to reflect changing appropriations, expenditures and revenues.

<b>2018 Water Operating Fund</b>				
<b>Revenue by Source and Year</b>				
<b>Historical and Projected</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Revenue Summary</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>
Water Sales	\$ 163,490,335	\$ 176,211,914	\$ 180,259,366	\$ 182,670,335
Water Penalty Fee	2,111,304	2,182,342	2,348,456	2,395,425
System Capacity Charges	5,858,247	5,923,765	6,044,723	6,346,959
Sewer Billings	6,657,256	6,039,904	6,881,999	-
Meter Service Fee	923,164	832,510	980,225	999,830
Investment Income	1,539,989	1,770,450	1,715,394	1,801,164
Other Revenue*	10,196,124	5,790,859	9,585,941	9,616,370
Unencumbered Cash Balance	81,037,630	84,948,103	102,879,805	109,798,438
<b>Total Resources</b>	<b>\$ 271,814,049</b>	<b>\$ 283,699,847</b>	<b>\$ 310,695,909</b>	<b>\$ 313,628,521</b>
Percent Change		4.37%	9.52%	0.94%

\*Includes debt refinancing premiums in 2015, 2017 and 2018 and encumbrance cancellations in 2015, 2016, 2017 and 2018.

**Notes:**

- The Sewer and Water Advisory Board recommended a one percent increase in water rates for 2018. Water sales are projected to generate \$182.7 million in 2018.
- There will be no change to the water system capacity fee in 2018.
- The low income discount is continued in 2018. This discount is applied to the commodity portion of the customer's water bill to provide financial relief to qualifying customers.
- The interest income projection is expected to increase by five percent over 2017 estimated income. Investment income, as a revenue source to the enterprise funds, is based on the amount of cash available in the treasury upon which interest can be earned.

## **Water Operating Fund**

### **Pro Forma Operating Statement**

A pro forma operating statement from 2016 through 2027 is presented below. The statement is designed to project the utility's revenues and expenditures for that period, given certain assumptions and is essential to the planning and rate setting process. The major assumptions upon which the water pro forma's numbers are based are as follows:

- The Sewer and Water Advisory Board recommended a one percent increase in water rates for 2018.
  - Growth of the water system is projected to be 0.5 percent throughout the pro forma period.
  - System capacity charges are assumed to grow by five percent annually.
  - Interest rates on investments of revenues and reserves are projected to grow by five percent annually.
  - Included in the operations and maintenance budget for 2018 is just over nine million dollars for payment of pro rata.
  - Proposed new debt is issued both in the form of general obligation bonds and loans from the Water Supply Revolving Loan Account at an assumed interest rate of four percent.
  - The Division of Water's pro forma statement assumes that all debt will be issued late in any given year, such that the interest expense is not due until the following year and the principal payment is due the year after that.
  - The Division of Water's capital improvements budget (CIB) has been discounted by ten percent. This reduction recognizes the probability that debt issued in any given year will not reach the levels outlined in the division's capital improvements budget due to unavoidable lags in the project planning and implementation process.
  - A portion of the costs associated with the Public Utilities Director's Office are borne by the water enterprise operating fund. In 2018, \$11.5 million is allocated in this fund for this purpose.
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## WATER ENTERPRISE FUND

### Pro Forma Operating Statement

For Years 2016 - 2027 (000's omitted)

	<u>Actual</u> <u>2016</u>	<u>Estimate</u> <u>2017</u>	<u>Budget</u> <u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Beginning Cash Balance</b>	<b>84,948</b>	<b>102,880</b>	<b>109,798</b>	<b>113,442</b>	<b>122,265</b>	<b>121,849</b>	<b>122,665</b>	<b>123,114</b>	<b>123,337</b>	<b>125,257</b>	<b>123,872</b>	<b>122,566</b>
<b>Utility Revenues</b>												
Water Sales	176,212	180,259	181,161	183,887	188,503	195,129	203,948	213,167	222,802	232,873	241,058	247,109
Water Sales Increase	-	-	1,510	3,065	4,713	6,504	6,798	7,106	7,427	5,822	4,018	4,118
Interest Income	1,770	1,715	1,801	1,891	1,986	2,085	2,189	2,299	2,414	2,534	2,661	2,794
System Capacity Charges	5,924	6,045	6,347	6,664	6,998	7,347	7,715	8,101	8,506	8,931	9,377	9,846
CUBS Billing Charges	6,040	6,882	-	-	-	-	-	-	-	-	-	-
Penalties	2,182	2,348	2,395	2,443	2,492	2,542	2,593	2,645	2,698	2,752	2,807	2,863
Meter Service Fees	833	980	1,000	1,100	1,210	1,331	1,464	1,610	1,771	1,948	2,143	2,358
Other	5,682	5,575	5,603	5,631	5,659	5,687	5,716	5,744	5,773	5,802	5,831	5,860
Debt Refinancing	3,415	511	513	516	519	521	524	526	529	532	534	537
Premium adj.	-3,307	-	-	-	-	-	-	-	-	-	-	-
Meter Revenue AMR	-	-	-	4,500	4,500	4,500	4,500	4,500	4,500	-	-	-
<b>Total Revenue</b>	<b>198,752</b>	<b>204,316</b>	<b>200,330</b>	<b>209,698</b>	<b>216,578</b>	<b>225,647</b>	<b>235,447</b>	<b>245,698</b>	<b>256,419</b>	<b>261,193</b>	<b>268,429</b>	<b>275,485</b>
Projected Encumbrance Cancellations	-	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
<b>Total Resources</b>	<b>283,700</b>	<b>310,696</b>	<b>313,629</b>	<b>326,639</b>	<b>342,343</b>	<b>350,996</b>	<b>361,612</b>	<b>372,312</b>	<b>383,256</b>	<b>389,950</b>	<b>395,801</b>	<b>401,551</b>
<b>Utility Expense</b>												
<b>Operations &amp; Maintenance</b>												
Personnel Services	38,507	39,232	37,195	37,753	38,320	38,895	39,478	40,070	40,671	41,281	41,900	42,529
27th Pay Period	-	-	-	-	1,474	-	-	-	-	-	-	-
Health Insurance	9,900	10,746	9,932	10,627	11,371	12,167	13,019	13,930	14,905	15,949	17,065	18,260
Supplies & Materials	16,551	20,658	21,443	21,657	21,874	22,093	22,313	22,537	22,762	22,990	23,220	23,452
Pro Rata	8,569	9,194	9,315	9,436	9,746	10,154	10,595	11,056	11,539	11,754	12,079	12,397
Contractual Services	22,823	27,445	25,147	25,399	25,653	25,909	26,168	26,430	26,694	26,961	27,231	27,503
Other	47	98	112	113	114	114	115	115	116	116	117	118
Equipment	2,826	1,395	1,413	1,555	1,710	1,881	2,069	2,276	2,504	2,754	3,030	3,333
Department of Public Utilities Allocation	5,870	6,809	11,534	11,765	12,353	12,971	13,619	14,300	15,015	15,766	16,554	17,382
Transfers	95	1,423	-	-	-	-	-	-	-	-	-	-
<b>Total Operations &amp; Maintenance</b>	<b>105,190</b>	<b>117,000</b>	<b>116,092</b>	<b>118,306</b>	<b>122,614</b>	<b>124,184</b>	<b>127,377</b>	<b>130,715</b>	<b>134,207</b>	<b>137,571</b>	<b>137,502</b>	<b>141,119</b>
<b>Debt Service</b>												
General Obligation	74,815	83,697	81,477	78,266	80,516	76,843	72,096	68,173	65,224	62,979	61,466	60,053
Proposed New Debt	-	-	2,267	7,452	17,014	26,953	38,675	49,736	58,219	65,178	73,917	79,302
Fiscal & Note Charges	651	200	350	350	350	350	350	350	350	350	350	350
<b>Total Debt Service</b>	<b>75,466</b>	<b>83,897</b>	<b>84,095</b>	<b>86,068</b>	<b>97,880</b>	<b>104,147</b>	<b>111,121</b>	<b>118,259</b>	<b>123,793</b>	<b>128,507</b>	<b>135,733</b>	<b>139,705</b>
<b>Total Expense</b>	<b>180,820</b>	<b>200,897</b>	<b>200,187</b>	<b>204,374</b>	<b>220,494</b>	<b>228,331</b>	<b>238,498</b>	<b>248,974</b>	<b>257,999</b>	<b>266,078</b>	<b>273,235</b>	<b>280,824</b>
<b>Ending Fund Balance</b>	<b>102,880</b>	<b>109,798</b>	<b>113,442</b>	<b>122,265</b>	<b>121,849</b>	<b>122,665</b>	<b>123,114</b>	<b>123,337</b>	<b>125,257</b>	<b>123,872</b>	<b>122,566</b>	<b>120,727</b>
<b>Projected Revenue Increase</b>	-	-	<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>4.00%</b>	<b>3.00%</b>	<b>2.00%</b>	<b>2.00%</b>

## Storm Sewer Maintenance Fund

### 2018 Cash Balance Statement

The storm sewer maintenance fund is used by the city to account for all financial activity related to the operation of the storm sewer enterprise. The city has a separate storm sewerage system, as well as a combined system that also handles sanitary sewage. Revenues consist primarily of user charges.

Prior to 1993, the storm sewer maintenance special revenue fund was used only to reimburse the sanitary operating fund for stormwater management expenses. No expenditures were made directly out of this fund. This arrangement changed in 1993, when the storm sewer maintenance fund became the operating fund for stormwater management engineering and design, although the sanitary fund is still reimbursed for some storm sewer maintenance expenses. More recently, this fund's designation changed from that of special revenue to enterprise fund. This change allowed the division to set aside monies in a reserve fund against which contracts could be certified in the absence of bond cash.

A 2018 beginning year cash balance of \$25.8 million is projected for this fund. This includes a \$9.0 million reserve balance.

<b>2018 Storm Sewer Maintenance Fund</b>	
<b>Balance Summary</b>	
Unencumbered Cash Balance (January 1, 2018)	\$ 25,814,345
Plus Estimated 2018 Receipts	42,767,574
Plus Estimated Encumbrance Cancellations	50,000
Total Estimated Available Resources	<u>\$ 68,631,919</u>
Less 2018 Recommended Operating Budget (Storm Sewer)	(39,195,698)
Less 2018 Recommended Operating Budget (Administration)	(3,447,528)
Projected Available Balance (December 31, 2018)	<u><b>\$ 25,988,694</b></u>

### 2018 Revenue Summary

Storm sewer maintenance fees provide the vast majority of revenues to this fund. In August 1995, the Division of Sewerage and Drainage implemented a new fee structure based on the impervious area of a given property, which directly relates to stormwater runoff into the storm drainage system. The stormwater service fee is based upon an equitable and consistent rate system, defined in equivalent residential units (ERU), where one ERU equals 2,000 square feet of impervious area.

In 2011, there was no increase to the stormwater fee as it was determined that sufficient revenues were being generated under the current fee structure. In 2012, the Sewer and Water Advisory Board voted to decrease the fee by two percent. In 2013, the fee structure remained

unchanged. More recently however, small increases have been necessary; for 2018, the board has recommended a one percent increase.

<b>2018 Storm Sewer Maintenance Fund</b>				
<b>Revenue by Source and Year</b>				
<b>Historical and Projected</b>				
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Revenue Summary</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>
Storm Maintenance Fees	\$ 38,630,233	\$ 40,721,789	\$ 41,803,515	\$ 41,919,277
Investment Income	309,719	443,463	336,678	353,512
Other Revenue*	17,200	(109,445)	132,973	85,119
Penalties	423,912	203,173	460,269	459,666
Unencumbered Cash Balance	20,172,543	20,808,902	24,166,270	25,814,345
<b>Total Resources</b>	<b>\$ 59,553,607</b>	<b>\$ 62,067,882</b>	<b>\$ 66,899,705</b>	<b>\$ 68,631,919</b>
Percent Change		4.22%	7.78%	2.59%

\*Includes debt refinancing premiums in 2017 and encumbrance cancellations in 2015, 2016, 2017 and 2018.

## Storm Sewer Maintenance Fund Pro Forma Operating Statement

- The storm sewer maintenance pro forma operating statement assumes a one percent increase to the storm sewer maintenance fee in 2018.
- Proposed new debt is issued both in the form of general obligation bonds and loans from the Water Pollution Control Loan Fund at an assumed interest rate of four percent.
- The division's capital improvements plan has been discounted by ten percent throughout the pro forma period. This reduction recognizes the probability that debt issued in any given year will not reach the levels outlined in the division's capital improvements budget due to unavoidable lags in the project planning and implementation process.
- In 2005, costs associated with the street cleaning function were added to the storm sewer budget, having been transferred from the Department of Public Service. In 2008, snow removal costs were also transferred. In 2018, just over eight million dollars is budgeted for these services.
- A portion of the costs associated with the Public Utilities Director's Office are borne by the storm sewer enterprise operating fund. In 2018, just over three million dollars is allocated in this fund for this purpose.

**STORM SEWER ENTERPRISE FUND**  
**Pro Forma Operating Statement**  
**For Years 2016 - 2027 (000's omitted)**

	<u>Actual</u>	<u>Estimate</u>	<u>Budget</u>									
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Beginning Cash Balance</b>	<b>20,809</b>	<b>24,166</b>	<b>25,814</b>	<b>25,989</b>	<b>26,016</b>	<b>26,051</b>	<b>26,603</b>	<b>26,963</b>	<b>27,443</b>	<b>26,805</b>	<b>25,581</b>	<b>24,675</b>
<b>Utility Revenues</b>												
Storm Maintenance Service Charges	40,722	41,804	41,573	42,228	42,889	43,555	44,681	45,817	46,963	48,120	49,287	49,999
Rate Increase (Decrease)	-	-	346	352	357	726	745	764	783	802	411	417
Investment Earnings	443	337	354	371	390	409	430	451	474	497	522	548
Storm Sewer Maintenance Penalties	203	460	460	464	469	474	478	483	488	493	498	503
Other Revenues	11	34	35	36	37	38	40	41	42	43	44	46
Debt Refinancing	415	49	-	-	-	-	-	-	-	-	-	-
Unapplied	-120	-	-	-	-	-	-	-	-	-	-	-
Premium Adjustment	-415	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>41,259</b>	<b>42,683</b>	<b>42,768</b>	<b>43,452</b>	<b>44,142</b>	<b>45,202</b>	<b>46,373</b>	<b>47,556</b>	<b>48,750</b>	<b>49,955</b>	<b>50,762</b>	<b>51,513</b>
Projected Encumbrance Cancellations		50	50	50	50	50	50	50	50	50	50	50
<b>Total Resources</b>	<b>62,068</b>	<b>66,900</b>	<b>68,632</b>	<b>69,490</b>	<b>70,208</b>	<b>71,303</b>	<b>73,027</b>	<b>74,569</b>	<b>76,243</b>	<b>76,810</b>	<b>76,394</b>	<b>76,238</b>
<b>Utility Expense</b>												
<b>Operations &amp; Maintenance</b>												
Personnel Services	1,292	1,287	1,514	1,544	1,575	1,606	1,639	1,671	1,705	1,739	1,774	1,809
27th Pay Period	-	-	-	-	-	-	-	-	-	-	-	-
Health Insurance	325	357	402	430	460	492	527	564	603	645	691	739
Supplies & Materials	12	42	57	58	60	62	64	66	68	70	72	74
Contractual Services	1,738	2,176	1,100	1,133	1,166	1,201	1,238	1,275	1,313	1,352	1,393	1,435
Pro Rata	1,827	1,921	1,879	1,955	1,986	2,034	2,087	2,140	2,194	2,248	2,284	2,318
Equipment	-	64	435	70	73	77	400	81	85	89	400	93
Other	-	303	10	10	10	11	11	11	11	11	12	12
Incremental O&M (Blueprint)	-	-	-	664	1,098	1,597	2,123	2,657	3,294	3,294	3,294	3,294
Reimbursement to Sanitary Enterprise (SMOC costs)	7,194	8,300	8,300	8,466	8,635	8,808	8,984	9,164	9,347	9,534	9,725	9,919
Department of Public Utilities Allocation	1,755	2,031	3,448	3,620	3,801	3,991	4,190	4,400	4,620	4,851	5,094	5,348
Dept of Technology Allocation	1,203	1,365	1,521	1,598	1,677	1,761	1,849	1,942	2,039	2,141	2,248	2,360
Street Cleaning (transferred TO Public Service)	8,863	8,400	8,400	8,652	8,912	9,179	9,454	9,738	10,030	10,331	10,641	10,960
<b>Total Operations &amp; Maintenance</b>	<b>24,211</b>	<b>26,246</b>	<b>27,065</b>	<b>28,200</b>	<b>29,455</b>	<b>30,821</b>	<b>32,566</b>	<b>33,708</b>	<b>35,308</b>	<b>36,306</b>	<b>37,626</b>	<b>38,362</b>
<b>Debt Service</b>												
General Obligation	13,639	14,640	14,663	13,820	12,634	11,398	10,761	10,126	9,587	9,206	7,326	4,935
Proposed New Debt	-	-	415	1,254	1,868	2,281	2,537	3,091	4,343	5,518	6,566	7,687
Fiscal Charges	62	200	500	200	200	200	200	200	200	200	200	200
Premium Adjustment	-9	-	-	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>13,691</b>	<b>14,840</b>	<b>15,578</b>	<b>15,274</b>	<b>14,702</b>	<b>13,879</b>	<b>13,498</b>	<b>13,417</b>	<b>14,130</b>	<b>14,923</b>	<b>14,092</b>	<b>12,822</b>
<b>Total Expense</b>	<b>37,902</b>	<b>41,085</b>	<b>42,643</b>	<b>43,474</b>	<b>44,158</b>	<b>44,699</b>	<b>46,063</b>	<b>47,125</b>	<b>49,439</b>	<b>51,229</b>	<b>51,718</b>	<b>51,184</b>
<b>Ending Fund Balance</b>	<b>24,166</b>	<b>25,814</b>	<b>25,989</b>	<b>26,016</b>	<b>26,051</b>	<b>26,603</b>	<b>26,963</b>	<b>27,443</b>	<b>26,805</b>	<b>25,581</b>	<b>24,675</b>	<b>25,054</b>
<b>Projected Revenue Increase</b>	-	-	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	1.00%	1.00%

**Enterprise Funds**

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