

# Enterprise Funds

## Sewerage and Drainage Operating Fund

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.

### 2019 Cash Balance Statement

The projected beginning year 2019 cash balance is \$253.7 million, which includes \$125 million in two reserve funds and an Environmental Protection Agency mandated replacement fund.

### 2019 Sewerage and Drainage Operating Fund

#### Balance Summary

Unencumbered Cash Balance (January 1, 2019)	\$ 253,675,711
Plus Estimated 2019 Receipts	293,714,771
Total Estimated Available Resources	<u>\$ 547,390,482</u>
Less 2019 Recommended Operating Budget (Sewers/Drains)	(280,072,787)
Less 2019 Recommended Operating Budget (Administration)	(13,912,972)
Projected Available Balance (December 31, 2019)	<u><u>\$ 253,404,723</u></u>

### 2019 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>2019 Sewerage and Drainage Operating Fund</b>				
<b>Revenue by Source and Year</b>				
<b>Historical and Projected</b>				
<b>Revenue Summary</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Revenue Summary</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>
Sewer Sales	\$ 205,929,376	\$ 219,479,928	\$ 222,621,825	\$ 231,328,307
Wet Weather Charges	35,406,627	36,935,862	38,424,814	39,851,002
System Capacity Charges	8,530,324	8,533,390	8,448,056	8,870,459
Investment Income	2,538,990	3,563,475	4,097,996	4,507,796
Storm Maintenance Reimbursement	7,194,461	8,723,621	8,758,510	8,933,680
Other Revenue*	1,645,530	1,671,401	223,304	223,527
Cash Balance	214,939,630	227,682,301	246,566,039	253,675,711
<b>Total Resources</b>	<b>\$ 476,184,938</b>	<b>\$ 506,589,978</b>	<b>\$ 529,140,544</b>	<b>\$ 547,390,482</b>
Percent Change		6.39%	4.45%	3.45%

\*Includes debt refinancing premiums and transfers in 2017.

**Notes:**

- The Sewer and Water Advisory Board recommended a three percent increase in revenues for 2019. With this increase, revenues, excluding the beginning balance, will total \$293.7 million in 2019.
- There will be no change to the sewer system capacity fee in 2019.
- The interest income projection in 2019 estimates a ten percent increase over 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 2019. 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 2019. 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 2017 through 2028, 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 three percent more revenue in 2019.

- 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 five 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 2019 operations and maintenance budget includes \$12.7 million to pay pro rata (payment to the general fund for services provided to the utility divisions by general fund agencies).
  - In 2019, the division will pay just over \$165.2 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 \$87.5 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 2019, \$13.9 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 2017 - 2028 (000's omitted)

	Actuals	Estimate	Budget									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Beginning Cash Balance</b>	<b>227,682</b>	<b>246,566</b>	<b>253,676</b>	<b>253,405</b>	<b>254,065</b>	<b>247,341</b>	<b>243,323</b>	<b>233,505</b>	<b>232,411</b>	<b>222,956</b>	<b>205,818</b>	<b>207,437</b>
<b>Utility Revenues</b>												
Sewer Sales	219,480	222,622	223,735	231,431	243,933	257,123	273,563	291,072	309,718	329,577	350,727	369,791
Sewer Sales Increase	-	-	5,593	9,643	10,164	12,856	13,678	14,554	15,486	16,479	14,614	15,408
Wet Weather	36,936	38,425	38,890	40,334	42,463	44,678	47,368	50,203	53,202	56,381	59,750	62,844
Wet Weather Increase	-	-	961	1,620	1,681	2,123	2,234	2,368	2,510	2,660	2,349	2,490
Interest Income	3,563	4,098	4,508	4,733	4,970	5,218	5,479	5,753	6,041	6,343	6,660	6,993
System Capacity Charge	8,533	8,448	8,870	9,314	9,780	10,269	10,782	11,321	11,887	12,482	13,106	13,761
Other	850	223	224	224	224	224	224	225	225	225	225	226
Reimbursement from Stormwater Fund	8,724	8,759	8,934	9,157	9,386	9,621	9,861	10,108	10,360	10,619	10,885	11,157
Workers Comp Rebate	822	-	-	-	-	-	-	-	-	-	-	-
Meter Revenue AMR	-	-	2,000	4,500	4,500	4,500	4,500	4,500	2,500	-	-	-
<b>Total Revenue</b>	<b>278,908</b>	<b>282,575</b>	<b>293,715</b>	<b>310,956</b>	<b>327,100</b>	<b>346,612</b>	<b>367,690</b>	<b>390,104</b>	<b>411,930</b>	<b>434,766</b>	<b>458,315</b>	<b>482,669</b>
<b>Total Resources</b>	<b>506,590</b>	<b>529,141</b>	<b>547,390</b>	<b>564,360</b>	<b>581,165</b>	<b>593,953</b>	<b>611,013</b>	<b>623,609</b>	<b>644,341</b>	<b>657,722</b>	<b>664,134</b>	<b>690,106</b>
<b>Utility Expense</b>												
<b>Operations &amp; Maintenance</b>												
Personnel Services	34,935	36,056	36,119	36,480	36,845	37,214	37,586	37,962	38,341	38,725	39,112	39,503
27th Pay Period	-	-	-	1,417	-	-	-	-	-	-	-	-
Health Insurance	9,695	9,950	9,397	9,866	10,360	10,878	11,422	11,993	12,592	13,222	13,883	14,577
Supplies & Materials	6,670	9,506	10,918	11,027	11,138	11,249	11,361	11,475	11,590	11,706	11,823	11,941
Pro Rata	11,947	12,716	12,690	13,993	14,719	15,598	16,546	17,555	18,537	19,564	20,624	21,720
Contractual Services	36,511	35,219	40,462	40,867	41,276	41,689	42,105	42,526	42,952	43,381	43,815	44,253
Other	69	87	187	188	189	189	190	191	192	193	194	195
Equipment	3,266	3,438	5,072	4,201	4,411	4,632	4,863	5,106	5,362	5,630	5,911	6,207
Department of Public Utilities Allocation	7,207	11,513	13,913	14,052	14,193	14,335	14,478	14,623	14,769	14,917	15,066	15,216
<b>Total Operations &amp; Maintenance</b>	<b>110,298</b>	<b>118,483</b>	<b>128,758</b>	<b>132,092</b>	<b>133,130</b>	<b>135,782</b>	<b>138,552</b>	<b>141,431</b>	<b>144,335</b>	<b>147,338</b>	<b>150,428</b>	<b>153,613</b>
<b>Debt Service</b>												
Revenue Bond	19,107	18,248	18,248	18,248	18,248	18,248	27,023	32,910	46,273	34,490	33,572	51,736
General Obligation	40,519	49,487	58,407	58,666	57,093	55,473	51,580	49,507	47,990	44,784	37,767	35,145
OWPCLF/OWDA Debt- Non Wet Weather	89,547	88,666	87,539	94,018	103,234	98,487	95,625	90,841	87,254	85,206	82,152	66,751
Proposed New Debt	-	-	503	6,741	21,590	42,112	64,229	76,009	95,032	139,586	152,277	164,815
Fiscal Charges	552	581	500	500	500	500	500	500	500	500	500	500
Assessments	-	-	31	30	29	29	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>149,726</b>	<b>156,982</b>	<b>165,228</b>	<b>178,203</b>	<b>200,694</b>	<b>214,848</b>	<b>238,956</b>	<b>249,767</b>	<b>277,049</b>	<b>304,566</b>	<b>306,268</b>	<b>318,947</b>
<b>Total Expense</b>	<b>260,024</b>	<b>275,465</b>	<b>293,986</b>	<b>310,296</b>	<b>333,824</b>	<b>350,630</b>	<b>377,508</b>	<b>391,198</b>	<b>421,384</b>	<b>451,904</b>	<b>456,697</b>	<b>472,560</b>
<b>Ending Fund Balance</b>	<b>246,566</b>	<b>253,676</b>	<b>253,405</b>	<b>254,065</b>	<b>247,341</b>	<b>243,323</b>	<b>233,505</b>	<b>232,411</b>	<b>222,956</b>	<b>205,818</b>	<b>207,437</b>	<b>217,545</b>
<b>Projected Revenue Increase</b>	-	-	3.00%	5.00%	5.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.00%	5.00%

## Electricity Enterprise Fund

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.

### 2019 Cash Balance Statement

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 2019, there is a projected cash balance of almost \$27.1 million, which reflects the combined balances of the reserve and operating funds.

<b>2019 Electricity Enterprise Fund</b>	
<b>Balance Summary</b>	
Unencumbered Cash Balance (January 1, 2019)	\$ 27,064,547
Plus Estimated 2019 Receipts	85,745,139
Total Estimated Available Resources	<u>\$ 112,809,686</u>
Less 2019 Recommended Operating Budget (Power)	(87,473,497)
Less 2019 Recommended Operating Budget (Administration)	(1,922,531)
Projected Available Balance (December 31, 2019)	<u><b>\$ 23,413,658</b></u>

### 2019 Revenue Summary

The Electricity Enterprise 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>2019 Electricity Enterprise Fund</b>				
<b>Revenue by Source and Year</b>				
<b>Historical and Projected</b>				
<b>Revenue Summary</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>
Charges for Electrical Service	\$ 78,034,429	\$ 80,759,080	\$ 80,672,976	\$ 82,540,638
Investment Income	270,477	371,973	228,426	285,533
Other Revenue*	1,664,528	5,812,889	2,837,757	2,914,879
Street Light Assessments	170,113	127,204	62,620	4,089
Cash Balance	21,459,468	23,732,418	29,178,231	27,064,547
<b>Total Resources</b>	<b>\$ 101,599,015</b>	<b>\$ 110,803,564</b>	<b>\$ 112,980,010</b>	<b>\$ 112,809,686</b>
Percent Change		9.06%	1.96%	-0.15%

\*Includes transfers in 2017.

**Notes:**

- Revenues, excluding the beginning year cash balance are expected to be just over \$85.7 million in 2019.
- 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 2019. In 2019, the general fund will retain 100 percent of the value of the kilowatt hour tax.
- 2019 includes \$325,000 of revenue anticipated from the electric standby rate. This rate is charged to customers of other utility companies, who purchase backup coverage in the case of an outage.

## **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 2017 through 2028. 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 2019, \$56.1 million is budgeted for this commodity. This amount is 1.9 percent more than expended in 2017 and 2.6 percent less than projected spending in 2018. These reflect the division's estimates for transmission, capacity, and other ancillary charges.
  - Growth of the electric system (i.e., sales) is projected to be 0.05 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 2019, \$1.9 million is allocated in this fund for this purpose.
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## ELECTRICITY ENTERPRISE FUND

## Pro Forma Operating Statement

For Years 2017 - 2028 (000's omitted)

	Actual	Estimate	Budget									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Beginning Cash Balance</b>	<b>23,732</b>	<b>29,178</b>	<b>27,065</b>	<b>23,414</b>	<b>15,219</b>	<b>14,027</b>	<b>11,698</b>	<b>11,573</b>	<b>14,341</b>	<b>15,258</b>	<b>15,369</b>	<b>14,003</b>
<b>Utility Revenues</b>												
System Growth at .05% (.005)	-	-	402	413	417	414	417	421	424	417	421	424
<b>Electricity Sales</b>												
Residential	7,440	7,738	7,892	8,050	8,211	8,375	8,543	8,714	8,888	9,066	9,247	9,432
Commercial	68,738	66,690	66,857	67,024	67,191	67,359	67,528	67,697	67,866	68,035	68,206	68,376
Expressway Lighting	600	581	592	604	616	628	641	654	667	680	694	708
Kilowatt Hour Tax Reduction	-2,916	-3,414	-3,196	-3,207	-3,219	-3,230	-3,242	-3,255	-3,267	-3,280	-3,293	-3,306
(Cogen) DOP Revenue loss - Energy	-	-	-	-	-1,090	-1,091	-1,091	-1,092	-2,184	-2,185	-2,187	-2,187
(Cogen) DOP Revenue loss - Demand	-	-	-	-	-476	-476	-477	-477	-954	-955	-955	-955
(Cogen) DOP Incremental Revenue	-	-	-	-	326	342	312	351	350	348	337	337
AMI	-	-	500	500	500	500	500	500	-	-	-	-
Electric Standby Rate	-	78	325	325	325	325	325	325	325	325	325	325
Pole Agreements	-	-	-	250	275	303	333	366	403	443	487	536
PCRA	7,068	9,001	9,169	9,444	9,728	10,019	10,320	10,630	10,949	11,277	11,615	11,964
<b>Total Electric Sales</b>	<b>80,930</b>	<b>80,673</b>	<b>82,541</b>	<b>83,403</b>	<b>82,804</b>	<b>83,468</b>	<b>84,109</b>	<b>84,833</b>	<b>83,465</b>	<b>84,172</b>	<b>84,897</b>	<b>85,654</b>
Other Revenues	1,848	2,838	2,915	2,929	2,944	2,959	2,974	2,988	3,003	3,018	3,034	3,049
Reimbursement of SL Assessments	-	63	4	4	4	4	4	4	4	4	3	3
Workers Comp Rebate	190	-	-	-	-	-	-	-	-	-	-	-
Investment Earnings	372	228	286	357	446	491	540	594	713	784	862	948
<b>Total Revenue</b>	<b>87,071</b>	<b>83,802</b>	<b>85,745</b>	<b>86,693</b>	<b>86,199</b>	<b>86,922</b>	<b>87,626</b>	<b>88,419</b>	<b>87,185</b>	<b>87,978</b>	<b>88,796</b>	<b>89,655</b>
<b>Total Resources</b>	<b>110,804</b>	<b>112,980</b>	<b>112,810</b>	<b>110,107</b>	<b>101,418</b>	<b>100,948</b>	<b>99,324</b>	<b>99,992</b>	<b>101,526</b>	<b>103,236</b>	<b>104,166</b>	<b>103,658</b>
<b>Utility Expense</b>												
<b>Operations &amp; Maintenance</b>												
Personnel Services	8,094	8,488	9,381	9,474	9,569	9,665	9,762	9,859	9,958	10,057	10,158	10,260
27th Pay Period	-	-	-	364	-	-	-	-	-	-	-	-
Health Insurance	1,903	1,954	2,127	2,234	2,345	2,462	2,586	2,715	2,851	2,993	3,143	3,300
Purchase Power	55,074	57,632	56,138	60,259	53,672	54,587	52,299	49,095	50,065	50,915	52,237	52,732
Purchase Power Co-Gen Savings	-	-	-	-	-1,335	-1,271	-1,396	-1,236	-2,482	-2,495	-2,594	-2,594
Supplies & Materials	1,511	1,730	2,125	2,231	2,342	2,459	2,582	2,711	2,847	2,989	3,139	3,296
Pro Rata	3,745	3,771	3,817	3,901	3,879	3,911	3,943	3,979	3,923	3,959	3,996	4,034
Services	6,461	6,643	8,965	9,234	9,511	9,796	10,090	10,393	10,704	11,025	11,356	11,697
Other Disbursements	2	3	20	20	20	21	21	21	21	21	22	22
Capital Equipment	2,498	2,884	4,220	4,431	4,653	4,885	5,129	5,386	5,655	5,938	6,235	6,547
Department of Public Utilities Allocation	986	1,585	1,923	1,942	1,961	1,981	2,001	2,021	2,041	2,061	2,082	2,103
<b>Total Operations &amp; Maintenance</b>	<b>80,274</b>	<b>84,690</b>	<b>88,714</b>	<b>94,090</b>	<b>86,618</b>	<b>88,497</b>	<b>87,016</b>	<b>84,943</b>	<b>85,583</b>	<b>87,465</b>	<b>89,773</b>	<b>91,396</b>
<b>Debt Service</b>												
Distribution G.O. Debt	1,331	922	251	242	233	223	219	210	205	-	-	-
Street Lighting G.O. debt	-	-	431	555	541	531	516	497	480	402	390	378
Street Light Assessments	-	1	-	-	-	-	-	-	-	-	-	-
New Street Lighting Debt Service	-	234	-	-	-	-	-	-	-	-	-	-
Street Lighting Note	-	62	-	-	-	-	-	-	-	-	-	-
Premium Adjustment	20	7	-	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	<b>1,351</b>	<b>1,225</b>	<b>682</b>	<b>797</b>	<b>773</b>	<b>754</b>	<b>735</b>	<b>707</b>	<b>685</b>	<b>402</b>	<b>390</b>	<b>378</b>
<b>Total Expense</b>	<b>81,625</b>	<b>85,915</b>	<b>89,396</b>	<b>94,887</b>	<b>87,391</b>	<b>89,251</b>	<b>87,751</b>	<b>85,650</b>	<b>86,268</b>	<b>87,866</b>	<b>90,163</b>	<b>91,774</b>
<b>Ending Fund Balance</b>	<b>29,178</b>	<b>27,065</b>	<b>23,414</b>	<b>15,219</b>	<b>14,027</b>	<b>11,698</b>	<b>11,573</b>	<b>14,341</b>	<b>15,258</b>	<b>15,369</b>	<b>14,003</b>	<b>11,884</b>



## Water Operating Fund

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.

### 2019 Cash Balance Statement

The projected beginning year 2019 cash balance is \$127.4 million, which includes \$45.0 million in a reserve fund.

<b>2019 Water Operating Fund Balance Summary</b>	
Unencumbered Cash Balance (January 1, 2019)	\$ 127,358,149
Plus Estimated 2019 Receipts	<u>209,367,234</u>
Total Estimated Available Resources	\$ 336,725,383
Less 2019 Recommended Operating Budget (Water)	(191,146,617)
Less 2019 Recommended Operating Budget (Administration)	(12,610,390)
Projected Available Balance (December 31, 2019)	<u><b>\$ 132,968,376</b></u>

### 2019 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.

## Enterprise Funds

<b>2019 Water Operating Fund</b>				
<b>Revenue by Source and Year</b>				
<b>Historical and Projected</b>				
<b>Revenue Summary</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>
Water Sales	\$ 176,211,914	\$ 181,945,822	\$ 182,605,490	\$ 188,577,159
Water Penalty Fee	2,182,342	2,289,797	2,427,398	2,475,946
System Capacity Charges	5,923,765	6,841,695	7,662,698	8,428,968
Sewer Billings	6,039,904	6,883,319	1,982,054	2,021,695
Meter Service Fee	832,510	780,624	881,166	885,572
Investment Income	1,770,450	2,173,129	3,137,408	3,294,278
Other Revenue*	5,790,859	3,665,290	3,665,290	3,683,616
Cash Balance	84,948,103	102,879,806	115,950,179	127,358,149
<b>Total Resources</b>	<b>\$ 283,699,847</b>	<b>\$ 307,459,481</b>	<b>\$ 318,311,683</b>	<b>\$ 336,725,383</b>
Percent Change		8.37%	3.53%	5.78%

\*Includes debt refinancing premiums in 2015, 2017.

### Notes:

- The Sewer and Water Advisory Board recommended a two percent increase in water rates for 2019. Water sales are projected to generate \$188.6 million in 2019.
- Included in the 2019 water sales is an additional \$2.0 million in revenue resulting from a project to replace current meters with smart meters, which is slated to begin in late 2018.
- There will be no change to the water system capacity fee in 2019.
- The low income discount is continued in 2019. This discount is applied to the commodity portion of the customer's water bill to provide financial relief to qualifying customers.
- The 2019 interest income projection reflects an increase of five percent over 2018 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 2017 through 2028 is presented on the following page. 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 two percent increase in water rates for 2019.
  - 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 2019 is just over \$9.6 million 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 2019, \$12.6 million is allocated in this fund for this purpose.
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## WATER ENTERPRISE FUND

### Pro Forma Operating Statement For Years 2017 - 2028 (000's omitted)

	<u>Actual</u> <u>2017</u>	<u>Estimate</u> <u>2018</u>	<u>Budget</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>	<u>2028</u>
<b>Beginning Cash Balance</b>	<b>102,880</b>	<b>115,950</b>	<b>127,358</b>	<b>132,968</b>	<b>131,066</b>	<b>130,231</b>	<b>130,241</b>	<b>129,368</b>	<b>130,454</b>	<b>128,582</b>	<b>122,876</b>	<b>116,840</b>
<b>Utility Revenues</b>												
Water Sales	181,946	182,605	183,519	188,125	192,847	199,625	206,642	213,906	223,574	231,433	239,568	247,988
Water Sales Increase	-	-	3,059	3,135	4,821	4,991	5,166	7,130	5,589	5,786	5,989	6,200
Interest Income	2,173	3,137	3,294	3,459	3,632	3,814	4,004	4,204	4,415	4,635	4,867	5,111
System Capacity Charges	6,842	7,663	8,429	8,850	9,293	9,758	10,245	10,758	11,296	11,860	12,453	13,076
CUBS Billing Charges	6,883	1,982	2,022	2,052	2,083	2,114	2,146	2,178	2,211	2,244	2,277	2,312
Penalties	2,290	2,427	2,476	2,525	2,576	2,627	2,680	2,734	2,788	2,844	2,901	2,959
Meter Service Fees	781	881	886	890	894	899	903	908	912	917	922	926
Other	3,665	3,665	3,684	3,702	3,721	3,739	3,758	3,777	3,796	3,814	3,834	3,853
Debt Refinancing	-	-	-	-	-	-	-	-	-	-	-	-
Premium adj.	-	-	-	-	-	-	-	-	-	-	-	-
Meter Revenue AMR	-	-	2,000	4,500	4,500	4,500	4,500	4,500	2,500	-	-	-
<b>Total Revenue</b>	<b>204,580</b>	<b>202,362</b>	<b>209,367</b>	<b>217,239</b>	<b>224,367</b>	<b>232,067</b>	<b>240,045</b>	<b>250,094</b>	<b>257,081</b>	<b>263,534</b>	<b>272,811</b>	<b>282,424</b>
<b>Total Resources</b>	<b>307,459</b>	<b>318,312</b>	<b>336,725</b>	<b>350,208</b>	<b>355,433</b>	<b>362,298</b>	<b>370,286</b>	<b>379,462</b>	<b>387,534</b>	<b>392,116</b>	<b>395,687</b>	<b>399,265</b>
<b>Utility Expense</b>												
<b>Operations &amp; Maintenance</b>												
Personnel Services	39,451	36,697	37,532	38,095	38,667	39,247	39,835	40,433	41,039	41,655	42,280	42,914
27th Pay Period	-	-	-	1,465	-	-	-	-	-	-	-	-
Health Insurance	10,742	9,667	9,453	9,926	10,422	10,943	11,490	12,065	12,668	13,302	13,967	14,665
Supplies & Materials	17,061	20,610	20,226	20,429	20,633	20,839	21,048	21,258	21,471	21,686	21,902	22,121
Pro Rata	8,632	9,106	9,591	9,776	10,096	10,443	10,802	11,254	11,569	11,859	12,276	12,709
Contractual Services	24,720	23,440	26,856	27,393	27,941	28,500	29,070	29,651	30,245	30,849	31,466	32,096
Other	52	21	113	113	114	114	115	115	116	116	117	118
Equipment	1,762	1,365	1,571	1,728	1,901	2,091	2,300	2,530	2,783	3,061	3,368	3,704
Department of Public Utilities Allocation	6,194	9,891	12,610	12,736	12,864	12,992	13,122	13,254	13,386	13,520	13,655	13,792
Transfers	1,423	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operations &amp; Maintenance</b>	<b>110,037</b>	<b>110,797</b>	<b>117,953</b>	<b>121,662</b>	<b>122,638</b>	<b>125,170</b>	<b>127,783</b>	<b>130,561</b>	<b>133,277</b>	<b>136,048</b>	<b>139,032</b>	<b>142,119</b>
<b>Debt Service</b>												
General Obligation	81,472	79,806	85,454	90,491	86,592	81,618	76,934	73,529	71,971	70,232	67,944	66,388
Proposed New Debt	-	-	-	6,639	15,622	24,919	35,851	44,569	53,355	62,609	71,521	80,289
Fiscal & Note Charges	-	350	350	350	350	350	350	350	350	350	350	350
<b>Total Debt Service</b>	<b>81,472</b>	<b>80,156</b>	<b>85,804</b>	<b>97,480</b>	<b>102,564</b>	<b>106,887</b>	<b>113,135</b>	<b>118,448</b>	<b>125,675</b>	<b>133,191</b>	<b>139,815</b>	<b>147,027</b>
<b>Total Expense</b>	<b>191,509</b>	<b>190,954</b>	<b>203,757</b>	<b>219,142</b>	<b>225,201</b>	<b>232,057</b>	<b>240,917</b>	<b>249,009</b>	<b>258,952</b>	<b>269,240</b>	<b>278,847</b>	<b>289,146</b>
<b>Ending Fund Balance</b>	<b>115,950</b>	<b>127,358</b>	<b>132,968</b>	<b>131,066</b>	<b>130,231</b>	<b>130,241</b>	<b>129,368</b>	<b>130,454</b>	<b>128,582</b>	<b>122,876</b>	<b>116,840</b>	<b>110,119</b>
<b>Projected Revenue Increase</b>	-	-	<b>2.00%</b>	<b>2.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>4.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>

## Storm Sewer Maintenance Fund

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 moneys in a reserve fund against which contracts could be certified in the absence of bond cash.

### 2019 Cash Balance Statement

A 2019 beginning year cash balance of \$27.4 million is projected for this fund. This includes a \$9.0 million reserve balance.

<b>2019 Storm Sewer Maintenance Fund</b>	
<b>Balance Summary</b>	
Unencumbered Cash Balance (January 1, 2019)	\$ 27,380,952
Plus Estimated 2019 Receipts	43,836,569
Total Estimated Available Resources	<u>\$ 71,217,521</u>
Less 2019 Recommended Operating Budget (Storm Sewer)	(42,099,135)
Less 2019 Recommended Operating Budget (Administration)	(3,649,243)
Projected Available Balance (December 31, 2019)	<u><u>\$ 25,469,143</u></u>

### 2019 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 2019, the board has recommended a one percent increase.

<b>2019 Storm Sewer Maintenance Fund</b>				
<b>Revenue by Source and Year</b>				
<b>Historical and Projected</b>				
<b>Revenue Summary</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Proposed</b>
Storm Maintenance Fees	\$ 40,721,789	\$ 40,759,716	\$ 41,656,429	\$ 42,579,932
Investment Income	443,463	591,320	768,717	772,561
Other Revenue*	(109,445)	36,460	38,739	39,901
Penalties	203,173	403,465	439,777	444,175
Cash Balance	20,808,902	24,166,270	25,192,110	27,380,952
<b>Total Resources</b>	<b>\$ 62,067,882</b>	<b>\$ 65,957,232</b>	<b>\$ 68,095,772</b>	<b>\$ 71,217,521</b>
Percent Change		6.27%	3.24%	4.58%

\*Includes debt refinancing premiums in 2017.

## 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 2019.
- 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 2019, ten 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 2019, \$3.6 million is allocated in this fund for this purpose.



**Enterprise Funds**

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