2025 Sewer Financial Plan

Final Report

July 16, 2025

Mr. Daniel Buffalo
Finance Director
City of Ukiah
300 Seminary Ave
Ukiah CA, 95482

Re: 2025 Sewer Financial Plan

Dear Mr. Buffalo,

Hildebrand Consulting is pleased to present this 2025 Sewer Financial Plan (Financial Plan) for the City of Ukiah's Sewer Enterprise. We appreciate the assistance provided by you and all of the members of the City staff who participated in the study.

If you or others at the City have any questions, please do not hesitate to contact me at:

mhildebrand@hildco.com
(510) 316-0621

We appreciate the opportunity to be of service to the City and look forward to the possibility of doing so again in the near future.

Sincerely,

Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure

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List of Acronyms

AWWA	American Water Works Association
CIP	capital improvement program
DCR	debt service coverage ratio
ESSFU	equivalent sewer service flow unit, a measure of sewer utility service based on the estimated volume of wastewater from an average residential dwelling
FY	fiscal year (which ends on June 30)
hcf	hundred cubic feet (i.e. 748 gallons)
MG	million gallons
WEF	Water Environment Federation
WWTP	Wastewater treatment plant

1. INTRODUCTION AND SUMMARY

Hildebrand Consulting has been retained by the City of Ukiah (City) to conduct an update to the financial plan for the City's Sewer Enterprise. This report describes in detail the assumptions, procedures, and results of the study, including conclusions and recommendations.

1.1. SEWER UTILITY BACKGROUND

The City of Ukiah is located within the Ukiah Valley and owns the collection system within a portion of its jurisdictional boundaries and a wastewater treatment plant (WWTP). The City shares costs with the Ukiah Valley Sanitation District (District) associated with the operation, maintenance, and rehabilitation of the sewer collection system and the WWTP, including debt service for the 2020 Refunding Bond.

1.2. STUDY BACKGROUND

The City's last formal sewer rate study was a financial plan update that was conducted in 2024 (2024 Rate Study[1]), which addressed the revenue requirement of the City's sewer enterprise. The 2024 Rate Study recommended a one-time sewer rate increase of 14 percent.

1.3. STUDY OBJECTIVES

The purpose of this Study is to develop new 10-year projection of operating and capital expenses in order to create a financial plan, including a rate 5-year rate schedule for the period from Fiscal Year 2025/26 through Fiscal Year 2029/30, which will generate sufficient revenue

[1] *City of Ukiah 2024 Sewer Financial Plan*, Hildebrand Consulting, April 24, 2020

to meet the Sewer Enterprise's financial and service obligations for ongoing operation and maintenance, debt service, and capital improvements while maintaining prudent reserves.

1.4. STUDY METHODOLOGY

This Study applied methodologies that are aligned with industry standard practices for rate setting as laid out in the AWWA M1 Manual, and applicable law, including California Constitution Article XIII D, Section 6(b), commonly known as Proposition 218.

The Study began with a review of the Sewer Enterprises' current financial dynamics and the latest available data for the utilities' operations. A multi-year financial management plan was then developed to determine the level of annual rate revenue required to cover projected annual operating expenses, debt service (including coverage targets), and capital cost requirements while maintaining adequate reserves. This portion of the Study was conducted using MS Excel©-based financial planning models which were customized to reflect financial dynamics and latest available data for the City's operations in order to develop a long-term financial management plan, inclusive of projected annual revenue requirements and corresponding annual rate adjustments.

While this Study did not include an update to the cost-of-service analysis (COSA), a comprehensive COSA was completed as part of a comprehensive rate study in 2020 ("2020 Joint Rate Study") [2].

[2] *City of Ukiah and Ukiah Valley Sanitation District 2020 Joint Sewer Rate Study*, Hildebrand Consulting, April 24, 2020

2. SEWER ENTERPRISE FINANCIAL PLAN

This section presents the 2025 Financial Plan for the City's Sewer Enterprise, including a description of the source data, assumptions, and City's financial policies. The City has provided Sewer Enterprise actual spending data for FY 2023/24 and budgeted financial information for FY 2024/25 and FY 2025/26, including recent actual operating costs, budgeted operating costs, and forecasted capital spending. City staff also assisted in confirming other assumptions and policies, such as reserve targets and escalation rates for operating costs (all of which are described in the following subsections).

The Sewer Enterprise's rate revenue requirement is the amount of revenue needed from sewer rates to cover planned operating, maintenance, debt service, and capital program costs with consideration of other revenues and financial reserves.

2.1. FINANCIAL PLAN ASSUMPTIONS

The financial plan is an annual cash flow model. As a cash flow model, it differs from standard accounting income statements, and balance sheets. This update to the Sewer Enterprise financial plan reflects the FY 2025/26 budgeted expenses and estimated financial conditions as of the beginning of the fiscal year. The financial plan also reflects the Sewer Enterprise's debt service obligations and capital improvement program, as identified by City staff, during the planning period that extends through FY 2033/34. The financial plan is based on the best available information and reasonable assumptions; future estimates have been reviewed with staff and are believed to be reasonable.

2.2. PROJECTED CUSTOMER GROWTH

This Study assumes that the annual growth rate will average 0.64 percent for the next 10 years. This rate is based on recent historical connection fee revenue and assumes that the same pace of revenue will continue for the planning period. The customer growth rate is relevant to this financial plan to the extent that (1) an increase in the customer base results in an increase in rate revenue and (2) growth results in connection fee revenue that can contribute to funding capital projects.

2.3. SEWER FUND STRUCTURE

The City's sewer utility is comprised of five funds that are used to manage the sewer utility's use of funds in a transparent manner. The following describes the purpose of each fund and how this Study's financial plan model reflected the use of those funds.

Fund 840 – The **Sewer Operating Fund** is the primary operating fund of the City's sewer utility and tracks most operating and maintenance expenditures that are shared by the City and the District. Fund 840 also collects all revenue (including rate revenue) that is designated for the City.

Fund 841 – The **Sewer Debt Service Fund** is used to track all existing debt and is used as a "clearing fund" to allocate those costs, as appropriate, to Fund 840.

Fund 842 – The **Sewer Rate Stabilization Fund** holds reserves, including reserves that are conditions for debt.

Fund 843 – The **Sewer Connection Fee Fund** holds funds from connect fee revenues, reserves, which are restricted for the purpose of paying for growth-related sewer system capital projects.

Fund 844 – The **Sewer Capital Reserve** holds unrestricted funds for the use of paying for encumbered capital projects.

While the financial plan model for this Study was developed with an understanding of these funds, the model did not attempt to replicate the internal movement of all moneys between funds.

2.4. SEWER FUND BEGINNING FUND BALANCES

The financial plan model is based on the fund structure currently used by the City. The starting cash balance in all funds associated with the Sewer Enterprise at the beginning of FY 2024/25 was about $584 thousand, which includes the Operating Fund (Fund 840) and the Rate Stabilization Fund (Fund 842). The Sewer Enterprise's other funds (i.e., the Connection Fee Fund (Fund 843) and the Sewer Capital Reserve Fund (Fund 844)) had a balance of zero on July 1, 2024.

2.5. RESERVE TARGETS

Reserves for utilities are cash balances that are maintained in order to (a) comply with contractual obligations (e.g. bond covenants), (b) protect the utility from unexpected financial events, and/or (c) accommodate operational and capital program cash flow needs. Often multiple reserves are maintained, each with a specific function. In addition to the direct benefits of financial stability, reserves can help utilities obtain higher credit rankings, which can then help qualify the utility for cheaper debt. Credit rating agencies evaluate utilities on their financial stability, which includes adherence to formally adopted reserve targets.

The City has adopted financial management policies which include guidance with respect to reserve levels. The City's policies call for City enterprise funds (including the sewer utility) to maintain a minimum working capital balance of at least 25 percent of operating expenses. The primary purpose of this balance is to set aside funds to maintain cash balances sufficient to pay expenses as needed and to provide for unanticipated or emergency expenses that could not be reasonably foreseen during the preparation of the budget.

The City's financial policies also require that fund balances and retained earnings should be sufficient to meet debt service reserve requirements, reserves for encumbrances, funding requirements for projects approved in prior years that are carried forward and established rate stabilization reserves.

In addition to the City's existing reserve policies, this study recommends that the City establish a capital reserve target which would create a funding cushion which would help manage the inherent volatility of capital spending and would also provide cash in the event of catastrophic infrastructure failure. It is recommended that this reserve target be built over time and ultimately reach a level equal to an average year of capital spending (about $1.2 million in the current financial plan).

The above policy and recommendations are consistent with Consultant's industry experience for similar systems.

2.6. REVENUES

The following addresses the various forms of revenue received by the Sewer Enterprise.

2.6.1. CURRENT RATE REVENUE

Rate revenue is the revenue generated from customers for sewer service. All customers pay a fixed monthly Service Charge and a Consumption Rate. Residential customers pay a Service Charge for each dwelling unit while Commercial customers will pay a Service Charge for each "equivalent sewer service flow unit"[3] (ESSFU). The Consumption Rate for all customers is determined by multiplying the account's winter water usage by the respective Consumption Rate for the customer classification (which accounts for sewer strength). Water usage is measured in hundreds of cubic feet ("HCF") which is equal to 748 gallons.

This financial plan uses budgeted rate revenue for FY 2025/26 as a baseline. The budgeted rate revenue has some uncertainty given recent changes to the billing system. Projected rate revenues for the 10-year planning period are listed in **Schedule 3**.

2.6.2. CONNECTION FEE REVENUE

The City charges a connection fee to new development as a condition for connecting to the sewer system. By law (see California Government Code 66013), connection fee revenue is

[3] ESSFUs are calculated based on water usage from the previous winter. A minimum of one (1) ESSFU is assigned to each commercial account.

required to be used "solely for the purposes for which the charges were collected" (i.e., growth-related capital projects). The City uses available connection fee revenues to pay growth-related capital projects and debt service. The sewer fund's current debt service includes amounts borrowed to expand the system; therefore, Sewer connection fees are eligible to contribute to debt service payments.

2.6.3. NON-RATE REVENUES

In addition to rate revenue and connection fee revenue, the Sewer Enterprise is reimbursed by the District for its portion of operating costs and debt service on the 2020 Refunding Bond (see Section 1.1) and the City also collects miscellaneous fees and interest earnings on investments. Estimates of future interest income were calculated annually based upon estimated average fund balances and historic effective return on cash and invested funds (0.5% in this case). Projections of all other non-rate revenues were based on FY 2023/24 actual revenues.

All revenues for the District are depicted below and detailed in **Schedule 3**.

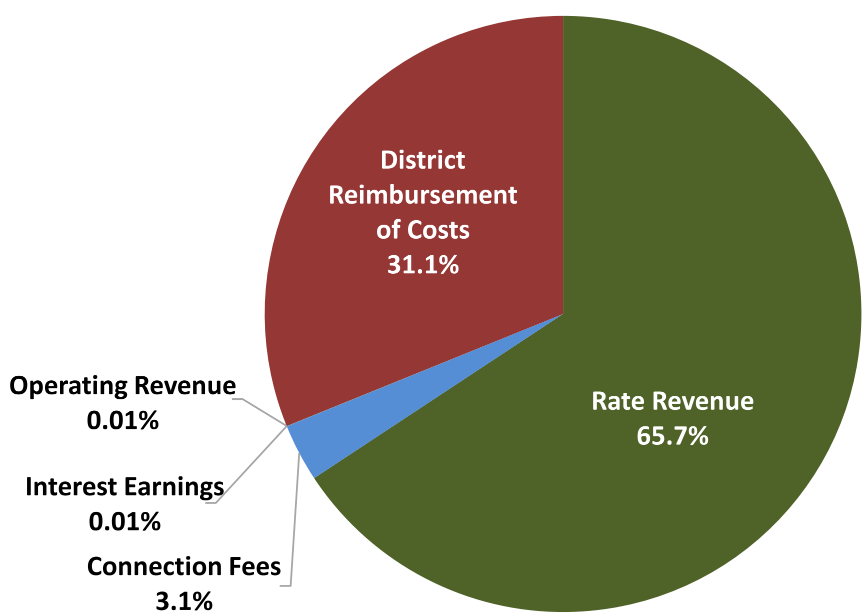


Figure 1: Sewer Enterprise Revenue Categories (Budget FY 2024/25)

2.7. EXPENSES

The following subsections describe current and projected Sewer Enterprise expenditures.

2.7.1. OPERATING AND DEBT EXPENSES

The Sewer Enterprise's expenses include operating and maintenance expenses, debt service, and capital spending. Capital spending is addressed separately in Section 2.7.3. Future operating and maintenance expenses were projected based upon the budgeted expenditures from FY 2025/26 and adjusted for inflation (see Section 2.7.2). The budgeted operating expenses have some uncertainty given recent changes to the City cost allocation plan and large inflationary changes to expense categories such as insurance. The three largest cost categories include employee costs, debt service, and the internal allocation for support services provided by other City departments. The Sewer Fund's primary debt obligation is the 2020 Refunding Bond. The City also pays a portion of the City's 2022 Lease Revenue Bond.

Major budgeted expense categories for FY 2025/26 are depicted in **Figure 2**. Budgeted and projected operating and maintenance costs as well as debt service expenses are listed in detail in **Schedule 1**.

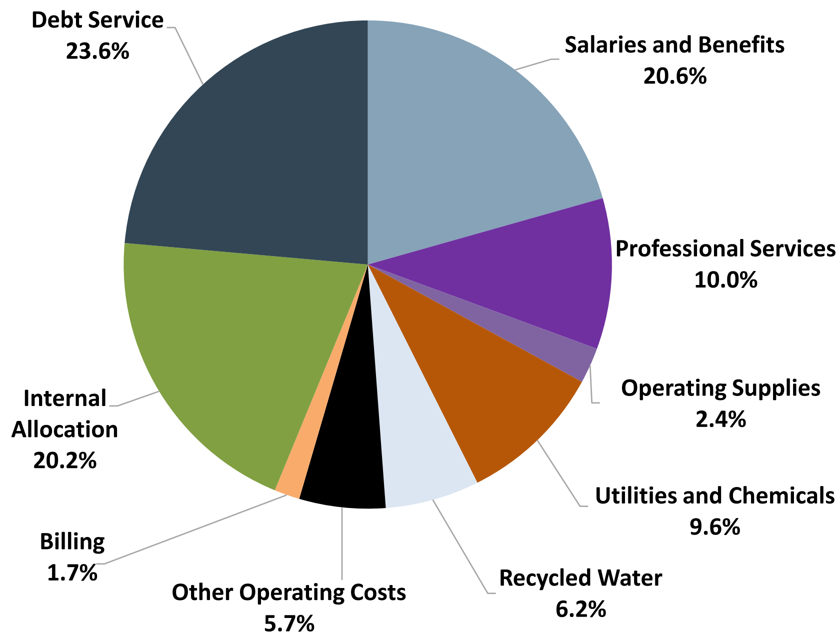


Figure 2: Sewer Enterprise Operating & Debt Expenses (Budget FY 2025/26)

2.7.2. COST ESCALATION ASSUMPTIONS

Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, published inflation forecasts, industry experience, and discussions with City staff. During the projection period, all operating expenses are projected to increase at 4.0 percent per year, with the exception of insurance which is projected to increase at the rate of 7.0 percent. These inflation assumptions are slightly higher than long-term historical inflation rates in order to reflect recent inflation trends.

2.7.3. CAPITAL IMPROVEMENT PROGRAM

Figure 3 shows that from FY 2020/21 through FY 2024/25 the City has spent an average of about $2.8 million per year for capital projects to rehabilitate or improve the sewer system. The forecasted average spending from FY 2025/26 through FY 2028/29 is about $1.2 million. Starting in FY 2029/30 this financial plan assumes that the annual capital spending will be $1 million (in 2025 dollars).

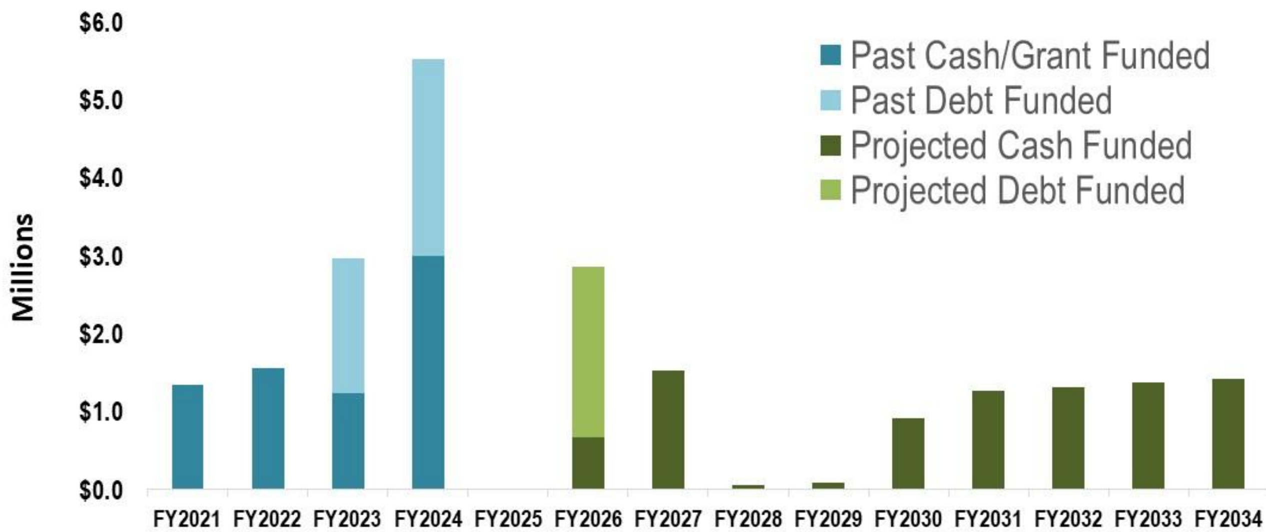


Figure 3: Sewer Enterprise Historical and Forecasted Capital Spending

2.8. PROPOSED RATE STRATEGY

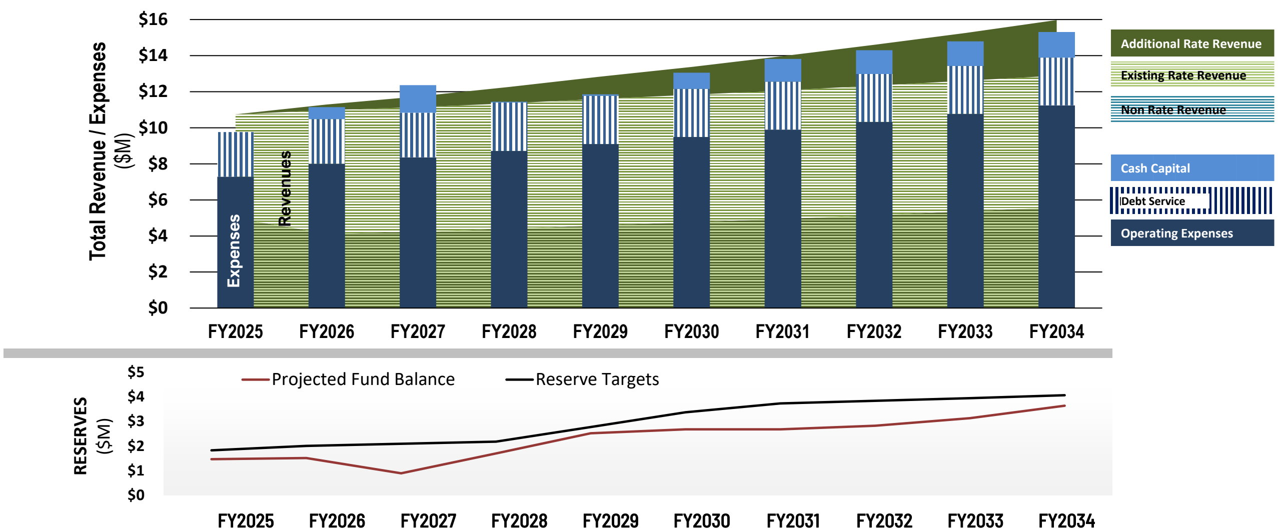
All of the above information was entered into a financial planning model to produce a projection of revenue requirements. While the scope of this Study examines a 10-year financial planning horizon, the proposed rate increase is limited to a 5-year rate schedule (FY 2025/26 through FY 2029/30) since cost projections become increasingly less reliable over time and a new rate study will be needed after 5 years (if not sooner).

Based on the previously discussed financial data, assumptions, policies, this Study proposes the rate increases shown in Figure 4. The proposed rate increases are larger than those forecasted by the 2024 Rate Study due to (1) an unexpected 4.5 percent decrease in rate revenue in FY 2023/24, (2) higher capital spending than previously forecasted, and (3) lower connection fee revenue than expected in FY 2024/25.

Schedule 3 (cash flow proforma) shows a recommended a rate revenue increase of 6 percent in Year 1 (FY 2026) and 4 percent annual rate increases over the subsequent four years. These recommendations are summarized graphically in Figure 4.

This approach is predicated on the Sewer Fund receiving a $2.0 million internal loan in order to meet its reserve targets. The described rate increases, as well as strategic use of the Rate Stabilization Fund (see Row 23 of Schedule 3) will allow the Sewer Enterprise to keep its debt coverage ratio (DCR) above 1.25 every year.

Given that it is too late to implement a rate increase on July 1, 2025, it is recommended that the first rate increase be implemented on October 1, 2025. Subsequent rate increases are proposed to occur on the first day of each fiscal year (July 1). The proposed schedule of rates is provided in Table 1. The basis for the existing rate structure was established by the 2020 Joint Rate Study.



		Proposed					Projected			
Proposed Rate Revenue Increases:		**6.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**
Debt Coverage Ratio:	0.82	1.33	1.29	1.25	1.32	1.50	1.57	1.65	1.73	1.83
Internal Loan Proceeds:	**$2.0M**									

Figure 4: Sewer Enterprise 10-Year Cash Flow Projection

Table 1 – Proposed Sewer Rate Schedule

		Proposed				
	Current Rates	October 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Monthly Service Charge*:	$59.71	$63.29	$65.82	$68.45	$71.19	$74.04
Consumptions Rate (per HCF)						
Residential:	$4.32	$4.58	$4.76	$4.95	$5.15	$5.36
Commerical 1:	$4.32	$4.58	$4.76	$4.95	$5.15	$5.36
Commercial 2:	$4.71	$4.99	$5.19	$5.40	$5.62	$5.84
Commercial 3:	$9.39	$9.95	$10.35	$10.76	$11.19	$11.64
Commercial 4:	$12.49	$13.24	$13.77	$14.32	$14.89	$15.49

3. CONCLUSION

This 2025 Sewer Financial Plan finds that the Sewer Fund needs to increase sewer rates and issue new debt immediately in order to avoid a negative fund balance and re-establish healthy cash reserves. The proposed 5-year schedule of rate increases will support the sewer fund's increases in operating costs, its capital program and the new debt service.

The sewer rate increases need to be adopted in accordance with Proposition 218, which will require a detailed notice describing the proposed sewer rates to be mailed to each affected property owner or customer at least 45 days prior to conducting a Public Hearing to adopt the rates.

This Report used methodologies that are aligned with all applicable laws (including California's Proposition 218), as well as industry standard practices for rate setting as promulgated by the AWWA and WEF.

SCHEDULES

Schedule 1: **Sewer Enterprise Projected Operating and Debt Expenses**

Schedule 2: **6-Year Capital Spending Projections**

Schedule 3: **Sewer Enterprise Cash Flow Pro Forma**

Budgeted and Projected Cash Outflows — Schedule 1

		Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Forecast FY 2032	Forecast FY 2033	Forecast FY 2034
1	REGULAR SALARIES & WAGES	$1,385,300	$1,472,600	$1,531,500	$1,592,800	$1,656,400	$1,722,700	$1,791,700	$1,863,300	$1,937,800	$2,015,400
2	OVERTIME SALARIES & WAGES	$75,000	$80,000	$83,200	$86,500	$90,000	$93,500	$97,300	$101,200	$105,200	$109,500
3	STAND-BY SALARIES & WAGES	$29,000	$33,000	$34,300	$35,600	$37,100	$38,600	$40,200	$41,800	$43,400	$45,100
4	RETIREMENT (PERS)	$173,600	$169,900	$176,600	$183,700	$191,100	$198,700	$206,700	$215,000	$223,600	$232,500
5	PERS UNFUNDED LIABILITY	$328,500	$383,400	$414,700	$431,300	$448,600	$466,500	$485,100	$504,600	$524,700	$545,700
6	INSURANCE	$308,800	$314,000	$326,600	$339,600	$353,200	$367,300	$382,000	$397,300	$413,200	$429,700
7	WORKERS COMP	$98,700	$98,700	$102,700	$106,700	$111,000	$115,500	$120,000	$124,900	$129,900	$135,100
8	MEDICARE	$19,100	$20,400	$21,300	$22,100	$23,000	$23,900	$24,900	$25,900	$27,000	$28,000
9	CELL PHONE STIPEND	$5,100	$4,300	$4,600	$4,700	$4,900	$5,100	$5,300	$5,600	$5,700	$5,900
10	CONTRACTUAL SERVICES	$429,400	$449,500	$467,500	$486,100	$505,600	$525,800	$546,800	$568,600	$591,400	$615,100
11	COMPLIANCE STUDIES	$2,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
12	LEGAL SERVICES/EXPENSES	$0	$5,000	$5,200	$5,400	$5,600	$5,800	$6,100	$6,300	$6,600	$6,800
13	SECURITY SERVICES	$1,300	$1,300	$1,400	$1,400	$1,500	$1,500	$1,600	$1,600	$1,700	$1,800
14	SUPPLIES	$170,000	$140,000	$145,600	$151,400	$157,500	$163,800	$170,300	$177,100	$184,300	$191,600
15	POSTAGE	$400	$400	$400	$400	$400	$500	$500	$500	$500	$500
16	SMALL TOOLS	$32,000	$42,000	$43,700	$45,400	$47,200	$49,100	$51,100	$53,200	$55,300	$57,500
17	LAB SUPPLIES	$15,000	$15,000	$15,600	$16,200	$16,900	$17,500	$18,200	$19,000	$19,700	$20,500
18	BACKGROUND & PHYSICALS	$2,500	$2,500	$2,600	$2,700	$2,800	$2,900	$3,000	$3,100	$3,300	$3,400
19	SOFTWARE	$11,800	$12,300	$12,800	$13,200	$13,800	$14,400	$14,900	$15,500	$16,100	$16,800
20	COMPUTER AND TECHNOLOGY	$6,500	$8,000	$8,300	$8,600	$9,000	$9,300	$9,700	$10,100	$10,500	$10,900
21	TELEPHONE	$9,200	$9,200	$9,600	$10,000	$10,300	$10,700	$11,200	$11,600	$12,100	$12,600
22	PG&E	$70,000	$80,000	$83,200	$86,500	$90,000	$93,600	$97,300	$101,200	$105,300	$109,500
23	UTILITIES	$441,100	$468,000	$486,700	$506,200	$526,400	$547,500	$569,400	$592,100	$615,800	$640,500
24	EQUIPMENT MAINTENANCE & REPAIR	$425,000	$420,000	$436,800	$454,200	$472,400	$491,300	$511,000	$531,400	$552,700	$574,800
25	LAB EQUIP-REPAIR & MAINT.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
26	EXTERNAL SERVICES	$35,000	$65,000	$67,600	$70,300	$73,100	$76,000	$79,100	$82,200	$85,500	$88,900
27	FUEL & FLUIDS	$60,000	$50,000	$52,000	$54,000	$56,200	$58,500	$60,800	$63,300	$65,800	$68,500
28	BUILDING MAINT. & REPAIR	$96,000	$96,000	$99,800	$103,900	$108,000	$112,300	$116,800	$121,500	$126,300	$131,400
29	EQUIPMENT RENTAL - PRIVATE	$13,000	$13,000	$13,500	$14,100	$14,600	$15,200	$15,800	$16,400	$17,100	$17,700
30	FACILITY MAINTENANCE & REPAIR	$0	$2,500	$2,600	$2,700	$2,800	$2,900	$3,000	$3,200	$3,300	$3,400
31	LEARNING AND DEVELOPMENT	$42,000	$37,000	$38,500	$40,000	$41,600	$43,300	$45,000	$46,900	$48,700	$50,600
32	MEMBERSHIPS & SUBSCRIPTIONS	$3,500	$3,500	$3,700	$3,800	$3,900	$4,100	$4,200	$4,400	$4,600	$4,800
33	TREATMENT PLANT CHEMICALS	$378,200	$460,200	$478,600	$497,800	$517,700	$538,400	$559,900	$582,300	$605,600	$629,800
34	GARAGE LUBRICANTS & PARTS	$4,000	$500	$500	$500	$600	$600	$600	$600	$700	$700
35	PROPERTY TAXES PAID	$8,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
36	FEES	$43,200	$43,200	$44,900	$46,700	$48,500	$50,500	$52,500	$54,600	$56,700	$59,000
37	GRANTS ISSUED	$35,000	$36,400	$37,900	$39,400	$40,900	$42,600	$44,300	$46,100	$47,900	$49,800
38	PURCHASING ALLOCATION	$46,300	$44,000	$45,700	$47,600	$49,400	$51,400	$53,500	$55,600	$57,900	$60,300
39	PURCHASING - BUYER SERVICES	$10,100	$10,100	$10,500	$11,000	$11,400	$11,900	$12,300	$12,800	$13,300	$13,900
40	BILLING & COLLECTION ALLOCATIO	$200,200	$191,500	$199,100	$207,000	$215,400	$223,900	$232,900	$242,200	$252,000	$262,000
41	RENT ALLOCATION	$16,500	$16,500	$17,200	$17,800	$18,600	$19,300	$20,100	$20,900	$21,700	$22,600
42	BUILDING MAINTENANCE ALLOCATIO	$9,100	$8,600	$9,000	$9,300	$9,700	$10,100	$10,500	$10,900	$11,300	$11,800
43	IT ALLOCATION	$119,000	$113,000	$117,600	$122,300	$127,100	$132,300	$137,500	$143,000	$148,800	$154,700
44	CORP YARD ALLOCATION	$246,900	$246,900	$256,800	$267,000	$277,700	$288,800	$300,400	$312,400	$324,900	$337,900
45	INSURANCE ALLOCATION	$1,003,000	$1,132,400	$1,211,700	$1,296,500	$1,387,300	$1,484,400	$1,588,300	$1,699,500	$1,818,500	$1,945,700
46	GARAGE ALLOCATION	$120,200	$114,100	$118,700	$123,500	$128,400	$133,500	$138,800	$144,400	$150,200	$156,200
47	DISPATCH	$30,700	$29,200	$30,400	$31,600	$32,900	$34,200	$35,500	$37,000	$38,400	$40,000
48	ADMIN & OVERHEAD ALLOCATION	$378,400	$359,500	$374,000	$389,000	$404,400	$420,500	$437,400	$454,800	$473,100	$491,900
49	TRANSFER TO FUND 830	$300,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Debt Service										
50	2022 Refunding Bond	$1,989,000	$1,983,000	$1,978,000	$1,971,000	$1,966,000	$1,960,000	$1,953,000	$1,948,000	$1,942,000	$1,936,000
51	2022 Lease Revenue Bonds	$178,000	$178,000	$178,000	$396,000	$397,000	$395,000	$396,000	$396,000	$396,000	$395,000
52		**$9,404,600**	**$9,463,600**	**$9,801,200**	**$10,353,500**	**$10,707,900**	**$11,075,200**	**$11,462,500**	**$11,869,900**	**$12,296,100**	**$12,741,800**

5-year Sewer Capital Spending Schedule

Schedule 2

	Project Name	Cost Sharing[1] City	Cost Sharing[1] District	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	AWTCCB Cover	49.7%	50.3%					$150,000
2	IPS Liner Replacement	49.7%	50.3%		$60,000			
3	Replace Water/Sewer Operations Call Truck	49.7%	50.3%		$45,000			
4	Replace Water/Sewer Operations Lead Worker Truck	49.7%	50.3%		$45,000			
5	Digester Rehabilitation and Methane Scrubber	49.7%	50.3%			$1,500,000		
6	Replace Ford Ranger	49.7%	50.3%		$90,000			
7	Vichy Springs Lift Station Upgrade	0.0%	100.0%			$400,000		
8	New Sodium Hypochlorite Tanks	49.7%	50.3%		$100,000			
9	Bisulfite Tank	49.7%	50.3%			$100,000		
10	Solids Conveyor	49.7%	50.3%		$950,000			
11	Replace Water/Sewer Operations Call Truck	49.7%	50.3%			$45,000		
12	WWTP Service Truck	49.7%	50.3%				$90,000	
13	Septage Receiving Station	49.7%	50.3%			$1,200,000		
14			**Total[2]:**	**$0**	**$1,290,000**	**$3,245,000**	**$90,000**	**$150,000**
15			**After Inflation:**	**$0**	**$1,342,000**	**$3,510,000**	**$101,000**	**$175,000**
16			Total Paid By City:	$0	$667,000	$1,530,000	$50,000	$87,000
17			Total Paid By District:	$0	$675,000	$1,980,000	$51,000	$88,000

[1] Percentages based on current cost sharing ratios. These values may change with future updates.

[2] Expressed in 2025 dollars

Sewer Enterprise Cash Flow Proforma **Schedule 3**

#		Budget FY2025	Budget FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033
1	**Rate Revenue Increase:**		**6.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**
	Rate Revenue									
2	**Service Charge Revenue**	$5,746,000	$6,819,000	$7,272,000	$7,610,000	$7,963,000	$8,333,000	$8,720,000	$9,125,000	$9,549,000
3	Change due to growth & use	$0	$44,000	$47,000	$49,000	$51,000	$54,000	$56,000	$59,000	$62,000
4	Increase due to rate adjustments	$0	$307,000	$291,000	$304,000	$319,000	$333,000	$349,000	$365,000	$382,000
	Non-Rate Revenues									
5	Interest Earnings	$1,000	$7,000	$8,000	$4,000	$9,000	$13,000	$13,000	$13,000	$14,000
6	Connection Fees	$274,000	$438,000	$438,000	$438,000	$438,000	$438,000	$438,000	$438,000	$438,000
7	Operating Revenue	$1,000	$0	$0	$0	$0	$0	$0	$0	$0
8	District Reimbursement (excluding capital)	$2,722,000	$3,674,000	$3,784,000	$3,954,000	$4,153,000	$4,306,000	$4,498,000	$4,701,000	$4,914,000
9	**Total Revenue**	**$8,744,000**	**$11,289,000**	**$11,840,000**	**$12,359,000**	**$12,933,000**	**$13,477,000**	**$14,074,000**	**$14,701,000**	**$15,359,000**
	O&M Costs									
10	Salaries and Benefits	$2,010,000	$2,160,000	$2,262,000	$2,353,000	$2,447,000	$2,545,000	$2,646,000	$2,752,000	$2,862,000
11	Professional Services	$999,000	$1,047,000	$1,089,000	$1,132,000	$1,178,000	$1,225,000	$1,274,000	$1,325,000	$1,378,000
12	Operating Supplies	$281,000	$248,000	$258,000	$268,000	$279,000	$290,000	$302,000	$314,000	$326,000
13	Utilities and Chemicals	$889,000	$1,008,000	$1,049,000	$1,090,000	$1,134,000	$1,179,000	$1,227,000	$1,276,000	$1,327,000
14	Recycled Water	$300,000	$653,000	$665,000	$678,000	$691,000	$704,000	$718,000	$733,000	$748,000
14	Other Operating Costs	$602,000	$598,000	$622,000	$647,000	$673,000	$700,000	$728,000	$757,000	$787,000
15	Billing	$186,000	$177,000	$184,000	$191,000	$199,000	$207,000	$215,000	$224,000	$233,000
16	Internal Allocation	$2,019,000	$2,115,000	$2,234,000	$2,360,000	$2,493,000	$2,634,000	$2,784,000	$2,943,000	$3,112,000
17	***Total Operating Expenses***	**$7,286,000**	**$8,006,000**	**$8,363,000**	**$8,719,000**	**$9,094,000**	**$9,484,000**	**$9,894,000**	**$10,324,000**	**$10,773,000**
	Capital Costs									
18	**Total Capital Spending**	**$0**	**$1,342,000**	**$3,510,000**	**$101,000**	**$175,000**	**$1,825,000**	**$1,265,000**	**$1,316,000**	**$1,369,000**
19	Existing Debt Service	$2,478,000	$2,472,000	$2,467,000	$2,678,000	$2,674,000	$2,666,000	$2,660,000	$2,655,000	$2,648,000
20	City Funded Capital Projects (cash)	$0	$667,000	$1,530,000	$50,000	$87,000	$907,000	$1,265,000	$1,316,000	$1,369,000
21	District Funded Capital Projects (cash)	$0	$675,000	$1,980,000	$51,000	$88,000	$918,000	$0	$0	$0
22	Internal Loan Repayment	$100,000	$100,000	$100,000	$100,000	$259,000	$259,000	$259,000	$259,000	$259,000
22	***Total Capital and Debt Expenses***	**$2,578,000**	**$3,239,000**	**$4,097,000**	**$2,828,000**	**$3,020,000**	**$3,832,000**	**$4,184,000**	**$4,230,000**	**$4,276,000**
	Other Sources									
23	Use of/(Transfer to) Rate Stabilization Fund	$570,000	$0	($300,000)	($300,000)	($300,000)	$0	$0	$0	$0
24	**Total Revenue Requirement**	**$7,864,000**	**$11,245,000**	**$12,460,000**	**$11,547,000**	**$12,114,000**	**$13,316,000**	**$14,078,000**	**$14,554,000**	**$15,049,000**
25	**Beginning Year Balance (all funds*)**	**$584,000**	**$1,464,000**	**$1,508,000**	**$888,000**	**$1,700,000**	**$2,519,000**	**$2,680,000**	**$2,676,000**	**$2,823,000**
26	Surplus/(Shortfall)	$880,000	$44,000	($620,000)	$812,000	$819,000	$161,000	($4,000)	$147,000	$310,000
27	**End of Year Balance**	**$1,464,000**	**$1,508,000**	**$888,000**	**$1,700,000**	**$2,519,000**	**$2,680,000**	**$2,676,000**	**$2,823,000**	**$3,133,000**
28	*Reserve Target*	$1,822,000	$2,002,000	$2,091,000	$2,180,000	$2,774,000	$3,371,000	$3,729,000	$3,836,000	$3,948,000
	Debt Coverage Calculations									
29	*Total Revenue Available for Debt Service*	$2,028,000	$3,283,000	$3,177,000	$3,340,000	$3,539,000	$3,993,000	$4,180,000	$4,377,000	$4,586,000
30	*Total Yearly Parity Debt Payment*	*$2,478,000*	*$2,472,000*	*$2,467,000*	*$2,678,000*	*$2,674,000*	*$2,666,000*	*$2,660,000*	*$2,655,000*	*$2,648,000*
31	**Debt Coverage Ratio**	**0.82**	**1.33**	**1.29**	**1.25**	**1.32**	**1.50**	**1.57**	**1.65**	**1.73**

* includes restricted connection fee funds and bond proceeds