

## **WATER & SEWER COMMISSION SPECIAL MEETING**

**Tuesday, October 3<sup>rd</sup>, 2023 – 4:30 PM**

**In the Council Chambers at City Hall**

**75 N Bonson St, Platteville, WI 53818**

### **AGENDA**

1. **Call to Order**
  
2. **Presentation of 2024 Utility Financial Management Plan**  
Brian Roemer, Municipal Advisor, Ehlers

### **Items of Discussion**

3. 2024 Operating and CIP Proposed Budget Review
4. Disconnection Policy/Process Update

### **Adjournment**

If your attendance requires **special accommodation needs**, write or call the Water and Sewer Office, P.O. Box 780, Platteville, Wisconsin 53818, (608) 348.1822; for TDD accessibility, call (608) 348.2313.

**MEMBERS:** *If you are unable to attend, please email Sheila Horner at [horners@platteville.org](mailto:horners@platteville.org)*

October 3, 2023

2023 FINANCIAL MANAGEMENT PLAN

# City of Platteville, WI

## Utilities Portion



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Prepared by:

Ehlers  
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Suite 100  
Waukesha, WI 53188

Advisors:

Brian Roemer  
*Senior Municipal Advisor*  
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*Senior Financial Specialist*

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## INTRODUCTION

As part of the Financial Management Plan (“FMP”), Ehlers has analyzed the enterprise fund for the City. The enterprise fund consists of the water utility and the sewer utility. It is important to note that both utilities are reported as one enterprise fund in the financial audits. Additionally, as of 7/16/2020 the sewer utility is unregulated under the Wisconsin Public Service Commission (“PSC”). Therefore, it now can control its own rates through its Sewer Use Ordinance. On the other hand, the water utility is regulated by the PSC and therefore has limitations in its ability to control user rates. These limitations include:

1. Timing
  - a. The water utility is beholden to the PSC approval and rate case process
  - b. Rates can be raised through several different mechanisms including a conventional and simplified rate case.
2. Methodology
  - a. The PSC under a conventional rate case will adjust rates based on a revenue requirement under the utility-based method and benchmark to a Rate of Return on Net Investment Rate Base (“ROR”). Historically the ROR is around 5.00%.

Utility financial management planning requires projections of future revenue needs which are derived from historical performance and any known future events. Therefore, Ehlers first analyzed the historical performance of the water and sewer rates against the revenue requirements under the utility-based method. Under the utility-based method, a revenue requirement is established using several components. These components include: the Utility’s 2024 budgeted operation and maintenance expenses, transfers, depreciation, and a fair return on rate base. The components added together net of other revenues not generated through user rates serve as the requirement that should be recovered through user rates.

## HISTORICAL PERFORMANCE — WATER

The utility last increased water rates through a Conventional Rate Case. Rates were implemented April 15, 2022 with an average residential user realizing a 7.09% increase in their monthly bill including fire protection. From 2018 to 2023, operating expenses have increased 14.4% and utility plant in service has increased 16.2%. Table 1 below depicts the historical performance of the water rates. Table 2 depicts Table 1 graphically. Please note 2022 does not reflect a full year of revenues at the new rates. Table 3 depicts a Benchmarking Analysis for historical performance of the water utility.



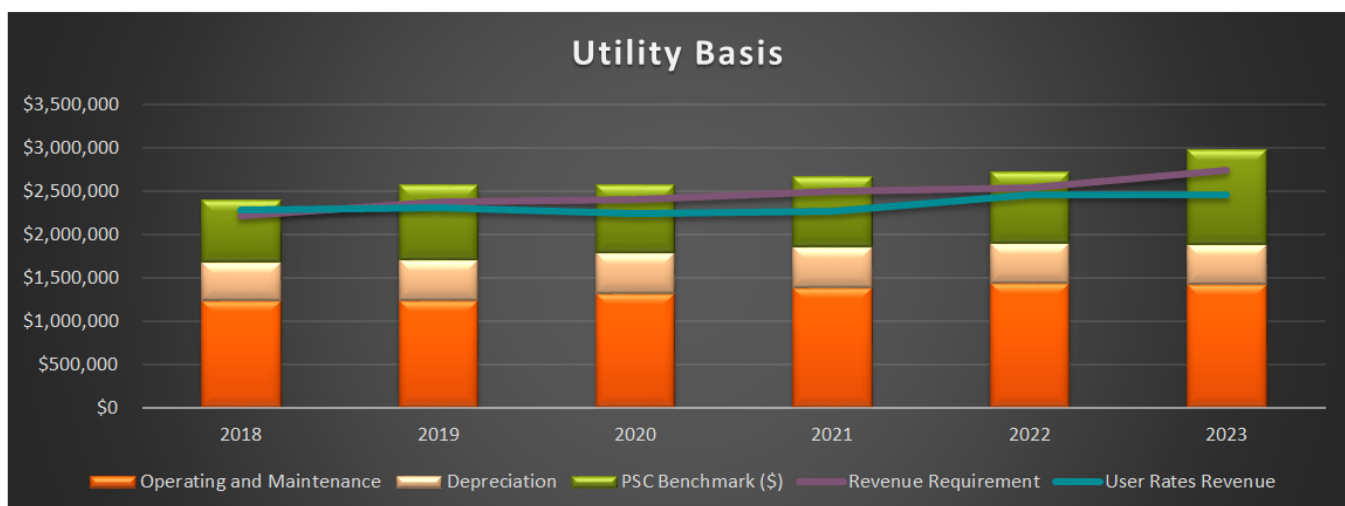
## Table 1 Water Rate Performance

City of Platteville, WI

		Shown with no increase					Est. <sup>1</sup>
Revenue Requirement		2018	2019	2020	2021	2022	2023
Component	Description						
<b>Utility Basis (PSC)</b>							
1	Operating and Maintenance	\$1,238,025	\$1,239,157	\$1,311,160	\$1,385,521	\$1,430,039	\$1,416,947
2	Depreciation	\$444,141	\$463,772	\$472,057	\$471,109	\$471,016	\$468,979
	NIRB	\$14,440,120	\$15,260,869	\$16,159,695	\$16,387,174	\$16,723,687	\$16,786,540
	PSC Benchmark (%)	4.90%	5.70%	4.90%	4.90%	4.90%	6.50%
3	PSC Benchmark (\$)	\$707,566	\$869,870	\$791,825	\$802,972	\$819,461	\$1,091,125
Less:							
	Other Revenue	\$161,047	\$166,112	\$150,888	\$155,556	\$151,743	\$157,600
	Interest Income	\$18,422	\$38,690	\$18,196	\$8,000	\$36,476	\$84,190
	Revenue Requirement (Costs less Other Income)	\$2,210,263	\$2,367,997	\$2,405,958	\$2,496,046	\$2,532,297	\$2,735,262
	User Rates Revenue	\$2,282,051	\$2,311,845	\$2,234,404	\$2,269,484	\$2,449,770	\$2,458,000
	Rate Adequacy	\$71,788	(\$56,152)	(\$171,554)	(\$226,562)	(\$82,527)	(\$277,262)
	Rate Adj. Needed	0.00%	2.43%	7.68%	9.98%	3.37%	11.28%

## Table 2 Water Utility Rate Performance Charts

City of Platteville, WI





## Table 3 Water Utility Financial Benchmarking Analysis

City of Platteville, WI

	Actual					Estimate	Budget
	2018	2019	2020	2021	2022	2023	2024
<b>Rate of Return</b>							
Average Utility Plant in Service	19,580,778	20,597,169	21,643,580	22,232,006	22,979,837	23,557,462	24,278,712
Plus: Materials and Supplies	22,352	24,809	24,737	27,996	31,517	31,517	31,517
Less: Utility Plant Accumulated Depreciation	5,009,960	5,235,885	5,411,224	5,789,343	6,232,009	6,774,607	7,319,545
Less: Regulatory Liability	153,050	125,224	97,398	83,485	55,658	27,832	6
Average Net Investment Rate Base (NIRB)	14,440,120	15,260,869	16,159,695	16,387,174	16,723,687	16,786,540	16,990,678
Net Operating Income	747,457	787,752	608,048	529,489	679,088	715,254	466,373
ROR	5.18%	5.16%	3.76%	3.23%	4.06%	4.26%	2.74%
Current Benchmark	4.90%	5.70%	4.90%	4.90%	4.90%	6.50%	
<b>Cost Recovery</b>							
Operating Revenues	2,443,098	2,477,957	2,385,292	2,425,040	2,601,513	2,615,600	2,639,900
Operating Expenses incl. Depr & Amortization	1,377,362	1,381,955	1,430,871	1,539,596	1,565,167	1,531,964	1,798,441
Operating Expenses w/o Depr & Amortization	859,393	844,795	909,229	988,901	1,020,985	989,366	1,253,503
Cost Recovery incl. Depr	1.77	1.79	1.67	1.58	1.66	1.71	1.47
Cost Recovery w/o Depr	1.60	1.64	1.57	1.56	1.53	1.55	1.43
							1.00

### Notes:

This operating ratio indicates whether operating revenues (mostly charges to customers) were sufficient to cover operations and capital (in the form of depreciation) for the water and/or wastewater utility in the fiscal year.

A ratio of less than 1 could be a sign of financial concern. In general, this ratio should be higher than 1 to accommodate future capital investments.

### Condition of Assets:

Accumulated Depreciation Total	6,872,485	6,995,440	7,376,747	7,893,122	8,409,010	6,774,607	7,319,545
Total Net Assets	24,688,903	26,182,781	26,791,659	27,369,569	28,287,320	28,524,820	29,729,820
Asset Depreciation	27.84%	26.72%	27.53%	28.84%	29.73%	23.75%	24.62%

### Notes:

This indicator of infrastructure condition estimates the portion of the average expected life of the utility's physical assets that has already passed. As this ratio approaches 100%, the capital assets become fully depreciated, and infrastructure needs replacement or rehabilitation. The accuracy of this indicator relies heavily on the accuracy of the depreciation schedule, and historic pricing likely distorts this indicator (newer utilities may be slightly disadvantaged as a result).

The utility applied for a Simplified Rate Case ("SRC") in 2020 but has been told that it has been too long since its last Conventional Rate Case ("CRC"). To qualify, the requested effective date of the SRC for class AB utilities must be within 5 years of the effective date of the last CRC. The utility should keep the SRC eligibility window in mind when making future water rate adjustment decisions.

## HISTORICAL PERFORMANCE – SEWER

The utility **last increased sewer rates October 15, 2021**. From 2018 to 2023, operating expenses have increased 24%. Table 4 below depicts the historical performance of sewer rates. Table 5 depicts Table 4 graphically. Table 6 depicts a Benchmarking Analysis for historical performance of the sewer utility.



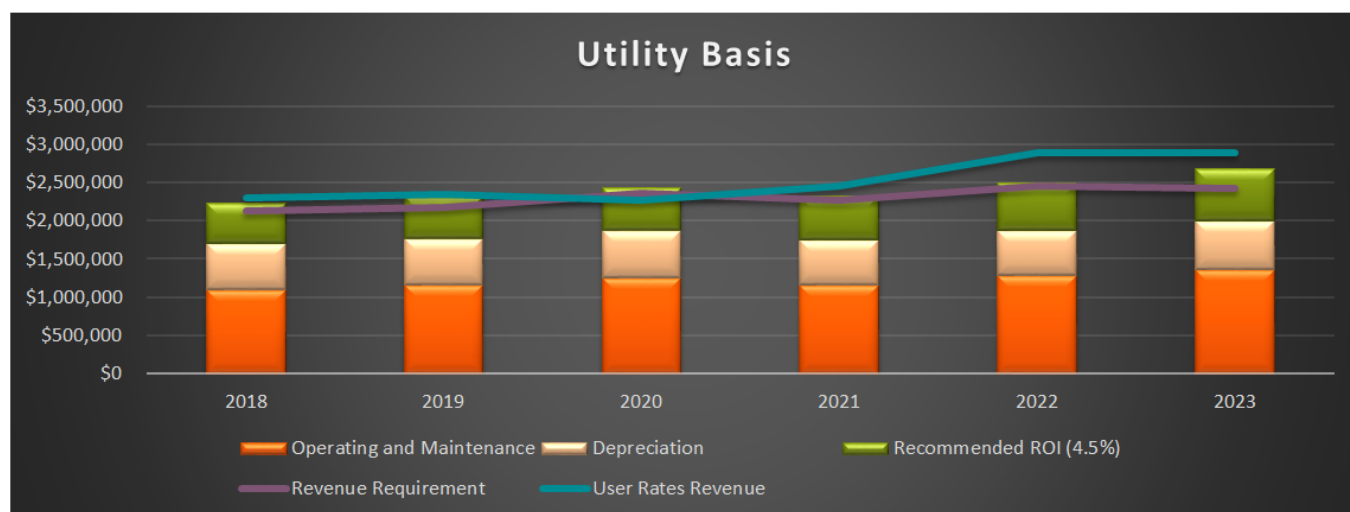
## Table 4 Sewer Rate Performance

City of Platteville, WI

		Shown with no increase					Est.
Revenue Requirement		2018	2019	2020	2021	2022	2023
Component	Description						
<b>Utility Basis</b>							
1	Operating and Maintenance	\$1,091,012	\$1,164,786	\$1,249,041	\$1,154,684	\$1,279,313	\$1,355,241
2	Depreciation	\$603,076	\$602,254	\$620,871	\$589,111	\$587,138	\$646,745
	NIRB	\$11,799,658	\$12,234,023	\$12,338,259	\$12,893,610	\$14,004,764	\$15,144,969
3	Recommended ROI (4.5%)	\$530,985	\$550,531	\$555,222	\$580,212	\$630,214	\$681,524
Less:							
	Other Revenue	\$24,496	\$27,228	\$17,515	\$31,905	\$40,697	\$32,700
	Interest Income	\$67,278	\$113,092	\$40,615	\$19,000	\$2,400	\$224,600
	Revenue Requirement (Costs less Other Income)	\$2,133,298	\$2,177,251	\$2,367,003	\$2,273,102	\$2,453,568	\$2,426,210
	User Rates Revenue	\$2,296,662	\$2,342,419	\$2,272,868	\$2,451,992	\$2,883,184	\$2,883,000
	Rate Adequacy	\$163,364	\$165,168	(\$94,135)	\$178,890	\$429,616	\$456,790

## Table 5 Sewer Utility Rate Performance Charts

City of Platteville, WI





## Table 6 Sewer Utility Financial Benchmarking Analysis

City of Platteville, WI

	Actual					Estimate	Budget
	2017	2018	2019	2020	2021	2022	2023
<b>Rate of Return</b>							
Average Utility Plant in Service	18,833,438	19,205,085	19,636,545	20,246,477	21,274,819	22,856,989	24,527,818
Plus: Materials and Supplies	6,427	8,576	7,871	6,925	6,925	6,925	6,925
Less: Utility Plant Accumulated Depreciation	6,620,253	6,775,336	6,887,847	7,508,718	8,097,829	8,684,967	9,331,712
Less: Regulatory Liability	754,788	638,667	522,546	406,425	290,304	174,183	58,062
Average Net Investment Rate Base (NIRB)	11,464,824	11,799,658	12,234,023	12,338,259	12,893,610	14,004,764	15,144,969
Net Operating Income	896,340	738,847	727,482	420,471	740,102	1,057,430	913,714
ROR	7.82%	6.26%	5.95%	3.41%	5.74%	7.55%	6.03%
<b>Cost Recovery</b>							
Operating Revenues	2,467,941	2,321,158	2,369,647	2,290,383	2,483,897	2,923,881	2,915,700
Operating Expenses incl. Depr & Amortization	1,742,888	1,694,088	1,767,040	1,869,912	1,743,795	1,866,451	2,001,986
Cost Recovery	1.42	1.37	1.34	1.22	1.42	1.57	1.46
Cost Recovery w/o Depr.	2.21	2.13	2.03	1.83	2.15	2.29	2.15
						1.00	1.00
<b>Notes:</b>							
This operating ratio indicates whether operating revenues (mostly charges to customers) were sufficient to cover operations and capital (in the form of depreciation) for the water and/or wastewater utility in the fiscal year. A ratio of less than 1 could be a sign of financial concern. In general, this ratio should be higher than 1 to accommodate future capital investments.							
<b>Condition of Assets:</b>							
Accumulated Depreciation Expense	6,620,253	6,775,336	6,887,847	7,508,718	8,097,829	8,684,967	9,331,712
Average Total Plant in Service	18,833,438	19,205,085	19,636,545	20,246,477	21,274,819	22,856,989	24,527,818
Asset Depreciation	26.01%	26.08%	25.97%	27.05%	27.57%	27.53%	27.56%
<b>Notes:</b>							
This indicator of infrastructure condition estimates the portion of the average expected life of the utility's physical assets that has already passed. As this ratio approaches 100%, the capital assets become fully depreciated, and infrastructure needs replacement or rehabilitation. The accuracy of this indicator relies heavily on the accuracy of the depreciation schedule, and historic pricing likely distorts this indicator (newer utilities may be slightly disadvantaged as a result).							

## FINANCIAL PLANNING – WATER & SEWER

Using the City's 5-year Capital Improvement Plan ("CIP") Ehlers has developed a financial plan for a 10-year period beyond the budget year 2024. Table 7 and 8 below show the CIP as currently constructed.



**Table 7**  
**Water Utility Capital Improvement Plan**

City of Platteville, WI

Projects	Funding	2023	2024	2025	2026	2027	2028	Totals
Cedar St. (Chestnut to Fourth) (Water Portion)	Revenue Debt						235,000	235,000
Jefferson St. (Multiple) (Water Portion)	Revenue Debt			515,000				515,000
Sowden St. (Water Portion)	Revenue Debt		215,000					215,000
Safety Equipment (Water portion)	Cash	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Project Design (Water Portion)	Cash	20,000	20,000	20,000	20,000	20,000	20,000	100,000
Contingency/Overbuilds (Water Portion)	Cash	12,500	12,500	12,500	12,500	12,500	12,500	62,500
Water Meter Replacement Program	Cash	50,000	50,000	50,000	50,000	50,000	50,000	250,000
2010 Vacuum (Water Portion)	Revenue Debt	92,500	132,500					132,500
Grace St (all) (Water Portion)	Revenue Debt		175,000					175,000
Henry St (all) (Water Portion)	User Fees		185,000					185,000
Adams St (Water Portion)	User Fees		75,000					75,000
Ann St (all) (Water Portion)	Revenue Debt					145,000		145,000
Division St (all) (Water Portion)	Revenue Debt					270,000		270,000
Union St. (Hickory to Washington) (Water Portion)	Revenue Debt					115,000		115,000
Water St (B151 to Pine) (Water Portion)	Revenue Debt					700,000		700,000
Jewett Street Reconstruction (Water Portion)	Revenue Debt					135,000		135,000
Camp Street Reconstruction (Water Portion)	Revenue Debt		315,000	440,625			630,000	1,385,625
Seventh Avenue Reconstruction (Water Portion)	Revenue Debt				385,000	250,000	170,000	805,000
E. Main Street Reconstruction	Revenue Debt			250,000				250,000
Well #6 Rehab	Cash				60,000			60,000
Gridley Ave Recon (Water Portion)	Revenue Debt						235,000	235,000
Hillcrest Circle Reconstruction	Revenue Debt					225,000		225,000
Furnace St Tower Inspection	Cash		10,000					10,000
Furnace St Tower Low Zone Paint	Revenue Debt					150,000		150,000
Ground Reservoir Inspection	Cash		10,000					10,000
Ground Reservoir Interior/Exterior Paint	Revenue Debt				175,000			175,000
Highbury Circle Reconstruction	Revenue Debt					195,000		195,000
Industry Park Water Tower Inspection/Paint	Revenue Debt			260,000		12,000		272,000
Sunset Drive Reconstruction (College to Main)	Revenue Debt				300,000			300,000
Baiarritz Boulevard Reconstruction (Water to East End) (Water Portion)	Revenue Debt				130,000			130,000
DeValera Drive Reconstruction (Biarritz to East End) (Water Portion)	Revenue Debt				175,000			175,000
Knollwood Way Reconstruction (Hwy 80 to Oakhaven) (Water Portion)	Revenue Debt					400,000		400,000
Furnace Street Reconstruction (Water to Lutheran) (Water Portion)	Revenue Debt					220,000		220,000
Greenwood Ave Reconstruction (College to Longhorn) (Water Portion)	Revenue Debt					225,000		225,000
Oak Street Reconstruction (Mineral to Furnace) (Water Portion)	Revenue Debt					105,000		105,000
Grant Street Reconstruction (Broadway to West End) (Water Portion)	Revenue Debt					230,000		230,000
Heer Street Reconstruction (Linden to East End) (Water Portion)	Revenue Debt					70,000		70,000
Linden Street Reconstruction (Grant to Heer) (Water Portion)	Revenue Debt					105,000		105,000
University Plaza Reconstruction (College to East End) (Water Portion)	Revenue Debt					140,000		140,000
Williams Street Reconstruction (Hollman to Hathaway) (Water Portion)	Revenue Debt					335,000		335,000
Perry Drive Reconstruction	Revenue Debt					445,000		445,000
Madison Street Reconstruction	Revenue Debt					425,000		425,000
Court Street Reconstruction	Revenue Debt					250,000		250,000
Moonlight Drive Reconstruction	Revenue Debt					215,000		215,000
Flower Court Reconstruction	Revenue Debt					290,000		290,000
Fremont Street Reconstruction	Revenue Debt					235,000		235,000
DeeBoys Court Reconstruction	Revenue Debt					80,000		80,000
Deborah Court Reconstruction	Revenue Debt					270,000		270,000
Karla Drive Reconstruction	Revenue Debt					290,000		290,000
West Golf Drive Reconstruction	Revenue Debt					500,000		500,000
Joseph Court Reconstruction	Revenue Debt					80,000		80,000
North Street Reconstruction	Revenue Debt						130,000	130,000
Grandview Lane Reconstruction	Revenue Debt						360,000	360,000
Carlisle Street Reconstruction	Revenue Debt						170,000	170,000
Colleen Court Reconstruction	Revenue Debt						170,000	170,000
Eighth Avenue Reconstruction	Revenue Debt						150,000	150,000
Insight Drive Reconstruction	Revenue Debt						530,000	530,000
Water Street Reconstruction	Revenue Debt						750,000	750,000
<b>Actual CIP Costs</b>		<b>237,500</b>	<b>1,205,000</b>	<b>1,553,125</b>	<b>1,312,500</b>	<b>7,194,500</b>	<b>3,617,500</b>	<b>14,882,625</b>
<b>Sources of Funding</b>								
G.O. Debt		0	0	0	0	0	0	0
Revenue Debt		0	837,500	1,465,625	1,165,000	7,107,000	3,530,000	14,105,125
Grants/Aids		0	0	0	0	0	0	0
Special Assessment		0	0	0	0	0	0	0
User Fees		0	260,000	0	0	0	0	260,000
Tax Levy		0	0	0	0	0	0	0
Equipment Replacement Fund		0	0	0	0	0	0	0
Cash		237,500	357,500	337,500	532,500	237,500	87,500	1,790,000
<b>Total</b>		<b>237,500</b>	<b>1,455,000</b>	<b>1,803,125</b>	<b>1,697,500</b>	<b>7,344,500</b>	<b>3,617,500</b>	<b>16,155,125</b>

**Notes:**

Additional Cash will be used to downsize "Revenue Debt" identified projects





**Table 8**  
**Sewer Utility Capital Improvement Plan**  
 City of Platteville, WI

Projects	Funding <sup>1</sup>	2023	2024	2025	2026	2027	2028	Totals
Cedar St. (Chestnut to Fourth) (Sewer Portion)	Revenue Debt						205,000	205,000
Jefferson St. (Multiple) (Sewer Portion)	Revenue Debt	162,000		455,000				455,000
Sowden St. (Sewer Portion)	Revenue Debt		190,000					190,000
Safety Equipment (Sewer portion)	Cash	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Project Design (Sewer Portion)	Revenue Debt	50,000	50,000	50,000	50,000	50,000	50,000	250,000
Contingency/Overbuilds (Sewer Portion)	Revenue Debt	12,500	12,500	12,500	12,500	12,500	12,500	62,500
Influent Pumping - Design	Revenue Debt			75,000	150,000			225,000
Influent Pumping - Construction	Revenue Debt					1,500,000		1,500,000
2010 Vacuum (Sewer Portion)	Revenue Debt	92,500	132,500					132,500
Grace St (all) (Sewer Portion)	Revenue Debt		155,000					155,000
Ann St (all) (Sewer Portion)	Revenue Debt					130,000		130,000
Division St (all) (Sewer Portion)	Revenue Debt					240,000		240,000
Union St. (Hickory to Washington) (Sewer Portion)	Revenue Debt					100,000		100,000
Water St (B151 to Pine) (Sewer Portion)	Revenue Debt					650,000		650,000
Trickling Filter - Design	Revenue Debt			150,000				150,000
Trickling Filter - Construction	Revenue Debt			133,000	1,151,000			1,284,000
RAS/WAS Building - Design	Revenue Debt				150,000			150,000
RAS/WAS Building - Construction	Revenue Debt					1,300,000		1,300,000
Jewett Street Reconstruction (Sewer Portion)	Revenue Debt					120,000		120,000
Gridley Avenue Reconstruction (Sewer Portion)	Revenue Debt						205,000	205,000
Remaining Pumps Design	Revenue Debt		150,000		150,000			300,000
Remaining Pumps Construction	Revenue Debt			1,300,000		1,300,000		2,600,000
Camp Street Reconstruction (Sewer Portion)	Revenue Debt		280,000	411,250			720,000	1,411,250
Seventh Avenue Reconstruction (Sewer Portion)	Revenue Debt				340,000	220,000	150,000	710,000
Anaerobic Digester Design	Revenue Debt						385,000	385,000
Standby Generator	Outstanding Debt Proceeds		200,000	1,754,400				1,954,400
Sand Filter Controls	Revenue Debt	200,000	750,000					750,000
Sludge Boiler Rehab	Revenue Debt	150,000	180,000					180,000
Influent Pumping Design-Construction	Revenue Debt			150,000	1,500,000			1,650,000
Sludge Cake Building	Revenue Debt					150,000	1,300,000	1,450,000
E. Main Street Reconstruction (Sewer Portion)	Revenue Debt			200,000				200,000
Gridley Ave Reconstruction (Sewer Portion)	Revenue Debt					218,000		218,000
Sunset Drive Reconstruction (College to Main) (Sewer Portion)	Revenue Debt				270,000			270,000
Baiarritz Boulevard Reconstruction (Water to East End) (Sewer Portion)	Revenue Debt				115,000			115,000
DeValera Drive Reconstruction (Biarritz to East End)	Revenue Debt				155,000			155,000
Furnace Street Reconstruction (Water to Lutheran) (Sewer Portion)	Revenue Debt					220,000		220,000
Greenwood Ave Reconstruction (College to Longhorn) (Sewer Portion)	Revenue Debt					60,000		60,000
Oak Street Reconstruction (Mineral to Furnace) (Sewer Portion)	Revenue Debt					95,000		95,000
Grant Street Reconstruction (Broadway to West End) (Sewer Portion)	Revenue Debt					200,000		200,000
Heer Street Reconstruction (Linden to East End) (Sewer Portion)	Revenue Debt					65,000		65,000
Linden Street Reconstruction (Grant to Heer) (Sewer Portion)	Revenue Debt					95,000		95,000
University Plaza Reconstruction (College to East End) (Sewer Portion)	Revenue Debt					125,000		125,000
Williams Street Reconstruction (Hollman to Hathaway) (Sewer Portion)	Revenue Debt					290,000		290,000
Perry Drive Reconstruction	Revenue Debt					385,000		385,000
Madison Street Reconstruction	Revenue Debt					350,000		350,000
Court Street Reconstruction	Revenue Debt					220,000		220,000
Moonlight Drive Reconstruction	Revenue Debt					185,000		185,000
Flower Court Reconstruction	Revenue Debt					290,000		290,000
Fremont Street Reconstruction	Revenue Debt					205,000		205,000
DeeBoys Court Reconstruction	Revenue Debt					70,000		70,000
Deborah Court Reconstruction	Revenue Debt					240,000		240,000
Karla Drive Reconstruction	Revenue Debt					255,000		255,000
West Golf Drive Reconstruction	Revenue Debt					440,000		440,000
Joseph Court Reconstruction	Revenue Debt					70,000		70,000
North Street Reconstruction	Revenue Debt						115,000	115,000
Grandview Lane Reconstruction	Revenue Debt						315,000	315,000
Carlisle Street Reconstruction	Revenue Debt						150,000	150,000
Colleen Court Reconstruction	Revenue Debt						150,000	150,000
Eighth Avenue Reconstruction	Revenue Debt						130,000	130,000
Insight Drive Reconstruction	Revenue Debt						465,000	465,000
Water Street Reconstruction	Revenue Debt						700,000	700,000
Knollwood Way Reconstruction (Hwy 80 to Oakhaven) (Sewer Portion)	Revenue Debt					350,000		350,000
<b>Actual CIP Costs</b>		<b>1,522,500</b>	<b>2,105,000</b>	<b>4,696,150</b>	<b>4,048,500</b>	<b>10,205,500</b>	<b>5,057,500</b>	<b>27,635,150</b>
<b>Sources of Funding</b>								
G. O. Debt		0	0	0	0	0	0	0
Revenue Debt		872,000	1,010,000	1,596,750	2,718,500	9,200,500	5,052,500	20,450,250
Grants/Aids		0	0	0	0	0	0	0
Special Assessment		0	0	0	0	0	0	0
Outstanding Debt Proceeds		0	200,000	1,754,400	0	0	0	1,954,400
Tax Levy		0	0	0	0	0	0	0
Equipment Replacement Fund		150,000	140,000	140,000	125,000	0	0	555,000
Cash		500,500	755,000	1,205,000	1,205,000	1,005,000	5,000	4,675,500
<b>Total</b>		<b>1,522,500</b>	<b>2,105,000</b>	<b>4,696,150</b>	<b>4,048,500</b>	<b>10,205,500</b>	<b>5,057,500</b>	<b>27,635,150</b>

**Notes:**  
 1) Some projects are ERF Eligible and therefore a mix of Debt and ERF Fund Balance will be used. Additional cash applied to downsize debt.



## FINANCIAL MANAGEMENT PLANNING

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Based on the City's CIP for the utilities, Ehlers constructed a financing plan built on several constraints. The fundamental goal of a utility is to provide safe and reliable service to its customers. Within the fundamental goal of providing reliable service lies the need for maintaining adequate reserves to cover the operating, maintenance and capital needs of a utility that provides around the clock service. Reserves for utilities generally fall within two categories: restricted and unrestricted. Restricted reserves are most commonly created in conjunction with a revenue debt obligation where the issuer is required to establish a Debt Service Reserve Fund. Additionally, in the case of the Clean Water Fund Loan Program through the WI Department of Natural Resources ("DNR"), the issuer is required to maintain an Equipment Replacement Fund. The sewer utility has two outstanding Clean Water Fund Loans with the DNR. In all instances, restricted reserve amounts will be established and known within the issuing documents. Meanwhile, unrestricted reserves are determined by the utility and therefore are often monitored by external entities to measure the fiscal sustainability of the utility.

When contemplating unrestricted reserves what are some financial metrics to utilize? Generally, it depends on several factors. First, since the utilities are rated it will be best practice to monitor the metric(s) determined by your rating agency Standard & Poor's ("S&P"). S&P uses days cash on hand to determine unrestricted reserves adequacy. This is depicting the number of days the utility could cover its operating expenses. The rating agencies consider this one of the most important rating factors when assigning a rating to a utility. Typically, unrestricted reserves greater than 150 days is viewed as good financial standing. Second, the water utility is regulated by the PSC and is annually monitored for Days Cash on Hand. As seen in the PSC Financial Outreach letters to Wisconsin utilities, if a utility falls below 90 days cash on hand and has two consecutive years of negative operating income, the PSC can request action be taken to ensure financial integrity in the system. Therefore, when formulating the financing plan for the utilities Ehlers worked within these constraints. For planning purposes we used Revenue Bonds for the debt portions used to fund the CIP. Certain financing options may be more attractive at the time of issuance and should be explored as monies are needed for specific projects.

It's important to understand how future capital planning affects the utilities' ratepayers. Future rate adjustments depicted are shown to keep pace with O&M inflation and debt coverage. The rate adjustments shown are minimums required to maintain the fiscal sustainability of the enterprise fund.

Table 9 depicts the proposed financing plan to fund the City’s utility portion of the CIP. Some cash and Equipment Replacement Fund monies have been applied to reduce the bond sizing.

**Table 9**  
**Capital Improvements Financing Plan**  
*City of Platteville, WI*

	2023			2024			2025			2026			2027			2028		
	Revenue Bonds	Sewer Portion	Water Portion	Revenue Bonds	Sewer Portion	Water Portion	Revenue Bonds	Sewer Portion	Water Portion	Revenue Bonds	Sewer Portion	Water Portion	Revenue Bonds	Sewer Portion	Water Portion	Revenue Bonds	Sewer Portion	Water Portion
CIP Projects <sup>1</sup>	1,514,500	1,422,000	92,500	2,737,500	1,900,000	837,500	3,892,375	2,936,750	955,625	4,428,500	4,043,500	385,000	16,307,500	9,200,500	7,107,000	8,582,500	5,052,500	3,530,000
<b>Less Other Available Revenues</b>																		
Cash Available	(492,500)	(400,000)	(92,500)	(1,000,000)	(750,000)	(250,000)	(1,450,000)	(1,200,000)	(250,000)	(1,585,000)	(1,200,000)	(385,000)	(1,150,000)	(1,000,000)	(150,000)	(1,900,000)	(1,500,000)	(400,000)
ERF	(150,000)	(150,000)	0	(140,000)	(140,000)	0	(140,000)	(140,000)	0	0	0	0	0	0	0	0	0	0
<b>Net Borrowing Requirement</b>	<b>872,000</b>	<b>872,000</b>	<b>0</b>	<b>1,597,500</b>	<b>1,010,000</b>	<b>587,500</b>	<b>2,302,375</b>	<b>1,596,750</b>	<b>705,625</b>	<b>2,843,500</b>	<b>2,843,500</b>	<b>0</b>	<b>15,157,500</b>	<b>8,200,500</b>	<b>6,957,000</b>	<b>6,682,500</b>	<b>3,552,500</b>	<b>3,130,000</b>
<b>Debt Service Reserve</b>																		
Debt Service Reserve Funds On Hand	(842,985)	(842,985)	0	(1,315,654)	(963,663)	(351,991)	(1,456,987)	(1,034,380)	(422,607)	(1,040,170)	(1,040,170)	0	(1,718,509)	(1,125,000)	(593,509)	(2,300,000)	(1,300,000)	(1,000,000)
New Debt Service Reserve Requirement	963,663	963,663	0	1,456,987	1,034,380	422,607	1,633,679	1,040,170	593,509	1,125,000	1,125,000	0	2,300,000	1,300,000	1,000,000	2,700,000	1,500,000	1,200,000
<b>Subtotal Reserve Fund Requirement</b>	<b>120,678</b>	<b>120,678</b>	<b>0</b>	<b>141,333</b>	<b>70,717</b>	<b>70,616</b>	<b>176,692</b>	<b>5,790</b>	<b>170,902</b>	<b>84,830</b>	<b>84,830</b>	<b>0</b>	<b>581,491</b>	<b>175,000</b>	<b>406,491</b>	<b>400,000</b>	<b>200,000</b>	<b>200,000</b>
Estimated Issuance Expenses	60,038	60,038	0	92,925	57,634	35,291	105,263	66,120	39,143	110,950	110,950	0	271,088	150,629	120,459	161,650	92,129	69,521
<b>TOTAL TO BE FINANCED</b>	<b>1,052,715</b>	<b>1,052,715</b>	<b>0</b>	<b>1,831,758</b>	<b>1,138,351</b>	<b>693,407</b>	<b>2,584,330</b>	<b>1,668,660</b>	<b>915,670</b>	<b>3,039,280</b>	<b>3,039,280</b>	<b>0</b>	<b>16,010,079</b>	<b>8,526,129</b>	<b>7,483,950</b>	<b>7,244,150</b>	<b>3,844,629</b>	<b>3,399,521</b>
Estimated Interest Earnings	0.50% 3 (1,090)	(1,090)	0	0.50% 3 (1,997)	(1,263)	(734)	0.50% 3 (2,878)	(1,996)	(882)	0.50% 3 (3,554)	(3,554)	0	0.50% 3 (18,947)	(10,251)	(8,696)	0.50% 3 (8,353)	(4,441)	(3,913)
Assumed spend down (months)																		
Rounding	3,375	3,375	0	239	(2,089)	2,328	3,548	3,336	212	4,275	4,275	0	3,868	4,122	(254)	4,203	(188)	4,391
<b>NET BOND SIZE</b>	<b>1,055,000</b>	<b>1,055,000</b>	<b>0</b>	<b>1,830,000</b>	<b>1,135,000</b>	<b>695,000</b>	<b>2,585,000</b>	<b>1,670,000</b>	<b>915,000</b>	<b>3,040,000</b>	<b>3,040,000</b>	<b>0</b>	<b>15,995,000</b>	<b>8,520,000</b>	<b>7,475,000</b>	<b>7,240,000</b>	<b>3,840,000</b>	<b>3,400,000</b>

Cash flow forecasting is the simplest tool enterprise funds can use to understand if they can fulfill all their financial obligations. Table 10 depicts the Combined Utility Cash Flow Forecast for the years 2023 through 2033 based on furnished information and several assumptions as stated in the notes. Beyond the CIP, which ends in 2028, Ehlers has planned for future cash funded capital at an annual amount of \$1,200,000 which allows for no need for additional rate adjustments and to remain at recommended cash benchmarks.

**Table 10**  
**Combined Utility Cash Flow Analysis - Projected 2023-2032**

City of Platteville, WI

	Estimate 2023	Budget 2024	Projected								
			2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Revenues<sup>1</sup></b>											
Total Revenues from Water Rates	\$2,458,000	\$2,482,300	\$2,556,769	\$2,633,472	\$3,267,954	\$4,323,155	\$4,452,850	\$4,452,850	\$4,586,435	\$4,586,435	\$4,586,435
Percent Increase to Water Rates	0.00%	0.00%	3.00%	3.00%	24.09%	32.29%	3.00%	0.00%	3.00%	0.00%	0.00%
Cumulative Percent Water Rate Increase	0.00%	0.00%	3.00%	6.09%	31.65%	74.16%	79.38%	79.38%	84.77%	84.77%	84.77%
Total Revenues from Sewer Rates	\$2,883,000	\$3,085,006	\$3,300,956	\$3,532,023	\$3,779,265	\$5,112,967	\$5,877,546	\$6,053,872	\$6,235,488	\$6,422,553	\$6,615,229
Percent Increase to Sewer Rates	0.00%	7.00%	7.00%	7.00%	7.00%	35.29%	14.95%	3.00%	3.00%	3.00%	3.00%
Cumulative Percent Sewer Rate Increase	0.00%	7.00%	14.49%	22.50%	31.08%	77.34%	103.86%	109.97%	116.27%	122.76%	129.44%
<b>\$ Amount Increase to Revenues to prior year</b>		<b>\$226,306</b>	<b>\$290,419</b>	<b>\$307,770</b>	<b>\$881,723</b>	<b>\$2,388,903</b>	<b>\$894,273</b>	<b>\$176,326</b>	<b>\$315,202</b>	<b>\$187,065</b>	<b>\$192,677</b>
Total Other Revenues	\$499,090	\$499,746	\$502,617	\$505,511	\$508,427	\$511,365	\$516,400	\$521,515	\$526,709	\$531,985	\$537,344
<b>Total Revenues</b>	<b>\$5,840,090</b>	<b>\$6,067,052</b>	<b>\$6,360,343</b>	<b>\$6,671,006</b>	<b>\$7,555,645</b>	<b>\$9,947,487</b>	<b>\$10,846,796</b>	<b>\$11,028,236</b>	<b>\$11,348,632</b>	<b>\$11,540,973</b>	<b>\$11,739,009</b>
<b>Less: Expenses</b>											
Operating and Maintenance <sup>2</sup>	\$2,344,607	\$2,710,898	\$2,791,686	\$2,874,888	\$2,960,575	\$3,048,821	\$3,139,704	\$3,233,301	\$3,329,694	\$3,428,967	\$3,531,206
PILOT Payment	\$400,438	\$406,444	\$412,541	\$418,729	\$425,010	\$431,385	\$437,856	\$444,424	\$451,090	\$457,857	\$464,724
Net Before Debt Service and Capital Expenditures	\$3,095,045	\$2,949,710	\$3,156,115	\$3,377,389	\$4,170,060	\$6,467,281	\$7,269,236	\$7,350,511	\$7,567,848	\$7,654,149	\$7,743,079
<b>Debt Service</b>											
Existing Debt P&I <sup>3</sup>	\$1,695,131	\$1,756,976	\$1,752,900	\$1,749,425	\$1,744,503	\$1,738,512	\$1,729,756	\$1,723,608	\$1,714,288	\$1,691,445	\$1,240,524
New (2020-2029) Debt Service P&I <sup>4</sup>	\$0	\$53,320	\$175,977	\$456,682	\$1,062,950	\$2,234,141	\$2,820,586	\$2,838,973	\$2,937,068	\$2,954,550	\$3,316,345
Total Debt Service	\$1,695,131	\$1,810,296	\$1,928,877	\$2,206,107	\$2,807,453	\$3,972,653	\$4,550,343	\$4,562,581	\$4,651,356	\$4,645,995	\$4,556,869
Transfer In (Out)/Misc.	\$56,090	\$43,634	\$61,225	\$53,268	\$69,139	\$78,775	\$90,875	\$124,895	\$57,248	\$57,248	\$57,248
Less: Capital Improvements & COI	\$1,863,288	\$3,409,913	\$6,249,275	\$5,361,000	\$17,400,000	\$5,057,500	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Plus: Debt Proceeds/Grants	\$2,385,116	\$1,830,000	\$2,585,000	\$3,040,000	\$15,995,000	\$3,840,000	\$0	\$0	\$0	\$0	\$0
<b>Net Annual Cash Flow</b>	<b>\$1,977,833</b>	<b>(\$396,865)</b>	<b>(\$2,375,812)</b>	<b>(\$1,096,451)</b>	<b>\$26,746</b>	<b>\$1,355,902</b>	<b>\$1,609,768</b>	<b>\$1,712,826</b>	<b>\$1,773,740</b>	<b>\$1,865,402</b>	<b>\$2,043,457</b>
<b>Restricted and Unrestricted Cash Balance:</b>											
Balance at first of year	\$8,195,796	\$10,173,629	\$9,776,764	\$7,400,953	\$6,304,502	\$6,331,247	\$7,687,150	\$9,296,918	\$11,009,744	\$12,783,483	\$14,648,886
Net Annual Cash Flow Addition/(Subtraction)	\$1,977,833	(\$396,865)	(\$2,375,812)	(\$1,096,451)	\$26,746	\$1,355,902	\$1,609,768	\$1,712,826	\$1,773,740	\$1,865,402	\$2,043,457
Balance at end of year	\$10,173,629	\$9,776,764	\$7,400,953	\$6,304,502	\$6,331,247	\$7,687,150	\$9,296,918	\$11,009,744	\$12,783,483	\$14,648,886	\$16,692,342

**Notes:**

- 1) Assumes no changes in customer counts or usage beyond 2022.
- 2) Assumes 3% inflation beyond 2022.
- 3) Existing Debt Consists of CWFLs and 2 Open Market W&S Rev Bonds.
- 4) New Debt Service Assumes all open market Rev Bonds.

**Legend:**

- W: Simplified Rate Case; S: Inflationary (3.0%) Increase
- W: Conventional Rate Case; S: Larger than O&M inflationary adjustment
- End of CIP. Additional projects would be added. Used assumed \$1.2M of cash funded capital.

**Table 11**  
**Combined Utility Financial Benchmarking Analysis**

City of Platteville, WI

	Actual	Estimate	Budget	Projected								
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Target minimum cash balance</b>												
Target minimum working capital - Ehlers <sup>1</sup>	1,695,131	1,810,296	1,928,877	2,206,107	2,807,453	3,972,653	4,550,343	4,562,581	4,651,356	4,645,995	4,556,869	4,557,102
Actual Days Cash Available - PSC <sup>2</sup>	775	975	896	613	499	425	400	452	545	636	731	837
Actual Days Cash Available - S&P <sup>3</sup>	875	1,025	974	657	574	561	688	834	1,116	1,278	1,440	1,609
<b>Actual working capital-cash balance</b>												
Over (Under) Ehlers target	8,195,796	10,173,629	9,776,764	7,400,953	6,304,502	6,331,247	7,687,150	9,296,918	11,009,744	12,783,483	14,648,886	16,692,342
Over (Under) PSC target (90 days)	6,500,665	8,363,333	7,847,888	5,194,846	3,497,049	2,358,594	3,136,807	4,734,337	6,358,388	8,137,489	10,092,016	12,135,241
Over (Under) S&P target (150 days)	685	885	806	523	409	335	310	362	455	546	641	747
Over (Under) S&P target (150 days)	725	875	824	507	424	411	538	684	966	1,128	1,290	1,459

**Notes:**

- 1) Target capital equals 6 mos of next year's operating expenses, including depreciation, plus 100% of debt.
- 2) PSC formula = O&M expense + taxes + interest on long term debt ÷ 365 to get expense per day. Then Unrestricted Cash ÷ expense per day.
- 3) S&P Formula = [(Unrestricted Cash + Liquid Investments) \* 365 days] ÷ Total O&M Expenses less Depreciation; include designated reserve funds: ERFs, RSFs, etc.

<b>Cost Recovery</b>												
Operating Revenues	5,525,394	5,531,300	5,755,206	6,047,504	6,357,172	7,240,812	9,631,652	10,529,520	10,709,510	5,567,201	5,652,787	5,656,375
Operating Expenses incl. Depr & Amortization	3,431,618	3,533,950	3,854,876	4,037,477	4,279,282	4,591,363	4,995,218	5,210,896	5,304,613	4,056,737	4,091,826	4,127,458
Cost Recovery incl. Depr.	1.61	1.57	1.49	1.50	1.49	1.58	1.93	2.02	2.02	1.37	1.38	1.37
Cost Recovery w/o Depr.	2.41	2.36	2.12	2.17	2.21	2.45	3.16	3.35	3.31	1.66	1.67	1.66

**Notes:**

This operating ratio indicates whether operating revenues (mostly charges to customers) were sufficient to cover operations and capital (in the form of depreciation) for the water and/or wastewater utility in the fiscal year. A ratio of less than 1 could be a sign of financial concern. In general, this ratio should be higher than 1 to accommodate future capital investments.

<b>Leverage</b>												
Total Long-Term Debt	17,909,568	21,347,846	22,592,755	27,289,773	41,857,009	47,624,233	46,021,210	44,365,123	42,566,983	40,704,179	38,430,119	355,000
Total Net Assets	40,412,748	42,172,748	45,482,748	51,732,023	57,093,023	74,493,023	79,550,523	80,750,523	81,950,523	83,150,523	84,350,523	34,091,555
Debt-to Equity Ratio	0.44	0.51	0.50	0.53	0.73	0.64	0.58	0.55	0.52	0.49	0.46	0.01

**Notes:**

This indicator measures the existing level of leveraging of assets, and is used by funders and bond rating agencies to evaluate the risk of providing additional loans to the utility. The ratio indicates the amount of long-term debt that exists for every \$1 of assets (fund equity). A utility with a ratio greater than 1.0 has more long-term debt than equity in the system's assets. There are no natural benchmarks for this indicator, and funders and bond rating agencies will assess this ratio in various ways. In general, the higher this ratio, the more likely the utility will be considered to be over-leveraged and the more difficult it will be for the utility to obtain additional loans. For this ratio, Net Assets are equal to the Net Investment Rate Base of the utility.

<b>Condition of Assets:</b>												
Accumulated Depreciation Expense	21,592,708	22,782,051	23,926,030	25,171,821	26,576,214	28,207,002	30,153,399	32,224,591	34,295,903	36,367,202	38,438,560	40,509,828
Average Total Plant in Service	61,061,157	62,645,157	65,624,157	71,248,505	76,073,405	91,733,405	96,285,155	97,365,155	98,445,155	99,525,155	100,605,155	101,685,155
Asset Depreciation	35.36%	36.37%	36.46%	35.33%	34.93%	30.75%	31.32%	33.10%	34.84%	36.54%	38.21%	28.49%

**Notes:**

This indicator of infrastructure condition estimates the portion of the average expected life of the utility's physical assets that has already passed. As this ratio approaches 100%, the capital assets become fully depreciated, and infrastructure needs replacement or rehabilitation. The accuracy of this indicator relies heavily on the accuracy of the depreciation schedule, and historic pricing likely distorts this indicator (newer utilities may be slightly disadvantaged as a result).



## FINANCIAL MANAGEMENT PLANNING

Revenues Available for Debt Service (“RADS”) are revenues remaining after Operating and Maintenance expenses. With the proposed issuance of revenue bonds comes rate covenants which promise bondholders the utilities will maintain revenues such that net of operating expenses they will maintain RADS 1.25 times the annual debt service. The difference between Table 12 below and the All-in Debt coverage chart above is the inclusion of the Payment in Lieu of Taxes (PILOT) payment. The rating agencies will look at a utility’s revenue bond coverage including the PILOT where the current outstanding bond covenants do not include the PILOT payment. We recommend utility rates be set to a level to have 1.6 RADS from the rating agencies’ perspective and therefore the coverage seen in Table 12 will be above 1.25.

**Table 12**  
**Combined Utility Statement of Projected Revenue Bond Coverage**

*City of Platteville, WI*

Year	Total Operating Revenues	Total O&M Expense	Amount Available for Debt Service	Existing Rev Debt	Future Rev Debt 2023-2027	Total Utility Debt Service	Coverage	Debt Service Capacity @ 1.25x
				Total	Total			
2023	5,840,090	(2,344,607)	3,495,483	1,695,131	-	1,695,131	2.06	1,101,256
2024	6,067,052	(2,710,898)	3,356,154	1,756,976	53,320	1,810,296	1.85	874,627
2025	6,360,343	(2,791,686)	3,568,656	1,752,900	175,977	1,928,877	1.85	926,048
2026	6,671,006	(2,874,888)	3,796,118	1,749,425	456,682	2,206,107	1.72	830,787
2027	7,555,645	(2,960,575)	4,595,070	1,744,503	1,062,950	2,807,453	1.64	868,603
2028	9,947,487	(3,048,821)	6,898,666	1,738,512	2,234,141	3,972,653	1.74	1,546,279
2029	10,846,796	(3,139,704)	7,707,092	1,729,756	2,820,586	4,550,343	1.69	1,615,331
2030	11,028,236	(3,233,895)	7,794,341	1,723,608	2,838,973	4,562,581	1.71	1,672,892
2031	11,348,632	(3,330,912)	8,017,720	1,714,288	2,937,068	4,651,356	1.72	1,762,821
2032	11,540,973	(3,430,839)	8,110,134	1,691,446	2,954,550	4,645,996	1.75	1,842,111
2033	11,540,973	(3,533,764)	8,007,209	1,240,526	3,316,345	4,556,871	1.76	1,848,895
2034	11,540,973	(3,639,777)	7,901,196	1,197,032	3,360,073	4,557,105	1.73	1,763,852
2035	11,540,973	(3,748,971)	7,792,002	866,079	3,623,161	4,489,240	1.74	1,744,362
2036	11,540,973	(3,861,440)	7,679,533	539,269	3,948,378	4,487,646	1.71	1,655,980
2037	11,540,973	(3,977,283)	7,563,690	533,348	3,875,481	4,408,829	1.72	1,642,123
2038	11,540,973	(4,096,601)	7,444,372	521,828	3,884,808	4,406,636	1.69	1,548,861
2039	11,540,973	(4,219,499)	7,321,474	401,543	3,887,395	4,288,938	1.71	1,568,241
2040	11,540,973	(4,346,084)	7,194,889	288,543	3,998,163	4,286,706	1.68	1,469,205
2041	11,540,973	(4,476,467)	7,064,506	281,403	3,870,189	4,151,592	1.70	1,500,013
2042	11,540,973	(4,610,761)	6,930,212	274,120	3,871,510	4,145,630	1.67	1,398,539

**Notes:**

1) Revenue Coverage required from 2015 Revenue Bonds on a combined pledge is 1.25.

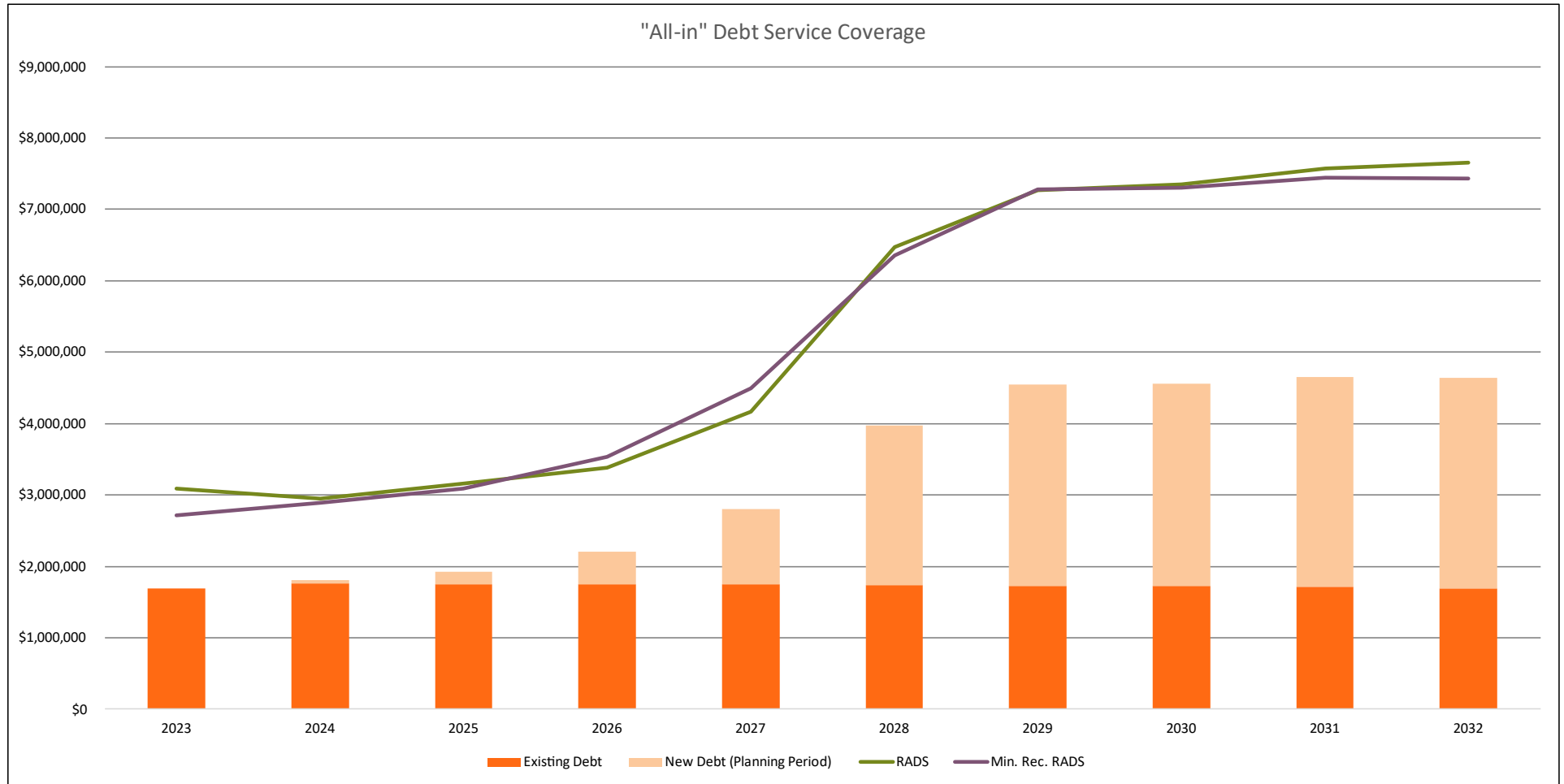
**Notes:**

End of plan period



## FINANCIAL MANAGEMENT PLANNING

Rating agencies' methodologies for Revenue Bonds indicate they look at a utility's debt profile from an "All-in" perspective. Wherein both debts supported by the utility pledged by revenues of the system and General Obligation debt planned to be repaid by the utility are included. In addition, "All-in" coverage includes PILOT payments in the RADS calculation which are normally excluded for bond covenant purposes. The Chart below is intended to show how User Rates (with proposed increases seen in the Cash Flow Analysis Tables) will perform to fulfill all financial obligations. It is recommended to maintain RADS at 1.6 times all debt obligations on an annual basis.





## FINANCIAL MANAGEMENT PLANNING

Due to outstanding Clean Water Fund Loans through the State, the City has to maintain an Equipment Replacement Fund (“ERF”) within its Enterprise Fund. This is a requirement of the funding program and established in the signed Financial Assistance Agreements upon loan closing. The City currently establishes the ERF through an Itemized Schedule in which the City establishes a list of equipment items and determines an amount to be deposited annually into the ERF for each item. In addition, the City is required to hold a minimum balance within the fund determined by multiplying the required annual deposit for each piece of equipment by the number of years the equipment has been in service, and then summing the results for all equipment on the schedule. Should the City be out of compliance by holding less than the minimum balance it has 3 years to return to the required minimum balance. Please see Table 13 below for the ERF Analysis.

**Table 13**  
**Sewer Utility - Equipment Replacement Fund Analysis**

*City of Platteville, WI*

Fund Activity	Actual 2022	Estimated 2023	Budget 2024	Projected								
				2025	2026	2027	2028	2029	2030	2031	2032	2033
Fund Balance BOY <sup>1</sup>	3,048,005	3,367,864	3,502,579	3,652,682	3,808,789	3,986,141	4,180,586	4,387,810	4,603,322	4,837,455	5,080,953	5,334,191
Deposit to ERF <sup>2</sup>	307,939	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Expenditures <sup>3</sup>	(110,000)	(150,000)	(140,000)	(140,000)	(125,000)	(115,000)	(110,000)	(110,000)	(100,000)	(100,000)	(100,000)	(100,000)
Interest Earnings <sup>4</sup>	121,920	134,715	140,103	146,107	152,352	159,446	167,223	175,512	184,133	193,498	203,238	213,368
<b>End of Year Balance<sup>1</sup></b>	<b>3,367,864</b>	<b>3,502,579</b>	<b>3,652,682</b>	<b>3,808,789</b>	<b>3,986,141</b>	<b>4,180,586</b>	<b>4,387,810</b>	<b>4,603,322</b>	<b>4,837,455</b>	<b>5,080,953</b>	<b>5,334,191</b>	<b>5,597,559</b>
<b>Fund Requirements<sup>5</sup></b>	<b>3,261,184</b>	<b>3,424,243</b>	<b>3,595,455</b>	<b>3,775,228</b>	<b>3,963,989</b>	<b>4,162,189</b>	<b>4,370,298</b>	<b>4,588,813</b>	<b>4,818,254</b>	<b>5,059,167</b>	<b>5,312,125</b>	<b>5,577,731</b>
In Compliance	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Over/(Under) Requirement	106,680	78,336	57,227	33,561	22,151	18,397	17,511	14,509	19,201	21,787	22,066	19,828

**Notes:**

- 1 Source of Actuals: Platteville Financial Report
- 2 2020-2021 Source: Furnished by City Staff. 2022 and beyond solved to equal annual deposit requirement.
- 3 2020-2024: Fund CIP to remain compliant. 2025 and beyond: estimated based on historical furnished by City staff.
- 4 Pre-2022 included in Deposit. 2023 and beyond = estimated interest earnings at 0.5% interest
- 5 Calculated based on DNR requirements. <https://dnr.wi.gov/Aid/documents/EIF/Guide/replace.html>





# FINANCIAL MANAGEMENT PLANNING

## AFFORDABILITY ANALYSIS

The following tables depict how an average residential bill will be affected as a result of this plan will be affected. In addition, the tables depict how households at varying income levels will be impacted. There are no regulations or standards for the percentage of cost utilities should represent against income levels. These tables are depicted for informational purposes.

**Table 14**  
**Projected Impact of CIP on Typical Residential Utility Bill**

*City of Platteville, WI*

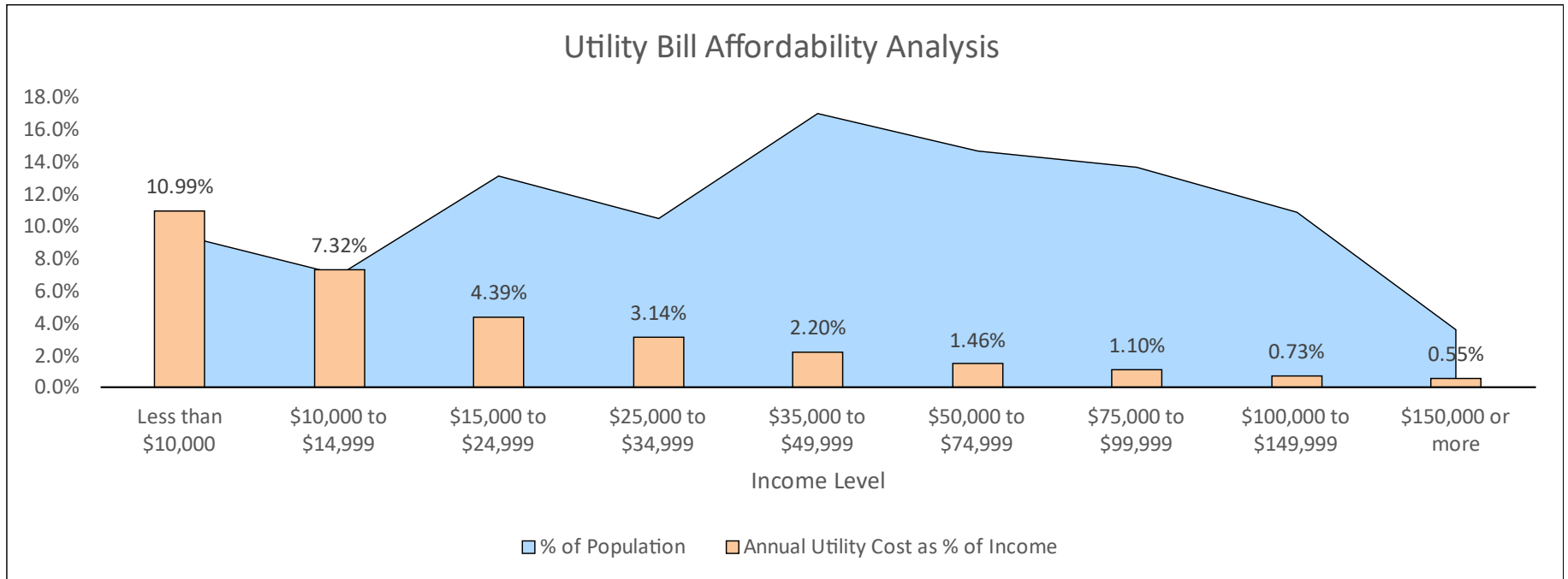
Year	Water					Sewer					Utility Bill (Annual)	Change Over Prior Year	MHI (46,690)	Year
	Increase	Water Vol. Charge <sup>1</sup>	Water User Charge <sup>2</sup>	Utility Bill (Monthly)	Change Over Prior Year	Increase	Sewer Vol. Charge <sup>3</sup>	Sewer User Charge <sup>3</sup>	Utility Bill (Monthly)	Change Over Prior Year				
2023	0.00%	Flat	Serv. + PFP	\$ 42.16	\$ -	0.00%	100CF	Gen Service	\$ 46.16	\$ -	\$ 1,059.84	\$ -	2.27%	2023
2024	0.00%	3.56	20.80	\$ 42.16	\$ -	7.00%	5.34	17.36	\$ 49.39	\$ 3.23	\$ 1,098.61	\$ 38.77	2.35%	2024
2025	3.00%	3.67	21.42	\$ 43.42	\$ 1.26	7.00%	5.71	18.57	\$ 52.85	\$ 3.46	\$ 1,155.28	\$ 56.67	2.47%	2025
2026	3.00%	3.78	22.07	\$ 44.73	\$ 1.30	7.00%	6.11	19.87	\$ 56.55	\$ 3.70	\$ 1,215.31	\$ 60.03	2.60%	2026
2027	24.09%	4.69	27.38	\$ 55.50	\$ 10.78	7.00%	6.54	21.26	\$ 60.51	\$ 3.96	\$ 1,392.12	\$ 176.81	2.98%	2027
2028	32.29%	6.20	36.23	\$ 73.43	\$ 17.92	35.29%	8.85	28.76	\$ 81.86	\$ 21.35	\$ 1,863.41	\$ 471.29	3.99%	2028
2029	3.00%	6.39	37.31	\$ 75.63	\$ 2.20	14.95%	10.17	33.07	\$ 94.10	\$ 12.24	\$ 2,036.74	\$ 173.32	4.36%	2029
2030	0.00%	6.39	37.31	\$ 75.63	\$ -	3.00%	10.48	34.06	\$ 96.92	\$ 2.82	\$ 2,070.62	\$ 33.88	4.43%	2030
2031	3.00%	6.58	38.43	\$ 77.90	\$ 2.27	3.00%	10.79	35.08	\$ 99.83	\$ 2.91	\$ 2,132.73	\$ 62.12	4.57%	2031
2032	0.00%	6.58	38.43	\$ 77.90	\$ -	3.00%	11.12	36.13	\$ 102.83	\$ 2.99	\$ 2,168.67	\$ 35.94	4.64%	2032
2033	0.00%	6.58	38.43	\$ 77.90	\$ -	3.00%	11.45	37.22	\$ 105.91	\$ 3.08	\$ 2,205.69	\$ 37.02	4.72%	2033
<b>Impact of Planning Period</b>					<b>\$ 35.74</b>	<b>\$ 59.75</b>					<b>\$ 1,145.85</b>			

- Notes:**
1. Current water volumetric rate is 3.56/CCF
  2. The water user charges include a monthly service charge of \$9.50 plus a public fire protection charge of \$11.30 for a 5/8 inch meter.
  3. The current Sewer volumetric rate is \$4.75. This will be changed as on 11/2021.
  4. The usage is assumed to be 550 CF per month.
  5. MHI according to DNR which uses US Census Bureau data.
- Legend:** 2028 is the final year of the Capital Improvement Plan.



## FINANCIAL MANAGEMENT PLANNING

Generally, water and sewer utility bills nationally have outpaced CPI (*Journal AWWA, June 2020*). Therefore, Ehlers has taken the approach to identify how utility future capital planning affects ratepayers on different income levels. If utilities find themselves with high levels of dispersion between income levels a change in rate structure may alleviate the impact on low-income users as typically, they use less water than higher income households.



**Notes:**

- 1) Utility Cost taken as a 5-year average of water and wastewater bills for an average (5/8"; 600CF/mo.) Residential User.
- 2) City Income Level from U.S.Census Bureau's American Community Survey
- 3) 29.6% of residential customers are estimated to have less than \$25,000 of income. These households will have spent more than 4-11% of their income under the 5-year average for this plan.



## CONCLUSIONS

Utility financial management planning should deliver a dynamic, “living document” – based on sound policy and best practices – to reveal where the utilities are today and the most effective path to where the utilities want to be. The forecasts depicted are representative of the furnished information provided by the City and assumptions based on historical performance and industry standards. The forecasts are meant to provide the foundation for future decisions. Therefore, while there are no steadfast recommendations, I endorse a review of the following considerations:

1. The water utility completed a Conventional Rate Case (“CRC”). The City will not be eligible for a Simplified Rate Case until the next PSC Annual Report is released depicting a full year of revenues the new rates. Since the benchmark ROR has risen since the CRC was completed the water utility may be eligible. Ehlers recommends investigating the Simplified Rate Case eligibility upon the release of the 2023 PSC Annual Report (most likely spring of 2024).
2. The sewer rate adjustments depicted in Table 10 are representative of minimum adjustments to keep pace with debt coverage based on this financing plan. As capital projects are moved, or sewer system changes occur year to year the City should reevaluate adjustments needed to make a minimum coverage of 1.6.
3. If the two considerations above are unchanged and based on the results depicted in Table 11 the City will have the option to apply more cash to the projects depicted and reduce the borrowing needs or add projects. The evaluation for use of cash to downsize debt should also be weighed at the time of each financing to consider market conditions and future capital needs of the utilities.