CITY OF STOUGHTON, 207 S FORREST STREET, STOUGHTON, WISCONSIN

RESOLUTION OF THE COMMON COUNCIL

Resolution to approve the City of Stoughton Utilities' Committee Declaration of Intent to Borrow 2021-1

Committee Action: Finance Committee Approved X-0 on 3/23/21

Fiscal Impact: Not-to-Exceed $5,886,271

File Number:	R - -2021	**Date Introduced:**	March 23, 2021

WHEREAS, the City of Stoughton Utilities wish to preserve the ability to borrow funds for the 2021 Lead Water Service Replacement Project ("Project") at a later date; and

WHEREAS, this declaration states that it is the reasonable expectation of the City of Stoughton Utilities to use proceeds of a future borrowing or borrowings for reimbursement of expenditures related to the Project.

BE IT RESOLVED by the Common Council of the City of Stoughton that the attached City of Stoughton Utilities' Committee Declaration of Intent to Borrow 2021-1 is deemed valid and necessary to complete the 2021 Lead Water Service Replacement Project.

Council Action: ☐ **Adopted** ☐ **Failed** **Vote** _____

Mayoral Action: ☐ **Accept** ☐ **Veto**

_____

Mayor Tim Swadley Date

Council Action: _____ ☐ **Override** **Vote** _____

Stoughton Utilities

600 South Fourth Street
P.O. Box 383
Stoughton, WI 53589-0383

Serving Electric, Water & Wastewater Since 1886

Date: March 18, 2021

To: Stoughton Utilities Committee

From: Jamin T. Friedl, CPA
City of Stoughton Finance Director

Jill M. Weiss, P.E.
Stoughton Utilities Director

Subject: Declaration of Official Intent 2021-1

In order to preserve the ability to borrow funds for these equipment replacements later, it is requested that the Utilities Committee approve:

Declaration No. 2021-1 $5,886,271.00

2021 Lead Water Service Replacements Contract 4-2021, including but not limited to engineering, legal, construction, property restoration, and other incidental expenses associated with the replacement of public and private lead water service lines, full or in part, from the water main to the water meter.

Stoughton Utilities

600 South Fourth Street
P.O. Box 383
Stoughton, WI 53589-0383

Serving Electric, Water & Wastewater Since 1886

NO. 2021 - 1
DECLARATION OF OFFICIAL INTENT

This is a Declaration of Official Intent of the City of Stoughton, Dane County, Wisconsin (the "Issuer") to reimburse an expenditure with proceeds of a borrowing or borrowings authorized by the Issuer. This Declaration is made under and pursuant to Treas. Reg. Section 1.150-2. The undersigned has been designated as the entity authorized by the Issuer to make this Declaration of Official Intent Pursuant to a Resolution adopted on April 13, 1993. This Declaration of Official Intent is a public record maintained in the files of the Issuer and is available for public inspection pursuant to Subchapter II of Chapter 19 of the Wisconsin Statutes.

The undersigned hereby declares that it is the reasonable expectation of the Issuer to use proceeds of a borrowing or borrowings to be incurred by the Issuer to reimburse expenditures for the property, project, or program or from the fund(s) / account(s) described below:

1. Project* description:

   2021 Lead Water Service Replacements Contract 4-2021, including but not limited to engineering, legal, construction, property restoration, and other incidental expenses associated with the replacement of public and private lead water service lines, full or in part, from the water main to the water meter.

   (Provide a general functional description of the property, project or program for which the expenditure to be reimbursed is paid, e.g. "building program," "highway capital improvement program," "hospital equipment acquisition," "combined utility improvement program," etc.)

   or

2. Identify fund(s) / account(s):

   7450 - Water

   (Provide a general functional description of the purpose of the fund or account from which the expenditure to be reimbursed is paid, e.g. "Construction fund program" and "parks and recreation fund" and "highway fund.")

The maximum principal amount of the borrowing or borrowings to be incurred to reimburse expenditures for the above-described purposes is reasonably expected, on the date hereof, to be $5,886,271.00.

The Issuer intends to reimburse itself from borrowed funds within (1) one year after the expenditure is made or (2) one year after the facility is placed in service, whichever is later.

* Each of the expenditures described must be a cost of the type that is properly chargeable to capital account (or would be so chargeable with a proper election) under general federal income tax principles. Capital expenditures *include* costs incurred to acquire, construct or improve land, buildings, and equipment and *exclude* current operation expenses.

No money from sources other than the anticipated borrowing or borrowings is, or is reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the Issuer with respect to the expenditure, pursuant to the budgetary and financial circumstances of the Issuer as of the date of this Declaration.

Dated this 22nd Day of March, 2021.

CITY OF STOUGHTON
UTILITIES COMMITTEE

By: _____

Title: Stoughton Utilities Committee Chairperson

EHLERS
PUBLIC FINANCE ADVISORS

MEMORANDUM

TO: Jamin Friedl, CPA, Finance Director
FROM: Jon Cameron, Ehlers
DATE: March 18, 2021
SUBJECT: Water Utility Lead Service Lateral Replacement Project Cash Flow Analysis

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At the request of City staff Ehlers has prepared a cash flow and funding analysis for the Water Utility's upcoming lead service lateral replacement project ("project"). The analysis includes the following assumptions:

1. A total cost for the utility financed portion of the project of $3,125,000.
2. The Safe Drinking Water Fund Loan program ("SDWF") through the State of Wisconsin is the permanent source of financing for the project.
    a. A 20-year loan option was considered for this analysis at current interest rates plus 20-basis points for potential interest rate increase between now and the time the loan is secured.
    b. An early 2022 timeline for the takeout of the SDWF loan was assumed with possible interim financing needed between the time of project initiation and the takeout of permanent financing.
3. Two cash flow scenarios out through the year 2026 were prepared for consideration:
    a. Scenario 1: The Water Utility finances 100% of the project cost through the SDWF loan and cash funds the other identified projects in the Utility's 2021-2026 CIP.
    b. Scenario 2: The Water Utility applies $1,000,000 of cash on hand towards the project and debt finances the remaining $2,125,000 cost. This scenario also assumes the Utility would cash fund the remaining projects in the Utility's 2021-2026 CIP.

In analyzing the two scenarios which are enclosed with this memo, we determine that both scenarios may be implementable for the Utility. Scenario 2 leaves the Utility with a lower reserve amount but is still at or above minimum recommended levels. Both scenarios result in very similar future user rate adjustments.

We are happy to discuss the results of the analysis with the Finance Committee at their meeting next week.

Water Utility Cash Flow Analysis – Scenario 1: 100% Debt Funding Lead Service Lateral Project (Public Portion)

For

The City of Stoughton

March, 2021

Prepared by:

Jon Cameron
Senior Municipal Advisor

Table 1
Water Utility Cash Flow Analysis - Historical 2017-2020

City of Stoughton, WI

	Actual			Estimated
	2017	2018	2019	2020
Revenues				
Total Revenues from User Rates	$2,029,711	$2,073,990	$2,272,390	$2,280,367
Percent Increase to User Rates				
Cumulative Percent Rate Increase				
Dollar Amount Increase to Revenues				
Other Revenues				
Interest Income	$22,208	$18,984	$38,171	$250,370
Other Income	$106,652	$283,868	$82,441	$81,289
Total Other Revenues	$128,860	$302,852	$120,612	$331,659
Total Revenues	**$2,158,571**	**$2,376,842**	**$2,393,002**	**$2,612,026**
Expenses				
Operating and Maintenance	$1,049,770	$969,181	$1,066,072	$1,083,261
PILOT Payment	$387,855	$420,305	$423,351	$437,266
Net Before Debt Service and Capital Expenditures	$720,946	$987,356	$903,579	$1,091,499
Debt Service				
Existing Debt P&I[1]	$429,533	$420,591	$417,315	$577,475
New (2021-2030) Debt Service P&I				
Total Debt Service	$429,533	$420,591	$417,315	$577,475
Transfer In (Out)/Cap. Contrib.	$22,728	$8,978	-$7,683	$0
Capital Improvements	$833,246	$516,872	$844,708	$621,403
Bond Proceeds/Grants	$0	$0	$1,825,000	$0
Reconcile to Audit	$71,010	-$44,291	$109,060	
Net Annual Cash Flow	**($448,095)**	**$14,580**	**$1,567,933**	**($107,379)**
Restricted and Unrestricted Cash Balance:				
Balance at first of year				
Net Annual Cash Flow Addition/(subtraction)				
Balance at end of year	$633,433	$653,399	$2,215,753	$2,327,177

Notes:

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Table 2
Water Utility Financial Benchmarking Analysis

City of Stoughton, WI

	Actual			Estimated	Budget
	2017	2018	2019	2020	2021
Target minimum cash balance					
Target minimum working capital - Ehlers[1]	1,167,777	1,132,077	1,352,955	1,275,266	1,488,399
Actual Days Cash Available - PSC[2]	107	244	328	529	577
Actual Days Cash Available - Moody's[3]	102	231	312	487	535
Actual Days Cash Available - S&P[4]	102	231	312	487	535
Actual working capital-cash balance	633,433	653,399	2,215,753	2,327,177	2,501,298
Over (Under) Ehlers target	(534,344)	(478,678)	862,798	1,051,911	1,012,899
Over (Under) PSC target (90 days)	17	154	238	439	487
Over (Under) Moody's target (150 days)	(48)	81	162	337	385
Over (Under) Ehlers target (150 days)	(48)	81	162	337	385

Notes:

1) Target capital equals 6 mos of current year's operating expenses, including depreciation, plus 100% of following year's 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) Moody's Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation
4) S&P Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation; include designated reserve funds: ERFs, RSFs, etc

Rate of Return					
Total Utility Plant in service BOY	14,600,959	15,364,438	15,748,033	16,671,701	17,293,104
Total Utility Plant in service EOY	15,364,438	15,748,033	16,671,701	17,293,104	20,551,174
Average Total Plant in Service	14,982,699	15,556,236	16,209,867	16,982,403	18,922,139
Contributed Plant in Service BOY	7,378,544	7,589,175	7,962,587	7,962,587	7,962,587
Contributed Plant in Service EOY	7,589,175	7,962,587	7,962,587	7,962,587	7,962,587
Avg Contributed Plant in Service	7,483,860	7,775,881	7,962,587	7,962,587	7,962,587
Average Utility Plant in Service	14,982,699	15,556,236	16,209,867	16,982,403	18,922,139
Plus: Materials and Supplies	38,106	40,302	39,401	39,270	39,270
Less: Utility Plant Accumulated Depreciation	4,893,449	5,136,863	5,322,413	5,657,757	6,058,990
Less: Regulatory Liability	222,486	188,258	154,030	205,373	256,717
Average Net Investment Rate Base (NIRB)	9,904,870	10,271,417	10,772,825	11,158,542	12,645,702
Net Operating Income	320,157	401,240	500,651	476,759	432,847
ROR	3.23%	3.91%	4.65%	4.27%	3.42%
Benchmark	4.90%	4.90%	4.90%	4.90%	4.90%

Cost Recovery					
Operating Revenues	2,071,229	2,121,101	2,316,517	2,332,630	2,381,464
Operating Expenses incl. Depr & Amortization	1,494,371	1,429,523	1,550,960	1,418,605	1,505,284
Operating Expenses w/o Depr & Amortization	1,049,770	969,181	1,066,072	1,083,261	1,104,050
Cost Recovery incl. Depr	1.39	1.48	1.49	1.64	1.58
Cost Recovery w/o Depr	1.42	1.47	1.45	1.31	1.36
Target	1.00	1.00	1.00	1.00	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.

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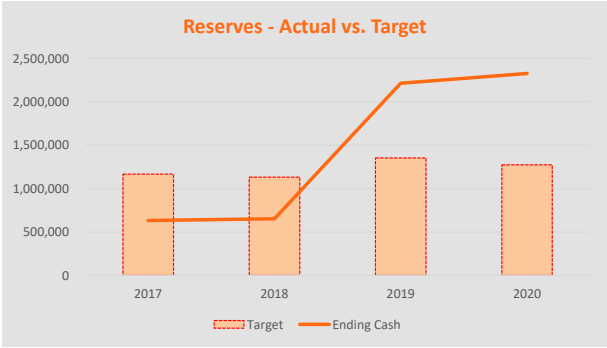
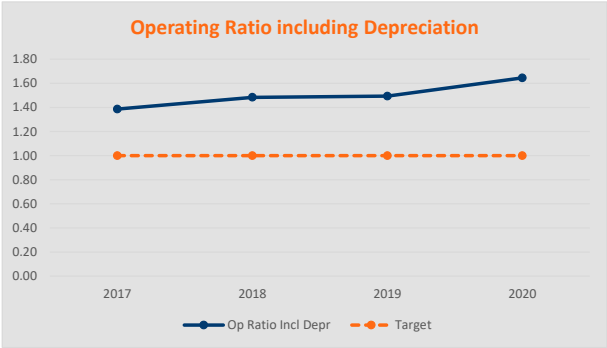
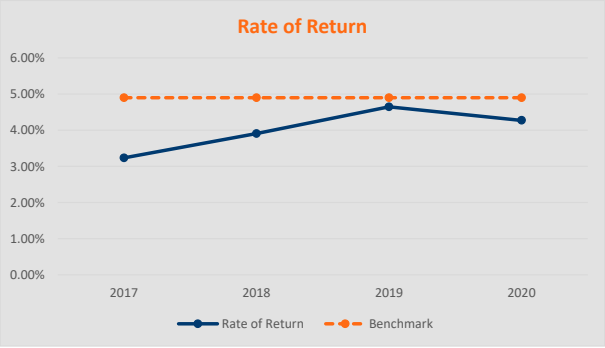
Table 3
Water Utility Financial Health Charts
City of Stoughton, WI

Can you pay for 6 mos. Of O&M and next year's debt?

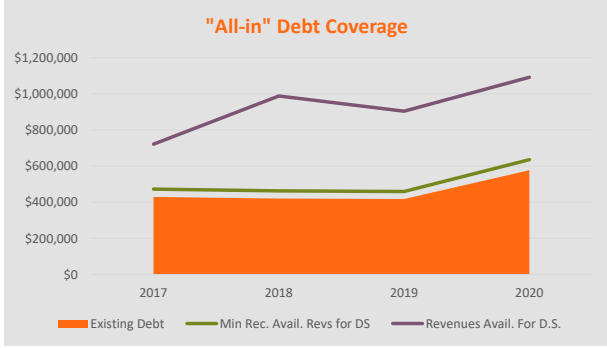


Did you generate enough revenues to pay for O&M and capital?





Do you generate revenues to pay for O&M and debt service?



Did you generate revenues needed to pay for O&M?

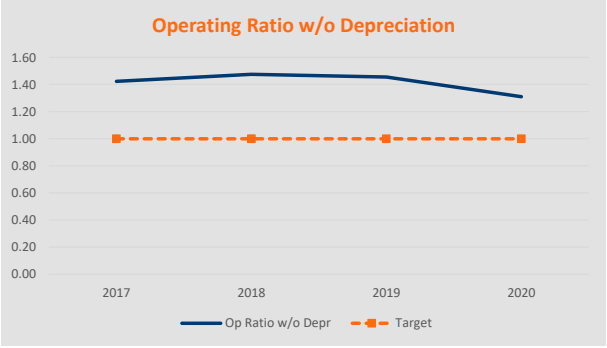


Table 4
Water Utility Capital Improvement Plan

City of Stoughton, WI

Projects	Funding	2021	2022	2023	2024	2025	2026	Totals
Lead Service Lateral Replacement (Public side)	Revenue Debt	3,125,000						*3,125,000*
Routine Capital Replacement	Cash	133,070	56,700	761,928	687,700	605,280	521,500	*2,766,178*
								0
								0
Actual CIP Costs		**3,258,070**	**56,700**	**761,928**	**687,700**	**605,280**	**521,500**	**5,891,178**

Sources of Funding								
G.O. Debt		0	0	0	0	0	0	*0*
Revenue Debt		3,125,000	0	0	0	0	0	*3,125,000*
Grants/Aids		0	0	0	0	0	0	*0*
Special Assessment		0	0	0	0	0	0	*0*
User Fees		0	0	0	0	0	0	*0*
Tax Levy		0	0	0	0	0	0	*0*
Equipment Replacement Fund		0	0	0	0	0	0	*0*
Cash		133,070	56,700	761,928	687,700	605,280	521,500	*2,766,178*
Total		**3,258,070**	**56,700**	**761,928**	**687,700**	**605,280**	**521,500**	**5,891,178**

Notes:

1. Source: City of Stoughton Finance Department, March, 2021.

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Table 5
Capital Improvements Financing Plan

City of Stoughton, WI

	2022
	SDWF Loan
	2022 Water Projects
CIP Projects[1]	**3,125,000**
Less Other Available Revenues	
Cash Available	-
ERF Funds	-
Net Borrowing Requirement	**3,125,000**
Debt Service Reserve	
Debt Service Reserve Funds On Hand	-
New Debt Service Reserve Requirement	-
Subtotal Reserve Fund Requirement	0
Estimated Issuance Expenses	**0**
TOTAL TO BE FINANCED	**3,125,000**
Rounding	-
NET BOND SIZE	**3,125,000**

Notes:

Table 6
Water Utility Projected Debt Service Payments (PROPOSED)

City of Stoughton, WI

NAME	Safe Drinking Water Fund Loan Series 2022			PROPOSED Water Utility Debt Service Summary				
AMT	$3,125,000							
DATED	2/9/2022							
MATURE	5/1/41							
RATE	1.685%							
Year	Principal	Interest	Total	Total Prin	Total Int	Total P&I	Prin Outstanding	Year
2021				0	0	0	3,125,000	2021
2022	132,698	52,656	185,355	132,698	52,656	185,355	2,992,302	2022
2023	134,934	50,420	185,355	134,934	50,420	185,355	2,857,367	2023
2024	137,208	48,147	185,355	137,208	48,147	185,355	2,720,159	2024
2025	139,520	45,835	185,355	139,520	45,835	185,355	2,580,640	2025
2026	141,871	43,484	185,355	141,871	43,484	185,355	2,438,769	2026
2027	144,261	41,093	185,355	144,261	41,093	185,355	2,294,507	2027
2028	146,692	38,662	185,355	146,692	38,662	185,355	2,147,815	2028
2029	149,164	36,191	185,355	149,164	36,191	185,355	1,998,651	2029
2030	151,677	33,677	185,355	151,677	33,677	185,355	1,846,974	2030
2031	154,233	31,122	185,355	154,233	31,122	185,355	1,692,741	2031
2032	156,832	28,523	185,355	156,832	28,523	185,355	1,535,909	2032
2033	159,475	25,880	185,355	159,475	25,880	185,355	1,376,435	2033
2034	162,162	23,193	185,355	162,162	23,193	185,355	1,214,273	2034
2035	164,894	20,460	185,355	164,894	20,460	185,355	1,049,379	2035
2036	167,673	17,682	185,355	167,673	17,682	185,355	881,706	2036
2037	170,498	14,857	185,355	170,498	14,857	185,355	711,208	2037
2038	173,371	11,984	185,355	173,371	11,984	185,355	537,838	2038
2039	176,292	9,063	185,355	176,292	9,063	185,355	361,546	2039
2040	179,263	6,092	185,355	179,263	6,092	185,355	182,283	2040
2041	182,283	3,071	185,355	182,283	3,071	185,355	0	2041
TOTALS	3,125,000	582,092	3,707,092	3,125,000	582,092	3,707,092		TOTALS

Notes:

1) Rate assumes exisitng 20-year SDWF Loan rate of 1.485% plus 20-basis points for market movement.

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Table 7
Water Utility Cash Flow Analysis - Projected 2021-2026
City of Stoughton, WI

	Budget	Projected				
	2021	2022	2023	2024	2025	2026
Revenues						
Total Revenues from User Rates	$2,336,464	$2,645,280	$2,645,280	$2,810,043	$2,810,043	$2,810,043
Percent Increase to User Rates	**2.46%**	**13.22%**	**0.00%**	**6.23%**	**0.00%**	**0.00%**
Cumulative Percent Rate Increase	**2.46%**	**16.00%**	**16.00%**	**23.23%**	**23.23%**	**23.23%**
Dollar Amount Increase to Revenues	**$56,097**	**$308,816**	**$0**	**$164,763**	**$0**	**$0**
Other Revenues						
Interest Income	$1,921	$1,777	$1,840	$1,641	$1,645	$1,738
Special Assessments	$37,153	$35,992	$34,831	$33,670	$32,509	$31,348
Other Income	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000
Total Other Revenues	$84,074	$82,769	$81,671	$80,311	$79,154	$78,086
Total Revenues	**$2,420,538**	**$2,728,049**	**$2,726,951**	**$2,890,355**	**$2,889,198**	**$2,888,130**
Expenses						
Operating and Maintenance	$1,104,050	$1,090,312	$1,198,715	$1,161,730	$1,235,455	$1,189,857
PILOT Payment	$443,333	$497,043	$496,221	$507,196	$516,672	$524,157
Net Before Debt Service and Capital Expenditures	$873,155	$1,140,695	$1,032,015	$1,221,429	$1,137,070	$1,174,116
Debt Service						
Existing Debt P&I[1]	$565,964	$550,403	$566,299	$383,042	$383,409	$328,462
New (2021-2030) Debt Service P&I	$0	$185,355	$185,355	$185,355	$185,355	$185,355
Total Debt Service	$565,964	$735,757	$751,653	$568,397	$568,764	$513,817
Transfer In (Out)	$0	$0	$0	$0	$0	$0
Capital Improvements	$3,258,070	$56,700	$761,928	$687,700	$605,280	$521,500
Bond & Grant Proceeds	$3,125,000	$0	$0	$0	$0	$0
Net Annual Cash Flow	**$174,121**	**$348,237**	**($481,567)**	**($34,668)**	**($36,974)**	**$138,799**
Restricted and Unrestricted Cash Balance:						
Balance at first of year	$2,327,177	$2,501,298	$2,849,535	$2,367,969	$2,333,301	$2,296,327
Net Annual Cash Flow Addition/(subtraction)	$174,121	$348,237	-$481,567	-$34,668	-$36,974	$138,799
Balance at end of year	$2,501,298	$2,849,535	$2,367,969	$2,333,301	$2,296,327	$2,435,126

Notes:

Legend:
- Simplified Rate Case (if eligible)
- Conventional (Full) Rate Case

Table 8
Water Utility Financial Benchmarking Analysis Projected 2021 - 2026
City of Stoughton, WI

	Budget	Projected				
	2021	2022	2023	2024	2025	2026
Target minimum cash balance						
Target minimum working capital - Ehlers[1]	1,488,399	1,514,490	1,389,575	1,378,901	1,367,321	1,209,561
Actual Days Cash Available - PSC[2]	577	742	498	498	450	509
Actual Days Cash Available - Moody's[3]	535	658	452	456	418	476
Actual Days Cash Available - S&P[4]	535	658	452	456	418	476
Actual working capital-cash balance	2,501,298	2,849,535	2,367,969	2,333,301	2,296,327	2,435,126
Over (Under) Ehlers target	1,012,899	1,335,045	978,394	954,399	929,006	1,225,565
Over (Under) PSC target (90 days)	487	652	408	408	360	419
Over (Under) Moody's target (150 days)	385	508	302	306	268	326
Over (Under) Ehlers target (150 days)	385	508	302	306	268	326

Notes:
1) Target capital equals 6 mos of following year's operating expenses, including depreciation, plus 100% of following year's 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) Moody's Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation
4) S&P Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation; include designated reserve funds: ERFs, RSFs, etc

Rate of Return						
Average Utility Plant in Service	18,922,139	20,579,524	20,988,838	21,713,652	22,360,142	22,923,532
Plus: Materials and Supplies	29,452	29,452	29,452	29,452	29,452	29,452
Less: Utility Plant Accumulated Depreciation	6,058,990	6,494,351	6,937,992	7,396,537	7,868,091	8,350,935
Less: Regulatory Liability	256,717	308,060	359,403	410,747	462,090	513,433
Average Net Investment Rate Base (NIRB)	12,635,884	13,806,565	13,720,895	13,935,820	14,059,413	14,088,616
Net Operating Income	432,847	667,564	551,703	727,573	631,362	658,186
ROR	3.43%	4.84%	4.02%	5.22%	4.49%	4.67%
Benchmark						
Cost Recovery						
Operating Revenues	2,381,464	2,690,280	2,690,280	2,855,043	2,855,043	2,855,043
Operating Expenses incl. Depr & Amortization	1,505,284	1,525,673	1,642,356	1,620,275	1,707,009	1,672,701
Operating Expenses w/o Depr & Amortization	1,104,050	1,090,312	1,198,715	1,161,730	1,235,455	1,189,857
Cost Recovery incl. Depr	1.58	1.76	1.64	1.76	1.67	1.71
Cost Recovery w/o Depr	1.36	1.40	1.37	1.39	1.38	1.41
Target	1.00	1.00	1.00	1.00	1.00	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.

Table 9
Water Utility Statement of Projected Revenue Bond Coverage

City of Stoughton, WI

		Less:		Existing Rev Debt	Future Rev Debt		
Year	Total Operating Revenues	Total O&M Expense	Amount Available for Debt Service	Total	Total	Total Water Debt Service	Coverage
2021	2,383,385	(1,104,050)	1,279,334	509,864	-	509,864	2.51
2022	2,692,057	(1,090,312)	1,601,745	492,353	185,355	677,707	2.36
2023	2,692,120	(1,198,715)	1,493,404	509,329	185,355	694,683	2.15
2024	2,856,685	(1,161,730)	1,694,954	327,186	185,355	512,541	3.31
2025	2,856,689	(1,235,455)	1,621,233	325,768	185,355	511,123	3.17
2026	2,856,782	(1,189,857)	1,666,924	328,462	185,355	513,817	3.24

Notes:

1) Revenue Coverage determined from 2022 SDWFL Loan

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Water Utility Cash Flow Analysis – Scenario 2: Debt & Cash Funding Lead Service Lateral Project (Public Portion)

For

The City of Stoughton

March, 2021

Prepared by:

Jon Cameron
Senior Municipal Advisor

Table 1
Water Utility Cash Flow Analysis - Historical 2017-2020

City of Stoughton, WI

	Actual			Estimated
	2017	2018	2019	2020
Revenues				
Total Revenues from User Rates	$2,029,711	$2,073,990	$2,272,390	$2,280,367
Percent Increase to User Rates				
Cumulative Percent Rate Increase				
Dollar Amount Increase to Revenues				
Other Revenues				
Interest Income	$22,208	$18,984	$38,171	$250,370
Other Income	$106,652	$283,868	$82,441	$81,289
Total Other Revenues	$128,860	$302,852	$120,612	$331,659
Total Revenues	**$2,158,571**	**$2,376,842**	**$2,393,002**	**$2,612,026**
Expenses				
Operating and Maintenance	$1,049,770	$969,181	$1,066,072	$1,083,261
PILOT Payment	$387,855	$420,305	$423,351	$437,266
Net Before Debt Service and Capital Expenditures	$720,946	$987,356	$903,579	$1,091,499
Debt Service				
Existing Debt P&I[1]	$429,533	$420,591	$417,315	$577,475
New (2021-2030) Debt Service P&I				
Total Debt Service	$429,533	$420,591	$417,315	$577,475
Transfer In (Out)/Cap. Contrib.	$22,728	$8,978	-$7,683	$0
Capital Improvements	$833,246	$516,872	$844,708	$621,403
Bond Proceeds/Grants	$0	$0	$1,825,000	$0
Reconcile to Audit	$71,010	-$44,291	$109,060	
Net Annual Cash Flow	**($448,095)**	**$14,580**	**$1,567,933**	**($107,379)**
Restricted and Unrestricted Cash Balance:				
Balance at first of year				
Net Annual Cash Flow Addition/(subtraction)				
Balance at end of year	$633,433	$653,399	$2,215,753	$2,327,177

Notes:

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Table 2
Water Utility Financial Benchmarking Analysis

City of Stoughton, WI

	Actual			Estimated	Budget
	2017	2018	2019	2020	2021
Target minimum cash balance					
Target minimum working capital - Ehlers[1]	1,167,777	1,132,077	1,352,955	1,275,266	1,429,086
Actual Days Cash Available - PSC[2]	107	244	328	529	220
Actual Days Cash Available - Moody's[3]	102	231	312	487	205
Actual Days Cash Available - S&P[4]	102	231	312	487	205
Actual working capital-cash balance	633,433	653,399	2,215,753	2,327,177	1,501,298
Over (Under) Ehlers target	(534,344)	(478,678)	862,798	1,051,911	72,212
Over (Under) PSC target (90 days)	17	154	238	439	130
Over (Under) Moody's target (150 days)	(48)	81	162	337	55
Over (Under) Ehlers target (150 days)	(48)	81	162	337	55

Notes:

1) Target capital equals 6 mos of current year's operating expenses, including depreciation, plus 100% of following year's 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) Moody's Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation
4) S&P Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation; include designated reserve funds: ERFs, RSFs, etc

Rate of Return					
Total Utility Plant in service BOY	14,600,959	15,364,438	15,748,033	16,671,701	17,293,104
Total Utility Plant in service EOY	15,364,438	15,748,033	16,671,701	17,293,104	20,551,174
Average Total Plant in Service	14,982,699	15,556,236	16,209,867	16,982,403	18,922,139
Contributed Plant in Service BOY	7,378,544	7,589,175	7,962,587	7,962,587	7,962,587
Contributed Plant in Service EOY	7,589,175	7,962,587	7,962,587	7,962,587	7,962,587
Avg Contributed Plant in Service	7,483,860	7,775,881	7,962,587	7,962,587	7,962,587
Average Utility Plant in Service	14,982,699	15,556,236	16,209,867	16,982,403	18,922,139
Plus: Materials and Supplies	38,106	40,302	39,401	39,270	39,270
Less: Utility Plant Accumulated Depreciation	4,893,449	5,136,863	5,322,413	5,657,757	6,058,990
Less: Regulatory Liability	222,486	188,258	154,030	205,373	256,717
Average Net Investment Rate Base (NIRB)	9,904,870	10,271,417	10,772,825	11,158,542	12,645,702
Net Operating Income	320,157	401,240	500,651	476,759	432,847
ROR	3.23%	3.91%	4.65%	4.27%	3.42%
Benchmark	4.90%	4.90%	4.90%	4.90%	4.90%

Cost Recovery					
Operating Revenues	2,071,229	2,121,101	2,316,517	2,332,630	2,381,464
Operating Expenses incl. Depr & Amortization	1,494,371	1,429,523	1,550,960	1,418,605	1,505,284
Operating Expenses w/o Depr & Amortization	1,049,770	969,181	1,066,072	1,083,261	1,104,050
Cost Recovery incl. Depr	1.39	1.48	1.49	1.64	1.58
Cost Recovery w/o Depr	1.42	1.47	1.45	1.31	1.36
Target	1.00	1.00	1.00	1.00	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.

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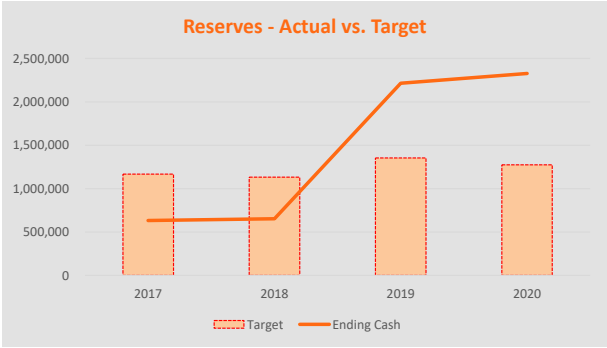
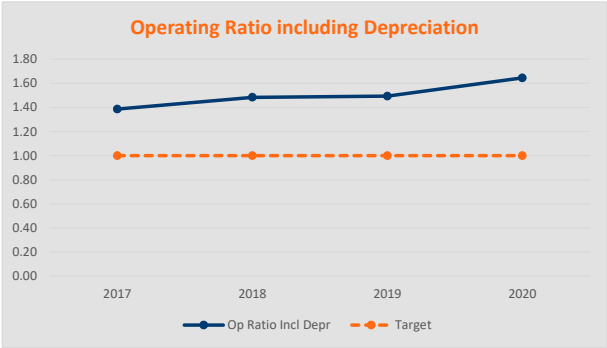
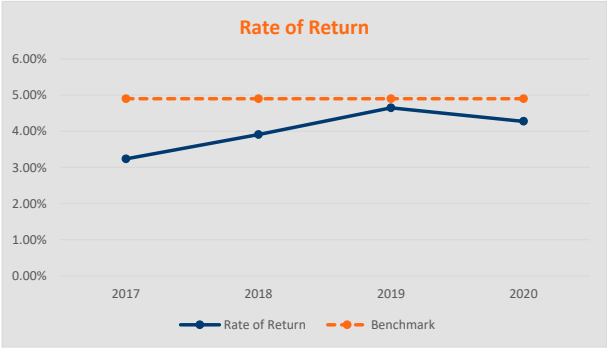
Table 3
Water Utility Financial Health Charts
City of Stoughton, WI

Can you pay for 6 mos. Of O&M and next year's debt?

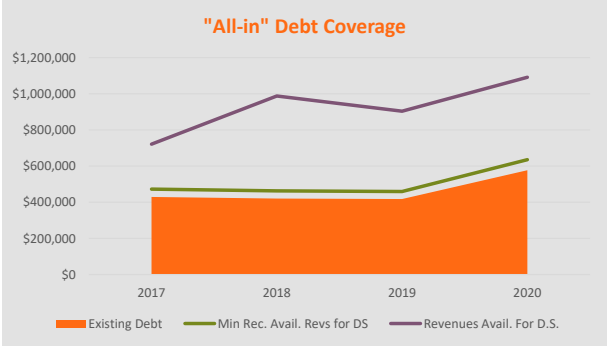


Did you generate enough revenues to pay for O&M and capital?





Do you generate revenues to pay for O&M and debt service?



Did you generate revenues needed to pay for O&M?

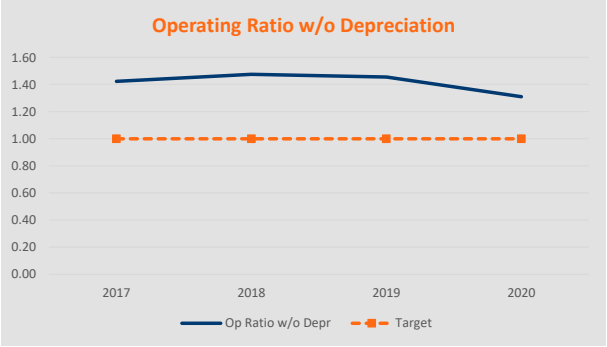


Table 4
Water Utility Capital Improvement Plan

City of Stoughton, WI

Projects	Funding	2021	2022	2023	2024	2025	2026	Totals
Lead Service Lateral Replacement (Public side)	Revenue Debt	2,125,000						*2,125,000*
Routine Capital Replacement	Cash	133,070	56,700	761,928	687,700	605,280	521,500	*2,766,178*
Lead Service Lateral Replacement (Public side)	Cash	1,000,000						*1,000,000*
								0
Actual CIP Costs		**3,258,070**	**56,700**	**761,928**	**687,700**	**605,280**	**521,500**	**5,891,178**

Sources of Funding								
G.O. Debt		0	0	0	0	0	0	*0*
Revenue Debt		2,125,000	0	0	0	0	0	*2,125,000*
Grants/Aids		0	0	0	0	0	0	*0*
Special Assessment		0	0	0	0	0	0	*0*
User Fees		0	0	0	0	0	0	*0*
Tax Levy		0	0	0	0	0	0	*0*
Equipment Replacement Fund		0	0	0	0	0	0	*0*
Cash		1,133,070	56,700	761,928	687,700	605,280	521,500	*3,766,178*
Total		**3,258,070**	**56,700**	**761,928**	**687,700**	**605,280**	**521,500**	**5,891,178**

Notes:

1. Source: City of Stoughton Finance Department, March, 2021.

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Table 5
Capital Improvements Financing Plan

City of Stoughton, WI

	2022
	SDWF Loan
	2022 Water Projects
CIP Projects[1]	**2,125,000**
Less Other Available Revenues	
Cash Available	-
ERF Funds	-
Net Borrowing Requirement	**2,125,000**
Debt Service Reserve	
Debt Service Reserve Funds On Hand	-
New Debt Service Reserve Requirement	-
Subtotal Reserve Fund Requirement	0
Estimated Issuance Expenses	**0**
TOTAL TO BE FINANCED	**2,125,000**
Rounding	-
NET BOND SIZE	**2,125,000**

Notes:

Table 6
Water Utility Projected Debt Service Payments (PROPOSED)

City of Stoughton, WI

NAME	Safe Drinking Water Fund Loan Series 2022			PROPOSED Water Utility Debt Service Summary				
AMT	$2,125,000							
DATED	2/9/2022							
MATURE	5/1/41							
RATE	1.685%							
Year	**Principal**	**Interest**	**Total**	**Total Prin**	**Total Int**	**Total P&I**	**Prin Outstanding**	**Year**
2021				0	0	0	2,125,000	**2021**
2022	90,235	35,806	126,041	90,235	35,806	126,041	2,034,765	**2022**
2023	91,755	34,286	126,041	91,755	34,286	126,041	1,943,010	**2023**
2024	93,301	32,740	126,041	93,301	32,740	126,041	1,849,708	**2024**
2025	94,874	31,168	126,041	94,874	31,168	126,041	1,754,835	**2025**
2026	96,472	29,569	126,041	96,472	29,569	126,041	1,658,363	**2026**
2027	98,098	27,943	126,041	98,098	27,943	126,041	1,560,265	**2027**
2028	99,751	26,290	126,041	99,751	26,290	126,041	1,460,514	**2028**
2029	101,431	24,610	126,041	101,431	24,610	126,041	1,359,083	**2029**
2030	103,141	22,901	126,041	103,141	22,901	126,041	1,255,942	**2030**
2031	104,878	21,163	126,041	104,878	21,163	126,041	1,151,064	**2031**
2032	106,646	19,395	126,041	106,646	19,395	126,041	1,044,418	**2032**
2033	108,443	17,598	126,041	108,443	17,598	126,041	935,975	**2033**
2034	110,270	15,771	126,041	110,270	15,771	126,041	825,706	**2034**
2035	112,128	13,913	126,041	112,128	13,913	126,041	713,578	**2035**
2036	114,017	12,024	126,041	114,017	12,024	126,041	599,560	**2036**
2037	115,939	10,103	126,041	115,939	10,103	126,041	483,622	**2037**
2038	117,892	8,149	126,041	117,892	8,149	126,041	365,730	**2038**
2039	119,879	6,163	126,041	119,879	6,163	126,041	245,851	**2039**
2040	121,899	4,143	126,041	121,899	4,143	126,041	123,953	**2040**
2041	123,953	2,089	126,041	123,953	2,089	126,041	0	**2041**
TOTALS	**2,125,000**	**395,822**	**2,520,822**	**2,125,000**	**395,822**	**2,520,822**		**TOTALS**

Notes:

1) Rate assumes exisitng 20-year SDWF Loan rate of 1.485% plus 20-basis points for market movement.

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Table 7
Water Utility Cash Flow Analysis - Projected 2021-2026

City of Stoughton, WI

	Budget	Projected				
	2021	2022	2023	2024	2025	2026
Revenues						
Total Revenues from User Rates	$2,336,464	$2,654,223	$2,654,223	$2,767,771	$2,767,771	$2,767,771
Percent Increase to User Rates	**2.46%**	**13.60%**	**0.00%**	**4.28%**	**0.00%**	**0.00%**
Cumulative Percent Rate Increase	**2.46%**	**16.39%**	**16.39%**	**21.37%**	**21.37%**	**21.37%**
Dollar Amount Increase to Revenues	**$56,097**	**$317,759**	**$0**	**$113,548**	**$0**	**$0**
Other Revenues						
Interest Income	$1,921	$1,777	$1,840	$1,641	$1,645	$1,738
Special Assessments	$37,153	$35,992	$34,831	$33,670	$32,509	$31,348
Other Income	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000
Total Other Revenues	$84,074	$82,769	$81,671	$80,311	$79,154	$78,086
Total Revenues	**$2,420,538**	**$2,736,993**	**$2,735,894**	**$2,848,082**	**$2,846,925**	**$2,845,857**
Expenses						
Operating and Maintenance	$1,104,050	$1,090,312	$1,198,715	$1,161,730	$1,235,455	$1,189,857
PILOT Payment	$443,333	$497,043	$496,221	$507,196	$516,672	$524,157
Net Before Debt Service and Capital Expenditures	$873,155	$1,149,638	$1,040,958	$1,179,156	$1,094,798	$1,131,843
Debt Service						
Existing Debt P&I[1]	$565,964	$550,403	$566,299	$383,042	$383,409	$328,462
New (2021-2030) Debt Service P&I	$0	$126,041	$126,041	$126,041	$126,041	$126,041
Total Debt Service	$565,964	$676,444	$692,340	$509,083	$509,450	$454,503
Transfer In (Out)	$0	$0	$0	$0	$0	$0
Capital Improvements	$3,258,070	$56,700	$761,928	$687,700	$605,280	$521,500
Bond & Grant Proceeds	$2,125,000	$0	$0	$0	$0	$0
Net Annual Cash Flow	**($825,879)**	**$416,494**	**($413,310)**	**($17,627)**	**($19,933)**	**$155,840**
Restricted and Unrestricted Cash Balance:						
Balance at first of year	$2,327,177	$1,501,298	$1,917,792	$1,504,482	$1,486,855	$1,466,922
Net Annual Cash Flow Addition/(subtraction)	-$825,879	$416,494	-$413,310	-$17,627	-$19,933	$155,840
Balance at end of year	$1,501,298	$1,917,792	$1,504,482	$1,486,855	$1,466,922	$1,622,762

Notes:

Legend:

Simplified Rate Case (if eligible)

Conventional (Full) Rate Case

Table 8
Water Utility Financial Benchmarking Analysis Projected 2021 - 2026
City of Stoughton, WI

	Budget	Projected				
	2021	2022	2023	2024	2025	2026
Target minimum cash balance						
Target minimum working capital - Ehlers[1]	1,429,086	1,455,177	1,330,262	1,319,588	1,308,008	1,150,247
Actual Days Cash Available - PSC[2]	220	384	206	205	184	240
Actual Days Cash Available - Moody's[3]	205	347	189	190	173	227
Actual Days Cash Available - S&P[4]	205	347	189	190	173	227
Actual working capital-cash balance	1,501,298	1,917,792	1,504,482	1,486,855	1,466,922	1,622,762
Over (Under) Ehlers target	72,212	462,616	174,221	167,267	158,914	472,515
Over (Under) PSC target (90 days)	130	294	116	115	94	150
Over (Under) Moody's target (150 days)	55	197	39	40	23	77
Over (Under) Ehlers target (150 days)	55	197	39	40	23	77

Notes:
1) Target capital equals 6 mos of following year's operating expenses, including depreciation, plus 100% of following year's 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) Moody's Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation
4) S&P Formula = [(Unrestricted Cash + Liquid Investments) * 365 days] ÷ Total O&M Expenses less Depreciation; include designated reserve funds: ERFs, RSFs, etc

Rate of Return						
Average Utility Plant in Service	18,922,139	20,579,524	20,988,838	21,713,652	22,360,142	22,923,532
Plus: Materials and Supplies	29,452	29,452	29,452	29,452	29,452	29,452
Less: Utility Plant Accumulated Depreciation	6,058,990	6,494,351	6,937,992	7,396,537	7,868,091	8,350,935
Less: Regulatory Liability	256,717	308,060	359,403	410,747	462,090	513,433
Average Net Investment Rate Base (NIRB)	12,635,884	13,806,565	13,720,895	13,935,820	14,059,413	14,088,616
Net Operating Income	432,847	676,507	560,646	685,300	589,090	615,913
ROR	3.43%	4.90%	4.09%	4.92%	4.19%	4.37%
Benchmark						
Cost Recovery						
Operating Revenues	2,381,464	2,699,223	2,699,223	2,812,771	2,812,771	2,812,771
Operating Expenses incl. Depr & Amortization	1,505,284	1,525,673	1,642,356	1,620,275	1,707,009	1,672,701
Operating Expenses w/o Depr & Amortization	1,104,050	1,090,312	1,198,715	1,161,730	1,235,455	1,189,857
Cost Recovery incl. Depr	1.58	1.77	1.64	1.74	1.65	1.68
Cost Recovery w/o Depr	1.36	1.40	1.37	1.39	1.38	1.41
Target	1.00	1.00	1.00	1.00	1.00	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.

Table 9
Water Utility Statement of Projected Revenue Bond Coverage

City of Stoughton, WI

		Less:		Existing Rev Debt	Future Rev Debt		
Year	Total Operating Revenues	Total O&M Expense	Amount Available for Debt Service	Total	Total	Total Water Debt Service	Coverage
2021	2,383,385	(1,104,050)	1,279,334	509,864	-	509,864	2.51
2022	2,701,001	(1,090,312)	1,610,688	492,353	126,041	618,394	2.60
2023	2,701,063	(1,198,715)	1,502,348	509,329	126,041	635,370	2.36
2024	2,814,412	(1,161,730)	1,652,682	327,186	126,041	453,227	3.65
2025	2,814,416	(1,235,455)	1,578,961	325,768	126,041	451,809	3.49
2026	2,814,509	(1,189,857)	1,624,652	328,462	126,041	454,503	3.57

Notes:

1) Revenue Coverage determined from 2022 SDWFL Loan

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