



Special Budget Meeting 3

ENTERPRISE FUNDS—
PRELIMINARY BUDGET
DISCUSSION

FEBRUARY 18, 2020

Budget process

February 18th

- Meeting 2 General Fund follow up
- Enterprise funds-guidance on rates any General Fund follow-up

February 25th

- Second meeting on funding for local education

February 26th 24th

- DRAFT ADMINISTRATOR'S BUDGET—General Fund

March 4th

- Presentation/finalization of Draft Administrator's Budget—General Fund

March 10th

- Draft Enterprise Fund budgets

March 18th

- Presentation/Finalization of Draft Administrator's Budget—enterprise fund budgets

April 1st

- Final budget meeting-including all special revenue funds

May 11th

- First reading of budget ordinances

General Fund updates and follow up information

2 capital projects added, but are funded out of the building maintenance fund (to be repaid slowly)

- HCH refinish cedar (\$150,000)
- City Hall-replace carpet (\$150,000)

Assistant Fire Chief (in preliminary draft budget)

- Continuity of command
- Salaried position-saves about \$15,000 to \$20,000 in overtime/standby
- Support Fire Marshal duties
- Training officer
- Span of control (13 to 6)
- Fire investigations
- Radio training/maintenance

Additional 911 Dispatcher (in preliminary draft budget)

- Centralized fire and police dispatch
 - Faster response for fire department emergencies
 - Fewer dropped calls/hand off errors
 - Safer for fire personnel
- Frequent turnover
 - Situations in which a dispatcher much handle more than one emergency call.
 - OT required, when understaffed/ training new staff
- 27,497 calls in 2020/2,805 were 911 calls/16,380 hours on calls
- Need identified in 5 different reports since 1988

		Current (FY21) rates				Proposed FY22 rates				Monthly Increase	Season Increase
Winter Rates (November-April)	Use	Rate	Fees	Sales tax	TOTAL	Rate	Fees	Sales tax	TOTAL		
Electric (home with family/heat pump)	2835	0.1224	367.48	18.37	385.85	0.1255	376.27	18.81	395.08	9.23	55.38
Water	Flat	50.44	50.44	2.52	52.96	52.46	52.46	2.62	55.08	2.12	12.72
Wastewater	Flat	64.19	64.19	3.21	67.40	65.79	65.79	3.29	69.08	1.68	10.08
Solid Waste (96 gallon bin)	Flat	62.21	62.21	3.11	65.32	65.01	65.01	3.25	68.26	2.94	17.64
Total Winter bill					\$ 571.53				\$ 587.50	15.97	95.82
Summer Rates (May-October)	Use	Rate	Fees	Sales tax	TOTAL	Rate	Fees	Sales tax	TOTAL		
Electric (home with family/heat pump)	1581	0.1958	330.04	19.80	349.84	0.2007	337.79	20.27	358.06	8.22	49.32
Water	Flat	50.44	50.44	3.03	53.47	52.46	52.46	3.15	55.61	2.14	12.84
Wastewater	Flat	64.19	64.19	3.85	68.04	65.79	65.79	3.95	69.74	1.70	10.2
Solid Waste (96 gallon bin)	Flat	62.21	62.21	3.73	65.94	65.01	65.01	3.90	68.91	2.97	17.82
					\$ 537.29				\$ 552.32	15.03	90.18
Total annual impact										\$ 186.00	

Enterprise Funds FY2022

SAMPLE FY2022 UTILITY
BILL—HOME WITH
FAMILY/HEAT PUMP

Process to reach proposed rates

Long-term fiscal models—Finance, Administrator, and staff who lead fund meet to review models on an annual basis. Allow staff to demonstrate impact of changes on long-term health of funds. As part of this analysis the following are considered:

- **Rates**—we look at what increases have been implemented recently and what the future projections show—the goal is to balance the needs of the fund while avoiding spiked rate increases. To accomplish this many different scenarios are worked in.
- **Debt to equity ratio**—for utilities 1.2-1.4 is average-this ratio tells how leveraged a company is
- **Debt service as % of cash flow from operations**—this ratio shows how able is a utility to pay its debt service. May be dictated by lender. Goal (requirement for funds with bonded debt) is 125% or higher, but at a minimum 100% (which would mean that we are break even when factoring in debt payments).
- **Levels of working capital**—dependent on how infrastructure improvements/repairs are funded. Some level must be maintained for liquidity/emergency. Determine how much

Challenges (need for fiscal policy)

- No guidance on ideal levels debt
- Challenging after decades of no adjustments
- Outdated/nonexistent infrastructure plans

Electric Fund

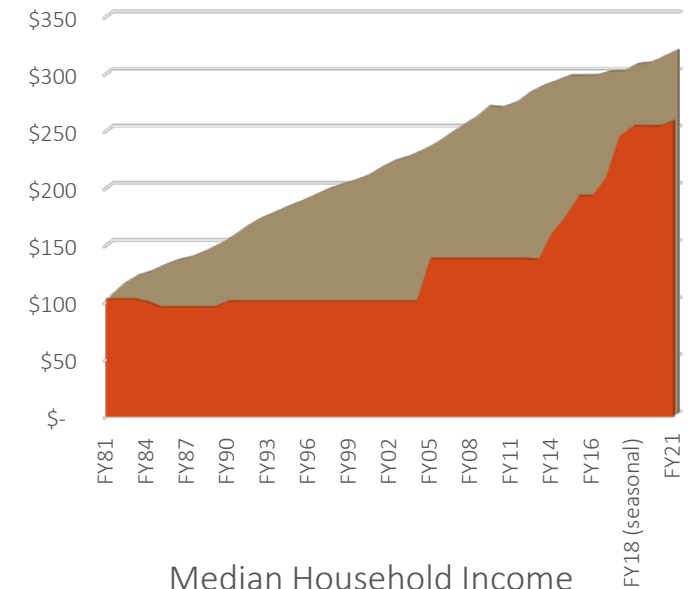


Context:

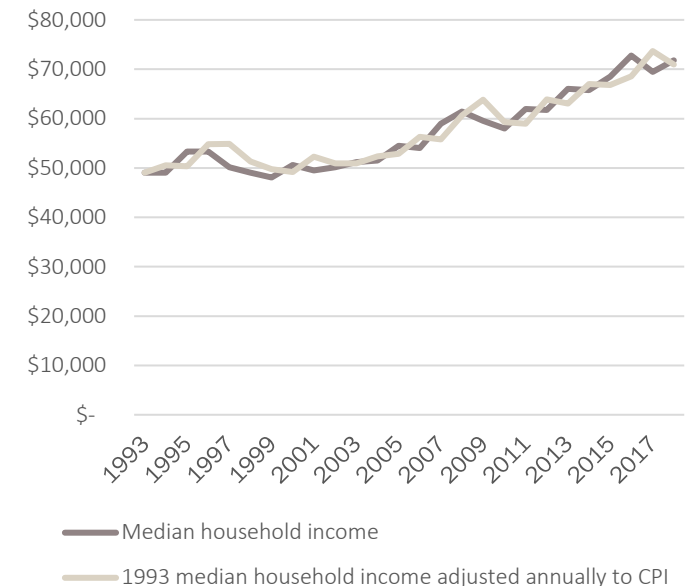
24 years with only one temporary increase in rates forced a series of increases-the worst seems to be past us, but depends on infrastructure repair needs

- Need to invest in determining what needs to be replaced when
- Balance avoiding spiked rate increase with need to maintain infrastructure
- Need to further analyze rate structure/nuances

Residential rates @ AVG 1500KwH usage



Median Household Income



Electric Fund fiscal model: Rates, cash flow, capital outlays, working capital, and debt



Electric Fund

Proposed FY22 rate increase

- Maintain around inflationary increase for now
- 2.5% increase for usage
- 0% increase for customer fee

Fiscal models

- Maintaining some increase important to not fall behind
- May need more funding/additional debt in the future
- Debt service lowered due to refunding (\$115M @ end of FY20 \$105M (assuming new USDA borrowing) @ end of FY21)

Primary challenges

- Concerns that the fund isn't generating enough working capital-need clear picture of what to replace when
- Staffing

Electric Fund—capital projects and proposed changes

Year-year changes:

Add Contract/Lease Manager position (@~\$36.75)

- Audit of leases conducted this year identified significant revenue (\$235K retro/\$107K going forward) not collected due to turnover
- Currently higher paid T&D/Generation manager attend as able.

Increase wage for line crew

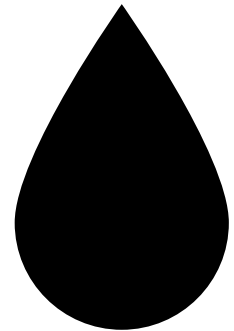
- Can't fill positions, which means contracting NECA temps (cost is ~\$131/hour)
- If we match IBEW hall rates (\$59.04) our full hourly would be ~\$92/hour (assuming family health plan)
- About \$70,000 to fund increase, assuming positions filled
- Ensure we can hire responsible trained linemen
- Keep pay in town

TBD	Master Plan/rate study	FY22	250,000
TBD	Asset management/GIS	FY22	35,000
TBD	Howell -- Bunger valve/gate	FY22	150,000
TBD	Facility security cameras	FY22	50,000
TBD	Mobile diesel generator	FY22	40,000
TBD	Green Lake Excitation upgrade	FY22	125,000
TBD	Green Lake Dam power cable replacement	FY22	100,000
TBD	Wind Metering Towers	FY22	30,000
TBD	Snowtel stations	FY22	40,000
TBD	Radio Repeater	FY22	25,000
80003	Feeder Improvements	FY22	500,000
90261	Island Improvements	FY22	200,000
90410	SCADA System Enhancements	FY22	60,000
90777	Meter Replacement Upgrading Meters	FY22	50,000
TBD	Green Lake Road rehabilitation	FY22 supplemental	
TBD	Penstock valves	FY22 supplemental	
		TOTAL NEW APPROPRIATIONS	1,655,000

Water fund

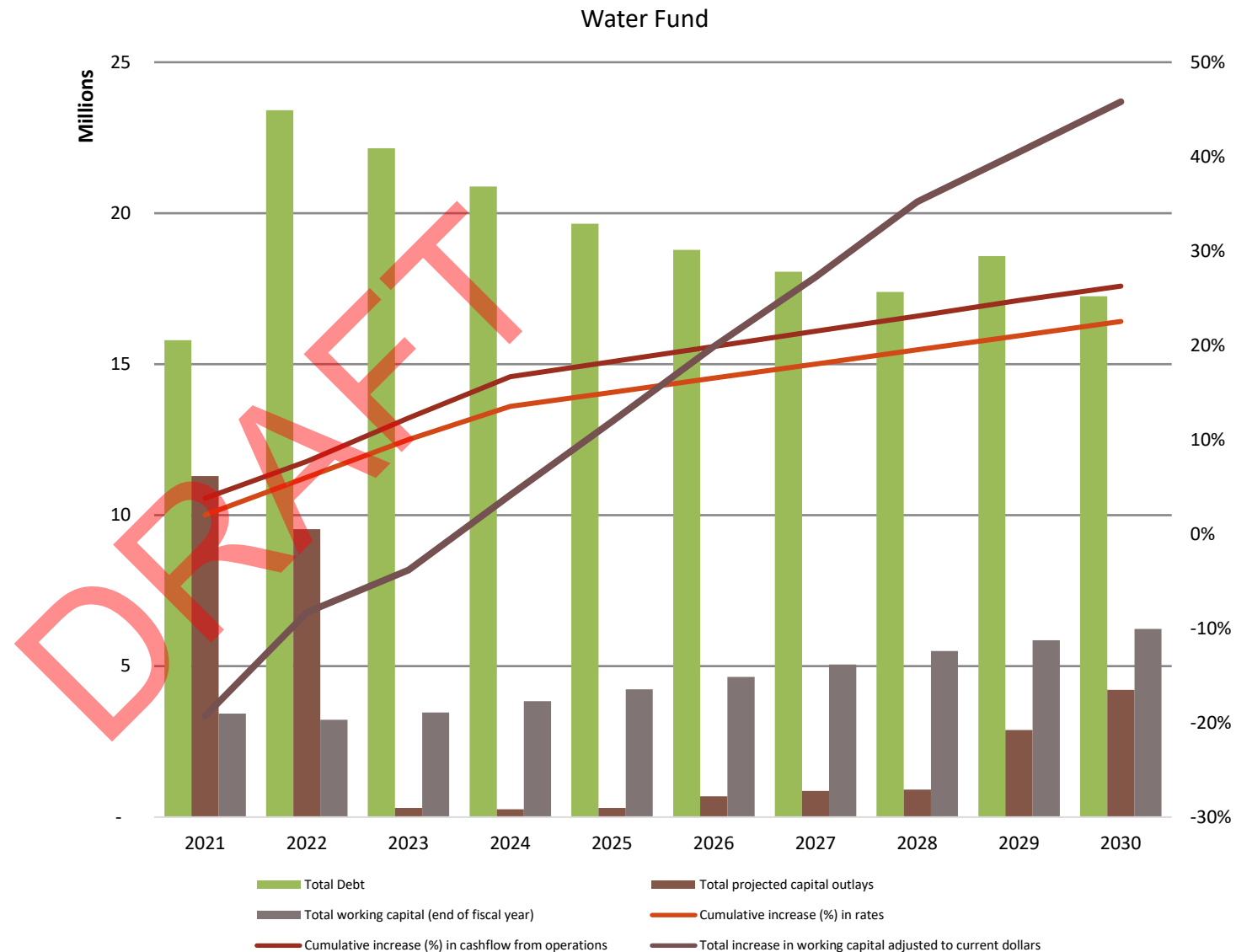
Context

- Lower rate increase last year than model called for (2% vs. 5%)
- Working capital is increasing in order to fund debt service for water filtration plant
- Critical secondary water project may come under budget
- Need to revise infrastructure plan (funds already appropriated)



Water Fund FY2022 budget

- 4% rate increase (anticipated through FY23)
- Capital projects
 - CMMS data/asset management project (\$20,000)



Wastewater Fund

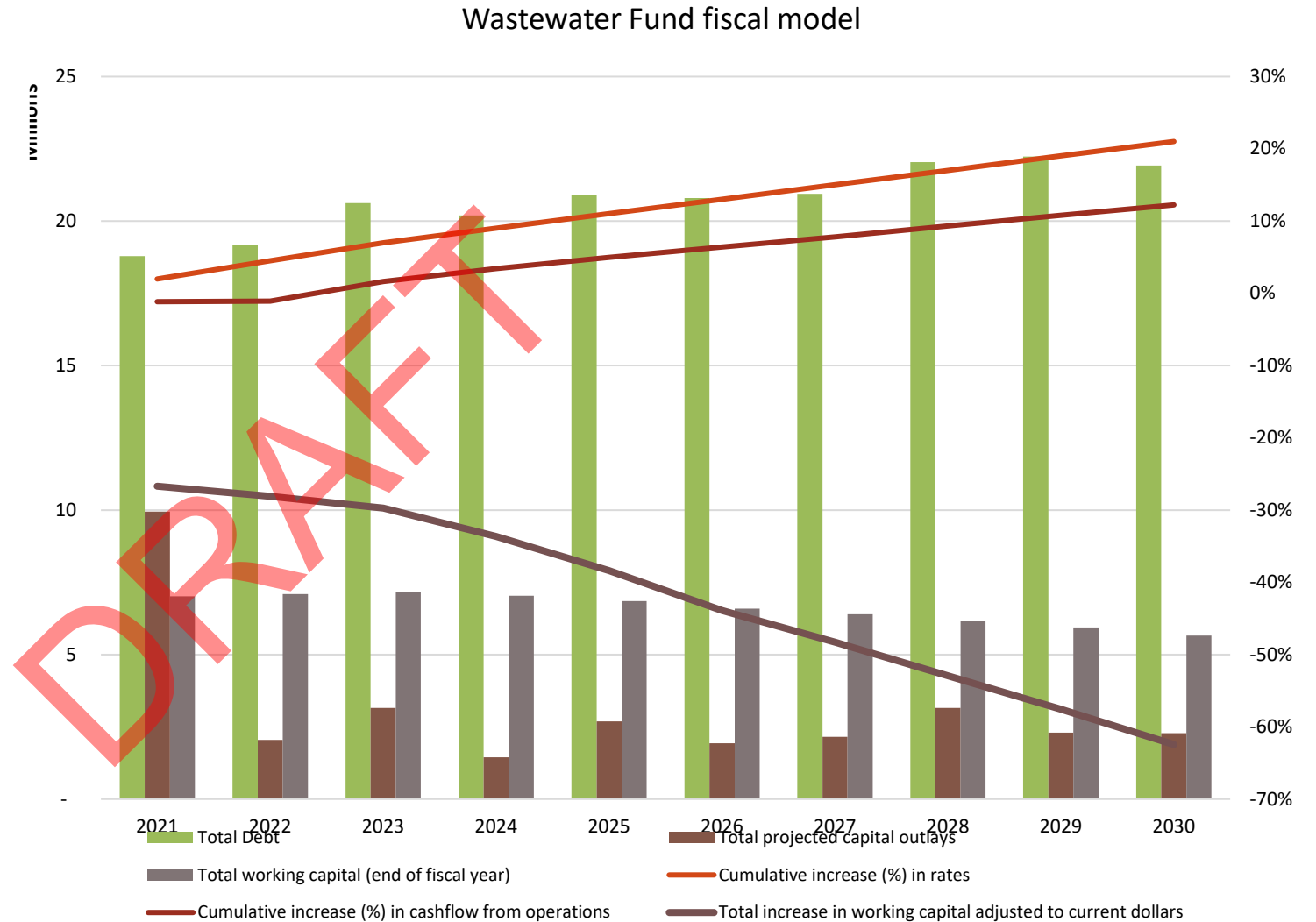
Context:

- Lower rate increase last year than model called for (2% vs. 5.5%)
- Working capital is increasing in order to fund debt service/ensure funds available for emergencies
- Need to revise infrastructure plan (funds already appropriated)



Wastewater Fund

- 2.5 % rate increase (2% FY23)
- Capital projects
 - CMMS data/asset management project (\$20,000)
 - Sludge thickener catwalk replacement (\$20,000)
 - Thomsen Harbor lift station rehabilitation (\$420,000)

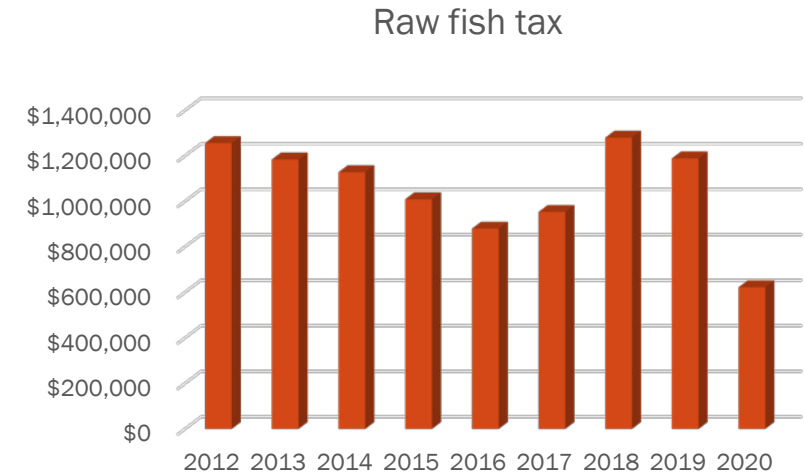


Harbor Fund

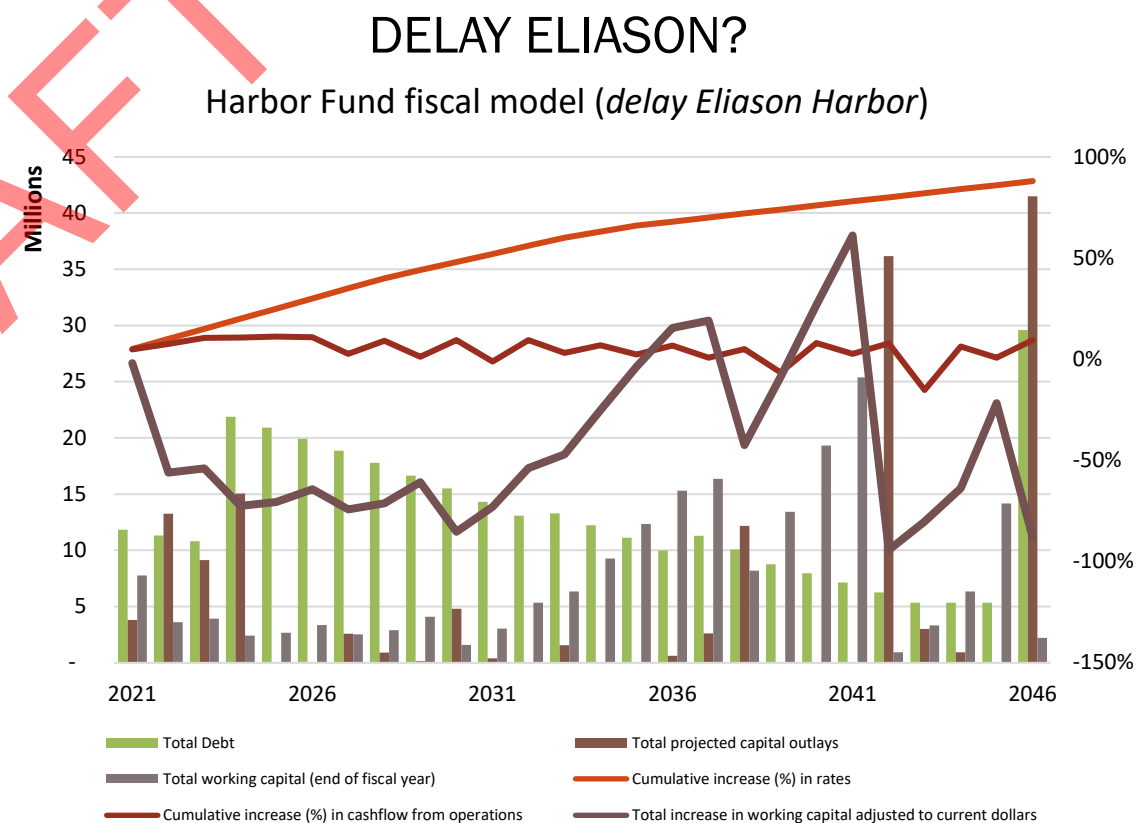
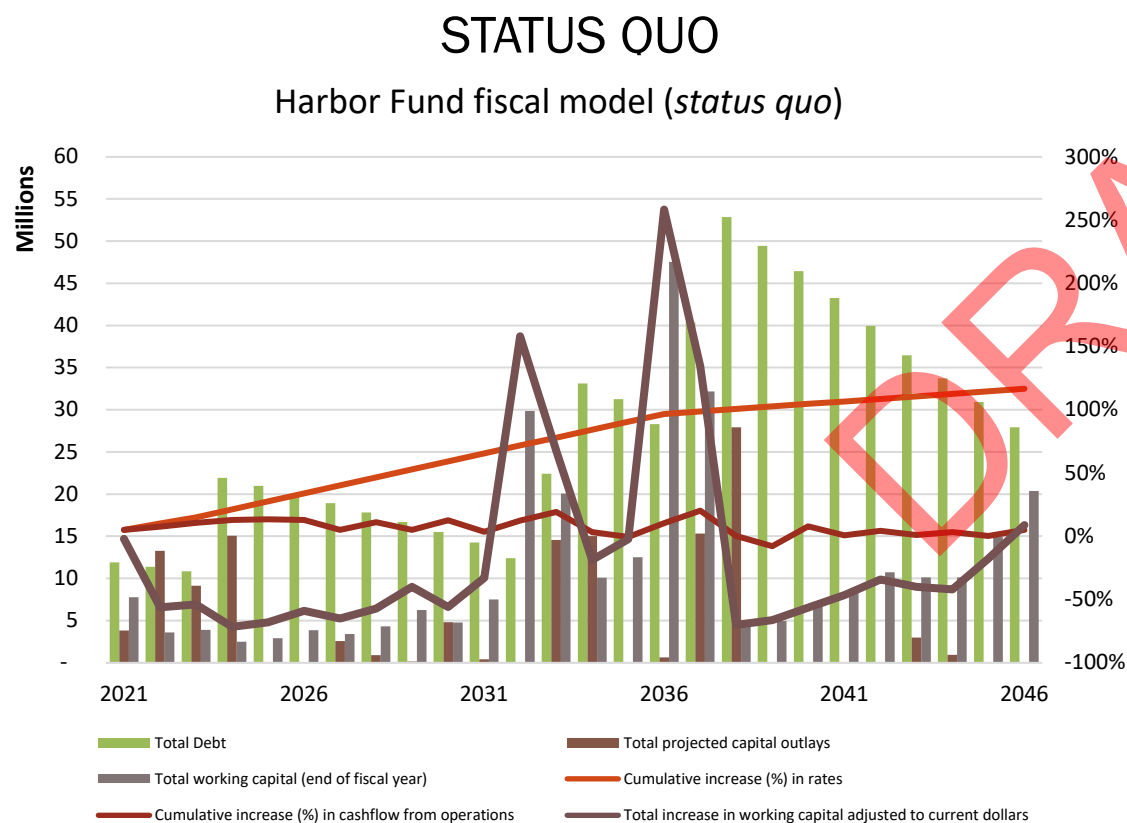


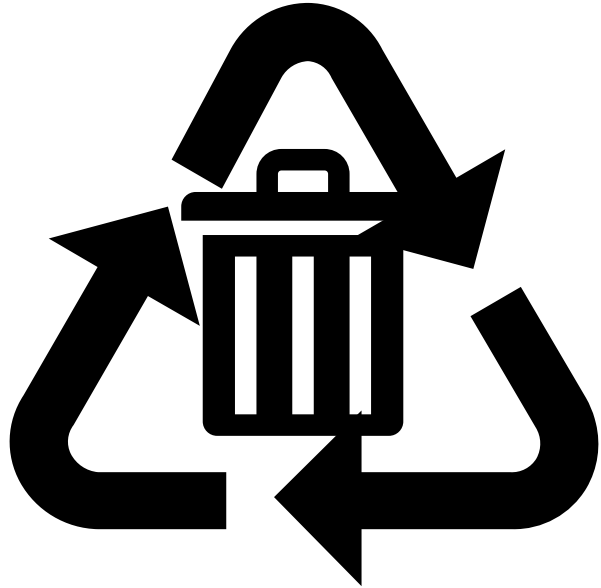
Context:

- Similar to other funds, no/minimal rate increases for a long time
- Lower raw fish tax receipts
- State funding of harbor infrastructure projects in doubt (may not be able to afford to wait)
- Impact of COVID on revenue?
- Infrastructure plan needs to be revised (both timelines and costs)



Status quo vs. other options



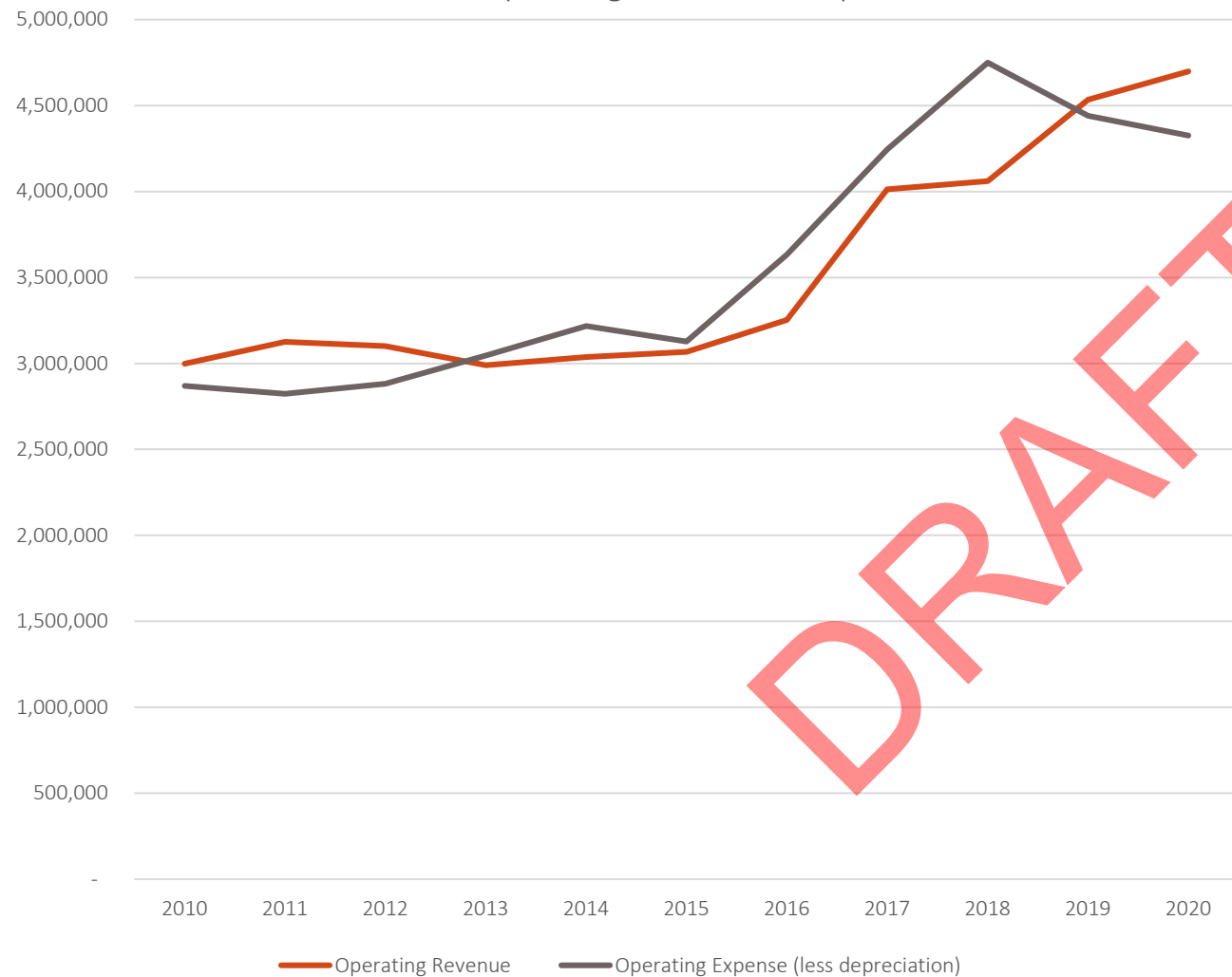


Solid Waste Fund

Context:

- Contract costs drives rates, rather than capital projects
- Working to get the fund out of negative cash position and keep up with inflation increases

Solid Waste Operating Revenue vs. Expense



Solid Waste

- 4.5% increase instead of 5.5% increase (over next 3 years depending on inflation)

Harbor Fund

Port and Harbors Commission reaffirmed commitment to 5% increase for FY22 and FY23.

- Different fiscal model forecasts
- 5% sets up better, especially in worst case.

Port and Harbors Commission supports revision of master plan with emphasis on reviewing possibility of extending life of infrastructure.

Capital:

- Master plan (\$100,000)
- Eliason Electrical(\$3.5M state GO bonds could fund more harbor projects \$1.5M state/\$2M HF?)
- Harbor parking lot repairs (\$30,000)
- Sealing Cove Lift Station (\$20,000)
- Ratio Repeaters (\$7,000)

	Rate	Fee	Sales tax	Monthly Total	Quarterly Total	FY22 rate	Fees	Sales tax	Monthly Total	Quarterly Total
Moorage 40ft vessel	3.80	152.00	8.36	160.36	481.08	3.99	159.6	8.78	168.38	505.14
				Quarterly increase	\$24.06	Annual Increase	\$96.24			



1. RATES



2. CAPITAL



3. YEAR-YEAR
CHANGES

Decision
points