

# 2025 BUDGET WORKSHOP

Board of Water Commissioners  
June 4, 2024



# TIMELINE OF EVENTS

June

Budget Workshop

July +August

Further Discussions

September

Public Meeting

October

Budget Adoption



# Budget Workshop Discussion Topics



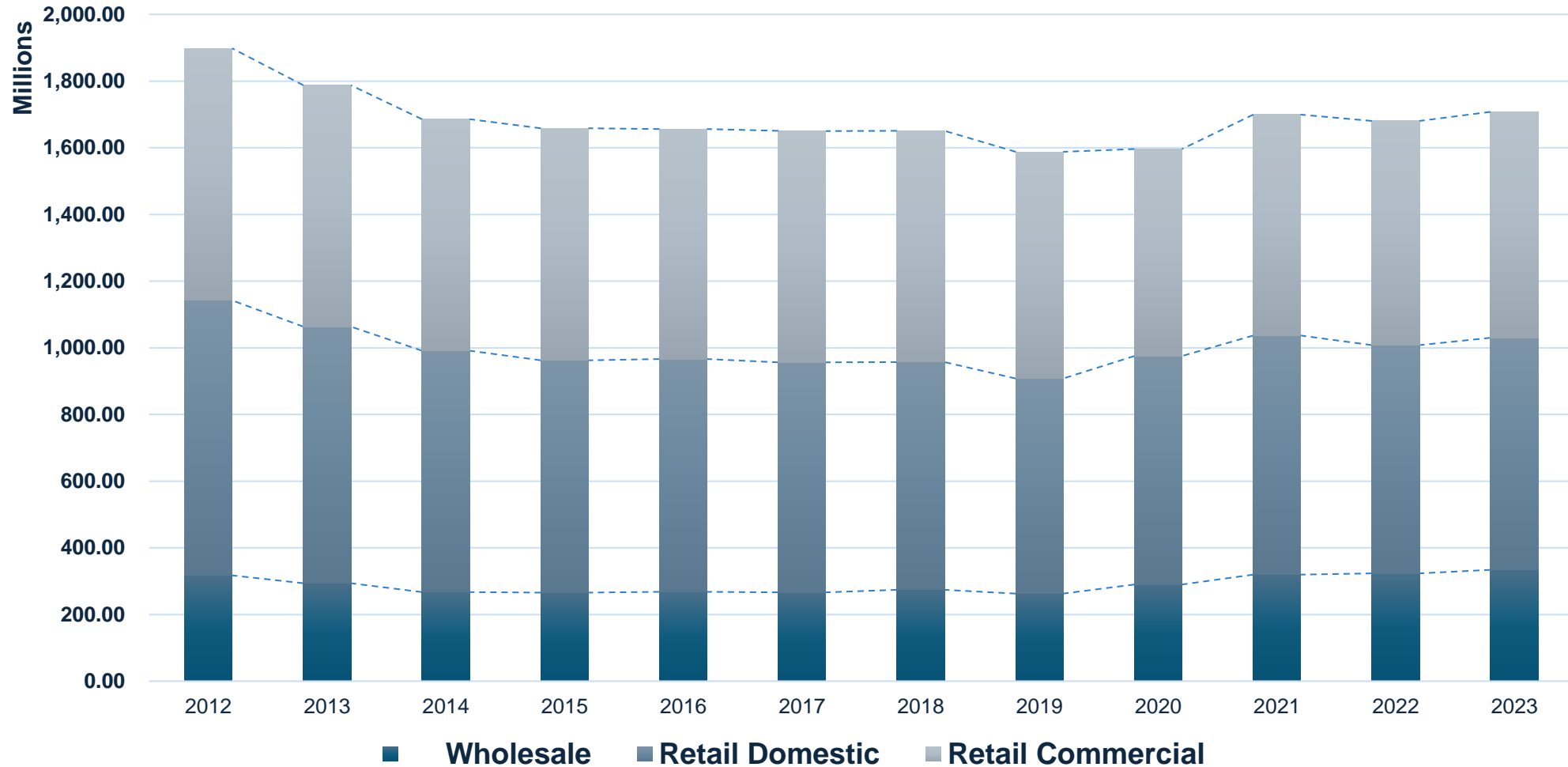
**Capital Investments**



**WaterWorks Commitment**

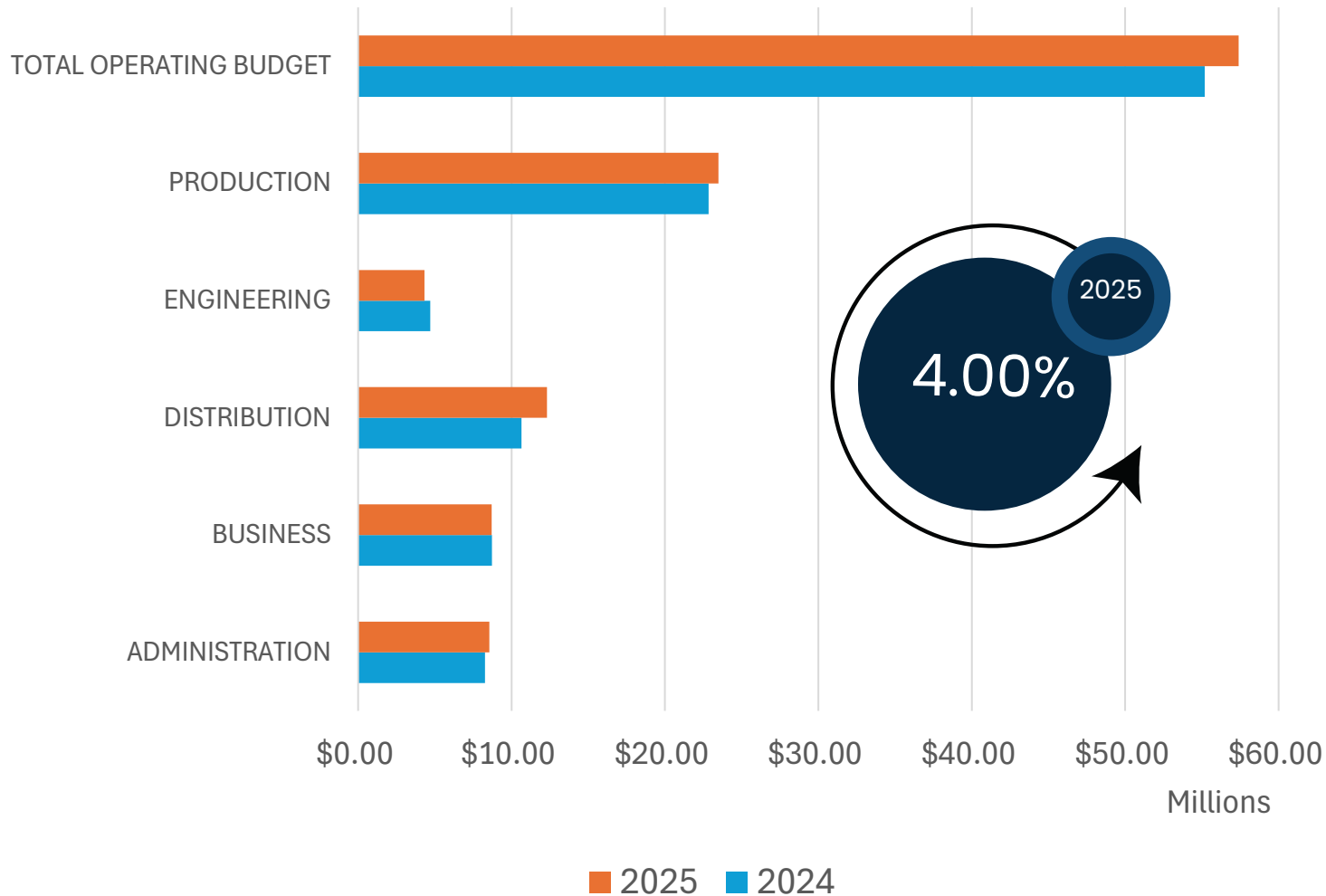
# Consumption History

Retain Consumption Projection:  
1,650,000,000 cf  
\*Trending Slightly Higher 2021-2023\*



# Operating Budget Overview

## Significant Impacts



### Administration

- Replace 1 BIU FTE with a Public Info Specialist
- Adding \$5,000/year for Community Panel Stipend
- \$53k decrease in the Travel & Training AU (14.27%)

### Business

- Added FTE on Finance Team for Purchasing Needs
- \$120k to Conduct a Rate Study
- Shifted 4.4 FTEs to Capital for Register Replacement
- \$59k Increase to Dispose of Registers During Project

### Distribution

- 15% Increase in Labor Although FTE Reduced by 0.7

### Production

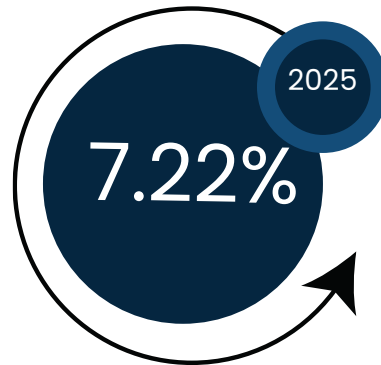
- \$520k Increase for Supply System Chemicals
- \$395k Increase for Production Chemicals
- Added Senior Operator & Asset Management Roles
- Eliminated a Custodian

# Investment in Employees

## New Incentives

2023-2025 employment contracts offered a wide variety of new incentives for SPRWS employees including:

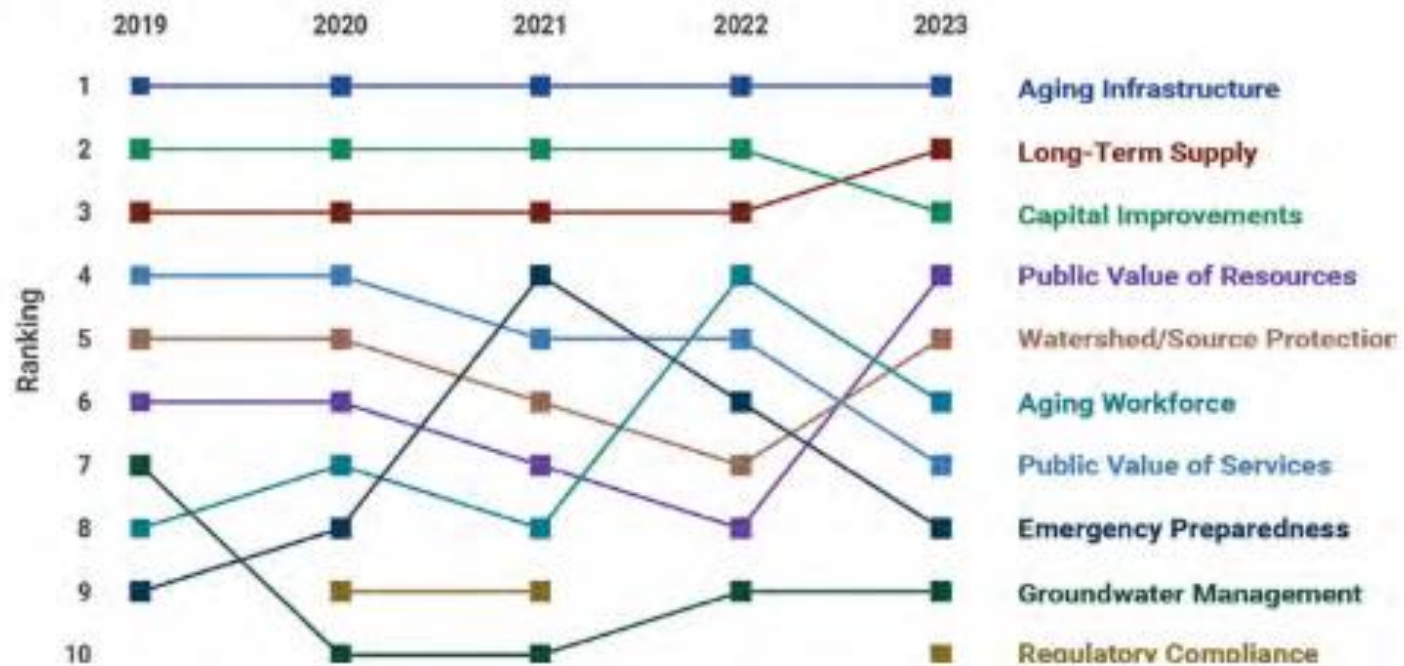
- Cost of Living Adjustments
- Quicker Step Increases
- Certification Pay
- Performance Pay
- Longevity Pay



# American Water Works Association

# State of the Water Industry

Top 10 recurring issues in the past five years by ranking



A top-down view of a desk with various office supplies. A blue pen lies on a white sheet of paper with a line graph. The graph has a y-axis with values 1000, 1500, 2000, 2500, 3000, and 3500. A blue line with circular markers connects points on the graph. A light blue sticky note is placed over the graph, with the words "Capital Budgeting" written in dark blue marker. A white marker is visible at the bottom right corner of the sticky note. To the right of the sticky note is a green notebook with a green paper clip. Above the sticky note is another blue paper clip. In the background, a yellow sticky note with a drawing and the number "182" is visible. A blue horizontal bar is located in the top left corner of the image.

# 10 YEAR CAPITAL PLAN + BUDGETING

- 
1. INFRASTRUCTURE REPLACEMENT NEEDS
  2. CURRENT CAPITAL FUNDING LEVELS
  3. FUTURE CAPITAL FUNDING ALTERNATIVES

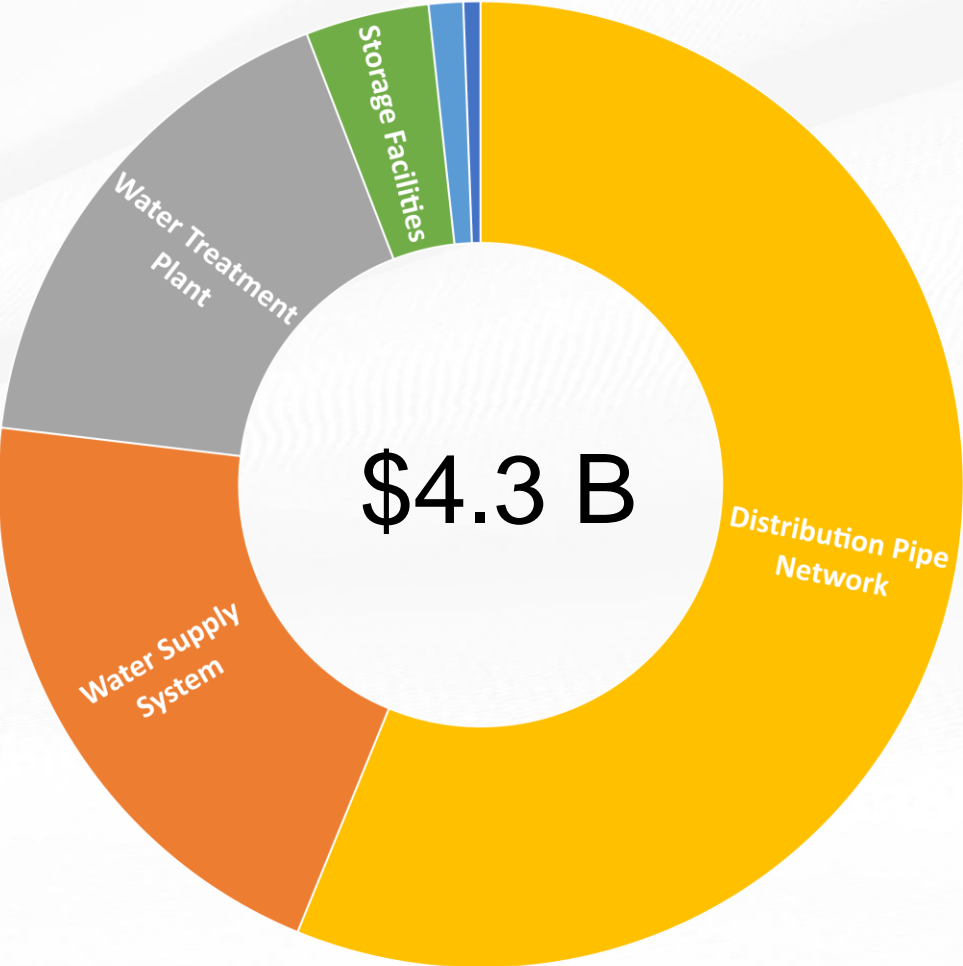


# Capital Definition and Policy

**Capital Improvement Plan:** identifies and prioritizes specific capital needs, schedules, and funding sources over a multi-year period, typically 5+ years. Guides project delivery and rate setting decisions.

**Capital Asset:** direct purchases of \$5,000 or more having a useful life in excess of 1 year must be capitalized. Includes rehabilitation that directly extends the service life of assets.

# ESTIMATED ASSET VALUE



Fleet & Construction Equip	\$25 M
Water Supply System	\$900 M
Water Treatment Plant	\$750 M
Distribution Pipe Network	\$2,443 M
Pump Stations	\$50 M
Storage Facilities	\$180 M



# Service Age Distribution System

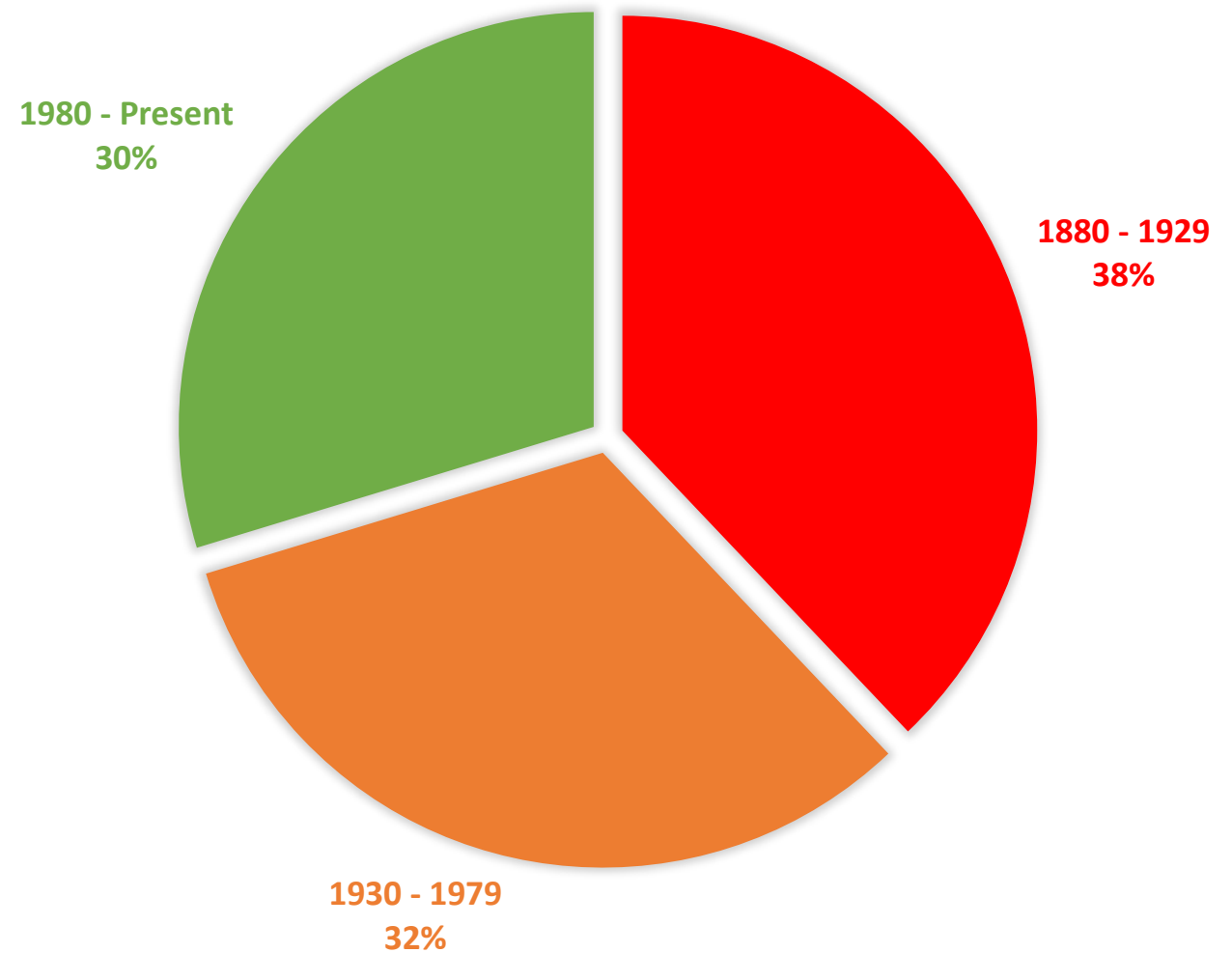
History of Pipe Manufacturing

Pit Cast Iron Pipe

Centrifugal/Spun Cast Iron Pipe

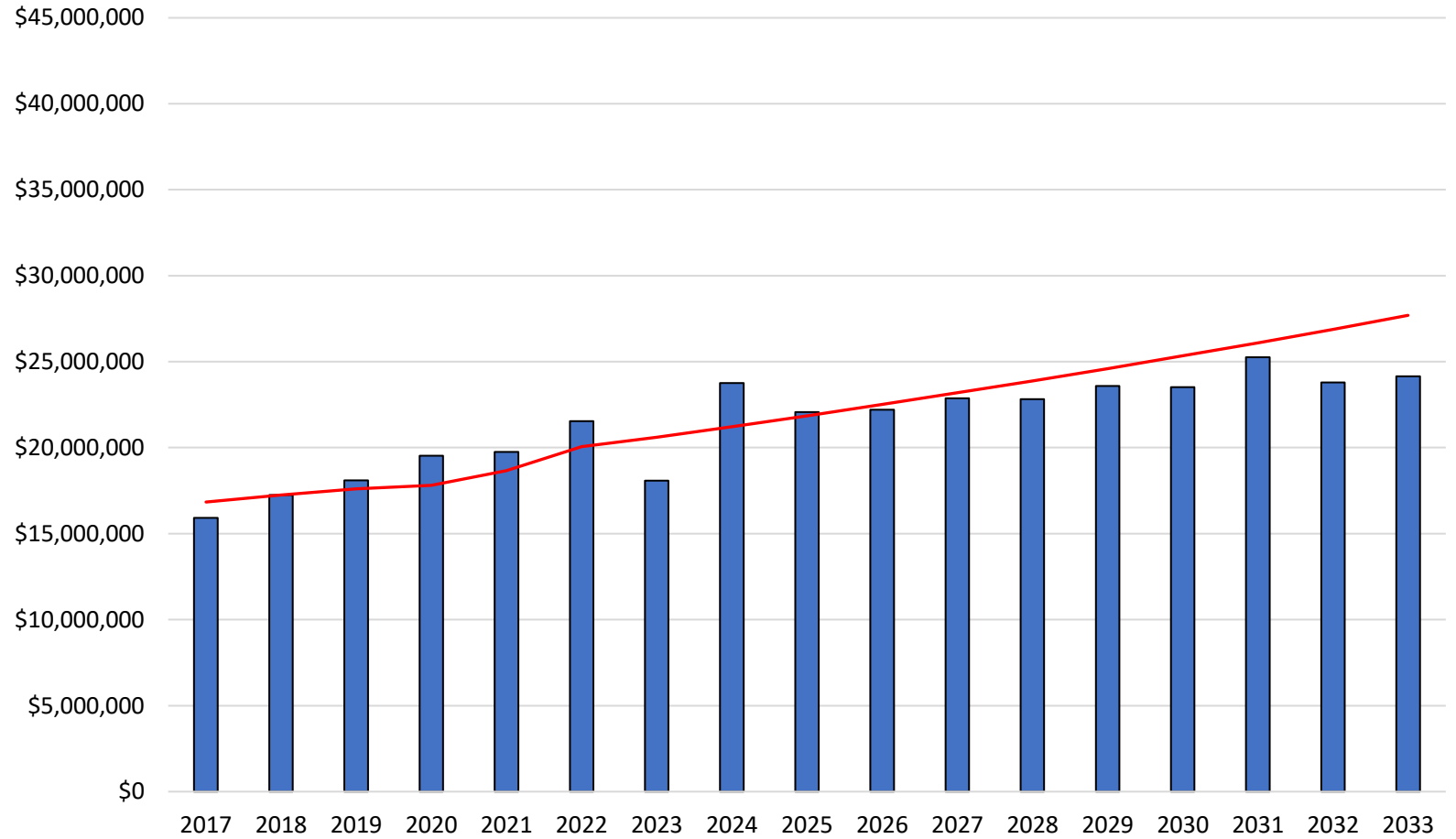
Cement Mortar Lined Cast Iron

Change to Ductile Iron Pipe

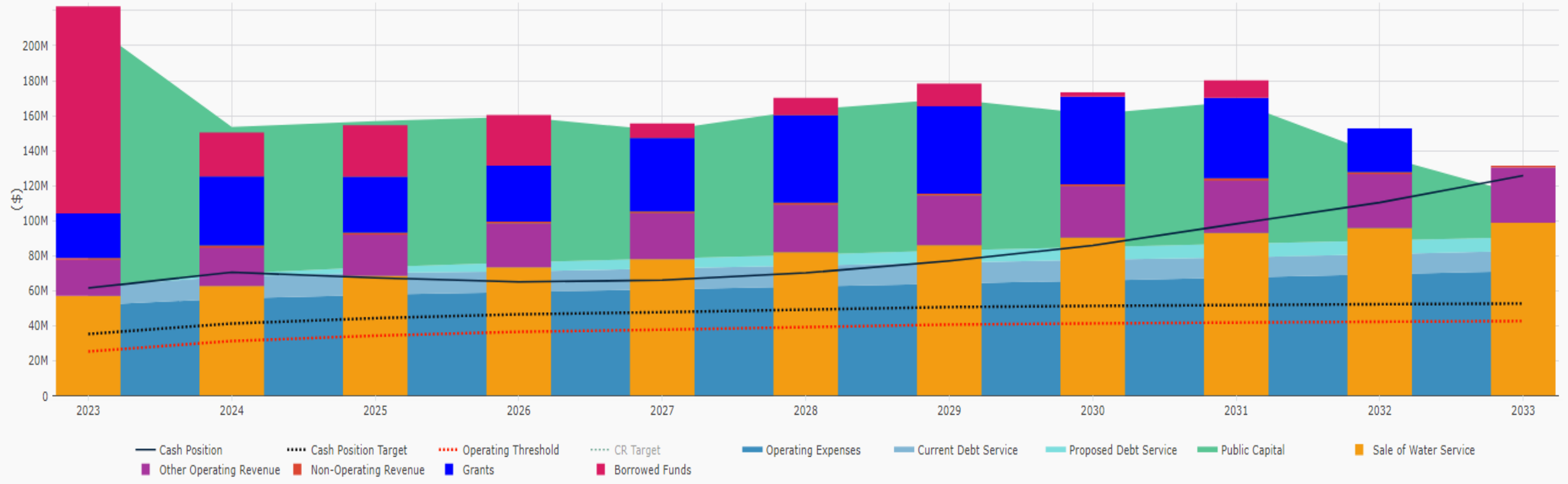


Historical and  
2024 Budget  
Plan  
Capital

Revenue Funded Capital Investment



Financial Model - Jamie 2025 budget model C - PREVIOUS CIP



2025	2026	2027	2028	2029	2030	2031	2032	2033
7.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

# Waterworth Model – 2024 Plan

# Revised Asset Management Based Capital Plan



## Data Collection

Reviewed asset management plans, conditions, asset age, and project needs

## Project Planning

Estimated project scopes and timelines

## Forecasting

Estimated costs and assembled annual expenditures

## Optimization

Prioritized projects based on risk and value/ROI

# Capital Improvement Plan

Category Name/Project Description	2025 (9.5%)	2026 (7.5%)	2027 (6.5%)	2028 (5%)	2029 (5%)	2030 (5%)	2031 (3%)	2032 (3%)	2033 (3%)	Total 10 Year
<b>Total Revenue Funded (from Below)</b>	\$ 28,062,120.38	\$ 29,722,209.91	\$ 28,313,718.20	\$ 31,934,302.26	\$ 32,366,071.31	\$ 37,683,910.37	\$ 33,656,659.73	\$ 35,730,904.83	\$ 37,162,686.50	\$ 294,632,583.50
Total Debt, Grant, & Revenue Funded (from Below)	\$ 40,112,120.38	\$ 29,772,209.91	\$ 28,363,718.20	\$ 31,934,302.26	\$ 39,866,071.31	\$ 45,183,910.37	\$ 33,656,659.73	\$ 35,730,904.83	\$ 37,162,686.50	\$ 321,782,583.50
<b>Admin. Division</b>										
Admin Total	\$ 320,000.00	\$ 360,000.00	\$ 435,000.00	\$ 315,000.00	\$ 235,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 2,265,000.00
Anticipated Debt/Grant Funding										\$ -
<b>Total Revenue Funded</b>	\$ 320,000.00	\$ 360,000.00	\$ 435,000.00	\$ 315,000.00	\$ 235,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 150,000.00	\$ 2,265,000.00
	<b>\$ 28.00</b>									
Business Total	\$ 4,223,000.00	\$ 4,071,900.00	\$ 3,864,249.50	\$ 5,198,429.49	\$ 4,926,926.62	\$ 8,365,012.38	\$ 1,858,709.11	\$ 1,977,040.06	\$ 2,146,029.43	\$ 36,631,296.59
Anticipated Debt/Grant Funding	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00							\$ 150,000.00
<b>Total Revenue Funded</b>	\$ 4,173,000.00	\$ 4,021,900.00	\$ 3,814,249.50	\$ 5,198,429.49	\$ 4,926,926.62	\$ 8,365,012.38	\$ 1,858,709.11	\$ 1,977,040.06	\$ 2,146,029.43	\$ 36,481,296.59
<b>Engineering Division</b>										
Engineering Total	\$ 230,000.00	\$ 241,000.00	\$ 253,000.00	\$ 265,000.00	\$ 278,000.00	\$ 292,000.00	\$ 306,000.00	\$ 322,000.00	\$ 339,000.00	\$ 2,526,000.00
Anticipated Debt/Grant Funding										\$ -
<b>Total Revenue Funded</b>	\$ 230,000.00	\$ 241,000.00	\$ 253,000.00	\$ 265,000.00	\$ 278,000.00	\$ 292,000.00	\$ 306,000.00	\$ 322,000.00	\$ 339,000.00	\$ 2,526,000.00
<b>Distribution Division</b>										
Distribution Total	\$ 19,035,120.38	\$ 19,626,309.91	\$ 20,909,468.70	\$ 20,765,872.77	\$ 22,528,144.69	\$ 25,241,897.99	\$ 27,161,950.62	\$ 28,326,864.76	\$ 29,415,657.07	\$ 213,011,286.90
Anticipated Debt/Grant Funding										\$ -
<b>Total Revenue Funded</b>	\$ 19,035,120.38	\$ 19,626,309.91	\$ 20,909,468.70	\$ 20,765,872.77	\$ 22,528,144.69	\$ 25,241,897.99	\$ 27,161,950.62	\$ 28,326,864.76	\$ 29,415,657.07	\$ 213,011,286.90
<b>Production Division</b>										
Production Total	\$ 16,304,000.00	\$ 5,473,000.00	\$ 2,902,000.00	\$ 5,390,000.00	\$ 11,898,000.00	\$ 11,135,000.00	\$ 4,180,000.00	\$ 4,955,000.00	\$ 5,112,000.00	\$ 67,349,000.00
Anticipated Debt/Grant Funding	\$ 12,000,000.00	\$ -	\$ -		\$ 7,500,000.00	\$ 7,500,000.00	\$ -	\$ -	\$ -	\$ 27,000,000.00
<b>Total Revenue Funded</b>	\$ 4,304,000.00	\$ 5,473,000.00	\$ 2,902,000.00	\$ 5,390,000.00	\$ 4,398,000.00	\$ 3,635,000.00	\$ 4,180,000.00	\$ 4,955,000.00	\$ 5,112,000.00	\$ 40,349,000.00



# Capital Funding Alternatives

## SCENARIO 1

### Accelerated Implementation

Full phase-in of current needs

- Excessive Utilization of Cash

## SCENARIO 2

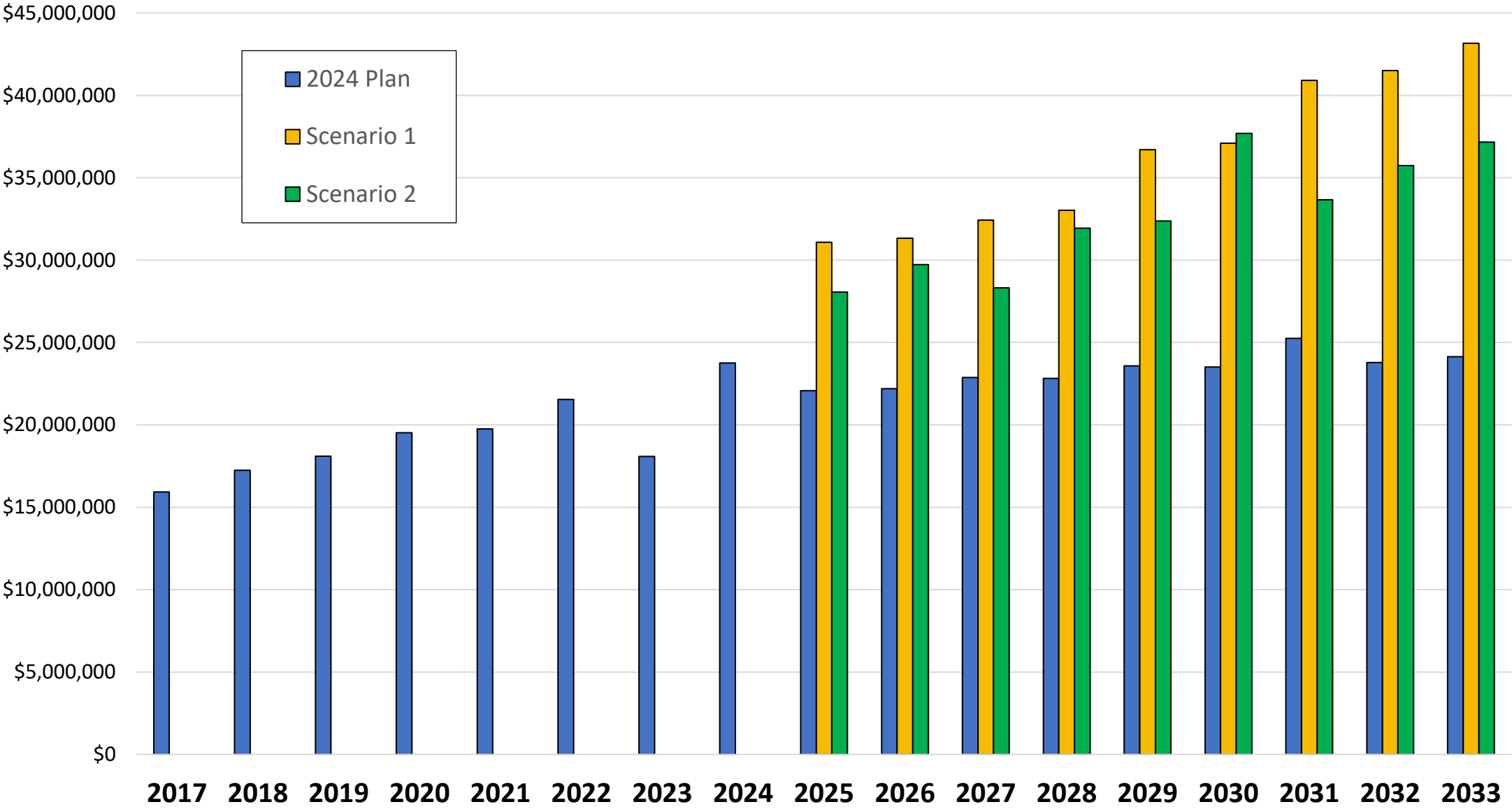
### Progressive Transition

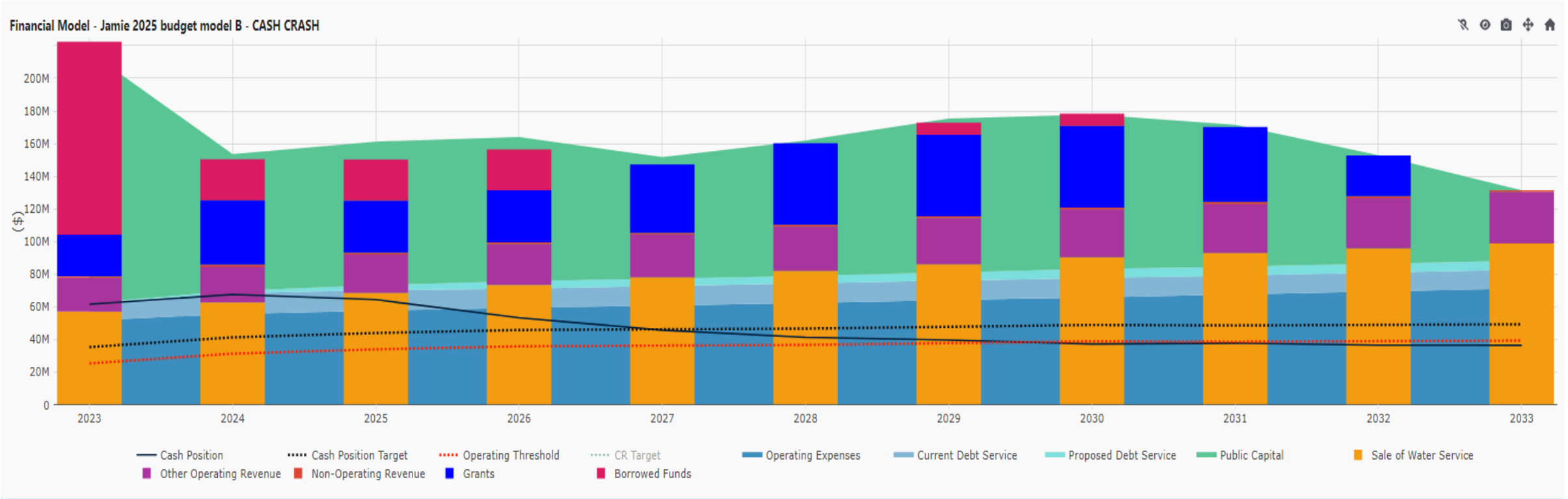
Criteria based prioritization

- Risk Reduction
- Return on Investment
- Customer Service
- Regulatory Compliance



### Revenue Funded Capital Investment





2025	2026	2027	2028	2029	2030	2031	2032	2033
9.5%	7.5%	6.5%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%

**Waterworth Model – Scenario 1  
Not Recommended Due to Cash Balance**



# Capital Funding Alternatives

## SCENARIO #1

### Accelerated Implementation

Full phase-in of current needs

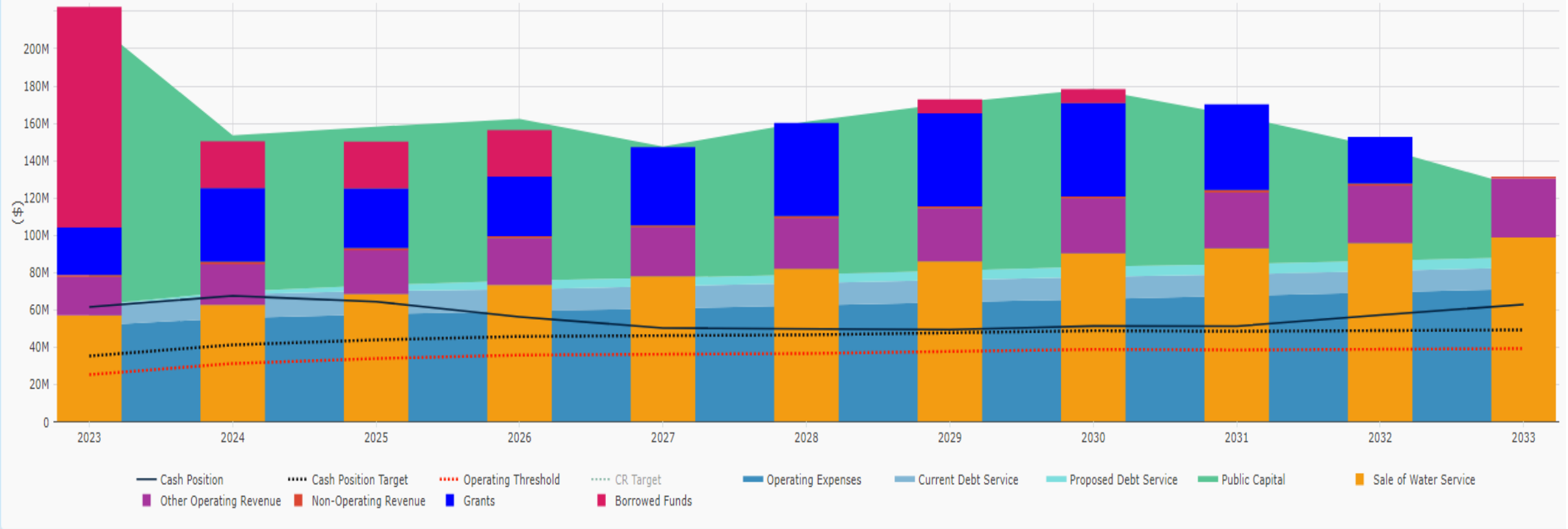
## SCENARIO #2

### Progressive Transition

Criteria based prioritization

- Risk Reduction
- Return on Investment
- Customer Service
- Regulatory Compliance

Financial Model - Jamie 2025 budget model A - STAFF RECOMMENDATION



2025	2026	2027	2028	2029	2030	2031	2032	2033
9.5%	7.5%	6.5%	5.0%	5.0%	5.0%	3.0%	3.0%	3.0%

# Waterworth Model – Scenario 2

# Adjustments Between Scenario 1 and 2

- Water main replacement rate reduced from 180 years to 125 years over next 9 years. Alt #3 does not achieve 100-year water main replacement rate.
- Rehabilitation of McKnight and Fairgrounds tanks delayed.
- Replacement of outdated communications infrastructure (\$625k) is spread across 2025-2028 rather than all completed in 2025.
- Raw water supply projects have been delayed by 3-4 years (Lake Oxygenation System and Copper Sulfate Feed in Pleasant Lake).
- Raw water conduit rehab budget reduced 50 percent for 3 years.
- Investments in the filter gallery and piping improvements to the WTP pumping area phased such that only critical work in 2025/26 and less urgent work is delayed until later years.
- Sludge press replacements split into three separate projects (2026, 2028, and 2033) rather than a single, large project in 2026.

# FINANCIAL IMPACT FOR CUSTOMERS



Year	Rate Increase	Monthly Impact	Annual Impact	Total Monthly SPRWS Charges	Total Annual SPRWS Charges
2025	9.50%	\$3.14	\$37.71	\$36.22	<b>\$434.67</b>
2026	7.50%	\$2.72	\$32.60	\$38.94	<b>\$467.27</b>
2027	6.50%	\$2.53	\$30.37	\$41.47	<b>\$497.64</b>
2028	5.00%	\$2.07	\$24.88	\$43.54	<b>\$522.53</b>
2029	5.00%	\$2.18	\$26.13	\$45.72	<b>\$548.65</b>
2030	5.00%	\$2.29	\$27.43	\$48.01	<b>\$576.09</b>
2031	3.00%	\$1.44	\$17.28	\$49.45	<b>\$593.37</b>
2032	3.00%	\$1.48	\$17.80	\$50.93	<b>\$611.17</b>
2033	3.00%	\$1.53	\$18.34	\$52.46	<b>\$629.50</b>

# HOUSEHOLD BURDEN INDICATOR (HBI)

HBI - Water Costs as a Percent of Income at LQI	PPI - Percent of Households Below 200% of FPL		
	>=35%	20% to 35%	<20%
>=10%	Very High Burden	High Burden	Moderate-High Burden
7% to 10%	High Burden	Moderate-High Burden	Moderate-Low Burden
< 7%	Moderate-High Burden	Moderate-Low Burden	Low Burden

## HBI Projections

Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual bill for 48,363 gallons used (~16 units/quarter)	\$855	\$824	\$884	\$939	\$985	\$1,033	\$1,083	\$1,115	\$1,147	\$1,181	\$1,215
Upper limit 20th percentile Household Income (estimates, 3% inflation)	\$30,353	\$31,264	\$32,201	\$33,168	\$34,163	\$35,187	\$36,243	\$37,330	\$38,450	\$39,604	\$40,792
Household Burden Indicator (HBI)	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.00%	3.00%	3.00%

# WaterWorks Funding

- **Adequate funding for those in need**
  - LIHWAP Assistance Exceeded \$400k in 2023
- **Ongoing commitment tied to rate increases**
  - Request: Contribution equal to 0.5% of all revenue generated from the sale of water to retail customers (~400k)
  - However, funds would come from the revenue generated from antennae leases (~\$800k)
    - Working with attorney on details
- **Improved program structure**
  - Require matching payments from customers
  - Maintain \$300/year max in 2025
  - For example:
    - Quarterly Bill = \$150.00
    - Customer payment = \$75.00
    - WaterWorks Match: \$75.00


### Customer Assistance Provided



### Unpaid Bills Certified to Taxes





The background features a complex geometric pattern of overlapping triangles and polygons in various shades of blue (from dark navy to medium blue) and white. The text is centered within a dark blue triangular area.

Thank You  
Questions?