

**CITY OF WEST LAFAYETTE  
- WASTEWATER UTILITY -**

**PROPOSED 2021 BUDGET**



January 26, 2021

Honorable John Dennis, Mayor and  
Members of the Board of Public Works and Safety  
City of West Lafayette  
1200 North Salisbury Street  
West Lafayette, Indiana 47906

At your request, we have prepared the accompanying limited financial information for the City of West Lafayette Wastewater Utility. The information includes the proposed 2021 operating budget along with projected operating revenues, operating expenditures, capital expenditures and cash flows for years 2021 through 2025. The accompanying schedules were prepared for internal use only for distribution to the appropriate City Officials. The use of these schedules should be limited to those that are familiar with the accounting and financial reporting practices for the City.

Pages 2 – 7    General Comments and Key Budget Assumptions and Notes

Schedule I    Budgeted 2021 Operation and Maintenance Expenses  
Schedule II    Projected Operating Revenues and Expenses – 2021-2025  
Schedule III    Capital Expenditure Plan – 2021-2025  
Schedule IV    Projected Cash Flows and Bond Coverage – 2021-2025  
Schedule V    Current and Projected Cash Balances  
Schedule VI    Preliminary Schedule of Pro Forma Revenue Requirements  
Schedule VII    Schedule of Projected Cash Flows and Bond Coverage – 2021-2025  
                  - *With Illustrative Rate Increases* -

The assumptions provided are based on information provided to us by management of the City of West Lafayette. In preparation of these schedules, assumptions were made as noted regarding certain future events. As is the case with such assumptions regarding future events and transactions, some or all may not occur as expected and the resulting differences could be material. We have not examined the underlying assumptions; consequently, we express no opinion or assurance thereon. We have no responsibility to update this report for events occurring after the date of this report.

*O.W. Krohn & Associates LLP*

O. W. Krohn & Associates LLP

## WEST LAFAYETTE WASTEWATER UTILITY

### 2021 BUDGET – GENERAL COMMENTS

#### **COVID-19 Impacts**

2020 metered wastewater revenues have been significantly impacted due to COVID-19 implications. Metered revenues for Purdue University, fraternities and sororities and commercial customers for 2020 are estimated to fall short of 2019 amounts by approximately \$635,000, an estimated 15.5% decrease in comparison to 2019 billings.

Approximately \$325,000 (8.1% increase over 2019 billings) of this shortfall is estimated to be offset by increases in residential and other customer class metered revenues. In addition, CSO charges are estimated to exceed 2019 billed amounts by approximately \$180,000. While these increases help offset these revenue losses, there is still uncertainty as to when revenues may return to historical and previously budgeted levels.

The 2021 budgeted revenues of \$12,928,553 reflect a conservative revenue stream comparable to those experienced through the first 10 months of 2020 annualized. It is assumed that revenues will return to historical amounts beginning in 2022.

The overall operating revenues for 2020 are estimated to total \$12,920,000 which is short of 2020 budgeted amounts of \$13,270,732 by approximately \$350,000 (an approximate 2.6% shortfall). While this loss is significant, the overall impact on the Utility is less critical than anticipated earlier.

#### **Wastewater Project**

Phase II of the CSO Interceptor Project is expected to begin in 2021. It is estimated that the project will cost approximately \$10,005,000 (\$10,115,000 including issuance costs) and will be funded through the issuance of wastewater revenue bonds. The effect of a debt financing with a wrapped debt service structure is estimated to increase annual debt service amounts by approximately \$250,000 beginning in 2022.

#### **Rate Considerations**

Due to the estimated impacts of COVID-19 on revenues, the proposed CSO project and related debt financing as well as assumed inflationary increases in operating expenses, the Utility is projected to experience continuing outflows of cash. It is projected that the utility will require a rate increase to provide adequate debt service coverage. It is anticipated that incremental rate increases of approximately 1.5 - 3.0% per year are required. Schedules VI and VII are illustrations showing the estimated financial effects of such 1.5 - 3.0% across-the-board rate increases in wastewater rates and charges annually for the next four years.

## WEST LAFAYETTE WASTEWATER UTILITY

### 2021 BUDGET – KEY BUDGET ASSUMPTIONS AND NOTES

#### **Schedule I – Budgeted 2021 Operation and Maintenance Expenses**

Total budgeted expenditures for 2021 increase \$221,520 or 3.4% from the 2020 budget. The 2021 operating expenditure budget totals \$6,719,790 of which 58.1% is comprised of wages, insurance and employee benefits. Wages and benefit costs for each department were based on actual staffing and wage rates per the 2021 salary ordinance. While some employees did receive wage increases, total budgeted wages decreased by \$55,122 in comparison to the 2020 budget. Staffing levels are budgeted to remain approximately the same; however, it appears the Utility experienced some turnover in 2020 resulting in lower wages for the replacement employees. Budgeted insurance and benefits increase by \$90,692, a 7.1% increase. This increase is attributable to an increase in budgeted health insurance premiums of \$91,718, an increase of 14.6% over 2020 budgeted health insurance premiums.

#### Treatment Plant

The department's budget increases by \$122,966, a 5.6% increase. Budget adjustments include increases in sludge removal of \$75,000 and increases in services and other charges of \$32,900 which includes \$26,000 for Sanitaire cleaning services. Electric costs are budgeted to decrease by \$15,000. This decrease in electric costs in the 2021 budget is to reflect decreases experienced in 2020 and is assumed to be due to reductions in flows. It is anticipated that these costs will return to historical levels beginning in 2022.

#### Collection System

The department's budget increases by \$45,942, a 5.1% increase. Employee benefits increase \$38,101. Services and other charges increase significantly by \$33,250 (45.0%) which includes additional GIS services of \$23,200. Electric costs are budgeted to decrease by \$10,500. This decrease in electric costs in the 2021 budget is to reflect decreases experienced in 2020 and is assumed to be due to reductions in flows. It is anticipated that these costs will return to historical levels beginning in 2022.

#### Sanitation

The department's budget increases by \$75,294, a 6.3% increase. While budgeted wages and benefits decreased, all other budgets for this department increase significantly. In total, supplies, services and other charges and waste disposal fees budgeted increase by \$95,240, an increase of 24.0%. The increased fees are mainly due to the higher pickup volumes due to sheltering and working from home. The supply increase includes the new totes sold to customers which is offset by tote sales revenues.

#### Stormwater

The department's budget remains level. Decreases in budgeted wages of approximately \$10,000 are offset by increases in insurance and benefits. Decreases in budgeted professional services of \$20,000 offset with increases in supplies and services and other charges. Increases in services and other charges include increases to liability insurance and waste services of approximately \$5,000 and \$20,000, respectively.

West Lafayette Wastewater Utility  
2021 Budget  
Key Budget Assumptions and Notes  
(continued)

Customer Accounts

The department's budget remains level. Slight increases in insurance and benefits and supplies are offset by decreases in services and other charges.

Administration & General

The department's budget decreases by \$27,800 or 2.0%. GIS services previously budgeted in this department will now be paid from the Collection System department. This is the primary reason for the decrease of \$35,300 in budgeted services and other charges and professional services. Wages are also budgeted to decrease by \$14,187; however, insurance and benefits increases of \$21,937 will offset wage decreases.

**Schedule II – Projected Operating Revenues and Expenses (2021-2025)**

2021 total budgeted operating revenues decrease by \$342,179 from the 2020 budget, primarily due to the negative impacts of COVID-19 on wastewater metered revenue. Wastewater metered revenue decreases by \$433,995 in comparison with the 2020 budget. Due to the uncertainty related to COVID-19, it is assumed that wastewater metered revenue for 2021 will remain at estimated 2020 revenue; which through the first 10 months of 2020 reflect an approximate 3.5% decrease in comparison to 2019 actual revenue. Budgeted 2021 wastewater CSO charges increase by \$117,736 in comparison to the 2020 budget.

Historical wastewater flows are assumed to return beginning in 2022. To be conservative, half of the estimated 2020 losses related to Purdue University, fraternities and sororities and commercial customers is assumed to be recouped in 2022. There is also potential for the residential and other customer class increases estimated for 2020 to also return to historical levels.

Stormwater and sanitation trash fee revenues are expected to meet budgeted levels in 2020 and the 2021 budget has reflects this. The 2021 sanitation trash fee budget increased in comparison to 2020 budgeted amounts to reflect September billings annualized. Toter and bin sales for 2020 are estimated to exceed budgeted amounts significantly due to a push by the City to convert customers to the new receptacles. These revenues are estimated to decrease in subsequent years. Other revenue streams are projected to remain relatively stable.

Expenditures for 2022-2025 have been adjusted for inflation using the 2021 budget as base line. Annual inflation adjustments range 2% to 5% depending on type of expenditure. Other minor adjustments are noted on the schedule. Actual amounts for 2018 and 2019 are shown for comparative purposes

**Schedule III – Capital Expenditure Plan**

Capital projects and related expenditures by functional category are summarized for 2021 through 2025. Specific projects and overall cost estimates have been provided by the Utility Director, City Engineer and Street Commissioner.

West Lafayette Wastewater Utility  
2021 Budget  
Key Budget Assumptions and Notes  
(continued)

Potential lift station projects beginning in 2021 include \$844,000 for the Levee Lift Station, \$50,000 for Barbary Lift Station, \$820,000 for Winding Ridge and \$798,000 for Kalberer Lift Station improvements. Based upon preliminary estimates a total of approximately \$2.5 million will be spent on lift stations over the next five years.

Collection system projects include phase II of the CSO interceptor project beginning in 2021. Phase II construction of the CSO interceptor project is expected in 2022-2023 timeframe and \$10,005,000 has been included in the capital plan. We have assumed that this project will be financed via an open market bond issue with closing in late 2021. The actual amounts, timing and borrowing terms will be adjusted as we get closer to this time frame. \$250,000 of sewer lining projects are assumed to occur in 2022.

Treatment plant improvements include a \$25,000 tank replacement in 2021. No other projects have been identified at this time.

Yeager Road and Hartwood Village storm sewer improvements are budgeted at \$600,000 and \$75,000, respectively, and are expected to occur in 2021. Lindberg Road and University Farm storm sewer work estimated at \$350,000 and \$300,000, respectively, are anticipated to begin in 2022. Cumberland Avenue storm sewer improvements estimated at \$300,000 are anticipated to begin in 2024. In addition to these specific projects, the City Engineer has identified a need for ongoing annual improvements to address Happy Hollow erosion control and the capital plan includes a \$100,000 provision for Happy Hollow.

Long range capital equipment needs for wastewater, sanitation and storm water services have been analyzed and reevaluated by the Utility Director, Street Commissioner and Controller. The equipment inventory was reviewed to establish an ongoing replacement program. The proposed costs are summarized under the Equipment section on this schedule. Wastewater includes ongoing vactor equipment payments of \$67,000 per year currently with the final lease payment of \$140,000 due in 2023. In addition, a truck lease with \$15,000 annual payments beginning in 2021 and a second vactor with \$75,000 annual payments beginning in 2023 are projected for lease. Sanitation includes leases for current recycling and trash trucks plus replacements. It is assumed that an additional lease is entered in 2021 and another in 2022 when a prior lease expires. Storm water provisions are primarily for current leaf vac equipment and future replacement.

Over the next five years a total of \$16,606,000 in projects and other capital expenditures have been identified. This is comprised of \$13,586,000 for sanitary sewer, \$2,410,000 for stormwater and \$610,000 for sanitation. The stormwater projects will be funded with storm water net operating revenues. The Phase II CSO project is assumed to be bond funded. The remainder will be paid from wastewater and sanitation trash net operating revenues.

#### **Schedule IV – Projected Cash Flows and Bond Coverage (2021-2025)**

This schedule projects cash flows for 2021 through 2025 beginning with operating revenues and expenditures from Schedule II. Other pledged revenues include interest income and tap fees. Tap fees are assumed to approximate historical returns. Interest income in 2020 is estimated based on current market rates of approximately 0.75% applied to projected cash balances. From the resulting pledged net revenues, which range from \$6.09M to \$6.63M, we have deducted the budgeted \$675,000 payment to the City for payment in lieu of taxes (PILT), debt service for all outstanding bonds plus estimated debt service related to the phase II CSO interceptor project and projected capital expenditures from Schedule III. Projected ending cash balances include all operating, improvement, stormwater, sanitation and restricted funds (except for construction and retainage).

The improvement fund has been historically used to cover planned as well as unexpected expenditure requirements for the Utility. To continue to provide this margin of safety, sound financial planning practices indicate that management should continue its practice of establishing guidelines for key fund balances. The key funds for the Wastewater Utility include the Operating Fund, Debt Service Reserve Fund, the Bond & Interest Funds and Improvement Fund. Bond ordinances define the necessary funds to be established, sources and uses of the funds and in some cases the required or suggested minimum balances. The Debt Service Reserve Fund requires a balance equal to combined maximum annual debt service. The reserve requirement for all outstanding bonds of \$4.9 million was fully funded prior to the end of 2018. No additional transfers or deposits are required until new bonds are issued. Bond & Interest accumulates funds for each semiannual debt payment. The required balance at the end of the year averages \$2.4M. Therefore, by ordinance the Utility should have approximately \$7.3 million in restricted funds on hand excluding operating and improvement funds.

Guidelines for improvement funds are not stipulated in the bond ordinances but are set by management based on both historical experience and anticipated needs. Based on these types of considerations, management wants to maintain a target level of improvement funds ranging from \$2M - \$3M. The Utility's current improvement funds balance is approximately \$1.06M. It is unlikely that the Utility can achieve the desired balance of \$2M - \$3M in the improvement fund without a rate increase.

Bond coverage (ratio of pledged net revenues to annual debt service) for all outstanding bonded debt is projected to range from 119% to 132%. Minimum bond coverage requirements are generally 125%. Even though the Utility is projected to have 132% coverage in 2021 when including debt service on the proposed financing for phase II of the CSO interceptor project, this coverage could be considered a credit risk for an open market issue. If the proposed debt is issued through the SRF program, tap fees are to be excluded and PILT will have to be deducted from pledged net revenues, estimating coverage to be only 115% under this method. Therefore, based on these projections, the Utility does not have adequate debt service coverage to issue additional bonds without a rate increase.

### **Schedule V – Current and Projected Cash Balances**

This schedule reports all restricted and unrestricted funds of the Utility except for construction retainage. Balances reported through the end of October 2020 have been projected to the end of year 2020 based on current spending practices. Using the cash flows from Schedule IV we have allocated the total cash over the same funds at the end of 2025.

Based on the net operating revenues, payment in lieu of taxes, debt service and capital expenditures in this projection, cash balances would decrease approximately \$3.4M over the next five years if no new rate adjustments are implemented. We will develop recommendations for rate adjustments to be considered by the City to allow for issuance of the CSO Phase II financing and provide for other identified revenue requirements.

### **Schedule VI – Preliminary Schedule of Pro Forma Revenue Requirements**

This schedule presents preliminary revenue requirements calculations. The estimated shortfalls in revenues represents the amount of additional revenue that must be generated to provide sufficient cash flow for the Utility. In this schedule, for illustrative purposes, we have allocated the required revenue increases to wastewater revenues. The estimated rate increases presented would be across-the-board wastewater rates and charges increases (excludes stormwater and sanitation fees). One key baseline assumption made is how far wastewater fee revenues will fall in 2021 and how much they will come back in the following year. If our assumptions as described herein differ materially from actual, there will be a direct impact on the necessary rate increases. Close monitoring of actual wastewater billings in 2021 will help to further adjust this baseline revenue assumption and correspondingly modify the recommended rate increases prior to adoption.

### **Schedule VII – Projected Cash Flows and Bond Coverage – With Pro Forma Rate Increases**

This schedule is the same schedule as Schedule IV but includes the estimated increases from the pro forma revenue increases. This schedule demonstrates that with incremental rate increases of 1.5 - 3.0% for the next several years, the Utility will generate sufficient cash flow to cover capital costs and to provide adequate debt service coverage.



CITY OF WEST LAFAYETTE WASTEWATER UTILITY

BUDGETED OPERATION AND MAINTENANCE EXPENSE  
FOR THE BUDGET YEAR ENDING DECEMBER 31,

	2021 BUDGET	2020 BUDGET	CHANGE
<b>TREATMENT PLANT:</b>			
WAGES	\$ 630,988	\$ 627,877	0.5%
INSURANCE AND BENEFITS	297,650	289,895	2.7%
SUPPLIES	146,700	132,000	11.1%
BULK CHEMICALS	180,000	180,000	0.0%
SERVICES AND OTHER CHARGES	330,400	297,500	11.1%
UTILITIES	412,500	423,000	-2.5%
SLUDGE REMOVAL	300,000	225,000	33.3%
WASTE DISPOSAL FEES	12,000	12,000	0.0%
<b>SUB-TOTALS</b>	<b>2,310,238</b>	<b>2,187,272</b>	<b>5.6%</b>
<b>COLLECTION SYSTEM:</b>			
WAGES	414,022	414,331	-0.1%
INSURANCE AND BENEFITS	255,692	217,591	17.5%
SUPPLIES	19,150	25,000	-23.4%
SERVICES AND OTHER CHARGES	107,100	73,850	45.0%
UTILITIES	77,000	88,250	-12.7%
REPAIRS	66,000	74,000	-10.8%
<b>SUB-TOTALS</b>	<b>938,964</b>	<b>893,022</b>	<b>5.1%</b>
<b>SANITATION:</b>			
WAGES	471,862	503,502	-6.3%
INSURANCE AND BENEFITS	300,129	288,435	4.1%
SUPPLIES	183,100	145,100	26.2%
SERVICES AND OTHER CHARGES	89,000	56,760	56.8%
WASTE DISPOSAL FEES	220,000	195,000	12.8%
<b>SUB-TOTALS</b>	<b>1,264,091</b>	<b>1,188,797</b>	<b>6.3%</b>
<b>STORMWATER:</b>			
WAGES	209,352	221,449	-5.5%
INSURANCE AND BENEFITS	113,442	104,415	8.6%
SUPPLIES	45,300	35,650	27.1%
SERVICES AND OTHER CHARGES	77,950	60,140	29.6%
PROFESSIONAL SERVICES	125,000	145,000	-13.8%
<b>SUB-TOTALS</b>	<b>571,044</b>	<b>566,654</b>	<b>0.8%</b>

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

BUDGETED OPERATION AND MAINTENANCE EXPENSE  
 FOR THE BUDGET YEAR ENDING DECEMBER 31,  
 (CONTINUED)

	2021 <u>BUDGET</u>	2020 <u>BUDGET</u>	<u>CHANGE</u>
CUSTOMER ACCOUNTS			
WAGES	\$ 66,937	\$ 66,937	0.0%
INSURANCE AND BENEFITS	41,954	39,476	6.3%
SUPPLIES	49,250	43,250	13.9%
SERVICES AND OTHER CHARGES	<u>111,750</u>	<u>119,500</u>	<u>-6.5%</u>
SUB-TOTALS	<u>269,891</u>	<u>269,163</u>	<u>0.3%</u>
ADMINISTRATION AND GENERAL			
UTILITY ADMINISTRATION WAGES	265,748	269,210	-1.3%
UTILITY ADMINISTRATION INS/BENEFITS	114,019	108,697	4.9%
CITY ADMINISTRATION WAGES	482,021	492,746	-2.2%
CITY ADMINISTRATION INS/BENEFITS	240,574	224,259	7.3%
SUPPLIES	6,200	6,150	0.8%
SERVICES AND OTHER CHARGES	159,500	182,300	-12.5%
PROFESSIONAL SERVICES	<u>97,500</u>	<u>110,000</u>	<u>-11.4%</u>
SUB-TOTALS	<u>1,365,562</u>	<u>1,393,362</u>	<u>-2.0%</u>
TOTAL OPERATION AND MAINTENANCE EXPENSE	<u>\$ 6,719,790</u>	<u>\$ 6,498,270</u>	<u>3.4%</u>

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

PROJECTED OPERATING REVENUES AND EXPENSES  
FOR THE YEARS ENDING DECEMBER 31,

	ACTUAL	ACTUAL	BUDGET	BUDGET	PROJECTED				REF
	2018	2019	2020	2021	2022	2023	2024	2025	
PROJECTED OPERATING REVENUES:									
WASTEWATER USER FEES	\$ 10,190,880	\$ 10,237,979	\$ 10,380,788	\$ 10,064,529	\$ 10,382,029	\$ 10,382,029	\$ 10,382,029	\$ 10,382,029	(1)
PENALTIES	79,084	84,295	85,000	40,000	85,000	85,000	85,000	85,000	(2)
SANITATION TRASH FEES	1,138,928	1,245,707	1,252,944	1,272,224	1,272,224	1,272,224	1,272,224	1,272,224	(3)
RECYCLING GRANT	41,500	-	-	-	-	-	-	-	(4)
RECYCLABLE SALES	19,552	9,324	15,000	5,000	10,000	10,000	10,000	10,000	(4)
TOTERS AND BINS	79,472	30,259	20,000	35,000	35,000	35,000	35,000	35,000	(5)
STORMWATER FEES	1,430,846	1,432,252	1,434,000	1,434,000	1,434,000	1,434,000	1,434,000	1,434,000	(6)
OTHER OPERATING REVENUES	119,196	88,521	83,000	77,800	83,000	83,000	83,000	83,000	(2)
<b>TOTAL OPERATING REVENUES</b>	<b>13,099,458</b>	<b>13,128,337</b>	<b>13,270,732</b>	<b>12,928,553</b>	<b>13,301,253</b>	<b>13,301,253</b>	<b>13,301,253</b>	<b>13,301,253</b>	
PROJECTED OPERATING EXPENSES:									
TREATMENT PLANT	2,200,879	2,100,695	2,187,272	2,310,238	2,374,133	2,421,833	2,470,681	2,523,801	(7)
COLLECTION SYSTEM	855,379	863,988	893,022	938,964	975,914	1,003,487	1,032,013	1,061,533	(7)
SANITATION	1,203,894	1,090,823	1,188,797	1,264,091	1,293,976	1,324,910	1,356,936	1,390,098	(7)
STORMWATER	501,836	571,635	566,654	571,044	583,368	596,109	609,284	622,908	(7)
CUSTOMER ACCOUNTS	285,624	262,771	269,163	269,891	276,548	283,402	290,458	297,724	(7)
ADMINISTRATIVE AND GENERAL	1,447,597	1,318,150	1,393,362	1,365,562	1,401,561	1,438,811	1,477,366	1,517,278	(7)
<b>TOTAL OPERATING EXPENSES</b>	<b>6,495,209</b>	<b>6,208,062</b>	<b>6,498,270</b>	<b>6,719,790</b>	<b>6,905,500</b>	<b>7,068,552</b>	<b>7,236,738</b>	<b>7,413,342</b>	
<b>NET OPERATING REVENUES</b>	<b>\$ 6,604,249</b>	<b>\$ 6,920,275</b>	<b>\$ 6,772,462</b>	<b>\$ 6,208,763</b>	<b>\$ 6,395,753</b>	<b>\$ 6,232,701</b>	<b>\$ 6,064,515</b>	<b>\$ 5,887,911</b>	

NOTES:

- (1) Wastewater flow charges are based on the first 10 months of 2020 billing data plus two months of adjusted flow charges for estimated revenue losses due to COVID (approximately 3.5%). CSO charges are assumed at the September 2020 billings amount for 12 months. Beginning in 2022, it is assumed that revenues, specifically Purdue University, commercial and fraternity/sorority revenues return to near normal levels. Through October 2020, revenues for those three customer classes are down approximately \$520,000 in comparison to 2019. It is assumed that approximately half of the estimated losses is recouped in 2022.
- (2) Based on actual amounts billed in 2019.
- (3) Based on actual billings for the first 9 months of 2020 annualized.
- (4) No grant for 2021 is assumed. Recycling sales for 2021 are assumed to approximate the first 9 months of 2020 annualized. Beginning in 2022 recycling sales are assumed to approximate 2019 levels.
- (5) 2020 will experience a spike in revenue; however, it is anticipated that revenues will drastically decrease as there was a large push for conversion to proper/new garbage bins in 2020.
- (6) Assumed at the 2020 billing amount for 12 months.
- (7) Salaries and wages for 2021 are assumed at the amounts per the salary ordinance. Some budget amounts have been provided by management. Other operating expenses for the 2021 budget are assumed to approximate the first 9 months of 2020 annualized, 2019 actual amounts or the 2020 budget, depending on the type of expenditure. For projected years beyond 2021, most expenses experience an inflationary 2% increase. Employee benefits assume a 5% increase and certain contracted and professional services are held at budgeted 2021 or 2019 actual amounts through 2025. Reductions in electric costs are assumed to return to normal levels in 2022 as metered flow rates return to historical levels. Sanitation supplies expense is assumed to return to normal levels in 2022.

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

SCHEDULE OF CAPITAL EXPENDITURE REQUIREMENTS

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>CUMULATIVE TOTALS</u>
LIFT STATION:						
LEVEE LIFT STATION IMPROVEMENTS	\$ 844,000					\$ 844,000
BARBARRY LIFT STATION IMPROVEMENTS		\$ 50,000				50,000
WINDING RIDGE LIFT STATION IMPROVEMENTS			\$ 820,000			820,000
KALBERER LIFT STATION IMPROVEMENTS				\$ 798,000		798,000
COLLECTION SYSTEM:						
SEWER LINING		250,000			\$ 250,000	500,000
ENGINEERING DESIGN & CONSTRUCTION CSO INTERCEPTOR (PHASE II)	10,005,000					10,005,000
TREATMENT PLANT IMPROVEMENTS:						
SODIUM ALUMINATE TANK REPLACEMENT	25,000					25,000
STORM WATER & DRAINAGE:						
YEAGER ROAD PROJECT	600,000					600,000
HARTWOOD VILLAGE STORM WATER PROJECT	75,000					75,000
LINDBERG ROAD PROJECT		350,000				350,000
UNIVERSITY FARM STORM WATER PROJECT		300,000				300,000
CUMBERLAND AVENUE IMPROVEMENTS				300,000		300,000
HAPPY HOLLOW EROSION IMPROVEMENTS	100,000	100,000	100,000	100,000	100,000	500,000
EQUIPMENT:						
WASTEWATER GENERAL	82,000	82,000	230,000	75,000	75,000	544,000
SANITATION	122,000	122,000	122,000	122,000	122,000	610,000
STORMWATER	57,000	57,000	57,000	57,000	57,000	285,000
SUB TOTALS	11,910,000	1,311,000	1,329,000	1,452,000	604,000	16,606,000
LESS FUTURE BONDS	(10,005,000)					(10,005,000)
NET TOTALS	<u>\$ 1,905,000</u>	<u>\$ 1,311,000</u>	<u>\$ 1,329,000</u>	<u>\$ 1,452,000</u>	<u>\$ 604,000</u>	<u>\$ 6,601,000</u>

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

PROJECTED CASH FLOWS AND BOND COVERAGE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31,

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>REF</u>
PROJECTED OPERATING REVENUES	\$ 12,928,553	\$ 13,301,253	\$ 13,301,253	\$ 13,301,253	\$ 13,301,253	(1)
INTEREST INCOME	100,000	100,000	90,000	85,000	75,000	(2)
PROJECTED OPERATING EXPENDITURES	<u>(6,719,790)</u>	<u>(6,905,500)</u>	<u>(7,068,552)</u>	<u>(7,236,738)</u>	<u>(7,413,342)</u>	(1)
PROJECTED NET OPERATING REVENUES	6,308,763	6,495,753	6,322,701	6,149,515	5,962,911	
PROJECTED NON-OPERATING REVENUE - TAP FEES	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	(2)
TOTAL PLEDGED NET REVENUES	6,438,763	6,625,753	6,452,701	6,279,515	6,092,911	
PAYMENT IN LIEU OF TAXES	(675,000)	(675,000)	(675,000)	(675,000)	(675,000)	(2)
COMBINED ANNUAL DEBT SERVICE	(4,877,964)	(5,107,447)	(5,106,908)	(5,106,942)	(5,105,097)	(3)
CAPITAL EXPENDITURES, NET OF DEBT FINANCING	<u>(1,905,000)</u>	<u>(1,311,000)</u>	<u>(1,329,000)</u>	<u>(1,452,000)</u>	<u>(604,000)</u>	(4)
PROJECTED CASH INCREASE (DECREASE)	(1,019,201)	(467,694)	(658,207)	(954,427)	(291,186)	
BEGINNING CASH BALANCE	<u>13,690,164</u>	<u>12,670,963</u>	<u>12,203,269</u>	<u>11,545,062</u>	<u>10,590,635</u>	
ENDING CASH BALANCE	<u>\$ 12,670,963</u>	<u>\$ 12,203,269</u>	<u>\$ 11,545,062</u>	<u>\$ 10,590,635</u>	<u>\$ 10,299,449</u>	
PROJECTED BOND COVERAGE	<u>132%</u>	<u>130%</u>	<u>126%</u>	<u>123%</u>	<u>119%</u>	(5)

NOTES:

(1) See Schedule II - Projected Operating Revenues and Expenditures.

(2) Assumed to approximate historical amounts received or historical returns.

(3) Based on current debt amortization schedules and projected debt service for phase II CSO interceptor project.

(4) See Schedule III - Five Year Capital Plan.

(5) Represents Total Pledged Net Revenues divided by Combined Annual Debt Service. Minimum standard generally 125%. This bond coverage excludes payment in lieu of taxes.

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

SCHEDULE OF CURRENT AND PROJECTED CASH BALANCES

	ACTUAL	PROJECTED	
	10/31/2020	12/31/2020	12/31/2025
UNRESTRICTED:			
OPERATING	\$ 1,213,292	\$ 900,000	\$ 522,755
STORMWATER	4,178,331	4,328,331	1,400,000
IMPROVEMENT	1,063,234	1,100,000	500,000
RESTRICTED:			
BOND & INTEREST	1,715,930	2,452,965	2,719,043
DEBT SERVICE RESERVE	5,191,111	4,908,868	5,157,651
	<u>\$ 13,361,898</u>	<u>\$ 13,690,164</u>	<u>\$ 10,299,449</u>

NOTES:

- (1) Excludes construction and retainage funds.
- (2) Balances at 12/31/2025 are based upon the projected cash flows shown on Schedule IV without any future rate increases.

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

SCHEDULE OF PRO FORMA REVENUE REQUIREMENTS

**PRELIMINARY**

FOR THE PRO FORMA YEARS ENDED DECEMBER 31,

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
PRO FORMA REVENUE REQUIREMENTS:					
PRO FORMA CASH OPERATION AND					
MAINTENANCE EXPENSES	\$ 6,719,790	\$ 6,905,500	\$ 7,068,552	\$ 7,236,738	\$ 7,413,342
CURRENT DEBT SERVICE REQUIREMENTS	4,856,892	4,854,572	4,854,033	4,854,067	4,852,222
PROPOSED NEW DEBT SERVICE	21,073	252,875	252,875	252,875	252,875
CAPITAL IMPROVEMENTS ALLOWANCE	1,190,000	1,365,000	1,360,000	1,355,000	1,170,240
PAYMENT IN LIEU OF TAXES (PILT)	675,000	675,000	675,000	675,000	675,000
 TOTAL PRO FORMA REVENUE REQUIREMENTS	 <u>13,462,755</u>	 <u>14,052,947</u>	 <u>14,210,460</u>	 <u>14,373,680</u>	 <u>14,363,679</u>
 PRO FORMA REVENUES:					
WASTEWATER REVENUES	10,064,529	10,382,029	10,382,029	10,382,029	10,382,029
STORMWATER REVENUES	1,434,000	1,434,000	1,434,000	1,434,000	1,434,000
SANITATION REVENUES	1,272,224	1,272,224	1,272,224	1,272,224	1,272,224
OTHER REVENUES	157,800	213,000	213,000	213,000	213,000
INTEREST INCOME	100,000	100,000	90,000	85,000	75,000
TAP FEES	130,000	130,000	130,000	130,000	130,000
ADDITIONAL REVENUES FROM PRIOR RATE INCRS.	-	304,202	521,694	689,207	857,427
 TOTAL PRO FORMA REVENUES	 <u>13,158,553</u>	 <u>13,835,455</u>	 <u>14,042,947</u>	 <u>14,205,460</u>	 <u>14,363,680</u>
 ESTIMATED REVENUE SHORTFALL	 <u>\$ 304,202</u>	 <u>\$ 217,492</u>	 <u>\$ 167,513</u>	 <u>\$ 168,220</u>	 <u>\$ (1)</u>
 ESTIMATED ACROSS-THE-BOARD WASTEWATER RATE INCREASE	 <u>3.0%</u>	 <u>2.0%</u>	 <u>1.5%</u>	 <u>1.5%</u>	 <u>0.0%</u>
 ESTIMATED BOND COVERAGE	 <u>138%</u>	 <u>140%</u>	 <u>140%</u>	 <u>140%</u>	 <u>136%</u>

FOR INTERNAL MANAGEMENT DELIBERATIVE PURPOSES ONLY.

SCHEDULE VI

CITY OF WEST LAFAYETTE WASTEWATER UTILITY

*With Illustrative Rate Increases*

PROJECTED CASH FLOWS AND BOND COVERAGE  
FOR THE TWELVE MONTHS ENDED DECEMBER 31,

	2021	2022	2023	2024	2025	REF
PROJECTED OPERATING REVENUES	\$ 12,928,553	\$ 13,301,253	\$ 13,301,253	\$ 13,301,253	\$ 13,301,253	(1)
INTEREST INCOME	100,000	100,000	90,000	85,000	75,000	(2)
PROJECTED OPERATING EXPENDITURES	(6,719,790)	(6,905,500)	(7,068,552)	(7,236,738)	(7,413,342)	(1)
PROJECTED NET OPERATING REVENUES	6,308,763	6,495,753	6,322,701	6,149,515	5,962,911	
<b>ADDITIONAL REVENUES - ILLUSTRATIVE RATE INCREASES</b>	<b>304,202</b>	<b>521,694</b>	<b>689,207</b>	<b>857,427</b>	<b>857,426</b>	<b>(6)</b>
PROJECTED NON-OPERATING REVENUE - TAP FEES	130,000	130,000	130,000	130,000	130,000	(2)
TOTAL PLEDGED NET REVENUES	6,742,965	7,147,447	7,141,908	7,136,942	6,950,337	
PAYMENT IN LIEU OF TAXES	(675,000)	(675,000)	(675,000)	(675,000)	(675,000)	(2)
COMBINED ANNUAL DEBT SERVICE	(4,877,964)	(5,107,447)	(5,106,908)	(5,106,942)	(5,105,097)	(3)
CAPITAL EXPENDITURES, NET OF DEBT FINANCING	(1,905,000)	(1,311,000)	(1,329,000)	(1,452,000)	(604,000)	(4)
PROJECTED CASH INCREASE (DECREASE)	(714,999)	54,000	31,000	(97,000)	566,240	
BEGINNING CASH BALANCE	13,690,164	12,975,165	13,029,165	13,060,165	12,963,165	
ENDING CASH BALANCE	<u>\$ 12,975,165</u>	<u>\$ 13,029,165</u>	<u>\$ 13,060,165</u>	<u>\$ 12,963,165</u>	<u>\$ 13,529,405</u>	
PROJECTED BOND COVERAGE	<u>138%</u>	<u>140%</u>	<u>140%</u>	<u>140%</u>	<u>136%</u>	(5)

NOTES:

- (1) See Schedule II - Projected Operating Revenues and Expenditures.
- (2) Assumed to approximate historical amounts received or historical returns.
- (3) Based on current debt amortization schedules and projected debt service for phase II CSO interceptor project.
- (4) See Schedule III - Five Year Capital Plan.
- (5) Represents Total Pledged Net Revenues divided by Combined Annual Debt Service. Minimum standard generally 125%. This bond coverage excludes payment in lieu of taxes.
- (6) **See Schedule VI - PRELIMINARY, SUBJECT TO CHANGE. For illustrative purposes only.**