

Town of Milton



Water Rate Projections

July 18, 2024

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Water System Financial Highlights

- 2,171 current customers
 - Potential significant growth with 1,226 new customers (56% growth) expected over a 10-year period.
- Future debt service increases with \$59,000 budgeted in 2024 but increasing to \$455,000/year starting in 2028.
- Adding a new developer paid Water Treatment Plant to serve customer growth (increased Operating Expenses).
- Upcoming meter replacement project funded by outside contributions.
- Fund Balance at 186 Days Cash on Hand (Aa score from Moody's Scorecard).





Major Modeling Assumptions

- Rate structure remains the same (Qtr. Fixed Fee + Volumetric + Fixed Debt Service Fee)
- Inflation is assumed at 3%/year.
- **Assumed full customer growth.**
- Out of Town fixed quarterly rate assumed at double the current In-Town rate (staying with current assumptions).
- Debt Service Fee only pays for debt service and changes annually.
- Addition of 2 new employees in Water Department (2026 & 2029).
- Assumes Impact Fees can only be used for capital (not operational) expenses.
- \$230,000 “Prior Year Surplus” removed from future projections.





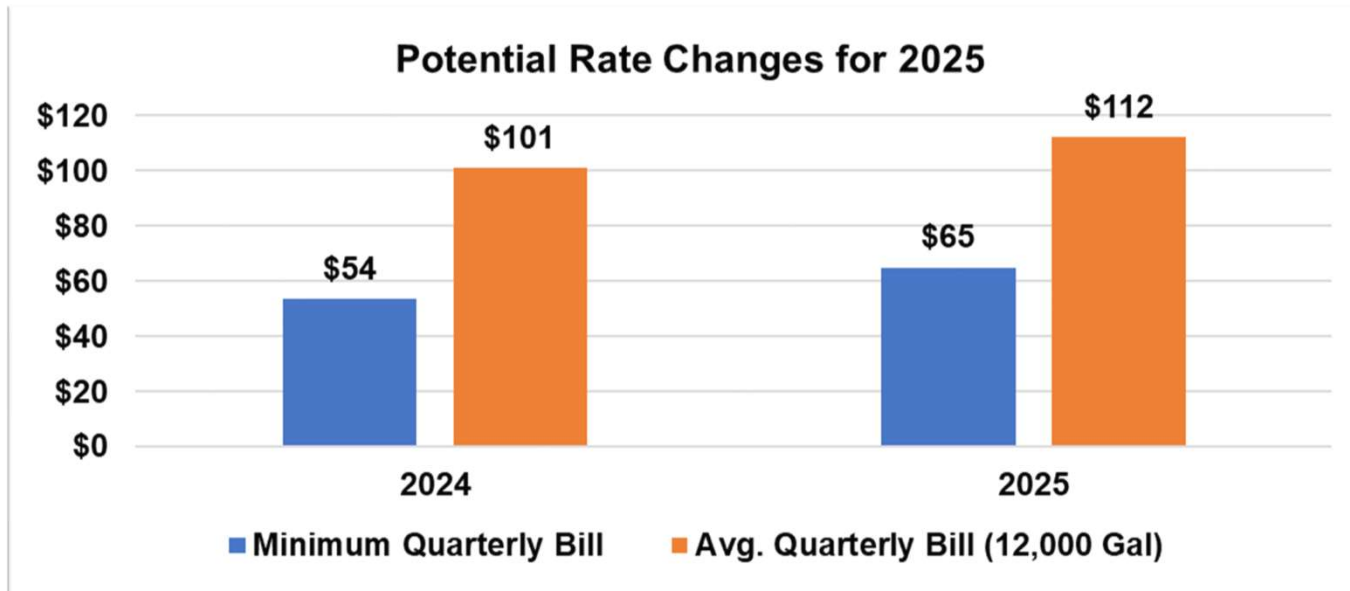
Summary of Findings

- **Summary of Findings** – It appears that only the Debt Service Fee will need to increase for the 2025 fiscal year with the fixed and volumetric fees remaining the same (11% total bill increase for an average user).
- Additional increases of 10% or less are projected from 2026 – 2028 with rates then leveling off or decreasing through 2034.
- **Growth** – While customer growth is helping keep increases manageable, the removal of the \$230,000 Prior Year Surplus, the increasing debt service payments, the addition of new personnel, and a new plant necessitate the need for increases. **We note that without growth, the increases required would be higher.**
- **Suggestion** – As the growth comes to fruition, continue to look at the financials to determine if changes to the plan are needed.



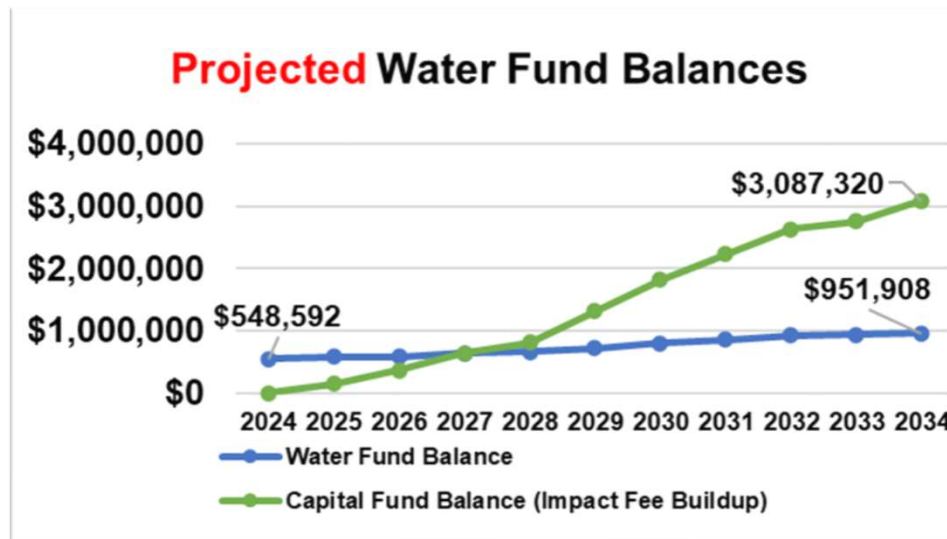
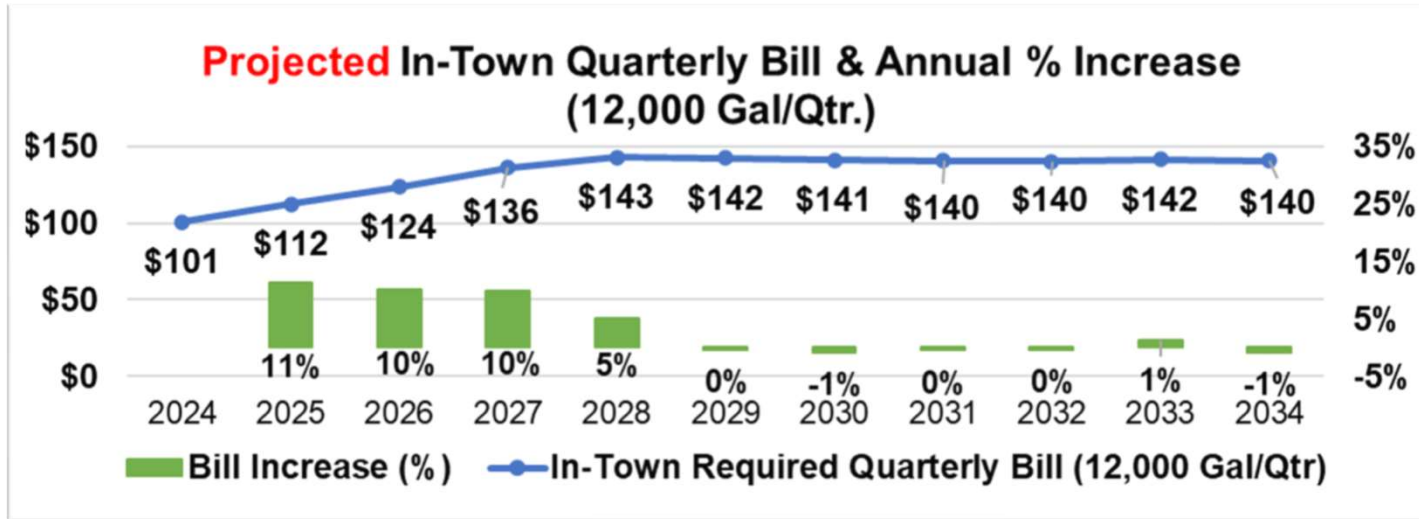
Potential Rate Changes for FY 2025

POTENTIAL RATE CHANGES FOR 2025				
	<u>9/30/2024</u>	<u>9/30/2025</u>	<u>Increase (\$)</u>	<u>Increase (%)</u>
Quarterly Base Charge	\$45.00	\$45.00	\$0.00	0%
Volumetric Charge	\$3.95	\$3.95	\$0.00	0%
Quarterly Debt Service Fee	\$8.50	\$20.02	\$11.52	136%
Minimum Quarterly Bill	\$54	\$65	\$11.52	22%
Avg. Quarterly Bill (12,000 Gal)	\$101	\$112	\$11.52	11%





Projected Quarterly Bill Increases & Fund Balance Through 2034



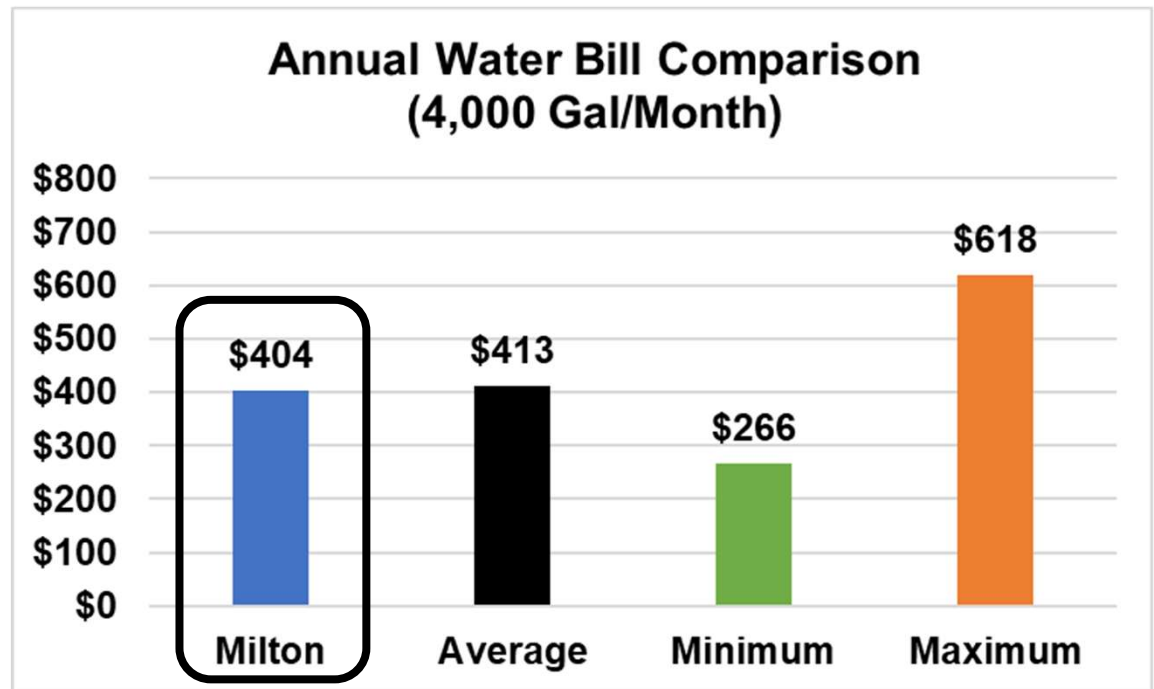
Note – All information including customer counts, billed flow, capital plans etc. were provided by the Town. Full projections with all detailed assumptions are available upon request.





Comparison of Town's Rates to Other Water Providers

- PFM compared the Town's current rates and average annual bill to 10 other water providers across Delaware.
 - Municipal water providers & investor-owned utilities
- The Town's annual bill is on par with the average of the sample group.





Backup Summary of Financial Projections

Backup Financial Projections

	Budget 2024	Proj. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030	Proj. 2031	Proj. 2032	Proj. 2033	Proj. 2034
Beginning Total Customer Count	2,171	2,171	2,335	2,432	2,552	2,638	2,805	2,973	3,109	3,243	3,286
Granary	0	20	50	72	39	119	118	127	125	33	101
Scarlet Oaks	0	0	33	33	33	33	33	0	0	0	0
Cypress Grove Apartments	0	96	0	0	0	0	0	0	0	0	0
Other	0	48	14	15	15	15	17	9	10	10	10
Ending Total EDU Count	2,171	2,335	2,432	2,552	2,638	2,805	2,973	3,109	3,243	3,286	3,397
Quarterly Base Charge Required	\$45	\$45	\$49	\$49	\$49	\$50	\$50	\$51	\$51	\$52	\$52
Volumetric Charge Required Per 1,000 Gallons	\$3.95	\$3.95	\$4.27	\$4.27	\$4.27	\$4.35	\$4.39	\$4.44	\$4.48	\$4.57	\$4.57
Quarterly Debt Service Fee	\$9	\$20	\$24	\$36	\$43	\$41	\$38	\$37	\$35	\$35	\$34
In-Town Required Quarterly Bill (12,000 Gal/Qtr)	\$101	\$112	\$124	\$136	\$143	\$142	\$141	\$140	\$140	\$142	\$140
Bill Increase (%)		11%	10%	10%	5%	0%	-1%	0%	0%	1%	-1%
Total Capital Funded (2025-2034)	Debt \$0	Cash Funded \$1,396,439		Total \$1,396,439							
	0%	100%									
Revenues											
User Charges	781,000	1,104,227	1,275,268	1,517,872	1,651,143	1,766,810	1,873,533	1,964,503	2,056,042	2,112,541	2,176,902
Other Revenues	336,250	1,300,154	138,585	165,086	126,078	222,680	224,918	187,574	185,712	75,861	158,320
Total Revenues	1,117,250	2,404,382	1,413,852	1,682,959	1,777,221	1,989,490	2,098,451	2,152,077	2,241,755	2,188,402	2,335,222
Expenses											
Admin & O&M Expenses	1,017,030	1,109,894	1,176,985	1,254,789	1,296,858	1,474,315	1,568,485	1,635,264	1,723,338	1,722,998	1,857,617
Debt Service	59,000	186,989	232,707	369,069	455,571	455,571	455,571	455,571	455,571	455,571	455,571
Cash-Funded Capital Not Paid by Impact Fees[2]	0	1,082,189	0	0	0	0	0	0	0	0	0
Total Expenses	1,076,030	2,379,071	1,409,692	1,623,859	1,752,429	1,929,886	2,024,056	2,090,835	2,178,909	2,178,569	2,313,188
Surplus (Deficit)	41,220	25,310	4,160	59,100	24,792	59,604	74,395	61,242	62,846	9,833	22,034
Fund Balance	548,592	573,902	578,063	637,163	661,955	721,559	795,954	857,196	920,041	929,874	951,908
Impact Fees	90,000	216,000	292,491	357,666	259,044	499,425	503,875	409,346	403,501	127,657	332,564
Cash Funded Capital Projects Paid by Impact Fees[2]	90,000	75,000	77,250	80,000	82,000	0	0	0	0	0	0
Capital Fund Balance (Impact Fee Buildup)	0	141,000	356,241	633,906	810,950	1,310,376	1,814,251	2,223,597	2,627,099	2,754,756	3,087,320
Moody's Financial Strength Scores											
Days Cash on Hand (Cap Fund Not Included)	186	162	150	143	138	136	144	150	154	156	150
Indicative Moody's Score[1]	Aa	Aa	A	A	A	A	A	A	Aa	Aa	Aa
Debt Service Coverage	1.70	6.92	1.02	1.16	1.05	1.13	1.16	1.13	1.14	1.02	1.05
Indicative Moody's Score[1]	A	Aaa	Baa	Baa	Baa	Baa	Baa	Baa	Baa	Baa	Baa

Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change and should be reviewed every year. The projections shown are not indicative of future results. The Town should review their budgeted expenses every year and determine if adjustments to the rate increases shown above are warranted.

[1] Per Moody's, two Financial Strength Categories listed above equal approximately 30% of the total credit rating. Rating Scale from best to worst is AAA, Aa, A, Baa, Ba, B and below. Source: Moody's Rating Methodology.

[2] Capital spend shown does not account for projects shown in the Water Facilities Report because these projects would require referendums that would need to be voted on at a later date.

Thank You



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