

FY 2025
Preliminary
Budget
Presentation
October 23, 2024



AGENDA

- FY 2025 Preliminary O&M Budget
 - Budget Process
 - Preliminary O&M Budget
- 2025 Consumption Projections
- 2025 Revenue Projections
- Financial Policies
- Rate Setting Overview
- Debt Service Coverage
- FY2025 Preliminary Capital Budget
- Next Steps

BUDGET PROCESS

- **BWWB's budget needs based on strategic plan**
- **Individual department meetings-virtually**
- **Focus on individual line-item variances**
- **Process embraced by executive management & leadership team**

Key Budget Drivers

- Labor increase – General Wage Increase (GWI) & employee merit increase
- Chemical & power cost increase based on price increases & projected demand
- Lead & Copper rule regulation implementation including increase water sampling & testing for regulatory compliance
- Historically Underutilized Business (HUB) participation enhancement
- Procure Advanced Metering Infrastructure (AMI) program and implementation
- Funding O&M and Capital Budgets; maintain Pay-As-You-Go (PAYGO) and financial policies

RECOMMENDED O&M BUDGET

2024 APPROVED	2024 REVISED*	2025 PROPOSED
\$132,003,956	\$137,131,476	\$142,479,982

3.88% (2024 Approved to 2024 Revised)
3.90% (2024 Revised to 2025 Proposed)
7.94%(2024 Approved to 2025 Proposed)

***2024 Revised Budget is a result of O & M Overhead Allocation Study – resulted in \$5,127,521 additional operating expense.**

O&M SUMMARY BY EXPENSE CATEGORY

COMMITMENT ITEM	2025 NET BUDGET	2024 NET BUDGET	\$ VARIANCE	% VARIANCE
Labor	\$53,613,909	\$46,962,255	\$6,651,654	14.16%
Employee Related Expenses	18,356,642	17,530,588	826,054	4.71%
Power	13,217,075	12,407,564	809,512	6.52%
Trans & Distrib Maintenance Materials	9,061,872	9,594,448	(532,576)	(5.55%)
License Fees	5,293,727	4,993,727	300,000	6.01%
Chemicals	9,724,641	9,381,540	343,101	3.66%
Legal	1,260,000	1,159,704	100,296	8.65%
Lab Support, Purification Maintenance	2,463,850	2,198,702	265,148	12.06%
Outsourced Security	1,875,969	1,904,997	(29,028)	(1.52%)
Insurance	4,020,000	3,739,730	280,270	7.49%
Electrical/Pump Maintenance	509,500	495,700	13,800	2.78%
Billing Expense	1,235,000	1,200,000	35,000	2.92%
Other Operation & Maintenance Expenses	15,873,650	15,642,718	230,931	1.48%
Consultants	5,974,148	4,792,282	1,181,866	24.66%
Total Operation & Maintenance	\$142,479,982	\$132,003,956	\$10,476,027	7.94%
Budget increased due to:				
<ul style="list-style-type: none"> - Raftelis completed an O&M overhead allocations study resulting in \$5,127,521 O&M Budget increase and a reduction in the Capital Budget - Salary survey implementation, general wage and employee merit increases, chemical and power cost increases, lead and copper rule implementation and AMI Program implementation 				



CATEGORY	FY 2025	FY 2024	\$ VARIANCE	% VARIANCE
Regular Salary	\$51,626,078	\$48,955,646	\$2,670,432	5.45%
General Wage Increase (GWI)	1,023,601	1,431,658	(408,057)	(28.50%)
Overtime Amount	4,918,627	4,362,289	556,338	12.75%
Merit Amount	1,851,605	1,582,781	268,824	16.98%
Longevity Amount	1,702,765	1,718,018	(15,253)	(0.89%)
(1) Total Budget	\$61,122,675	\$58,050,392	\$3,072,283	5.29%
(2) Total FTE	724.09	725.44	(1.35)	(0.19%)
Overtime Hours	81,162	76,142	5,021	6.59%

(1) Gross Labor Budget increased due to FY2024 salary survey implementation, merit increase and increased overtime hours .

(2) Total FTE Excludes Young Water Ambassadors and Co-ops.

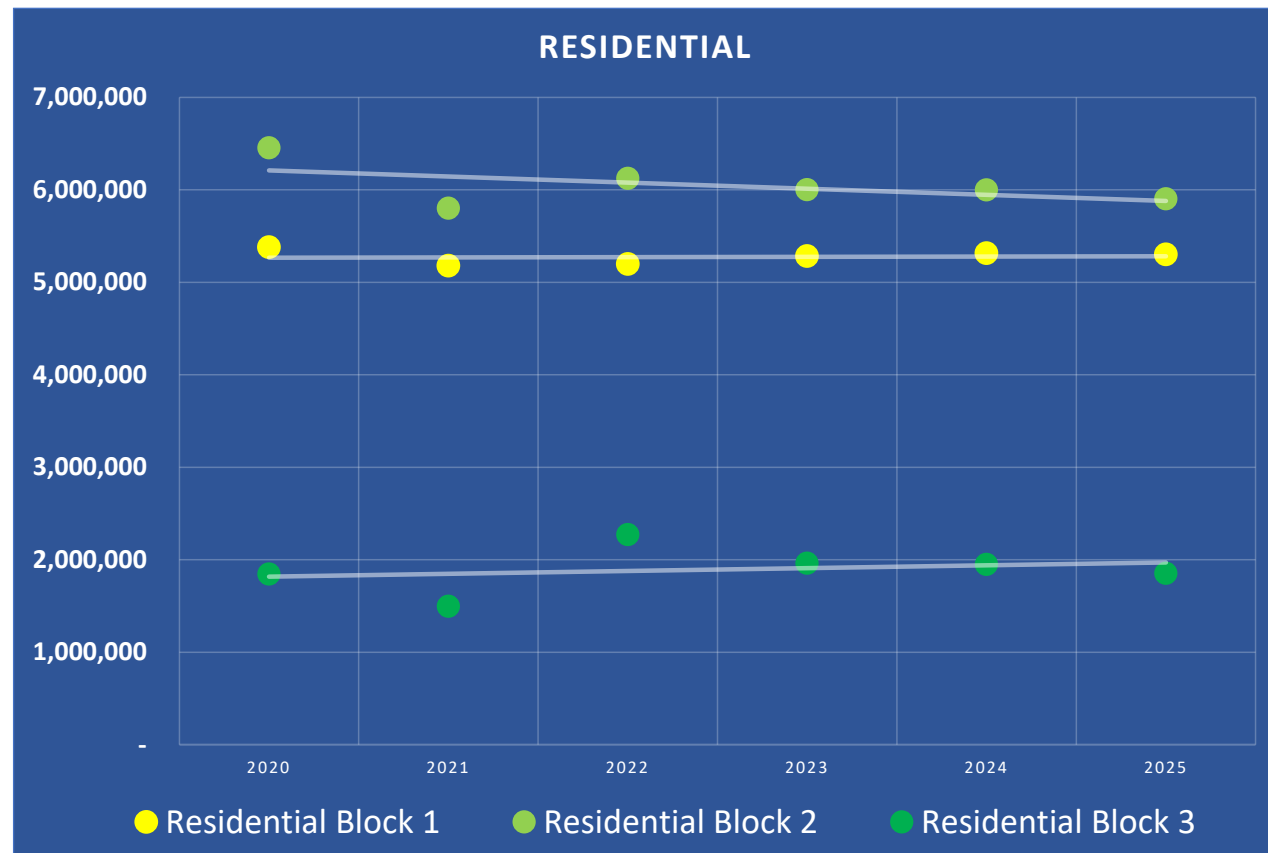
2025 PROJECTION CONSIDERATIONS

- Projections based on historical trends of actual consumption and other expectations
- Continued declining per capita demand
- Updated residential rate structure based on cost of service results



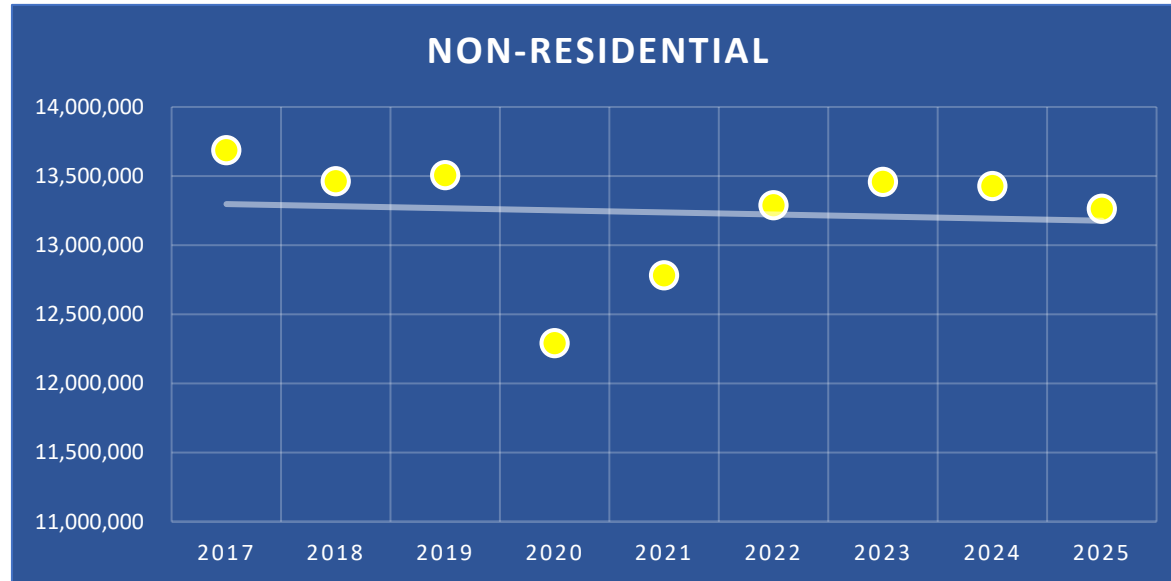
RESIDENTIAL (ALL BLOCKS) PROJECTION

- 5-year trend
 - > 0.91% decrease
- 2025 Projection
 - > 2025 Budget 1.54% decrease from 2024 Est. Actuals
 - > 2025 Budget 0.58% increase from 2024 Budget



NON-RESIDENTIAL PROJECTION

- 5-year trend
 - > 1.79% increase
- 2025 Projection
 - > 2025 Budget 1.23% decrease from 2024 Est. Actuals
 - > 2025 Budget 0.30% increase from 2024 Budget
 - > Increased municipal demand projection



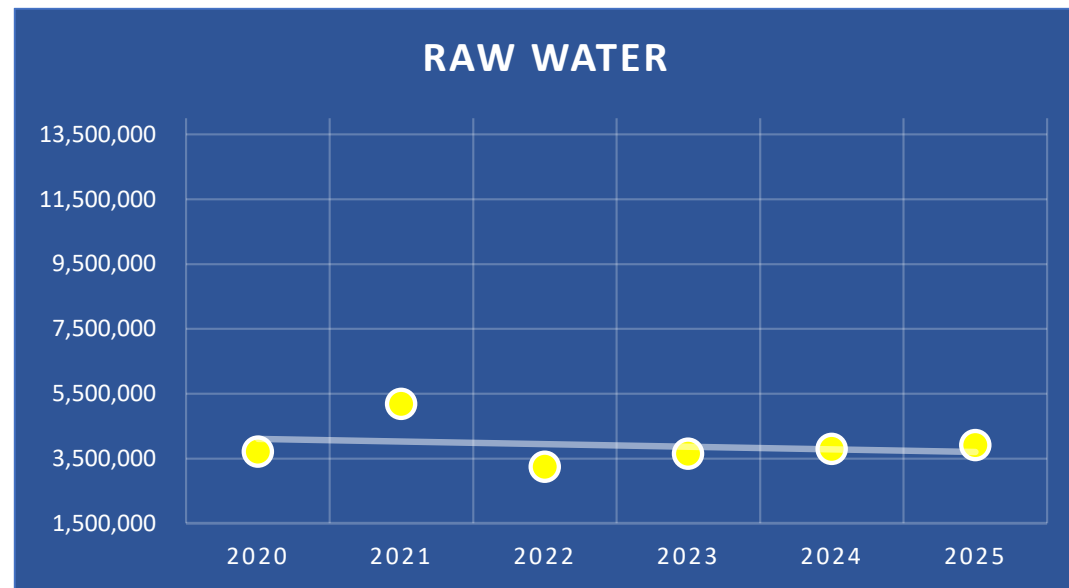
WHOLESALE PROJECTION

- 5-year trend
 - › 0.44% decrease
- 2025 Projection
 - › 2025 Budget 5.99% increase from 2024 Est. Actuals
 - › 2025 Budget 8.13% increase from 2024 Budget
 - › Added new wholesale customer (40,000 CCF / year)



RAW WATER PROJECTION

- 5-year trend
 - › 0.43% increase
- 2025 Projection
 - › 2025 Budget 3.00% increase from 2024 Est. Actuals
 - › 2025 Budget 2.63% increase from 2024 Budget



2025 INITIAL CONSUMPTION PROJECTION

	2023	2024	2024	2025	2025	2025 Budget (New) to 2024 Est. Actual
	Actual	Budget	Est. Actual	Budget - Old Structure	Budget	Difference (Ccf)
Residential						
Block 1 (0-3 Ccf)	5,277,983	5,225,000	5,311,831	5,300,000	5,300,000	(11,831)
<i>Percent Change</i>		-1.00%	1.66%	-0.22%	-0.22%	
Block 2 (3-12 Ccf)	5,971,011	5,850,000	5,996,333	5,900,000	5,475,000	(521,333)
<i>Percent Change</i>		-2.03%	2.50%	-1.61%	-8.69%	
Block 3 (12+ Ccf)	1,968,307	1,900,000	1,946,212	1,850,000	2,275,000	328,788
<i>Percent Change</i>		-3.47%	2.43%	-4.94%	16.89%	
Subtotal: Residential	13,217,301	12,975,000	13,254,376	13,050,000	13,050,000	(204,376)
<i>Percent Change</i>		-1.83%	2.15%	-1.54%	-1.54%	

*Percent Change in 2024 Budget column compares to 2023 Actual, Percent Change in 2024 Est. Actual column compares to 2024 Budget, Percent Change in both 2025 Budget Columns compares to 2024 Est. Actual



2025 INITIAL CONSUMPTION PROJECTION

	2023 Actual	2024 Budget	2024 Est. Actual	2025 Budget - Old Structure	2025 Budget	2025 Budget (New) to 2024 Est. Actual Difference (Ccf)
Residential						
Block 1 (0-3 Ccf)	5,277,983	5,225,000	5,311,831	5,300,000	5,300,000	(11,831)
<i>Percent Change</i>		-1.00%	1.66%	-0.22%	-0.22%	
Block 2 (3-12 Ccf)	5,971,011	5,850,000	5,996,333	5,900,000	5,475,000	(521,333)
<i>Percent Change</i>		-2.03%	2.50%	-1.61%	-8.69%	
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<i>Percent Change</i>		-3.47%	2.43%	-4.94%	16.89%	
Subtotal: Residential	13,217,301	12,975,000	13,254,376	13,050,000	13,050,000	(204,376)
<i>Percent Change</i>		-1.83%	2.15%	-1.54%	-1.54%	
Non-Residential	13,484,889	13,220,000	13,424,614	13,260,000	13,260,000	(164,614)
<i>Percent Change</i>		-1.96%	1.55%	-1.23%	-1.23%	
Wholesale	801,933	800,000	816,150	865,000	865,000	48,850
<i>Percent Change</i>		-0.24%	2.02%	5.99%	5.99%	
Raw Water	3,663,857	3,800,000	3,786,530	3,900,000	3,900,000	113,470
<i>Percent Change</i>		3.72%	-0.35%	3.00%	3.00%	
Total Consumption	31,167,980	30,795,000	31,281,670	31,075,000	31,075,000	(206,670)
<i>Percent Change</i>		-1.20%	1.58%	-0.66%	-0.66%	

*Percent Change in 2024 Budget column compares to 2023 Actual, Percent Change in 2024 Est. Actual column compares to 2024 Budget, Percent Change in 2025 Budget Column compares to 2024 Est. Actual

**2025 Budget projected demand includes the usage for Helena Utility Board

Base Charge Rate Changes for 2025

	Actual 2024	Projected 2025	Variance
Residential, Non-Residential, Wholesale			
<i>by meter size</i>			
5/8	\$ 27.16	\$ 28.49	\$ 1.33
3/4	36.02	37.78	1.76
1	54.21	56.87	2.66
1.5	98.10	102.91	4.81
2	153.58	161.11	7.53
3	324.81	340.73	15.92
4	489.87	513.87	24.00
6	942.28	988.45	46.17
8	1,483.39	1,556.08	72.69
10	2,108.70	2,212.03	103.33
Raw			
<i>by meter size</i>			
2	\$ 78.12	\$ 78.12	\$ -
3	171.20	171.20	-
4	252.93	252.93	-
6	474.95	474.95	-
8	739.88	739.88	-
10	1,043.94	1,043.94	-
12	1,864.70	1,864.70	-
16	2,738.31	2,738.31	-
20	4,207.90	4,207.90	-
30	8,165.72	8,165.72	-



Municipal and Public Fire Hydrant Fees

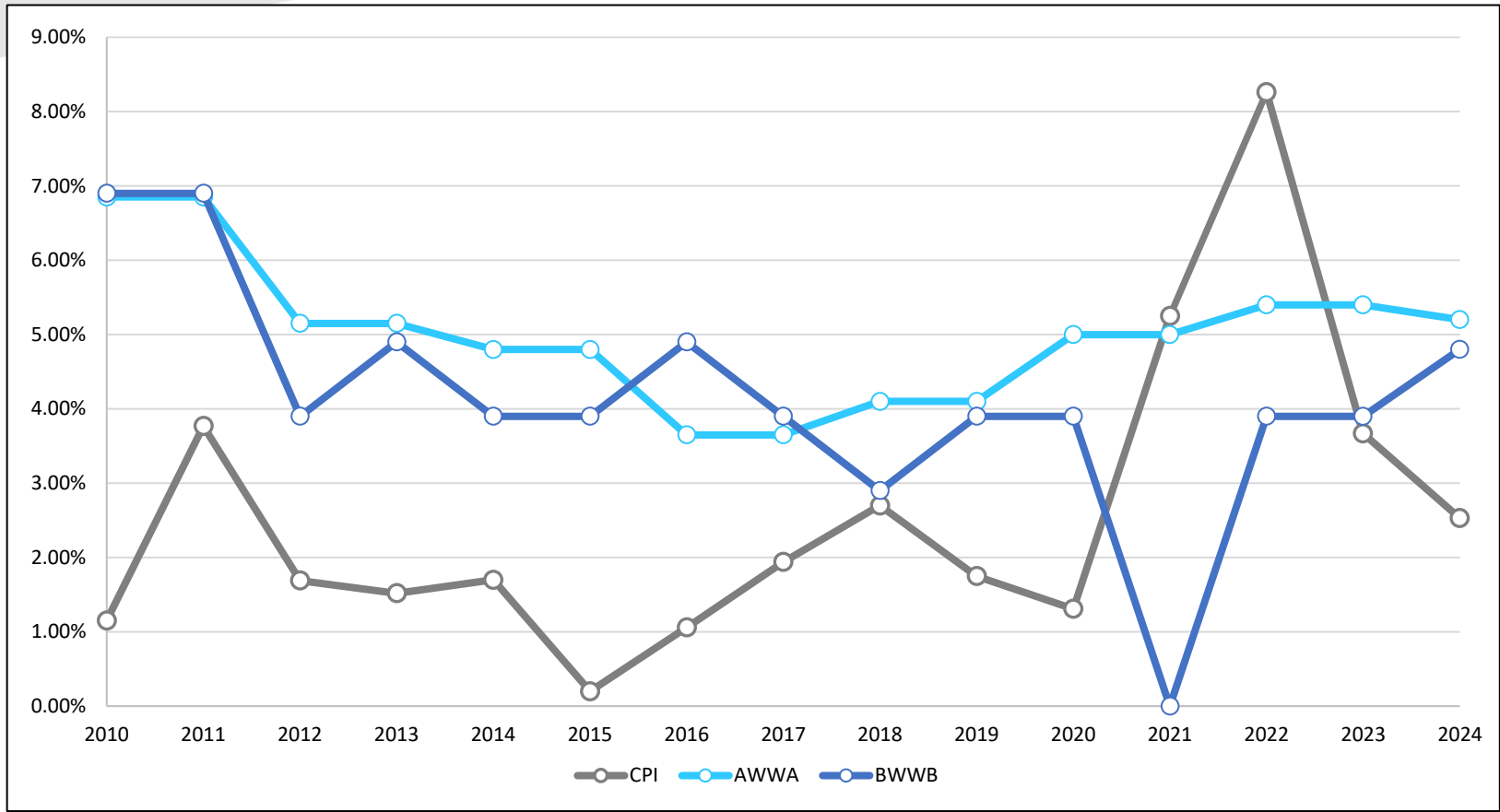
	Until September 30, 2024		Effective October 1, 2025	
Per Hydrant Fee	\$	262.44	\$	262.44
% Increase				0.00%

Charged annually for fire hydrants on public streets

- Fire Hydrants Fees will remain unchanged for the next 5 years, until the next cost of service study.



Historical Rate Trends



*CPI as of August 2024

Assumed Customer Impacts

	Actual 2024 *	Projected 2025 **
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(1) Based on 5/8" meter and 6 ccf (4,500 gallons) of monthly usage

Birmingham Customer Details

Monthly Water Bill (1)	\$ 49.96	\$ 52.10
		4.28%
Impact to Customer Monthly Bill	\$	2.14

*The Current 2024 Rates are under the current rate structure.

**The Projected 2025 Rates are under the new Cost-of-Service structure with the implied 4.9% rate increase built in.



2025 VOLUMETRIC REVENUE PROJECTIONS

	2023 Actual	2024 Budget	2024 Est. Actual	2025 Budget - New Structure
Residential				
Block 1 (0-3 Ccf)	\$ 14,408,894	\$ 14,943,500	\$ 15,191,836	\$ 15,688,000
Block 2 (3-12 Ccf)	26,988,972	27,729,000	28,422,620	26,882,250
Block 3 (12+ Ccf)	15,569,306	15,751,000	16,134,095	19,519,500
Subtotal: Residential	\$ 56,967,171	\$ 58,423,500	\$ 59,748,551	\$ 62,089,750
<i>Difference</i>		\$ 1,456,329	\$ 1,325,051	\$ 2,341,199
Non-Residential	\$ 58,254,719	\$ 59,886,600	\$ 60,813,503	\$ 62,189,400
<i>Difference</i>		\$ 1,631,881	\$ 926,903	\$ 1,375,897
Wholesale	\$ 2,846,863	\$ 2,976,000	\$ 3,036,078	\$ 3,373,500
<i>Difference</i>		\$ 129,137	\$ 60,078	\$ 337,422
Raw Water	\$ 4,931,551	\$ 5,361,800	\$ 5,342,794	\$ 5,502,900
<i>Difference</i>		\$ 430,249	\$ (19,006)	\$ 160,106
Total Volumetric	\$ 123,000,304	\$ 126,647,900	\$ 128,940,926	\$ 133,155,550
<i>Difference</i>		\$ 3,647,596	\$ 2,293,026	\$ 4,214,624

*Difference in 2024 Budget column compares to 2023 Actual, Difference in 2024 Est. Actual column compares to 2024 Budget, Difference in 2025 Budget column compares to 2024 Est. Actual

2025 TOTAL REVENUE PROJECTIONS

	2023 Actual	2024 Budget	2024 Est. Actual	2025 Budget
Volumetric Revenue				
<u>Residential</u>				
Block 1 (0-3 Ccf)	\$ 14,408,894	\$ 14,943,500	\$ 15,191,836	\$ 15,688,000
Block 2 (3-12 Ccf)	26,988,972	27,729,000	28,422,620	26,882,250
Block 3 (12+ Ccf)	15,569,306	15,751,000	16,134,095	19,519,500
<i>Subtotal: Residential</i>	\$ 56,967,171	\$ 58,423,500	\$ 59,748,551	\$ 62,089,750
<i>Difference*</i>		\$ 1,456,329	\$ 1,325,051	\$ 2,341,199
<u>Non-Residential</u>				
Commercial	\$ 51,726,480	\$ 53,001,000	\$ 53,448,229	\$ 54,873,000
Industrial	1,419,574	1,630,800	1,565,021	1,641,500
Municipal	4,851,253	4,983,000	5,501,393	5,393,500
Private Fire	257,412	271,800	298,861	281,400
<i>Subtotal: Non-Residential</i>	\$ 58,254,719	\$ 59,886,600	\$ 60,813,503	\$ 62,189,400
<i>Difference</i>		\$ 1,631,881	\$ 926,903	\$ 1,375,897
<u>Wholesale</u>	\$ 2,846,863	\$ 2,976,000	\$ 3,036,078	\$ 3,373,500
<i>Difference</i>		\$ 129,137	\$ 60,078	\$ 337,422
<u>Raw Water</u>	\$ 4,931,551	\$ 5,361,800	\$ 5,342,794	\$ 5,502,900
<i>Difference</i>		\$ 430,249	\$ (19,006)	\$ 160,106
Total Volumetric Revenue	\$ 123,000,304	\$ 126,647,900	\$ 128,940,925	\$ 133,155,550
Total Fixed Charge Revenue**	\$ 73,213,864	\$ 79,011,312	\$ 79,011,312	\$ 83,264,717
Other Revenue**				
Other Operating Revenues	7,653,281	5,797,527	5,797,527	5,869,782
Jefferson County Sewer Revenues	15,209,849	12,918,152	12,918,152	12,320,434
Total Operating Revenues	\$ 219,077,298	\$ 224,374,892	\$ 226,667,917	\$ 234,610,483
Non-Operating Revenues**	\$ 3,748,107	\$ 2,950,349	\$ 2,950,349	\$ 3,525,386
Total Revenues	\$ 222,825,405	\$ 227,325,241	\$ 229,618,266	\$ 238,135,869

*Difference in 2024 Budget column compares to 2023 Actual, Difference in 2024 Est. Actual column compares to 2024 Budget, Difference in 2025 Budget column compares to 2024 Est. Actual.

** Base charge, other revenues and non-operating revenues estimated actuals, and includes a \$516,386 transfer from the RSE fund to maintain the desired level of debt service coverage.

FINANCIAL GOALS AND POLICIES

Policy	Trend
Rate increases	3.9% - 2015, 2017, 2019, 2020 2.9% - 2018, 4.9% - 2016 0.0% - 2021 3.9% - 2022, 2023 4.8%- 2024 <i>4.9% - 2025 projected</i>
O&M increases	3.31% increase in 2021 6.97% increase in 2022 8.12% increase in 2023 5.35% increase in 2024 7.94% increase in 2025
Maintain PAYGO Capital Reserve of at least 35% through 2029	36.29% estimated in 2024 27.40% estimated in 2025 31.79% estimated by 2028



FINANCIAL GOALS AND POLICIES

Reserve Fund	Target
Capital Reserve	25% of Capital Plan
Revenue	15% of O&M + Debt
Demand Shortfall	5% of O&M + Debt
Rate Stabilization	5% of O&M + Debt
Economic Development	4.3% of O&M + Debt



FINANCIAL GOALS AND POLICIES

Reserves of approximately 240 days of operating expenses on hand	296 days – projected days operating expenses on hand on December 31, 2024 150 – 250 days; Moody’s criteria for Aa utilities
Strong Bond Ratings	2002: S&P A / Moody’s A 2013: S&P AA / Moody’s Aa2 Current: S&P AA / Moody’s Aa2



RSE TARGETS

Senior Debt Service Coverage	Current
- Target	1.50
- Max	1.65
- Min	1.35

Total Debt Service Coverage	Current
- Target	1.20
- Max	1.30
- Min	1.10



Debt Service Coverage

	Projected	
	Est. Actual	4.9%
	2024	2025
Total Revenues		
Less: Impact/System Development Fees	\$ 230,294,566	\$ 238,135,869
Less: Interest on Construction Funds	\$ (1,337,600)	\$ (1,337,600)
Plus: Loss on the Sale/Disposition of Assets	-	-
	338,860	338,860
Total Revenues per Official Statement Definition	\$ 229,295,826	\$ 237,137,129
Revenue Requirements		
O&M Expenses	\$ (137,131,476)	\$ (143,105,035)
Total Revenues Available for Debt Service and PAYGO	\$ 92,164,349	\$ 94,032,094
Debt Service		
Senior Debt Service	\$ (62,951,445)	\$ (62,809,553)
Subordinate Debt Service	(644,213)	(639,925)
Total Debt Service	\$ (63,595,658)	\$ (63,449,478)
<i>Base Charge Revenue as a Percent of Annual Debt Service</i>	124.2%	131.2%
PAYGO Spending	\$ (28,520,000)	\$ (30,540,000)
<i>PAYGO as Percent of Capital Budget</i>	36.3%	27.4%
Total Revenue Requirements	\$ (229,247,134)	\$ (237,094,513)
Surplus/(Deficit)	\$ 48,692	\$ 42,616
Debt Service Coverage Ratios		
Senior Debt Service Coverage (Minimum = 1.35)	1.46	1.50
Total Debt Service Coverage (Minimum = 1.10)	1.45	1.48
Total Debt - Par Outstanding/Principal Remaining	\$ 1,010,880,000	\$ 1,063,199,682
Net Debt to Total Assets	74.55%	75.44%

(1) For 2024, includes \$6,510,687 of debt service paid from funds released as part of the 2023 Tender.

5-Year Projection

	Projected				
	4.9%	5.8%	5.0%	4.3%	4.0%
	2025	2026	2027	2028	2029
Total Revenues	\$ 238,135,869	\$ 249,305,215	\$ 260,964,423	\$ 270,595,523	\$ 280,705,792
Less: Impact/System Development Fees	\$ (1,337,600)	\$ (1,337,600)	\$ (1,337,600)	\$ (1,337,600)	\$ (1,337,600)
Less: Interest on Construction Funds	-	-	-	-	-
Plus: Loss on the Sale/Disposition of Assets	338,860	338,860	338,860	338,860	338,860
Total Revenues per Official Statement Definition	\$ 237,137,129	\$ 248,306,475	\$ 259,965,684	\$ 269,596,783	\$ 279,707,052
Revenue Requirements					
O&M Expenses	\$ (143,105,035)	\$ (147,398,186)	\$ (151,820,131)	\$ (156,374,735)	\$ (161,065,977)
<i>Total Revenues Available for Debt Service and PAYGO</i>	\$ 94,032,094	\$ 100,908,289	\$ 108,145,552	\$ 113,222,048	\$ 118,641,075
Debt Service					
Senior Debt Service	\$ (62,809,553)	\$ (64,491,602)	\$ (69,538,465)	\$ (72,290,567)	\$ (79,501,741)
Subordinate Debt Service	(639,925)	(640,281)	(640,204)	(644,624)	(638,688)
Total Debt Service	\$ (63,449,478)	\$ (65,131,883)	\$ (70,178,668)	\$ (72,935,191)	\$ (80,140,428)
<i>Base Charge Revenue as a Percent of Annual Debt Service</i>	131.2%	135.9%	133.0%	134.1%	127.5%
PAYGO Spending	\$ (30,540,000)	\$ (35,735,000)	\$ (37,927,500)	\$ (40,255,000)	\$ (38,460,000)
<i>PAYGO as Percent of Capital Budget</i>	27.4%	31.3%	35.0%	31.8%	36.5%
Total Revenue Requirements	\$ (237,094,513)	\$ (248,265,069)	\$ (259,926,300)	\$ (269,564,926)	\$ (279,666,406)
Surplus/(Deficit)	\$ 42,616	\$ 41,406	\$ 39,384	\$ 31,857	\$ 40,646
Debt Service Coverage Ratios					
Senior Debt Service Coverage (Minimum = 1.35)	1.50	1.56	1.56	1.57	1.49
Total Debt Service Coverage (Minimum = 1.10)	1.48	1.55	1.54	1.55	1.48
Total Debt - Par Outstanding/Principal Remaining	\$ 1,063,199,682	\$ 1,025,915,383	\$ 1,122,218,921	\$ 1,079,460,287	\$ 1,161,684,579
Net Debt to Total Assets	75.44%	69.04%	71.96%	63.86%	66.07%

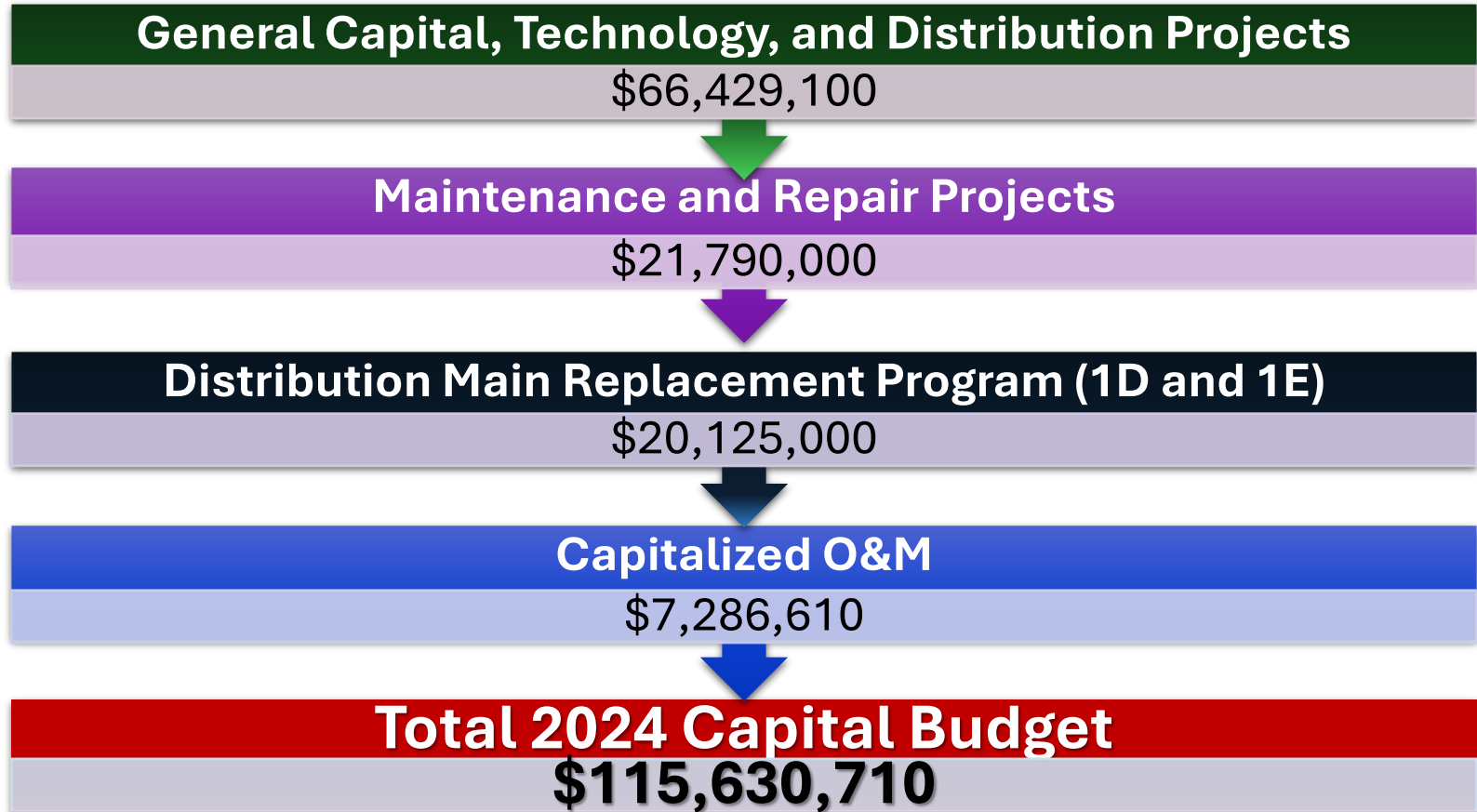
FY 2025 PRELIMINARY CAPITAL BUDGET



October 23, 2024

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FY2025 Preliminary Capital Budget



FY2025 Preliminary Capital Budget

Filter Plants		
PFP Sodium Hypochlorite & Liquid Lime	Risk	\$ 1,000,000
SMFP Solids Handling	Risk	\$ 5,000,000
WFP Sodium Hypochlorite, Liquid Lime, & Chemical Building Electrical Upgrade	Risk	\$ 7,000,000
Raw Water & Distribution		
Lake Purdy Dam Stability Rehabilitation	Risk	\$ 22,000,000
Inland Lake PS and Transmission Line	Risk	\$ 250,000
Highway 79/Kiowa Road Distribution Update	Perform	\$ 13,000,000
Main Campus IT/Security		
Envirolab Building	Reg	\$ 5,000,000
AMI Procurement and Implementation	Perform	\$ 10,000,000
Main Office HVAC Replacement	Perform	\$ 300,000
SAP S/4 Hana Implementation and Annual Updates	Perform	\$ 7,000,000

*Projects highlighted in **Green** has commence construction in 2024



FY2025 Preliminary Capital Budget

Maintenance and Repairs		
1A - New Distribution Mains and Hydrants (Associated w/ New Developments)	M & R	\$ 2,000,000
1B - Replace Existing Services - Revenue Water Only	M & R	-
1C - Meters and Metering Technologies	M & R	\$ 3,000,000
1D - Replace Distribution Mains - System Development Only	M & R	\$ 15,000,000
1E - Replace Distribution Services - System Development Only	M & R	\$ 5,125,000
1F - Water Plant Filters	M & R	-
1H - Tank Maintenance and Repairs	M & R	\$ 2,750,000
1I - Repair/Replace Pumps, Motors, Generators	M & R	\$ 2,000,000
1K - Main and Service Line Replacement (Total includes \$1,000,000 for Leak Related Paving Repairs)	M & R	\$ 3,000,000
1L-Repair/Replace Distribution Hydrants and Valves	M & R	\$ 2,000,000
1N - Developer Installed	M & R	-
2 - Office Furniture & Equipment	M & R	\$ 40,000
3 - Transportation Equipment	M & R	\$ 3,000,000
4 - General Equipment	M & R	\$ 500,000
5 - Maintenance & Repairs to Existing Facilities	M & R	\$ 3,000,000
6 - Information Technology/GIS	M & R	\$ 500,000
7 - Economic Development	Perform	\$ -
99 - Distribution Mains, Hydrants & New Customer Tap Fees	M & R	\$ (4,120,900)



Top Five Budgeted Projects FY2025

*Top-Five projects
= \$83.1 Million*

*71.9% of Capital
Budget*

