

Water revenues are not coming in at the expected projected numbers from the rate study?

The quarterly reviews of Enterprise financials compare actual to budget and those comparisons have been reported to be satisfactory.

The Enterprise financials are unique because they are driven by the rates which were last set in 2024. Assuming the billing correctly implements the rate increases and the water use is as expected the revenues should be very close to the revenues in the rate study.

It turns out that is not happening following the 2024 rate study. FY 24-25 was the first full year of the new rates. Actual revenues came in 5% below the rate study planned amounts. That alone is a small number, but it is significant because the year before under the old rates actually exceeded the rate study planned amounts. More significantly, the FY25-26 is estimated to come in 16% under the planned amounts. A 16% miss would put the ability to complete capital projects and make debt payments while maintaining a reserve.

EFOC should be aware and ask questions:

1. Are rate payers using less water than originally planned? Perhaps the significant rate increases had the effect of lower water usage?
2. Is the FY25-26 estimated revenue understated by 16%? Why are such estimates so far off?
3. If residential water usage did not change from FY23-24-FY25-26 is the billing system correctly billing for the approved rates?
4. What was the basis for the estimated water use in the 2024 rate study? Was it residential use or total pumped. Is the difference between the rate plan estimate and actuals water that is lost in the system?

Before you launch into another rate study it would be critical for the city to understand why the numbers in the last study are not turning out to be accurate and make adjustments to future plans.

Revenue Plan 2024 (Rate Study)	FY 23-24	FY24-25	FY25-26	FY26-27	FY 27-28	FY28-29
Revenue under existing rates	\$ 2,317,972	\$ 2,328,248	\$ 2,336,404	\$ 2,344,600	\$ 2,352,838	\$ 2,361,117
Rate Revenue	\$ -	\$ 1,164,124	\$ 1,728,939	\$ 1,796,198	\$ 1,864,840	\$ 1,934,889
Interest	\$ 35,000	\$ 4,516	\$ 15,484	\$ 39,222	\$ 44,521	\$ 38,219
Miscellaneous	\$ 65,000	\$ 65,254	\$ 65,509	\$ 65,765	\$ 66,023	\$ 66,282
Total Revenue	\$ 2,417,972	\$ 3,562,142	\$ 4,146,336	\$ 4,245,785	\$ 4,328,222	\$ 4,400,507
Revenue (Actual/Estimated Actual/ Adopted Budget)	FY 23-24	FY24-25	FY25-26 Expected Actual	FY26-27 Adopted Budget	FY 27-28	FY28-29
Usage Charges	\$ 2,238,414	\$ 3,256,461	\$ 3,328,908	\$ 3,007,151	\$ 3,007,151	\$ 3,007,151
Interest	\$ 82,780	\$ 45,171	\$ 75,000	\$ 26,000	45000	26000
New Service Fee	\$ 8,700	\$ 10,200	\$ 9,600	\$ 10,000	10000	10000
Penalties	\$ 21,591	\$ 22,067	\$ 21,375	\$ 22,000	22000	22000
Miscellaneous	\$ 157,391	\$ 45,965	\$ 44,600	\$ 44,600	45000	45000
Total Revenue	\$ 2,508,876	\$ 3,379,864	\$ 3,479,483	\$ 3,109,751	\$ 3,129,151	\$ 3,110,151
Difference between Plan and "Actual"	FY 23-24	FY24-25	FY25-26	FY26-27	FY 27-28	FY28-29
Revenue (rate study)	\$ 2,417,972	\$ 3,562,142	\$ 4,146,336	\$ 4,245,785	\$ 4,328,222	\$ 4,400,507
Revenue (Adopted Budgets)	\$ 2,508,361	\$ 3,379,864	\$ 3,479,483	\$ 3,109,751	\$ 3,129,151	\$ 3,110,151
Difference (over plan/(under plan))	\$ 90,389	\$ (182,278)	\$ (666,853)	\$ (1,136,034)	\$ (1,199,071)	\$ 1,290,356
% Difference	4%	-5%	-16%			