

Frequently Asked Questions about the New Rates

Why do we need a rate increase?

		MOFFAT WATER SUPPLY: Year-Over-Year Profit/Loss Summary						
		2012 AUDIT	2013 AUDIT	2014 AUDIT	2015 AUDIT	2016 AUDIT	2017 PROJ	2018 Budget
TOTAL INCOME:		\$ 1,052,757	\$ 1,045,048	\$ 1,030,518	\$ 1,122,444	\$ 1,256,524	\$ 1,325,297	\$ 1,407,498
TOTAL EXPENSE:		\$ 989,749	\$ 1,017,245	\$ 1,019,066	\$ 893,068	\$ 923,695	\$ 937,473	\$ 1,056,651
NET GAIN:		\$ 63,008	\$ 27,803	\$ 11,452	\$ 229,376	\$ 332,829	\$ 387,824	\$ 350,847
Depreciation (non-cash journal entry expense)		\$ 146,847	\$ 176,269	\$ 209,213	\$ 217,235	\$ 223,278	\$ 214,080	\$ 221,591
NET INCOME:		\$ (83,839)	\$ (148,466)	\$ (197,761)	\$ 12,141	\$ 109,551	\$ 173,744	\$ 189,257
Principal Payment on Loans Outstanding		\$ 37,383	\$ 78,219	\$ 56,754	\$ 61,282	\$ 59,557	\$ 63,427	\$ 63,136
Capital Improvement / Development							\$ 30,000	\$ 60,000
TWDB/USDA/CoBank Loan Reserves Required		\$ 83,957	\$ 107,542	\$ 131,127	\$ 154,711	\$ 154,711	\$ 178,296	\$ 178,296
3 mos Operating Expense Reserve		\$ 225,176	\$ 222,156	\$ 224,381	\$ 194,014	\$ 201,239	\$ 205,660	\$ 235,455
COGS (Brazos River Auth/Bluebonnet + test/treatment)		\$ 454,397	\$ 474,779	\$ 468,913	\$ 460,512	\$ 437,149	\$ 444,450	\$ 456,349
Operating Expense (all e/c int & depr)		\$ 900,702	\$ 888,622	\$ 897,524	\$ 776,054	\$ 804,956	\$ 822,641	\$ 941,819
TOTAL Expense incl Depr + Pmt to Principal		\$ 1,173,979	\$ 1,271,733	\$ 1,285,033	\$ 1,171,585	\$ 1,206,530	\$ 1,214,980	\$ 1,341,378

Per the **Profit & Loss Statement¹** above, Moffat Water Supply Corporation has made tremendous strides since 2012, experiencing three years of solid earnings after three earlier years of steep loss. We've also fully funded all debt reserve accounts as required by our lenders and made provision for three months of emergency operating expense.

Financial accounting treats only the *interest* portion of loan payments as an expense, so MWSC budgets enough "profit" to cover debt *principal* reduction. Also, for the second year in a row, we're budgeting additional dollars for capital improvement, allowing us to fund select system improvements with cash on-hand instead of borrowing. **The 2018 Net Income of \$189,257 will cover cash expenses, depreciation, and 2018 debt principal payments plus add \$60,000 to the capital improvement fund.**

Total Income represents revenue from water sales, including \$79,000 additional from the rate increase. Income also includes highly variable fee revenue from installation & impact fees, late fees, and a small amount of interest income. Expense includes operating cost for MWSC plus cost of goods sold² and depreciation³. You'll notice the 2018 expense lines increasing because MWSC was short-staffed much of the past year and because we'll add new depreciation mid-year for major line improvements to address capacity and over-tapping issues. **To support MWSC at full staffing, fund line improvements from cash, add new depreciation, and allow profit sufficient to meet debt principal payments, an increase is necessary.**

What do we own, and what do we owe?

For three years, we've worked hard to strengthen our Balance Sheet⁴ to support planned future growth. We've met all loan covenant reserve requirements. Long-term Debt is paying down and Equity (net worth after covering all liabilities) is on the rise. We're saving to finance smaller improvements from cash to avoid the cost of borrowing.

		MOFFAT WATER SUPPLY: Year-Over-Year Balance Sheet						
		2012 AUDIT	2013 AUDIT	2014 AUDIT	2015 AUDIT	2016 AUDIT	2017 PROJ	2018 Budget
CURRENT ASSETS (Cash, A/R, Inventory)		\$ 808,071	\$ 440,558	\$ 335,079	\$ 513,847	\$ 788,196	\$ 879,787	\$ 1,106,136
PROPERTY & EQUIPMENT		\$ 2,504,386	\$ 3,107,908	\$ 3,410,399	\$ 3,555,994	\$ 3,340,756	\$ 3,238,391	\$ 3,084,847
OTHER ASSETS (Reserves, Project Funds)		\$ 1,640,489	\$ 1,046,869	\$ 567,115	\$ 206,089	\$ 207,248	\$ 362,340	\$ 420,582
TOTAL ASSETS		\$ 4,952,946	\$ 4,595,335	\$ 4,312,593	\$ 4,275,930	\$ 4,336,200	\$ 4,480,518	\$ 4,611,566
CURRENT LIABILITIES (A/P, Current Tax / Debt)		\$ 269,397	\$ 107,765	\$ 74,305	\$ 76,274	\$ 80,148	\$ 73,416	\$ 78,634
LONG-TERM DEBT (net of current portion)		\$ 3,087,625	\$ 3,032,422	\$ 2,974,780	\$ 2,915,722	\$ 2,851,756	\$ 2,797,451	\$ 2,734,024
TOTAL EQUITY (Memberships, Retained Earnings)		\$ 1,595,924	\$ 1,455,149	\$ 1,263,509	\$ 1,283,935	\$ 1,404,296	\$ 1,609,652	\$ 1,798,909
TOTAL LIABILITIES AND EQUITY		\$ 4,952,946	\$ 4,595,336	\$ 4,312,594	\$ 4,275,931	\$ 4,336,200	\$ 4,480,518	\$ 4,611,566

¹ 2017 numbers throughout are projected based on Oct-Aug actuals plus an estimate for September. 2017 results are subject to audit adjustments.

² Water purchased from Bluebonnet WSC

³ Recognized deterioration of Assets over time that cause our repair & maintenance costs to rise

⁴ Profit-Loss Statements show Income vs Expenses; a Balance Sheet shows Assets vs Liabilities (or, "what you own vs what you owe.")

What is the Board doing to control costs and plan for the future?

Every member of the Board – *and the majority of Staff* – are also Customers of Moffat Water Supply. Our shared duty is to ensure **SOUND** operations, a **SAFE** drinking supply, and a financially **SOLVENT** organization.

Since 2015, MWSC's total operating cost was lower than the three years prior. Steep budget cuts, inventory controls, water loss management, a loan refinance, and more efficient processes helped the system immensely. However, costs continue to climb, the system has stress points to address, and the strain of short staffing isn't sustainable.

We are working with Brazos River Authority to reassign Lake Belton surface water rights short-term until such time as we may decide to treat this water for our own use. This would save MWSC \$36,000 annually, but the process is complex and lengthy with no guarantee of successful downstream reassignment.

Though we've made a number of system improvements, we still use our first well that's over 50 years old. It supplies like a champ, but the fragile nature of the well casing makes inspection and servicing a risk to future operations. This well and the one on Whitehall Road supplies our system needs along with purchased water from Bluebonnet Water Supply Corporation. The Board commissioned a preliminary engineering report for a third well with new overhead storage, and we are in process of soliciting responses for financing and scope of work.

MWSC has been presented several plats for new subdivisions in our area. Depending upon location, we may be able to accommodate some growth with existing lines. We're also engineering a major line upgrade to deliver more water across Highway 36 toward the heart of our service area. In addition, some may be aware we have a number of 2" lines in long-serviced areas that have reached capacity for new connections. We are collecting flow data inputs for a new demand capacity model to identify precise stress points of our system and make needed changes.

How much more will I pay under the new rates?

Generally the base rate and each tier rate was increased 7.5%, though the 1-to-3,000 gallon Tier 1 rate will *not* increase. The net effect is an *average* increase of less than 7%.

Sample Billings Comparison - Current vs NEW Rates eff 12/15/2017				
<u>Gallons</u>	<u>Current Rates</u>	<u>NEW Rates</u>	<u>Increase</u>	<u>% Chg</u>
0	\$40.00	\$43.00	\$3.00	7.50%
3,000	\$51.70	\$54.70	\$3.00	5.80%
5,000	\$59.50	\$63.09	\$3.59	6.03%
7,000	\$67.80	\$72.01	\$4.21	6.21%
9,000	\$76.60	\$81.47	\$4.87	6.35%
19,000	\$123.10	\$131.46	\$8.35	6.79%
34,000	\$196.60	\$210.47	\$13.87	7.05%
49,000	\$273.85	\$293.51	\$19.66	7.18%
74,000	\$415.10	\$445.36	\$30.26	7.29%
99,000	\$568.85	\$610.64	\$41.79	7.35%
124,000	\$735.10	\$789.36	\$54.26	7.38%