

**JXN Water**

**Strategic Financial Planning Model**

June 5, 2024

Full Debt Refinancing Scenario

	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033
<b>Water &amp; Sewer Rate Increases (%)</b>	0%	0%	5%	5%	5%	3%	3%	3%	3%	3%
<b>Collections Rate</b>	75%	85%	90%	95%	95%	95%	95%	95%	95%	95%
<b>Total Sales to Customers - BILLED</b>	115,000,000	115,000,000	120,750,000	126,787,500	133,126,875	137,120,681	141,234,302	145,471,331	149,835,471	154,330,535
<b>OPERATING REVENUES</b>										
Total Sales to Customers - COLLECTED	86,250,000	97,750,000	108,675,000	120,448,125	126,470,531	130,264,647	134,172,587	138,197,764	142,343,697	146,614,008
Other Revenues	10,336	10,336	10,336	10,336	10,336	10,336	10,336	10,336	10,336	10,336
<b>TOTAL OPERATING REVENUES</b>	86,260,336	97,760,336	108,685,336	120,458,461	126,480,867	130,274,983	134,182,923	138,208,100	142,354,033	146,624,344
<b>OPERATING EXPENDITURES</b>										
	<b>Growth Rate &gt;&gt;</b>									
	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Water Operating Contracts	30,000,000	30,900,000	31,827,000	32,781,810	33,765,264	34,778,222	35,821,569	36,896,216	38,003,102	39,143,196
Sewer Operating Contracts	25,800,000	26,574,000	27,371,220	28,192,357	29,038,127	29,909,271	30,806,549	31,730,746	32,682,668	33,663,148
Customer Service (Billing, Call Center, Metering)	11,064,000	11,395,920	11,737,798	12,089,932	12,452,629	12,826,208	13,210,995	13,607,324	14,015,544	14,436,011
JXN Water Payroll	2,772,000	2,855,160	2,940,815	3,029,039	3,119,910	3,213,508	3,309,913	3,409,210	3,511,487	3,616,831
JXN Water Operating	2,124,000	2,187,720	2,253,352	2,320,952	2,390,581	2,462,298	2,536,167	2,612,252	2,690,620	2,771,338
Utility Locating	600,000	618,000	636,540	655,636	675,305	695,564	716,431	737,924	760,062	782,864
Depreciation (5% Growth for 5 years)	18,824,167	19,765,375	20,753,644	21,791,326	22,880,893	22,880,893	22,880,893	22,880,893	22,880,893	22,880,893
<b>TOTAL OPERATING EXPENDITURES</b>	91,184,167	94,296,175	97,520,368	100,861,052	104,322,710	106,765,965	109,282,517	111,874,566	114,544,376	117,294,280
<b>NET OPERATING INCOME (LOSS)</b>	(4,923,831)	3,464,161	11,164,968	19,597,409	22,158,157	23,509,019	24,900,406	26,333,535	27,809,657	29,330,064
<b>Nonoperating Revenue (expense)</b>										
Interest and Service Charges on Long-term Debt	(9,555,988)	(22,669,219)	(22,625,429)	(22,594,732)	(22,542,380)	(22,491,459)	(22,440,511)	(22,388,696)	(22,335,995)	(22,282,392)
Interest Income	33,290	33,290	33,290	33,290	33,290	33,290	33,290	33,290	33,290	33,290
Gain from Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Other (Litigation, Bond Issuance Expense, Etc.)	(500,000)	-	-	-	-	-	-	-	-	-
<b>Total Nonoperating Revenue</b>	(10,022,698)	(22,635,929)	(22,592,139)	(22,561,442)	(22,509,090)	(22,458,169)	(22,407,221)	(22,355,406)	(22,302,705)	(22,249,102)
<b>Income (Loss) Before Capital Contributions and Transfers</b>	(14,946,529)	(19,171,768)	(11,427,171)	(2,964,033)	(350,933)	1,050,849	2,493,185	3,978,129	5,506,952	7,080,962
<b>Capital Contributions &amp; Transfers</b>										
Contributions & Operating Grants (\$150MM TA Grant)	30,000,000	16,200,000	-	-	-	-	-	-	-	-
Other Operating Cash Contributions	18,000,000	-	-	-	-	-	-	-	-	-
Net Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Contributions &amp; Transfers</b>	48,000,000	16,200,000	-	-	-	-	-	-	-	-
<b>Change in Net Position</b>	33,053,471	(2,971,768)	(11,427,171)	(2,964,033)	(350,933)	1,050,849	2,493,185	3,978,129	5,506,952	7,080,962

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**Full Debt Refinancing Scenario**

	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	<b>12/31/2024</b>	<b>12/31/2025</b>	<b>12/31/2026</b>	<b>12/31/2027</b>	<b>12/31/2028</b>	<b>12/31/2029</b>	<b>12/31/2030</b>	<b>12/31/2031</b>	<b>12/31/2032</b>	<b>12/31/2033</b>
<b>Total Operating Revenues</b>	86,260,336	97,760,336	108,685,336	120,458,461	126,480,867	130,274,983	134,182,923	138,208,100	142,354,033	146,624,344
<b>PLUS: Operating Grants</b>	30,000,000	16,200,000	-	-	-	-	-	-	-	-
<b>LESS: Total Operating Expenditures (excl. Depreciation &amp; Amort.)</b>	72,360,000	74,530,800	76,766,724	79,069,726	81,441,817	83,885,072	86,401,624	88,993,673	91,663,483	94,413,388
<b>Net Income Available for Debt Service</b>	43,900,336	39,429,536	31,918,612	41,388,735	45,039,050	46,389,911	47,781,298	49,214,427	50,690,550	52,210,956
<b>Existing Revenue Bond Debt Service</b>										
Senior Lien Debt Service	19,220,658	-	-	-	-	-	-	-	-	-
SRF Debt Service	4,216,256	4,125,751	4,076,286	3,927,890	3,900,107	3,844,542	3,844,542	3,844,542	3,844,542	3,844,542
<b>Total Existing Debt Service</b>	23,436,914	4,125,751	4,076,286	3,927,890	3,900,107	3,844,542	3,844,542	3,844,542	3,844,542	3,844,542
<b>Projected Revenue Bond Debt Service</b>										
Senior Lien Debt Service	-	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375
SRF Debt Service	-	-	696,044	2,290,836	2,294,032	2,292,224	2,290,416	2,293,608	2,296,796	2,294,980
<b>Total Projected Debt Service</b>	-	21,946,375	22,642,419	24,237,211	24,240,407	24,238,599	24,236,791	24,239,983	24,243,171	24,241,355
<b>Existing &amp; Projected Revenue Bond Debt Service</b>										
Senior Lien Debt Service	19,220,658	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375	21,946,375
SRF Debt Service	4,216,256	4,125,751	4,772,330	6,218,726	6,194,139	6,136,766	6,134,958	6,138,150	6,141,338	6,139,522
<b>Total Existing &amp; Projected Debt Service</b>	23,436,914	26,072,126	26,718,705	28,165,101	28,140,514	28,083,141	28,081,333	28,084,525	28,087,713	28,085,897
<b>Debt Service Coverage</b>										
Sr Lien Debt Service Coverage (min requirement 1.20x)	2.28	1.80	1.45	1.89	2.05	2.11	2.18	2.24	2.31	2.38
<b>Total Debt Service Coverage (min req 1.0x)</b>	1.87	1.51	1.19	1.47	1.60	1.65	1.70	1.75	1.80	1.86
<b>Days Cash on Hand</b>										
Beginning Unrestricted Cash & Investments	13,500,000	51,496,712	64,887,413	65,120,610	68,377,534	65,309,360	63,649,420	63,382,676	64,545,869	67,181,996
Net Cash Flow After Operations & Debt Service	(10,003,288)	(2,809,300)	5,233,197	13,256,924	16,931,826	18,340,061	19,733,256	21,163,193	22,636,127	24,158,350
Cash Funding of Capital (Pay-Go)	-	-	5,000,000	10,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total Contributions & Grants	48,000,000	16,200,000	-	-	-	-	-	-	-	-
<b>Ending Unrestricted Cash &amp; Investments</b>	51,496,712	64,887,413	65,120,610	68,377,534	65,309,360	63,649,420	63,382,676	64,545,869	67,181,996	71,340,346
<b>Days Cash on Hand</b>	260	318	310	316	293	277	268	265	268	276

**FY24 Revenue Assumptions:**

- Used actual consumption data from a large portion of the customer base (from August 2022 through July 2023) with the new “good” meters and applied those to all accounts
- Capped consumption data used to account for consumption anomalies
- Accounts that only had consumption for part of the year – did not adjust for months where consumption data was not received (despite the likelihood of actual consumption)
- Additional 7K (approx.) accounts identified as receiving water but are not active accounts in the System
  - JXN Water is working to convert all of those deemed to be actual customers into accounts
  - These accounts / consumption are not factored into the model – potential for 10%+ increase in customer accounts
- Took a 10% haircut on actual consumption for conservatism
- Assumed 25% of customers to be in the SNAP customer classification based on poverty levels
  - Actual SNAP customer base began much lower than that but is expected to increase throughout the year as SNAP data becomes available and customers self-identify

**Notes:**

- Projected rate increases and collections rates are for planning purposes.
- Projected senior lien debt assumes a full refinancing of all outstanding water & Sewer revenue bonds, payoff of City's GO Note issued for water & sewer purposes, and funding for projects and to fill reserves.