

# MEMORANDUM

**TO:** Erin Keys, Director City of Columbia Utilities

**FROM:** Dawn Jennings, Assistant Director – Rates and Fiscal Planning

**DATE:** June 8, 2026

**SUBJECT:** Proposed Rate Increases for FY 2027

**Water**

The water fund is projected to fall below the required minimum cash reserve in FY 2027 unless a rate increase is implemented. The following is the water fund forecast before adding a rate increase for FY 2027:

| Projected Cash Reserve   | FY 2026<br>Projected | FY 2027<br>Projected | FY 2028<br>Projected | FY 2029<br>Projected | FY 2030<br>Projected | FY 2031<br>Projected |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Beginning Available Cash | 12,542,072           | 11,168,919           | 7,138,833            | 4,541,856            | 1,511,132            | (721,503)            |
| Total Revenue            | 37,419,066           | 37,754,937           | 38,132,487           | 38,513,812           | 38,898,950           | 39,287,939           |
| Total Expenditure        | (26,637,189)         | (28,516,636)         | (29,133,814)         | (29,764,508)         | (30,409,015)         | (31,067,643)         |
| Capital Outlay           | (511,319)            | (553,000)            | (553,000)            | (553,000)            | (553,000)            | (553,000)            |
| Next Year CIP            | (4,905,040)          | (5,964,003)          | (4,812,908)          | (5,000,000)          | (5,000,000)          | (5,000,000)          |
| Debt Service             | (6,738,671)          | (6,751,385)          | (6,229,741)          | (6,227,028)          | (5,169,570)          | (4,865,248)          |
| Ending Available Cash    | <b>11,168,919</b>    | <b>7,138,833</b>     | <b>4,541,856</b>     | <b>1,511,132</b>     | <b>(721,503)</b>     | <b>(2,919,455)</b>   |
| Total Expenses           | 33,887,179           | 35,821,021           | 35,916,555           | 36,544,536           | 36,131,585           | 36,485,891           |
| Cash Reserve Target      | 6,777,436            | 7,164,204            | 7,183,311            | 7,308,907            | 7,226,317            | 7,297,178            |
| Cash above/below Target  | <b>4,391,484</b>     | <b>(25,371)</b>      | <b>(2,641,455)</b>   | <b>(5,797,775)</b>   | <b>(7,947,820)</b>   | <b>(10,216,634)</b>  |
| Debt Service Ratio       | <b>1.60</b>          | <b>1.37</b>          | <b>1.44</b>          | <b>1.41</b>          | <b>1.64</b>          | <b>1.69</b>          |

Staff is recommending a 10% revenue increase, as previously recommended in the Cost of Service and Rate Study completed by Stantec on July 8, 2025. This increase is anticipated to provide an additional \$2.8 million of revenue in order to cover the increased operating and capital expenses, as well as to satisfy the debt service obligations, for FY 2027. The following is the forecast updated to include the 10% revenue increase:

| Projected Cash Reserve   | FY 2026<br>Projected | FY 2027<br>Projected | FY 2028<br>Projected | FY 2029<br>Projected | FY 2030<br>Projected | FY 2031<br>Projected |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Beginning Available Cash | 12,542,072           | 11,168,919           | 10,012,973           | 10,318,877           | 10,220,063           | 10,948,656           |
| Total Revenue            | 37,419,066           | 40,629,077           | 41,035,368           | 41,445,721           | 41,860,179           | 42,278,780           |
| Total Expenditure        | (26,637,189)         | (28,516,636)         | (29,133,814)         | (29,764,508)         | (30,409,015)         | (31,067,643)         |
| Capital Outlay           | (511,319)            | (553,000)            | (553,000)            | (553,000)            | (553,000)            | (553,000)            |
| Next Year CIP            | (4,905,040)          | (5,964,003)          | (4,812,908)          | (5,000,000)          | (5,000,000)          | (5,000,000)          |
| Debt Service             | (6,738,671)          | (6,751,385)          | (6,229,741)          | (6,227,028)          | (5,169,570)          | (4,865,248)          |
| Ending Available Cash    | <b>11,168,919</b>    | <b>10,012,973</b>    | <b>10,318,877</b>    | <b>10,220,063</b>    | <b>10,948,656</b>    | <b>11,741,545</b>    |
| Total Expenses           | 33,887,179           | 35,821,021           | 35,916,555           | 36,544,536           | 36,131,585           | 36,485,891           |
| Cash Reserve Target      | 6,777,436            | 7,164,204            | 7,183,311            | 7,308,907            | 7,226,317            | 7,297,178            |
| Cash above/below Target  | <b>4,391,484</b>     | <b>2,848,769</b>     | <b>3,135,566</b>     | <b>2,911,156</b>     | <b>3,722,339</b>     | <b>4,444,367</b>     |
| Debt Service Ratio       | <b>1.60</b>          | <b>1.79</b>          | <b>1.91</b>          | <b>1.88</b>          | <b>2.22</b>          | <b>2.30</b>          |

## Electric

Based on current revenue and expense projections, which includes the \$3.5 million emergency purchase for a transformer replacement at the CEC approved by Council on June 1, 2026, the electric fund is projected to end the fiscal year (\$9,748,011) below the required minimum cash reserve. This amount is projected to increase to (\$14,898,306) below the required minimum cash reserve in FY 2027 if no rate increase is approved. The following is the forecast for the electric fund, after being updated to include the transformer purchase:

| Projected Cash Reserve             | FY 2026<br>Projected | FY 2027<br>Projected | FY 2028<br>Projected | FY 2029<br>Projected | FY 2030<br>Projected | FY 2031<br>Projected |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Beginning Available Cash           | 37,222,416           | 30,578,570           | 28,051,000           | 30,677,466           | 30,213,130           | 30,952,356           |
| Total Revenue                      | 175,289,057          | 177,018,961          | 183,550,946          | 185,539,939          | 187,552,498          | 189,588,932          |
| Total Expenditure                  | (158,723,757)        | (155,492,570)        | (158,709,559)        | (161,993,566)        | (165,345,999)        | (168,768,294)        |
| Capital Outlay                     | (4,021,117)          | (5,357,787)          | (4,532,787)          | (4,532,787)          | (4,532,787)          | (4,532,787)          |
| CEC Transformer (approved 6/1/26)  | (3,500,000)          |                      |                      |                      |                      |                      |
| Next Year CIP                      | (5,800,000)          | (8,800,000)          | (8,400,000)          | (10,200,000)         | (8,300,000)          | (8,300,000)          |
| Debt Service                       | (9,888,029)          | (9,896,173)          | (9,282,134)          | (9,277,922)          | (8,634,486)          | (8,462,227)          |
| Ending Available Cash              | <b>30,578,570</b>    | <b>28,051,000</b>    | <b>30,677,466</b>    | <b>30,213,130</b>    | <b>30,952,356</b>    | <b>30,477,980</b>    |
| Total Expenses                     | 172,632,904          | 170,746,530          | 172,524,480          | 175,804,275          | 178,513,272          | 181,763,308          |
| Cash Reserve Target (20% of total) | 40,326,581           | 42,949,306           | 42,904,896           | 45,360,855           | 44,002,654           | 44,652,662           |
| Cash above/below Target            | <b>(9,748,011)</b>   | <b>(14,898,306)</b>  | <b>(12,227,430)</b>  | <b>(15,147,725)</b>  | <b>(13,050,298)</b>  | <b>(14,174,682)</b>  |
| Debt Service Ratio                 | <b>1.68</b>          | <b>2.18</b>          | <b>2.68</b>          | <b>2.54</b>          | <b>2.57</b>          | <b>2.46</b>          |

As part of the budgeting process, staff carefully reviewed and reduced expenditures for FY 2027 as much as possible and yet there is a need for additional revenue to cover the operating expenses and capital funding needs of the fund for the upcoming fiscal year. The electric fund needs a minimum of 6%, or \$9.4 million dollar, increase in revenue for FY 2027. Staff believes that this would be most equitably achieved by implementing a 6% increase in all base and consumption charges. The following is the forecast updated with both the CEC transformer expense as well as the 6% increase:

| Projected Cash Reserve             | FY 2026<br>Projected | FY 2027<br>Projected | FY 2028<br>Projected | FY 2029<br>Projected | FY 2030<br>Projected | FY 2031<br>Projected |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Beginning Available Cash           | 37,222,416           | 30,578,570           | 34,672,527           | 44,185,379           | 50,676,294           | 58,440,324           |
| Total Revenue                      | 175,289,057          | 183,640,487          | 190,437,333          | 192,495,190          | 194,577,301          | 196,683,983          |
| Total Expenditure                  | (158,723,757)        | (155,492,570)        | (158,709,559)        | (161,993,566)        | (165,345,999)        | (168,768,294)        |
| Capital Outlay                     | (4,021,117)          | (5,357,787)          | (4,532,787)          | (4,532,787)          | (4,532,787)          | (4,532,787)          |
| CEC Transformer (approved 6/1/26)  | (3,500,000)          |                      |                      |                      |                      |                      |
| Next Year CIP                      | (5,800,000)          | (8,800,000)          | (8,400,000)          | (10,200,000)         | (8,300,000)          | (8,300,000)          |
| Debt Service                       | (9,888,029)          | (9,896,173)          | (9,282,134)          | (9,277,922)          | (8,634,486)          | (8,462,227)          |
| Ending Available Cash              | 30,578,570           | 34,672,527           | 44,185,379           | 50,676,294           | 58,440,324           | 65,060,999           |
| Total Expenses                     | 172,632,904          | 170,746,530          | 172,524,480          | 175,804,275          | 178,513,272          | 181,763,308          |
| Cash Reserve Target (20% of total) | 40,326,581           | 42,949,306           | 42,904,896           | 45,360,855           | 44,002,654           | 44,652,662           |
| Cash above/below Target            | (9,748,011)          | (8,276,780)          | 1,280,483            | 5,315,439            | 14,437,669           | 20,408,337           |
| Debt Service Ratio                 | 1.68                 | 2.84                 | 3.42                 | 3.29                 | 3.39                 | 3.30                 |

Please note that even with the proposed increase cash reserves are still anticipated to remain below target in FY2027, however it is projected to be back on track by FY 2028.

Attached you will find a revenue breakdown by service category, which uses the FY 2025 total revenue, includes the estimated impact of the FY 2026 increase of 2%, and then itemizes the additional projected revenue impact for the following scenarios:

Scenario 1: A 6% increase on all rates, which provides the amount of revenue required to fund the operating and capital expenditures necessary for FY 2027;

Scenario 2: An increase of 6% on all rates, with the exception of residential base rates and residential Tier I rates. You will note that this scenario results in a (\$1,598,090.70) deficit in the additional revenue necessary to fund the FY 2027 operating and capital expenditures.

Scenario 3: A 7.1% increase which illustrates the minimum amount necessary to avoid impact to the residential base and Tier I rates and yet still provide the additional revenue necessary for FY 2027.

Scenario 4: Which shows a 6% increase to all rates, with the exception of the residential base rate which has not been increased (but does include a 1% increase for anticipated growth). This results in a revenue deficit of (\$614,927.43) for FY 2027.

### **Electric – Rate Study/PCA**

Given the recent completion of the Integrated Resource Plan and impending changes to the expenses associated with purchased power, Staff recommends having a Cost of Service and Rate Study performed in FY 2027. And further recommends that any changes to the Power Cost Adjustment (PCA) rate or cap be deferred until the study is completed.