



Paradise Township

Financial Health/Sewer Rate Projection Analysis

June 9, 2026

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LLC

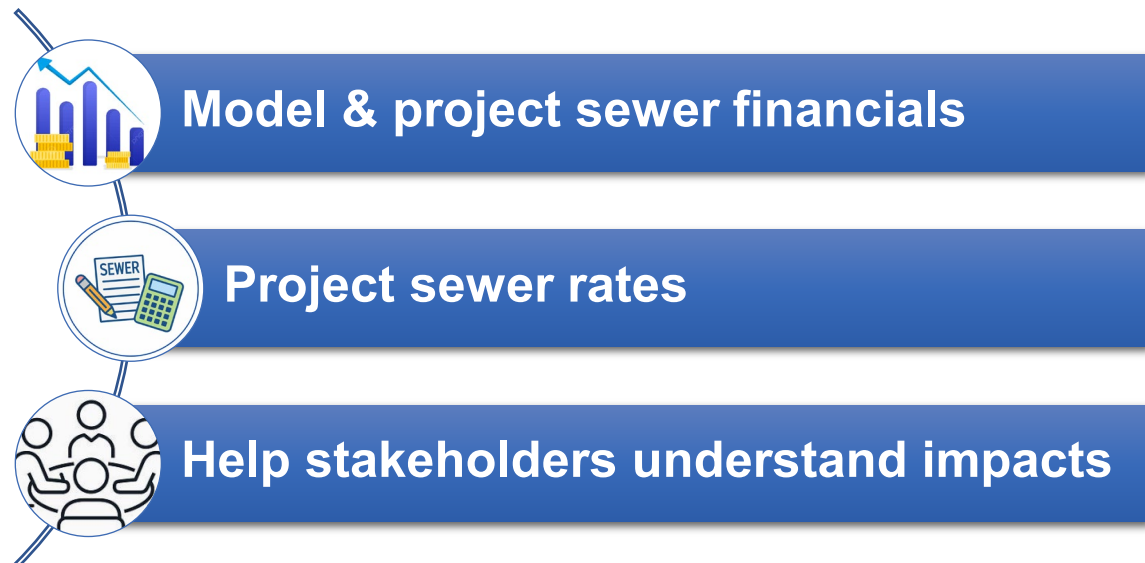
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Introduction to Analysis

- ◆ The Township engaged PFM Financial Advisors to conduct a **financial health analysis** of the Paradise Township Authority “the Authority” by analyzing what the Authority’s estimated future rates would need to be based on various assumptions.
- ◆ These preliminary findings were developed in collaboration with the information we received from the Township and Authority. PFM cannot independently verify the accuracy of the information.





Executive Summary of Assumptions & Findings

Financial Overview

- ◆ **Financial Position** – As of FYE 2025, the sewer fund holds approximately \$240,000 cash balance, which equates to 93 days cash on hand.
- ◆ **Debt Service Requirements** – Annual debt service is approximately \$350,000 through 2029 then increases to \$400,000 through 2045 and then dropping to approx. \$290,000 until 2050.
- ◆ **Current Rate Structure** – Customers currently pay a quarterly fixed charge of \$200.
- ◆ **Capital Spend Assumptions** – Capital spending assumes \$200,000 in pay-go capital annually, adjusted for inflation throughout the projection period. Additionally, \$400,000 is allocated across FY 2029–2030 for a sewer line camera inspection.
- ◆ **Assumptions** - Inflationary rate of 4% year-over-year. The system adds two new EDUs every year based on a \$7,500 tapping fee.
- ◆ **Base Year** - Audited FY 2025 was used as the base year for the projections, with expenses growing from that baseline.

Preliminary Findings

- ◆ **Target** - The goal for the scenarios ran were to maintain financial health throughout the projection and begin to establish a strong fund balance for the benefit of the Authority and its customers.
- ◆ **Preliminary Findings** - The current rate structure is insufficient to support ongoing operations, leading to a projected negative fund balance by year-end 2027.
- ◆ **Rate Plans** – Both scenarios propose aggressive early year increases from 2027 to 2029 to sustain a positive fund balance followed by lower, uniform incremental increases thereafter.



2025 Audited Financials

	Years Ended September 30,	
	2025	2024
Operating Revenues		
User fees	\$ 642,437	\$ 592,876
Tapping fees	65,000	121,500
Total Operating Revenues	707,437	714,376
Operating Expenses		
Depreciation	232,144	232,129
Sludge disposal	273,636	108,494
Maintenance and repairs	117,615	78,220
Electric	52,182	30,969
Operator fees	82,744	28,956
Chemicals	60,783	12,846
Legal fees	42,610	15,468
Miscellaneous	-	4,000
Engineering fees	31,901	33,479
Insurance	25,363	10,481
Purchased services	47,716	18,095
Accounting fees	12,631	10,500
Office supplies and postage	8,956	9,199
Other operating expenses	48	791
Lab fees	45,883	19,380
Board member fees	3,707	3,394
Corporate trust fee	1,500	1,500
Communications	4,007	3,215
Allowance for credit losses	-	6,373
Total Operating Expenses	1,043,426	627,489
Operating Income (Loss)	(335,989)	86,887



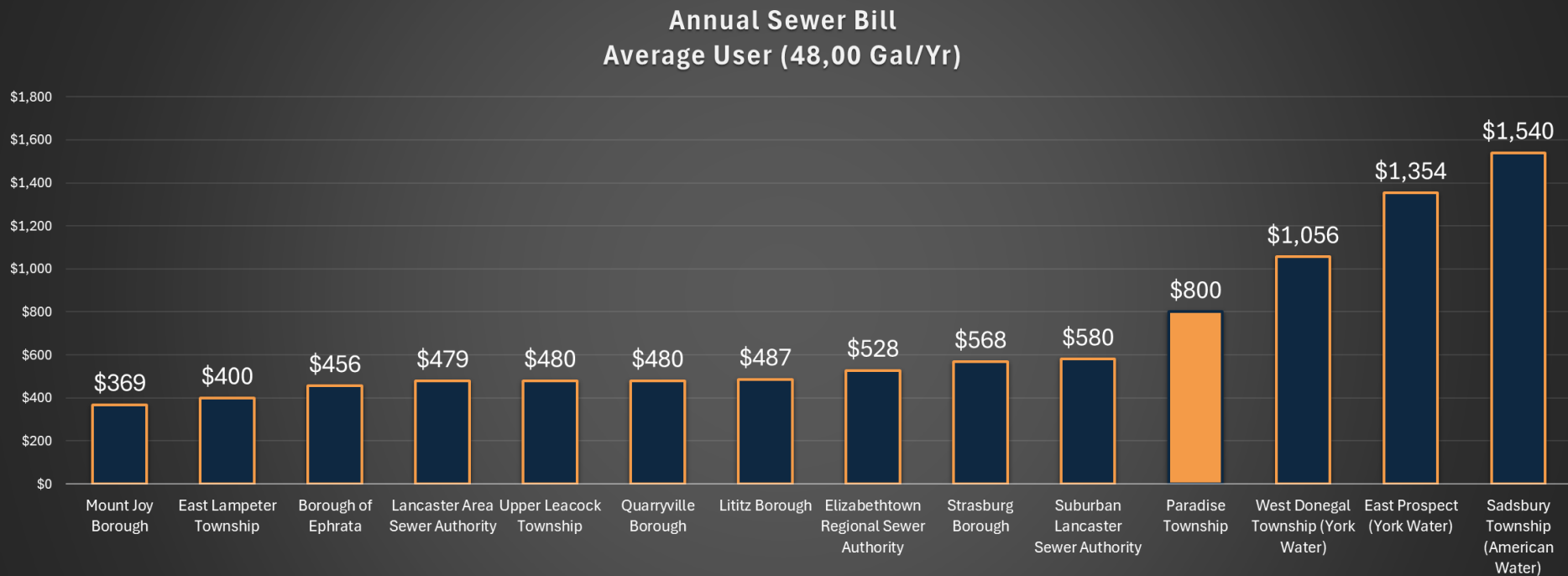
Current Sewer Bill Comparison





Local Comparison of Township's Sewer Bill

- Paradise Township Sewer Authority's **current** annual sewer bill is higher than most of its neighboring municipally owned peers, but less than those systems owned and operated by investor-owned utilities.





Scenario Analysis

Status Quo Scenario

~\$350,000 Fund
Balance by 2036

Scenario 1

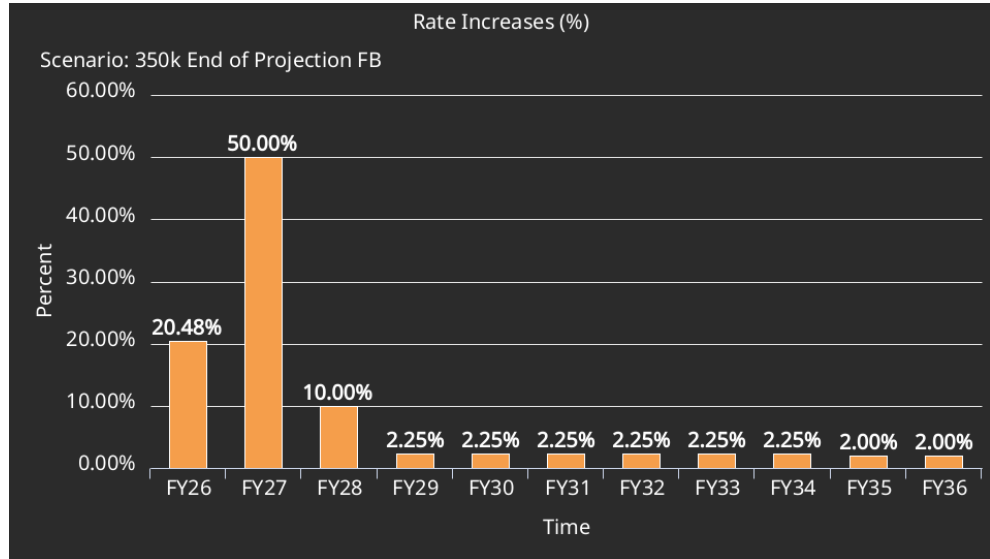
~\$750,000 Fund
Balance by 2036



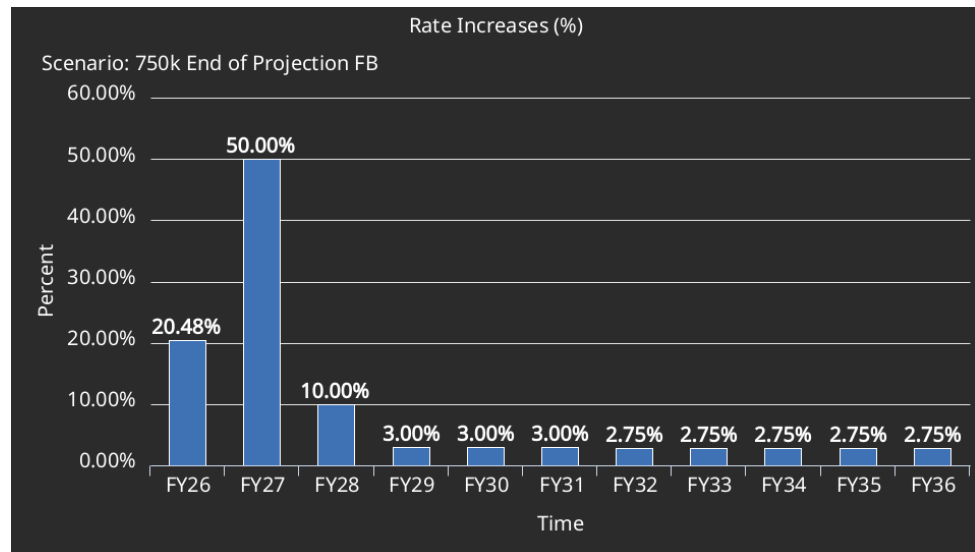
Projected Rate Increases

- The Authority has already approved a 20.48% increase for FY26 (raising users' rates from \$166 to \$200).
- To prevent a negative fund balance, a 50.00% increase is assumed for FY27, followed by a sharp drop to 10.00% in FY28.
- From FY29 onward, annual increases stabilize at more moderate levels: 2.00% – 2.25% for the **Status Quo**, and 2.75% – 3.00% for **Scenario 1**.

Status Quo



Scenario 1

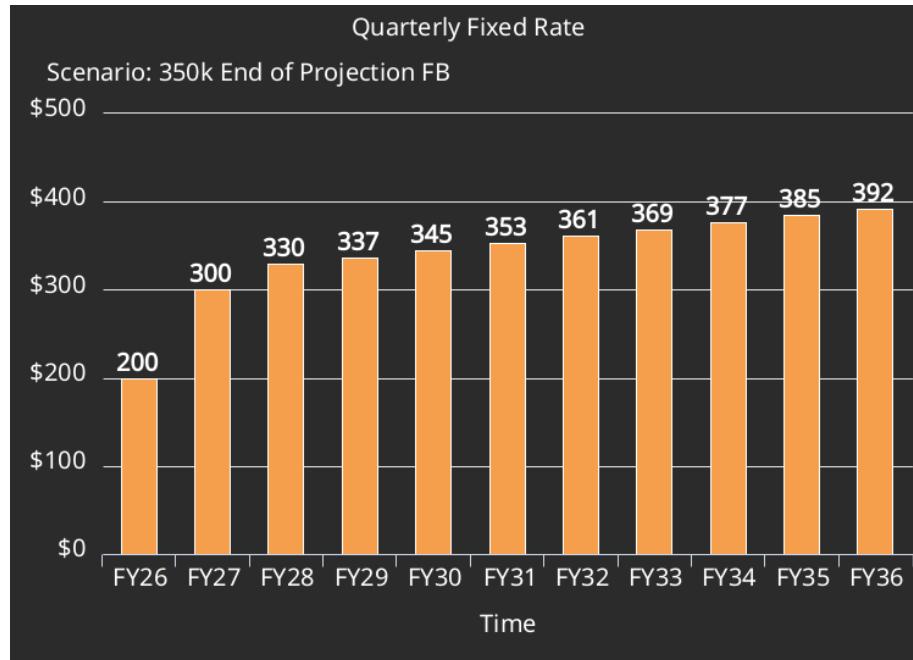




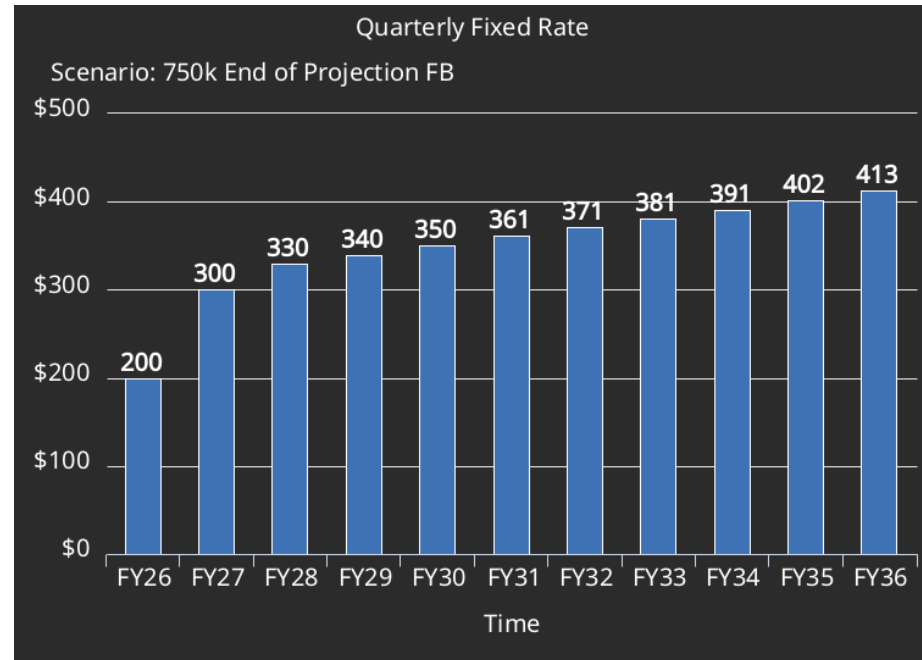
Projected Quarterly Flat Rate

- ◆ The Authority experiences more significant adjustments during the first two fiscal years before transitioning to modest, incremental increases in subsequent years. Ultimately at the end of the projection period the **Status Quo** arrives at a quarterly rate of \$392 and \$413 for **Scenario 1**.

Status Quo



Scenario 1



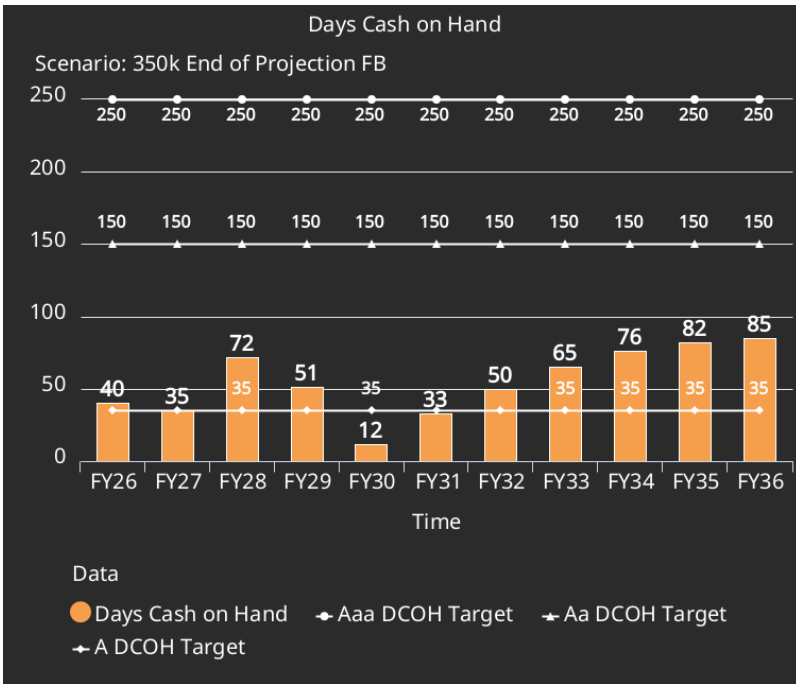
Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change. The projections shown are not indicative of future results.



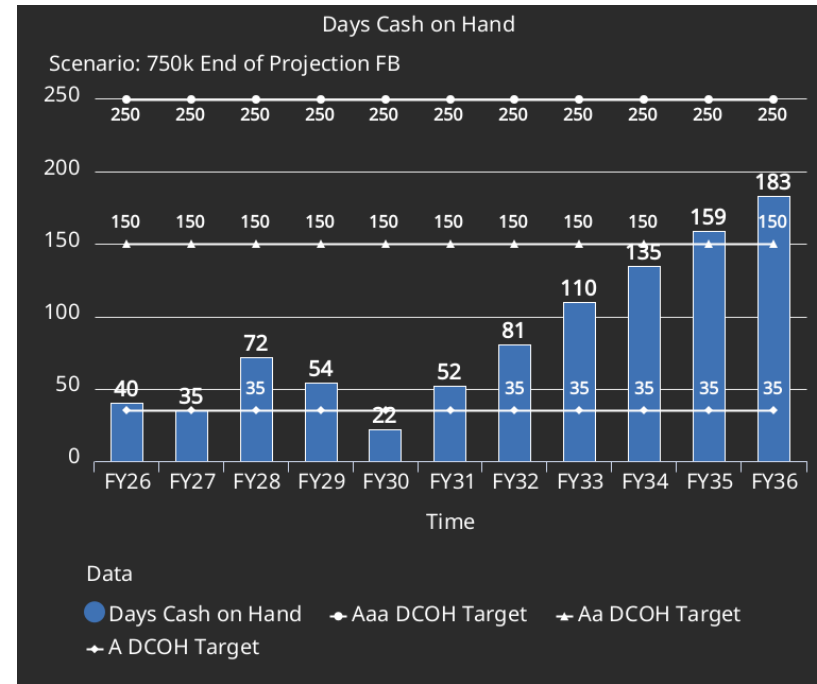
Projected Days Cash on Hand

- ◆ Days Cash on Hand - is a financial metric that measures how many days a utility can cover its operating expenses using only its available cash. It's a way to assess liquidity and the ability to meet financial obligations.

Status Quo



Scenario 1



While the Township's cash balance metrics align with Moody's A-Aa medians, this is **only one input to the overall Moody's scorecard**. A high liquidity score alone does not guarantee an Aaa rating, since the final rating also reflects other factors such as debt burden, rate flexibility/affordability, operating performance, service area trends, and governance/management.

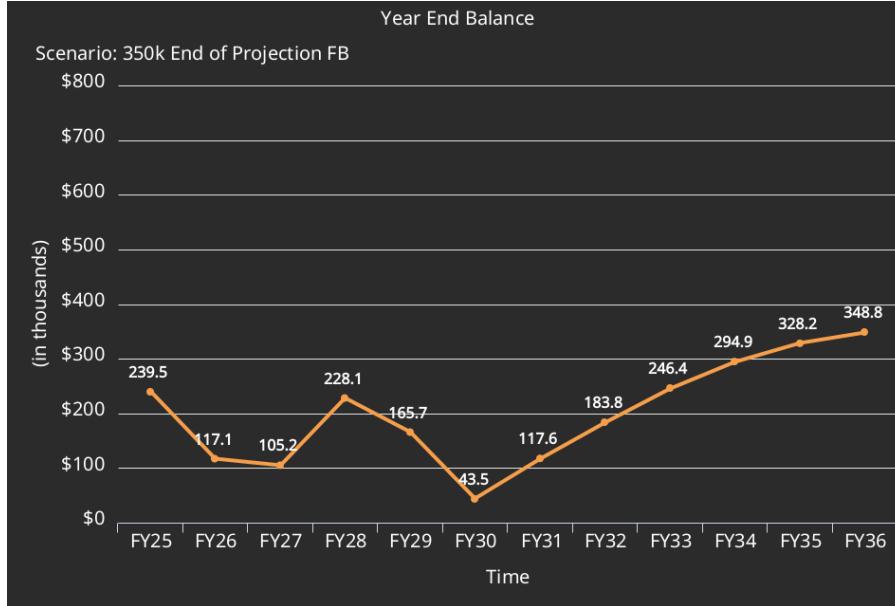
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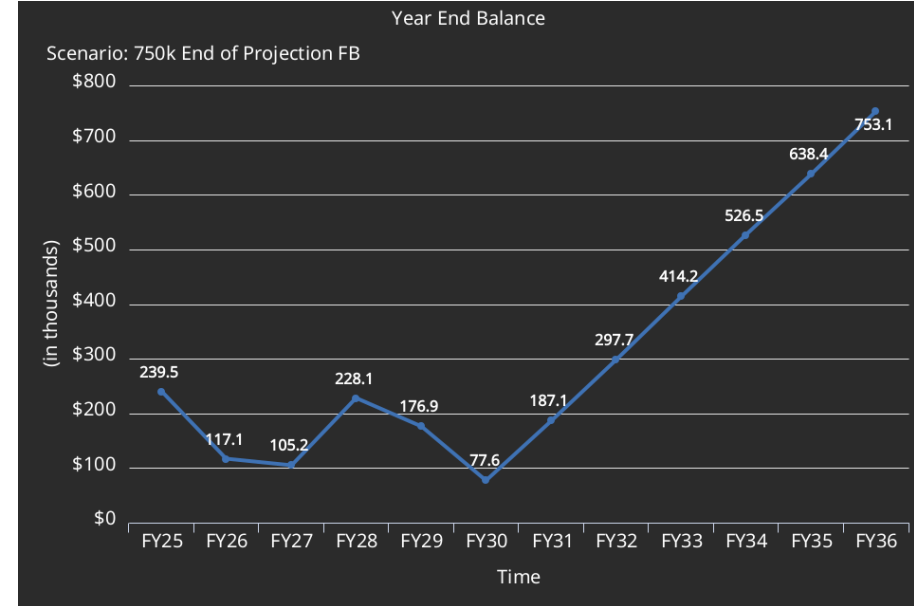
Projected Years End Fund Balance

- Both Scenarios drop to low fund balances in 2027 and 2030 but begin to increase starting in 2031 ending the projection at their intended target fund balance.

Status Quo



Scenario 1



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Backup Summary of Financial/Rate Projections

Status Quo

\$350,000 Ending Fund Balance

	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>	<u>FY30</u>	<u>FY31</u>	<u>FY32</u>	<u>FY33</u>	<u>FY34</u>	<u>FY35</u>	<u>FY36</u>
Operating Revenues												
Revenues from Existing Rates	667,455	688,502	717,718	746,934	748,262	749,590	750,918	752,246	753,574	754,902	756,230	757,558
Proposed Quarterly Rate	166	200	300	330	337	345	353	361	369	377	385	392
% Change of Proposed Rates	-	20.48%	50.00%	10.00%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.00%	2.00%
Proposed Revenue Increases	-	141,018	579,362	737,934	772,715	808,369	844,918	882,382	920,784	960,146	996,196	1,033,055
Total User Charge Revenue	667,455	829,520	1,297,080	1,484,868	1,520,977	1,557,959	1,595,835	1,634,627	1,674,357	1,715,047	1,752,426	1,790,613
Other Operating Revenues	3,040	3,162	3,288	3,420	3,556	3,699	3,847	4,001	4,161	4,327	4,500	4,680
Total Operating Revenues	670,495	832,682	1,300,368	1,488,288	1,524,533	1,561,658	1,599,682	1,638,628	1,678,518	1,719,374	1,756,926	1,795,293
Operating Expenses												
Operating Expenses												
General/ Administration Costs	110,698	115,126	119,731	124,520	129,501	134,681	140,068	145,671	151,498	157,558	163,860	170,414
Operation & Maintenance Expenses	587,162	610,649	643,435	677,867	705,393	734,036	763,842	794,858	827,134	860,719	895,668	932,035
Total Operating Expenses	697,860	725,774	763,166	802,387	834,894	868,717	903,910	940,529	978,631	1,018,277	1,059,528	1,102,450
Non-Operating Revenues	65,000	120,000	-	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Debt Service	243,872	349,361	349,120	354,999	350,643	405,235	402,632	403,603	399,234	404,425	405,407	402,558
New Capital Pay-Go	-	-	200,000	208,000	416,320	424,973	233,972	243,331	253,064	263,186	273,714	284,662
Net Revenue	(206,237)	(122,454)	(11,918)	122,901	(62,324)	(122,267)	74,168	66,165	62,589	48,486	33,277	20,623
End of Year Balance	239,539	117,085	105,168	228,069	165,745	43,479	117,646	183,811	246,400	294,886	328,163	348,786
Debt Service Coverage	0.15	0.65	1.54	1.93	2.01	1.75	1.77	1.77	1.79	1.77	1.76	1.76
Days Cash on Hand Amount	93	40	35	72	51	12	33	50	65	76	82	85

Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change. The projections shown are not indicative of future results. [1] Per Moody's, Financial Strength Category listed above equal approximately 15% of the total credit rating. Rating Scale from best to worst is AAA, Aa, A, Baa, Ba, B and below. Source: Moody's Rating Methodology.

Scenario 1

\$750,000 Ending Fund Balance

	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>	<u>FY30</u>	<u>FY31</u>	<u>FY32</u>	<u>FY33</u>	<u>FY34</u>	<u>FY35</u>	<u>FY36</u>
Operating Revenues												
Revenues from Existing Rates	667,455	688,502	717,718	746,934	748,262	749,590	750,918	752,246	753,574	754,902	756,230	757,558
Proposed Quarterly Rate	166	200	300	330	340	350	361	371	381	391	402	413
% Change of Proposed Rates	-	20.48%	50.00%	10.00%	3.00%	3.00%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%
Proposed Revenue Increases	-	141,018	579,362	737,934	783,872	831,308	880,292	926,787	974,678	1,024,006	1,074,813	1,127,143
Total User Charge Revenue	667,455	829,520	1,297,080	1,484,868	1,532,133	1,580,898	1,631,210	1,679,032	1,728,251	1,778,907	1,831,043	1,884,700
Other Operating Revenues	3,040	3,162	3,288	3,420	3,556	3,699	3,847	4,001	4,161	4,327	4,500	4,680
Total Operating Revenues	670,495	832,682	1,300,368	1,488,288	1,535,690	1,584,597	1,635,056	1,683,033	1,732,412	1,783,234	1,835,543	1,889,380
Operating Expenses												
Operating Expenses												
General/ Administration Costs	110,698	115,126	119,731	124,520	129,501	134,681	140,068	145,671	151,498	157,558	163,860	170,414
Operation & Maintenance Expenses	587,162	610,649	643,435	677,867	705,393	734,036	763,842	794,858	827,134	860,719	895,668	932,035
Total Operating Expenses	697,860	725,774	763,166	802,387	834,894	868,717	903,910	940,529	978,631	1,018,277	1,059,528	1,102,450
Non-Operating Revenues	65,000	120,000	-	-	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Debt Service	243,872	349,361	349,120	354,999	350,643	405,235	402,632	403,603	399,234	404,425	405,407	402,558
New Capital Pay-Go	-	-	200,000	208,000	416,320	424,973	233,972	243,331	253,064	263,186	273,714	284,662
Net Revenue	(206,237)	(122,454)	(11,918)	122,901	(51,167)	(99,328)	109,542	110,570	116,483	112,346	111,894	114,710
End of Year Balance	239,539	117,085	105,168	228,069	176,902	77,574	187,116	297,686	414,168	526,515	638,409	753,120
Debt Service Coverage	0.15	0.65	1.54	1.93	2.04	1.80	1.85	1.88	1.93	1.93	1.95	1.99
Days Cash on Hand Amount	93	40	35	72	54	22	52	81	110	135	159	183

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Thank You



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