
VERIFIED DIRECT TESTIMONY OF JENNIFER Z. WILSON
ON BEHALF OF THE CITY OF BLOOMINGTON, INDIANA

Cause No. 45533

INTRODUCTION

1. Q PLEASE STATE YOUR NAME AND ON WHOSE BEHALF, YOU ARE TESTIFYING.

A My name is Jennifer Z. Wilson, and I am testifying on behalf of the Petitioner, the City of Bloomington, Indiana's ("Bloomington") Municipal Water Utility ("Petitioner" or "Utility").

2. Q BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A I am a Consulting Managing Director with Crowe LLP ("Crowe"), a certified public accounting and consulting firm. Crowe's Consulting Public Sector Municipal Advisory practice and its predecessor, Municipal Consultants, have been providing rate and financial consulting services to various types of utility companies for over fifty-five years. My business address is 135 North Pennsylvania Street, Suite 200, Indianapolis, Indiana 46204.

3. Q PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL QUALIFICATIONS.

A I received a bachelor’s degree in accounting from Indiana University in 1992. During my employment, I have attended numerous seminars and conferences pertaining to accounting, utility, and rate issues. Universities, utility associations, accounting organizations, state regulatory associations, governmental entities, and other organizations sponsored these seminars. I am a Certified Public Accountant licensed in the State of Indiana and am a member of the Indiana CPA Society and the American Institute of Certified Public Accountants. I am designated by the Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor Representative and a Municipal Advisor Principal.

4. Q WHAT IS A DESIGNATION OF MUNICIPAL ADVISOR BY THE MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)?

A As part of its expanded mandate under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the MSRB implemented the first qualifying examination for municipal advisors. MSRB Rule G-3, effective April 27, 2015, created two classifications of municipal advisor professionals, representative and principal, with firms required to designate at least one principal to oversee the municipal advisory activities of the firm. All municipal advisor representatives and principals are required to take and pass the Series 50 exam to demonstrate the level of knowledge needed to be sufficiently qualified to perform municipal advisory activities. Furthermore, the MSRB restricts any party from providing advice concerning the issuance of debt to only those qualified as a municipal advisor representative or municipal advisor principal. I passed the Series 50 Pilot exam in 2016 and, because of that, am a Series 50-qualified municipal advisor representative. I passed the Series 54 Pilot exam in 2019 to demonstrate the level of knowledge to serve as a municipal advisor principal. My firm has designated me as a municipal advisor principal.

5. Q HOW LONG HAVE YOU BEEN EMPLOYED BY CROWE AND IN WHAT CAPACITIES?

A I have been employed by Crowe since 1992 after graduating from Indiana University. During my employment, I have been responsible for supervising and performing numerous projects including utility rate engagements, feasibility studies, cost of service studies, utility financial analysis, rate evaluation, revenue sufficiency reviews, and other projects related to a variety of utility issues.

I have served as a municipal advisor on both competitive and negotiated bond sales including debt issuance through agencies of the State of Indiana by the Indiana Bond Bank and by the Indiana Finance Authority through the State Revolving Fund Loan Program. While at Crowe, the engagements that I have worked on and been responsible for have included water, sewer, stormwater, and electric utilities that were established as not-for-profit, for-profit, governmental, or quasi-governmental entities. I have prefiled and given oral testimony before the Indiana Utility Regulatory Commission ("Commission").

6. Q HAVE YOU TESTIFIED BEFORE THE COMMISSION IN THE PAST?

A Yes, I testified on behalf of the City of Fort Wayne in its water rate case and financing case, in Cause Nos. 42979 and 42724. I have also testified on behalf of the City of South Bend in Cause No. 42779, the City of New Castle Water Utility in Cause No. 42984, the City of Lafayette in Cause No. 45006, and the Crawfordsville Electric Light & Power in Cause No. 45420.

7. Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CAUSE?

A The purpose of my testimony is to present the revenue requirements of the Utility based on our analysis of the Utility's books, records and other information. The December 29, 2020 Preliminary Revenue Requirements Report ("Report"), which is prefiled as Petitioner's Attachment JZW-1, documents the results of the analysis that was performed by Crowe under my supervision.

8. Q WERE THE SCHEDULES WHICH ARE INCLUDED IN THE REPORT PREPARED BY YOU OR PREPARED UNDER YOUR DIRECT SUPERVISION?

A Yes. I either prepared the schedules or provided supervision as to their preparation.

9. Q WHAT WERE THE SOURCES OF THE DATA USED TO PREPARE THE SCHEDULES OF THE REPORT?

A The data used to prepare the schedules was provided by the Utility from the Utility's business records, from Utility files maintained by Crowe, or it is data that is part of normal business information that is available to individuals working in the utility rate and financing field. Based upon my experience, the type of data used in the schedules of the Report is consistent with industry standards and is used in the normal course of business for such purposes. Also, the schedules summarize the results of our analysis using such data.

10. Q PLEASE DESCRIBE SOME OF THE MATERIALS YOU REVIEWED IN ORDER TO PREPARE YOUR TESTIMONY IN THIS CAUSE.

A Some of the materials I reviewed to prepare my testimony in this Cause includes, but is not limited to, the Utility's books and records, minutes of meetings of Bloomington's Common Council and Utility Service Board, Utility files maintained by Crowe which are kept in the normal course of business, files of the Utility, and our files regarding previous rate cases, as well as other materials which are normally examined during an engagement to analyze utility rates, charges, and proposed financing.

REQUIRED RATE INCREASE

11. Q WHAT INCREASE IN OPERATING REVENUES IS REQUIRED FOR THE UTILITY TO MEET ITS PRO FORMA REVENUE REQUIREMENTS?

A The Statement of Revenue Requirements on page twenty-three of the Report shows a proposed two-phase rate increase. Petitioner is proposing a 11.73% increase in Phase I that would be effective upon approval and a 9.38% increase in Phase II that would be effective January 1, 2024. The increases in operating revenues are required in order for the Utility to meet its pro forma revenue requirements for: Operation and Maintenance Expenses; Taxes Other Than Income Taxes; Average Annual Debt Service on

Outstanding Debt; Average Annual Debt Service on the Proposed Debt; Average Annual Lease Payment on Equipment for Advance Meter Infrastructure; Annual Lease Payment on the Solar Lease; and an annual amount for Extensions and Replacements.

The difference between the two Phases being proposed is the amount available for the Average Annual Debt Service on the Proposed Debt and the amount available for Extensions and Replacements. In Phase I, the Petitioner will pay interest only on the Proposed Waterworks Revenue Bonds, Series 2022 ("Proposed Bonds") and Extensions and Replacements represents the average annual extensions and replacements for the years 2021-2023 as shown in the capital improvement plan included on page nineteen of Petitioner's Attachment JZW-1. In Phase II, the Utility will begin paying principal payments on the Proposed Bonds and Extensions and Replacements increases to the average annual amount calculated on the capital improvement plan for years 2024 and 2025.

12. Q WHAT IS THE PURPOSE OF A TWO-PHASE REVENUE INCREASE?

A A two-phase revenue increase allows customers to experience less "rate shock" relative to a single-phase rate increase. A two-phase rate increase is particularly important in context of the proposed changes in rates and charges across customers classes as a result of the cost of service study included in Petitioner's Attachment MCB-2 to the testimony of Petitioner's witness Mark C. Beauchamp. A two-phase rate increase balances the needs of the Utility with the challenges of customers absorbing increased rates and charges.

13. Q PLEASE PROVIDE AN EXPLANATION OF PAGE TWO AND THREE OF THE REPORT.

A Pages two and three present the Balance Sheets of the Utility as of March 31, 2020, and December 31, 2019, and 2018. After the end of the test year ending March 31, 2020, the Utility refunded its Waterworks Revenue Bonds of 2011, Series A and B, and its State Revolving Fund Loans (together, "Refunded Bonds") with the proceeds of the Waterworks Revenue Refunding Bonds of 2020, Series A ("2020A Bonds") and the Waterworks Revenue Refunding Bonds of 2020, Series B ("2020B Bonds"). The amortization schedules for the 2020A Bonds and 2020B Bonds are shown on pages seven and eight of the Report. The Long-Term Debt section of the Balance Sheet also includes the addition of the Revenue Bonds of 2017, which were issued after receiving Commission approval in Cause No. 44855.

14. Q PLEASE EXPLAIN PAGES FOUR THROUGH TEN OF THE REPORT.

A Page four represents a summary level overview of the annual debt service on the Utility's long term outstanding bond issuances shown in the Long Term Debt portion of the Balance Sheet with the exception that the 2020A Bonds and 2020B Bonds amortization schedules are shown in lieu of the Refunded Bonds that were refunded in 2020. Pages five through eight provide the detailed amortization schedules of the Amended Waterworks Revenue Bonds of 2006, Series A-1; the Waterworks Revenue Bonds of 2017; the 2020A Bonds; and the 2020B Bonds (together, "Outstanding Debt"). Pages nine and ten provide the Utility's allocated shares of the Energy System Group

(ESG) Solar Lease ("Solar Lease") and the Equipment Lease Purchase for Advance Metering Infrastructure Project ("AMI Lease") (together, "Leases"). Petitioner's witness Jeffrey Underwood discusses the Leases in greater detail in his testimony.

The Leases are not included in the Combined Outstanding Debt summary information provided on page four. The average annual debt service for the Outstanding Debt is $5,278,299 for the years 2021 through 2025 as shown on page four. I note that the Outstanding Debt is "wrapped" such that the Utility's annual debt service is fairly consistent from year to year for the time period 2021 to 2028. Again, the Outstanding Debt does not include the payments under the Leases.

15. Q PLEASE EXPLAIN PAGES ELEVEN THROUGH THIRTEEN.

A Pages eleven through thirteen present the Utility's Statements of Income for the twelve months ended March 31, 2020, and December 31, 2019, and 2018. The twelve months ended March 31, 2020, has been used as the test year in this Cause. With the appropriate adjustments summarized on pages fourteen and fifteen, including the detail shown on pages sixteen and seventeen of the Report, the test year used in this Cause reasonably reflects current operations and is sufficiently reliable for ratemaking purposes.

16. Q PLEASE EXPLAIN PAGES FOURTEEN AND FIFTEEN OF THE REPORT.

Pages fourteen and fifteen present the Adjusted Statement of Income that summarizes by functional expense the adjustments detailed in pages sixteen and seventeen. It begins with the Utility's historical test year financial information and makes appropriate adjustments for items that are fixed, known and measurable. The results of the calculations demonstrate that, without the rate relief requested in this Cause, the Utility would generate a net income of approximately $4.1 million in a pro forma twelve-month period. The Utility's adjusted net operating income would normally be used to pay the combined principal and interest payments on the Outstanding Debt, the Proposed Bonds, and the Leases. As can be seen on page four, the annual average debt service on the Outstanding Debt alone is estimated to be approximately $5.3 million. The Proposed Bonds estimated five-year average annual debt service for the years 2024 to 2028 is approximately $1.2 million, the average annual lease payment on equipment for AMI Lease is approximately $450,000 and the annual lease payment on the Solar Lease is approximately $190,000. The total of the debt service and lease payments on the Outstanding Debt, Proposed Bonds, and Leases is approximately $7.1 million annually. Therefore, the adjusted net operating income calculated in page fifteen of $4.1 million, would not be sufficient to make the required debt service and lease payments for the Outstanding Debt, Proposed Bonds, and Leases.

17. Q PLEASE DESCRIBE EACH ADJUSTMENT DETAILED ON PAGES SIXTEEN AND SEVENTEEN.

A The pro forma salaries and wages amount in Adjustment (1) was calculated using pay rate and salary information that was obtained from the budgets of the Utility, which are approved on a regular basis by Bloomington's Common Council.

Adjustment (2) is made to adjust test year expenses for the change in the Utility's contributions to the Public Employees Retirement Fund (PERF) and the payment to the

City for the Health Insurance Trust. The Health Insurance Trust payments were lower than usual in the Test Year due to the timing of the payments during the years 2019 and 2020. In 2019, the Health Insurance Trust payments were made in March of 2019 prior to Test Year. In 2020, the payments were made in April of 2020 after the Test Year.

Adjustment (3) was made to adjust Operations and Maintenance Expenses to remove expenses that were non-recurring in nature. Included in these adjustments are matching grant contributions to the Friends of Lake Monroe, an organization composed of multiple entities affected by Lake Monroe. The dollars provided by the Utility to Friends of Monroe were part of a grant program to refresh a study on water quality that has not been undertaken since 1995. Accordingly, the Utility stands to gain access to the water quality study at a fraction of the cost should the Utility have paid for the entirety of that study.

Adjustment (4) allows for an uncollectible accounts expense of $10,639 which is an average amount of bad debts for the years 2018 and 2019 of the Utility. Bad debt expenses are recorded annually by the Utility, and the Test Year did not include the annual provision for bad debt.

Adjustment (5) removes the Solar Lease Payment from the Operating Expenses as it is treated as a separate line item in the Revenue Requirements.

Adjustment (6) increases the Utility's portion of the Shared Service Contract between the Utility and Bloomington.

Adjustment (7), allows for the change in the Federal Insurance Contribution Act (FICA) that resulted from the pro forma salaries and wages calculations that were made in Adjustment (1).

Adjustment (8) makes an adjustment to allow for the appropriate level of Payment in Lieu of Property Taxes (PILOT) based on the amount of Utility Plant in Service located within the City limits multiplied by the City's Gross Corporate tax rate (per $100 Assessed Valuation). PILOT is paid quarterly to the City.

18. Q HAS AN ADJUSTMENT FOR CUSTOMER GROWTH BEEN MADE?

A No. The Bloomington customers appear to be more conservation oriented than a typical water consumer. While the number of customers have increased over time, the Utility hasn't necessarily seen an increase in water consumption due to a variety of factors including conservation and installation of new fixtures.

19. Q PLEASE EXPLAIN PAGES EIGHTEEN AND NINETEEN.

A Pages eighteen and nineteen show the Capital Improvement Plan (CIP) which lists each capital project and the source of funding for the capital items. The CIP is provided by the Utility and described in the testimony of Petitioner's witness Vic Kelson. It outlines a five-year capital improvement plan and includes the projects to be funded by the Proposed Bonds.

20. Q HOW WILL THE UTILITY FUND THE PROJECTS ON THE CAPITAL IMPROVEMENT PLAN?

A The capital improvement plan has been subdivided between the years 2021 to 2023 that will be funded by the Phase I rate increase and the years 2024 and 2025 that will be funded by the Phase II rate increase. The average annual extensions and replacements for the years 2021 through 2023 is $2,809,000 and $3,856,500 for the years 2024 to 2025. The total capital improvement plan is $30,264,000 for the five-year period with $14,104,000 expected to be funded by the Proposed Bonds. The extensions and replacements to be funded with pay-as-you-go revenues totals $16,160,000 for the five-year period. The allocation of the capital improvement plan between the Proposed Bonds and extensions and replacements allows the Utility to rely on bond proceeds for larger projects, and minimize rate shock to customers by building up extensions and replacements through two phases of rate increases. By the end of Phase II, the funding of extensions and replacements will allow the Utility to sustain $3,000,000 of annual funding for its Water Main Replacement Program. Again, Petitioner's witness Mr. Kelson describes the capital projects in greater detail.

21. Q PLEASE EXPLAIN PAGE TWENTY AND TWENTY-ONE.

A Page twenty shows the estimated sources and uses of funds for the Proposed Bonds. In addition to the construction costs provided by the Utility and costs of issuance, the bond ordinances authorizing the Utility's Outstanding Debt, which is secured by the net revenues of the Utility, require additional bonds issued on a parity basis to fund a debt service reserve for the Proposed Bonds. Other items on the Uses of Funds section include standard costs of issuing bonds including (i) insurance expense (estimated at 50 basis points of total debt service of the Proposed Bonds), which may be selected at time of sale to improve the marketability of the Proposed Bonds, (ii) underwriter's discount (estimated at one percent (1%) of the par amount of the Proposed Bonds) which is a provision for the fee charged by the winning underwriter of the bond sale, (iii), IURC regulatory fee as required by the Commission, and (iv) other costs of issuance including rating agency fees, bond counsel fees, municipal advisor fees, parity report fees, and other smaller costs of issuance. The Utility is requesting Commission approval to issue up to \$17.2 million in parity revenue bonds at rates not to exceed six percent (6%) per annum. The par amount requested is \$1,455,000 greater than the amount of \$15,745,000 detailed on page twenty. The difference is an allowance for a ten percent (10%) contingency for the construction costs. Given the timing of when the Proposed Bonds would actually be issued, Bloomington and Utility have approved a maximum bond issuance of \$17.2 million to account for potential increases in construction and project-related costs.

Page twenty-one is the Estimated Amortization Schedule for the Proposed Bonds. The bond ordinance allows for a six percent (6%) maximum permissible interest rate for the Proposed Bonds; I discuss the interest rates used below. The Proposed Bonds are structured so the first principal payment will occur on July 1, 2024. This allows the Utility to include interest only on the Proposed Bonds within the Phase I revenue requirements. The full amount of principal and interest on the Proposed Bonds is included within Phase II revenue requirements at an amount of $1,181,756 which is the estimated average annual debt service on the Proposed Bonds for the time period 2024 to 2028. The Phase I revenue requirement for the debt service on the Proposed Bonds is estimated at $493,512 and represents interest only payments on the Proposed Bonds.

22. Q HOW WERE THE COUPON RATES DETERMINED FOR THE ESTIMATED AMORTIZATION SCHEDULE ON PAGE 21 FOR THE PROPOSED BONDS?

A The interest rates shown on page twenty-one reflect market conditions as of October 15, 2020, from the Municipal Marketplace Monitor (TM3) (MMD) service using a general obligation "AA" scale plus one hundred fifty (150) basis points. While the Utility current has an "A" rating from Standard & Poor's, the use of bond insurance would result in the Utility bearing a rating of the insurance agent for the Proposed Bonds; the commonly used bond insurers have a "AA" rating. The one hundred fifty (150) basis point addition accounts for two components, (1) a credit allowance of fifty basis points and (2) a timing allowance of 100 basis points. The credit allowance accounts for the scale being based on general obligation bonds while the Proposed Bonds are secured by the net revenues of the sewage works. Purchasers of municipal bonds view general obligations bonds as less risky than revenue bonds, and therefore, require higher interest rates for debt secured by utility revenues. Additionally, the credit allowance accounts for unique characteristics of the Utility's credit profile and is consistent with the Utility's prior performance in open market transactions including the Utility's 2017 Bonds approved by the Commission. The timing allowance of 100 basis points is reasonable as the Utility is not able to project interest rates at time of debt issuance. Incorporating the timing allowance is critical, and comes at no risk to the Utility's ratepayers, as the Utility anticipates filing a true-up filing for actual results of the bond sale. To any extent the credit allowance or timing allowance are in excess of actual results, the proposed debt service will be reduced, and rates will be lowered for ratepayers. In contrast, under-estimating the credit allowance and timing allowance exposes the Utility to the risk of not being able to fund its revenue requirements in the event of market changes that exceed that rates provided for in the Utility's case-in-chief.

23. Q IS THE ISSUANCE OF THE PROPOSED BONDS A REASONABLE METHOD OF FINANCING THE PROJECTS?

A As can be seen on page twenty-one, the Proposed Bonds are to be issued for a term of twenty (20) years. It is anticipated that the improvements funded by the bond issue will benefit customers well into the future and specifically during the time the Proposed Bonds will be outstanding. The issuance of the Proposed Bonds to fund the needed improvements is both reasonable and appropriate.

24. Q IS THE UTILITY CONSIDERING ISSUE BONDS THROUGH THE STATE REVOLVING FUND LOAN PROGRAM?

A No. The Utility has not submitted application to the State Revolving Fund (SRF) Loan Program for the issuance of the Proposed Bonds. The Utility has opted for the flexibility in timing that an open market bond issuance will allow. An open market bond issuance will allow the Utility to proceed immediately with the bond issuance once Commission approval is received. The process for an SRF Loan includes applying to be prioritized on the SRF Priority Funding List which is issued each July 1st. There is uncertainty whether the Utility's projects will be ranked high enough to receive SRF program funds and in which year the Utility would qualify for the funds if they were to apply. Additionally, should Bloomington wait to see if its projects can be funded through the SRF program, it incurs interest rate risk that rates will rise that could offset the cost savings by issuing the bonds sooner on the open market. Finally, Bloomington has successfully issued debt in the open market at affordable interest costs.

25. Q WHAT IS THE ESTIMATED EFFECT OF NOT ISSUING THROUGH THE SRF PROGRAM?

A It is difficult to project the exact cost difference between opting for an open market competitive bond sale and the SRF Loan program due to market uncertainty and the different costs associated with each process. Furthermore, this analysis is made more difficult by the uncertainty of whether or not the Utility would qualify for SRF's program rate, or whether the Utility would be included in a pooled financing transaction that is not subsidized by program dollars. For the purpose of assisting the Utility in determining the best financing course based on its project needs and credit profile, we estimated an SRF transaction assuming the Utility qualified for the program rate and using similar parameters as the Proposed Bonds previously described (the "Estimated SRF Loan"). Notable differences from the open market financing option include (1) removing the funding of the debt service reserve, underwriter's discount, and rating agency fee from the bond issuance, and (2) adding additional engineering costs of $500,000 related to SRF's preliminary engineering report requirements. We assumed an

SRF program rate of 3.1% being (1) the current program interest rate of two percent (2%), (2) and estimated one-tenth of one percent (0.1%) for and estimated penalty for delaying principal repayment till 2024, and (3) the same timing allowance utilized for the open market issuance of 100 basis points. Based on these assumptions, the Estimated SRF Loan would result in approximately $1,080,000 of annual debt service per year, compared to the approximately 1,180,000 of annual debt service on the Proposed Bonds, or $100,000 in annual savings. The savings of the Estimated SRF Loan are offset by the SRF's prohibition against the Utility funding a debt service reserve through loan proceeds. Were the Utility to move forward with the Estimated SRF Loan, the Utility would modify its revenue requirements to include a five-year build-up of funds of approximately $215,000 annually for five years. Therefore, in the near term, the Estimated SRF Loan would result in increased revenue requirements of approximately $115,000. Over the life of the debt, opting for the SRF Loan could result in approximately $880,000 of savings. Given these savings occur between years six through twenty of the bond issuance, it is appropriate to discount the future cash flows to quantify the present dollar value benefit of the savings. Discounting the savings at the arbitrage yield of the Proposed Bonds of 3.39% results in present value savings of approximately $400,000. Bear in mind these savings assume the Utility qualifies for the SRF program rate; were the Utility to issue through the SRF's pooled transaction, the increase of the pooled rate compared to the program rate would decrease the present value savings. Additionally, the savings assume no difference in interest rates between the timing of an open market transaction and the timing of an SRF Loan. The additional lead time of issuing through the SRF program exposes the Utility to greater risk that interest rates increase between the time the Utility would have issued bonds assuming an open market transaction compared to an SRF Loan. Were the SRF interest rates to change by 30 basis points, whether due to the pool rate or timing differences, the present value savings decrease to zero. Thirty (30) basis points serves as a break-even value regarding SRF savings rather than an estimate of actual differences between pool and program rates or estimated effects of timing.

26. Q ARE THERE OTHER BENEFITS OF AN OPEN MARKET TRANSACTION?

A Yes. At the time of issuance of the Proposed Bonds, the Utility will evaluate whether or not it is advantageous to purchase a surety policy to satisfy the requirement of a debt service reserve. This could possibly lead to additional debt service savings that would be passed back to ratepayers through the Utility's true-up filing. Additionally, an open market transaction would allow the Utility to sustain and build its credit profile in the municipal bond market. Market participation keeps the Utility as a familiar credit for bond purchasers, which serves to expand the Utility's access to future financings. Accordingly, an open market issuance for the Proposed Bonds enhances the Utility's access to credit markets in the future.

27. Q WHAT IS THE UTILITY'S PHASE I PROPOSED REVENUE REQUIREMENT?

A The Utility's Phase I pro forma revenue requirement total is $19,656,403, as shown on the Statement of Revenue Requirements on page twenty-three of the Report. After deducting the operating revenues, the Utility has a revenue shortfall of $1,951,505 before consideration of the utility receipts tax. Including the utility receipts tax increases the revenue shortfall to $1,979,519 and a total revenue requirements of $19,684,117 for Phase I. Phase I revenue requirements necessitate a 11.73% increase in operating revenues.

28. Q WHAT IS THE UTILITY'S PHASE II PROPOSED REVENUE REQUIREMENT?

A The Utility's Phase II pro forma revenue requirement total is $21,429,861, as shown on the Statement of Revenue Requirements on page twenty-three of the Report. After deducting the operating revenues after the Phase I increase, the Utility has a revenue shortfall of $1,744,253 before consideration of the utility receipts tax. Including the utility receipts tax increases the revenue shortfall to $1,769,019 and a total revenue requirements of $21,454,627 for Phase II. The Phase II revenue requirement necessitate a 9.38% incremental increase in operating revenues above the Phase I increase in order for the Utility to fully fund its Phase II revenue requirements. Phase I is to be effective upon approval and Phase II to be effective January 1, 2024. The total compounded rate increase for both phases is 22.22%.

29. Q PLEASE EXPLAIN PAGES TWENTY-FOUR THROUGH TWENTY-SIX.

A Pages twenty-four through twenty-six represent the current rates and charges of the Utility.

30. Q DOES THIS CONCLUDE YOUR PREFILED DIRECT TESTIMONY AT THIS TIME?

A Yes.

VERIFICATION

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information, and belief.

April 16, 2021
Dated

Jennifer Z. Wilson
Jennifer Z. Wilson

Smart decisions. Lasting value.™

Preliminary Revenue Requirements Report

Bloomington Municipal Water Utility

December 29, 2020

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Purpose of the Report

Crowe LLP ("Crowe" or "we") has performed a study and analysis of the operating and financial reports, budgets, and other data pertaining to Bloomington Municipal Water Utility ("Utility"). The results of our analysis are contained in this Preliminary Revenue Requirements Report ("Report").

The purpose of this Report is to estimate the Utility's on-going revenue requirements for operation and maintenance expenses, current and proposed debt service payments, and make capital improvements to the Utility's system. This Report is based on data for the twelve months ended March 31, 2020 ("Test Year"). The historical information used in this Report was taken from the books and records of the Utility and was adjusted as necessary for fixed, known, and measurable items as disclosed in the schedules of this Report.

In the course of preparing this Report, we have not conducted an audit of any financial or supplemental data used in the accompanying exhibits and schedules. We have made certain projections that may vary from actual results because events and circumstances frequently do not occur as estimated and such variances may be material. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

If you have any questions regarding this Report, please call Jennifer Wilson at (317) 269-6699 or Craig Lotz at (317) 689-5512.

Financial Statements

Balance Sheets as of March 31, 2020, December 31, 2019, and December 31, 2018

ASSETS AND OTHER DEBITS	March 31, 2020	December 31, 2019	December 31, 2018
Utility Plant			
Utility Plant in Service	$ 145,333,991	$ 145,149,832	$ 142,381,674
Less: Accumulated Depreciation	(56,805,829)	(56,805,829)	(53,642,740)
Accumulated Amortization	(60,794)	(60,794)	(58,768)
Net Utility Plant in Service	88,467,368	88,283,209	88,680,166
Add: Construction Work in Progress	6,027,906	5,463,406	3,738,465
Net Utility Plant	94,495,274	93,746,615	92,418,631
Restricted Assets			
Sinking Fund	806,964	262	61
Hydrant Meter Fund	43,300	43,650	43,950
Cash with Fiscal Agent	1,987,325	3,595,052	1,609,148
Debt Service Reserve Fund	6,252,339	6,252,339	6,120,952
Construction Fund	657,793	936,801	1,846,167
Total Restricted Assets	9,747,721	10,828,104	9,620,278
Current and Accrued Assets			
Operation and Maintenance Fund	2,592,434	3,642,292	3,634,267
Accounts Receivable - Net	1,024,926	1,053,201	927,396
Materials and Supplies	645,349	689,508	633,238
Prepaid Expenses	623	623	623
Total Current and Accrued Assets	4,263,332	5,385,624	5,195,524
Deferred Debits			
Unamortized Bond Discount	509,100	509,100	515,217
Unamortized Bond Issuance Costs	66,625	66,625	84,071
Deferral Loss on Advancement	-	-	55,215
Total Deferred Debits	575,725	575,725	654,503
Total Assets and Other Debits	$ 109,082,052	$ 110,536,068	$ 107,888,936

Data Source: Utility

Balance Sheets as of March 31, 2020, December 31, 2019, and December 31, 2018 (Continued)

LIABILITIES AND OTHER CREDITS	March 31, 2020	December 31, 2019	December 31, 2018
Equity Capital			
Unappropriated Retained Earnings	$ 47,632,059	$ 44,321,267	$ 40,066,983
Current Year Earnings	369,440	3,310,792	4,254,284
Prior Period Adjustments	25,943	25,943	25,943
Total Equity Capital	48,027,442	47,658,002	44,347,210
Long Term Debt			
Refunding Revenue Bonds of 2003	-	-	550,000
Revenue Bonds of 2011 (1)	29,130,000	30,480,000	31,225,000
Amended 2006 Bonds	1,950,200	2,227,700	2,491,200
Revenue Bonds of 2017	3,990,000	4,255,000	4,430,000
State Revolving Fund Loans (1)	5,939,000	8,084,000	10,160,000
Long Term Lease	3,348,000	3,348,000	-
Total Long Term Debt	44,357,200	48,394,700	48,856,200
Current and Accrued Liabilities			
Accounts Payable	(3,883)	309,764	281,881
Revenue Bonds - Current	1,807,500	789,100	759,600
State Revolving Fund Loans - Current	1,612,000	-	-
Accounts Payable to Associated Company	3,091	3,091	421,765
Compensated Absences Payable	119,106	119,106	147,345
Customer Deposits	43,300	43,650	43,950
Unearned Revenue	71,233	70,907	68,545
Accrued Taxes	60,966	79,651	72,443
Accrued Payroll	134,876	134,876	123,999
Short Term Lease	168,000	252,000	75,273
Total Current and Accrued Liabilities	4,016,189	1,802,145	1,994,801
Deferred Credits			
Unamortized Bond Premium	204,603	204,603	214,107
Contributions in Aid of Construction	12,476,618	12,476,618	12,476,618
Total Liabilities and Other Credits	$ 109,082,052	$ 110,536,068	$ 107,888,936

(1) The Utility issued its Waterworks Revenue Refunding Bonds of 2020, Series A and Series B, in May of 2020 which refunded the Utility's 2011 Bonds and the Utility's State Revolving Fund Loans.

Data Source: Utility

Combined Outstanding Debt

Year	Amended 2006 Bonds	2017 Bonds	2020A Refunding Bonds	2020B Refunding Bonds	Total
2020	$ 381,207	$ 299,444	$ 1,525,611	$ 1,177,374	$ 3,383,636
2021	381,836	295,844	1,577,288	3,023,160	5,278,128
2022	376,721	297,244	1,569,713	3,035,140	5,278,818
2023	380,895	298,494	1,278,000	3,320,625	5,278,014
2024	374,101	299,694	1,279,251	3,324,087	5,277,133
2025	376,743	299,244		4,603,413	5,279,400
2026	378,382	303,169		4,595,355	5,276,906
2027		301,794		4,976,140	5,277,934
2028		300,344		4,976,858	5,277,202
2029		303,669			303,669
2030		301,769			301,769
2031		304,644			304,644
2032		306,907			306,907
2033		308,859			308,859
2034		310,500			310,500
2035		311,569			311,569
2036		312,306			312,306
2037		315,038			315,038
Totals	$ 2,649,885	$ 5,470,532	$ 7,229,863	$ 33,032,152	$ 48,382,432
Average Annual Debt Service (2021-2025)					$ 5,278,299

Amended Waterworks Revenue Bonds of 2006, Series A-1 Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/20	$ 138,900	4.73 %	$ 53,496	$ 192,396	
1/1/21	138,600	4.75	50,211	188,811	$ 381,207
7/1/21	143,300	4.75	46,920	190,220	
1/1/22	148,100	4.78	43,516	191,616	381,836
7/1/22	147,800	4.78	39,977	187,777	
1/1/23	152,500	4.80	36,444	188,944	376,721
7/1/23	157,200	4.80	32,784	189,984	
1/1/24	161,900	4.83	29,011	190,911	380,895
7/1/24	161,600	4.83	25,102	186,702	
1/1/25	166,200	4.83	21,199	187,399	374,101
7/1/25	170,900	4.83	17,185	188,085	
1/1/26	175,600	4.83	13,058	188,658	376,743
7/1/26	180,200	4.83	8,817	189,017	
1/1/27	184,900	4.83	4,465	189,365	378,382
Totals	$ 2,227,700		$ 422,185	$ 2,649,885	

Note: The 2006 A-1 Bonds were issued through the Indiana Bond Bank. The amortization schedule was amended March 26, 2015, and resulted in a reduction in the overall payments of approximately $480,000.

Data Source: Bond Specimen for the Amended 2006 Series A Bonds, as recalculated by Crowe.

Waterworks Revenue Bonds of 2017 Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/20	$ 90,000	2.000 %	$ 60,172	$ 150,172	
1/1/21	90,000	2.000	59,272	149,272	$ 299,444
7/1/21	90,000	2.000	58,372	148,372	
1/1/22	90,000	2.000	57,472	147,472	295,844
7/1/22	90,000	2.000	56,572	146,572	
1/1/23	95,000	2.000	55,672	150,672	297,244
7/1/23	95,000	2.000	54,722	149,722	
1/1/24	95,000	2.000	53,772	148,772	298,494
7/1/24	95,000	2.000	52,822	147,822	
1/1/25	100,000	3.000	51,872	151,872	299,694
7/1/25	100,000	3.000	50,372	150,372	
1/1/26	100,000	3.000	48,872	148,872	299,244
7/1/26	105,000	3.000	47,372	152,372	
1/1/27	105,000	3.000	45,797	150,797	303,169
7/1/27	110,000	3.000	44,222	154,222	
1/1/28	105,000	3.000	42,572	147,572	301,794
7/1/28	110,000	3.000	40,997	150,997	
1/1/29	110,000	3.000	39,347	149,347	300,344
7/1/29	115,000	3.000	37,697	152,697	
1/1/30	115,000	3.000	35,972	150,972	303,669
7/1/30	115,000	3.000	34,247	149,247	
1/1/31	120,000	3.000	32,522	152,522	301,769
7/1/31	120,000	3.000	30,722	150,722	
1/1/32	125,000	3.125	28,922	153,922	304,644
7/1/32	130,000	3.125	26,969	156,969	
1/1/33	125,000	3.125	24,938	149,938	306,907
7/1/33	135,000	3.125	22,984	157,984	
1/1/34	130,000	3.125	20,875	150,875	308,859
7/1/34	140,000	3.125	18,844	158,844	
1/1/35	135,000	3.250	16,656	151,656	310,500
7/1/35	145,000	3.250	14,463	159,463	
1/1/36	140,000	3.250	12,106	152,106	311,569
7/1/36	145,000	3.250	9,831	154,831	
1/1/37	150,000	3.250	7,475	157,475	312,306
7/1/37	310,000	3.250	5,038	315,038	315,038
Totals	$ 4,170,000		$ 1,300,532	$ 5,470,532	

Data Source: Waterworks Revenue Bonds of 2017 Final Official Statement, as recalculated by Crowe.

Waterworks Refunding Revenue Bonds of 2020, Series A Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/20	$ 190,000	1.50 %	$ 9,611	$ 199,611	
1/1/21	1,275,000	1.50	51,000	1,326,000	$ 1,525,611
7/1/21	745,000	1.50	41,438	786,438	
1/1/22	755,000	1.50	35,850	790,850	1,577,288
7/1/22	755,000	1.50	30,188	785,188	
1/1/23	760,000	1.50	24,525	784,525	1,569,713
7/1/23	620,000	1.50	18,825	638,825	
1/1/24	625,000	1.50	14,175	639,175	1,278,000
7/1/24	630,000	1.50	9,488	639,488	
1/1/25	635,000	1.50	4,763	639,763	1,279,251
Totals	$ 6,990,000		$ 239,863	$ 7,229,863	

Data Source: Waterworks Refunding Revenue Bonds of 2020, Series A Amortization Schedule provided by the Utility, as recalculated by Crowe.

Waterworks Refunding Revenue Bonds of 2020, Series B Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
7/1/20	$ 155,000	1.300 %	$ 47,003	$ 202,003	
1/1/21	720,000	1.300	255,371	975,371	$ 1,177,374
7/1/21	1,265,000	1.300	250,691	1,515,691	
1/1/22	1,265,000	1.300	242,469	1,507,469	3,023,160
7/1/22	1,285,000	1.300	234,246	1,519,246	
1/1/23	1,290,000	1.300	225,894	1,515,894	3,035,140
7/1/23	1,445,000	1.300	217,509	1,662,509	
1/1/24	1,450,000	1.700	208,116	1,658,116	3,320,625
7/1/24	1,470,000	1.700	195,791	1,665,791	
1/1/25	1,475,000	1.700	183,296	1,658,296	3,324,087
7/1/25	2,130,000	1.700	170,759	2,300,759	
1/1/26	2,150,000	1.700	152,654	2,302,654	4,603,413
7/1/26	2,165,000	1.700	134,379	2,299,379	
1/1/27	2,180,000	1.950	115,976	2,295,976	4,595,355
7/1/27	2,390,000	1.950	94,721	2,484,721	
1/1/28	2,420,000	1.950	71,419	2,491,419	4,976,140
7/1/28	2,440,000	1.950	47,824	2,487,824	
1/1/29	2,465,000	1.950	24,034	2,489,034	4,976,858
Totals	$ 30,160,000		$ 2,872,152	$ 33,032,152	

Data Source: Waterworks Refunding Revenue Bonds of 2020, Series B Amortization Schedule provided by the Utility, as recalculated by Crowe.

ESG Solar Lease Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total	Water Portion (1)
6/30/20	$ 263,273	2.97 %	$ 184,342	$ 447,615		
12/30/20	267,183	2.97	180,432	447,615	$ 895,230	$ 189,646
6/30/21	271,150	2.97	176,465	447,615		
12/30/21	275,177	2.97	172,438	447,615	895,230	189,646
6/30/22	279,263	2.97	168,352	447,615		
12/30/22	283,410	2.97	164,205	447,615	895,230	189,646
6/30/23	287,619	2.97	159,996	447,615		
12/30/23	291,890	2.97	155,725	447,615	895,230	189,646
6/30/24	296,225	2.97	151,390	447,615		
12/30/24	300,623	2.97	146,991	447,614	895,229	189,645
6/30/25	305,088	2.97	142,527	447,615		
12/30/25	309,618	2.97	137,997	447,615	895,230	189,646
6/30/26	314,216	2.97	133,399	447,615		
12/30/26	318,882	2.97	128,733	447,615	895,230	189,646
6/30/27	323,618	2.97	123,997	447,615		
12/30/27	328,423	2.97	119,192	447,615	895,230	189,646
6/30/28	333,300	2.97	114,315	447,615		
12/30/28	338,250	2.97	109,365	447,615	895,230	189,646
6/30/29	343,273	2.97	104,342	447,615		
12/30/29	348,371	2.97	99,244	447,615	895,230	189,646
6/30/30	353,544	2.97	94,071	447,615		
12/30/30	358,794	2.97	88,821	447,615	895,230	189,646
6/30/31	364,122	2.97	83,493	447,615		
12/30/31	369,529	2.97	78,086	447,615	895,230	189,646
6/30/32	375,017	2.97	72,598	447,615		
12/30/32	380,586	2.97	67,029	447,615	895,230	189,646
6/30/33	386,237	2.97	61,377	447,614		
12/30/33	391,973	2.97	55,642	447,615	895,229	189,645
6/30/34	397,794	2.97	49,821	447,615		
12/30/34	403,701	2.97	43,914	447,615	895,230	189,646
6/30/35	409,696	2.97	37,919	447,615		
12/30/35	415,780	2.97	31,835	447,615	895,230	189,646
6/30/36	421,954	2.97	25,661	447,615		
12/30/36	428,220	2.97	19,395	447,615	895,230	189,646
6/30/37	434,580	2.97	13,035	447,615		
10/30/37	443,227	2.97	4,388	447,615	895,230	189,646
Totals	$ 12,413,606		$ 3,700,532	$ 16,114,138		
Average Annual Lease Payment						$ 189,646

(1) The ESG Solar Lease payments are allocated between the Water Utility, the City of Bloomington Sewage Works, the City of Bloomington Redevelopment Commission, and the City of Bloomington Parks & Recreation Department. The Utility's allocated share is twenty-one and one hundred and eighty-four thousandths percent (21.184%). The ESG Solar Lease payments are not on parity with the outstanding bonds of the Utility.

Data Source: ESG Solar Lease Payment Schedule, as recalculated by Crowe.

Equipment Lease Purchase for Advance Metering Infrastructure Project Amortization Schedule

Date	Principal	Coupon	Interest	Period Total	Fiscal Total	Water Portion (1)
8/15/20	$ 420,000	3.40 %	$ 149,430	$ 569,430		
2/15/21	430,000	3.40	142,290	572,290	$ 1,141,720	$ 456,688
8/15/21	435,000	3.40	134,980	569,980		
2/15/22	445,000	3.40	127,585	572,585	1,142,565	457,026
8/15/22	450,000	3.40	120,020	570,020		
2/15/23	460,000	3.40	112,370	572,370	1,142,390	456,956
8/15/23	470,000	3.40	104,550	574,550		
2/15/24	470,000	3.40	96,560	566,560	1,141,110	456,444
8/15/24	485,000	3.40	88,570	573,570		
2/15/25	490,000	3.40	80,325	570,325	1,143,895	457,558
8/15/25	500,000	3.40	71,995	571,995		
2/15/26	505,000	3.40	63,495	568,495	1,140,490	456,196
8/15/26	520,000	3.40	54,910	574,910		
2/15/27	520,000	3.40	46,070	566,070	1,140,980	456,392
8/15/27	535,000	3.40	37,230	572,230		
2/15/28	540,000	3.40	28,135	568,135	1,140,365	456,146
8/15/28	555,000	3.40	18,955	573,955		
2/15/29	560,000	3.40	9,520	569,520	1,143,475	457,390
Totals	$ 8,790,000		$ 1,486,990	$ 10,276,990		
Average Annual Lease Payment						$ 456,755

(1) The Advance Metering Infrastructure Project lease payments are allocated between the Water Utility and the City of Bloomington Sewage Works. The Water Utility's allocated share is forty percent (40%). The Advance Metering Infrastructure Project lease payments are not on parity with the outstanding bonds of the Utility.

Data Source: Equipment Lease Purchase for Advance Metering Infrastructure Project Agreement, as recalculated by Crowe.

Statements of Income for the Twelve Months Ended March 31, 2020, December 31, 2019, and December 31, 2018

	March 31, 2020	December 31, 2019	December 31, 2018
Operating Revenues			
Metered Sales Residential	$ 4,750,585	$ 4,782,223	$ 4,726,481
Metered Sales Commercial	1,916,871	1,962,829	2,064,859
Metered Sales Industrial	167,090	158,404	152,733
Sales to Public Authorities	1,859,847	1,829,604	2,042,016
Multiple Family Dwellings	3,709,181	3,668,236	3,678,376
Public Fire Protection	812,080	811,339	809,601
Private Fire Protection	807,957	801,996	780,375
Irrigation Sales	385,329	380,685	366,580
Sales for Resale	2,479,467	2,416,353	2,431,102
Forfeited Discounts	36,010	41,367	32,680
Connection Charges	265,155	376,318	414,431
Miscellaneous Operating Revenues	515,026	472,821	372,658
Total Operating Revenues	17,704,598	17,702,175	17,871,892
Operating Expenses			
Operation and Maintenance Expenses			
Source of Supply			
Purchased Water	173,209	169,538	178,467
Purchased Power	677,071	671,417	645,310
Materials and Supplies	24,462	37,609	30,213
Total Source of Supply	874,742	878,564	853,990
Treatment			
Salaries and Wages	924,118	921,955	803,092
Employee Pensions and Benefits	306,237	416,999	392,597
Purchased Power	227,533	230,095	228,331
Chemicals	1,062,392	1,079,054	860,339
Materials and Supplies	287,219	270,239	374,361
Contractual Services - Engineering	-	4,945	2,228
Contractual Services - Testing	30,063	29,018	34,323
Contractual Services - Other	6,558	4,463	3,400
Transportation Expenses	31,162	29,428	34,321
Miscellaneous Expenses	45,879	43,256	34,189
Total Treatment	2,921,161	3,029,452	2,767,181

Data Source: Utility

Statements of Income (Continued)

	March 31, 2020	December 31, 2019	December 31, 2018
Transmission and Distribution			
Salaries and Wages	$ 803,723	$ 792,239	$ 728,733
Employee Pensions and Benefits	291,815	412,343	399,391
Purchased Power	416,736	435,543	358,149
Materials and Supplies	531,614	498,209	346,232
Transportation Expenses	127,038	125,703	107,984
Miscellaneous Expenses	29,112	27,423	21,139
Total Transmission and Distribution	2,200,038	2,291,460	1,961,628
Customer Account			
Salaries and Wages	358,590	352,556	365,741
Employee Pensions and Benefits	137,947	199,707	200,475
Materials and Supplies	107,244	102,121	118,855
Transportation Expenses	19,422	19,189	20,722
Bad Debt Expense	-	10,956	10,323
Miscellaneous Expenses	137,585	134,853	119,477
Total Customer Account	760,788	819,382	835,593
Administrative and General			
Salaries and Wages	1,002,785	989,983	955,893
Employee Pensions and Benefits	325,833	454,516	467,579
Purchased Power	6,004	5,117	7,118
Materials and Supplies	76,284	88,436	78,476
Contractual Services - Engineering	14,074	14,074	-
Contractual Services - Accounting	10,347	2,696	25,608
Contractual Services - Legal	799	3,494	15,717
Contractual Services - Testing	48,820	14,406	30,685
Contractual Services - Other	34,118	34,016	20,647
Transportation Expenses	34,237	30,329	25,707
Insurance - General Liability	102,314	76,924	75,714
Insurance - Other	7,167	5,548	2,000
Advertising Expense	945	843	6,687
Miscellaneous Expenses	1,290,686	702,946	444,137
Total Administrative and General	2,954,413	2,423,328	2,155,968
Total Operation and Maintenance Expenses	9,711,142	9,442,186	8,574,360
Depreciation Expense	3,163,089	3,163,089	2,995,754
Amortization Expense	2,026	2,026	3,040
Taxes Other Than Income Taxes			
Utility Receipts Tax	202,272	196,144	208,863
Payment in Lieu of Property Taxes	303,188	-	-
Total Taxes Other Than Income Taxes	505,460	196,144	208,863
Total Operating Expenses	13,381,717	12,803,445	11,782,017
Net Operating Income	4,322,881	4,898,730	6,089,875

Data Source: Utility

Statements of Income (Continued)

	March 31, 2020	December 31, 2019	December 31, 2018
Other Income			
Interest Income	$ 285,328	$ 299,569	$ 153,617
Miscellaneous Other Income	7,750	9,680	13,100
Total Other Income	293,078	309,249	166,717
Other Expenses			
Interest Expense	1,989,288	1,895,587	2,000,708
Miscellaneous Other Expenses	1,600	1,600	1,600
Total Other Expenses	1,990,888	1,897,187	2,002,308
Net Income	$ 2,625,071	$ 3,310,792	$ 4,254,284

Data Source: Utility

Adjustments to the Financial Statements

Adjusted Statement of Income

	March 31, 2020	Adjustment		Pro Forma
Operating Revenues				
Metered Sales Residential	$ 4,750,585			$ 4,750,585
Metered Sales Commercial	1,916,871			1,916,871
Metered Sales Industrial	167,090			167,090
Sales to Public Authorities	1,859,847			1,859,847
Multiple Family Dwellings	3,709,181			3,709,181
Public Fire Protection	812,080			812,080
Private Fire Protection	807,957			807,957
Irrigation Sales	385,329			385,329
Sales for Resale	2,479,467			2,479,467
Forfeited Discounts	36,010			36,010
Connection Charges	265,155			265,155
Miscellaneous Operating Revenues	515,026			515,026
Total Operating Revenues	17,704,598			17,704,598
Operating Expenses				
Operation and Maintenance Expenses				
Source of Supply				
Purchased Water	173,209			173,209
Purchased Power	677,071			677,071
Materials and Supplies	24,462			24,462
Total Source of Supply	874,742			874,742
Treatment				
Salaries and Wages	924,118	$ 28,344	(1)	952,462
Employee Pensions and Benefits	306,237	111,737	(2)	423,427
		5,453	(7)	
Purchased Power	227,533			227,533
Chemicals	1,062,392			1,062,392
Materials and Supplies	287,219			287,219
Contractual Services - Engineering	-			-
Contractual Services - Testing	30,063			30,063
Contractual Services - Other	6,558			6,558
Transportation Expenses	31,162			31,162
Miscellaneous Expenses	45,879			45,879
Total Treatment	2,921,161	145,534		3,066,695
Transmission and Distribution				
Salaries and Wages	803,723	29,534	(1)	833,257
Employee Pensions and Benefits	291,815	123,872	(2)	421,580
		5,893	(7)	
Purchased Power	416,736			416,736
Materials and Supplies	531,614	(6,398)	(3)	525,216
Transportation Expenses	127,038			127,038
Miscellaneous Expenses	29,112			29,112
Total Transmission and Distribution	2,200,038	152,901		2,352,939

See Appendix A: Risks and Assumptions

Adjusted Statement of Income (Continued)

	March 31, 2020	Adjustment		Pro Forma
Customer Account				
Salaries and Wages	$ 358,590	$ 22,708	(1)	$ 381,298
Employee Pensions and Benefits	137,947	66,963	(2)	207,967
		3,057	(7)	
Materials and Supplies	107,244			107,244
Transportation Expenses	19,422			19,422
Bad Debt Expense	-	10,639	(4)	10,639
Miscellaneous Expenses	137,585			137,585
Total Customer Account	760,788	103,367		864,155
Administrative and General				
Salaries and Wages	1,002,785	80,027	(1)	1,082,812
Employee Pensions and Benefits	325,833	179,080	(2)	513,758
		8,845	(7)	
Purchased Power	6,004			6,004
Materials and Supplies	76,284			76,284
Contractual Services - Engineering	14,074			14,074
Contractual Services - Accounting	10,347			10,347
Contractual Services - Legal	799			799
Contractual Services - Testing	48,820			48,820
Contractual Services - Other	34,118			34,118
Transportation Expenses	34,237			34,237
Insurance - General Liability	102,314			102,314
Insurance - Other	7,167			7,167
Advertising Expense	945			945
Miscellaneous Expenses	1,290,686	(373,234)	(3)	778,168
		(189,646)	(5)	
		50,362	(6)	
Total Administrative and General	2,954,413	(244,566)		2,709,847
Total Operation and Maintenance Expenses	9,711,142	157,236		9,868,378
Depreciation Expense	3,163,089			3,163,089
Amortization Expense	2,026			2,026
Taxes Other Than Income Taxes				
Utility Receipts Tax	202,272			202,272
Payment in Lieu of Property Taxes	303,188	55,354	(8)	358,542
Total Taxes Other Than Income Taxes	505,460	55,354		560,814
Total Operating Expenses	13,381,717	212,590		13,594,307
Net Operating Income	$ 4,322,881	$ (212,590)		$ 4,110,291

See Appendix A: Risks and Assumptions

Detail of Adjustments

(1)

To adjust Salaries and Wages (exclusive of overtime) for the budgeted changes in the 2021 Budget.

	Pro Forma	Test Year	Increase
Treatment	$ 827,827	$ 799,483	$ 28,344
Transmission and Distribution	802,108	772,574	29,534
Customer Account	373,253	350,545	22,708
Administrative and General	1,071,251	991,224	80,027
Total	$ 3,074,439	$ 2,913,826	$ 160,613

(2)

To adjust Employee Pension and Benefits for the budgeted changes in the 2021 Budget and to include health insurance trust expense annually paid to the City that were not included in the Test Year.

	Pro Forma	Test Year	Increase
Treatment	$ 350,565	$ 238,828	$ 111,737
Transmission and Distribution	357,836	233,964	123,872
Customer Account	178,798	111,835	66,963
Administrative and General	430,924	251,844	179,080
Total	$ 1,318,123	$ 836,471	$ 481,652

(3)

To adjust Operation and Maintenance Expenses for non-recurring expenses.

Area	Expense Classification		
Transmission and Distribution	Materials and Supplies	$ (6,398)	
Purchase of custom utility trailer			
Administrative and General	Miscellaneous Expenses	(373,234)	
Cost of organizational assessement, security costs for Griffy Plant Grounds, grant matching funds given to Friends of Monroe, and conservation program adjustment			
Total			$ (379,632)

(4)

To adjust "Operation and Maintenance Expenses" for a typical year of Bad Debt expenses based on a two-year average.

Average Bad Debt Expense 2018-2019	$ 10,639	
Less: Test Year	-	
Adjustment - Increase		$ 10,639

(5)

To adjust "Operation and Maintenance Expenses" to remove the ESG Solar Lease Payment from Operating Expenses.

Area	Expense Classification	
Administrative and General	Miscellaneous Expenses	$ (189,646)

See Appendix A: Risks and Assumptions

Detail of Adjustments (Continued)

(6)

To adjust "Operation and Maintenance Expenses" for the Water Utility's portion of the 2019 Shared Services Contract between City of Bloomington Utilities ("CBU") and the City of Bloomington.

Area	Expense Classification		
Administrative and General	Miscellaneous Expenses	$ 611,292	
Less: Amount Paid During Test Year		(560,930)	
Adjustment - Increase			$ 50,362

(7)

To adjust Employee Pension and Benefits for the increase in FICA related to increased Salaries and Wages.

	Pro Forma Salaries and Test Year Overtime	Pro Forma FICA	Test Year	Increase
Treatment	$ 952,461	$ 72,863	$ 67,410	$ 5,453
Transmission and Distribution	833,258	63,744	57,851	5,893
Customer Account	381,297	29,169	26,112	3,057
Administrative and General	1,082,813	82,835	73,990	8,845
Total	$ 3,249,829	$ 248,611	$ 225,363	$ 23,248

(8)

To adjust "Taxes Other Than Income Taxes" for the pro forma Payment in Lieu of Property Taxes (PILOT)

Net Utility Plant in Service (UPIS) as of December 31, 2019	$ 88,283,209
Add: Construction Work in Progress	5,463,406
Less: Outside City Net UPIS	(53,810,974)
Inside City UPIS as of December 31, 2019	39,935,641
Times: Gross Corporate Tax Rate (per $100 Assessed Valuation)	0.8978
Pro Forma PILOT	358,542
Less: Test Year	(303,188)
Adjustment - Increase	$ 55,354

See Appendix A: Risks and Assumptions

Capital Improvement Plan

Project	2021	2022	2023	2024	2025	Total
Monroe Water Treatment Plant						
Dewatering System Improvements		$ 3,100,000 *				$ 3,100,000
Residual Holding Basin Improvements	$ 570,000					570,000
Main Building Roof Replacement	213,000					213,000
Filter Media and Underdrain Replacement	115,000	700,000				815,000
Water Quality Process Improvements	300,000					300,000
Chemical Tank Repair	150,000					150,000
Intake HVAC Repair	60,000					60,000
Addition of Second Washwater Pump		110,000				110,000
LS Outdoor Switchgear Enclosure Coating			$ 110,000			110,000
Substation Transformer Upgrade		45,000	415,000			460,000
Standby Power Improvements		250,000	2,750,000 *			3,000,000
High Service Pump VFD Replacement (Two)			100,000	$ 680,000 *		780,000
Chemical Feed Line Replacements		75,000				75,000
Transfer Pump VFD Replacement (Two)			90,000	580,000 *		670,000
SCADA Filter Terminal and Other Sensors	25,000					25,000
SCADA System Improvements		100,000				100,000
Finished Water Reservoir Repairs				225,000		225,000
Facilities Plan and Demand Study Update				200,000		200,000
Miscellaneous Repair and Replacement	150,000	150,000	150,000	150,000	$ 150,000	750,000
Distribution						
Gentry Booster Improvements				45,000		45,000
Bulk Water Station #2	120,000					120,000
West Booster Rehabilitation		70,000	770,000			840,000
South Central Booster Rehabilitation			100,000	1,400,000 *		1,500,000
Dogwood Booster Rehabilitation		50,000				50,000
Storage Tank Inspections	10,500	10,500			11,000	32,000
East Tank Coating Replacement and Improvements		700,000	250,000			950,000
System SCADA updates and WQ monitoring		120,000	120,000			240,000
Auto flushing equipment	50,000					50,000
Water Main Replacement Program	1,200,000 *	2,000,000 *	2,000,000 *	2,500,000	3,000,000	10,700,000
Fire Hydrant Maint and Capacity testing	156,000	156,000	156,000	156,000	156,000	780,000
Valve Testing (20% System Annually)	70,000	70,000	70,000	70,000	70,000	350,000
Transportation Project Relocations	100,000	150,000	150,000	150,000	150,000	700,000
Lead and Copper rule		100,000				100,000

Data Source: Utility

Capital Improvement Plan (Continued)

Project	2021	2022		2023	2024	2025	Total
Other							
Service Center Relocation	$ 150,000	$ 394,000	*				$ 544,000
Vehicle and Equipment Replacement	150,000	350,000		$ 350,000	$ 350,000	$ 350,000	1,550,000
Total Capital Improvement Plan	$ 3,589,500	$ 8,700,500		$ 7,581,000	$ 6,506,000	$ 3,887,000	$ 30,264,000
Less: Projects to be Funded by Proposed 2022 Bonds (*)	$ 1,200,000	$ 5,494,000		$ 4,750,000	$ 2,660,000		14,104,000
Extensions and Replacements	$ 2,389,500	$ 3,206,500		$ 2,831,000	$ 3,846,000	$ 3,887,000	$ 16,160,000
Average Annual Extensions and Replacements 2021-2023							$ 2,809,000
Average Annual Extensions and Replacements 2024-2025							$ 3,866,500

Data Source: Utility

Proposed Waterworks Revenue Bonds, Series 2022

Estimated Sources and Uses of Funds

	Amount
Sources of Funds:	
Par Amount	$ 15,745,000
Total Sources of Funds	$ 15,745,000
Uses of Funds:	
Project Fund (1)	14,104,000
Debt Service Reserve Fund (2)	1,183,466
Insurance Expense (50 bps)	111,284
Underwriter's Discount (1% of Par)	157,450
IURC Regulatory Fee	39,363
Other Costs of Issuance	149,437
Total Uses of Funds	$ 15,745,000

(1) See Capital Improvement Plan.
(2) Funded at Maximum Annual Debt Service.

See Appendix A: Risks and Assumptions

Estimated Amortization Schedule

Date	Principal	Coupon (1)	Interest	Period Total	Fiscal Total
7/1/22			$ 246,756	$ 246,756	
1/1/23			246,756	246,756	$ 493,512
7/1/23			246,756	246,756	
1/1/24			246,756	246,756	493,512
7/1/24	$ 345,000	1.80 %	246,756	591,756	
1/1/25	345,000	1.90	243,651	588,651	1,180,407
7/1/25	355,000	1.90	240,374	595,374	
1/1/26	350,000	2.05	237,001	587,001	1,182,375
7/1/26	360,000	2.05	233,414	593,414	
1/1/27	360,000	2.20	229,724	589,724	1,183,138
7/1/27	370,000	2.20	225,764	595,764	
1/1/28	365,000	2.35	221,694	586,694	1,182,458
7/1/28	375,000	2.35	217,405	592,405	
1/1/29	375,000	2.50	212,999	587,999	1,180,404
7/1/29	380,000	2.50	208,311	588,311	
1/1/30	390,000	2.60	203,561	593,561	1,181,872
7/1/30	390,000	2.60	198,491	588,491	
1/1/31	400,000	2.70	193,421	593,421	1,181,912
7/1/31	405,000	2.70	188,021	593,021	
1/1/32	405,000	2.85	182,554	587,554	1,180,575
7/1/32	420,000	2.95	176,783	596,783	
1/1/33	415,000	3.10	170,588	585,588	1,182,371
7/1/33	425,000	3.15	164,155	589,155	
1/1/34	435,000	3.25	157,461	592,461	1,181,616
7/1/34	445,000	3.30	150,393	595,393	
1/1/35	445,000	3.40	143,050	588,050	1,183,443
7/1/35	460,000	3.45	135,485	595,485	
1/1/36	460,000	3.55	127,550	587,550	1,183,035
7/1/36	475,000	3.55	119,385	594,385	
1/1/37	475,000	3.65	110,954	585,954	1,180,339
7/1/37	490,000	3.65	102,285	592,285	
1/1/38	495,000	3.75	93,343	588,343	1,180,628
7/1/38	515,000	3.75	84,061	599,061	
1/1/39	510,000	3.80	74,405	584,405	1,183,466
7/1/39	530,000	3.80	64,715	594,715	
1/1/40	530,000	3.85	54,645	584,645	1,179,360
7/1/40	555,000	3.90	44,443	599,443	
1/1/41	550,000	3.95	33,620	583,620	1,183,063
7/1/41	570,000	3.95	22,758	592,758	
1/1/42	575,000	4.00	11,500	586,500	1,179,258
Totals	$ 15,745,000		$ 6,511,744	$ 22,256,744	

(1) Rates are estimated and subject to change. Net Interest Cost is assumed to be 3.5110%. Coupon rate is based on AA rates as of October 15, 2020, plus 150 basis points to account for uncertainty of future market rates at time of issuance.

See Appendix A: Risks and Assumptions

Estimated Combined Debt after Issuance of the Proposed 2022 Bonds

Year	Amended 2006 Bonds	2017 Bonds	2020A Refunding Bonds	2020B Refunding Bonds	Proposed 2022 Bonds	Total
2020	$ 381,207	$ 299,444	$ 1,525,611	$ 1,177,374		$ 3,383,636
2021	381,836	295,844	1,577,288	3,023,160		5,278,128
2022	376,721	297,244	1,569,713	3,035,140	$ 493,512	5,772,330
2023	380,895	298,494	1,278,000	3,320,625	493,512	5,771,526
2024	374,101	299,694	1,279,251	3,324,087	1,180,407	6,457,540
2025	376,743	299,244		4,603,413	1,182,375	6,461,775
2026	378,382	303,169		4,595,355	1,183,138	6,460,044
2027		301,794		4,976,140	1,182,458	6,460,392
2028		300,344		4,976,858	1,180,404	6,457,606
2029		303,669			1,181,872	1,485,541
2030		301,769			1,181,912	1,483,681
2031		304,644			1,180,575	1,485,219
2032		306,907			1,182,371	1,489,278
2033		308,859			1,181,616	1,490,475
2034		310,500			1,183,443	1,493,943
2035		311,569			1,183,035	1,494,604
2036		312,306			1,180,339	1,492,645
2037		315,038			1,180,628	1,495,666
2038					1,183,466	1,183,466
2039					1,179,360	1,179,360
2040					1,183,063	1,183,063
2041					1,179,258	1,179,258
Totals	$ 2,649,885	$ 5,470,532	$ 7,229,863	$ 33,032,152	$ 22,256,744	$ 70,639,176
Estimated Two Year Average Annual Debt Service (2022 through 2023)					$ 493,512	
Estimated Five Year Average Annual Debt Service (2024 through 2028)					$ 1,181,756	

Statement of Revenue Requirements

	Phase I		Phase II	
Adjusted Operation and Maintenance Expense	$ 9,868,378		$ 9,868,378	
Adjusted Taxes Other Than Income Taxes	560,814		588,528	
Average Annual Debt Service Outstanding Debt (2021-2025)	5,278,299		5,278,299	
Estimated Average Annual Debt Service Proposed Bonds (1)	493,512		1,181,756	
Average Annual Lease Payment: Equipment for Advance Meter Infrastructure	456,755		456,755	
Annual Lease Payment: Solar Lease	189,646		189,646	
Average Annual Extensions and Replacements	2,809,000	(2)	3,866,500	(3)
Total Revenue Requirements	19,656,403		21,429,861	
Less: Adjusted Operating Revenues	(17,704,598)		(19,685,608)	
Deficit	1,951,805		1,744,253	
Divide by: Revenue Conversion Factor	0.986		0.986	
Revenue Increase Required	1,979,519		1,769,019	
Divide by: Adjustable Operating Revenues	16,888,407		18,869,417	
Percent Rate Increase Required	11.73%		9.38%	
Compounded Rate Increase			22.22%	
Total Revenue Requirements with Additional Utility Receipts Tax	$ 19,684,117		$ 21,454,627	

(1) Phase I includes annual funding for interest only payments on the proposed debt service. Phase II includes funding for average annual debt service between 2024 and 2028 on the proposed debt service.
(2) Average Annual Extensions and Replacements 2021-2023. See Capital Improvement Plan.
(3) Average Annual Extensions and Replacements 2024-2025. See Capital Improvement Plan.

Schedule of Present Rates and Charges

		Present Rates (1)
Monthly Usage Charge (Per 1,000 Gallons)		
Residential	$	3.73
Commercial, Governmental, Interdepartmental		3.16
Industrial		2.92
Indiana University - Master Metered		2.37
Indiana University - Non-Master Metered		3.16
Irrigation		3.42
Contract Sales for Resale Monthly Usage Charge (Per 1,000 Gallons)	$	2.39
Monthly Service Charge (in addition to Monthly Usage Charge)		
5/8 inch meter	$	5.89
3/4 inch meter		7.86
1 inch meter		10.59
1 1/2 inch meter		18.39
2 inch meter		26.20
3 inch meter		60.55
4 inch meter		99.57
6 inch meter		197.13
8 inch meter		294.69
10 inch meter		392.24

(1) Present Rates and Charges were effective August 4, 2017.

Schedule of Present Rates and Charges (Continued)

		Present Rates (1)
Monthly Public Fire Protection Charge - Inside City		
(excluding Indiana University - Master Metered)		
5/8	inch meter	$ 1.96
3/4	inch meter	2.93
1	inch meter	4.89
1 1/2	inch meter	9.78
2	inch meter	15.64
3	inch meter	34.23
4	inch meter	58.67
6	inch meter	122.27
8	inch meter	176.06
10	inch meter	283.63
Monthly Public Fire Protection Charge - Outside City		
(excluding Indiana University - Master Metered)		
5/8	inch meter	$ 3.28
3/4	inch meter	4.93
1	inch meter	8.22
1 1/2	inch meter	16.41
2	inch meter	26.29
3	inch meter	57.50
4	inch meter	98.53
6	inch meter	205.29
8	inch meter	295.60
10	inch meter	476.27
Monthly Fire Protection Charge -		
Indiana University - Master Metered		$ 1,794.45

Monthly Private Fire Protection Charge (per connection)		Present Monthly	Present Annual
4	inch line or smaller	$ 9.86	$ 118.28
6	inch line	27.40	328.77
8	inch line	56.15	673.82
10	inch line	98.34	1,180.09
12	inch line	155.05	1,860.55

(1) Present Rates and Charges were effective August 4, 2017.

Schedule of Non-Recurring Charges

			Present Charges (1)
	Description of Charges		
1)	5/8 to 1" Connection	- with tap	$ 1,533.00
		- without tap	1,327.00
2)	Greater than 1" Connection		Cost of connection but not less than charge for 5/8 to 1" connection
3)	Service Call	- During hours	$ 45.00
		- After hours	171.00
4)	Bad Check Charge		$ 25.00
5)	Late Payment Charge		3% of unpaid balance
	This charge shall be paid only once and shall be based on the unpaid over-due balance.		
6)	Deposit	- Residential	Not to exceed $39.00
		- Commercial	Not to exceed 1/6 of estimated annual bill
7)	Meter Testing		
	The utility shall make a free test of the accuracy of a meter upon written request by a customer and a second free test may be requested twelve months subsequent to the first test. The fee for all meter tests requested within thirty-six months after the preceding test shall be $39.00 if the meter is found not to be at fault.		
8)	Inspection Charge		
	All inspections of new mains during normal business hours shall be free of charge. All inspections of new mains during overtime hours shall be based on the amount of time required for the inspection.		
9)	Temporary Service		$10.00/week
	$10.00 minimum plus a deposit equal to the cost of the meter and a charge for the water used.		
10)	Extension of Service		
	Free if estimated 3-year revenue is greater than the construction cost. Actual cost if not.		
11)	Unauthorized Use of Hydrants		
	Cost of Water billed for up to 8 hours at maximum flow rate of the hydrant for each day the hydrant is used.		

(1) Present Non-Recurring Charges were effective January 24, 2018.

Appendix A: Risks and Assumptions

Risks

Regional, national or global epidemics or pandemics, such as the present outbreak of the novel coronavirus ("COVID-19"), could have materially adverse local, regional, national or global economic and social impacts. The present outbreak of COVID-19 is adversely impacting local, state, national and global economies, as governments, businesses and citizens react to, plan for, and try to prevent or slow further transmission of COVID-19. Financial markets in the United States and across the world saw substantial declines in March and April 2020. On March 6, 2020, Indiana Governor Eric Holcomb issued Executive Order 20-02 ("EO 20-02"), which declared the COVID-19 outbreak in the State to be a public health emergency. On March 11, 2020, the World Health Organization proclaimed the COVID-19 outbreak to be a pandemic, and on March 13, 2020, the President of the United States declared a national emergency in connection with COVID-19. The declaration of a public health emergency set forth in EO 20-02 has been renewed nine times by separate Executive Orders, the most recent of which is Executive Order 20-49, which Governor Holcomb issued on December 1, 2020. Such declaration now expires on December 31, 2020.

In order to address certain economic impacts of COVID-19, the Governor issued Executive Order 20-05 on March 19, 2020, Executive Order 20-21 on April 15, 2020, and Executive Order 20-27 on May 8, 2020. Those Executive Orders provided certain taxpayer relief, including: (1) authorizing the Indiana Department of Revenue to take such action as is necessary to ensure the State conforms to the relief provided in IRS Notice 2020-17 by providing an extension of time related to State income tax liabilities; (2) ordering counties to waive penalties for 60 days on non-escrowed real property taxes and special assessments and fees that were included on the property tax bills and collected as part of the property tax payment, which were paid after the May 11, 2020 due date; (3) authorizing the Indiana Department of Revenue to waive any penalties and interest that are directly related to taxes, estimated payments or other amounts due, if the due date for the underlying tax, estimated payment or other amount due is extended in response to the COVID-19 pandemic public health emergency, which waiver shall continue for the duration of the extension; and (4) providing that: (a) individual State income tax returns and payments, along with estimated payments, originally due on April 15 or June 15, 2020, were due on or before July 15, 2020; and (b) corporate State income tax returns and payments, along with estimated payments, originally due on April 15, April 20, May 20 or June 22, 2020, were due on or before July 15, 2020, and those originally due on May 15, June 15 or July 15, 2020, were due on August 17, 2020.

In addition, in order to take certain steps to increase containment of COVID-19, the Governor issued various Executive Orders, which included stay-at-home orders and face covering requirements, directed the closing of State government buildings and restricted retail establishments and in-person dining at restaurants, among other things. In order to continue the mitigation of COVID-19 and to lower the risk of resurgence, the Governor issued several Executive Orders, which instituted a measured and staggered approach to reopening businesses and entities. Five stages were outlined, with each ensuing stage being subject to fewer restrictions and limitations than the previous stage. Those stages were initiated on March 23, 2020 and lapsed on November 14, 2020.

On November 13, 2020, the Governor issued Executive Order 20-48 ("EO 20-48"), because, in part, key data points or numbers regarding COVID-19, had, as of the date of EO 20-48, significantly and steadily increased over the past several weeks in the State. In particular, the number of positive cases had doubled every week for the past four weeks, hospitalizations were at an all-time high and the seven-day positivity rate went from 3.9% in late September to 10.6% as of the date of EO 20-48. Based on those and other factors, EO 20-48 rescinds the stage designations and provides that, going forward, the State shall use county-based assessments to determine which measures and restrictions are needed to counter the spread or impact of COVID-19 within a particular county. While EO 20-48 expired on December 13, 2020, the Governor issued Executive Order 20-50 ("EO 20-50") which extends the measures of EO 20-48 through January 3, 2021.

EO 20-50 indicates that the State has implemented a color-coded system to inform Hoosiers about the status of COVID-19 in each county and across the State. Under EO 20-50, the Indiana State Department of Health ("ISDH") will continue to update each county's status under the color-coded system at least weekly. In making the weekly assessments, the ISDH will continue to consider the following: (1) the seven-day positivity rate for all tests (percentage of positive test results over the number of tests performed); (2) new weekly cases per 100,000 residents; (3) whether a county's positivity rate has increased or decreased from the previous week; and (4) whether any increase in the percentage of positive cases is isolated to congregate living settings or is from the community at large.

The four levels of the monitoring system are as follows: (1) blue zone, in which the community spread is low; (2) yellow zone, in which the community spread is moderate; (3) orange zone, in which the community spread is approaching high levels; and (4) red zone, in which the community spread is high. As of December 21, 2020, out of the State's 92 counties, none were blue, none were yellow, 68 counties were orange, and 24 counties were red. Generally, the size of a social gathering or an event (as both such terms are defined in EO 20-50), without any approval by the local health department, is limited to: (1) 25 individuals in counties designated as red; (2) 50 individuals in counties designated as orange; (3) 100 individuals in counties designated as yellow; and (4) 250 individuals in counties designated as blue. A larger social gathering or event requires the submission of a safety plan to, and the approval thereof by, the local health department. As of December 21, 2020, the City is located in a county that is designated as orange. The most recent color designation of the county in which the City is located can be ascertained at the following link: https://www.coronavirus.in.gov/2393.htm. The information at this link is hereby incorporated by reference into this Report only with respect to such designation. No other information at this link is incorporated by reference into this Report.

EO 20-50 continues to require every individual within the State to wear a face covering over the nose and mouth when, with certain exceptions: (1) inside a business, public building or other indoor place open to the public; (2) in an outdoor public space wherever it is not feasible to maintain six feet of social distancing from another person not in the same household; and (3) using public transportation or while in a taxi, private car service or ride-sharing vehicle. EO 20-50 requires all Hoosiers who have received a positive COVID-19 test to self-quarantine. EO 20-50 requires each business and entity continuing operations or resuming full operations to develop a COVID-19 response plan as described in EO 20-50, to provide it to each employee or staff and to post it publicly. EO 20-50 authorizes: (1) the enforcement of its workplace safety provisions by the Indiana Occupational Safety and Health Administration; and (2) the ISDH, the Indiana Department of Homeland Security, the Indiana Alcohol and Tobacco Commission, local boards of health and other State and local officials or law enforcement officers to take all available administrative and enforcement actions against businesses or entities failing to comply with the restrictions set forth therein. Unless prohibited by an Executive Order issued by the Governor, EO 20-50 permits local ordinances, directives and orders to be more restrictive than those set forth therein. EO 20-50 expires on January 3, 2021, at which time the Governor may issue one or more directives, which rescind, modify or extend EO 20-50.

The Utility has observed decreases in billed revenue and collections since approximately April 1, 2020, likely a result of COVID-19; however, the decreased revenue has not materially altered the financial position of the Utility as of the date of this Report. If COVID-19 persists as a public health emergency, it may adversely impact the Utility's customers ability to pay bills in the future. The extent of the impact on the finances of the Utility into the future due to COVID-19 is unknown at this time.

Assumptions

The following assumptions, provided by and approved by the Utility, were used in preparation of the Report.

#	Report Area	Assumption
1	All	Operating Revenues, Operation and Maintenance Expenses, and Taxes Other Than Income Taxes of the

#	Report Area	Assumption
		Utility for the year ending March 31, 2020, are representative of expected pro forma operating results, except where otherwise noted.
2	All	Assumes no provision for new debt or leases beyond those summarized in the Estimated Combined Debt After Issuance of the Proposed 2022 Bonds.
3	Adjusted Statement of Income	Consumption patterns and number of customers are assumed to be stable and not materially fluctuate from the Test Year.
4	Adjusted Statement of Income	Adjustment 1: Pro Forma Salaries and Wages based on the 2021 Budget for each department prepared by the City Controller.
5	Adjusted Statement of Income	Adjustment 2: Pro Forma Employee Pension and Benefits based on the 2021 Budget for each department prepared by the Controller. The Test Year excluded the Utility's annual payment of health insurance trust expense paid to the City.
6	Adjusted Statement of Income	Adjustment 3: Assumes listed expenses are capital, non-recurring, or above and beyond a typical operating year of the Utility, or would be paid in future years from ongoing Extensions and Replacements.
7	Adjusted Statement of Income	Adjustment 4: Assumes the average of Bad Debt expense between 2018 and 2019 is representative of a typical year.
8	Adjusted Statement of Income	Adjustment 5: Assumes ESG Solar Lease Payments removed from Operation and Maintenance Expenses will be funded through a separate revenue requirement rather than through Operation and Maintenance Expenses.
9	Adjusted Statement of Income	Adjustment 6: Pro Forma Shared Services expense based on the 2019 Interdepartmental Agreement provided by the Utility.
10	Adjusted Statement of Income	Adjustment 7: Pro Forma FICA Expense based on budgeted salaries and wages for each department from Adjustment 1 plus actual overtime expenses by department for the Test Year multiplied by 7.65%.
11	Adjusted Statement of Income	Adjustment 8: Pro Forma Payment in Lieu of Taxes calculated based on the sum of Net Utility Plant in Service located within the City's corporate boundaries plus Construction Work in Progress from the Utility's records of the most recently completed year (December 31, 2019), multiplied by the City of Bloomington's corporate property tax rate for 2020 per $100 of assessed valuation.
12	Capital Improvement Plan	Select projects will be funded through the 2022 Bonds as indicated within the Capital Improvement Plan.
13	Estimated Sources and Uses of Funds	Project Costs based on sum of projects to be financed as indicated on the Capital Improvement Plan. Assumes the Utility funds a debt service reserve at the maximum annual debt service on the proposed bonds through bond proceeds. Insurance Expense is based on 50 basis points of debt service and is subject to change. Costs of Issuance are estimates based on similar transactions and include Indiana Utility Regulatory Fee of $2.50 per $1,000 of par.
14	Estimated Amortization Schedule	Assumes Coupon Rates based on rates as of October 15, 2020, plus 150 basis points. Rates are estimated and subject to change. Assumes level debt service, closing date of January 1, 2022, and eighteen-year repayment of

#	Report Area	Assumption
		principal beginning July 1, 2024.
15	Statement of Revenue Requirements	Assumes a two-phase increase of revenues with phase I occurring prior to or concurrent with issuance of the Proposed 2022 Bonds, and a phase II increase effective in 2024 to provide funding for principal repayment on the 2022 Bonds and Extensions and Replacements identified on the Capital Improvement Plan between 2024 and 2025.