



# City of Ripon, WI

## 2024 Water & Sewer Financial Management Plan

November 12, 2024

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# Why are we here?

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- Analyze the impact of planned capital projects on the water and sewer utilities
- Ehlers to identify fiscal sustainability
- Our process:
  - ✓ Historical Rate Performance
  - ✓ Future Projections:
    - O&M, Depreciation, PILOT
    - Funding Projects: Debt vs. Cash
    - Rate Impact



2024 Water and Sewer Utility FMP

# **WATER UTILITY**

# PSC Windows of Opportunity to Adjust Rates

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## Simplified Rate Case ("SRC")

- Once a year and only if eligible
- Eligibility based on time and finances
  - Time: Once a year and up to 40% cumulative SRC adjustments
  - Finances: if PSC report indicates that year's SRC rate would not take utility over benchmark ROR

## Conventional Rate Case ("CRC")

- Eligible whenever
- PSC will generally want their math

# Water: Historical Rate Implementation

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- Rates were last adjusted
  - ✓ Convention Rate Case
    - Step I in effect as of 9/1/24- 28.27%
    - Step II will go in effect after the DPW Building is complete and the PSC is notified- 17.12% (Cumulative 49.02%)
  - ✓ Simplified Rate Case 2/1/2016- 3%
  - ✓ Conventional Rate Case 12/1/2011

# Water: Historical Rate Performance

		Shown with no increase					Budget
Revenue Requirement		2019	2020	2021	2022	2023	2024
Component	Description						
<b>Cash Basis</b>							
1	O&M and PILOT	\$972,451	\$987,479	\$903,502	\$898,352	\$1,233,740	\$1,077,643
2	Debt	\$449,192	\$402,447	\$523,682	\$1,140,877	\$435,760	\$522,761
3	Cash Funded Capital <sup>A</sup>	\$135,110	\$134,114	\$130,921	\$285,219	\$401,444	\$185,690
	Less:						
	Other Revenue	\$8,204	\$1,480	\$5,325	\$38,318	\$13,481	\$11,000
	Interest Income	\$37,176	\$14,221	\$5,933	\$1,229	\$14,284	\$8,000
	Revenue Requirement (Costs less Other Income)	\$1,511,373	\$1,508,339	\$1,546,847	\$2,284,901	\$2,043,179	\$1,767,094
	User Rates Revenue	\$1,324,155	\$1,260,206	\$1,339,689	\$1,281,647	\$1,313,755	\$1,581,340
	Rate Adequacy	(\$187,218)	(\$248,133)	(\$207,158)	(\$1,003,254)	(\$729,424)	(\$185,754)
	Rate Adjustment Needed	14.14%	19.69%	15.46%	78.28%	55.52%	11.75%
<b>Utility Basis (PSC)</b>							
1	O&M and PILOT	\$972,451	\$987,479	\$903,502	\$898,352	\$1,233,740	\$1,077,643
2	Depreciation	\$261,350	\$231,411	\$212,376	\$204,708	\$200,188	\$221,848
	NIRB	\$6,793,729	\$6,557,732	\$6,364,993	\$6,425,341	\$6,499,031	\$6,775,205
	PSC Benchmark ROI %	5.70%	4.90%	4.90%	4.90%	6.50%	6.20%
3	PSC Calculated ROI	\$387,243	\$321,329	\$311,885	\$314,842	\$422,437	\$420,063
	Less:						
	Other Revenue	\$8,204	\$1,480	\$5,325	\$38,318	\$13,481	\$11,000
	Revenue Requirement (Costs less Other Income)	\$1,612,840	\$1,538,739	\$1,422,438	\$1,379,584	\$1,842,884	\$1,708,554
	User Rates Revenue	\$1,324,155	\$1,260,206	\$1,339,689	\$1,281,647	\$1,313,755	\$1,581,340
	Rate Adequacy	(\$288,685)	(\$278,533)	(\$82,749)	(\$97,937)	(\$529,129)	(\$127,214)
	Rate Adjustment Needed	21.80%	22.10%	6.18%	7.64%	40.28%	8.04%

**Notes:**

<sup>A</sup>Includes recommended debt coverage at 1.25x annual debt payment

# Water: Historical Financial Indicators

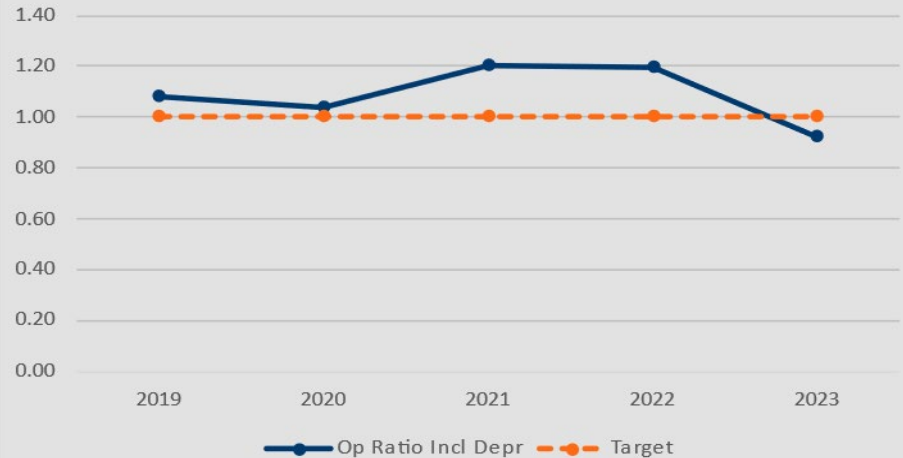
### Reserves- Actual vs. Target



- Rates not sufficient to cover operations and capital (depreciation)

- Target reserves to fund deficits and capital
- 6 months O&M, including PILOT & Dep., plus 100% debt

### Operating Ratio including Depreciation



# Water: Future Projection

	Budget	Projected								
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Revenues</b>										
Total Revenues from User Rates <sup>1</sup>	\$1,581,340	\$1,792,696	\$2,228,174	\$2,228,174	\$2,603,938	\$2,603,938	\$2,603,938	\$3,045,544	\$3,045,544	\$3,045,544
Percent Increase to User Rates	0.00%	49.02%	15.34%	0.00%	16.86%	0.00%	0.00%	16.96%	0.00%	0.00%
Cumulative Percent Rate Increase	0.00%	49.02%	71.88%	71.88%	100.87%	100.87%	100.87%	134.94%	134.94%	134.94%
Dollar Amount Increase to Revenues		\$626,436	\$435,478	\$0	\$375,764	\$0	\$0	\$441,606	\$0	\$0
Total Other Revenues	\$19,000	\$21,246	\$24,769	\$32,658	\$45,752	\$36,842	\$59,326	\$43,801	\$54,461	\$51,849
<b>Total Revenues</b>	<b>\$1,600,340</b>	<b>\$1,813,942</b>	<b>\$2,252,942</b>	<b>\$2,260,831</b>	<b>\$2,649,690</b>	<b>\$2,640,780</b>	<b>\$2,663,264</b>	<b>\$3,089,345</b>	<b>\$3,100,005</b>	<b>\$3,097,393</b>
<b>Less: Expenses</b>										
Operating and Maintenance <sup>2</sup>	\$976,179	\$949,423	\$973,072	\$997,310	\$1,022,152	\$1,047,614	\$1,073,710	\$1,100,457	\$1,127,871	\$1,155,968
PILOT Payment	\$101,464	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000
<b>Net Before Debt Service and Capital Expenditures</b>	<b>\$522,697</b>	<b>\$759,519</b>	<b>\$1,174,871</b>	<b>\$1,158,522</b>	<b>\$1,522,538</b>	<b>\$1,488,166</b>	<b>\$1,484,554</b>	<b>\$1,883,888</b>	<b>\$1,867,134</b>	<b>\$1,836,425</b>
<b>Debt Service</b>										
Existing Debt P&I	\$522,761	\$529,251	\$525,691	\$532,081	\$528,238	\$433,238	\$61,007	\$60,996	\$60,985	\$60,974
New (2024-2033) Debt Service P&I	\$0	\$33,801	\$288,998	\$597,920	\$821,273	\$820,601	\$1,033,910	\$1,044,418	\$1,331,129	\$1,477,678
<b>Total Debt Service</b>	<b>\$522,761</b>	<b>\$563,052</b>	<b>\$814,689</b>	<b>\$1,130,001</b>	<b>\$1,349,511</b>	<b>\$1,253,840</b>	<b>\$1,094,917</b>	<b>\$1,105,414</b>	<b>\$1,392,114</b>	<b>\$1,538,651</b>
Transfer In (Out)	\$61,069	\$61,060	\$61,050	\$61,039	\$61,029	\$61,018	\$61,007	\$0	\$0	\$0
Less: Capital Improvements & COI	\$913,687	\$3,140,223	\$4,815,330	\$908,288	\$1,138,333	\$675,271	\$2,016,667	\$3,131,186	\$750,000	\$750,000
Debt Proceeds	\$835,000	\$3,235,000	\$5,170,000	\$2,115,000	\$0	\$2,615,000	\$0	\$3,405,000	\$0	\$0
<b>Net Annual Cash Flow</b>	<b>(\$17,681)</b>	<b>\$352,303</b>	<b>\$775,902</b>	<b>\$1,296,272</b>	<b>(\$904,277)</b>	<b>\$2,235,074</b>	<b>(\$1,566,023)</b>	<b>\$1,052,288</b>	<b>(\$274,980)</b>	<b>(\$452,226)</b>
<b>Restricted and Unrestricted Cash Balance:</b>										
Balance at first of year	\$842,246	\$824,565	\$1,176,867	\$1,952,769	\$3,249,041	\$2,344,764	\$4,579,838	\$3,013,815	\$4,066,104	\$3,791,124
Net Annual Cash Flow Addition/(subtraction)	(\$17,681)	\$352,303	\$775,902	\$1,296,272	(\$904,277)	\$2,235,074	(\$1,566,023)	\$1,052,288	(\$274,980)	(\$452,226)
Balance at end of year	\$824,565	\$1,176,867	\$1,952,769	\$3,249,041	\$2,344,764	\$4,579,838	\$3,013,815	\$4,066,104	\$3,791,124	\$3,338,898
"All-in" Debt Coverage	1.12	1.46	1.52	1.08	1.17	1.24	1.41	1.70	1.34	1.19
PSC Days Cash on Hand	57	170	218	432	204	745	320	500	364	271
Revenue Debt Coverage 1.25x	1.60	2.14	1.95	1.32	1.38	1.35	1.55	1.86	1.45	1.29

## Notes:

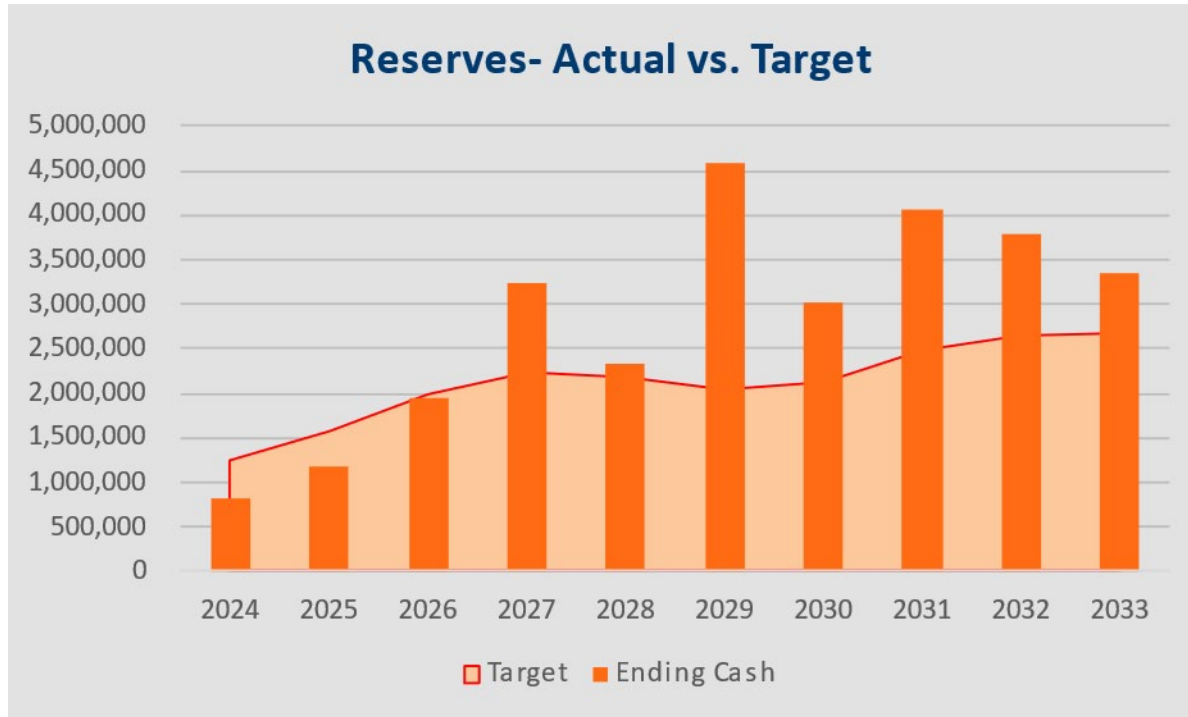
- 1) Assumes no changes in customer count or usage beyond Test Year.
- 2) Assumes 2.50% annual inflation beyond budget year.

## Legend:

- Simplified Rate Case (projected eligibility)
- Conventional (Full) Rate Case



# Water Cash Projection



# Water Debt Coverage

Year	Water Debt Service								
	Existing Debt	Proposed Debt	Total	Debt Coverage	D.S. Capacity	D.S.Capacity	\$ Change to rates	% incr.	Cumulative %
				\$241,858 2023 Net Revenues	@ 1.25x	@ 1.25x w/proj. inc.			
2024	426,999	0	426,999	0.57	(233,513)	(143,193)	90,320	28.27%	28.27%
2025	433,490	0	433,490	0.56	(240,003)	476,752	626,436	16.18%	49.02%
2026	429,930	257,250	687,180	0.35	(493,693)	223,062			49.02%
2027	436,319	566,750	1,003,069	0.24	(809,583)	282,937	375,764	16.86%	74.15%
2028	432,476	790,669	1,223,145	0.20	(1,029,659)	62,861			74.15%
2029	433,238	790,556	1,223,795	0.20	(1,030,308)	62,212			74.15%
2030	61,007	1,004,431	1,065,439	0.23	(871,952)	220,568			74.15%
2031	60,996	1,010,613	1,071,609	0.23	(878,122)	656,003	441,606	16.96%	103.69%
2032	60,985	1,298,094	1,359,079	0.18	(1,165,592)	368,533			103.69%
2033	60,974	1,445,413	1,506,386	0.16	(1,312,900)	221,226			103.69%



2024 Water & Sewer FMP

# SEWER UTILITY

# Sewer: Historical Rate Performance

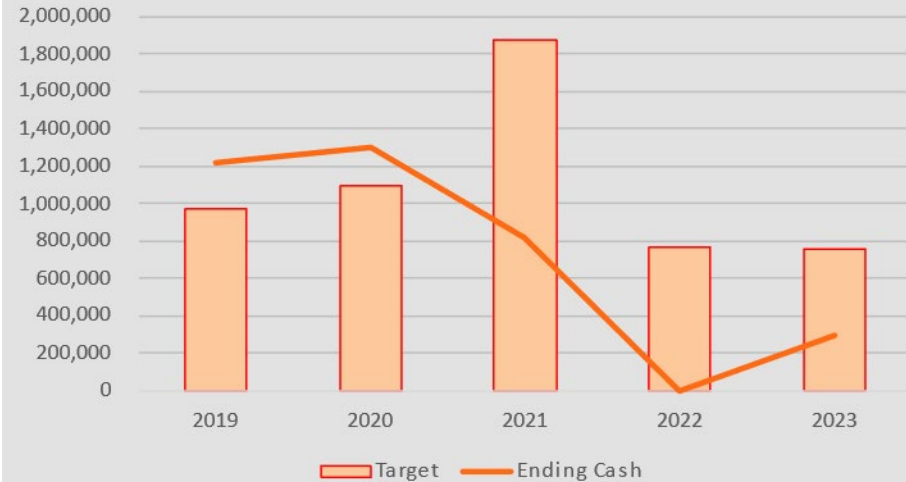
		Shown with no increase					Budget
Revenue Requirement		2019	2020	2021	2022	2023	2024
Component	Description						
<b>Cash Basis</b>							
1	Operating and Maintenance	\$1,107,520	\$1,035,974	\$1,283,029	\$1,303,461	\$1,316,145	\$1,284,338
2	Debt	\$387,671	\$387,831	\$386,971	\$1,153,581	\$36,795	\$36,874
3	Cash Funded Capital <sup>A</sup>	\$119,730	\$119,499	\$96,743	\$288,395	\$116,823	\$9,218
Less:							
	Other Revenue	\$6,456	\$1,556	\$0	\$8,628	\$509	\$10,000
	Interest Income	\$29,198	\$14,158	\$7,935	\$353	\$963	\$200
	Revenue Requirement (Costs less Other Income)	\$1,579,267	\$1,527,590	\$1,758,808	\$2,736,456	\$1,468,291	\$1,320,230
	User Rates Revenue	\$1,226,665	\$1,109,354	\$1,245,443	\$1,160,668	\$1,659,709	\$1,467,500
	Rate Adequacy	(\$352,602)	(\$418,236)	(\$513,365)	(\$1,575,788)	\$191,418	\$147,270
	Rate Adjustment Needed	28.74%	37.70%	41.22%	135.77%	0.00%	0.00%
<b>Utility Basis (PSC)</b>							
1	Operating and Maintenance	\$1,107,520	\$1,035,974	\$1,283,029	\$1,303,461	\$1,316,145	\$1,284,338
2	Depreciation	\$129,266	\$128,402	\$129,946	\$134,873	\$139,813	\$148,848
	NIRB	\$3,173,561	\$3,092,359	\$3,006,699	\$3,134,628	\$3,275,325	\$3,365,992
3	Typical ROI (2.5%)	\$79,339	\$77,309	\$75,167	\$78,366	\$81,883	\$84,150
Less:							
	Other Revenue	\$6,456	\$1,556	\$0	\$8,628	\$509	\$10,000
	Interest Income	\$29,198	\$14,158	\$7,935	\$353	\$963	\$200
	Revenue Requirement (Costs less Other Income)	\$1,280,471	\$1,225,971	\$1,480,207	\$1,507,719	\$1,536,369	\$1,507,136
	User Rates Revenue	\$1,226,665	\$1,109,354	\$1,245,443	\$1,160,668	\$1,659,709	\$1,467,500
	Rate Adequacy	(\$53,806)	(\$116,617)	(\$234,764)	(\$347,051)	\$123,340	(\$39,636)
	Rate Adjustment Needed	4.39%	10.51%	18.85%	29.90%	0.00%	2.70%

**Notes:**

<sup>A</sup>Includes recommended debt coverage at 1.25x annual debt payment

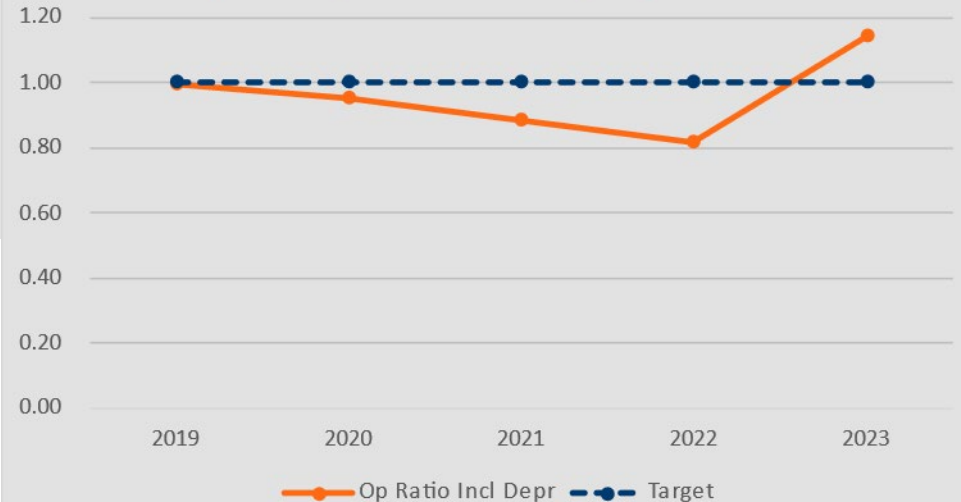
# Sewer: Historical Financial Indicators

## Reserves- Actual vs. Target



- Target reserves to fund deficits and capital (6 mos.)

## Operating Ratio including Depreciation



# Sewer: Future Projection

	Budget			Projected						
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Revenues</b>										
Total Revenues from User Rates <sup>1</sup>	\$1,467,500	\$1,687,625	\$1,772,006	\$1,772,006	\$2,002,293	\$2,102,408	\$2,354,697	\$2,354,697	\$2,472,432	\$2,818,572
Percent Increase to User Rates	0.00%	15.00%	5.00%	0.00%	13.00%	5.00%	12.00%	0.00%	5.00%	14.00%
Cumulative Percent Rate Increase	0.00%	15.00%	20.75%	20.75%	36.44%	43.26%	60.46%	60.46%	68.48%	92.07%
Dollar Amount Increase to Revenues		\$220,125	\$84,381	\$0	\$230,287	\$100,115	\$252,289	\$0	\$117,735	\$346,140
<b>Other Revenues</b>										
Interest Income	\$200	\$1,090	\$2,085	\$2,939	\$7,162	\$4,892	\$4,141	\$6,690	\$5,601	\$6,677
Other Income	\$20,000	\$10,100	\$10,201	\$10,303	\$10,406	\$10,510	\$10,615	\$10,721	\$10,829	\$10,937
Total Other Revenues	\$20,200	\$11,190	\$12,286	\$13,242	\$17,568	\$15,403	\$14,756	\$17,411	\$16,430	\$17,614
Total Revenues	\$1,487,700	\$1,698,815	\$1,784,293	\$1,785,248	\$2,019,861	\$2,117,810	\$2,369,453	\$2,372,108	\$2,488,861	\$2,836,186
<b>Less: Expenses</b>										
Operating and Maintenance <sup>2</sup>	\$1,284,338	\$1,322,868	\$1,362,554	\$1,403,431	\$1,445,534	\$1,488,900	\$1,533,567	\$1,579,574	\$1,626,961	\$1,675,770
PILOT Payment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Before Debt Service and Capital Expenditures	\$203,362	\$375,947	\$421,738	\$381,817	\$574,327	\$628,910	\$835,886	\$792,534	\$861,900	\$1,160,416
<b>Debt Service</b>										
Existing Debt P&I	\$36,874	\$36,868	\$36,862	\$36,856	\$36,849	\$36,843	\$36,836	\$36,830	\$36,823	\$36,816
New (2024-2033) Debt Service P&I	\$0	\$33,801	\$138,598	\$249,420	\$448,610	\$448,226	\$443,866	\$641,193	\$639,154	\$947,534
Total Debt Service	\$36,874	\$70,669	\$175,459	\$286,276	\$485,459	\$485,069	\$480,703	\$678,022	\$675,977	\$984,350
Transfer In (Out)	(\$13,126)	(\$13,132)	(\$13,138)	(\$13,144)	(\$13,151)	(\$13,157)	(\$13,164)	(\$50,000)	(\$50,000)	(\$50,000)
Less: Capital Improvements & COI	\$423,405	\$1,189,171	\$1,246,793	\$793,250	\$983,333	\$431,333	\$1,577,404	\$500,000	\$3,385,450	\$850,600
Debt Issued/Grants/Aid	\$415,000	\$1,295,000	\$1,355,000	\$2,400,000	\$0	\$0	\$2,255,000	\$0	\$3,680,000	\$1,740,000
<b>Net Annual Cash Flow</b>	<b>\$144,957</b>	<b>\$397,975</b>	<b>\$341,348</b>	<b>\$1,689,147</b>	<b>(\$907,617)</b>	<b>(\$300,649)</b>	<b>\$1,019,615</b>	<b>(\$435,488)</b>	<b>\$430,474</b>	<b>\$1,015,467</b>
<b>Restricted and Unrestricted Cash Balance:</b>										
Balance at first of year	\$291,179	\$436,136	\$834,111	\$1,175,459	\$2,864,606	\$1,956,989	\$1,656,340	\$2,675,955	\$2,240,467	\$2,670,941
Net Annual Cash Flow Addition/(subtraction)	\$144,957	\$397,975	\$341,348	\$1,689,147	(\$907,617)	(\$300,649)	\$1,019,615	(\$435,488)	\$430,474	\$1,015,467
Balance at end of year	\$436,136	\$834,111	\$1,175,459	\$2,864,606	\$1,956,989	\$1,656,340	\$2,675,955	\$2,240,467	\$2,670,941	\$3,686,408
"All-in" Debt Coverage	5.16	5.13	2.33	1.29	1.16	1.27	1.71	1.10	1.20	1.13
Ehlers Cash Benchmark [Above/(Below)]	(384,330)	(135,595)	52,550	1,504,256	557,739	222,020	996,103	507,761	552,225	1,377,861
Revenue Debt Coverage 1.10x	5.16	9.84	2.84	1.45	1.23	1.35	1.82	1.15	1.26	1.17

**Notes:**

- 1) Assumes no changes in customer count or usage beyond Test Year.
- 2) Assumes 3.00% annual inflation beyond budget year.

**Legend:**

- Increase depicted to maintain with assumed O&M inflation
- Increase needed above inflationary adjustment

# Sewer Cash Projection





# Sewer Debt Coverage

Year	Sewer Debt Service								
	Existing Debt	Proposed Debt	Total	Debt Coverage	D.S. Capacity	D.S. Capacity	\$ change to rates	% incr.	Cumulative %
				\$377,650 2023 Net Revenues	@ 1.1x	@ 1.1x w/proj. inc.			
2024	36,874	0	36,874	10.24	306,444	306,444		0.00%	0.00%
2025	36,868	0	36,868	10.24	306,450	526,575	220,125	15.00%	15.00%
2026	36,862	106,850	143,712	2.63	199,606	504,113	84,381	5.00%	20.75%
2027	36,856	218,250	255,106	1.48	88,213	392,719	0	0.00%	20.75%
2028	36,849	418,006	454,856	0.83	(111,537)	423,256	230,287	13.00%	36.44%
2029	36,843	418,181	455,024	0.83	(111,706)	523,202	100,115	5.00%	43.26%
2030	36,836	414,388	451,224	0.84	(107,906)	779,291	252,289	12.00%	60.46%
2031	36,830	607,388	644,217	0.59	(300,899)	586,298	0	0.00%	60.46%
2032	36,823	606,119	642,942	0.59	(299,623)	705,308	117,735	5.00%	68.48%
2033	36,816	915,269	952,085	0.40	(608,766)	742,306	346,140	14.00%	92.07%





2024 Water and Sewer Utility FMP

# **WATER AND SEWER SUMMARY**

# Impact on Avg. Residential Bill

Year	Water					Sewer					Utility Bill (Annual)	Change Over Prior Year	% of MHI (56,563)	Year	
	Increase	Water Vol. Charge <sup>1</sup>	Water User Charge <sup>2</sup>	Utility Bill (Quarterly)	Change Over Prior Year	Increase	Sewer Vol. Charge <sup>3</sup>	Sewer User Charge <sup>3</sup>	Utility Bill (Quarterly)	Change Over Prior Year					
		<u>Tiered</u>	<u>Serv. + PFP</u>				<u>100CF</u>	<u>Gen Service</u>							
2023		2.14	48.36	\$ 74.04			3.99	27.13	\$ 75.01		\$ 596.20		1.05%	2023	
2024	28.27%	3.05	57.00	\$ 93.60	\$ 19.56	0.00%	3.99	27.13	\$ 75.01	\$ -	\$ 674.44	\$ 78.24	1.19%	2024	
2025	20.75%	3.68	68.83	\$ 113.02	\$ 19.42	15.00%	4.59	31.20	\$ 86.26	\$ 11.25	\$ 797.13	\$ 122.69	1.41%	2025	
2026	15.34%	4.25	79.39	\$ 130.36	\$ 17.34	5.00%	4.82	32.76	\$ 90.57	\$ 4.31	\$ 883.75	\$ 86.62	1.56%	2026	
2027	0.00%	4.25	79.39	\$ 130.36	\$ -	0.00%	4.82	32.76	\$ 90.57	\$ -	\$ 883.75	\$ -	1.56%	2027	
2028	16.86%	4.96	92.78	\$ 152.35	\$ 21.98	13.00%	5.44	37.02	\$ 102.35	\$ 11.77	\$ 1,018.77	\$ 135.02	1.80%	2028	
2029	0.00%	4.96	92.78	\$ 152.35	\$ -	5.00%	5.72	38.87	\$ 107.46	\$ 5.12	\$ 1,039.24	\$ 20.47	1.84%	2029	
2030	0.00%	4.96	92.78	\$ 152.35	\$ -	12.00%	6.40	43.53	\$ 120.36	\$ 12.90	\$ 1,090.83	\$ 51.58	1.93%	2030	
2031	16.96%	5.81	108.51	\$ 178.19	\$ 25.84	0.00%	6.40	43.53	\$ 120.36	\$ -	\$ 1,194.17	\$ 103.35	2.11%	2031	
2032	0.00%	5.81	108.51	\$ 178.19	\$ -	5.00%	6.72	45.71	\$ 126.38	\$ 6.02	\$ 1,218.25	\$ 24.07	2.15%	2032	
2033	0.00%	5.81	108.51	\$ 178.19	\$ -	14.00%	7.66	52.11	\$ 144.07	\$ 17.69	\$ 1,289.02	\$ 70.77	2.28%	2033	
<b>Total Change over planning period</b>					<b>\$ 104.15</b>						<b>\$ 69.06</b>	<b>\$ 692.82</b>			

**Notes:**

1. Current water volumetric rate is \$2.14 per 100 cubic feet for the first 30,000 cubic feet.
2. The water user charges include a quarterly service charge of \$24.72 plus a public fire protection charge of \$23.64 for a 5/8 inch meter.
3. The current sewer volumetric rate is \$3.99 per 100 cubic feet and a service charge of \$27.13 for 5/8 inch meter.
4. The usage is assumed to be 1,200 CF per quarter.

PSC Step II - 109.62

# Recommendations

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- Adjust rates to maintain healthy debt coverage and maintain healthy cash position to allow for mix of cash and debt beyond CIP period
- Continue to monitor PSC Math for Water to ensure limited CRC magnitude
  - ✓ Use Simplified Rate Cases if eligible



# Important Disclosures

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