



## MEMORANDUM

TO: Bryan Gruesbeck, Town Manager

FROM: Nancy Emslie, Finance Director

SUBJECT: Water & Sewer Analysis Update

DATE: January 22, 2015

**Background:** David Tucker from the Environmental Finance Center (EFC) at UNC Chapel Hill and I will be presenting to the Board regarding our review of the Town's Water and Sewer Enterprise Fund.

Our goal was to complete a financial analysis which encompassed the period of FY 2008 to present and included a review of our water and sewer rates to determine whether they should be increased.

Our research concluded that our current rate structure is not covering full operating costs and future capital costs and further indicates that a rate increase is necessary to maintain sustainability and build fund balance for future capital improvements.

Using the EFC's Water and Waste Water Rates Dashboard we will present a few different rate increase scenarios that reflect an increase in the base service charge and the monthly usage fee over a five year period. We have also taken into consideration the affordability factor and the effect on customer usage in implementing a rate increase.

As we move forward regarding a viable financial plan and make a determination regarding if/how we increase rates, we need to be thoughtful about sustainability (covering full operating costs); what our needs/plans are for capital projects and also have a target amount to work towards building fund balance for the enterprise fund.

As part of this project, I also researched information regarding the Town offering online payments and credit card processing for utility billing and other miscellaneous receipts. I would like to move forward working with a vendor and implement this service. I suggest that we absorb the processing fees since I believe this will help us in marketing the rate increase. We can tract the cost as a separate line item and can decide at a future date whether we want to pass the fee along to our customers.

**Action Requested:** That the Town Board of Commissioners receive the presentation, provide feedback and provide direction as appropriate.