



MEMORANDUM

TO: Bryan Gruesbeck, Town Manager

FROM: Nancy Emslie, Finance Director

SUBJECT: Water & Sewer Analysis Update

DATE: January 8, 2015

As you know, I completed a financial analysis of our Water and Sewer Fund and have been working with David Tucker at the Environmental Finance Center (EFC) at UNC Chapel Hill regarding a viable financial plan for our water and sewer utility billing. This process has taken longer than originally anticipated.

The preliminary work completed indicates that a rate increase is necessary to maintain sustainability and build fund balance for future capital improvements.

In working with EFC staff, we have been analyzing the impact of a rate increase and how it would affect our customers' affordability. We are currently looking at a few different scenarios regarding how quickly/gradually sustainability and solvency can be achieved while being cognizant of the risk of rate shock and its effect on usage.

I met with David yesterday and we will be prepared to present our findings (financial analysis and EFC models) to the Board at the January 26th meeting.