

Utility Discussion Materials

Town of Pittsboro, North Carolina

PITTSBORO
North Carolina

July 25, 2016

Goals and Objectives

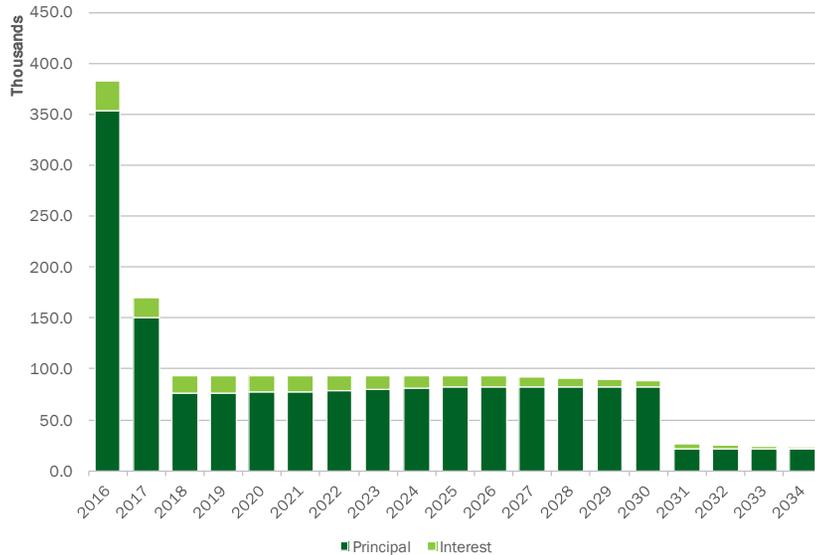
- Review the historical performance of the Town's Water & Sewer Fund in order to determine capacity to fund future capital projects.
 - Provide an overview of the Town's existing Water & Sewer Fund Debt Profile.
 - Analyze a series of Key Financial Ratios so as to better understand the strengths of Town's Water & Sewer Fund.
 - Examine a series of Peer Comparatives to understand how the Town's Water & Sewer Fund compares against national and North Carolina Water & Sewer systems.

- Review the Town's historical and projected wastewater flows compared to the current capacity at the Town's Wastewater Treatment Plant.

- Assist the Town in developing a Capital Funding Model and work towards establishing a detailed Plan of Finance for the Town's utility infrastructure needs.

Existing Debt Profile

Debt Service



Existing Debt Service

FY	Principal	Interest	Total	10-Year Payout Ratio
Total	1,633,417	218,203	1,851,620	
2016	353,654	28,518	382,172	69.3%
2017	150,307	19,218	169,525	67.2%
2018	75,804	17,798	93,602	70.2%
2019	75,804	17,010	92,814	75.9%
2020	76,804	16,223	93,027	82.5%
2021	77,804	15,383	93,187	90.2%
2022	78,804	14,490	93,294	92.0%
2023	79,804	13,545	93,349	94.1%
2024	80,804	12,548	93,352	96.7%
2025	81,804	11,498	93,302	100.0%
2026	82,804	10,395	93,199	100.0%
2027	82,804	9,240	92,044	100.0%
2028	82,804	8,085	90,889	100.0%
2029	82,804	6,930	89,734	100.0%
2030	82,804	5,775	88,579	100.0%
2031	22,000	4,620	26,620	100.0%
2032	22,000	3,465	25,465	100.0%
2033	22,000	2,310	24,310	100.0%
2034	22,000	1,155	23,155	100.0%

Type	Par Amount
2010 DENR	\$912,064
2010 BB&T	\$26,247
2011 Central Electric Membership Corp.	\$72,000
2012 BB&T	\$102,106
1994 USDA GO	\$336,000
2001 GO Refunding Bonds	\$155,000
Total	\$1,633,417

Historical Water & Sewer Financial Operations

Water & Sewer Fund and Water & Sewer Capital Reserve Fund

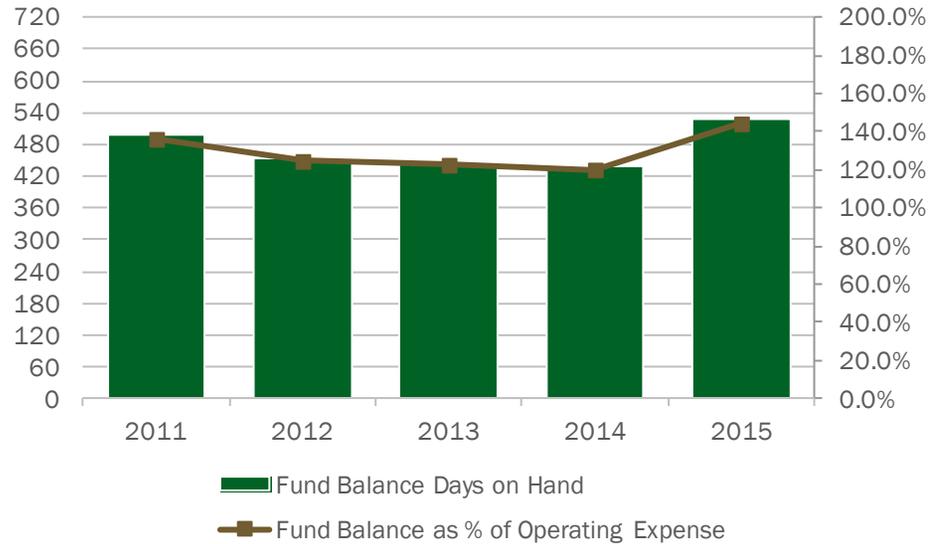


Fiscal Year	2011	2012	2013	2014	2015
	Audited	Audited	Audited	Audited	Audited
1 Revenues	2,882,136	2,819,545	2,627,611	2,887,633	3,392,295
2 Expenditures	1,894,923	1,988,090	1,984,494	2,173,912	2,254,473
3 Net Revenue Available for Debt Service	987,213	831,455	643,117	713,721	1,137,822
4					
5 Total Debt Service	359,096	406,365	452,363	491,994	475,285
6					
7 Net Revenue after Debt Service	628,117	425,090	190,754	221,727	662,537
8					
9 Capital Outlay	(76,494)	(22,590)	(46,179)	(32,356)	(10,412)
10 Other Sources (Uses) of Funds	(329,176)	(506,528)	(187,998)	(12,000)	(10,000)
11					
12 System Surplus (Deficit)	222,447	(104,028)	(43,423)	177,371	642,125
13					
14 Ending Fund Balance	2,580,935	2,476,907	2,433,484	2,610,855	3,252,980
15					
16 Total Debt Service Coverage	2.75x	2.05x	1.42x	1.45x	2.39x
17 Fund Balance as % of Operating Expense	136.2%	124.6%	122.6%	120.1%	144.3%
18 Fund Balance Days on Hand	497	455	448	438	527

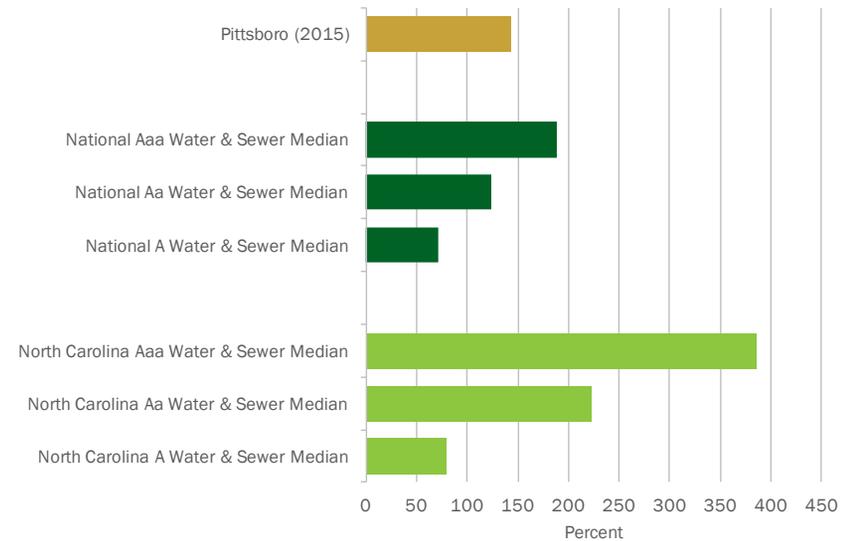
Note: Includes both the Water & Sewer Fund and the Water & Sewer Capital Reserve Fund.

Liquidity

Liquidity



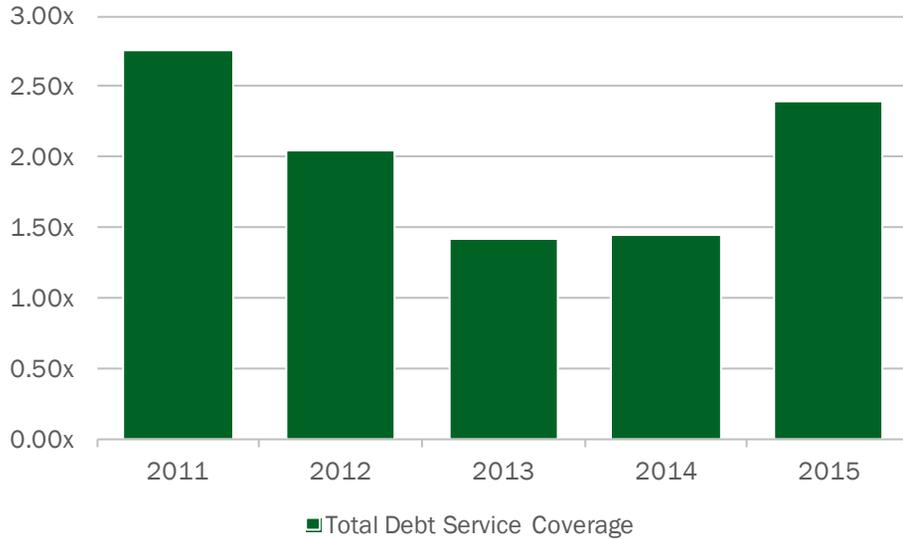
Peer Comparative: Unrestricted Cash as a % of O&M



- Cumulative Funds available after Operations and Debt Service needs
- Days Cash on Hand = $\text{Unrestricted Cash} \div (\text{Operating Expenditures} \div 365)$
- Unrestricted Cash as % of O&M = $\text{Unrestricted Cash} \div \text{Operating Expenditures}$
- Standard and Poor's criteria for Water and Sewer Credit defines categories of Days Cash on Hand as:
 - <30 days: Low
 - 30 - 60 days: Adequate
 - 60 - 120 days: Good
 - > 120 days: **Strong**

Debt Service Coverage Ratio

Debt Service Coverage Ratio (“DSCR”)



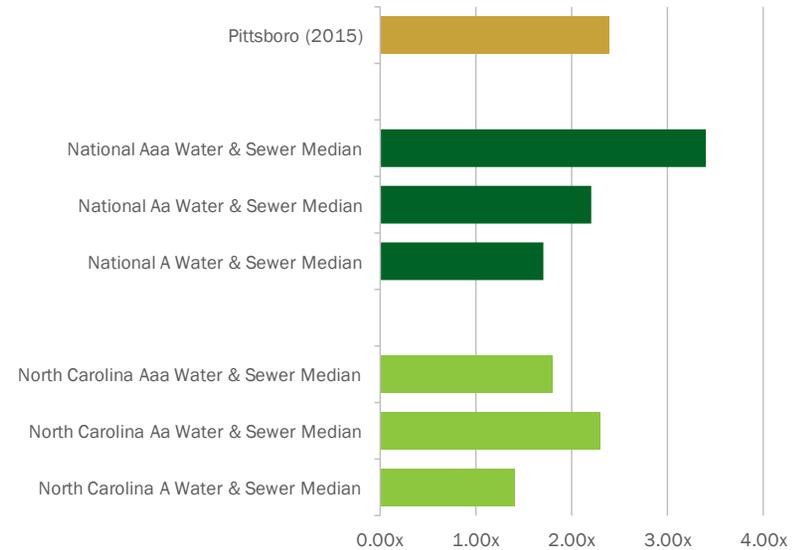
- Measure of ability to meet operating and debt service obligations.

- $DSCR = \text{Net Revenue Available for Debt service} \div \text{Annual Debt Service}$.

- Standard and Poor’s criteria for Water and Sewer Credit defines categories of Debt Service Coverage Ratio as:

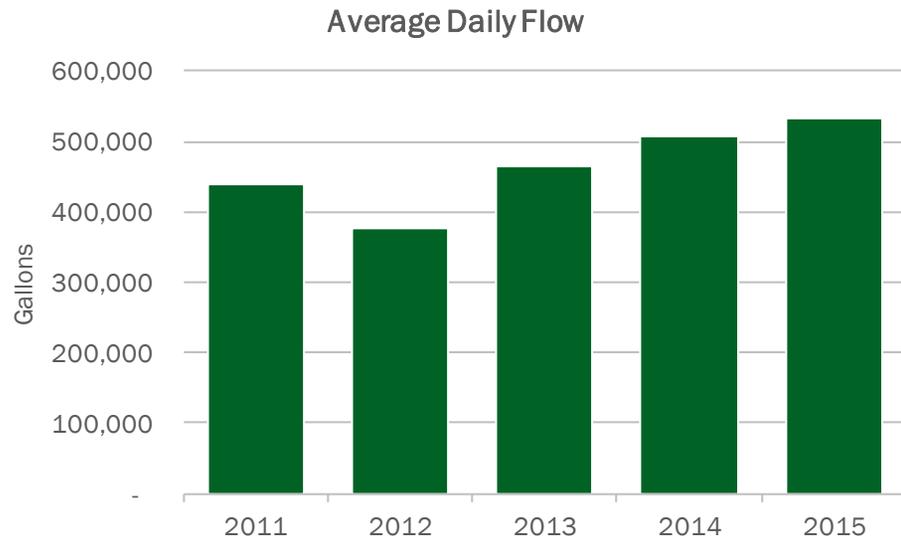
- <1.0x: Insufficient
- 1.0x – 1.25x: Adequate
- 1.26x – 1.50x: Good
- **>1.50x: Strong**

Peer Comparative: Debt Service Coverage Ratio



Historical and Current Wastewater Flows

Historical Flows



Average Daily Flow

Year	Flow (Gallons)	Growth
2011	438,000	n/a
2012	376,000	-14.16%
2013	465,000	23.67%
2014	506,000	8.82%
2015	534,000	5.53%

Current Flows

- The current annual average wastewater flow from the Town is approximately 0.5 MGD.
- Peak daily flows can reach 1.4 MGD and the three-day sustained peak flow is 1.2 MGD.

Current Wastewater Treatment Capacity

- In 2013, the Town and NCDENR agreed to increase permitted discharge capacity into Robeson Creek. This approach included:
 - A 0.499 MGD increase in discharge to Robeson Creek to a permitted capacity of 1.249 MGD, and
 - Reduced the total discharge to the Haw River to 1.971 MGD accordingly.
- These adjustments maintained the Town's allowable permitted discharge of 3.22 MGD.
- The Town's current Wastewater Treatment Plant is sized for 0.75 MGD of flows.

Pittsboro Projected Wastewater Flows

A	B	C	D	E	F	G	H	I	J
Year	Town Limits	ETJ (Planned Development)	Remaining ETJ Development	Town / ETJ	Compound Annual Growth	Chatham Park	Compound Annual Growth	Total Flow Projections	Compound Annual Growth
2015	513,000	-	-	513,000	n/a	-	n/a	513,000	n/a
2020	533,000	241,300	18,500	792,800	9.10%	533,500	n/a	1,326,300	20.92%
2025	554,000	482,600	55,400	1,092,000	6.61%	1,256,000	18.68%	2,348,000	12.10%
2030	576,000	724,000	92,200	1,392,200	4.98%	1,978,500	9.51%	3,370,700	7.50%
2035	599,200	965,300	184,500	1,749,000	4.67%	2,701,000	6.42%	4,450,000	5.71%

Note: Wastewater Flow Projection (GPD)

- Future flow projections indicate an annual average wastewater flow increase for the Town and Chatham Park combined of 0.15 to 0.2 MGD per year.

- While there has been variability in system cash flows over the last few fiscal years, the system's financial performance has been adequate, as evidenced by the following:
 - Over the past five fiscal years, the Town has maintained strong cash reserves in the Water & Sewer Fund.
 - The Water & Sewer Fund's liquidity position, Cash as a % of O&M Expense and Days Cash on Hand, is currently in line with North Carolina and National medians.
 - The Debt Service Coverage Ratio of the Town's Water & Sewer Fund is currently in line with North Carolina and National medians.
- Development of a comprehensive and forward looking Capital Improvement Program is critical to effectively manage the system's future financial performance.
- A balanced approach to capital funding using debt and pay-go resources is recommended.
- Based upon its historical financial performance, the Town's Water & Sewer Fund has capacity to issue some amount of additional debt under its current rate structure. Depending upon system growth and the magnitude of the capital needs, additional revenues from rates and charges may be necessary to sustainably fund a capital program.
- Given current estimates for projected flows, a key consideration for the Town moving forward will be the treatment capacity of the system and the costs associated with maintaining or increasing treatment capacity.

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