MEMORANDUM

TO: Mayor and Board of Commissioners

FROM: Nancy Emslie, Finance Officer

SUBJECT: Water & Sewer Analysis Update

DATE: December 5, 2014

At the Board's request, I completed a financial analysis of our Water & Sewer Fund. This information was provided to you for the November 24th board meeting. Please refer to my November 21st memo and the supporting documentation.

The Town Manager and I had the opportunity to meet on December 3rd with David Tucker at the Environmental Finance Center (EFC) at UNC Chapel Hill. We met with him to see how they can help the Town of Pittsboro with sustainable financial planning for our water and sewer utility billing.

EFC has a Water and Sewer Rates Analysis Model that would help us look at a possible rate increase and an Affordability Assessment Tool that analyzes the impact of a rate increase on our customers. Both of these models are able to calculate a one-time increase and also a multi-year rate increase scenario. In addition, we would be able to simulate conservative growth projections over the next 5, 10, 20 years, etc. which would aid us regarding the prospective Chatham Park development.

I have provided information to the EFC with the intention to merge the data generated (financial analysis and EFC models) and present the entire outcomes to the Board at the January 12, 2015 meeting.

MEMORANDUM

TO: Mayor and Board of Commissioners

FROM: Nancy Emslie, Finance Officer

SUBJECT: Water & Sewer Analysis

DATE: November 21, 2014

Per your request, I have completed an analysis of our Water & Sewer Fund. Please find attached the supporting documentation. I will go over this material in more detail at the December 8th board meeting.

Town of Pittsboro - Water & Sewer Analysis - Enterprise Fund

Account Description	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Revenues							
Water Sales	976,621	1,049,569	1,301,385	1,339,404	1,142,188	1,190,518	1,251,991
Sewer Charges	644,433	764,188	976,116	1,086,046	1,008,534	1,034,394	1,134,271
Reuse Water Charges	-	-	-	53,667	55,077	55,080	50,490
Reconnection Fees & Penalties	33,395	35,400	37,177	43,344	39,259	33,895	36,870
Miscelleneous	43,234	39,176	27,179	33,938	26,719	20,349	27,664
General Fund Balance Appropriation	-	-	-	-	-	-	-
Total Operating Revenue	1,697,683	1,888,333	2,341,857	2,556,399	2,271,777	2,334,236	2,501,286
Operating Expenses							
Administrative	111,924	122,787	136,984	165,549	211,878	235,919	389,633
Water Operations	571,859	576,995	678,218	774,908	757,388	794,402	842,864
Sewer Treatment	551,401	476,374	637,521	537,693	564,039	517,017	541,834
Public Utilities	395,070	322,689	414,438	435,781	461,979	439,987	431,935
Depreciation	307,502	339,078	362,047	490,007	569,998	568,179	534,000
Total Operating Expenses	1,937,756	1,837,923	2,229,208	2,403,938	2,565,282	2,555,504	2,740,266
Operating Income (Loss)	(240,073)	50,410	112,649	152,461	(293,505)	(221,268)	(238,980)
Non-operating Revenues (Expenses)							
Interest Earned on Investments	112,088	29,479	4,861	5,779	4,895	3,261	2,199
Interest on Long-term Debt	(100,973)	(93,424)	(84,859)	(81,330)	(73,681)	(71,620)	(55,535)
Sale of Capital Assets	-	-	-	752	-	290,574	-
Water & Sewer Access Charges	294,407	140,071	214,189	320,132	543,160	-	382,983
Water & Sewer Capital Recovery Charges	142,685	-	-	-	-	-	-
Environmental Assessment Costs	(54,075)	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	394,132	76,126	134,191	245,333	474,374	222,215	329,647

Town of Pittsboro - Water & Sewer Analysis - Enterprise Fund

Account Description	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Income (Loss) before Capital Contributions & Transfers	154,059	126,536	246,840	397,794	180,869	947	90,667
Capital Contributions & Transfers							
Capital Contributions from Developers	-	185,492	-	-	-	-	-
Capital Contributions from Chatham County	-	-	-	1,583,210	78,000	145,000	-
Capital Contributions-NC Rural Ctr grant	-	234612	-	311,514	268,453	129,014	1,469
Capital Contributions- ARRA grant	-	0	713,089	502,995	-	-	
Capital Contributions- EPA				929,372	-	-	
Capital Contributions- CDBG Grant	-	0	-	-	-	837,400	12,600
Transfer to General Fund	-	(230,358)	(241,013)	(155,785)	(154,805)	(187,998)	(12,000)
Total Capital Contributions & Transfers	-	189,746	472,076	3,171,306	191,648	923,416	2,069
Change in Net Assets	154,059	316,282	718,916	3,569,100	372,517	924,363	92,736
Net Assets, Beginning of Year	7,617,718	7,771,777	8,088,059	8,806,975	12,376,075	12,748,592	13,672,955
Net Assets, End of Year	7,771,777	8,088,059	8,806,975	12,376,075	12,748,592	13,672,955	13,765,691
Fund Balance, Beginning of Year	3,086,436	2,694,855	2,165,779	1,962,644	1,863,433	1,719,337	1,384,055
Fund Balance, End of Year	2,694,855	1,955,510	1,962,644	1,863,433	1,719,337	1,384,055	1,177,278

Town of Pittsboro - Water & Sewer Analysis - Enterprise Fund

Account Description	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Total Margin Ratio	0.88	1.03	1.05	1.06	0.89	0.91	0.91
Percentage Change in Net Assets	2.02%	4.07%	8.89%	40.53%	3.01%	7.25%	0.68%
Charge to Expense Ratio	0.85	1.01	1.04	1.05	0.88	0.91	0.90
Debt Service Ratio	0.13	0.13	0.11	0.10	0.14	0.08	0.15
Quick Ratio	6.61	5.96	2.59	3.71	4.45	3.23	4.05
Net Asset Ratio	1.24	1.12	0.51	0.85	0.64	0.52	0.57
Debt to Assets Ratio	0.18	0.16	0.18	0.16	0.15	0.13	0.11
Capital Assets Condition Ratio	(0.07)	(0.09)	0.01	(0.39)	(0.31)	(0.22)	(0.13)

Town of Pittsboro
Water & Sewer Analysis
Enterprise Fund

Account Description	Budgeted FY 2015	Actual To Date FY 2015	0.333333 $ % To Date	Variance To Date	% Variance	Projected FY 2015
Operating Revenues						
Water Sales	1,333,480	362,097	444,493	82,396	6.18%	$1,200,132
Sewer Charges	1,136,320	291,348	378,773	87,425	7.69%	$1,022,688
Reuse Water Charges	56,650	18,360	18,883	523	0.92%	$50,985
Reconnection Fees & Penalties	60,000	13,743	20,000	6,257	10.43%	$54,000
Miscelleneous	26,000	8,394	8,667	273	1.05%	$23,400
General Fund Balance Appropriation	219,656	-	73,219	73,219	33.33%	$197,690
Total Operating Revenue	2,832,106	693,942	944,035	250,093	59.61%	2,548,895
Operating Expenses						
Administrative	233,953	62,319	77,984	15,665	6.70%	$233,953
Water Operations	985,033	264,523	328,344	63,821	6.48%	$985,033
Sewer Treatment	619,848	195,511	206,616	11,105	1.79%	$619,848
Public Utilities	517,572	152,680	172,524	19,844	3.83%	$517,572
Debt Service	475,700	38,124	158,567	120,443	25.32%	$475,700
Depreciation	-	-	-	-	0.00%	$320,400
Total Operating Expenses	2,832,106	713,157	944,035	230,878	44.12%	3,152,506
Operating Income (Loss)	-	(19,215)	-	19,215	15.49%	-$603,611