



**Town of Clayton
Town Council Work Session Minutes
Monday, June 6, 2022 @ 3:00 PM
Rotary Room**

COUNCIL PRESENT:

Mayor Jody McLeod
Mayor Pro Tem Jason Thompson
Council Member Andria Archer
Council Member Porter Casey
Council Member Michael Sims

COUNCIL ABSENT:

Council Member Avery Everett

STAFF PRESENT:

Interim Town Manager Rich Cappola
Town Attorney Jim Cauley
Interim Town Clerk Sherry Scoggins
Deputy Town Clerk Heidi Holland
Deputy Town Manager Dolores Gill
Interim Town Manager Lee Barbee
Finance Director Robert McKie
Assistant Finance Director Tracy Stubblefield
Electric Services Technician Ethan Poppe
Engineer Director Joshua Baird
Assistant Town Engineer Jonathan Jacobs
Planning Director Ben Howell

1 CALL TO ORDER

- a) Call to Order

Mayor McLeod called the meeting to order at 3:04 p.m.

2 Closed Session to discuss Personnel in accordance with NC GS 143-318.11 (a) (6)

- a) Closed Session to discuss Personnel in Accordance with NC GS 143-318.11 (a) (6)

ACTION:

MOVER: Mayor Pro Tem Thompson moved to go into closed session to discuss a personnel matter.

SECONDER: Council Member Sims

VOTE: Motion carried 4-0

ACTION:

MOVER: Council Member Archer moved to return to open session

SECONDER: Council Member Casey

VOTE: Motion carried 4-0

3 2023 Budget Follow Up and Discussion

- a) 2023 Budget Follow Up and Discussion

Finance Director Robert McKie provided a PowerPoint presentation overview of the proposed fiscal year 2022-2023 budget; herewith attached to the minutes.

Finance Director McKie provide the following Budget Highlights:

- General Fund budget is balanced at \$43.6 million and required a \$5.2 million fund balance appropriation.
- Water & Sewer Fund budget is balanced at \$35.1 million and required a re-appropriation of the \$4 million American Rescue Plan Act (ARPA) monies to fund the Capital Improvement Projects (CIP). A 15.1% combined rate increase is required.
- Electric Fund budget is balanced at \$20 million and required a \$1.1 million fund balance appropriation. A 7% rate increase is required.
- Four new patrol officers and one plan reviewer are requested at a cost of \$0.4 million.
- Tax rate remains at \$0.58 with a 99% collection rate.
- Ad valorem property taxes will grow 6.8%.
- Sales tax revenues will increase \$1.8 million compared to FY 2022 budget and 5% higher than the \$7.4 million estimate for FY 2022.
- Development revenue will remain steady.
- Five percent pool for salary adjustments, which includes a 2% cost of living adjustment (COLA) for full-time and permanent part-time employees
 - Pay and classification study results will be implemented effective October 2022.
- State Health Plan employer contribution increase estimated at 12%
- NC Retirement Fund employer contribution increase
 - 0.75% for General
 - 1% for Law Enforcement Officers

Interim Town Manager Rich Cappola provided an overview of the proposed fiscal year 2022-2023 electric rates.

Finance Director Robert McKie and Interim Town Manager Rich Cappola provided an overview of the proposed fiscal year 2022-2023 water and sewer rates.

4 Questions and Clarification

a) Questions and Clarification

Council Member Sims questioned what is develop other funding sources. Finance Director McKie stated this could be leveraging grant opportunities or adjusting rates for services to recover costs.

Council Member Casey questioned if staff are looking for grants. Interim Town Manager Cappola stated yes.

Council Member Casey questioned Johnston County's next re-evaluation of real property. Finance Director McKie stated the next property re-evaluation in Johnston County is scheduled for January 2025. After that, the re-evaluation will be on a four-year cycle.

5 ADJOURNMENT

a) Adjournment

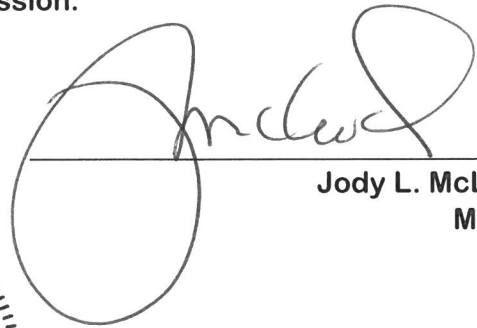
ACTION:

MOVER: Mayor Pro Tem Thompson moved to adjourn at 5:20 p.m.

SECONDER: Council Member Archer

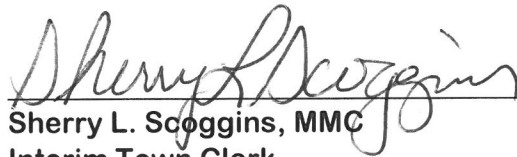
VOTE: Motion carried 4-0

Duly adopted this 21st day of July 2022, while in open session.



Jody L. McLeod
Mayor

ATTEST:



Sherry L. Scoggins, MMC
Interim Town Clerk



June 6, 2022 - WS



FY 2023 Budget Update
Town of Clayton
Presented by: Robert McKie
June 6, 2022

TOWN OF CLAYTON
FY 2023 Expenditure Budget Summary

Expenditure Budget	General Fund	W&S Fund	Electric Fund
Salaries and Benefits	\$21,645,618	2,301,401	1,387,670
Contract Services	5,801,353	4,873,063	446,600
Operating Expenses	9,209,746	2,681,891	1,100,881
Programs	515,057	3,153,500	10,547,750
Special Appropriations	1,010,000	99,786	61,561
Debt Service	2,439,694	1,753,781	564,464
Capital Outlay	8,079,102	17,013,806	4,125,000
Miscellaneous	(5,065,874)	3,181,877	1,724,575
Total	\$43,634,696	\$35,059,105	\$19,958,501



Recommended New Positions

FY 2023 Budget - New Positions			Budgeted Amounts					
Division	Position	Annual Salary	Budgeted Start Date	Wages	Tax	Benefits	Workers' Comp	Total
General Fund								
PW-Inspections	Level III Plan Reviewer	60,800.00	7/1/2022	60,807.00	4,652.00	20,090.00	1,034.00	86,583.00
General Fund, Excluding Public Safety*				60,807.00	4,652.00	20,090.00	1,034.00	86,583.00
*Excludes Internship Program - \$6,481 Total Cost for 1 PT positions.								
Public Safety								
Law Enforcement-Patrol	Police Officer	56,800.00	7/1/2022	56,878.00	4,351.00	11,049.00	2,104.00	74,382.00
	Police Officer	56,800.00	7/1/2022	56,878.00	4,351.00	11,049.00	2,104.00	74,382.00
	Police Officer	56,800.00	7/1/2022	56,878.00	4,351.00	11,049.00	2,104.00	74,382.00
	Police Officer	56,800.00	7/1/2022	56,878.00	4,351.00	11,049.00	2,104.00	74,382.00
Total Public Safety				227,512.00	17,404.00	44,196.00	8,416.00	297,528.00
Total General Fund				288,319.00	22,056.00	64,286.00	9,450.00	384,111.00
Grand Total				288,319.00	22,056.00	64,286.00	9,450.00	384,111.00



General Fund – Fund Balance Available

Financial Policy - Unassigned Fund Balance	Required Amount	Available Amount
Minimum Requirement- 20%	\$ 5,979,749	\$ 10,290,474
Minimum Requirement- 22.5%	\$ 6,727,218	\$ 9,543,005
Minimum Requirement- 25%	\$ 7,474,686	\$ 8,795,537
Minimum Requirement- 27.5%	\$ 8,222,155	\$ 8,048,068
Operational Target - 30%	\$ 8,969,624	\$ 7,300,599

Total Fund Balance
\$ 23,477,041

Fund Balance Appropriations Utilized

Joint Use Agreement - JOCO BOE	\$ (500,000)
Reserve for Debt Service - Series 2009A	\$ (1,012,157)
Debt Service Redemption - Series 2009A	\$ (562,787)
Internal Information Technology - Seed Monies	\$ (830,000)
Greenway Bridge Repairs - Capital Project Fund	\$ (1,500,000)
Loop Rd Athletic Fields - Capital Project Fund	\$ (1,000,000)
Total	\$ (5,404,944)

Total Fund Balance - Adjusted
\$ 18,072,097

Fund Balance Available - FY 22-23 Budget
\$ 5,770,974

Unassigned Fund Balance Available
\$ 8,795,537

Reserve - Roof Maintenance	\$ 322,400
Reserve - CIP Funding	1,045,824
Joint Use Agreement - JOCO BOE	\$ (500,000)
Debt Service Redemption - Series 2009A	\$ (562,787)
Internal Information Technology - Seed Monies	\$ (830,000)
Greenway Bridge Repairs - Capital Project Fund	\$ (1,500,000)
Loop Rd Athletic Fields - Capital Project Fund	\$ (1,000,000)
Total Sources (Uses)	\$ (3,024,563)

Fund Balance Available - FY 22-23 Budget
\$ 5,770,974



BUDGET HIGHLIGHTS

- ❑ General Fund budget is balanced at \$43.6 million and required a \$5.2 million fund balance appropriation.
- ❑ Water & Sewer Fund budget is balanced at \$35.1 million and required a reappropriation of the \$4.0 million ARPA monies to fund the CIP. A 15.1% combined rate increase is required.
- ❑ Electric Fund budget is balanced at \$20.0 million and required a \$1.1 million fund balance appropriation. A 7% rate increase is required.
- ❑ 4 new Patrol Officers and a Plan Reviewer included at a cost of \$0.4 million.



BUDGET HIGHLIGHTS

Economic Considerations:

- ❑ Consumer Price Index (CPI) inflation rate increased to 8.5% in March. Highest since January of 1982.
- ❑ Personal Consumption Expenditures (PCE) Price Index at a 40-year high of 6.6% in March.
- ❑ Federal Reserve policy to rein in inflation = higher interest rates. 0.25% increase in March with an additional 0.50% increase in May, and another 0.50% increase is expected in June. Fed Funds Rate forecasted to be 2.75% 2023.
- ❑ GDP fell 1.5% in Q1 2022. First contraction since 2020.
- ❑ Recession projected to occur in late 2023 or early 2024.



BUDGET HIGHLIGHTS

Major Revenue Assumptions:

- ☐ Tax rate remains at \$0.58 with a 99% collection rate.
- ☐ Ad Valorem property taxes will grow 6.8%.
- ☐ Sales tax revenues will increase \$1.8 million compared to FY 2022 budget and 5% higher than the \$7.4 million estimate for FY 2022.
- ☐ Development revenue will remain steady.



BUDGET HIGHLIGHTS

Employee Benefit Assumptions:

- ☐ 5% pool for salary adjustments, which includes a 2% COLA for full-time and permanent part-time employees.
- ☐ Pay and classification study results will be implemented effective October 1, 2022.
- ☐ State Health Plan employer contribution increase = 12%.
- ☐ NC Retirement Fund employer contribution increase = 0.75% General and 1.0% for LEO.



BUDGET HIGHLIGHTS

What's New:

- ☐ Town's FIRST-EVER Budget Survey = SUCCESS.
- ☐ Centralized budget for fuel, vehicles, and heavy equipment except for Enterprise Funds.
- ☐ Mission Critical review and evaluation implemented to balance the budget and prioritize CIP projects.
 - ☐ Fund balance appropriation recommended to cover CIP.
- ☐ \$1.5 million installment financing for rolling stock in General Fund. First time since FY 2013.



BUDGET HIGHLIGHTS

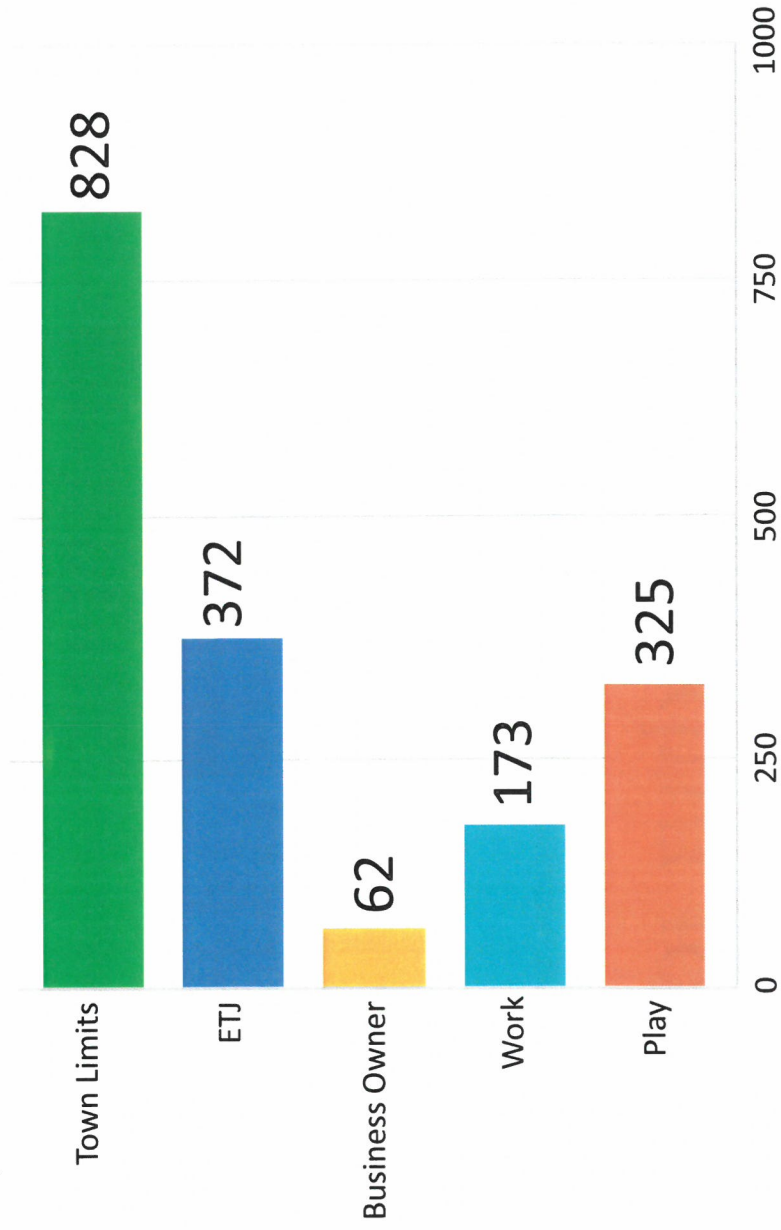
What Changed (May 2, 2022):

- ☐ Higher assessed value = increased Ad Valorem revenues
- ☐ Sales tax revenue projection updated for 3-quarters actual
- ☐ Cost of services allocation updated
- ☐ CIP reevaluated and prioritized
- ☐ Updated balance the budget adjustments
- ☐ Fuel costs updated per U.S Energy Information Administration forecast



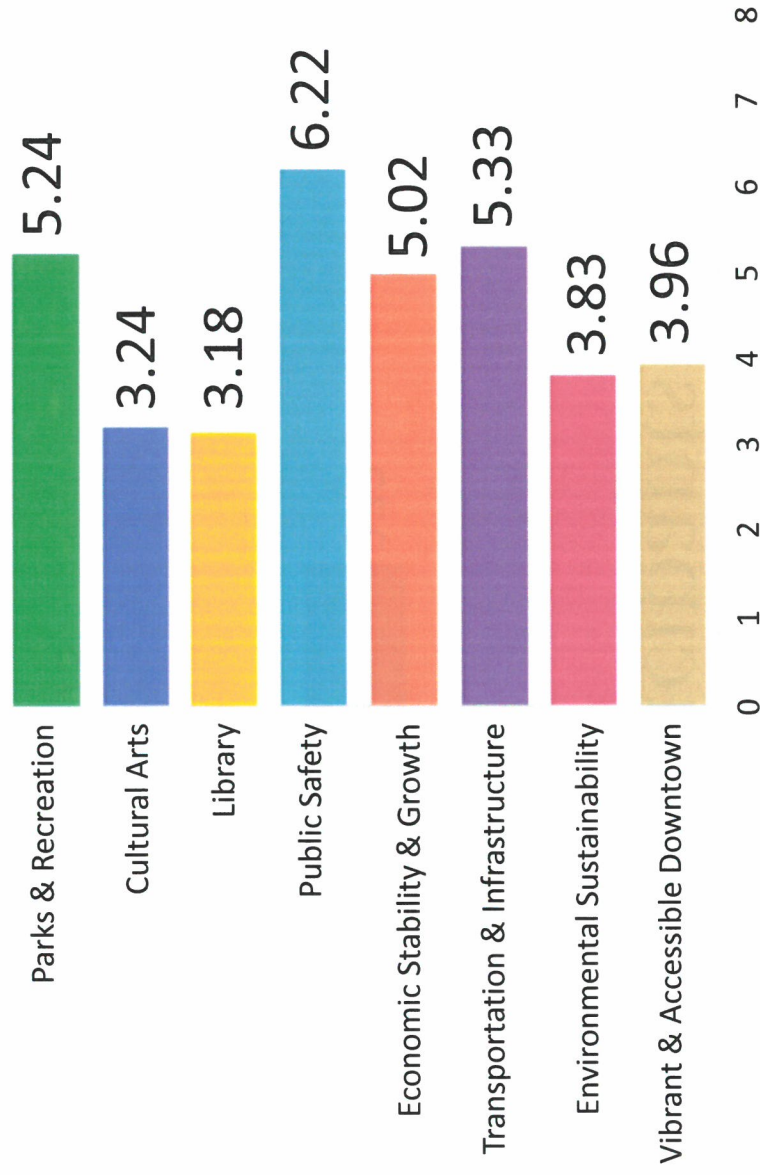
Survey Participants

TOTAL 1,226



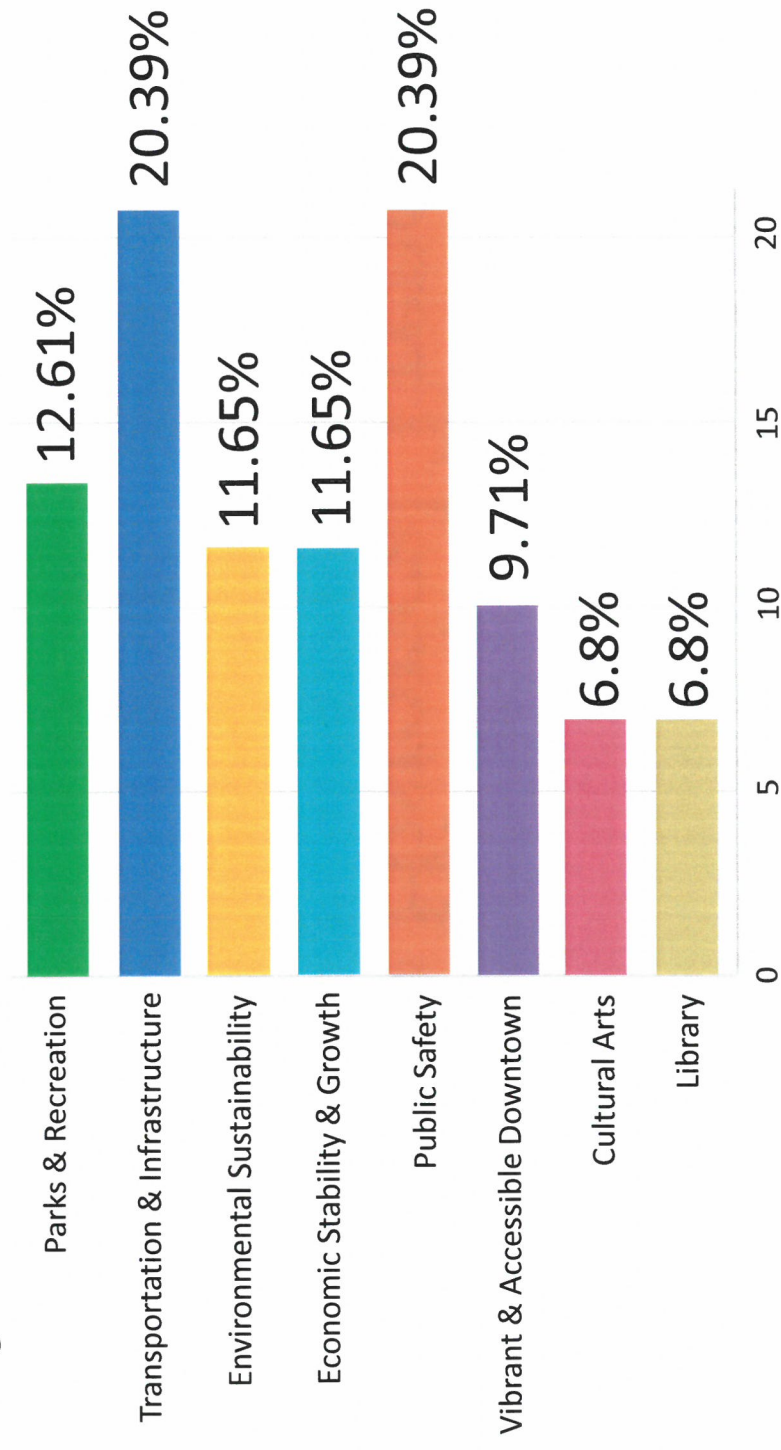
Order of Importance

Rank 1-8



Tax Dollar Spending

Percentage

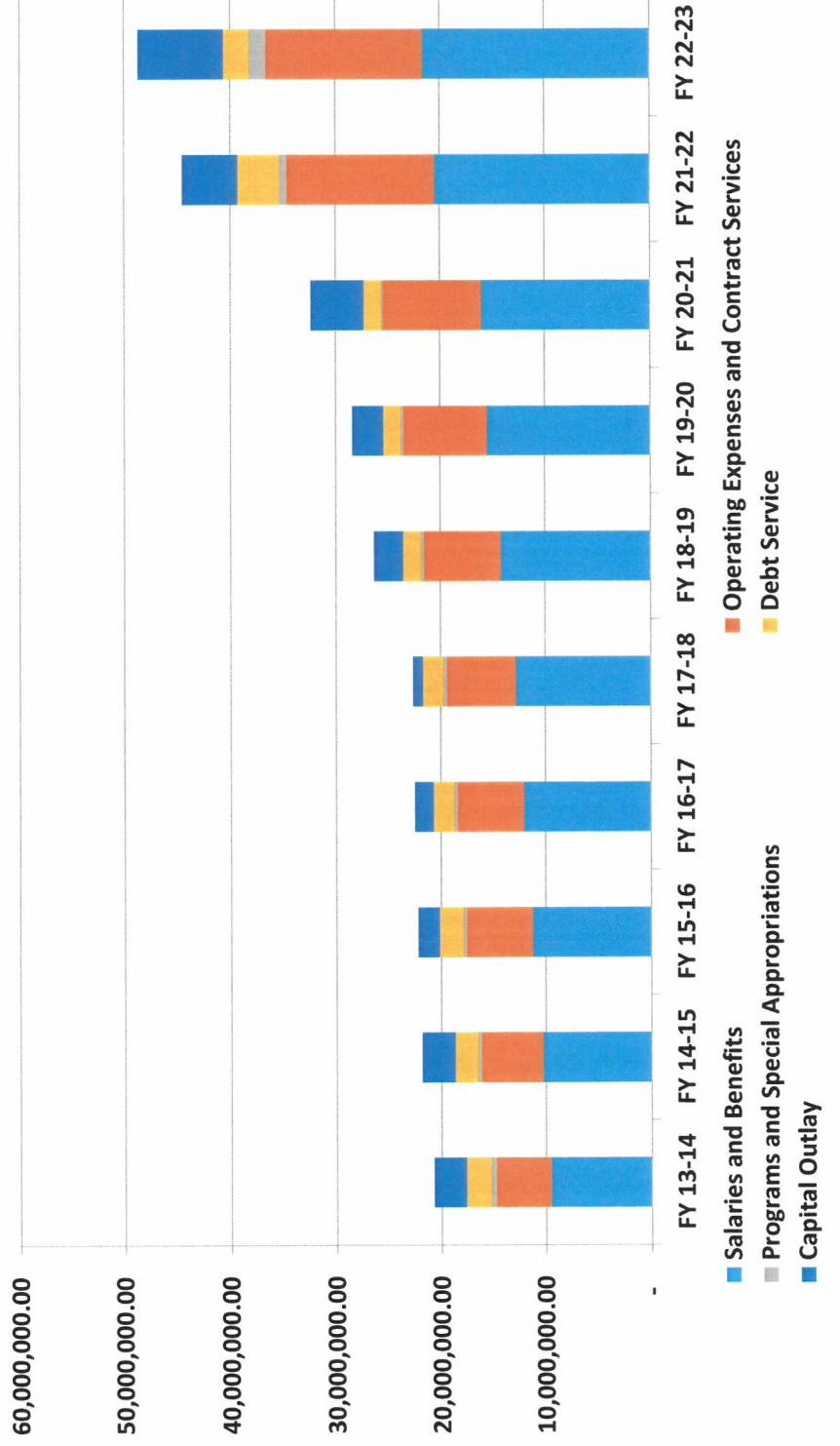


Key Historical Trends

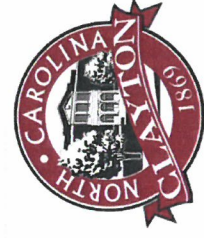
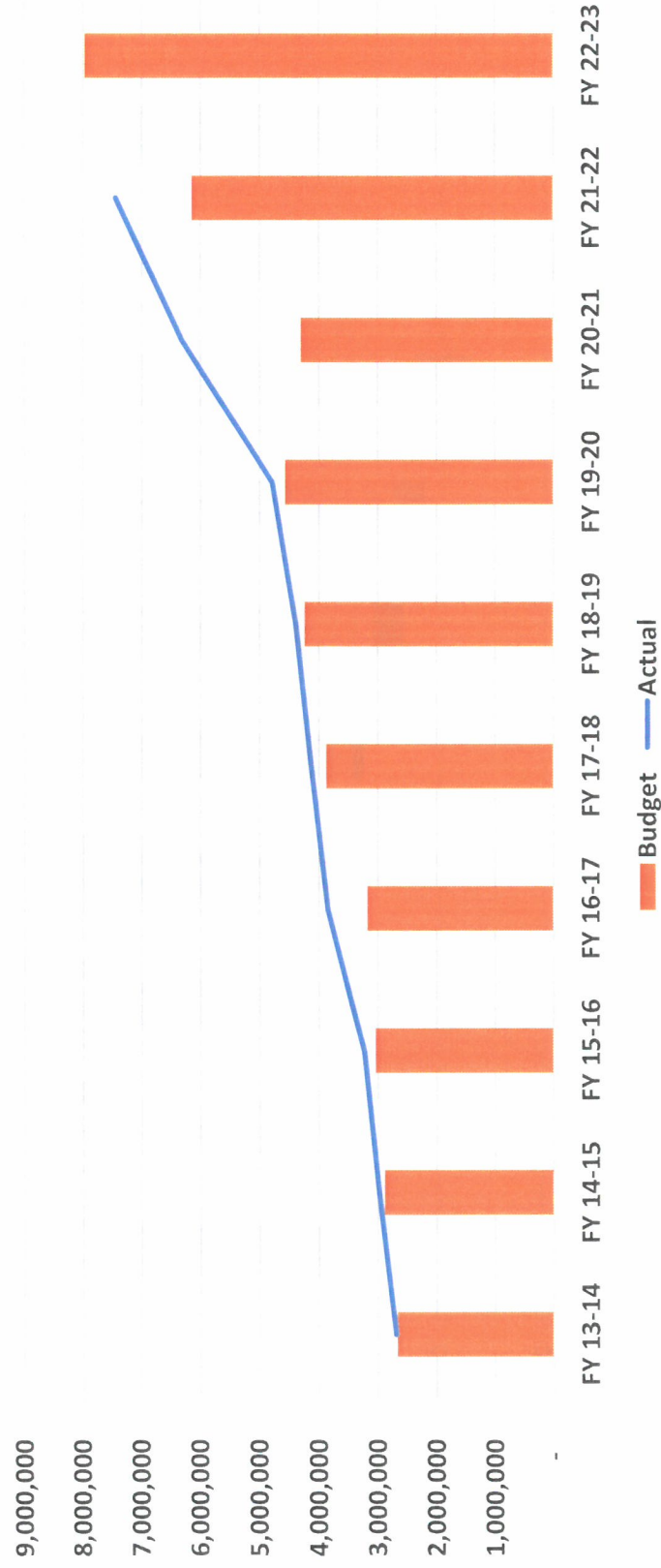
ClaytonNC.org



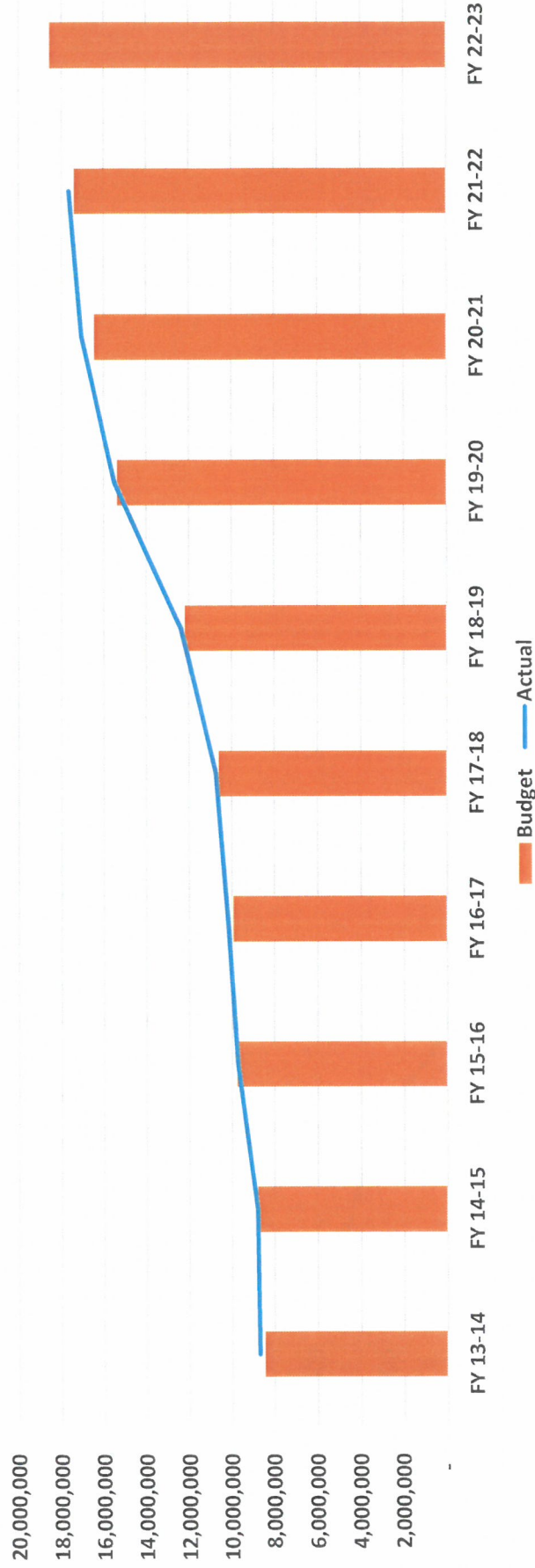
General Fund - All Expenditures



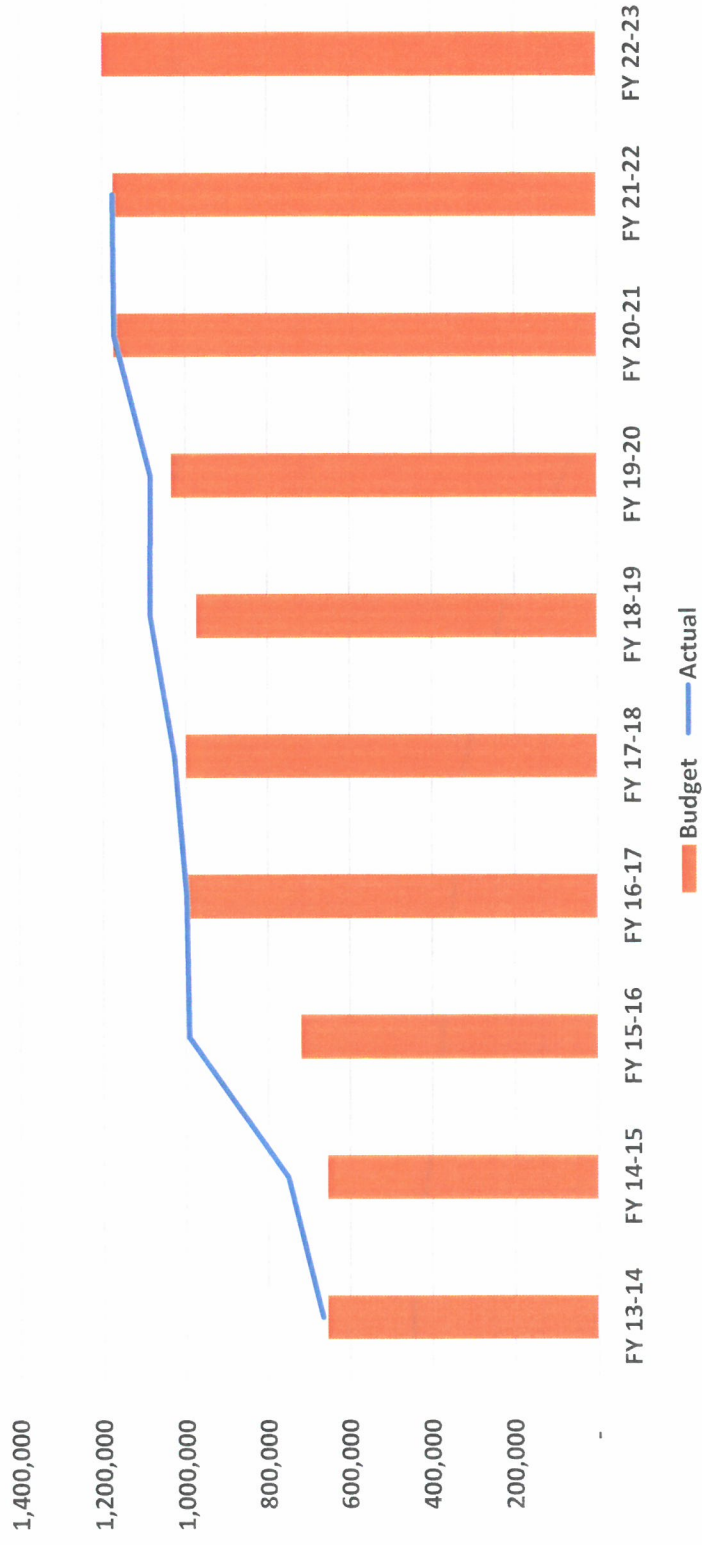
Sales Tax Revenue

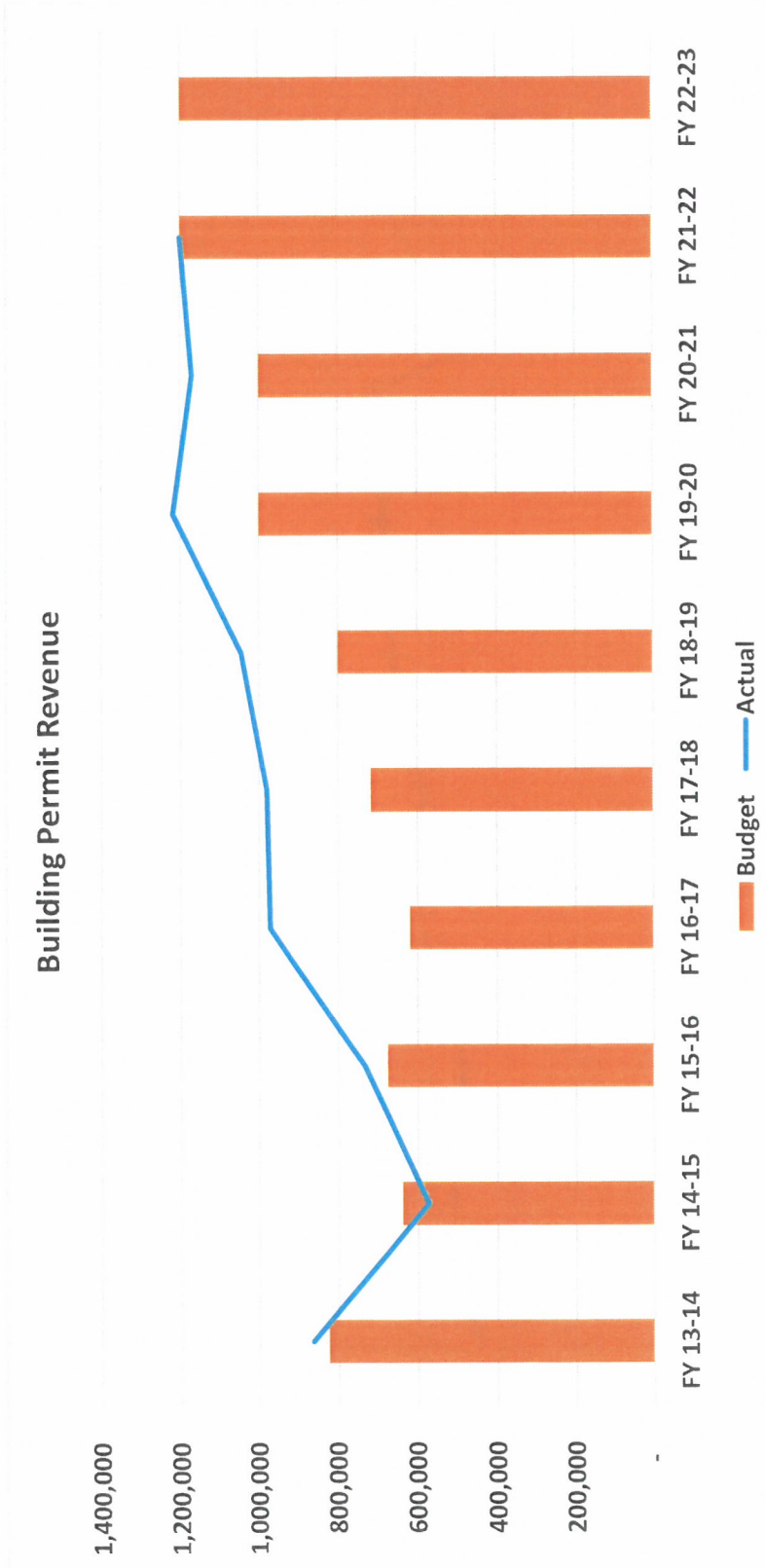


Ad Valorem Tax Revenue

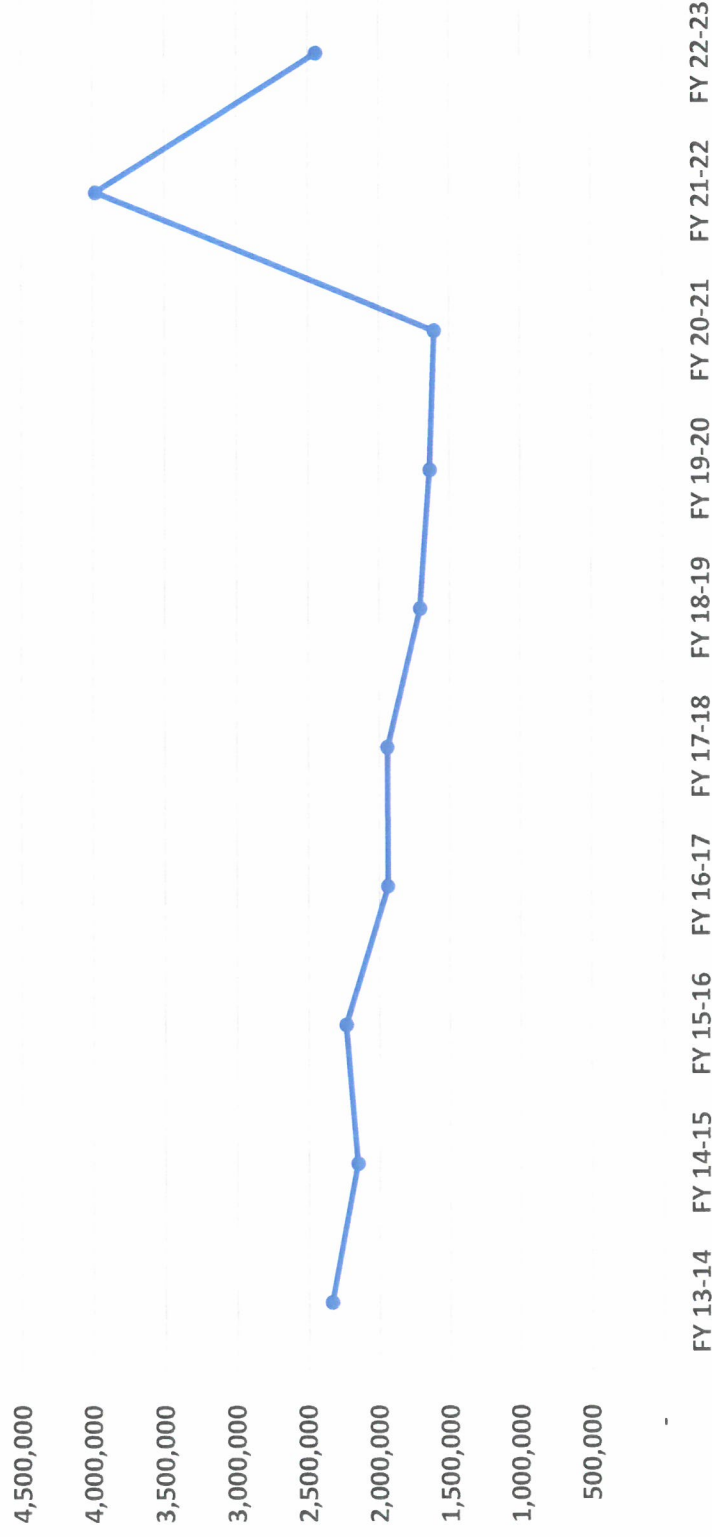


Utility Sales Tax Revenues

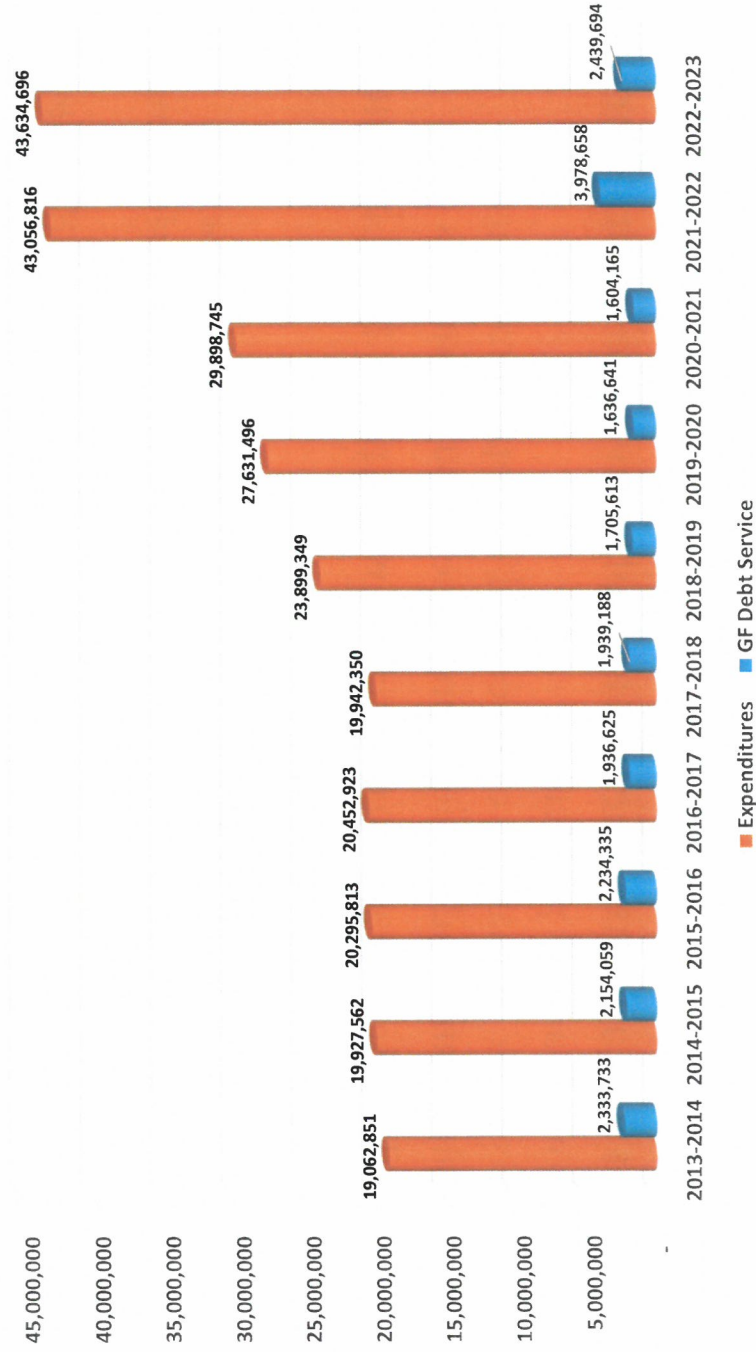




GF Debt Service



General Fund Debt to Expenditures



FINAL THOUGHTS

- ☐ FY 22 budget was a more efficient and effective use of budgeted funds
 - ☐ Focus on completion of projects
 - ☐ Adjustments made as markets changed and/or opportunities arose
 - ☐ Increased uniformity and efficiency in processes and functions
- ☐ General Fund budget is not sustainable with major fund balance appropriations moving forward
 - ☐ Growth will continue and is here to stay
 - ☐ Revenues not increasing at the same rate as growth impacts on services
 - ☐ Recommend moving forward with revamping the CIP and performing a debt capacity and affordability analysis
 - ☐ Continue to pursue opportunities to restructure and achieve efficiency in operations



FINAL THOUGHTS

- ☐ Water and Sewer Fund will continue to require rate increases to fund reinvestment in the system
 - ☐ Final recommendation significantly impacted by WRF program costs
- ☐ Electric Fund will require increases to sustain the financial health of the utility
 - ☐ CIP adjusted for current market conditions and evaluated for “mission critical” projects
 - ☐ Several years have elapsed since the last rate increase



FINAL THOUGHTS

- ☐ Overall, the Town continues to experience unprecedented growth, which impacts all components of operations
- ☐ Uncertain economic conditions create the need for a more conservative approach to spending
- ☐ To remain in good financial health additional long-term planning is needed to develop a roadmap for success
 - ☐ Bond issuance opportunities
 - ☐ Leverage grant funding when feasible
 - ☐ Develop other funding sources
 - ☐ Ad valorem tax rate



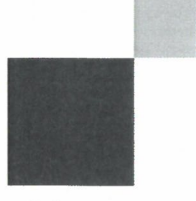


June 6, 2022 WS

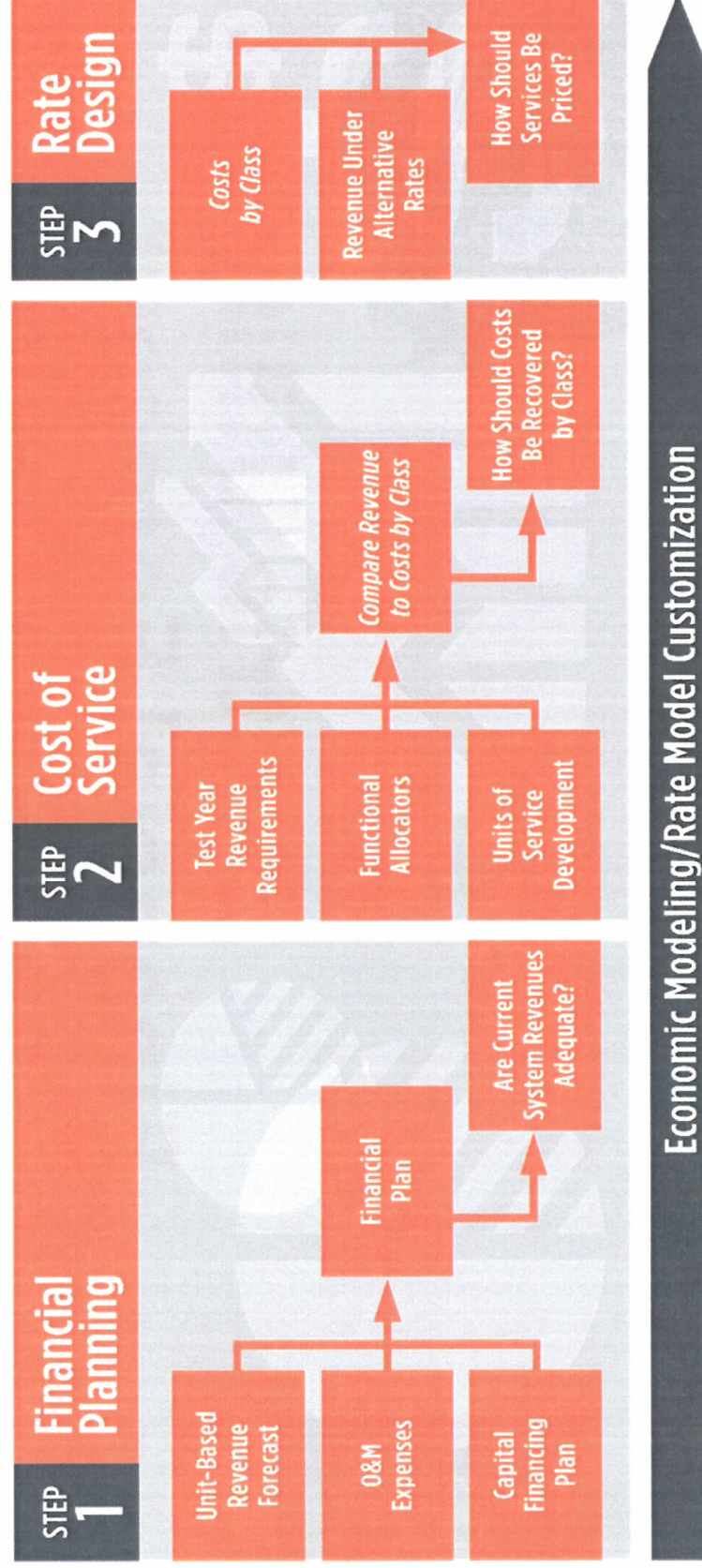


Electric Utility Financial Forecast and Rate Design

June 6, 2022



Rate Study Process



Key Financial Metrics Under Existing Rates

Rate Class	Fiscal Year End June 30					
	2021	2022	2023	2024	2025	2026
Operating Cash Balance						
Beginning Balance	\$4,648,698	\$5,300,206	\$5,997,792	\$3,739,239	\$1,611,132	(\$764,484)
Annual Cash Flow	\$651,508	\$697,586	(\$2,258,553)	(\$2,128,106)	(\$2,375,616)	(\$3,117,352)
End Cash Balance	\$5,300,206	\$5,997,792	\$3,739,239	\$1,611,132	(\$764,484)	(\$3,881,836)
Days Cash on Hand						
	152	157	90	38	-17	-89
Debt Service Coverage						
Operating Revenues	\$16,098,709	\$16,445,201	\$15,591,729	\$15,943,516	\$16,305,531	\$16,678,237
Operating Expenses	(\$12,762,964)	(\$13,914,482)	(\$15,210,819)	(\$15,659,596)	(\$16,077,229)	(\$15,931,600)
Net Revenues	\$3,335,746	\$2,530,719	\$380,910	\$283,920	\$228,302	\$746,637
Debt Service P&I Paid	\$579,396	\$572,075	\$564,464	\$737,026	\$1,853,918	\$2,170,240
Debt Service Coverage Ratio	5.76	4.42	0.67	0.39	0.12	0.34

Key Drivers Leading to the Need for Rate Increases

- 1. Increasing Operating Costs** – the FY2023 budget for operations and maintenance (O&M) costs increased from \$3.8 million to \$4.9 million
 - Increased and expanded staffing costs (labor and benefits)
 - Increased system maintenance and repair costs
- 2. Growing Capital Improvement Program (CIP)**
 - Combination of capital projects in existing system and new growth projects
 - Existing system related to reconductoring projects and heavy equipment replacement plan
 - Growth projects are for large transformer purchases and extending UG facilities to new residential subdivisions and commercial/industrial projects such as the Copper District

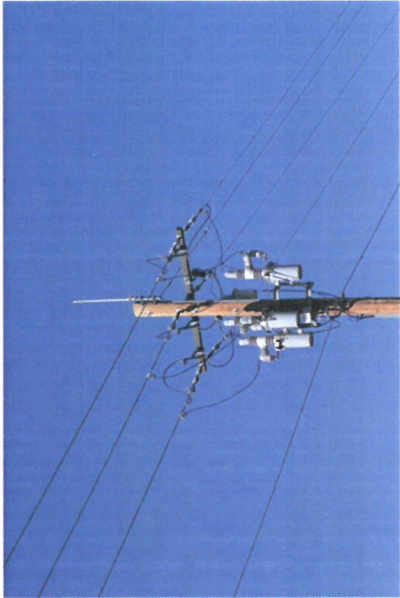
Proposed Rate Adjustments

Rate Class	Fiscal Year End June 30				
	2021	2022	2023	2024	2026
Revenue					
Revenue Under Existing Rates	\$14,425,252	\$14,789,947	\$15,117,840	\$15,455,407	\$15,802,777
Rate Adjustment	0.00%	0.00%	7.00%	5.00%	4.00%
Additional Rate Revenue	\$0	\$0	\$1,058,200	\$1,908,800	\$2,661,800
Total Rate Revenue	\$14,425,252	\$14,789,947	\$16,176,040	\$17,364,207	\$18,464,577
Other Revenue	\$1,673,458	\$1,655,254	\$473,889	\$488,109	\$502,754
Total Revenue	\$16,098,709	\$16,445,201	\$16,649,929	\$17,852,316	\$18,967,331
Gross Revenue Requirements	\$15,447,202	\$15,747,615	\$17,850,283	\$18,071,622	\$18,681,147
Net Annual Cash Flow	\$651,508	\$697,586	(\$1,200,353)	(\$219,306)	\$286,184
Days Cash on Hand	152	157	115	107	110
Debt Service Coverage Ratio	5.76	4.42	2.55	2.98	1.56

Typical Residential Monthly Electric Bill Impact

Description	FY 2022		FY 2023	
	Existing Rates	Proposed Rates	Bill Change	
Electric Bill @ 966 kWh	\$130.35	\$139.48	\$9.13	
Average Cost per kWh	13.5¢ per kWh	14.4¢ per kWh	0.9¢ per kWh	

- The typical Clayton resident uses 966 kWh per month, or about 32 kWh per day
- The proposed increase would increase the typical electric customer’s bill about 28.5 cents per day



Electric Rate Study Summary

- Financial Forecast indicates the need for rate increases each of the next three years

FY2023	FY2024	FY2025	FY2026
7.0%	5.0%	4.0%	0.0%

- The primary drivers for rate increases are:
 - Increasing O&M costs
 - Capital Plan that supports maintaining current infrastructure and system growth
 - Maintaining Operating Cash Balance above 100 days of operating expenses and debt service coverage above 1.50



Rate Design Concepts and Proposed Rates for Clayton

Understanding Fixed and Variable Costs

Fixed Costs

- Investment in generation
- Investment and operations of transmission
- Investment and operations of distribution
- Customer service and billing

Variable Costs

- Fuel and fuel handling
- Portion of purchased power
- Volumetric transmission charges
- Energy related O&M
- Some environmental costs

Cost Causation Principles in Rate Design

Customer

- Costs that vary based on the number of customers on system
- Billing, meter reading, onsite distribution facilities, and some distribution field equipment

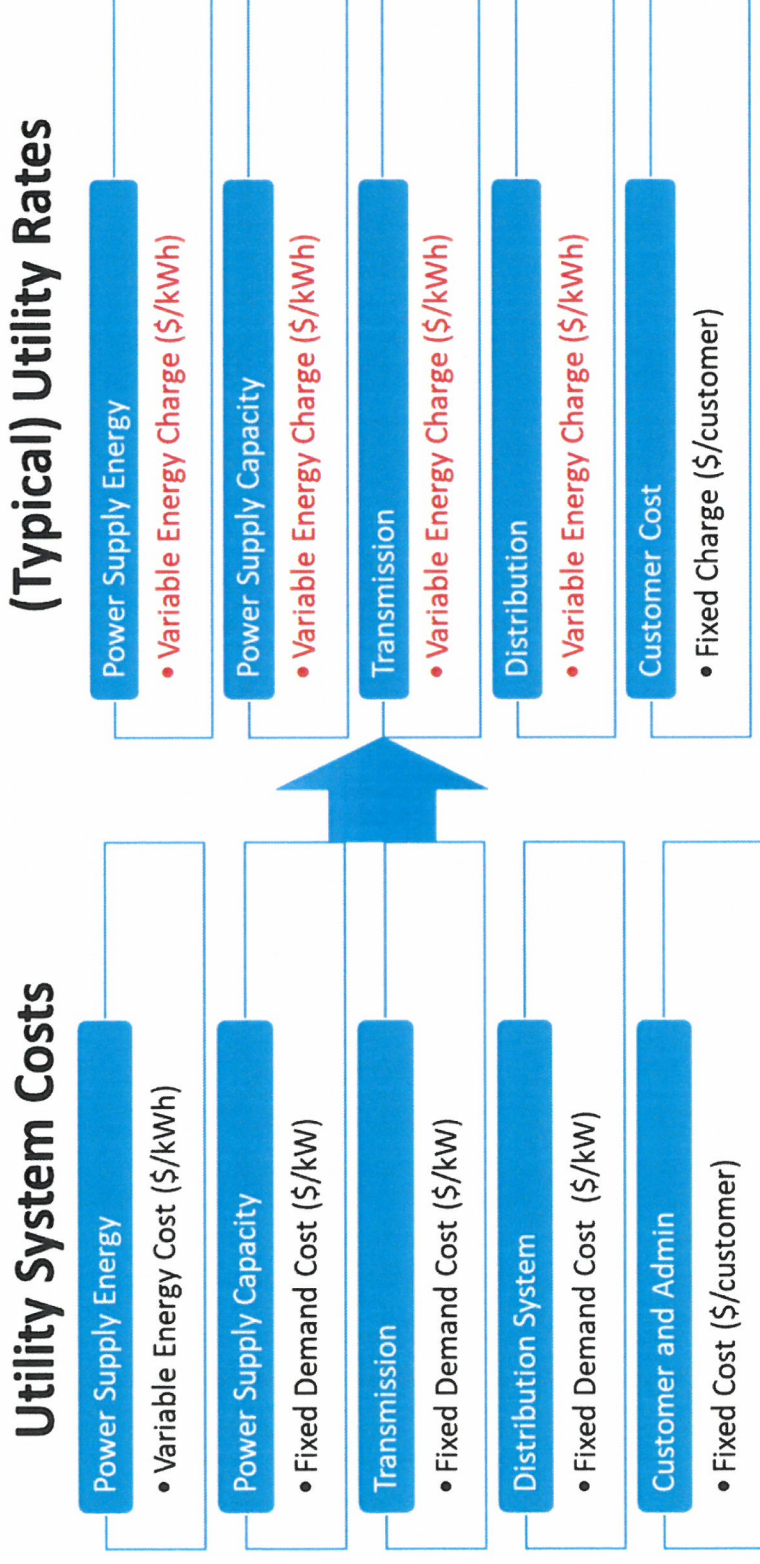
Demand

- Cost caused by peak loads on system
- Non-variable generation, transmission, non-customer distribution

Energy

- Costs that vary with the number of kWh produced or consumed
- Fuel, variable generation costs, variable transmission charges

Issues with Typical Rate Design



Clayton Rate Design Goals and Objectives

- Equal rate increases across classes
 - Cost of Service Study was not conducted
- Maintain same general rate structure
- Increase fixed cost recovery in fixed charges and reduce reliance on variable rates for non-variable costs
 - Increase Customer and Demand Charges more than Energy Charges

Detailed Class Rate Design

Rate Class:	Rs - Residential	
	Present Rate	Recommended Rate
Customer Charge (\$/bill)		
Single Phase Service Customer	\$ 14.75	\$ 19.50
Three Phase Service Customer	\$ 18.00	\$ 22.50
Energy Charge (\$/kWh)		
Single Phase Service Customer	\$ 0.11967	\$ 0.12420
Three Phase Service Customer	\$ 0.11967	\$ 0.12420

Rate Class:	Gm - Medium General Service	
	Present Rate	Recommended Rate
Customer Charge (\$/bill)		
	\$ 32.00	\$ 40.00
Demand Charge (per kW)		
All kWh	\$ 8.41	\$ 10.87
Energy Charge (\$/kWh)		
All kWh	\$ 0.07827	\$ 0.07830

Rate Class:	Gs - Small General Service	
	Present Rate	Recommended Rate
Customer Charge (\$/bill)		
	\$ 19.50	\$ 30.00
Energy Charge (\$/kWh)		
Usage Level (0 - 750 kWh)	\$ 0.13818	\$ 0.13900
Usage Level (next 2000 kWh)	\$ 0.09248	\$ 0.09300
Usage Level (all additional kWh)	\$ 0.08100	\$ 0.09300

Rate Class:	Cp - Coincident Peak	
	Present Rate	Recommended Rate
Customer Charge (\$/bill)		
	\$ 177.00	\$ 225.00
Demand Charge (per kW)		
All Coincident Peak (CP) Demand (per CP kW)	\$ 18.00	\$ 20.35
All Excess Demand (per kW)	\$ 3.50	\$ 4.90
Energy Charge (\$/kWh)		
All kWh	\$ 0.05472	\$ 0.05470

Detailed Class Rate Design

Rate Class:	Gt - General Service Time of Use		
	Description	Present Rate	Recommended Rate
Customer Charge (\$/bill)		\$ 177.00	\$ 225.00
	Demand Charge (per kW) On Peak kW	\$ 17.27	\$ 19.22
Energy Charge (\$/kWh)	All kWh	\$ 0.05778	\$ 0.05778

Rate Class:	Al - Area Lights		
	Description	Present Rate	Recommended Rate
Customer Charge (\$/bill)			
	Al - Area Lights		
	Residential 150 W	\$ 11.94	\$ 12.78
	250 W Flood	\$ 13.90	\$ 14.87
	400 W Flood	\$ 15.85	\$ 16.96
Underground Charge		\$ 4.80	\$ 5.14
	Poles		
Wooden Pole		\$ 3.00	\$ 3.21
	Decorative Pole	\$ 6.60	\$ 7.06
Energy Charge (\$/kWh)			
	Town Street Lights Energy (kWh)	\$ 0.08362	\$ 0.08950

Rate Class:	Is - Institutional Service		
	Description	Present Rate	Recommended Rate
Customer Charge (\$/bill)		\$ 34.00	\$ 40.00
	Energy Charge (\$/kWh)		
Usage Level (0 - 600 kWh)		\$ 0.13613	\$ 0.14390
	Usage Level (next 1900 kWh)	\$ 0.11411	\$ 0.12500
	Usage Level (all additional kWh)	\$ 0.10394	\$ 0.10900

Rate Class:	City Usage		
	Description	Present Rate	Recommended Rate
Customer Charge (\$/bill)		\$ 10.25	\$ 15.00
	Energy Charge (\$/kWh)		
Usage (kWh)		\$ 0.08362	\$ 0.08920



Water and Sewer Rate Study

June 06, 2022

Prabha Kumar – Managing Director
Robert Chambers - Principal Consultant

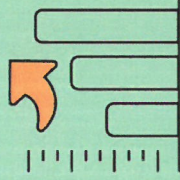


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June 6, 2022 WS

Agenda

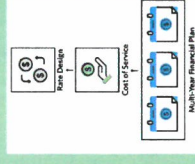
Part I: Overview



Study Purpose



Industry Perspectives

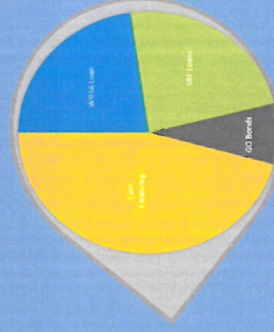


Rate Study Approach

Part II: Financial Plan (FY 2023-FY 2028)



Drivers and
Strategies



Capital Program
Funding



O&M Expenses and
Capital Needs

Overview

Prabha Kumar
Managing Director



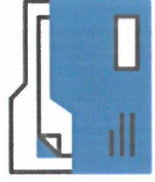
PURPOSE OF THE STUDY

Perform independent water and sewer rate study that will accomplish the following:



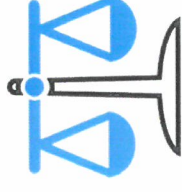
MULTI-YEAR FINANCIAL PLAN

Establish operating and capital financing plans that fully fund annual requirements



CUSTOMER CLASS COST OF SERVICE

Perform a cost of service analysis to monitor the cost to serve existing and future anticipated customers



WATER & SEWER RATE DESIGN

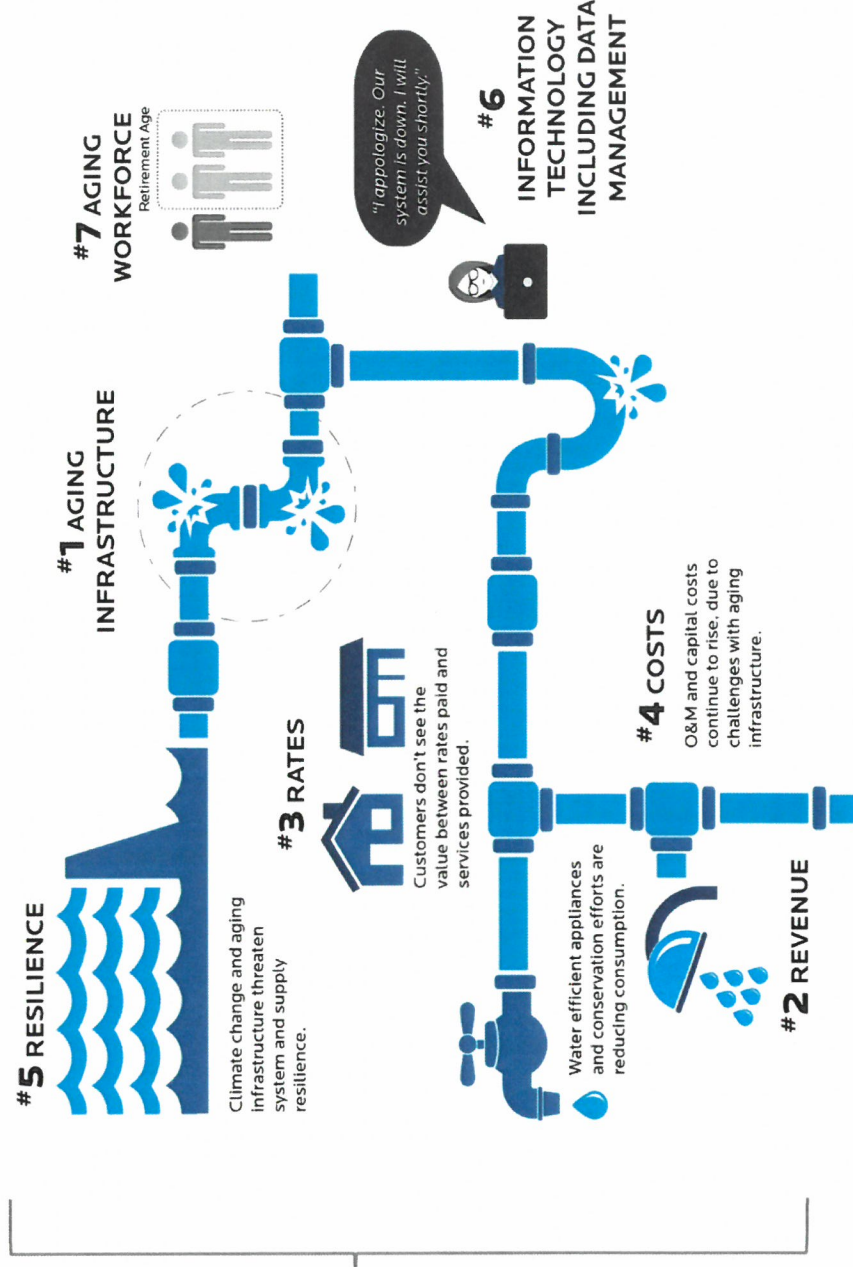
Review the existing rate structure and design proposed rates that provide adequate revenues

Achieve a “reasonable nexus” between the recovery of the cost to provide service and the nature of service required by customers

What are the biggest issues for water and wastewater utilities?

Utilities strive to build a resilient water industry for current and future generations through strategic, financial, and technological services and thought leadership

Top Water Industry Issues



KEY DRIVERS AND FINANCIAL RESILIENCE STRATEGIES

WRF Project Cost

Utilized a mix of revenue bonds, SRF loans and State grants to achieve lower cost of funding.

Market Conditions

Due diligence review of WRF capital project costs for project cost and execution efficiencies.

Purchased Water Costs

Maintaining existing contracts while examining other water sourcing opportunities.

Purchased Wastewater Treatment Capacity

Enhanced contract capacity at Raleigh to provide interim capacity until the commissioning of the new WRF.

A Pragmatic Financial Plan



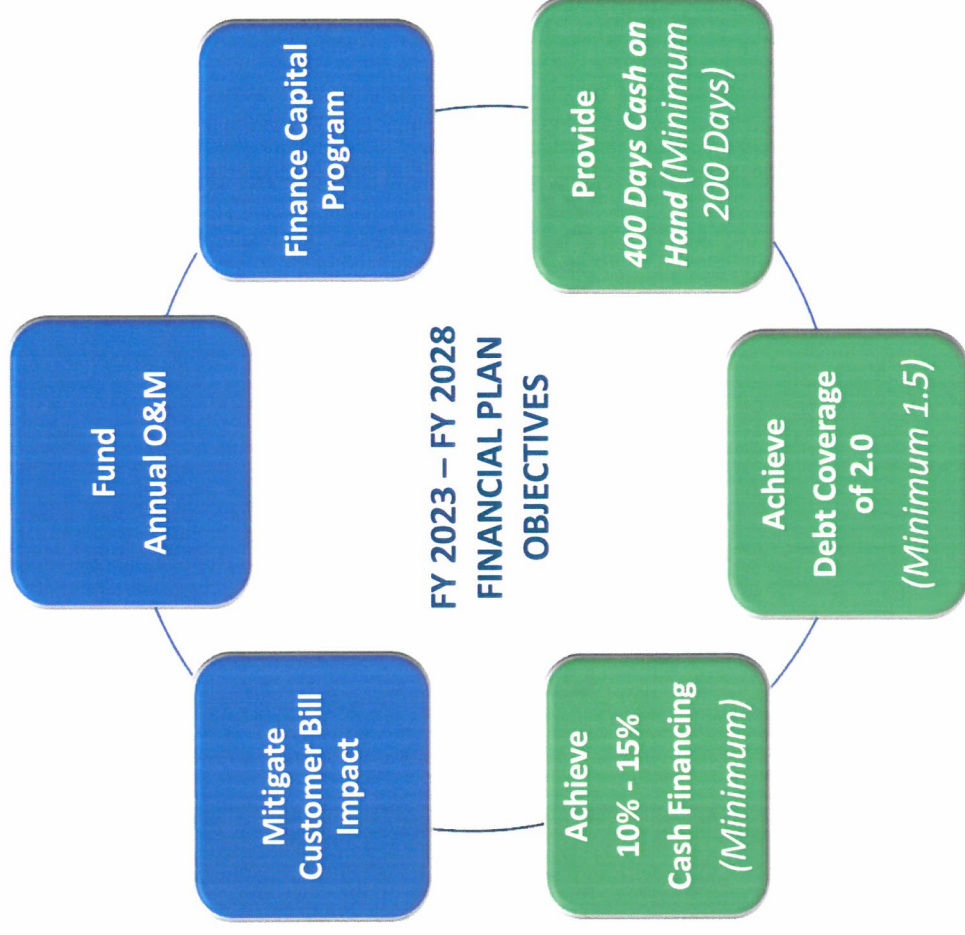
FY 2023-FY 2028 Financial Plan

Robert Chambers
Principal Consultant

FINANCIAL PLAN OBJECTIVES

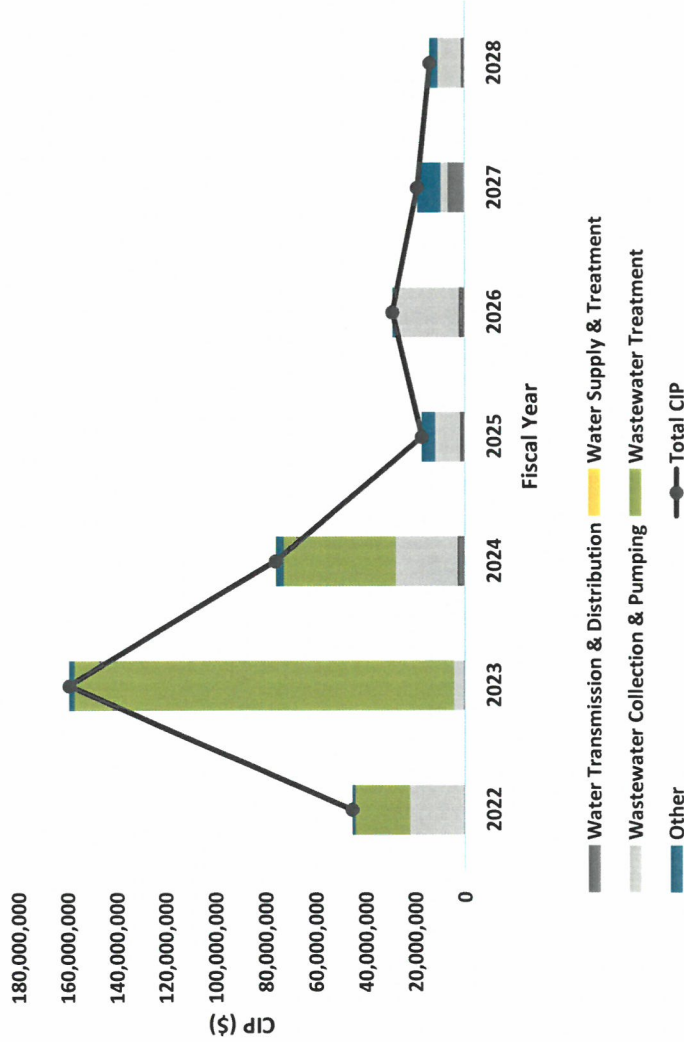
What is Current Revenues?

Water/Sewer Fund Revenues
generated in the current fiscal year
Current Revenues should support
multiple financial metrics



CAPITAL IMPROVEMENT PROGRAM

Capital Improvement Program



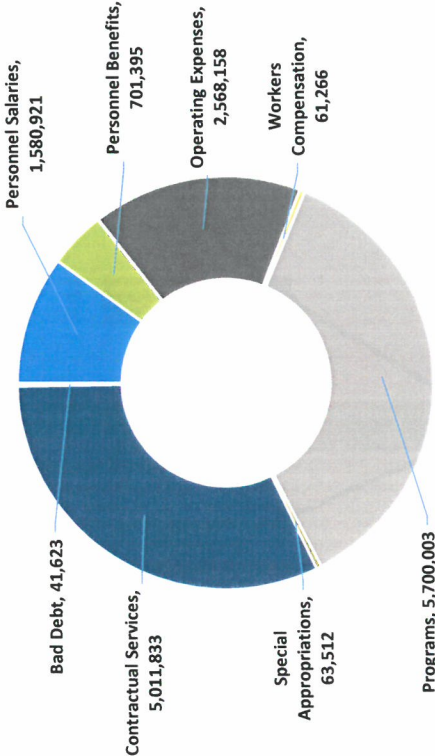
- ☐ Water System:
 - ☐ Capacity Purchases
 - ☐ 5 MGD Water Treatment Plant
 - ☐ Operations Facility
 - ☐ Lumen Infrastructure (Storage Tank)
 - ☐ Other System-wide Projects
- ☐ Sewer System
 - ☐ Sam's Branch Water Reclamation Facility
 - ☐ East Clayton Industrial Area to SBWRF
 - ☐ Operations Facility
 - ☐ Lift Station Upgrades
 - ☐ NC 42W Wastewater Transmission
 - ☐ Forest Hills Pump Station

Note:

- A robust capital program with multiple and competing project elements requires dedicated resources and cost-effective and timely funding

O&M EXPENDITURES

FY 2023 O&M Expense By Category



O&M Increases FY 2022 vs. FY 2023

Line No.	Category	2022	2023	Change
1	Water	\$7,479,626	\$8,215,814	10%
2	Wastewater	\$6,357,789	\$7,512,896	18%
3	Total Expenses	\$13,837,415	\$15,728,711	14%

PROPOSED FINANCIAL PLAN (FY 2023 THROUGH FY 2028)

Line	Description	Fiscal Years:					
		2023	2024	2025	2026	2027	2028
Revenues							
1	Existing Service Revenues	\$ 24,116,528	\$ 24,840,584	\$ 25,511,646	\$ 26,143,003	\$ 27,049,611	\$ 27,970,659
2a	Revenue Increase (Water)	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
2b	Revenue Increase (Wastewater)	22.3%	27.0%	26.5%	6.5%	6.0%	6.0%
2	Revenue Increase (Combined)-%	15.1%	18.2%	18.8%	6.7%	6.4%	6.4%
3	Revenue Increase (Combined)-\$	3,632,422	8,956,092	15,707,739	18,914,722	22,523,566	26,537,235
4	Other Revenues	6,835,646	5,868,839	5,811,540	5,659,757	6,598,410	6,617,890
5	Total System Revenues	\$ 34,584,597	\$ 39,665,515	\$ 47,030,926	\$ 50,717,482	\$ 56,171,588	\$ 61,125,784
Expenses							
6	Operating & Maintenance Expense	\$ 15,728,711	\$ 17,412,225	\$ 16,028,486	\$ 16,959,557	\$ 16,964,122	\$ 17,369,256
7	Existing Debt Service	1,753,781	1,750,126	3,441,108	3,777,492	3,412,131	3,390,879
8	Proposed Debt Service	2,760,490	5,723,105	15,319,059	16,263,922	17,115,733	18,667,140
9	Other Expenditures	5,562,040	6,148,816	6,238,195	6,830,256	9,425,079	13,022,746
10	Capital Outlays & Other	4,845,648	5,004,423	4,504,423	4,504,423	4,504,423	4,504,423
11	Total System Expenses	\$ 30,650,670	\$ 36,038,695	\$ 45,531,272	\$ 48,335,650	\$ 51,421,488	\$ 56,954,444
12	Annual Operating Balance	\$ 3,933,927	\$ 3,626,820	\$ 1,499,654	\$ 2,381,832	\$ 4,750,100	\$ 4,171,340
13	Debt Service Coverage	4.18	2.98	1.65	1.68	1.91	1.98
14	Days Cash on Hand	357	398	467	439	498	490

2.00/1.50
400/200 Days

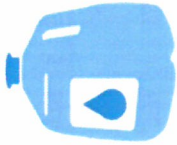
Performance
Targets
Desired/Minimum

Disclaimer:

Projections reflect key assumptions, budget, and planned capital program financing based on the current known and measurable. Actual performance results may vary.

TYPICAL MONTHLY WATER AND SEWER BILL IMPACT

DESCRIPTION	FY 2022	FY 2023	
	Existing	Proposed	Change
Water	\$37.57	\$40.20	\$2.63
Sewer	\$50.90	\$62.25	\$11.35
Combined Bill	\$88.47	\$102.45	\$13.98



Did you know?

Under the proposed 2022 rates, our tap water would cost just \$0.01 per gallon (that's a penny!)

Daily cost of household water usage: \$1.34

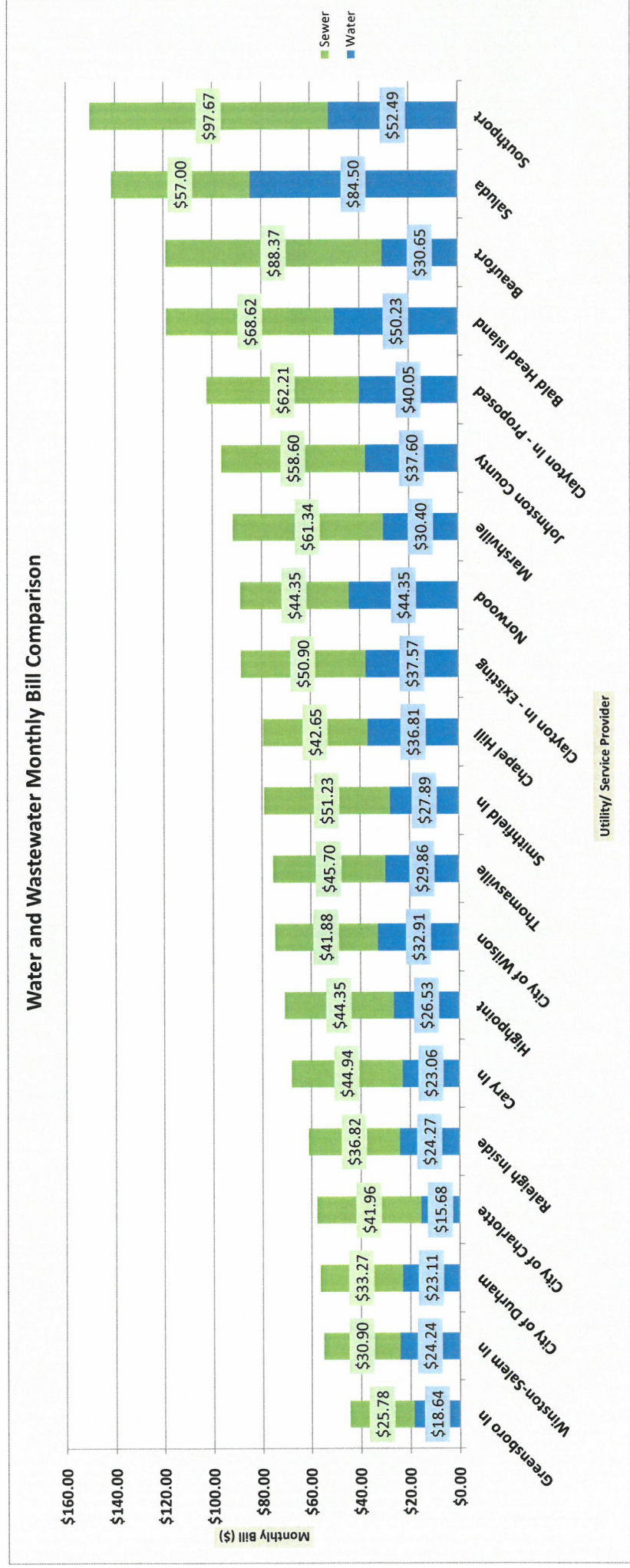
If you pay \$1.00 for a gallon of bottled water, that would still be **100 times** more expensive.

Daily cost of household wastewater disposal: \$2.08

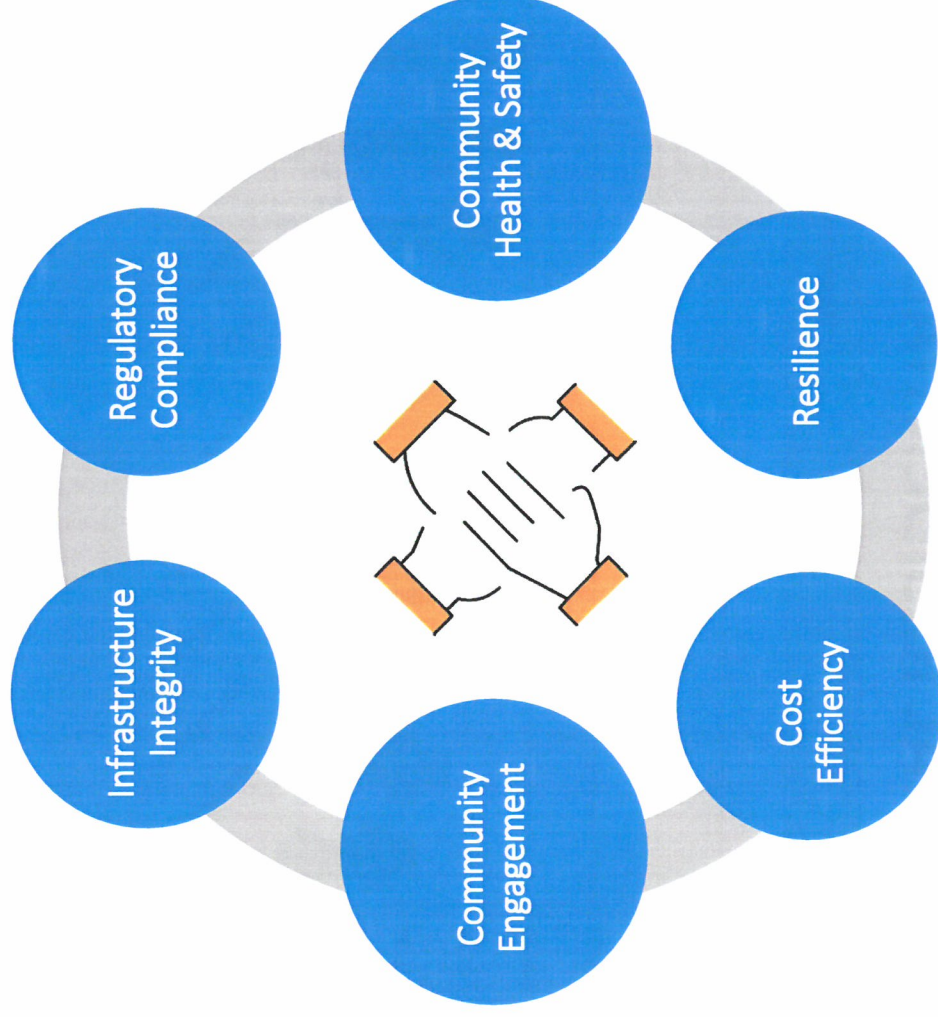


Note:
- Reflects the typical bill for a residential customer with a 5/8" meter and 4,000 gallons of water usage.

TYPICAL RESIDENTIAL BILL: PEER UTILITY BENCHMARKING



Note - Reflects the typical water and sewer monthly bill for a in-town residential customer with a 5/8" meter and 4,000 gallons of water usage.



We can achieve our Utility's goals by...

- Building Financial Stability
- Supporting Operational and Capital Needs
- Mitigating Customer Bill Impact

***Optimized financial roadmap
yields multiple benefits***

Thank You

Contact Us

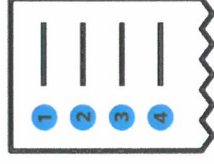
Prabha Kumar
KumarPN@bv.com

Robert Chambers
ChambersR@bv.com

INDUSTRY PERSPECTIVE

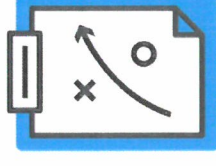
Industry Financial Planning / Rate Setting Best Practices

What are the Industry's
Financial Planning &
Rate Setting Best Practices
the Town of Clayton has
adopted?



DEFINE

financial performance
metrics that support
financial resiliency



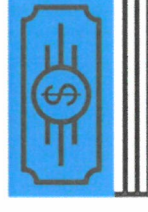
DEVELOP

5 to 10 year financial plans
to achieve financial
performance



PERFORM

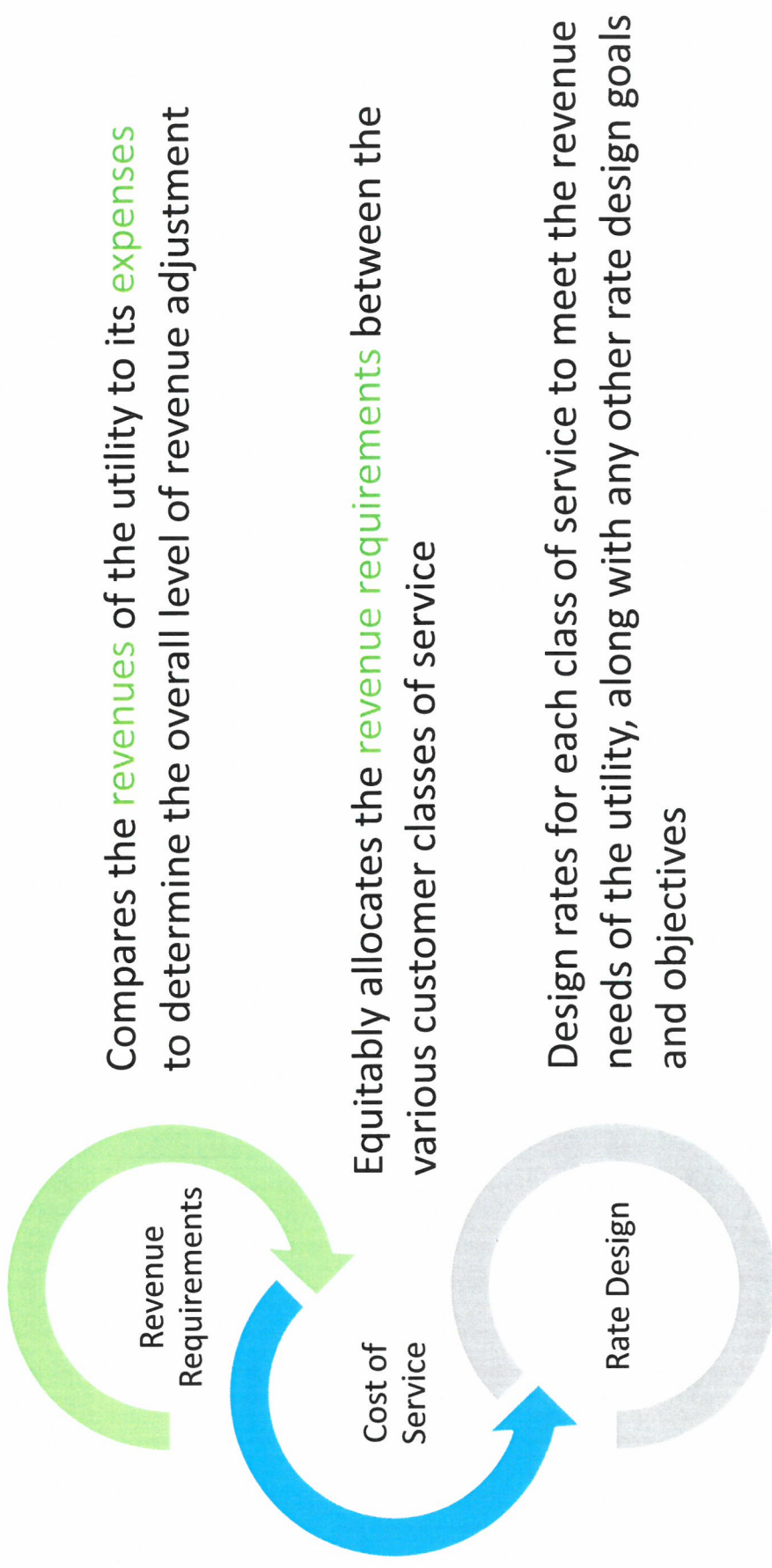
cost of service analysis
review periodically
(Best Practice – Every 3 years)



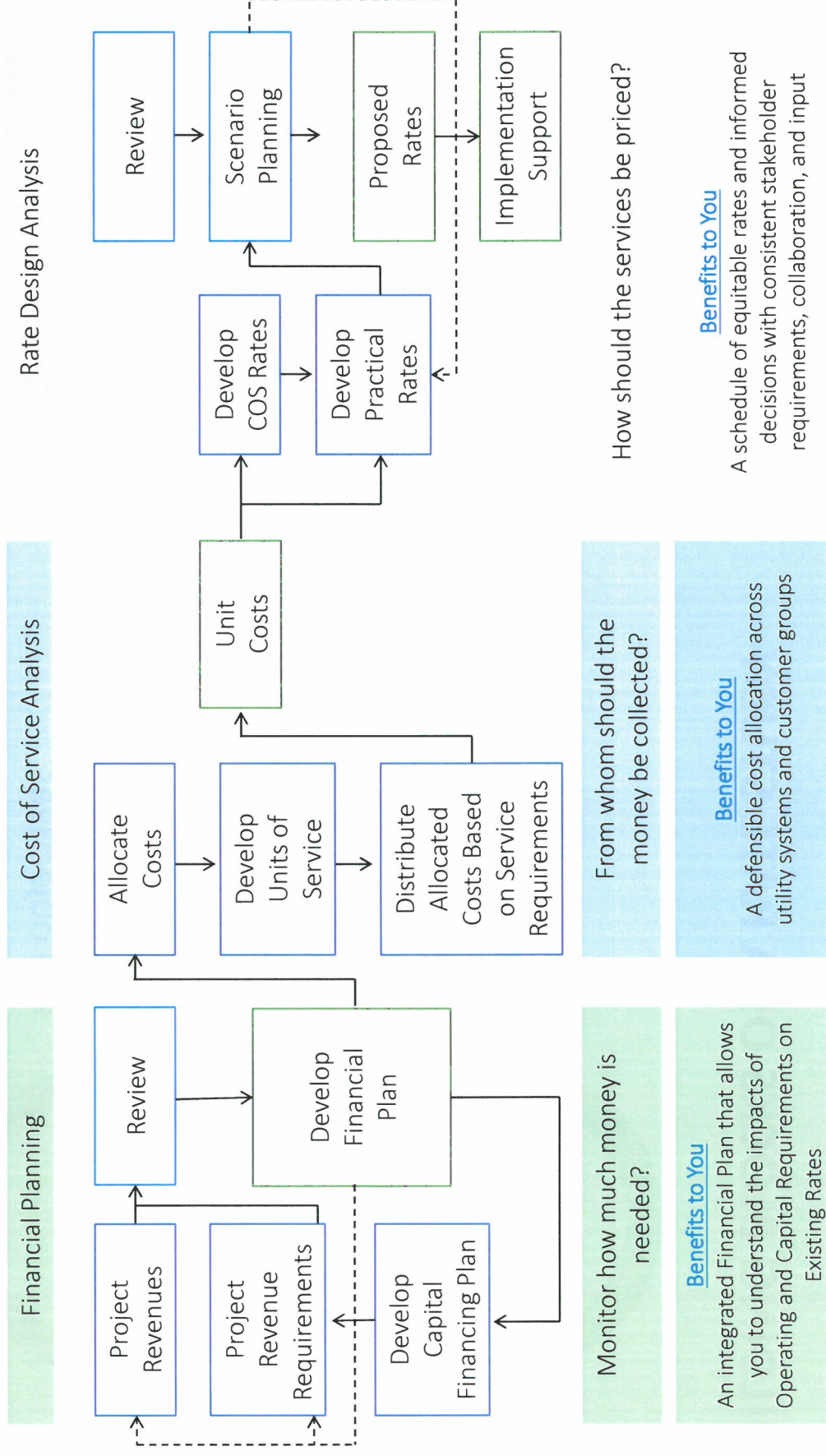
REVIEW

rate structure and rates
annually to affirm self-
sufficiency to meet Clayton's
revenue requirements

BUILDING BLOCKS OF A RATE STUDY

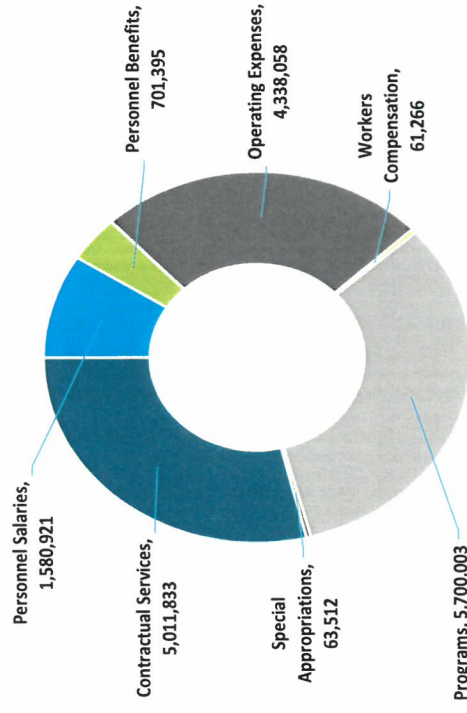


STUDY APPROACH



O&M EXPENSES

FY 2023 O&M Expense By Category

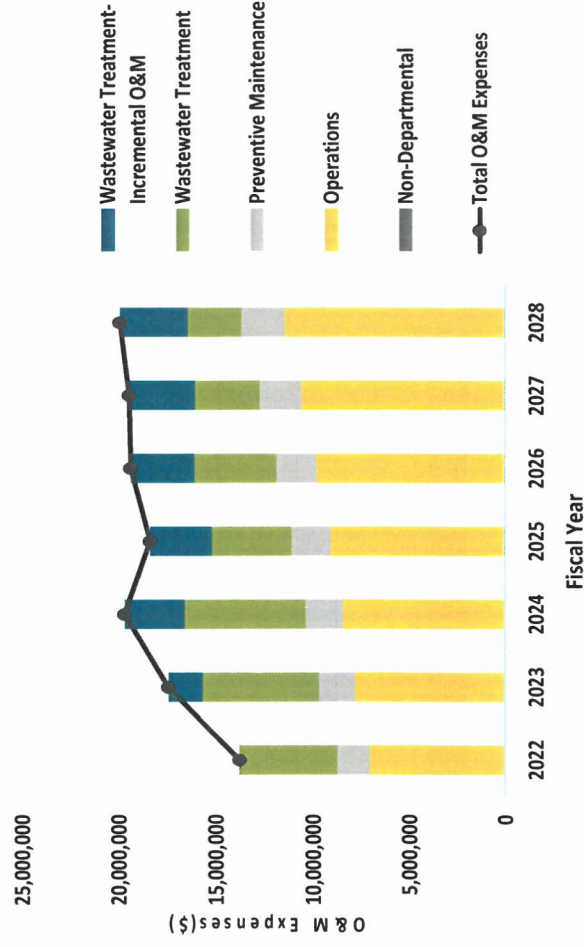


Note:

- O&M Expenses are forecasted to increase at a rate of 3.0% annually through FY 2028

Incremental O&M Costs Due to Water Reclamation Facility

Projected O&M Expenses



PROPOSED FINANCIAL PLAN SUMMARY - 15% REVENUE ADJ

FISCAL YEAR ENDING JUNE 30

DESCRIPTION	2023	2024	2025	2026	2027	2028
Revenue Increase - Water	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Revenue Increase - Wastewater	22.25%	27.00%	26.50%	6.50%	6.00%	6.00%
Revenue Increase - Combined	15.06%	18.24%	18.77%	6.68%	6.36%	6.36%
Revenue Bonds - Water (\$ mil)	0.00	3.00	0.00	0.00	0.00	45.00
Revenue Bonds - Wastewater (\$ mil)	0.00	73.00	0.00	28.00	0.00	0.00
Revenue Bonds - Combined (\$ mil)	0.00	76.00	0.00	28.00	0.00	45.00
Cash Financing - Water (\$ mil)	0.50	1.00	1.00	1.00	2.00	1.50
Cash Financing - Wastewater (\$ mil)	0.00	0.00	0.00	0.50	2.00	6.00
Cash Financing - Combined (\$ mil)	0.50	1.00	1.00	1.50	4.00	7.50
Days Cash on Hand - Water	290	284	300	335	326	345
Days Cash on Hand - Wastewater	430	517	712	598	820	808
Days Cash on Hand - Combined	357	398	467	439	498	490
Debt Service Coverage-Water	15.58	12.77	9.78	10.82	12.25	4.06
Debt Service Coverage-Wastewater	3.26	2.34	1.35	1.37	1.56	1.75
Debt Service Coverage - Combined	4.18	2.98	1.65	1.68	1.91	1.98

Disclaimer:
Projections reflect key assumptions, budget, and planned capital program and financing. Actual performance results may vary.

Performance Targets
Desired/Minimum

----- 400/200 Days
----- 2.00/1.50

PROPOSED FINANCIAL PLAN SUMMARY-12% REVENUE ADJ

FISCAL YEAR ENDING JUNE 30

DESCRIPTION	2023	2024	2025	2026	2027	2028
Revenue Increase - Water	6.00%	6.00%	6.00%	8.00%	8.00%	8.00%
Revenue Increase - Wastewater	17.50%	29.00%	29.00%	6.30%	6.30%	6.00%
Revenue Increase - Combined	12.08%	18.75%	19.85%	6.90%	6.91%	6.72%
Revenue Bonds - Water (\$ mil)	0.00	3.00	0.00	0.00	0.00	45.00
Revenue Bonds - Wastewater (\$ mil)	0.00	73.00	0.00	28.00	0.00	0.00
Revenue Bonds - Combined (\$ mil)	0.00	76.00	0.00	28.00	0.00	45.00
Cash Financing - Water (\$ mil)	0.50	1.00	1.00	1.00	2.00	1.50
Cash Financing - Wastewater (\$ mil)	0.00	0.00	0.00	0.50	2.00	6.00
Cash Financing - Combined (\$ mil)	0.50	1.00	1.00	1.50	4.00	7.50
Days Cash on Hand - Water	285	269	270	296	285	307
Days Cash on Hand - Wastewater	401	470	644	522	726	698
Days Cash on Hand - Combined	340	368	422	385	438	429
Debt Service Coverage-Water	15.24	12.23	9.16	10.36	11.98	4.06
Debt Service Coverage-Wastewater	3.12	2.27	1.35	1.36	1.56	1.74
Debt Service Coverage-Combined	4.02	2.88	1.62	1.66	1.90	1.98

Disclaimer:

Projections reflect key assumptions, budget, and planned capital program and financing. Actual performance results may vary.

Performance Targets
Desired/Minimum



----- 400/200 Days

----- 2.00/1.50