

May 27, 2009
Meeting recessed from May 20, 2009

The Martin County Board of Commissioners met at 7:15 p.m. on Wednesday, May 27, 2009 in a meeting recessed from May 20, 2009 to continue discussion of the proposed FY 2009-10 budget for the Water Department. The meeting was held in the Board Room of the Martin County Governmental Center, 305 East Main Street, Williamston, North Carolina.

ASSEMBLY

Chairman Ronnie Smith, Vice Chairman Elmo "Butch" Lilley, Commissioners C. Mort Hurst, Tommy W. Bowen and Derek Price, and County Manager W. Russell Overman were present. Clerk to the Board Linda Hardison was absent due to sickness, and County Attorney J. Melvin Bowen did not attend.

Chairman Smith reconvened the meeting at 7:15 p.m. and turned the meeting over to County Manager Overman who began his presentation with a discussion of the following letter from the Local Government Commission dated April 16, 2009.

"The staff of the Local Government Commission has analyzed the audited financial statements of Martin County for the fiscal year ended June 30, 2008. As a result of our review we feel we should bring the following items to your attention.

We are concerned about the poor financial condition of Water and Sewer Districts No. 1 and 2. First, current liabilities exceeded liquid assets (cash, investments, and receivables). This ration gives an indication of the Districts' ability to pay its current bills, thereby providing a measure of short-term liquidity. The potential exists for cash flow problems to develop in meeting the funds' obligations to creditors, employees, and citizens. There was not sufficient cash flow from operations to cover debt service without significant advances from the General Fund and District No. 1 had only \$200 at June 30, 2008. Also, the Water and Sewer Districts No. 1 and 2 operated at net losses on both the full accrual and budgetary basis of accounting, decreasing the resources of the funds.

The net losses in the Water District funds were a result of budgeted revenues exceeding actual revenues by \$26,397 and \$103,241, respectively. The budgets should be reviewed closely and budgeted revenues should not be allowed to exceed the amounts that will be realized during the year.

Finally, we noted that Water and Sewer Districts No. 1 and 2 borrowed an additional \$121,555 and \$136,341, respectively, from the General Fund. Each fund should be self-supporting. Because utility customers and property taxpayers are not necessarily the same groups of people, it is important for equity reasons to ensure that the General Fund and the utility enterprise funds are self-supporting. This means that the utility customers should not subsidize general government operations and property taxpayers should not subsidize utility services. The Board should evaluate these issues and develop plans to make the Districts more self-supporting. These Districts have been operational for some time now and should be moving closer to standing on their own.

The Board should review the operations of Water Districts 1 and 2 and determine where improvements can be made. Additional revenues should be realized and/or expenditures decreased in order to make the funds self sufficient and improve cash flow.

Please write to us about your plans to resolve these matters. If you have any questions, please contact me at (919) 807-2380. (Sharon G. Edmundson, CPA)"

As a result of this discussion the following reply was prepared for the Local Government Commission.

"I and my fellow board members are in receipt of your letter dated April 16, 2009 in which you have expressed concern regarding the financial condition of Martin County

Water and Sewer Districts No. 1 and 2. Please know that we share some of your same concerns and that we have already had discussions about this situation and continue to have more discussion as we move forward with our 2009-2010 budget process.

The customer base of these districts has not materialized at the level originally projected thereby creating the issues we have with both of these districts. As a result the revenues have not achieved the levels that were originally projected. We operate the districts on a very conservative budget so significantly reducing expenditures is not an option. We are presently considering our options particularly in regards to revenues.

We have made overall progress in making each of these districts more financially sound. With that said, we still realize we have more to do and will continue to monitor this and address it. As we take steps in the 2009-2010 budget process to improve the situation we will be glad to inform you of those steps.

Thank you for your assistance and please feel free to contact us if you need additional information. (Ronnie Smith, Chairman)”

Commissioner Hurst stressed that we need to find ways to add customers and we need to figure out a way to add lines down roads that want service. Chairman Smith suggested that an incentive be offered to help people who already have a line in front of their home, especially older people.

Next, the Board discussed the cost. A ¾ inch tap is \$550, and the cost of running a line to the house varies based on the length; however, the average cost is \$150-\$200. The Board asked Water Manager Phil Peaks to check with other counties to see how they are helping with these costs and if they are financing tap fees.

The Board then discussed CDBG funds and Tice Road.

Water Districts No. 1 and No. 2

Manager Overman passed out proposed budgets for both districts. He presented the following information on each district.

Water District #1

Active customers	910
Total Potential customers	1,354
Annual Debt Service Payment	\$251,000
Williamston Mgmt. Agreement (DS)*	\$ 48,000
Current Minimum Bill (includes first 1,000 gallons)	\$20.00 per month
Current Usage Charge – per 1,000 gallons	\$ 3.25
Current Average Bill	\$31.00 per month
Est. Current Annual Revenue – Minimum	\$218,000
Est. Potential Revenue (all potential customers) – Minimum	\$325,000
Est. Current Annual Revenue – Usage	\$120,000
Proposed 2009-2010 Budget	\$433,000
Proposed Water Authority Surcharge (\$3/mo./acct.)	\$ 33,000/49,000

<u>2009-2010 Budget</u>	<u>Current</u>
<u>Potential</u>	
Water Sales - Minimum \$325,000	\$218,000
Water Sales – Usage 120,000	120,000
Williamston Mgmt. Agreement (DS)* 48,000	48,000
Other Revenues <u>18,000</u>	<u>18,000</u>
Total Revenues \$511,000	\$404,000
Expenditures \$433,000	\$433,000
Water Authority Surcharge <u>49,000</u>	<u>33,000</u>
Total Expenditures \$482,000	\$466,000
Surplus/(Shortage) \$ 29,000	\$ (62,000)

*Only includes repayment of debt service does not include usage charge of \$23,500 ends 03/2011

For each \$1 increase on minimum bill – generate \$10,920 current, \$16,248 potential per year

For each \$.50 increase per 1,000 gallons usage charge – generate approximately \$18,000 per year

Based on current number of customers, would require an average bill of \$37/month to break even

Water District #2

Active customers	571
Total Potential customers	1,068
Annual Debt Service Payment	\$313,000
Williamston Mgmt. Agreement (DS)*	\$131,000
Current Minimum Bill (includes first 1,000 gallons)	\$20.00 per month
Current Usage Charge – per 1,000 gallons	\$ 3.25
Current Average Bill	\$30.00 per month
Est. Current Annual Revenue – Minimum	\$137,000
Est. Potential Revenue (all potential customers) – Minimum	\$256,000
Est. Current Annual Revenue – Usage	\$ 65,000
Proposed 2009-2010 Budget	\$484,000
Proposed Water Authority Surcharge (\$3/mo./acct.)	\$ 21,000/38,000

<u>2009-2010 Budget</u>	<u>Current</u>
<u>Potential</u>	
Water Sales - Minimum \$256,000	\$137,000
Water Sales – Usage 65,000	65,000
Williamston Mgmt. Agreement (DS)* 131,000	131,000
Other Revenues <u>14,000</u>	<u>14,000</u>
Total Revenues \$466,000	\$347,000
Expenditures \$484,000	\$484,000
Water Authority Surcharge <u>38,000</u>	<u>21,000</u>
Total Expenditures \$522,000	\$505,000
Surplus/(Shortage) \$ (56,000)	\$(158,000)

*Only includes repayment of debt service does not include usage charge of \$29,000 ends 02/2016

For each \$1 increase on minimum bill – generate \$6,852 current, \$12,816 potential per year

For each \$.50 increase per 1,000 gallons usage charge – generate approximately \$9,750 per year

Based on current number of customers, would require an average bill of \$52/month to break even

Based on potential number of customers, would require an average bill of \$28/month to break even

Manager Overman pointed out that the Regional Water and Sewer Authority requested a \$3/month surcharge per account and this is the only significant change in the budget.

Commissioner Hurst requested that the Advisory Boards for the Water Districts be shown the financial information. Chairman Smith stated that the Advisory Boards could give the Commissioners their recommendation. Commissioner Hurst also requested the minutes from the Advisory Boards where the rates were discussed last year. It was agreed that the two Advisory Boards would meet and give their recommendations to the Commissioners.

ADJOURNMENT

With no further business to discuss, Commissioner Price made a MOTION, with a SECOND by Commissioner Bowen, to adjourn the meeting. The motion was unanimously APPROVED, and the meeting was adjourned at 9:00 p.m.

Ronnie Smith, Chairman

Cindy Ange, Notetaker