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Discussion Materials

# Capital Improvement Needs Study for Sanitary Sewer Collection System Renewal in Greenville County

May 12, 2020

# Review of Requested Scope of Services

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- First Tryon Advisors (“First Tryon”) was engaged by MetroConnects to perform a Financial Study (the “Financial Study”) assessing the debt and funding capacity, including capital improvement needs identified by CDM Smith, of each of the Special Purpose Districts (the “SPD” or “SPDs”) within Greenville County (the “County”) that provide sanitary sewer collection service. Additionally, First Tryon conducted the same analysis for the City of Fountain Inn, the City of Simpsonville, and the City of Travelers Rest (collectively the “Cities”).
  - The Financial Study was, and continues to be, conducted in conjunction with the CDM Smith SPD Capital Improvement Needs Report (the “Capital Improvement Needs Report”).
  - Additionally, the Financial Study may be expanded to incorporate the results of the ReWa Wet Weather Study (the “Wet Weather Study”).
- As part of the Financial Study, First Tryon analyzed the historical financial statements, budgets, capital improvement plans, and debt profiles of each SPD and the Cities to better understand how each individual SPD and City operates on an annual basis.
  - With this information, First Tryon developed a customized financial model for each SPD and City to forecast future revenues, expenses, capital outlay, and debt service.
- First Tryon was not tasked with presenting a report on, or opining on, any of the following:
  - A potential consolidation of one or more SPDs / City systems within the County;
  - A report that factors in the Wet Weather Study.

# Involvement of the SPDs / Cities & First Tryon's Methodology

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- First Tryon would like to thank each SPD and the Cities for their cooperation with our informational requests, assistance in gathering additional pieces of information, and their willingness to meet and discuss the Financial Model and how best to forecast out future operations.
  
- Below is a summary of the methodology that First Tryon employed to gather information and develop each SPD's and the Cities' customized Financial Model to perform the Financial Study:
  - First Tryon made an initial information request to the SPDs in October 2019 and the Cities in April 2020 which asked that each SPD and the Cities provide the following information:
    - 5 Years of Audited Financial Statements (FY 2014 – 2018), audited / unaudited FY 2019 financials (if available), and FY 2020 Budget.
    - Information on currently outstanding debt, including amortization, interest rates, call provisions, etc.
    - Current Capital Improvement Plan, including project names, purposes, amounts, sources of funding, and operational impacts.
    - Financial projections for any current or future year's operations.
  
  - Upon receipt of this information, First Tryon then built out a customized Financial Model based on 5 years of audited financial information (if available), any budgeted or estimated results (if available), and any financial projections (if available).
    - The Financial Model incorporated detailed revenue and expenditure line items, existing and proposed debt service, current capital needs / capital improvement plans, and the Capital Improvement Needs identified by CDM Smith (including near term and deferred renewal, as well as mill villages in the case of Parker).

# Involvement of the SPDs & First Tryon's Methodology

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- Following the completion of each SPD's Financial Model, First Tryon then held a series of meetings in January 2020 with each individual SPD to discuss the Financial Model and the Capital Improvement Needs Report, review the initial results, and fine tune the Financial Model to more accurately project each SPD's future operations.
  - Where feasible, First Tryon also worked with the SPD to identify a potential funding strategy to address the Capital Improvement Needs raised by CDM Smith.
  - First Tryon has not been able to meet with any of the Cities regarding their Financial Model.
- As part of a subsequent information request, First Tryon asked that each SPD and City fill out a template that provided the estimated monthly cost per customer within each SPD, based on a customer who lived in a household with a \$100,000 tax value.
  - First Tryon took this initial approach to establishing the estimated monthly cost per customer within each SPD as 5 of the 7 SPDs currently levy millage to generate revenue for sewer service.
  - This information was utilized to determine the various sources of revenues that each SPD and City generates for its sanitary sewer collection service. A summary of this information is provided later on in the presentation.
- Upon reviewing this information, it became apparent that First Tryon's estimated monthly cost per customer information request may not accurately represent the average monthly cost per customer in each SPD or City.
  - First Tryon then utilized an alternative approach to quantifying the estimated average monthly cost per customer by taking the total sewer related revenues generated in the most current audited fiscal year and dividing it by the number of active laterals within the SPD or City. Active laterals were used as a proxy to estimate the number of customers served by each SPD or City. A summary of this information is provided later on in the presentation.
    - Given the varying rate structures charged by each SPD or City (millage, base fees on tax bills, base fees on water bills, usage fees, rehabilitation fees, and capital fees), First Tryon felt that this approach provided a uniform estimate of the average monthly cost per customer in each SPD or City.
    - Additionally, a few SPDs operate their sewer services in conjunction with other services, such as fire or water, making it challenging to isolate the millage that was levied specific for sewer service.

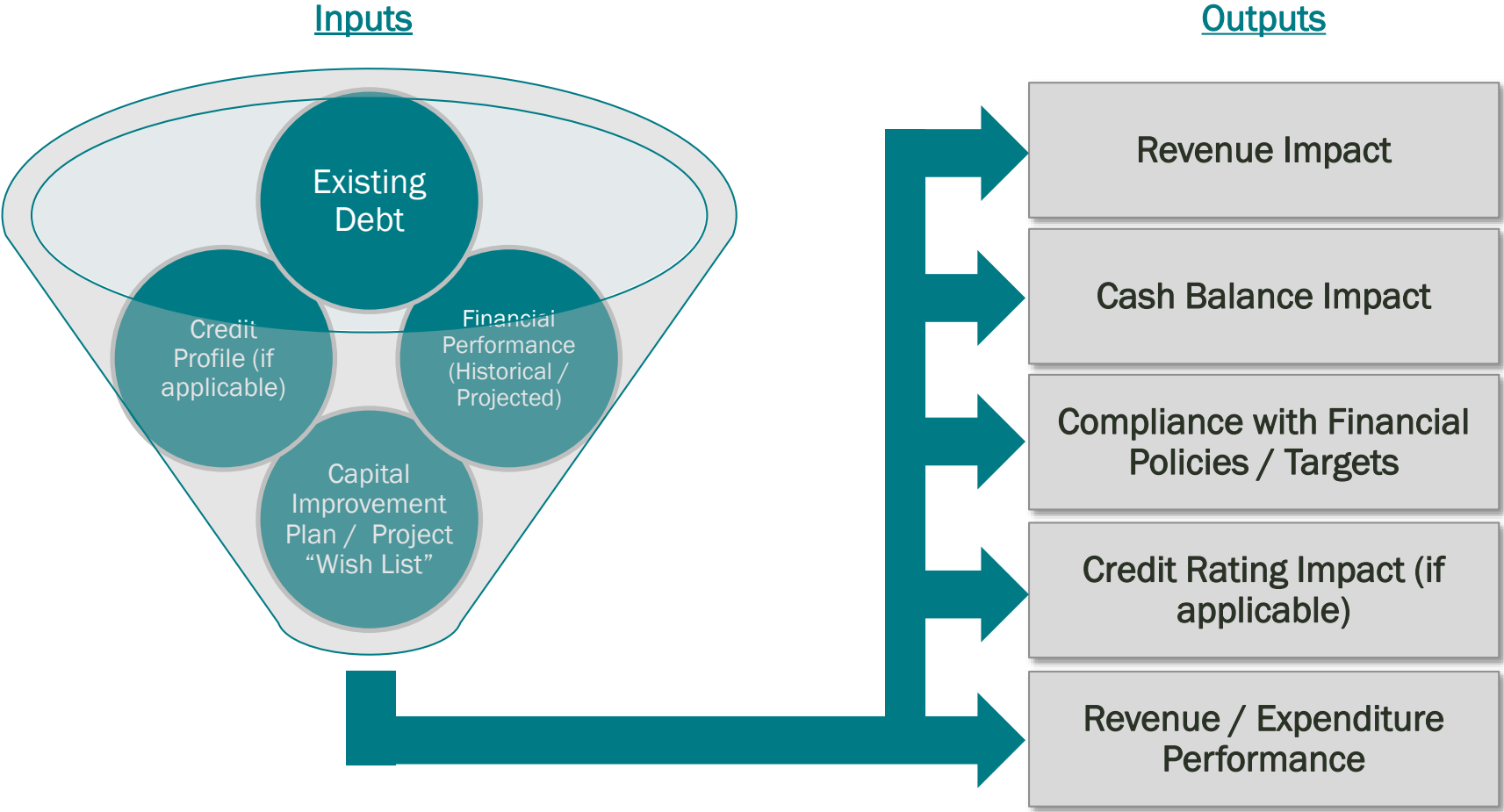
# Results of the Analysis – Financial Model Overview

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- Within each model, the SPD and the Cities has the ability to make detailed revenue and expenditure projections based on the various line items listed in audits and budgets.
  
- Additionally, the model allows the SPD and the Cities to layer in capital projects and quickly analyze the impact of those projects.
  - Projects can be easily included or excluded, amounts can be increased or decreased, and funding types can switched from cash funding to debt funding.
  
- In developing each model, First Tryon, with assistance from the SPDs, made its best effort to isolate sanitary sewer collection service from other services that the SPD provides (Fire, Water, etc.), where applicable.
  - As noted, First Tryon has not been able to meet with any of the Cities regarding their Financial Model.
  
- In order to project operations as accurately as possible, First Tryon worked with each SPD to gain an understanding of their revenue structure (millage based, rate / usage based, base fees, etc.) as well as future operating expenditures and capital needs outside of the Capital Improvement Needs Report.
  
- After establishing a “base model” for each SPD, First Tryon then worked with the SPDs to attempt to identify a potential funding plan to address not only the capital needs from the Capital Improvement Needs Report, but also other identified capital needs.

# Results of the Analysis – Components of the Financial Model

- The models are designed to be interactive and to allow each SPD or City to run multiple scenarios with different assumptions in a timely manner.
- The models are not a “one size fits all” but instead tailored to the individual needs and goals of the SPD or City.
- Within the capital planning model, we focus on several key inputs in order to produce desired outputs:



# Results of the Analysis – Financial Model Inputs

## Observations

- As shown below, the SPD or City can input its entire capital improvement plan / project wish list and specifies the relevant assumptions on a project by project basis.
- Existing debt service payable by fund is inputted into the model (not shown), allowing the paydown of existing debt over time to be incorporated into the results of the model.
- Each project can be turned on/off (column 1) with the resulting financial impact calculated immediately.

Turn projects on or off

Specify project description, amount, and timing

Specify funding type / revenue source

Customize repayment structure

Projects Under Consideration										
1	2	3	4	5	6	7	8	9	10	
On/Off	Description	Amount	Issued (FY)	Funding Type	Debt Service Responsibility	Structure	Term	Principal Deferral	Rate	
Off	Fire Station Headquarters / District Office	2,000,000	2021	GO Bonds	Sample SPD	Level D/S	20	0	4.000%	
On	Construction	100,000	2021	Installment / Lease Purchase	Sample SPD	Level D/S	5	0	3.000%	
On	TV Van	300,000	2025	Installment / Lease Purchase	Sample SPD	Level D/S	5	0	3.000%	
On	Cleaning / Construction	694,000	2028	Installment / Lease Purchase	Sample SPD	Level D/S	5	0	3.000%	
Off										
Off										
Off										
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Off										

# Results of the Analysis – Financial Model Outputs

<b>Income Statement</b>	<i>Audited</i> FY 2018	<i>Audited</i> FY 2019	<i>Budget</i> FY 2020	<i>Projected</i> FY 2021	<i>Projected</i> FY 2022	<i>Projected</i> FY 2023	<i>Projected</i> FY 2024	<i>Projected</i> FY 2025	<i>Projected</i> FY 2026
<b>Revenues</b>									
Property Taxes	1,824,792	1,907,315	2,015,000	2,015,000	2,015,000	2,015,000	2,015,000	2,015,000	2,015,000
Fees	1,655,909	1,712,663	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Investment Earnings	18,125	62,066	-	-	-	-	-	-	-
Other	4,529	9,902	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Debt Service Fund	1,725	3,229	-	-	-	-	-	-	-
Property Tax Revenues for Proposed GO Bonds	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>3,505,080</b>	<b>3,695,175</b>	<b>3,730,000</b>	<b>3,730,000</b>	<b>3,730,000</b>	<b>3,730,000</b>	<b>3,730,000</b>	<b>3,730,000</b>	<b>3,730,000</b>
<b>Operating and Maintenance Expenses</b>									
Personnel	984,106	1,112,609	1,066,000	1,066,000	1,066,000	1,066,000	1,066,000	1,066,000	1,066,000
Maintenance	1,089,251	343,800	870,000	870,000	870,000	870,000	870,000	870,000	870,000
Administrative expense	49,789	66,601	74,000	74,000	74,000	74,000	74,000	74,000	74,000
Occupancy	38,137	34,689	37,000	37,000	37,000	37,000	37,000	37,000	37,000
Safety	14,851	23,388	29,000	29,000	29,000	29,000	29,000	29,000	29,000
Insurance	31,975	31,465	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Training / certification	26,525	20,491	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Miscellaneous	6,077	6,626	111,000	111,000	111,000	111,000	111,000	111,000	111,000
<b>Total Operating and Maintenance Expenses</b>	<b>2,240,711</b>	<b>1,639,669</b>	<b>2,254,000</b>	<b>2,254,000</b>	<b>2,254,000</b>	<b>2,254,000</b>	<b>2,254,000</b>	<b>2,254,000</b>	<b>2,254,000</b>
<b>Net Earnings Available for Debt Service</b>	<b>1,264,369</b>	<b>2,055,506</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>
<b>Debt Service</b>									
Debt Service (Existing)	313,531	316,503	314,318	317,134	319,794	213,188	210,536	212,884	120,076
Debt Service (Proposed)	-	-	-	-	21,835	21,835	21,835	21,835	87,342
<b>Total Debt Service</b>	<b>313,531</b>	<b>316,503</b>	<b>314,318</b>	<b>317,134</b>	<b>341,629</b>	<b>235,023</b>	<b>232,371</b>	<b>234,719</b>	<b>207,418</b>
<b>Debt Coverage Ratio</b>	<b>4.03</b>	<b>6.49</b>	<b>4.70</b>	<b>4.65</b>	<b>4.32</b>	<b>6.28</b>	<b>6.35</b>	<b>6.29</b>	<b>7.12</b>
<b>Net Earnings Available After D/S</b>	<b>950,838</b>	<b>1,739,003</b>	<b>1,161,682</b>	<b>1,158,866</b>	<b>1,134,371</b>	<b>1,240,977</b>	<b>1,243,629</b>	<b>1,241,281</b>	<b>1,268,582</b>
<b>Other Financing Sources (Uses)</b>									
Transfers In (Out)	-	-	-	-	-	-	-	-	-
Proceeds from Disposal of Capital Assets	13,442	795,304	-	-	-	-	-	-	-
Insurance Proceeds (claims), net	3,214	4,725	-	-	-	-	-	-	-
Proceeds from Debt	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>16,656</b>	<b>800,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>967,494</b>	<b>2,539,032</b>	<b>1,161,682</b>	<b>1,158,866</b>	<b>1,134,371</b>	<b>1,240,977</b>	<b>1,243,629</b>	<b>1,241,281</b>	<b>1,268,582</b>

Create detailed revenue and expenditure projections



# Results of the Analysis – Financial Model Outputs

<b>Fund Balance</b>									
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>Source of Funds</b>									
<b>Beginning Fund Balance</b>	5,377,455	6,166,995	5,583,957	3,586,639	3,117,456	2,770,113	2,619,376	2,510,291	2,121,858
Net Earnings Available After Other Financing Sources (Uses)	967,494	2,539,032	1,161,682	1,158,866	1,156,206	1,262,812	1,265,464	1,263,116	1,355,924
Rate-Funded Capital (Sample SPD)	-	-	-	(343,500)	(219,000)	(129,000)	(90,000)	(367,000)	(95,000)
Pay-Go (Sample SPD)	(177,954)	(3,122,070)	(3,159,000)	(1,284,549)	(1,284,549)	(1,284,549)	(1,284,549)	(1,284,549)	(1,284,549)
Dashboard Pay-Go (Sample SPD)	-	-	-	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>6,166,995</b>	<b>5,583,957</b>	<b>3,586,639</b>	<b>3,117,456</b>	<b>2,770,113</b>	<b>2,619,376</b>	<b>2,510,291</b>	<b>2,121,858</b>	<b>2,098,233</b>
<b>Fund Balance</b>									
Non-spendable									
Sample SPD	33,905	33,818	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Total Non-spendable	33,905	33,818	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Restricted / Committed									
Sample SPD	4,027,353	3,446,556	446,556	446,556	446,556	446,556	446,556	446,556	446,556
Total Restricted	4,027,353	3,446,556	446,556	446,556	446,556	446,556	446,556	446,556	446,556
Assigned									
Sample SPD	-	-	-	-	-	-	-	-	-
Total Assigned	-	-	-	-	-	-	-	-	-
Unassigned									
Sample SPD	2,105,737	2,103,583	3,107,083	2,637,900	2,290,557	2,139,820	2,030,735	1,642,302	1,618,677
Total Unassigned	2,105,737	2,103,583	3,107,083	2,637,900	2,290,557	2,139,820	2,030,735	1,642,302	1,618,677
<b>Total Fund Balance</b>	<b>6,166,995</b>	<b>5,583,957</b>	<b>3,586,639</b>	<b>3,117,456</b>	<b>2,770,113</b>	<b>2,619,376</b>	<b>2,510,291</b>	<b>2,121,858</b>	<b>2,098,233</b>
Target Days of O&M (500)	3,069,467	2,246,122	3,087,671	3,087,671	3,087,671	3,087,671	3,087,671	3,087,671	3,087,671
Current Days of O&M	343	468	503	427	371	347	329	266	262

Track annual fund balances based on projected revenues, expenditures, and capital

# Summary of CDM Smith Capital Improvement Needs

- Below is a summary of the Capital Improvement Needs, by SPD and the Cities, that were identified in the CDM Smith Capital Improvement Needs Report:

Entity	Deferred Sewer Renewal	Funding Term	Avg. Cost Per Year	Near-Term Sewer Renewal	Funding Term	Avg. Cost Per Year	Mill Village Renewal	Funding Term	Avg. Cost Per Year	Total Capital Needs	Total Avg. Cost Per Year
<b>SPDs</b>											
Berea	11,227,000	15	748,467	15,936,000	20	796,800	-	8	-	27,163,000	1,545,267
Gantt	14,378,000	15	958,533	17,235,000	20	861,750	-	8	-	31,613,000	1,820,283
Marietta	1,355,500	15	90,367	2,504,000	20	125,200	-	8	-	3,859,500	215,567
MetroConnects	-	15	-	29,946,000	20	1,497,300	-	8	-	29,946,000	1,497,300
Parker*	30,081,000	15	2,005,400	29,984,000	20	1,499,200	75,041,000	8	9,380,125	135,106,000	3,504,600
Taylors	8,637,000	15	575,800	17,891,000	20	894,550	-	8	-	26,528,000	1,470,350
Wade Hampton	9,903,000	15	660,200	11,211,000	20	560,550	-	8	-	21,114,000	1,220,750
<b>SPD Total</b>	<b>75,581,500</b>		<b>5,038,767</b>	<b>124,707,000</b>		<b>6,235,350</b>	<b>75,041,000</b>		<b>9,380,125</b>	<b>275,329,500</b>	<b>11,274,117</b>
<b>Cities</b>											
Fountain Inn	2,028,000	15	135,200	5,931,000	20	296,550	-	8	-	7,959,000	431,750
Simpsonville	4,914,000	15	327,600	6,618,000	20	330,900	-	8	-	11,532,000	658,500
Travelers Rest	687,000	15	45,800	3,561,000	20	178,050	-	8	-	4,248,000	223,850
<b>Cities Total</b>	<b>7,629,000</b>		<b>508,600</b>	<b>16,110,000</b>		<b>805,500</b>	<b>-</b>		<b>-</b>	<b>23,739,000</b>	<b>1,314,100</b>
<b>Grand Total</b>	<b>83,210,500</b>		<b>5,547,367</b>	<b>140,817,000</b>		<b>7,040,850</b>	<b>75,041,000</b>		<b>9,380,125</b>	<b>299,068,500</b>	<b>12,588,217</b>

\* Note: Parker's Mill Village Renewal costs may be paid through principal forgiveness loans. It may be most advantageous to seek these as part of a larger project to regionalize. As such, the cost has been excluded from the Total Average Cost Per Year column.

# Summary of Average Monthly Sewer Cost Per Residential Customer

- Below is a summary table of the information provided by each SPD / City, and information gathered from the SC Rural Infrastructure Authority for Travelers Rest, with respect to the average monthly sewer cost per residential customer, assuming a household with a \$100,000 tax value.

Type of Charge	Berea	Gantt	Marietta <sup>1</sup>	MetroConnects	Parker	Taylors	Wade Hampton	Fountain Inn	Simpsonville <sup>3</sup>	Travelers Rest <sup>4</sup>
Millage Revenue for Sewer Service	\$6.93	\$3.97	-	-	\$5.14	\$7.87	\$10.44	-	-	-
Base Fee on Tax Bill	-	-	-	-	-	\$10.00	\$2.50	-	-	-
Base Fee on Water Bill	\$10.00	-	-	\$11.00	-	-	-	\$20.40	\$15.42	-
Usage Fee <sup>2</sup>	\$2.02	-	\$75.74	\$6.16	-	-	-	-	-	-
Rehabilitation Fee	-	\$2.08	-	-	\$6.25	-	-	-	-	-
Capital Fee	-	-	-	-	\$3.75	-	-	-	-	-
City Fees	-	-	-	-	-	-	-	-	-	\$51.30
<b>Total</b>	<b>\$18.95</b>	<b>\$6.05</b>	<b>\$75.74</b>	<b>\$17.16</b>	<b>\$15.14</b>	<b>\$17.87</b>	<b>\$12.94</b>	<b>\$20.40</b>	<b>\$15.42</b>	<b>\$51.30</b>

<sup>1</sup> Marietta operates a joint Water and Sewer enterprise that makes it difficult to isolate revenues specific to Sewer service. Based on Marietta's FY2018 audited revenues of \$642,277, a customer base of 530, and an assumed Water vs. Sewer fee breakdown of 25% and 75%, it is assumed that an average customer pays a monthly fee of \$75.74.

<sup>2</sup> Based on an average monthly usage of 4,000 gallons.

<sup>3</sup> Simpsonville charges \$5.21 per month for residential customers who use less than 2,700 gallons per month and \$15.42 for over 2,700 gallons per month. It is assumed that the average customer uses over 2,700 gallons per month.

<sup>4</sup> Per SC Rural Infrastructure Authority.

# Results of the Analysis – Berea

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- Berea’s sanitary sewer collection service revenues are generated from two main sources:
  - Approximately 20.8 mills levied on customers, resulting in approximately \$1.2 million of annual revenue.
    - One mill generates approximately \$50,000.
  - A sewer base charge of \$10 / month on residential customers with tiered increases for commercial accounts.
    - The sewer base charge generates approximately \$1.2 million of annual revenue.
  
- The Capital Improvement Needs Report identified that Berea had \$11.2 million of Deferred Sewer Renewal needs and \$15.9 million of Near-Term Sewer Renewal needs.
  - This equates to approximately \$750,000 of annual Deferred Sewer Renewal requirements and \$795,000 of annual Near-Term Sewer Renewal requirements.
  
- In discussions with Berea Staff, it was determined that a potential approach to addressing the needs identified by CDM Smith would be to increase the sewer base charge on residential customers, as well as all commercial classes.
  - The additional \$900,000 of revenues that the increase is projected to generate could be combined with operating surpluses that Berea has historically experienced, to begin to fund the CDM Smith Capital Improvement Needs.
  - This approach, while potentially feasible, assumes that Berea is able to maintain stable operating expenditures and also assumes that Berea has minimal non-CDM Smith capital needs for the foreseeable future.

# Results of the Analysis – Sample Berea Fund Balance Results

- As noted on the prior page, if Berea were to implement an increase in its monthly base charges, it could potentially address the CDM Smith Capital Improvement Needs on a pay-go basis without drastically reducing fund balance.

<b>Operations</b>	<i>Audited</i>	<i>Budget</i>	<i>Budget</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Operating Revenues	2,469,532	2,469,532	2,469,532	3,303,327	3,303,327	3,303,327	3,303,327	3,303,327	3,303,327
Operating Expenditures	1,145,284	1,710,304	1,439,085	1,439,085	1,439,085	1,439,085	1,439,085	1,439,085	1,439,085
<b>Revenues Over (Under) Expenditures</b>	<b>1,324,248</b>	<b>759,228</b>	<b>1,030,447</b>	<b>1,864,242</b>	<b>1,864,242</b>	<b>1,864,242</b>	<b>1,864,242</b>	<b>1,864,242</b>	<b>1,864,242</b>
Debt Service	-	125,087	206,156	155,757	142,992	142,992	142,992	142,992	142,992
Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>1,324,248</b>	<b>634,141</b>	<b>824,291</b>	<b>1,708,485</b>	<b>1,721,250</b>	<b>1,721,250</b>	<b>1,721,250</b>	<b>1,721,250</b>	<b>1,721,250</b>
<b>Fund Balance</b>	<i>Audited</i>	<i>Budget</i>	<i>Budget</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>Beginning Fund Balance</b>	4,104,778	4,544,478	4,698,619	5,144,910	5,308,128	5,484,111	5,660,094	5,836,077	6,012,060
Net Earnings Available After Other Financing Sources (Uses)	1,324,248	634,141	824,291	1,708,485	1,721,250	1,721,250	1,721,250	1,721,250	1,721,250
Rate-Funded Capital (Berea Public Service District)	-	-	-	-	-	-	-	-	-
Pay-Go (Berea Public Service District)	(1,027,321)	(480,000)	(378,000)	(1,545,267)	(1,545,267)	(1,545,267)	(1,545,267)	(1,545,267)	(1,545,267)
Dashboard Pay-Go (Berea Public Service District)	-	-	-	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>4,544,478</b>	<b>4,698,619</b>	<b>5,144,910</b>	<b>5,308,128</b>	<b>5,484,111</b>	<b>5,660,094</b>	<b>5,836,077</b>	<b>6,012,060</b>	<b>6,188,043</b>

# Results of the Analysis – Gantt

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- Gantt provides both Fire and Sewer services, of which 85% (\$5.5 million) is funded through millage.
  - Historically, Gantt has experienced an average of 2.50% growth in the value of a mill that has generated additional revenues year over year.
  
- The Capital Improvement Needs Report identified that Gantt had \$14.4 million of Deferred Sewer Renewal needs and \$17.2 million of Near-Term Sewer Renewal needs.
  - This equates to approximately \$960,000 of annual Deferred Sewer Renewal requirements and \$860,000 of annual Near-Term Sewer Renewal requirements.
  
- In discussions with Gantt Staff, it was determined that a potential approach to addressing the needs identified by CDM Smith would be to capture additional revenues from growth within its tax base.
  - Assuming a 1.50% annual growth rate in the value of a mill adds about \$80,000 in additional revenues annually.
  - The additional revenues could be combined with operating surpluses that Gantt has historically experienced, to begin to fund the CDM Smith Capital Improvement Needs.
  - This approach, while potentially feasible, assumes that Gantt is able to maintain stable operating expenditures and also assumes that Gantt has minimal non-CDM Smith sewer capital needs, as well as fire needs, for the foreseeable future.

# Results of the Analysis – Sample Gantt Fund Balance Results

- As noted on the prior page, if Gantt were to capture additional revenues from growth within its tax base, it could potentially address the CDM Smith Capital Improvement Needs on a pay-go basis without drastically reducing fund balance.

Operations	<i>Audited</i>	<i>Budget</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Operating Revenues	5,922,475	6,002,233	6,083,745	6,166,479	6,250,454	6,335,689	6,422,202	6,510,013	6,599,141
Operating Expenditures	4,387,265	5,425,206	5,043,003	5,043,003	5,043,003	5,043,003	5,043,003	5,043,003	5,043,003
<b>Revenues Over (Under) Expenditures</b>	<b>1,535,210</b>	<b>577,027</b>	<b>1,040,742</b>	<b>1,123,476</b>	<b>1,207,451</b>	<b>1,292,686</b>	<b>1,379,199</b>	<b>1,467,010</b>	<b>1,556,138</b>
Debt Service	517,968	570,566	518,983	464,663	457,763	450,863	443,963	437,063	430,163
Other Financing Sources (Uses)	527,122	-	-	-	-	-	-	-	-
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>1,544,364</b>	<b>6,461</b>	<b>521,758</b>	<b>658,813</b>	<b>749,688</b>	<b>841,823</b>	<b>935,236</b>	<b>1,029,947</b>	<b>1,125,975</b>
<b>Fund Balance</b>									
	<i>Audited</i>	<i>Budget</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>Beginning Fund Balance</b>	9,112,928	10,633,746	10,640,207	10,300,215	9,138,745	8,068,150	7,089,689	6,204,642	5,414,306
Net Earnings Available After Other Financing Sources (Uses)	1,544,364	6,461	521,758	658,813	749,688	841,823	935,236	1,029,947	1,125,975
Rate-Funded Capital (Gantt Fire, Sewer, and Police District)	-	-	-	-	-	-	-	-	-
Pay-Go (Gantt Fire, Sewer, and Police District)	(23,546)	-	(861,750)	(1,820,283)	(1,820,283)	(1,820,283)	(1,820,283)	(1,820,283)	(1,820,283)
Dashboard Pay-Go (Gantt Fire, Sewer, and Police District)	-	-	-	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>10,633,746</b>	<b>10,640,207</b>	<b>10,300,215</b>	<b>9,138,745</b>	<b>8,068,150</b>	<b>7,089,689</b>	<b>6,204,642</b>	<b>5,414,306</b>	<b>4,719,998</b>

# Results of the Analysis – Marietta

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- Marietta provides both Water and Sewer services, of which 93% (\$600,000) is funded through revenues generated from water sales and sewer service.
  
- The Capital Improvement Needs Report identified that Marietta had \$1.4 million of Deferred Sewer Renewal needs and \$2.5 million of Near-Term Sewer Renewal needs.
  - This equates to approximately \$90,000 of annual Deferred Sewer Renewal requirements and \$125,000 of annual Near-Term Sewer Renewal requirements.
  
- Given Marietta’s relatively small budget size, it is unlikely that a feasible approach can be developed to address the CDM Smith Capital Improvement Needs.



# Results of the Analysis – Sample Marietta Fund Balance Results

- As noted on the prior page, Marietta’s CDM Smith Capital Improvement Needs are too sizeable compared to its existing revenue base to begin to address these needs on a pay-go basis without drastically reducing fund balance.

Operations	Audited	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Operating Revenues	642,277	642,277	642,277	642,277	642,277	642,277	642,277	642,277	642,277
Operating Expenditures	639,061	639,061	639,061	639,061	639,061	639,061	639,061	639,061	639,061
<b>Revenues Over (Under) Expenditures</b>	<b>3,216</b>	<b>3,216</b>	<b>3,216</b>	<b>3,216</b>	<b>3,216</b>	<b>3,216</b>	<b>3,216</b>	<b>3,216</b>	<b>3,216</b>
Debt Service	48,852	48,852	48,852	40,188	7,393	-	-	-	-
Other Financing Sources (Uses)	41,512	41,512	41,512	41,512	41,512	41,512	41,512	41,512	41,512
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>(4,124)</b>	<b>(4,124)</b>	<b>(4,124)</b>	<b>4,540</b>	<b>37,335</b>	<b>44,728</b>	<b>44,728</b>	<b>44,728</b>	<b>44,728</b>
Fund Balance	Audited	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>Beginning Fund Balance</b>	<b>1,085,245</b>	<b>1,091,032</b>	<b>1,086,908</b>	<b>957,584</b>	<b>746,557</b>	<b>568,326</b>	<b>397,487</b>	<b>226,649</b>	<b>55,810</b>
Net Earnings Available After Other Financing Sources (Uses)	(4,124)	(4,124)	(4,124)	4,540	37,335	44,728	44,728	44,728	44,728
Rate-Funded Capital (Marietta Fire and Sewer District)	-	-	-	-	-	-	-	-	-
Pay-Go (Marietta Fire and Sewer District)	-	-	(125,200)	(215,567)	(215,567)	(215,567)	(215,567)	(215,567)	(215,567)
Dashboard Pay-Go (Marietta Fire and Sewer District)	-	-	-	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>1,091,032</b>	<b>1,086,908</b>	<b>957,584</b>	<b>746,557</b>	<b>568,326</b>	<b>397,487</b>	<b>226,649</b>	<b>55,810</b>	<b>(115,029)</b>

# Results of the Analysis – MetroConnects

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- MetroConnects recently converted from a millage based revenue stream to a usage based revenue stream, which is projected to generate over \$11 million annually.
  - MetroConnects engaged Raftelis to assist in switching to a usage based revenue stream and to develop a rate model that projects future rate increases to fund operations and capital.
  
- The Capital Improvement Needs Report identified that MetroConnects had no Deferred Sewer Renewal needs and \$29.9 million of Near-Term Sewer Renewal needs.
  - This equates to no Deferred Sewer Renewal requirements and approximately \$1.5 million of annual Near-Term Sewer Renewal requirements.
  
- Based on MetroConnects current operations, the lack of Deferred Sewer Renewal needs, and the projections provided by Raftelis, MetroConnects' existing usage based rate structure is projected to be sufficient to cover both its CDM Smith Capital Improvement Needs and other capital needs of its system.

# Results of the Analysis – Sample MetroConnects Fund Balance Results

- As noted on the prior page, based on MetroConnect’s current operations, it could potentially address the CDM Smith Capital Improvement Needs on a pay-go basis without drastically reducing fund balance.

Operations	Audited FY 2018	Raftelis Report FY 2019	Raftelis Report FY 2020	Raftelis Report FY 2021	Raftelis Report FY 2022	Raftelis Report FY 2023	Raftelis Report FY 2024	Raftelis Report FY 2025	Projected FY 2026
Operating Revenues	9,319,355	9,056,863	11,764,000	12,155,468	12,514,044	12,989,869	13,408,454	13,855,804	13,855,804
Operating Expenditures	8,611,850	6,386,740	7,078,100	7,405,902	7,572,341	8,000,355	8,417,609	8,871,359	8,871,359
<b>Revenues Over (Under) Expenditures</b>	<b>707,505</b>	<b>2,670,123</b>	<b>4,685,900</b>	<b>4,749,566</b>	<b>4,941,703</b>	<b>4,989,514</b>	<b>4,990,845</b>	<b>4,984,445</b>	<b>4,984,445</b>
Debt Service	-	-	-	29,205	29,205	29,205	29,205	29,205	29,205
Other Financing Sources (Uses)	(535,648)	-	-	-	-	-	-	-	-
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>171,857</b>	<b>2,670,123</b>	<b>4,685,900</b>	<b>4,720,361</b>	<b>4,912,498</b>	<b>4,960,310</b>	<b>4,961,640</b>	<b>4,955,240</b>	<b>4,955,240</b>
Fund Balance	Audited FY 2018	Raftelis Report FY 2019	Raftelis Report FY 2020	Raftelis Report FY 2021	Raftelis Report FY 2022	Raftelis Report FY 2023	Raftelis Report FY 2024	Raftelis Report FY 2025	Projected FY 2026
<b>Beginning Fund Balance</b>	<b>23,819,853</b>	<b>24,007,747</b>	<b>17,131,470</b>	<b>15,184,170</b>	<b>12,910,631</b>	<b>9,893,780</b>	<b>7,398,637</b>	<b>4,788,836</b>	<b>2,258,646</b>
Net Earnings Available After Other Financing Sources (Uses)	171,857	2,670,123	4,685,900	4,720,361	4,912,498	4,960,310	4,961,640	4,955,240	4,955,240
Rate-Funded Capital (MetroConnects)	-	(9,546,400)	(5,135,900)	(5,496,600)	(6,432,050)	(5,958,152)	(6,074,141)	(5,988,131)	-
Pay-Go (MetroConnects)	-	-	(1,497,300)	(1,497,300)	(1,497,300)	(1,497,300)	(1,497,300)	(1,497,300)	(1,497,300)
Dashboard Pay-Go (MetroConnects)	-	-	-	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>23,991,710</b>	<b>17,131,470</b>	<b>15,184,170</b>	<b>12,910,631</b>	<b>9,893,780</b>	<b>7,398,637</b>	<b>4,788,836</b>	<b>2,258,646</b>	<b>5,716,586</b>
<b>Net Change in Fund Balance (After Pay Go Capital)</b>	<b>171,857</b>	<b>(6,876,277)</b>	<b>(1,947,300)</b>	<b>(2,273,539)</b>	<b>(3,016,852)</b>	<b>(2,495,142)</b>	<b>(2,609,801)</b>	<b>(2,530,191)</b>	<b>3,457,940</b>

# Results of the Analysis – Parker

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- Parker provides both Fire and Sewer services, of which 80% (\$10.4 million) is funded through millage.
  - Parker also generates approximately \$2 million per year from Sewer Rehabilitation Charges.
  
- The Capital Improvement Needs Report identified that Parker had \$30.1 million of Deferred Sewer Renewal needs, \$30 million of Near-Term Sewer Renewal needs, and \$75 million of Mill Village Renewal needs.
  - This equates to approximately \$2 million of annual Deferred Sewer Renewal requirements, \$1.5 million of annual Near-Term Sewer Renewal requirements, and \$6.3 million of annual Mill Village Renewal needs.
    - The Mill Village Renewal costs may be paid through principal forgiveness loans. It may be most advantages to seek these as part of a larger project to regionalize. As such, the cost has been excluded from the Parker’s projections.
  
- Although not yet discussed with Parker’s Staff, a potential approach to addressing the needs identified by CDM Smith would be to capture additional revenues from growth within its tax base.
  - Assuming a 1.50% annual growth rate in the value of a mill adds about \$160,000 in additional revenues annually.
  - The additional revenues could be combined with operating surpluses that Parker has historically experienced, to begin to fund the CDM Smith Capital Improvement Needs.
  - This approach, while potentially feasible, assumes that Parker is able to maintain stable operating expenditures and also assumes that Parker has minimal non-CDM Smith sewer capital needs, as well as fire needs, for the foreseeable future.

# Results of the Analysis – Sample Parker Fund Balance Results

- As noted on the prior page, if Parker were to capture additional revenues from growth within its tax base, it could potentially address the CDM Smith Capital Improvement Needs on a pay-go basis without drastically reducing fund balance.

Operations	Audited	Estimate	Budget	Projected	Projected	Projected	Projected	Projected	Projected
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Operating Revenues	12,955,570	13,278,000	14,338,136	14,543,862	14,752,673	14,964,617	15,179,739	15,398,089	15,619,714
Operating Expenditures	10,210,364	11,325,635	12,035,466	12,035,466	12,035,466	12,035,466	12,035,466	12,035,466	12,035,466
<b>Revenues Over (Under) Expenditures</b>	<b>2,745,206</b>	<b>1,952,365</b>	<b>2,302,670</b>	<b>2,508,396</b>	<b>2,717,207</b>	<b>2,929,151</b>	<b>3,144,273</b>	<b>3,362,623</b>	<b>3,584,248</b>
Debt Service	1,140,286	1,356,259	1,473,390	1,487,892	1,492,692	1,487,042	1,484,742	1,205,555	1,202,405
Other Financing Sources (Uses)	(4,541,165)	(113,570)	554,096	-	-	-	-	-	-
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>(2,936,245)</b>	<b>482,536</b>	<b>1,383,376</b>	<b>1,020,504</b>	<b>1,224,515</b>	<b>1,442,109</b>	<b>1,659,532</b>	<b>2,157,068</b>	<b>2,381,843</b>
Fund Balance	Audited	Estimate	Budget	Projected	Projected	Projected	Projected	Projected	Projected
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
<b>Beginning Fund Balance</b>	17,888,669	14,952,424	15,384,960	14,675,040	12,190,944	9,685,859	7,623,368	3,633,245	2,285,713
Net Earnings Available After Other Financing Sources (Uses)	(2,936,245)	482,536	1,383,376	1,020,504	1,224,515	1,442,109	1,659,532	2,157,068	2,381,843
Rate-Funded Capital (Parker Sewer and Fire Sub District)	-	(50,000)	(594,096)	-	(225,000)	-	(2,145,055)	-	-
Pay-Go (Parker Sewer and Fire Sub District)	-	-	(1,499,200)	(3,504,600)	(3,504,600)	(3,504,600)	(3,504,600)	(3,504,600)	(3,504,600)
Dashboard Pay-Go (Parker Sewer and Fire Sub District)	-	-	-	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>14,952,424</b>	<b>15,384,960</b>	<b>14,675,040</b>	<b>12,190,944</b>	<b>9,685,859</b>	<b>7,623,368</b>	<b>3,633,245</b>	<b>2,285,713</b>	<b>1,162,956</b>

# Results of the Analysis – Taylors

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- Taylors’s sanitary sewer collection service revenues are generated from two main sources:
  - Approximately 22.3 mills levied on customers, resulting in approximately \$2 million of annual revenue.
    - One mill generates approximately \$90,000.
  - A sewer user fee that generates approximately \$1.7 million of annual revenue.
  
- The Capital Improvement Needs Report identified that Taylors had \$8.6 million of Deferred Sewer Renewal needs and \$17.9 million of Near-Term Sewer Renewal needs.
  - This equates to approximately \$575,000 of annual Deferred Sewer Renewal requirements and \$895,000 of annual Near-Term Sewer Renewal requirements.
  - Taylors included \$2.15 million of Deferred Sewer Renewal as part of its FY2020 Budget, thus reducing its remaining requirements for FY2021 – FY2035 to \$430,000 annually.
  
- In discussions with Taylors Staff, it was determined that a potential approach to addressing the needs identified by CDM Smith would be to continue to charge its increased user fee that was originally implemented as part of an I&I agreement with ReWa.
  - The additional \$1.2 million of revenues that the increase is projected to generate could be combined with operating surpluses that Taylors has historically experienced, to begin to fund the CDM Smith Capital Improvement Needs.
  - This approach, while potentially feasible, assumes that Taylors is able to maintain stable operating expenditures and also assumes that Taylors has minimal non-CDM Smith capital needs for the foreseeable future.

# Results of the Analysis – Sample Taylors Fund Balance Results

- As noted on the prior page, if Taylors were to continue to charge its increased user fee that was originally implemented as part of an I&I agreement with ReWa, it could potentially address the CDM Smith Capital Improvement Needs on a pay-go basis without drastically reducing fund balance.

<b>Operations</b>	<i>Audited</i> FY 2018	<i>Audited</i> FY 2019	<i>Budget</i> FY 2020	<i>Projected</i> FY 2021	<i>Projected</i> FY 2022	<i>Projected</i> FY 2023	<i>Projected</i> FY 2024	<i>Projected</i> FY 2025	<i>Projected</i> FY 2026
Operating Revenues	3,505,080	3,695,175	3,730,000	3,730,000	3,730,000	3,730,000	3,730,000	3,730,000	3,730,000
Operating Expenditures	2,240,711	1,639,669	2,254,000	2,254,000	2,254,000	2,254,000	2,254,000	2,254,000	2,254,000
<b>Revenues Over (Under) Expenditures</b>	<b>1,264,369</b>	<b>2,055,506</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>	<b>1,476,000</b>
Debt Service	313,531	316,503	314,318	317,134	319,794	213,188	210,536	212,884	120,076
Other Financing Sources (Uses)	16,656	800,029	-	-	-	-	-	-	-
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>967,494</b>	<b>2,539,032</b>	<b>1,161,682</b>	<b>1,158,866</b>	<b>1,156,206</b>	<b>1,262,812</b>	<b>1,265,464</b>	<b>1,263,116</b>	<b>1,355,924</b>
<b>Fund Balance</b>	<i>Audited</i> FY 2018	<i>Audited</i> FY 2019	<i>Budget</i> FY 2020	<i>Projected</i> FY 2021	<i>Projected</i> FY 2022	<i>Projected</i> FY 2023	<i>Projected</i> FY 2024	<i>Projected</i> FY 2025	<i>Projected</i> FY 2026
<b>Beginning Fund Balance</b>	5,377,455	6,166,995	5,583,957	3,586,639	3,174,859	2,784,918	2,591,583	2,439,901	2,308,870
Net Earnings Available After Other Financing Sources (Uses)	967,494	2,539,032	1,161,682	1,158,866	1,156,206	1,262,812	1,265,464	1,263,116	1,355,924
Rate-Funded Capital (Taylors Fire and Sewer Sub District)	-	-	-	(243,500)	(219,000)	(129,000)	(90,000)	(67,000)	(95,000)
Pay-Go (Taylors Fire and Sewer Sub District)	(177,954)	(3,122,070)	(3,159,000)	(1,327,147)	(1,327,147)	(1,327,147)	(1,327,147)	(1,327,147)	(1,327,147)
Dashboard Pay-Go (Taylors Fire and Sewer Sub District)	-	-	-	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>6,166,995</b>	<b>5,583,957</b>	<b>3,586,639</b>	<b>3,174,859</b>	<b>2,784,918</b>	<b>2,591,583</b>	<b>2,439,901</b>	<b>2,308,870</b>	<b>2,242,648</b>

# Results of the Analysis – Wade Hampton

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- Wade Hampton’s sanitary sewer collection service revenues are generated from two main sources:
  - Approximately 31 mills levied on customers, resulting in approximately \$720,000 of annual revenue.
    - One mill generates approximately \$23,000.
  - A sewer rehabilitation fee that generates approximately \$180,000 of annual revenue.
  
- The Capital Improvement Needs Report identified that Wade Hampton had \$9.9 million of Deferred Sewer Renewal needs and \$11.2 million of Near-Term Sewer Renewal needs.
  - This equates to approximately \$660,000 of annual Deferred Sewer Renewal requirements and \$560,000 of annual Near-Term Sewer Renewal requirements.
  
- Given Wade Hampton’s relatively small budget size, it is unlikely that a feasible approach can be developed to address the CDM Smith Capital Improvement Needs.



# Results of the Analysis – Sample Wade Hampton Fund Balance Results

- As noted on the prior page, Wade Hampton’s CDM Smith Capital Improvement Needs are too sizeable compared to its existing revenue base to begin to address these needs on a pay-go basis without drastically reducing fund balance.

Operations	Audited FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026
Operating Revenues	903,452	903,452	903,452	903,452	903,452	903,452	903,452	903,452	903,452
Operating Expenditures	605,628	605,628	605,628	605,628	605,628	605,628	605,628	605,628	605,628
<b>Revenues Over (Under) Expenditures</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>
Debt Service	-	-	-	-	-	-	-	-	-
Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>	<b>297,824</b>
<b>Fund Balance</b>									
	Audited FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026
<b>Beginning Fund Balance</b>	6,554,547	6,852,371	7,150,195	6,887,469	5,964,543	5,041,617	4,118,691	3,195,765	2,272,839
Net Earnings Available After Other Financing Sources (Uses)	297,824	297,824	297,824	297,824	297,824	297,824	297,824	297,824	297,824
Rate-Funded Capital (Wade Hampton Fire and Sewer District)	-	-	-	-	-	-	-	-	-
Pay-Go (Wade Hampton Fire and Sewer District)	-	-	(560,550)	(1,220,750)	(1,220,750)	(1,220,750)	(1,220,750)	(1,220,750)	(1,220,750)
Dashboard Pay-Go (Wade Hampton Fire and Sewer District)	-	-	-	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>6,852,371</b>	<b>7,150,195</b>	<b>6,887,469</b>	<b>5,964,543</b>	<b>5,041,617</b>	<b>4,118,691</b>	<b>3,195,765</b>	<b>2,272,839</b>	<b>1,349,913</b>

# Results of the Analysis – Fountain Inn

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- Fountain Inn’s sanitary sewer collection service revenues are generated primarily from its Sewer Maintenance Fees within Greenville County. These fees generate approximately \$950,000, or 87% of the sewer revenue.
  
- The Capital Improvement Needs Report identified that Fountain Inn had \$2.03 million of Deferred Sewer Renewal needs and \$5.93 million of Near-Term Sewer Renewal needs.
  - This equates to approximately \$135,000 of annual Deferred Sewer Renewal requirements and \$295,000 of annual Near-Term Sewer Renewal requirements.
  
- Given Fountain Inn’s relatively small budget size, it is unlikely that a feasible approach can be developed to address the CDM Smith Capital Improvement Needs.

# Results of the Analysis – Sample Fountain Inn Cash Balance Results

- As noted on the prior page, Fountain Inn’s CDM Smith Capital Improvement Needs are too sizeable compared to its existing revenue base to begin to address these needs on a pay-go basis without drastically reducing cash balances.

Operations	Actual FY 2018	Actual FY 2019	Budget FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026
Operating Revenues	1,009,076	1,172,332	1,090,000	1,090,000	1,090,000	1,090,000	1,090,000	1,090,000	1,090,000
Operating Expenditures	223,878	429,820	719,213	719,213	719,213	719,213	719,213	719,213	719,213
<b>Revenues Over (Under) Expenditures</b>	785,198	742,512	370,787	370,787	370,787	370,787	370,787	370,787	370,787
Debt Service	380,769	381,711	383,879	384,678	385,387	385,006	385,566	385,035	385,445
Other Financing Sources (Uses)	12,593	14,976	9,000	9,000	9,000	9,000	9,000	9,000	9,000
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	417,022	375,777	(4,092)	(4,891)	(5,600)	(5,219)	(5,779)	(5,248)	(5,658)
Cash and Cash Equivalents	Actual FY 2018	Actual FY 2019	Budget FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026
<b>Beginning Cash and Cash Equivalents</b>	2,511,781	1,567,975	1,810,573	1,353,531	916,891	479,541	42,572	(394,957)	(831,955)
Net Earnings Available After Other Financing Sources (Uses)	417,022	375,777	(4,092)	(4,891)	(5,600)	(5,219)	(5,779)	(5,248)	(5,658)
Rate-Funded Capital (City of Fountain Inn)	(1,186,084)	(143,056)	(452,950)	(431,750)	(431,750)	(431,750)	(431,750)	(431,750)	(431,750)
Pay-Go (City of Fountain Inn)	-	-	-	-	-	-	-	-	-
Dashboard Pay-Go (City of Fountain Inn)	-	-	-	-	-	-	-	-	-
<b>Ending Cash and Cash Equivalents</b>	1,567,975	1,810,573	1,353,531	916,891	479,541	42,572	(394,957)	(831,955)	(1,269,363)

# Results of the Analysis – Simpsonville

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- Simpsonville’s sanitary sewer collection service revenues are generated primarily from its Sewer Maintenance Fees. These fees generate approximately \$1.7 million, or 82% of the sewer revenue.
  
- The Capital Improvement Needs Report identified that Simpsonville had \$4.9 million of Deferred Sewer Renewal needs and \$6.6 million of Near-Term Sewer Renewal needs.
  - This equates to approximately \$327,500 of annual Deferred Sewer Renewal requirements and \$330,000 of annual Near-Term Sewer Renewal requirements.
  
- Based on Simpsonville’s FY2020 Budget, a potential approach to addressing the needs identified by CDM Smith would be to continue to operate at levels projected in the FY2020 Budget.
  - This approach, while potentially feasible, assumes that Simpsonville is able to maintain stable operating expenditures and also assumes that Simpsonville has minimal non-CDM Smith capital needs for the foreseeable future.

# Results of the Analysis – Sample Simpsonville Cash Balance Results

- As noted on the prior page, if Simpsonville were to operate at levels projected in the FY2020 Budget, it could potentially address the CDM Smith Capital Improvement Needs on a pay-go basis without drastically reducing cash balances.

<b>Operations</b>	<i>Audited</i> FY 2018	<i>Audited</i> FY 2019	<i>Budget</i> FY 2020	<i>Projected</i> FY 2021	<i>Projected</i> FY 2022	<i>Projected</i> FY 2023	<i>Projected</i> FY 2024	<i>Projected</i> FY 2025	<i>Projected</i> FY 2026
Operating Revenues	2,039,214	2,135,145	2,077,000	2,077,000	2,077,000	2,077,000	2,077,000	2,077,000	2,077,000
Operating Expenditures	734,564	642,340	865,467	865,467	865,467	865,467	865,467	865,467	865,467
<b>Revenues Over (Under) Expenditures</b>	<b>1,304,650</b>	<b>1,492,805</b>	<b>1,211,533</b>	<b>1,211,533</b>	<b>1,211,533</b>	<b>1,211,533</b>	<b>1,211,533</b>	<b>1,211,533</b>	<b>1,211,533</b>
Debt Service	832,327	825,618	826,017	759,193	747,363	745,213	748,613	746,213	748,213
Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>472,323</b>	<b>667,187</b>	<b>385,517</b>	<b>452,341</b>	<b>464,171</b>	<b>466,321</b>	<b>462,921</b>	<b>465,321</b>	<b>463,321</b>
<b>Cash and Cash Equivalents</b>	<i>Audited</i> FY 2018	<i>Audited</i> FY 2019	<i>Budget</i> FY 2020	<i>Projected</i> FY 2021	<i>Projected</i> FY 2022	<i>Projected</i> FY 2023	<i>Projected</i> FY 2024	<i>Projected</i> FY 2025	<i>Projected</i> FY 2026
<b>Beginning Cash and Cash Equivalents</b>	12,694,551	9,637,515	6,235,086	6,112,203	5,906,043	5,711,714	5,519,534	5,323,955	5,130,775
Net Earnings Available After Other Financing Sources (Uses)	472,323	667,187	385,517	452,341	464,171	466,321	462,921	465,321	463,321
Rate-Funded Capital (City of Simpsonville)	(3,376,076)	-	(508,400)	(658,500)	(658,500)	(658,500)	(658,500)	(658,500)	(658,500)
Pay-Go (City of Simpsonville)	-	-	-	-	-	-	-	-	-
Dashboard Pay-Go (City of Simpsonville)	-	-	-	-	-	-	-	-	-
<b>Ending Cash and Cash Equivalents</b>	<b>9,637,515</b>	<b>6,235,086</b>	<b>6,112,203</b>	<b>5,906,043</b>	<b>5,711,714</b>	<b>5,519,534</b>	<b>5,323,955</b>	<b>5,130,775</b>	<b>4,935,596</b>

# Results of the Analysis – Travelers Rest

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- Travelers Rest’s sanitary sewer collection service revenues are generated primarily from its Sewer Service Collection Fees. These fees generate approximately \$230,000, or 74% of the sewer revenue.
  
- The Capital Improvement Needs Report identified that Travelers Rest had \$687,000 of Deferred Sewer Renewal needs and \$3.56 million of Near-Term Sewer Renewal needs.
  - This equates to approximately \$46,000 of annual Deferred Sewer Renewal requirements and \$178,000 of annual Near-Term Sewer Renewal requirements.
  
- Given Travelers Rest’s relatively small budget size, it is unlikely that a feasible approach can be developed to address the CDM Smith Capital Improvement Needs.

# Results of the Analysis – Sample Travelers Rest Cash Balance Results

- As noted on the prior page, Travelers Rest’s CDM Smith Capital Improvement Needs are too sizeable compared to its existing revenue base to begin to address these needs on a pay-go basis without drastically reducing cash balances.

Operations	Audited FY 2018	Audited FY 2019	Budget FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026
Operating Revenues	363,844	259,408	318,500	318,500	318,500	318,500	318,500	318,500	318,500
Operating Expenditures	96,789	68,363	190,200	190,200	190,200	190,200	190,200	190,200	190,200
<b>Revenues Over (Under) Expenditures</b>	<b>267,055</b>	<b>191,045</b>	<b>128,300</b>	<b>128,300</b>	<b>128,300</b>	<b>128,300</b>	<b>128,300</b>	<b>128,300</b>	<b>128,300</b>
Debt Service	57,747	57,747	57,810	57,747	57,747	22,370	22,370	22,370	22,370
Other Financing Sources (Uses)	(20,744)	3,251	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>Net Earnings Available After Other Financing Sources (Uses)</b>	<b>188,564</b>	<b>136,549</b>	<b>71,490</b>	<b>71,553</b>	<b>71,553</b>	<b>106,930</b>	<b>106,930</b>	<b>106,930</b>	<b>106,930</b>
Cash and Cash Equivalents	Audited FY 2018	Audited FY 2019	Budget FY 2020	Projected FY 2021	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Projected FY 2026
<b>Beginning Cash and Cash Equivalents</b>	657,533	857,477	1,005,618	899,058	746,761	594,464	477,544	360,624	243,704
Net Earnings Available After Other Financing Sources (Uses)	188,564	136,549	71,490	71,553	71,553	106,930	106,930	106,930	106,930
Rate-Funded Capital (City of Travelers Rest)	-	(16,946)	(178,050)	(223,850)	(223,850)	(223,850)	(223,850)	(223,850)	(223,850)
Pay-Go (City of Travelers Rest)	-	-	-	-	-	-	-	-	-
Dashboard Pay-Go (City of Travelers Rest)	-	-	-	-	-	-	-	-	-
<b>Ending Cash and Cash Equivalents</b>	<b>857,477</b>	<b>1,005,618</b>	<b>899,058</b>	<b>746,761</b>	<b>594,464</b>	<b>477,544</b>	<b>360,624</b>	<b>243,704</b>	<b>126,784</b>

# Summary of CDM Smith Capital Improvement Needs

- Below is a summary of the Capital Improvement Needs, by SPD and the Cities, that were identified in the CDM Smith Capital Improvement Needs Report:

Entity	Deferred Sewer Renewal	Funding Term	Avg. Cost Per Year	Near-Term Sewer Renewal	Funding Term	Avg. Cost Per Year	Mill Village Renewal	Funding Term	Avg. Cost Per Year	Total Capital Needs	Total Avg. Cost Per Year
<b>SPDs</b>											
Berea	11,227,000	15	748,467	15,936,000	20	796,800	-	8	-	27,163,000	1,545,267
Gantt	14,378,000	15	958,533	17,235,000	20	861,750	-	8	-	31,613,000	1,820,283
Marietta	1,355,500	15	90,367	2,504,000	20	125,200	-	8	-	3,859,500	215,567
MetroConnects	-	15	-	29,946,000	20	1,497,300	-	8	-	29,946,000	1,497,300
Parker*	30,081,000	15	2,005,400	29,984,000	20	1,499,200	75,041,000	8	9,380,125	135,106,000	3,504,600
Taylors	8,637,000	15	575,800	17,891,000	20	894,550	-	8	-	26,528,000	1,470,350
Wade Hampton	9,903,000	15	660,200	11,211,000	20	560,550	-	8	-	21,114,000	1,220,750
<b>SPD Total</b>	<b>75,581,500</b>		<b>5,038,767</b>	<b>124,707,000</b>		<b>6,235,350</b>	<b>75,041,000</b>		<b>9,380,125</b>	<b>275,329,500</b>	<b>11,274,117</b>
<b>Cities</b>											
Fountain Inn	2,028,000	15	135,200	5,931,000	20	296,550	-	8	-	7,959,000	431,750
Simpsonville	4,914,000	15	327,600	6,618,000	20	330,900	-	8	-	11,532,000	658,500
Travelers Rest	687,000	15	45,800	3,561,000	20	178,050	-	8	-	4,248,000	223,850
<b>Cities Total</b>	<b>7,629,000</b>		<b>508,600</b>	<b>16,110,000</b>		<b>805,500</b>	<b>-</b>		<b>-</b>	<b>23,739,000</b>	<b>1,314,100</b>
<b>Grand Total</b>	<b>83,210,500</b>		<b>5,547,367</b>	<b>140,817,000</b>		<b>7,040,850</b>	<b>75,041,000</b>		<b>9,380,125</b>	<b>299,068,500</b>	<b>12,588,217</b>

\* Note: Parker's Mill Village Renewal costs may be paid through principal forgiveness loans. It may be most advantageous to seek these as part of a larger project to regionalize. As such, the cost has been excluded from the Total Average Cost Per Year column.



# Summary of Average Monthly Sewer Cost Per Residential Customer

- Below is a summary table of the information provided by each SPD / City, and information gathered from the SC Rural Infrastructure Authority for Travelers Rest, with respect to the average monthly sewer cost per residential customer, assuming a household with a \$100,000 tax value.

Type of Charge	Berea	Gantt	Marietta <sup>1</sup>	MetroConnects	Parker	Taylors	Wade Hampton	Fountain Inn	Simpsonville <sup>3</sup>	Travelers Rest <sup>4</sup>
Millage Revenue for Sewer Service	\$6.93	\$3.97	-	-	\$5.14	\$7.87	\$10.44	-	-	-
Base Fee on Tax Bill	-	-	-	-	-	\$10.00	\$2.50	-	-	-
Base Fee on Water Bill	\$10.00	-	-	\$11.00	-	-	-	\$20.40	\$15.42	-
Usage Fee <sup>2</sup>	\$2.02	-	\$75.74	\$6.16	-	-	-	-	-	-
Rehabilitation Fee	-	\$2.08	-	-	\$6.25	-	-	-	-	-
Capital Fee	-	-	-	-	\$3.75	-	-	-	-	-
City Fees	-	-	-	-	-	-	-	-	-	\$51.30
<b>Total</b>	<b>\$18.95</b>	<b>\$6.05</b>	<b>\$75.74</b>	<b>\$17.16</b>	<b>\$15.14</b>	<b>\$17.87</b>	<b>\$12.94</b>	<b>\$20.40</b>	<b>\$15.42</b>	<b>\$51.30</b>

<sup>1</sup> Marietta operates a joint Water and Sewer enterprise that makes it difficult to isolate revenues specific to Sewer service. Based on Marietta's FY2018 audited revenues of \$642,277, a customer base of 530, and an assumed Water vs. Sewer fee breakdown of 25% and 75%, it is assumed that an average customer pays a monthly fee of \$75.74.

<sup>2</sup> Based on an average monthly usage of 4,000 gallons.

<sup>3</sup> Simpsonville charges \$5.21 per month for residential customers who use less than 2,700 gallons per month and \$15.42 for over 2,700 gallons per month. It is assumed that the average customer uses over 2,700 gallons per month.

<sup>4</sup> Per SC Rural Infrastructure Authority.

# First Tryon's Estimate of Average Monthly Cost Per Customer

- First Tryon contacted each SPD and City requesting the estimated monthly cost per customer for sewer service, as well as utilized information from the SC Rural Infrastructure Authority (summarized on prior page).
- As an alternative approach, First Tryon used the number of active laterals indicated in the CDM Smith Capital Improvement Needs Report as a proxy for the number of customers within each SPD and the Cities and divided the sanitary sewer specific revenue generated in the most recent fiscal year by the number of laterals in each SPD and the Cities.
  - First Tryon has then estimated the increased cost per customer within each SPD or City to fund the annual Capital Improvement Needs identified by CDM Smith.

SPD	Current Monthly Cost / Customer	Active Laterals	Annual Revenues Generated	Avg. Cost Per Year	Needed Increase in Monthly Cost "CDM Study" / Customer	New Monthly Cost / Customer	% Increase in Cost
Berea	\$30.34	6,782	\$2,469,532	\$1,545,267	\$18.99	\$49.33	63%
Gantt	\$19.95	5,500	\$1,316,945	\$1,820,283	\$27.58	\$47.53	138%
Marietta <sup>1</sup>	\$75.74	530	\$481,708	\$215,567	\$33.89	\$109.63	45%
MetroConnects <sup>2</sup>	\$17.16	44,575	\$9,178,884	\$0	\$0.00	\$17.16	0%
Parker <sup>3</sup>	\$22.31	15,393	\$4,120,254	\$3,504,600	\$18.97	\$41.28	85%
Taylors <sup>4</sup>	\$34.10	9,022	\$3,691,946	\$1,327,147	\$12.26	\$46.36	36%
Wade Hampton	\$13.12	5,739	\$903,452	\$1,220,750	\$17.73	\$30.84	135%
Fountain Inn	\$24.30	4,020	\$1,172,332	\$431,750	\$8.95	\$33.25	37%
Simpsonville	\$24.89	7,150	\$2,135,145	\$658,500	\$7.67	\$32.56	31%
Travelers Rest	\$13.51	1,600	\$259,408	\$223,850	\$11.66	\$25.17	86%
Unified		100,311		\$10,947,713	\$9.09		

Note: First Tryon has estimated the average Current Monthly Cost / Customer based on the most recent audited financial statements.

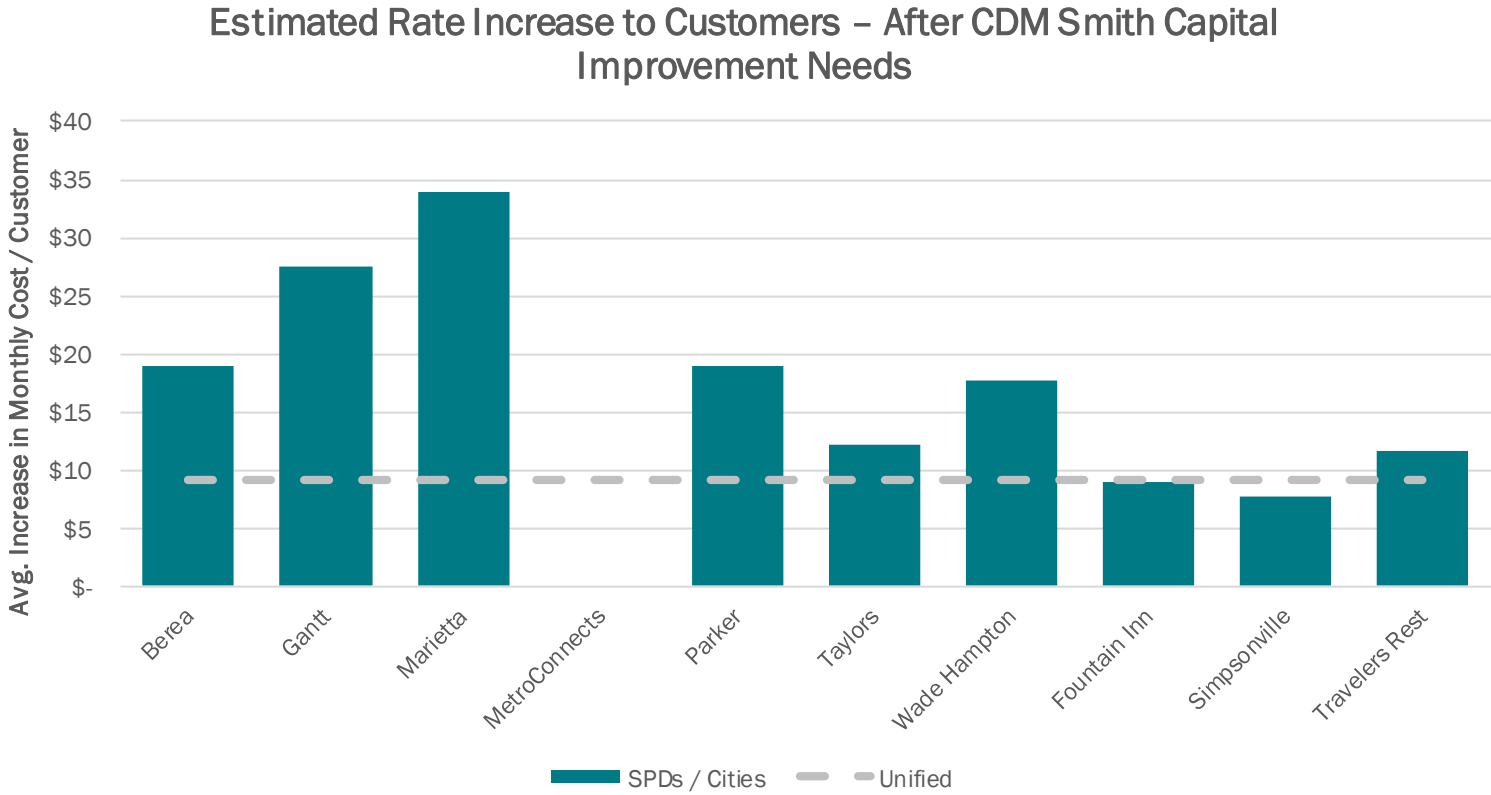
<sup>1</sup> Based on Marietta's FY2018 audited revenues of \$642,277, a customer base of 530, and an assumed Water vs. Sewer fee breakdown of 25% and 75%.

<sup>2</sup> MetroConnects' CDM Smith Capital Improvement Needs have been identified in its annual budget, thus they do not anticipate a cost increase to fund the needs.

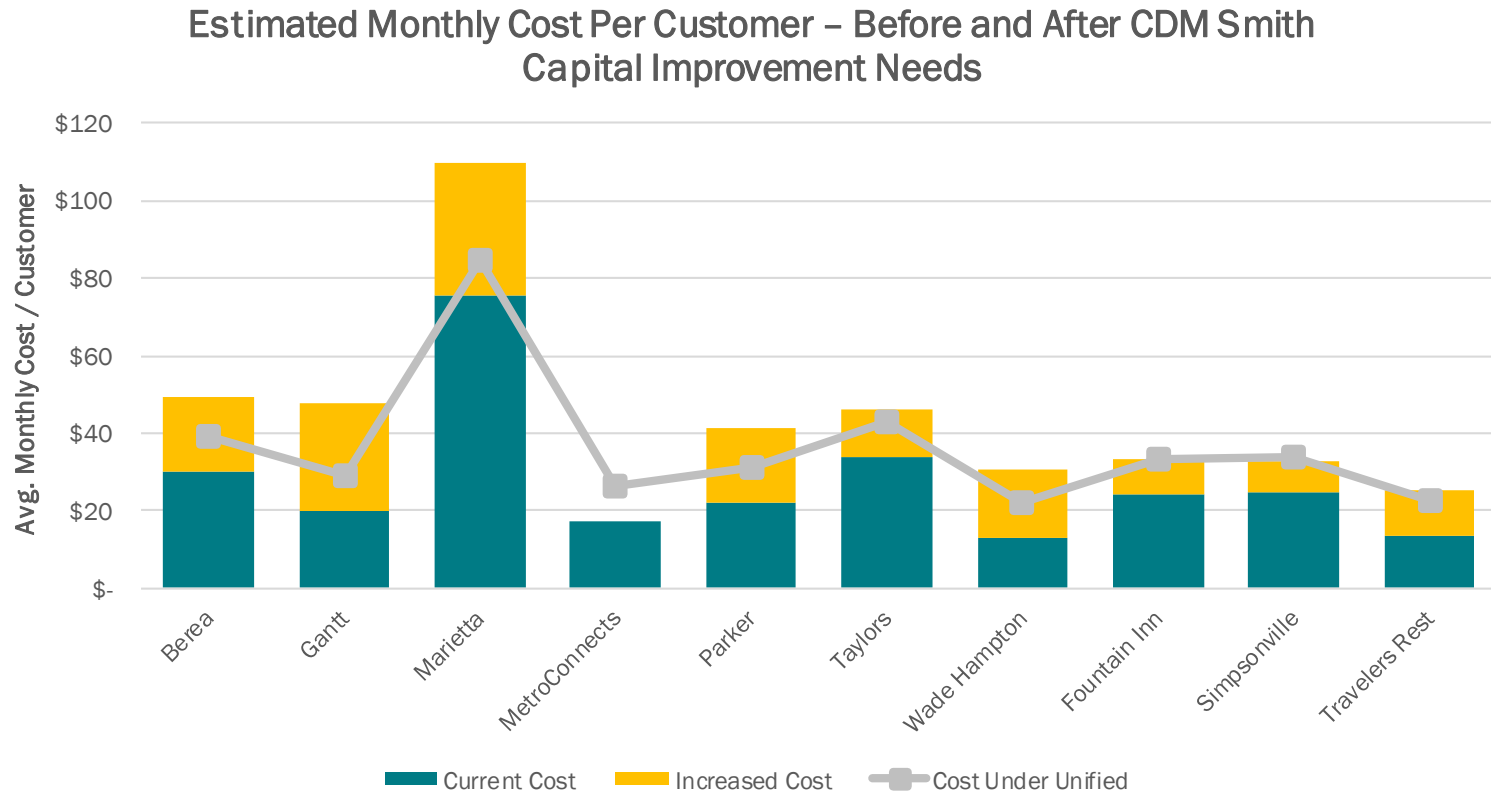
<sup>3</sup> Parker's average cost per customer is estimated based on its Sewer share of expenditures applied to the total FY2018 revenues. Parker's Mill Village Renewal costs may be paid through principal forgiveness loans. It may be most advantageous to seek these as part of a larger project to regionalize. As such, the cost has been excluded from the Total Average Cost Per Year column.

<sup>4</sup> \$2.15 million of Taylor's CDM Smith Capital Improvement Needs (Deferred Sewer Renewal) were included as part of its FY2020 Budget, thus reducing their annual requirement going forward.

# Estimated Rate Increase to Customers – After CDM Smith Capital Improvement Needs



# Estimated Monthly Cost Per Customer – Before and After CDM Smith Capital Improvement Needs



# Rate Structure Observations

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- A fair question for an outside observer to ask is what is the average customer in Greenville County, or within a specific SPD or City, paying for its sewer service.
  - This question is a difficult one to answer for a few primary reasons:
    - Some citizens are in a jurisdiction that merges its sewer services with other services, such as fire or water;
    - Some jurisdictions are primarily property tax based;
    - Some jurisdictions are primarily usage / rate based; and
    - Some jurisdictions utilize a combination of property taxes and usage / rate based charges to generate revenue.
  
- A property tax based rate structure poses a challenge as it is somewhat of an imperfect rate structure.
  - As each SPD was being created, charging property taxes made sense in order to immediately generate revenues for operations and capital.
  - However, as each SPD's sewer system matures, the natural transition would be to a rate / usage based structure.
  - By continuing to charge property taxes for sewer, there are groups of citizens within each SPD that are paying property taxes for a service that they have never, and may never, receive.
  
- Some SPDs have transitioned away from property tax revenues while others continue to use it as a primary or secondary source of revenue.
  - As a result, this has generated inconsistent pricing for customers throughout the County.
    - As such, the County may want to consider ways to achieve a more uniform sewer rate structure for citizens.

# Conclusions

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- The CDM Smith Capital Improvement Needs Report has identified nearly \$300 million of Greenville County SPD and City sanitary sewer collection service Capital Improvement Needs over the next 20 years.
  - While some SPDs and Cities have the capacity or a potential plan to address these needs, some SPDs and Cities simply cannot raise enough revenues to fund the identified needs.
  
- In addition to the CDM Smith Capital Improvement Needs, the Wet Weather Study will add additional needs to each SPD's and City's list of capital improvements.
  - In order to address these needs, in addition to the CDM Smith Capital Improvement Needs, the SPDs and Cities will likely need to have access to outside sources of funding.
  
- Some SPDs and Cities appear to operate their capital program on a reactive, instead of proactive basis, without much consideration given to long-term projections or needs.
  - As a result, substantial Deferred Sewer Renewal needs have not been addressed.

# Recommendations

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- After going through the process of the Financial Study with each SPD, First Tryon has identified the following recommendations to address some of the challenges that came to light:
  - Separating Out Sewer Services from Other Services Provided
    - From an accounting perspective, it would be beneficial for all SPDs to separate out sewer services from other services provided so that revenues and expenditures can be tracked specifically for sewer service.
    - An extension of this recommendation would be to clearly delineate millage / fees / charges that are imposed on the customers specifically for sewer services.
    - This will prevent one service from potentially cannibalizing revenues from another service.
  - Migrate Away from Sewer Millage
    - By going to a purely usage based revenue stream, each SPD will be able to run their sewer as an enterprise system, instead of a governmental type fund.
      - As a general rule of thumb, it is considered best practices from an accounting and governance perspective to operate a sewer system as an enterprise system.
    - Additionally, a usage based fee more accurately charges customers for their usage and the capacity that they require of the sewer system.
      - Those who currently do not receive sewer service, and may never receive sewer service, would no longer be paying property taxes for something that they do not receive.
      - Similarly, an individual living in a relatively expensive house who uses minimal sewer service will now pay relatively less for sewer than a large family in a house with a lower assessed value who uses much more sewer service.
  - Emphasis on Long-Term Planning
    - Given the large Deferred Sewer Renewal needs identified by CDM Smith, First Tryon would recommend that each SPD and City establish (or expand upon) some form of long-term planning. This planning will not only focus on the CDM Smith Capital Improvement Needs, but also other capital needs of the SPD or City.
    - Long-term planning provides the SPD or City with a picture how future year operations may play out, identifying potential budget constraints or areas of need.

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