

Assessment Findings for:

Town of Waynesville / Lake Junaluska Assembly Public Works / Utilities Consolidation



February 22, 2012

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Project Purpose

- To provide the management, elected officials and community members of the Town of Waynesville (TOW) and Lake Junaluska Assembly (LJA) with a clear and objective analysis of the projected impact of the assumption of LJA's public works and utilities functions by the TOW.



Project Scope

- The study will contain the following sections:
 - LJA Infrastructure Assessment
 - TOW Water and Sewer Asset Management Plan Update
 - Project Financial Analysis Summary



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Milestones

- **Dec 15, 2012** – Project Kickoff
- **Jan 28, 2013** – Preliminary JLA Infrastructure Assessment Findings
- **Feb 22, 2012** – Final JLA Infrastructure Assessment Findings
- **April 1, 2013** – TOW Asset Management Plan Complete
- **April 15, 2013** – Final Reports Due Summarizing Project Findings



Services / Assets In Scope

- The following items are in scope for LJA to transfer ownership and responsibility to the TOW:
 - Streets (as clearly defined)
 - Sidewalks (that abut the streets for which TOW is assuming responsibility)
 - Water and sewer infrastructure
 - Pump station
 - Water tank
 - Water meters
 - Lift station
 - Stormwater ditches/culverts
 - Storm drainage collection/conveyance system
 - Public utilities/works administrative and billing support
 - All road right-of-way along with any other applicable easements
 - Fire protection
 - Police protection
 - Street lighting
 - Planning and inspections services



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Services / Assets Out of Scope

- The following items are out of scope and LJA will retain control of:
 - Sidewalks and walking paths within LJA exempt properties
 - Lake
 - Dam
 - Bridge / Road across the dam
 - Recreational amenities and LJA common areas
 - Pool
 - Golf
 - Walking Trails
 - Playground
 - Picnic areas & benches
 - Outdoor Gym
 - Rose Garden
 - Monuments
 - Memorial structures



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FINDINGS



General Information

- LJA population is estimated at 1,683* people
- LJA consists of 1,044 unique parcels; 152 parcels owned by the Assembly
 - Total of 17 parcels are “exempt”/non-taxable
 - 14 LJA; 3 TOW
 - 1027 parcels are considered as taxable
 - taxed at current TOW tax rate
 - 138 LJA; 889 individual/private property owners
- LJA total assessed value is \$219,345,600
 - Exempt parcel value is \$29,416,500
 - Remaining parcel value is \$189,929,100

** Based on the State demographer's formula for Haywood County and number of residential units identified*



General Information Continued

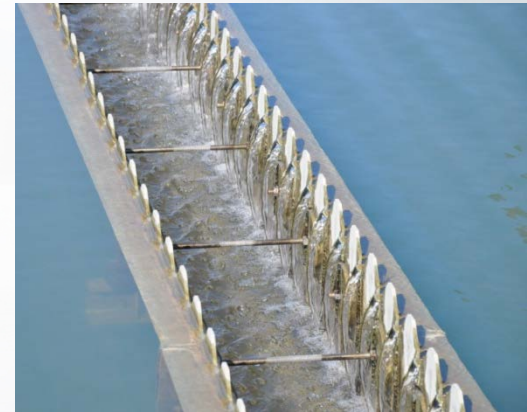
- No tax rate increase factored into financial model
- LJA will remit a payment in lieu of taxes
- Remaining parcels (non-exempt) will generate \$775,291 in ad valorem revenue for the TOW
- LJA will transfer up to twelve (12) full time employees to the TOW

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Water Findings

- Approximately 15.4 miles water lines in LJA
- Two phases of water capital projects for LJA spread over 10 years
- Objectives are to repair / replace:
 - A portion of the small diameter water lines and high priority larger lines
 - A portion of the meters converted to radio read
- Projected expense: \$3.36M
- Additional \$50,000 is factored in for vehicle needs in water/sewer over 10 years



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Sewer Findings

- Approximately 15 miles of sewer lines in LJA
- Two phases of sewer capital projects in LJA spread over 10 years
- Objectives are to repair/replace high priority and some medium priority line issues
- Projected expense: \$2.27M
- Additional maintenance and repair monies have also been factored in for water / sewer to address preventive maintenance needs and smaller repair projects

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Street Findings

- Approximately 16.6 miles of streets in LJA
- 9.37 miles are currently Powell Bill eligible
- \$3.6M in improvement projects identified for LJA streets; however, that is unrealistic to undertake this level of capital improvement
- Financial model includes \$100k annually for street improvements
- \$180,000 in vehicle expense for 10 years
- No change in street lighting; TOW will simply assume the contract



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Solid Waste Findings

- LJA residents will see a decrease in solid waste expense
- LJA exempt properties will be billed for solid waste expenses as are other businesses
- LJA will transfer one truck to TOW



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Fire/Police Findings

- Non-exempt properties will no longer pay additional fees for fire protection
- TOW will not need to make any changes for fire protection support, currently providing
- TOW will increase staff / equipment to support new police service area



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FINANCIAL ANALYSIS



TOW Financial Impacts

- Two (2) funding streams are impacted
 - Water / Sewer Fund
 - General Fund



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Water/Sewer Fund

- Only water/sewer revenues and expenses are accounted for in this fund
- Loss in revenue incurred by switching from bulk outside sales rates to inside residential rates
- Significant costs associated with water/sewer capital improvement expenses
- Ongoing operation and maintenance expense for assumed employees (3) and annual maintenance

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Water/Sewer Fund Continued

- Including CIP investments:
 - Projected annual net income between: -\$314k to -\$1.04M
 - Cumulative net income over 10 years: -\$7.25M
- Excluding CIP investments:
 - Projected annual net income between: -\$314k to -\$506k
 - Cumulative net income over 10 years: -\$4.16M



General Fund

- All other services and taxes effect the General Fund
- Revenues increase due to taxes generated from non exempt properties
- Ongoing operation and maintenance expense for assumed employees (7), new employees (police), and annual maintenance
- Expenses increase due to capital project needs

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General Fund Continued

- Projected annual net income between: \$333k to \$508k
- Cumulative net income over 10 years: \$4.24M



Financial Summary

- Excluding CIP:
 - Water/Sewer Fund without CIP:
Cumulative net income -\$4.16M
 - General Fund: Cumulative net income
\$4.24M
 - Differential: \$80k over 10 years
- If no investment made in capital projects, there is almost a wash between the Water/Sewer fund and General Fund



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Financial Summary Continued

- Including CIP:
 - Water/Sewer Fund with CIP: Cumulative net income -\$7.25M
 - General Fund: Cumulative net income \$4.24M
 - Differential: -\$3M over 10 years
- Additional monies will be needed from TOW's current water/sewer fund and possibly general fund to offset the remainder of the loss
- Will continue to operate at a loss unless rates are adjusted
- Amount of loss can be dialed back if P1/P2 water/sewer projects are undertaken over a period of time in excess of 10 years

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Perspective

- LJA has well run public works/public utilities systems with conscientious and quality staff supporting them
- State of infrastructure and capital projects needed for LJA are not abnormal
- Small systems across the state are faced with similar capital investment challenges and considering options
- Systems across the country are dealing with aging infrastructure and limited financial resources
- Capital project estimates were cautious; some opportunity for cross coordination and savings

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Perspective Continued

- TOW staff understands the of state of LJA's assets and the level of effort that needs to occur
- TOW rates are low compared to peers and will be able to tolerate adjustments
 - Water Bill for 4000 gal
 - Waynesville - \$16.93, 50 mi radius avg - \$27
 - Sewer Bill for 4000 gal
 - Waynesville - \$18.59, 50 mi radius avg - \$27
 - Water Bill for 10,000 gal
 - Waynesville - \$28.15, 50 mi radius avg - \$50
 - Sewer Bill for 10,000 gal
 - Waynesville - \$33.11, 50 mi radius avg - \$55

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Conclusion

- TOW and LJA leadership feel that the time is right to consider bringing the communities closer together
- Annexation will benefit and is in the best long term interest of both parties
- Despite the initial financial challenges, adjustments can be made rates and timing of capital investments to lessen the impact

