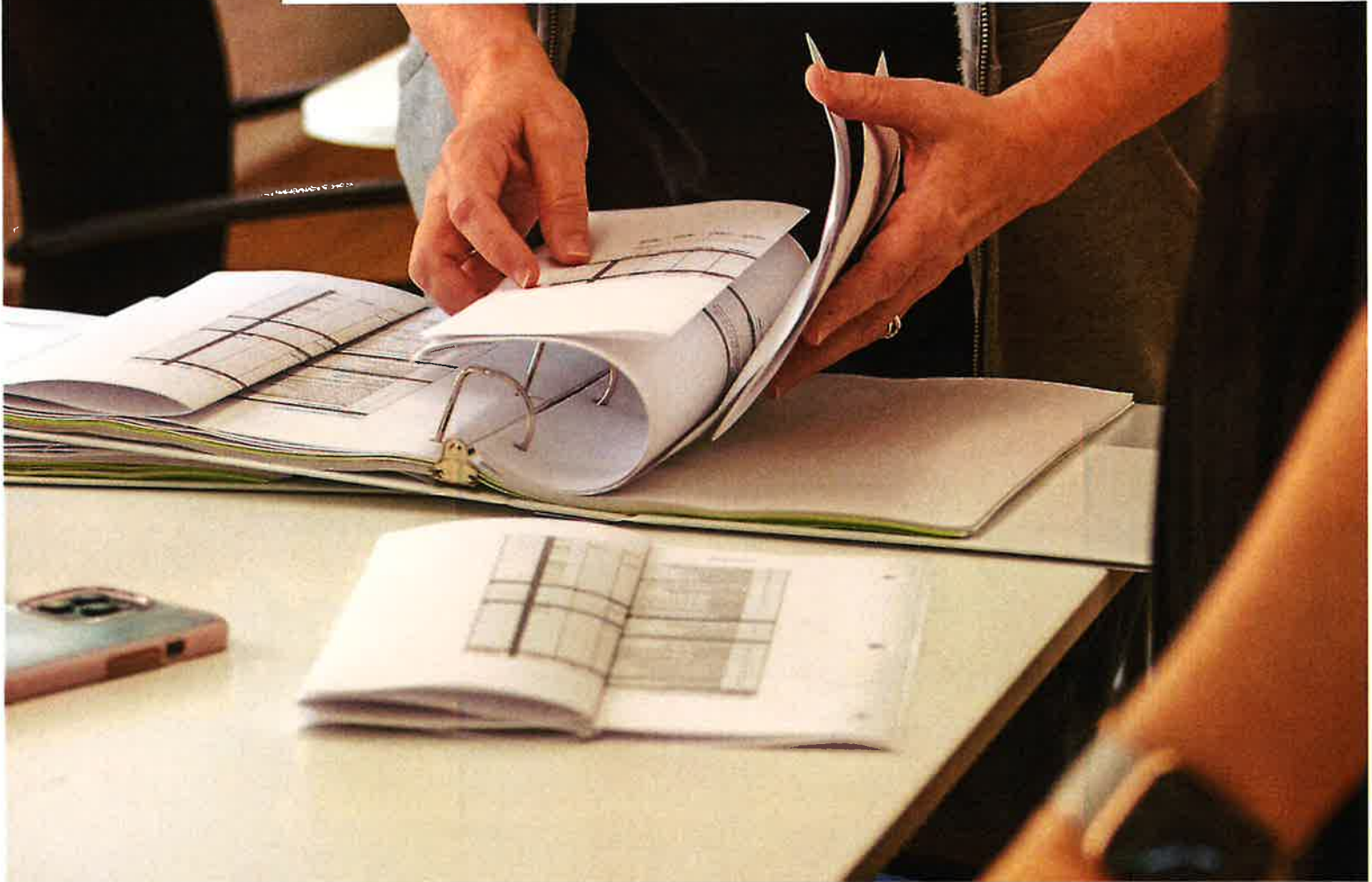


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Wastewater Merger & Regionalization Feasibility Study



Town of Hertford, NC

03/07/2025



WithersRavenel
Our People. Your Success.

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Introduction

The Town of Hertford was awarded a North Carolina Wastewater Merger / Regionalization Feasibility Grant (MRF) to understand the feasibility of taking full ownership of the Town of Winfall's sewer collection system, while providing safe and reliable service at the lowest cost to its customers and those in Winfall. Since Hertford combines its water and sewer programs into one (1) fund, the study reviews the entire fund. However, the Town of Winfall's sewer program is recorded and managed in a separate fund from its water program. The study only focuses on the Winfall sewer fund and considers the effects of a possible acquisition by Hertford.

In conducting this study, WithersRavenel examined the past and present financial reports from each town, reviewed previously prepared studies, and projected future financial needs of each. The following considerations were identified for the study:

- Review the past and current financial status of each municipality's utility programs.
- Project the financial needs of each program over the next five (5) years.
- Determine each program's future capital needs.
- Review the feasibility of completely merging the Town of Winfall's sewer system with the Town of Hertford, a larger utility, while considering the key factors such as operation, reliability, customer service, financial requirements, and operational standing.
- Evaluate the financial impact of each option on each town's customers.
- Evaluate the technical, organizational, and financial challenges for the towns for each option.

Certain assumptions have been made with respect to conditions that may occur in the future. While these assumptions are reasonable for the purposes of this study, they are dependent upon future events and actual conditions may differ from those assumed. In addition, information has been used and relied upon which has been provided by others. This information includes, among other things, audited financial statements, annual operating budgets, and capital improvement plans. While this information is deemed reliable, the information has not been independently verified, and no assurances are offered with respect thereto. To the extent that actual future conditions differ from those assumed herein or are provided by others, the actual results may differ from those anticipated.

This analysis addresses each system's infrastructure, revenue requirements, future capital needs, debt service requirements, and presents a financial analysis, findings, and outcomes of each alternative.

Overview

Town of Hertford

The Town of Hertford, in Perquimans County, has a population of 2,133 with 878 residential and 140 non-residential connections to its wastewater system, according to the 2023 Local Water Supply Plan.

The sewer distribution system is difficult for the Town to maintain because of aging infrastructure, infiltration and inflow, excess treatment capacity, inadequate revenue, and minimal staff to perform needed maintenance.

In June 2021, the Town of Winfall approached Hertford, to offer ownership of their sewer collection system. Winfall's sewer system has been connected to Hertford for sewer treatment since 2001. Hertford has many ongoing challenges in its sewer system yet has much greater capacity to operate and manage a utility than Winfall, which lies just to the north across the Perquimans River.

Hertford lacks detailed information about Winfall's collection system, particularly condition assessment or details of maintenance and repairs, but has a record of significant inflow and infiltration from Winfall's interconnect that regularly exceeds Winfall's allotted 0.1 MGD capacity.

Town of Winfall

The Town of Winfall approached Hertford in 2021 about merging the two (2) systems, as it has a working relationship with the Town of Hertford for treatment. Winfall has sent its wastewater to Hertford since 2001 for treatment. The Town of Winfall has a population of 618 with 145 wastewater connections. While Winfall has a contract with Hertford for 0.1 MGD, they regularly exceed that amount with an average of 0.124 MGD according to the 2023 Local Water Supply Plan. Water service is provided by Perquimans County.

Option A – Status Quo

Consideration must be given to the possibility that a merger may not occur due to financial, economic, or political challenges, or a combination thereof. This possibility should be acknowledged, and the potential impacts of the status quo explored. In the following section, the impact on Winfall as a partner in maintaining the status quo is examined.

Overall, maintaining the status quo does not move the Town of Hertford toward a stronger, more viable wastewater system. The burden of an aged infrastructure coupled with ongoing operations and maintenance will remain with a smaller, concentrated group who are unlikely to be able to shoulder the financial burden long term.

This plan will need to address the existing aging infrastructure and wastewater treatment concerns within the system.

Infrastructure Impacts

Town of Hertford

The Town of Hertford would continue to own and operate the Town's existing collection system, including the wastewater treatment plant with a permitted capacity.

Town of Winfall

The Town of Winfall is not impacted with this option.

Financial Impacts

In analyzing the financial status of each of the entities incorporated in this study, the following financial assumptions are used and are consistently applied to each entity:

- Natural revenue growth for Hertford is flat as population projections are projected to be level.
- Expenses are anticipated to increase by average annual rates between 4% and 6% annually.
- Hertford's Capital Improvement Plan (CIP) was enhanced from the recent Asset and Inventory Assessment Grant and combined with other known projects previously identified by Town staff. It will be funded using grants, earmarks, American Rescue Plan Act funds, and cash on hand, as shown in Table 1.
- In the absence of a current CIP for Winfall, depreciation from the most recent audit is utilized as a placeholder for annual capital expenses.

TABLE 1
HERTFORD WATER AND SEWER FUND
CAPITAL IMPROVEMENTS PLAN

PROJECT NAME	10-YEAR COST	YEAR 1 2026	YEAR 2 2027	YEAR 3 2028	YEAR 4 2029	YEAR 5 2030	YEAR 6 2031	YEAR 7 2032	YEAR 8 2033	YEAR 9 2034	YEAR 10 2035	YEAR 11 2035+
WATER & WASTEWATER IMPROVEMENTS (SHARED W/ ELECTRIC?)												
Revolving Truck / Equipment replacement	1,500,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Utilities construction Commerce Park	2,920,000	100,000	100,000	100,000	100,000	2,600,000						
New Public Works Building Buildout/Fit out (ARPA)	400,000	100,000	100,000	100,000	100,000							
New Public Works Compound Fencing, lighting, and Security	220,000				25,000	195,000						
New Public Works Garage structure	300,000						300,000					
WATER & WASTEWATER IMPROVEMENTS SUBTOTAL												
Earmark	5,340,000	250,000	250,000	370,000	475,000	2,945,000	450,000	150,000	150,000	150,000	150,000	0
ARPA	2,920,000			120,000	200,000	2,600,000						
Pay Go	400,000	100,000	100,000	100,000	100,000							
	2,020,000	150,000	150,000	150,000	175,000	345,000	450,000	150,000	150,000	150,000	150,000	
WATER IMPROVEMENTS												
WR Wasteline Replacement project (BIDDING)	0											
Black Ave and Hyde Park Main Replacement (CDBG)	348,850				318,950			555,605				2,811,000
W Market St (CDBG)	555,005							403,838				551,000
Raw Water Line	403,838											291,000
Don Juan and Grubb St Main Replacement (Transmission Line)	0											395,000
South End and Ballalack Main Replacement	0											356,000
N-Hwy 17 Main Replacement	0											705,000
Hwy 17 Business Corridor	0											
Dobbs St Main Replacement	0											
N Edenton Road St Main Replacement (railroad)	0											
3-7 (4) hydrants replacements annually	203,067	38,750	38,588	40,517	42,543	44,870						
Smart Meters annually	580,191	105,000	110,250	115,763	121,551	127,828						
WATER IMPROVEMENTS SUBTOTAL												
Grant	2,091,751	141,750	148,838	156,279	512,944	172,298	0	959,642	0	0	0	5,109,000
ARPA	1,308,493				348,850			959,642				
Pay Go	0											
	783,256	141,750	148,838	156,279	164,093	172,298	0	0	0	0	0	0
SEWER COLLECTION SYSTEM IMPROVEMENTS												
WR Project (BIDDING)	0											
Wrens Circle Main Line Force Main Replacement (CDBG)	729,304				729,304							1,112,000
Willow St Pump Station Repair	749,985											576,000
Grubb St 12 Force Main Replacement	0											550,000
Cemetery Infiltration Phase 1	0											768,000
Cemetery Infiltration Phase 2	0											210,000
W Grubb and Punch Aly Gravity Mains Repair	0											
Wynne Fork Force Main Replacement	0											

TABLE 1

**HERTFORD WATER AND SEWER FUND
CAPITAL IMPROVEMENTS PLAN**

PROJECT NAME	10-YEAR COST	YEAR 1 2026	YEAR 2 2027	YEAR 3 2028	YEAR 4 2029	YEAR 5 2030	YEAR 6 2031	YEAR 7 2032	YEAR 8 2033	YEAR 9 2034	YEAR 10 2035	YEAR 11 2035+
S Hyde Park 10" Force Main Replacements	0	0	0	0	0	0	0	0	0	0	0	370,000
Hwy 175 Church (Business District) Gravity Mains	0	0	0	0	0	0	0	0	0	0	0	562,000
Pennsylvania St Rehab/Replacement	0	0	0	0	0	0	0	0	0	0	0	861,000
Bus 17 Line Repair	0	0	0	0	0	0	0	0	0	0	0	1,383,000
Rehab Miscellaneous 6" and 8" Lines	0	0	0	0	0	0	0	0	0	0	0	924,000
New Gravity Sewer Lines at Meads Circle (6 000ft line)	0	0	0	0	0	0	0	0	0	0	0	900,000
SEWER TREATMENT AND PUMP STATION IMPROVEMENTS												
Waste Water Mechanical Operations Structure (50650)	26,250	26,250	0	0	0	0	0	0	0	0	0	0
3rd Chamber Plant Expansion CDBG	1,337,057	0	0	0	1,337,057	0	0	0	0	0	0	0
WWTP Plant Rehab - Influent, Effluent, Chlorine to SO2, SCADA (SRF CDBG)	4,500,000	4,500,000	0	0	0	0	0	0	0	0	0	0
Replace/Upgrade Cemetery Pump Station (CDBG)	619,908	0	0	0	619,909	0	0	0	0	0	0	0
Sewer Line Clean Outs annually	475,191	0	110,250	115,763	121,551	127,628	268,019	281,420	285,491	310,266	325,779	0
Sewer Line Clean Outs annually	1,480,975	0	0	0	0	0	0	386,953	0	0	0	0
Replace/Upgrade Feed and Suck Pump Station (CDBG)	386,953	0	0	0	0	0	0	386,953	0	0	0	0
Replace/Upgrade Willow Pump Station (CDBG)	576,911	0	0	0	0	0	0	576,911	0	0	0	0
SEWER TOTAL	10,882,533	4,526,250	110,250	115,763	2,807,819	127,628	268,019	1,995,268	295,491	310,266	325,779	8,216,000
Grant (CDBG)	8,900,117	4,500,000	0	0	2,566,269	0	0	1,713,848	0	0	0	0
ARPA	0	0	0	0	0	0	0	0	0	0	0	0
Pay Go	1,982,416	26,250	110,250	115,763	121,651	127,628	268,019	281,420	295,491	310,266	325,779	0
TOTAL	18,314,284	4,916,000	509,088	642,042	3,795,763	3,244,926	718,019	3,104,911	445,491	460,266	475,779	13,325,000
DEBT PACKAGES												
ANNUAL DEBT	0	0	0	0	0	0	0	0	0	0	0	0
ANNUAL GRANT	10,208,610	4,500,000	0	0	3,035,119	0	0	2,673,491	0	0	0	0
ANNUAL EARMARK	2,920,000	0	0	120,000	200,000	2,600,000	0	0	0	0	0	0
ARPA	400,000	100,000	100,000	100,000	100,000	0	0	0	0	0	0	0
ANNUAL CAPITAL OUTLAY	4,785,674	318,000	409,088	422,042	460,644	644,926	718,019	431,420	445,491	460,266	475,779	13,325,000

Town of Hertford

The Town of Hertford operated its utility with an annual net loss for three (3) of the last six (6) audited years. Based on the assumptions utilized in this analysis, expenses for the utility will continue to outpace revenue when considering capital expenses needed. The need to begin to achieve a positive net income, maintain an adequate net position, and pay for capital improvements results in the Town needing a revenue increase of 7% annually, as depicted in Table 2.

TABLE 2
HERTFORD WATER AND SEWER FUND
FINANCIAL ANALYSIS
STATUS QUO

	YEAR 1 2026	YEAR 2 2027	YEAR 3 2028	YEAR 4 2029	YEAR 5 2030
REVENUES					
CHARGES FOR SERVICES					
WATER	817,173	817,173	817,173	817,173	817,173
SEWER	1,418,166	1,418,166	1,418,166	1,418,166	1,418,166
WINFALL CHARGES	144,000	144,000	144,000	144,000	144,000
WATER & SEWER TAPS	1,025	1,025	1,025	1,025	1,025
MISCELLANEOUS SEWER	8,324	8,324	8,324	8,324	8,324
TOTAL OPERATING REVENUE	2,388,688	2,388,688	2,388,688	2,388,688	2,388,688
NON OPERATING REVENUE:					
INVESTMENT EARNINGS	22,927	27,725	33,121	41,772	57,763
TOTAL PRESENT REVENUES	2,411,615	2,416,413	2,421,809	2,430,460	2,446,451
NEW SOURCES OF REVENUE:					
REVENUE FROM WATER REVENUE INCREASES	57,202	118,408	183,899	253,974	328,955
PROJECTED RATE OF INCREASE	7.0%	7.0%	7.0%	7.0%	7.0%
REVENUE FROM SEWER REVENUE INCREASES	109,352	226,358	351,554	485,515	628,853
PROJECTED RATE OF INCREASE	7.0%	7.0%	7.0%	7.0%	7.0%
TOTAL REVENUES	2,578,168	2,761,180	2,957,263	3,169,949	3,404,258
EXPENDITURES					
SALARIES AND BENEFITS	651,631	690,728	732,172	776,103	822,669
VEHICLE EXPENSE	84,480	87,859	91,373	95,028	98,829
MATERIAL AND SUPPLIES	157,254	163,544	170,086	176,889	183,964
MAINTENANCE AND REPAIRS	30,630	32,467	34,415	36,480	38,669
OTHER OPERATING EXPENSES	365,142	379,748	394,937	410,735	427,164
UTILITY FEES	188,362	195,897	203,732	211,882	220,357
INSURANCE	33,280	34,611	35,996	37,435	38,933
TOTAL OPERATING EXPENDITURES	1,510,777	1,584,854	1,662,712	1,744,552	1,830,586
CAPITAL OUTLAY:					
EXISTING DEBT - PRINCIPAL	318,000	409,088	422,042	460,644	644,926
INTEREST EXPENSE	178,176	170,584	162,755	154,725	146,455
TOTAL EXPENDITURES	2,418,209	2,581,333	2,668,893	2,636,904	2,903,576
REVENUE OVER EXPENDITURES	159,960	179,846	288,370	533,045	500,683
UNRESTRICTED NET POSITION					
UNRESTRICTED NET POSITION / EXPENDITURES	1,218,392	1,398,239	1,686,609	2,219,653	2,720,336
	50.38%	54.17%	63.20%	84.18%	93.69%
CASH					
CASH / EXPENDITURES	924,183	1,104,030	1,392,400	1,925,444	2,426,127
	38.22%	42.77%	52.17%	73.02%	83.56%

An enterprise fund is expected to raise rates to pay for all expenses of the fund. Surpluses should accumulate as unrestricted net assets in preparation of funding major capital expenditures that are needed for the system to continue to operate safely.

The average monthly Hertford sewer bill of \$118.22 is higher than the median sewer bill of \$53.66 for units within a 50-mile radius. The average bills are based on 5,000 gallons usage as of July 2024. The potential monthly increases from the revenue increases are shown in Table 3.

TABLE 3
Hertford Proposed Revenue Increases - Do Nothing Alternative

Fiscal Year	Potential Revenue Increase Needed	Potential Monthly Increase to Customers
2026	7%	\$8.28
2027	7%	\$17.13
2028	7%	\$26.60
2029	7%	\$36.74
2030	7%	\$47.59

Town of Winfall

The Town of Winfall operated its utility with an annual net loss three (3) of the last six (6) audited years. However, when depreciation and the lack of capital investment is considered, the program operated at a net loss all six (6) years. Based on the assumptions utilized in this analysis, expenses for the utility will continue to outpace revenue when considering more needed capital expenses. The need to begin to achieve a positive net income, maintain an adequate net position, and pay for capital improvements results in the Town needing a revenue increase of 65% in FY 2026 and 10% annually thereafter, as depicted in Table 4.

TABLE 4
WINFALL SEWER FUND
FINANCIAL ANALYSIS
STATUS QUO

	YEAR 1 2026	YEAR 2 2027	YEAR 3 2028	YEAR 4 2029	YEAR 5 2030
REVENUES					
CHARGES FOR SERVICES	246,586	246,586	246,586	246,586	246,586
PENALTIES	7,954	7,954	7,954	7,954	7,954
TOTAL OPERATING REVENUE	254,540	254,540	254,540	254,540	254,540
NEW SOURCES OF REVENUE:					
REVENUE FROM SEWER REVENUE INCREASES	160,281	200,968	245,723	294,954	349,108
PROJECTED RATE OF INCREASE	65.0%	10.0%	10.0%	10.0%	10.0%
TOTAL REVENUES	414,821	455,508	500,263	549,494	603,648
EXPENDITURES					
OUTSIDE LABOR COST	30,409	32,234	34,168	36,218	38,391
CONTRACTED SERVICES	0	0	0	0	0
UTILITIES	19,318	20,090	20,894	21,730	22,599
SEWER TREATMENT CHARGES	116,511	121,172	126,018	131,059	136,302
REPAIRS AND MAINTENANCE	23,000	23,920	24,877	25,872	26,907
OFFICE SUPPLIES	3,848	4,002	4,162	4,328	4,502
TELEPHONE	8,801	9,153	9,519	9,900	10,296
OTHER OPERATING EXPENSES	8,259	8,589	8,932	9,290	9,661
TOTAL OPERATING EXPENDITURES	210,145	219,159	228,570	238,396	248,657
CAPITAL OUTLAY	161,282	161,282	161,282	161,282	161,282
EXISTING DEBT - PRINCIPAL	27,000	27,000	27,500	28,000	28,500
INTEREST EXPENSE	12,578	11,993	11,408	10,798	10,164
TOTAL EXPENDITURES	411,005	419,434	428,760	438,477	448,603
REVENUE OVER EXPENDITURES	3,816	36,074	71,503	111,017	155,045
UNRESTRICTED NET POSITION	94,519	130,593	202,097	313,114	468,159
UNRESTRICTED NET POSITION / EXPENDITURES	23.00%	31.14%	47.14%	71.41%	104.36%
CASH	51,975	88,049	159,553	159,553	159,553
CASH / EXPENDITURES	12.65%	20.99%	37.21%	36.39%	35.57%

An enterprise fund is expected to raise rates to pay for all expenses of the fund. Surpluses should accumulate as unrestricted net assets in preparation of funding major capital expenditures that are needed for the system to continue to operate safely. The average monthly Winfall sewer bill of \$89.50 is higher than the median sewer bill of \$53.66 for units within a 50-mile radius. The average bills are based on 5,000 gallons usage as of July 2024. The potential monthly increases from the revenue increases are shown in Table 5.

TABLE 5
Winfall Proposed Revenue Increases - Do Nothing Alternative

Fiscal Year	Potential Revenue Increase Needed	Potential Monthly Increase to Customers
2026	65%	\$58.18
2027	10%	\$72.94
2028	10%	\$89.19
2029	10%	\$107.06
2030	10%	\$126.71

Organizational Impacts

Town of Hertford

The Town of Hertford is not impacted by this option and is positioned organizationally to maintain the status quo.

Town of Winfall

The Town of Winfall is not impacted with this option and is positioned organizationally to maintain the status quo.

Option B – Winfall Merge with Hertford

In this option, the Town of Winfall would offer its wastewater system to the Town of Hertford at no cost. Winfall wastewater customers would become Town of Hertford wastewater customers but still pay the current Winfall rates.

Infrastructure Impacts

Town of Hertford

The Town of Hertford would continue to own and operate its existing sewer system, and the wastewater treatment plant would continue accepting the wastewater flow from Winfall. Hertford would begin maintenance and repairs to the Winfall collection system.

Town of Winfall

The Town of Winfall would transfer ownership of the Town's existing collection system to the Town of Hertford. Winfall wastewater customers would become Hertford wastewater customers. The treatment of Winfall's wastewater would remain the same as it is already sent to Hertford for treatment. Additional work needs to be performed on condition assessment of Winfall's existing infrastructure so that Hertford can get an accurate picture of the collection system.

Financial Impacts

In analyzing the financial status of each of the entities incorporated in this study, the following financial assumptions are used and are consistently applied to each entity:

- Natural revenue growth for Hertford and Winfall is flat as population projections are projected to be level.
- Expenses are anticipated to increase by average annual rates between 4% and 6% annually.
- Hertford's Capital Improvement Plan (CIP) was enhanced from the recent Asset and Inventory Assessment Grant and combined with other known projects previously identified by Town staff. It will be funded using grants, earmarks, American Rescue Plan Act funds, and cash on hand, as shown in Table 1.
- In the absence of a current CIP for Winfall, depreciation from the most recent audit is utilized as a placeholder for annual capital expenses.

Town of Hertford

With the transfer of ownership of the collection system from the Town of Winfall, the wastewater utility would no longer be the responsibility of the Town of Winfall. Bulk wastewater charges from Winfall will end and be replaced by individual customer charges. Furthermore, all charges related to Winfall operations, including labor and contracted services, will be the responsibility of Hertford. The only obligation assumed to remain with Winfall is their existing debt obligations.

The projected revenue needs and rates for Hertford are expected to be unchanged and only the unrestricted net position is expected to be approximately \$160,000 lower over five (5) years if the Winfall system only requires capital spending equal to its depreciation. Details are shown in Table 6. If additional capital needs are realized, additional revenues will be needed thereby making the merger option more expensive for Hertford and its customers.

TABLE 6
HERTFORD WATER AND SEWER FUND
FINANCIAL ANALYSIS
WINFALL MERGER

	YEAR 1 2026	YEAR 2 2027	YEAR 3 2028	YEAR 4 2029	YEAR 5 2030
REVENUES					
CHARGES FOR SERVICES					
WATER	817,173	817,173	817,173	817,173	817,173
SEWER	1,418,166	1,418,166	1,418,166	1,418,166	1,418,166
WINFALL CHARGES	144,000	144,000	144,000		
WINFALL SEWER REVENUES				246,586	246,586
WATER & SEWER TAPS	1,025	1,025	1,025	1,025	1,025
MISCELLANEOUS SEWER	8,324	8,324	8,324	8,324	8,324
TOTAL OPERATING REVENUE	2,388,688	2,388,688	2,388,688	2,491,274	2,491,274
NON OPERATING REVENUE:					
INVESTMENT EARNINGS	22,927	27,725	33,121	41,772	53,739
TOTAL PRESENT REVENUES	2,411,615	2,416,413	2,421,809	2,533,046	2,545,013
NEW SOURCES OF REVENUE:					
REVENUE FROM WATER REVENUE INCREASES	57,202	118,408	183,899	253,974	328,955
PROJECTED RATE OF INCREASE	7.0%	7.0%	7.0%	7.0%	7.0%
REVENUE FROM SEWER REVENUE INCREASES	109,352	226,358	351,554	517,398	670,149
PROJECTED RATE OF INCREASE	7.0%	7.0%	7.0%	7.0%	7.0%
TOTAL REVENUES	2,578,168	2,761,180	2,957,263	3,304,419	3,544,116
EXPENDITURES					
SALARIES AND BENEFITS	651,631	690,728	732,172	776,103	822,669
VEHICLE EXPENSE	84,480	87,859	91,373	95,028	98,829
MATERIAL AND SUPPLIES	157,254	163,544	170,086	176,889	183,964
MAINTENANCE AND REPAIRS	30,630	32,467	34,415	36,480	38,669
OTHER OPERATING EXPENSES	365,142	379,748	394,937	410,735	427,164
UTILITY FEES	188,362	195,897	203,732	211,882	220,357
INSURANCE	33,280	34,611	35,996	37,435	38,933
WINFALL OPERATIONS				107,337	112,355
TOTAL OPERATING EXPENDITURES	1,510,777	1,584,854	1,662,712	1,851,889	1,830,586
CAPITAL OUTLAY	318,000	409,088	422,042	480,644	644,926
CAPITAL OUTLAY WINFALL				161,282	161,282
EXISTING DEBT - PRINCIPAL	411,256	416,808	421,383	276,983	281,609
INTEREST EXPENSE	178,176	170,584	162,755	154,725	146,455
TOTAL EXPENDITURES	2,418,209	2,581,333	2,668,893	2,905,524	3,064,858
REVENUE OVER EXPENDITURES	159,960	179,846	288,370	398,895	479,258
UNRESTRICTED NET POSITION	1,218,392	1,398,239	1,686,609	2,085,504	2,564,762
UNRESTRICTED NET POSITION / EXPENDITURES	50.38%	54.17%	63.20%	71.78%	83.68%
CASH	924,183	1,104,030	1,392,400	1,791,295	2,270,553
CASH / EXPENDITURES	38.22%	42.77%	52.17%	61.65%	74.08%

Town of Winfall

The Town of Winfall is positioned to be absorbed into the Hertford wastewater system. Hertford would realize the revenues from the Winfall system. The only remaining obligation would be its existing debt obligations.

The average monthly Winfall sewer bill of \$76.50 is higher than the median sewer bill of \$53.95 for units within a 50-mile radius. The average bills are based on 5,000 gallons usage as of February 2024. After a merger, it is assumed that Winfall customer charges would increase at the same rate as Hertford customers.

TABLE 7
WINFALL SEWER FUND
MERGE WITH HERTFORD

	YEAR 1 2026	YEAR 2 2027	YEAR 3 2028	YEAR 4 2029	YEAR 5 2030
REVENUES					
CHARGES FOR SERVICES	246,586	246,586	246,586		
PENALTIES	7,954	7,954	7,954		
TOTAL OPERATING REVENUE	254,540	254,540	254,540	0	0
NEW SOURCES OF REVENUE:					
REVENUE FROM SEWER REVENUE INCREASES	160,281	200,968	245,723	0	
PROJECTED RATE OF INCREASE	65.0%	10.0%	10.0%		
TOTAL REVENUES	414,821	455,508	500,263	0	0
EXPENDITURES					
OUTSIDE LABOR COST	30,409	32,234	34,168		
CONTRACTED SERVICES	0	0	0		
UTILITIES	19,318	20,090	20,894		
SEWER TREATMENT CHARGES	116,511	121,172	126,018		
REPAIRS AND MAINTENANCE	23,000	23,920	24,877		
OFFICE SUPPLIES	3,848	4,002	4,162		
TELEPHONE	8,801	9,153	9,519		
OTHER OPERATING EXPENSES	8,259	8,589	8,932		
TOTAL OPERATING EXPENDITURES	210,145	219,159	228,570	0	0
CAPITAL OUTLAY					
EXISTING DEBT - PRINCIPAL	27,000	27,000	27,500	28,000	28,500
INTEREST EXPENSE	12,578	11,993	11,408	10,798	10,164
TOTAL EXPENDITURES	408,972	417,401	426,727	38,798	38,664
REVENUE OVER EXPENDITURES	5,849	38,107	73,536	(38,798)	(38,664)
UNRESTRICTED NET POSITION	96,552	134,659	208,196	169,398	130,733
UNRESTRICTED NET POSITION / EXPENDITURES	23.61%	32.26%	48.79%	436.61%	338.12%
CASH	54,008	92,115	165,652	165,652	165,652
CASH / EXPENDITURES	13.21%	22.07%	38.82%	426.96%	428.43%

Organizational Impacts

Town of Hertford

The Town of Hertford is positioned to absorb the Winfall wastewater system into its existing utility structure. The Town has stated it will not need to hire additional staff for operations and maintenance. However further analysis will be needed to determine the full impact on operations and capital spending if this route were to be explored.

Town of Winfall

The Town of Winfall would turn over management and operations of their system to the Town of Hertford. The Town of Winfall wastewater system would not continue and would be absorbed within the Hertford system.

Funding Opportunities

Additional engineering analysis will be needed once a path forward is selected. The most probable funding sources identified at the time of this report are from the following programs:

- **Drinking Water State Revolving Fund**
The Drinking Water State Revolving Fund (DWSRF) was established by the 1996 amendments to the Safe Drinking Water Act (SDWA). The DWSRF is a financial assistance program to help water systems and states to achieve the health protection objectives of the Safe Drinking Water Act. The DWSRF provides low-interest loans with competitive principal forgiveness opportunities. The loan terms may not exceed 30 years or the useful life of the project. Interest rates for the loan must be at or below market rate and could include interest-free loans.
- **United States Department of Agriculture**
Through Rural Utilities Service Water and Environmental Programs (WEP), rural communities obtain the technical assistance and financing necessary to develop drinking water and waste disposal systems. Safe drinking water and sanitary waste disposal systems are vital not only to public health, but also to the economic vitality of rural America. Rural Development is a leader in helping rural America improve the quality of life and increase the economic opportunities for rural people. The Water and Environmental Program provides funding for the construction of water and waste facilities in rural communities and is proud to be the only Federal program exclusively focused on rural water and waste infrastructure needs of rural communities with populations of 10,000 or less.
- **Infrastructure Investment and Jobs Act**
Under the Infrastructure Investment and Jobs Act, based on the traditional state revolving fund formula, North Carolina will expect to receive \$1.1 billion over five years to improve water infrastructure across the state and ensure that clean, safe drinking water is a right in all communities. Preliminary estimates indicate North Carolina will receive over \$9 billion. This estimate includes approximately \$440 million for clean drinking water in North Carolina through the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund will be awarded over the next five years.

Conclusions

This report is intended to be one component of the decision-making process the partners can use as they begin to craft decisions that move them toward a stronger, more viable sewer system for the area. The information contained within the report is best used as a guide for next steps including a thorough assessment of Winfall wastewater assets, a preliminary engineering report (PER), and pursuing funding opportunities to provide the best opportunity to work together.

WithersRavenel appreciates the opportunity to support the Town of Hertford with this important feasibility study and is happy to assist Hertford and Winfall with further exploration of the preferred option and path forward.