



NORTHAMPTON, BUCKS COUNTY, MUNICIPAL AUTHORITY

DATE: November 16, 2011
TO: NBCMA BOARD MEMBERS
FROM: THOMAS A. ZEUNER, EXECUTIVE DIRECTOR
SUBJECT: EXECUTIVE SUMMARY: 2012 BUDGET NARRATIVE
AS ADOPTED NOVEMBER 16, 2011 @ NBCMA PUBLIC MEETING
FISCAL YEAR November 1, 2011 to October 31, 2012

AUTHORITY OVERVIEW SUMMARY 2011/2012

2011 FISCAL YEAR SUMMARY:

INCOME: (before depreciation and booking of income related to tapping fee and assessment agreements for the West End Sewer Project) for the period beginning Nov. 1, 2010 ending October 31, 2011:

Estimated Income Summary /Fiscal Year 2011

Actual	Budget	Variance
\$1.225M	\$.304M	\$.921M

The Authority had a favorable additional \$2.92 million of income in 2011 due to tapping fees and assessment agreements signed or paid during the fiscal year related to the west-end sewer project. The agreement and financial values are booked in the current year for accounting purposes although the receivables are collected over a period of time as indicated on the balance sheet. These monetary figures are not included in the above income summary. This procedure is in compliance with accounting principles generally accepted in the United States of America (GAAP). According to the Authority's Bond Indenture; on October 25th of every year, the trustee transfers our revenue fund balance into the Authority's BRI Fund for future capital expenditures and other necessary expenses of the Authority.

Forecasted customer water and sanitary sewer billing revenues for fiscal year 2011 were within 1.37% or \$155 thousand from the \$11.3 million budgeted and forecasted.

The Authority reduced debt in 2011 by \$1.6 million (bond and loan indebtedness)

The Authority's Capital Reserves at the end of fiscal year 2011 are projected to total \$ 4.3 million dollars.

NOTE: The monetary figures noted above are subject to year-end audit adjustments:

SEWER RATES 2011:

The Board passed a 16% rate increase for sanitary sewer services due to a 16% rate increase from Bucks County Water & Sewer Authority

In early 2011, the Board passed a Resolution capping residential sanitary sewer charges at 45,000 gallons per quarter in recognition that flows in excess of that level most likely do not enter the public sanitary sewer system. The amendment was adopted with the stipulation that Authority meter records must not show a water leak indication (intermittent or continuous) during the billing period.

WATER METERS FOR SEWER ONLY CUSTOMERS:

In early 2011, the Board passed a Resolution giving "sewer only customers" the option of having their private well metered to determine sanitary sewer flows in lieu of a flat rate methodology. This was in response to "sewer only customers" request for alternative treatment in determining sewer costs comparable to both water and sewer customers. Sewer only customers can elect a metered rate pricing structure or remain with the flat rate pricing structure.

WATER RATES 2011:

The Bucks County Water & Sewer Authority raised its wholesale water rates to this Authority effective January 1, 2011 by 30%.

The Authority implemented a 19% rate increase for public water services which became effective January 1, 2011.

2012 FISCAL YEAR SUMMARY & PROJECTION:

The Authority has budgeted \$662K income before depreciation for the 2012 Fiscal Year Operational Budget. During the budget review at the public meeting, the board added a \$50,000. contingency expense to cover unknown costs that may occur in 2012; examples include potential changes in PECO transition rate charges and enhanced communications of the Authority etc....

Depreciation (non-cash) for 2012 is projected to be \$3.31M as compared to \$3.0M in 2011.

Our 2012 Operational Budget does include a one-time income stream of \$485K from a EPA Federal Grant in support of the Western End Sanitary Sewer Project. The funds were budgeted for and expected during the 2011 fiscal year but were not received during the fiscal year. EPA Grant funds are now expected in the 2012 fiscal year.

No rate increases for water and sanitary sewer service are forecasted or budgeted in 2012 assuming a 3rd party contribution / improvement with a value of \$880K for the purpose of upgrading the Woods Sanitary Sewer Pump Station in fiscal year 2012.

The Authority will reduced debt in 2012 by \$1.9 million (bond and loan indebtedness)

The current \$6.3 million dollar bank loan balance for the western end sewer will be reduced by an anticipated \$878K in fiscal year 2012 leaving a balance due of \$5.42 million at year end.

Consumption demand for 2012 is forecasted to be in line with 2011 activity. The 2012 Operating Budget does not show any new income from tapping fees or assessments agreements related to the West End Sewer Project. The Authority is in litigation over numerous tapping fee and assessment matters related to the West End Sewer Project. If additional assessment or tapping fee agreements are realized during fiscal year 2012, they will be booked as outlined in the 2011 Summary. The budget does include anticipated sanitary sewer tapping fees for the Council Rock Holland Elementary School which is currently served by an on-lot disposal system. No other tapping fees are budgeted at this time.

CAPITAL BUDGET:

The 2012 Capital Budget includes 15 line items which total a net of \$3,028,563. after DEP Grant reimbursement through the lead administrative agency (Northampton Township) . The capital projects are to be funded from existing capital reserves. The board will have the opportunity to review and vote on

each line item as they are presented for consideration throughout the year based upon the projected target implementation dates.

Proposed major capital projects for fiscal year 2012 include the following:

- Continued emphasis on Inflow and Infiltration abatement by completing (Cured-In-Place (CIPP) sanitary sewer lining and manhole rehabilitation programs
- "Fair Share" participation in the "Bucks County Interceptor Sanitary Sewer Surge Tank" and size upgrade in infrastructure conveyance pipeline from Northampton to that surge tank to alleviate current S.S.O. problems to meet PA DEP compliance regulations for sanitary sewer discharges and contractual obligation BCWSA has with the City of Philadelphia. (BCWSA is lead agency for this capital improvement project: NBCMA provides financial participation).
- Sanitary sewer force main upgrade (discharge from Woods PS basin) and redirection of sanitary sewer force main flow from Hatboro Rd via New Rd with ultimate discharge @ Bustleton Pike: objective of program is to alleviate an ongoing S.S.O. problems (@ Sienna Dr, Hatboro Rd and P.S. locations) to meet PA DEP S.S.O. compliance regulations for sanitary sewer discharges.
- Public water main Extension / West End : NTP Twp lead agency / (Grant reimbursement) Grant administered by PA DEP (100% recovery of costs expended by NBCMA)
- Scheduled replacement of four(4) Authority vehicles including carryover from 2011 amended capital budget for replacement of SECO Jet Truck with new VACTOR Jet Truck.

NEW WATER CONTRACT/Bucks County Water & Sewer Authority (BCWSA):

On October 5, 2011, the Authority Board entered into a long term (30 years) Wholesale Water Contract with BCWSA. This water agreement will provide a guaranteed long term quality and quantity of public water to the community of Northampton Township. The Authority has a commitment from BCWSA to provide public water at a stable rate which will not be increased for the next four years. Thereafter, it is project that any future increases will be substantially less than cost of living increases. The agreement also eliminates the "Wholesale Water Tapping Fee" previously imposed by BCWSA for each new connection to the water system. Details of the new long term agreement are summarized in Executive Summary prepared by the Executive Director dated September 27, 2011.

Under the agreement, once the transmission infrastructure is completed, wholesale water for Northampton will come from the Forest Park Water Treatment Facility in Chalfont, PA. Forest Park is a state-of-the-art water treatment facility that combines conventional treatment processes with advanced techniques, including ozone disinfection and membrane filtration technology. This combination of traditional and innovative water treatment allows Forest Park to produce the safest, highest quality water possible.

ADMINISTRATIVE / GENERAL MANAGEMENT:

In fiscal year 2010, the Authority ratified a three year Collective Bargaining Agreement with Teamsters Local 107 for Union maintenance employees. The Executive Director has budgeted for a 3% wage increase for all non-union administrative employees with an effective date of January 1, 2011. The Executive Director has budgeted for a 3% wage increase for all union employees in accordance with the terms and conditions of the Collective Bargaining Agreement with an effective date of January 1, 2012. Both administrative and Union pension plans are fully funded each pay period as a defined contribution, with investment funding risk strategy directed by the employee.

We have one (1) full time administrative employee retiring mid-year. The Authority is planning to add one (1) part time person in lieu of a full time replacement at that time. Savings will be achieved by this change. In the last 5 years, the Authority has reduced administrative head count by 30%.

CONSERVATION IS IMPORTANT TO THE FUTURE OF NORTHAMPTON'S WATER SUPPLY:

Many people may not realize there is a need to conserve. Although it may appear that Pennsylvania has plentiful water, not all of that water is fresh and readily available for drinking or other uses.

Water conservation is receiving increased attention nationwide, whether brought on by a growing population, climate change or through general water supply needs. While others are just now bringing water conservation to the forefront, this Authority has been committed to water conservation for many years.

At the core of the Authority's mission is protecting and ensuring the sustainability of Northampton Township's water resources.

New strategies and technologies are needed to insure future water supply needs. Water conservation must be the cornerstone of Northampton's water sustainability. The Authority believes that conservation is a critical strategy in meeting the current and future water supply needs of the community.

The Authority currently has active and ongoing water conservation programs. Several years ago, the Authority implemented a conservation based water rate structure, tiered to promote conservation through step rates. Two years ago, the Authority implemented a progressive program to embrace technology in its quest for water conservation and the elimination of waste. The Authority's radio-read water meter program has yielded significant insight into leak detection at service connections. The implementation of the Neptune R900i® water meters not only eliminated lead from the bronze meter housings for safety and health concerns but provides the Authority with a valuable technologically advanced tool that has proved valuable in determining leak detection. The most recent results indicated that 11% of our water customers have intermittent leaks and 3% have continuous leaks. Reduction in unaccounted water loss and reduction/elimination of private service leaks are important contributors to a long term water conservation program.

In addition, the Executive Director endorses the strategy and implementation of educational programs that promote water conservation at the customer level. Planning of these programs during 2012 is strongly recommended. These programs should include an annual public awareness campaign, which focuses on water conservation.

The Authority's adopted MISSION and VISION support this initiative:

- MISSION: With pride and education we will serve its customers by providing cost effective, safe water and environmentally sound wastewater services.
- VISION: The Authority must conserve today to sustain tomorrow by protecting its valuable water and environmental resources.

Enclosed:

2012 Capital Budget
2012 Operational Budget Summary