

Sewer and Water Systems

Board of Supervisors

8/15/19



Recommendations

- * Authorize negotiations to sell the water system to North Wales Water Authority (NWWA)
- * Authorize negotiations to sell the sewer system to either Aqua or Bucks County Sewer & Water Authority (BCSWA)
- * Engage PFM for phase 3 of their services to advise us through the process
- * Hire special counsel

Why?

- * Financial

- * Based on current revenues and expenditures, we will run out of funds in 2020
- * Even if the general fund mill rate were raised to the legal maximum of 19 (currently at 11.07), we would exhaust fund balance and operating reserve in 2020 and would run out of funds in 2021
- * Our unfunded pension liabilities are higher than what is shown on our financial statements due to a high assumed rate of return (8%)

Base Case Projections With No Fix

**WARMINSTER TOWNSHIP
BUDGET PROJECTIONS
SUMMARY OF GENERAL FUND PROJECTIONS**

BASE CASE PROJECTIONS WITH NO FIX

	2017 Actual	2018 Projected	2019 Budget	2020 Projected	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected
Revenues										
Total Revenues	\$15,071,742	\$14,531,798	\$14,261,988	\$13,869,911	\$14,085,568	\$14,304,728	\$14,527,451	\$14,753,794	\$14,983,820	\$15,217,590
Expenses										
Total Expenses	\$15,368,198	\$15,962,242	\$16,583,827	\$17,665,093	\$17,996,332	\$18,431,904	\$18,638,023	\$18,994,068	\$19,137,266	\$18,979,106
Surplus (Deficit)	(\$296,456)	(\$1,430,444)	(\$2,321,839)	(\$3,795,182)	(\$3,910,764)	(\$4,127,176)	(\$4,110,572)	(\$4,240,274)	(\$4,153,445)	(\$3,761,516)
FY Ending General Fund Balance*		\$3,704,585	\$1,382,746	(\$2,412,436)	(\$6,323,200)	(\$10,450,376)	(\$14,560,948)	(\$18,801,222)	(\$22,954,667)	(\$26,716,184)

Why?

- * Water Source

- * Most wells are not in production
- * Millions needed to put filters on wells
- * Navy still not funding unless over HAL
- * Agreement with NWWA for surface water can be terminated in 7 years
- * A sale to NWWA locks in our water supply

Why?

- * Act 47

- * In 2020, Warminster will meet criteria to enter Act 47
- * When in Act 47, the state develops a plan which must be followed
- * Loss of local control
- * May sell assets without any considerations

Recommendation

- * Any action should do the following:
 - * Allow for appropriate funding of pension and OPEB trust
 - * Keep the overall tax/fee burden reasonable
 - * Significantly increase fund balance and ensure future financial flexibility
 - * Lock in a clean water supply beyond the current agreement with NWWA
 - * Be defensible
- * A sale of both the sewer and water systems is the only scenario that meets these criteria

Recommendation

- * Water System
 - * Sale to NWWA is the recommended option
 - * Preliminary offer of \$35,900,000
 - * Rates decrease by 40% beginning in 2020
 - * Current WMA rate is \$5.21 / 1000 gallons
 - * Three year lock at \$3.60 / 1000 gallons
 - * Additional three year cap at \$3.96 / 1000 gallons
 - * Will never charge more than other customers
 - * Locks in clean water supply

Recommendation

- * Sewer System

- * Aqua preliminary offer is \$54,772,425 with an initial increase of 60% in sewer rates beginning in 2022
- * BCWSA preliminary offer is \$50,000,000 with an initial increase of approximately 44% in sewer rates beginning in 2020
- * Both offers require due diligence and negotiations to determine the best solution

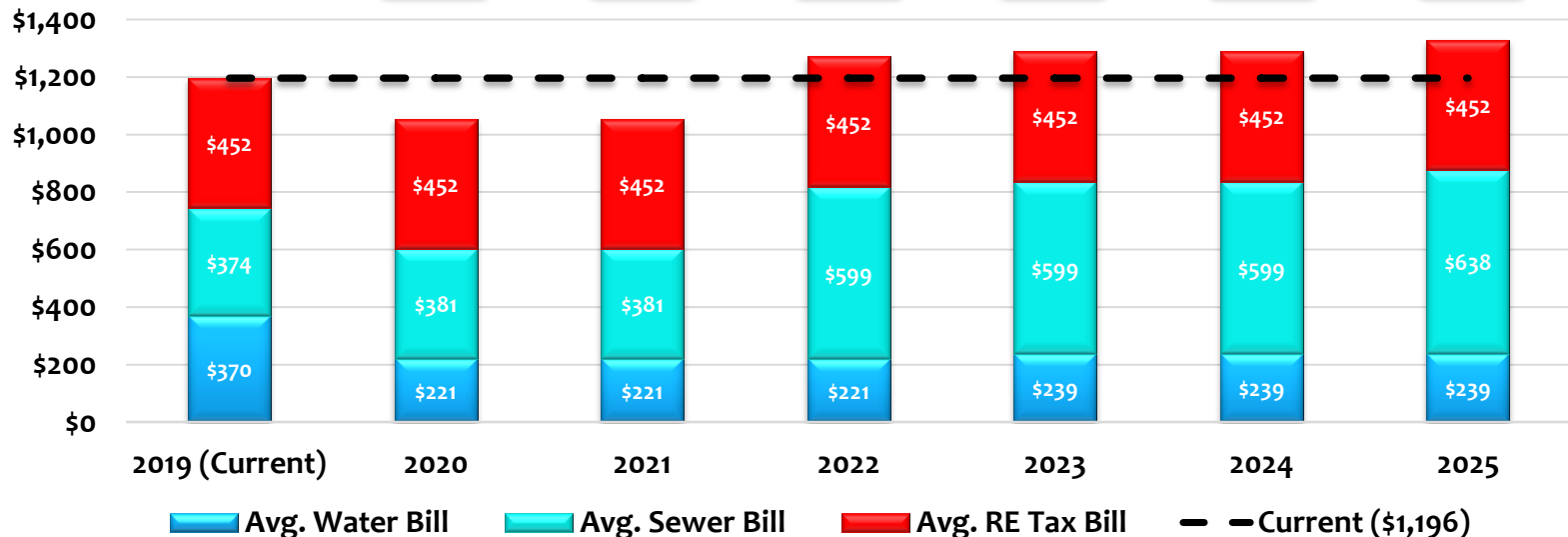
Recommendation

In 2025, under proposed assumptions, the average taxpayer will have to pay an extra **\$133** per year in fees. In return, they will see no increase in the general fund mill rate, financial stability, a clean water supply, and an estimated additional \$45 million in the bank.

Recommendation

Projected Water/Sewer/Real Estate Tax Bills Under Proposed Scenario

How much more or less could the average resident pay compared to 2019?



*Forward-looking projections relate to future events and expectations. Actual results may differ materially depending on a variety of factors.

Limitations

- * Recommendation will stabilize general fund based on current operations
 - * Expansion of operations may necessitate a mill rate increase
- * Other funds
 - * Initiatives such as land purchases, park improvements and maintenance, and paid firefighters would be paid for out of their respective funds and a mill rate increase in those funds would be needed