

2009 ANNUAL REPORT OF THE CITY/COUNTY UTILITY COMMISSION

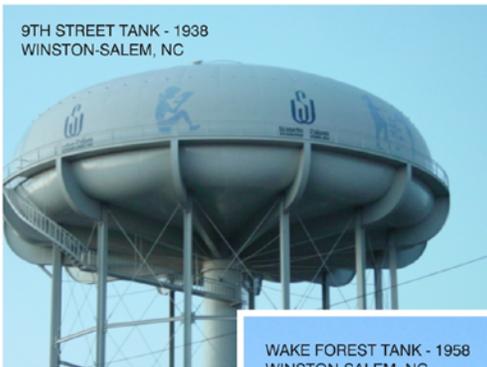
Prepared By: The Utilities Division Of The
Public Works Department - December 2009



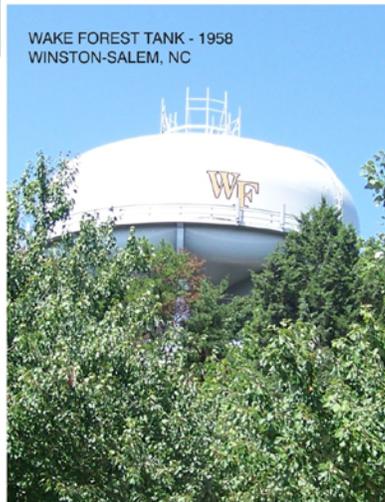
LEWISVILLE TANK - 1968
LEWISVILLE, NC



9TH STREET TANK - 1938
WINSTON-SALEM, NC



WAKE FOREST TANK - 1958
WINSTON-SALEM, NC



GLENN HIGH TANK - 2001
WINSTON-SALEM, NC

The Winston-Salem/Forsyth County Utility Division operates 14 water storage tanks; eight tanks in Winston-Salem, two tanks in Kernersville, and one tank in Clemmons, Lewisville, Tobaccoville, and Walkertown respectively. Overall water storage capacity ranges from 0.25 million gallons to 10 million gallons. The oldest tank in operation is the 9th Street Tank built in 1938 and located at 905 Chestnut Street, Winston-Salem, NC 27101.

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Harold R. Holmes

Janeen Lalik

James E. Lowe

Paul S. McGill

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Raymond D. Thomas

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interoffice
MEMORANDUM

To: Lee D. Garrity, City Manager
From: Gregory M. Turner, P.E., Assistant City Manager
Subject: City/County Utility Commission Annual Report to the City Council
Date: December 1, 2009

Attached is the seventh annual City/County Utility Commission Annual Report. The goal of this report is to highlight our financial status; our cost of service; our service quality levels; and our water, sewer, and solid waste programs' status.

The City/County Utility Commission and the Utilities Division staff deliver safe and reliable low cost but high quality services to our customers.

This report addresses the regulations on water, sewer, and solid waste operations as well as the challenges to the solid waste programs and our strategies for meeting those challenges.

The Utilities Division will continue to maintain and upgrade our community's facilities, water distribution and wastewater collection systems, wastewater treatment processes, and solid waste programs to assure the public health of the community is preserved.

Gregory M. Turner, P. E.
Assistant City Manager

Introduction

The City/County Utility Commission is a self-financing enterprise with over 360 experienced professionals who are diligent in working to provide reliable services to our customers. The Commission endeavors to make sound financial decisions and exercise good business practices as evidenced by having some of the lowest water and sewer rates in the state of North Carolina. Staff has maintained over 2,088 miles of water main lines and more than 1,675 miles of collector/interceptor sewer lines during FY 2008-09. This year approximately 13.4 billion gallons of water has been treated and pumped and approximately 26,707 tons of pollutants were removed from our system by regulated treatment processes. The Utility Commission and the staff of the Utilities Division provided water, sewer, and solid waste services for more than 120,191 customers within the city of Winston-Salem, Forsyth County, and the towns of Clemmons, Kernersville, Rural Hall, Walkertown, and Lewisville.

In addition to operating the traditional disposal sites, the Solid Waste Management program continues to support and provide recycling services to over 74 school campuses in the Winston-Forsyth County school system including maintenance and administration facilities during FY 2008-09. The Solid Waste fund also supported the City of Winston-Salem's Curbside Collection Program and the County's Drop-Off Program for residential recycling.

As in previous years, public education efforts were aimed at keeping our customers informed about Utility Division policies, programs, and projects. Information campaigns this year have focused on cross-connection control, sewer back-flows, and proper grease disposal to eliminate overflows. Materials were printed in both English and Spanish and were distributed to the community through ads in local newspapers and the City of Winston-Salem's cable channel, TV-13. The division has produced seven different "We're Working for You" television spots that are on TV-13 as well as other local television channels.

The division takes seriously the responsibility to maintain the training certification and skills of its employees. The staff works very hard to improve their operating knowledge and professional expertise in the areas of water, wastewater, and landfill operations.

Description and Purpose

Appointed Board: Utility Commission (City/County)

Date of Inception: Authority for establishing the Utility Commission is N.C.G.S. 160A-460 et.seq. The Utility Commission was created by an interlocal agreement between the City of Winston-Salem and Forsyth County on April 20, 1976.

Current Structure: 11 member Commission: Five members appointed by City Council upon recommendation of the Mayor; five members appointed by Forsyth County Board of Commissioners; the Chairperson of the Utility Commission appointed jointly by the Mayor and the Chairperson of the Forsyth County Board of Commissioners.

Chairperson serves two-year term; five-term limit. Remaining 10 members serve staggered five-year terms; two-term limit.

Purpose: Set policy for all publicly owned water, wastewater, and solid waste disposal facilities;

Be responsible for the long range planning, funding, operation and maintenance of the above facilities;

Fix rates, charge assessments, and provide improvements and extensions to utilities facilities;

Review utility extension policies and rate structures;

Receive comments and suggestions from the public and hold public hearings concerning matters under the authority of the Commission.

Description of Utilities Division Responsibilities:

The Utilities Division of the City of Winston-Salem performs all responsibilities for water treatment and distribution, sewage collection and treatment, and solid waste disposal in accordance with policies established by the Utility Commission. The Utilities Division provides day-to-day technical and administrative assistance to the Commission. The division is also responsible for capital improvements under the direction of the Commission. Management of the Utilities division offers information to the Commission regarding policy changes that will benefit citizens and future growth, maintenance and operation of the system.

History

The Utility Commission was created on April 20, 1976 through a joint consolidation agreement between the City and the County. Under the terms of the agreement, the Utility Commission would operate all water and sewer facilities throughout the City and the County under policies established by the Commission and subject to the provisions and guidelines of the agreement. At the beginning of fiscal year 1976-77, when the agreement went into effect, the County conveyed all real property, equipment, supplies and materials constituting a part of the County's water and sewerage facilities, including existing water and sewer lines, to the City of Winston-Salem. The City of Winston-Salem agreed to pay to the County, from utility revenues, the amount needed by the County to meet its water and sewer debt service obligations, which were all satisfied in FY 1999-2000.

On February 19, 1990, the City and the County approved an amendment to the original consolidation agreement authorizing the Commission to provide solid waste disposal services as well as create a source reduction and recycling program. The responsibilities given to the Commission under this amendment includes composting, land filling and all other measures necessary to comply with North Carolina General Statute 130A, as amended, and all other applicable state and federal laws and regulations.

In October 1996, the consolidation agreement was amended once again. The second amendment authorized the Commission to charge customers outside of Forsyth County a premium rate for water and sewer treatment services and to set aside one half of the rate in excess of the Forsyth County rate in an Economic Development Fund. Additionally, the second amendment allowed customers that were members of the Region I Council of Government who were outside of Forsyth County to have separate contracts with the Commission.

A third amendment to the consolidation agreement was approved on January 6, 2003 which allowed the Commission to use monies in the utilities fund for the purchase of land. The amendment stipulated that any such purchase made by the Commission must be consistent with the Legacy Planning Guide.

Ownership

The Utility Commission operates all water and sewerage facilities of the consolidated system as originally agreed upon. It was the intent of the original agreement and subsequent amendments that the Commission maintains, operate, and improve all of the system assets. All decisions regarding the management of these assets are delegated to the Commission by the City and County except for decisions about the disposal of these assets. Ownership and the responsibility for the disposal of these assets is the City's, pursuant to the original 1976 consolidation agreement. The Utility Commission has no authority to issue bonds or incur debts without prior approval from the City Council.

Governance

The Commission has three standing committees: The Operations Committee which considers items relating to the long-term operation of both the water/wastewater and solid waste disposal programs; the Finance Committee which considers items related to the finances of both the water/wastewater and solid waste disposal programs; and the Planning and Policy Committee which considers changes to policies and procedures for the operation of the water/wastewater and solid waste disposal programs. Committee membership is as follows: four members shall belong to the Finance Committee, three members on the Operations Committee and three members shall sit on the Planning and Policy Committee. The Chair of the Commission appoints the members of each committee and designates one person as Committee Chairperson and another as Vice-Chairperson.

Finances of the Commission

Funding to operate, maintain and extend City/County water and sewer services comes from the following sources: grants, water/sewer user fees, assessments, interest earned on the Utility Commission's reserve funds, and from revenue bonds issued against the Commission's revenue stream. Funds to operate and expand the solid waste disposal programs come from two sources, tipping fees and special obligation bonds approved by the City Council.

Utility Commission policies provide that Capital Improvement Program projects like plant expansions, major facility upgrades, transmission mains, outfalls, and pump stations are funded through user fees charged bi-monthly to customers for water and sewer services. These facilities benefit all customers and therefore, all customers are expected to help fund them. Each year the Utility Commission determines if new projects in these categories should be paid for with generated balances from fund user fee funds or financed with new debt.

These decisions are made based on the cost of financing and financial advisement from the City's Chief Financial Officer. The Commission receives no financial support from property or sales taxes paid by citizens of Winston-Salem or Forsyth County.

The local collection and distribution systems, known as street mains, are funded by the properties that they serve. When new properties are developed, system lines are required to be installed by the developer and subsequently dedicated to the Utility Commission for ownership and operation. When owners of existing properties request service extensions, the extension requests are provided for under the Utility Commission's petitioned programs.

The Utility Commission's policies for setting assessment rates follow the guidance established in the North Carolina General Statutes. Each year the Commission reviews construction costs from the previous year and sets a new assessment rate designed to recover the cost of a typical installation. New customers benefit from this process in that the rates they are assessed are from previous years' construction costs and are not adjusted upward for annual inflationary factors. In many cases, customers are not actually assessed for two to three years after the cost of the extension is established, allowing them a considerable discount against the actual cost of installation.

Operations of the Commission

The Utilities Commission and its staff adhere to the same general processes and procedures regarding the operation of its systems as all other City Departments. Day to day operations of the City/County Utility Division Systems is administered in the Utilities Division under the management of the Assistant City Manager or the City Manager. The financial assets are managed by the Finance Department and the City's Budget Office assists with the preparation of the Commission's budget. Negotiations for property acquisitions are conducted by the Real Estate Office while the Purchasing Office manages all other system asset acquisitions. The Engineering Division provides the Utilities Division with design and project management services for main line extension projects. Additionally, due to the specialized nature of the work of division operations and facilities, outside consultants may be enlisted to provide assistance in scopes of service outside of staff expertise. The City Attorney's Office provides legal assistance to the Commission and its staff when necessary. Major maintenance and repairs of the division's building facilities are handled through the Property Management Division.

Water and Wastewater Overview

Review of FY2008-09 Operational and Financial Data

During FY 2008-09, approximately 13.4 billion gallons of water was treated and pumped, over 11.61 billion gallons of wastewater was treated and 26,707 tons of pollutants were removed from the waste stream. More than ninety nine percent (99.999%) of the wastewater generated by the system's customers was collected and delivered to the Commission's treatment facilities.

For FY 2008-09, total operating revenues were \$61,627,076; this was (\$4,410,764) less than the budgeted revenues. The revenue for FY 2008-09 was \$933,936 less than FY 2007-08. The decline in revenue is directly related to less than anticipated consumption levels. Staff attributes the decline to water conservation as well as economic downturn.

Operating expenditures totaled \$37,059,083, which was \$6,497,878 less than the budgeted expenses of \$43,556,961. The bulk of the operational expense savings were in the areas of operational supplies, parts and tools, and in electrical savings, due primary to starting the operation of the biosolids drying facility later in the year than the budget anticipated. There were also significant salary savings achieved through hiring freezes. The change in the net assets for the water and sewer fund after debt service, investment income, and all other non-operating cost was a decrease of \$10,234,251.

The Winston-Salem/Forsyth County Utility System's revenue bonds have the following credit ratings: AAA from Standard and Poor's Rating Agency (one of 53 ratings nationwide); Aa2 from Moody's Investor Service and AA from Fitch. High credit ratings result in debt being issued at lower interest costs when financing capital improvements. Given the projections of capital needs for the next five years, a lower cost of capital will enable the Commission to meet those needs with greater savings.

Status of Water and Wastewater Projects

Water Distribution

The City/County Utility Commission (CCUC) oversees the operation of the water distribution system. During this fiscal year over 20 miles of new main lines have been added to the system that provides treated water to a large portion of Winston-Salem and Forsyth County. During the past year, 13,826 feet of waterline, 274 connections, and 72 valves were replaced in concert with the rehabilitation projects in West Salem and on North Cherry Street. The Commission awarded a major construction contract to route approximately 4,420 feet of 24-inch waterline around the Winston-Salem State University campus. Construction of this project is scheduled to conclude in the spring of 2010. In addition, a contract was awarded to address structural repairs at the Wake Forest water tank and remove and replace the interior and exterior coatings on the tank. Work on this project is complete. Likewise, the Graves Street and Chitty water tanks' exterior coatings were removed and replaced under a separate contract. Work on both tanks is complete.

Maintenance and repair of the existing systems assure our customers that all components of the infrastructure are in proper functioning condition.

Water Treatment

The Utilities Division continues its commitment to improve the efficiency and operation of its facilities. During FY 2008-09, the Commission awarded a \$55.2 million contract for construction of a new plant which will replace the 83 year old R. A. Thomas Water Treatment Plant, the oldest of the three water treatment plants in Forsyth County. The project includes replacing the treatment facilities, the finished water storage facilities, and the finished water pumping facilities with new construction and modern technology. By end of the fiscal year, the project reached approximately 40% completion and is on schedule for 100% completion in mid 2011. The Idols Raw Water Pump Station Electrical Improvements project and the Northwest Water Treatment Plant Raw Water Pump Replacement project each achieved approximately 25% completion by end of the fiscal year. Work on both of these projects is scheduled for completion in early to mid FY 2009-10. Finally, preliminary design work for replacement of the Salem Lake Dam began in this fiscal year. Final design is scheduled for completion in early FY 2010-11.

Wastewater Collection

During the past year, over \$3.5 million was invested in sewer main rehabilitation projects. These projects replace older less reliable infrastructure with newer sewer lines, resulting in fewer leaks and service interruptions. These improvements correct problems such as cracked pipes, misaligned joints, sagging lines, and root intrusion.

The majority of the rehabilitation projects included replacing approximately 14,906 feet of gravity sewer mains, 121 manholes, and 123 service laterals. The sewer mains rehabilitated primarily ranged in size from 6" to 18" and took place in the West Salem area and on Cherry Street. Additional projects are scheduled in FY 2009-10 and include the Ardmore area sewer basin, and the Muddy Creek sewer basin.

Wastewater Treatment

Construction of the Class A Biosolids Drying Facility at the Archie Elledge Wastewater Treatment Plant was completed in March 2008. This facility utilizes excess methane from the existing treatment process to dry dewatered biosolids into a pellet much like granular fertilizer; known as *Winston-Salem Soil Solution*. The dryer produces an average of 580.7 dry tons of pellets each month. Methane is one of the longest-lasting greenhouse gases and it is captured in the treatment process before it escapes to the atmosphere. Each year more than 212 million cubic feet of methane is captured from the digesters and used as fuel to reduce the cost of running the plants.

The Elledge Plant has been in operation since 1959 and many parts of the plant are showing signs of deterioration. An assessment of the oldest portions of the plant was performed and design for these improvements was completed in FY 2007-08; bids on the project were received in August 2008 and the contract was awarded in September 2008 in the amount of \$51.9 million. As a result of the assessment, the Elledge plant only required updates to part of the facility and has continued operation during the construction. When these improvements are complete, Elledge will continue to treat 30 million gallons of sewage a day, but will have the capacity to treat 100 million gallons a day in flood capacity. Construction of four new primary clarifying basins at a higher elevation along Salem Creek is one of the main highlights of this improvement project. In addition, a new control building will be built that will house electrical/IT rooms, a control room, and a small laboratory. A new influent

pumping station is under construction, also, at a higher elevation, to allow the sewage to flow through the plant by gravity. Elledge is scheduled for completion in February 2011.

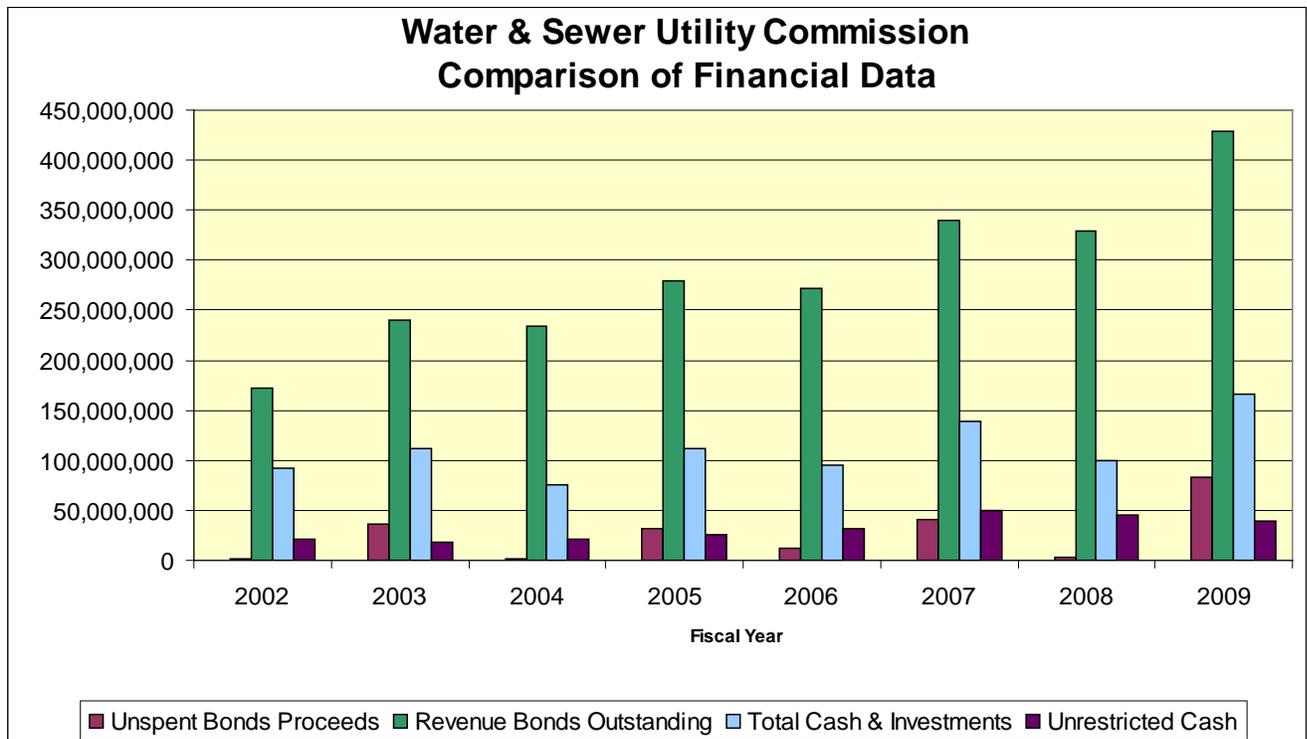
KEY DATA COMPARISONS

THEN AND NOW

Water	1976*	2009
Total Water Customers	54,985	120,191
Miles of Water Lines	1,046	2,088
Water Treated Per Day	29.0MGD	36.8 MGD
Number of Employees	126	172
Sewer	1976	2009
Total Wastewater Customers	31,385	90,939
Miles of Sewer Lines	690	1,675
WW Treated Per Day	21.5MGD	31.8 MGD
Number of Employees	134	157

(Figure A)

- The City of Winston-Salem City Council and the Forsyth County Commissioners created the joint City/County Utility Commission.



(Figure B)

WATER & SEWER CHARGES FOR FIVE MAJOR MUNICIPALITIES

(Based on 800 cf monthly) ¹

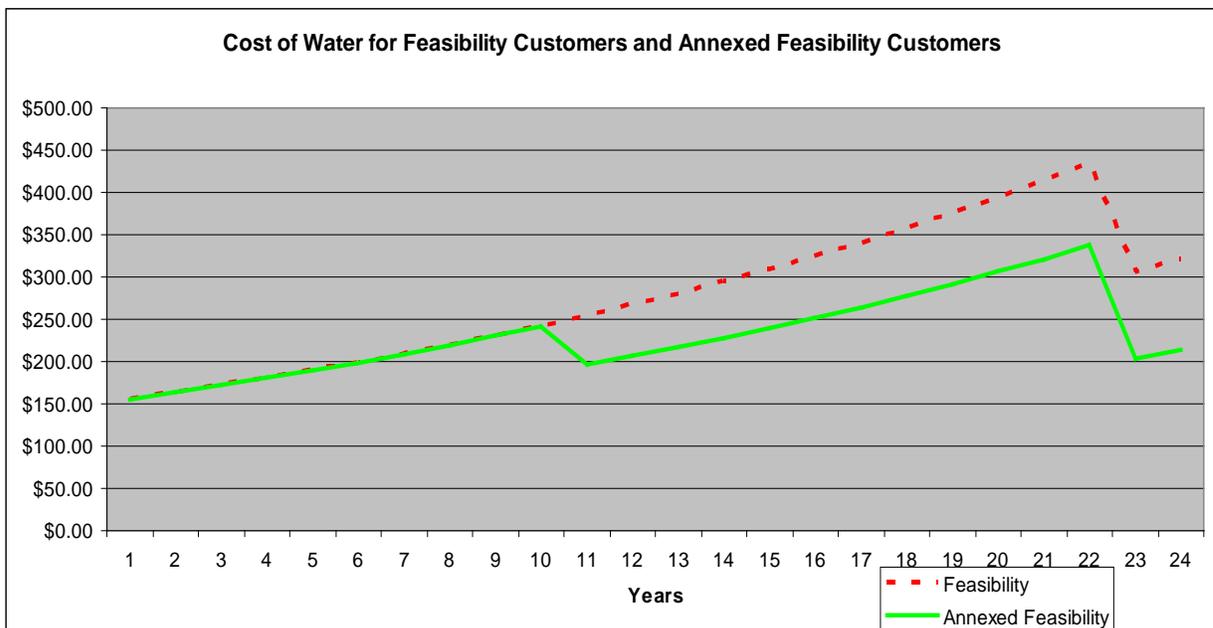
City	No. of Customers	Monthly Charge	Median Household Income	*Cost of Service As % of Median Household Income
Durham	81,582	\$56.79	\$45,888	1.36%
Charlotte	250,000	\$47.96	\$52,690	1.04%
Greensboro	95,313	\$48.60	\$40,211	1.29%
Raleigh	184,050	\$37.73	\$51,071	0.71%
Winston-Salem	120,191	*\$35.20	\$39,589	0.74%

(Figure C)

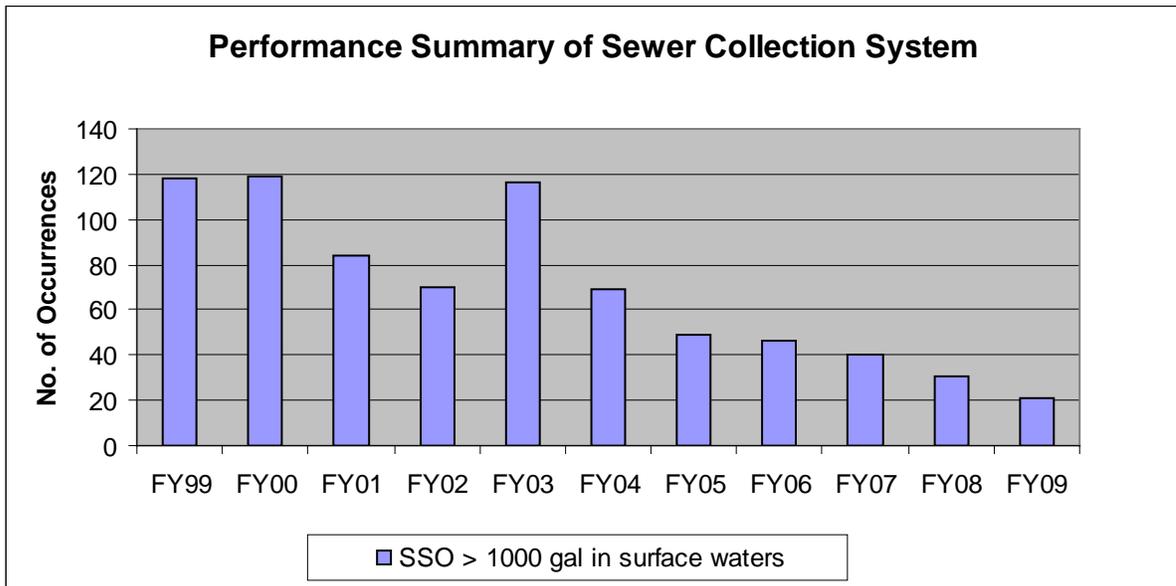
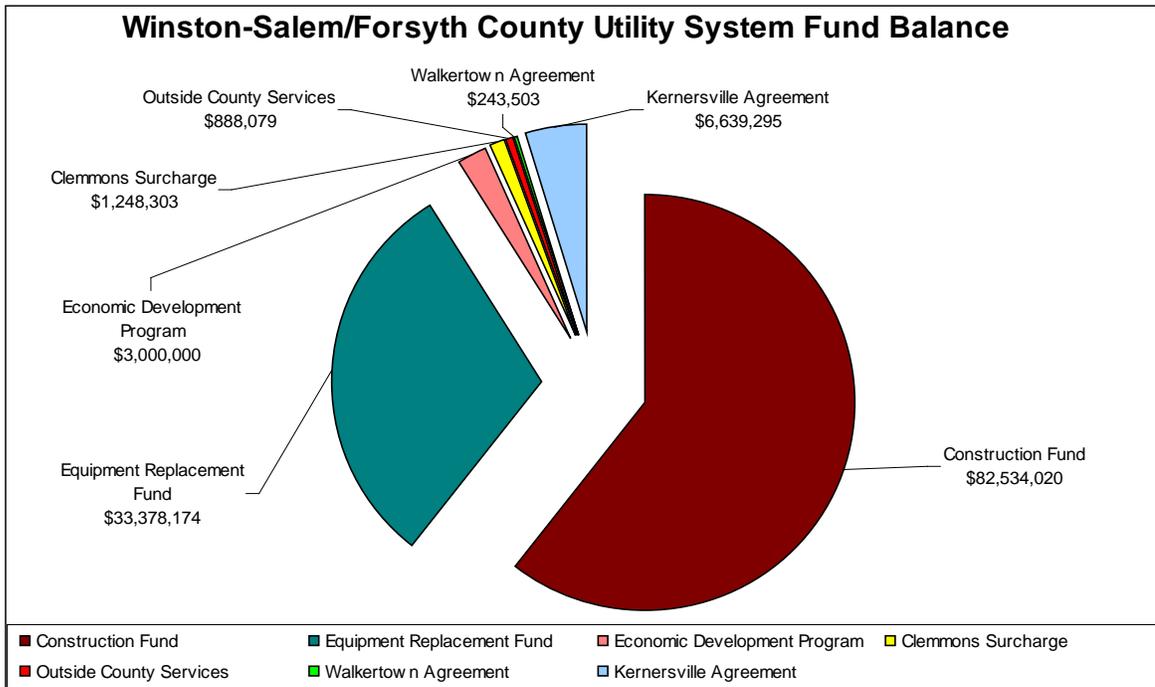
¹ According to EPA data, costs of water and sewer are considered affordable if the total cost of service is less than 2.5% of the Median Household Income.

*Calculated using October 1, 2009 rates.

The following chart shows how a feasibility customer's cost of water changes if the City annexes the customer's property.



Both customers pay the same cost until year 10 when the City annexes one of the customers. Because the newly annexed customer then pays the lower inside city rate, the customer's cost of water is decreased. The customer's bill will continue to include the debt component of the feasibility rate until year 22, when both customers pay off the cost of extending service. After that, the annexed feasibility customer only pays the inside city rate.



Note: The above chart shows the Sanitary Sewer Overflow's (SSOs) greater than 1,000 gallons in surface waters across 10 years. A significant decrease began in FY03 with continued decline over the past six years.

Future Challenges and Opportunities

Wastewater Treatment

In 2004, a wastewater treatment master plan was developed that considered wastewater flow projections and future, more restrictive effluent limits. While flow projections predicted growth in sewer flows, new treatment capacity is not expected to be needed within the next ten years. However, more restrictive effluent limits on our treatment permits are anticipated. New permits will be issued in 2014 which is within the current CIP window. Staff anticipates that the 2014 permits will contain nutrient limits (for nitrogen and/or phosphorus) which will require a major capital expenditure to construct nutrient removal processes at both wastewater treatment plants. A compliance period until 2019 may be allowed by the North Carolina Division of Water Quality (DWQ) in order to construct the necessary facilities.

The need for nutrient removal stems from High Rock Lake being listed as impaired by the North Carolina Division of Water Quality (DWQ). The water quality in High Rock Lake has been deemed impaired for chlorophyll and turbidity. Chlorophyll is formed by microbiological growth when the proper amounts of nutrients (nitrogen and phosphorus) are present in the water. The sources of these nutrients vary but are mostly due to non-point source runoff and point source discharges. Turbidity, which is a measure of the clarity of the water, and is the result of erosion due to runoff and impairs the waters by preventing sunlight penetration or increasing sediment deposition. Once a waterbody is listed as impaired, DWQ is under a mandate by the US Environmental Protection Agency to issue a Total Maximum Daily Load (TMDL) limit. A TMDL will quantify how much contaminant load the waterbody can naturally assimilate.

Per USEPA guidelines, the TMDL for High Rock Lake could be issued as early as 2012. It is due to the TMDL that staff believes specific limits for nitrogen and/or phosphorus will be included in the issuance of the 2014 permits for both wastewater plants.

To plan for this, staff has been working with a consulting engineer to update the 2004 master plan. Part of this effort will be to determine the potential nutrient removal processes that could be implemented at both the Archie Elledge and Muddy Creek Wastewater Treatment plants to meet the more restrictive limits. Significant plant modifications will likely be required to construct nutrient removal processes to

meet more restrictive limits. A capital improvement plan will be proposed to plan for this upcoming regulatory requirement so that our facilities can continue their excellent compliance record.

Wastewater Collection System Permit Compliance Process

The Utilities Division has been operating under a Wastewater Collection System Permit issued in August 2005. This permit sets requirements on system performance, operations, maintenance, record keeping, monitoring and reporting, and inspection expectations that have immediate impact to the commission's operation. The permit also requires that system owners and operators demonstrate that a proactive and preventative maintenance program is in place to eliminate overflows.

The Utilities Division has spent significant effort refining preventive maintenance programs. In 2008, three different preventive sewer line maintenance contracts were put in place: chemical root control, hydraulic and mechanical cleaning of sewer lines and Right-of-Way maintenance. Each maintenance contract had the ability to be renewed each year for up to five years. These contracts will help supplement our staff resources and help achieve the goals required in the Permit.

Also, a new crew dedicated to cleaning large diameter mains was approved in the FY 2008-09 budget. This crew has been hired and trained in the operation of the specialized equipment used to clean sewer mains 18" and above. This specific need will be the mission of this operation because large sewer mains are the arteries of the system. These mains carry large volumes of flow and over time have a tendency to accumulate sediment and other deposits that reduce their carrying capacity. This crew will utilize existing specialized equipment to remove the sedimentation and thus recapture capacity while cleaning the line. This will be another positive step towards proactive preventative maintenance and reducing the potential for Sanitary Sewer Overflows (SSO).

During 2008, DWQ began issuing Notice of Violations (NOV) for reportable SSOs. Civil Penalties were also levied for any SSO deemed preventable by DWQ. In FY 2008-09, our system received 89 NOVs with two SSO listed as "Intend to Enforce" actions meaning DWQ was planning to issue a civil penalty if no additional information about the cause of the SSO was presented. Staff provided follow up information on these two incidents and DWQ was satisfied with our efforts to prevent SSOs from occurring in our system. An SSO reduction team of staff continues to identify causes of SSOs and

actively plans projects in an effort to reduce SSOs and infiltration and inflow into the sewer system. The outcome was that \$0 in civil penalties was issued in FY 2008-09.

Meeting the requirements for our Collection System Permit is our highest priority. It has required the implementation of new programs and additional personnel to cover the operational requirements like annual inspections, preventive maintenance programs, system monitoring, recordkeeping, and rapid response to overflow events. Also, coordination of various internal and external resources to meet this obligation has been required. Even with current budgetary restrictions in place, staff is meeting state requirements with the use of existing staff, and contracted services.

Wastewater Collection/System Performance

The Commission oversees the third largest collection system in North Carolina and although the Utilities Division has more than 70 employees dedicated to operating and maintaining the system, SSOs will unfortunately continue to occur. SSOs occur when sewer lines are obstructed or have reduced capacity due to inflow or infiltration of ground or surface water. Overflows must be reported whenever more than 1,000 gallons is spilled or any amount of untreated sewer reaches a surface water body.

Since the passage of the North Carolina Clean Water Act in 1999 the total volume of annual SSOs has been tracked against the baseline year of FY 1998-99. The FY 2008-09 total volume of SSOs represents a 94.5% decrease from the volume reported for the baseline year. Diligence by maintenance personnel toward preventative maintenance and their attentiveness to response time continued to be a major factor in SSO volumes remaining at a significantly lower level than that of the baseline year.

The majority of SSO occurrences in FY 2008-09 were caused by grease blockages. Just under half, or 47.01%, of all line blockages were attributed to the accumulation of fats, oils, and grease in the collection system. There were 55 SSOs attributed to fats, oils, and grease during this fiscal year compared to 55 events in FY 2007-08 and 79 events in FY 2006-07. This reduction is indicative of the continued effectiveness of the Commission's Grease Interceptor Ordinance (in place since 2003) and public education efforts. For example, staff working with the City's Marketing & Communications department developed a "Can the Grease" brochure and associated educational materials. This information is routinely provided to the public at many functions throughout the year. Most recently staff spent 240 hours educating the public at a booth at Dixie Classic Fair and provided over 7,900 "Can the Grease" related items.

In addition, the reduction of grease-related events is attributable to maintenance personnel's proactive approach to cleaning the publicly maintained portion of sewer connections and keeping sewer main lines clean and free of grease as well as tree roots and debris, which are the other major contributors to line blockages. This year we have also spent \$287,800 on contracted mainline cleaning as well as chemical root treatment which allowed us to clean approximately 354,355 linear feet of sewer lines and an additional 1,054,924 linear feet by in-house personnel.

During FY 2008-09, the Commission continued its proactive efforts toward the reduction of SSOs by spending over \$3.05 million on the rehabilitation of 14, 906 feet of gravity sewer mains, 121 manholes, and 123 service laterals. The sewer mains rehabilitated primarily ranged in size from 6” to 18”. These sewer mains were rehabilitated by such means as pipe bursting, cured-in-place lining of pipes, point repairs, or a combination of any of these methods. The enhanced condition of these sewer mains and manholes provided by the rehabilitation projects not only contributed to the reduction of SSOs, but also aided in the reduction of infiltration and inflow by reducing and/or eliminating sewer system access points for storm water runoff and groundwater. Also, the Commission funded the closed circuit TV inspection of 23,500 feet of sewer mains. Staff and contractors also improved the access to collection system easements through the inspection and mowing /clearing of approximately 29 miles of easement.

Further, Commission staff continued to actively identify and plan for projects in an effort to reduce SSOs and infiltration and inflow into the sewer system. In addition to the benefits of reducing SSO volume and the reduction of water getting into the system, these projects have the added benefit of decreasing the amount of sewer to be treated thereby reducing overall operating costs.

In summary, the wastewater collection system staff continued to operate the system in compliance with the permit. Improving operational performance was key in maintaining a low volume of sewer spilled from the system. Although effort is currently being placed on operational performance and major system improvement projects, much more effort will be required to meet the goal of having zero overflows. As a result, more staff, equipment, information technology, and funding must be available and in place to ensure success.

Budgetary Savings Efforts and Opportunities

With the downturn in the economy in the fall of 2008 and its subsequent impact on the community, the Utilities Division staff looked for opportunities to reduce operating and capital costs for the remainder of FY 2008-09. Beginning in October 2008, only operational expenses necessary to maintain the current level of services were approved. Equipment replacements, maintaining inventory of stock items, building and grounds expenditures were deferred unless there would be service level impacts if not expended. Also, cost savings within typical contracted service areas were achieved across many operational areas.

Other operational cost savings were achieved by reducing or eliminating expenditures in areas such as Information Systems and communications charges (\$252,740), travel and vehicle maintenance cost (\$416,838), building and grounds maintenance cost (\$419,282), operating expenses (i.e. chemicals, electric service, parts and supplies \$1,778,972), and contracted services cost (\$2,527,000). Within personnel expenditures, a total savings of \$1,044,426 was achieved by freezing vacant positions and reducing overtime cost. At the end of FY 2008-09, there were 32 vacant positions (approximately 10% of workforce) in water and sewer operations. Staff was aided in the effort of eliminating operating expenses by the Thomas Water Plant being taken out of service in October 2008 for reconstruction which provided a savings of \$536,014. In addition to these cost savings, all replacement capital equipment that was not purchased by October 2008 was deferred until a future budget year. The total operational cost savings achieved in FY 2008-09 was \$6.4 million.

Staff also reviewed the current list of capital projects to determine if any could be eliminated or deferred until a later year. Approximately \$1.9 million in existing capital projects was deferred. Combined with the operational cost savings, the total water and sewer cost savings opportunities for FY 2008-09 was \$8.4 million.

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-4

Water and Sewer Utility Fund - Statement of Net Assets
June 30, 2009 and June 30, 2008

Assets	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 38,561,442	\$ 45,574,471
Receivables, net of allowance for uncollectibles		
Accounts	8,261,722	8,691,851
Assessments	<u>1,565,020</u>	<u>1,013,801</u>
Total receivables	9,826,742	9,705,652
Due from other governments	-	192,000
Inventories	<u>2,548,658</u>	<u>2,509,015</u>
Total current assets	50,936,842	57,981,138
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents		
Equipment and replacement fund		
Reserved	45,397,354	51,098,691
Unreserved	-	-
Construction		
Trustee construction fund	82,534,020	2,297,087
Capital fund	<u>-</u>	<u>-</u>
Total restricted assets	127,931,374	53,395,778
Property and Equipment		
Land	14,155,018	13,468,824
Buildings	166,545,629	167,961,871
Improvements other than buildings	607,258,468	552,231,399
Machinery and equipment	17,096,024	16,758,749
Construction in progress	<u>74,761,423</u>	<u>79,103,230</u>
Total property and equipment	879,816,562	829,524,073
Less accumulated depreciation	<u>271,235,725</u>	<u>254,066,565</u>
Property and equipment, net	608,580,837	575,457,508
Other		
Unamortized financing costs	<u>3,356,390</u>	<u>2,602,042</u>
Total noncurrent assets	<u>739,868,601</u>	<u>631,455,328</u>
Total assets	<u>790,805,443</u>	<u>689,436,466</u>

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-4

Water and Sewer Utility Fund - Statement of Net Assets
June 30, 2009 and June 30, 2008

Liabilities	<u>2009</u>	<u>2008</u>
Current liabilities		
Accounts payable	\$ 7,400,809	\$ 5,905,747
Accrued payroll	575,459	219,125
Accrued interest payable	690,696	644,452
Prepaid assessments	164,459	255,697
Current maturities		
Contracts payable	615,176	595,814
Bonds payable	<u>11,885,000</u>	<u>10,735,000</u>
Total current liabilities	21,331,599	18,355,835
Noncurrent liabilities		
Contracts payable from restricted assets	11,131,757	2,514,423
Accrued vacation	677,958	664,526
Contracts payable	630,486	996,722
Bonds payable	<u>417,436,575</u>	<u>317,073,641</u>
Total long-term liabilities	<u>429,876,776</u>	<u>321,249,312</u>
Total liabilities	<u>451,208,375</u>	<u>339,605,147</u>
Net Assets		
Invested in capital assets, net of related debt	260,547,620	245,751,376
Unrestricted	<u>79,049,448</u>	<u>104,079,943</u>
Total net assets	<u><u>\$ 339,597,068</u></u>	<u><u>\$ 349,831,319</u></u>

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-5

Water and Sewer Utility Fund - Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Sales		
Water	\$ 31,399,333	\$ 32,113,941
Sewer	23,831,330	23,747,756
Industrial waste surcharge	1,885,684	1,975,683
Total sales	<u>57,116,347</u>	<u>57,837,380</u>
Charges for services		
New connections	345,431	1,984,898
Special area and privilege charges	1,728,474	262,437
Main line capital cost revenue	103,700	199,010
Total charges for services	<u>2,177,605</u>	<u>2,446,345</u>
Other	2,333,124	2,277,287
Total operating revenues	<u>61,627,076</u>	<u>62,561,012</u>
Operating Expenses		
Personal services	16,466,384	16,326,697
Maintenance and operations	20,634,430	23,567,449
Total operating expenses before depreciation	<u>37,100,814</u>	<u>39,894,146</u>
Depreciation	19,752,602	18,773,171
Total operating expenses	<u>56,853,416</u>	<u>58,667,317</u>
Operating income	4,773,660	3,893,695
Nonoperating Revenues (Expenses)		
Investment income (loss)	(5,989,474)	1,374,755
Gain (loss) on disposal of assets	(1,856,915)	83,397
Damage settlements	87,050	-
Interest and fiscal expense	(12,368,819)	(10,185,083)
Amortization of financing costs	(625,981)	(654,973)
Total nonoperating expenses, net	<u>(20,754,139)</u>	<u>(9,381,904)</u>
Loss before capital contributions and operating transfers	(15,980,479)	(5,488,209)
Capital Contributions		
Conveyances	5,525,609	14,573,575
Intergovernmental revenue	-	192,000
Other	226,279	203,866
Total capital contributions	<u>5,751,888</u>	<u>14,969,441</u>
Operating Transfers Out		
General fund	(5,660)	(8,292)
Change in net assets	<u>(10,234,251)</u>	<u>9,472,940</u>
Total net assets - beginning	<u>349,831,319</u>	<u>340,358,379</u>
Total net assets - ending	<u><u>\$ 339,597,068</u></u>	<u><u>\$ 349,831,319</u></u>

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-6

Water and Sewer Utility Fund - Statement of Cash Flows
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Cash received from sales	\$ 61,414,748	\$ 62,314,500
Cash payments to suppliers for goods and services	(19,179,011)	(22,246,893)
Cash payments to employees for services	(16,096,618)	(16,667,878)
Net cash provided by operating activities	26,139,119	23,399,729
Cash Flows from Noncapital Financing Activities		
Operating transfers out	(5,660)	(8,292)
Net cash used by noncapital financing activities	(5,660)	(8,292)
Cash Flows from Capital Financing Activities		
Proceeds from issuance of bonds	111,801,589	-
Intergovernmental revenue	192,000	-
Capital contributions	226,279	1,540
Acquisition of property and equipment	(36,038,395)	(39,550,164)
Retirement of bonds	(10,735,000)	(9,590,000)
Retirement of contracts payable	(658,050)	(704,073)
Interest and fiscal expense paid on bonds	(16,470,285)	(14,515,100)
Interest paid on contracts payable	(100,927)	(123,762)
Debt issuance costs	(933,985)	(58,997)
Proceeds from sale of assets	3,050	83,582
Damage settlements	87,050	202,326
Net cash provided (used) by capital financing activities	47,373,326	(64,254,648)
Cash Flows from Investing Activities		
Investment income (loss)	(5,984,218)	1,374,782
Net increase (decrease) in cash	67,522,567	(39,488,429)
Cash and Cash Equivalents July 1	98,970,249	138,458,678
Cash and Cash Equivalents June 30	<u>\$ 166,492,816</u>	<u>\$ 98,970,249</u>
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents - current	\$ 38,561,442	\$ 45,574,471
Cash and cash equivalents - restricted	127,931,374	53,395,778
Cash and Cash Equivalents June 30	<u>\$ 166,492,816</u>	<u>\$ 98,970,249</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 4,773,660	\$ 3,893,695
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	19,752,602	18,773,171
Change in assets and liabilities		
Increase in receivables	(121,090)	(172,465)
Increase in inventories	(39,643)	(110,651)
Increase in accounts payable	1,495,062	1,431,207
Increase (decrease) in accrued payroll	356,334	(347,009)
Decrease in prepaid assessments	(91,238)	(74,047)
Increase in accrued vacation	13,432	5,828
Total adjustments	21,365,459	19,506,034
Net cash provided by operating activities	<u>\$ 26,139,119</u>	<u>\$ 23,399,729</u>

City of Winston-Salem, North Carolina

Enterprise Funds

Schedule E-7

Water and Sewer Utility Fund - Schedule of Revenues, Expenditures, and Transfers - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Sales			
Water	\$ 35,040,410	\$ 31,399,333	\$ (3,641,077)
Sewer	24,821,720	23,831,330	(990,390)
Industrial waste surcharge	2,070,710	1,885,684	(185,026)
Total sales	<u>61,932,840</u>	<u>57,116,347</u>	<u>(4,816,493)</u>
Charges for services			
New connections	500,000	345,431	(154,569)
Special area and privilege charges	1,300,000	1,728,474	428,474
Main line capital cost revenue	400,000	103,700	(296,300)
Total charges for services	<u>2,200,000</u>	<u>2,177,605</u>	<u>(22,395)</u>
Other			
	<u>1,905,000</u>	<u>2,333,124</u>	<u>428,124</u>
Total operating revenues	<u>66,037,840</u>	<u>61,627,076</u>	<u>(4,410,764)</u>
Operating Expenditures			
Personal services	17,510,810	16,466,384	1,044,426
Maintenance and operations	26,028,328	20,592,699	5,435,629
Capital outlay	17,823	-	17,823
Total operating expenditures	<u>43,556,961</u>	<u>37,059,083</u>	<u>6,497,878</u>
Operating income	22,480,879	24,567,993	2,087,114
Nonoperating Revenues (Expenditures)			
Investment loss	1,700,000	(5,984,218)	(7,684,218)
Proceeds from sale of assets	-	3,050	3,050
Damage settlements	-	87,050	87,050
Interest and fiscal charges	(13,897,260)	(13,075,927)	821,333
Principal retirement	(11,448,430)	(11,393,050)	55,380
Total nonoperating expenditures, net	<u>(23,645,690)</u>	<u>(30,363,095)</u>	<u>(6,717,405)</u>
Loss before capital contributions and transfers	(1,164,811)	(5,795,102)	(4,630,291)
Capital Contributions			
		5,751,888	5,751,888
Transfers Out			
General fund	(70,960)	(5,660)	65,300
Change in net assets - modified accrual basis	<u>\$ (1,235,771)</u>	<u>\$ (48,874)</u>	<u>\$ 1,186,897</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Change in Net Assets - Modified Accrual Basis		\$ (48,874)	
Depreciation		(19,752,602)	
Unamortized financing costs		(625,981)	
Principal retirement		11,393,050	
Book value of disposed assets		(1,901,696)	
Interest expense, net of investment income, capitalized on construction projects		<u>701,852</u>	
Change in Net Assets - Full Accrual Basis		<u>\$ (10,234,251)</u>	

Solid Waste Management and Disposal

Review of FY 2008-09 Solid Waste Operations and Financial Data

The Solid Waste Management program operates the Hanes Mill Road Landfill, the Old Salisbury Road Construction and Demolition Landfill, the Reynolds Park Road leaf composting facility, and the Forum 52 and Overdale Road Yard Waste facilities. This program is also responsible for scrap tire and white goods management, and household hazardous waste management. All programs are operated to meet applicable regulatory standards, and appropriate environmental protection criteria. This means strategically planning for future land and equipment needs, managing closed solid waste landfills and keeping up with current solid waste management regulations. Historically, this department has also provided funding for the city's curbside recycling program, Forsyth County's drop-off recycling program, and the City/County Schools recycling program.

Operating revenues for the solid waste fund for FY 2008-09 were \$10,612,828. This was \$1,357,032 less than the budgeted revenues of \$11,969,860, and \$1,460,618 less than the actual revenues for FY 2007-08 at \$12,073,446. The decrease in revenue is directly attributed to the decrease in tonnages of waste disposed at Utility Commission owned facilities.

Operating expenditures totaled \$7,520,517, or \$2,626,660 less than the budget amount of \$10,147,177. The savings came primarily in decreased usage of supplies and materials, and a reduction in overtime and temporary labor.

After adjusting for the non-operating costs and transfers to the general fund to pay for the city's curbside recycling programs, and the counties drop-off recycling programs, the net change in assets for the fund was a negative \$2,753,431. The transfer out to the general fund to pay for recycling programs was \$2,847,285 in FY 2008-09.

The goal of the Solid Waste Management program is to provide, as an enterprise, environmentally and economically acceptable means of solid waste disposal for current and future wastes generated in Winston-Salem and Forsyth County. The Utility Commission is involved in an ongoing evaluation of ways to make the total solid waste disposal system more efficient while continuing to provide high

quality solid waste programs in the future. Changes to the way the existing collection and disposal programs are operated and funded are all parts of the solutions being considered.

The Solid Waste program managed over 326,092 tons of municipal solid waste, construction and demolition debris, and yard waste during FY 2008-09. Recycled goods also included 5,802 tons of scrap tires and 554 tons of appliances. The facilities serviced an average of 505 vehicles per day for a total of over 155,063 vehicles during the year, reduced from the previous year by 21,833 vehicles.

The trend of increased amounts of waste being hauled out of Forsyth County (and disposed in privately operated landfills) is continuing. The discounted tip fee for customers who bring larger amounts of waste (implemented in FY 2004-05) may have helped slow this trend of declining waste. This is illustrated in the following table by higher tonnages in FY 2004-05. In FY 2005-06 tonnages at Hanes Landfill dropped below the previous year's levels, but were still higher than the lowest year; FY 2003-04. In FY 2006-07, tonnage increased slightly over the previous year, however, tonnages in FY 2007-08 and FY 2008-09 have declined. We believe this is at least partially due to economic factors, as waste generation generally declines during an economic recession. The following table illustrates the fluctuations in the waste stream in recent years.

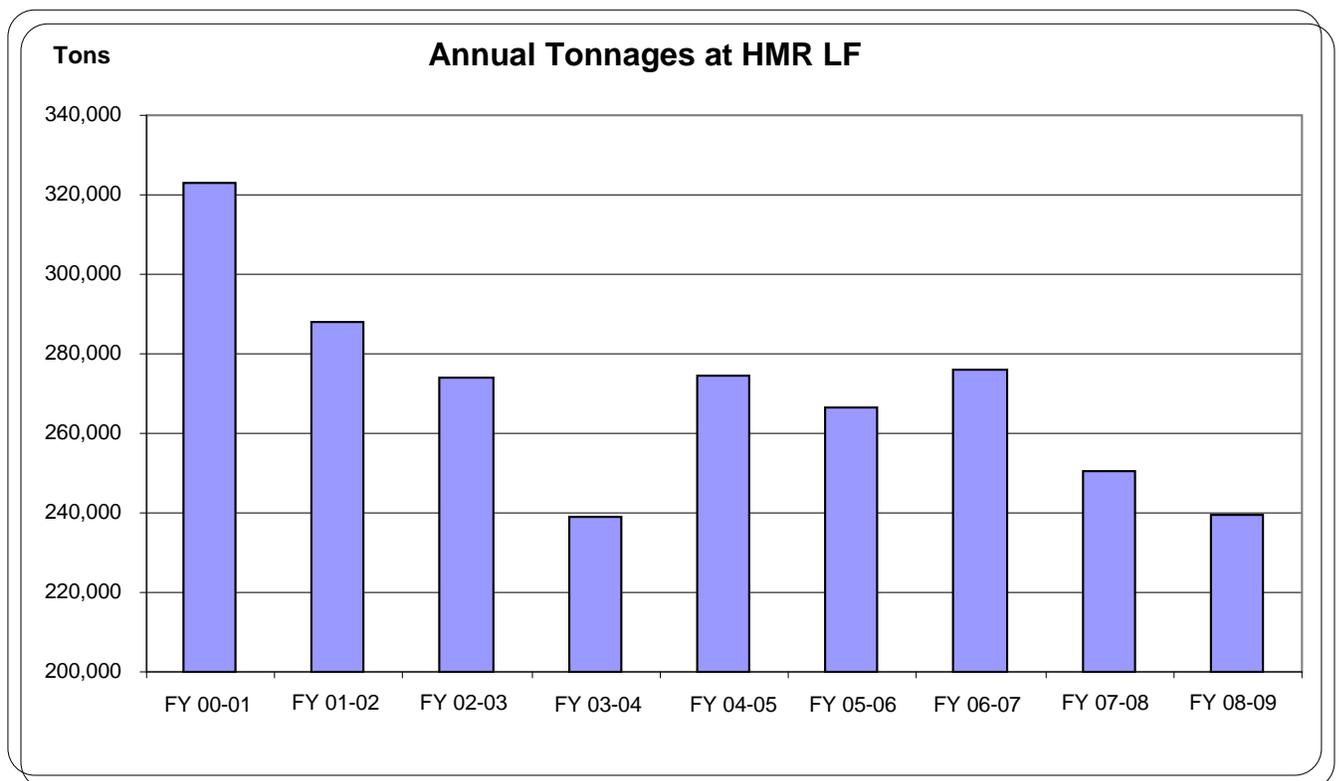


Table No. 1

Because the current solid waste funding structure relies almost entirely on tipping fee revenue to fund its programs, these fluctuations in the waste stream are problematic. Revenue to fund all programs must be generated almost entirely by gate receipts at the Hanes Mill Road Landfill and Old Salisbury Road Landfill, which creates pressure to keep the waste stream from declining. This resulted in the need for the tiered rate structure described above. Under the tiered structure, more tons of waste must be accepted to produce the same amount of revenue, thus consuming landfill space at a faster rate. Alternative funding systems would allow the landfill to set rates that are more competitive, yet reflect the true cost of providing the service, resulting in a more sustainable system in the long term. Examples of alternative funding systems include: implementation of a user fee for recycling services; implementing a recycling or disposal availability fee; or funding recycling through the city's general fund.

Status of Solid Waste Projects

Hanes Mill Road Landfill

The first 22-acre cell of the landfill expansion, located across the railroad tracks to the west of the original landfill, was placed into use in May 2005. The second 14-acre lined cell (located immediately adjacent to the initial 22 acre cell) was completed in late 2006, and it began receiving waste in April 2007. The design for the next phase of the landfill has been submitted to NCDENR for permitting, with construction expected to commence in 2010-11.

In conjunction with cell two construction in 2006, closure of about 40 acres of inactive landfill was completed. This closure involved construction of a final cover system consisting of compacted clay and a synthetic polyethylene cover to keep rainwater from coming in contact with waste. The area was planted with grass upon completion, and will now enter its post-closure maintenance phase.

Landfill Gas System

Hanes Landfill has a landfill gas extraction system that collects gas generated by the decomposing waste. The gas is then delivered to the existing generation facility where it is converted into electrical power and sold back to the power grid. In FY 2008-09, the energy contractor (DTE Biomass) reported processing 562,288 million BTU's of landfill gas into 36,808,778 kilowatt-hours of electricity. In May 2007 an amendment to the landfill gas contract was executed, and DTE is now paying the City/County Utilities Commission for the gas harvested from the landfill. Over time, these payments will serve to offset the capital cost of installing the system. In the near future, a pipeline will be completed that will carry the gas from the expansion area, which is just beginning to generate gas, to the power plant. Construction of this pipeline is currently underway, with completion expected in late 2009 or early 2010. Revenues to the Solid Waste Fund will increase as gas production increases in the newer areas of the landfill expansion.

Woodcliff Drive Homes

In 2002, the City Council adopted a resolution directing the City/County Utilities Commission to offer to purchase all the homes on Woodcliff Drive as a concession to the Grassy Creek Neighborhood Association. Seventeen of the 18 houses on Woodcliff Drive were purchased by the commission, and 14 of those have been resold. The remaining three are being maintained and are offered for sale.

Construction and Demolition Recycling Facility and Landfill

The Utilities Division is taking the necessary steps to replace the Old Salisbury Road Landfill, which is projected to be full around the year 2017. Approximately 435 acres have been purchased on the Forsyth/Stokes County line off US Highway 311 for the purpose of developing a recycling and disposal facility for construction and demolition (C&D) debris. The property was rezoned in June 2006, based on a site plan that showed the entrance in Stokes County. Work is underway to design a relocated entrance in Forsyth County, off US Hwy 311. The new entrance design received conceptual approval from Norfolk Southern Railroad, and the plans are presently being revised to show this new entrance and obtain appropriate regulatory approvals.

Disposal Rate Comparison

As shown in Table 2 - *Solid Waste Disposal Rate Comparisons*, Winston-Salem has the second lowest tipping fee of similar publicly owned facilities at \$34.00/ton (\$30.00/ton for qualifying customers). Even so, as mentioned previously, tonnage volumes have been declining over the past several years as more waste is transported outside Forsyth County for disposal in private landfills.

SOLID WASTE DISPOSAL RATE COMPARISONS

City	Municipal Solid Waste Tipping Fee (per ton, w/o State tax)	Construction & Demolition Disposal Fee (per ton, w/o State tax)
Durham	\$42.00 ¹	\$42.00
High Point	\$36.00	\$36.00
Greensboro	\$41.00 ¹	\$31.00/\$41.00 ⁴
Raleigh (Wake County)	\$30.00/\$36.00 ²	\$24.00 to \$39.50 ⁵
Winston-Salem	\$34.00/\$30.00³	\$28.00

Data taken from government websites.

(Table 2- reflects rates for fiscal year 2009-2010)

¹ This rate represents the tipping fee for their transfer station.

² Residents may dispose of waste at the landfill for \$30.00 per ton or at the county transfer facility for \$36.00 per ton.

³ Hanes Landfill currently offers a rate of \$30.00 to any hauler delivering a minimum of 700 tons/month.

⁴ Residents may dispose of C&D waste at the White Street Landfill at \$31.00 per ton. They may also dispose of their waste at the transfer station at \$41.00 per ton.

⁵ County landfill does not accept C&D waste. Rate is for private C&D landfills.

Solid Waste Management and Disposal

Future Challenges and Opportunities

The Solid Waste Management program continues to face challenges related to the method used to fund its disposal and waste reduction programs. Most of the funding for waste reduction programs in the city and county are generated via the tipping fee at Hanes Mill Road Landfill. This type of funding model is unique among North Carolina counties and municipalities similar to ours. Challenges for this program primarily come in the form of competition for the waste that has historically gone to the Hanes Mill Road Landfill. Large privately owned waste companies have the ability to offer disposal services at lower costs because they do not provide funding for waste reduction programs through disposal charges, and because they manage large volumes, and their competitive pricing has resulted in less waste being disposed at Hanes Landfill. Economic considerations also have an influence on the waste stream, and have contributed to reduced tonnages at both landfills in FY2007-08 and FY2008-09. Reduced amounts of waste at the landfill result in reduced revenue, which puts further demands on the solid waste fund balance in order to continue funding waste reduction programs like the City of Winston-Salem curbside recycling program, the Household Hazardous Waste Management Facility, Forsyth County's drop-off facilities for recycling, and the Winston-Salem / Forsyth County School System recycling program.

As shown previously in Table 1, tonnages received at Hanes Landfill decreased in FY 2008-09 relative to the prior year. The following financial statements indicate that while revenues were below budgeted levels, operating expenditures at the solid waste facilities were also below budgeted levels. However, unlike recent years, investment income on the solid waste fund balance was nonexistent; in fact, there was a negative return in FY2008-09 of \$1,492,378. These factors combined for a resulting negative change in net assets of \$3,148,930 (modified accrual basis).

In FY2008-09, staff implemented various cost savings and revenue enhancing measures which will carry forward into FY2009-10. For example, hours at the landfills were reduced; and flat rates (the rates charged to individuals in small vehicles) were increased. Other expenses for supplies, overtime and temporary labor were reduced as well. Utilities and budget office staff are continuing to monitor

the waste stream and market conditions in an effort to predict future economic conditions and be prepared to react accordingly.

Other challenges for the solid waste program are driven by state and federal regulatory changes. A statewide disposal tax, started in 2008, adds to administrative and overhead costs, and distributions from the scrap tire tax fund are noticeably reduced. Recent state imposed waste bans from landfill disposal have added to our labor costs for waste screening and training. Recently passed EPA regulations on greenhouse gas reporting are also likely to increase costs of compliance. Newly implemented (2008) solid waste permit fees will cost well over \$50,000 this year. Finally, recent activity by State regulators has indicated a shift towards requiring owners/operators to improve the monitoring and maintenance of old closed landfills, which will result in additional unforeseen costs this fiscal year.

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-8

Solid Waste Disposal Fund - Statement of Net Assets

June 30, 2009 and June 30, 2008

Assets	2009	2008
Current Assets		
Cash and cash equivalents	\$ 10,761,953	\$ 14,052,211
Accounts receivables, net of allowance for uncollectibles	381,714	430,878
Total current assets	11,143,667	14,483,089
Noncurrent Assets		
Restricted Assets		
Cash and cash equivalents		
Landfill closure and postclosure costs	11,879,117	10,645,903
Total cash and cash equivalents	11,879,117	10,645,903
Property and Equipment		
Land	11,033,472	10,760,086
Buildings	3,562,156	3,561,020
Improvements other than buildings	32,371,184	29,837,316
Machinery and equipment	4,797,469	4,338,334
Construction in progress	10,290,059	12,530,868
Total property and equipment	62,054,340	61,027,624
Less accumulated depreciation	18,480,796	17,115,969
Property and equipment, net	43,573,544	43,911,655
Other		
Unamortized financing costs	178,177	200,052
Total noncurrent assets	55,630,838	54,757,610
Total assets	66,774,505	69,240,699
Liabilities and Fund Equity		
Liabilities		
Current liabilities		
Accounts payable	616,465	279,037
Accrued payroll	31,669	15,874
Accrued interest payable	111,535	119,814
Current maturities		
Contracts payable	531,334	443,510
Bonds payable	1,295,000	1,245,000
Total current liabilities	2,586,003	2,103,235
Noncurrent liabilities		
Accrued vacation	66,816	64,448
Landfill closure and postclosure costs	11,879,117	10,645,903
Contracts payable	642,311	793,538
Bonds payable	11,159,549	12,439,435
Total noncurrent liabilities	23,747,793	23,943,324
Total liabilities	26,333,796	26,046,559
Net Assets		
Investment in capital assets, net of related debt	29,945,350	28,790,120
Unrestricted	10,495,359	14,404,020
Total net assets	\$ 40,440,709	\$ 43,194,140

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-9

Solid Waste Disposal Fund - Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Charges for services	\$ 10,612,828	\$ 12,073,446
Operating Expenses		
Personal services	1,795,834	1,734,884
Maintenance and operations	<u>5,724,683</u>	<u>6,585,345</u>
Total operating expenses before depreciation	7,520,517	8,320,229
Depreciation	<u>1,382,451</u>	<u>1,239,070</u>
Total operating expenses	<u>8,902,968</u>	<u>9,559,299</u>
Operating income	1,709,860	2,514,147
Nonoperating Revenues (Expenses)		
Intergovernmental revenue	536,726	485,246
Investment loss	(1,492,378)	(52,229)
Gain on disposal of assets	600	18,620
Interest and fiscal expense	(623,965)	(662,099)
Amortization of financing costs	<u>(36,989)</u>	<u>(36,989)</u>
Total nonoperating expenses, net	<u>(1,616,006)</u>	<u>(247,451)</u>
Income before transfers	93,854	2,266,696
Transfers Out		
General fund	<u>(2,847,285)</u>	<u>(2,625,767)</u>
Change in net assets	(2,753,431)	(359,071)
Total net assets - beginning	<u>43,194,140</u>	<u>43,553,211</u>
Total net assets - ending	<u><u>\$ 40,440,709</u></u>	<u><u>\$ 43,194,140</u></u>

City of Winston-Salem, North Carolina

Enterprise Funds

Statement E-10

Solid Waste Disposal Fund - Statement of Cash Flows
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Cash received from sales	\$ 10,661,992	\$ 11,977,847
Cash payments to suppliers for goods and services	(4,193,024)	(5,291,789)
Cash payments to employees for services	(1,777,671)	(1,779,403)
Net cash provided by operating activities	4,691,297	4,906,655
Cash Flows from Noncapital Financing Activities		
Intergovernmental revenue	536,726	486,697
Transfers out	(2,847,285)	(2,625,767)
Net cash used by noncapital financing activities	(2,310,559)	(2,139,070)
Cash Flows from Capital Financing Activities		
Acquisition of property and equipment	(498,822)	(1,055,148)
Retirement of bonds	(1,245,000)	(1,200,000)
Retirement of contracts payable	(540,162)	(470,822)
Interest and fiscal expense paid on bonds	(570,197)	(607,201)
Interest and fiscal expense paid on contracts payable	(91,823)	(93,933)
Proceeds from sale of assets	600	18,620
Net cash used by capital financing activities	(2,945,404)	(3,408,484)
Cash Flows from Investing Activities		
Investment loss	(1,492,378)	(52,229)
Net decrease in cash	(2,057,044)	(693,128)
Cash and Cash Equivalents July 1	<u>24,698,114</u>	<u>25,391,242</u>
Cash and Cash Equivalents June 30	<u>\$ 22,641,070</u>	<u>\$ 24,698,114</u>
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents - current	\$ 10,761,953	\$ 14,052,211
Cash and cash equivalents - restricted	11,879,117	10,645,903
Cash and Cash Equivalents June 30	<u>\$ 22,641,070</u>	<u>\$ 24,698,114</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,709,860	\$ 2,514,147
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	1,382,451	1,239,070
Change in assets and liabilities		
(Increase) decrease in receivables	49,164	(95,599)
Increase (decrease) in accounts payable	298,445	(179,674)
Increase (decrease) in accrued payroll	15,795	(44,430)
Increase (decrease) in accrued vacation	2,368	(89)
Increase in landfill closure and postclosure costs	1,233,214	1,473,230
Total adjustments	2,981,437	2,392,508
Net cash provided by operating activities	<u>\$ 4,691,297</u>	<u>\$ 4,906,655</u>

City of Winston-Salem, North Carolina

Enterprise Funds

Schedule E-11

Solid Waste Disposal Fund - Schedule of Revenues, Expenditures, and Transfers - Budget (Non-GAAP Basis) and Actual
For the Fiscal Year Ended June 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Charges for services	\$ 11,969,860	\$ 10,612,828	\$ (1,357,032)
Operating Expenditures			
Personal services	1,837,580	1,795,834	41,746
Maintenance and operations	<u>8,309,597</u>	<u>5,724,683</u>	<u>2,584,914</u>
Total operating expenditures	<u>10,147,177</u>	<u>7,520,517</u>	<u>2,626,660</u>
Operating income	1,822,683	3,092,311	1,269,628
Nonoperating Revenues (Expenditures)			
Intergovernmental revenue	500,290	536,726	36,436
Investment loss	700,000	(1,492,378)	(2,192,378)
Proceeds from sale of assets	-	600	600
Interest and fiscal charges	(711,760)	(653,742)	58,018
Principal retirement	<u>(1,975,640)</u>	<u>(1,785,162)</u>	<u>190,478</u>
Total nonoperating expenditures, net	<u>(1,487,110)</u>	<u>(3,393,956)</u>	<u>(1,906,846)</u>
Loss before transfers	335,573	(301,645)	(637,218)
Transfers Out			
General fund	<u>(2,900,010)</u>	<u>(2,847,285)</u>	<u>52,725</u>
Change in net assets - modified accrual basis	<u><u>\$ (2,564,437)</u></u>	<u><u>\$ (3,148,930)</u></u>	<u><u>\$ (584,493)</u></u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis			
Change in Net Assets - Modified Accrual Basis		\$ (3,148,930)	
Depreciation		(1,382,451)	
Amortization of financing costs		(36,989)	
Principal retirement		1,785,162	
Interest expense, net of investment income, capitalized on construction projects		<u>29,777</u>	
Change in Net Assets - Full Accrual Basis		<u><u>\$ (2,753,431)</u></u>	

CITY/COUNTY UTILITY COMMISSION COMMITTEES

David Neill – Chairman
James E. Lowe – Overall Vice Chairman

FINANCE

Randall S. Tuttle – Chairman
J. Hill Stockton – Vice Chairman
Paul S. McGill
Al H. Seymour

OPERATIONS

Harold R. Holmes – Chairman
Stephen M. Shelton – Vice Chairman
Toyoko "Toy" Beaty

PLANNING & POLICY

Raymond D. Thomas – Chairman
Al H. Seymour – Vice Chairman
Janeen Lalik