

Johnston County Public Utilities Regionalization Feasibility Analysis Initial Results Presentation

County Commission Meeting

April 15, 2024



NO
FISHING

Meeting Agenda

- Purpose & Objectives
- Project Highlights
- Preliminary Due Diligence Analysis
- Proposed Regionalization Scenario
- Regionalization Roadmap
- Next Steps

Thank You

Purpose & Objectives



Purpose and Objectives



Facilitate a discussion and report the findings and considerations related to the Regionalization Study



Understanding:

Provide an outline of the considerations and variables that must be understood as a part of a Regionalization Scenario

Roadmap:

Outline the path to understanding the value and shared benefits of a Water and Sewer System Regionalization Scenario within Johnston County

Project Highlights



Project Highlights

Financial Highlights

- Over \$2.0 billion in Capital Requirements (**baseline**)
- Revenue Increase Required
- Balanced Financial Plan
- Uniformity of Water and Sewer Rates

Governance Highlights

- Operating in a limited form of Cooperation
- Ratify current Inter-local/Service Agreements
- Deep coordination between regulatory, legislative, and other bodies

Operating Organization Highlights

- Optimization of staffing requirements
- Asset Maintenance
- Existing Cost of Operations
- System Resiliency & Performance

Proposed Regionalization Scenario

- “Self-Contained Authority”
- Organization Structure
 - Water Requirements
 - Sewer Requirements

Regionalization Roadmap

- 36-Month Schedule
 - Organization Development
 - Organizational Alignments
 - Implementation

Regionalization Drivers

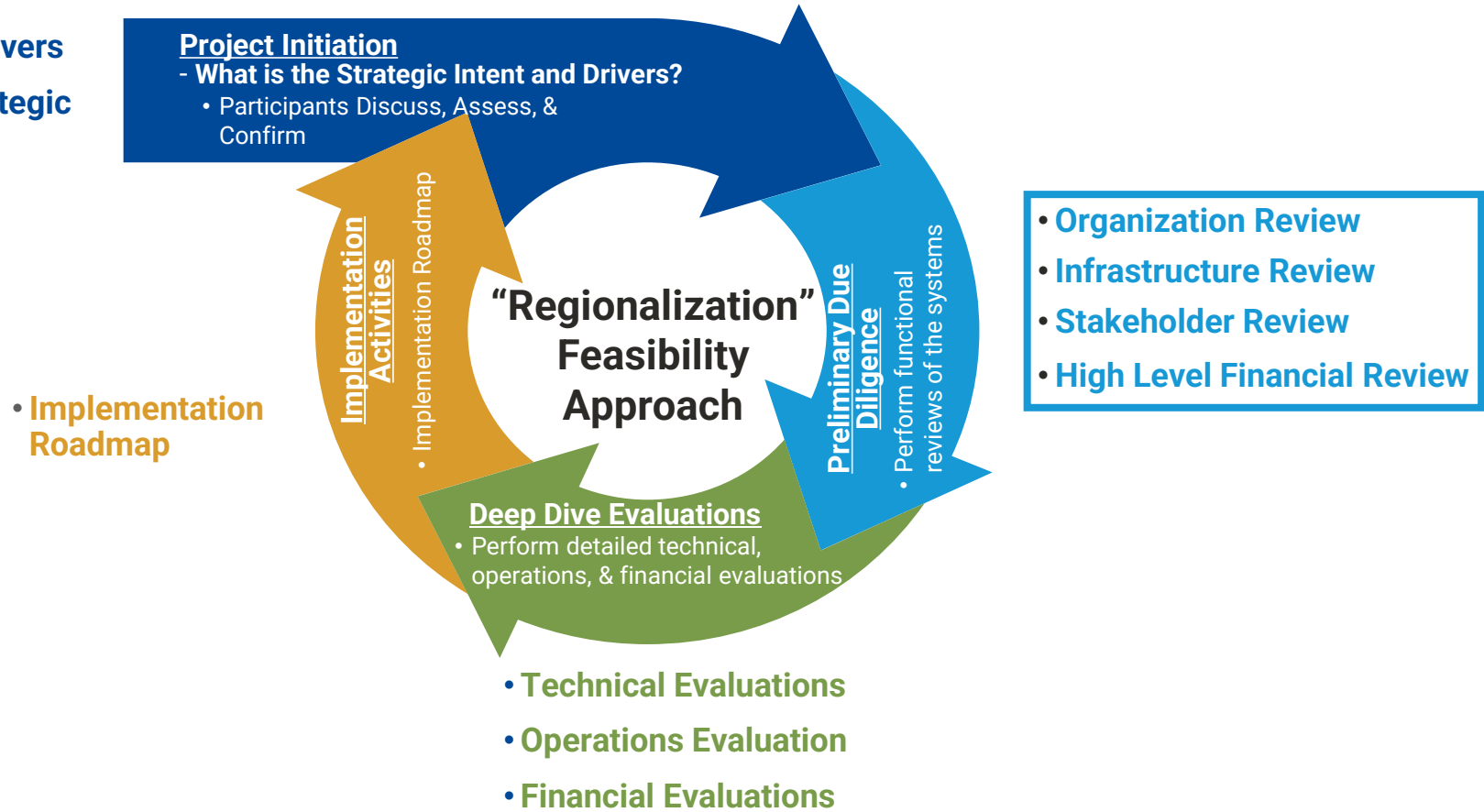
LINE	WATER SYSTEM	SEWER SYSTEM
1	Sharing of Risk	
2	Systematic Solution to Capacity	
3	Availability of Staffing Resources	
4	Significant Use Customer Demand	
5	Shared Maintenance Services	
6	Intra-Generational Rates (uniformity)	
7	Designation of Service Area	
8	Infrastructure Integrity	
9	Diversity in Water Treatment Resources	
10		Build out of Sewer System/Conveyance
11		Inflow and Infiltration
12		Septic to Sewer Transition
13	Source of Supply Permitting	
14		Flow Discharge Permitting
15	Location of All Service Meters	

Preliminary Due Diligence Analysis



Project Approach

- Strategic Drivers
- Desired Strategic Outcomes



Study Approach that is designed to complete a comprehensive evaluation associated with forming the “Unified Entity” and/or Regional Partnerships

Governance

Highlights

- Build on Inter-Governmental Cooperation
- Facilitate existing Utility System Operating Structure
- Maximize sharing of risk and benefits
- Working body focused on Water and Sewer Issues & Opportunities

LEAST risk sharing and potential benefits

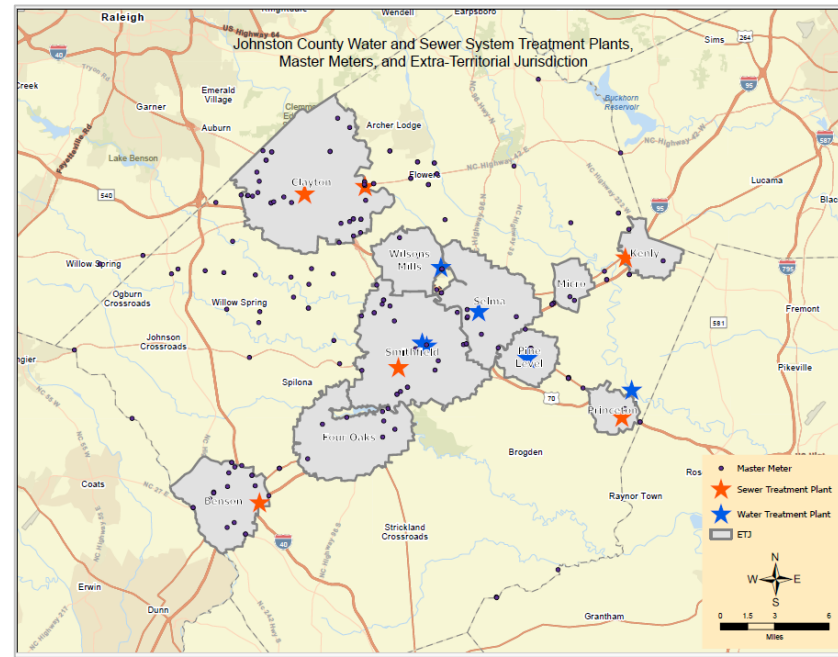
MOST risk sharing and potential benefits

Inter-Governmental Cooperation	Special Service Authority	Self-Contained Authority	Fully Integrated Utility Entity
<p>Inter-Governmental Cooperation</p> <p>Utilizes operating agreements, wholesale contracts, basic service contracts or joint service agreements between entities</p> <hr/> <p>PROS</p> <ul style="list-style-type: none"> • No loss of control • May not have to expand plant • More efficient use of resources • Eliminate duplication of facilities • No voter approval required <hr/> <p>CONS</p> <ul style="list-style-type: none"> • Very little economic benefit • Very little risk-sharing • Not lowering the combined system costs • Temporary solution (possible) 	<p>Special Service Authority</p> <p>One entity operates treatment facilities; all members buy from treatment authority</p> <hr/> <p>PROS</p> <ul style="list-style-type: none"> • Each entity maintains control of distribution system/growth • May have economies of scale from combined capacity • Risk sharing only on treatment <hr/> <p>CONS</p> <ul style="list-style-type: none"> • Typically, only benefit from wholesale rate path • Potential loss of control over capacity/treatment plants • No economies of scales on collection/distribution 	<p>Self-Contained Authority</p> <p>All systems combined under one legal, operating entity that reduce or eliminate the autonomy of local systems</p> <hr/> <p>PROS</p> <ul style="list-style-type: none"> • Total sharing of risk • Cost savings optimized through economies of scale • Provide for more permanent solution to supply problems • Larger entity can seek wider range of financing sources • Can spread large capital expenditures over a larger customer base <hr/> <p>CONS</p> <ul style="list-style-type: none"> • No control except through voting rights negotiated by entities • Can be most difficult because of system valuation • Voter approval required 	<p>Fully Integrated Utility Entity</p> <p>Essentially the stronger entities buy the weaker entities</p> <hr/> <p>PROS</p> <ul style="list-style-type: none"> • No Acquired entity not burdened with system maintenance • Potential economies of scale for a larger system whereby acquired entity may benefit <hr/> <p>CONS</p> <ul style="list-style-type: none"> • Loss of control for acquired entity only • Potential loss of revenues for acquired entity • No risk-sharing, acquiring entities bare all the risk

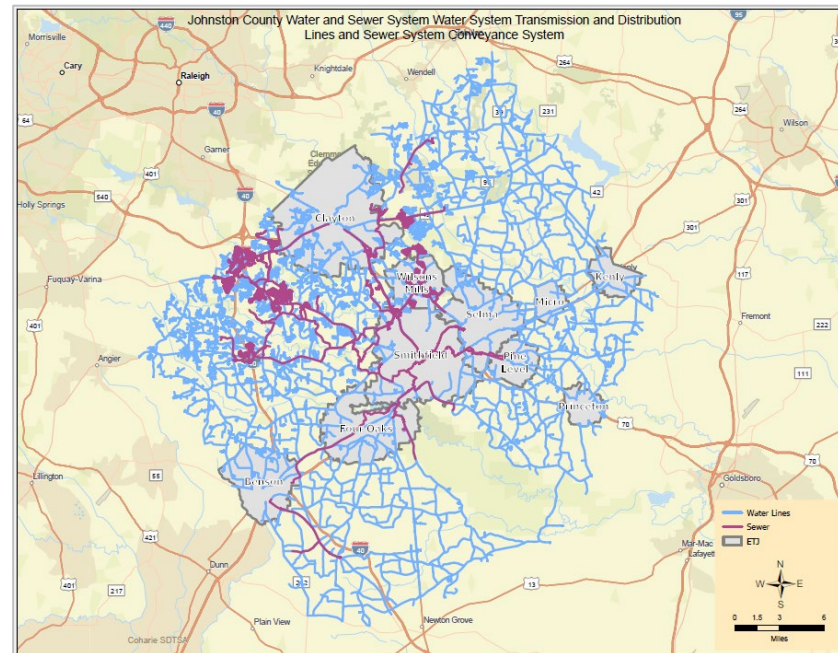
Water and Sewer System

Characteristics

- Water Systems located in the Central & Southeastern parts of the Service Area
- Sewer System is more built-out in the Central & Northeastern parts of the Service Area
- Growth in the County is concentrated in the north and extended throughout the service area
- Water and Sewer System maintain separate and important requirements



Water and Sewer Treatment Plants, Master Meters, & ETJ



Water T&D and Sewer Conveyance System

Maintenance of the Existing System

Current Maintenance

- Mainly Corrective Maintenance
- Certain maintenance activities is outsourced

Targeted Maintenance

- Preventive Maintenance
- Lower the cost of maintenance

Dedicated Maintenance Team

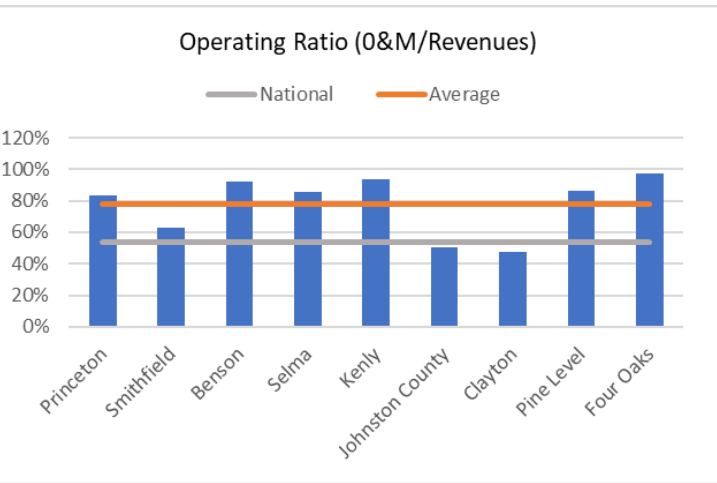
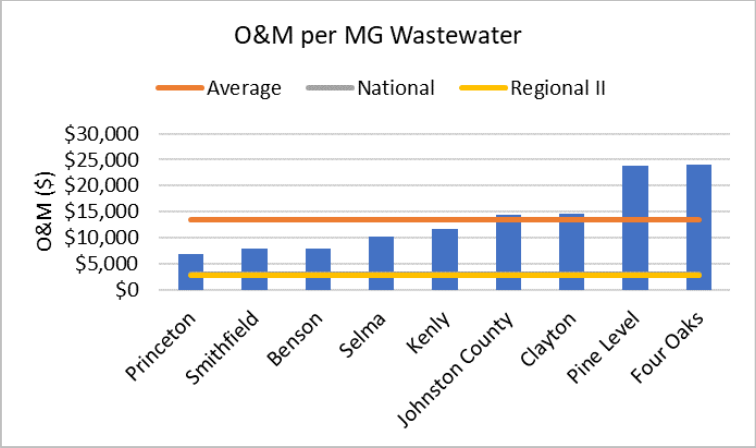
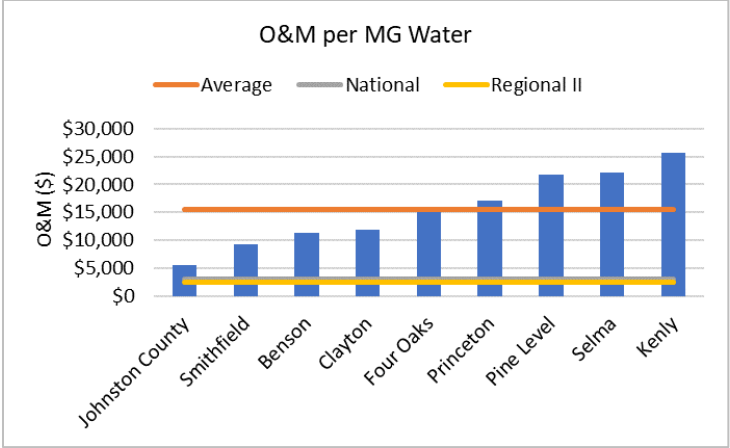
- Maintain schedulers, planners, and maintenance service tools

Characteristics	Archer Lodge	Benson	Clayton	Four Oaks ⁽³⁾	JCPU	Kenly	Pine Level	Princeton	Selma	Smithfield	Wilson Mills ⁽³⁾
Business Unit Leader ⁽¹⁾			■		■						
Dedicated Maintenance Group			■		■
Services Provided by Geography				
Preventive Maintenance			■		■
Corrective Maintenance	■	■	■	■	■	■	■	■	■	■	■
Control System Utilized ⁽²⁾		■	■	■	■		■		■	■	
Notes:											
1. The maintenance group has a dedicated leader that is solely responsible for all maintenance activities.											
2. Existing water and/or sewer treatment plant control and maintenance management systems are utilized in the planning and scheduling of maintenance resources.											
3. Maintenance services are provided by JCPU and the Utility Systems.											

Existing Cost of Operations

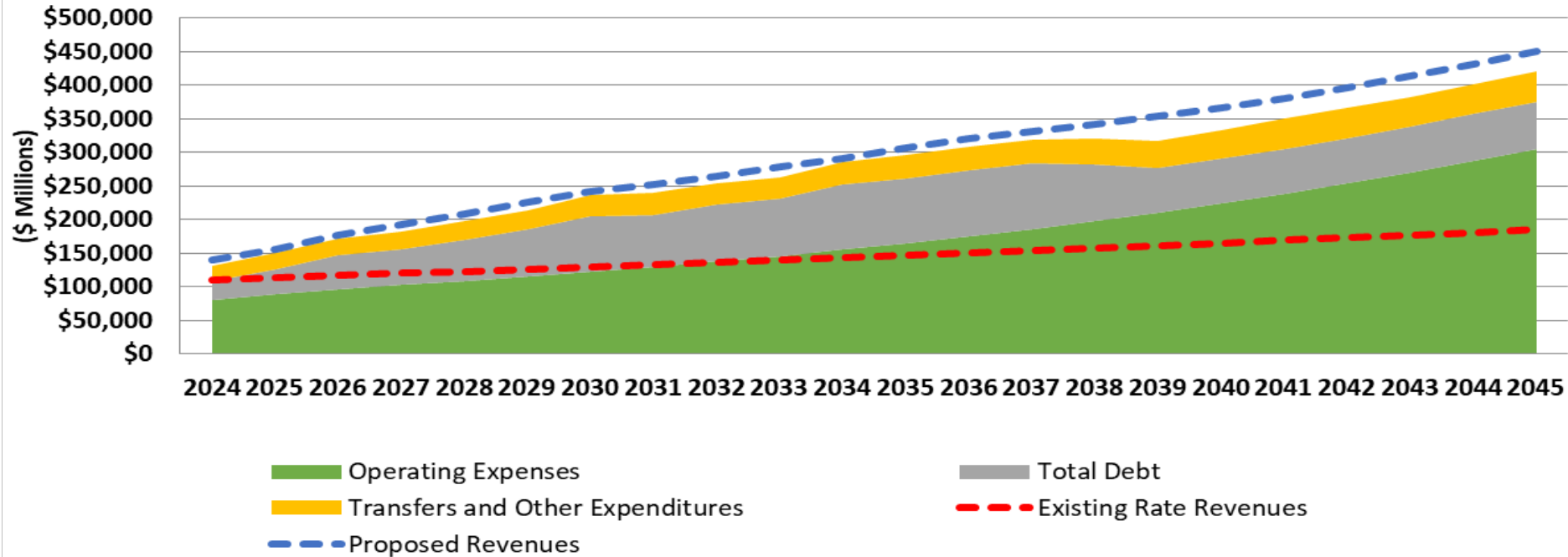
Highlights

- AWWA Utility Benchmarking Survey
- Higher cost to Produce Water and Treat Wastewater
 - Lack of Resources
- Higher Operating Ratio for most Utility System
 - Higher risk profile associated with existing operations
- Utility Systems require more revenues to meet existing levels of cost



Financial Analysis

Comparison of Revenues and Revenue Requirements



Revenue

- Existing Revenues not Sufficient
- Proposed Revenue Increases
 - JCPU & Utility Systems
 - Regionalized System

Revenue Requirement (Cost)

- \$2.1 Billion in CIP (Baseline)
- Annual R&R Investment
- PFAS Mitigation
- Regional AMI Program

Revenue Increases

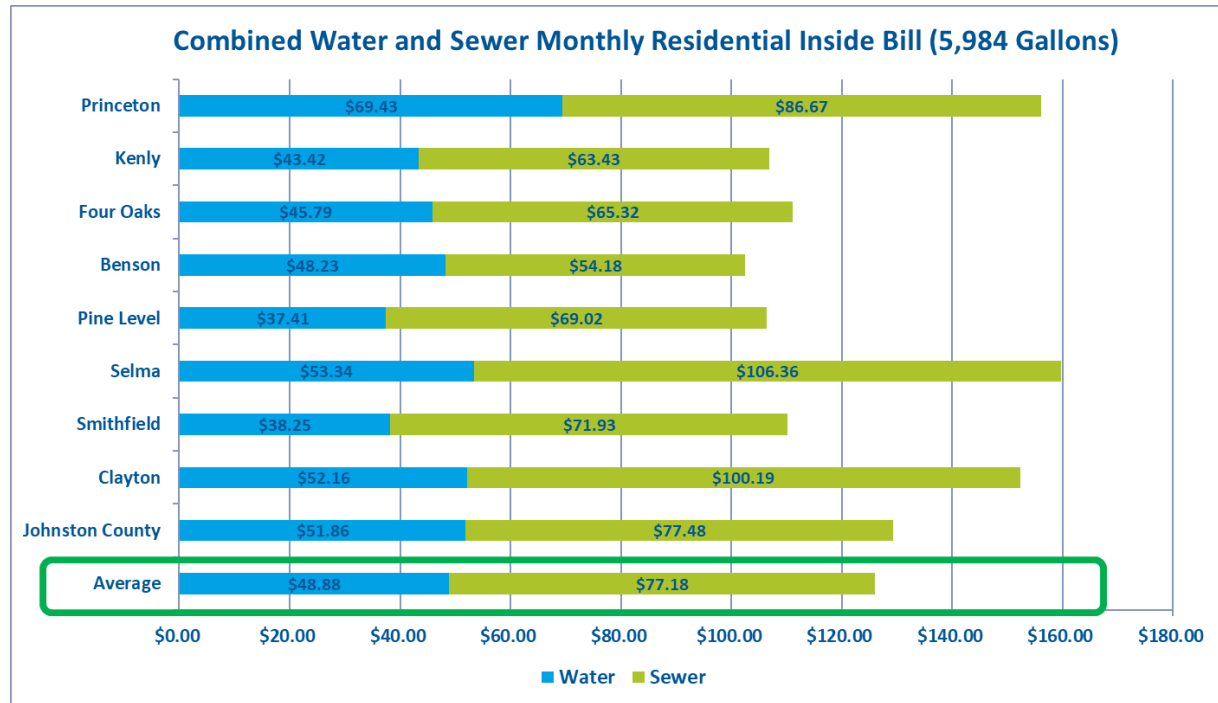
Year	Regionalized System
2025	12.0%
2026	12.0%
2027	8.0%
2028	6.0%
2029	6.0%
2030	5.0%
2031	2.0%
2032	2.0%
2033	2.0%
2034	2.0%
2035	2.0%
2036	2.0%
2037	0.0%
2038	0.0%
2039	0.0%
2040	0.0%
2041	0.0%
2042	0.0%
2042	0.0%
2044	0.0%
2045	0.0%

Rate Structure & Bill Comparison

Description	JCPU	Clayton	Smithfield	Pine Level	Selma	Town of Benson	Kenly	Town of Princeton	Four Oaks
Fixed Charge:									
Availability/Customer	■	■	■	■	☠	■	■	■	■
Volumetric:									
Uniform				■	■	■	■		■
Increasing Block	■	■	■					■	
Declining Block									

Highlights

- Varying Water Rate Structures
- Uniformity of Water and Sewer Rates Over Time
- Recognition of each System's Development Cycle



System Resiliency



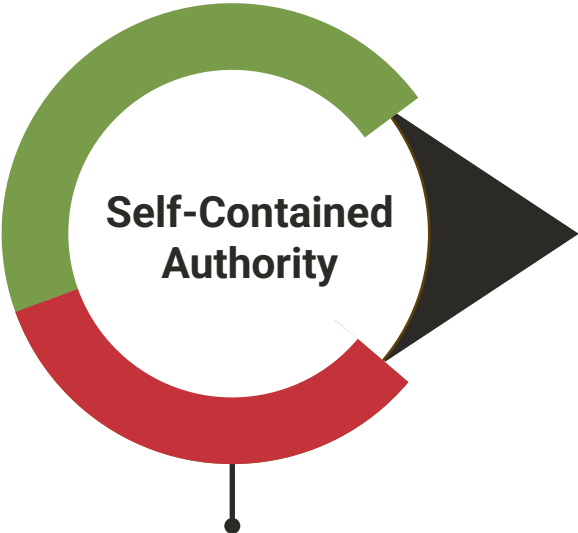
Competing Priorities

- Resilient Infrastructure
- Inflow and Infiltration Reduction Program
- Regional Advanced Metering Infrastructure
- Dedicated Maintenance Service
- Overarching Planning Approach
- Comprehensive Long-Term Financial Planning
- Reduction in the Cost to Operate

Proposed Regionalization Scenario



Proposed Regionalization Scenario



All systems combined under one legal, operating entity that reduce or eliminate the autonomy of local systems

Self-Contained Authority

All systems combined under one legal, operating entity that reduce or eliminate the autonomy of local systems

PROS

- Total sharing of risk
- Cost savings optimized through economies of scale
- Permanent solution to capacity, supply, and financing considerations
- Larger entity can seek wider range of financing sources
- Optimize capital requirements over a larger customer base

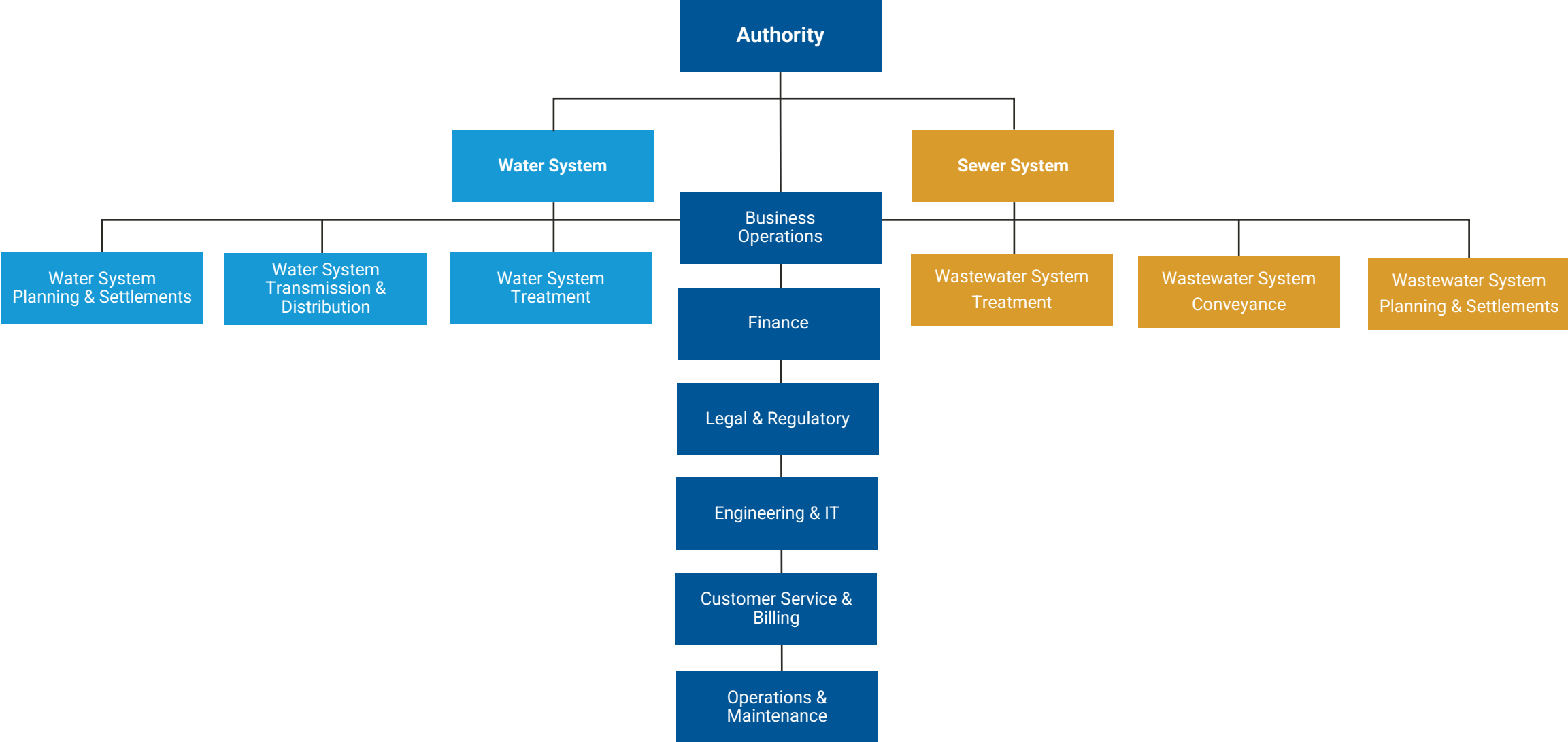
CONS

- No control except through voting rights negotiated
- Extensive negotiations and deliberations to value systems
- Voting and approval hierarchy amongst members

Sharing of risk, administrative requirements, and realized benefits

Extensive legislative and due diligence procedures to establish Authority

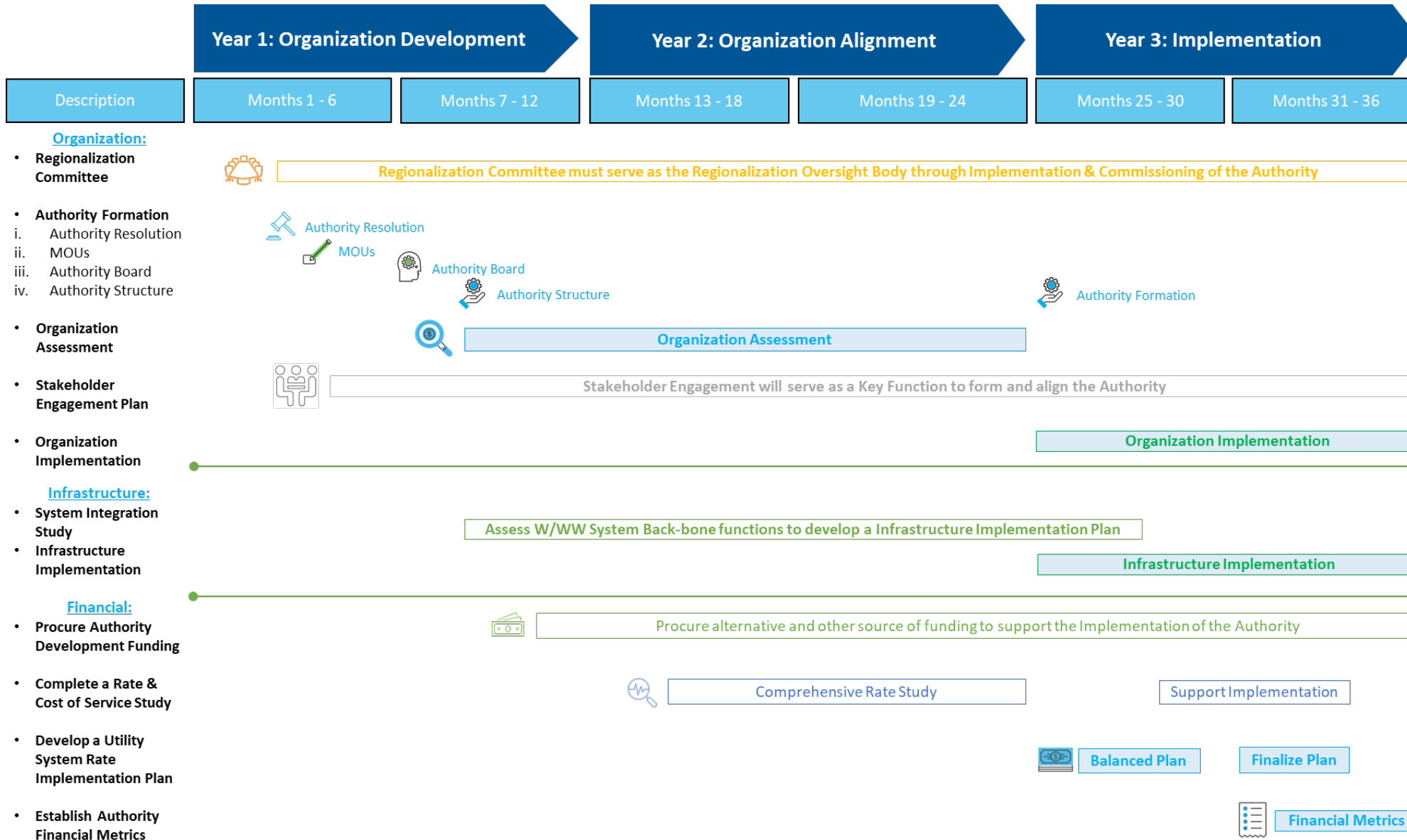
Self-Contained Authority Organization Structure



Regionalization Roadmap



Regionalization Roadmap



Commissioning (Go-Live)

Next Steps



Next Steps

Development of a Regional Committee

- Reports to the County Commission
- Establishes a Charter
- Develop a Planning Framework and Roadmap

Organization Assessments

- Governance Activities
- Infrastructure, Organization, and Financial Assessments
- Retain feedback and direction from participants

Communicate, Communicate, Communicate

- Establish a procedure to communicate, document, and report
 - Drivers
 - Proceedings
 - Next Steps

Initiate the Authority Formation Activities

- Authority Participants/Resolution
- MOUs
- Authority Board/Structure
- Identify Deep Dive Evaluation Focus Areas

Stakeholder Engagement Plan

- Determine a cadence of communication
- Retain feedback and guidance