

Agenda Item G

Emergency Operations Grant for the Town of Pikeville

North Carolina Department of Environmental Quality

Division of Water Infrastructure

Application for Emergency Grants for Operating Deficit



(Last updated: April 2021)

1. General Information

Applicant Name Town of Pikeville	County Wayne
Fiscal Year(s) for which Assistance is Being Requested FY 2021-2022	Total Funding Requested 74,700

Applicant Type

<input checked="" type="checkbox"/> Municipality	<input type="checkbox"/> Water and Sewer District
<input type="checkbox"/> County	<input type="checkbox"/> Sanitary District
<input type="checkbox"/> Water and Sewer Authority	<input type="checkbox"/> Metropolitan Sewerage or Metropolitan Water District

Funding Type(s) Requested

Viable Utility Reserve Emergency Grant for Operating Deficits

Drinking Water Utility

Wastewater Utility

Joint Drinking Water and Wastewater Utility

2. System Parameters

Residential Sewer Connections	Residential Water Connections
324	398
Non-Residential Sewer Connections	Non-Residential Water Connections
41	48
Sewer Bill per 5,000 gallons	Water Bill per 5,000 gallons
107.15	87.15 (outside/74 customers) 68.60 (inside/324 customers)

3. Authorized Representative Information

Authorized Representative Name: Eric Faust

Title: Deputy Treasurer, State and Local Government Finance, NCDST

Mailing Address Line 1: 3200 Atlantic Ave Longleaf Building

Mailing Address Line 2:

City: Raleigh **State:** NC **Zip Code:** 27604

Phone Number: 919-930-7176 **E-Mail Address:** eric.faust@nctreasurer.com

4. Application Contact Information (if different than Authorized Representative)

Contact Name: Eric Faust

Title: Finance Officer, Town of Pikeville

Mailing Address Line 1: 3200 Atlantic Ave, Longleaf Building

Mailing Address Line 2:

City: Raleigh **State:** NC **Zip Code:** 27604

Phone Number: 919-930-7176 **E-Mail Address:** eric.faust@nctreasurer.com

5. Additional Information

The Town of Pikeville has been named a distressed town by the State with a score of 19 points. **The financial operations of the Town are currently being administered by the Local Government Commission.**

We are requesting an Emergency Operating Grant to help with costs related to getting the Town of Pikeville caught up with their water and sewer bookkeeping as well as transitioning to a software system which will prevent the Town from getting in this situation again. **These are expenses which are not typical and recurring expenses and were not budgeted to be covered by customer receipts.**

When the LGC took over the Town's finances we found their records, especially customer payment receipts related to utilities, were months behind. We still do not have current year revenues posted. This was due to turnover and overall mismanagement of their utility billing and collections. We have a CPA firm assisting with the catchup, which is quite costly. We estimate 60% of their monthly fees are related to Water and Sewer, specifically:

- Billing and collections issues
- Accounting for past capital projects
- Administrative costs resulting from turnover

The water and sewer share of their bills totals \$6,000 a month.

We also are currently using Envirolink staff for our billing and collections, which is costing the Town an estimated \$3,300 a month more than it will cost once we manage to get caught up and bring everything back in house, which is our long-term goal. 50% of these costs are Water and Sewer related, which would bring the monthly share to \$1,650. Envirolink has been helping Pikeville since April.

To help us reach our goal, which is to bring our billing and collections in house in order to lower these costs, the Town plans on switching to a new accounting system. Currently, the Town uses Logics for customer billing and collections and QuickBooks for the General Ledger. This causes several problems. The Town must manually reconcile the daily deposits between two accounting systems, which is further complicated by credit card payment timing, and then enter the receipts into QuickBooks. Before the LGC took over, this was not being done and revenue recording and recognition was months behind. The new software system we are planning on purchasing, Southern Software, will handle all of this automatically, as well as take credit card payments, which will eliminate the credit card timing issues. We estimate the software system and training will cost around \$31,000. \$15,500 of these costs should be allocated to Water and Sewer. We are waiting for an estimate on the data migration costs. Our software vendor said the maximum cost for water and sewer data migration should be \$4,000 but we do not expect to have the exact migration cost until the second week of December. We believe the new software system will allow us to bring our billing and collections in house, reducing our costs, and also lower our third-party bookkeeping costs. We have discussed this with our bookkeeper, and he agrees.

The next section states our Emergency Operating Grant should align with the deficit from our last audit. However, these expenditures all occurred after the audit took place, so we are not showing the deficit we are currently experiencing in section 6.

6. Financial Information

	Fund	
		Water and Sewer
Water and Sewer Administration		87,366
Water Operations		152,408
Sewer Operations		466,256
Total		706,030

Projected expenditures to get long term viability (Not in prior year budgets)			
CPA Firm bookkeeping catchup – Utility Shares (7 months \$6k a month)		42,000	
Envirolink costs (8 months 1,650 per month)		13,200	
Software system upgrade		15,500	
Software migration costs		4,000	
Total		<u>74,700</u>	

Application Signature



SIGNATURE OF AUTHORIZED REPRESENTATIVE

Eric Faust
TYPED NAME

Finance Officer
TYPED TITLE

12-1-2021
DATE