

Board Update – Township Finances

September 8, 2020

Finances –

- in Good Shape and Now Fine Tuning

- Audits – timely and in good standing
- Multi – year Capital Planning and Financing – Water and Sewer updated as of August 2020
- Financial Policies and Procedures in place – especially Fund Balance
- General Fund Health – FB increase of 3% from 2016 to 2020. This is AFTER contributions to Fire Station Construction
- Water and Sewer – on track after a decade of mismanagement

Changes Under This Administration

	One Time Savings	Approx Annual Savings	
		Money	Hours
Reduce Bank Accounts and Increased Int		\$ 14,000	36
Reduce and Streamline Customer Pmts		\$ 24,000	48
Add electronic payment for W&S		\$ 2,000	10
1099 Vendor Information for Insurance		\$ 8,500	
Correct W&S Debt	\$ 700,000		
Telephone service change		\$ 13,000	
Water Special Assesmnt. Add program. Correct PY	\$ 6,000		
Mobile Home Tax Collection	\$ 5,000		
Streamline Tax Processing			64
Offsight storage file maintenance		\$ 3,000	

Previous State of Michigan Concerns

The township is required to operate the water and sewer utility as an enterprise fund, covering costs to operate the system and service customers through user fees and usage charges.

The system is currently operating in a deficit. This requires a corrective action to bring finances into compliance with state law and to properly fund the water and sewer system. The system requires immediate repair and current revenues were insufficient to fund the necessary maintenance.

Michigan Department of Treasury

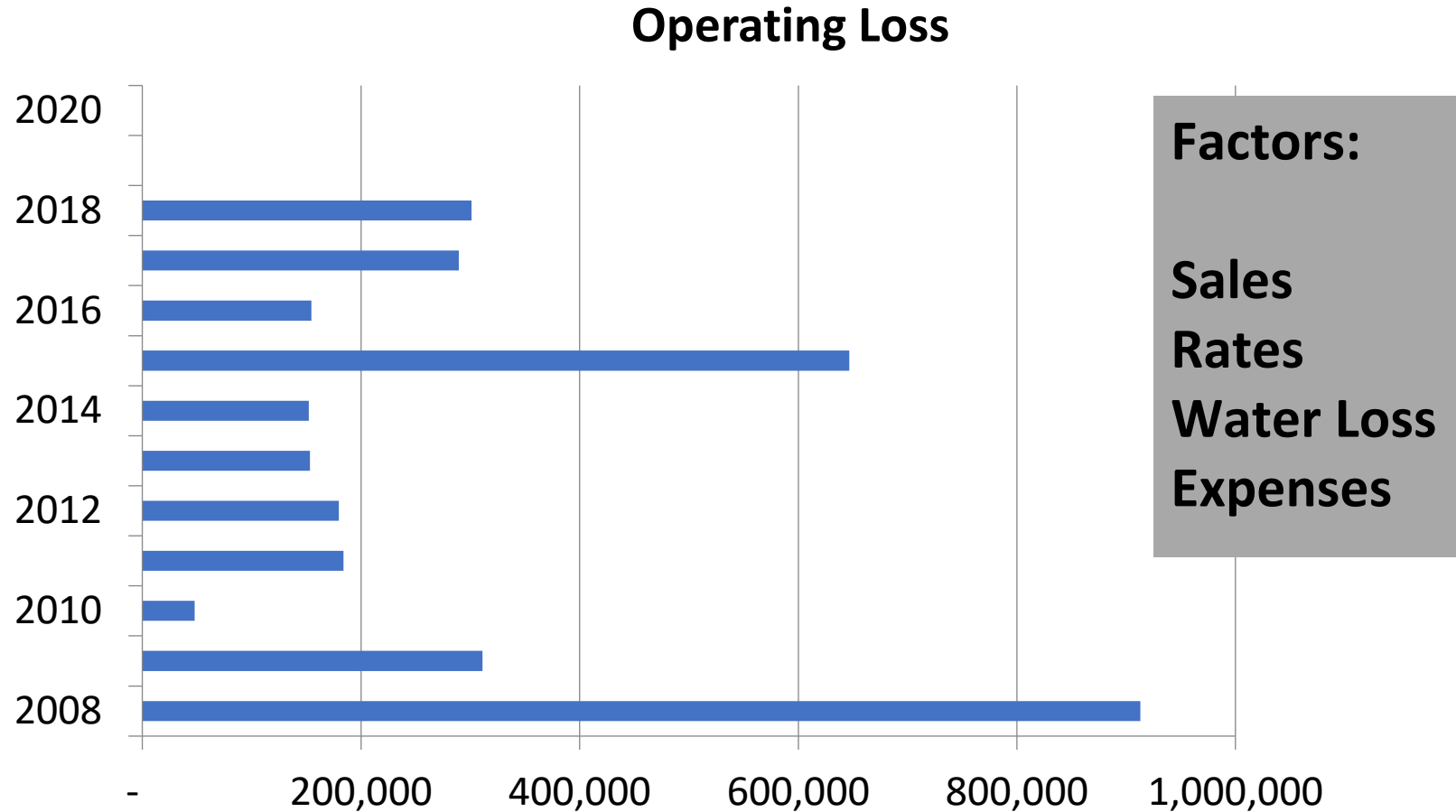
- **Water and Sewer fund – Possible deficit reduction plan requirement**

EGLE/Michigan Department of Environmental Quality

- **The township has a capital improvement and asset management plan that includes a minimum of \$2,030,000 in water and sewer capital improvements**

W&S Operating Loss

3 Million 10 Year Loss



Augusta Charter Township

Water and Sewer Loss

A significant, yet often overlooked cost of operating a water and sewer utility system.

Water and Sewer Loss represented a \$285,000 cost to Augusta Township in Fiscal Year 2018-20.

This can and must be fixed in order to operate the system in a fiscally responsible manner at the lowest long-term cost possible.

Water loss24% +/-

Sewer loss60% +/-

Clearing Up Some Confusion

- The Fire Station money has nothing to do with the Water & Sewer money. They are legally separated funds.
- It is possible sewer was subsidizing water or vice versa in the past. The new rate methodology and accounting accounts these items separately
- The township receives some interest income on the old special assessments and applies that to capital and operating costs. Paying off the old assessment debt did not increase or decrease the ability to fund capital improvements, but it did save interest charges for customers.

- Why did the township changed the rate structure and raised rates?
 - Previous rates were too low and relied on connection fee income to cover the costs - \$3million over 10 years.
 - Many of the costs to operate the system are fixed and consistent year over year. New structure needed.
 - The Township has a LARGE water and sewer loss rate. We buy more than we sell.
 - The previous rate formula relied on usage only. If rates went up equal to what YCUA charged then only what we sell was taken care of. But all the units we buy but don't sell were at an increasing loss.