

To the Customers and Commissioners of Public Works for the  
Town of Mount Pleasant, South Carolina:

Enclosed is the Annual Budget Document for Fiscal Year (FY) 2008.

The budget year of July 1, 2007 through June 30, 2008 includes both the Operating Budget and the Capital Budget. For FY 2008, the projected Operating Revenue is \$25,734,094 with a projected Operating Expenditure Budget of \$21,085,109. The Capital Expenditure Budget is projected at \$29,238,878. These budgets fund the goals and objectives identified in Mount Pleasant Waterworks' (MPW) Business Plan and Strategic Plan Update while maintaining compliance with our Cost Recovery Policy.

The Funding Plan to finance the combined budgets is presented in more detail within this document. It is anticipated that debt funding will be required to complete the capital projects contemplated over the next 5 years.

A five percent rate increase has been factored into the operating revenue estimates. Currently, this rate increase is sufficient to fund the FY 2008 Operating Budget and the renewal and replacement aspects of the FY 2008 Capital Budget.

The major initiatives in the Annual Business Plan are to

- Remedy the Automated Meter Reading (AMR) system failure
- Build wastewater capacity to meet our future demand
- Continue to renew and replace aging infrastructure
- Expanding our Operations Center and establishing a new northern service center

Our staffing levels need to increase to meet the demands of the meter reading system, more aggressive maintenance and repair of our water distribution system and overall system growth.

For FY 2007, revenues are projected at \$23,627,278 or 2% below budget. Revenues were lower than projected due to waived excessive use charges as a result of issues with the AMR system. Expenses were also below budget by 4% for a total of \$19,626,331, mainly due to unfilled staff positions and lower than expected power costs. Overall the net earnings are expected to be 11% more than projected at \$4,000,947.

This document provides more detail relative to the eight departments of MPW and highlights the department mission, budget, major changes or initiatives, personnel, and key performance measurements.

As expected, costs and rates are increasing. The national trend from 2004 to 2006 indicates water and wastewater charges increased 7% and 7.8%, while the consumer price index for the same period increased 7.1%. MPW's rates for the same period increased by 8.4%.

In a recent survey, compared to 100 other similar systems in the South, an MPW residential bill for 7,500 gallons was 6% higher than the average. Locally, MPW's rates are the second lowest in the area. In a statewide comparison, an MPW monthly bill is 4% lower than the average of five of the state's largest systems.

Because of the relatively high income in the area, MPW's combined bill was 0.85% of the annual median household income versus the average of 1.28% for similar Southern systems. The benchmark for water and wastewater bills to be is below 1.5% of the annual median household income, MPW is well below this benchmark.

MPW's 10 Year Capital Improvements Plan increased by \$73 million to \$248 million due to several new projects and revised cost estimates for implementing our Wastewater Master Plan. Also as a result of the Asset Management work, our long range projections of the renewal and replacement funding include our underground line assets and deep wells for the first time.

Impact fees are expected to increase to pay the growth related cost of our infrastructure expansion. These fees are projected to increase to no more than \$6,500 per residential equivalent unit. This fee will be one of the highest impact fees in our region, however the fee continues to support MPW's Cost Recovery Policy and the "growth pays for growth" philosophy.

Generally, MPW's fiscal condition is healthy as we continue to maintain our AA rating from Standard and Poors. Net earnings will exceed our projections and impact fees are again above anticipated receipts.

I thank the Staff of Mount Pleasant Waterworks for their effort and talent in providing this document and hope that the information contained herein is useful.

Respectfully,



Clay Duffie  
General Manager