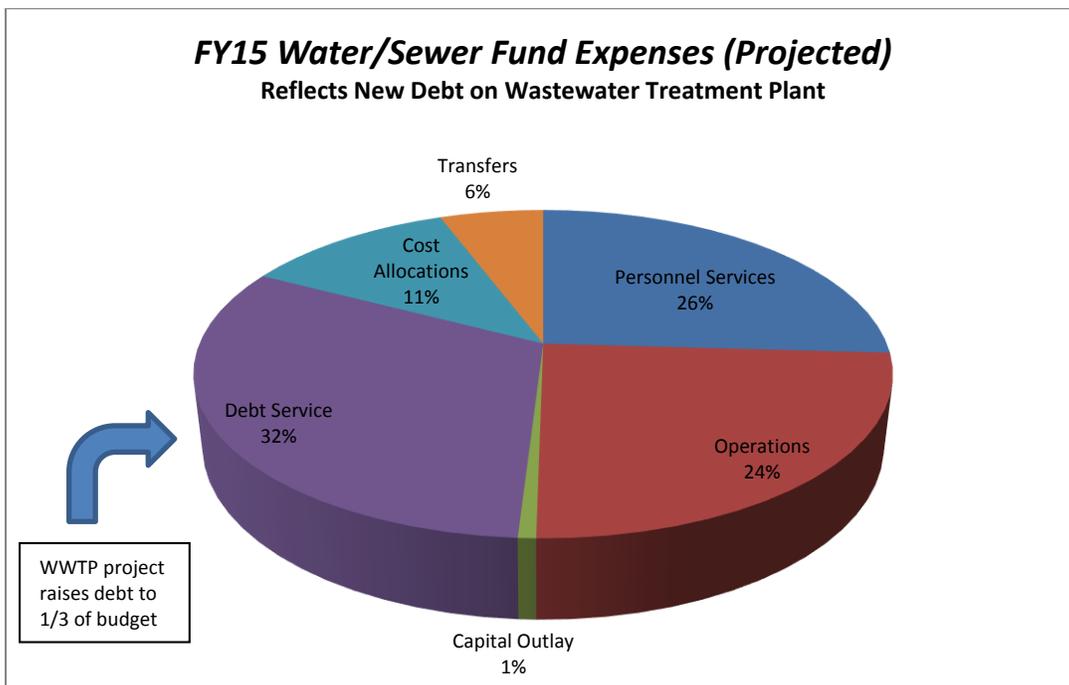
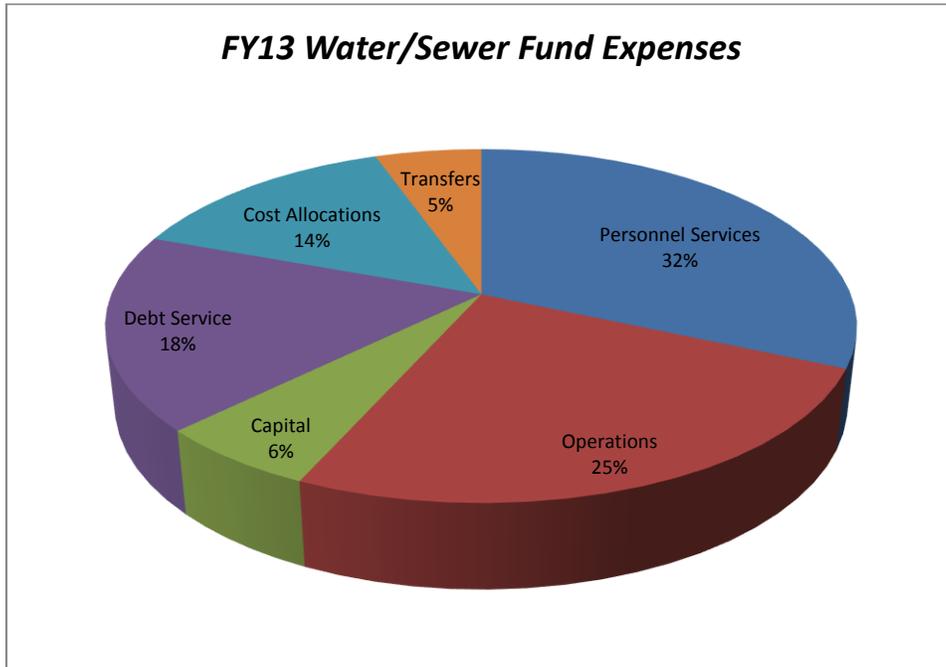


The pie charts below show Water/Sewer Fund expenses for the current fiscal year as well as for Fiscal Year 2015, when new debt payments will be due on the Phase 1 upgrade and expansion project of the Wastewater Treatment Plant, to be completed in summer 2013. Once the loan payments are due, almost one-third of the Water/Sewer Fund's budget will be debt service.



Explanation of Water/Sewer Fund Expense Categories

Personnel Services — employee-related costs, such as salaries, overtime, Social Security, health insurance and retirement.

Operations — includes supplies, materials, equipment, chemicals, replacement parts, small projects, maintenance, repair, training, electricity and fuel

Capital — large projects, expensive equipment and vehicles

Debt Service — annual payments on loans for major projects, equipment and vehicles. Examples include reservoir; Water Plant and Wastewater Treatment Plant upgrade projects; and video camera and cleaning systems for sewer line maintenance and repair project.

Cost Allocations — The General Fund and Water and Sewer Fund operate as separate businesses but share expenses in operations used by each fund, such as workers compensation, property/liability insurance and legal and audit fees. Departments that provide service to the Water/Sewer Fund include the Governing Body; Administration; Finance; Safety and Risk Management; Fleet Maintenance; Information Systems; and Town Hall Campus operations (Ruffin-Roulhac).

Transfers — Most recently, these are funds put in reserve for the first two years of debt payments on the Wastewater Treatment Plant project (\$1.46 million annually) to prevent massive rate increases over one or two years. Annual increases of 8.8 percent were started in Fiscal Year 2012 and are planned for several more years to pay for the project and to prepare for upcoming revenue losses from the transfer of Efland-Cheeks sewer customers to the Mebane system.