

THE SYSTEM

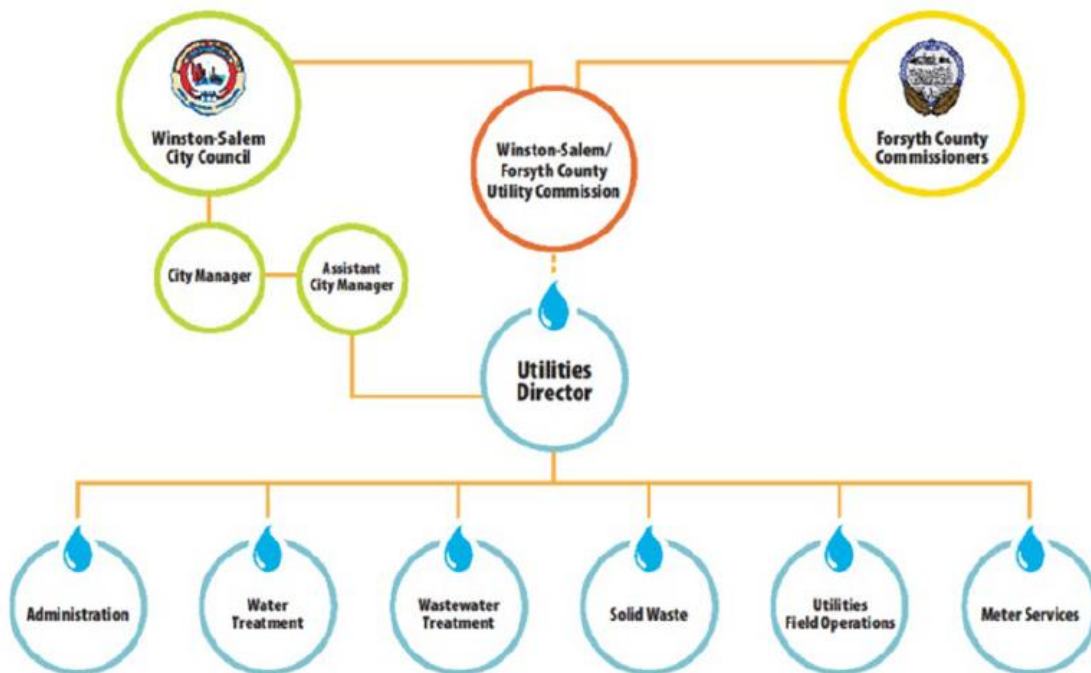
MANAGEMENT

In 1976, the City of Winston-Salem (the “City”) and Forsyth County (the “County”) consolidated their separate water and sewer systems and established the Winston-Salem/Forsyth County Utility Commission (the “*Utility Commission*”). The System functions as a department of the City under the supervision of the City Manager’s office and is operated as a consolidated water and sewer system by the Utility Commission. The System provides water and sewer service to the City, the County and some areas outside the County. The City owns all property of the System, approves the annual budget and capital improvement plan, and issues debt for the benefit of the System.

The Utility Commission sets the rates, charges, and assessments for the System that are incorporated into a System budget that proceeds to City Council for approval. The Utility Commission consists of 11 members, with five appointed by the City Council and five appointed by the the County Commissioners. The Chair is appointed jointly by the Mayor of the City and the Chairman of the Board of County Commissioners. City appointees must be residents of the City and County appointees must reside in the County. The ten non-Chair members serve staggered five-year terms and may serve no more than two consecutive terms. Each member serves a five-year term and is eligible to serve two consecutive terms. This ensures there is always a majority of the membership with experience and knowledge of the Commission’s affairs. The Chair serves a two-year term and may be reappointed for up to five terms. The City Manager, appointed by the City Council, appoints the Assistant City Manager, who serves as the administrative director of the System.

The Water and Sewer Utility Division of the City is organized as shown below. All System workers are employed by the City.

ORGANIZATIONAL CHART



The professional background of the highest management officials of the System follows:

William “Pat” Pate has served as City Manager of the City since November 2023. In this capacity, he reports to and is accountable to the Mayor and the City Council for the operation of City government, overseeing a comprehensive range of municipal services. Before his appointment in the City, Pate served as City Manager for Manassas, Virginia, and previously held positions in the City, High Point, and Greensboro. He began his public service career as an intern for the City and has held roles such as budget analyst and Assistant City Manager. Pate holds both a bachelor’s degree in political science and religion and a master’s degree in public administration from the University of North Carolina at Chapel Hill.

Aaron King has administrative responsibility for the System. He has served as Assistant City Manager since November 2021 and has worked for the City since 2005, most recently as Interim Assistant City Manager. Mr. King started in the City-County Planning Department and in 2013 he became the land use coordinator, working in both the Planning and Inspection divisions. He holds a bachelor’s degree in Urban and Regional Planning from East Carolina University and a master’s degree in Public Administration from Appalachian State University.

Courtney L. Driver has served as Utilities Director for the System since 2016. She has administrative responsibility for the water, sewer and solid waste disposal programs of the City with more than 380 employees. After joining the System on July 28, 2008, Ms. Driver held positions of progressive responsibility in the Utilities Division including the Deputy Utilities Director position. She holds a bachelor’s degree in Civil Engineering from North Carolina State University and is a registered professional engineer.

OVERVIEW OF CITY SERVICE AREA

General. In 1776, the Town of Salem established one of the first water distribution systems in the United States. Today the water utility has grown into a regional utility serving residents of the City, the Village of Clemmons (“*Clemmons*”), the Town of Kernersville (“*Kernersville*”), the Town of Lewisville (“*Lewisville*”), the Town of Rural Hall (“*Rural Hall*”), the Town of Walkertown (“*Walkertown*”), and a significant portion of the unincorporated areas of the County.

Water Service. The System currently serves approximately 126,700 customer accounts in areas inside and outside the City’s limits. Water for the System comes from two sources, the Yadkin River and Salem Lake. The Yadkin River is capable of supplying all of the area’s water needs for the foreseeable future. The Yadkin River is currently flowing on average at [27] times the average demand, and the water supply exceeds the projected demand of the 2050 planning year by [20] times. The R.W. Neilson Plant (“*Neilson Plant*”) and the P.W. Swann Plant (“*Swann Plant*”) are supplied raw water via raw water pump stations on the Yadkin River. The Neilson Plant is supplied by the Idol’s Dam pumping facility and the Swann Plant is supplied by a dam and intake located on the Yadkin River, one mile north of the old US 421 bridge. The R.A. Thomas Plant (“*Thomas Plant*”) can be supplied by either the Yadkin River via a pipeline from the raw water storage facilities at the Neilson Plant or a gravity fed pipeline from Salem Lake, which has a capacity of approximately 1.2 billion gallons. The property surrounding Salem Lake has been restricted under a watershed protection program to ensure the quality of the supply for the future.

Currently, the three plants have a peak capacity of 91 million gallons per day (“*MGD*”), comprised of 48 MGD at the Neilson Plant, 25 MGD at the Swann Plant, and 18 MGD at the Thomas Plant, and treat an average of [35.7] MGD. The water distribution system includes 14 water tanks, seven pumping stations and 2,330 miles of water lines.,.

In addition, through agreements with the U.S. Army Corps of Engineers and Wilkes County, North Carolina, the System can draw up to 30 feet of water from the Kerr Scott Reservoir, which amounts to approximately 11 billion gallons. Assuming the System required 60 MGD, this reserved storage would last over 183 days.

All three of the System's water treatment plants employ conventional treatment consisting of the following raw water storage or impoundment, coagulation, flocculation, sedimentation, and filtration. Chemical treatment at each facility consists of chlorination to kill harmful bacteria, corrosion control, pH adjustment and fluoridation to prevent dental caries.

The Neilson Plant, the largest water treatment plant in the System, was constructed in 1964 with an initial capacity of 24 MGD. The plant has been expanded twice, in 1984 and 1988, increasing the capacity by 12 MGD each time for a total current capacity of 48 MGD. The facility was designed to have an ultimate capacity of 72 MGD. The plant has undergone several upgrades throughout the years. Currently, a comprehensive modernization project is underway to upgrade nearly every major process area of the facility—including new pumps, updated treatment basins, chemical storage, and administrative spaces—to address aging infrastructure and enhance long-term reliability. **[is this project at the Nielson Plant complete?]**

The Yadkin River water is delivered to the Neilson Plant's storage reservoirs by the Idol's Dam Raw Water Pump Station. Water is pumped through two raw water pipelines (48-inch diameter) by three 2,100-horsepower pumps. The water is stored in two reservoirs with a total capacity of 30 million gallons ("MG"), which feed the Neilson and Thomas Plants by gravity. Under extreme conditions, booster pumps located at the raw water reservoirs can be used to increase the supply to the Thomas Plant, which is fed by a 10.3-mile, 36-inch diameter concrete gravity line, from 14 MGD to 20 MGD.

The Thomas Plant site was originally developed for water treatment in 1901. The site was chosen as it could receive water by gravity from Salem Lake. In the early 1950s, a supply of water from the Yadkin River was piped to the site. In 2008, the existing plant was decommissioned and a new, modern 18 MGD plant was built in its place. The replacement Thomas Plant began operations in 2011. The plant has the same treatment processes as the Swann Plant with the exception of the raw water storage. Since the plant is gravity fed by Salem Lake and the reservoirs at the Neilson Plant, no onsite storage is necessary.

The Swann Plant was constructed in 2004. The Swann Plant, as well as the Thomas Plant, are the most automated facilities in the System and could be operated by one person at each site. The plant has six days of raw water storage on-site and is rated at a capacity of 25 MGD. The Swann Plant was designed to include the infrastructure such that it could be easily expanded to double its current size with minimal additional expense. The only requirements would be to construct the new filter complex and to add pumps and chemical feed equipment.

Once treated, water is pumped by pumping stations located at the plants to a network of ground storage tanks, elevated storage tanks, and booster stations to supply customers located in five primary pressure zones within the County. The System includes ten elevated tanks with a combined capacity of approximately 7.15 MG, and four ground storage tanks with a combined total capacity of approximately 27 MG. In addition to the pump stations at each water treatment plant, there are seven booster stations within the System that help maintain water pressure and ensure reliable service throughout the distribution system.

The water distribution system consists of 2,324 miles of distribution and transmission mains. The Utilities Commission utilizes a comprehensive computer hydraulic model of the distribution system, including storage tanks and pump stations, to guide operational decisions and long-term planning. Consultants are periodically engaged to calibrate the model and prepare a 20-year master plan based on

projected population and industrial growth. The most recent master plan and model calibration were completed in 2015 [is this still the most recent master plan?]. This ongoing planning process enables staff to prioritize and plan capital investments for future treatment and distribution system expansion.

Sewer Service. The sewer system currently serves approximately 98,000 billing locations. Sanitary sewer treatment is provided by two wastewater treatment plants, the Archie Elledge Wastewater Treatment Plant and the Lower Muddy Creek Wastewater Treatment Plant (together, the “WWTPs”). Both WWTPs are staffed 24 hours a day and operate under National Pollution Discharge Elimination System (“NPDES”) Permits. The WWTPs have a combined capacity of 51 MGD and currently treat an average daily flow of [37.7] MGD.

The Elledge WWTP is rated for 30 MGD and is the larger of the two plants. The plant was originally commissioned in 1959 and was most recently upgraded in 2011. That upgrade included four new primary clarifying basins, a new control building, a new influent pumping station to allow the sewage to flow through the plant by gravity, and upgrades to the plant’s electrical system. The treatment process at the plant includes pretreatment basins for the processing of high strength industrial waste, primary treatment, activated sludge basins, clarification, chlorination, and dechlorination. Anaerobic digestion is used to treat the sludge that is produced by the plants. After digestion the sludge is dewatered and then pumped to a thermal drying facility that began operations in 2008. The dewatered sludge is transformed into a 92% solid pellet that is then land applied at agronomic rates to farmland. Chemical feed systems have been upgraded to replace chlorine gas disinfection with sodium hypochlorite.

The Lower Muddy Creek WWTP was completed and placed into service in 1986 and is rated for 21 MGD. The plant process is similar to the Elledge WWTP with the exception of not having industrial pretreatment capabilities. The Lower Muddy Creek WWTP has the ability to pump liquid digested sludge to the Elledge Plant where it is blended with the liquid sludge at Elledge WWTP and then processed in the thermal drying facility.

Both plants are able to utilize digester-produced methane gas to offset energy costs associated with plant operations. The Elledge WWTP uses the digester gas to fuel the thermal drying facility. The Lower Muddy Creek WWTP uses the digester gas to operate plant process equipment that allows it to reduce electrical power costs by peak shaving during daily demand periods.

The collection system consists of approximately 1,800 miles of pipe ranging from 6-inch to 66-inch diameters. There are 49 pump stations that are monitored by a cellular-based telemetry system or wireless SCADA that monitors equipment and operational problems so that preventive maintenance can be performed before major problems arise. Resources available to maintain forces include television inspection equipment, hydraulic and mechanical cleaning equipment, a full range of construction equipment including trucks, backhoes, excavators, cranes, and heavy equipment.

In 2016, the City launched the multi-year Collection System Improvement Program (“CSIP”) to reduce sanitary sewer overflows and enhance the overall condition of the wastewater collection system. The CSIP focuses on targeted rehabilitation and replacement of aging or inadequate infrastructure in areas of need, while also expanding proactive sewer cleaning and inspection efforts. The program leverages advanced data collection, system modeling, and key performance indicators to optimize maintenance processes and guide resource allocation. These improvements enable staff to proactively address issues, extend the service life of system assets, and better manage the long-term performance and reliability of the collection system.

REGULATIONS

General. The operation of the System is regulated by the United States Environmental Protection Agency (“EPA”) and the North Carolina Department of Environmental Quality (“DEQ”). The water and sewer projects identified in the capital improvement plan have been designed by the City to be in compliance with all appropriate regulations and to address the water and sewer requirements of the City’s service area. The City is currently in compliance with all federal and State environmental legislation and regulations. A capital improvement plan has been developed in an effort to prepare the System to comply with all currently anticipated changes in regulation.

PFAS. [City to review and revise as necessary]

Water System. Per- and polyfluoroalkyl substances (“PFAS”) are a large family of synthetic chemicals widely recognized for their persistence in the environment and resistance to breakdown. These compounds are highly water soluble and can be found in air, water, and soil, often remaining in the environment for decades. PFAS are used extensively in manufacturing and in a broad array of industrial and consumer products, including nonstick cookware, water-repellent fabrics, fire extinguishing foams, and food packaging. According to the EPA, peer-reviewed laboratory studies and human epidemiological research indicate that exposure to certain levels of two well-studied PFAS compounds—perfluorooctanoic acid (“PFOA”) and perfluorooctanesulfonic acid (“PFOS”)—may result in a range of adverse health effects, including impacts on the liver, immune system, and development, as well as increased risk of certain cancers.

In response to these health concerns, the EPA finalized the National Primary Drinking Water Regulations (the “PFAS Regulations”) on April 10, 2024, specifically targeting six PFAS compounds. The regulations establish federal maximum contaminant levels (“MCL”) of 4 parts per trillion (“ppt”) each for PFOA and PFOS. The rules also set an MCL of 10 ppt for four additional PFAS compounds: perfluorononanoic acid (“PFNA”), hexafluoropropylene oxide dimer acid (“HFPO-DA”), perfluorohexane sulfonic acid (“PFHxS”), and perfluorobutane sulfonic acid (“PFBS”). When drinking water contains a mixture of two or more of PFHxS, PFNA, HFPO-DA, or PFBS, the regulation requires utilities to assess the combined risk using a hazard index formula to ensure public health protection.

These comprehensive regulations establish a phased implementation timeline with specific compliance requirements. All public water systems must complete initial PFAS monitoring by 2027, followed by ongoing compliance monitoring in accordance with EPA guidelines. Water systems must also inform the public about PFAS levels detected in drinking water by 2027, including through Consumer Confidence Reports and other public notifications. Finally, by 2029, any water system with PFAS concentrations exceeding the MCL must implement solutions to reduce these levels and promptly notify the public, providing both the extent of the exceedance and information regarding potential health effects.

The Utility Commission has implemented comprehensive monitoring and preparedness measures to ensure compliance with the PFAS Regulations, positioning itself well ahead of required deadlines. As part of its regular testing protocols, the Utility Commission already monitors water supplies for PFAS compounds through more than 850 daily water quality tests conducted by state-certified operators who staff treatment facilities around the clock. Current PFAS levels in the utility’s drinking water already meet the new regulatory standards, with PFOA levels averaging 0.83 ppt and PFOS levels averaging 1.68 ppt—both well below the 4 ppt MCL set forth in the PFAS Regulations. The water system maintains a comprehensive testing program that monitors over 100 regulated and emerging contaminants, creating a robust framework for adapting to evolving PFAS regulations. Moving forward, the Utility Commission will maintain ongoing compliance monitoring as required by federal regulations and will meet the 2027 initial monitoring and public disclosure requirements. Infrastructure improvements and treatment capabilities are already in place

to implement additional mitigation measures should future monitoring results require intervention to maintain federal compliance standards.

Sewer System. Sanitary sewer systems present another pathway for PFAS contamination. There is growing concern that these systems could discharge PFAS compounds through their effluent, further spreading contamination into receiving waters. Currently, no North Carolina or federal regulations establish maximum effluent limits for PFAS in wastewater discharge. However, regulatory developments are progressing. In January 2024, DEQ initiated a stakeholder process to gather feedback on proposed PFAS surface water standards for eight compounds. DEQ expects to begin incorporating PFAS effluent limits into National Pollutant Discharge Elimination System permits by 2028, following established compliance schedules. The City's sewer system permits remain subject to potential future regulatory or permit actions.

Compliance with any new PFAS regulations or permit requirements could significantly increase capital expenditures and maintenance costs for both the City and the System.

Lead and Copper. The EPA issued revisions to the Lead and Copper Rule on January 15, 2021 to further limit potential lead exposure from public water systems. The revisions require each water system to complete a system-wide inventory of service-line materials, prepare a lead service line replacement plan, adopt a sampling and monitoring plan for compliance, provide public education and outreach, and maintain corrosion control. Key provisions took effect on October 16, 2024.

On October 30, 2024, the EPA finalized the Lead and Copper Rule Improvements. The Improvements set a compliance date of October 30, 2027, lower the lead action level to 10 parts per billion, require paired first- and fifth-liter tap samples at sites served by lead service lines with the higher value used for compliance, and mandate full replacement of all lead and galvanized-requiring-replacement service lines under system control within ten years from the compliance date. Partial service line replacements generally are not credited toward that mandate and trigger additional consumer protections. Water systems must continue to meet the 2021 revisions, including completion of service-line inventories and public notification duties, until the Improvements take effect.

To meet the requirements of the Lead and Copper Rule, as revised, and ensure compliance prior to the deadline, the Utility Commission engaged consultants to implement a comprehensive Lead and Copper Rule compliance program. The scope included a system-wide service-line inventory, a lead service line replacement plan, a tap-sampling and monitoring plan, public education materials, logistics for providing filters and required customer notices, and a review of corrosion-control treatment. A public, address-searchable service-line inventory dashboard and a self-reporting portal was also launched. By November 2024, it had completed the initial inventory and mailed notices to roughly 3,800 customers identified as lead, galvanized requiring replacement, or unknown. Those addresses represent less than three percent of nearly 160,000 private service lines. [City to confirm/revise]

DEMAND FOR SERVICES

Due to its location in the Piedmont Triad area of North Carolina, the City has experienced substantial growth, especially in unincorporated areas of the County. Since consolidating in 1976 to form the Utility Commission, the City and the County have experienced substantial organic growth as well as growth by acquisition. The City acquired the water and sewer facilities of Kernersville in 1995, Clemmons in 1996, Rural Hall in 1996, and Walkertown in 2002.

The water system has grown into a regional utility serving residents of the City, Clemmons, Kernersville, Lewisville, Rural Hall, Walkertown, and unincorporated portions of the County. The Utility Commission has entered into interlocal agreements that provide potable drinking water via metered

connections to Yadkin County, the Town of Stokesdale, Davidson Water, Inc., and the City of Greensboro. These wholesale arrangements are regularly updated to serve regional needs, and all supplied water meets state and federal quality standards. The Utility Commission continues to receive and review numerous internal and external requests for further expansion of its service area, with growth occurring both through annexations and infrastructure extensions to new customers.

The following charts present information on the number of active water and sanitary sewer service accounts at the end of each of the last five fiscal years:

HISTORICAL WATER CUSTOMER STATISTICS¹				
FISCAL YEAR JUNE 30	BILLED ACCOUNTS	PERCENT GROWTH	BILLED CONSUMPTION (CCF)	PERCENT GROWTH
2020	121,899	0.84%	14,844,538	-2.20%
2021	123,142	1.02	15,129,391	1.92
2022	124,574	1.16	15,470,823	2.26
2023	125,775	0.96	15,332,561	-0.89
2024	126,766	0.79	14,934,887	-2.59

HISTORICAL SEWER CUSTOMER STATISTICS¹				
FISCAL YEAR JUNE 30	BILLED ACCOUNTS	PERCENT GROWTH	BILLED CONSUMPTION (CCF)	PERCENT GROWTH
2020	93,706	1.05%	11,447,669	-1.94%
2021	94,897	1.27	11,670,601	1.95
2022	96,134	1.30	12,125,639	3.90
2023	97,169	1.08	12,270,717	1.20
2024	98,011	0.87	12,089,945	-1.47

¹ Billing system information provided by the City.

MAJOR USERS

Set forth below is information concerning the ten largest water customers and the ten largest sewer customers of the System for the Fiscal Year ended June 30, 2024. No independent investigation has been made of, and consequently no representation can be made as to, the stability or financial condition of any of the customers listed below or that such customers will continue to maintain their status as major customers of the System. There has been no substantial new user added to the System since the end of Fiscal Year 2024.

TEN LARGEST WATER CUSTOMERS FOR FISCAL YEAR 2024

NAME OF CUSTOMER	TYPE OF ENTERPRISE	SALES REVENUES¹	PERCENTAGE OF TOTAL WATER REVENUES²
Ingredion Inc.	Manufacturer	\$1,815,961	2.86%
RJ Reynolds Tobacco Co.	Manufacturer	1,021,276	1.61
Winston-Salem/Forsyth County Schools	Education	734,983	1.16
Novant Health, Inc.	Health Care	576,207	0.90
Wake Forest University Baptist Medical Center	Health Care	570,060	0.86
Wake Forest University	Education	426,810	0.63
Hanes Dye & Finishing	Manufacturer	368,985	0.53
Ardagh Metal Packaging USA Inc.	Manufacturer	334,957	0.46
Pepsi Cola Co.	Manufacturer	327,258	0.44
Winston-Salem State University Foundation	Education	292,176	0.41
Totals		<u>\$6,468,673</u>	<u>10.20%</u>

¹ Totals may not foot due to rounding.

² Based on total water billed amounts of \$63,593,283.19 in Fiscal Year 2024.

TEN LARGEST SEWER CUSTOMERS FOR FISCAL YEAR 2024

NAME OF CUSTOMER	TYPE OF ENTERPRISE	SALES REVENUES²	PERCENTAGE OF TOTAL SEWER REVENUES³
Ingredion Inc.	Manufacturer	\$1,906,829	2.96%
Wake Forest University Baptist Medical Center	Health Care	1,569,507	2.44
City of King	Local Government	1,379,282	2.14
Davie County Water, Inc.	Local Government	1,042,848	1.62
RJ Reynolds Tobacco Co.	Manufacturer	821,633	1.28
Ardagh Metal Packaging USA Inc.	Manufacturer	548,516	0.85
Winston-Salem/Forsyth County Schools	Education	544,625	0.85
Davidson County	Local Government	532,133	0.83
Novant Health, Inc.	Health Care	484,444	0.75
Wake Forest University	Education	468,499	0.73
Totals		<u>\$9,298,316</u>	<u>14.45%</u>

¹ Treated volumes are based on metered water flows for each customer with the exception of the City of King, Davie County Water, Inc. and Davidson County.

² Totals may not foot due to rounding.

³ Based on billed sewer amounts of \$64,315,912.88 in Fiscal Year 2024.

RATES AND CHARGES

General. As an enterprise fund, water and sewer operations are financed and operated as a distinct business, which is intended to operate on a self-sustaining basis. The Utility Commission's user charge structure for water and sewer service consist of the following components, which together determine each customer's total charges:

1. **Base Charge Fees (by Meter Size)**

Separate base charge fees are assessed for both water and sewer accounts that vary depending on the size of the customer's meter. When setting these fees, the Utility Commission takes into account the costs associated with meter maintenance, repair, and replacement, as well as meter reading, billing, and ensuring the system is ready to provide service.

2. **Water Usage - Hybrid Increasing Block Rate Structure**

Water usage is billed using a hybrid increasing block rate structure, where most customers pay higher rates as their consumption increases through the tiered pricing system. For large industrial and wholesale users, a discounted (decreasing) fourth block applies to very high volumes of water. Water volume rates may also differ based on the customer's location, such as being inside or outside City limits; and

3. **Sewer Usage - Uniform Volumetric Charges**

Sewer usage is billed through a uniform volumetric charge that applies a flat rate per unit of use. However, the actual per-unit rate varies depending on factors such as the customer's location or service area.

Rate Setting Process. The City maintains a financial model to project the rate increases necessary to ensure the financial stability of the System and to generate sufficient revenues to meet required rate covenants. The Utility Commission is responsible for adopting appropriate rates, charges, assessments, and other customer fees for water and sewer services, according to the relevant class or area of service. These rates must provide enough revenue to cover all operating and maintenance costs, debt service obligations, operating capital needs, a reasonable reserve for future improvements, and any other expenses necessary for delivering water and sewer services.

This authority is granted by the City-County Agreement that established the Utility Commission in 1976. Guided by the financial model, the Utility Commission reviews and approves any necessary rate increases annually. The approved rates are incorporated into the System's budget, which is then submitted to the City Council for final approval. Any rate increases take effect on July 1 of each year.

Base Charge and Volumetric Rates. The City's water rate structure consists of two components: a fixed base charge and a volumetric charge for water consumption, which includes both domestic and irrigation use. The structure provides distinct fixed charges for customers billed on a bi-monthly versus a monthly basis. Base charges increase with meter size. For non-irrigation accounts, the volumetric rate follows a four-tier block structure that increases with higher usage, except for the fourth block, which offers a discounted rate for large-volume users regardless of customer class. While the per-thousand-gallon rate is the same for both billing cycles, the tier thresholds differ between bi-monthly and monthly customers. Customers with separate irrigation meters pay a uniform volumetric rate that is different from the domestic water rate.

The City also employs a sewer rate structure with two components: a fixed base charge and a volumetric rate for all sewer flows (which is based on 100% of a customer's water consumption). The monthly base charges increase based on a customer's meter size, while the volumetric rate is assessed as a uniform rate for all customers, regardless of customer class.

CURRENT CITY MONTHLY WATER AND SEWER BASE CHARGES (PER CCF)

METER SIZE	EFFECTIVE 7/1/2023		EFFECTIVE 7/1/2024	
	WATER	SEWER	WATER	SEWER
5/8" or 3/4"	\$ 8.13	\$ 10.05	\$ 7.52	\$ 9.42
1"	11.00	13.53	10.53	13.21
1-1/2"	15.45	19.40	15.22	19.56
2"	21.52	26.38	21.60	27.14
3"	176.60	45.02	185.26	47.34
4"	230.69	65.99	242.31	70.10
6"	362.36	124.26	382.22	133.29
8"	517.24	194.16	544.49	209.11
10"	679.17	275.76	715.18	297.58
12"	944.98	508.85	995.29	550.35

MONTHLY VOLUMETRIC RATES (CITY)

CONSUMPTION CHARGES¹

		EFFECTIVE 7/1/2023	EFFECTIVE 7/1/2024
TIERS	CONS LEVELS	RATE	RATE
WATER			
Tier 1	0-400	\$2.45	\$2.25
Tier 2	401-900	3.79	3.35
Tier 3	901-20,000	4.20	3.72
Tier 4	Above 20,000	2.45	2.26
IRRIGATION			
Tier 1	0-400	\$4.20	\$4.43
Tier 2	401-900	4.20	4.43
Tier 3	901-20,000	4.20	4.43
Tier 4	Above 20,000	4.20	4.43

¹ Charges applied per hundred cubic feet (ccf).

Rate Differentials. In addition to rates for customers residing inside the City, rate differentials were previously developed for each service area on a contract-to-contract basis.

CURRENT WATER/SEWER VOLUMETRIC RATE INDICES FOR OTHER SERVICE AREAS

MUNICIPALITY/UNINCORPORATED AREA	SERVICE	BASE RATE MULTIPLIER
Inside City, Rural Hall, Walkerton	Water/Sewer	1.00
Village of Clemmons	Water	1.00
Village of Clemmons	Sewer	1.20
Outside City	Water/Sewer	1.50
Town of Kernersville	Water	1.10
Town of Kernersville	Sewer	1.50
Town of Lewisville	Water/Sewer	1.50
Outside County	Water/Sewer	1.50
Wholesale	Water	1.10
Wholesale	Sewer	1.50

[table still accurate?]

REGIONAL RETAIL RATE COMPARISON

The table below shows a comparison of water and sewer bills with other representative communities as of July 1, 2024. Each city's projected bill is based on a residential customer using 5,000 gallons (668 cubic feet) of water per month. Although the majority of the City's residential customers are billed bi-monthly, for comparison purposes, the bills presented below are shown on a monthly basis.

WATER AND SEWER BILL COMPARISON AS OF JULY 1, 2024

	TOTAL BILL
High Point	\$93.69
Durham	77.79
Charlotte	77.67
Winston-Salme/Forsyth County	68.19
Greensboro	66.81
Raleigh	61.80

CYBERSECURITY

[to potentially move to City section when complete] The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats, including, but not limited to, hacking, phishing, viruses, malware and other attacks in computing and other digital networks and systems (collectively, "*Systems Technology*"). As a recipient and provider of personal, private or sensitive information, the City may be the target of cybersecurity incidents that could result in adverse consequences to the City and its Systems Technology.

On December 26, 2024, certain systems on the City's network were impacted by an unauthorized actor. For cautionary reasons, City computer systems were taken offline. This incident did not impact operations in the City's police department, fire department or utilities system. Many of the City's tier 1 systems such as human resources, payroll and financial services were available within a short amount of time. As of February 10, 2025, the majority of the City's operations were online and operating as normal. From December 26, 2024 until all City systems were back online, the City continued operations manually.

The City's proactive response and existing security measures helped contain the incident quickly. Recovery efforts were managed cost-effectively through existing resources and established protocols. To date, the City has not been made aware of any personal information being compromised and the cost to the City has been minimal. However, the investigation is ongoing.

Although the City's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause disruption to the City's finances or operations. The costs of remedying any such damage or protecting against future attacks could be significant.

CAPITAL EXPENDITURES

Each year the City updates a multi-year capital improvement program for the System as part of the annual budget process. Management of the City currently estimates that approximately \$353.9 million will be spent on System improvements from the current fiscal year through the 2031 fiscal year; however, such estimates are preliminary and likely to change. The City continually evaluates how to fund such capital expenditures. The 2026-2031 Capital Plan for the City, which is subject to change and revision in the future, can be found on the City's website.

BILLING AND COLLECTIONS

The City is responsible for all billing and collections. Residential customers are billed on a bimonthly basis, while larger industrial/commercial customers which consume large quantities of water are billed monthly. The System serves approximately 128,000 metered locations and generates about 720,000 bills annually. A request for new service requires an evaluation of the customer's credit score through a collection agency. If the score returned is low, a deposit is required to establish service.

When a water or sewer bill remains unpaid 28 days after it is issued, the utility applies a 10% late charge. If the bill is still unpaid by the 35th day, the utility mails a service termination notice. Should payment not be received by the 49th day, the utility imposes an additional \$20 fee and terminates service by locking or removing the meter. For service to be restored after nonpayment termination, the customer must pay the full outstanding balance plus a penalty deposit equal to one and one-half times the average usage billed over the prior six months (rounded to the nearest \$10). This deposit is applied to the next billing cycle and is refundable after two years without further penalties; otherwise, it stays with the account until final closure and bill resolution.

Several methods are used to collect accounts that become delinquent when termination of service has not been effective, or the account is in final status. The account may be turned over to a collection analyst who sends out a higher level of collection correspondence and makes telephone calls in an attempt to work with the customer to get delinquent balances paid. If payment is not received, the water meter may be removed from the location. Accounts may also be sent to an outside collection agency or submitted to the North Carolina Debt Service Program where delinquent balances will be garnished from any State income tax refund or State lottery winning. The City annually analyzes and records a bad debt reserve for accounts that may be uncollectable. Customers who have delinquent account balances from prior locations are not given service at a new location without payment in full of the delinquent accounts.