

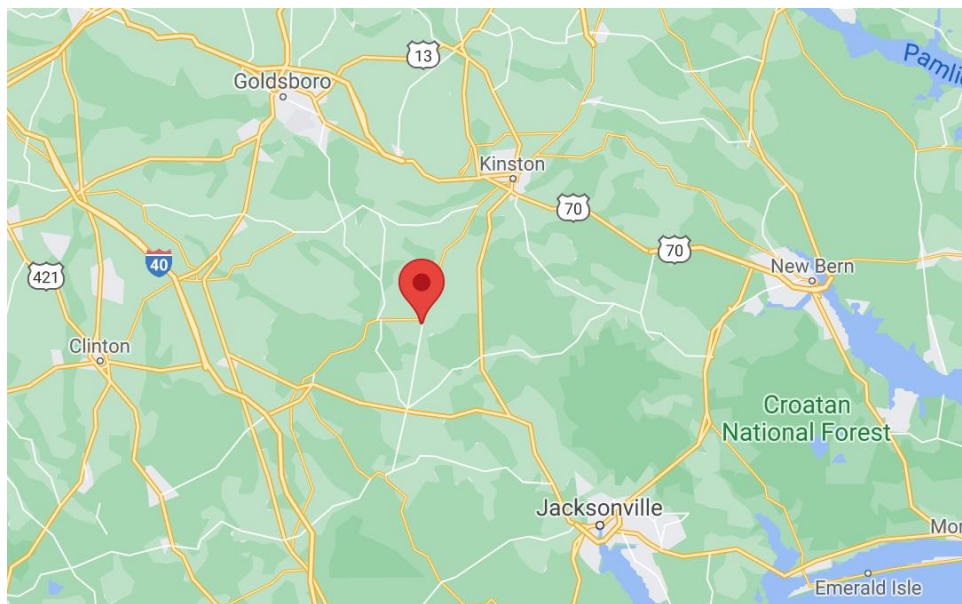
Small Town Investing in Capital Projects and Leveraging Expertise: Town of Pink Hill, North Carolina

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Background on Pink Hill, North Carolina

This case study looks into how the town of Pink Hill worked towards building viability for their water and wastewater systems through planning for grants, leveraging expertise, and raising rates as needed. As of 2019 there are 557 people who live in Pink Hill¹, located in rural Lenoir County in North Carolina. The town hosts a variety of businesses, churches, and restaurants. Pink Hill also has a library, doctors' offices, a dentist, and an elementary school. The town's water and sewer lines connect residents and businesses inside and outside town limits, including three other schools outside town limits. The town also provides sewer services to the nearby Town of Deep Run's approximately 80 households. The sewer extension to Deep Run was funded by a county grant. From grants, raising rates, and planning by the town's board of directors, Pink Hill has worked towards a financially sustainable future.



Pink Hill on the map. Image from Google Maps.

Although Pink Hill is a small town, they have managed to build a network of expertise to manage their utility. The process for finding new employees has consisted of advertising in the local newspaper, social media, and job placement companies. Benefits offered to the employees include retirement plans, health insurance, paid holidays, guaranteed 40 hours of work a week, competitive pay rate, and a family-oriented workplace. If there is any change in regulations or knowledge requirements, the town provides all the necessary funding for the training and/or certifications. These trainings usually take a day or two to complete, and help ensure employees are up to date on any new requirements. All of these incentives make it especially appealing to work for the town of Pink Hill. The town's staff includes two full-time members that work on utilities: the Public Works Director and the Town Clerk. They are both responsible for managing the daily functions of the water and sewer systems, as well as other governmental activities such as streets and parks.

The governing board is responsible for decision making and includes one member who has significant experience and knowledge in water and wastewater utilities as well as local government finance. He previously worked as the Public Works director for the town of Pink Hill, and also has experience working with the North Carolina Rural Water Association (NCRWA). As a knowledgeable person, this commissioner still speaks at conferences about utility management. The experience and knowledge the commissioner has on utility management has been useful for the town's staff and other governing board members. The town also benefits from close connections to the North Carolina Rural Water Association, which provides expertise and technical assistance on water management issues.

Other expertise Pink Hill brings to their decision makers include the current town mayor, who has also served as the town clerk and had over 30 years of experience in Pink Hill. Pink Hill hires a CPA to help with accounting and creating a balanced budget, which town staff monitors consistently, and a lawyer to be present at all board meetings to advise on any legal matters. Including an array of knowledgeable people in meetings ensures the town is considering all aspects in decision making. With a small-town staff, contracting out services is a solution to ensuring enough support to assist with local government management.

Planning for and Funding Infrastructure Projects

Pink Hill budgets for capital improvement projects every year, even in small amounts to ensure infrastructure investment is not neglected. Good financial planning is crucial to financial viability. Money left over from projects is put into reserves for future capital improvements.

Pink Hill applies for grants to fund planning for as well as the actual construction of infrastructure projects. The town is currently working on developing an asset management plan, funded by the state's Asset Assessment and Inventory grant. The asset management plan is being developed with the help of an engineering firm. County grants have provided funding to run sewer services to Deep Run.

Recognizing that grant funding alone is rarely sufficient to cover all needed capital costs, the town has also acquired a low-interest loan from USDA to complete infrastructure projects. The

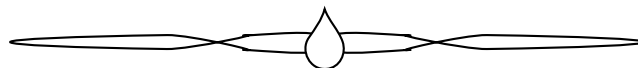
town received \$1.6 million from USDA in a combination of grants and low-interest loans to fund water system improvements. The project includes the replacement of asbestos lines, upgrading from 2” and 4” galvanized water mains and eliminating many dead-end water mains. The town was also able to add more hydrants to the distribution system which helps with fire protection. Without accepting a low-interest loan offer from USDA, the town would not have been able to fund these projects simply by waiting on and re-competing for grants.

Fair Rates and Customer Buy-In

Pink Hill regularly reviews their rates and assesses the need for rate increases over time. The [North Carolina Rural Water Association](#) has conducted free rate studies for the town. With recent rate increases, Pink Hill’s water and wastewater rates are a combined \$95.50/month for 4000 gallons as of January 2021, which is higher than what three-quarters of North Carolina’s charge. While raising rates, there is concern for the financial burden placed on its customers. The Public Works Director addresses those concerns directly by discussing with each person who inquires about the high rates and the reasoning behind them. Using the capital planning and rates analysis, the Public Works Director can explain to the customers exactly how much in revenues is needed and how the water and wastewater bills are used to pay for specific infrastructure and services without dipping into their savings account. This personalized approach is particularly feasible and effective in a small town. Information which is backed by quantitative analysis and the capital improvement plan, is able to be broken down and explained to achieve customers’ support of the needed high rates. Building a good relationship with customers is essential for utility management. This personalized approach also gives the utility board the confidence to raise rates if needed later on.

Outlook

As with other towns, the Covid-19 pandemic had a financial effect on the residents of Pink Hill, especially with the number of customers who did not pay bills when they would not be disconnected for non-payment. However, customers who took advantage of the shut-off moratorium for non-payment from April to June 2020 have since caught up on their water bills as of July 2021. In addition to this, the planning and expertise on Pink Hill’s board and staff, and access to additional expertise in the form of working with a technical assistance provider has helped Pink Hill weather the challenges of the pandemic and continue to work towards financial viability for their system. Planning for and investing in infrastructure, including by accessing loans and not relying solely on grants, places the infrastructure in good condition for continued success.



Acknowledgments

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¹Population estimate from the 2019 American Community Survey by the U.S. Census Bureau:
<https://data.census.gov/cedsci/profile?g=1600000US3752400>

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