

**ACTION ITEM  
BOARD OF SUPERVISORS**

**DATE:** August 18, 2009

**TO:** Board of Supervisors

**FROM:** Harry L. Critzer *HLC*  
Director of Utilities

**ISSUE:** Amend and Readopt Fees for Providing Public Water and Sewer Service

**STAFF RECOMMENDATION:** Approval

**BUDGET IMPACT:** See Background Report

**ATTACHMENTS:** (3)

- [1] Background Report [3] **Reso/Ord/Proc** #009-36
- [2] 7/9/09 Utilities Commission Minutes [ ] **Reso/Ord/Proc** #
- [ ] [ ] **Reso/Ord/Proc** #

**REVIEW:** [X] County Administrator's Office *Antonio R. Mendez*

[X] Legal *Joseph L. ...*

[X] Finance and Budget *Maria ...*

- [ ] **Consent Agenda** [ ] **Other Business** [X] **Public Hearing**
- [ ] **Discussion Item** [ ] **Presentation** [ ] **Unfinished Business**
- [ ] **New Business**

**PRESENTATION BY:** Susan Fitzgibbon  
Utilities Financial Manager

**ELECTION DISTRICT:** N/A

### **BACKGROUND REPORT**

The Fiscal Policy for the Department of Utilities, adopted by the Board on November 1, 2005 (R05-46), requires an annual review of Utilities' finances to determine whether there is a need for changes in rates and/or fees. After a staff presentation on Utilities financing at the Board's December 2, 2008 meeting, the Board referred the issue of the adequacy of current water and sewer availability fees to the Utilities Commission for review. The Commission discussed this issue and heard a staff presentation on the impact current economic conditions are having on revenues from both availability fees and pro rata fees as well as projected revenue requirements over the next 20 years. The Utilities Commission determined that it would prefer to evaluate all revenue sources, including availability fees, pro rata fees and user fees prior to making any recommendations to the Board. The Board referred the issue of the adequacy of water and sewer user fees to the Utilities Commission on April 7, 2009. At its June 9, 2009 meeting, the Utilities Commission held a public hearing on amending and readopting fees for public water and sewer service. No one from the public spoke at the public hearing. After some discussion, the Commission voted 3 (Mr. Hunt, Ms. Kurpiel, Mr. Young) to 2 (Mr. Chittum, Ms. Surman), with 2 members absent (Mr. Carroll, Mr. Tignor), to forward the staff's 3-year recommendation on incremental increases to water and sewer user and availability fees to the Board for a public hearing.

In order to maintain the continued reliability of the water distribution and wastewater collection systems, it is necessary to assess the condition of our infrastructure periodically and make the necessary repairs, upgrades and replacements in a proactive manner rather than waiting for a catastrophic failure before taking action. This infrastructure is used on a continuous basis and is subject to normal deterioration over time. Addressing these needs now means the County will provide quality service to our customers in the future.

In addition to ensuring that adequate funding is available for day-to-day operations and maintenance, we must also ensure that adequate funds are available to meet our debt service and reserve requirements. With the depressed economy, revenue from availability fees, as well as from pro rata fees, is much below normal. That revenue is typically used to pay debt service on borrowed funds. Since some of the water and sewer projects underway or planned for the near future will benefit not only new customers but existing customers as well, staff is proposing that 5% of water debt service and 10% of sewer debt service be funded by water and sewer user fees. This will allow us to reduce the required water availability fee from \$7,300 to the proposed \$6,900 and to maintain the current sewer availability fee of \$3,500 rather than having to increase it to \$3,700. This will result in an additional \$0.75 per Equivalent Dwelling Unit (EDU) added to the Monthly Demand Charge for water and for sewer. In addition, \$0.75 per EDU is added to the Monthly Demand Charge for water and for sewer to cover the new Payment in Lieu of Taxes charge adopted by the Board at its May 19, 2009 meeting.

With a projected growth rate of 2.5% and no changes in the water and sewer user and availability fees, the rate model projects deficits in operating cash ranging from \$5.1M in FY2010 to \$9.9M in FY2014. With the proposed increases in FY10, 11, and 12 (and somewhat smaller increases in 2013 and 2014 if necessary), the model projects that water and sewer user fees will cover operating expenses, a portion of debt service and projected 3R (repair, renewal and replacement) capital project costs by 2014. In addition, the increases are needed to allow us to continue to meet the financial ratio requirements of our Master Indenture of Trust.

The initial impacts of the proposed user fee increases on monthly billings for the average residential customer using **6,000** gallons of water per month and for the average commercial customer using **38,000** gallons per month are:

	<u>Current Rates</u>	<u>Proposed Rates</u> (effective 10/1/09)	<u>Change</u>
<b>Residential Customer:</b>			
Water	\$16.59	\$19.43	\$2.84
Sewer	<u>\$30.80</u>	<u>\$34.75</u>	<u>\$3.95</u>
<b>Total</b>	<b>\$47.39</b>	<b>\$54.18</b>	<b>\$6.79</b>
<b>Commercial Customer:</b>			
Water	\$118.13	\$139.39	\$21.26
Sewer	<u>\$177.88</u>	<u>\$199.51</u>	<u>\$21.63</u>
<b>Total</b>	<b>\$296.01</b>	<b>\$338.90</b>	<b>\$42.89</b>

The table below compares monthly residential billings for **5,000** gallons of water under Stafford County's current and proposed 10/1/2009 rates as well as for benchmark localities.

<u>Locality</u>	<u>User Fees</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
Loudoun County	N/A	N/A	N/A
Spotsylvania County	\$20.29	\$20.14	\$40.43
<b>Stafford (current)</b>	<b>\$13.77</b>	<b>\$26.89</b>	<b>\$40.66</b>
Prince William County	\$15.05	\$28.80	\$43.85
<b>Stafford (proposed)</b>	<b>\$16.33</b>	<b>\$30.58</b>	<b>\$46.91</b>
Virginia Average	\$24.19	\$29.65	\$53.84
Hanover County	\$17.91	\$38.69	\$56.60
Albemarle County	\$29.05	\$35.00	\$64.05
Fauquier County	\$28.68	\$39.65	\$68.33

The increase in the proposed water availability fees will result in the following totals when compared to other benchmark localities (for a 5/8" water meter):

<u>Locality</u>	<u>Availability Fees</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
Albemarle County	\$2,370	\$2,630	\$5,000
Virginia Average	\$3,372	\$4,635	\$8,007
<b>Stafford (current)</b>	<b>\$5,600</b>	<b>\$3,500</b>	<b>\$9,100</b>
Spotsylvania County	\$4,920	\$4,920	\$9,840
<b>Stafford (proposed)</b>	<b>\$6,900</b>	<b>\$3,500</b>	<b>\$10,400</b>
Loudoun County	\$4,225	\$6,945	\$11,170
Prince William County	\$4,000	\$8,500	\$12,500
Hanover County	\$5,060	\$7,684	\$12,744
Fauquier County	\$5,800	\$11,000	\$16,800

A summary of the staff proposal for changes in availability and user fees follows:

	<u>Current</u>	<u>Effective 8/19/09</u>	<u>Proposed Effective Date (for bills issued on or after)</u>	
<u>User Fees:</u>	<u>Current</u>	<u>10/1/09</u>	<u>10/1/10</u>	<u>10/1/11</u>
<b>Water Availability Fee (per EDU)</b>	\$5,600	\$6,900		
<b>Sewer Availability Fee (per EDU)</b>	\$3,500	\$3,500 (no change)		
<b>Water - Residential (cost per 1,000 gallons used):</b>				
0 to 4,999	\$1.86	\$2.01	\$2.17	\$2.34
5,000 to 8,999	\$2.82	\$3.05	\$3.29	\$3.55
9,000 to 12,999	\$5.51	\$5.95	\$6.43	\$6.94
13,000 to 20,999	\$7.85	n/a	n/a	n/a
21,000 +	\$23.55	n/a	n/a	n/a
13,000 to 25,999	n/a	\$8.48	\$9.16	\$9.89
26,000 +	n/a	\$23.55	\$23.55	\$23.55
<b>Sewer – Residential (per 1,000 gallons used up to seasonal average plus 20%):</b>				
	\$3.91	\$4.22	\$4.56	\$4.93
<b>Water - Non-Residential(per 1,000 gallons used):</b>				
	\$2.83	\$3.17	\$3.55	\$3.98
<b>Sewer – Non-Residential (per 1,000 gallons used):</b>				
	\$3.91	\$4.22	\$4.56	\$4.93
<b>Water for Water-Dependent/Home-Based Business (per 1,000 gallons used):</b>				
(2.5 x the non-residential rate)	\$7.08	\$7.93	\$8.88	\$9.95

**Sewer for Water-Dependent/Home-Based Business (per 1,000 gallons used):**

\$3.91	\$4.22	\$4.56	\$4.93
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**Bulk/Irrigation/Construction/Hydrant Meters (per 1,000 gallons used):**

\$13.00	\$13.00	\$13.00	\$13.00
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**Monthly Customer Service Charge (per account):**

Water	\$1.74	\$1.88	\$2.03	\$2.19
Sewer	\$1.85	\$2.00	\$2.16	\$2.33

**Monthly Demand Charge (per meter equivalent per account):**

Water	\$1.77	\$3.41	\$3.68	\$3.97
Sewer	\$5.49	\$7.43	\$8.02	\$8.66

UTILITIES COMMISSION

June 9, 2009

7:00 p.m.

The Stafford County Utilities Commission met for its regular meeting on June 9, 2009, in the Board Chambers in the Stafford County Administration Center. Commission members present were Lloyd Chittum, Bob Hunt, Patricia Kurpiel, Wendy Surman, and Clarence Young. Harry Critzer, Dale Allen, Susan Fitzgibbon and Cheryl Giles were present for the Utilities Department.

Chairman Bob Hunt reported the following addition to the agenda. Discussion regarding an update of the sewage spill at Aquia Creek.

**1. Amend and Readopt Fees for Public Water & Sewer Service Public Hearing** – Susan Fitzgibbon, the Utilities Financial Manager, presented Proposed Ordinance O09-36, which proposes to amend and adopt the fees for providing water and sewer service. The proposal recommends increasing the Water Availability Fee by \$1,300, from \$5,600 to \$6,900 per equivalent dwelling unit. The Sewer Availability Fee remains unchanged. For User Fees, it is proposed that water and sewer rates increase by 8% **per year** over the next 3 years **PLUS** an overlay of \$3.00 (in FY10 only) to the demand fee to cover “Payment in Lieu of Taxes” and the “User Funded portion of new Debt service”. The proposal includes the following exceptions:

- 1) The “Conservation rate” will remain unchanged throughout the 3-year period; however, the proposed conservation rate band will start at 26,000 gallons of usage, instead of 21,000 gallons. It is expected that this change will reduce the number of customers impacted each month by about 50%.
- 2) The Bulk/Irrigation/Construction/Hydrant meter rate will also remain unchanged throughout the 3-year period.
- 3) The potential revenue lost by keeping the Conservation and Bulk/Irrigation meter rates constant will be covered in the Non-Residential water usage rate.

Wendy Surman requested additional figures regarding operating expenditures and revenue growth be provided at a later date.

Patricia Kurpiel suggested including the last date rates were increased in the presentation to the Board.

Lloyd Chittum expressed concern about the impact that increased fees would have on citizens that have fixed incomes during these stressful economic times.

Commission members discussed and agreed the P.I.L.O.T. \$600,000 fee should have been recovered from the General Fund and not only from the utilities customers.

Patricia Kurpiel made a motion to accept the staff’s recommendation of the proposed rate increase and to recommend proposed ordinance O09-36 to the Board of Supervisors to hold a public hearing.

Wendy Surman made an amended motion to accept staff’s recommendation for the rate increase for FY10 but to revisit the issue in FY11 and FY12. The amended motion was not seconded and the motion died.

Patricia Kurpiel’s motion was seconded by Clarence Young and the motion passed with a 3-2 vote. Lloyd Chittum and Wendy Surman were the opposing votes.

**2. Public Presentations** – There were no public presentations.

**3. Approval of Minutes** – Minutes for the May 9, 2009 meeting were approved as written.

**4. Update on Sewage Spill in Aquia Creek** – Bob Hunt briefly highlighted details from the press release regarding the sewage spill. Bob inquired about the statement in the press release that stated that the County's position was there was no increased risk to swimmers in Aquia Creek. Harry Critzer pointed out that, while he was not saying it was OK to discharge sewage into Aquia Creek, it and a number of other creeks in the County are on the Department of Environmental Quality's list of impaired waters. Mr. Hunt also asked staff to research whose responsibility it is to make citizens aware of impaired waters.

**5. Utilities Director's Report** – Harry Critzer reported the following items:

- ❖ The Terminal Reservoir Ordinance and the Reservoir Protection Overlay District Ordinance will go before the Board at the June 16<sup>th</sup> meeting. Due to the Board concerns about adjacent landowner's concerns, two terminal reservoir ordinances would be submitted; one that permits swimming and one that does **not** permit swimming.
- ❖ Another application for the Virginia Clean Water Revolving Loan Fund will be submitted for Phase 2 of the Little Falls Run Nutrient Reduction Upgrade. The upgrade would result in an 8 MGD facility that could meet the WLAs for nitrogen and phosphorus at that flow rate. The cost is expected to be about 5 million dollars plus the cost to purchase additional land between the current facility and Route 3.
- ❖ Nine proposals have been received for the water telemetry system upgrade. Evaluations would be done to determine which firms to interview.

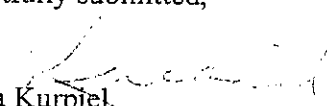
Commission members discussed and agreed that when presenting the proposed Terminal Reservoir Ordinance to the Board of Supervisors that emphasis is placed on the increase of liability costs if swimming is allowed at the reservoirs.

**6. Commission Members Comments** – Patricia Kurpiel stated that she had walked the proposed waterline easement on the Fredericksburg conservation easement land for the pipe that will carry water from Rocky Pen Run all the way to Belmont and Chatham. She stated that the terrain was very challenging with steep slopes, stream crossings, and in the RPA next to waterfalls on a perennial stream.

Wendy Surman suggested that testing of Aquia Creek be completed after 30 days and 60 days to follow up on the sewage spill and to show a good-faith effort to the Aquia Harbour residents.

The meeting was adjourned at 8:05 p.m.

Respectfully submitted,

  
Patricia Kurpiel,  
Acting Recording Secretary

PROPOSED

BOARD OF SUPERVISORS  
COUNTY OF STAFFORD  
STAFFORD, VIRGINIA

ORDINANCE

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, Stafford County Administration Center, Stafford, Virginia, on the 18<sup>th</sup> day August of 2009:

MEMBERS:

George H. Schwartz, Chairman  
Harry E. Crisp II, Vice Chairman  
M. S. "Joe" Brito  
Mark Dudenhefer  
Paul V. Milde, III  
Cord A. Sterling  
Robert "Bob" Woodson

VOTE:

On motion of , seconded by , which carried by a vote of , the following was adopted:

AN ORDINANCE TO AMEND AND READOPT THE FEES FOR  
PROVIDING PUBLIC WATER AND SEWER SERVICE

WHEREAS, the Board is authorized to set reasonable fees and charges for public water and sewer service; and

WHEREAS, such authority can be found in §§15.2-2111, 15.2-2119, and 15.2-2122 of the Code of Virginia (1950), as amended; and

WHEREAS, the Board desires to set the fees for these services commensurate with the services provided by the County, and

WHEREAS, Chapter 25 of the County Code authorizes the establishment of fees; and

WHEREAS, the Board has carefully considered the recommendation of the Utilities Commission, staff, and the testimony at the public hearing;

NOW, THEREFORE, BE IT RESOLVED by the Stafford County Board of Supervisors on this the 18<sup>th</sup> day of August, 2009, that the fees for providing public water and sewer service be amended and it hereby is readopted as follows:

<u>Service:</u>	<u>Water</u>		<u>Sewer</u>		<u>Code Section</u>
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	
Availability; Single Family	\$5,600.00	<u>\$6,900.00</u>	\$3,500.00	\$3,500.00	25-27(b) 25-28(b)
Availability; Multi Family (per equivalent dwelling unit)	\$5,600.00	<u>\$6,900.00</u>	\$3,500.00	\$3,500.00	25-27(c) 25-28(c)
Availability; All Other <u>Size of Meter</u>					25-27(d) 25-28(d)
5/8 inch	\$5,600.00	<u>\$6,900.00</u>	\$3,500.00	\$3,500.00	
3/4 inch	\$8,400.00	<u>\$10,350.00</u>	\$5,250.00	\$5,250.00	
1 inch	\$14,000.00	<u>\$17,250.00</u>	\$8,750.00	\$8,750.00	
1 1/2 inch	\$28,000.00	<u>\$34,500.00</u>	\$17,500.00	\$17,500.00	
2 inch	\$44,800.00	<u>\$55,200.00</u>	\$28,000.00	\$28,000.00	
3 inch	\$89,600.00	<u>\$110,400.00</u>	\$56,000.00	\$56,000.00	
4 inch	\$140,000.00	<u>\$172,500.00</u>	\$87,500.00	\$87,500.00	
6 inch	\$280,000.00	<u>\$345,000.00</u>	\$175,000.00	\$175,000.00	

**User Fees:**

*For the twelve month period beginning with bills issued October 1, 2009:*

	<u>Water</u>		<u>Sewer</u>		<u>Code Section</u>
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	
Monthly Service Charges (per 1,000 gallons)					25-96(b)
Residential, including Apartments					
0 - 4,999	\$1.86	<u>\$2.01</u>			
5,000 - 8,999	\$2.82	<u>\$3.05</u>			
9,000 - 12,999	\$5.51	<u>\$5.95</u>			
13,000 - 20,999	\$7.85	n/a			
21,000+	<u>\$23.55</u>	n/a			
13,000 - 25,999	n/a	<u>\$8.48</u>			
26,000+	n/a	<u>\$23.55</u>			
Sewer Charge up to Seasonal Average + 20% (per 1,000 gallons)			\$3.91	<u>\$4.22</u>	25-98(c)

*For the twelve month period beginning with bills issued October 1, 2009:*

	<u>Water</u>		<u>Sewer</u>		<u>Code Section</u>
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	
Non Residential (Commercial, Industrial, Multi-Family, Public Facility, Semi-Public, Mobile Homes) (per 1,000 gallons)	<del>\$2.83</del>	<u>\$3.17</u>	<del>\$3.91</del>	<u>\$4.22</u>	25-96(b) 25-98(c)
Water Dependent Home-Based Business (per 1,000 gallons)	2.5 times the non-residential rate	2.5 times the non-residential rate	<del>\$3.91</del>	<u>\$4.22</u>	25-96(b) 25-98(c)
Bulk/Irrigation Meters/ Construction/Hydrants (per 1,000 gallons)	\$13.00	\$13.00			25-96(e)
Monthly Customer Service Charge (per account)	<del>\$1.74</del>	<u>\$1.88</u>	<del>\$1.85</del>	<u>\$2.00</u>	25-96(c) 25-98(d)
Monthly Demand Charge (per meter equivalent per account)	<del>\$1.77</del>	<u>\$3.41</u>	<del>\$5.49</del>	<u>\$7.43</u>	25-96(d) 25-98(e)

*For the twelve month period beginning with bills issued October 1, 2010:*

	<u>Water</u>		<u>Sewer</u>		<u>Code Section</u>
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	
Monthly Service Charges (per 1,000 gallons)					25-96(b)
Residential, including Apartments					
0 - 4,999	<del>\$2.01</del>	<u>\$2.17</u>			
5,000 - 8,999	<del>\$3.05</del>	<u>\$3.29</u>			

9,000 - 12,999	\$5.95	<u>\$6.43</u>
13,000 - 25,999	\$8.48	<u>\$9.16</u>
26,000+	\$23.55	\$23.55

***For the twelve month period beginning with bills issued October 1, 2010:***

	<u>Water</u>		<u>Sewer</u>		<u>Code Section</u>
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	
Sewer Charge up to Seasonal Average + 20% (per 1,000 gallons)			\$4.22	<u>\$4.56</u>	25-98(c)
Non Residential (Commercial, Industrial, Multi-Family, Public Facility, Semi-Public, Mobile Homes) (per 1,000 gallons)	\$3.17	<u>\$3.55</u>	\$4.22	<u>\$4.56</u>	25-96(b) 25-98(c)
Water Dependent Home-Based Business (per 1,000 gallons)	2.5 times the non-residential rate	2.5 times the non-residential rate	\$4.22	<u>\$4.56</u>	25-96(b) 25-98(c)
Bulk/Irrigation Meters/ Construction/Hydrants (per 1,000 gallons)	\$13.00	\$13.00			25-96(e)
Monthly Customer Service Charge (per account)	<del>\$1.88</del>	<u>\$2.03</u>	<del>\$2.00</del>	<u>\$2.16</u>	25-96(c) 25-98(d)
Monthly Demand Charge (per meter equivalent per account)	<del>\$3.41</del>	<u>\$3.68</u>	<del>\$7.43</del>	<u>\$8.02</u>	25-96(d) 25-98(e)

*For the twelve month period beginning with bills issued October 1, 2011:*

	<u>Water</u>		<u>Sewer</u>		<u>Code Section</u>
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	
Monthly Service Charges (per 1,000 gallons)					25-96(b)

*For the twelve month period beginning with bills issued October 1, 2011:*

	<u>Water</u>		<u>Sewer</u>		<u>Code Section</u>
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>	
Residential, including Apartments					
0 - 4,999	\$2.17	\$2.34			
5,000 - 8,999	\$3.29	\$3.55			
9,000 - 12,999	\$6.43	\$6.94			
13,000 - 25,999	\$9.16	\$9.89			
26,000+	\$23.55	\$23.55			
Sewer Charge up to Seasonal Average + 20% (per 1,000 gallons)			\$4.56	\$4.93	25-98(c)
Non Residential (Commercial, Industrial, Multi-Family, Public Facility, Semi-Public, Mobile Homes) (per 1,000 gallons)	\$3.55	\$3.98	\$4.56	\$4.93	25-96(b) 25-98(c)
Water Dependent Home-Based Business (per 1,000 gallons)	2.5 times the non-residential rate	2.5 times the non-residential rate	\$4.56	\$4.93	25-96(b) 25-98(c)
Bulk/Irrigation Meters/ Construction/Hydrants (per 1,000 gallons)	\$13.00	\$13.00			25-96(e)

Monthly Customer Service Charge (per account)	<del>\$2.03</del>	<u>\$2.19</u>	<del>\$2.16</del>	<u>\$2.33</u>	25-96(c) 25-98(d)
Monthly Demand Charge (per meter equivalent per account)	<del>\$3.68</del>	<u>\$3.97</u>	<del>\$8.02</del>	<u>\$8.66</u>	25-96(d) 25-98(e)

BE IT FURTHER ORDAINED that dwellings currently connected to well and/or on-site wastewater treatment systems be charged current water and sewer availability fees and connection fees until April 1, 2010; and

BE IT FURTHER ORDAINED that water and sewer extension projects approved under Resolution R03-03, as of the date of this Ordinance, be charged the availability fees and connection fees in effect at the time each project was approved;

BE IT FURTHER ORDAINED that, except as otherwise stipulated, the effective date of this ordinance shall be August 19, 2009.

AJR:HLC:cdg