

# Town of Centreville Water & Sewer Rate Discussion

Public Hearing Presentation 5/21/2020

Ordinance 06-2020

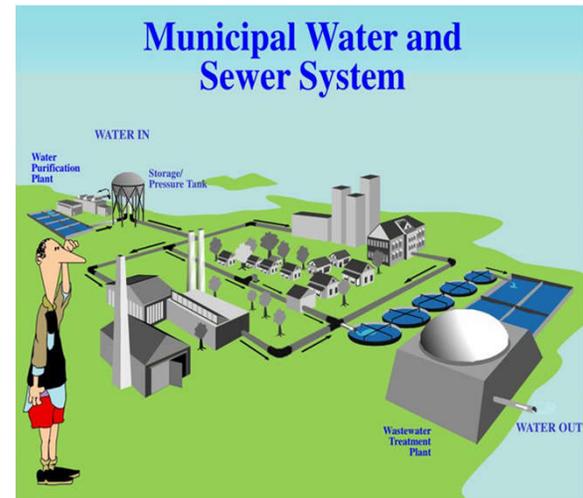
Rate increase for Water & Sewer Utilities

# Comparison

- Centreville has an aging but world-class distribution system that provides every household in Centreville with clean water and sanitary sewer for an average of **\$2.25 per day.**

- Compare that to:

- Gallon of Milk: \$3.50
- Slice of pizza at Colosseum Pizza \$1.95
- Dunkin Donuts Large Coffee \$2.09
- Symphony Village HOA Dues (daily) \$7.56



# Why?

- Expenses far exceed Revenues for general operations of the utility system
- Centreville has a small user base (approximately 1,960 users) to spread expenses
- Much of our delivery infrastructure (pipes) is old and needs replacement
- Other capital (storage, sludge beds, vehicles) are old and nearing capacity
- Previous rate increase was not enough
- Enterprise Fund (water & sewer utility) should pay for itself through user fees
- Due to budget constraints, routine replacement on equipment is often pushed out to future years

## What it isn't

- This is not a result of the additional costs of the Liberty/Commerce infrastructure replacement project.
- The original budget of \$4 million was through a loan and debt service was created and anticipated
- The special election which resulted in the Permanent Fund being partially expended is not to be paid back through this rate increase.
- There are no plans to pay back the Permanent Fund through the Enterprise Fund

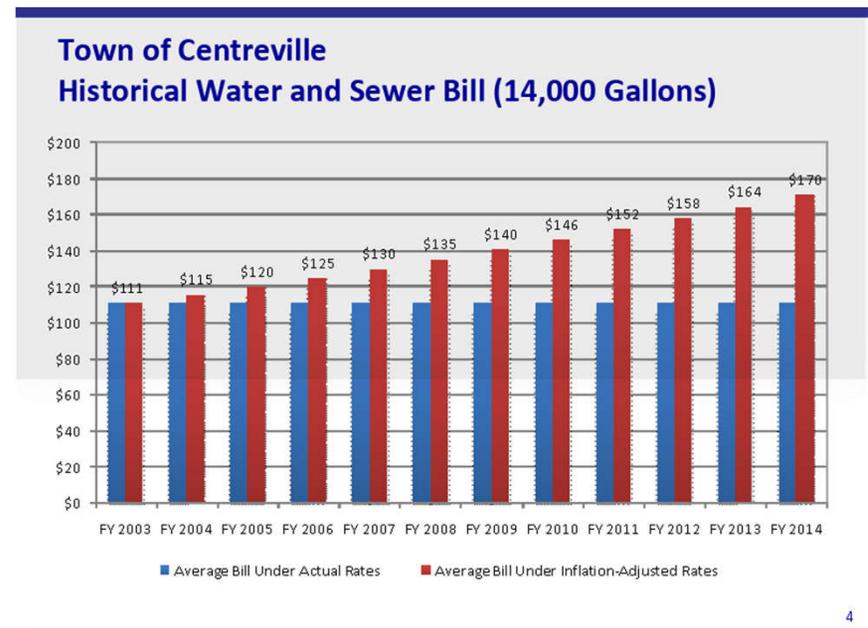
# What does our water & sewer system look like?

- The town produces about 123 million gallons of water per year
  - We must meet or exceed Federal standards for drinking water and treated wastewater without exception
- We have the capacity to store 600,000 gallons of drinking water
- The town owns a 370 acre, fully operational farm outside of town where the treated wastewater is discharged via spray irrigation
- Due to the source of our water, 2 arsenic treatment plants are required to make the water safe.
- Dozens of miles of underground water and sewer pipes.



# 2013 Rate Study

- In 2013, the Town Council hired an expert to evaluate our rate structure
  - Rates had not changed since 2003
  - Council goals were the following:
    - Review water and sewer fund to assure stability and financial health of enterprise fund.
    - Prepare long-term financial plan including capital investments required for a sustainable system.
    - Ensure costs are allocated appropriately among customers.



# 2013 Rate Study

- Recommended increases:
  - Water        70%, 12%, 7%, 6%, 5% (FY15-19)
  - Sewer        50%, 7%, 3%, 14%, 9% (FY15-19)

- Actual approved increase:
  - Water        25%, 25%, 15%, 4% (FY15-19)
  - Sewer        15%, 15%, 5%, 4% (FY15-19)

**Originally Proposed Rate Increases**

Water Fund - Rate Increase	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
O&M and Existing Debt	54%	3%	3%	3%	2%
CIP Funding	10%	6%	2%	1%	0%
Operating Reserves	5%	3%	3%	2%	3%
<b>Total Rate Adjustment</b>	<b>70%</b>	<b>12%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>

Sewer Fund - Rate Increase	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
O&M and Existing Debt	40%	2%	2%	3%	2%
CIP Funding	7%	3%	0%	11%	3%
Operating Reserves	3%	2%	1%	1%	4%
<b>Total Rate Adjustment</b>	<b>50%</b>	<b>7%</b>	<b>3%</b>	<b>14%</b>	<b>9%</b>

Percentages may not add due to rounding.

**Revised Rate Increases**

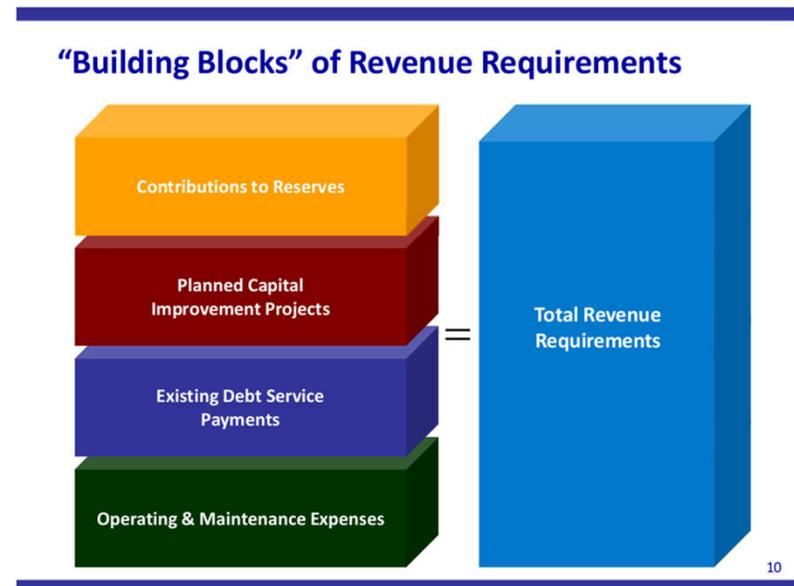
- Given the magnitude of the originally proposed increases, MFSG has been working with Town Staff and Town Council to examine approaches that will reduce the impact on Town customers.
- Revised increases have been developed by:
  - Adjusting Capital Project timing and funding sources (bonds vs. cash)
  - Phasing in the increases over three years

Revised Rate Increases	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Water Rate Increase	25.0%	25.0%	15.0%	4.00%	4.00%
Sewer Rate Increase	15.0%	15.0%	5.0%	4.00%	4.00%

# Original Rate Study Guidance

The rate study recommended that user rates and allocation fees should provide for:

- Operations & Maintenance
- Existing Debt Service
- Planned Capital Improvement
- Contributions to Reserves

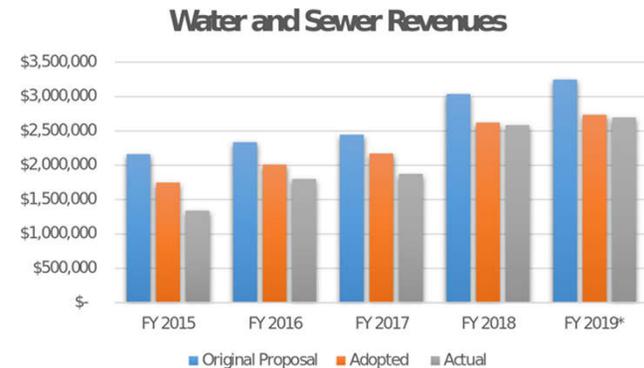


# Results of the smaller rate increase

An updated study was presented in March 2018

- Results:
  - Water & Sewer revenues came in UNDER forecast
  - Individual water usage went down (decreased revenue)
  - Fewer new connections (averaged 13, estimated 25)

## Revenue Comparisons

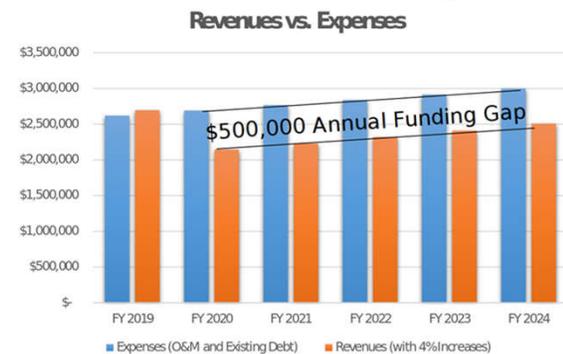


*\*Estimated actual includes 56 new connections*

# Effects of the smaller rate increase:

- Even with the increased rates, revenues didn't keep up with expenses
  - 2018 report forecast a \$500,000 funding gap for operations and debt
  - Actual FY2021 funding gap is \$608,000
  - Cash reserves must be used just to meet Operating Costs and existing debt
- Rate increase didn't provide for any planned capital improvement for future investment
  - Any planned capital improvement must come from loans or reserves

Forecast - O&M and Existing Debt



Forecast - O&M, Existing Debt and Future Capital



# Planned (Deferred) Capital Improvements

- Capital improvements deferred since FY2016 budget

<b>SEWER</b>		<b>WATER</b>	
○ FY2016	\$ 382,000	FY2016	\$315,500
○ FY2017	\$1,452,000	FY2017	\$367,650
○ FY2018	\$ 380,000	FY2018	\$339,000
○ FY2019		FY2019	\$55,000
○ FY2020	\$ 22,000	FY2020	
○ FY2021	\$ 285,000	FY2021	\$256,000
○ <b>TOTAL</b>	<b>\$2,521,000</b>	<b>TOTAL</b>	<b>\$1,333,150</b>

# Planned (Deferred) Capital Improvement

- Here are a few select examples of some deferred Capital improvements:
  - \$42,000 Pickup truck with snowplow: (1999 model year with 210,000 miles), deferred since 2016
  - \$100,000 North Brook Generator: (emergency power outage/water plant redundancy), deferred since 2016
  - \$300,000 Sludge bed capacity improvement: (sludge drying beds have reached their capacity); deferred since 2017
  - \$55,000 Arsenic filter replacement: (periodic replacement, ongoing maintenance); deferred since 2019
  - \$45,000 **Small shed replacement:** (storage building is in poor shape, missing part of roof and may collapse on equipment); deferred since 2016



# Planned (Deferred) Capital Improvement (pipeline)

## Water line replacement

\$1,099,075

Includes:

Weedon St  
Homewood Ave  
Johnstown & Powell St  
Holton St  
Windsor Ave  
Wharf Lane  
Corsica St  
Creamery  
Spring St  
Belvedere Ave  
Jones St

## Sewer line replacement

\$1,623,500

Includes:

Weedon St  
Homewood Ave  
Johnstown & Powell St  
Holton St  
Windsor Ave  
Wharf Lane  
Corsica St  
Creamery  
Spring St  
Belvedere  
Jones St.

When these capital improvements are made, the roads will need to be resurfaced as well (that falls under the General Fund)

# Deferred future capital improvements

- As the town looks to the future, we must anticipate future growth. Some examples of future capital improvements (in today's dollars):
  - \$300,000 Wharf pump station upgrade (to serve eventual Carter farm development)
  - \$12,350,000 Wastewater treatment plant design & upgrade to 750,000 GPD
  - \$1,600,000 New elevated storage tank (across from the high school)
  - \$200,000 Third production water well (to increase capacity & redundancy)
  - \$1,100,000 Engineering & expansion of holding pond (accommodate higher flows)
  - \$500,000 Expand spray capacity of current farm (to better handle increased flows)
  - \$3,750,000 Additional spray irrigation area & equipment and installation
- NOTE: These improvements must occur before anticipated growth happens. Much like the original purchase and improvement of the current farm, buildout of the wastewater treatment plant & the well and storage tank at the business park were built before Symphony Village, Providence Farm, North Brook, Acme Plaza, Food Lion Shopping Center & the Business Park. None of these developments would have occurred if the town didn't finance these prior to development

# Summary

- Raising water & sewer rates is not something the Council takes lightly.
  - The Council has been improving ancient infrastructure since 2007, after decades of deferment
  - Rate study in 2013 recommended a higher than adopted rate and the 2018 updated study proved that rates were not increased enough
  - The utility cannot survive over the long term if rates are not increased
  - Maintenance and planned capital improvement must occur regularly
  - Long term capital improvement must also occur to ensure economic vitality and growth.  
The proposed increase would add about 91 cents per day for the average user
  - “New” subdivisions including North Brook and Symphony Village are approaching 20 years old, and infrastructure improvements must be planned for them as well