

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **February 26, 2013**

AGENDA ITEM NO.: 1, 2 & 6

CONSENT:

REGULAR:

WORK SESSION: **X**

CLOSED SESSION:

(Confidential)

ACTION:

INFORMATION: **X**

ITEM TITLE: **Information Items During the February 26th Work Session**

RECOMMENDATION: No action required.

SUMMARY: During Council's work session on February 26th there will be three presentations meant to provide information about changes within the organization. There is no documentation being provided in advance of the presentations so the purpose of this agenda item summary is to simply advise Council of the subject matter of the presentations. The three presentations are:

- A demonstration of the newly redesigned City website by Director of Communications and Marketing JoAnn Martin.
- Airport Manager Mark Courtney will provide an Air Services update which will include the results of last October's passenger survey and thoughts about the potential impact of the US Airways/American Airlines merger on commercial air service at Lynchburg Regional Airport.
- We plan to adjourn shortly after 6:00 p.m. and conduct a short tour with Council of the renovated space on the second floor of City Hall. The tour will include an overview of the new "one stop" reception and intake area and the relocated Office of Economic Development and will explain how the changes are expected to reduce costs, improve efficiency and enhance customer service.

PRIOR ACTION(S): N/A

FISCAL IMPACT: N/A

CONTACT(S): Kimball Payne, 455-3990

ATTACHMENT(S): None

REVIEWED BY: lkp

033V

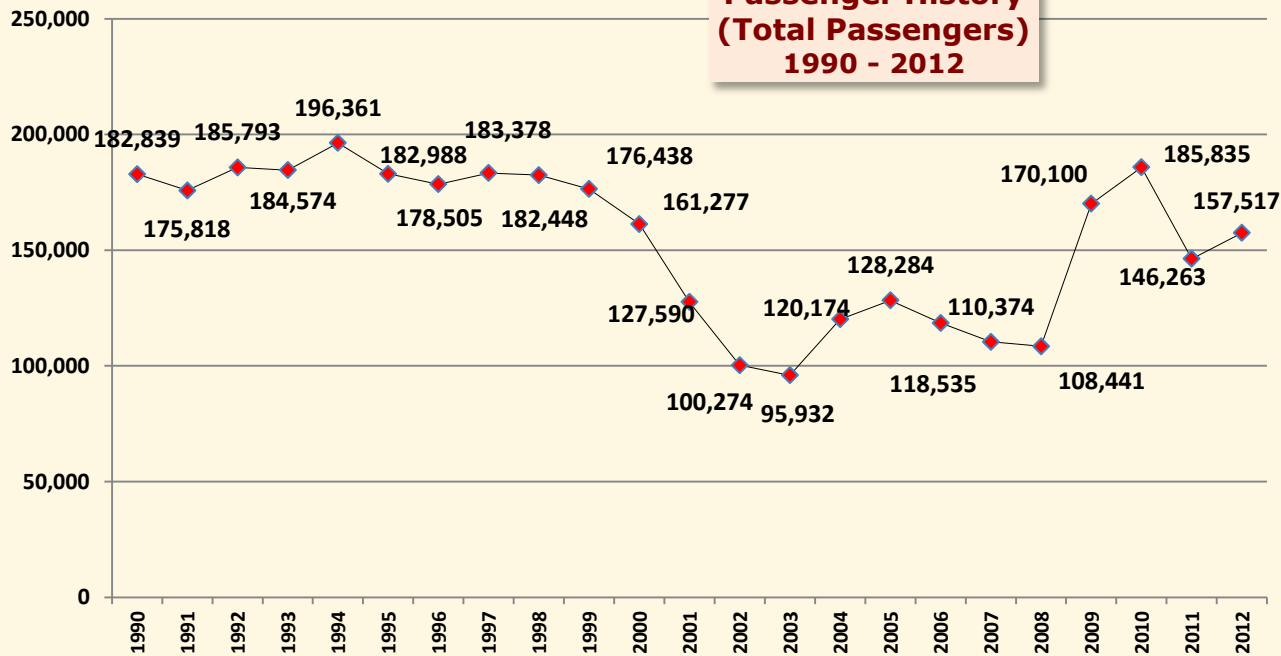
City Council Presentation LYH Air Service Update



February 26, 2013

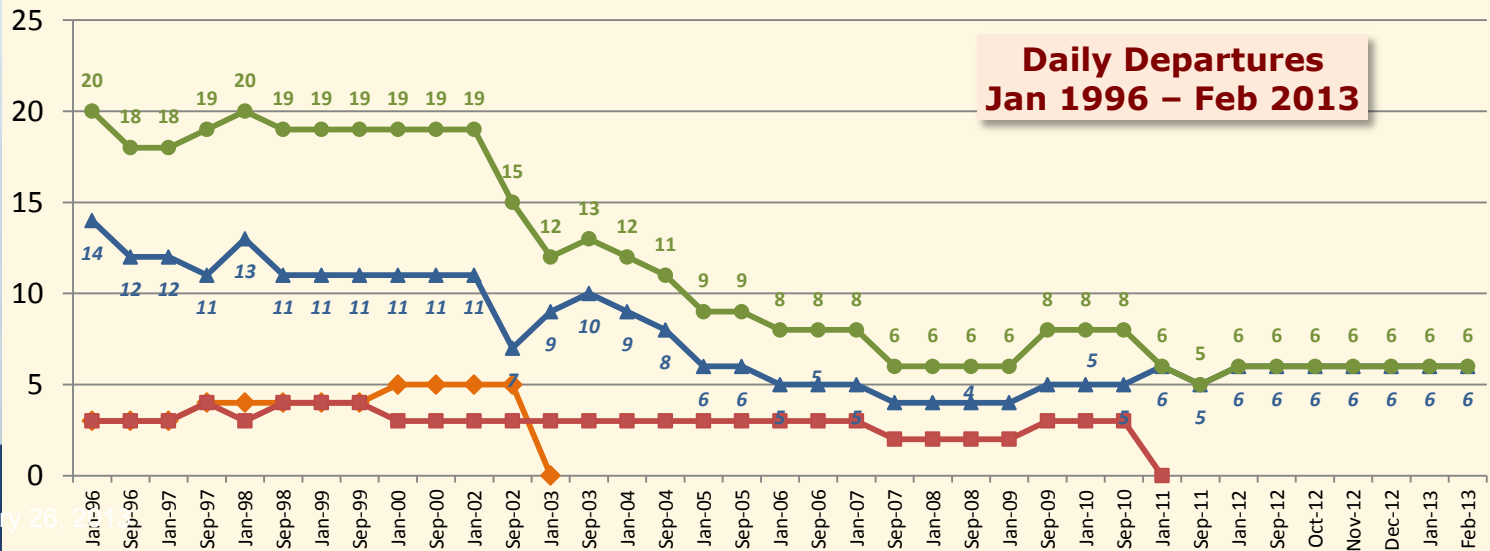


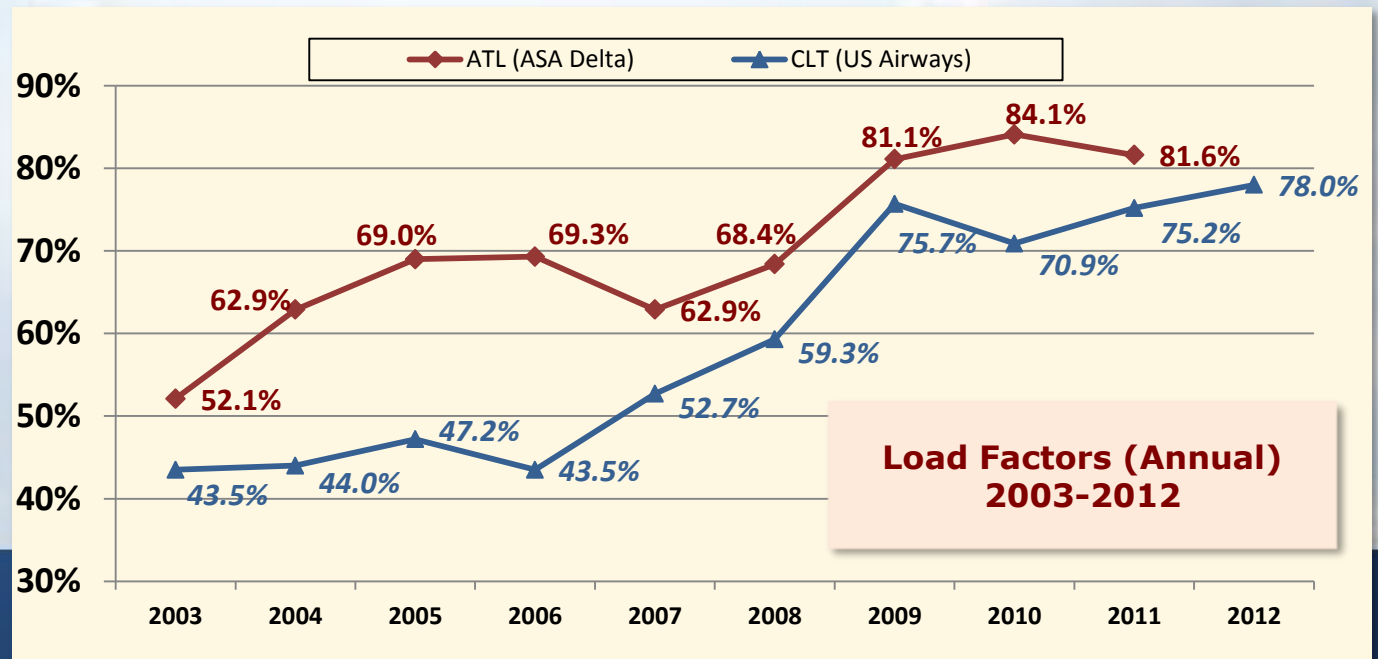
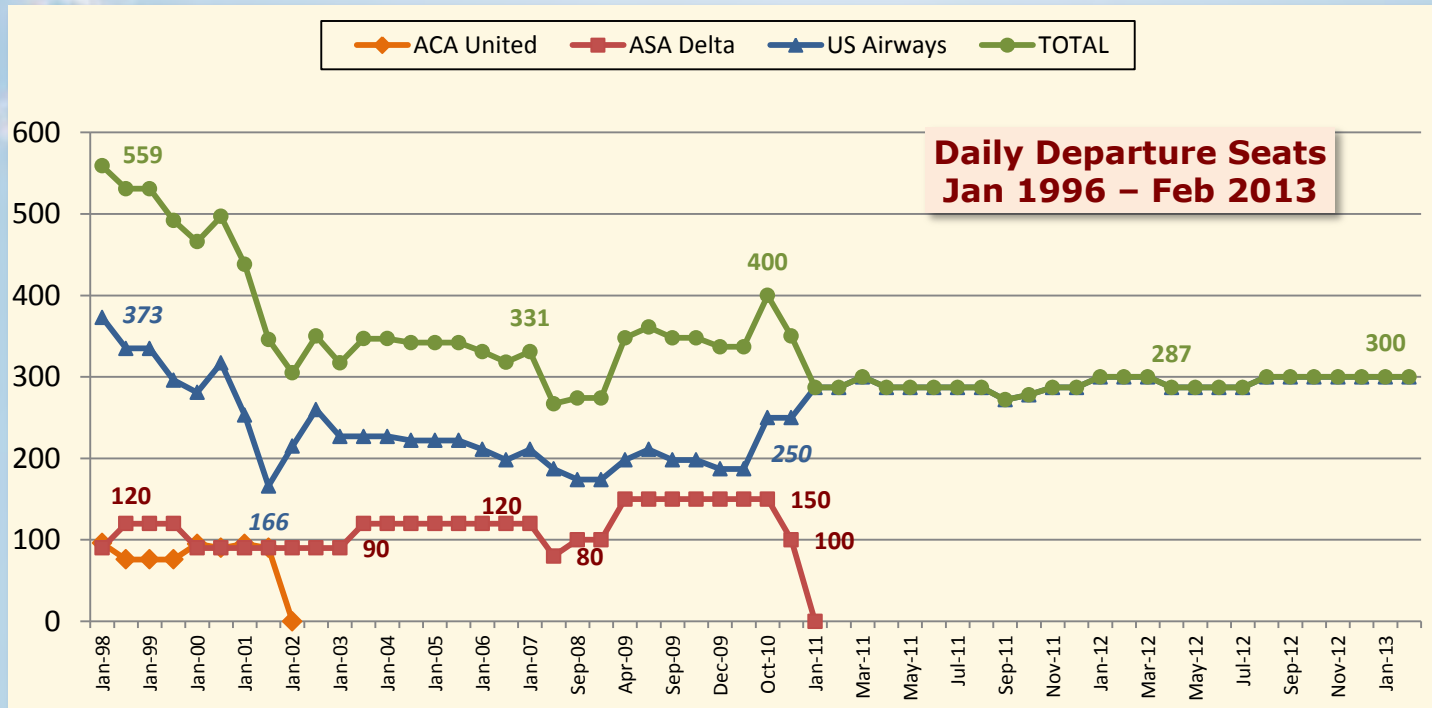
Passenger History (Total Passengers) 1990 - 2012



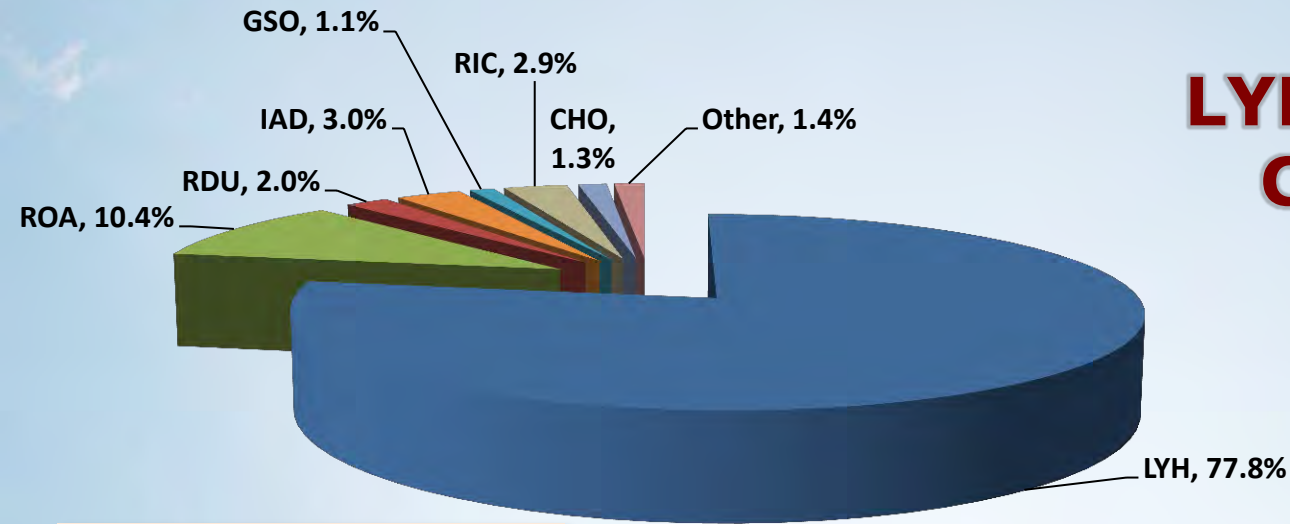
ACA United ASA Delta US Airways TOTAL

Daily Departures Jan 1996 - Feb 2013



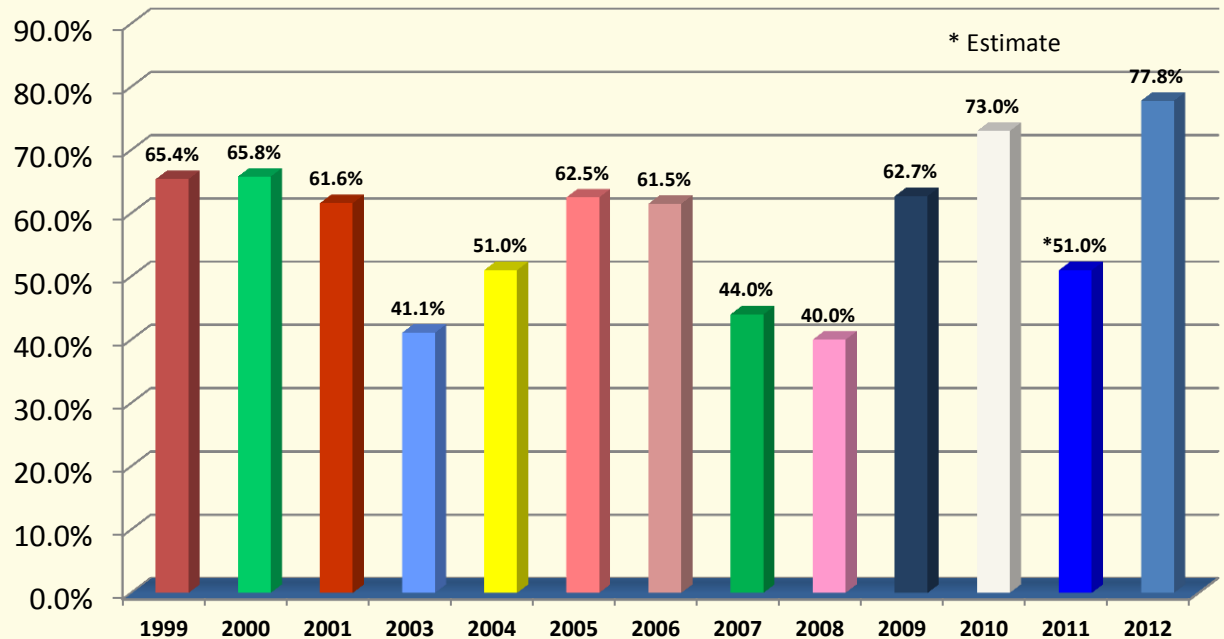


LYH Service Area Capture Rate



Local Respondents: 437
Total trips: 4,178

Source: LYH Passenger Survey Oct 2012



October 2012 LYH Passenger Survey Results Summary



Lynchburg Regional Airport (LYH) Passenger Survey

Dear Air Traveler,

Lynchburg Regional Airport (LYH) is conducting a brief survey of airline passengers in order to learn more about our customers. We would appreciate your participation by answering the following questions:

About Yourself...

1. For what reason are you traveling today?
☐ Business ☐ Leisure/Personal
2. What is the zip code of your residence? _____
3. If you were a visitor to the Lynchburg area, where was your destination?
Indicate name of City, Town, or County: _____
Were you visiting a business? ☐ Yes ☐ No
4. Are you a member of the US Airways Dividend Miles Program?
☐ Yes ☐ No
5. What is your final airport destination today? _____

About Your Airport Experience...

6. What was your primary reason for choosing LYH for your air travel needs?
(Check all that apply)
☐ Lower Airfare ☐ Closer ☐ Ease & Convenience
☐ US Airways is preferred airline ☐ Other: _____

About your Airline Trip...

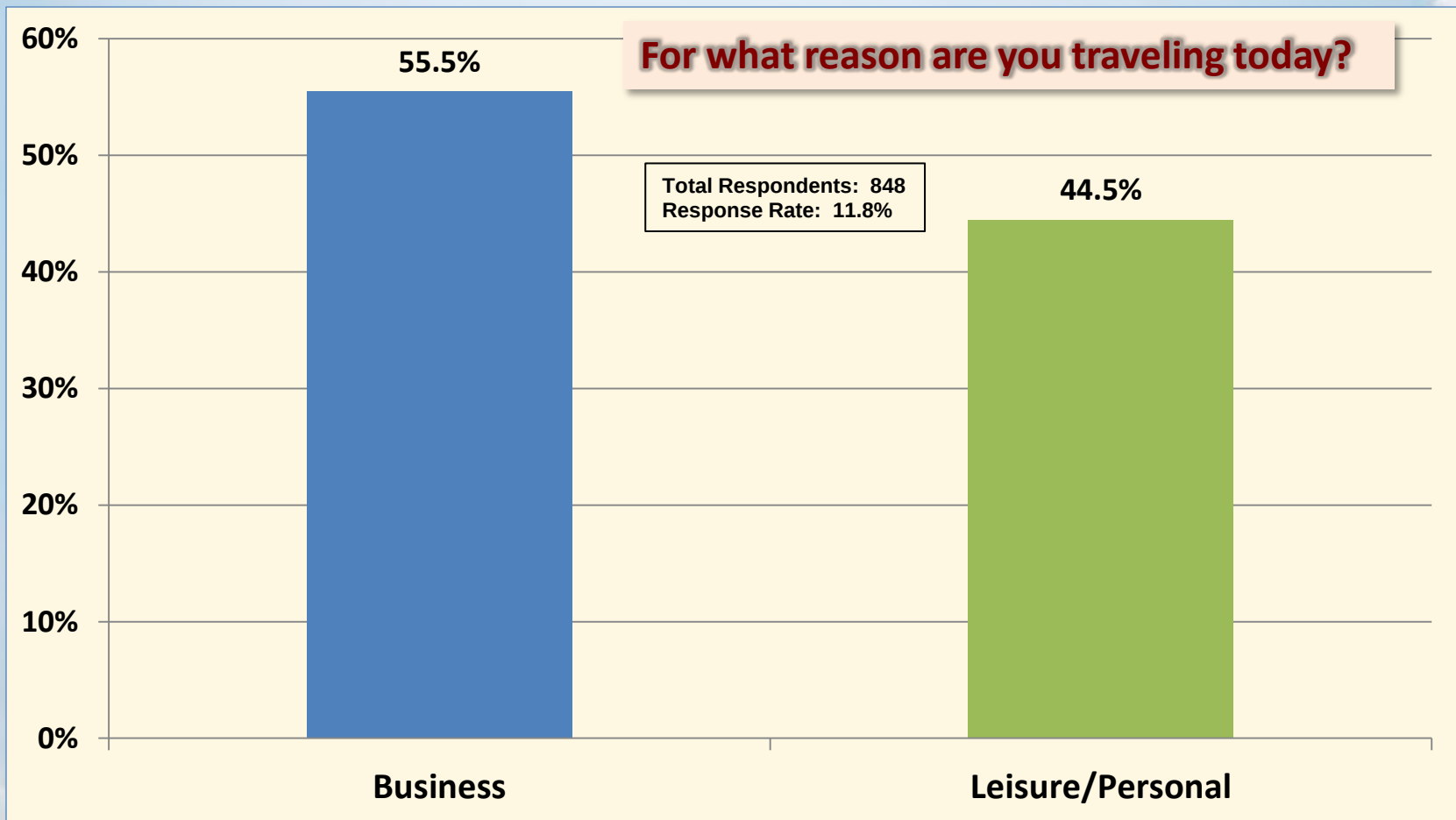
7. How did you purchase your airline ticket?
☐ US Airways website ☐ Online discount travel site (Expedia, Kayak, etc.)
☐ Travel Agency Discount travel site used: _____
☐ Airline telephone reservations or ticket counter
☐ Other _____

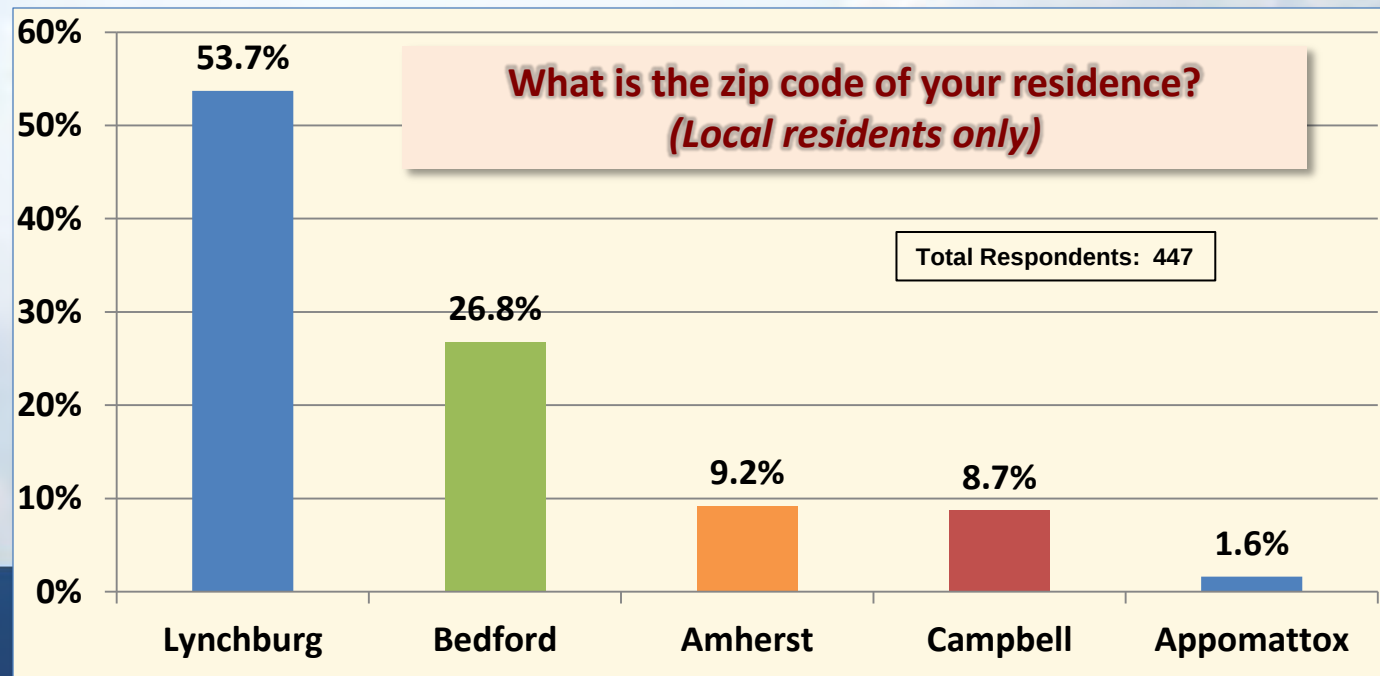
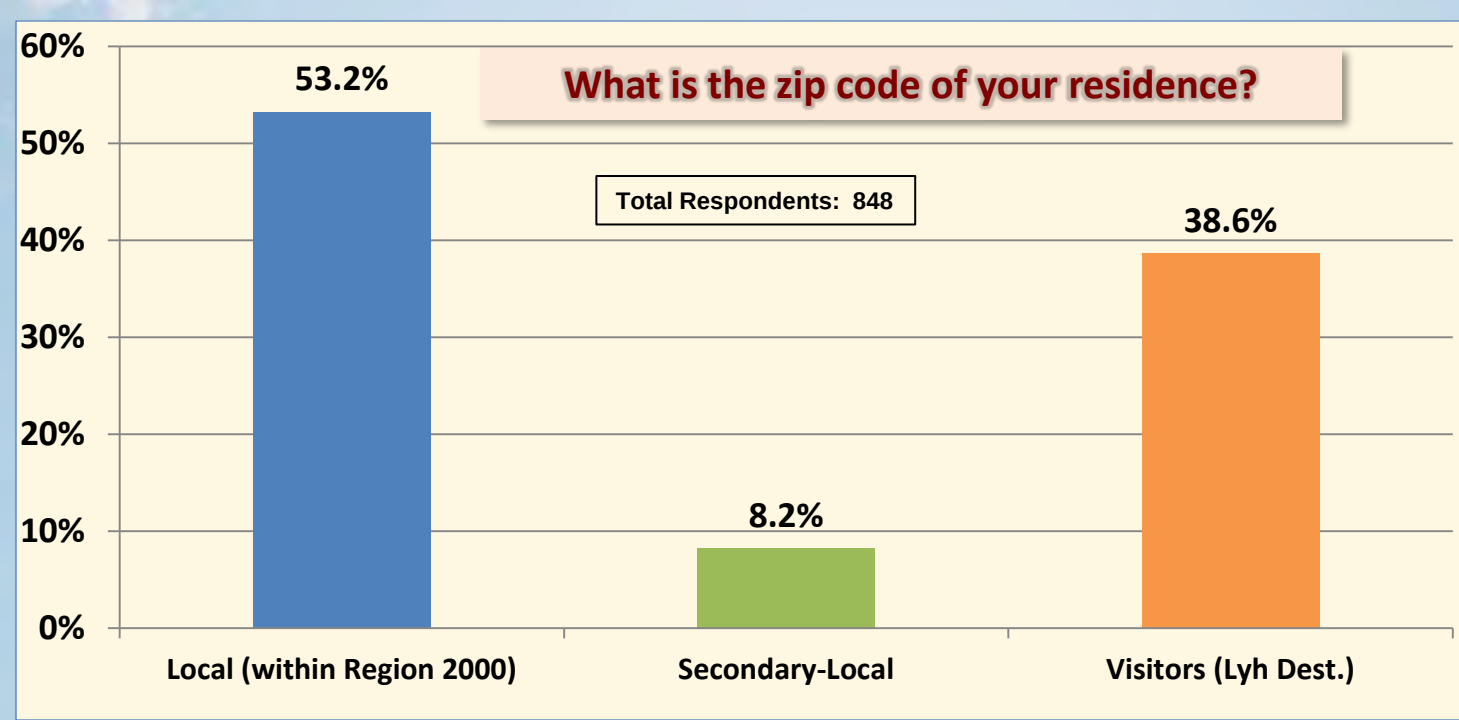
For Local Residents Only (Lynchburg, or Amherst, Appomattox, Bedford, Campbell Counties)...

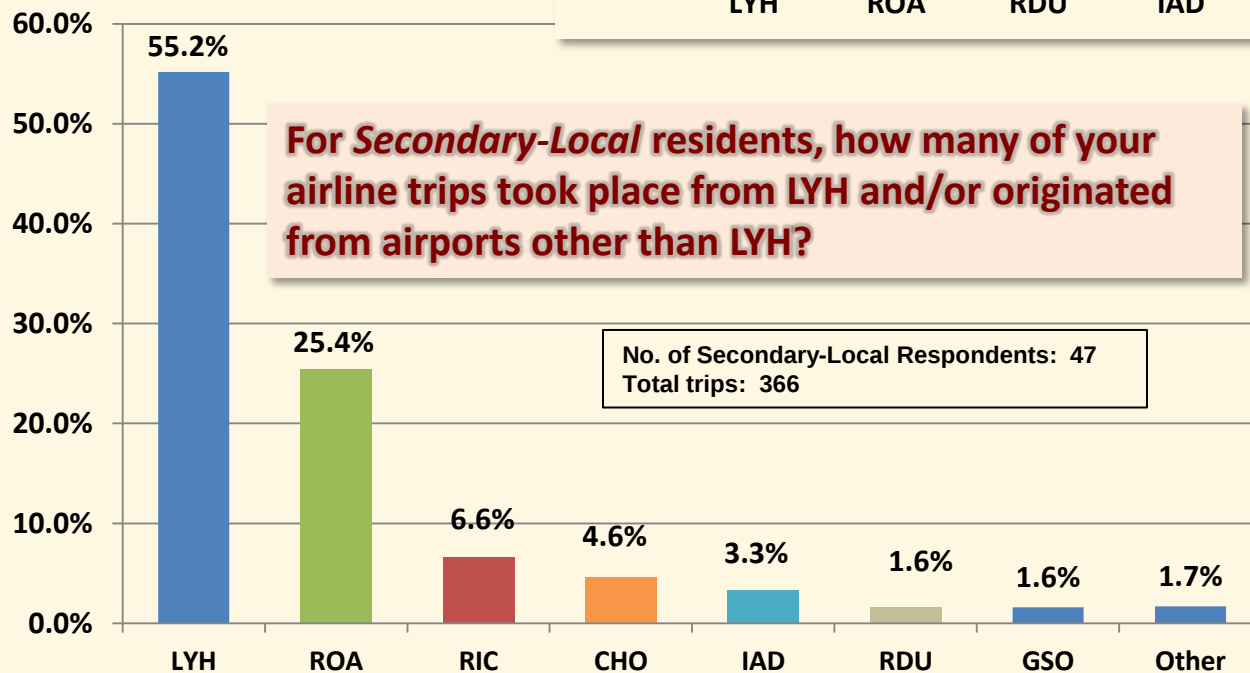
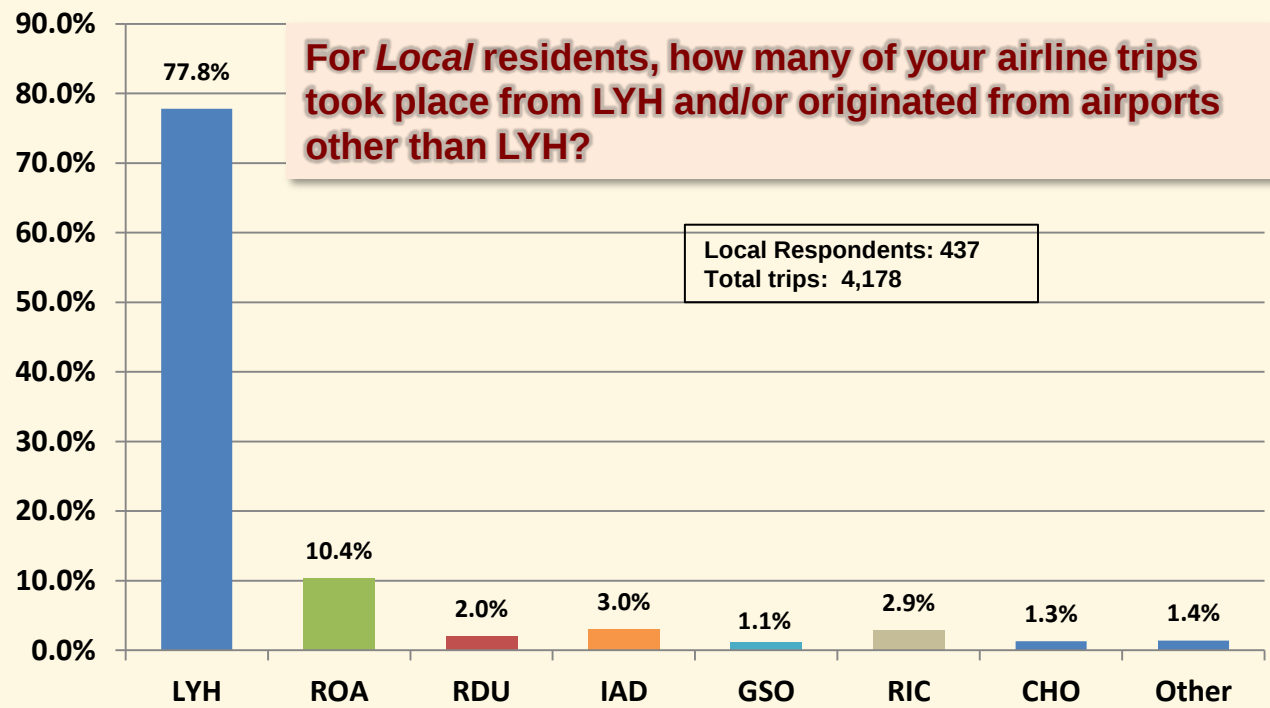
8. In the last year, how many of your airline trips took place from LYH?
Indicate number: _____
9. How many trips have you taken in the last year that originated from these other airports rather than Lynchburg? (Indicate number)
____ Roanoke ____ Raleigh ____ Washington Dulles
____ Greensboro ____ Richmond ____ Charlottesville
____ Other (specify): _____

(OVER)

October 2012

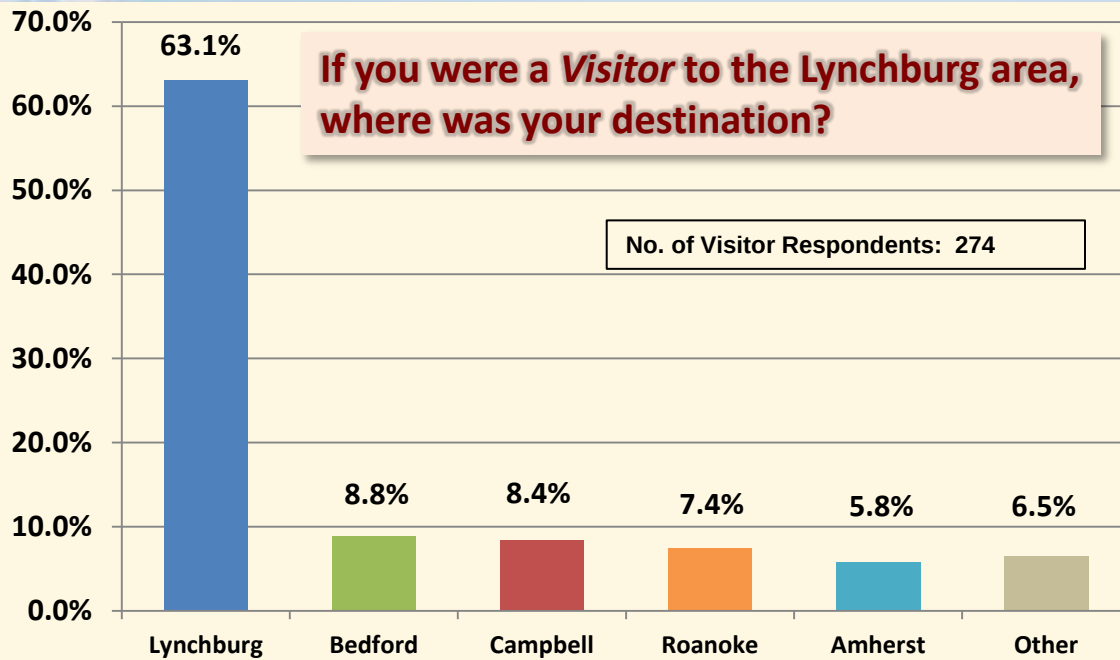






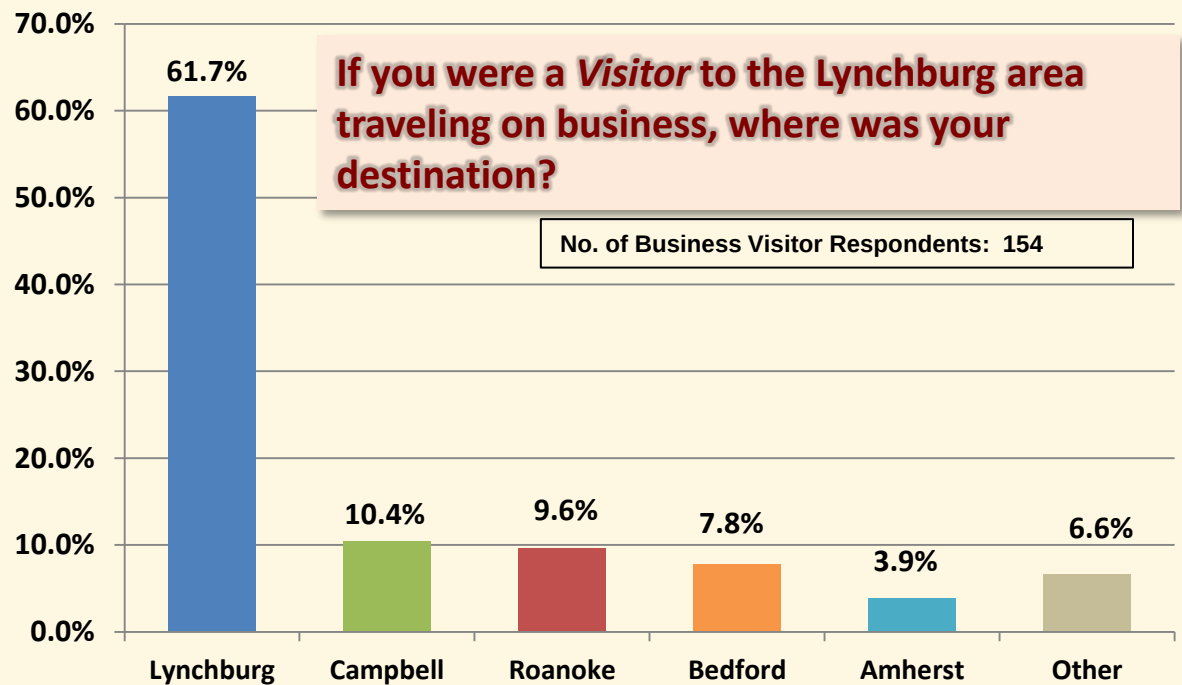
If you were a *Visitor* to the Lynchburg area, where was your destination?

No. of Visitor Respondents: 274

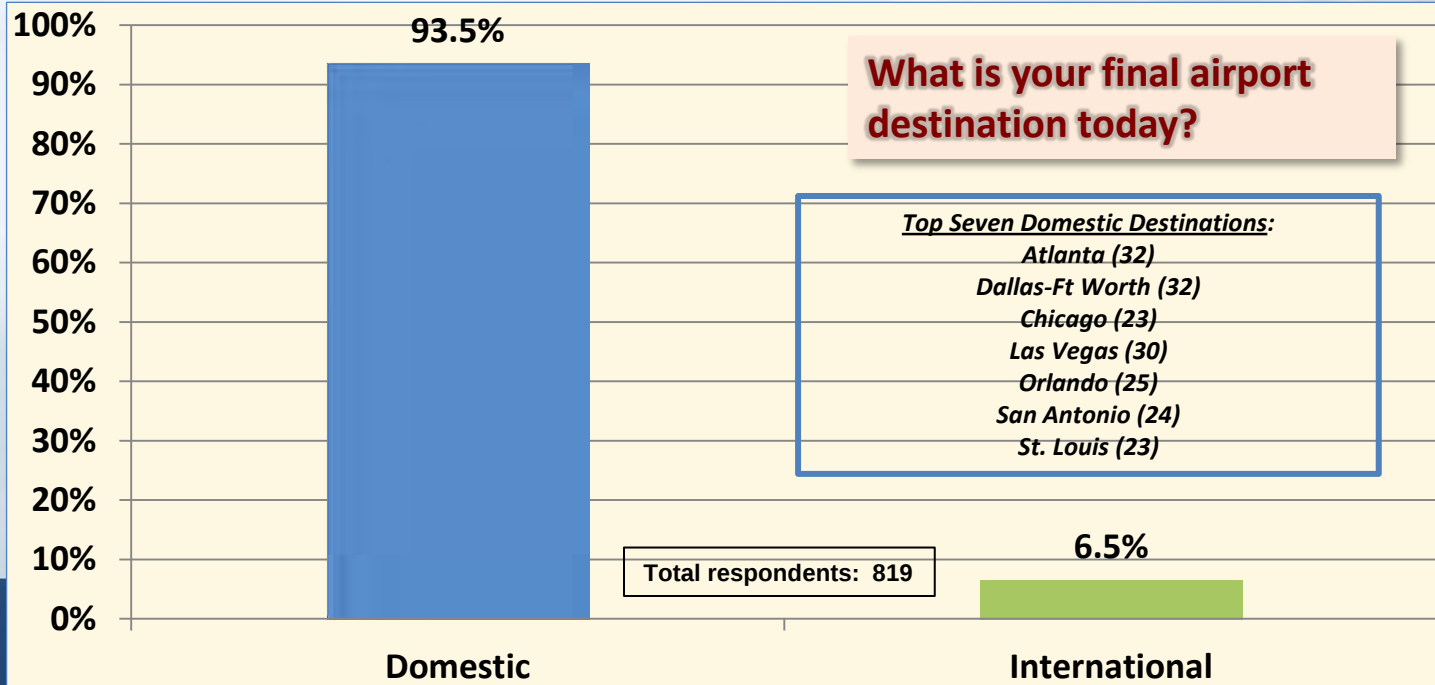
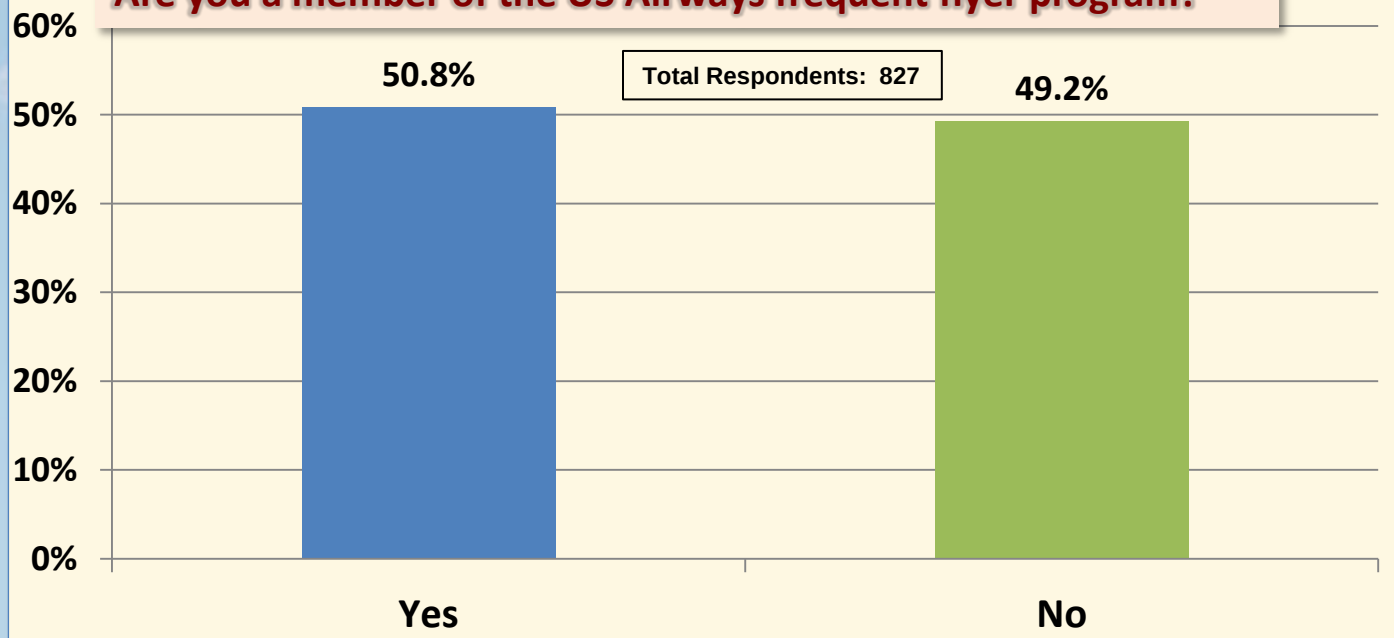


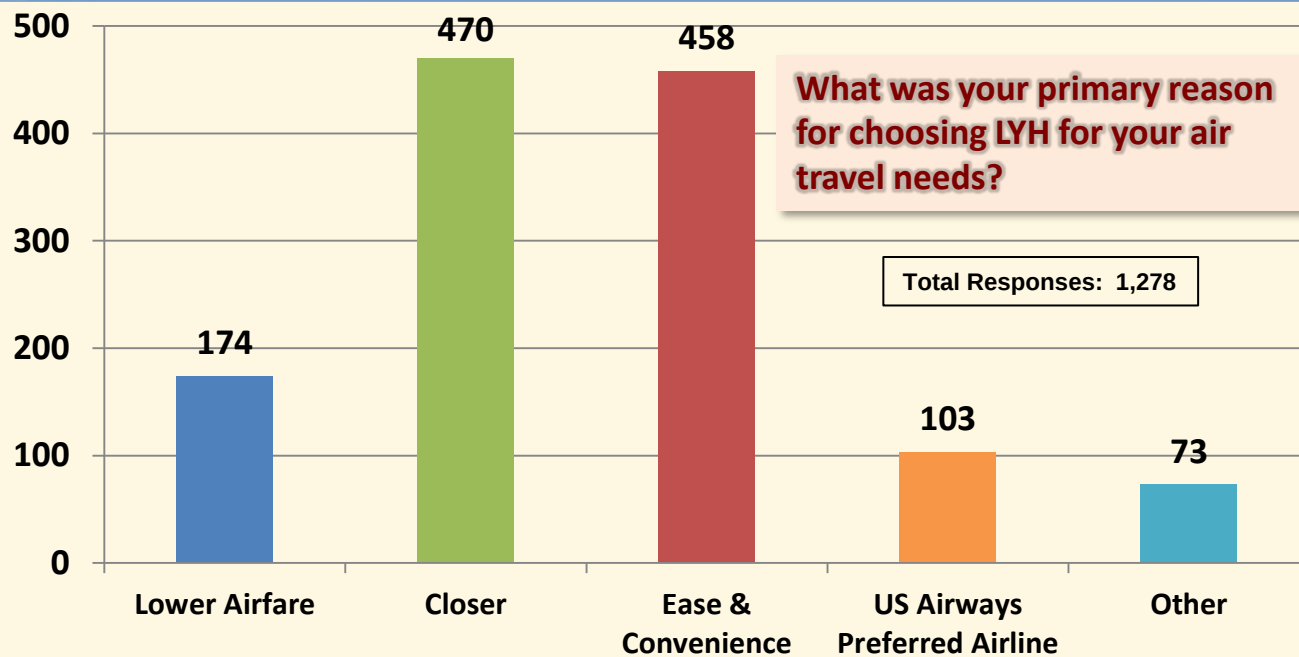
If you were a *Visitor* to the Lynchburg area traveling on business, where was your destination?

No. of Business Visitor Respondents: 154

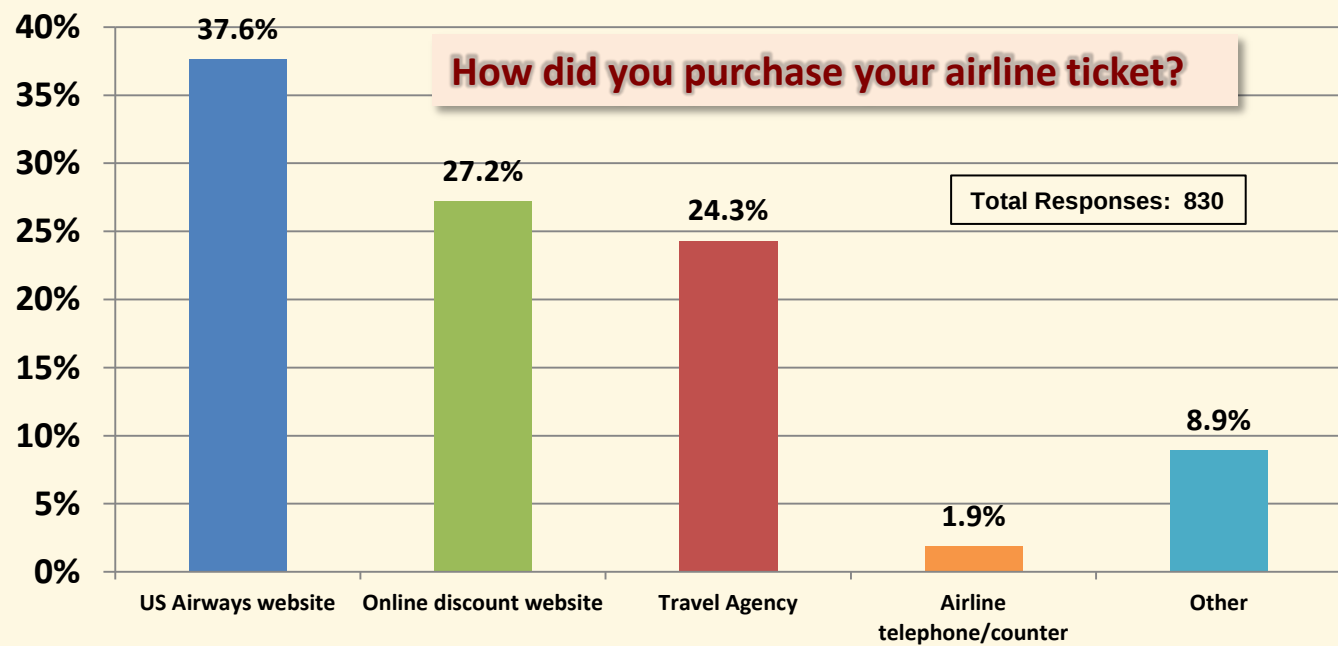


Are you a member of the US Airways frequent flyer program?

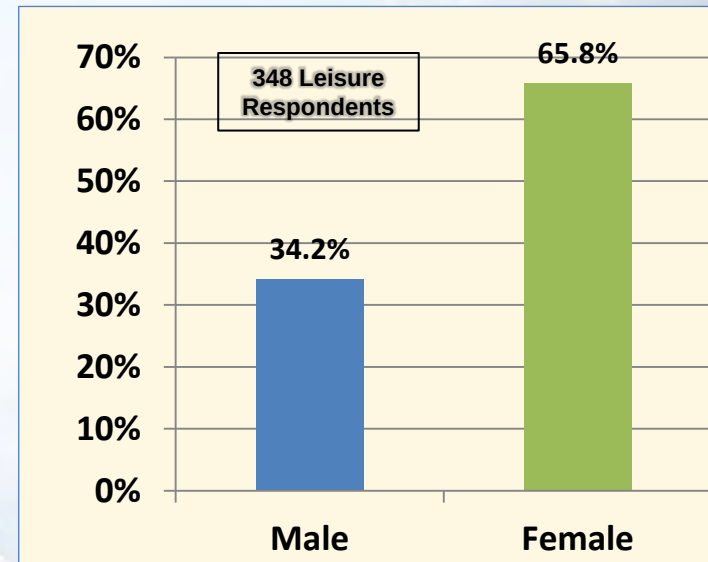
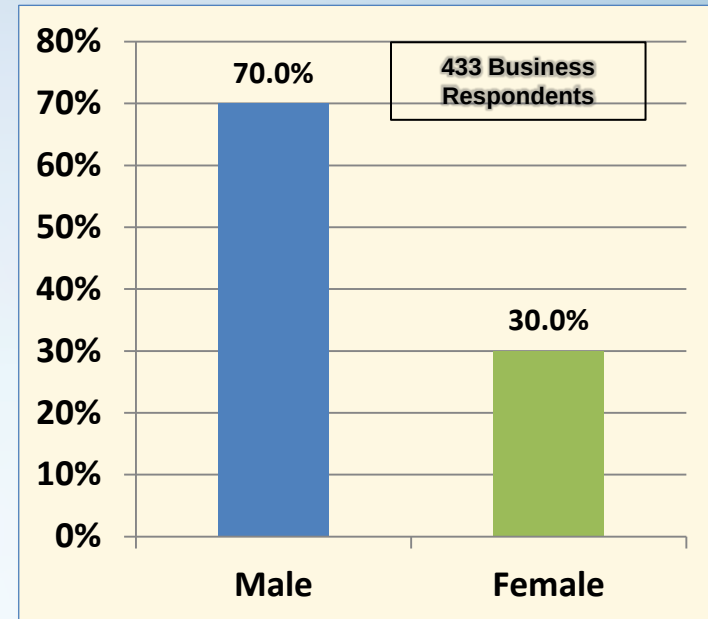
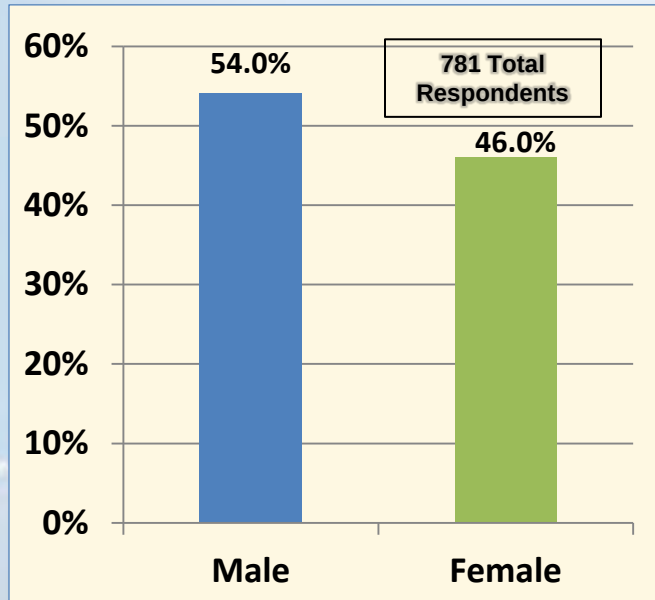




11

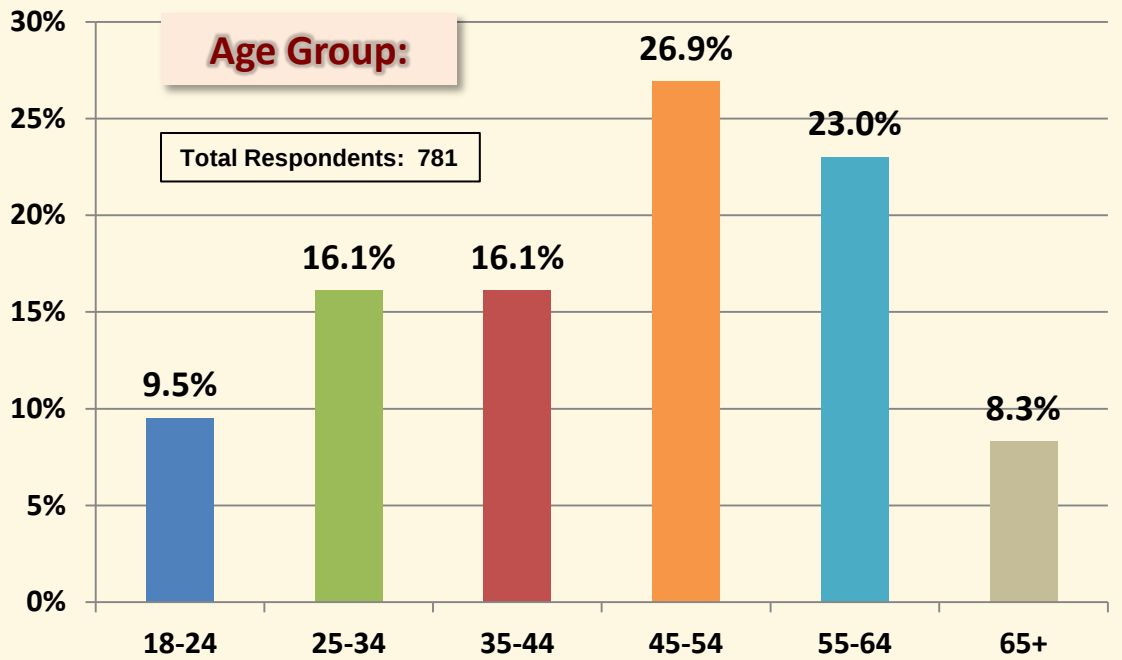


What is your gender?



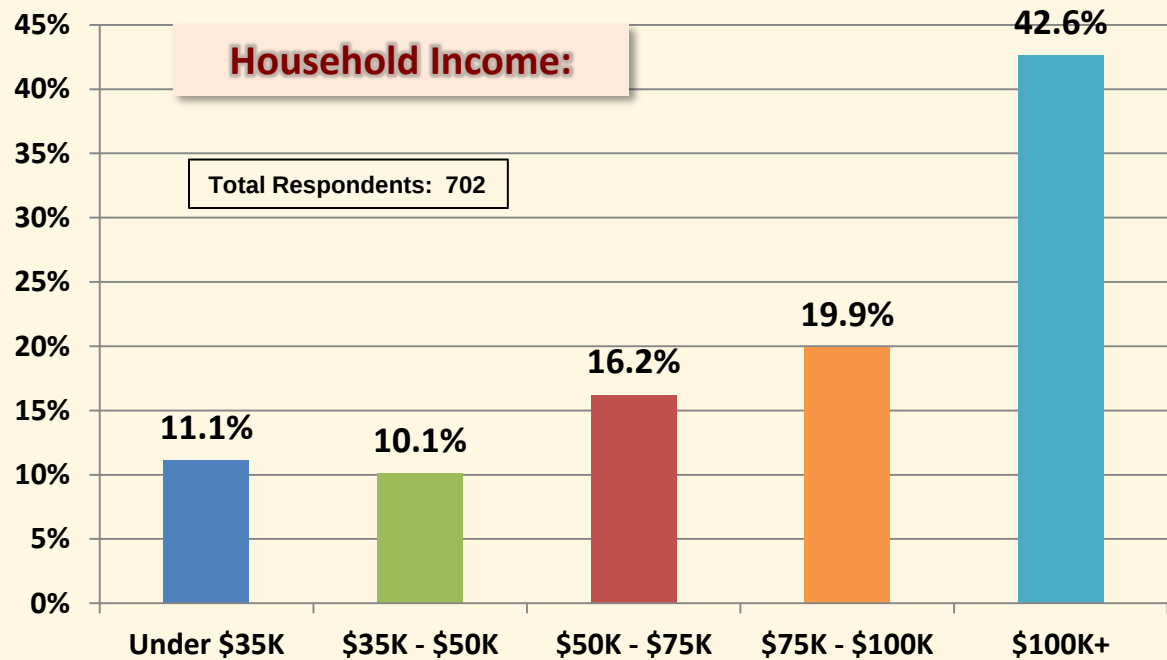
Age Group:

Total Respondents: 781



Household Income:

Total Respondents: 702



Fares and Yields



Competitive Fare Analysis

Selected Major Air Travel Markets

Published Round Trip Fares (As of January 8, 2013)

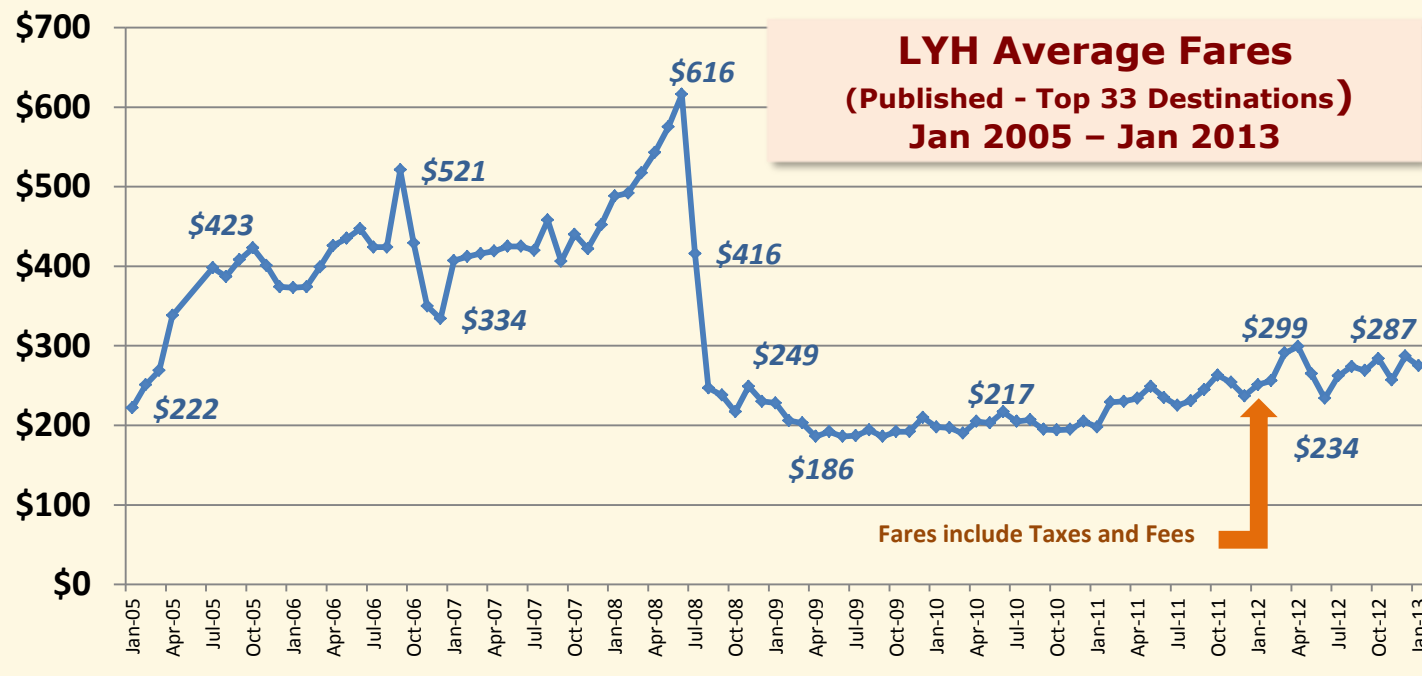


Source: AIRS O&D Data – 3rd Qtr 2012

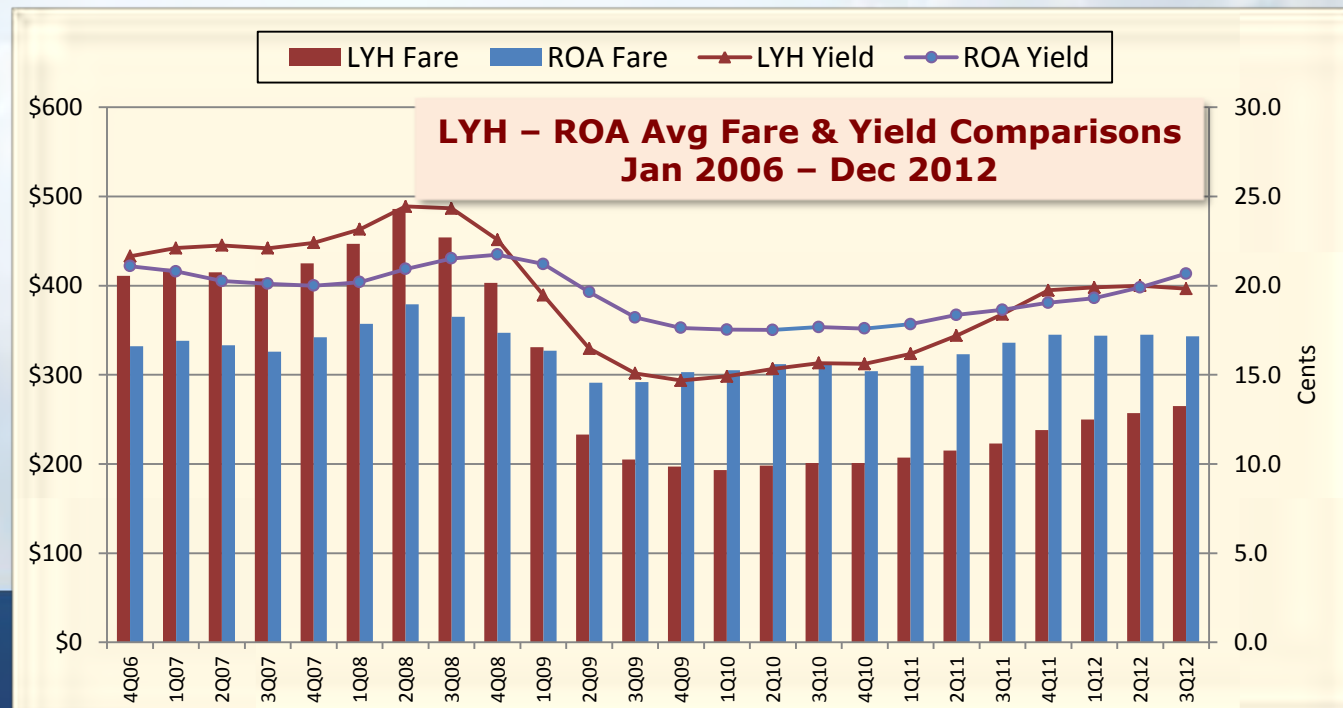
Source: Amadeus Publ. Fares – Feb. 19, 2013

Dest	US LYH	US ROA	US RIC	US CHO
LAS	353	355	323	331
PHX	249	355	249	323
SEA	339	355	339	319
PDX	305	355	305	259
SFO	345	513	305	229
SAN	327	355	327	425
LAX	353	525	303	221
DEN	333	483	267	298
DFW	243	381	343	223
IAH	411	425	243	203
SAT	393	345	231	311
MSP	335	223	323	335
MSY	309	335	253	287
STL	357	357	295	357
ATL	235	365	245	359
FLL	155	361	151	221
JAX	241	361	223	223
MIA	179	361	179	363
MCO	123	377	123	189
TPA	273	377	273	273
PBI	221	341	221	397
MEM	215	357	171	215
BOS	215	357	141	277
DTW	387	369	387	339
BNA	189	339	189	189
LGA	283	283	283	283
EWR	269	339	183	315
MCI	311	335	255	277
IND	291	339	291	265
ORD	335	319	267	203
BDL	379	357	379	339
CMH	219	235	219	293
CLE	203	235	203	279
AVG	284.09	356.64	257.24	285.45





Source: Focalpoint/Amadeus published fares



Revenue & Market Statistics

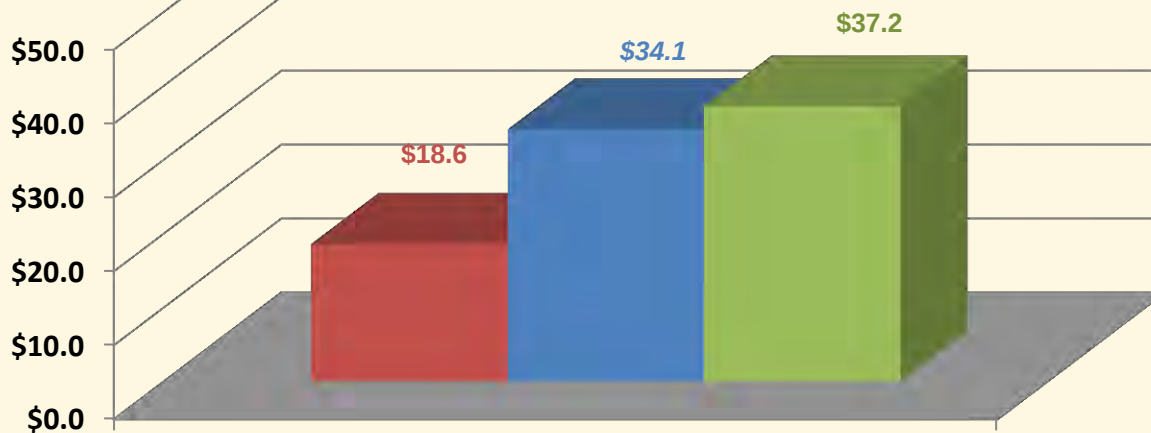


Runway Extension - Total Length: 7,100 feet



LYH Revenue Comparison (US Airways) Domestic & International (In Millions)

■ 2010 ■ 2011 ■ 2012

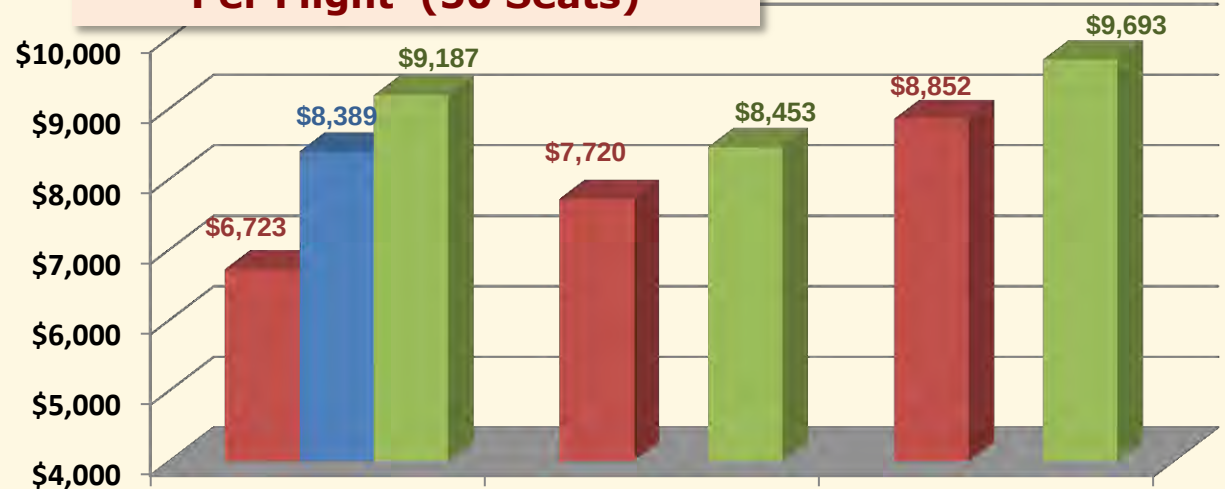


TOTAL

**Avg. Ticket Sales Per
Day: \$110,200
(weekdays)**

LYH Revenue Comparison Per Flight (50 Seats)

■ 2010 ■ 2011 ■ 2012



US-LYH

DL-CHO

DL-ROA

LYH Domestic O & D (All LYH Carriers) Sorted by Pax 3rd Qtr 2012 O&D

				Inbound +	Inbound +			
			Nonstop	Outbound	Outbound		One-Way	
Rank	Name	Apt Code	Miles	Passengers	Pax/Day	Revenues	Avg Fare	Yield/CPM
1	Charlotte	CLT	175	8,530	23.0	\$974,390	\$114.23	65.14
2	Orlando Intl	MCO	625	6,610	18.0	\$982,710	\$148.67	23.03
3	Dallas/Ft Wor In	DFW	1,054	5,630	15.0	\$1,192,240	\$211.77	18.94
4	O'Hare Intl	ORD	564	5,390	15.0	\$1,050,000	\$194.81	25.15
5	Logan Intl	BOS	557	5,230	14.0	\$880,910	\$168.43	18.64
6	Wm B Hartsfield	ATL	389	4,540	12.0	\$773,660	\$170.41	42.53
7	McCarran Intl	LAS	1,986	3,860	11.0	\$957,160	\$247.97	11.79
8	Denver Intl	DEN	1,385	3,780	10.0	\$823,390	\$217.83	14.20
9	Los Angeles Intl	LAX	2,203	3,740	10.0	\$971,000	\$259.62	11.25
10	Fort Laud Intl	FLL	777	3,740	10.0	\$618,450	\$165.36	20.53
11	Tampa Intl	TPA	673	3,380	9.0	\$592,580	\$175.32	25.67
12	San Francisco In	SFO	2,352	3,220	9.0	\$815,140	\$253.15	10.17
13	Sky Harbor Intl	PHX	1,862	3,080	8.0	\$759,180	\$246.49	12.29
14	St Paul Intl	MSP	896	2,780	8.0	\$535,290	\$192.55	17.27
15	Miami Intl	MIA	797	2,640	7.0	\$456,130	\$172.78	20.83
16	Newark Intl	EWR	357	2,470	7.0	\$537,050	\$217.43	30.90
17	Jacksonville Int	JAX	493	2,400	7.0	\$340,570	\$141.90	28.27
18	Lindberg Field	SAN	2,162	2,260	6.0	\$580,330	\$256.78	11.38
19	Lambert-St Louis	STL	616	2,200	6.0	\$494,130	\$224.61	29.87
20	Wayne County	DTW	403	2,200	6.0	\$424,550	\$192.98	28.54
21	West Palm Beach	PBI	735	2,180	6.0	\$404,290	\$185.45	24.07
22	La Guardia	LGA	372	2,170	6.0	\$487,800	\$224.79	31.47
23	Moisant Intl	MSY	812	2,170	6.0	\$423,950	\$195.37	23.58
24	Kansas City Intl	MCI	853	2,130	6.0	\$427,790	\$200.84	20.13
25	George Bush Intc	IAH	1,057	2,080	6.0	\$556,920	\$267.75	24.63
26	Indianapolis	IND	418	1,930	5.0	\$365,940	\$189.61	31.54
27	Seattle/Tacoma I	SEA	2,281	1,920	5.0	\$582,460	\$303.37	11.92
28	SW Florida Reg	RSW	758	1,860	5.0	\$290,470	\$156.16	20.15
29	San Antonio Intl	SAT	1,233	1,820	5.0	\$436,870	\$240.04	18.84
30	Memphis Intl	MEM	622	1,610	4.0	\$286,360	\$177.87	25.95
31	Nashville	BNA	423	1,440	4.0	\$298,200	\$207.08	41.23
32	Providence	PVD	514	1,260	3.0	\$306,250	\$243.06	28.35
33	Bradley Intl	BDL	471	1,240	3.0	\$350,590	\$282.74	34.50
34	Portland	PDX	2,294	1,240	3.0	\$331,800	\$267.58	9.29
35	Port Columbus In	CMH	271	1,210	3.0	\$248,360	\$205.26	39.34
36	Rochester	ROC	408	1,160	3.0	\$242,160	\$208.76	27.00
37	Akron/Canton Reg	CAK	275	1,120	3.0	\$240,030	\$214.32	37.75
38	Bergstom Intl	AUS	1,167	1,020	3.0	\$243,190	\$238.42	19.64
39	Buffalo	BUF	388	1,010	3.0	\$160,430	\$158.84	21.96
40	Milwaukee	MKE	602	940	3.0	\$234,140	\$249.09	30.16
41	Albany	ALB	471	940	3.0	\$222,730	\$236.94	28.82
42	Birmingham	BHM	499	940	3.0	\$215,430	\$229.18	43.65
43	Salt Lake Intl	SLC	1,768	900	2.0	\$251,180	\$279.09	11.90
44	Sacramento Metro	SMF	2,294	870	2.0	\$243,470	\$279.85	10.86
45	Pensacola Reg	PNS	658	830	2.0	\$163,030	\$196.42	29.65
Subtotal top 45 destinations - all carriers				113,670	308	\$22,772,700	\$200.34	19.12
All other destinations - all carriers				29,990	86	\$8,209,810	\$273.75	22.11
Total all Domestic Destinations - all carriers				143,660	394.0	\$30,982,510	\$215.67	19.83

All LYH International Destinations

Sorted by Passengers

<u>Rank</u>	<u>Destination Name</u>	<u>Apt Code</u>	<u>NStop Miles</u>	<u>Inbound+ Outbound Pax</u>	<u>Inbound+ Outbound Pax/Day</u>	<u>Revenues</u>	<u>One-Way Avg Fare</u>	<u>Yield/CPM</u>
1	Pearson	YYZ	439					
2	Cancun	CUN	1,213					
3	Charles De Gaull	CDG	4,005					
4	Nassau Intl	NAS	853					
5	Frankfurt Intl	FRA	4,225					
6	Montego Bay	MBJ	1,299					
7	Dorval Intl	YUL	629					
8	Gatwick	LGW	3,840					
9	Grand Cayman (is	GCM	1,249					
10	Mexico City	MEX	1,720					
11	Punta Cana	PUJ	1,449					
12	Calgary	YYC	1,948					
13	Dublin	DUB	3,550					
14	Juliana	SXM	1,648					
15	Aruba (is)	AUA	1,801					
16	Barajas Airport	MAD	3,953					
17	Heathrow	LHR	3,822					
18	Vancouver Intl	YVR	2,327					
19	Guadalajara	GDL	1,854					
20	Munich	MUC	4,412					
21	Pu Dong Airport	PVG	7,529					
22	Marco Polo	VCE	4,525					
23	Brussels	BRU	4,038					
24	Fiumicino	FCO	4,647					
25	Incheon Intl	ICN	7,031					
Subtotal top 25 international destinations - all carriers								
All other international destinations - all carriers								
Total all international destinations - all carriers								

Source: AIRS Domestic & International O&D Data 2Q11-2Q12

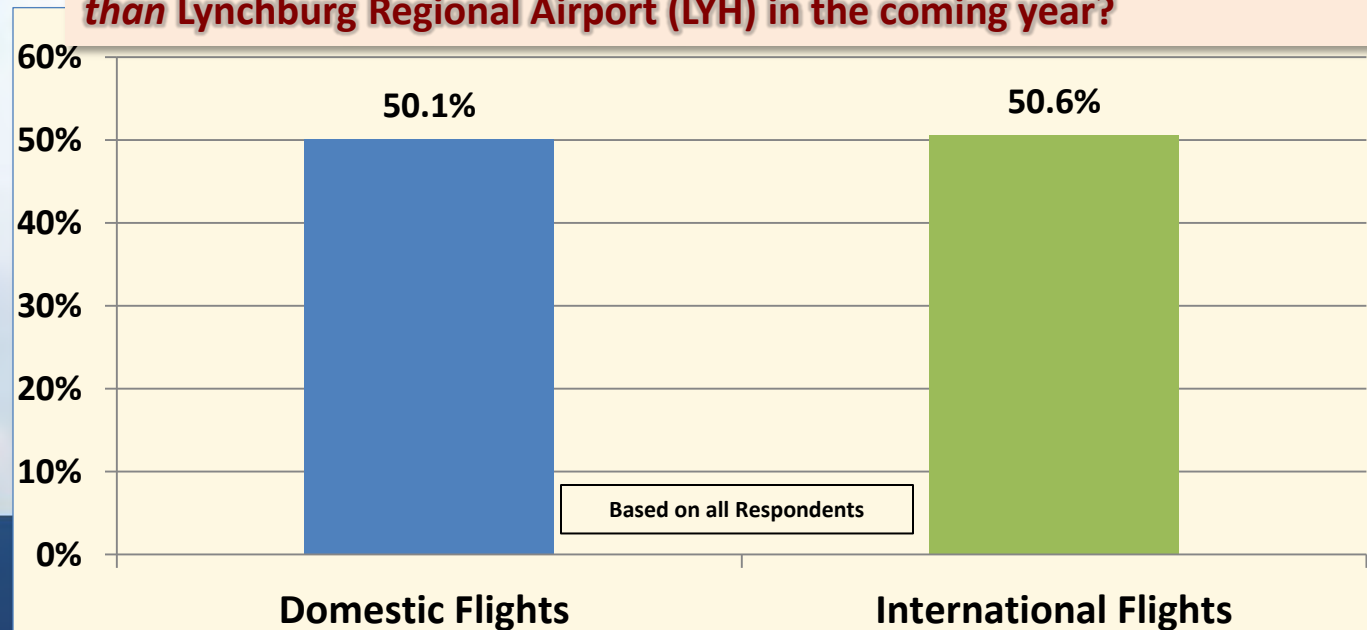


June 2012 International Business Travel Survey

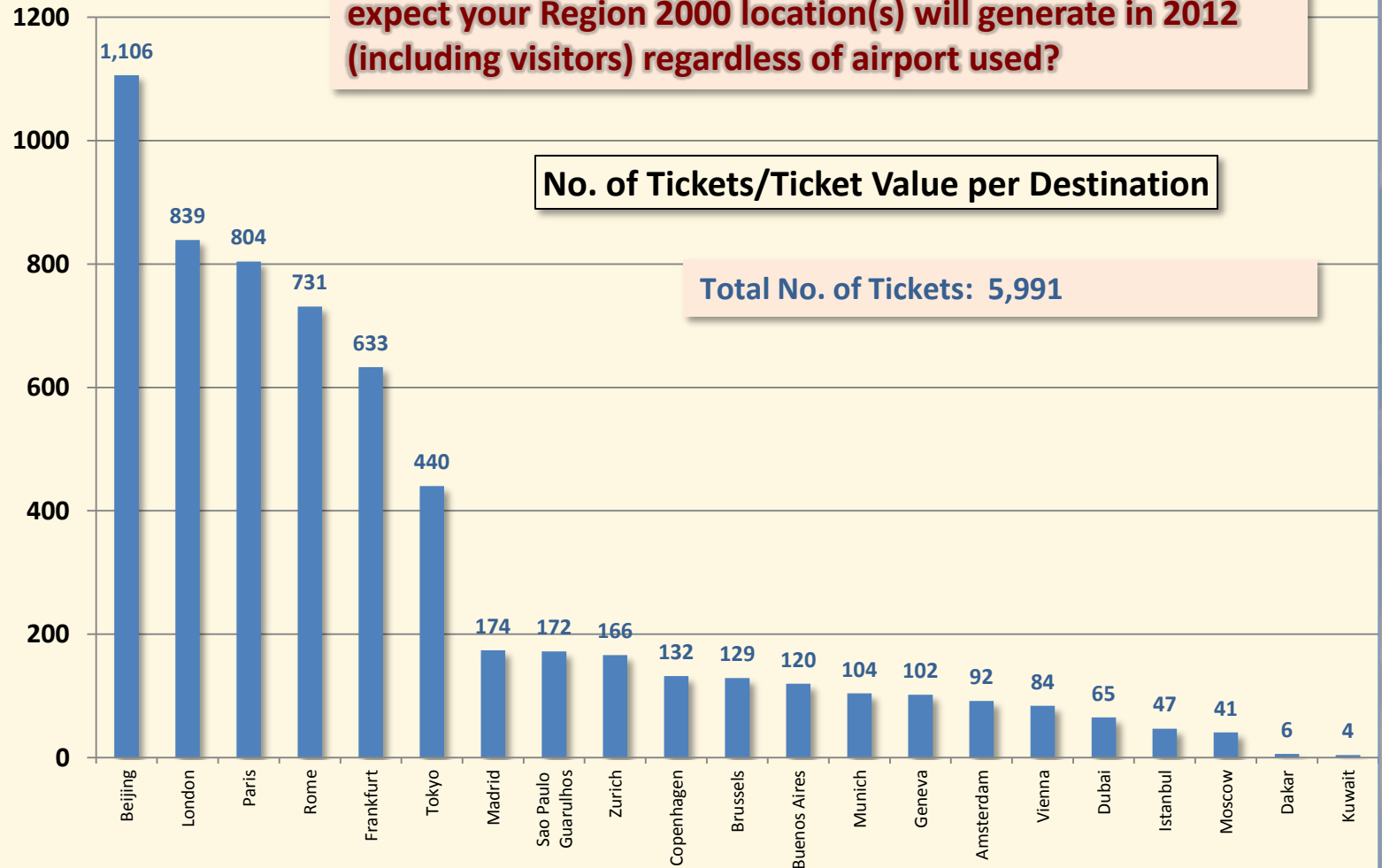


Group Name	No. of Surveys Distributed	Total No. of Responses	No. of Responses Containing Internat'l Data	% Responding
ED_1 (Major Employers)	81	45	22	55%
ED_2 (Other Key Employers)	628	46	29	7.3%
Chamber	540	69	32	12.7%
Media	N/A	29	11	
<i>Total All Groups</i>	<i>1,249</i>	<i>189</i>	<i>94</i>	<i>15.1%</i>

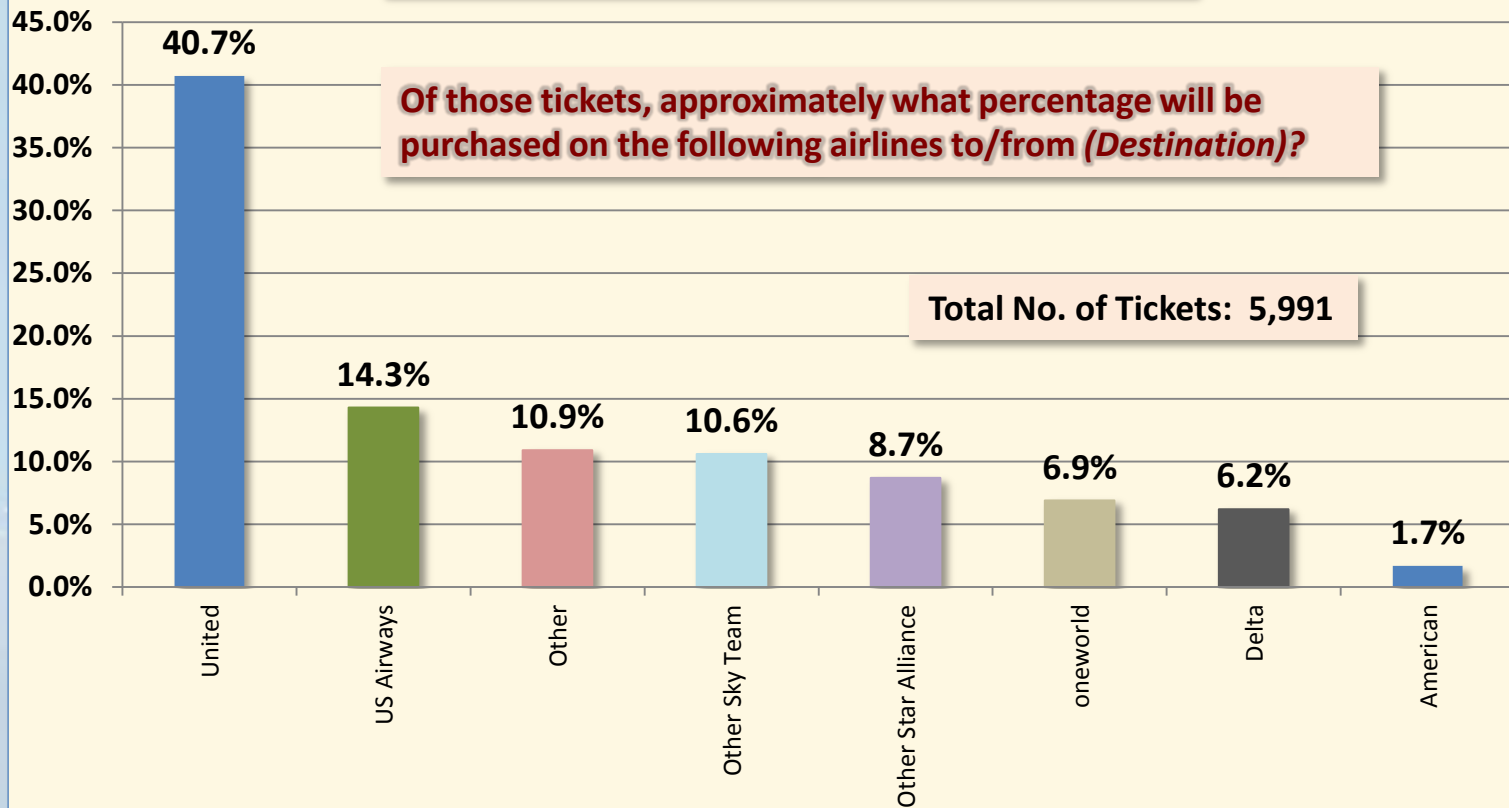
In general, what percentage of your company's locally generated commercial air travel do you expect will originate from an airport *other than* Lynchburg Regional Airport (LYH) in the coming year?



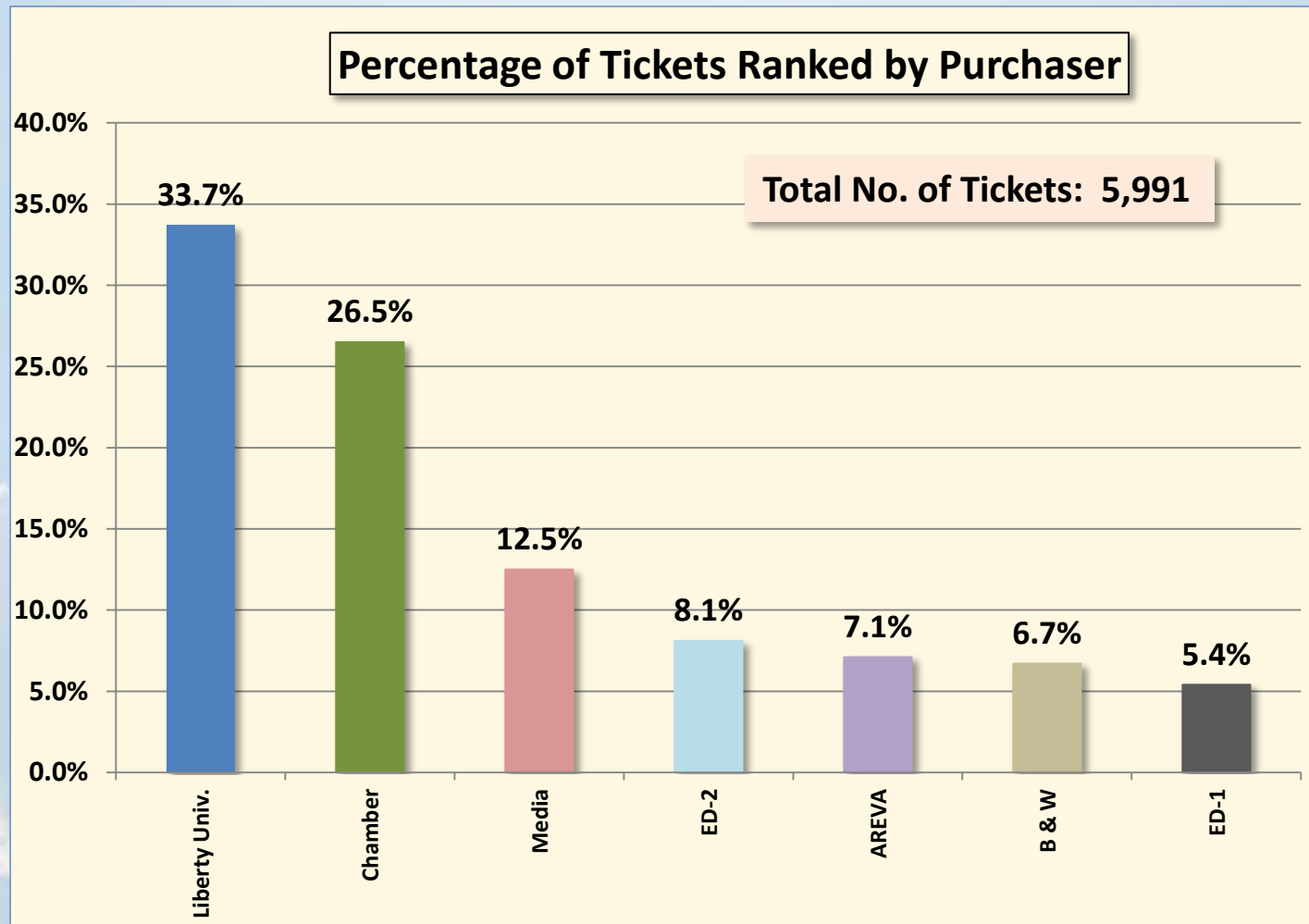
How many roundtrip (*Destination*) airline tickets do you expect your Region 2000 location(s) will generate in 2012 (including visitors) regardless of airport used?



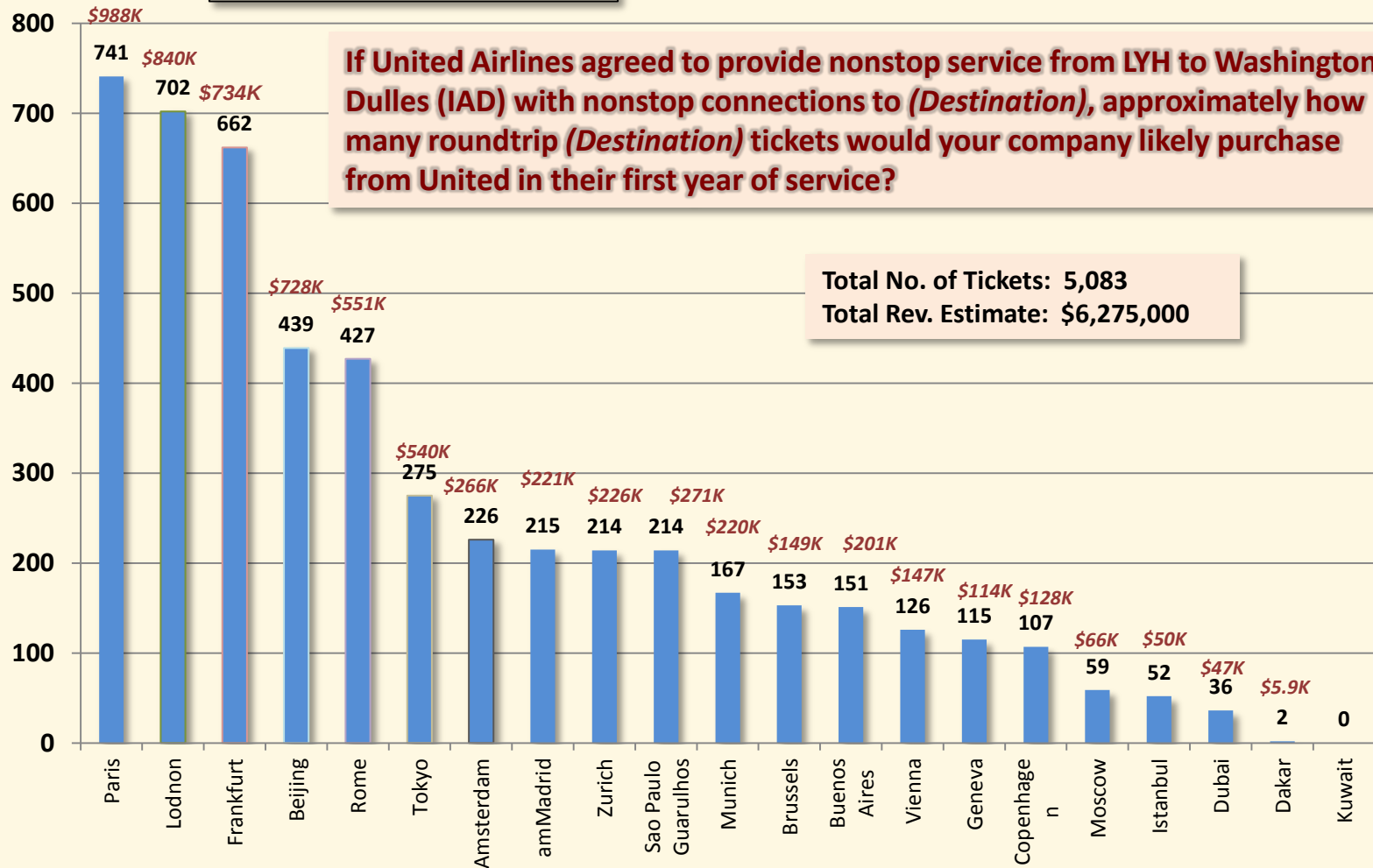
Percentage of Tickets Purchased - Ranked by Airline



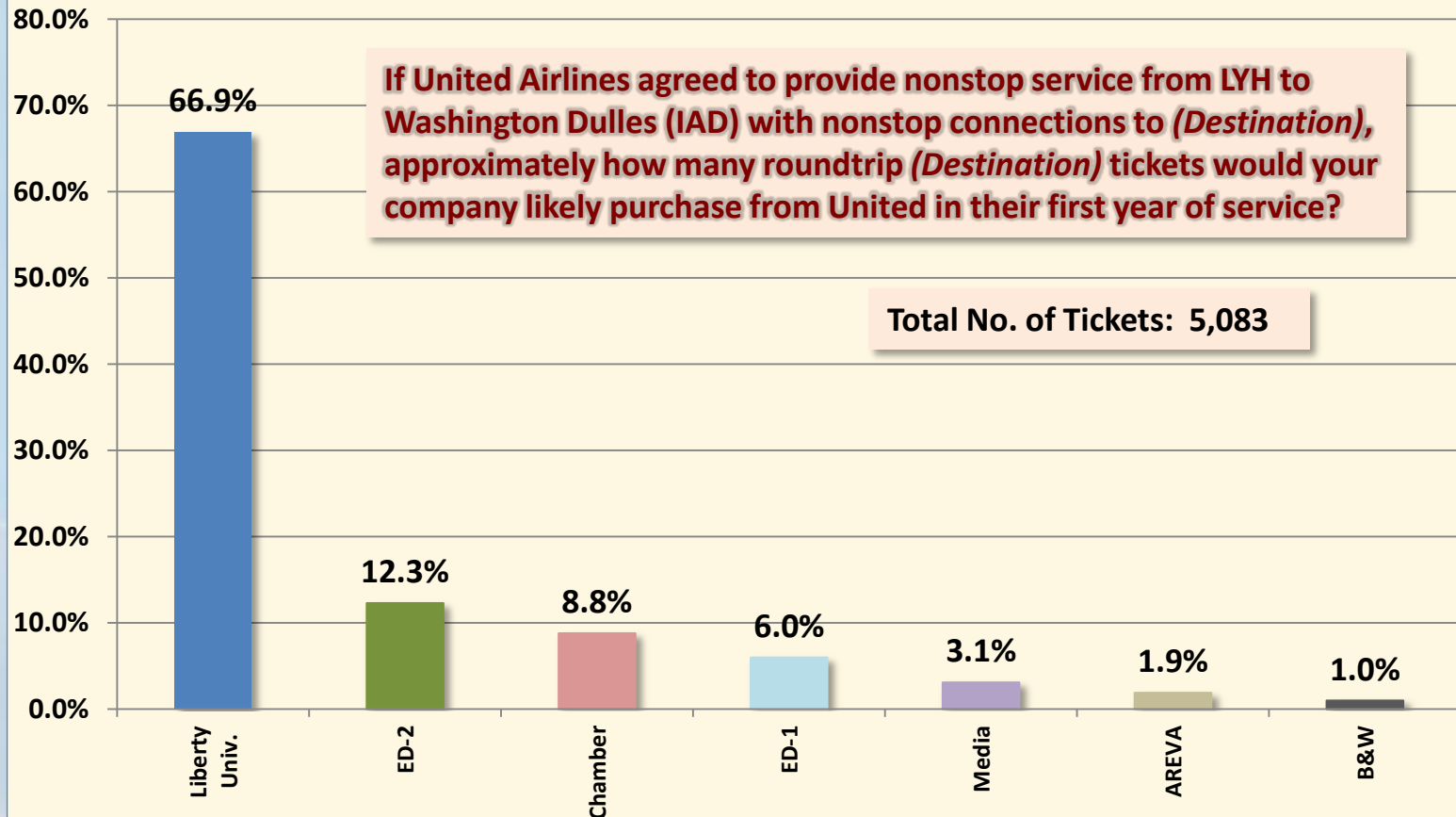
How many roundtrip (*Destination*) airline tickets do you expect your Region 2000 location(s) will generate in 2012 (including visitors) regardless of airport used?



No. of Tickets Per Destination

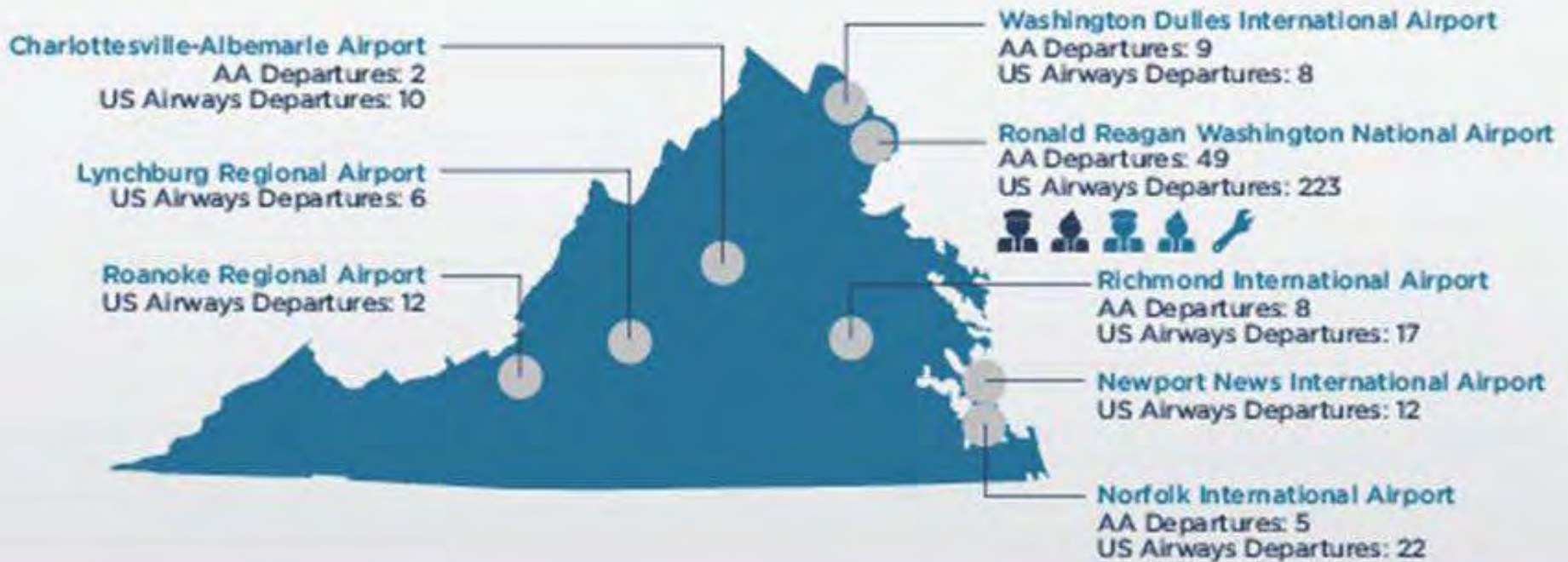


Percentage of Tickets Ranked by Purchaser



US Airways/American Merger

Service Makeup: Virginia Airports



US Airways / American Merger Local Ramifications

- Continued industry consolidation was inevitable...
 - US Airways/AA merger must be approved by federal regulators
 - Likelihood of future mergers
- What “consolidation” really means
 - Less capacity... less competition...less service...higher fares, *but...*
- Will leave a stronger US Airways (American) *vis-à-vis* UA & Delta
 - 900 aircraft, more than 6,700 daily flights to 336 destinations in 56 countries without giving up any current hubs
- Critical element: US Airways management team retains control
 - Has stated “all hubs & destinations currently served” will be maintained
- Expected impact on service levels & fares at LYH
 - CLT hub
 - New destinations
 - Fares
 - 50-seat RJs

Billboard Advertising Campaign

We're Well Connected



Over 140
Non-Stop Destinations
from Charlotte!

  **Lynchburg Regional Airport**
Check ☒ Lynchburg First

Great Fares, Great Connections

With Over 600 Departures
from Charlotte Daily!



  **Lynchburg Regional Airport**
Check ☒ Lynchburg First

We'll Take You There

With Non-Stop Connections
to Over 140 Destinations
Through Charlotte!



 **Lynchburg Regional Airport**
Check ☒ Lynchburg First

Newspaper



GREAT FARE!
\$148^{RT}
 Chicago

MORE FLIGHTS

LOW FARES



**Lynchburg
 Regional Airport**
 Check ☒ Lynchburg First

**BIGGEST SAVINGS
 ONLINE!**

Book your flight from Lynchburg directly
 on the airline websites and save!

 **DELTA**
WWW.DELTA.COM
 1-800-221-1212

 **U.S. AIRWAYS**
WWW.USAIRWAYS.COM
 1-800-428-4322

ROUND TRIP!
 as low as...

New York...	\$128
Las Vegas...	\$238
Houston...	\$198
Orlando...	\$138
Boston...	\$176

Limited Availability. Prices subject to change as dates change without notice. *Lowest fares are based on standard fares and are available only on selected dates. Taxes and fees are additional. See airline website for complete details. ©2006 Delta Air Lines. All rights reserved.



Refreshing Fall Fares



Lynchburg Regional Airport

Check  Lynchburg First

BIGGEST SAVINGS ONLINE!

Book your flight from Lynchburg directly on the airline websites and save!



U.S. AIRWAYS
WWW.USAIRWAYS.COM
 1-800-428-4322

ROUND TRIP!

as low as...*

Dallas-Ft. Worth (DFW)	\$259
Denver (DEN)	\$279
FL Lauderdale (FLL)	\$320
Phoenix (PHX)	\$279
Nashville (RVN)	\$219
San Diego (SAN)	\$389
Boston (BOS)	\$237
Jacksonville (JAX)	\$220

Other destinations at similar savings.

*Limited availability. Taxes include those at time of departure; may apply on certain dates. Fares subject to change without notice. Airfares government regulated. Additional restrictions may apply. Taxes are non-refundable. Tickets or travel orders may be required for travel dates.



Refreshing Fall Fares

BARGAIN ROUND-TRIP FARES AS LOW AS*:

Dallas (DFW)	\$299
San Diego (SAN)	\$389
Los Angeles (LAX)	\$399
Ft. Lauderdale (FLL)	\$220
Minneapolis-St. Paul (MSP)	\$249
Orlando (MCO)	\$221
Detroit (DTW)	\$279

\$220
 Jacksonville

\$279
 Denver

\$237
 Boston

\$295
 Chicago

\$279
 Phoenix

BIGGEST SAVINGS ONLINE!

Book your flight from Lynchburg directly on the airline's website and save!


U.S. AIRWAYS
www.USAIRWAYS.COM • 1-800-428-4322


LYNCHBURG
 Regional Airport

* Limited availability. Fares include taxes and fees and advantages may apply on certain days. Fares subject to change without notice. Airline policies required. Additional restrictions may apply. Tickets are non-refundable. Flexible or limited travel dates may be required for some fares.

Online

We're Well Connected...



Over 130 Non-Stop
Destinations from
Charlotte

 *Click here to book your
flight on usairways.com!*

Round-Trip As Low As*...

San Francisco.....	\$258
Phoenix.....	\$246
Los Angeles.....	\$264
Tampa.....	\$244
Jacksonville.....	\$212

* Restrictions, taxes, fees and limitations apply. Prices are subject to change without notice. Advance purchase is required and availability is limited.



Lynchburg Regional Airport
Check ☒ Lynchburg First



Find us on
Facebook

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **February 26, 2013**

AGENDA ITEM NO.: 3

CONSENT:

REGULAR:

WORK SESSION: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Department of Water Resources FY 2014 Rate Study and Annual Report**

RECOMMENDATION: Proceed to a public hearing regarding the rate recommendations contained within the Department of Water Resources FY 2014 Rate Study and Annual Report.

SUMMARY: The Department of Water Resources staff will present an overview of the FY 2014 Rate Study and Annual Report which includes information on the following:

- Water, Sewer, and Stormwater Fund operational expenses, revenues, and capital improvements.
- Technology utilization for efficient operation of the water and sewer system.
- Declining consumption discussion and recommendations.
- Rate analysis and recommendations.
- Rate comparisons.
- Awards.
- Water, Sewer, and Stormwater Projections.
- Statistical data.

The utility rate strategy developed for this year continues with the guiding principles of:

- Minimize the impact of rate adjustments on residential and other small customers.
- Ensure necessary funding is provided for increases in operating and debt service costs.
- Ensure compliance with the Special Order for Combined Sewer Overflow (CSO).
- Ensure compliance with adopted Fund Balance and Debt Management Financial Policies.
- Provide an equitable distribution of costs based on actual services provided.

The proposed increases include increasing the monthly service charge by \$2.00 per month per equivalent meter size. This charge has not been increased in at least 20 years. Increasing the fixed charge instead of the volumetric charge helps to stabilize revenues and better recover the fixed costs, such as debt service, associated with operating the water and sewer system. This will result in an increase to typical water and sewer bills of 2.25% to 3.35%. The actual percent increase will vary depending upon actual consumption. Other proposed increases include a 5% increase in industrial surcharges and septic hauler charges and a 10% increase in water and sewer connection fees to more closely cover the cost of providing those services.

PRIOR ACTION(S): None

FISCAL IMPACT: Increase the revenues in the Water and Sewer Enterprise Funds to meet existing operating and capital needs, and meet financial targets.

CONTACT(S):

Tim Mitchell, Director of Water Resources, 455-4252

Greg Poff, Assistant Director of Water Resources, 455-4249

ATTACHMENT(S): Attachment 1 - Department of Water Resources FY 2014 Rate Study and Annual Report
Attachment 2 – FY 2014 Rate Study and Annual Report Presentation

REVIEWED BY: lkp

038V



Department of Water Resources
FY 2014 Rate Study and Annual Report



This page left intentionally blank.

Table of Contents:

I.	Letter to Council.....	3
II.	Water Fund.....	6
III.	Sewer Fund.....	10
IV.	Stormwater Fund.....	17
V.	Technology.....	20
VI.	Declining Consumption.....	22
VII.	Rate Analysis.....	24
VIII.	Rate Comparisons.....	28
IX.	Recommendations.....	31
X.	Awards.....	32

Appendices

- A. Projection Letter
- B. Financial Projections
- C. Statistical Data

Mission Statement

Our Mission is to provide excellent water, wastewater, and stormwater services that promote the health, safety, and prosperity of the community.

Department of Water Resources

FY 2014 Rate Study and Annual Report

*Annual Report
FY 2014 Rate Study and*

Department of Water Resources





Dear Mayor and Members of City Council:

The Department of Water Resources is pleased to submit the FY 2014 Rate Study and Annual Report for the water, sewer, and stormwater enterprise funds. This report provides statistical and narrative information related to daily operations, capital improvement projects, rates, and accomplishments. Detailed financial projections and statistical data for each fund are provided in the appendices.

This marks the end of a very eventful year. We have successfully implemented a stormwater utility. While not a popular decision, the utility provides an equitable mechanism to address growing regulatory and infrastructure demands. Many other localities are looking to Lynchburg as a model in their development of a utility. As a result of our public outreach and the approach used to develop the utility, we garnered the

attention of the University of Maryland Environmental Finance Center from which we received a grant to explore various financial strategies to help minimize the financial impact of the various water quality regulations to the citizens of Lynchburg. Additionally, we are in the process of completing a three year effort to update our CSO Long Term Control Plan. This plan would implement a new approach and strategies to address the water quality issues created by combined sewer overflows. The result would be a savings of over \$200 million and a goal of completing the largest capital program in the history of the City within the next decade.

Significant challenges still exist. Our water and sewer infrastructure is aging at a rate much faster than we are replacing it. Of 450 miles of waterline, over 74 miles is 100 or more years old and 38 miles are between 80 and 100 years old. If we assume a 100 year reliable service life then we should replace a minimum of 4.5 miles per year and we are already 74 miles behind. In addition to the sewers in the combined system, we have approximately 400 miles of sanitary sewer much of which is in need of rehabilitation or replacement. An example is the Burton Creek interceptor, a main sewer line serving Wards Road and much of Liberty's campus, is out of capacity and is in poor condition. Unless this line is soon replaced further development in this sewershed will need to be limited. Ongoing Sanitary Sewer Evaluation Studies (SSES) are needed in order to assess the condition and capacity of the existing sewer lines from which priority projects can be established.

Besides infrastructure we are faced with another dilemma, declining consumption. While we encourage stewardship of our water resources, the fact is that as consumption declines so

does revenue. With most of the operating costs being fixed costs, the associated savings of variable costs such as power and chemicals does not offset the loss of revenue. As a result, rates need to increase even more and effectively penalizing conservation. This has resulted in the need to explore other rate strategies that more effectively apportion the sources of revenue.

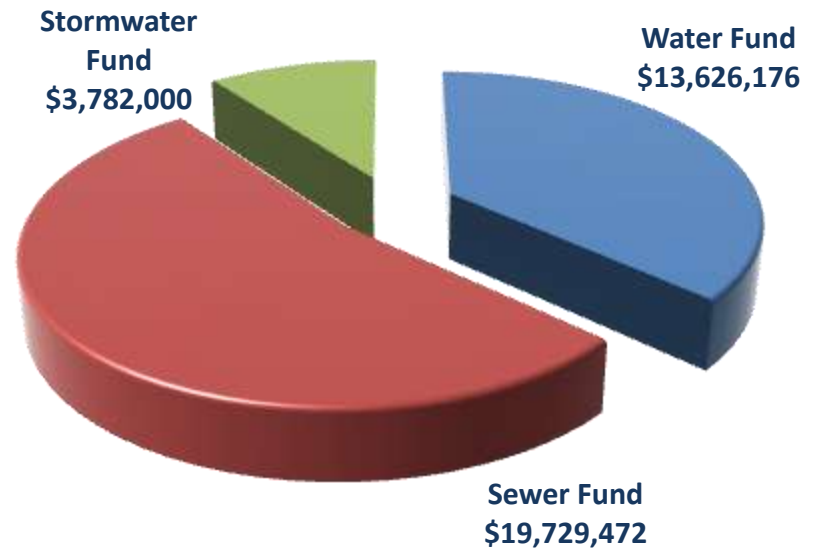
The Department of Water Resources is committed to maintaining the lowest possible rates while meeting our responsibility to invest in our infrastructure, comply with drinking water and environmental laws and regulations, and meet City Council's and CSO Consent Order financial requirements.

The services we provide are largely taken for granted but the fact is that water is essential for life and the prosperity of the community. Whether it is a mother preparing baby formula, a kidney patient on dialysis, or a water dependent industry, each one is dependent upon clean, safe, drinking water. We literally touch the lives of every citizen and visitor every day. The staff of the Water Resources is extremely dedicated and committed to ensuring that our drinking water is clean and safe and that the environment is protected as affordably as possible.



Timothy A. Mitchell, P.E.
Director

FY 2014 Revenue by Fund Total Revenue = \$37,137,648

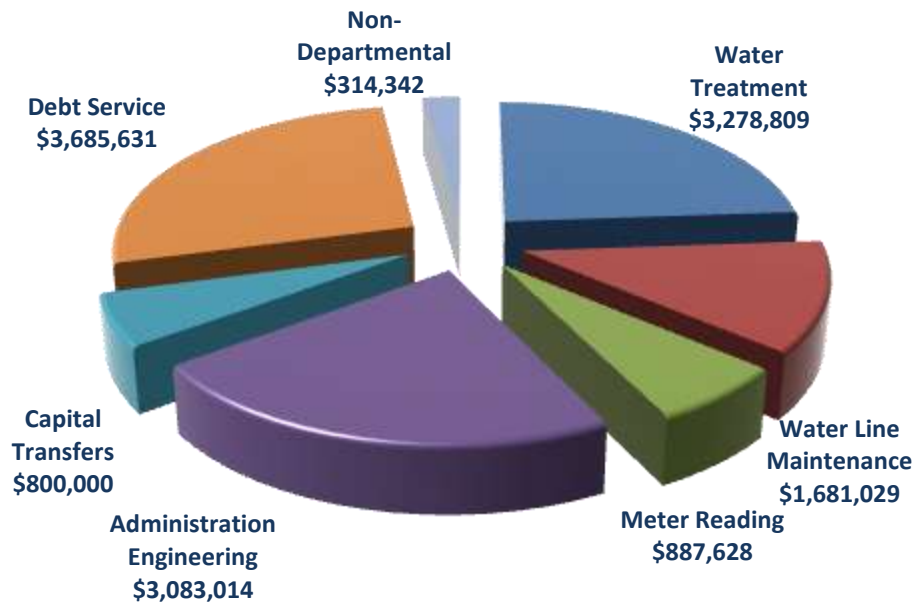


Rate Setting Guiding Principles

- Equitable sharing of water, sewer, and stormwater costs based on actual services provided.
- Ensure rates promote sustainable water and sewer operations and infrastructure.
- Minimize future rate spikes.
- Meet the financial obligations related to the CSO Consent Order.
- Meet Council's financial policies.

II. WATER FUND

A. Water Fund – Expenses



The **Administrative Division** provides administrative functions for water, sewer, and stormwater and is funded in the water fund. Transfers are made from the sewer and stormwater funds to cover administrative costs associated with sewer and stormwater activities. The proposed FY 2014 Administrative Division budget is \$3,083,014 and reflects an increase of \$92,395 over the adopted FY 2013 budget primarily due to an increase in contractual services related to the New World Systems.Net software upgrade

implementation and an increase in indirect costs associated with the realignment of two financial positions.

The **Water Treatment Division** is responsible for the operation and maintenance of the City's two water filtration plants, the Pedlar Reservoir, and numerous pump stations and water tanks. The proposed FY 2014 budget is \$3,278,809 and represents a \$13,566 increase above the adopted FY 2013 budget primarily due to capital outlay for various equipment replacements. As shown in *Figure II-1 – Water Treatment Variable Expenses per Million Gallons Treated*, while fluctuating each year the overall cost has remained about the same since FY 2008 at \$204 per million gallons treated. This is primarily due to the combination of increasing chemical costs and less use of the James River as a result of declining consumption.

Figure II-1 – Water Treatment Variable Expenses per Million Gallons Treated



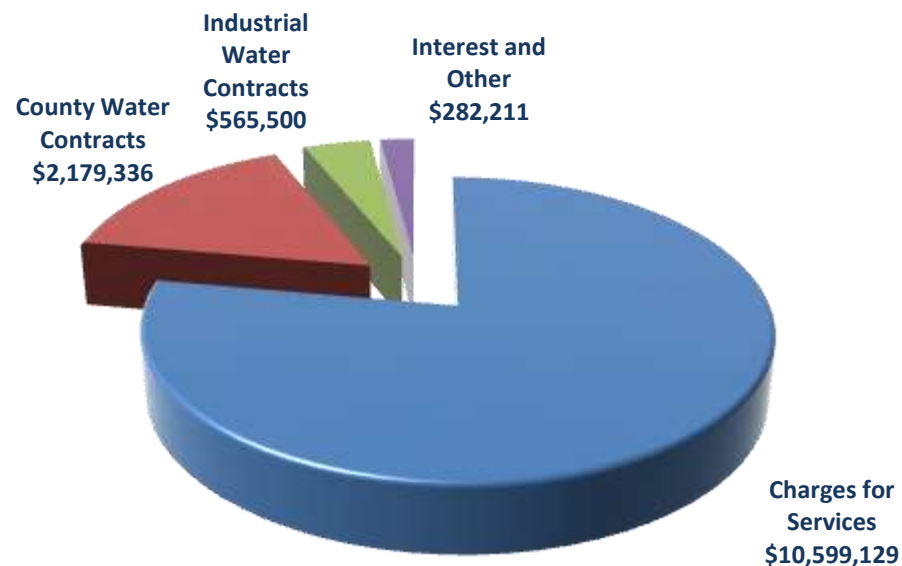


College Hill Coagulation Tanks

The **Water Line Maintenance Division** is responsible for the operation and maintenance of over 450 miles of water line and appurtenances within the City including: repairing main breaks, fire hydrant maintenance, service installations, etc. The proposed budget for FY 2014 is \$1,681,029 and represents a \$50,218 increase above the adopted FY 2013 budget. This increase is primarily due to increases associated with software maintenance, transfers to Fleet Services, capital outlay for machinery and tools, and increases in costs in pipe fittings associated with new requirements regarding reductions in the allowable lead content.

The **Meter Reading Division** is responsible for the reading, maintenance, replacement, of nearly 23,000 meters. Additionally, they are responsible for cut-offs / ons related to delinquent accounts. The proposed budget for FY 2014 is \$887,628 which represents a \$6,318 increase from the FY 2013 adopted budget. The primary reason for this increase is related to software maintenance and Fleet charges such as fuel and vehicle maintenance.

B. Water Fund – Revenues



Assuming the proposed rate increases are implemented the Water Fund revenues are expected to be \$13,626,176 for FY 2014. While there has been a slow but steady increase in the number of customers, *Figure II-2 Number of Water Customers*, the overall water sold has decreased from 10.11 mgd to 9.15 mgd or 960,000 gallons per day, a 9.5% decrease. More importantly, the average household consumption has decreased from 6.39 hcf per month to 5.31 hcf per month, a 17% decrease. See *Figure II-3 – Residential Household Water Consumption*.

Figure II-2 Number of Water Customers

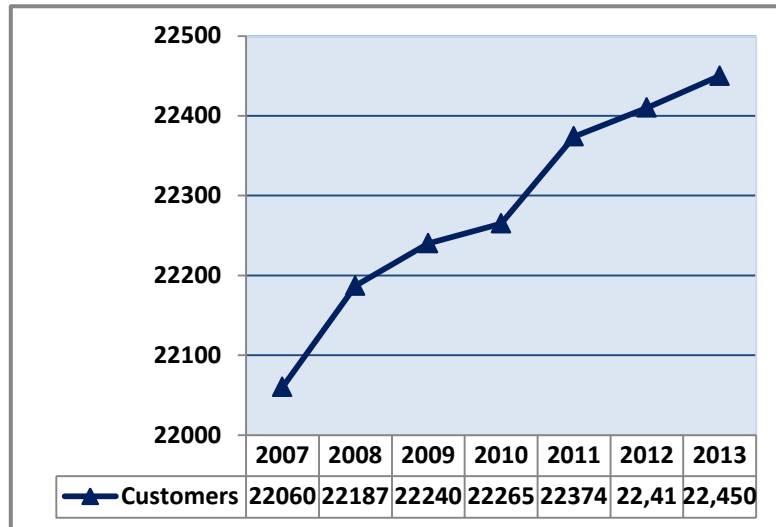
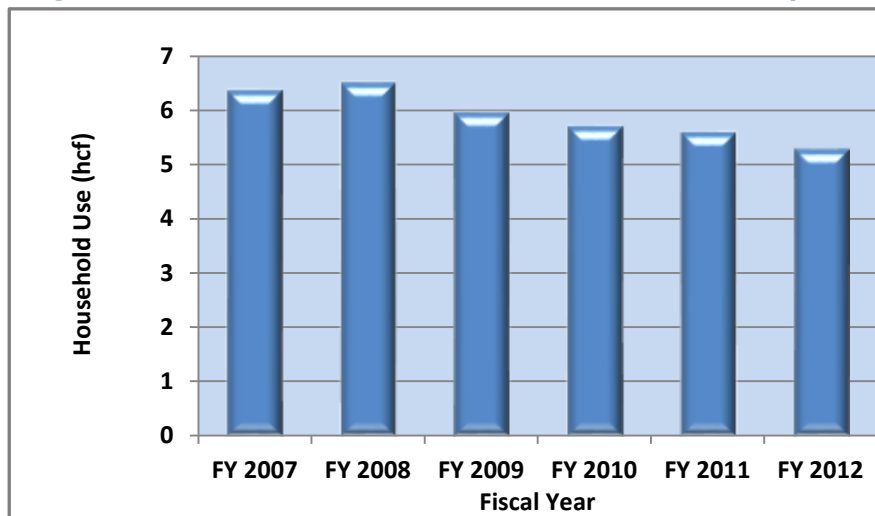


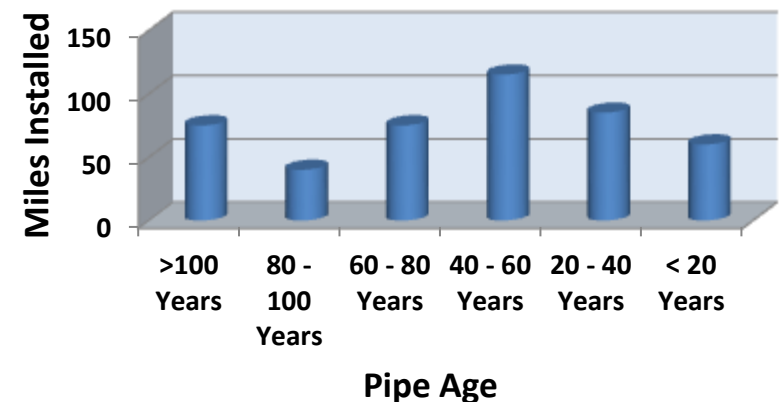
Figure II-3 – Residential Household Water Consumption



C. Water Fund – Capital

With over 450 miles of water line, a minimum of \$3.5 million is needed annually for distribution system replacement in order to minimally sustain the existing infrastructure. However, we are already significantly behind an adequate renewal program. The Department of Water Resources has identified over 290 water line replacement projects totaling 246,200 feet (46.6 miles) of water line that should be replaced now. These lines are undersized, made of inferior materials and/or have exceeded their useful life. At \$150 per foot, there are approximately \$37 million in existing water infrastructure needs now. There are a total of 75 miles of pipe that are over 100 years old and another 40 miles that are between 80 and 100 years old. In fact one pipe that is still in service was installed in 1829 at the beginning of Andrew Jackson's presidency.

Water Line Installation History





Currently only \$2 million is budgeted annually for distribution system improvements. In the future, more significant rate increases will be needed in order to adequately fund water infrastructure needs.

Pedlar Raw Water Line Evaluation

A critical component of the water system infrastructure is the 80 year old, 36 inch diameter, 22 mile long raw water line from the Pedlar Reservoir to the Abert and College Hill Water Filtration Plants. Due to the age, criticality, and cost to replace this line, the Department of Water Resources hired Greeley and Hansen, a consulting engineering firm, to conduct an extensive evaluation of the raw water line. The goal of the study was to determine the current condition of the pipe line and to develop a strategy to replace or renew the pipe if necessary. Work included geotechnical soil studies, evaluation of a section of pipe that was removed



Top of the exposed cast iron pipe. Note that the manufacture's name is still visible on the pipe.

as a result of a break, and excavating and evaluating wall thickness at critical locations. The engineer also witnessed the most common type of pipeline failure, a leaking joint, and how the City handles the repair to get the water line back in to service. Had significant issues been discovered, an additional study would have been conducted to evaluate various pipeline replacement and rehabilitation methods versus other options

The study indicated that the Pedlar Raw Water Line is in excellent condition for an 80 year old cast iron water pipe. The pipeline that failed under the James River was analyzed and it was found that decreasing wall thickness and corrosion were not the cause of failure and that it was likely a structural flaw in that section of pipe. The soil conditions in

Amherst and Bedford County tend to be very non-corrosive to iron pipe.

The conclusion is that the existing pipeline does not appear to be suffering any significant corrosion and should be a valuable asset to the City for the next 100 years. The primary source of pipe failure will continue to be leaking joints, and the City's method of applying a point repair when a joint failure occurs is the most cost effective method for handling these failures.



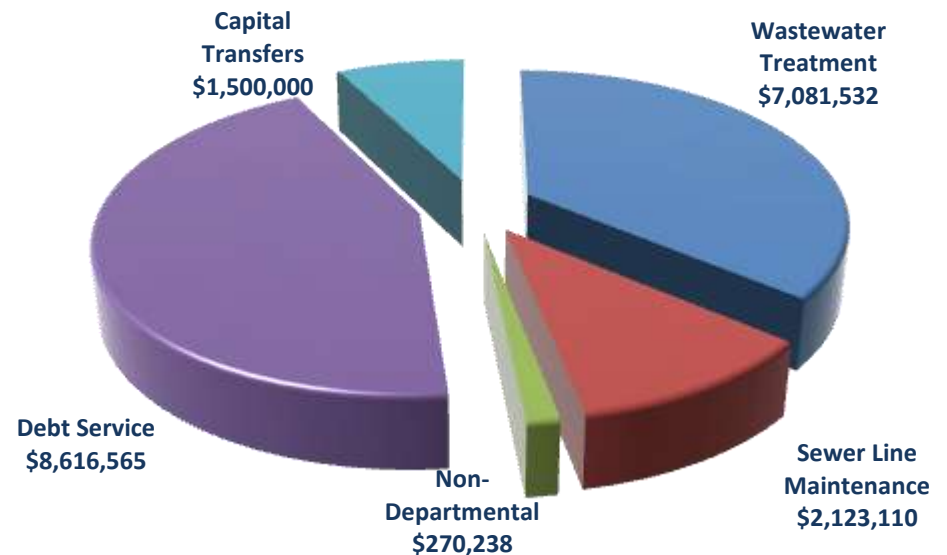
Corrosion engineer making pitting measurements.

III. SEWER FUND

A. Sewer Fund – Expenses

The Sewer Fund expenses for FY 2014 are proposed to be \$19,591,445, a 0.6% increase above the adopted FY 2013 budget. Of this \$10,116,565 (51.6%) is debt service and capital transfers. The Wastewater Treatment Division comprises 36.2% of the budget, Sewer Line Maintenance 10.8% and Non-Departmental the remaining 1.4% of the expenses.

Figure III-1 Sewer Fund Expenses



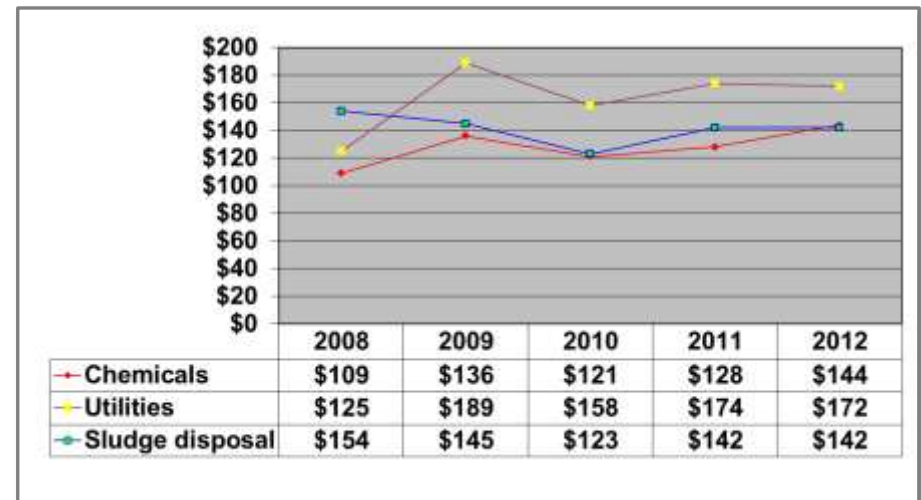
The **Wastewater Treatment Division** is responsible for the operation and maintenance of the Lynchburg Regional Wastewater Treatment Plant (RWWTP). The proposed FY 2014 budget is \$7,081,532 and represents a \$238,014 increase from the adopted FY 2013 budget. This increase is primarily the result of additional equipment and fleet expenses associated with hauling sludge to the Campbell County landfill and the Maplewood landfill in Amelia. Other significant increases are for overtime associated with covering shifts where turnover has resulted in a lack of adequate licensed operators.



RWWTP Secondary Clarifier

The variable expenses of the RWWTP, chemicals, power, and sludge disposal, as shown in *Figure III-1 – Sewer Treatment Variable Expenses per Million Gallons Treated*, have risen from \$388 per million gallons treated to \$458, an 18% increase since FY 2008.

Figure III-2 Sewer Treatment Variable Expenses per Million Gallons Treated



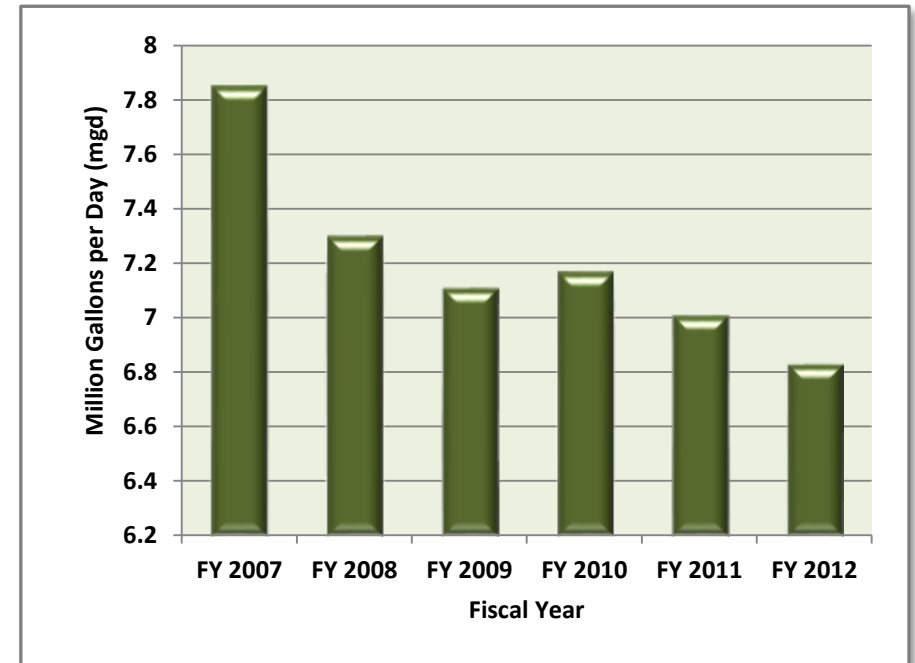
The **Sewer Line Maintenance Division** is responsible for the operation and maintenance over 450 miles of sanitary sewer lines in the City including: inspection, cleaning, repairing, installation of services, etc. The proposed budget for FY 2014 is \$2,123,110 and represents a \$206,172 decrease from the adopted FY 2013 budget. This decrease is primarily due to reductions in contractual services, indirect costs, and engineering costs.



Vac-con Sewer Cleaning Truck

Assuming the proposed rate adjustments are implemented, the total Sewer Fund revenues are expected to be \$19,591,445 in FY 2014. Despite a steady increase in the number of sewer customers, overall sewer sales have decreased by 13% since FY 2007 and by 2.6% in the last year alone. Refer to *Figure III-3 Sewer Sold* and *Figure III-4 Number of Sewer Customers*.

Figure III-3 Sewer Sold



B. Sewer Fund – Revenues

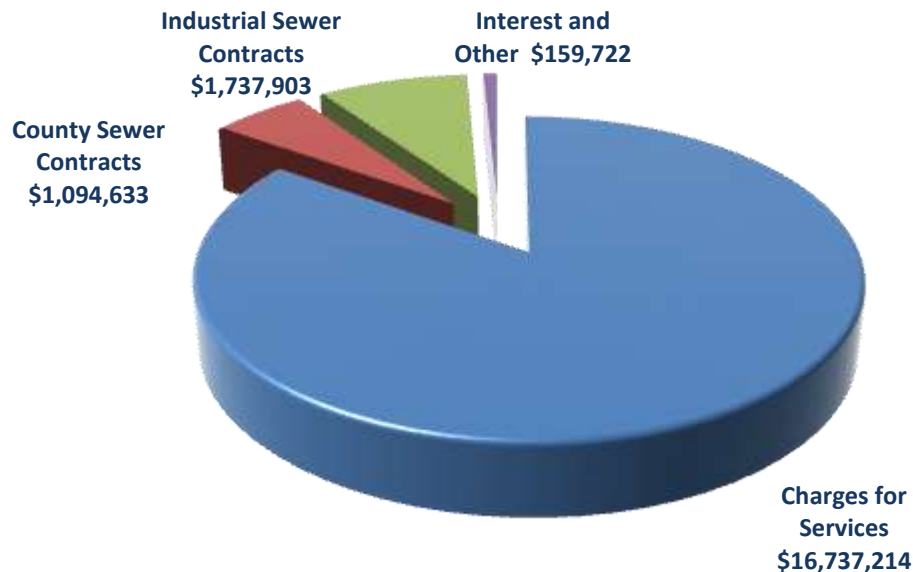
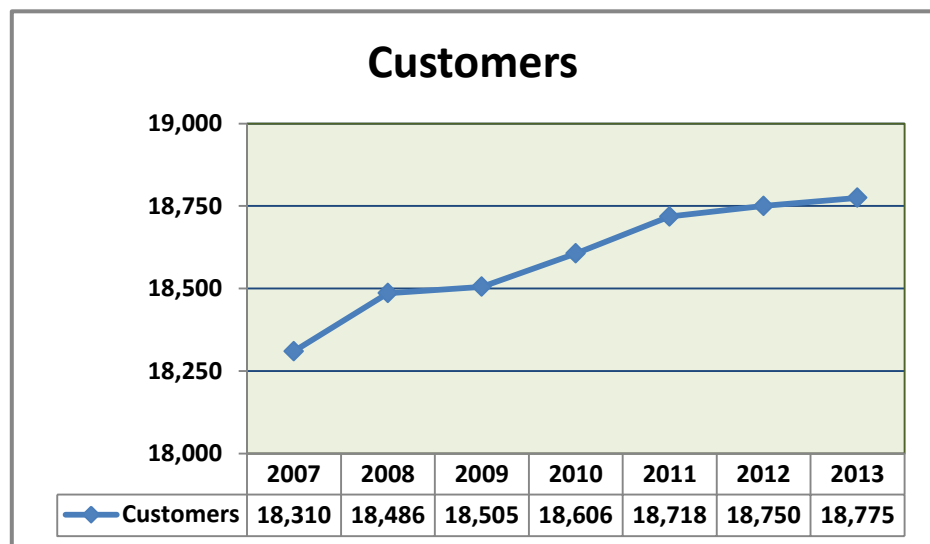


Figure III-4 Number of Sewer Customer



The Sewer Fund has very limited debt capacity for the next 4 or 5 years. As a result, capital projects have been significantly scaled back over the projection period. Unless state funding is made available for CSO, the CSO program will stop for the next several years except for the projects that are currently under construction. A significant new project that needs to be completed immediately is the replacement of the Burton Creek Interceptor at an estimated cost of \$4.5 million. This critical sewer line serves the Wards Road area and much of Liberty University and is out of capacity. Future growth in this area would need to be restricted without replacement of this sewer line.

While CSO has been a priority over the last two decades there are still another 400+ miles of sewer lines that need to

be maintained and renewed. The Sanitary Sewer Evaluation Study (SSES) is an ongoing effort to clean, inspect, identify deficiencies, and to renew and replace the sewer system. In order to renew the system once every 100 years we would need to replace over four miles of sewer lines annually. Older lines are subject to blockages from grease, debris, and roots, and often have offset joints or structural defects. Failure to adequately maintain these lines results in basement back-ups and sewer overflows which are violations of the Clean Water Act. It is estimated that over \$3 million is needed annually for asset renewal and another \$1 million annually for the SSES program. Due to limited debt capacity, we are only budgeting \$500,000 annually for the SSES Program.



Infiltration

Regional Wastewater Treatment Plant

We are currently in the process of finishing a \$7 million upgrade to the Regional Wastewater Treatment Plant (RWWTP) which included improvements to the headworks screening, primary clarifiers, aeration basins, secondary clarifiers including the return activated sludge system. These upgrades improved the RWWTP wet weather flow capacity from approximately 36 million gallons per day (mgd) to nearly 55 mgd. This was another key project that has enabled us to modify the CSO Long Term Control Plan. Additionally, while this was not a nutrient removal project, it will still improve the plants nutrient removal efficiency.



RWWTP Secondary Clarifier



RWWTP Secondary Clarifier

Additional investments of \$500,000 to \$1 million are needed annually in order to keep the RWWTP operating efficiently. Due to the limited available debt capacity only \$250,000 to \$350,000 is budgeted annually for RWWTP improvements.



RWWTP Aeration Basins

CSO Progress

Over the last 20 years, we have made significant progress in eliminating combined sewer overflows (CSOs). As of 2013, we have spent \$233 million, closed 112 of 132 overflow points, separated 67% of the CSO Area, replaced 26 miles of interceptors, disconnected 70% of rooftops connected to sanitary sewers, and reduced 80% of the annual average overflow volume. However, many of the remaining combined sewers were in Lynchburg's central business district, where separation construction would be particularly disruptive and expensive. The City could spend another \$280 million over the next 30+ years to complete remaining work in its existing CSO Long-Term-Control Plan (LTCP).

Accomplishments To Date



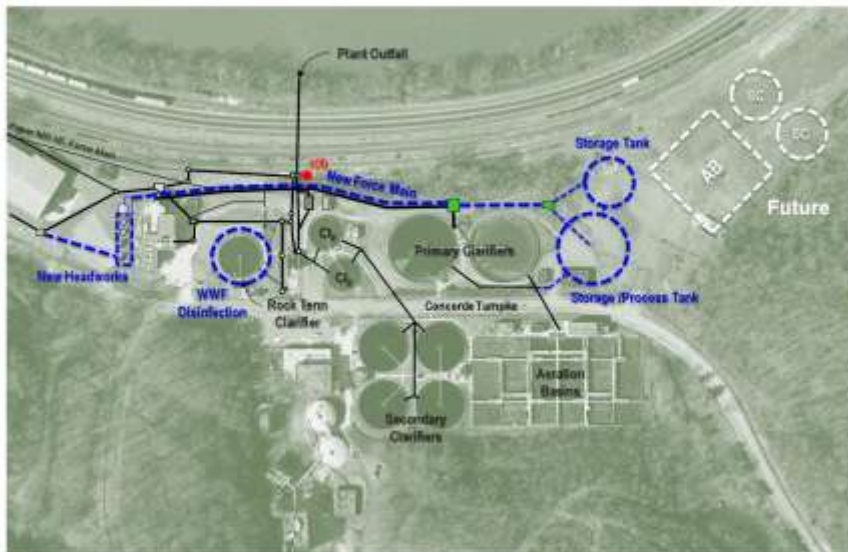
Implementation of the proposed plan will potentially enable Lynchburg to complete its CSO program within the next decade contingent upon anticipated state funding and save over \$200 million.



More than 50 CSO control scenarios were evaluated and cost-performance analyses were conducted to select the final proposed plan. The proposed plan will comply with the TMDL requirements and reduce more than 50% of current annual overflow volume by maximizing capacity of existing facilities, applying cost-effective green infrastructure, treating

additional wet-weather flows at the wastewater plant, separating selected sewers, disconnecting additional rainleaders from rooftops, and providing additional temporary flow storage.

Wastewater Treatment Plant Improvements



Maximizing the wet weather treatment capacity at Lynchburg's wastewater treatment plant will significantly reduce the discharge of untreated combined stormwater and sanitary sewage to the James River. It will also reduce nutrient and sediment loads to the Chesapeake Bay and contribute to Lynchburg and Virginia's commitment to achieving compliance with the Chesapeake Bay TMDL.

Benefit of Proposed Plan – Closing two CSO Outfalls in Downtown



CSO 125 Outfall



CSO 59 Outfall

The proposed plan will close two major outfalls in downtown Lynchburg, which will improve aesthetics, and reduce odor and discharge of pathogens and other pollutants to the James River.



Pipe for James River Interceptor Division 3A

IV. STORMWATER FUND

A. Stormwater Fund – Expenses

The Stormwater Fund expenses for FY 2014 are proposed to be \$3,952,787. Of this \$750,000 (19%) is a capital

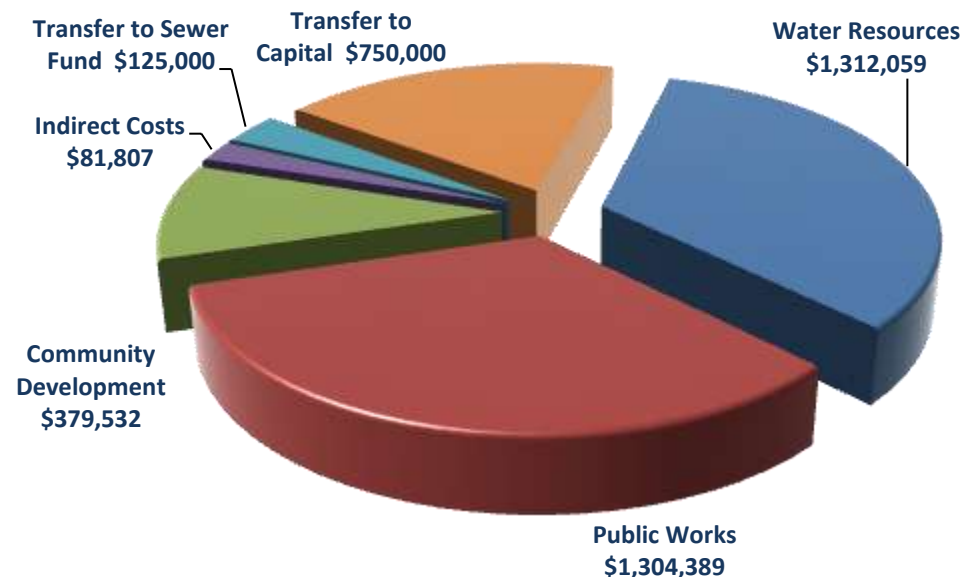
transfer to be used for master planning, condition assessment, mapping, and infrastructure repairs and replacement. \$125,000 is to reimburse the Sewer Fund for stormwater utility startup expenses. A total of \$1,765,728 is transferred to the General Fund for stormwater activities in Public Works and Community Development and as an Indirect Cost payment for other support activities.

The most significant changes from the current year budget includes \$146,069 for two positions one of which is an existing IT position in the General Fund that was moved to the Stormwater Fund primarily due to the total amount of IT support provided to the entire Water Resources Department.

In future years this position will be evaluated to determine whether it should remain in the Stormwater Fund or be split between each enterprise fund. The other position is a Public Outreach & Education Coordinator which is needed to comply with new provisions in the City's Municipal Separate Storm Sewer System (MS4) permit.

Other increases include a new \$81,807 indirect cost payment to the General Fund for services such as financial, human resources, etc.

Figure IV-1 Stormwater Fund Expenses



B. Operations

The Departments of Water Resources, Public Works and Community Development are the core departments implementing the components of the City's Municipal Separate Storm Sewer System (MS4) permit and overall stormwater program.

The Department of Water Resources is responsible for the overall management of the permit and coordination among all departments to ensure compliance with the six minimum control measures as dictated by our MS4 permit. Additionally, the department performs any necessary maintenance or repair work to the storm system network and stormwater BMPs, manages the Illicit Discharge Detection and Elimination (IDDE) program and manages compliance of stormwater maintenance agreements for stormwater BMPs. The department is also responsible for maintenance of the stormwater GIS system. Additionally, more and more sophisticated stormwater quality devices are being installed throughout the City which are labor intensive and expensive to maintain.



The Department of Public Works is responsible for managing the leaf collection and street sweeping programs. The department is also responsible for operation and maintenance work on culvert, storm ditch-line and stormwater BMPs.

The Department of Community Development is responsible for the enforcement of the erosion and sediment control program for public and private land disturbing activities and the stormwater management ordinance for adequate channel and water quality management of development projects. The divisions of Zoning and Natural Resources and Building Inspections assist with the Illicit Discharge Detection and Elimination Program.

C. Regulatory

The City's new MS4 permit is scheduled to be effective July 1, 2013. The new permit will result in a significant increase in effort for each of the six minimum control measures. The permit will incorporate the new State Stormwater Management Regulations as well as special conditions for the Chesapeake Bay and other TMDLs.

The Chesapeake Bay special conditions will require the City to achieve 5% towards our pollution reduction goals during the upcoming five year permit cycle. The second permit cycle and additional 35% would need to be achieved, and finally 60% in the third permit cycle. With our current estimate of approximately \$110 million needed to comply with the urban stormwater requirements divided based on the reduction goals in each permit cycle the estimated cost for each five year permit cycle is as follows: first permit cycle

= \$5.5 million; second permit cycle = \$38.5 million; and the third permit cycle = \$66 million. It is anticipated that some of these costs could potentially be mitigated through the expanded nutrient trading program, good planning and management, and low interest revolving loans or grants.

Other requirements will result in greater requirements in each of the six minimum controls with more emphasis on quantitative results.

MS4 Six Minimum Control Measures

1. Public Education & Outreach
2. Public Participation & Involvement
3. Illicit Discharge Detection and Elimination
4. Construction Site Runoff Control
5. Post Construction Runoff Control
6. Pollution Prevention & Good Housekeeping

Recently, we received the EPA Report from the EPA MS4 inspection conducted on March 5 and 6, 2012. This report identified various areas of the City's stormwater program that need improvement. Some of these include:

- Increase construction site inspection frequency.
- Update and enhance the Illicit Discharge Detection and Elimination Program.
- Enforcement and documentation of maintenance activities related to private stormwater maintenance facilities.
- Improvements to good housekeeping controls on municipal properties.

We are currently reviewing this report and determining the appropriate next steps related to responding to EPA and addressing the items noted in the report. At present, we

have not received notice of any civil penalties associated with the findings in the report.

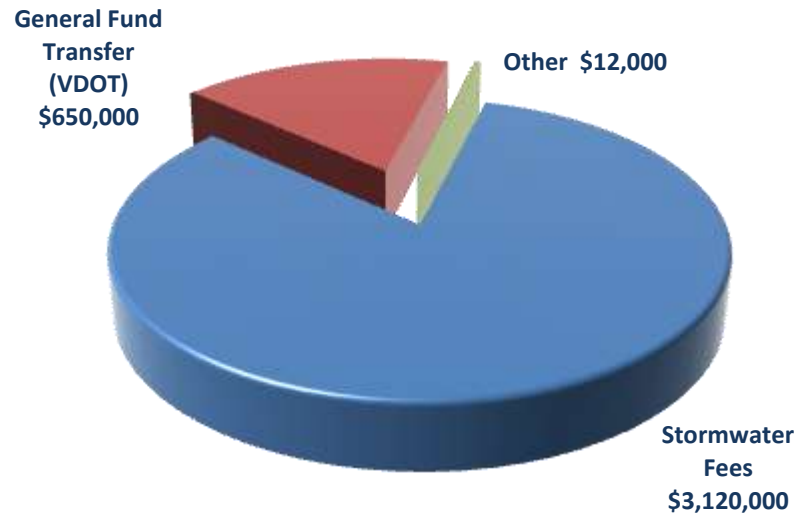
D. Infrastructure

Besides just complying with new and strengthened regulations, it is also critical that we devote adequate resources to maintaining our existing stormwater infrastructure. Currently, very little is even known about the location, condition, or even extent of our stormwater infrastructure. As with other infrastructure, deferring maintenance usually ends up costing more in the long run. We are recommending that at least \$300,000 annually be devoted to pay-as-you-go capital for general system repairs.



It is recommended that beginning in FY 2014 that at least \$200,000 per year be devoted to mapping, condition assessment, master planning and design in order to determine the most cost effective and efficient way to not only meet the new regulatory requirements, but also properly manage our stormwater infrastructure. The actual needs for this are actually far greater.

E. Revenues



It is recommended that the stormwater fee remain at \$4.00 per s.f.u. per month. The total revenues generated by the fee, VDOT reimbursable expenses, and other miscellaneous revenue is anticipated to be \$3,782,000. Even though the revenue generated by this fee is somewhat greater than anticipated, the needs associated with MS4 permit compliance and infrastructure are far greater.

V. Technology

The Department of Water Resources utilizes technology to monitor several different elements of the water distribution and sewer collection system in order to operate these systems more efficiently and enhance emergency response. Those elements are:

- Pressures within our distribution pressure zones
- Hydrant pressures
- Rain fall
- Sewer collection flow elevation
- Sewer odor (hydrogen sulfide)

Several water distribution pressure zones in the City are controlled by pressure reducing valves (PRV) which regulate the flow and



pressure within the zone. Too much pressure and water lines can rupture. Too low pressure and industries, fire sprinkler systems and residences are affected. With the assistance of wireless technology, both the inlet and outlet pressures of the PRVs can be monitored. If pressure variations occur outside of a specific set of parameters, department staff are notified. These alerts enable staff to investigate any abnormalities within a few minutes of them occurring, as opposed to after a main breaks and/or customer complaints. Historical data is also available to verify and validate consumption and flow through the PRVs.

Through the use of hydrant pressure gauges, Water Resources can also monitor pressures within any pressure zone in the water distribution system. Hydrant pressure

gauges can be installed at specific locations where there is a concern or need to verify pressures. Pressure data is then recorded either by the hour, minute or second to be downloaded and evaluated later. Because these devices are portable, they can easily be installed throughout the City.

Rain fall is recorded via three rain gauges located throughout the City. The data is connected at each device for a 24 hour period. Once a day, the device, using a cellular modem, transfers the data into a central database. The rain fall data is used monthly to model any potential sewer discharge at the remaining CSO overflow points. Alarms are also in place to notify staff if a certain threshold of rain has been received within a specific period of time. For example, if we receive more than an inch of rain in a one hour time period.



In the case of the sewer collection system, a key element to monitor is flow elevation within a sewer main. A flow elevation sensor has been installed near an overflow point to validate actual sewer overflows versus sewer modeled or predicted overflows. A sensor records the level of flow in the sewer main, periodically transferring the data into the central database. When the flow reaches specific levels, alerts are sent to staff notifying them of the event. Additionally, alerts are set to notify staff that these levels have receded back to normal operating conditions. When this data is coupled with

the information received from the rain gauges, one can visually see the effect of a rain storm on the sewer collection system.

Technology is also used to help monitor hydrogen sulfide within the sewer collection system. Sewer odors can be caused by hydrogen sulfide forming inside the sewer main. As the level of hydrogen sulfide rises, so does the level of odors. Logging devices can be attached to a sewer manhole lid and lowered to the level of the sewer main. Again, using cellular modem, the recorded levels of hydrogen sulfide can be transferred to a central database for staff to review and monitor. This data is used to determine the amount of chemical treatment needed at specific locations in order to suppress the formation of hydrogen sulfide production within the sewer main, therefore reducing the amount of odor emitted from the sewer collection system. The department currently has two devices deployed in the City.





AWWA Journal – June 2012

VI. DECLINING CONSUMPTION

Over the last 5 years alone there has been a 17% decrease in average household consumption and a 9.4% overall decrease in water sales. Lynchburg is not unique in this phenomenon; water utilities across the country are experiencing similar declines. A 2010 study by the Water Research Foundation found that an average household in 2008 used 11,678 gallons less annually as an identical household in 1978. This trend has

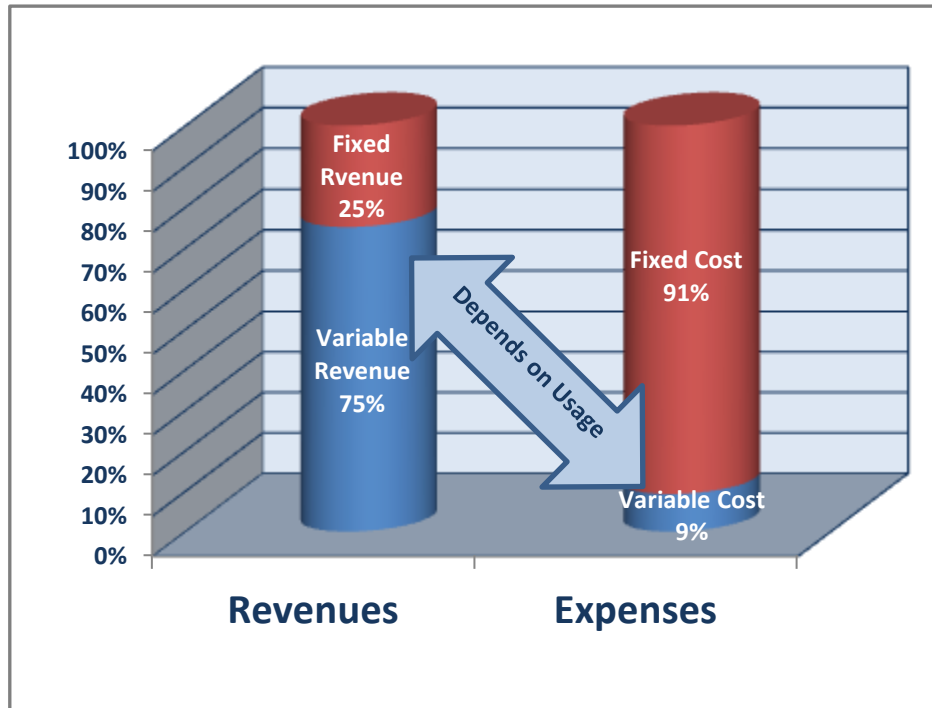
accelerated even more in the last several years. As a result, water utilities are looking for alternate price structures to help alleviate the revenue issues associated with the lower consumption while still promoting conservation.

There are a number of reasons for the declining consumption. The National Energy Policy Act of 1992 mandated the installation of low-flow toilets. Water efficient toilets that use 1.6 gallons per flush instead of six gallons per flush are being installed in new homes and as replacements in older homes. Water Sense and Energy Star Programs promote the use of water efficient appliances such as washers and dishwashers. Even shower heads use much less water. Additionally, the public overall has become more conservation focused through education and the environmental movement. Increasing water prices also serve as a motivation to reduce consumption. As a result, raising the volumetric rates and promoting conservation further exacerbate the problem.

One approach to improve revenue stability is to shift more of the revenue to a fixed monthly charge. Most of operational expenses of both the water and sewer funds are fixed regardless of consumption. As a result, as consumption decreases the volumetric rates not only have to be increased to cover the lower consumption but also other inflationary increases as well. Increasing the fixed monthly charge helps to stabilize the revenue while keeping the volumetric charge low. There are a number of rate models that can be used to determine the appropriate fixed charge. The fixed charge can be designed to recovered capital expenditures (debt service), or in more extreme models it can be designed to recover all fixed expenses. In some cases it is more closely related to the cost of maintaining the water meters. But in almost all cases it is a

function of meter size. In any case, the shift needs to be gradual in order to not disproportionately impact the rate payers.

Fixed Revenue vs. Fixed Costs



The theory behind this approach is that the larger the meter the larger the potential demand on the system. Therefore the larger the pipelines, pump stations, and storage facilities need to be to serve that customer. Additionally, the cost to maintain, test and replace a large 6" meter used by an industry is much greater than a 5/8" meter for a typical household. The American Water Works Association (AWWA) has developed equivalent meter ratios which are utilized by most utilities for the purpose of calculating the fixed cost.

For FY 2014 we are recommending adding a \$2.00 per month per equivalent meter size fixed charge to the \$3.69 account charge in lieu of increasing the water and sewer volumetric rates. This will result in a typical monthly bill increase of between 2 and 4%. Actual increases will vary based upon consumption. The additional revenue will be divided between the water and sewer fund proportionate to the amount of debt service in each fund with the long term goal of these revenues more closely recovering the actual debt service. This will eliminate or at least minimize the need to increase the volumetric rates for the near future.

Recommended Service Charge

Meter Size	Exist. Account Charge	Meter Factor	Fee per Equivalent Meter	Fee per Meter Size	Total Service Charge	Number of Accounts Impacted
5/8"	\$3.69	1.0	\$2.00	\$2.00	\$5.69	21,245
3/4"	\$3.69	1.5	\$2.00	\$3.00	\$6.69	0
1"	\$3.69	2.5	\$2.00	\$5.00	\$8.69	536
1-1/2"	\$3.69	5.0	\$2.00	\$10.00	\$13.69	207
2"	\$3.69	8.0	\$2.00	\$16.00	\$19.69	336
3"	\$3.69	15.0	\$2.00	\$30.00	\$33.69	93
4"	\$3.69	30.0	\$2.00	\$60.00	\$63.69	31
6"	\$3.69	60.0	\$2.00	\$120.00	\$123.69	24
8"	\$3.69	90.0	\$2.00	\$180.00	\$183.69	13
10"	\$3.69	150.0	\$2.00	\$300.00	\$303.69	1

This will generate approximately \$250,000 revenue in the Water Fund and \$500,000 revenue in the Sewer Fund compared to a 3.5% volumetric rate increase that would generate \$258,230 and \$504,262 respectively.

VII. RATE ANALYSIS

The rate adjustments proposed in this report will result in a typical composite monthly water and sewer bill increase for a residential customer using 7 hcf of water per month of approximately 3.35%. “*Table VII-1 Monthly Bill Impact*” provides a comparison of typical monthly water and sewer bills for a cross section of the customer base.

Table VII-1 Monthly Bill Impact

Customer Type	Monthly Volume	Current Bill	Proposed Bill	% Increase
Residential (5/8" meter)	7 hcf	\$59.76	\$61.76	3.35%
Commercial (2" meter)	60 hcf	\$484.29	\$500.29	3.30%
Industrial (8" meter)	1000 hcf	\$8,013.69	\$8,193.69	2.25%

Account Charge

The account charge was originally designed to recover the cost associated with meter reading and maintenance and billings and collections. The \$3.69 fee has not been increased in over 20 years and therefore does not adequately recover the functions in which it was originally designed. The actual cost of providing these services equates to \$5.26 per account per month. Based upon the declining consumption discussion above, the following changes in the monthly account charge are recommended.

Table VII-2 Monthly Service Charge per Meter Size

Meter Size	Lynchburg Proposed
5/8"	\$5.69
3/4"	\$6.69
1"	\$8.69
1-1/2"	\$13.69
2"	\$19.69
3"	\$33.69
4"	\$63.69
6"	\$123.69
8"	\$183.69
10"	\$303.69

Water Volume Rate

There is no water rate increase proposed for FY 2014.

Sewer Volume Rate

There is no sewer rate increase proposed for FY 2014. The City’s CSO Special Order dictates that we maintain the average annual sewer bill at 1.25% of the Median Household Income (MHI). As of July 1, 2012 the sewer rate was 1.27% of the MHI, slightly above the minimum required by the CSO Consent Order. *Table VII-3, MHI Calculation*, includes the calculation for the MHI requirement as of July 1, 2013. Indications are that the CPI which is used to update the MHI has slightly increased.

Table VII-3 MHI Calculation

Annual Sewer Bill	
Sewer volume rate	\$5.65
Avg. monthly use in HCF	x 7
Volume charge	39.55
Meter charge	3.19
Total monthly sewer bill	42.74
	x12
Annual sewer bill	\$512.88
MHI Calculation	
Estimated MHI	\$39,900
Annual sewer Bill as a % of MHI (\$512.88 / \$39,900)	1.29%

In order to estimate the FY 2014 MHI based on slight increases in the national median household income, we have assumed a 2% annual increase in MHI for FY 2013 and FY 2014. The calculation includes an increase in the meter charge attributable to sewer accounts of \$1.34 per month. DEQ has also expressed concern over the declining consumption, arguing that 7 hcf does not accurately represent the actual usage and that if the actual usage was used, the volume rates would need to be raised significantly in order to satisfy the MHI requirement of the Consent Order.

Sewer Only Rate

It is recommended that \$1.34, the portion of the fixed charge attributable to the sewer fund, be added to the current sewer

only rate. The proposed new sewer only rate would be \$44.58 which is a 3.1% increase.

Stormwater Rate

As discussed above it is recommended the stormwater rate remain at \$4.00 per sfu per month.

Industrial Surcharges

These charges are designed to recover the cost of treating high strength sewerage which is measured in pounds of biological oxygen demand (BOD) or total suspended solids (TSS) over the amounts assumed to be included in domestic sewerage. There a total of 19 industrial pretreatment permits of those, seven are currently billed for high strength BOD and TSS. Rock Tenn and Frito-Lay are billed based on contract rates. Additionally, as a result of recent Industrial Pretreatment Memorandum of Understanding with each of the surrounding counties, we will begin billing Barr Labs for high strength waste.

A comparison between the current rates and the actual cost of treating BOD and TSS is shown in *Table V-3 Pretreatment Cost Analysis*.

Table VII-4 Pretreatment Cost Analysis

	Current Rate	Actual Cost	% Difference	Proposed Rate (+5%)
BOD charge / 100 lbs.	\$21.33	\$27.79	30.3%	\$22.40
TSS charge / 100 lbs.	\$24.12	\$25.47	5.6%	\$25.33

Note: Actual cost estimates are assumed to have increased by 3% per year since the last detailed cost study.

Continuing with the proposed strategy from last year, we recommend that the current BOD and TSS rates be increased 5% to more closely recover the actual cost of service. Additional 5% annual increases are recommended through FY 2015 and then 3% per year thereafter.

Septic Hauler Charges

There are currently 22 permitted septic haulers that dispose of septic material at the Wastewater Treatment Plant plus approximately 40 large companies that have contracts with the City to dispose their septic material at the plant. Currently the septic hauler rates do not recover the actual cost of providing this service.

If the charges are based on the average concentrations of BOD and TSS in septic material that are treated in the wastewater plant, the charge for a 2,500 gallons truck load of septic material would be as follows in *Table V-4 Actual Septage Disposal Costs*

Table VII-5 Actual Septage Disposal Costs

	Lbs.	Rate / lb.	Charge
BOD	155	\$.2779	\$43.07
TSS	730	\$.2547	\$185.93
Administration ⁱ			\$50.00
Total for a 2,500 gallon truck load			\$279.00
Charge for each additional 500 gallons ⁱⁱ			\$45.80

Administration includes approximately 4 hours of City time to register a septic hauler at the wastewater plant, take PH samples, and record information for billing purposes.

The BOD and TSS rates included in the above table are based on a cost of service analysis that was used to determine the contract rates charged to Frito-Lay and Rock Tenn Company.

Revenues from septic haulers and customers with contracts that dispose of waste in the Wastewater Treatment Plant have averaged \$350,000 over the past five years. The current minimum septic hauler charge is \$195.14 and applies to all trucks that carry up to 2,500 gallons of septic material. The current septic hauler charge increases by \$31.50 for every 500 gallon increase in the septic carrying capacity of a truck.

Continuing with the proposed strategy from last year, we recommend that current septic hauler charges be increased 5% per year until FY 2015 then 3% per year thereafter to more closely recover the actual cost of providing the service. The resulting rate for FY 2014 would be \$204.90 for a 2,500 gallon truck load and \$33.08 for each additional 500 gallons.

Connection Fees

The purpose of connection fees is to recover the costs associated with installing water and sewer services. The current water connection fee is \$950 while the average cost to install a ¾" water service last year was \$1,584. The current sewer connection fee is \$1,100 while the average cost to install a 4" sewer service last year was \$2,004. It is recommended that all the connection fees increase by 10% to more closely recover the actual cost to install the services and minimize the amount subsidized by the rate payers.

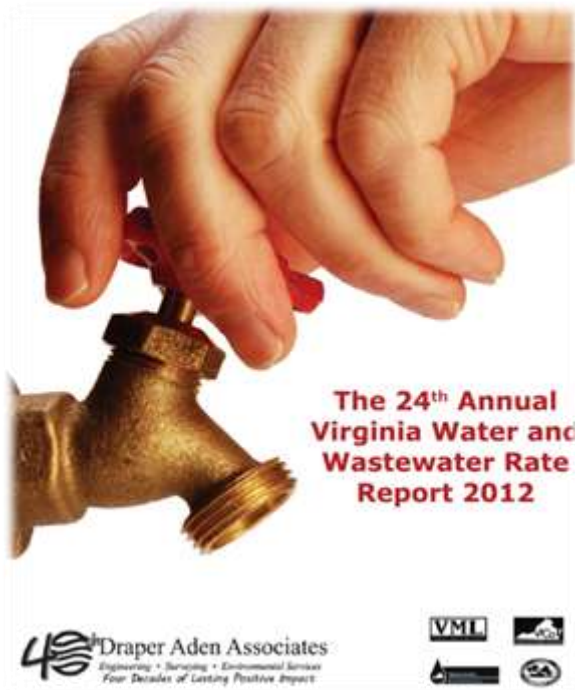
"Table VII-6 Water and Sewer Rates", provides a comparison of the current water and sewer rates to the rates proposed for City Council approval, effective July 1, 2013.

Table VII-6 Water and Sewer Rates

		Proposed	%
	FY 2013	FY 2014	Increase
Water			
Volume charge / hcf	\$2.36	\$2.36	0%
Sewer			
Volume charge / hcf	5.65	5.65	0%
BOD charge / 100 lbs	21.33	21.33	5%
TSS charge / 100 lbs.	24.12	24.12	5%
Septic hauler charge	195.14	204.90	5%
Industrial permit fee	varies	varies	0%
Sewer only	43.24	44.48	3.1%
Stormwater			
Rater per sfu per month	\$4.00	\$4.00	0%
Fire Protection			
Hydrants & 8" or smaller fire lines	19.79	19.79	0%
10" fire lines	35.53	35.53	0%
12" fire lines	56.38	56.38	0%
Availability Fees			
Water	1220.00	1220.00	0%
Sewer	1950.00	1950.00	0%

		Proposed	%
	FY 2013	FY 2014	Increase
Water Connection Fees			
¾" & 5/8" meters	950.00	1045.00	10%
1" service – 5/8" meter	1000.00	1100.00	10%
1" service – 1" meter	1150.00	1265.00	10%
Greater than 1"-minimum	1150.00	1265.00	10%
Sewer Connection Fees			
4" sewer line	1100.00	1210.00	10%
Greater than 4"-minimum	1200.00	1320.00	10%
Other Charges			
Account charge	3.69	(See Table VII-2)	(See Table VII-2)
Cut-on charge	15.00	15.00	0%
Cut-off charge	25.00	25.00	0%
Delinquent account fee	5%	5%	0%

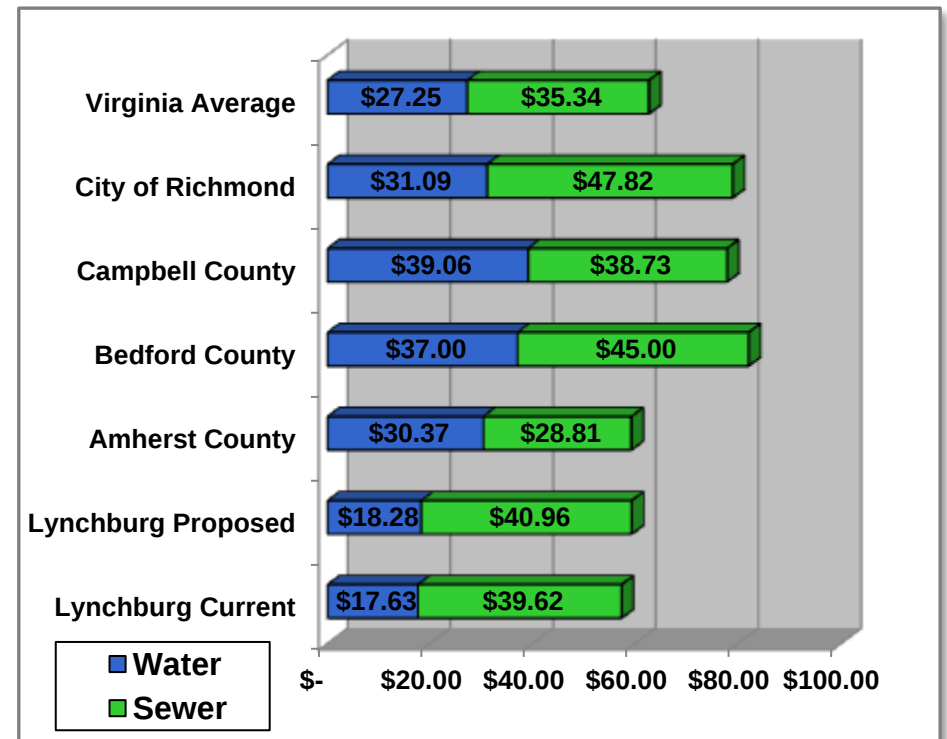




VIII. RATE COMPARISONS

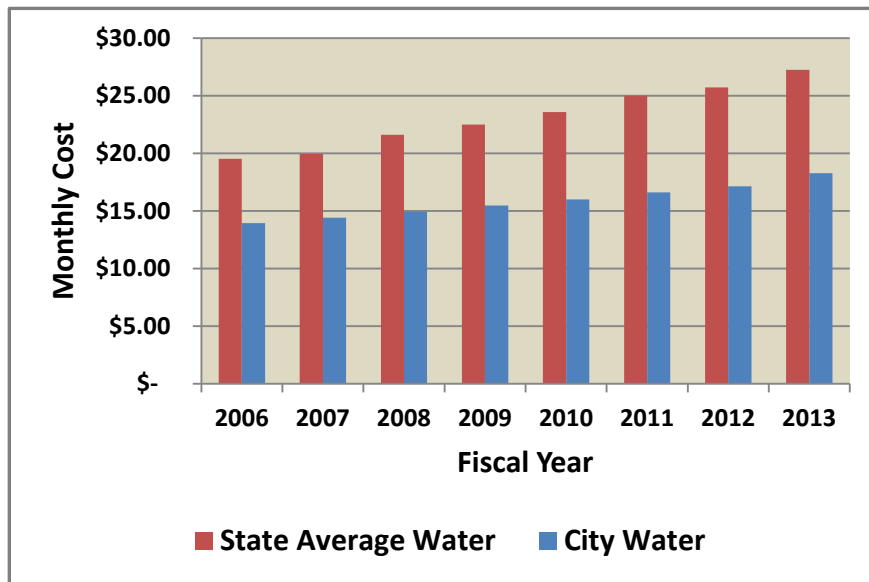
A comparison of the City's water and sewer bills for a customer using 5,000 gallons (6.68 hcf) of water per month to other communities is shown in "Figure VIII-1 Bill Comparisons". (Information from other localities and the statewide average is based upon the "24th Annual Virginia Water and Wastewater Report 2012", prepared by Draper Aden Associates.)

**Figure VIII-1 Bill Comparisons
(5000 Gallons per Month)**



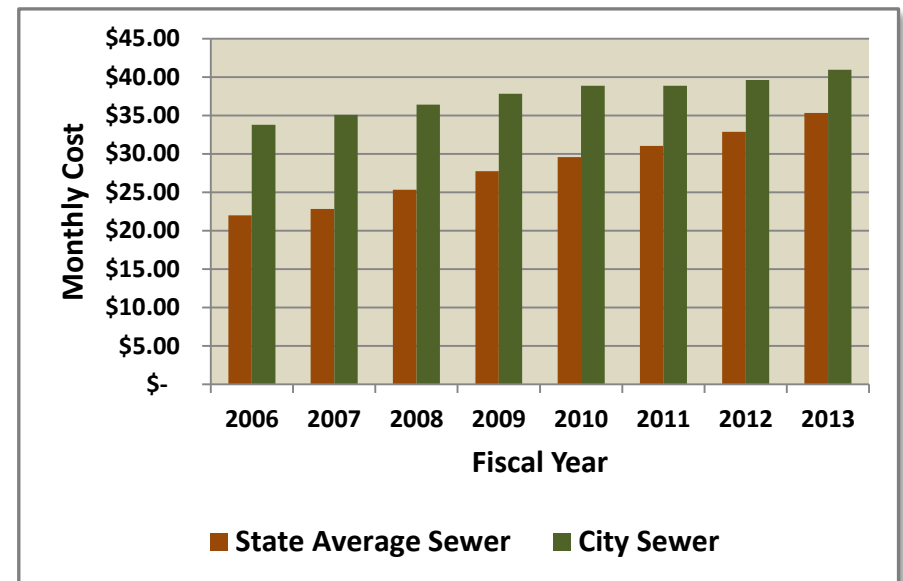
The City of Lynchburg's current combined water and sewer rates are the lowest in the region including those of Amherst, Bedford, and Campbell Counties. Also, Lynchburg's rates for water and sewer are lower than the City of Richmond, the State's other CSO city.

**Figure VIII-2 Water Increases
(5000 Gallons per Month)**



The City of Lynchburg's water rate is 49.1% below the statewide average when considering communities of all sizes and is 42.2% below those communities with the number of connections between 5,000 and 50,000. Since 2006 statewide water rates have increased by 42.2% while the City of Lynchburg's water rates have increased by only 31.1%

**Figure VIII-3 Sewer Increases
(5000 Gallons per Month)**



The City of Lynchburg's sewer rate is 15.9% above the statewide average when considering communities of all sizes compared to last year's 20.5% and is 20.8% above those communities with the number of connection between 5,000 and 50,000. Since 2006 statewide sewer rates have increased by 60.6% while the City of Lynchburg sewer rates have increased by only 21.2%.

**Figure VIII-4 Combined Water and Sewer Increases
(5000 Gallons per Month)**

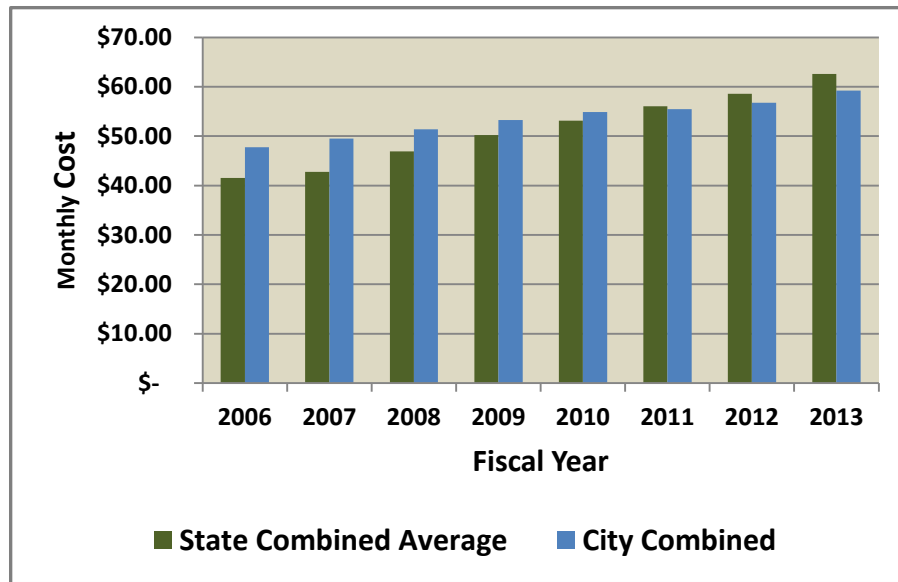
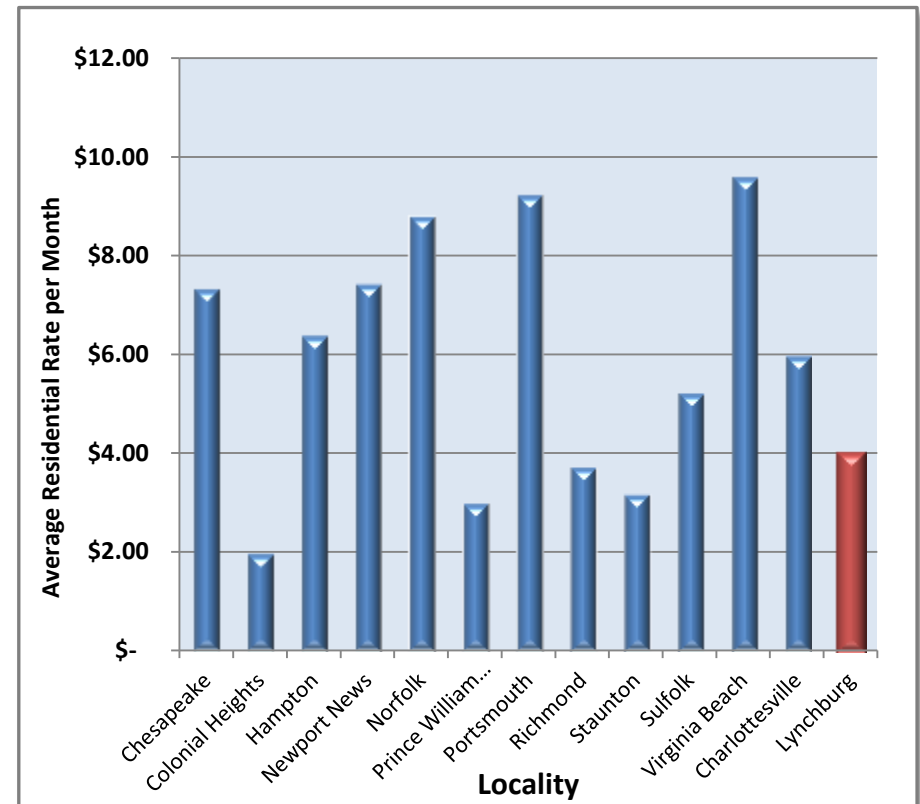


Figure VIII-5 Average Residential Stormwater Rates



Last year the City of Lynchburg's water rate increased by 3% and there was no increase in the sewer rate. During the same period statewide water rates increased by over 6% and sewer rates increased by 7.5%. For the third year in a row our combined rate has been below the statewide average and the gap continues to widen. Overall our combined rate this year is over 5.7% below the state average. As a comparison, last year our rates were 3% below the statewide average. Since 2006 the average statewide combined rate has increased 50.7% while the City of Lynchburg combined rate has increased by only 24.1%.

Comparatively Lynchburg's stormwater rate is among the lowest in the state. The City of Charlottesville just approved a new stormwater utility fee based on \$1.20 for every 500 square feet of impervious area for a typical house in Lynchburg their rate would average \$6.00 per month. Other localities such as the city of Alexandria and the counties of Fairfax and Arlington have a portion of their taxes ranging from 0.5 cents to 2.0 cents dedicated to stormwater

Figure VIII-6 Monthly Service Charge Comparison

Meter Size	Roanoke Total	Richmond Total	Lynchburg Proposed
5/8"	\$ 20.90	\$ 49.40	\$ 5.69
3/4"	\$ 31.38	\$ 74.11	\$ 6.69
1"	\$ 52.28	\$ 123.51	\$ 8.69
1-1/2"	\$ 104.50	\$ 247.01	\$ 13.69
2"	\$ 167.20	\$ 395.21	\$ 19.69
3"	\$ 313.50	\$ 741.03	\$ 33.69
4"	\$ 627.00	\$ 1,235.04	\$ 63.69
6"	\$ 1,254.00	\$ 2,470.09	\$ 123.69
8"	\$ 1,881.00	\$ 3,952.13	\$ 183.69
10"	\$ 3,135.00	\$ 5,681.19	\$ 303.69



Comparatively, even with the proposed increases in the Monthly Service Charge, Lynchburg's fixed monthly rate is significantly below that of most water and wastewater utilities. Roanoke and Richmond's fixed monthly rates are provided as a comparison.

X. RECOMMENDATIONS

It is recommended that the monthly service charge of \$2.00 per equivalent meter size per month be added to the existing account charge. Additionally it is recommended that the industrial surcharges (BOD and TSS) and septic hauler charges be increased by 5% each. Further it is recommended that the water and sewer connection fees be increased by 10% each to more closely recover that actual costs of providing those services.

"One hundred and fifty years after the City's founding and more than a century after the first water works was established, Lynchburg can pay no adequate tribute to the originators of the proposal and the advocates of the project. There remains, only, the hope that present generations may catch the spirit, endeavoring to pass on to our successors, some tangible good in this and other lines."

—from *The Saga of a City*, Lynchburg's Sesquicentennial Association, 1936

IX. AWARDS

The Department of Water Resources is proud to highlight some recent awards.



Alvin Rucker, Wastewater Treatment Plant Superintendent recently was awarded the William D. Hatfield Award by the Water Environment Federation. The William D. Hatfield Award is presented to operators of wastewater treatment plants for outstanding performance and professionalism. The award was established in honor of Dr.

William D. Hatfield, Superintendent of the Decatur, Illinois Sanitary District, who was President of the Central States Sewage Works Association in 1944-45 and served as President of the Water Environment Federation in 1958-59. Congratulations Alvin!

Once again both the College Hill and Abert Water Filtration Plants have received the Virginia Department of Health's Excellence in Waterworks Performance Award. The is only given to the few plants that continuously produced water that is at least three times cleaner than EPA requires. This year both plants received the Silver Award.



The Department of Water Resources has recently been notified that we will be receiving the Virginia Lakes and Watersheds Award for the Best Maintained Publicly Owned Dam for the historic Pedlar River Dam.

Pedlar Dam is one of the larger concrete gravity dams in Virginia, was originally completed in 1907. The dam is 85-feet tall, 416-feet long, with a 150-foot long ogee spillway. The 138-acre reservoir, high up in the mountains of Amherst County near the Blue

Ridge Parkway, and is Lynchburg's primary raw water supply.



The City has meticulously operated and maintained the dam throughout its long history. The 1907 construction included a caretaker's residence; a full-time caretaker has been employed ever since. The

City has carefully preserved the dam's records including the caretakers' daily log books dating back to 1908, the 1903, 1926, and 1964 construction drawings, and many other records.

The dam was recently upgraded to comply with the 2008/2010 ammendments to the dam safety regulations at a total construction cost of \$1,010,447.





**WATER
RESOURCES**

Appendix A. Projection Letter





January 29, 2013

City Council
City of Lynchburg
900 Church Street
Lynchburg, Virginia 24504

We have assembled, from information provided by management, the accompanying financial projections of the Water, Sewer and Stormwater Funds of the City of Lynchburg for each of the six years ending June 30, 2018. The accompanying projections were prepared to help management evaluate the need for rate adjustments and develop strategies for funding capital improvements.

The financial projections have been prepared based on the assumptions that are described on the first page of the Water, Sewer and Stormwater projections that follow this introductory letter. An explanation of the proposed rate increases recommended to occur July 1, 2013 and a brief description of factors that will influence rate increases after FY 2014 are included below.

WATER FUND

Over the past five years water rate increases have resulted in an average bill increase in the water component of most customers' water and sewer bill of 3.5%. The increase has been the result of 4% annual increases in the water volume rate in all but one year with no increase in the account charge. Effective July 1, 2013 no increase in the volume rate is proposed but the account charge is proposed to increase by \$2.00 (\$.66 for water and \$1.34 for sewer). This increase will be scaled-up by equivalent meter size so that the account charge for larger customers will be higher. The \$2.00 increase in the account charge is estimated to generate approximately \$750,000 in annual revenues, \$250,000 of which will be directed to the Water Fund. This is equivalent to a 3.3% water volume rate increase and is needed to cover increases in the Water Fund budget including debt service on previously issued debt.

After 2014, \$1.00 annual increases in the account charge (\$.33 for water and \$.67 for sewer), scaled-up by equivalent meter size, have been assumed plus a 1% increase in the water volume rate. This will generate approximately \$200,000 in additional annual revenue in the Water Fund which should be sufficient to fund increasing operation and maintenance expenses, capital maintenance and new debt service for distribution improvements. However, debt coverage and unreserved cash as a percent of budget will likely be lower than they have been historically.

Over the past five years annual water capital expenditures have averaged close to \$5.0 million. During this time period both water treatment plants were renewed and upgraded and several water tanks were rehabilitated. Further, the Pedlar Dam and raw water lines were evaluated and reported to be in good conditions considering their age. After FY 2014 annual capital expenditures in the Water Fund are assumed to average \$2.5 million, approximately one-half of the previous five year average. Most of the water capital expenditures will be earmarked for distribution network improvements. Considering the age of the City's distribution network this level of expenditure should be considered as a minimum reinvestment in the water network.

As of the date of this letter it is unclear if Bedford County will continue to be a long term contract customer after FY 2016. Bedford County has indicated that they are considering constructing additional facilities that will allow them to transmit water to parts of the City where they currently use water purchased from Lynchburg. If Bedford County ceases to be a contract customer the Water Fund would lose approximately \$1.5 million in annual revenue. This is equivalent to a 20% annual rate increase.

SEWER FUND

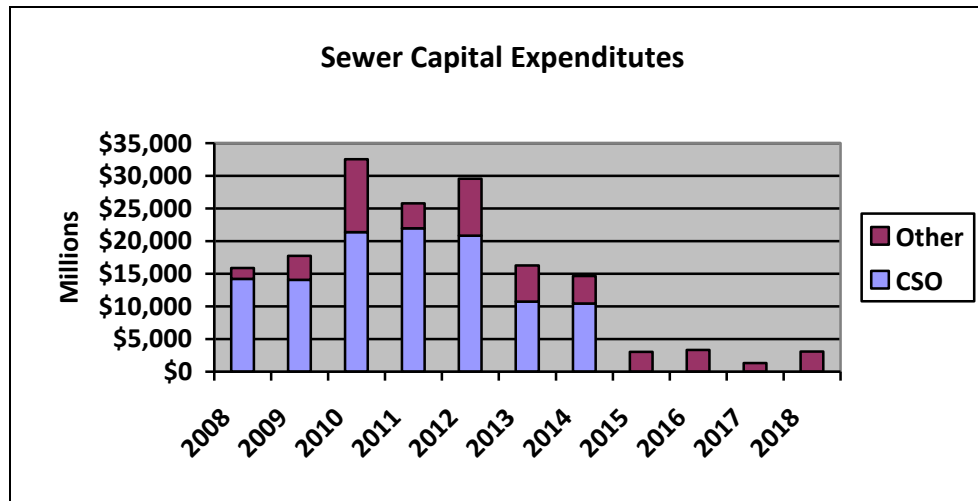
Over the past five years the average sewer bill has increased about 5%, or about 1% per year. Over this same time period the average increase in sewer bills in Virginia communities has averaged 27%, or about 5% per year. Similar to water, no increase in the sewer volume rate is proposed at this time. However, the account charge is proposed to increase by \$2.00 (\$.66 for water and \$1.34 for sewer), scaled-up by equivalent meter size. The increase in the account charge is estimated to generate approximately \$500,000 in annual revenues in the Sewer Fund. For the average customer, the sewer component of the water and sewer bill will increase by 3.3%.

The Special Order requires the City to increase its sewer rates so that the average annual sewer bill is equal to at least 1.25% of MHI (Median Household Income). As shown below the City has met this requirement in FY 2012 and is expected to meet it in FY 2013 and FY 2014 based on the increase in the account charge noted above.

	FY 2012	FY 2013	FY 2014
Annual Sewer Bill			
Sewer volume rate	\$5.65	\$5.65	\$5.65
Avg. monthly use in HCF	x7	x7	7
Volume charge	39.55	39.55	39.55
Account charge	1.85	1.85	3.19
Total monthly sewer bill	41.40	41.40	42.74
	x12	x12	x12
Annual sewer bill	\$496.80	\$496.80	\$512.88
Estimated MHI	\$38,340	\$39,107	\$39,900
Annual Sewer Bill as a % of MHI	1.30%	1.27%	1.29%

The FY 2012 estimated MHI shown in the above table is based on numbers published by the U.S. Bureau of Labor and Statistics. For FY 2013 and FY 2014 we have assumed a 2% annual increase in MHI. The \$2.00 increase in the account charge (\$1.34 for sewer) is needed to (1) keep the annual sewer bill for an average customer over 1.25% of MHI and (2) pay for increasing operation and maintenance expenses and debt service on previously issued debt. Without the increase in the account charge the debt coverage in the Sewer Fund would fall below City Council's 1.20 debt service policy.

Similar to water, \$1.00 annual increases in the account charge (\$.67 for sewer) have been assumed after FY 2014. This will generate approximately \$250,000 in additional revenue in the Sewer Fund which should be sufficient to fund increasing operation and maintenance expenses, basic capital maintenance and some small capital expenditures. As depicted in the graph below the total capital investment program in the Sewer Fund will be reduced substantially after FY 2014.



It is important to note that from FY 2008 to FY 2012 Federal and State grants were used to fund approximately \$25.2 million of CSO capital expenditures. Virginia Clean Water Revolving Loan Funds at 0% interest rate were used to fund most of the remainder. Going forward no new borrowing for CSO is planned until such time that the debt coverage in the Sewer Fund improves. As detailed in the attached Sewer Fund financial projections the projected debt coverage is barely over City Council's 1.20 debt service policy in FY 2013 to FY 2018.

As of the date of this letter an alternative Long Term Control Plan is being developed that would significantly reduce the existing planned CSO expenditures and timeline to complete the CSO program. Further, there is a possibility the City may receive some new State grant funding for CSO improvements. However, additional regulatory requirements are also being debated that could significantly increase the need for future improvements at the wastewater treatment plant. These matters plus an unclear expenditure plan to rehabilitate the sanitary sewer system makes it difficult to estimate future trends in sewer rates and capital expenditures.

With regard to the sanitary sewer system it is important to note that the proposed sewer capital plan only provides for annual reinvestment of \$500,000. Engineering evaluations of the sanitary sewer system are currently in process. Preliminary data indicates that much more reinvestment in the sanitary sewer system will be needed in the future.

STORMWATER FUND

The Stormwater Fund and fee was implemented, effective July 1, 2012, based on a study and implementation plan that was funded from the Sewer Fund. A new stormwater permit will be issued effective July 1, 2013. The new permit will provide information to allow management to more clearly understand regulatory requirements and future environmental goals. In this regard, a stormwater master plan will be commissioned in FY 2014 at an approximate cost of \$1.5 million. The master plan will define capital projects needed to meet the new stormwater permit requirements. The master plan will include a condition assessment of the stormwater system and also include efforts to map the stormwater system in the GIS.

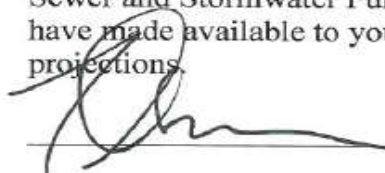
No increase in the \$4.00 per month stormwater charge is proposed at July 1, 2013. Going forward it is clear that the stormwater fee will need to increase but it is not possible to predict with any certainty the rate of increase until the stormwater permit is issued and a master plan is developed.

Sincerely,



Paul J. Cumiskey

We the undersigned have participated in the preparation and review of the attached financial projections and to the best of our knowledge believe they reasonably present the expected capital expenditures, borrowings, revenues and expenses, and cash flows related to the City's Water, Sewer and Stormwater Funds for the projection period. Further, to the best of our knowledge we have made available to you all significant information that we believe is relevant to the financial projections.



Timothy A. Mitchell



John Rosser

Appendix B. Financial Projections

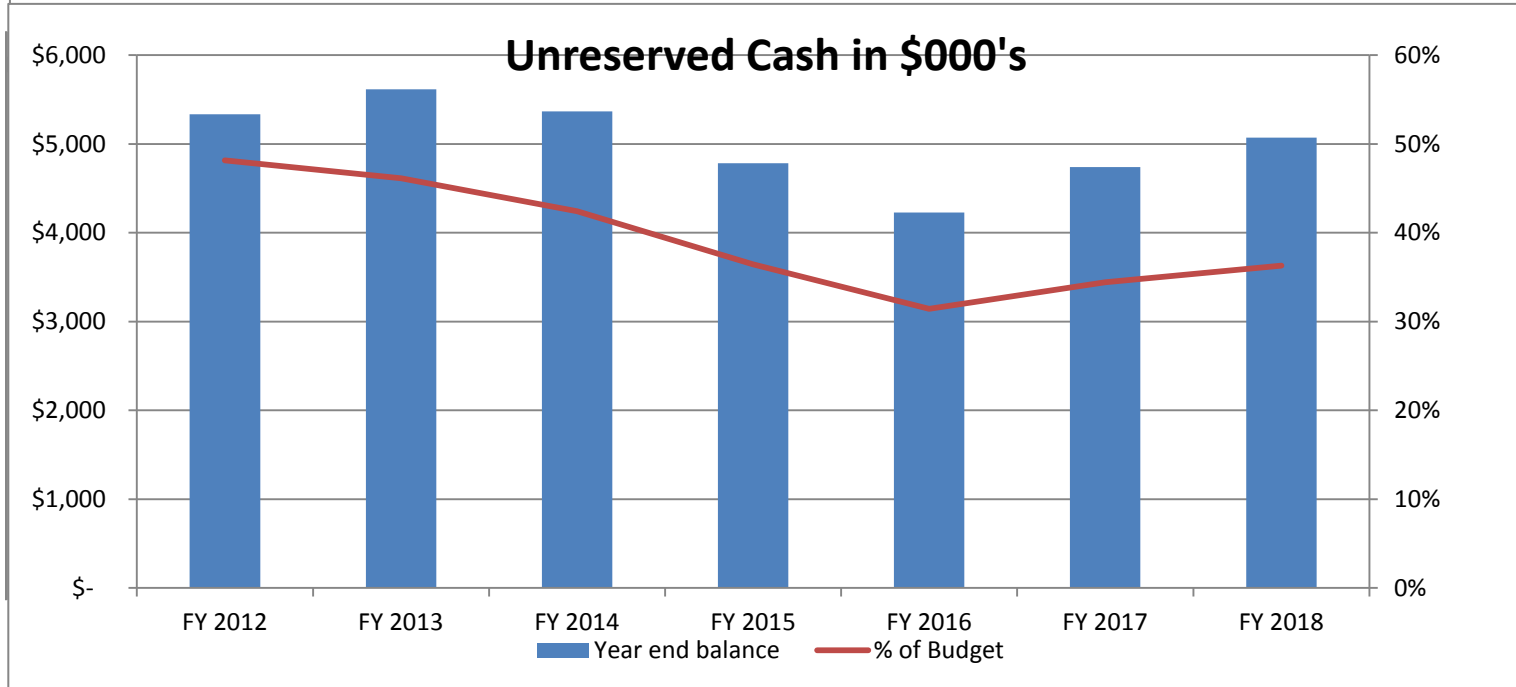
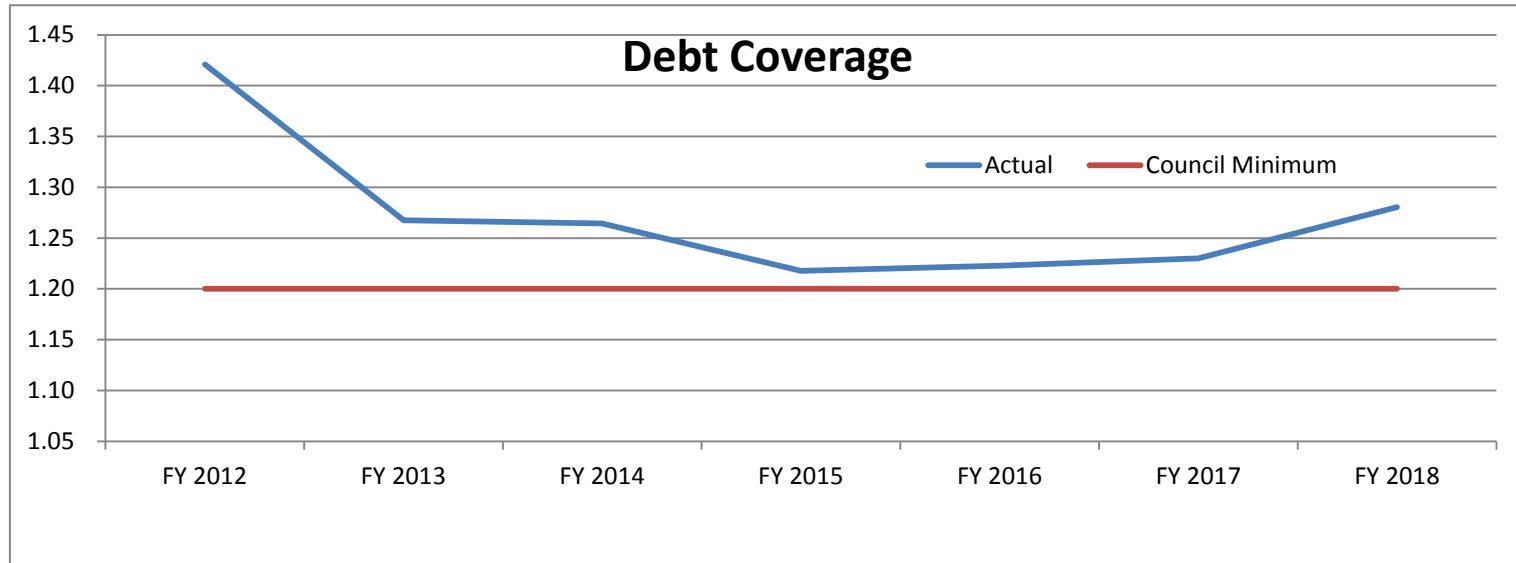


WATER FUND
FINANCIAL PROJECTIONS
FY 2013 to FY 2018

WATER FUND KEY ASSUMPTIONS

1. Annual water production will average 11.0 MGD during the projection period. Over the past five years annual water production has averaged 11.0 MGD and has ranged from 10.05 MGD in FY 2012 to 11.55 MGD in FY 2008.
2. The annual volume of water billed to non-contract customers is estimated at 3.100 million HCF for each year during the projection period. Over the past five years the annual water volume billed to non-contract customers has averaged 3.186 million HCF and has ranged from 3.101 million HCF in FY 2012 to 3.301 million HCF in FY 2008.
3. The annual volume of water billed to contract customers (Amherst, Bedford, Campbell, Rock Tenn and Frito-Lay) is estimated at 1.404 million HCF in FY 2013 and is assumed to increase 1% per year despite the assumed reduction in volume from Amherst due to a phased closure of a regional training academy. Over the past five years the annual volume of water sold to contract customers has averaged 1.567 million HCF and has ranged from 1.792 HCF in FY 2008 to 1.393 HCF in FY 2012.
4. No increase in the water volume rate is assumed during the projection period. However, a \$2.00 fixed charge (\$.66 for water and \$1.34 for sewer) per equivalent 5/8" water meter is assumed effective July 1, 2013, The fixed charge is assumed to increase by \$1.00 (\$.33 for water and \$.67 for sewer) each year thereafter.
5. Water rates applicable to county contract customers are assumed to increase 2% per year; water rates applicable to Rock Tenn and Frito-Lay are based on current contract provisions through FY 2014; thereafter contract rates are assumed to increase 3% per year.
6. Operating expenses in FY 2013 and FY 2014 are based on preliminary budget submission documents ; Operating expenses after FY 2014 are assumed to increase 3% per year.
7. There are approximately 67 equivalent full time approved staff position in Water Fund departments in FY 2013. No change in the number of approved staff position is assumed during the projection period.
8. Short term line of credit financing is assumed to be available at 2%; long term debt financing is assumed to be available at 3.5%, 30 year repayment terms.
9. Additional assumption are included as part of the notes that are included on the following financial projections.

WATER FUND



**CITY OF LYNCHBURG
WATER CAPITAL FINANCING PLAN**

	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
BEGINNING FUNDS	\$2,401,794	\$240,616	\$172,869	\$322,869	\$672,869	\$1,022,869
RECEIPTS						
Transfers	700,000	800,000	800,000	800,000	800,000	800,000
LOC borrowing	5,500,000	-	2,000,000	-	2,000,000	-
G.O. borrowings, net proceeds	-	4,200,000	-	2,000,000	-	1,000,000
total receipts	6,200,000	5,000,000	2,800,000	2,800,000	2,800,000	1,800,000
EXPENDITURES						
Unexpended appropriations @ 6/30/12	6,526,178	1,042,192	100,000	-	-	-
FY 2013 appropriation	1,835,000	1,675,555	350,000	250,000	250,000	235,750
FY 2014 to FY 2018 CIP						
Transfer project	-	-	-	-	-	-
Annual water petitions	-	-	-	-	-	50,000
Distribution system improvements	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Annual facility improvements	-	350,000	200,000	200,000	200,000	200,000
Water main replacements (CSO)	-	-	-	-	-	-
total expenditures	8,361,178	5,067,747	2,650,000	2,450,000	2,450,000	2,485,750
ENDING FUNDS	\$240,616	\$172,869	\$322,869	\$672,869	\$1,022,869	\$337,119

Notes:

1. Beginning funds in FY 2013 equals cash and investments in the Water Capital Fund plus SNAP investments.

PROJECTED STATEMENT OF WATER FUND DEBT COVERAGE

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues:							
Charges for services	\$9,797,132	\$10,337,115	\$10,597,129	\$10,852,502	\$11,110,218	\$11,370,331	\$11,632,897
Water contracts	2,517,733	2,518,864	2,744,837	2,837,986	2,934,698	3,035,113	3,139,381
Interest and other	302,720	284,211	284,211	284,211	284,211	284,211	284,211
total revenues	12,617,585	13,140,190	13,626,177	13,974,699	14,329,127	14,689,656	15,056,490
Expenses:							
Water treatment	2,391,043	2,879,632	3,243,093	3,340,386	3,440,597	3,543,815	3,650,130
Water line maintenance	1,469,277	1,552,487	1,678,816	1,729,180	1,781,056	1,834,488	1,889,522
Meter reading	885,442	864,194	893,355	920,156	947,760	976,193	1,005,479
Administration / engineering	2,648,696	2,996,051	3,078,182	3,170,527	3,265,643	3,363,613	3,464,521
Non-departmental	139,898	392,889	227,712	233,793	240,057	246,509	253,154
Capitalizable cost (1)	(102,807)	(150,000)	(154,500)	(159,135)	(163,909)	(168,826)	(173,891)
total expenses	7,431,549	8,535,253	8,966,658	9,234,908	9,511,205	9,795,791	10,088,915
Operating income	5,186,036	4,604,937	4,659,519	4,739,791	4,817,921	4,893,865	4,967,575
Debt Service	3,649,967	3,633,188	3,685,136	3,891,986	3,940,254	3,978,453	3,879,283
Net Revenue	\$1,536,069	\$971,749	\$974,383	\$847,805	\$877,667	\$915,412	\$1,088,292
Debt Coverage Ratio	1.42	1.27	1.26	1.22	1.22	1.23	1.28

Notes:

1. Capitalizable cost includes internal labor charges applicable to time spent on capital project activities.

CITY OF LYNCHBURG

PROJECTED STATEMENT OF WATER FUND SOURCES & USES OF CASH

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Sources of Cash:							
Beginning cash balance	\$10,328,127	\$8,177,463	\$6,027,962	\$5,860,098	\$5,778,767	\$5,922,525	\$6,099,110
Net revenue plus capitalized costs	1,433,262	821,749	819,883	688,670	713,758	746,585	914,401
LOC borrowing	79,705	5,500,000	0	2,000,000	0	2,000,000	0
Federal grant	24,000	0	0	0	0	0	0
G.O. bond proceeds (1)	0	0	9,779,705	0	4,000,000	0	3,000,000
total sources of cash	11,865,094	14,499,212	16,627,550	8,548,767	10,492,525	8,669,110	10,013,511
Uses of Cash:							
Capital Fund expenditures	3,559,889	8,361,178	5,067,747	2,650,000	2,450,000	2,450,000	2,485,750
Other capital expenditures	0	110,072	120,000	120,000	120,000	120,000	120,000
Repayment of LOC borrowing	0	0	5,579,705	0	2,000,000	0	2,000,000
Payments to other organizations	(13,134)	0	0	0	0	0	0
Change in working capital items	140,876	0	0	0	0	0	0
total uses of cash	3,687,631	8,471,250	10,767,452	2,770,000	4,570,000	2,570,000	4,605,750
Ending Cash	\$8,177,463	\$6,027,962	\$5,860,098	\$5,778,767	\$5,922,525	\$6,099,110	\$5,407,761

Cash in Capital Fund	\$2,401,794	\$172,869	\$322,869	\$672,869	\$1,022,869	\$337,119	\$0
Customer deposits	440,640	240,616	172,869	322,869	672,869	1,022,869	337,119
Unrestricted cash	5,335,029	5,614,477	5,364,360	4,783,029	4,226,787	4,739,122	5,070,642
Total cash	\$8,177,463	\$6,027,962	\$5,860,098	\$5,778,767	\$5,922,525	\$6,099,110	\$5,407,761
Unrestricted cash as a % of budget	48%	46%	42%	36%	31%	34%	36%

Notes:

1. G.O. Bond proceeds include funds to repay LOC borrowing.

**CITY OF LYNCHBURG
CHARGES FOR SERVICES**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Water Sales							
HCF of use	3,101,321	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
Actual water rate	2.29	2.38	2.38	2.40	2.43	2.45	2.48
	\$7,108,141	\$7,371,998	\$7,378,000	\$7,451,780	\$7,526,298	\$7,601,561	\$7,677,576
% increase in revenues	0.94%	3.71%	0.08%	1.00%	1.00%	1.00%	1.00%
All Other:							
Account / Fixed charge	595,011	600,000	850,000	975,000	1,100,000	1,225,000	1,350,000
Sewer Fund charge	1,241,000	1,620,000	1,580,000	1,627,400	1,676,222	1,726,509	1,778,304
Hydrant rentals-water	9,530	3,000	3,000	3,000	3,000	3,000	3,000
Hydrant rentals-equip.	7,230	2,000	2,000	2,000	2,000	2,000	2,000
General Fund hydrants	351,900	351,900	358,938	366,117	373,439	380,908	388,526
Cut-on/off-late fees	99,576	92,000	92,000	92,000	92,000	92,000	92,000
Meter removal	7,080	7,500	7,500	7,500	7,500	7,500	7,500
Delinquent account fee	82,988	85,000	85,000	85,000	85,000	85,000	85,000
Fire protection	96,781	98,717	100,691	102,705	104,759	106,854	108,991
Connection fee	81,444	50,000	50,000	50,000	50,000	50,000	50,000
Availability fee	72,300	25,000	60,000	60,000	60,000	60,000	60,000
Water cost plus & other	44,151	30,000	30,000	30,000	30,000	30,000	30,000
	2,688,991	2,965,117	3,219,129	3,400,722	3,583,920	3,768,771	3,955,321
	\$9,797,132	\$10,337,115	\$10,597,129	\$10,852,502	\$11,110,218	\$11,370,331	\$11,632,897

Notes:

1. Account / Fixed charge increases due to introduction of a \$2.00 fixed fee by meter size equivalent effective July 1, 2013. The fixed fee is assumed to increase \$1.00 per year. Approximately 33% of the fixed fee is allocated to the Water fund.
2. Fire protection fees assumed to increase 2% per year until the fees approximate cost of service levels.
3. Availability fees assumed to increase in FY 2014 due to increase in fee amounts. No major upturn in real estate development assumed.

**CITY OF LYNCHBURG
WATER CONTRACTS**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
AMHERST							
HCF of use	43,305	40,000	35,000	30,000	25,000	20,000	15,000
Rate	2.03	2.00	2.04	2.08	2.12	2.16	2.21
Current year bills	\$87,956	\$80,000	\$71,400	\$62,424	\$53,060	\$43,297	\$33,122
Prior year settlement	(10,969)	(\$8,698)	-	-	-	-	-
	\$76,987	\$71,302	\$71,400	\$62,424	\$53,060	\$43,297	\$33,122
BEDFORD							
HCF of use	727,881	742,439	757,287	772,433	787,882	803,639	819,712
Rate	2.01	2.00	2.04	2.08	2.12	2.16	2.21
Current year bills	\$1,462,079	\$1,484,877	\$1,544,866	\$1,607,279	\$1,672,213	\$1,739,770	\$1,810,057
Prior year settlement	(56,326)	(134,355)	-	-	-	-	-
	\$1,405,753	\$1,350,522	\$1,544,866	\$1,607,279	\$1,672,213	\$1,739,770	\$1,810,057
CAMPBELL							
HCF of use	182,489	186,139	189,862	193,659	197,532	201,483	205,512
Rate	2.85	2.91	2.97	3.03	3.09	3.15	3.21
Current year bills	\$520,190	\$541,206	\$563,070	\$585,818	\$609,485	\$634,109	\$659,727
Prior year settlement	23,034	3,384	-	-	-	-	-
	\$543,224	\$544,590	\$563,070	\$585,818	\$609,485	\$634,109	\$659,727
ROCK TENN							
HCF of use	273,320	300,000	300,000	300,000	300,000	300,000	300,000
Rate	1.18	1.27	1.30	1.34	1.38	1.42	1.46
	\$323,728	\$381,000	\$390,000	\$401,700	\$413,751	\$426,164	\$438,948
FRITO-LAY							
HCF of use	136,765	135,000	135,000	135,000	135,000	135,000	135,000
Rate	1.23	1.27	1.30	1.34	1.38	1.42	1.46
	\$168,041	\$171,450	\$175,500	\$180,765	\$186,188	\$191,774	\$197,527
	\$2,517,733	\$2,518,864	\$2,744,837	\$2,837,986	\$2,934,698	\$3,035,113	\$3,139,381

Notes:

1. FY 2014 to FY 2017 County rates assumed to increase 2% per year.
2. Rock Tenn and Frito-Lay rates are based on contract rates up to FY 2014 and 3% per increases thereafter.

CITY OF LYNCHBURG
INTEREST & OTHER WATER REVENUES

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Interest revenues	40,275	30,000	30,000	30,000	30,000	30,000	30,000
IRS interest rebate	251,598	243,211	243,211	243,211	243,211	243,211	243,211
All other	10,847	11,000	11,000	11,000	11,000	11,000	11,000
	\$302,720	\$284,211	\$284,211	\$284,211	\$284,211	\$284,211	\$284,211

Note:

1. Interest revenues based on estimated average cash balance at .05% interest earnings rate.

**CITY OF LYNCHBURG
ADMIN. / ENGINEERING**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal services	\$1,075,159	\$1,266,590	\$1,218,209	\$1,254,755	\$1,292,398	\$1,331,170	\$1,371,105
Fringe benefits	365,914	501,371	452,720	466,302	480,291	494,699	509,540
Supplies & materials	43,119	38,133	42,540	43,816	45,131	46,485	47,879
Gasoline / fuel	7,601	10,000	8,253	8,501	8,756	9,018	9,289
Internal service charges	17,803	20,935	17,318	17,838	18,373	18,924	19,492
Rentals & leases	3,740	4,000	4,000	4,120	4,244	4,371	4,502
Communication charges	11,332	11,500	11,500	11,845	12,200	12,566	12,943
Contractual services	94,913	108,200	211,783	218,136	224,681	231,421	238,364
Training & travel	12,814	17,200	16,700	17,201	17,717	18,249	18,796
Indirect costs	807,321	807,321	852,890	878,477	904,831	931,976	959,935
City engineering charges	49,079	50,000	50,000	51,500	53,045	54,636	56,275
Self - insurance	146,529	146,529	146,529	150,925	155,453	160,116	164,920
Miscellaneous	13,372	14,272	15,500	15,965	16,444	16,937	17,445
Sub-total	2,648,696	2,996,051	3,047,942	3,139,380	3,233,562	3,330,569	3,430,486
Compensation adjustments	-	-	30,240	31,147	32,082	33,044	34,035
Total	\$2,648,696	\$2,996,051	\$3,078,182	\$3,170,527	\$3,265,643	\$3,363,613	\$3,464,521

Notes:

1. FY 2013 and FY 2014 amounts are based on budget worksheets submitted as part of the FY 2014 budget process.
2. Personal services in FY 2014 assumes 20.6 staff positions will be filled throughout the year.
3. Indirect costs in FY 2013 is based on the approved FY 2013 budget. FY 2014 amount is based on the FY 2011 Maximus Report.
4. City engineering charges represent a best estimate of the labor, fringe benefits and direct overhead cost of staff time in the PW Engineering Dept. that work on water projects.
5. After FY 2014 all costs assumed to increase 3% per year unless noted otherwise.

**CITY OF LYNCHBURG
WATER TREATMENT**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal services	\$874,903	\$985,528	\$1,005,928	\$1,036,106	\$1,067,189	\$1,099,205	\$1,132,181
Fringe benefits	322,121	395,320	411,743	424,095	436,818	449,923	463,420
Supplies & materials	111,930	127,700	128,200	132,046	136,007	140,088	144,290
Chemicals	241,818	370,500	526,400	542,192	558,458	575,211	592,468
Gasoline / fuel	10,799	13,000	11,745	12,097	12,460	12,834	13,219
Internal service charges	21,923	34,580	32,015	32,975	33,965	34,984	36,033
Rentals & leases	2,935	4,000	4,000	4,120	4,244	4,371	4,502
Communication charges	10,942	11,000	11,000	11,330	11,670	12,020	12,381
Utilities	515,865	608,741	746,832	769,237	792,314	816,083	840,566
Contractual services	222,418	239,326	248,446	255,899	263,576	271,484	279,628
Training & travel	3,579	10,000	10,000	10,300	10,609	10,927	11,255
Misc., incl. operations fee	51,810	79,937	82,500	84,975	87,524	90,150	92,854
Sub-total	2,391,043	2,879,632	3,218,809	3,315,373	3,414,834	3,517,280	3,622,798
Compensation adjustment	-	-	24,284	25,013	25,763	26,536	27,332
Total	\$2,391,043	\$2,879,632	\$3,243,093	\$3,340,386	\$3,440,597	\$3,543,815	\$3,650,130

Notes:

1. FY 2013 and FY 2014 amounts are based on budget worksheets submitted as part of the FY 2014 budget process.
2. Personal services in FY 2014 assumes 24 staff positions will be filled throughout the year.
3. After FY 2014 all costs assumed to increase 3% per year.

**CITY OF LYNCHBURG
WATER LINE MAINTENANCE**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal services	\$577,879	\$584,806	\$587,830	\$605,465	\$623,629	\$642,338	\$661,608
Fringe benefits	199,954	223,057	229,142	236,016	243,097	250,390	257,901
Supplies & materials	429,811	468,000	488,600	503,258	518,356	533,906	549,924
Gasoline / fuel	36,892	38,000	38,091	39,234	40,411	41,623	42,872
Internal service charges	88,828	88,912	138,083	142,225	146,492	150,887	155,414
Rentals & leases	4,696	4,500	3,500	3,605	3,713	3,825	3,939
Communication charges	2,926	3,100	3,400	3,502	3,607	3,715	3,827
Contractual services	123,983	138,292	173,063	178,255	183,603	189,111	194,784
Training & travel	3,739	3,750	3,750	3,863	3,978	4,098	4,221
Miscellaneous	569	70	570	587	605	623	642
Sub-total	1,469,277	1,552,487	1,666,029	1,716,010	1,767,490	1,820,515	1,875,130
Compensation adjustment	-	-	12,787	13,171	13,566	13,973	14,392
Total	\$1,469,277	\$1,552,487	\$1,678,816	\$1,729,180	\$1,781,056	\$1,834,488	\$1,889,522

Notes:

1. FY 2013 and FY 2014 amounts are based on budget worksheets submitted as part of the FY 2014 budget process.
2. Personal services in FY 2013 assumes 14.75 staff positions will be filled throughout the year.
3. After FY 2014 all costs assumed to increase 3% per year.

**CITY OF LYNCHBURG
METER READING**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal services	\$242,312	\$251,784	\$259,010	\$266,780	\$274,784	\$283,027	\$291,518
Fringe benefits	90,960	101,904	104,311	107,440	110,664	113,983	117,403
Supplies & materials	466,588	417,050	419,000	431,570	444,517	457,853	471,588
Gasoline / fuel	19,714	20,000	21,268	21,906	22,563	23,240	23,937
Internal service charges	31,832	34,240	35,973	37,052	38,164	39,309	40,488
Rentals & leases	78	100	100	103	106	109	113
Communication charges	2,696	3,050	3,500	3,605	3,713	3,825	3,939
Contractual services	30,783	32,366	42,466	43,740	45,052	46,404	47,796
Training & travel	479	2,000	2,000	2,060	2,122	2,185	2,251
Miscellaneous	-	1,700	-	-	-	-	-
Sub-total	885,442	864,194	887,628	914,257	941,685	969,935	999,033
Compensation adjustments	-	-	5,727	5,899	6,076	6,258	6,446
Total	\$885,442	\$864,194	\$893,355	\$920,156	\$947,760	\$976,193	\$1,005,479

Notes:

1. FY 2013 and FY 2014 amounts are based on budget worksheets submitted as part of the FY 2014 budget process.
2. Personal services in FY 2014 assumes 7.8 staff positions will be filled throughout the year.
3. After FY 2014 all costs assumed to increase 3% per year.

**CITY OF LYNCHBURG
WATER NON-DEPARTMENTAL**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Financial audit	\$20,656	\$21,276	\$21,914	\$22,571	\$23,249	\$23,946	\$24,664
Interest on customer deposits	3,212	3,308	3,408	3,510	3,615	3,724	3,835
OPEB/Retirees health/WC insurance	86,615	86,615	170,500	175,615	180,883	186,310	191,899
Utility billing upgrades & other	2,420	0	0	0	0	0	0
Allowance for doubtful accounts	6,495	6,690	6,891	7,097	7,310	7,529	7,755
Project costs charged to operations	20,500	275,000	25,000	25,000	25,000	25,000	25,000
	\$139,898	\$392,889	\$227,712	\$233,793	\$240,057	\$246,509	\$253,154

Notes:

1. FY 2013 and FY 2014 amounts are based on budget worksheets submitted as part of the FY 2014 budget process.
2. OPEB related cost based on best available information.
3. Project cost charged to operations in FY 2013 includes \$250,000 related to Pedlar Raw Water Main Assessment Project.
4. After FY 2014 all costs assumed to increase 3% per year.

CITY OF LYNCHBURG
WATER FUND BONDS PAYABLE AND DEBT SERVICE

	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
P&I on borrowings o/s @ 6/30/12 (1)	\$3,578,188	\$3,458,991	\$3,329,747	\$3,308,015	\$3,194,432	\$3,042,762
Interest on LOC borrowing	55,000	55,000	20,000	20,000	20,000	20,000
Interest only payments on G.O. Bonds						
\$9.8 million issued in FY 2014	-	171,145	-	-	-	-
\$4.0 million issued in FY 2016				70,000	-	-
\$3.0 million issue in FY 2018						52,500
Level debt service payments on G.O. Bonds						
Level P&I on \$9.8 million			542,239	542,239	542,239	542,239
Level P&I on \$5.5 million					221,782	221,782
	\$3,633,188	\$3,685,136	\$3,891,986	\$3,940,254	\$3,978,453	\$3,879,283

Notes:

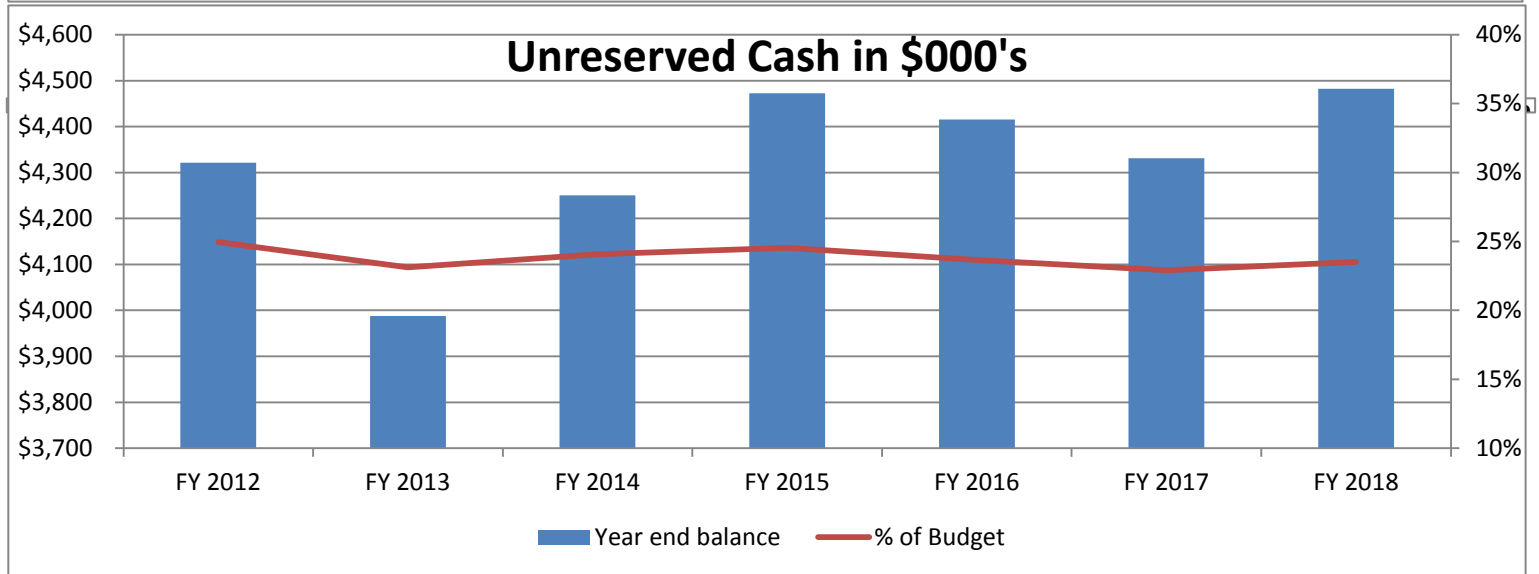
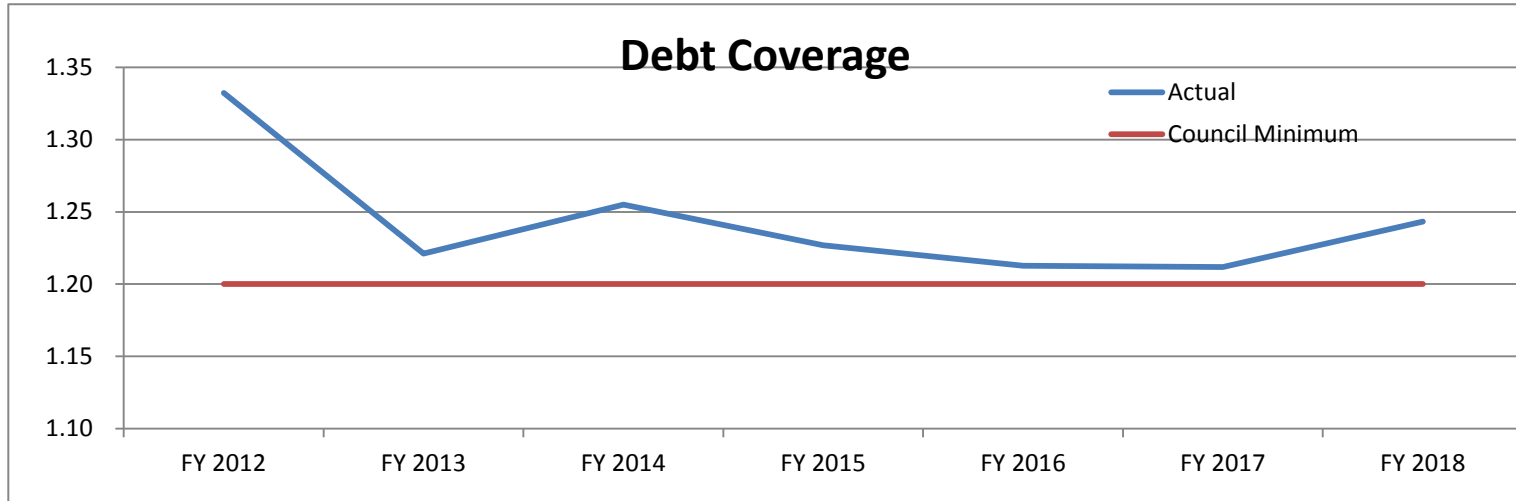
1. Based on Debt Book as of June 30, 2012.
2. Interest on LOC based on a 2.0% annual rate.
3. New debt issues assumed to occur in the first quarter of years shown; interest assumed at 3.5%.
4. Level debt service assumed on all new G.O issues starting one year after year of issue.

SEWER FUND
FINANCIAL PROJECTIONS
FY 2013 to FY 2018

SEWER FUND KEY ASSUMPTIONS

1. Annual sewer flow at the wastewater treatment plant (WWTP) will average 11.0 MGD during the projection period. Over the past five years WWTP flow has averaged 11.1 MGD and has ranged from 10.54 MGD in FY 2012 to 13.0 MGD in FY 2010.
2. The annual volume of wastewater billed to non-contract customers is estimated at 2.550 million HCF for each year during the projection period. Over the past five years the annual wastewater billed to non-contract customers has averaged 2.571 million HCF and has ranged from 2.536 million HCF in FY 2011 to 2.626 million HCF in FY 2008.
3. The annual wastewater flow applicable to Bedford and Campbell Counties is assumed to increase slightly each year; the flow applicable to Amherst is assumed to decrease by about 35% over the next five years due to a phased closure of a regional training academy located in Amherst County.
4. No increase in the wastewater volume rate is assumed during the projection period. However, a \$2.00 fixed charge (\$.66 for water and \$1.34 for sewer) per equivalent 5/8" meter is assumed effective July 1, 2013. The fixed charge is assumed to increase \$1.00 (\$.33 for water and \$.67 for sewer) each year thereafter.
5. Sewer rates applicable to Rock Tenn and Frito-Lay are assumed to increase 3% and 5% respectively each year. Septic hauler charges and industrial sur-charges are also assumed to increase effective July 1, 2013 by 5% per year for two years and then 3% per year thereafter.
6. Operating expenses in FY 2013 and FY 2014 are based on preliminary budget submission documents; Operating expenses after FY 2014 are assumed to increase 3% per year.
7. There are approximately 51 equivalent full time approved staff positions in the Sewer Fund departments. No change in the number of approved staff positions is assumed during the projection period.
8. Short term line of credit financing is assumed to be available at 2%; long term financing is assumed to be available at 3.5%, 30 year repayment terms. No new borrowing is assumed to occur with the VCWRLF during the projection period.
9. Additional assumptions are included as part of the notes that are included on the following financial projections.

SEWER FUND



**CITY OF LYNCHBURG
SEWER LOCAL CAPITAL FINANCING PLAN**

	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
BEGINNING FUNDS (1)	\$5,259,536	\$2,318,418	\$958,912	\$21,281	\$171,281	\$361,281
RECEIPTS						
Transfers	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
LOC borrowing	-	-	600,000	-	-	-
G.O. borrowing	-	-	-	2,000,000	-	1,500,000
Total Receipts	1,500,000	1,500,000	2,100,000	3,500,000	1,500,000	3,000,000
EXPENDITURES						
Unexpended Appropriations (2)	3,041,118	959,506	137,631	-	-	-
FY 2013 Appropriation	400,000	250,000	-	-		
FY 2014 to FY 2018 CIP:						
Burton Creek	-	500,000	2,000,000	2,000,000	-	-
Sewer extensions	-	100,000	100,000	100,000	100,000	100,000
CSO local	-	-	-	-	-	-
WWTP improvements	500,000	250,000	250,000	250,000	350,000	350,000
PLC Replacement	500,000	-	-	-	-	-
SSES	-	500,000	500,000	500,000	500,000	500,000
WWTP Control Building	-	-	-	-	250,000	1,500,000
RDP	-	-	-	-	50,000	50,000
Blue Ridge Farms	-	300,000	50,000	500,000	60,000	600,000
Total Expenditures	4,441,118	2,859,506	3,037,631	3,350,000	1,310,000	3,100,000
ENDING FUNDS	\$2,318,418	\$958,912	\$21,281	\$171,281	\$361,281	\$261,281

Notes:

1. Beginning funds in FY 2013 equals cash and investment accounts in the Sewer Capital Fund.
2. Unexpended appropriations represents unspent funds applicable to FY 2012 and prior year appropriations.

**CITY OF LYNCHBURG
SEWER VCWRLF & GRANT FINANCING PLAN**

	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
BEGINNING FUNDS	\$23,621,773	\$11,810,887	\$0	\$0	\$0	\$0
Receipts						
VCWRLF loan approvals - 0%	-	-	-	-	-	-
Total Receipts	0	0	0	0	0	0
EXPENDITURES						
Unexpended appropriations	11,810,886	11,810,887	-	-	-	-
FY 2012 appropriations:	-	-	-	-	-	-
FY 2013 appropriations:	-	-	-	-	-	-
Total Expenditures	11,810,886	11,810,887	0	0	0	0
ENDING FUNDS	\$11,810,887	\$0	\$0	\$0	\$0	\$0

Notes:

1. Beginning funds and VCWRLF loan approvals are funds held by DEQ on behalf of the City. No interest is earned on these funds.
2. Beginning Funds based on July Schedule 1 remaining balances.

CITY OF LYNCHBURG
PROJECTED STATEMENT OF SEWER FUND DEBT COVERAGE

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues:							
Charges for services	\$16,954,824	\$16,182,187	\$16,731,214	\$17,032,529	\$17,320,570	\$17,609,752	\$17,900,109
Sewer contracts	2,797,948	2,831,248	2,916,305	3,011,698	3,064,937	3,127,739	3,227,693
Interest and other	242,304	91,953	206,953	196,953	202,156	71,953	71,953
Total Revenues	19,995,076	19,105,388	19,854,472	20,241,179	20,587,662	20,809,444	21,199,755
Expenses:							
WWTP	6,103,570	6,755,227	6,951,014	7,172,844	7,391,030	7,615,761	7,847,233
Sewer line maintenance	2,039,460	2,104,088	2,124,359	2,188,090	2,253,732	2,321,344	2,390,985
Stormwater (1)	558,312	-	-	-	-	-	-
Non-departmental	843,720	224,149	230,123	286,277	292,615	299,144	305,868
Capitalizable cost (2)	(298,186)	(250,000)	(257,500)	(265,225)	(273,182)	(281,377)	(289,819)
Total Expenses	9,246,876	8,833,464	9,047,996	9,381,986	9,664,196	9,954,872	10,254,268
Operating Income	10,748,200	10,271,924	10,806,476	10,859,193	10,923,467	10,854,572	10,945,487
Debt service	8,067,483	8,411,416	8,611,155	8,851,703	9,007,595	8,957,399	8,804,525
Net Revenue	\$2,680,717	\$1,860,508	\$2,195,321	\$2,007,490	\$1,915,872	\$1,897,173	\$2,140,961
Debt Coverage	1.33	1.22	1.25	1.23	1.21	1.21	1.24

Notes:

1. Stormwater accounted for as a separate fund stating in FY 2013.
2. Capitalizable cost includes internal labor charges applicable to time spent on capital project activities.

CITY OF LYNCHBURG
PROJECTED STATEMENT OF SEWER FUND SOURCES & USES of CASH

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Sources of Cash:							
Beginning cash balance	\$11,942,470	\$9,236,906	\$6,306,296	\$5,209,402	\$4,494,036	\$4,586,726	\$4,692,522
Net revenue plus capitalized costs	2,382,531	1,610,508	1,937,821	1,742,265	1,642,690	1,615,796	1,851,143
LOC borrowing	-	-	-	600,000	-	-	-
G.O. bond proceeds, net	-	-	-	-	2,600,000	-	1,500,000
VCWRLF loan draw downs	26,368,702	11,810,886	11,810,887	-	-	-	-
Proceeds from other organizations	34,341	-	-	-	-	-	0
Total Sources of Cash	40,728,044	22,658,300	20,055,004	7,551,667	8,736,726	6,202,522	8,043,665
Uses of Cash:							
Capital & VCWRLF expenditures	30,495,802	16,252,004	14,670,393	3,037,631	3,350,000	1,310,000	3,100,000
Other capital expenditures	-	100,000	175,209	20,000	200,000	200,000	200,000
LOC repayment	-	-	-	-	600,000	-	-
Change in working capital items	651,403	-	-	-	-	-	-
Total Uses of Cash	31,147,205	16,352,004	14,845,602	3,057,631	4,150,000	1,510,000	3,300,000
Ending Cash	\$9,580,839	\$6,306,296	\$5,209,402	\$4,494,036	\$4,586,726	\$4,692,522	\$4,743,665

Cash in capital fund	\$5,259,536	\$2,318,418	\$958,912	\$21,281	\$171,281	\$361,281	\$261,281
Unrestricted cash	4,321,303	3,987,878	4,250,490	4,472,755	4,415,445	4,331,241	4,482,384
Total cash	\$9,580,839	\$6,306,296	\$5,209,402	\$4,494,036	\$4,586,726	\$4,692,522	\$4,743,665
Unrestricted cash as a % of budget	25%	23%	24%	25%	24%	23%	24%

**CITY OF LYNCHBURG
CHARGES FOR SERVICES**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
CITY CUSTOMERS							
HCF of use	2,490,918	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000
Rate	5.65	5.65	5.65	5.65	5.65	5.65	5.65
	\$14,538,826	\$14,407,500	\$14,407,500	\$14,407,500	\$14,407,500	\$14,407,500	\$14,407,500
% increase in revenues	3.5%	-0.9%	0.0%	0.0%	0.0%	0.0%	0.0%
ALL OTHER:							
Account charge	420,505	420,000	920,000	1,170,000	1,420,000	1,670,000	1,920,000
VDOT reimbursement	688,036	0	0	0	0	0	0
College Hill backwash	119,457	123,041	126,732	130,534	134,450	138,484	142,638
Leachate treatment	64,154	66,078	68,061	70,102	72,206	74,372	76,603
Septic hauler charges	391,361	410,929	431,476	453,049	466,641	480,640	495,059
Industrial pre-treatment	6,160	4,500	4,500	4,500	4,635	4,774	4,917
Industrial surcharges	415,370	436,139	457,945	480,843	495,268	510,126	525,430
Industrial monitoring	33,188	35,000	35,000	35,000	36,050	37,132	38,245
Cut-on penalties	90,189	82,000	83,000	84,000	86,520	89,116	91,789
Connection charges	105,903	75,000	75,000	75,000	75,000	75,000	75,000
Availability charges	80,410	100,000	100,000	100,000	100,000	100,000	100,000
Sewer cost plus	1,265	12,000	12,000	12,000	12,000	12,000	12,000
Collection & Tax Lien Fees	-	10,000	10,000	10,000	10,300	10,609	10,927
All other	-	-	-	-	-	-	-
	2,415,998	1,774,687	2,323,714	2,625,029	2,913,070	3,202,252	3,492,609
	\$16,954,824	\$16,182,187	\$16,731,214	\$17,032,529	\$17,320,570	\$17,609,752	\$17,900,109

Notes:

1. Account / Fixed charge increases due to introduction of a \$2.00 fixed fee by meter size equivalent effective July 1, 2013. The fixed fee assumed to increase \$1.00 per year. Approximately 67% of the fixed fee is allocated to the Sewer Fund.
3. VDOT reimbursement considered as part of Stormwater Fund transfer from General Fund after FY 2012
4. Septic hauler and industrial sur-charges assumed to increase 5% per year to FY 2015; thereafter 3% per year.
5. Connection fees are less than historical average due to slow down in real estate development.
6. Availability fees assumed to increase in FY 2014 due to an increase in the amount of the fees.

**CITY OF LYNCHBURG
SEWER CONTRACTS**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
AMHERST							
Operating	\$169,200	\$180,000	\$145,243	\$135,605	\$125,022	\$98,512	\$101,506
Existing capital amort.	220,614	217,203	213,791	210,380	197,118	196,524	196,524
Prior Year settlement	8,917	1,002	-	-	-	-	-
Future capital. - WWTP	-	16,797	63,973	68,152	72,331	76,510	80,689
Future capital -Interceptor	-	-	-	-	-	-	-
	398,731	415,002	423,007	414,137	394,471	371,546	378,719
BEDFORD							
Operating	206,400	218,000	207,490	214,113	220,627	227,336	234,246
Existing capital amort.	221,116	218,598	196,700	194,183	186,362	184,019	184,019
Prior Year settlement	12,981	(11,299)	-	-	-	-	-
Future capital. - WWTP	-	7,270	25,623	27,297	28,971	30,645	32,319
Future capital -Interceptor	-	-	-	17,267	17,267	17,267	17,267
	440,497	432,569	429,813	452,860	453,227	459,267	467,851
CAMPBELL							
Operating	180,000	190,000	193,657	199,839	205,918	212,180	218,629
Existing capital amort.	109,235	107,769	106,303	104,837	99,484	98,194	98,194
Prior Year settlement	58,411	5,740	-	-	-	-	-
Future capital. - WWTP	-	6,957	25,623	27,297	28,971	30,645	32,319
Future capital -Interceptor	-	-	-	7,467	7,467	7,467	7,467
	347,646	310,466	325,583	339,440	341,840	348,486	356,609
INDUSTRIAL							
Rock Tenn	920,823	948,448	976,901	1,006,208	1,036,394	1,067,486	1,099,511
Frito-Lay	690,251	724,764	761,002	799,052	839,004	880,955	925,002
	1,611,074	1,673,211	1,737,903	1,805,260	1,875,399	1,948,441	2,024,513
	\$2,797,948	\$2,831,248	\$2,916,305	\$3,011,698	\$3,064,937	\$3,127,739	\$3,227,693

Notes:

1. County operating revenues based on % of WWTP expenses (Amherst-2.3%, Bedford-3.0%, Campbell-2.8%).
2. Amherst operating revenues decrease due to planned closure of Training Academy.
3. Rock Tenn revenues are assumed to increase 3% per year.
4. Frito-Lay revenues are assumed to increase 5% per year.

**CITY OF LYNCHBURG
OTHER SEWER REVENUES**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
Other Revenues	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Interest Revenue	64,362	40,000	30,000	20,000	20,000	20,000	20,000
State highway maintenance	-	-	-	-	-	-	-
Miscellaneous Revenue	131,989	6,000	6,000	6,000	6,000	6,000	6,000
SW Fund start-up repayment	-	-	125,000	125,000	130,203	-	-
IRS interest rebate	45,953	45,953	45,953	45,953	45,953	45,953	45,953
	\$242,304	\$91,953	\$206,953	\$196,953	\$202,156	\$71,953	\$71,953

Notes:

1. SW Fund start-up repayment is a transfer from the SW Fund to recover the cost incurred by the Sewer Fund to study, organize and implement the SW fund and fee.

**CITY OF LYNCHBURG
WASTEWATER TREATMENT**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal services	\$1,369,888	\$1,465,477	\$1,527,467	\$1,573,291	\$1,620,490	\$1,669,104	\$1,719,178
Fringe benefits	471,574	560,701	589,744	607,436	625,659	644,429	663,762
Supplies & materials	342,959	391,986	402,500	414,575	427,012	439,823	453,017
Sludge disposal - landfill	545,237	500,000	575,000	592,250	610,018	628,318	647,168
Chemicals	555,245	654,000	644,000	663,320	683,220	703,716	724,828
Gasoline / fuel	28,997	40,000	64,120	66,044	68,025	70,066	72,168
Internal service charges	172,380	224,835	272,558	280,735	289,157	297,831	306,766
Rentals & leases	5,020	7,000	8,500	8,755	9,018	9,288	9,567
Communication charges	7,439	8,700	9,300	9,579	9,866	10,162	10,467
Electricity	597,446	700,000	675,000	695,250	716,108	737,591	759,718
Other utilities	51,001	117,300	140,300	144,509	148,844	153,310	157,909
Contractual services	772,734	908,493	745,843	768,218	791,265	815,003	839,453
Training & meetings	15,615	15,905	16,600	17,098	17,611	18,139	18,683
Indirect costs	352,560	352,560	488,021	502,662	517,741	533,274	549,272
Self-insurance	48,470	48,470	48,470	49,924	51,422	52,964	54,553
Admin/OH Pmts to Water Fund	782,000	875,000	791,000	814,730	839,172	864,347	890,277
Nutrient payments	-	-	-	-	-	-	-
Nutrient sales	(14,995)	(140,000)	(110,000)	(100,000)	(100,000)	(100,000)	(100,000)
Misc.	0	24,800	27,900	28,737	29,599	30,487	31,402
Sub-total	6,103,570	6,755,227	6,916,323	7,137,113	7,354,226	7,577,853	7,808,188
Compensation adjustment	-	-	34,691	35,732	36,804	37,908	39,045
Total	\$6,103,570	\$6,755,227	\$6,951,014	\$7,172,844	\$7,391,030	\$7,615,761	\$7,847,233

Notes:

1. FY 2013 and FY 2014 amounts are based on budget worksheets submitted as part of the FY 2014 budget process.
2. Personal services in FY 2014 assumes 37 staff positions will be filled throughout the year.
3. Gasoline / fuel increases due to closing of landfill and need to haul to Campbell County landfill or Maplewood.
4. Other utilities increase in FY 2013 due to increase in natural gas needs.
5. Indirect costs in FY 2012 to FY 2014 based on agreed upon amounts between Finance and Utilities.
6. Nutrient payments and credits based on best available information as of date of projections.
7. Unless noted otherwise, all expenses after FY 2014 are assumed to increase 3% per year.

**CITY OF LYNCHBURG
SEWER LINE MAINTENANCE**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal services	\$503,356	\$473,934	\$483,567	\$498,074	\$513,016	\$528,407	\$544,259
Fringe benefits	186,736	200,588	201,445	207,488	213,713	220,124	226,728
Supplies & materials	135,253	150,100	153,000	157,590	162,318	167,187	172,203
Gasoline / fuel	59,018	65,000	60,311	62,120	63,984	65,903	67,881
Internal service charges	169,127	198,582	216,126	222,610	229,288	236,167	243,252
Rentals & leases	2,947	2,500	3,000	3,090	3,183	3,278	3,377
Communication charges	3,729	4,800	5,000	5,150	5,305	5,464	5,628
Contractual services	97,151	120,661	178,092	183,435	188,938	194,606	200,444
Training & meetings	4,414	4,000	3,750	3,863	3,978	4,098	4,221
Indirect costs	231,216	231,216	203,812	209,926	216,224	222,711	229,392
Self-insurance	152,257	152,257	152,257	156,825	161,529	166,375	171,367
City engineering charges	110,256	125,000	113,300	116,699	120,200	123,806	127,520
Admin/OH Pmts to Water Fund	384,000	375,000	339,000	349,170	359,645	370,434	381,547
Miscellaneous Expenses	0	450	450	464	477	492	506
Sub-total	2,039,460	2,104,088	2,113,110	2,176,503	2,241,798	2,309,052	2,378,324
Compensation adjustment	-	-	11,249	11,586	11,934	12,292	12,661
Total	\$2,039,460	\$ 2,104,088	\$2,124,359	\$2,188,090	\$2,253,732	\$2,321,344	\$2,390,985

Notes:

1. FY 2013 and FY 2014 amounts are based on budget worksheets submitted as part of the FY 2014 budget process.
2. Personal services in FY 2014 assumes 13.45 staff positions will be filled throughout the year.
3. Indirect costs in FY 2012 to FY 2014 based on agreed upon amounts between Finance and Utilities.
4. City engineering charges represent a best estimate of labor, overhead and direct overhead cost of staff time in the PW Engineering Dept. that work on sewer projects.
5. Unless noted otherwise, all expenses after FY 2014 are assumed to increase 3% per year.

**CITY OF LYNCHBURG
STORMWATER**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Personal services	\$213,503	-	-	-	-	-	-
Fringe benefits	78,499	-	-	-	-	-	-
Supplies & materials	38,447	-	-	-	-	-	-
Gasoline / fuel	12,747	-	-	-	-	-	-
Internal service charges	40,236	-	-	-	-	-	-
Rentals & leases	103	-	-	-	-	-	-
Communication charges	1,488	-	-	-	-	-	-
Contractual services	94,204	-	-	-	-	-	-
Training & meetings	1,046	-	-	-	-	-	-
Start-up project	-	-	-	-	-	-	-
Indirect costs	-	-	-	-	-	-	-
Self-insurance	-	-	-	-	-	-	-
City engineering charges	-	-	-	-	-	-	-
Adm./OH Pmts to Water Fund	75,000	-	-	-	-	-	-
Miscellaneous Expenses	3,039	-	-	-	-	-	-
	\$558,312	\$0	\$0	\$0	\$0	\$0	\$0

Notes:

1. Stormwater is accounted for in a separate fund in FY 2013.

**CITY OF LYNCHBURG
NON-DEPARTMENTAL-SEWER**

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Financial audit	\$15,796	\$16,270	\$16,758	\$17,261	\$17,779	\$18,312	\$18,861
Allowance for doubtful accounts	13,766	14,179	14,604	15,042	15,494	15,959	16,437
OPEB/Retirees health/WC insurance	119,618	168,700	173,761	178,974	184,343	189,873	195,570
Legal & professional (CSO)	-	-	-	-	-	-	-
Major sewer line cleaning	236,432	-	-	50,000	50,000	50,000	50,000
Fire damage	76,656	-	-	-	-	-	-
Minor capital purchases	1,249	-	-	-	-	-	-
Project costs charged to operations	380,203	25,000	25,000	25,000	25,000	25,000	25,000
	\$843,720	\$224,149	\$230,123	\$286,277	\$292,615	\$299,144	\$305,868

Notes:

1. FY 2013 and FY 2014 amounts are based on budget worksheets submitted as part of the FY 2014 budget process.
2. OPEB related cost based on best available information.
3. Project cost charged to operations in FY 2012 includes amounts related to study and implementation of the Stormwater Fund.
4. After FY 2014 all costs assumed to increase 3% per year.

**CITY OF LYNCHBURG
SEWER FUND BONDS PAYABLE**

	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
P&I on debt o/s @ 6/30/12 (1)	8,411,416	8,611,155	8,845,703	8,962,095	8,816,034	8,636,910
Interest on LOC borrowing	-	-	6,000	-	-	-
Interest only payments on G.O. Bonds						
\$2.6 million bond issue in FY 2016	-	-	-	45,500	-	-
\$1.5 million bond issue in FY 2018						26,250
Level debt service payments on G.O. Bonds						
\$2.6 million bond issue in FY 2016					141,365	141,365
	\$8,411,416	\$8,611,155	\$8,851,703	\$9,007,595	\$8,957,399	\$8,804,525

NOTES:

1. Based on Debt book as of June 30, 2012.
2. Level debt service on G.O issues starting one year after issue date at 3.5%; 30 year repayment terms.

STORMWATER FUND
FINANCIAL PROJECTIONS
FY 2013 to FY 2018

CITY OF LYNCHBURG
STORMWATER OPERATING FUND

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Beginning Funds	-	\$0	\$954,520	\$783,733	\$493,584	793,657	799,865
Revenues:							
Stormwater fees, net	-	3,120,000	3,120,000	3,315,000	3,380,000	3,445,000	3,510,000
General Fund transfer (VDOT)	-	650,000	650,000	650,000	650,000	650,000	650,000
Other	-	12,000	12,000	12,000	12,000	12,000	12,000
total revenues	-	3,782,000	3,782,000	3,977,000	4,042,000	4,107,000	4,172,000
Expenses & Transfers:							
Departmental expenses	-	\$927,480	\$1,312,059	\$1,423,449	\$1,535,463	\$1,580,799	1,628,223
G.F. charges - PW & CD	-	1,600,000	1,683,921	1,834,439	1,989,472	2,149,156	2,313,631
Indirect cost	-	-	81,807	84,261	86,789	89,393	92,074
Transfer to Sewer Fund	-	-	125,000	125,000	130,203	-	-
Transfers to Capital Fund	-	300,000	750,000	800,000	-	-	-
Debt service	-	-	-	-	-	281,444	281,444
total expenses & transfers	-	2,827,480	3,952,787	4,267,149	3,741,927	4,100,792	4,223,816
Ending Funds	-	\$954,520	\$783,733	\$493,584	\$793,657	\$799,865	\$748,049
Ending funds as % of revenues	-	25.2%	20.7%	12.4%	19.6%	19.5%	17.9%

Notes:

1. Stormwater was accounted for as part of Sewer Fund in FY 2012.
2. G.F. charges include salary and overhead for approximately 2 FTEs in Community Development plus work performed by PW related to maintenance, street sweeping and 50% of leaf collection cost.
3. G.F. charges are assumed to increase \$100,000 over and above annual inflation after FY 2014 as more BMPs are developed.
4. Transfer to Sewer Fund is for reimbursement of start-up cost for the Stormwater Utility Fund.

**CITY OF LYNCHBURG
STORMWATER CAPITAL FUND**

	Actual	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Beginning Funds	-	\$0	\$150,000	\$350,000	\$100,000	\$2,800,000	\$500,000
Receipts:							
Transfer from Operations	-	300,000	750,000	800,000	-	-	-
Bond proceeds	-	-	-	-	4,000,000	-	6,000,000
total receipts	-	300,000	750,000	800,000	4,000,000	-	6,000,000
Expenditures:							
Master planning & design	-	0	250,000	750,000	500,000	-	-
Infrastructure renewal	-	150,000	300,000	300,000	300,000	300,000	300,000
Water quality related projects	-	0	0	0	500,000	2,000,000	3,000,000
total expenditures	-	150,000	550,000	1,050,000	1,300,000	2,300,000	3,300,000
Ending Funds	-	\$150,000	\$350,000	\$100,000	\$2,800,000	\$500,000	\$3,200,000

Notes:

1. Watershed implementation plan calls for \$110 to \$120 million to be spent on water quality by 2025
2. First permit cycle is likely to call for a 5% reduction to water quality goals by 2018 (~\$1.0 million CAPEX / year).
3. Second permit cycle is likely to call for a 35% reduction to water quality goals by 2023 (~\$7.0 million CAPEX / year).
4. Third permit cycle is likely to call for a 60 % reduction to water quality goals by 2028 (~\$12.0 million CAPEX / year)
5. Trading and credits for existing BMPs are assumed to reduce CAPEX in first permit cycle.

CITY OF LYNCHBURG

STORMWATER OPERATING REVENUES Departmental Expenses & Debt Service

	Actual	Est.	Budget	Proj.	Proj.	Proj.	Proj.
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Stormwater Fees:							
SFU's	-	65,000	65,000	65,000	65,000	65,000	65,000
Annual bill	-	\$48.00	\$48.00	\$51.00	\$52.00	\$53.00	\$54.00
Annual billed revenue	-	3,120,000	3,120,000	3,315,000	3,380,000	3,445,000	3,510,000
Departmental Expenses:							
Personal services	-	182,206	313,519	372,925	434,112	447,136	460,550
Fringe benefits	-	82,076	130,850	154,776	179,419	184,801	190,345
M&R supplies & materials	-	60,005	75,150	77,405	79,727	82,118	84,582
Contractual charges	-	57,429	183,300	188,799	194,463	200,297	206,306
Internal service charged	-	103,364	80,340	82,750	85,233	87,790	90,423
Admin/OH payments	-	370,000	450,000	463,500	477,405	491,727	506,479
Travel & training	-	1,000	5,000	5,150	5,305	5,464	5,628
Communications	-	1,000	2,000	2,060	2,122	2,185	2,251
Credits & uncollectible	-	62,400	62,400	66,300	67,600	68,900	70,200
Miscellaneous	-	8,000	9,500	9,785	10,079	10,381	10,692
	-	927,480	1,312,059	1,423,449	1,535,463	1,580,799	1,627,456
Debt Service:	-						
FY 2016 borrowing	-	-	-	-	-	281,444	281,444
	-	-	-	-	-	281,444	281,444

Notes:

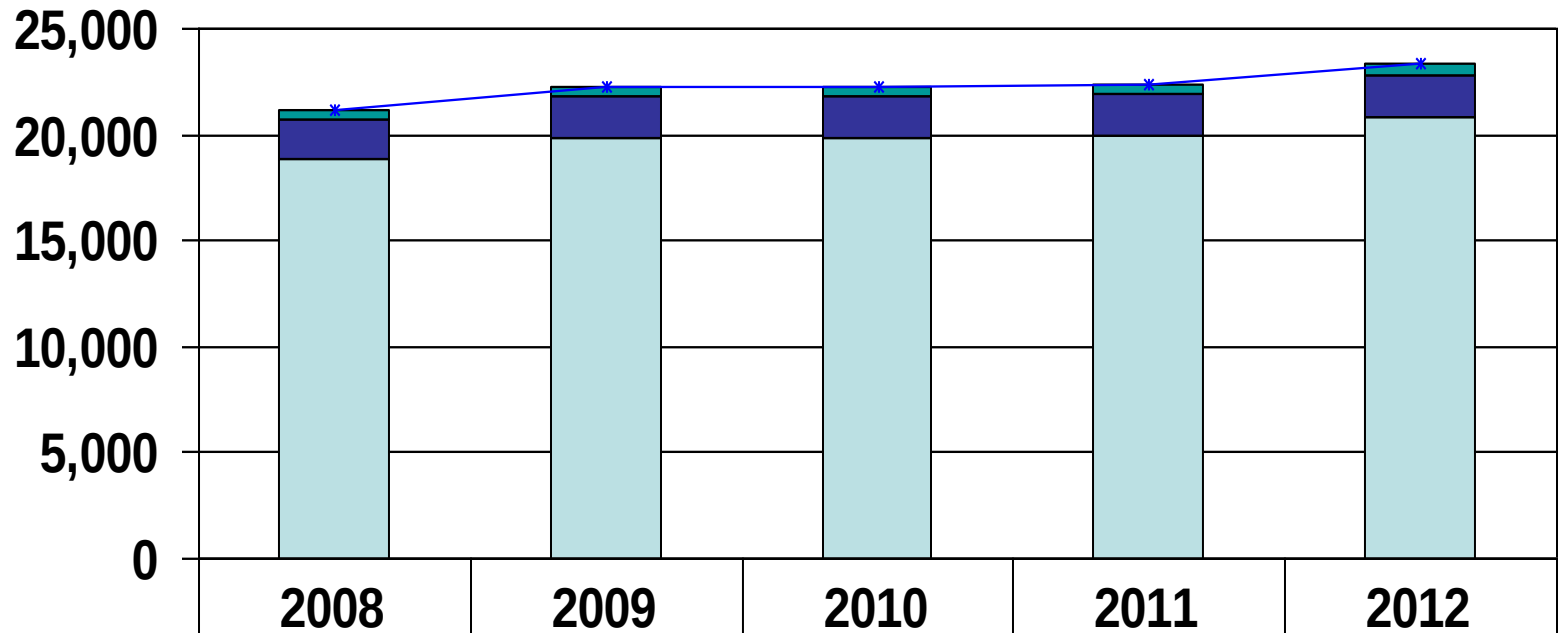
1. FY 2013 and FY 2014 department expenses based on preliminary budget request.
2. Personal services in FY 2014 assumes 7.8 FTE staff. One additional staff assumed to be added in FY 2015 and one other in FY 2016
3. Internal service charges based on fuel, maintenance and depreciation for a Vactor, dump truck, utility truck.
4. Adm. / OH payments based on Water Fund Engineering / Adm cost allocations.
5. Credits & uncollectibles are equal to 2% of annual billed revenue.
6. All debt service (see capital fund) assumes level debt service at 3.5%, 20 year repayment terms.
7. Unless noted otherwise all cost after FY 2014 assumed to increase 3% per year.

Appendix C. Statistical Data



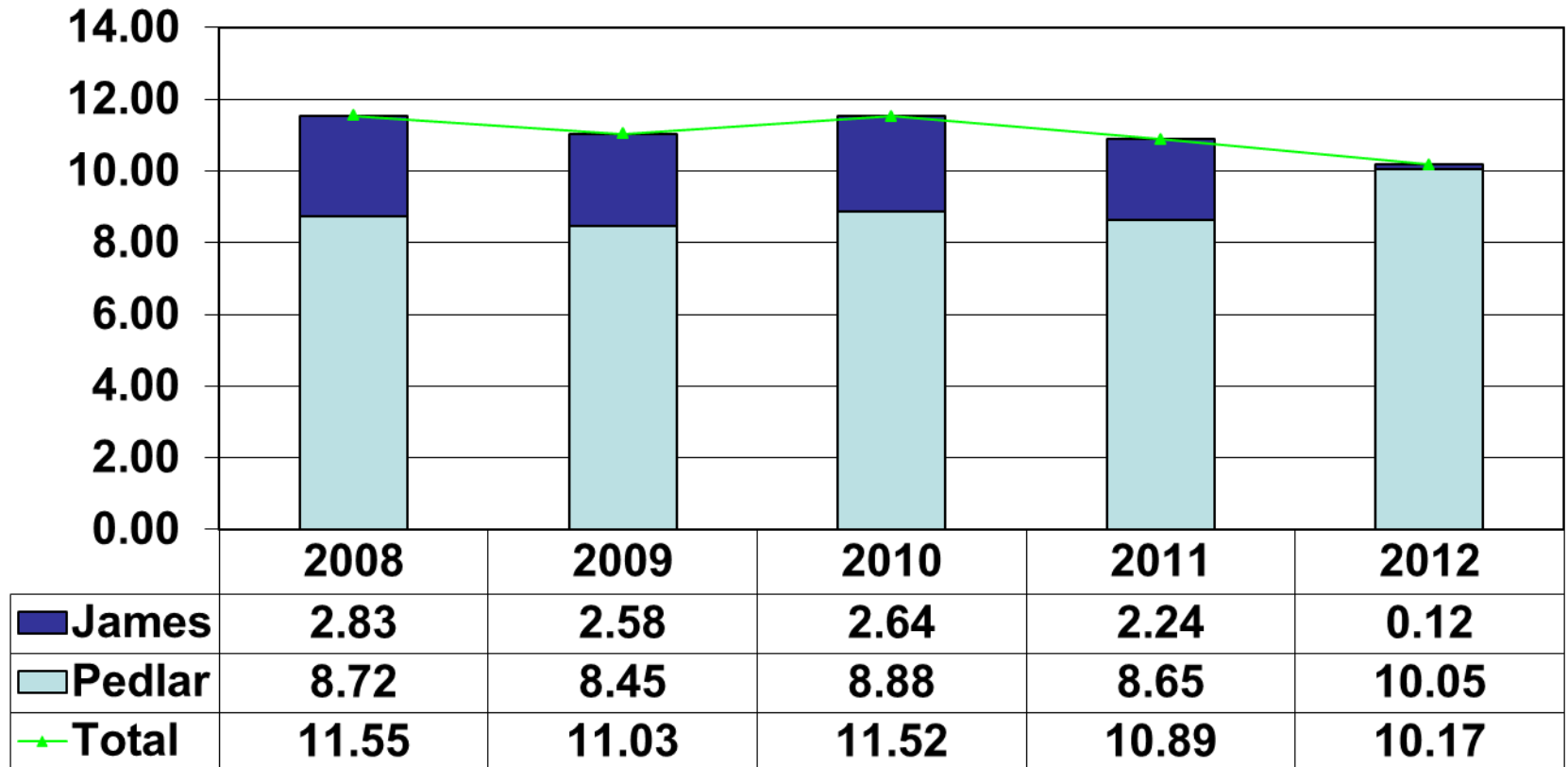
Water Fund Statistics

Number of Water Customers

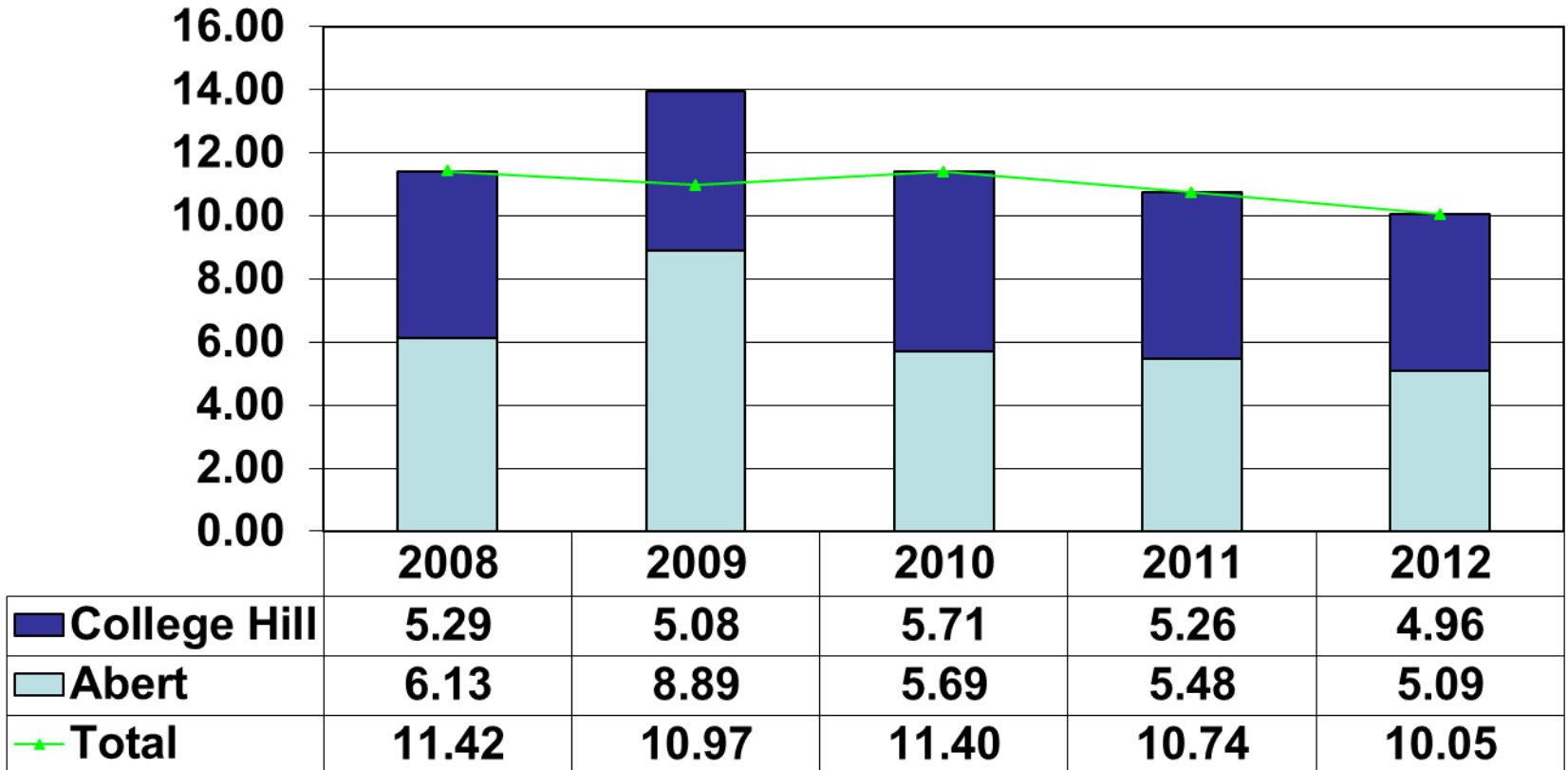


Other	401	430	431	436	462
Business	1,950	1,950	1,951	1,945	2,044
Domestic	18,807	19,830	19,883	19,993	20,802
Total	21,158	22,240	22,265	22,374	23,308

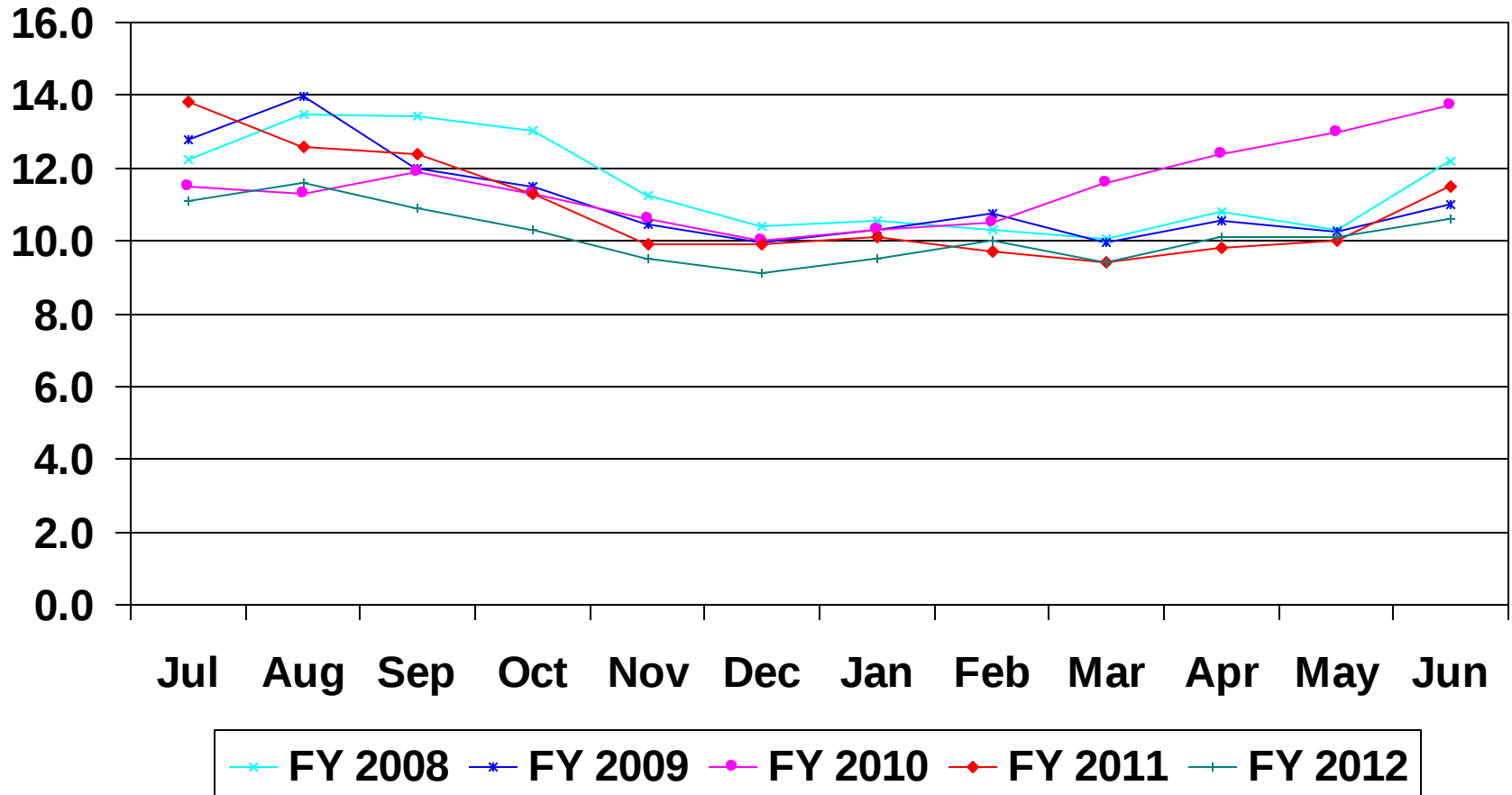
Water Withdrawals in MGD



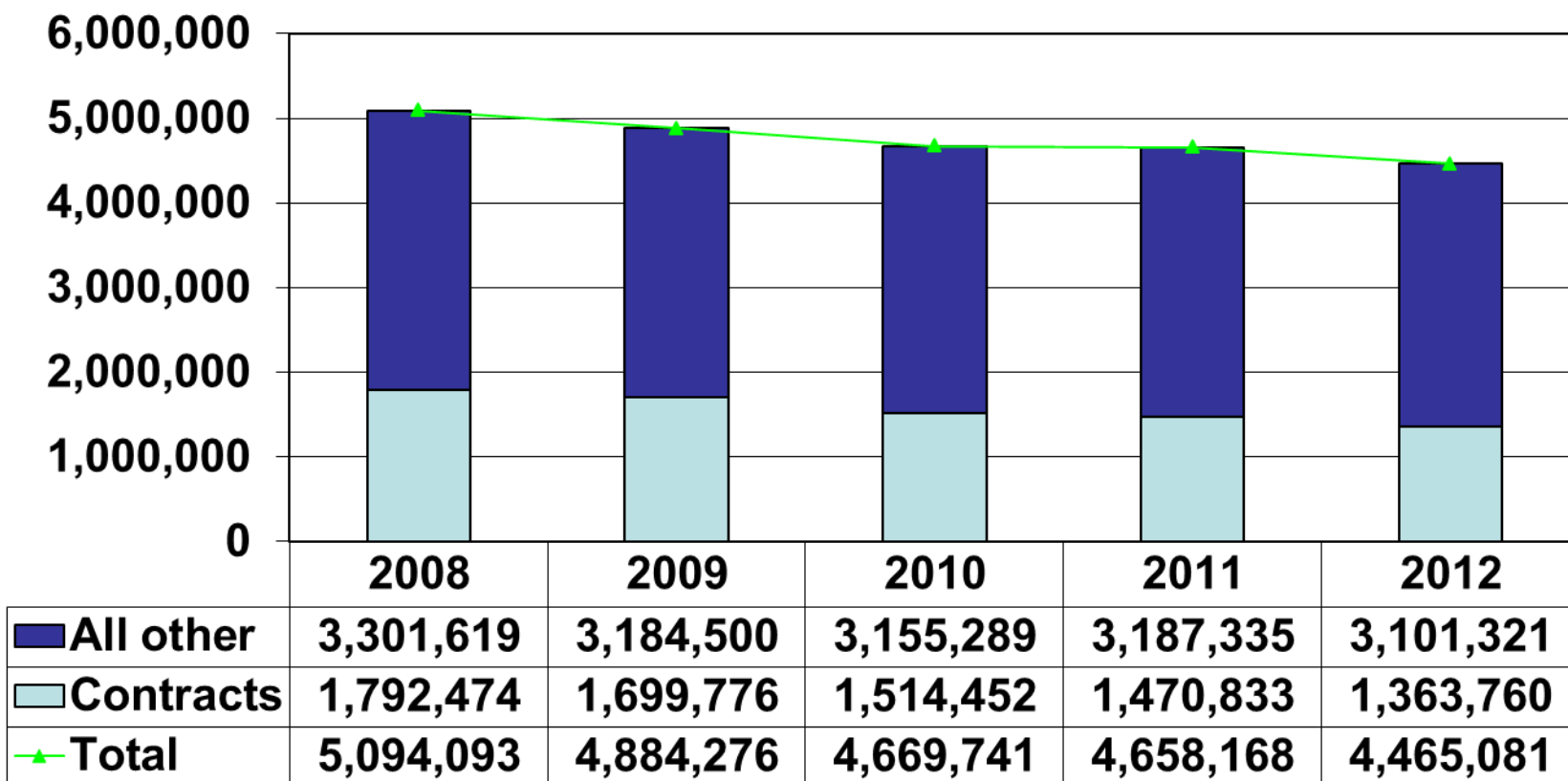
Water Production in MGD



Monthly Production in MGD



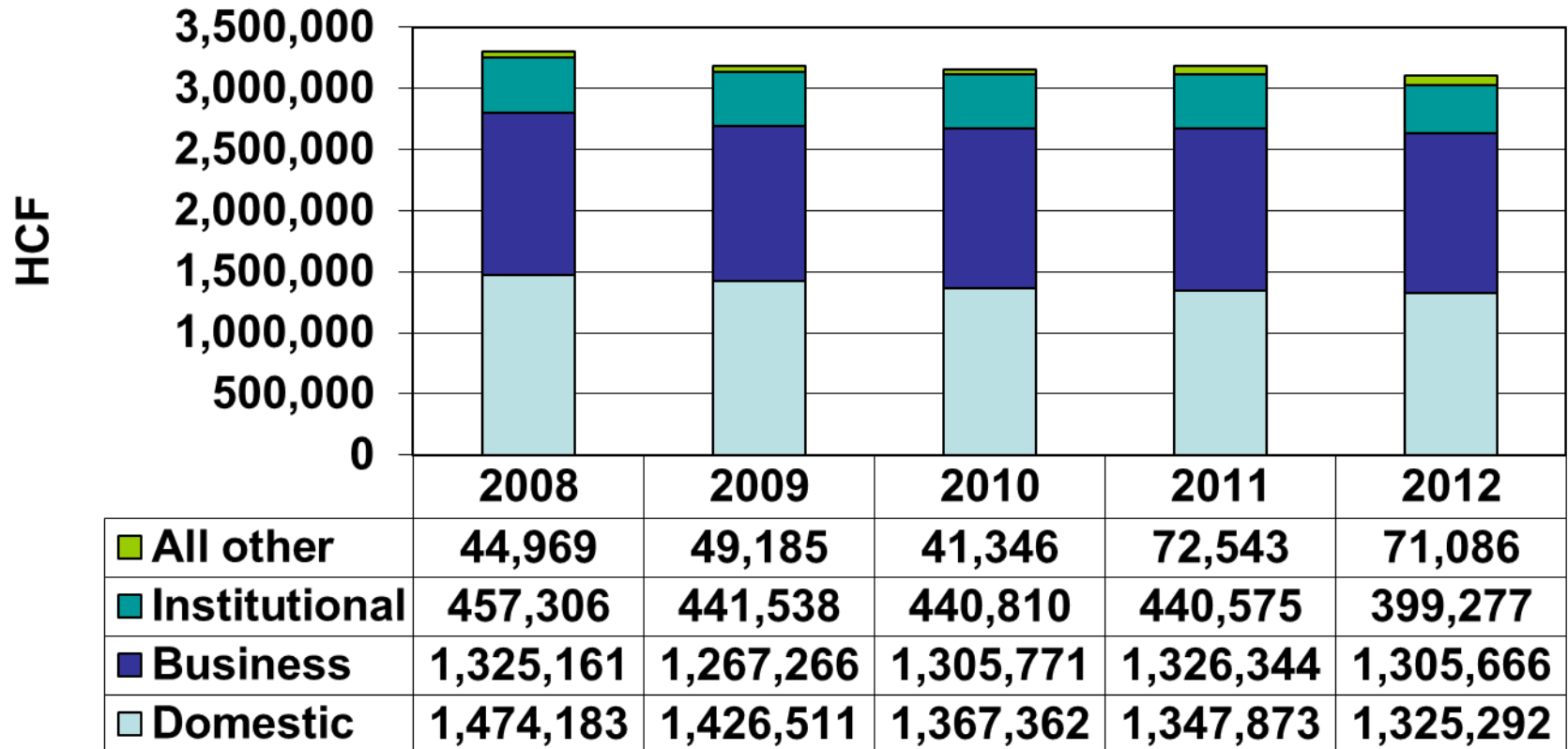
Water Sold in HCF



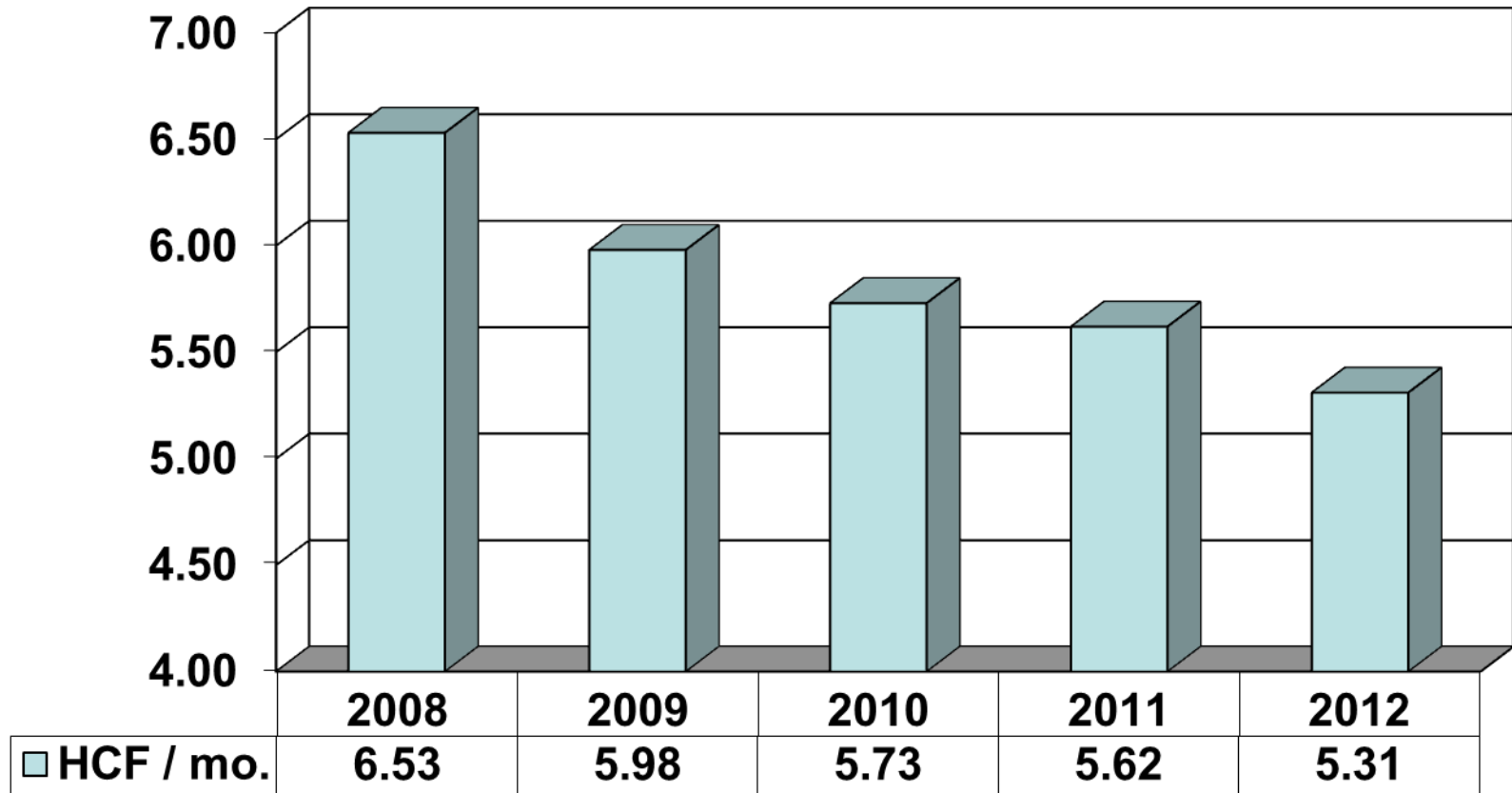
Contract Water Use in HCF

Water Customers	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Amherst	54,410	55,355	49,805	54,080	43,305
Bedford	806,541	798,263	725,571	748,310	727,881
CCUSA	268,788	250,826	215,854	196,767	182,489
Frito-Lay	181,668	155,245	125,509	139,112	136,765
Rock Tenn	481,067	440,087	397,713	332,564	273,320
Total contract use	1,792,474	1,699,776	1,514,452	1,470,833	1,363,760
Non-contract use	3,301,619	3,184,500	3,155,289	3,187,335	3,101,321
Total use	5,094,093	4,884,276	4,669,741	4,658,168	4,465,081
Contract % of use	35%	35%	32%	32%	31%

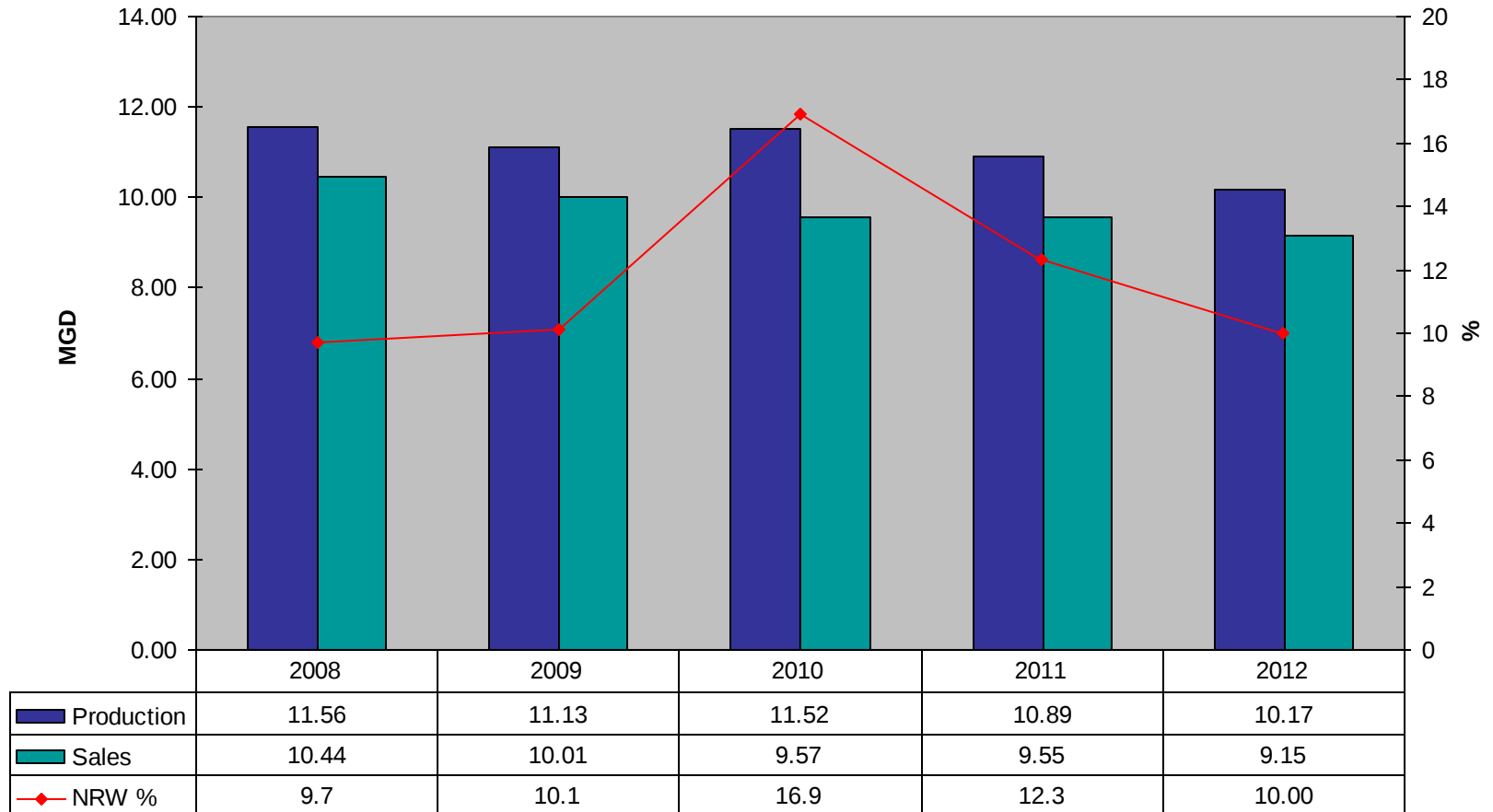
Non-Contract Water Sales in HCF



Avg. Monthly Water Sold Domestic Customers



Non Revenue Water



Water Complaints

Type of Complaint	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
1. Discolored water	171	131	140	123	53
2. Odor / taste	4	8	2	11	6
3. No water	-	28	40	15	13
4. High / low pressure	141	94	86	95	67
5. Service line leaks	135	211	133	98	85
6. Main breaks	-	39	46	30	39
7. Meter related	81	134	75	75	71
8. Unclassified	-	-	-	255	232
Total complaints	532	645	522	702	566
Number of water customers	21,158	22,240	22,265	22,374	23,308
Complaints / 1,000 customers	25	29	23	31	24

Water Fund Financial Data

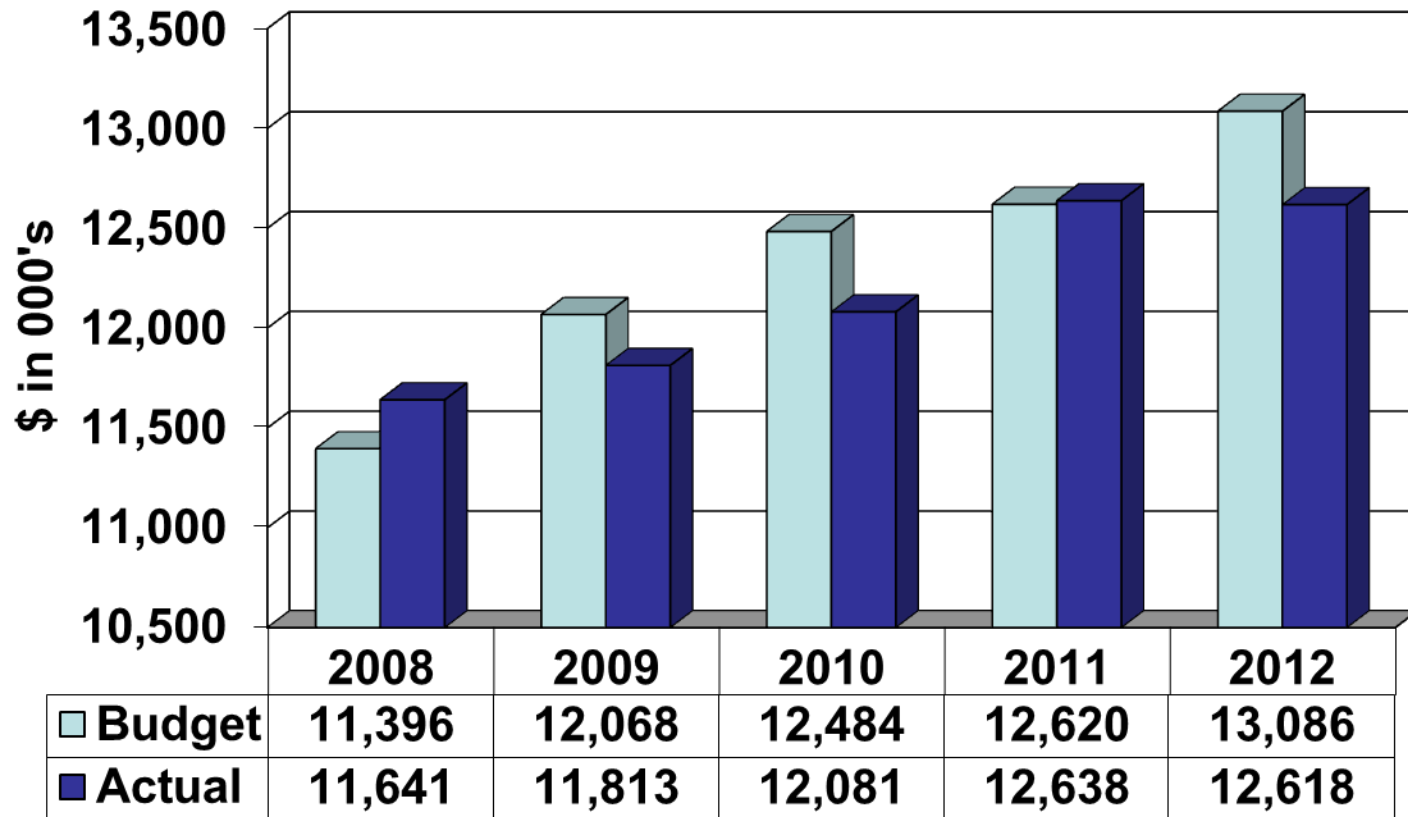
Water Fund Debt Coverage

(\$ in 000's)

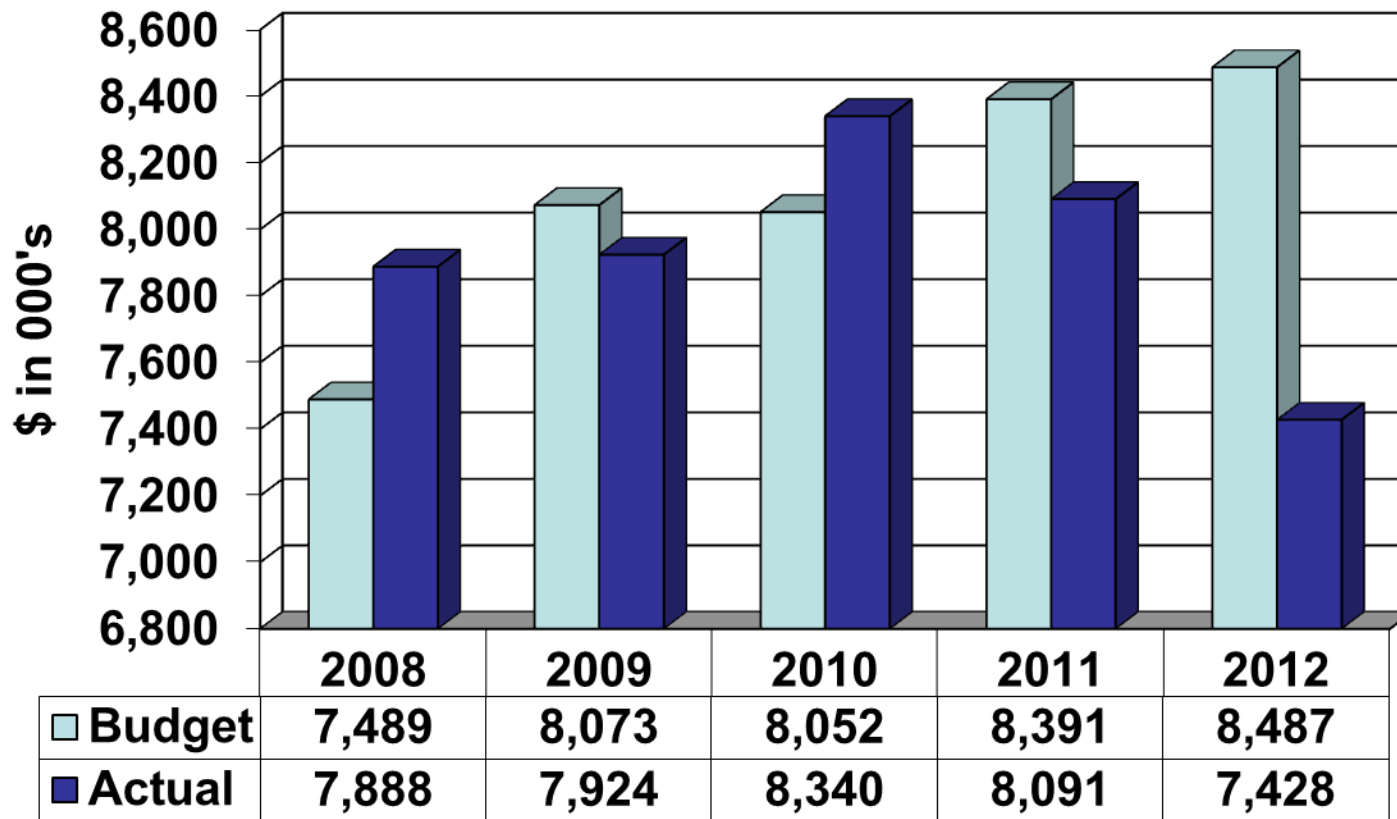
	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
Revenues:					
Charges for services	\$8,763	\$9,034	\$9,309	9,792	9,791
Water contracts	2,502	2,690	2,720	2,670	2,518
Interest & other	376	89	52	176	309
	11,641	11,813	12,081	12,638	12,618
Expenses:					
Water treatment	2,683	2,954	2,863	2,767	2,390
Water line maintenance	1,400	1,548	1,603	1,627	1,469
Meter reading	879	821	861	836	885
Administration	2,478	2,440	2,448	2,793	2,647
Non-departmental	133	128	168	164	119
Project expenses	315	33	397	14	21
Capitalized expenses	0	0	0	-110	-103
	7,888	7,924	8,340	8,091	7,428
Operating income	3,753	3,889	3,741	4,547	5,190
Debt service	2,877	2,703	2,999	3,677	3,650
Debt coverage	1.30	1.44	1.25	1.24	1.42

Water Revenues

Adopted Budget vs. Actual



Water Operating Expenses Adopted Budget vs. Actual



Largest Water Customers

(\$ in 000's)

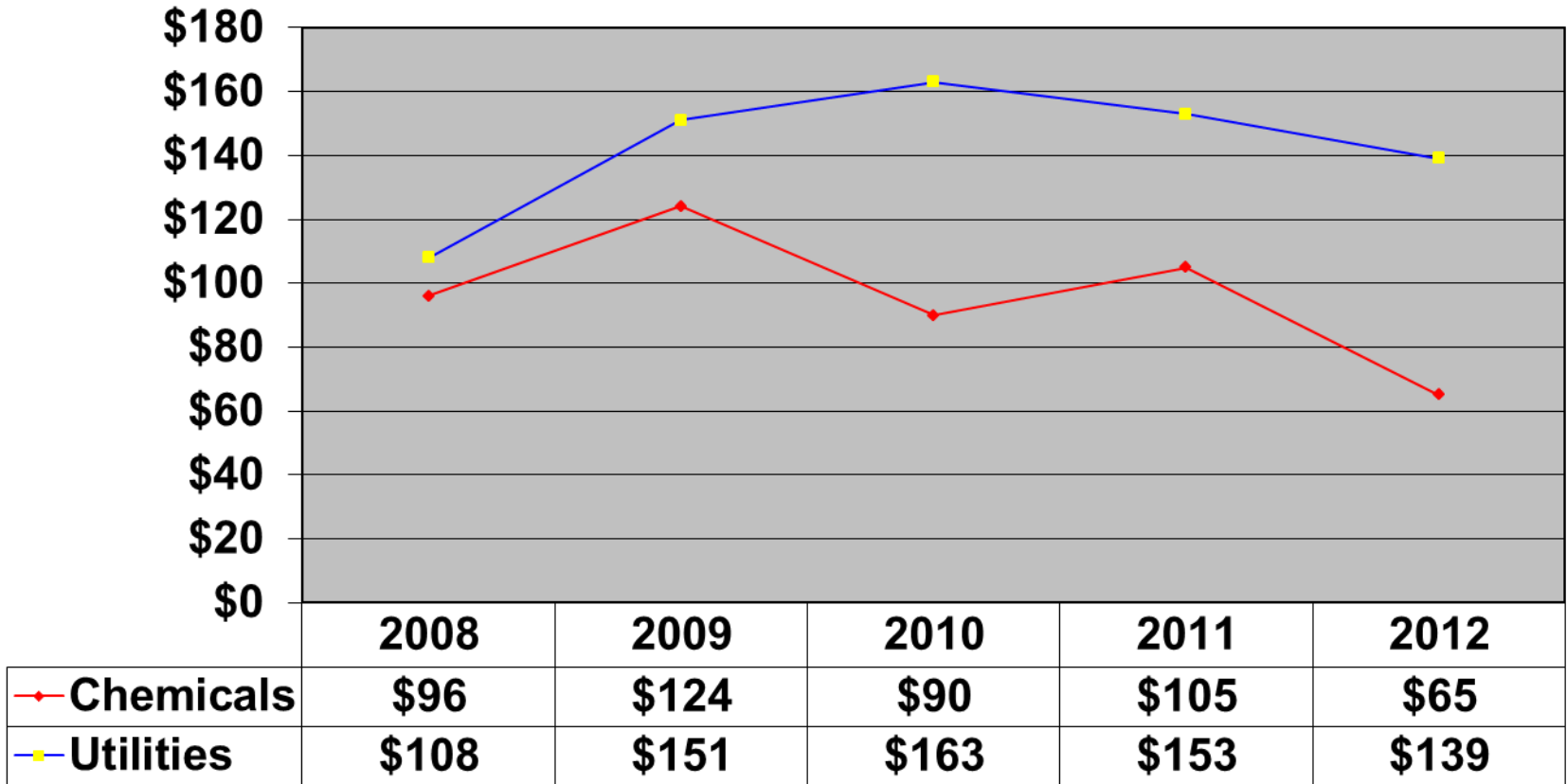
Customer	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
1. Bedford County	\$1,326	\$1,501	\$1,537	\$1,487	\$1,406
2. CCUSA	432	473	465	509	543
3. Rock Tenn	472	436	460	396	324
4. Liberty University	217	215	233	269	303
5. Frito-Lay	179	169	149	170	168
6. Azdel	91	56	143	150	126
7. Centra Health	213	173	124	137	262
8. Griffin Pipe	106	120	115	135	148
9. Amherst County	93	97	110	107	77
10. Kroger / Westover	122	105	108	105	107
11. Tri-Tech	64	67	106	133	154
12. RR Donnelley	111	115	102	135	112
Total top 12	3,426	3,527	3,652	3,733	3,730
Total water revenues	11,641	11,813	12,081	12,638	12,618
Top 12 % of total	29%	30%	30%	30%	30%
Customers with total billings in excess of \$100,000 / year.					

Water Expenses by Object

(\$ in 000's)

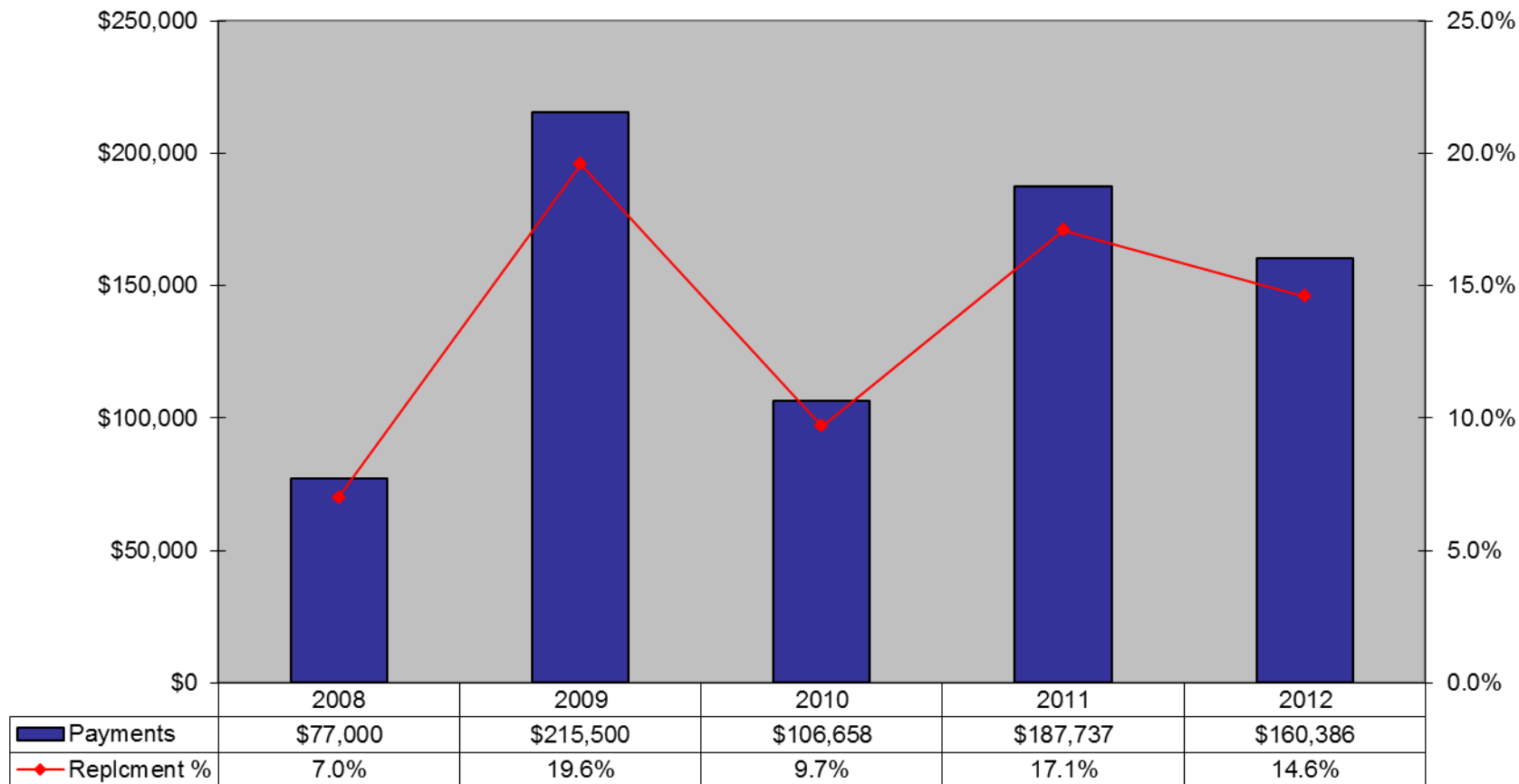
Expenses by object	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
Personal services	\$2,636	\$2,764	\$2,828	2,976	2,770
Fringe benefits	969	1,023	1,052	1,151	979
Supplies & materials	994	959	974	1,052	1,051
Contractual services	603	479	582	419	472
Utilities, including natural gas	455	614	687	609	516
Chemicals	404	504	378	419	242
General Fund allocations	1,105	1,026	905	1,004	1,003
All other, including project expenses	722	540	879	571	358
Total excluding capitalized expenses	\$7,888	\$7,909	\$8,285	\$8,201	\$7,391
% increase	20.2%	0.3%	4.8%	-1.0%	-9.9%

Water Variable Expenses / MG



Water Vehicle Costs

Total cost of all vehicles (\$1.1 million)

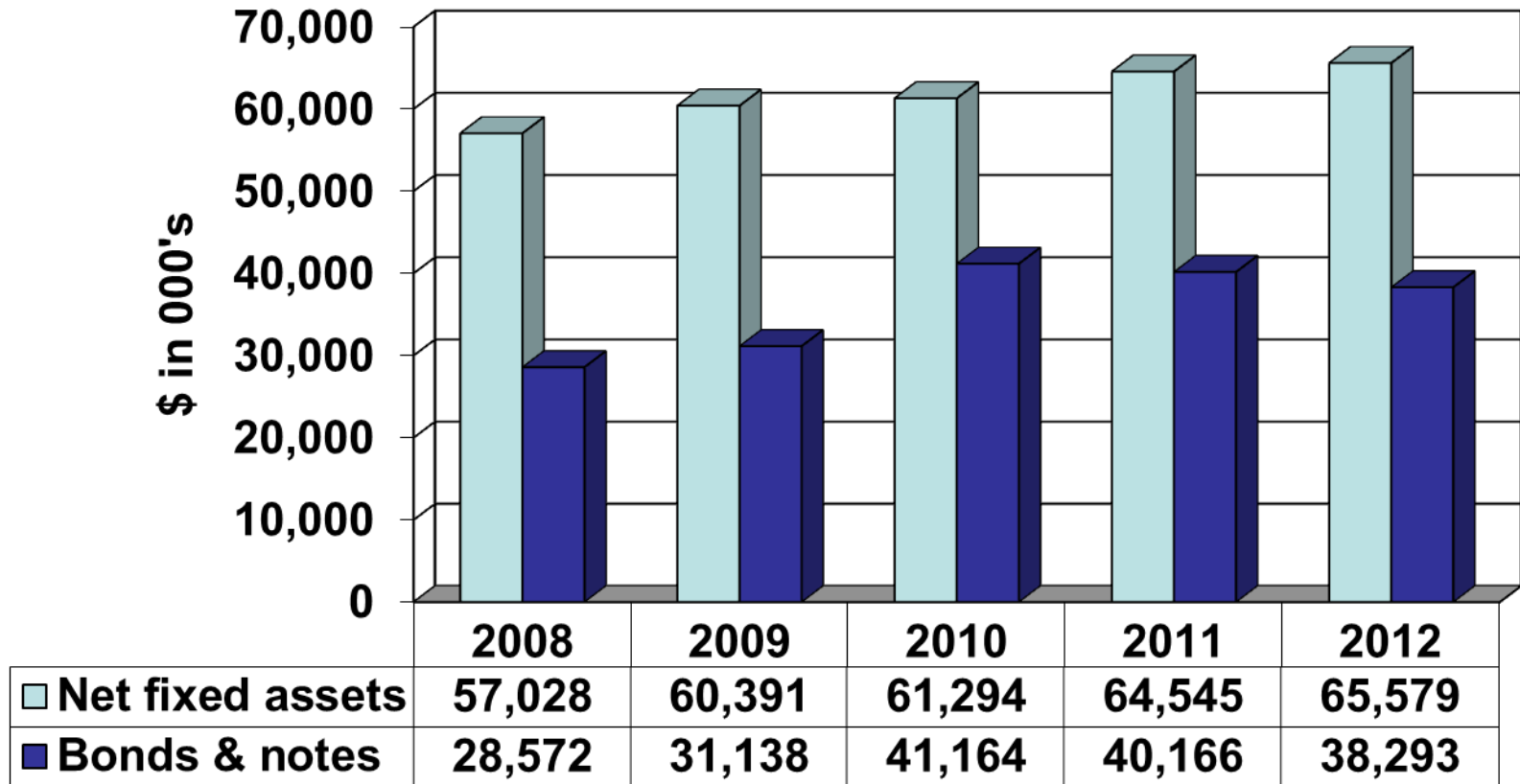


Water Capital Expenditures

\$ in 000's

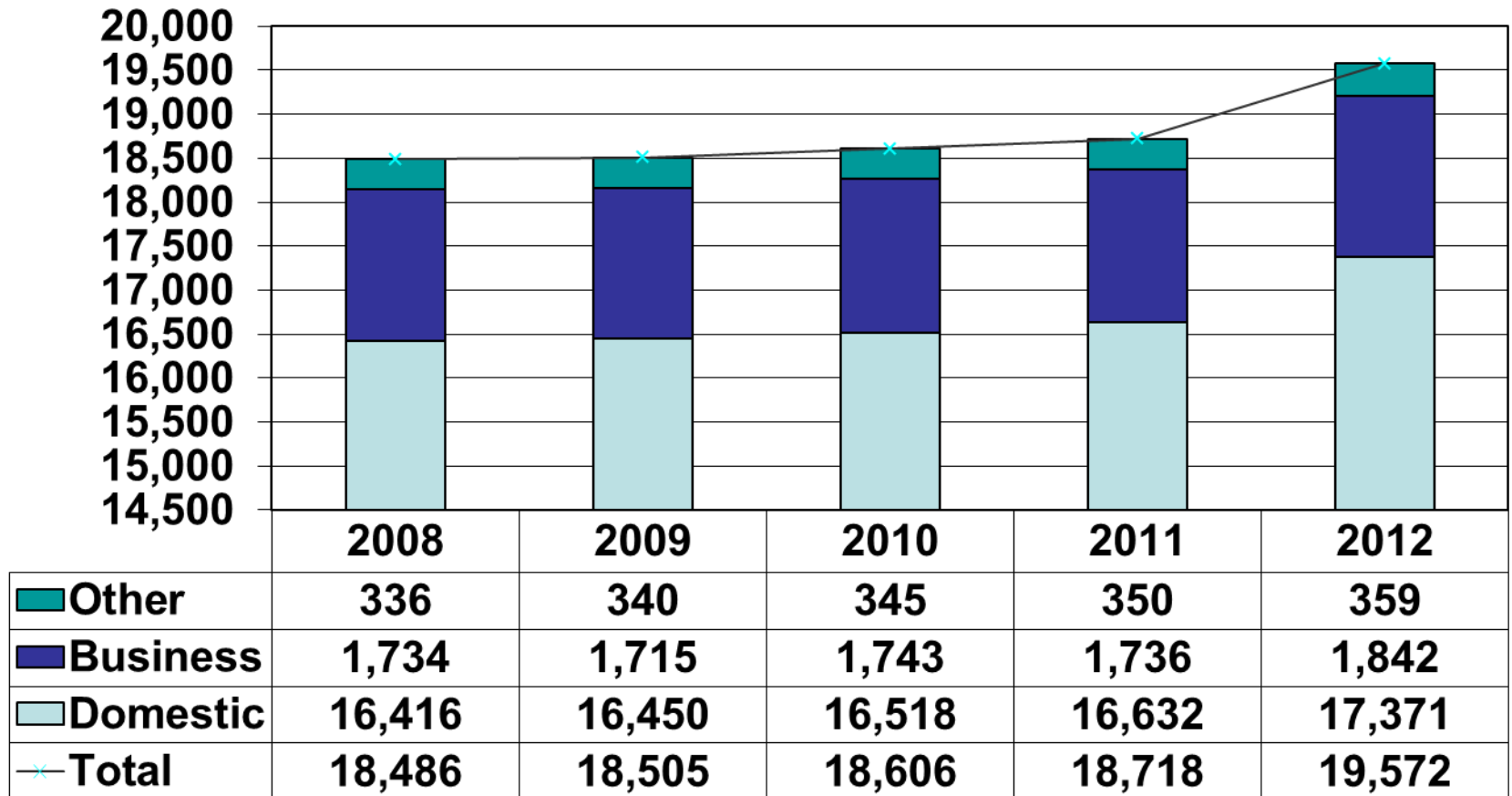
Capital Expenditures	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
Source of supply	45	220	463	1,202	103
Treatment plants	4,347	2,349	83	494	298
Storage tanks	683	733	98	603	22
Petitions & extensions	840	211	239	304	111
Distribution & CSO improvements	804	1,765	1,795	2,435	2,920
Other	0	182	778	364	0
Total	6,719	5,460	3,456	5,402	3,454

Net Water Capital Assets

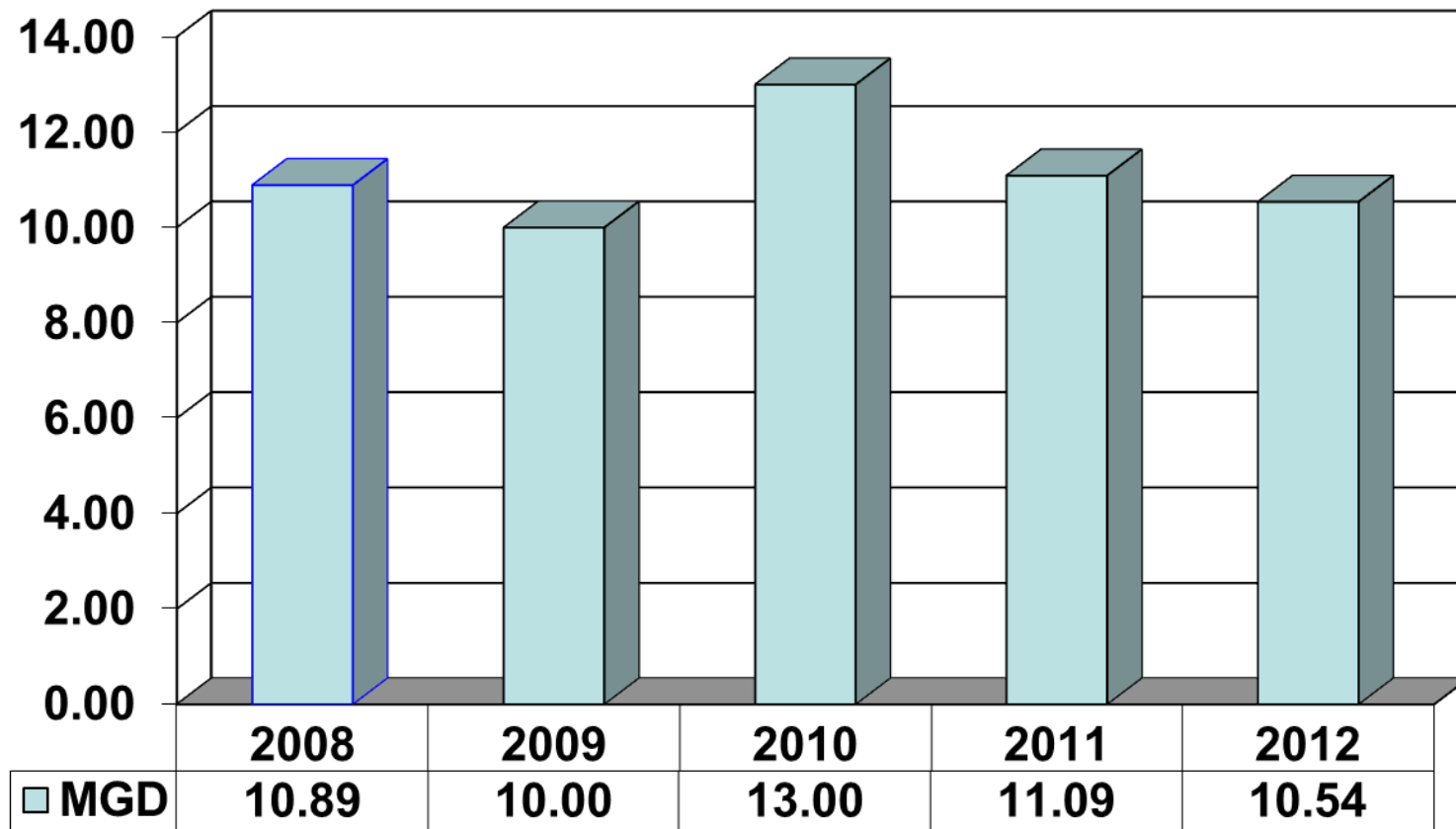


Wastewater Statistics

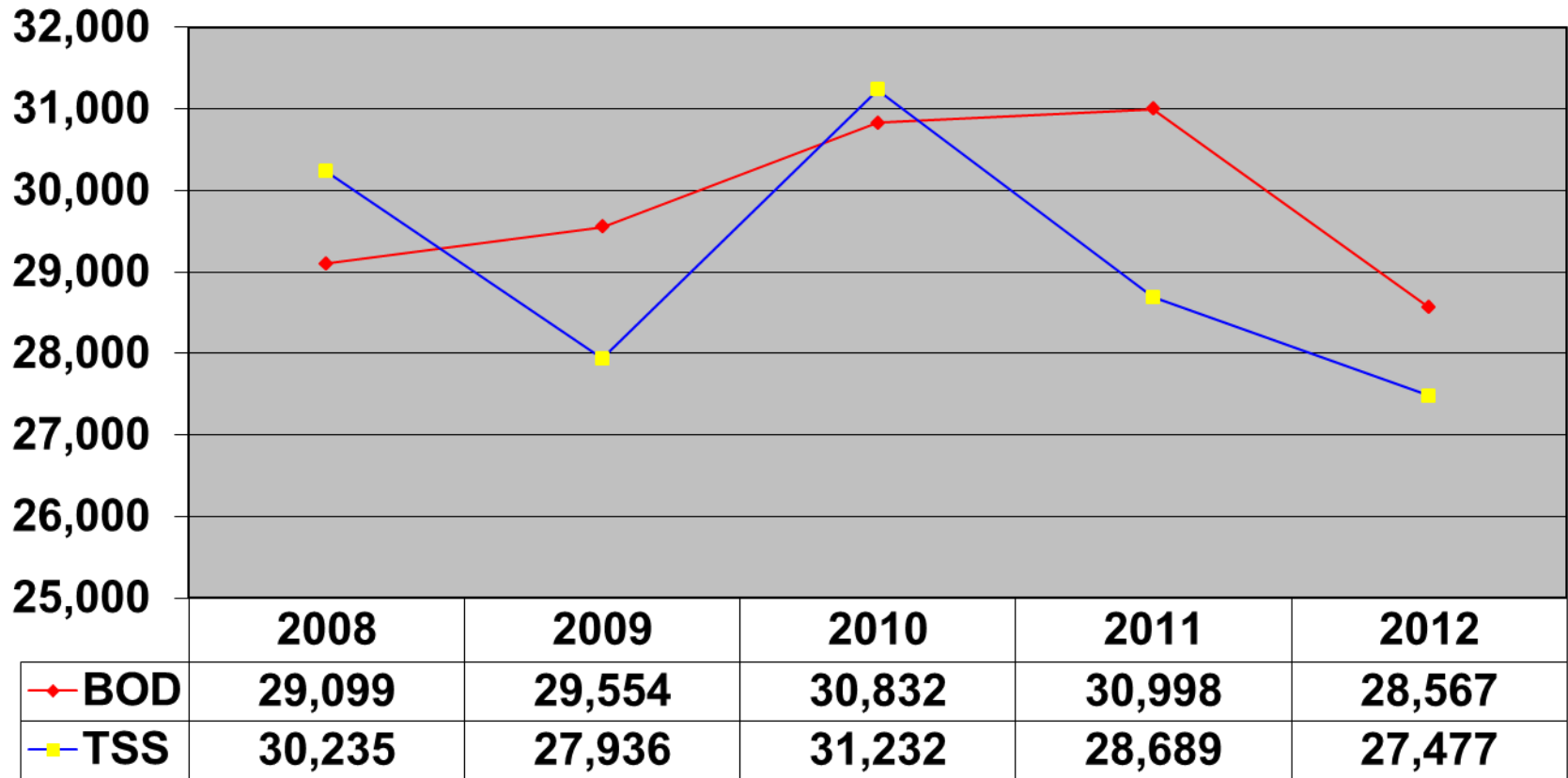
Number of Sewer Customers



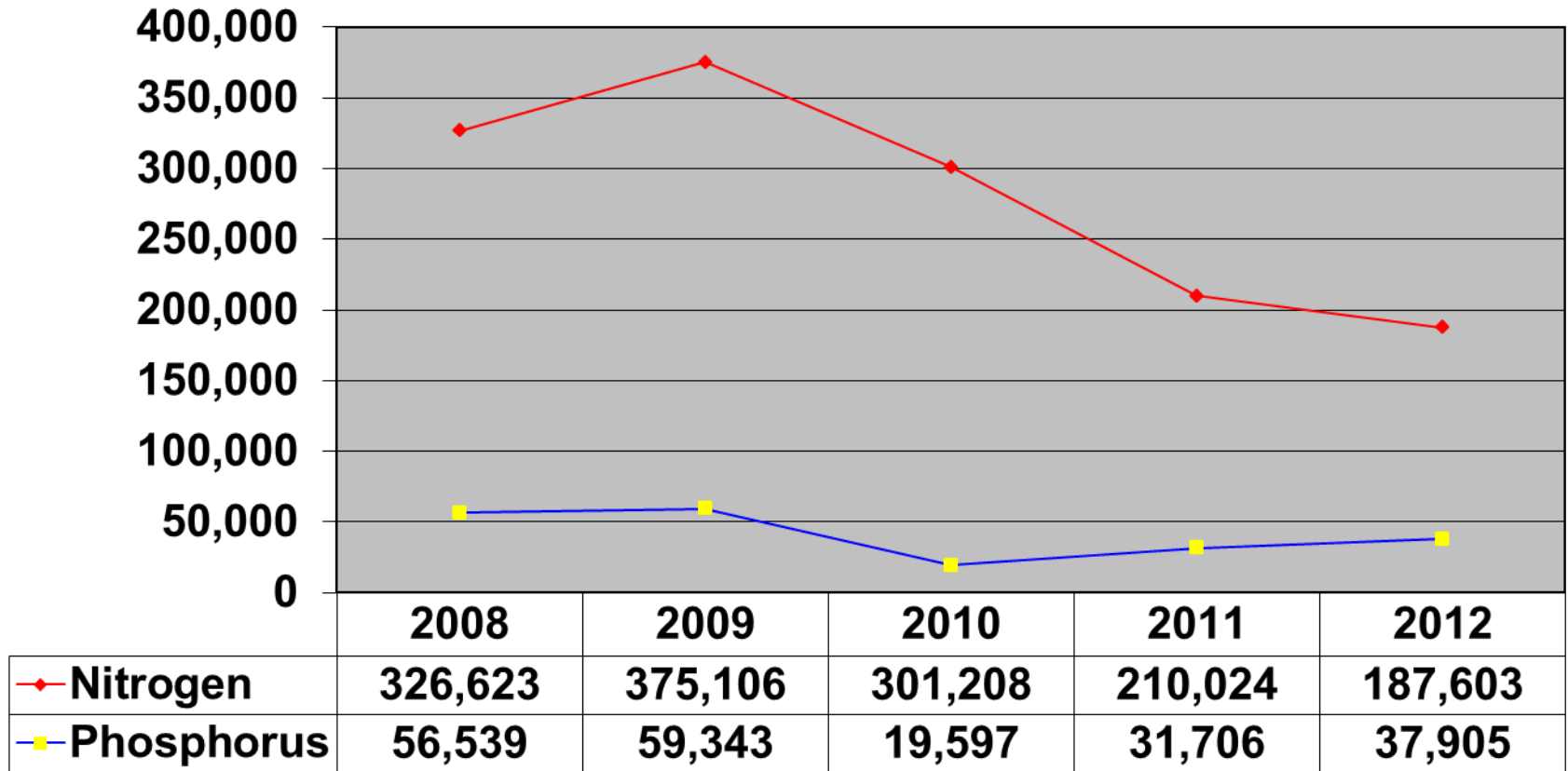
Wastewater Effluent in MGD



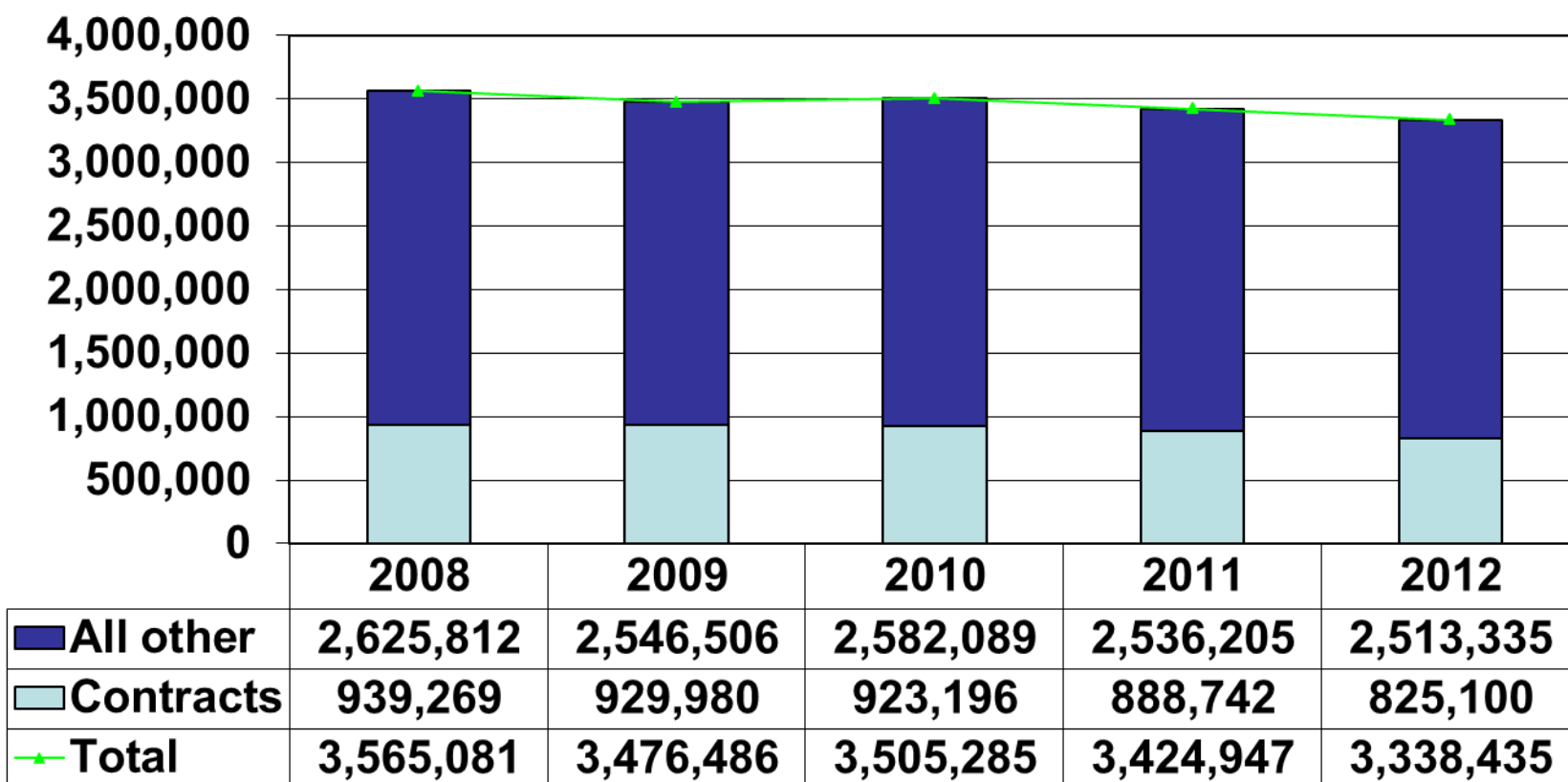
BOD / TSS Loadings in lbs. / Day



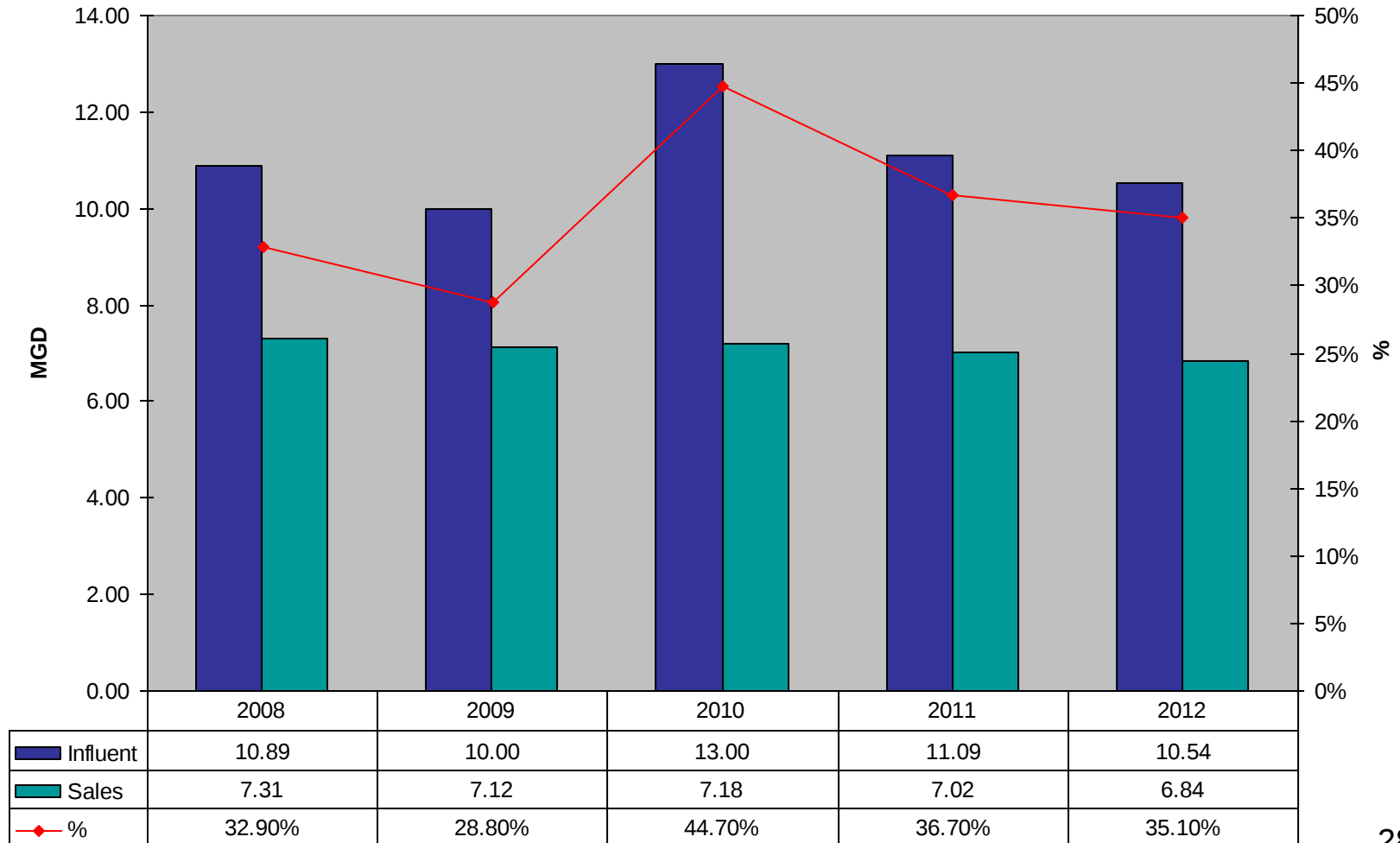
Nitrogen / Phosphorus Annual Discharge in lbs



Sewer Sold in HCF



Sewer Sales to Influent



Sewer Complaints

Type of Complaint	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
1. Cave-in / broken sewer line	21	29	25	-	-
2. Sewer odor	45	76	45	72	30
3. Sewer overflow / backups	27	58	183	138	10
4. Stormwater related	167	228	203	219	154
5. All other	64	66	78	122	217
Total complaints	324	457	534	551	411
Number of sewer customers	18,486	18,505	18,606	18,718	19,572
Complaints / 1,000 customers	18	25	29	29	21

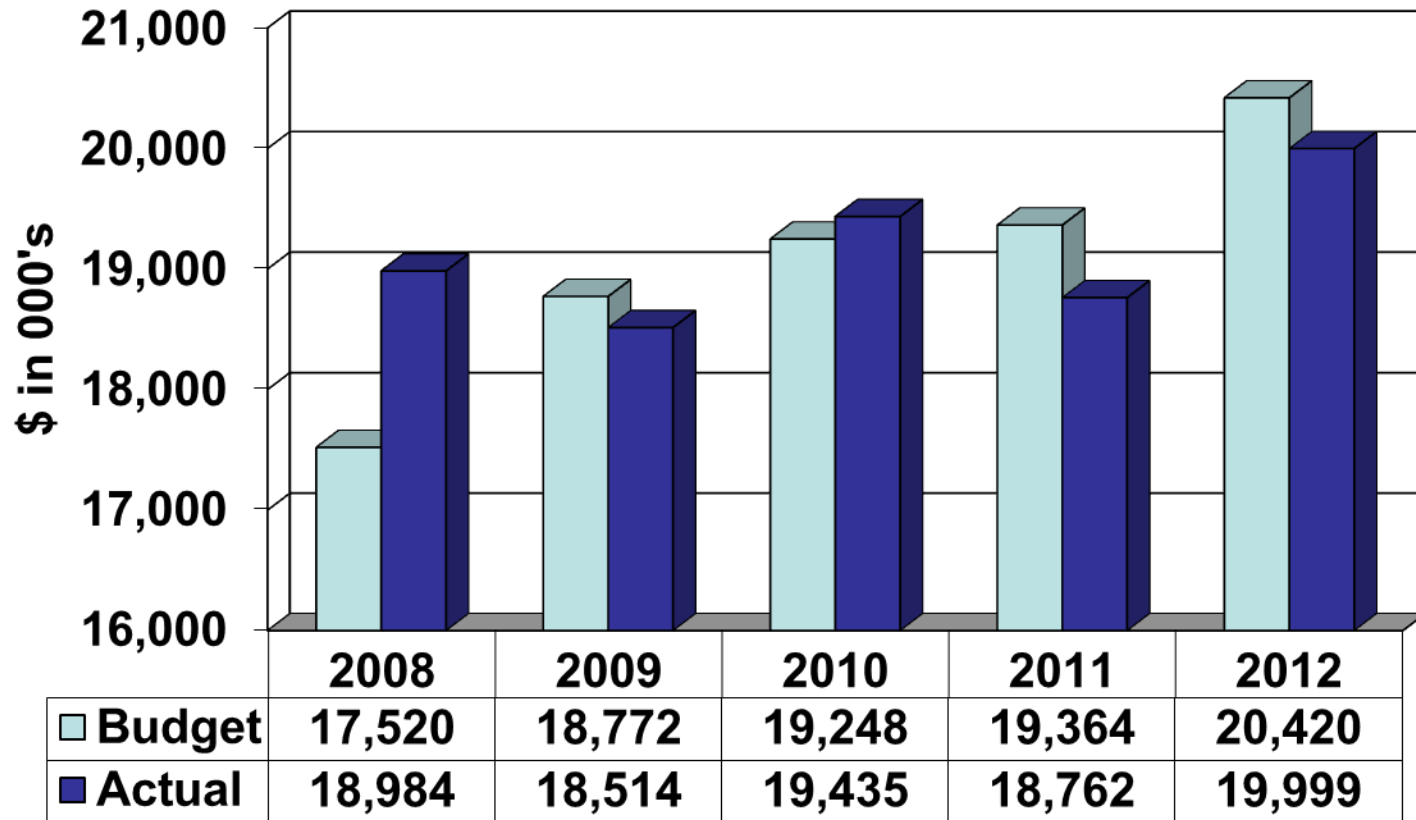
Sewer Fund Financial Data

Sewer Fund Debt Coverage

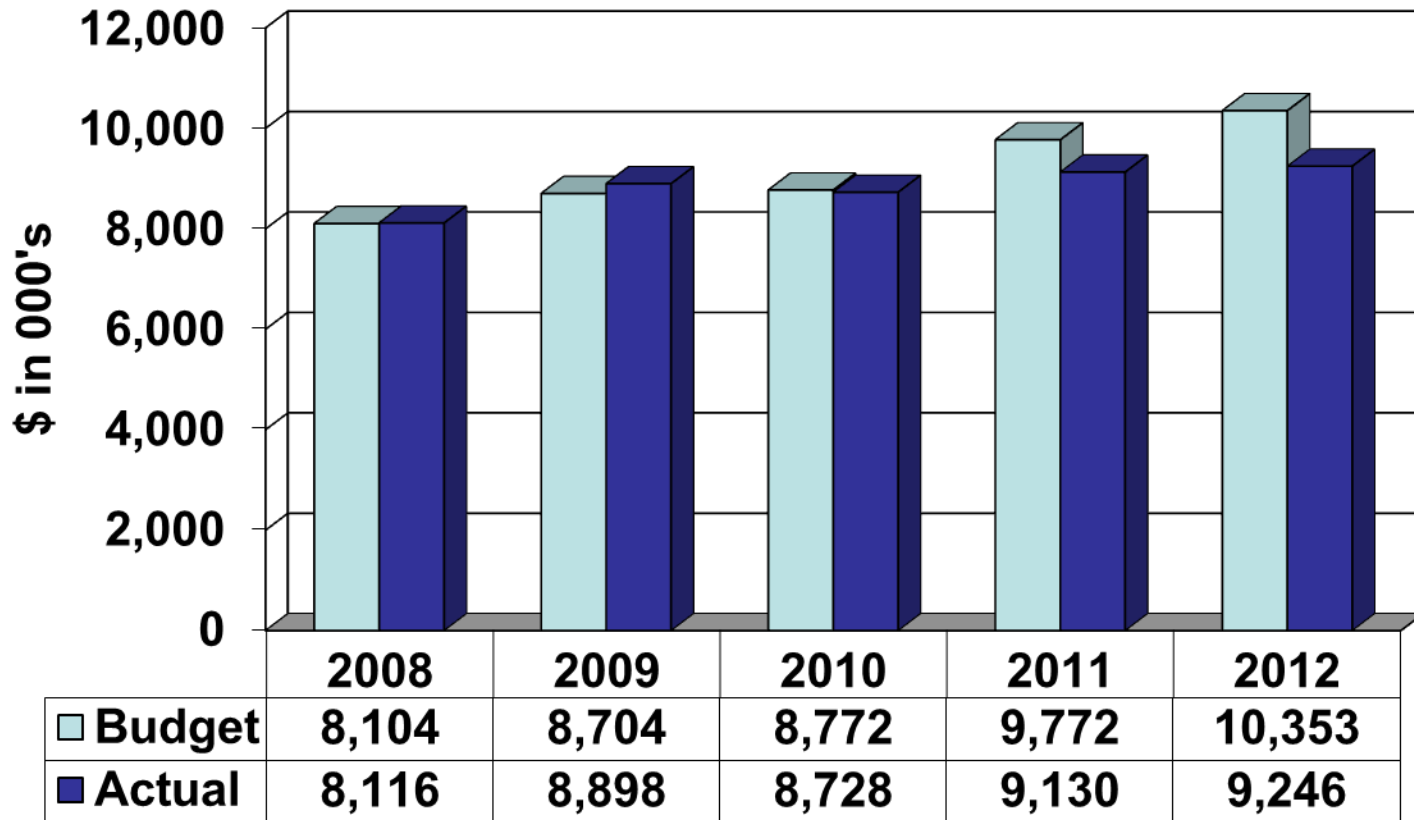
	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
Revenues:					
Charges for services	15,525	15,542	16,085	15,757	16,267
Water contracts	2,836	2,562	2,991	2,806	2,802
Interest & other	623	410	359	199	930
	18,984	18,514	19,435	18,762	19,999
Expenses:					
WWTP	4,721	5,052	6,007	6,310	6,104
Sewer line maintenance + sw	1,687	1,921	2,305	2,665	2,598
Non-departmental	1,283	1,278	250	250	462
Project expenses	425	647	166	135	380
Capitalized expenses	0	0	0	-230	-298
	8,116	8,898	8,728	9,130	9,246
Operating income	10,868	9,616	10,707	9,632	10,753
Debt service, net of IRS rebate	6,959	6,569	7,107	7,573	8,067
Debt coverage	1.56	1.46	1.51	1.27	1.33

Sewer Revenues

Adopted Budget vs. Actual



Sewer Operating Expenses Adopted Budget vs. Actual



Ten Largest Sewer Customers

(\$ in 000)

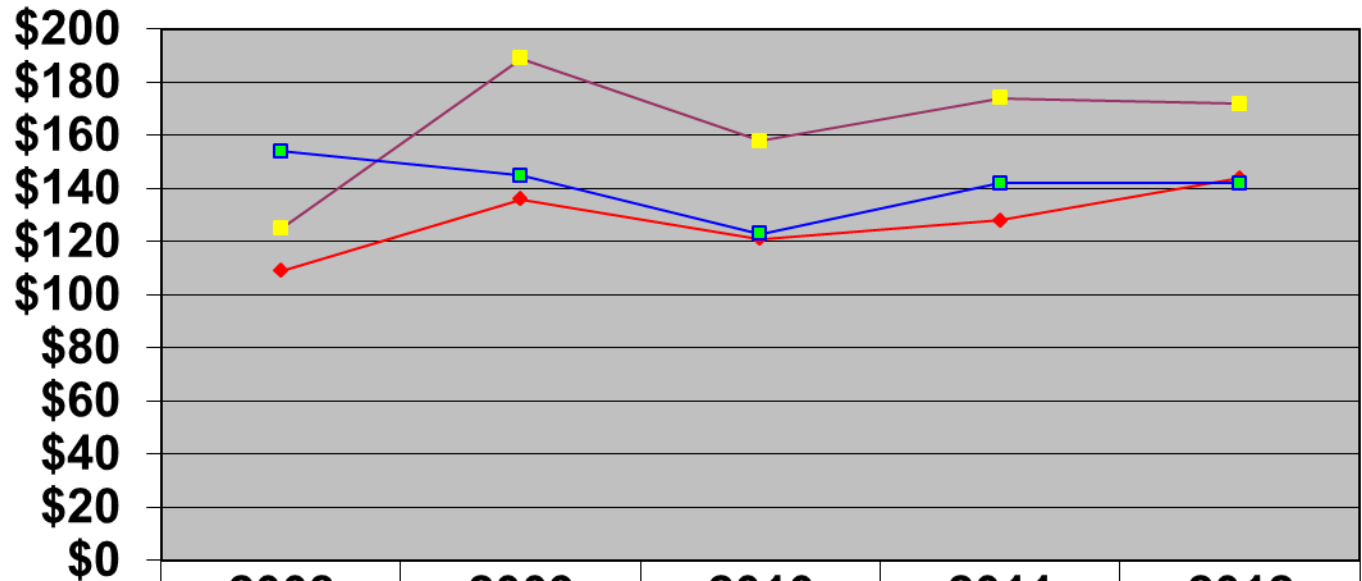
Customers	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
1. Rock Tenn	\$1,431	\$1,139	\$1,154	\$1,019	\$921
2. Frito-Lay	578	613	692	778	696
3. Centra Health	278	382	450	537	516
4. Liberty University	262	469	476	518	614
5. Azdel	312	175	519	417	368
6. Bedford County	320	365	484	388	441
7. Amherst County	303	337	396	365	400
8. Griffin Pipe	298	295	280	316	283
9. Kroger / Westover Dairy	443	276	203	308	290
10. CCUSA	205	246	264	262	350
Total top 10	4,430	4,297	4,918	4,908	4,879
Total sewer revenues	18,984	18,514	19,435	18,762	19,999
Top ten % of total	23%	23%	25%	26%	24%

Sewer Expenses by Object

\$ in 000's

Expenses by object	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
Personal services	1,660	1,761	1,844	1,886	2,087
Fringe benefits	630	674	699	729	737
Supplies & materials	464	493	544	624	517
Contractual expenses	826	807	888	1,059	964
Sludge disposal	614	531	582	575	545
Utilities	498	690	751	703	661
Chemicals	434	496	575	518	555
General & Water Fund Allocations	1,815	2,112	1,979	2,360	2,136
All other	1,175	1,304	866	906	499
Total excluding capitalized expense	\$8,116	\$8,868	\$8,728	\$9,360	\$8,701
% Increase - total	22.8%	9.3%	-1.6%	7.2%	-7.0%

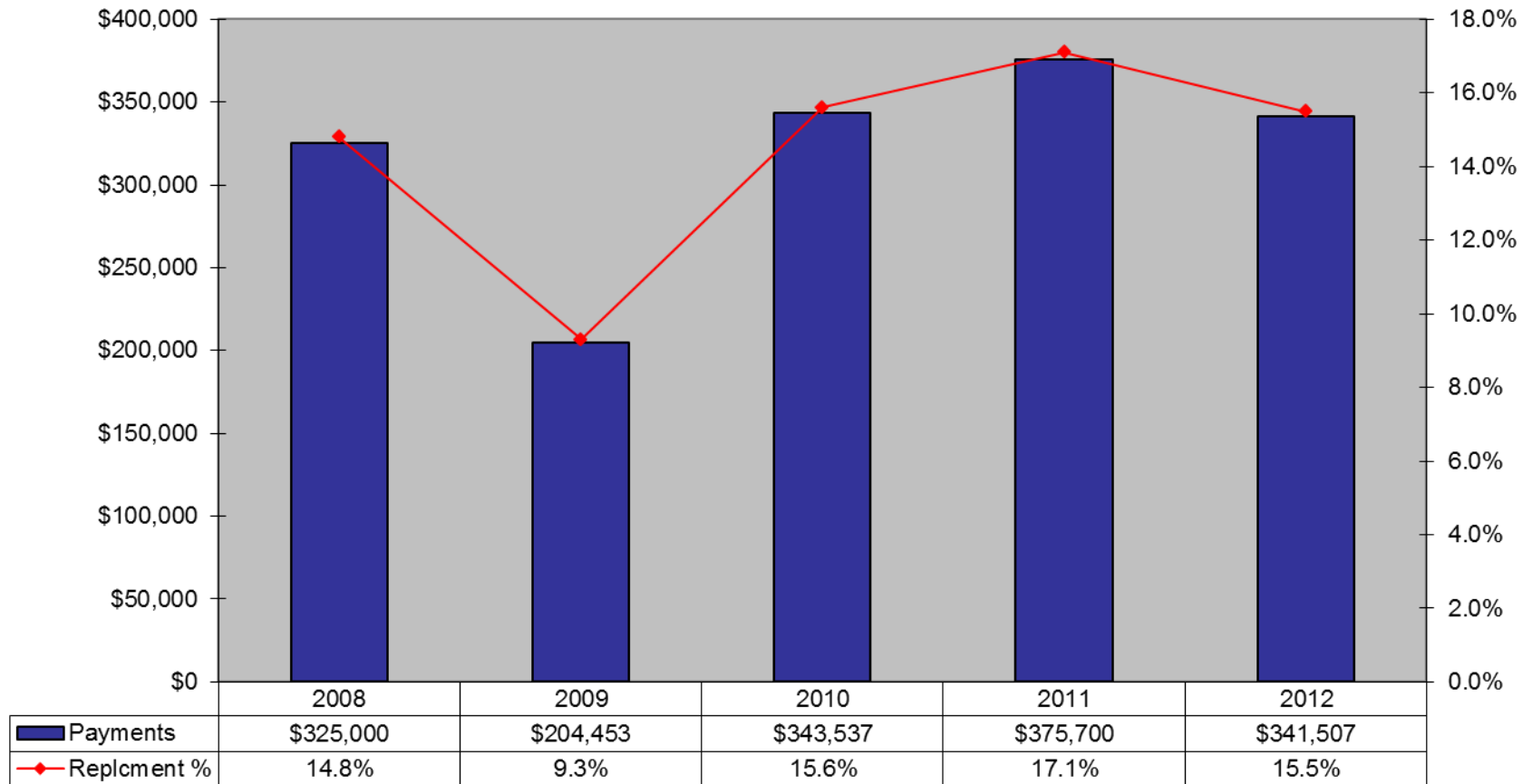
Sewer Variable Expenses / MG



◆ Chemicals	2008	2009	2010	2011	2012
■ Utilities	\$109	\$136	\$121	\$128	\$144
■ Sludge disposal	\$125	\$189	\$158	\$174	\$172
	\$154	\$145	\$123	\$142	\$142

Sewer Vehicle Costs

Total cost of all vehicles (\$2.2 million)

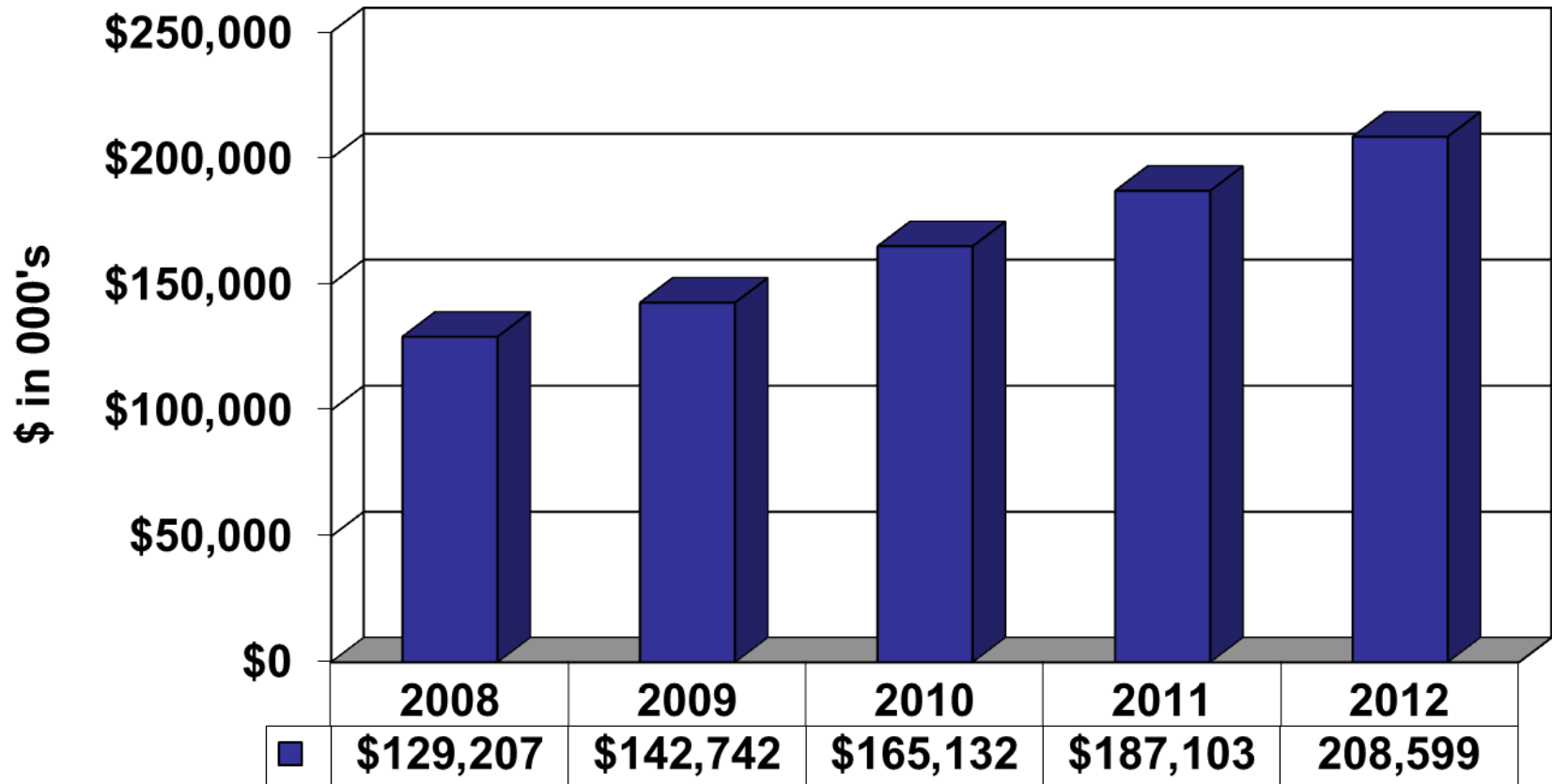


Sewer Capital Expenditures

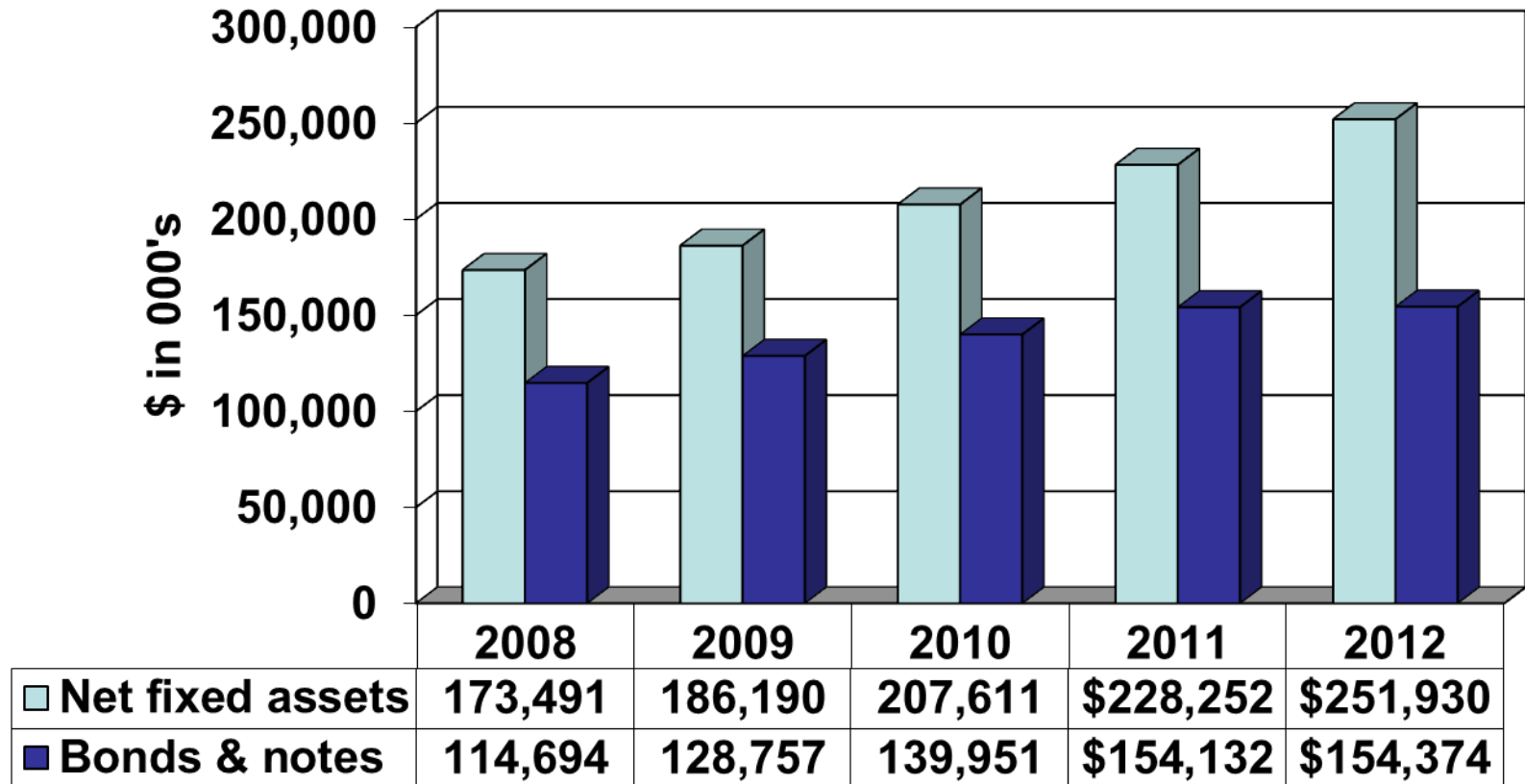
\$ in 000's

Capital Expenditures	FY 2008	FY2009	FY 2010	FY 2011	FY 2012
Sewer extensions	829	572	596	193	258
Treatment plant	630	2,564	1,612	1,164	5,572
Collection system repairs	103	309	464	997	1,667
CSO - separation & RDP	7,703	8,007	7,387	9,423	5,194
Interceptors	6,530	6,060	14,003	12,549	15,639
Stormwater	0	0	0	284	92
Other	102	218	1,092	1,177	1,132
Total	15,897	17,730	25,154	25,787	29,554

Cumulative CSO Expenditures



Net Sewer Capital Assets

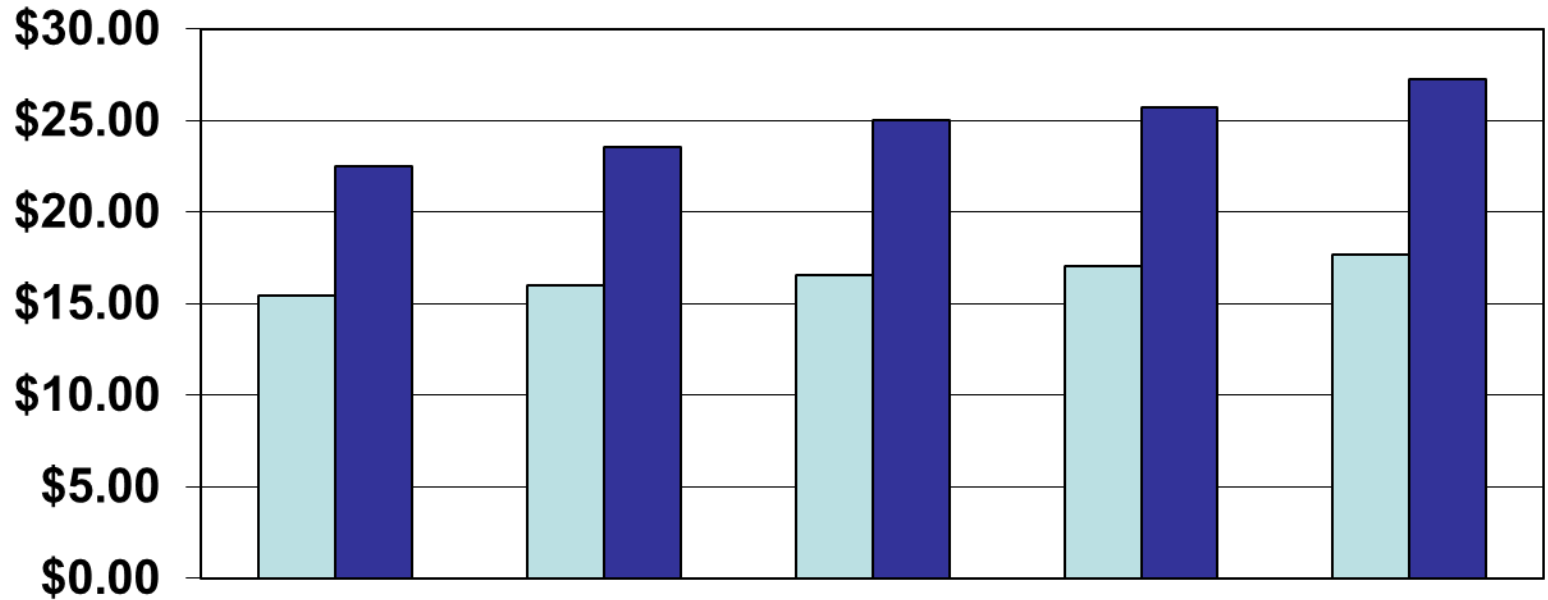


Rate & Bill Data

Water, Sewer & Stormwater Rates

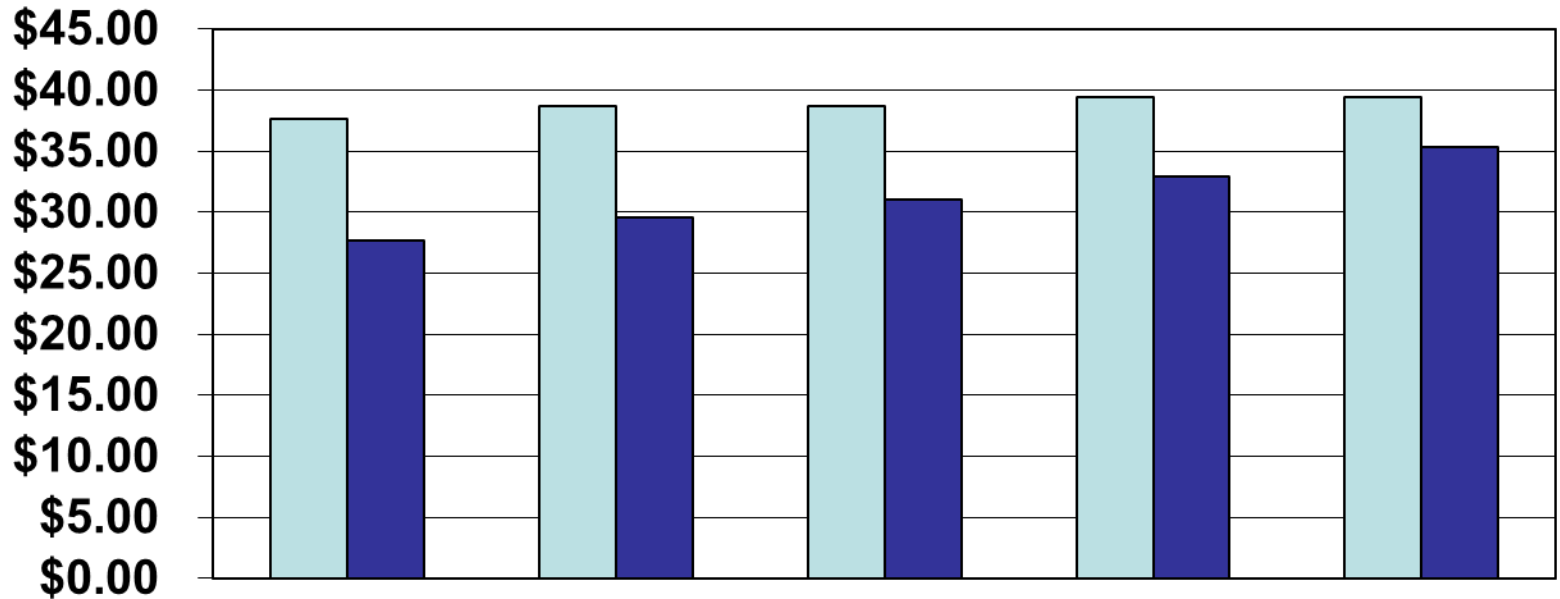
	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012
Water volume charge / hcf	\$2.05	\$2.13	\$2.22	\$2.29	\$2.38
Sewer					
Volume charge / hcf	5.38	5.54	5.54	5.65	5.65
BOD / 100 lbs	18.46	18.46	20.31	20.31	21.33
TSS / 100 lbs.	20.88	20.88	22.97	22.97	24.12
Septic hauler charge	177.00	177.00	185.50	185.50	195.14
Avg. industrial pre-treatment / permit fee	1,460	1,460	1,606	1,606	1,606
Sewer only	41.35	42.47	42.27	43.24	43.24
Account charge	3.69	3.69	3.69	3.69	3.69
Stormwater					
Rate per sfu per month	0.00	0.00	0.00	0.00	4.00
Water Connection fees					
3/4" & 5/8" meters	950	950	950	950	950
1" service - 5/8" meter	1,000	1,000	1,000	1,000	1,000
1" service - 1" meter	1,150	1,150	1,150	1,150	1,150
Greater than 1" minimum	1,150	1,150	1,150	1,150	1,150
Sewer Connection Fees					
4" line	1,100	1,100	1,100	1,100	1,100
Greater than 4" - minimum	1,200	1,200	1,200	1,200	1,200
Availability fee					
Water	1,220	1,220	1,220	1,220	1,220
Sewer	1,950	1,950	1,950	1,950	1,950
Fire protection fees					
Hydrants & 8" fire lines	17.99	17.99	19.79	19.79	19.79
10" fire line	32.30	32.30	35.53	35.53	35.53
12" fire line	51.25	51.25	56.38	56.38	56.38
Cut-on charge	15	15	15	15	15
Cut-off charge	30	30	30	30	30

Water Bill Comparison @ 5,000 gallons / month



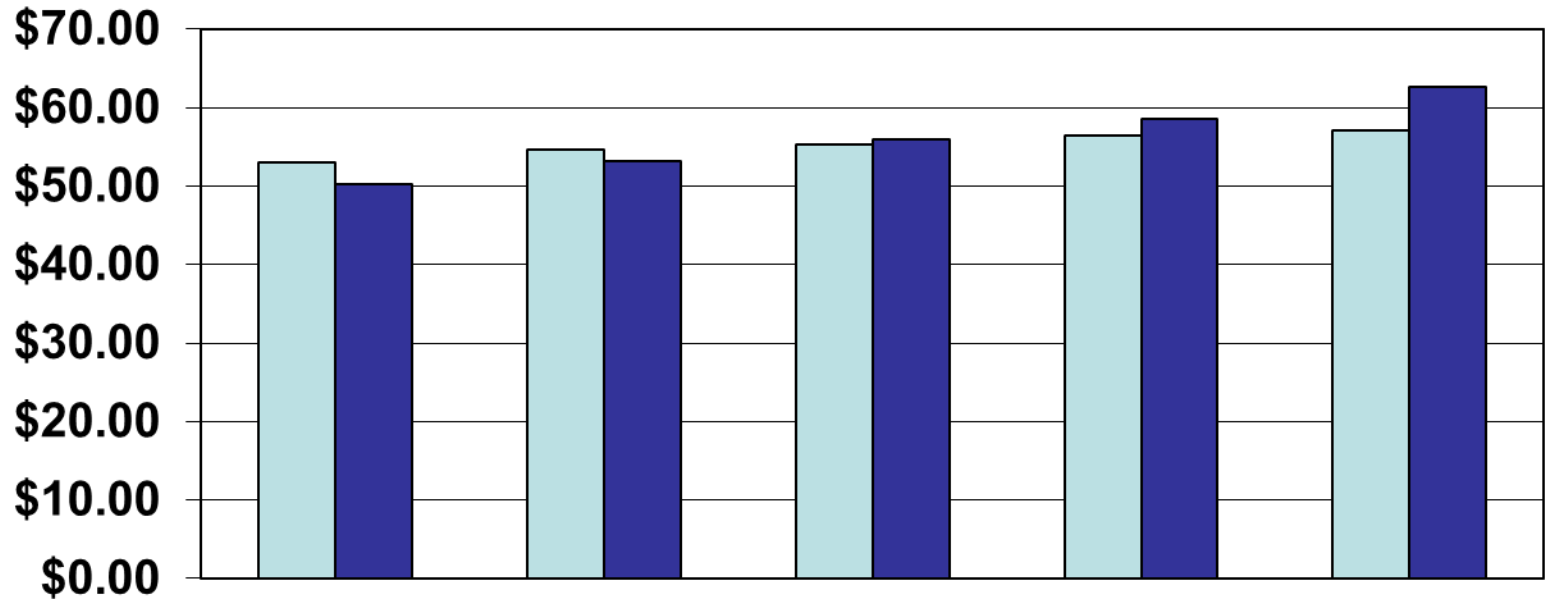
	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012
■ Lynchburg	\$15.47	\$16.00	\$16.60	\$17.07	\$17.67
■ State avg.	\$22.50	\$23.58	\$25.00	\$25.70	\$27.25

Sewer Bill Comparison @ 5,000 gallons / month



	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012
■ Lynchburg	\$37.63	\$38.69	\$38.69	\$39.42	\$39.42
■ State avg.	\$27.74	\$29.56	\$31.03	\$32.88	\$35.34

Water & Sewer Bill Comparison @ 5,000 gallons / month



	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012
■ Lynchburg	\$53.10	\$54.70	\$55.29	\$56.49	\$57.09
■ State avg.	\$50.24	\$53.14	\$56.03	\$58.52	\$62.59

Contract Rates

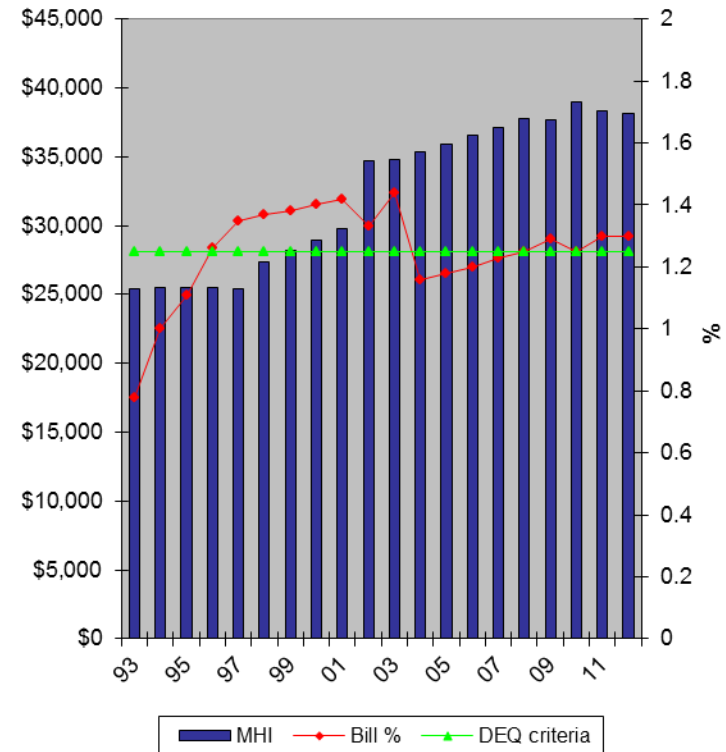
	FY 2008	FY2009	FY2010	FY2011	FY2012
Water Contract rates / HCF					
Amherst	1.94	1.89	1.99	1.89	1.84
Bedford	1.90	1.93	2.00	1.90	1.84
CCUSA	1.79	1.80	1.98	1.89	1.82
Frito-Lay	0.97	1.086	1.18	1.22	1.24
Rock Tenn	0.97	1.086	1.18	1.21	1.24
Sewer Contract rates / 1,000 gallons					
Amherst (1)	1.27	1.47	1.27	1.61	1.60
Bedford (1)	1.27	1.47	1.27	1.61	1.60
CCUSA (1)	1.27	1.47	1.27	1.61	1.60
Frito-Lay	1.57	1.73	2.51	2.65	2.82
Rock Tenn	1.56	1.73	1.84	1.89	2.02
1. Volume rate only.					

Annual Sewer Bill as a % of MHI

Annual Sewer Bill

1993	\$199.08	\$25,437	0.78%
1994	\$255.00	\$25,539	1.00%
1995	\$282.96	\$25,523	1.11%
1996	\$321.36	\$25,527	1.26%
1997	\$342.96	\$25,370	1.35%
1998	\$374.28	\$27,370	1.37%
1999	\$388.32	\$28,168	1.38%
2000	\$406.68	\$28,965	1.40%
2001	\$421.80	\$29,762	1.42%
2002	\$461.76	\$34,716	1.33%
2003	\$499.56	\$34,756	1.44%
2004	\$408.33	\$35,340	1.16%
2005	\$423.72	\$35,934	1.18%
2006	\$439.68	\$36,537	1.20%
2007	\$456.48	\$37,151	1.23%
2008	\$473.92	\$37,775	1.25%
2009	\$487.56	\$37,710	1.29%
2010	\$487.56	\$38,983	1.25%
2011	\$496.80	\$38,353	1.30%
2012	\$496.80	\$38,126	1.30%

Note - MHI based on 9 hcf of monthly use up to 2003; 7 hcf thereafter.





Department of Water Resources
FY 2014 Rate Study and Annual Report



GUIDING PRINCIPLES

Rate Setting Guiding Principles

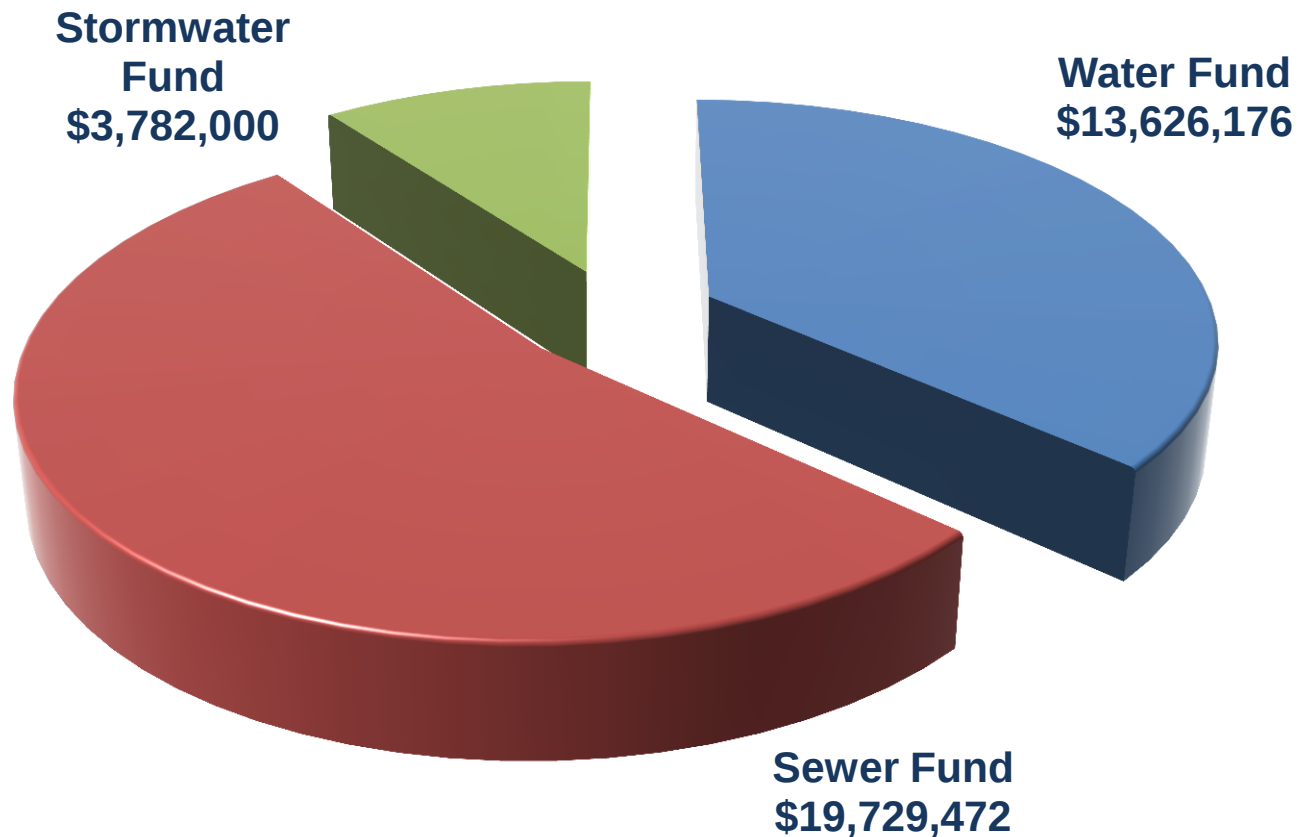
- Equitable sharing of water, sewer, and stormwater costs based on actual services provided.
- Ensure rates promote sustainable water and sewer operations and infrastructure.
- Minimize future rate spikes.
- Meet the financial obligations related to the CSO Consent Order.
- Meet Council's financial policies.

Mission Statement

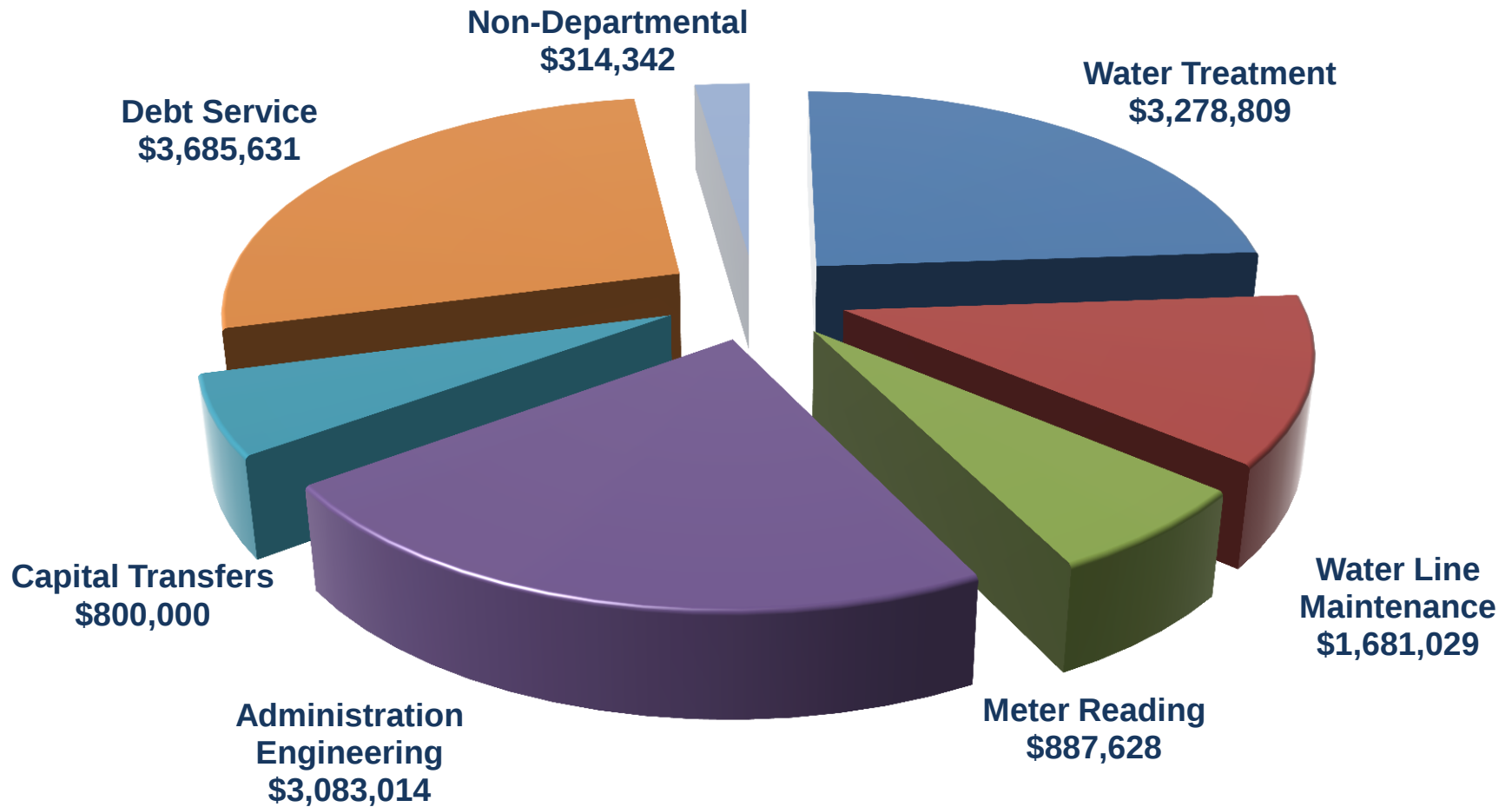
Our Mission is to provide excellent water, wastewater, and stormwater services that promote the health, safety, and prosperity of the community.

FY 2014 REVENUE by FUND

Total Revenue = \$37,137,648



WATER FUND - Expenses



WATER FUND - Expenses

Administrative Division

- FY 2014 Budget = \$3,084,014
- 3.1% increase over FY 2013
- Reasons for increase: Contractual services for software upgrade, increase in indirect cost payments

Water Treatment Division

- FY 2014 Budget = \$3,278,809
- 0.4% increase over FY 2013
- Reasons for increase: capital outlay related to equipment purchases

WATER FUND - Expenses

Water Line Maintenance Division

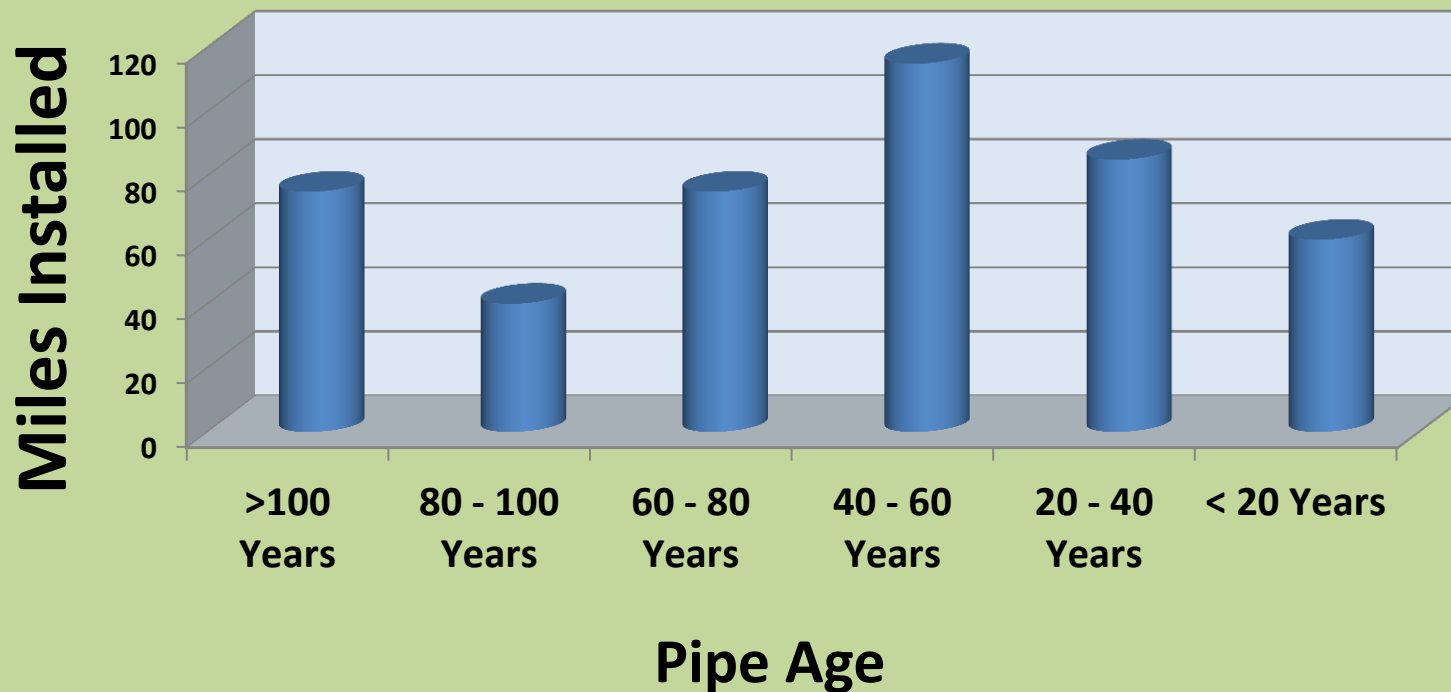
- FY 2014 Budget = \$1,681,029
- 3.1% increase over FY 2013
- Reasons for increase: Software maintenance, Fleet transfers, increased cost of fittings due to new reduced lead content requirements

Meter Reading Division

- FY 2014 Budget = \$887,628
- 0.7% increase over FY 2013
- Reasons for increase: Software maintenance, Fleet transfers

WATER FUND - Capital

Water Line Installation History



WATER FUND - Capital

Water Line Replacement Needs

- 290 water line replacement projects
- 246,200 feet (46.6 miles)
- 75 miles of water line already over 100 years old
- 40 miles of water line over 80 years old
- \$37 million in current water distribution system needs plus \$3.5 million annually
- FY 2014 CIP only \$2 million annually

WATER FUND – Pedlar Raw Water Line Evaluation

Pipeline Description

- 22 miles long
- 36 inch diameter
- 80 year old cast iron



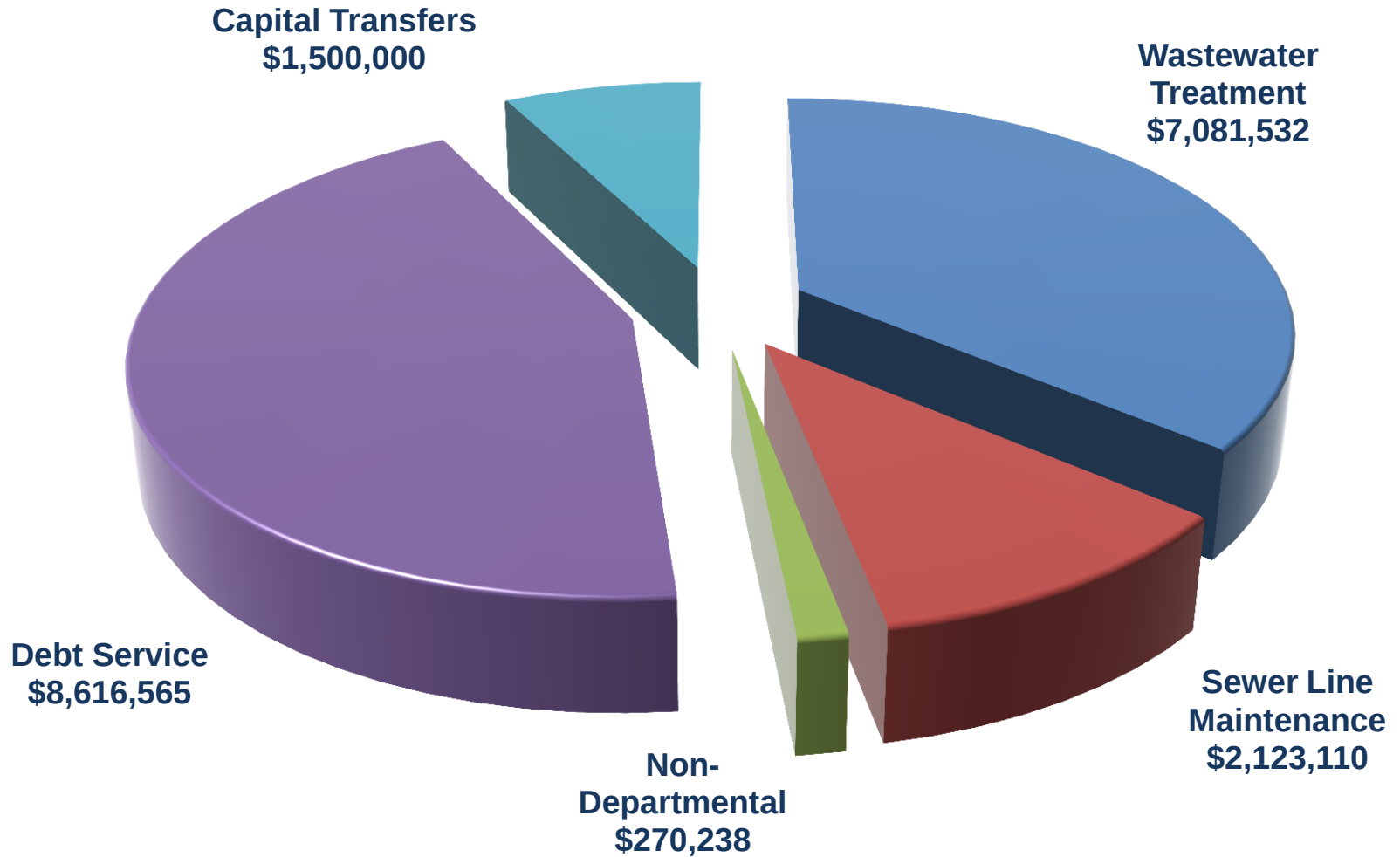
Pipeline Evaluation

- Conduct an extensive evaluation due to age, criticality, and cost to renew/replace
- Included: geotechnical soil studies, structural evaluation of existing pipe, wall thickness evaluation

Results

- Little or no pipe section loss
- Very non-corrosive soils
- Most common failure point is at pipe joints
- Valuable asset for decades

SEWER FUND - Expenses



SEWER FUND - Expenses

Wastewater Treatment Division

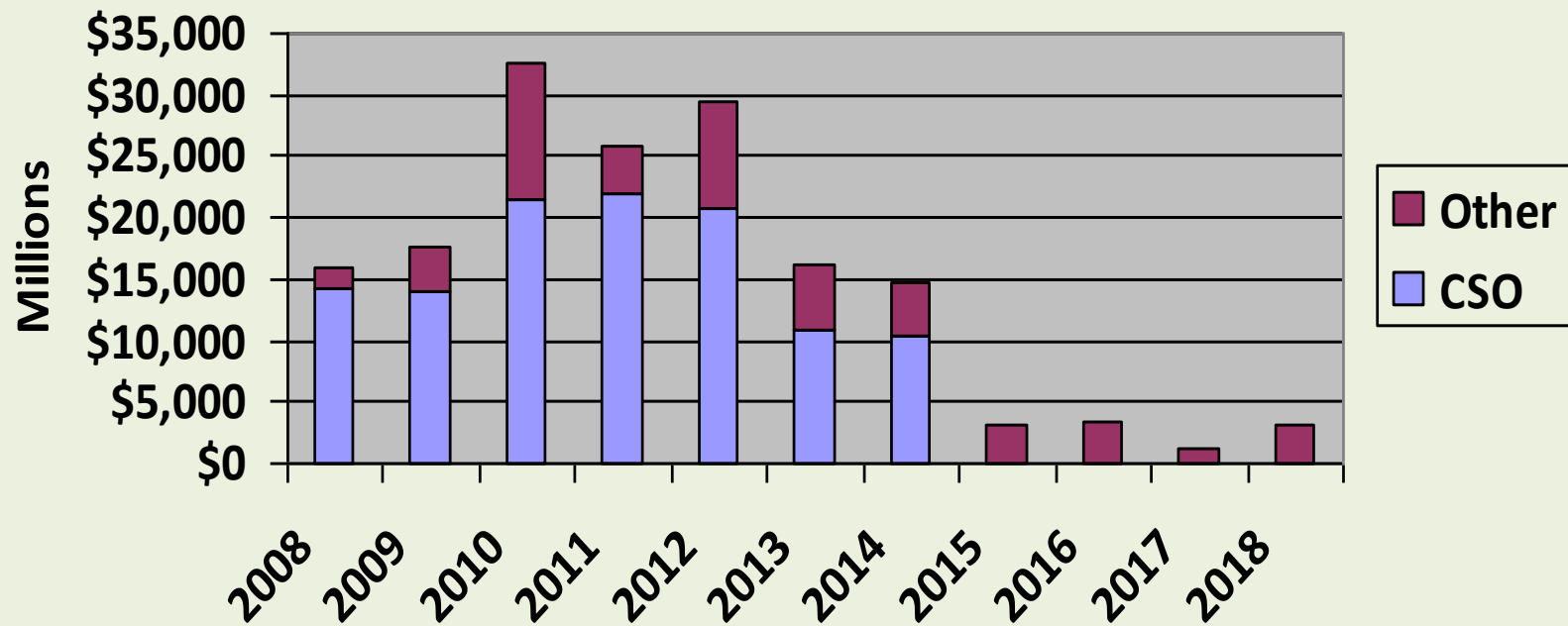
- FY 2014 Budget = \$7,081,532
- 3.5% increase over FY 2013
- Reasons for increase: Additional costs associated with hauling sludge to Campbell County, overtime expenses due to lack of adequate licensed operators

Sewer Line Maintenance Division

- FY 2014 Budget = \$2,123,110
- 8.9% decrease from FY 2013
- Reasons for increase: contractual services, indirect and engineering costs

SEWER FUND - Capital

Sewer Capital Expenditures



SEWER FUND - Capital

Sewer Capital Needs

- **Burton Creek Interceptor - \$4 to 5 million.**
- **RWWTP - \$500,000 to \$1 million annually for general equipment replacement**
- **Sanitary Sewer (other than CSO)**
 - **\$3 million annually for asset renewal**
 - **\$1 million annually for Sanitary Sewer Evaluation Study (SSES) Program**
- **CSO - \$60 million**



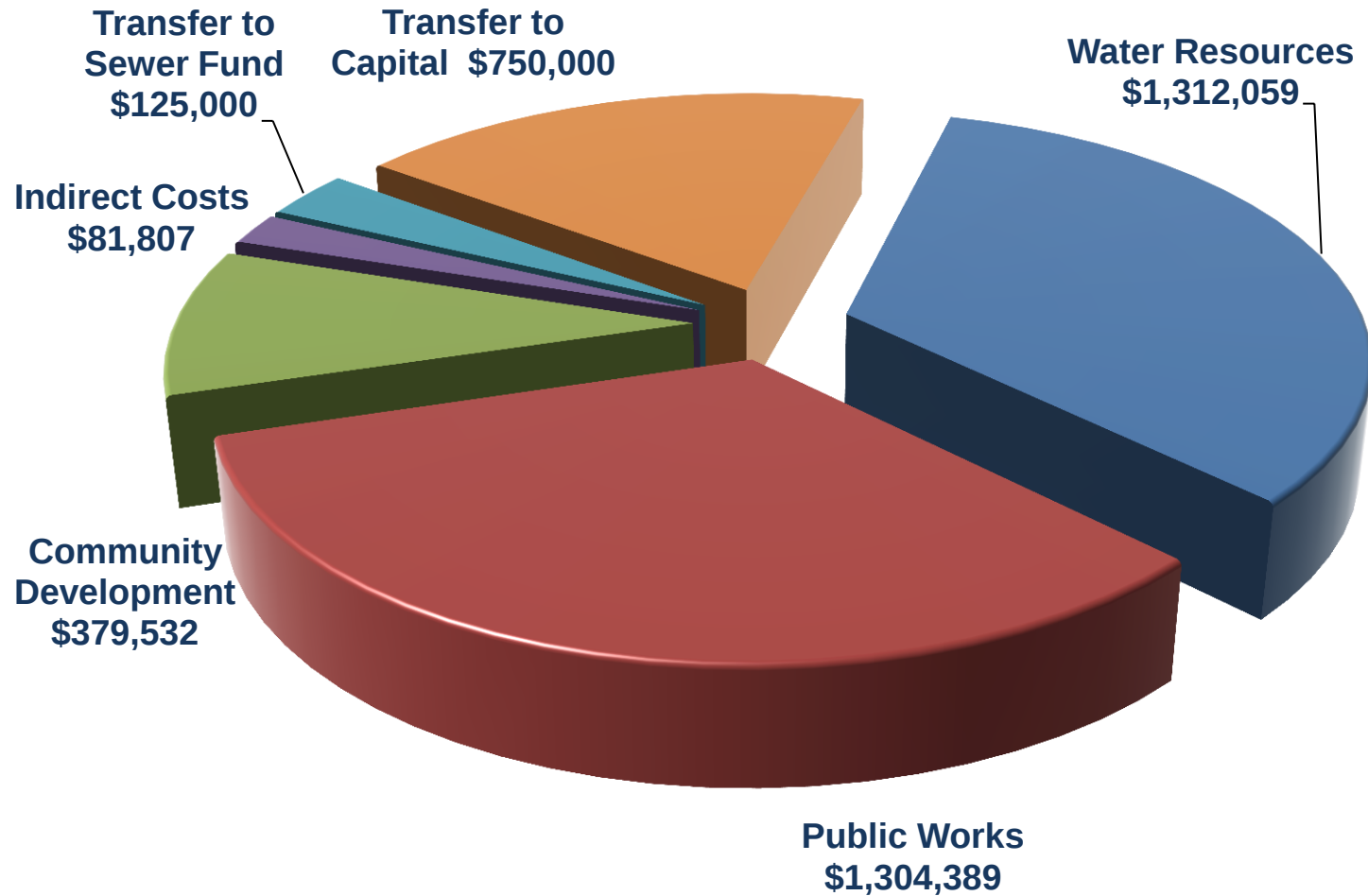
SEWER FUND - Capital

Regional Wastewater Treatment Plant Upgrades

- **\$7 million**
- **Increases wet weather flow capacity from 36 million gallons per day (mgd) to nearly 55 mgd**
- **Another key to revising CSO Long Term Control Plan**



STORMWATER FUND - Expenses



STORMWATER FUND - Expenses

Significant Budget Items

- **FY 2014 Budget = \$3,952,787**
- **\$750,000 Capital transfer for master planning, condition assessment, mapping, infrastructure repairs**
- **\$125,000 Reimbursement to Sewer Fund for start-up costs**
- **\$1,765,728 Transfer to the General Fund (\$1,304,389 + \$379,532 Community Development + 81,807 Indirect Costs)**
- **\$146,069 for two positions (direct funding of one existing IT position, new Public Outreach & Education Coordinator – needed for permit compliance)**

STORMWATER FUND - Expenses

Challenges

- **New MS4 Permit will:**
 - Incorporate Chesapeake Bay TMDL
 - Incorporate Other TMDLs such as Bacteria TMDL
 - Significantly Increase requirements for Six Minimum Controls
- **EPA Inspection - some items noted for improvement**
 - Increase construction site inspection frequency
 - Update and enhance the Illicit Discharge Detection and Elimination Program
 - Enforcement and documentation of maintenance of private stormwater facilities
 - Improvements to good housekeeping controls on municipal properties
 - Result will be additional cost and effort
- **Capital**
 - Existing stormwater infrastructure needs to be addressed
 - Stormwater retrofits associated with Bay TMDL

TECHNOLOGY EXAMPLES



Pressure Recorders / Transmitters



Flow Elevation Sensors



Rain Gauges



Odor Loggers

DECLINING CONSUMPTION – National

National Trend due to:

- National Energy Policy Act of 1992
- Water Sense & Energy Star Programs
- More conservation focused
- Increasing prices

**Water Research Foundation
Study found average
household uses 11,678 gallons
less annually since 1978**



Is it time for water utilities to rethink pricing?

WATER UTILITIES COULD IMPROVE REVENUE STABILITY BY RECOVERING DISTRIBUTION SYSTEM CAPITAL COSTS THROUGH A FIXED MONTHLY SERVICE CHARGE AND COVERING OTHER EXPENSES THROUGH VOLUMETRIC RATES.

Water systems are probably the utility sector that the general public takes for granted most. Day after day, water utilities typically provide reliable potable supplies in the amounts and at the times required by customers. Utilities can be sensitive to extreme weather conditions such as prolonged droughts, which may stress supplies, or significantly wet peak-use periods, which may result in lower-than-budgeted sales and revenues. But with adequate reserves and drought management plans in place, water utilities can usually avoid the disruptions that severe storms often cause with electricity service or the jump in rates that severe cold weather can bring about for natural gas.

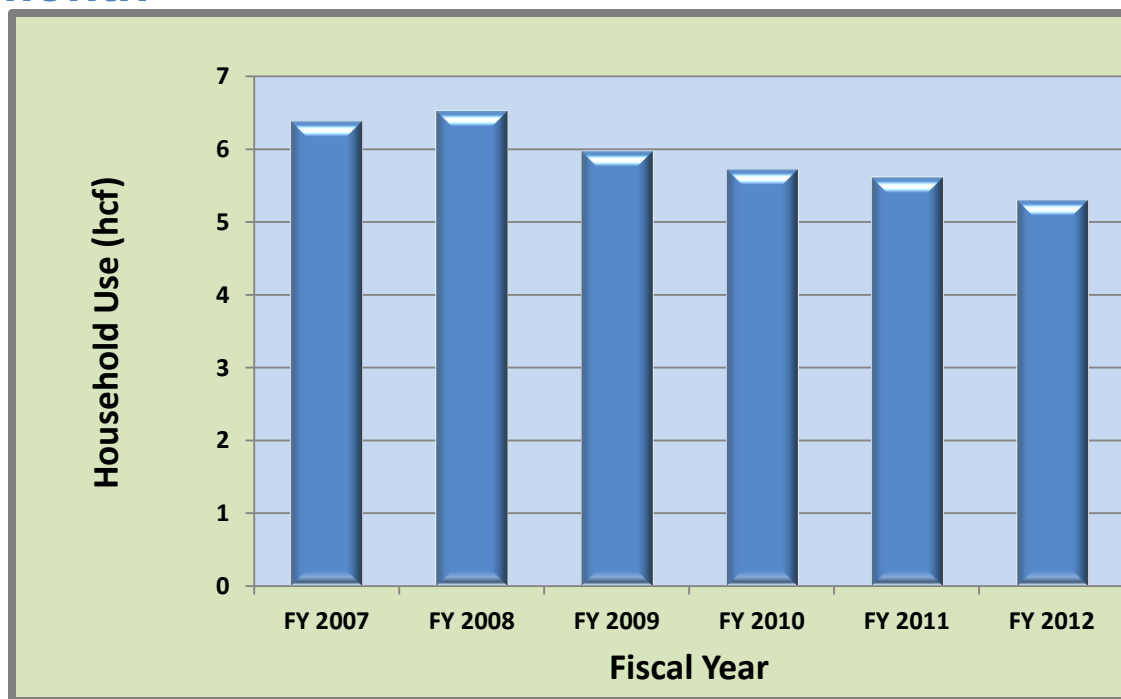
For years water utilities have appropriately followed the guidelines in AWWA Manual M1, *Principles of Water Rates, Fees, and Charges* as well as other financial principles to align rates with recovering the cost of service by customer class. The numerical examples in M1 provide guidance for linking cost of service and rates, but these examples are not meant to be limiting or restrictive. Whenever specific local conditions warrant, variances from these allocation methods may be advisable.

Today's drastically different operating environment and economic conditions may offer opportunities for water providers to modify the traditional approach to pricing certain costs in order to support specific utility policies and objectives. For example, a pricing approach that recognizes both the need for cost recovery and the need for customers to reduce costs makes sense in today's world.

DECLINING CONSUMPTION – Local

Water

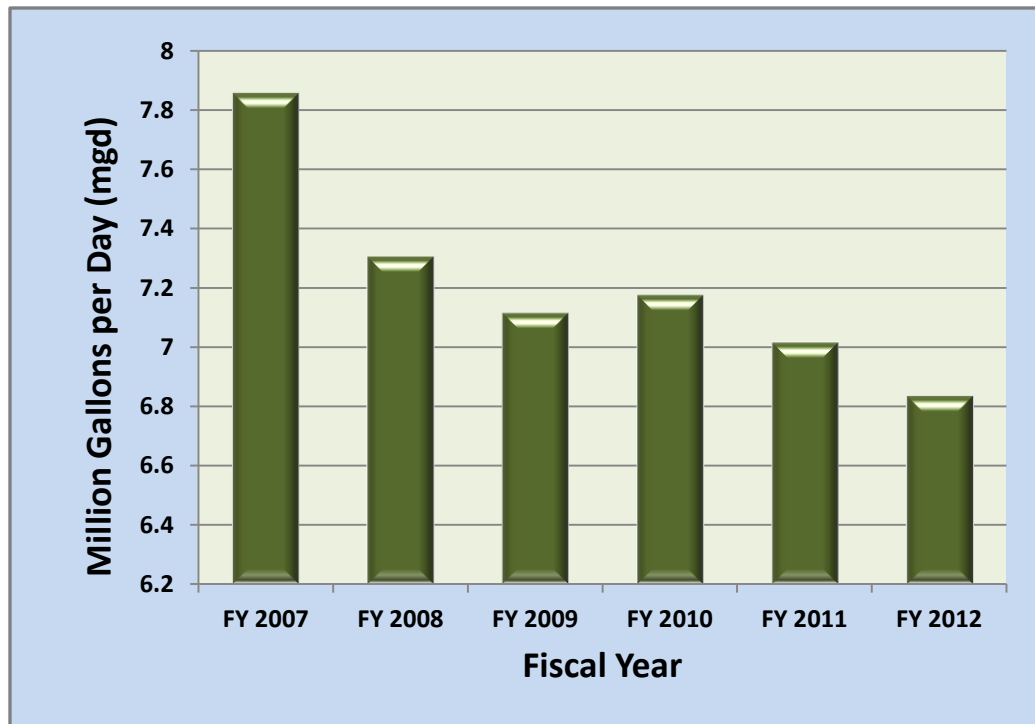
- Water Sold has decreased 9.5% from 10.11 mgd to 9.15 mgd since 2008
- Average household use has decreased 17% from 6.39 hcf to 5.31 hcf per month



DECLINING CONSUMPTION – Local

Sewer

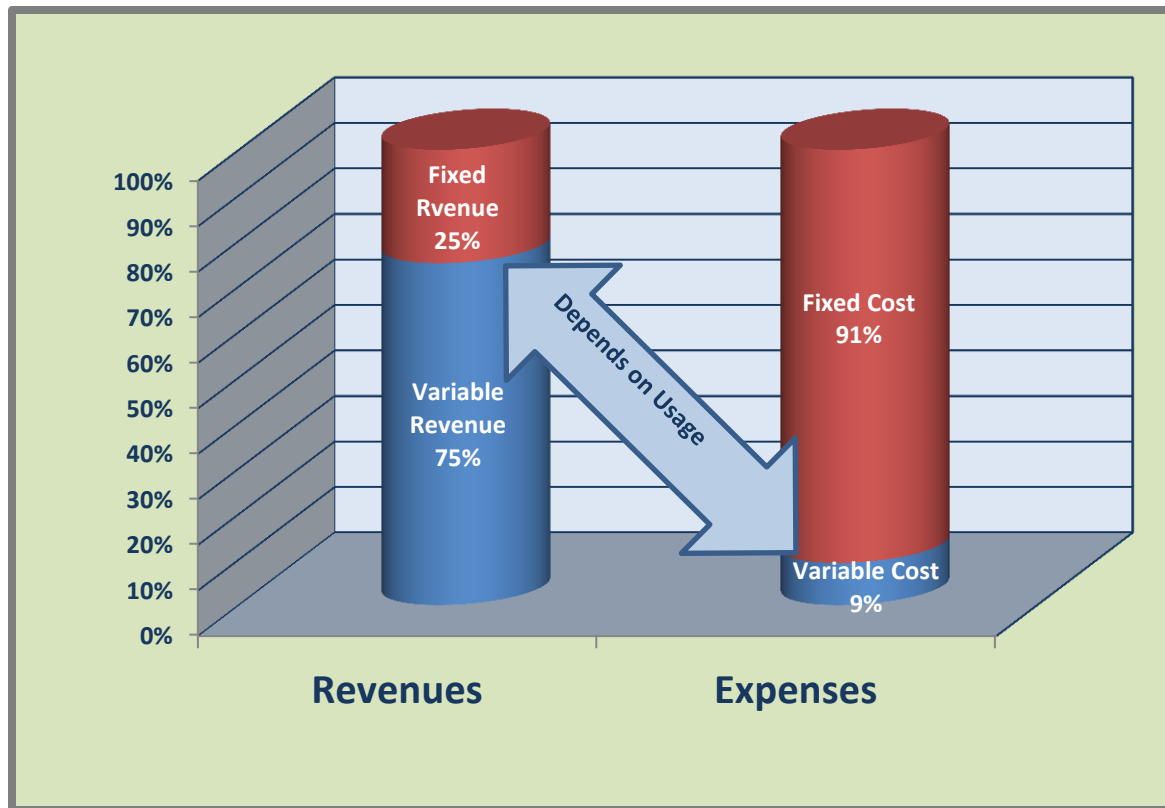
- Sewer Sold has decreased 13% from 7.86 mgd to 6.84 mgd since 2007



FIXED REVENUE vs. FIXED COSTS

Water Revenues and Expenses

- Variable water revenues comprise 75% of total revenue while the variable costs comprise only 9% of total expenses



RECOMMENDATION

Increase Account Charge in lieu of Volumetric Charges

- Existing charge has not changed for at least 20 years
- Existing cost to provide Meter Reading and Billing is \$5.26 per account per month
- Shifts more revenue to a fixed source
- Additional revenue will be divided between the Water and Sewer proportionally based on existing debt service
- Monthly charge is tied to meter size – the larger the meter the more potential demand on the system and water infrastructure
- Total Monthly Service Charge (instead of account charge) will be based on equivalent meter sizes as determined by American Waterworks Association (AWWA)
- Add \$2.00 per month per equivalent meter to the existing account charge

RECOMMENDATION

Meter Size	Exist. Account Charge	Meter Factor	Fee per Equivalent Meter	Fee per Meter Size	Total Service Charge	Number of Accounts Impacted
5/8"	\$3.69	1.0	\$2.00	\$2.00	\$5.69	21,245
3/4"	\$3.69	1.5	\$2.00	\$3.00	\$6.69	0
1"	\$3.69	2.5	\$2.00	\$5.00	\$8.69	536
1-1/2"	\$3.69	5.0	\$2.00	\$10.00	\$13.69	207
2"	\$3.69	8.0	\$2.00	\$16.00	\$19.69	336
3"	\$3.69	15.0	\$2.00	\$30.00	\$33.69	93
4"	\$3.69	30.0	\$2.00	\$60.00	\$63.69	31
6"	\$3.69	60.0	\$2.00	\$120.00	\$123.69	24
8"	\$3.69	90.0	\$2.00	\$180.00	\$183.69	13
10"	\$3.69	150.0	\$2.00	\$300.00	\$303.69	1

RECOMMENDATION

Revenue Impacts of Recommendation

- \$250,000 increase in Water Fund revenue vs. \$258,230 if a 3.5% volumetric water rate increase was implemented.
- \$500,000 increase in the Sewer Fund revenue vs. 504,262 if a 3.5%volumetric sewer rate increase was implemented.

RATE ANALYSIS

Typical Monthly Bill Impact if Service Charge is Implemented

Customer Type	Monthly Volume	Current Bill	Proposed Bill	% Increase
Residential (5/8" meter)	7 hcf	\$59.76	\$61.76	3.35%
Commercial (2" meter)	60 hcf	\$484.29	\$500.29	3.30%
Industrial (8" meter)	1000 hcf	\$8,013.69	\$8,193.69	2.25%

OTHER RECOMMENDED FEE INCREASES

Sewer Only

- Increase from \$43.24 to \$44.48 to add \$1.34, the sewer portion of the fixed charge

Industrial Surcharges

- Increase existing charges for BOD and TSS by 5% to more closely recover actual cost of treating high strength wastewater

Septic Hauler

- Increase existing charges for septage disposal by 5% to more closely recover actual cost of treating

Connection Fees

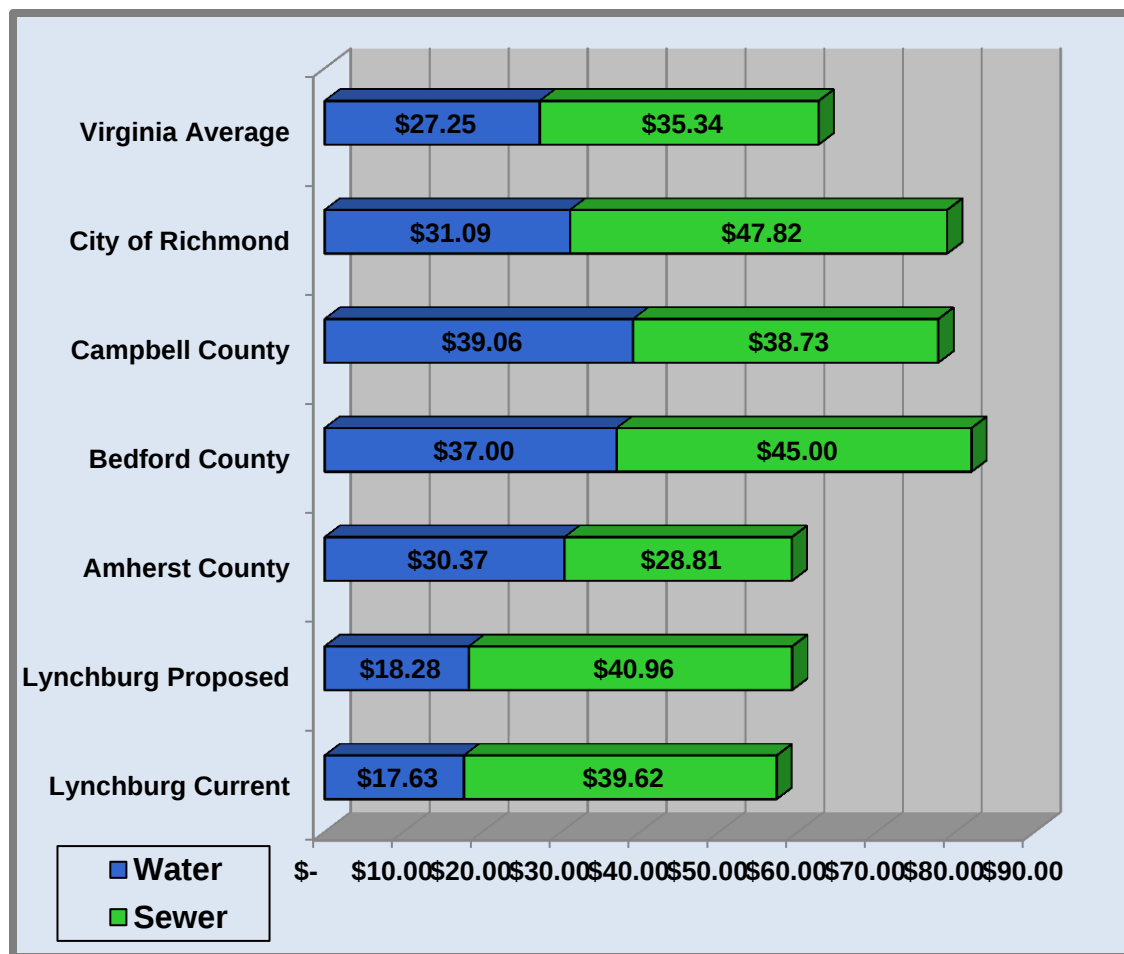
- Increase connection fees by 10% to more closely recover the actual cost of installing services. Current fees are \$950 for a 3/4" water service and \$1,100 for a 4" sewer service. Actual average cost is \$1,584 for water and \$2,004 for sewer

RATE COMPARISONS

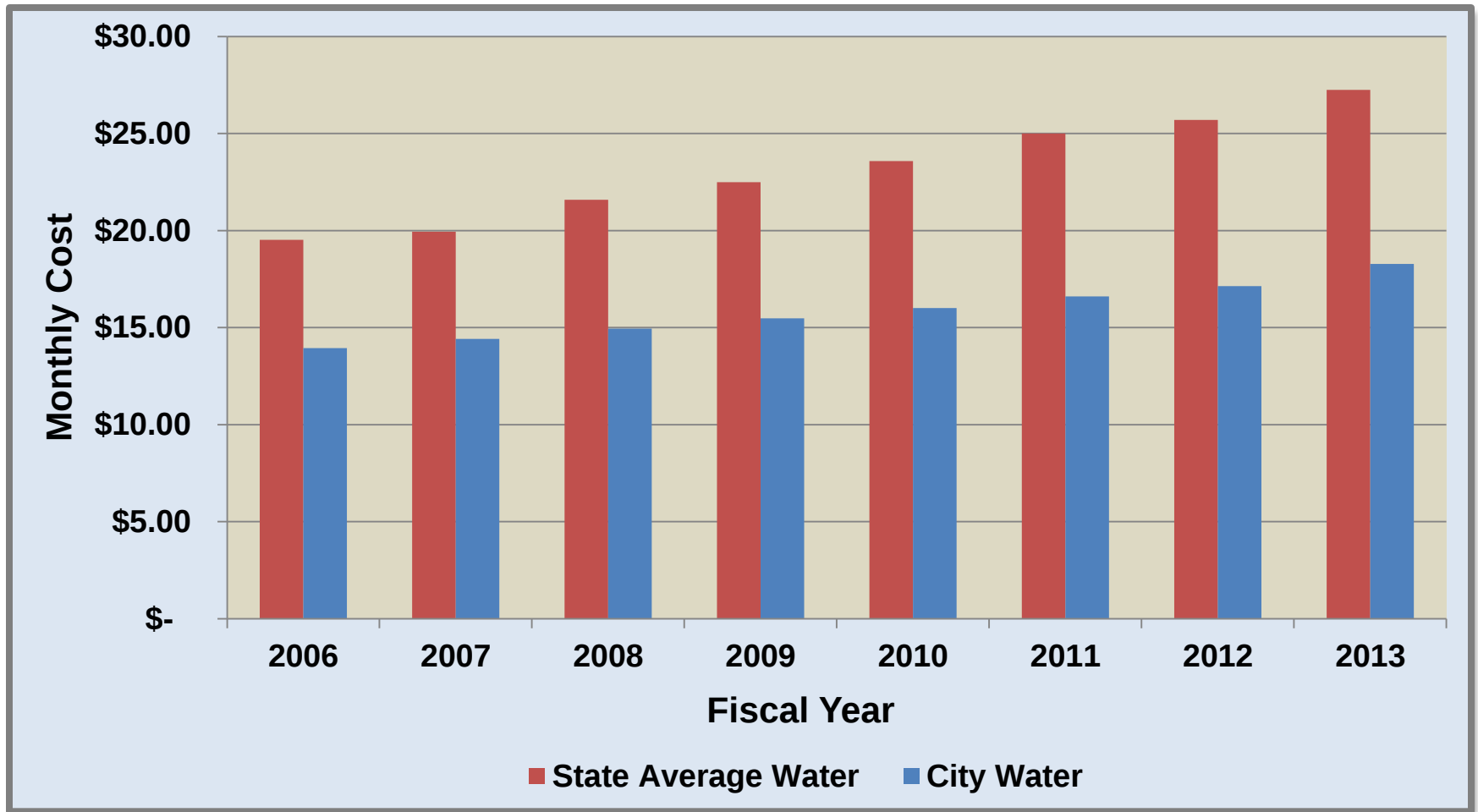


**The 24th Annual
Virginia Water and
Wastewater Rate
Report 2012**

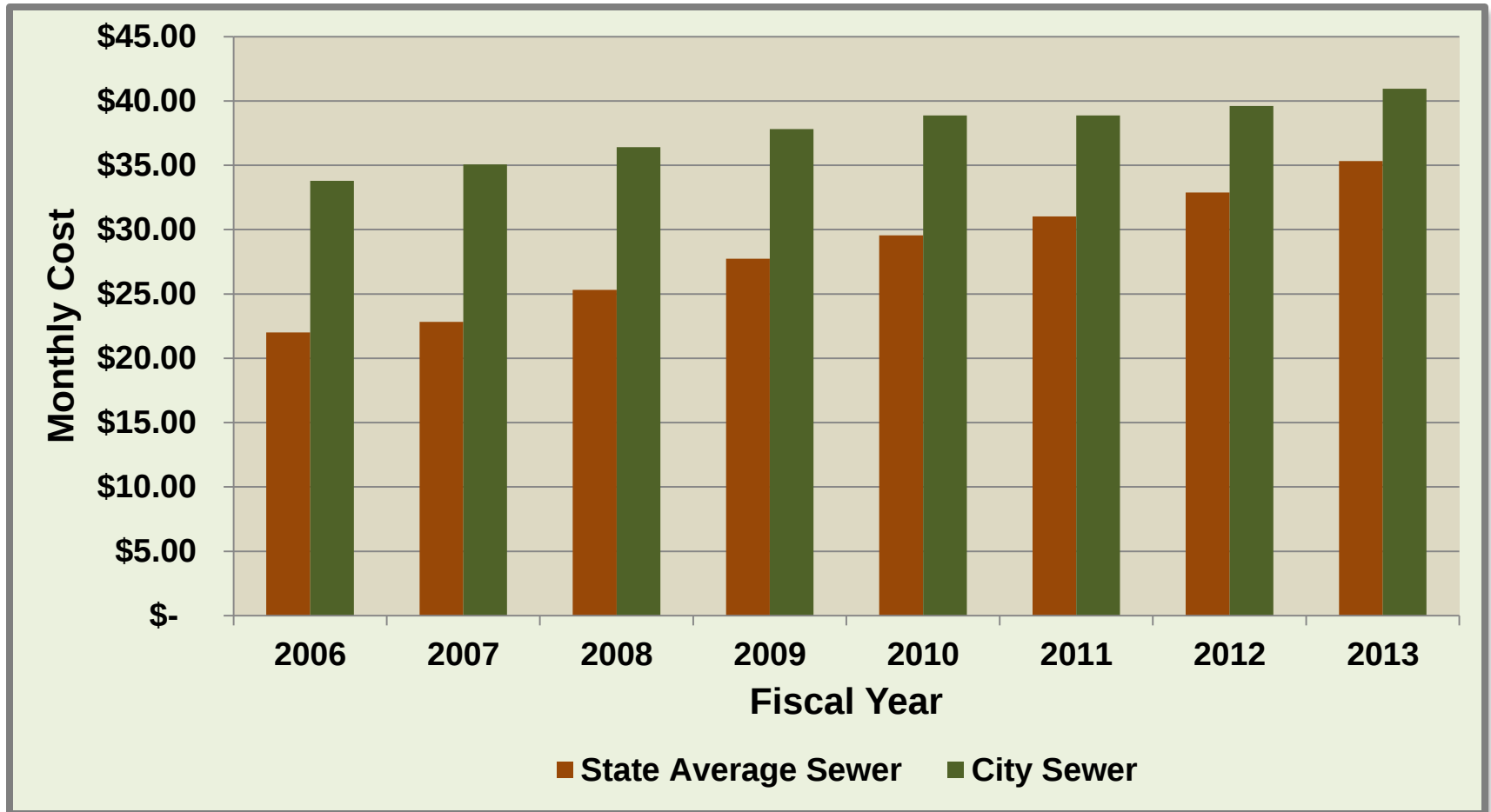
4Sth Draper Aden Associates
Engineering • Surveying • Environmental Services
Four Decades of Lasting Positive Impact



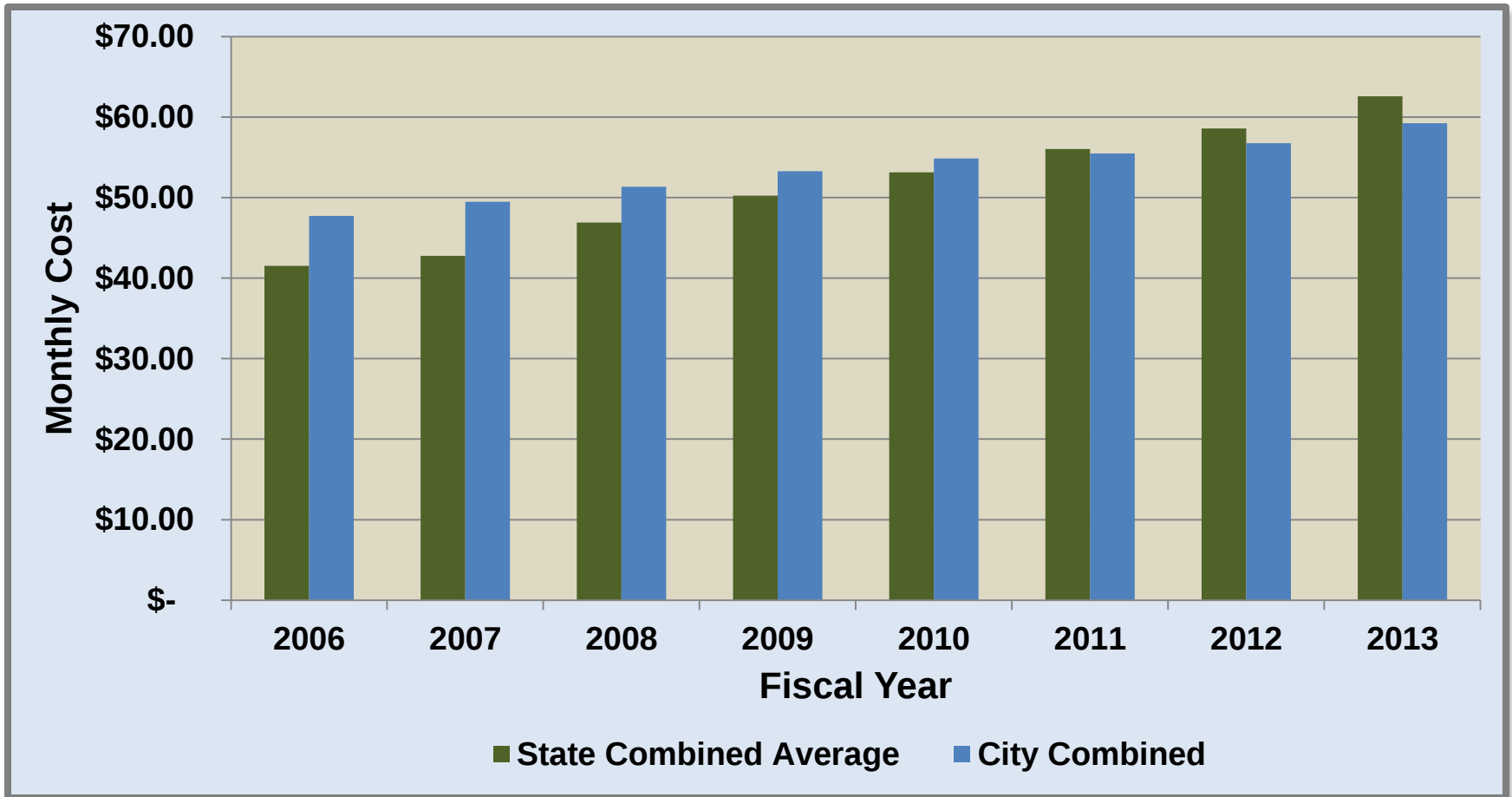
HISTORIC WATER INCREASES



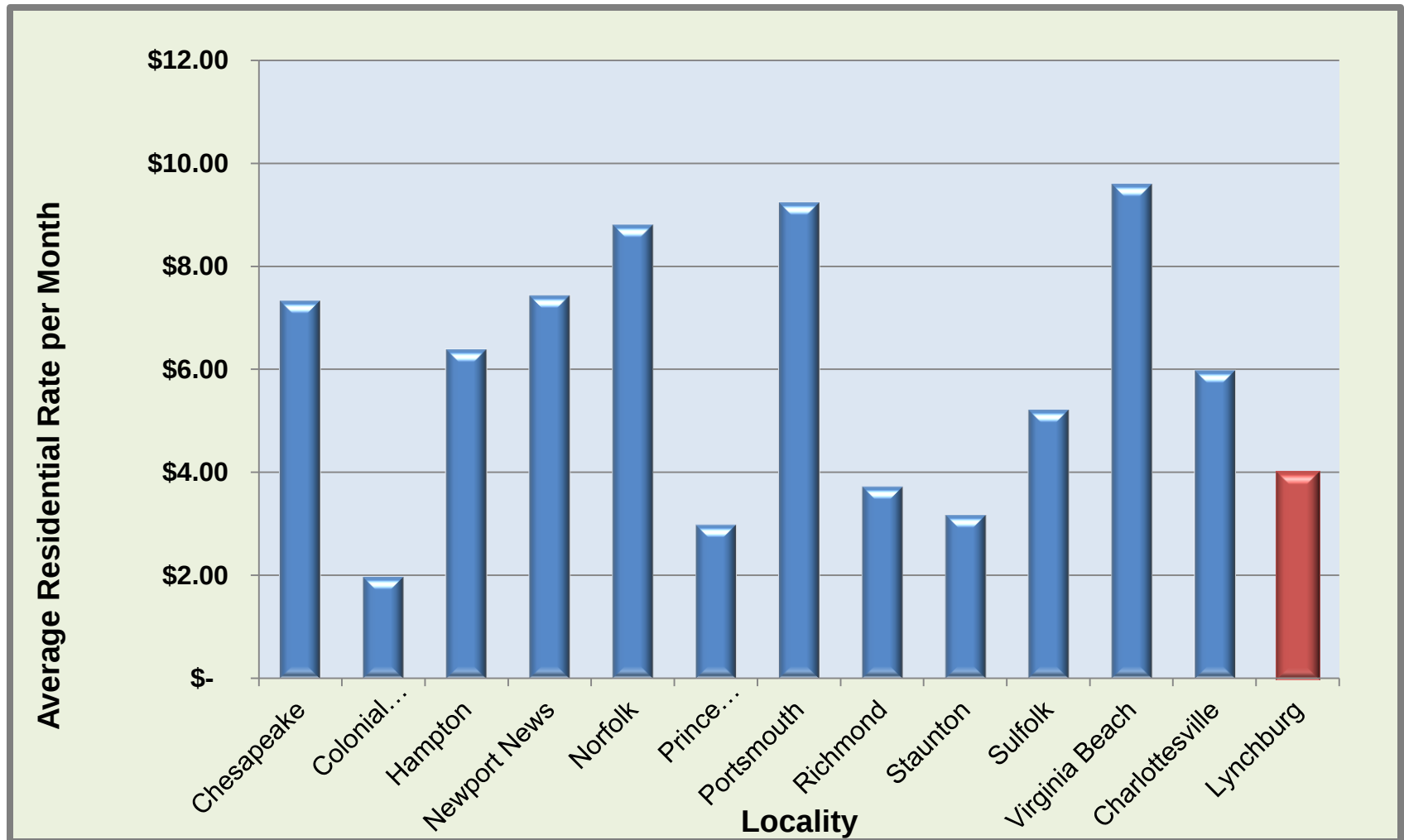
HISTORIC SEWER INCREASES



HISTORIC COMBINED INCREASES



STATEWIDE STORMWATER RATES



FIXED MONTHLY CHARGES

Meter Size	Roanoke Total	Richmond Total	Lynchburg Proposed
5/8"	\$ 20.90	\$ 49.40	\$ 5.69
3/4"	\$ 31.38	\$ 74.11	\$ 6.69
1"	\$ 52.28	\$ 123.51	\$ 8.69
1-1/2"	\$ 104.50	\$ 247.01	\$ 13.69
2"	\$ 167.20	\$ 395.21	\$ 19.69
3"	\$ 313.50	\$ 741.03	\$ 33.69
4"	\$ 627.00	\$ 1,235.04	\$ 63.69
6"	\$ 1,254.00	\$ 2,470.09	\$ 123.69
8"	\$ 1,881.00	\$ 3,952.13	\$ 183.69
10"	\$ 3,135.00	\$ 5,681.19	\$ 303.69

AWARDS



*Alvin Rucker,
Wastewater Treatment
Plant Superintendent
recently was awarded
the William D. Hatfield
Award*



*Virginia Lakes and
Watersheds Award for the
Best Maintained Publically
Owned Dam for the historic
Pedlar River Dam*



*Virginia Department of
Health's Excellence in
Waterworks Performance
Award*

QUESTIONS



LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **February 26, 2013**

AGENDA ITEM NO.: 4

CONSENT:

REGULAR:

WORK SESSION: **X**

CLOSED SESSION:

(Confidential)

ACTION:

INFORMATION: **X**

ITEM TITLE: **Bedford County Public Service Authority Future Water Supply**

RECOMMENDATION: Discuss water contract alternatives with the Bedford County Public Service Authority in order to try and secure Bedford as a long term water customer.

SUMMARY: Staff will provide an overview of Bedford County Public Service Authority's plan to serve the Forest service area with water from Smith Mountain Lake, potential impacts to the Water Fund and water rates for Lynchburg customers, and an alternative contract methodology.

PRIOR ACTION(S): None

FISCAL IMPACT: Potential loss of 15% to 20% of the Water Fund revenues resulting in the need for significant water rate increases to offset the lost revenue.

CONTACT(S):

Tim Mitchell, Director of Water Resources, 455-4252

Greg Poff, Assistant Director of Water Resources, 455-4249

ATTACHMENT(S): Slide presentation

REVIEWED BY: lkp

037V

Bedford Water Contract Potential Contract Modification

January 22, 2013

Objective

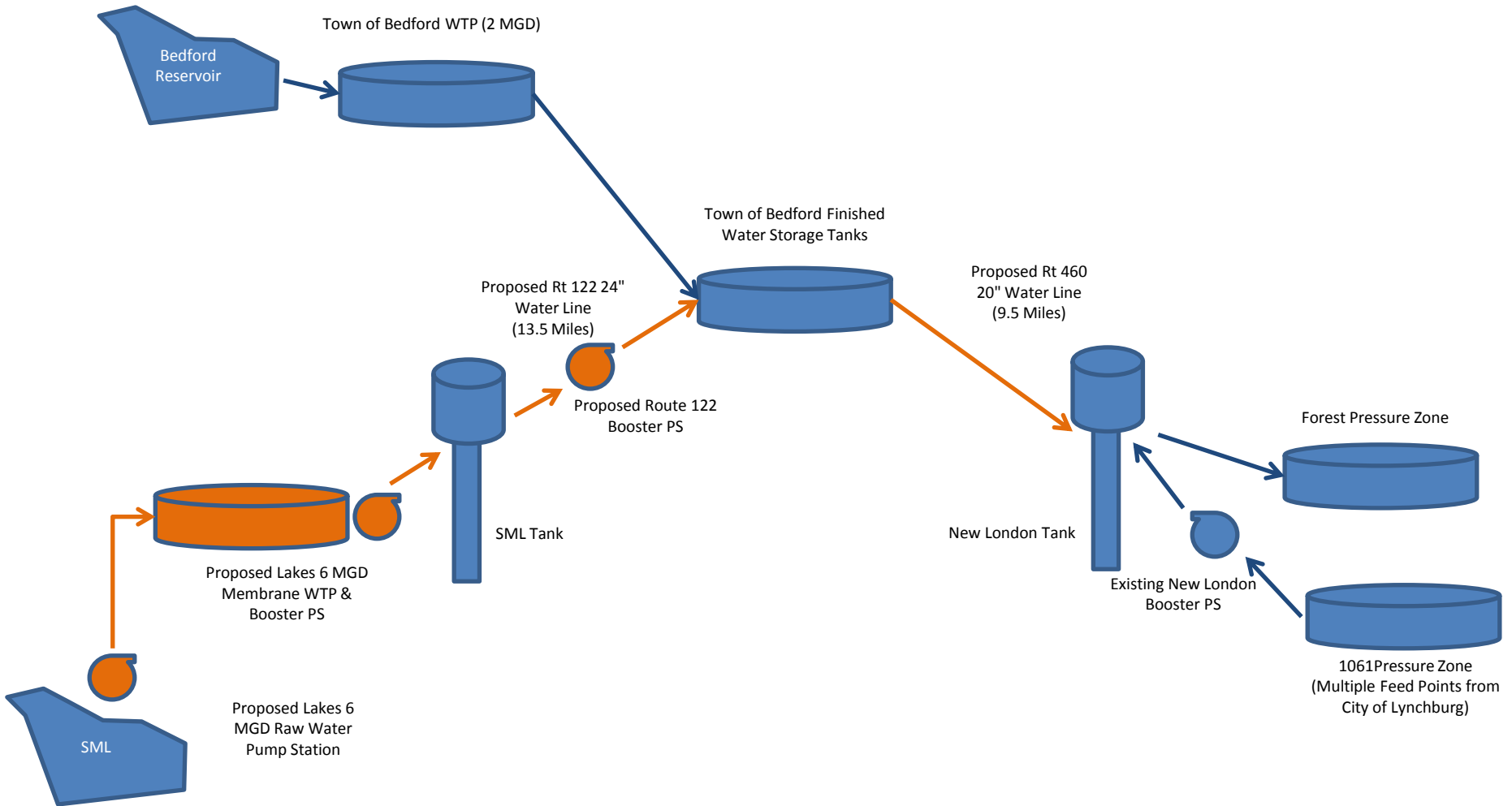
- Keep Bedford as a long term customer
- Bedford currently uses 1.5 MGD (average), 13% of total water use
- Water sales to Bedford equal \$1.6 million per year. – Almost 20% of rate based water revenues.
- Very little can be done to mitigate the revenue loss if Bedford goes their own way.

Bedford's Plan

(to supply Forest and back-up supply to Town of Bedford by 2016)

- Obtain additional water withdrawal permit from Smith Mtn. Lake of 12.0 MGD (currently able to withdraw 2.0 MGD)
- Upgrade a current WTP to a new 6.0 MGD membrane treatment plant in three phases
- Construct a 13 mile 24" water main from Smith Mtn. Lake parallel to RT. 122 to the Town of Bedford
- Construct a 9.5 mile 20" water main on RT. 460 to interconnect the Bedford system to the Forest area
- Serve substantially all of the Forest area by 2016 and the Town of Bedford as needed in drought periods (2016 is optimistic)

Bedford Plan



Bedford's Cost Assumptions

(per Morgan Keegan December 13, 2011 Report)

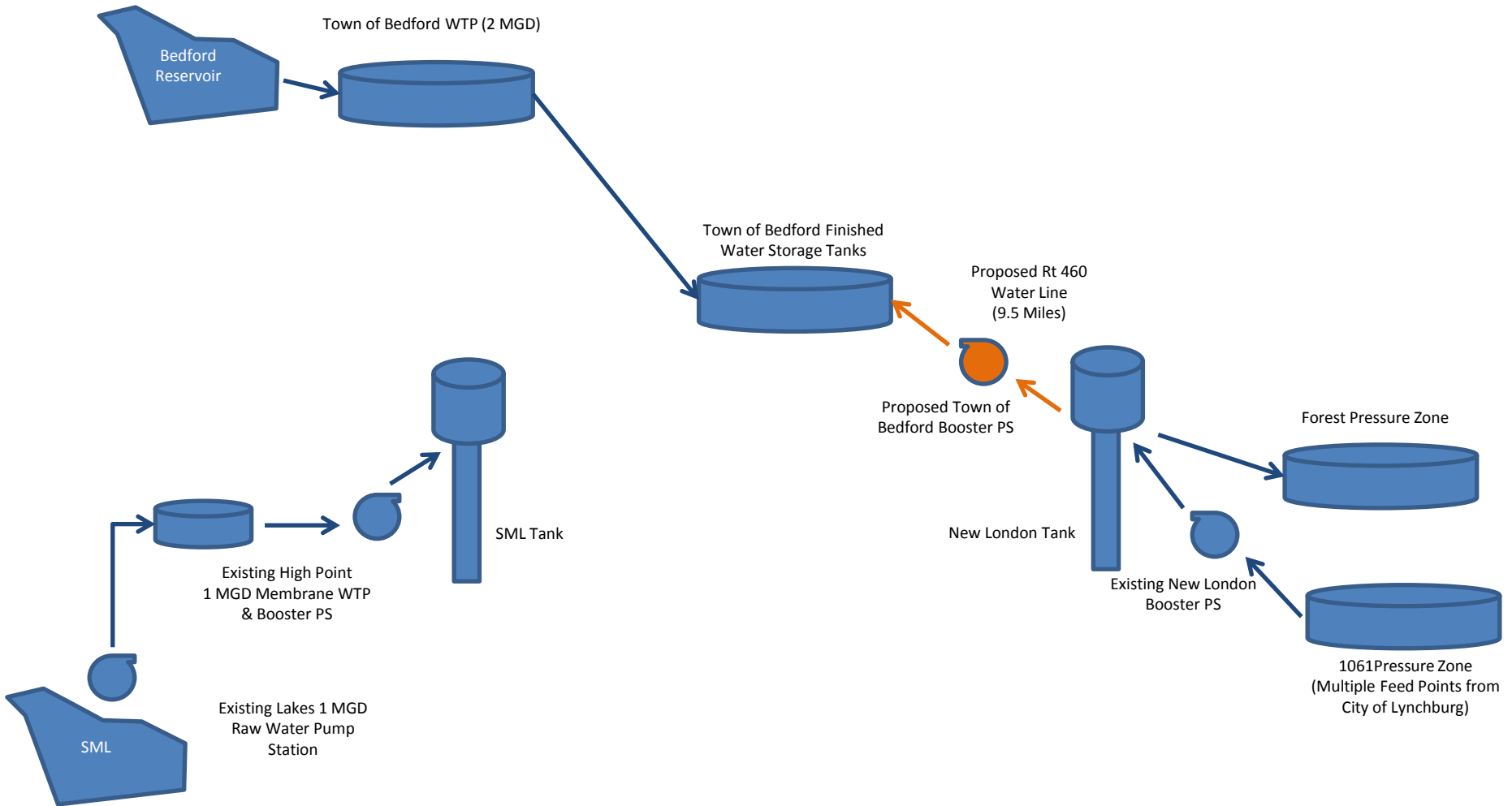
		FY 2014	FY 2024	FY 2034
	Total	Phase 1	Phase 2	Phase 3
Capital Cost				
1. Highpoint 1.0 MGD WTP	\$ 398,060	\$ 398,060	\$ -	\$ -
2. 5.0 new MGD WTP	10,858,269	5,046,403	5,000,000	811,866
3. 24" Rt. 122 Transmission Main	11,152,241	11,152,241	-	-
4. 20" Rt. 460 Transmission Main	7,403,296	7,403,296	-	-
5. Whitehouse Road Loop	3,187,234	-	-	3,187,234
6. Rt. 122 Pump Station	900,900	-	-	900,900
Total capital cost	33,900,000	24,000,000	5,000,000	4,900,000
Capitalized interest (2 years)	3,300,000	2,300,000	500,000	500,000
Total cost	<u>\$37,200,000</u>	<u>\$26,300,000</u>	<u>\$ 5,500,000</u>	<u>\$ 5,400,000</u>
O&M Expenses				
1. Plus WTP expenses at current plant	\$ 196,400			
2. WTP expenses at 5.0 membrane plant	439,700			
3. Continued purchases from Lynchburg	115,027			
	<u>\$ 751,127</u>			

Alternative Plan

(costs & operations)

- Construct a 9.5 mile 20" main on RT 460 to allow water from Lynchburg to reach the Town of Bedford. - \$7.4 million.
- Construct a pump station on the RT 460 transmission main - \$.6 million in capital cost; \$6,000 / year in power expense.
- Transmit approximately .2 MGD of water from Forrest to the Town of Bedford in order to maintain water quality in the transmission main (Town plant used for bulk of Town needs).

Alternative Plan



Issues With Current Contract

- Contract expires in 2022
- No commitment by Bedford to remain a long term customer
- Unpredictable year to year cost rates
- Administrative burden to City and County
- In the long term, Bedford believes the City's contract rate will be more expensive than the Bedford planned option

Contract Options

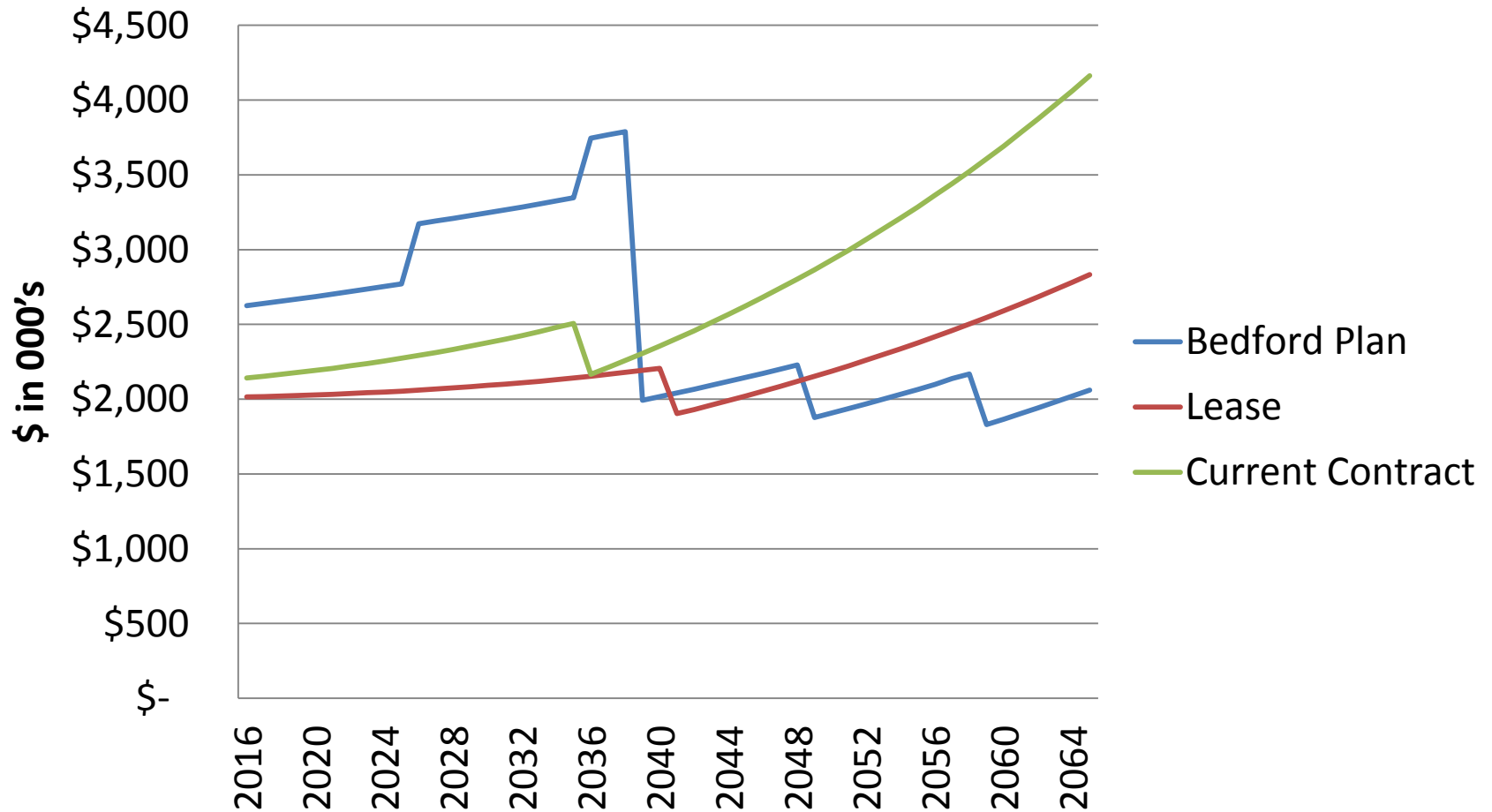
1. Revise the cost formulas in the current contract so that purchased water cost will be more predictable, and
2. Modify the form of the contract to either
 - a. A long term lease, or
 - b. A sale of capacity

Proposed Lease Terms

1. 20 year contract starting in FY 2016
2. City supplies up to 3.0 MGD of water, plus short term emergency needs
3. Bedford pays:
 - a. 3/26 of fixed operating cost that increases by CPI
 - b. A % of variable cost based on use
 - c. A negotiable annual lease payment
4. Lease can be extended and modified if more than 3.0 MGD is needed

Cost Comparison

(based on an annual lease payment of \$720,000)

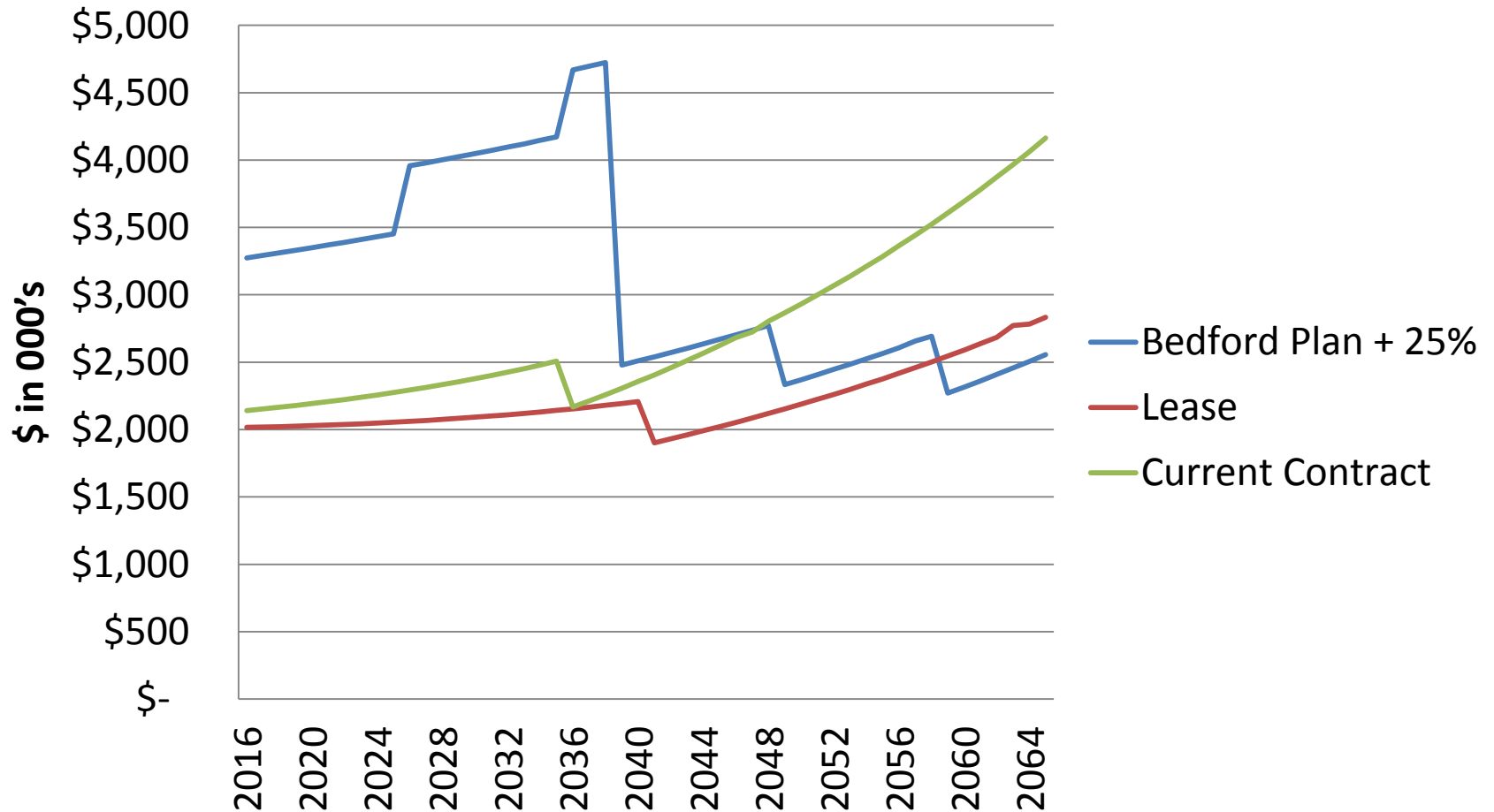


Analysis

- The Lease Option Is less than the Current Contact because less transmission operating cost have been allocated to Bedford.
- The Lease Option is less than the Bedford Plan for 25 years because Bedford needs to borrow over \$37 million to fund capital cost.
- After 25 years the Bedford Plan is less than the Lease Option because:
 - Borrowing is paid-off
 - Their membrane water plant will be more cost effective than the City's conventional water plants
- But, Bedford's capital and operating cost assumptions are believed to be very optimistic

Cost Comparison

(based on an annual lease payment of \$720,000)



Benefits to Bedford

1. Can easily meet 2016 reversion Agreement requirement to supply the Town of Bedford in emergency situations – just construct approximately 9.5 miles of transmission main plus pump station for \$8.0 million
2. Significantly less capital requirements - \$8.0 million vs. \$37.0 million
3. Limited construction and operational risks
4. A reduction in the current water purchased cost upon signing the lease
5. Significantly less water cost during the lease term compared to the proposed Bedford plan
6. Rate transition can occur without large increases to Town of Bedford customers
7. Flexibility to build their own plant at the end of the lease term

Other Considerations

- Amherst and Campbell Counties may also want a comparable lease
- If Bedford needs more than 3.0 MGD in the future the lease payment and terms will need to be modified
- The City will need to complete the transfer project to be able to guarantee more than 3.0 MGD

Bedford's Initial Input

- Bedford believes the financial analysis should be adjusted to reflect:
 - Potential cost to flush water in the Rt. 460 main
 - Deferral of some capital cost until water demand in the Forest area increases
- Bedford would also like to have a financial analysis based on a purchase of capacity rather than a lease.

// A regular meeting of the Council of the City of Lynchburg was held on the 12th day of February, 2013, at 4:00 P.M. in the Council Chamber, City Hall, Michael Gillette, President, presiding. The following Members were present:

Present: Cary, Foster, Johnson, Nelson, Gillette 5

Absent: Helgeson, Perrow 2

// Mayor Gillette announced that Council Member Perrow gave advanced notice that he would not be attending the Council meeting.

// City Manager Kimball Payne stated the purpose of the Local Sesquicentennial Committee. In May 2008 City Council established a Local Sesquicentennial Committee and Mr. Greg Starbuck was appointed the liaison. Mr. Payne further stated that Mr. Starbuck was now ready to pass the liaison role to Mr. Kevin Shroyer. Mr. Starbuck stated he had been the liaison since 2008 and over the last several years was able to obtain two grants from Richmond. One grant paid for the Civil War Trails Marker at E.C. Glass and the most recent grant helped fund the Civil War Exhibit at the Legacy Museum. Mr. Starbuck introduced Mr. Kevin Shroyer who made a few remarks.

Mayor Gillette called for a motion to designate Mr. Kevin Shroyer to serve as the liaison between the Lynchburg Sesquicentennial Committee and the Virginia Sesquicentennial of the American Civil War Commission. On motion of Council Member Foster, seconded by Council Member Cary, Council by the following recorded vote adopted Resolution #R-13-014, as presented, designating Mr. Kevin Shroyer to serve as the liaison between the Lynchburg Sesquicentennial Committee and the Virginia Sesquicentennial of the American Civil War Commission:

Ayes: Cary, Foster, Johnson, Nelson, Gillette 5

Noes: 0

Absent: Helgeson, Perrow 2

// Council Member Helgeson arrived at 4:10 P.M.

// Mr. Jim Talian, Water Quality Manager, provided an update on the Rivermont Avenue CSO construction projects. Mr. Talian explained the project on Rivermont Avenue between Jones Street and Cabell Street is nearing completion. The delay in the project is attributed to issues regarding pipes, unforeseen ground conditions, general problems expected with underground work and the need to accommodate traffic. Mr. Talian went on to say that the project is scheduled to be completed around March 9th with the exception of paving, which will be done in mid-April. The upper Rivermont Avenue project between Hawes Street and the western intersection with Bedford Avenue is on schedule for completion in late July 2013.

// Mr. Keith Wright, Neighborhood Program Manager, provided an overview on the Community Code Compliance Team (CCCT) Report. In 2012 the CCCT coordinated six meetings, four of which were walk-throughs conducted in neighborhoods at the request of residents (Fairview Avenue Neighborhood, Hydro/VES Road Neighborhood, Richland Hills Neighborhood and Tinbridge Hill Neighborhood). As a result of the walk-throughs thirty-five (35) code compliance issues were addressed. The main categories addressed according to volume were illegal dumping and overgrown property. Mr. Wright stated that the

walk-throughs were designed as an educational component to provide a useful forum for addressing neighborhood concerns in a variety of ways. The Team is seeking new connections with the City's neighborhoods to promote, protect and improve the health, safety and welfare of the citizens and the environment. Mr. Wright further stated this is accomplished by providing equitable, expeditious and effective code compliance while establishing a working partnership with the City's neighborhoods. Mr. Wright showed a brief video highlighting some of the CCCT's work.

// During roll call Vice Mayor Johnson encouraged citizens to attend activities sponsored by City Schools and the City for Black History month.

// On motion of Council Member Cary, seconded by Council Member Nelson, Council by the following recorded vote elected to hold a closed meeting to consider appointments to Council-appointed Boards and Commissions, i.e. Redevelopment & Housing Authority and Transit Company; for discussion and consideration of the acquisition of real property for a public purpose, the Heritage High School Project, because discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the City; and the renewal of the Tourism Agreement with the Lynchburg Regional Chamber of Commerce, pursuant to Section 2.2-3711(A) (1), (3), and (7) respectively, of the Code of Virginia, 1950, as amended:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Gillette	6
Noes:	0
Absent: Perrow	1

// The meeting was re-opened to the public.

// Council Member Helgeson made the following motion:

WHEREAS, the Council of the City of Lynchburg has convened a closed meeting on this date, pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by City Council that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Lynchburg certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by Council.

The Motion was seconded by Council Member Cary, and Council by the following recorded vote adopted the motion:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Gillette	6
Noes:	0
Absent: Perrow	1

// In the matter of Appointments, and on nomination of Council Member Nelson, seconded by Vice Mayor Johnson, Council by the following recorded vote appointed Kevin Cheung, to serve on the Redevelopment & Housing Authority Board to fill an unexpired term ending September 30, 2015:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Gillette 6

Noes: 0

Absent: Perrow 1

On nomination of Council Member Nelson, seconded by Vice Mayor Johnson, Council by the following recorded vote appointed Laretta Spencer to serve on the Redevelopment & Housing Authority Board for a term to expire September 30, 2016:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 6

Noes: 0

Absent: Perrow 1

On nomination of Council Member Cary, seconded by Vice Mayor Johnson, Council by the following recorded vote appointed Margaret Whitaker to serve on the Transit Board for a term to expire October 31, 2015:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Gillette 6

Noes: 0

Absent: Perrow 1

// City Council recessed the meeting at 5:25 p.m.

// City Council reconvened the meeting at 7:30 p.m.

The following Members were present:

Present: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Absent: 0

Council Member Foster gave the Invocation, followed by the Pledge of Allegiance led by Cub Scout Pack 180.

// Copies of the minutes of the January 22, 2013 meeting, having been previously furnished Council, reading was dispensed with, and on motion of Council Member Cary, seconded by Council Member Nelson, Council by the following recorded vote approved the minutes as presented:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// Copies of the minutes of the January 29, 2013 meeting, having been previously furnished Council, reading was dispensed with, and on motion of Council Member Cary, seconded by Council Member Nelson, Council by the following recorded vote approved the minutes as presented:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of Police – Emergency Services, Resolution #R-13-012 amending the FY 2013 City/Federal/State Aid Fund budget and appropriating \$30,952 with resources of \$15,476 from the Virginia

Department of Emergency Management 2012 Local Emergency Management Performance Grant and \$15,476 for in-kind services provided by the existing Emergency Management Coordinator's position for a part-time Emergency Management Deputy Coordinator position, laid over from the January 22, 2013 meeting, was again presented and read, and on motion of Council Member Cary, seconded by Council Member Nelson, Council by the following recorded vote adopted the Resolution:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of Courts – General, City Council Report #9 was considered. On motion of Council Member Cary, seconded by Council Member Nelson, Council by the following recorded vote introduced and laid over to a later meeting for final action Resolution #R-13-015, as presented, amending the FY 2013 City/Federal/State Aid Fund and appropriating \$5,631, fully reimbursable, to preserve three Marriage Register books with records dated 1853 to 1909 at the Lynchburg Circuit Court Clerk's Office:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of Fire – General, City Council Report #10 was considered. On motion of Council Member Cary, seconded by Council Member Nelson, Council by the following recorded vote introduced and laid over to a later meeting for final action Resolution #R-13-016, as presented, amending the FY 2013 City/Federal/State Aid Fund budget and appropriating \$161,406, fully reimbursable, for Staffing for Adequate Fire and Emergency Response (SAFER) grant to hire nine (9) full-time firefighters for the Fire Department:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of Community Planning - Zoning, a public hearing was held regarding City Council Report #11 outlining the petition of the Lynchburg Church of God Trustees at 512 Breezewood Drive for a Conditional Use Permit (CUP) to allow the construction of a building and parking addition in an R-3, Medium Density, Two-Family Residential District. City Planner Tom Martin gave a summary of the request and stated the Planning Commission recommended approval of the CUP. Mr. Tommy Brooks, representing the petitioner, outlined the request and asked for approval. There was no one else present who wished to speak to this item, and the public hearing was closed. On motion of Council Member Foster, seconded by Council Member Cary, Council by the following recorded vote adopted Resolution #R-13-017, as presented, granting the Conditional Use Permit:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of Community Planning – Zoning Amendments, a public hearing was held on City Council Report #12 regarding amending the Future Land Use Map (FLUM) from Medium Density Residential to Community Commercial and outlining the petition to rezone from R-1, Low Density Single-Family Residential District to B-5, General Business District approximately four hundred twelve thousandths (0.412) of an acre to facilitate the marketing of the property for sale at 2400 Lakeside Drive. City Planner

Tom Martin gave a summary of the request and stated the Planning Commission recommended approval of the FLUM and rezoning petitions. There was no one else present who wished to speak to this item, and the public hearing was closed. On motion of Council Member Cary, seconded by Council Member Nelson, Council by the following recorded vote adopted Ordinance #0-13-018, as presented, granting the petition to amend the Future Land Use Map:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// On motion of Vice Mayor Johnson, seconded by Council Member Cary, Council by the following recorded vote adopted Ordinance #0-13-019 as presented, granting the petition to rezone from R-1, Low Density Single-Family Residential District to B-5, General Business District approximately four hundred twelve thousandths (0.412) of an acre to facilitate the marketing of the property for sale at 2400 Lakeside Drive:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of Community Planning, a public hearing was held regarding City Council Report #13 regarding the consideration of amending Section 35.1-11.8, Terms beginning with "G" through "K", "Group Home" of the Zoning Ordinance to replace the terms "retarded or mentally handicapped, mentally ill and mentally retarded" with the terms "mental illness, intellectual disability or developmental disabilities". Engineering/Planning Project Coordinator Anne Nygaard gave a summary of the Zoning Ordinance stating that in April 2012, the General Assembly adopted legislation to eliminate the term "mental retardation" and similar terms from the State Code and to replace such language with the term "intellectual disabilities" and other similar terms. In December 2012, Council initiated amendments to the Zoning Ordinance to make those replacements and to maintain Lynchburg's Zoning Ordinance's consistency with the State Code. There was no one else present who wished to speak to this item, and the public hearing was closed. On motion of Council Member Perrow, seconded by Council Member Cary, Council by the following recorded vote adopted Ordinance #O-13-020, as presented, amending Section 35.1-11.8, Terms beginning with "G" through "K", "Group Home" of the Zoning Ordinance to replace the terms "retarded or mentally handicapped, mentally ill and mentally retarded" with the terms "mental illness, intellectual disability or developmental disabilities" :

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of Community Development – General, a public hearing was held on City Council Report #14 regarding the consideration of selling approximately four hundred twelve thousandths (0.412) of an acre at 2400 Lakeside Drive to Lakeside Crossing Lynchburg, LLC, to allow for retail development. Director of Economic Development Marjette Upshur gave a summary of the request. There was no one else present who wished to speak to this item, and the public hearing was closed. On motion of Vice Mayor Johnson, seconded by Council Member Foster, Council by the following recorded vote introduced

and laid over to a later meeting for final action Resolution #R-13-021, as presented, regarding selling approximately four hundred twelve thousandths (0.412) of an acre at 2400 Lakeside Drive to Lakeside Crossing Lynchburg, LLC, to allow for retail development:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette

7

Noes:

0

// In the matter of Community Development – CDBG, a public hearing was held on City Council Report #15 regarding receiving public input regarding the reallocation of the Community Development Block Grant (CDBG) Program Year 2010-2011 funds in the amount of \$100,000 for the Spot Blight Low Interest Loan Program; funds in the amount of \$45,462.78 for the Property Demolition Project; and FY 2013 (Program year 2012-2013) funds in the amount of \$100,000 for the Fifth Street Community Development Corporation (CDC) Phase III project be reallocated to FY 2013 (CDBG Program Year 2012-2013) Fifth Street Phase II Project. Grants Manager Melva Walker gave a summary of the request. There was no one else present who wished to speak to this item, and the public hearing was closed. On motion of Vice Mayor Johnson, seconded by Council Member Helgeson, Council by the following recorded vote adopted Resolution #R-13-022, as presented, regarding the reallocation of the Community Development Block Grant funds for the Fifth Street Phase II Project:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette

7

Noes:

0

// In the matter of Registrar, City Council Report #16 was considered. Mr. John Falcone, Electoral Board Member, spoke regarding the supplemental funding request and addressed two other issues:

- 1) The Electoral Board and the Registrar recommend that the polling place from Ward 4, Precinct 1 which is presently located at the Elks Lodge be relocated to Cornerstone Community Church on Old Graves Mill Road.
- 2) Funding needs in the Registrar's Office: part-time staff, temporary staff for larger elections, electronic pollbook laptop replacement, office furniture and storage cabinets, election day communications and voting system replacement.

It was the consensus of Council to hold a public hearing regarding the relocation of polling Precinct 1 in Ward 4 at the next Council meeting.

On motion of Council Member Cary, seconded by Council Member Nelson, Council by the following recorded vote introduced and laid over to a later meeting for final action Resolution #R-13-023, as presented, amending the FY 2013 City/Federal/State Aid budget and appropriating \$24,327, with resources of \$7,600 from the State Board of Election and \$16,727 from the General Fund Reserve for Contingencies to replace 53 electronic pollbook laptop computers and carrying cases:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette

7

Noes:

0

// In the matter of Schools – General, City Council Report #17 was considered. Council Member Nelson stated that his wife is a School Division employee but that fact would not impair his unbiased judgment in consideration of this issue. On motion of Council Member Nelson, seconded by Council Member Foster,

Council by the following recorded vote introduced and laid over to a later meeting for final action Resolution #R-13-024, as presented, amending the FY 2013 General Fund Budget and appropriating \$993,862 with the following Committed Fund Balance Reserves hereby authorized: \$300,000 for school health insurance; \$372,862 for school textbooks and \$321,000 for Special Education Disproportional reserve:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of Parks & Recreation – General, City Council Report #18 was considered. On motion of Vice Mayor Johnson, seconded by Council Member Perrow, Council by the following recorded vote adopted Resolution #R-13-025, as presented, authorizing the City Manager, Deputy City Manager and the City Attorney to execute documents and take other appropriate action to secure state historic tax credits for the renovation of the Miller Center Building at 301 Grove Street:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// In the matter of City Code, City Council Report #19 was considered. On motion of Council Member Foster, seconded by Council Member Cary, Council by the following recorded vote adopted Ordinance #0-13-026, as presented, amending the City Code relating to the designation of the City's Rental Property Inspection Districts:

Ayes: Cary, Foster, Helgeson, Johnson, Nelson, Perrow, Gillette 7

Noes: 0

// The meeting was adjourned at 8:54 P.M.

**LYNCHBURG CITY COUNCIL
Agenda Item Summary**

MEETING DATE: **February 12, 2013**

AGENDA ITEM NO.: 13

CONSENT:

REGULAR: **X**

WORK SESSION:

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Change in Location of the Ward IV, Precinct 1 Voting Location**

RECOMMENDATION: After a public hearing, adopt an ordinance amending Section 14-35 of the City Code moving the voting location for Ward IV, Precinct I from the Elks Lodge, 6235 Old Mill Road, to Cornerstone Community Church, 525 Old Graves Mill Road.

SUMMARY: The Electoral Board, Registrar's Office, and the State Board of Elections have received numerous complaints from voters through several election cycles about the cigarette smoke smell in the room in which voting is held at the Elks Lodge. For persons with allergies, the air quality can be detrimental. This also affects Officers of Elections who must work in this area all day. We thank the Elks Lodge for its excellent cooperation and years of service to the City, but feel that a move to a smoke free environment is needed.

After an extensive search for possible locations, the Electoral Board has determined that Cornerstone Community Church will be a very good location for a polling place. Parking availability is excellent, the facility is well equipped for accessibility (LACIL & GLTC paratransit have visited the site), and the interior voting space is flexible in accommodating small or large elections.

If approved, a change in polling locations must be submitted to the Department of Justice.

PRIOR ACTION(S): Electoral Board member John Falcone introduced this proposed change to Council during its meeting on February 12, 2013.

FISCAL IMPACT: 1) Cost of printing and mailing new voter cards to approximately 4500 voters. 2) For very large elections, additional traffic signage and control may be necessary.

CONTACT(S): Electoral Board: John Falcone, Chair; Cham Light, Vice-Chair; John Cobbs, Secretary; General Registrar: Carolyn Sherayko

ATTACHMENT(S): An ordinance amending Section 14-35 of the City Code.

REVIEWED BY: lkp

AN ORDINANCE TO AMEND AND REENACT SECTION 14-35 OF THE CODE OF THE CITY OF LYNCHBURG, 1981, THE AMENDED SECTION RELATING TO THE DESIGNATION OF A NEW POLLING PLACE IN THE FIRST PRECINCT OF THE CITY'S FOURTH VOTING WARD.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG:

1. That Section 14-35 of the Code of the City of Lynchburg, 1981, be and the same are hereby amended and reenacted as follows:

Sec. 14-35. Fourth ward.

The fourth ward shall be divided into four (4) election precincts, the boundaries of which shall be as follows:

(1) First precinct. All that portion of the fourth ward beginning at a point, said point being the intersection of the Corporate Limits of the City of Lynchburg and the centerline of Graves Mill Road, thence proceeding in an easterly direction along the centerline of Graves Mill Road to its point of intersection with the centerline of McConville Road, thence proceeding in a northerly direction along the centerline of McConville Road to its point of intersection with the centerline of Tomahawk Creek, thence proceeding in an easterly direction along the centerline of Tomahawk Creek to its point of intersection with the centerline of Burton Creek, thence proceeding in a southerly direction along the centerline of Burton Creek to its point of intersection with the centerline of the westbound lane of Timberlake Road, thence proceeding in a southwesterly direction along the centerline of the westbound lane of Timberlake Road to its point of intersection with the Corporate Limits of the City of Lynchburg, thence proceeding in a westerly direction along the Corporate Limits of the City of Lynchburg to the point of beginning. The voting place of said first precinct of the fourth ward shall be located at ~~the Elks Lodge, 6235 Old Mill Road~~ Cornerstone Community Church, 525 Old Graves Mill Road.

(2) Second precinct. All that portion of the fourth ward beginning at a point, said point being the intersection of the centerline of Tomahawk Creek, Burton Creek and the centerline of Blackwater Creek, thence proceeding in an easterly direction along the centerline of Blackwater Creek to its point of intersection with the Blackwater Creek Tributary, thence proceeding in a southeasterly direction along the centerline of the Blackwater Creek Tributary to its point of intersection with the centerline of Heath Avenue extended, thence proceeding in a southerly direction two hundred thirty-four (234) feet along the centerline of Heath Avenue extended to the terminus of the centerline of Heath Avenue, thence proceeding in a southerly direction along the centerline of Heath Avenue to its point of intersection with the centerline of Fort Avenue, thence proceeding in a southwesterly direction along the centerline of Fort Avenue to its point of intersection with the centerline of Burton Creek, thence proceeding in a northerly direction along the centerline of Burton Creek, to the point of beginning. The voting place in said second precinct of the fourth ward shall be located at Sandusky Middle School, 805 Chinook Place.

(3) Third precinct. All the portion of the fourth ward lying at a point, said point being the intersection of the centerline of Wyndale Drive and the centerline of Fleetwood Avenue, thence proceeding in a southeasterly direction along the centerline of Fleetwood Avenue to its terminus, thence proceeding in a southerly direction three hundred ninety-five (395) feet along the centerline of Fleetwood Drive extended to its point of intersection with the centerline of Blackwater Creek, thence proceeding in a northeasterly direction along the centerline of Blackwater Creek to its point of intersection with the Blackwater Creek Tributary, thence proceeding in a southeasterly direction along the centerline of the Blackwater Creek Tributary to its point of intersection with the centerline of Heath Avenue extended, thence proceeding in a southerly direction two hundred thirty-four (234) feet along the centerline of Heath Avenue extended to the terminus of the centerline of Heath Avenue, thence proceeding in a southerly direction along the centerline of Heath Avenue to its point of intersection with the centerline of Fort Avenue, thence proceeding in a northeasterly direction along the centerline of Fort Avenue to its point of intersection with the centerline of Oakridge Boulevard, thence proceeding in a westerly direction along the centerline of Oakridge Boulevard to its point of intersection with the centerline of Sussex Street, thence proceeding in a northeasterly direction along the centerline of Sussex Street to its point of intersection with the centerline of Richmond Street, thence proceeding in a northeasterly direction along the centerline of Richmond Street to its point of intersection with the centerline of Rockbridge Avenue, thence

proceeding in a northwesterly direction along the centerline of Rockbridge Avenue to its point of intersection with the centerline of Lakeside Drive, thence proceeding in a southwesterly direction along the centerline of Lakeside Drive to its point of intersection with the centerline of Wyndale Drive, thence proceeding in a southwesterly direction along the centerline of Wyndale Drive to the point of beginning. The voting place in said third precinct of the fourth ward shall be located at Memorial Christian Church, 512 Perrymont Avenue.

(4) Fourth precinct. All that portion of the fourth ward beginning at a point, said point being the intersection of the centerline of Rivermont Avenue and the centerline of Rivermont Terrace, thence proceeding in a southerly direction along the centerline of Rivermont Terrace to its point of intersection with the centerline of Langhorne Road, thence proceeding in a southerly direction along the centerline of Langhorne Road to its point of intersection with the centerline of Landon Street, thence proceeding in a westerly direction along the centerline of Landon Street to its point of intersection with Club Drive, thence proceeding in a southwesterly direction along the centerline of Club Drive to its terminus, thence proceeding in a southwesterly direction ninety-three (93) feet along the centerline of Club Drive extended to its point of intersection with the centerline of Ivy Creek, thence proceeding in a southeasterly direction along the centerline of Ivy Creek to its point of intersection with the centerline of the abandoned Norfolk and Southern Railroad, thence proceeding in a northeasterly direction along the centerline of the abandoned Norfolk and Southern Railroad to its point of intersection with the centerline of Langhorne Road, thence proceeding in a southerly direction along the centerline of Langhorne Road to its point of intersection with the centerline of Blackwater Creek, thence proceeding in a westerly direction along the centerline of Blackwater Creek to its point of intersection with the Blackwater Creek Tributary, thence proceeding in an easterly direction along the centerline of the Blackwater Creek Tributary to its point of intersection with the centerline of Lakeside Drive, thence proceeding in a southwesterly direction along the centerline of Lakeside Drive to its point of intersection with the centerline of Forest Brook Road, thence proceeding in a northerly direction along the centerline of Forest Brook Road to its point of intersection with the centerline of Old Forest Road, thence proceeding in a northeasterly direction along the centerline of Old Forest Road to its point of intersection with Devonshire Road, thence proceeding in a northwesterly direction along the centerline of Devonshire Road to its point of intersection with Kettering Lane, thence proceeding in a northwesterly direction one thousand eight hundred fifteen (1815) feet along the centerline of Devonshire Road extended to its point of intersection with the centerline of the Ivy Creek Tributary, thence proceeding in a northwesterly direction along the centerline of the Ivy Creek Tributary to its point of intersection with the centerline of Ivy Creek, thence proceeding in a northeasterly direction along the centerline of Ivy Creek to its point of intersection with the centerline of Link Road, thence proceeding in a northeasterly direction along the centerline of Link Road to its point of intersection with Rivermont Avenue, thence proceeding in an easterly direction to the point of beginning. The voting place in said fourth precinct of the fourth ward shall be located at Linkhorne Middle School, 2525 Linkhorne Drive.

2. That this ordinance shall become effective upon its adoption.

Adopted:

Certified: _____
Clerk of Council

036V

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **February 26, 2013**

AGENDA ITEM NO.: 14

CONSENT:

REGULAR: **X**

WORK SESSION:

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Appropriation of Proceeds from the Sale of Property for Highway Projects**

RECOMMENDATION: Adopt a resolution to amend the FY 2013 City Capital Projects Fund budget and appropriate \$1,212,137 with resources from the sale of property at 3901 Old Forest Road to make improvements to transportation infrastructure for two projects – Whitehall Road/Lakeside Dr. Traffic Improvements (\$500,000) and Greenview Drive Phase II Improvements (\$712,137).

SUMMARY: In 2009 the Virginia Department of Transportation (VDOT) transferred land from excess right of way at the intersection of Old Forest Road and Lakeside Drive to the City. The City combined this land with an existing parcel to create a developable site at 3901 Old Forest Road. The site was purchased by a developer with plans to build a shopping center, which included “The Fresh Market” specialty grocer. To accommodate the additional traffic and to improve the traffic flows in the area, the City is partnering with the developer to improve Whitehall Road and coordinate the signals.

Proceeds received from the sale of property originally acquired through State transportation funds must be used on transportation projects. The project to improve traffic flow and safety on Whitehall Road and Lakeside Drive has an estimated cost of \$500,000 and meets the requirements for use of these funds. The work planned includes an upgrade to Whitehall Road and signalization improvements on Lakeside Drive. The remaining \$712,137 will be used on the Greenview Drive Phase II Improvements transportation project and included in the proposed FY 2014 – 2018 Capital Improvement Program.

At the November 27, 2012, City Council meeting, the Greenview Drive Phase II Improvements project was listed as one of four projects which could receive funding through the FY 2014 VDOT Revenue Sharing Program. Additionally, proceeds from the sale of the Whitehall Road property were identified to assist with providing the required local match for the Revenue Sharing Program.

PRIOR ACTION(S):

City Council, November 27, 2012

Physical Development Committee, February 26, 2013

Finance Committee, February 26, 2013

FISCAL IMPACT: Proceeds of \$712,137 from the property sale will assist with providing the City’s required local match for the FY 2014 VDOT Revenue Sharing Program. It is anticipated \$500,000 will fully cover the City’s cost to provide transportation and safety improvements on Whitehall Road and Lakeside Drive.

CONTACT(S):

Lee Newland, City Engineer, 455-3947

Dave Owen, Director of Public Works, 455-4469

ATTACHMENT(S):

Resolution

REVIEWED BY: lkp

RESOLUTION:

BE IT RESOLVED that the FY 2013 City Capital Projects Fund budget is amended and \$1,212,137 is appropriated with resources from the sale of property at 3901 Old Forest Road to make improvements to transportation infrastructure for two projects – Whitehall Road/Lakeside Drive Traffic Improvements (\$500,000) and Greenview Drive Phase II Improvements (\$712,137).

Introduced:

Adopted:

Certified: _____
Clerk of Council

034V

Lynchburg City Council

Agenda Item Summary

MEETING DATE: **February 26, 2013**

AGENDA ITEM NO.: **15**

CONSENT:

REGULAR: **X**

WORK SESSION:

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Review and Reaffirm the City's Financial Management Policies with Amendments**

RECOMMENDATION: Review and reaffirm the City's Financial Management Policies, with amendments as proposed.

SUMMARY: The Government Finance Officer's Association (GFOA) recommends that localities review their financial policies on no less than a biennial basis. The City's financial policies were last reaffirmed by City Council in November 2010. The City's Fund Balance Policy was revised in May 2011 for compliance with the Governmental Accounting Standards Board (GASB) newly issued GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

In coordination with the City's financial advisors, Davenport & Company, LLC (Davenport), staff has reviewed the financial policies and has found the policies continue to be sufficient to provide a strong basis for sound financial decisions.

However, with the anticipated bond funding of the Heritage High School project, one change has been proposed on page 4 under Tax-Supported Debt, number 6, which states the 10-Year Principal Payout Ratio shall not be less than 60%. This policy needs to be revised to add a clause which would allow the calculation to include the adopted five-year Capital Improvement Program. With such a large project, an extended period is needed to payout current debt and achieve a 60% payout. Adding this clause will prevent the City from violating the Payout Ratio Policy yet still give the City conservative parameters to follow. A yellow flag is raised by the rating agencies if the payout ratio falls below 50%.

Other minor recommendations are made as follows:

Page 2, under Committed Fund Balance, omit the word Ordinance. The City adopts the budget by Resolution. Page 5, under Process, number 6, change the word ordinance to resolution. The City adopts the budget by Resolution and not Ordinance.

Page 9, under Suitable and Authorized Investments, numbers 5 & 6, add the word 'category' after AA. This helps more clearly identify the meaning to be a AA category since Moody's ratings are listed as Aa3, Aa2 or Aa1.

City staff and Davenport recommend that the policies be reaffirmed with the changes as proposed in the attached document.

PRIOR ACTION(S): The financial policies were originally adopted by Council on August 10, 1999 and have been periodically revised or reaffirmed as noted above. February 26, 2013, Finance Committee

FISCAL IMPACT: Broad implications

CONTACT(S): Donna Witt, Director of Financial Services, 455-3968

ATTACHMENT(S): Resolution; The Proposed Financial Management Policies

REVIEWED BY: lkp

RESOLUTION:

BE IT RESOLVED that City Council reaffirms the Financial Management Policies with changes as noted in the document, Financial Management Policies.

Adopted:

Certified:

Clerk of Council

035V

FINANCIAL MANAGEMENT POLICIES

Policy I Fund Balance

**Adopted August 10, 1999
Reaffirmed November 14, 2000
Revised October 29, 2002
Reaffirmed September 28, 2004
Reaffirmed December 12, 2006
Reaffirmed December 9, 2008
Reaffirmed November 23, 2010
Revised May 10, 2011**

Policy II Debt Management

**Adopted August 10, 1999
Reaffirmed November 14, 2000
Revised October 29, 2002
Reaffirmed September 28, 2004
Revised December 12, 2006
Revised December 9, 2008
Revised November 23, 2010**

Policy III Budget

**Adopted November 14, 2000
Revised October 29, 2002
Reaffirmed September 28, 2004
Revised December 12, 2006
Revised December 9, 2008
Reaffirmed November 23, 2010**

Policy IV Investment

**Adopted September 25, 2001
Revised October 29, 2002
Reaffirmed September 28, 2004
Revised December 12, 2006
Revised December 9, 2008
Reaffirmed November 23, 2010**



BASIS FOR SOUND FINANCIAL MANAGEMENT POLICIES

The primary objective of sound financial management policies is for the City Council to create a framework within which financial decisions can be made. These policies are a statement of the guidelines and goals that influence and guide the financial management practices of the City of Lynchburg. Financial management policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Sound financial management policies:

- Contribute significantly to the City's ability to insulate itself from fiscal crisis and economic disruption.
- Enhance short-term and long-term financial credit ability by helping to achieve the highest credit and bond ratings possible.
- Promote long-term financial stability by establishing clear and consistent guidelines.
- Direct attention to the total financial picture of the City rather than single-issue areas.
- Promote the view of linking long-term financial planning with day-to-day operations.
- Provide the City Council and citizens a framework for measuring the fiscal impact of government services against established fiscal parameters and guidelines.
- Ensure that the organization has sufficient resources to perform mandated responsibilities.
- Provide a foundation for evaluating financial analysis and condition.

FINANCIAL MANAGEMENT POLICIES

Policy I - Fund Balance

General Fund

Unassigned Fund Balance

- The City of Lynchburg's Unassigned General Fund Balance will be maintained at a level to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.
- The City shall not use the Unassigned General Fund Balance to finance recurring operating expenditures.
- The City will maintain an Unassigned General Fund Balance (UGFB) equal to 10% of General Fund revenues. In the event the UGFB is used to provide for temporary funding of unforeseen emergency needs, the City shall restore the Unassigned General Fund Balance to the minimum of 10% over five years.
- Funds in excess of the targeted 10% fund balance may be considered to supplement "pay-as-you-go" capital outlay expenditures, other non-recurring expenditures or as additions to fund balance.

Committed Fund Balance

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority - City Council. Formal Council action includes the annual adoption of the City's Budget Ordinance/Resolution, Council Resolutions appropriating funds and/or resources, Budget amendments appropriating funds and resources from third quarter adjustments and Budget amendments to carry forward appropriations that were unexpended at fiscal year end.

Assigned Fund Balance

- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Fund Balance may be assigned either through the encumbrance process as a result of normal purchasing activity (which includes the issuance of a purchase order), or by the City Manager or his designee.

Restricted Fund Balance

- Restricted fund balance includes amounts that have constraints placed on their use by external sources such as creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NonSpendable Fund Balance

- Nonspendable Fund Balance includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaids or they are legally or contractually required to be maintained intact.

Policy on the order of spending resources

- The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balance are available unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

Enterprise Funds***Water Fund***

- Minimum ending fund balance shall not be less than 25% of total fund appropriations with a target balance of 40% of total fund appropriations.
- Funds in excess of the annual requirements may be considered for “pay-as-you-go” capital outlay expenditures, other non-recurring expenditures or funding of necessary reserves.
- A rate review will be conducted at least every two years.

Sewer Fund

- In accordance with the Virginia Department of Environmental Quality Special Order for the correction of the Combined Sewer Overflows, the maximum ending fund balance shall not exceed 25% of total fund appropriations; however, the City shall endeavor to maintain a fund balance as close to 25% as practicable.
- As provided by the Special Order, any excess funds will be directed to “pay-as-you-go” capital outlay expenditures.
- A rate review will be conducted at least every two years.

Policy II - Debt Management**Tax-Supported Debt**

Tax-supported obligations are those that are expected to be repaid from the General Fund tax revenue of the City of Lynchburg. These include general obligation bonds (except self-supporting bonds) and capital leases. General obligation bonds issued for self-supporting enterprise funds are not included in calculations of tax-supported bonds.

- The City will not use long-term debt to fund current operations.
- The City will not use short-term borrowing to fund current operations.
- Whenever the City finds it necessary to issue tax-supported bonds, the following policy will be adhered to:
 1. The City will never borrow more than it has the capacity to repay.
 2. The term of any bond issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.
 3. Annual debt service expenditures for tax-supported debt should not exceed 10% of total General Fund Expenditures plus School Component Unit Expenditures minus the General Fund Transfer to Schools.

4. Total tax-supported debt will not exceed 4.50% of the net assessed valuation of taxable property in the City of Lynchburg.
5. Total tax-supported debt per capita should be maintained at a reasonable level.
6. The 10-Year Principal Payout Ratio shall not be less than 60% at the end of each adopted five-year Capital Improvement Program for Tax-Supported General Obligation Indebtedness.

Revenue-Supported Debt

Revenue-supported obligations are those for which the debt service is payable solely from the revenue generated from the operation of the project being financed or a category of facilities (i.e. water, sewer). These are not considered tax-supported debt of the City. Whenever the City finds it necessary to issue revenue-supported bonds, the following guidelines will be adhered to:

1. The term of any revenue-supported bond issue will not exceed the useful life of the capital project/facility or equipment for which borrowing is intended.
2. Revenue-supported bonds will be structured to allow equal or declining annual debt service payments over a term not to exceed the life of the project being financed. For those revenue-supported bonds issued through the Virginia Revolving Loan Fund, annual debt service payments shall not exceed thirty years.
3. For any enterprise fund issuing revenue-supported bonds, net revenues available for debt service shall not be less than 1.2 times annual debt service for each fiscal year. Net revenues available for debt service will be calculated as operating income, plus depreciation and amortization and plus interest income. Debt service will include all debt service paid by the respective fund; however, the principal portion of any bond anticipation notes or other short-term financing should be excluded.

Refinancing of Debt

- The City shall issue refunding bonds to achieve debt service savings, eliminate onerous covenants or provisions in outstanding bond documents, or to respond to a financial emergency.
- The City shall continually monitor its outstanding debt to identify instances where the City may achieve savings through an advance refunding or current refunding transaction.
- The City shall receive a written refunding analysis indicating the amount of net present value savings from its financial advisor prior to selling bonds to refund any outstanding bonds.
- A refunding transaction to achieve debt service savings should only be undertaken when the net present value of the savings, net of issuance costs, will be at least 3% of the principal amount of the refunded bonds. Refunding transactions for revenue bonds can be structured so that savings are realized over the life of the refunding bonds or up-front, depending on the results of a cost-benefit analysis.

General Debt Policies

- The City will maintain communication with bond rating agencies to keep them abreast of its financial condition and will provide them with information on a timely basis including the City's *Comprehensive Annual Financial Report*, *Annual Adopted Budget* and *Capital Improvement Program*.
- The City shall comply with all of its undertakings in accordance with Securities and Exchange Commission Rule 15c2-12 and will follow the Government Finance Officers' Association and Securities and Exchange Commission requirements for continuing disclosure.
- The City may use the Virginia Public School Authority (VPSA) or State Literary Fund loans to finance school capital projects. City bonds sold to the VPSA and Literary Fund loans constitute general obligation debt of the City. City Council shall approve any application to the VPSA or the Department of Education for a Literary Fund loan. City Council shall approve the issuance of the bonds as required by the Public Finance Act. The School Board shall recommend such financings before a proposed financing is brought to City Council for approval.

Policy III - Budget

Principles

- Public participation in the budgetary process will be encouraged.
- The City will avoid dedicating revenue to a specific project or program because of the constraint this may place on flexibility in resource allocation except in instances where programs are expected to be self-sufficient or where revenue is dedicated to a program for statutory or policy reasons.
- The budget process will be coordinated in a way that major policy issues are identified for City Council several months prior to consideration of budget approval. This will allow adequate time for appropriate decisions and analysis of financial impacts.

Policies

- City Council shall adopt a balanced budget in accordance with all legal requirements.
- A structured budget preparation and formulation process shall be used for all departments and agencies receiving funding from the City.
- Departmental budgets shall be managed within the total appropriated budget for each fiscal year.
- All operating budget appropriations shall lapse at the end of the fiscal year to the extent that they are not expended or encumbered, with the exception of year-end carry-forward items approved by City Council.
- The budget shall be adopted by the favorable vote of a majority of members of City Council.
- The Vision and priorities established by City Council as well as the *Comprehensive Plan* will serve as the framework for the budget proposed by the City Manager.
- The fiscal year for the City is July 1 through June 30 as defined by the *City Code*, Section 18-1.
- One-time revenues shall be used for one-time expenditures only.
- A General Fund Reserve for Contingencies of \$1.2 million shall be used as a source of funding for unanticipated expenditures during the budget year. The Reserve for Contingencies is limited to one-time expenditures and shall not be considered a source for recurring financing.

Process

- The City Manager shall annually prepare a *Proposed Budget* for City Council review. The *Proposed Budget* shall serve as a financial plan for the upcoming fiscal year and shall contain the following information:
 1. A budget message that outlines the proposed revenue and expenditures for the upcoming fiscal year together with an explanation of any major changes from the previous fiscal year. The budget message should also include any proposals for major changes in financial policy.
 2. Charts indicating the major revenues and expenditures in each major fund (General, Water, Sewer, Airport) as well as changes in fund balance for all funds.
 3. Summaries of proposed expenditures by function, department and activity for all funds proposed to be expended in a fiscal year.
 4. A schedule of estimated requirements for the principal and interest of each bond issue.
 5. A three-year history of revenues and expenditures to include the prior year actual, current year adopted, amended, and proposed budgets for each major fund.
 6. The proposed budget appropriation ~~ordinance~~ resolution, including the tax levy.
- The City Council shall hold a public hearing on the budget submitted by the City Manager and all interested citizens shall be given an opportunity to be heard on issues related to the proposed budget, including the *Capital Improvement Program*.
- Following the public hearing on the *Proposed Budget*, City Council may make adjustments. In instances where City Council increases the total proposed expenditures, it shall also identify a source of funding at least equal to the proposed expenditures.

Capital Improvement Program

- A five-year *Capital Improvement Program (CIP)* that serves as the basis for annual capital appropriations and debt financing requirements shall be prepared and updated annually.
- The *CIP* shall include descriptions, timeline, cost estimates, and a schedule of expected expenditures for each project.
- Debt service requirements and funding needs for schools and City government shall be determined based on the *Adopted CIP*.
- Long-term borrowing shall be confined to major capital improvements and equipment purchases.
- Short-term borrowing shall be limited to bond anticipation notes and equipment leasing, where feasible, with a life of less than 8 years.
- Capital project appropriations shall lapse upon project completion, allowing for an adequate warranty period. Lapsed appropriations shall remain in the Capital Fund for reallocation to other projects.
- Incremental operating costs associated with capital projects shall be funded in the operating budget after being identified and approved in the Capital Improvement Program.
- Pay-as-you-go funding shall not be less than 10% with a goal of 15% as a percentage of the City's 5-Year CIP.

Quarterly Financial Reporting

The City Manager will present to the City Council's Finance Committee (with copies to the remainder of Council) quarterly financial reports identifying meaningful trends in revenues and expenditures for the General, Water and Sewer, Airport, Stadium, Comprehensive Services Act, and Juvenile Detention Funds.

Third Quarter Review

In mid-March, City staff will evaluate all expenditures and revenues as compared to budget and make recommendations to City Council regarding possible adjustments. Section 15.2-2507 of the *Code of Virginia* requires that a public hearing be held prior to City Council action when the potential increases in the appropriation exceed one percent of the total expenditures shown in the currently adopted budget.

Policy IV - Investment

I. Policy Statement

It is the policy of The City of Lynchburg, Virginia ("the City") that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and this policy. The City shall be in complete compliance with all applicable federal, state and local laws, and other regulations and statutes governing the investment of public funds. Within those parameters, the goal of this policy is to achieve the highest rate of return that is reasonable. The City will establish an Investment Committee consisting of the City Manager, Deputy City Manager, and Director of Financial Services. This Committee will provide broad policy oversight over investments. This policy will be reviewed on an annual basis. Any changes must be approved by the Investment Committee and be reaffirmed by City Council. See Appendix 1 for a Glossary of Investment Terms.

II. Scope

This policy applies to the investment of all the financial assets and funds held by the City. Specific requirements or limitations imposed upon the investment of Bond Proceeds, Debt Service Funds and Debt Service Reserve Funds are located in Section X of this Policy. These Funds are accounted for in the City of Lynchburg's Comprehensive Annual Financial Report and include the General, Special Revenue, Capital Projects, and Proprietary Funds.

III. Objectives

Funds shall be invested in only those investments permitted by Federal, State and local law as it relates to public funds, as well as any contractual agreements entered into by the City.

All of the City's funds, regardless of term, shall be invested with the following objectives listed in the order of priority:

1. *Safety* - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. Specifically, the City will:
 - a. seek to avoid realizing any loss through the sale or disposal of an investment; and
 - b. seek to mitigate the risk of unrealized losses due to a decline in value of investments held in the portfolio.
2. *Liquidity* - The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio in the following manner:
 - a. The City will purchase investments scheduled to mature in accordance with its anticipated cash needs, in order to minimize the need to sell investments prior to maturity;
 - b. A portion of City Funds will be maintained in cash equivalents, including money market funds, investment pools and overnight securities, which may be easily liquidated without a loss of principal should an unexpected need for cash arise; and
 - c. The portfolio will consist largely of investments with active secondary markets.
3. *Yield* - The City's investment portfolio shall be designed with the objective of maximizing a fair rate of return consistent with the investment risk constraints and cash flow characteristics of the portfolio. The Investment Committee shall establish suitable benchmarks for the measurement of the portfolio's return.

IV. Delegation of Authority

Under the guidance of the Investment Committee, the City's Director of Financial Services is the official charged with collecting, safeguarding and disbursing City funds. In this capacity, and with consensus from the Investment Committee, the Director of Financial Services is responsible for establishing staff roles and responsibilities, considering the quality and capability of staff, selecting investment advisors and consultants involved in investment management, and developing and maintaining appropriate administrative procedures for the operation of the investment program. Examples of key staff roles and responsibilities include, but are not limited to, solicitation of investment offerings, placement of purchase and sell orders, confirmation of trades, and preparation of reports and other activities as required for the daily operations of the investment area. The Director of Financial Services is also charged with developing written standard Investment procedures and an asset allocation plan consistent with this policy. Such procedures shall be reviewed and approved by the Investment Committee. Subject to the approval of the Investment Committee and City Council, the Director of Financial Services may employ financial consultants on a contractual basis to assist in the development and implementation of investment procedures and policies, to monitor the effectiveness and continued compliance with such policies and procedures, and to provide guidance in investment matters.

V. Standards of Care

The standard of prudence to be used by investment personnel shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states:

"Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The Director of Financial Services, and those delegated investment authority under this Policy, when acting in accordance with written procedures and this Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an

individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

VI. Ethics and Conflicts of Interest

Officers and employees of the City involved in the investment process shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Office of the Clerk of Council any material interests in financial institutions with which they conduct business and any personal investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees are required to abide by the provisions of the Virginia Conflict of Interests Act. The Act prohibits City officers and employees from seeking or accepting money or any other thing of value for the performance of their duties, using confidential information for their own benefit and having a personal interest in a company with which the City is doing business. "Officer" means any person appointed or elected to the City's government whether or not he/she receives compensation or other emolument of office. "Employee" means all persons employed by the City.

VII. Collateral and Safekeeping Arrangements

The City's investments shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by Virginia Code, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. The Code refers to a counterparty as the issuer or seller of the security and any repurchase agreement provider. All securities purchased or sold will be transferred when possible only under "delivery vs. payment method" to ensure that funds or securities are not released until all criteria relating to the specific transaction are met.

VIII. Competitive Selection of Investment Instruments

It is desirable to select investments on a competitive basis when possible to ensure that the City receives the best price available on a particular investment and avoids paying excessive fees, mark-ups or other compensation to the provider. A list will be maintained of approved financial institutions and security broker/dealers selected by creditworthiness (*e.g.*, a minimum capital requirement of \$10,000,000 and at least five years of operations). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions will supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Certification of having read and understood and agreeing to comply with the City of Lynchburg Investment Policy

Under the guidance and oversight of the Investment Committee, the Director of Financial Services shall adhere to the following procedures, with assistance from the City's Investment Advisor where appropriate, when funds become available for investment to the extent practical:

1. The Director of Financial Services shall determine the class of investment and maturity range most appropriate for investment of the funds available, based upon the anticipated expenditure schedule of the City, the desired asset allocation of the City's portfolio and the City's Investment Plan.
2. Offers will be solicited for the selected investment from the list of pre-approved providers as noted above.

3. The Director of Financial Services will accept the offer (or bid, if the City is selling an investment) which provides the highest rate of return or which is otherwise deemed most suitable while complying with this Policy and any other criteria specified in the solicitation of offers.

The City shall retain a record of the offers received, the instruments chosen, and the rationale for making the decision.

From time to time, certain investment dealers may present the City with offers that are attractive for investment. Although the City should endeavor to verify (and document) that the price is “fair,” it may occasionally purchase such a security without a competitive process if the investment is for \$500,000 or less.

Additionally, a competitive process shall not be required for the investment of funds in money market funds, investment pools and overnight securities. However, it shall be the responsibility of the Director of Financial Services to be aware of the yields being offered by various highly liquid investments, and to invest the City’s overnight funds in the vehicle(s) which provide a competitive return to the City while complying with this policy and any other criteria established by the Investment Committee or City Council.

IX. Suitable and Authorized Investments – Without Exception, Only the Following Investments Are Suitable and Authorized

1. Treasury Securities

Bonds, Notes and Bills issued by the United States Treasury or certificates representing ownership of treasury bond principal or coupons.

2. Agency Securities (FHLB, FNMA, FFCB, FHLMC, GNMA)

Obligations issued and guaranteed as to principal and interest by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association, maturing within five years of the date of purchase.

3. Prime Commercial Paper

Commercial Paper maturing within 270 days of the day of purchase rated P-1 or higher by Moody’s and A-1 or higher by Standard & Poor’s, provided that the issuing domestic corporation has a net worth of \$50 million and its long-term debt is rated A or better by Moody’s and Standard & Poor’s.

4. Certificates of Deposit

Certificates of Deposit maturing within one year and issued by domestic banks rated P-1 by Moody’s and A-1 by Standard & Poor’s.

5. Banker’s Acceptances

Banker’s Acceptances maturing within 180 days rated P-1 or higher by Moody’s and A-1 or higher by Standard & Poor’s, provided the issuer is a major domestic bank or the domestic office of an international bank rated AA category or higher by Moody’s and Standard & Poor’s.

6. Commonwealth of Virginia and Virginia Local Government Obligations

General Obligations, Insured Obligations or Revenue Bonds secured by Debt Service Reserve Funds not subject to annual appropriation rated AA category or higher by Moody’s or Standard & Poor’s.

7. Repurchase Agreements

Repurchase Agreements collateralized by securities approved for investment herein, provided that the counterparty is rate A or better by Moody’s and Standard & Poor’s and the collateral is held by an independent third party. All Repurchase Agreements are purchased with a Master Repurchase Agreement in place with a third-party custodian.

8. Open-End Investment Funds

Open-end Investment Funds registered under the Securities Act of the Commonwealth or the Federal Investment Company Act of 1940, provided that they invest only in securities approved for investment herein.

9. Virginia Local Government Investment Pool

10. Virginia State Non-Arbitrage Program or Other Authorized Arbitrage Investment Management Programs

X. Suitable and Authorized Investments – Restricted Funds

Funds defined as sinking funds under the Virginia Code may be invested in items listed in Section IX.1 and IX.6 above, repurchase agreements collateralized by those investments, and in the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs.

XI. Internal Controls

Under the guidance of the Investment Committee, the Director of Financial Services will establish and maintain an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. The Internal Audit Department shall add this Policy and related Procedures to their Audit Universe for audit consideration. The internal control structure will address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

XII. Reporting

Under the guidance of the Investment Committee, the Director of Financial Services will ensure that a Management Report will be prepared on a quarterly basis. The information from this Report may be derived from the Investment Advisor and/or the Safekeeping Agent, or both, where appropriate. This Report will include information that provides an analysis of the status of the current investment portfolio and whether investment activities during the reporting period have conformed to the investment policy herein. The Report will be presented to City Council for information and comment. To the extent practical, the report detail may include such items as the following:

- Listing of securities held at the end of the reporting period
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Average weighted yield to maturity of portfolio on investments compared to benchmarks
- Listing of investment by maturity type
- Percentage of the total portfolio which each type of investment represents

XIII. Diversification

The City will endeavor to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. Target asset allocation strategies shall be developed by the Investment Committee to provide guidance as to appropriate levels of diversification. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the City's total investment will be the obligations of a single financial institution.

XIV. Maximum Maturities

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than one year from the date of purchase.

Appendix 1: Glossary of Investment Terms

Accrued Interest – The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency – A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSA's) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of a federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization – The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life – The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Basis Point – A unit of measurement used in the valuation of fixed -income securities equal to 1/100 of 1 percent of yield, e.g., “one-quarter” of 1 percent is equal to 25 basis points.

Bid – The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value – The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Callable Bond – A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price – The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk – The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase – A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

Collateralization – Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper – An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Convexity – A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon Rate – The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the “interest rate.”

Credit Quality – The measurement of the financial strength of a bond issuer to help an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) – A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) – A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Discount – The amount by which the par value of a security exceeds the price paid for the security.

Diversification – A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration – A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value – The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) – Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate – Interest rate charged by one institution lending federal funds to the other.

Government Securities – An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market See “Treasury Bills, Notes, and Bonds.”

Interest Rate – See “Coupon Rate.”

Interest Rate Risk – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls – An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. Control of collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers -Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian – The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverted Yield Curve – A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940 – Federal legislation which sets the standards by which investment such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy – A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Liquidity – An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) – An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market – The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market risk – The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value – Current market price of a security.

Maturity – The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See ‘Weighted Average Maturity.’

Money Market Mutual Fund – Mutual funds that invest, solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers’ acceptances, repos and federal funds).

Mutual Fund – An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund’s holdings, performance, management and general investment policy.
3. Have the fund’s investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund’s shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

Mutual Fund Statistical Services – Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD) – A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value – The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund’s assets which includes securities, cash, and any accrued earnings, subtracting this from the fund’s liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund’s portfolio. (See below.) $[(\text{Total assets}) - (\text{Liabilities})] / (\text{Number of shares outstanding})$

No Load Fund – A mutual fund which does not levy a sales charge on the purchase of its shares.

Nominal Yield – The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the “coupon,” “coupon rate,” or ‘interest rate.’

Offer – An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the “Ask price.”

Par – Face value or principal value of a bond, typically \$1,000 per bond.

Positive Yield Curve – A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium – The amount by which the price paid for a security exceeds the security's par value.

Prime Rate – A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal – The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus – A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule – An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Regular Way Delivery – Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk – The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (repo or RP) – An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) – An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act – Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

Safekeeping – Holding of assets (e.g., securities) by a financial institution.

Serial Bond – A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking fund – Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Swap – Trading one asset for another.

Term Bond – Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return – The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return.

Treasury Bills – Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes – Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds – Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule – SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility – A degree of fluctuation in the price and valuation of securities.

“Volatility Risk” Rating – A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bonds funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns (“AAA” by S&P; “V- 1” by Fitch) to those that are highly sensitive with currently identifiable market volatility risk (“CCC”- S&P, “V-10” by Fitch).

Weighted Average Maturity (WAM) – The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) – A conditional transaction in which an authorized new security has not been issued. All “when issued” transactions are settled when the actual security is issued.

Yield – The current rate of return on an investment security generally expressed as a percentage of the security’s current price.

Yield-to-call (YTC) – The rate of return an investor earns on a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve – A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity – The rate of return yielded by a debt security held to maturity when both interest payments and the investor’s potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities – Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.