CITY COUNCIL WORK SESSION

Tuesday, March 19, 2024 | 4:00 PM
City Hall- 2nd Floor Training Room
900 Church Street
Lynchburg, VA 24504

AGENDA

I.	**Welcome**	*Stephanie T. Reed, Mayor*
II.	**Budget Work Session Agenda Overview**	*Wynter C. Benda, City Manager*
III.	**Budget Work Session Agenda Items**	*Wynter C. Benda, City Manager*

III.1. Water, Sewer, and Stormwater FY 2025 Budget Overview and Rate Recommendations

III.2. FY 2025 Proposed Budget Reconciliation

City Council
Agenda Item III.1.
Information Only

AGENDA ITEM SUMMARY

MEETING DATE	PRESENTED BY
March 19, 2024	Timothy Mitchell, Director of Water Resources

AGENDA ITEM # III.1

Water, Sewer, and Stormwater FY 2025 Budget Overview and Rate Recommendations

RECOMMENDATION

Proceed to a Public Hearing for the Water, Sewer, and Stormwater proposed FY 2025 Rate increases.

SUMMARY

Staff will present an overview of the FY 2025 Proposed Water, Sewer, and Stormwater Funds budgets including rate recommendations. Reasons for the proposed rate increases will also be discussed.

PRIOR ACTION(S)

None.

FISCAL IMPACT

As presented in the FY 2025 Budget

CONTACT(S)

Timothy Mitchell, Director of Water Resources

ATTACHMENT(S)

1. LWR Budget Rates Presentation 3-19-24

REVIEWED BY

Timothy Mitchell, Director of Water Resources

Date: March 13, 2024

Date: March 14, 2024

Gregory Patrick, Deputy City Manager

Date: March 14, 2024

Alicia Finney, Clerk of Council

LYNCHBURG WATER RESOURCES BUDGET & RATE UPDATES

March 19, 2024

PROPOSED RATE SUMMARY

Water

Proposed rate
$3.29 PER HCF

CURRENT RATE IS
$2.93 PER HCF

Sewer

Proposed rate
$8.30 PER HCF

CURRENT RATE IS
$8.10 PER HCF

Stormwater

Proposed rate
$4.93 PER SFU

CURRENT RATE IS
$4.48 FOR SFU

Average residential bill increase per month:

$3.22

Water: +$1.78 per month
Sewer: +$0.99 per month
Stormwater: +$0.45 per month

Based on 4.95 HCF average usage

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HCF = Hundred Cubic Feet (748 gallons)

SFU: Single Family Unit (2,672 square feet)

WATER AND SEWER: HOW DO WE COMPARE?

How the water and sewer cost for a Lynchburg household using 5,000 gallons/month compares with the Va. average, other localities:

LYNCHBURG

$81.41*

Water: $22.75 per month
Sewer: $58.66 per month

VIRGINIA AVERAGE

$93.73

Water: $40.99 per month
Sewer: $52.74 per month

Other Virginia localities

Amherst County	$130.59
Bedford County	$129.00
Town of Bedford	$129.00
City of Charlottesville	$123.41
City of Richmond	$122.31
Town of Appomattox	$121.65
Town of Amherst	$115.95
City of Salem	$92.16
Campbell County	$87.02
City of Harrisonburg	$81.44
------------ LYNCHBURG ($81.41) ------------	
Roanoke City/County	$72.60

* The average Lynchburg residence uses 3,700 gallons/month ($60.24 average for water, sewer)
- Numbers based on FY 2024 rates; data from TRC's Virginia Water & Wastewater Rate Report 2023

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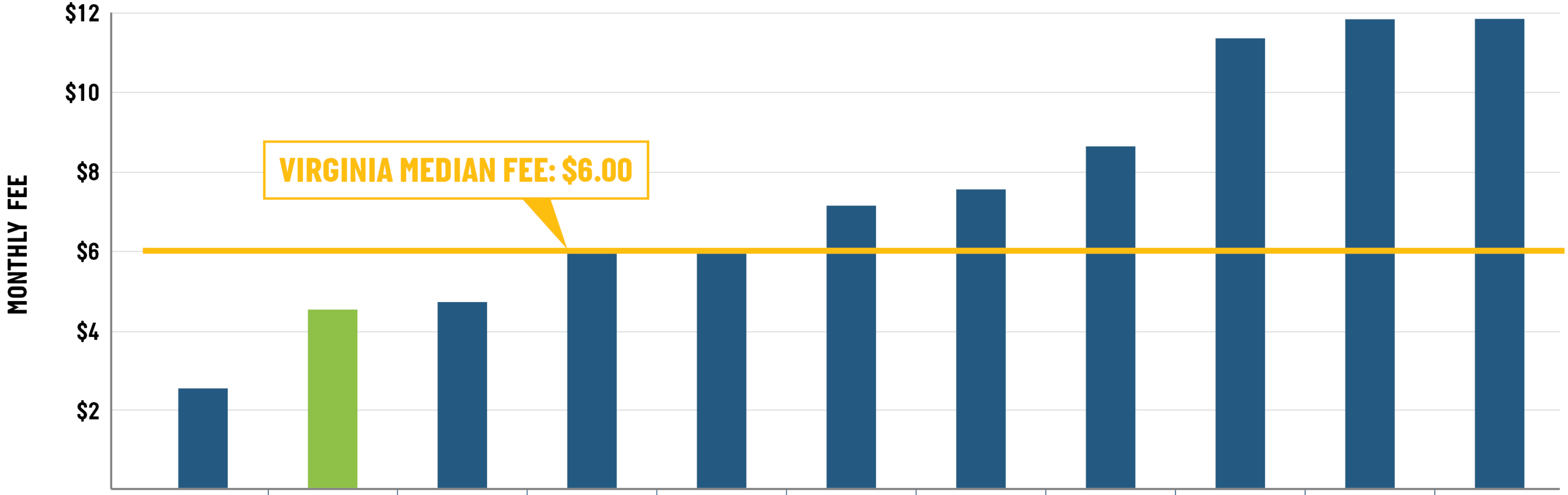
STORMWATER FEE: HOW WE COMPARE

LOCAL STORMWATER FEE COMPARISON



	City of Harrisonburg	City of Lynchburg	City of Waynesboro	Town of Blacksburg	Town of Christ'nsburg	City of Roanoke	City of Suffolk	City of Richmond	City of Chesapeake	City of Hampton	City of Charlottesville
FEE BY LOCALITY	$2.50	$4.48	$4.70	$6.00	$6.00	$7.09	$7.50	$8.58	$11.35	$11.83	$11.84

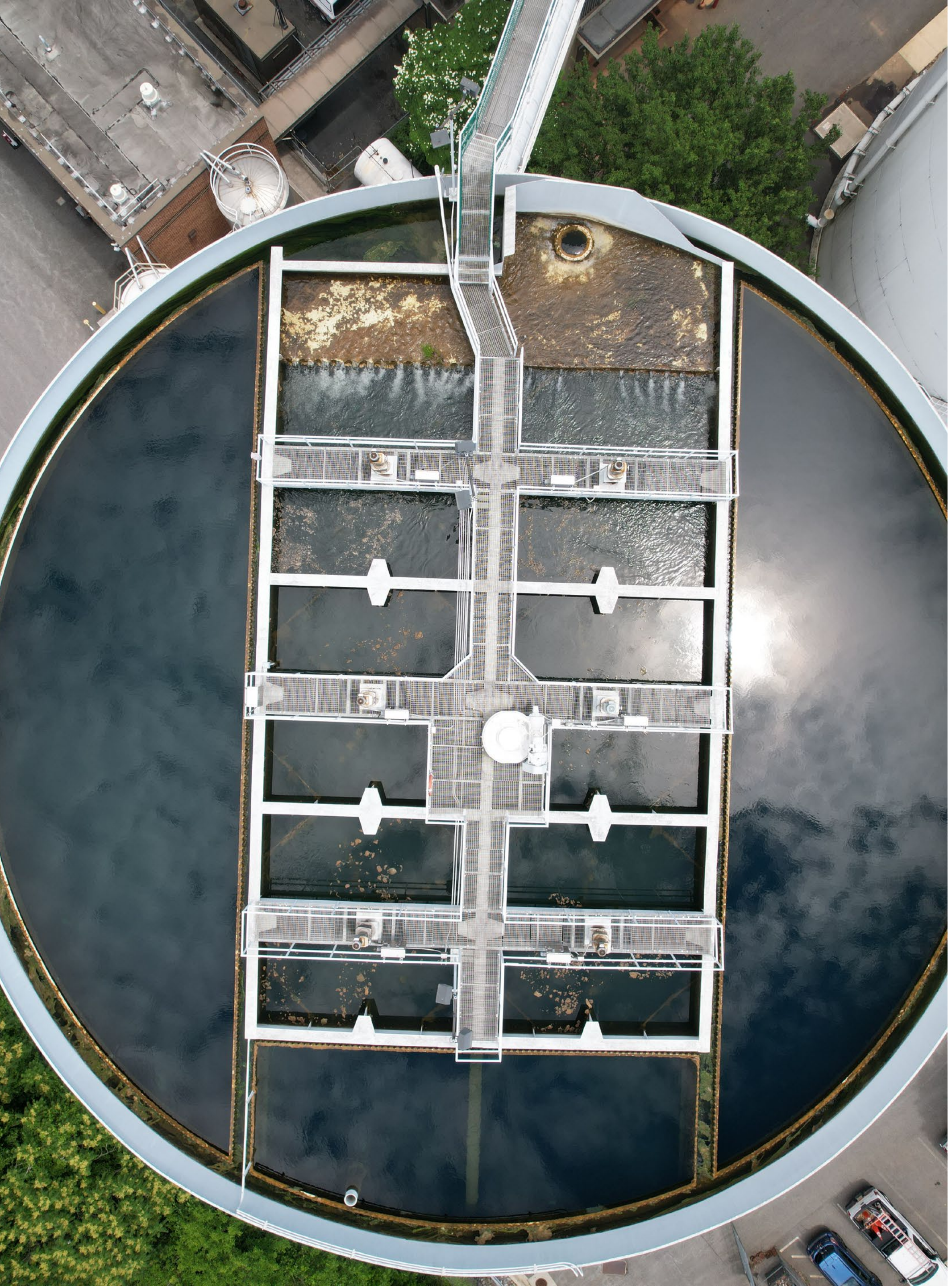
BEST RATE PRACTICES & GOALS

Best Practices

- Rates are fair and equitable
- Rates reflect true cost of providing services
- Rate structures charge customers receiving certain services the actual cost of those services

Our Goals

- Minimize rate increases
- Provide quality water, sewer, stormwater services to every resident, business, and visitor every single day
- Meet extensive regulatory requirements
- Efficiently operate and maintain water, sewer, and stormwater infrastructure
- Comply with Council's fiscal policies
- Comply with the State of Virginia's CSO Consent Special Order's financial requirements



WATER FUND BUDGET SUMMARY

FY 2024: $17.0 M | FY 2025: $18.8 M

FY 2025 Operating Fund Primary Cost Increases

- Salaries and benefits: $650,000
  - Includes one new Assistant Chemist position to handle increased sampling requirements associated with the Lead and Copper Rule Revisions
  - Includes operator progression pay adjustments
- Debt service: $484,000
- Supplies and materials: $229,000
- Utilities: $95,000
- Contractual services: $63,000

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WATER CAPITAL BUDGET SUMMARY

New Projects in FY 2025

- \$3.48 million, Downtown Area Business, Phase IV
- \$3.1 million, Clay Street Reservoir
- \$2.95 million, 6th & Madison Waterline Replacement
- \$2.95 million, Fillmore Waterline Replacement
- \$2.4 million, College Hill/13th St. Waterline Replacement
- \$1.88 million, Cellular Meter Replacements
- \$1 million, Carroll Avenue Pump #3

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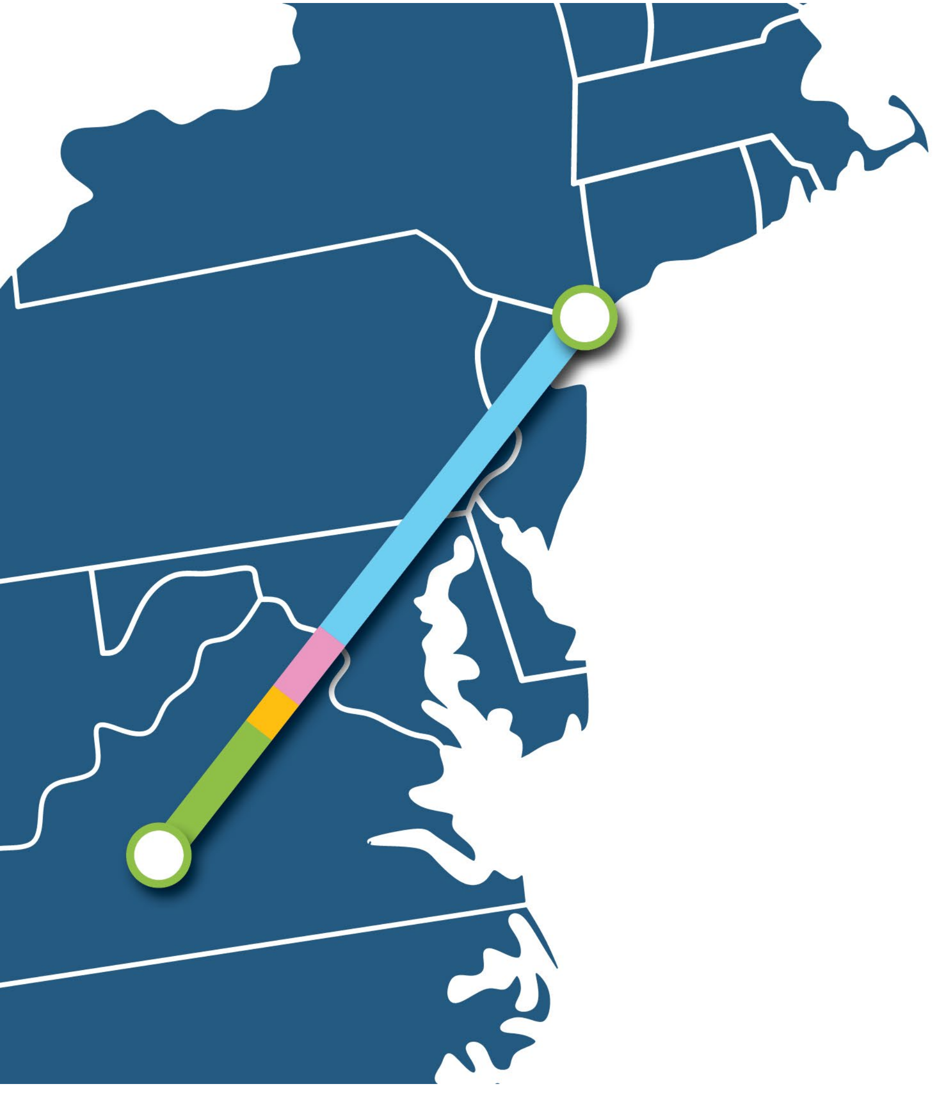
OUR WATER INFRASTRUCTURE



We are responsible for **455 miles** of waterlines serving Lynchburg. That's equal to the distance from here to New York City

Today, we have **95.1 miles** of waterlines in need of replacement

Over the next 25 years, another **31.6 miles** of waterlines will reach 100 years in age

From 2050-2060, another **53 miles** of waterlines will reach 100 years in age

A CLOSER LOOK AT OUR AGING INFRASTRUCTURE

- **Aging cast iron pipes (76 miles by 2050):** Most susceptible to corrosion and breaks, which can impact water quality, cause service disruptions, put strains on staffing, and are costly to repair
- **Undersized pipes (18 miles):** Unsuitable for city fire hydrants and do not provide adequate fire flow capacity
- **Asbestos cement (33 miles):** Inferior pipe that hasn't been used since the late 1970s, requires special handling and disposal

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WATER CAPITAL FUNDING OPTIONS

- **Scenario 1:** Keep capital spending at current levels, slow current pace of replacement
- **Scenario 2:** Adjust capital spending to account for inflation, retain current pace of replacement
- **Scenario 3:** Adjust capital spending to eventually get to a 100-year replacement cycle, likely around 2070 – our recommended option
- **Scenario 4:** Adjust capital spending to catch up to a 100-year replacement cycle by 2050

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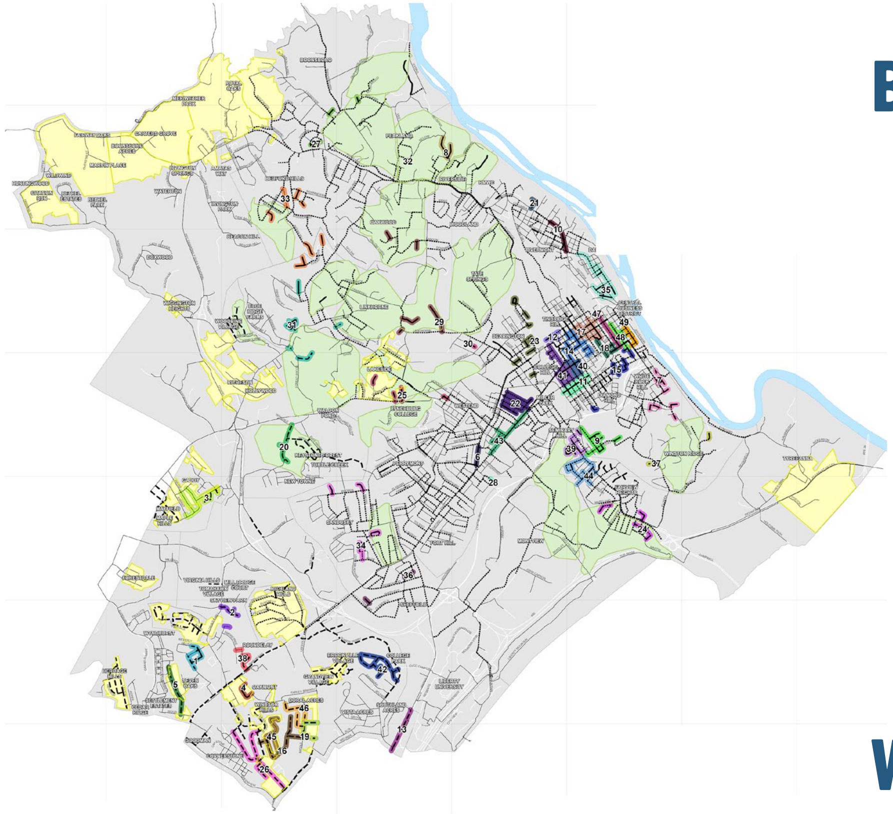
COMPARING THE SCENARIOS

OPTION 1	OPTION 2	OPTION 3: RECOMMENDED	OPTION 4
Remain at current capital spending levels	**Adjust capital spending to account for inflation**	**Adjust capital spending for 100-year replacement cycle**	**Adjust capital spending to “catch up” by 2050**
1.67 miles of pipe replaced per year	**2.46 miles** of pipe replaced per year	**4.55 miles** of pipe replaced per year	**5+ miles** of pipe replaced per year
85 miles of backlog in 2050	**65 miles** of backlog in 2050	**13 miles** of backlog in 2050	**0 miles** of backlog in 2050
270-year replacement cycle	**200-year** replacement cycle	**100-year** replacement by 2070	**100-year** replacement by 2050
Water rate adjusted to **$3.16** per HCF	Water rate adjusted to **$3.21** per HCF	Water rate adjusted to **$3.29** per HCF	Water rate adjusted to **$3.32** per HCF

- The current water rate is $2.93 per HCF

WHAT DOES OPTION 3 GET US?



Begins implementation of Water System Master Plan

- **Replacement of aging and inadequate waterlines across city:** 100-year cast iron, undersized pipe, asbestos cement
- **Addresses growth needs:** Carroll Avenue Pump Station upgrade serving Liberty University/Wards Road area; second Mill Lane tank serving western portion of city
- **Sustainable path forward:** Puts us on track to eventually reach 100-year replacement cycle

What it doesn’t get us

- We don’t catch up to 100-year replacement cycle by 2050; “catch up” would likely happen around 2070

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OPTIONS 1 & 2: FALLING BEHIND

Delays critical projects in Water System Master Plan

- Will require tough decisions between replacing city's aging infrastructure and keeping up with city's growth and capacity needs

Puts us on a 200- to 270-year replacement cycle

- Industry standards call for a 100-year cycle
- Will compromise our ability to deliver a reliable supply of safe and quality drinking water to residents, businesses, hospitals, schools
- Doesn't fully address concerns about water main breaks, fire flow, asbestos cement pipes

- The Jackson, Miss., water crisis was the result of decades of water infrastructure neglect.
- We don't want to be in that position in 30 or 40 years from now.

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SEWER FUND BUDGET SUMMARY

FY 2024: $28.4 M | FY 2025: $29.9 M

<u>FY 2025 Operating Fund Primary Cost Increases</u>

- Salaries and benefits: $497,000
  - Includes new Lab Technician to meet additional sampling needs of our Industrial Pretreatment Program
  - Includes operator progression pay adjustments
- Admin/payments to water fund: $366,000
- Debt service: $342,000
- Indirect costs paid to general fund: $95,000
- Contractual services: $63,000

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SEWER CAPITAL BUDGET SUMMARY

New Projects in FY 2025

- $96 million, Blackwater CSO 52 Tunnel
- $6.3 million, Richland Hills Sewer Extension
- $3.8 million, Golf Park CSO
- $1.12 million, Sewer System Evaluation Survey
- $860,000, Solids Improvement Study
- $720,000, James River Interceptor Bank Stabilization
- $700,000, 13th St. CSO Separation

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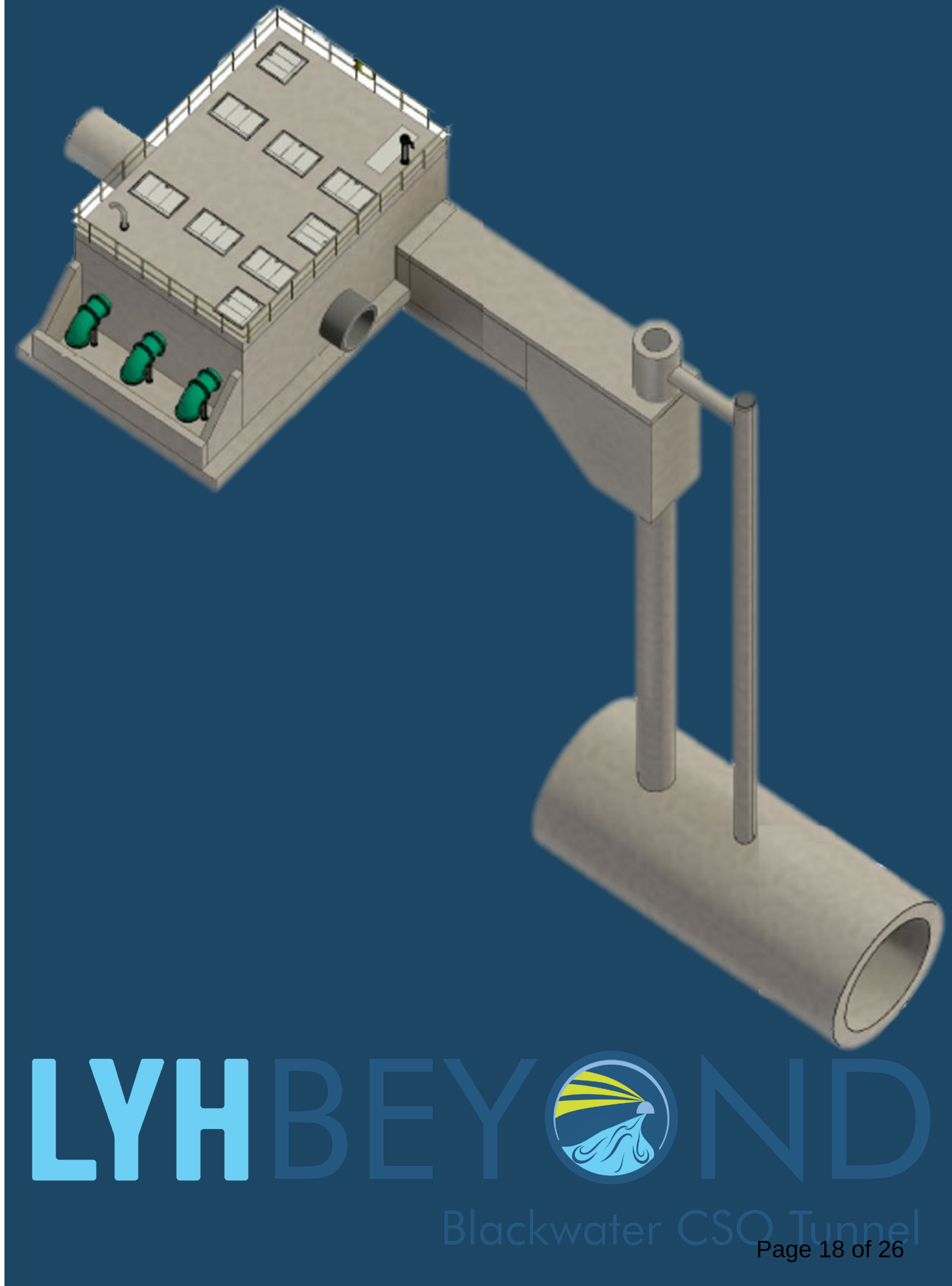
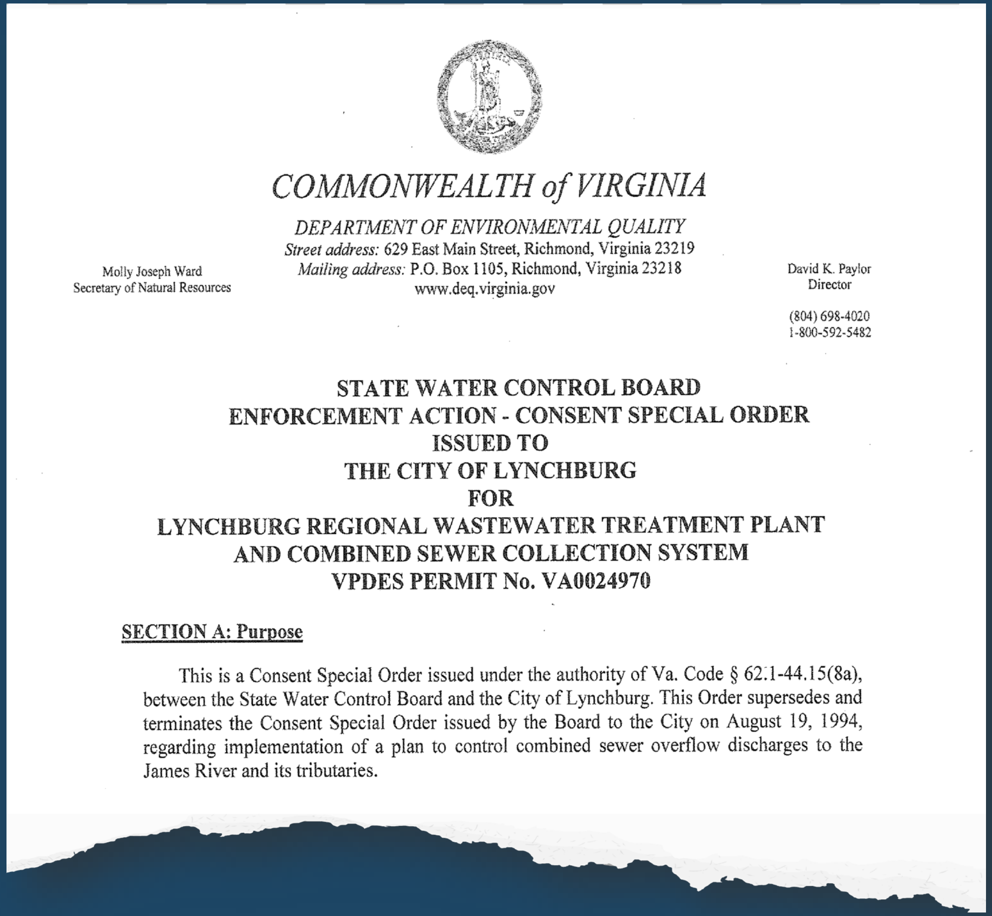


MEDIAN HOUSEHOLD INCOME CALCULATION

- CSO Consent Order requires that the average annual sewer bill must equal or exceed 1.25% of Median Household Income (MHI)
- Calculated MHI increased this year from $58,876 to $59,290, leading to $0.20 increase to sewer rate
- MHI calculation includes the $7.69 monthly service fee
- MHI compliance July 1, 2023: $8.10 per HCF
- MHI calculation for compliance as of July 1, 2024: $8.30 per HCF



COMMONWEALTH of VIRGINIA

DEPARTMENT OF ENVIRONMENTAL QUALITY
Street address: 629 East Main Street, Richmond, Virginia 23219
Mailing address: P.O. Box 1105, Richmond, Virginia 23218
www.deq.virginia.gov

Molly Joseph Ward
Secretary of Natural Resources

David K. Paylor
Director

(804) 698-4020
1-800-592-5482

STATE WATER CONTROL BOARD
ENFORCEMENT ACTION - CONSENT SPECIAL ORDER
ISSUED TO
THE CITY OF LYNCHBURG
FOR
LYNCHBURG REGIONAL WASTEWATER TREATMENT PLANT
AND COMBINED SEWER COLLECTION SYSTEM
VPDES PERMIT No. VA0024970

SECTION A: Purpose

This is a Consent Special Order issued under the authority of Va. Code § 62.1-44.15(8a), between the State Water Control Board and the City of Lynchburg. This Order supersedes and terminates the Consent Special Order issued by the Board to the City on August 19, 1994, regarding implementation of a plan to control combined sewer overflow discharges to the James River and its tributaries.

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STORMWATER FUND BUDGET SUMMARY

FY 2024: $4.1 M | FY 2025: $4.5 M

FY 2025 Operating Fund Primary Cost Increases

- Debt service: $128,000
- Public Works leaf collection/engineering: $104,000
- Indirect costs paid to general fund: $65,000
- Salaries and benefits: $57,000
- Admin/payments to water fund: $41,000
- Community Development charges: $28,000

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STORMWATER CAPITAL BUDGET SUMMARY

New Projects in FY 2025

- $2 million, College Park Improvements
- $559,000, Downtown Area Business, Phase IV
- $460,000, Pipe & Manhole Rehabilitation
- $420,000, Heath Avenue Improvements
- $400,000, Moseley, Landover Outfalls
- $350,000, Moseley Pond Rehabilitation

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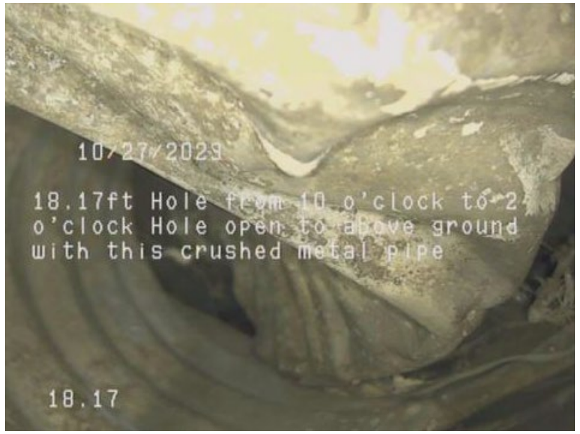
College Park Rate Impacts

- Project is accounted for in the proposed $4.93 monthly stormwater fee for FY 2025
- Not including the project would result in a 7-cent reduction in the proposed stormwater fee for FY 2025 ($4.86)
- $130,000 in annual principal and interest payments will begin in FY 2026, requiring an additional 15 cents to be added to the monthly stormwater fee ($5.08)

OUR STORMWATER INFRASTRUCTURE

- We have significant stormwater infrastructure needs in all parts of the city, including nearly 300 outfalls in need of repair in the next 5 years.
- Failing stormwater infrastructure can lead to private property damage, stream erosion, sewer line breaks, and more.



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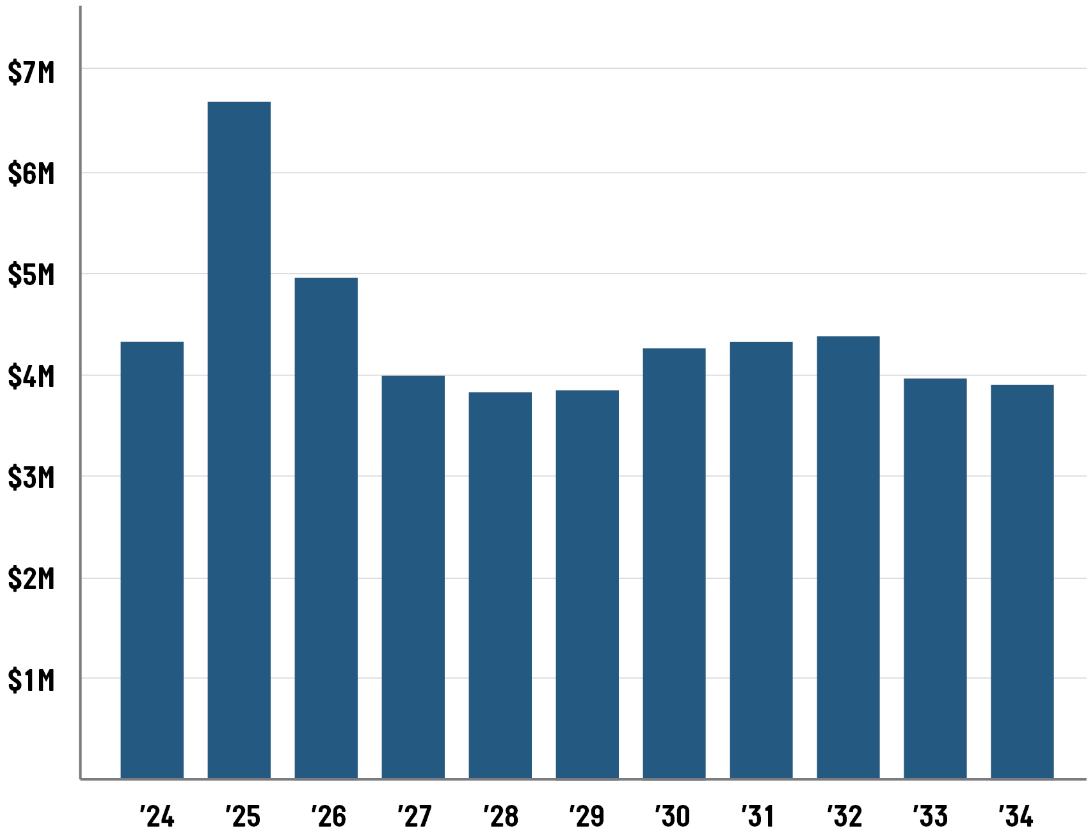
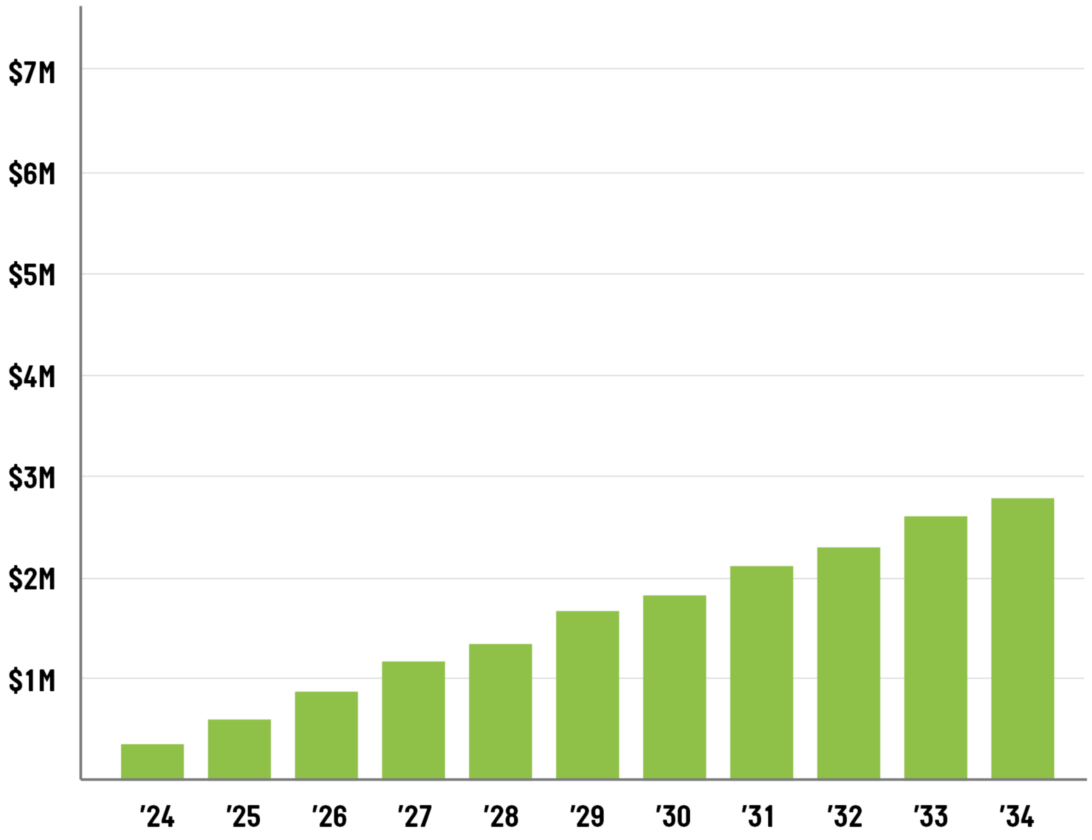
FUTURE STORMWATER DEBT SERVICE

PROJECTED CAPITAL EXPENDITURES



PROJECTED DEBT SERVICE



THE SERVICE CHARGE: WHAT DOES IT COVER?

- The service charge helps cover the cost of utility billings & collections, meter reading, and water meter maintenance and replacements
- The typical monthly residential service charge is $7.69, well below surrounding localities
- Without the $2.6 million service charge revenues, water and sewer rates would need to increase to meet City Council's adopted financial minimums and the Consent Order's MHI requirements
- FY 2025 proposed rates would increase to:
  - $3.71 for water
  - $8.93 for sewer

- The current proposed rates are $3.29 for water and $8.30 for sewer

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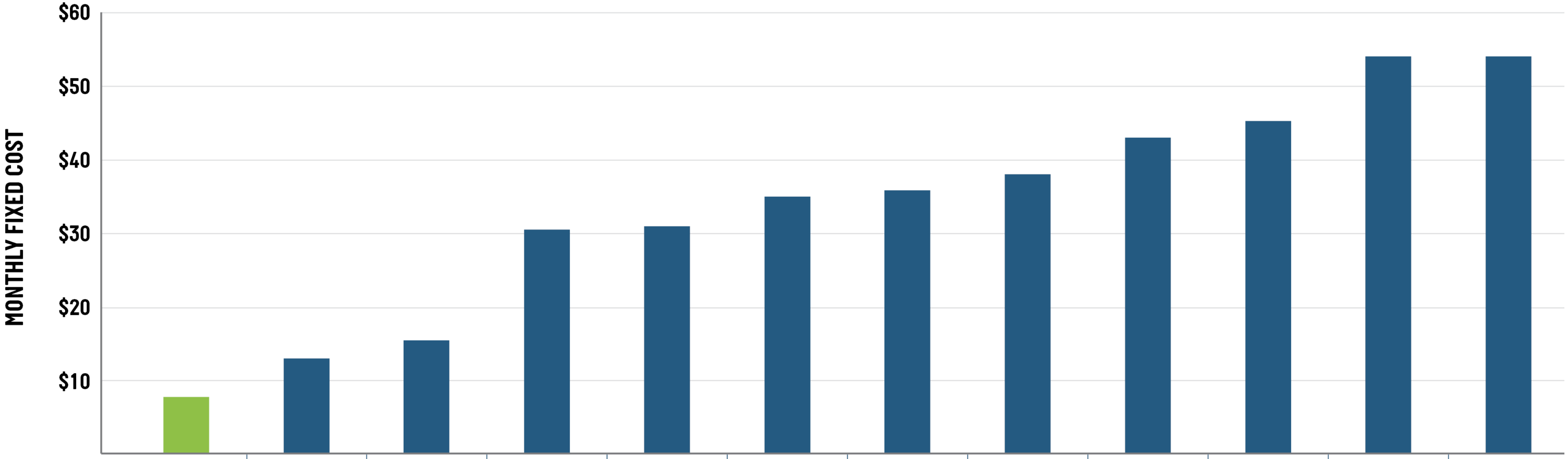
SERVICE CHARGE: HOW WE COMPARE

COMPARING MONTHLY MINIMUM SERVICE CHARGE TO AREA LOCALITIES



	City of Lynchburg	City of C'ville	Campbell County	City of H'burg	Amherst CSA	Roanoke City/County	City of Salem	City of Richmond	Town of Amherst	Town of Appomattox	Town of Bedford	Bedford County
SERVICE CHARGE	$7.69	13.00	15.50	30.54	31.00	34.85	36.21	37.93	42.95	45.30	54.00	54.00

IN SUMMARY

- All 3 funds – water, sewer, and stormwater – face significant infrastructure needs, rising project and operational costs, staffing challenges, and increasing regulatory demands.
- Despite these challenges, Lynchburg residents will continue to pay below the state average for these essential services even with the proposed increases.
- We have a unique opportunity over the next 25 years to significantly address our infrastructure needs and finally put Lynchburg on a sustainable path forward.