March 24, 2022

THE CITY OF LYNCHBURG

BUDGET WORK SESSION AGENDA

City Council Work Session – 4:00 p.m.
2nd Floor Training Room | City Hall, 900 Church Street, Lynchburg, VA 24504

I.	**Welcome**	*MaryJane Dolan, Mayor*
II.	**Budget Work Session Agenda Overview**	*Wynter C. Benda, City Manager*
III.	**Budget Work Session Agenda Items**	*Wynter C. Benda, City Manager*

1) FY 2023 Proposed Budget Reconciliation **4:05 p.m. – 5:05 p.m.**

2) Water Resources Rate Study Briefing **5:05 p.m. – 6:00 p.m.**

// An additional meeting of the Council of the City of Lynchburg was held on the 24th day of March, 2022, at 4:00 P.M. at the 2nd Floor Training Room, City Hall, MaryJane Dolan, President, presiding. The following Members of Council were present:

Present: MaryJane Dolan, Beau Wright, Jeff Helgeson, J. Randy Nelson, Treney Tweedy, Sterling A. Wilder, Chris Faraldi 7

Absent: 0

// In the matter of Budget, Agenda Item #1, City Manager, Wynter C. Benda, provided an overview of the FY 2023 Proposed Budget Reconciliation.

The proposed budget includes the River Ridge Branch Library, the Downtown Branch Library, as well as the Main Library.

Councilmember Nelson noted the point made by the last speaker at the March 22, 2022 Public Hearing Council meeting in which she stated that the downtown library provides services to those who rely on public transportation. He stated that he does not want the City to adopt policies that would be exclusive or discriminatory. Councilmember Nelson responded that he would like to find the means within the budget to keep all three libraries open.

Mayor Dolan stated that there is not data from before COVID but that the downtown library seemed well-used. Mayor Dolan responded that this should be looked at carefully to ensure that the decision does not prevent any citizens from accessing a library.

Councilmember Helgeson stated that he disagreed; he is in favor of the River Ridge Branch Library for accessibility for citizens on that side of the City, as well as, potentially generating sales for the businesses in the mall. He does not want to make assumptions that citizens relying on public transportation are only in the downtown area. He is in favor of the proposal of keeping only two branches open and commented on the Main Library is near downtown.

Councilmember Wilder stated that several citizens have objected to closing the downtown library. He is in favor of the River Ridge Library as it would be an advantageous deal for the city, citizens, and the mall. He also noted that the downtown library seemed to have a steady flow of patrons and he would like to keep utilizing that space.

Councilmember Tweedy stated she is in support of the River Ridge Library. She noted she too has heard concerns from citizens but that it would be beneficial to explain to the community that malls are a focal point of generation of business and the generation of tax revenue. She asked the City Manager if he was going to be doing any data measuring for keeping or closing the Downtown Branch Library. Mr. Benda responded that there may be a time to measure data response during the construction period. The City could do this with existing resources.

Councilmember Faraldi responded that the two questions being posed by Council are in reference to the utilization of a public space in City Hall and what could be offered in that space. What services are citizens looking for in a downtown location and is the public library fulfilling those needs. Mr. Benda replied that he will gather the data on how the citizens are primarily using the Downtown Library.

Mr. Benda then walked Council through the Lynchburg City Schools Chart of Finances, Past Financial Resources, and answers to previous questions posed by Councilmembers.

Councilmember Helgeson responded that in past years, the schools have requested the same amount but currently there are several hundred less students in the school system.

Mayor Dolan responded that there is not just decline in students but also a change in needs.

Councilmember Nelson stated that in the last four years there has been a number of how much Lynchburg City Schools did not need from their budget. He noted that if this trend continues, they may not need what they're asking for in the 2022 budget.

Councilmember Faraldi asked for action items as follows: with the total school age population in Lynchburg, what are the current enrollment numbers and graduation rates; the 1990 agreement that the funds go back to Lynchburg City Schools needs to be reevaluated.

Councilmember Wilder asked what would it look like for Lynchburg City Schools salaries to be competitive to salaries in other counties. He also asked how much Lynchburg City Schools would need to increase salaries so that they are competitive. There is also an increase in challenging behavior and support services needed for kids in poverty as well as other needs. With these increased needs comes an increase in resources.

Councilmember Tweedy stated that the City is required to and must invest in public education regardless of declining enrollment. She is in favor in investing in Lynchburg City Schools. She also noted that the City has not invested in the infrastructure to educational buildings and facilities.

Councilmember Faraldi stated that special education and vocational education funding is being decreased in the Lynchburg City Schools proposed budget. He stated that he disagrees with the strategies being pursued by Council because Council appoints Schoolboard Members.

Councilmember Helgeson stated that he would like to see the numbers for the Standards of Quality (SOQ) positions. City Manager Benda replied that the data is forthcoming. Councilmember Helgeson responded that he would like to look at the SOQ positions for Lynchburg City Schools vs other localities. He stated that the third largest employer in the city is LCS and that this is concerning with the declining enrollment. There are SOQ funding formulas that identify what needs to be funded. He also noted that the budget includes incentive programs that the City and State matches. He stated that children should be permitted to attend their neighborhood school rather than a school across town as is required per the desegregation court order. Mr. Benda responded that the facilities study will be of assistance.

Councilmember Tweedy stated that there was a need for the desegregation laws. When it was decided to close schools in the past it was done by governing boards. She stated that Council is the current governing board to make the right decisions for the children and community.

Councilmember Helgeson responded that he believes improving education is unanimous. Council’s job is funding and demanding accountability. He noted his approval of the Future of Education Task Force and the benefits it would have in improving the education system.

Councilmember Tweedy responded that the purpose of the Task Force was to get the community to its current point. It was for community engagement and awareness on education needs as well as rezoning and redistricting needs. The Task Force is not need currently because the data and information are at hand. Community engagement is what is currently needed.

Councilmember Nelson responded that a great issue is leading practices in urban education. City Council and the members of the Schoolboard are not in a position to deal with these issues on their own. They need other insights.

Councilmember Tweedy responded that Lynchburg City Schools has brought educators into the city to understand what the best practices in urban education are. She noted there is resistance to change within Lynchburg City Schools.

Councilmember Helgeson stated he would like to discuss the tax rebate from last year's budget and how to compensate the citizens. Mr. Benda replied that there are no tax increases proposed in this budget.

//In matter of Budget, Agenda Item #2, Dr. Reid A. Wodicka, Deputy City Manager, provided an overview on the Water Resources Rate Study and the need to update the City's stormwater, water, and sewer rates. The primary drivers for the rates include: increasing regulatory requirements, the need to invest in our critical infrastructure, adequately compensating employees delivering essential services, and rising operational costs. The most significant factor, primarily in the Sewer fund, is compliance with the financial criteria of the Combined Sewer Overflow (CSO) Consent Order.

The proposed rate updates are as follows: Stormwater will increase from $4.00 to $4.17 per SFU, the Water Volume Rate will increase from $2.68 to $.277 per HCF, and the Sewer Volume Rate will increase from $6.14 to $7.22 per HCF. These increases will cause an average increase per citizen of $.17 per month for Stormwater, $.46 per month for Water, and $5.53 per month for Sewer. The total average increase will be $6.16 per month. In comparison to other localities, monthly rates for the Stormwater Rate is $.95 less than the State median; the Water Rate is $17 less than the State average, and the Sewer Rate is $3 less than the State average.

Of twelve other localities compared, the City of Lynchburg is rated second cheapest for combined water and sewer bills for 5,000 gallons/month. With these rate increases the City of Lynchburg will get an increase capital spending including, pay-as-you-go, it will cover significant chemical and material cost increases, it will cover compliance with increasing State and federal regulations, investment in front-line employees, and will open additional positions critical to daily functions.

In regards to Stormwater, the City of Lynchburg will get $20.5 million in capital spending including $5.9 million in infrastructure renewal and $5.3 million in best management practices renewal and improvements to address federal and State mandates.

In regards to Water, the City of Lynchburg will get $51.9 million in capital spending including $28.7 million in distribution system improvements prioritized based on: fire flow capacity, system integrity, water quality and system redundancy. It will also receive $7.4 million in water facility improvements and $1.0 million associated with compliance with lead & copper rule revisions.

The increase in sewer rate is due to the fact that minimum rates are dictated by CSO Consent Order: the average annual sewer bill must equal or exceed 1.25% of Median Household Income (MHI) and rates must be based on projected MHI. In regards to sewer, the City of Lynchburg will receive $116 million in capital spending including: $10.5 million for Richland Hills Sewer, $31.3 million in Sewer Collection Improvements, $59 million in CSO projects, and $11.7 million in Water Resource Recovery Facility projects. This includes $25 million in ARPA funds for CSO and $7.5 million in ARPA funds for Richland Hills.

Councilmember Faraldi asked what it would take if the City had additional resources to put into the enterprise fund to offset some of these costs. Mr. Tim Mitchell, Director of Water Resources, stated the rate increase is dependent on the consent order. Councilmember Faraldi asked who dictates the consent order and what does that process look like; he asked if there any legislative oversight on this process. Mr. Branham replied that this is a state consent order. Councilmember Faraldi noted that there is no legislative committee of the General Assembly that approves of this tax or fee increase on citizens.

Dr. Wodicka replied there is approximately five years of work left and the suggestion is to finish it so that there are no longer any mandates. Councilmember Faraldi asked if these fees would roll off. Mr. Mitchell stated that is the idea but they will have to prove that what is done works. Councilmember Faraldi stated that if this is adopted, he would like to see the fees be offset. He asked about the color coding of the map shown on the slides. Mr. Mitchell replied that the color coding of the lines is not just in terms of years but also the materials of the pipes and the capacity of them.

Councilmember Helgeson asked if the basin that catches, treats, and releases the sewer will get the City out of the consent order. Mr. Mitchell replied that there are other projects needed to get the flow to the basin. Councilmember Helgeson noted that the combined rate increases are 10.5% and he would not be in agreement with this. Councilmember Helgeson asked if the sewer line runs to Richland Hills, what will citizens have to pay to connect. Dr. Wodicka replied it will be a base rate of approximately

$3,000. Councilmember Helgeson asked what the typical procedure is to get sewer. Mr. Mitchell replied it would be a petition process in which one individual in the neighborhood attempts to get others in the neighborhood to connect. Councilmember Helgeson asked what the cost is once that extension is done. Mr. Mitchell replied the fee is approximately $3,000 if they get 50% of the neighborhood to connect. If they get 80% of the neighborhood to connect that fee will decrease somewhat. Councilmember Helgeson asked that to extend the sewer, the individual won't pay the extension fees just the connection fees. Mr. Mitchell replied they will pay the connection and availability fees. Councilmember Helgeson asked what the availability fees are. Mr. Mitchell replied that they are approximately $3,000. Councilmember Helgeson noted that several years ago this fee was much higher. Mr. Mitchell replied that the cost to extend this service is approximately $25,000-$30,000. When the petition process is done, the individual will only pay approximately 10% of the cost of the extension with these fees. Councilmember Helgeson asked if this covers the connection and availability fees by tapping into the big system. Mr. Mitchell noted that this is only feasible if a property is close to the sewer. Councilmember Helgeson asked if there are people planning on connecting. Mr. Mitchell replied that surveys were sent out and the results were that approximately 50% would be willing to connect. Councilmember Helgeson stated that many people look at emergent needs rather than potential emergencies in the future.

Councilmember Faraldi stated that these neighborhoods often have a cascading effect within a 2-year time period where 30-40 homes have septic tank failures due to the age of the home and septic systems.

Councilmember Nelson noted his issue with the increase in Stormwater Fee. He would like the option of not increasing that particular fee. Mr. Mitchell replied that the Department of Environmental Quality (DEQ) has stated that the City needs to do better at mapping drainage area to every Best Management Practices (BMP) in the city, improve Stormwater Pollution Prevention Plan (SWPPP) for all city facilities, and update Standard Operating Procedures. Some of the cost increase is for consultant assistance to develop these. He also noted that these are all going towards the Municipal Separate Storm Sewer System (MS4) permit. Councilmember Nelson stated that the actual cost in 2021 was $157,662 but the adopted amount for 2021 was approximately $90,000 more than this. In 2019 the actual cost was $180,873. He noted that the proposed budget asks for more than this amount. He asked that in light of this surplus, if they can have level funding for this year so as to not implement the $.17 raise per customer. Dr. Wodicka replied that he can provide more specific detail of what's going into those numbers and the impacts of implementing the fee vs not implementing the fee.

Councilmember Tweedy noted her appreciation of the Homeowners Association's approval of the sewer and stated that this is an opportune time to add sewer.

Councilmember Helgeson stated there is a difference between the city and county comparisons given in the presentation. He noted that starting wage includes an approximately 50% increase rate with benefits such as health insurance, retirement, etc. He noted his support in highlighting the compensation package that comes with being a municipal employee. Mr. Benda stated the utility department has shown that they do not have the proper staff to meet the need of the City. Councilmember Helgeson noted that he is in favor of increasing the salary of these specific employees. Mr. Benda replied that the proposed $14.03 is taking the Lynchburg overall population and tying it to the increase. He noted that many of the individuals getting this increase are those who work to maintain the City buildings. He stated the City must provide competitive salary and wages for other jobs in Lynchburg.

// The meeting adjourned at 6:01 p.m.

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Clerk of Council

LYNCHBURG CITY COUNCIL
Agenda Item Summary

MEETING DATE: **March 24, 2022**			AGENDA ITEM #: **2**
CONSENT: ACTION:	REGULAR: INFORMATION: **X**	WORK SESSION: **X**	CLOSED SESSION: (Confidential)
ITEM TITLE: Stormwater, Water, and Sewer Rate Updates Briefing			

RECOMMENDATION: *This item will appear for City Council vote on the March 29, 2022 Public Hearing agenda.* Approval of the Stormwater, Water, and Sewer rate updates.

SUMMARY: City Council will receive a briefing on the need to update the City's stormwater, water, and sewer rates. The primary drivers for the rates include: increasing regulatory requirements, the need to invest in our critical infrastructure, adequately compensating employees delivering essential services, and rising operational costs. The most significant factor, primarily in the Sewer fund, is compliance with the financial criteria of the Combined Sewer Overflow (CSO) Consent Order.

PRIOR ACTION(S): n/a

FISCAL IMPACT: As noted in the presentation

CONTACT(S): Tim Mitchell, Director of Water Resources, 455-4252

ATTACHMENT(S):
- Rate Update Fact Sheet
- Presentation

REVIEWED BY: raw

057A

Department of Water Resources Rate Updates – Fact Sheet

Summary of proposed updates

- Water Volume Rate: Current rate = $2.68 per hundred cubic feet (hcf) or 748 gallons, proposed FY 2023 rate = $2.77 per hcf.
- Sewer Volume Rate: Current rate = $6.14 hcf, proposed FY 2023 rate = $7.22 per hcf.
- Stormwater Rate: Current rate = $4.00 per single family unit (sfu), proposed FY 2023 rate = $4.17 per sfu.

Other information

- Based on the average water use, the typical household will see a $0.46 per month increase for water, a $5.53 per month increase for sewer, and a $0.17 increase for stormwater, totaling $6.16.
- The City of Lynchburg's water, sewer, and stormwater rates are still among the lowest in the state with the typical water and sewer bill being about $20 per month less than the state average.
- Our water rates have not increased since 2017. We've seen only one sewer rate increase in the last six years, and there has never been a stormwater rate increase.

Why are the increases needed?

- Increase critical infrastructure investment – all three utilities experience significant issues with aging infrastructure that is either failing or has inadequate capacity. Over the next five years, there will be a $51.9 million investment in Water Infrastructure, a $116.0 million investment in Sewer Infrastructure, and a $20.5 million investment in Stormwater Infrastructure.
- Meet increasing regulatory requirements – all three utilities are impacted by more challenging and increasing state and federal regulatory requirements.
- CSO Consent Order (Sewer) – the City's CSO Consent Order includes certain financial criteria that must be met, including that average annual residential sewer bill must be at least 1.25% of the median household income (MHI). This is the primary driver for the sewer rate increase.
- Cover rising cost – a significant portion of operational costs are associated with chemicals and materials. These areas have experienced significant cost increases.
- Pay increases for employees – especially front-line staff, where turnover is high and recruitment is difficult.

LYNCHBURG WATER RESOURCES RATE UPDATES

March 24, 2022

PROPOSED RATE UPDATES

Stormwater
$4.00 to $4.17
per SFU

Water Volume
Rate Increase
$2.68 to $2.77
per HCF

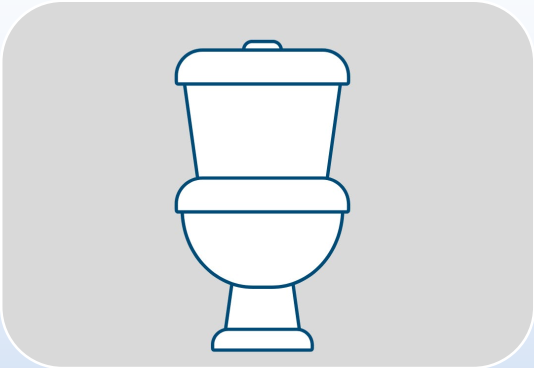
Sewer Volume
Rate Increase
$6.14 to $7.22
per HCF

SFU = Single Family Unit or 2,672 square feet
HCF = Hundred Cubic Feet or 748 gallons

IMPACTS TO CUSTOMERS

Stormwater Increase Per Month = $0.17

Water Average Increase Per Month = $0.46



Sewer Average Increase Per Month = $5.53

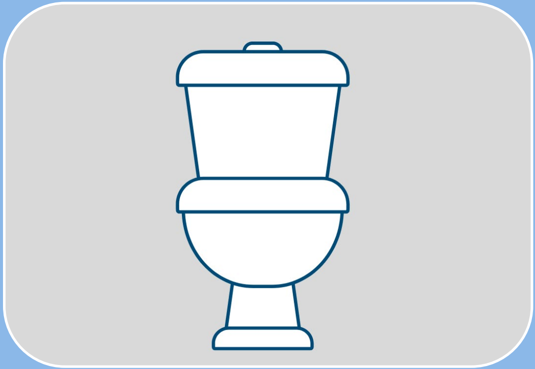
Total Average Increase Per Month = $6.16

Note: Based on 5 year average domestic use of 5.12 HCF

COMPARED TO OTHER VIRGINIA LOCALITIES

There has never been a Stormwater Rate increase

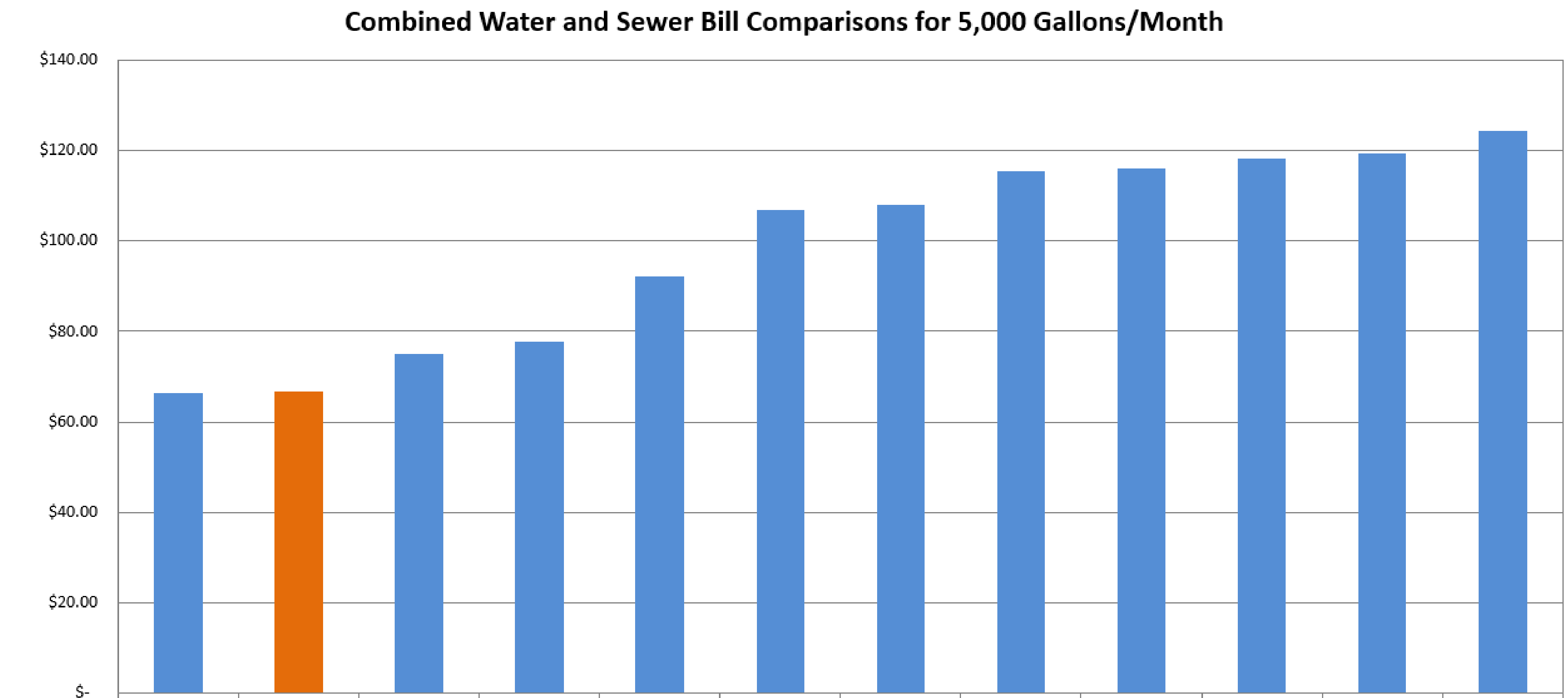
Last Water Rate increase was July 1, 2017



Only one Sewer Rate increase in the last six years

- Stormwater Rate is $0.95 less than the State Median
- Water bill is $17/month less than State Average
- Sewer Bill is $3/month less than State Average

RATE COMPARISONS



	Roanoke City and County	City of Lynchburg	City of Harrisonburg	Campbell County USA	City of Salem	City of Charlottesville	Town of Bedford	Forest & Lakes of Bedford County	Town of Amherst	Town of Appomattox	City of Richmond	Amherst CSA
Total Bill	$66.50	$66.61	$74.88	$77.83	$92.16	$106.81	$108.10	$115.50	$115.95	$118.10	$119.31	$124.31

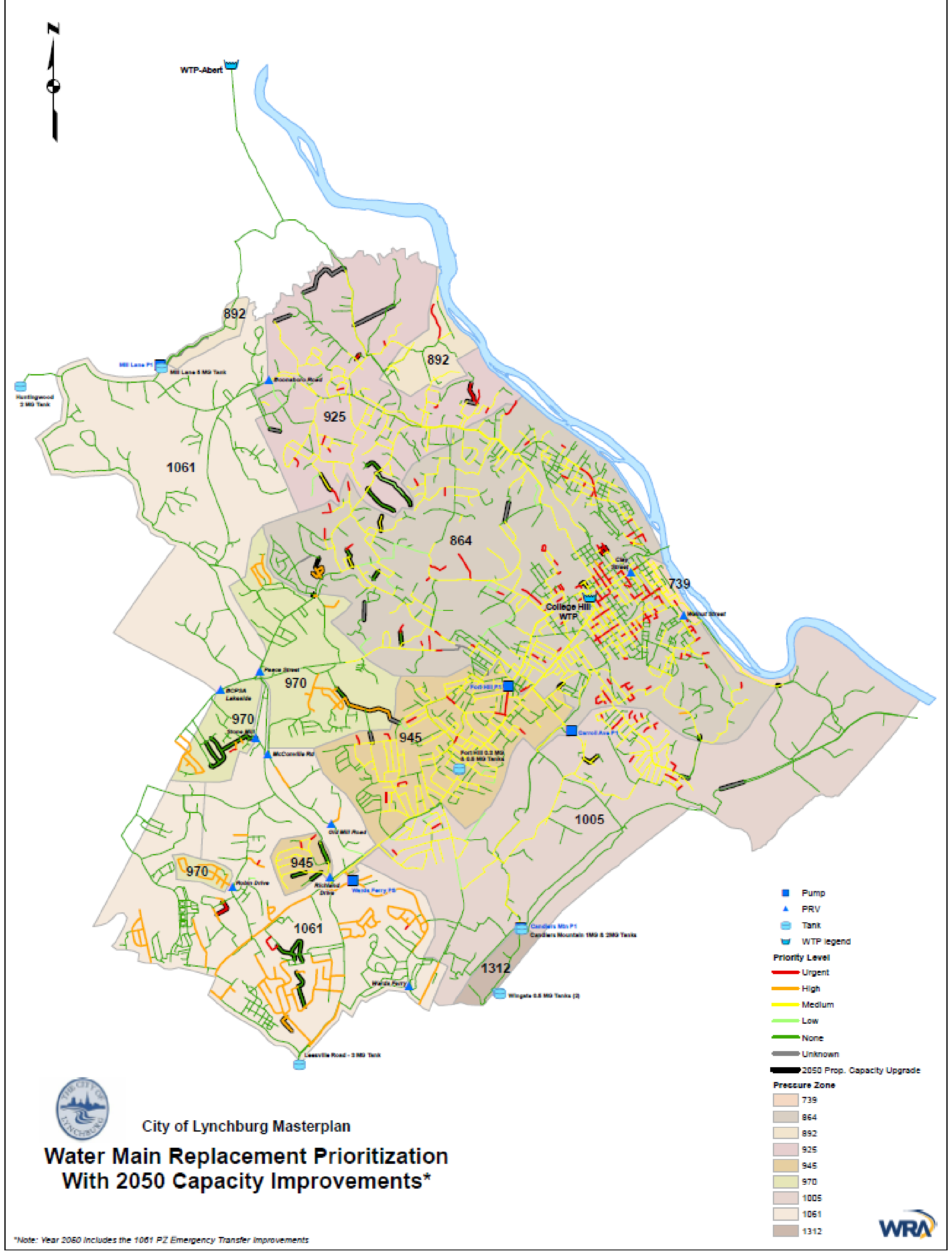
WHAT DO WE GET?

- Increase capital spending including, pay-as-you-go
- Covers significant chemical and material cost increases
- Compliance with increasing state and federal regulations such as : Lead and Copper Rule Revisions, Water Quality, etc.
- Investment in Front-line employees
  - 24/7 Emergency response
  - CDL Required
  - Harsh working conditions (cold, sewage)
  - Current starting salary is $14.71, which is not competitive with similar jobs
- Additional positions critical to daily functions, including:
  - Utility Line Technicians
  - Meter Mechanic

STORMWATER
WHAT DO WE GET?

$20.5 million in Capital Spending (FY 2023-FY 2027) including:

- $5.9 Million Infrastructure Renewal
- $5.3 Million in Best Management Practices Renewal and Improvements to address federal and state mandates



WATER
WHAT DO WE GET?

$51.9 million in Capital Spending (FY 2023 – FY 2027) including:

- $28.7 million in Distribution System Improvements prioritized based on: fire flow capacity, system integrity, water quality and system redundancy
- $7.4 million in Water Facility Improvements
- $1.0 million associated with compliance with Lead & Copper Rule revisions

Commonwealth of Virginia
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Andrew R. Wheeler
Secretary of Natural and Historic Resources

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Director
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Robert J. Weld
Regional Director

March 8, 2022

Timothy Mitchell
Director of Water Resources
City of Lynchburg
525 Taylor Street
Lynchburg, VA 24501

RE: Annual CSO Progress Report

Dear Mr. Mitchell:

Thank you for the submittal of the Annual CSO Progress Report and CSS Reporting document dated December 10, 2021. Staff have reviewed the report and noted that the annual sewer rate and fees is not currently in compliance with Appendix A, Section II.a of the Order effective July 31, 2015. The VDEQ requests that the City of Lynchburg evaluate the options for compliance with the Order outlined in Appendix A, Section II and report to the Agency how the City of Lynchburg proposes to return to compliance.

If you have any questions or would like to discuss this matter further, please feel free to contact me at 540.597.8582 or nelson.dail@deq.virginia.gov.

Sincerely,

R. Nelson Dail
Deputy Regional Director

WHY THE SEWER RATE INCREASE?

Sewer Fund – Minimum rates dictated by CSO Consent Order

- Average annual sewer bill must equal or exceed 1.25% of Median Household Income (MHI)
- Rates must be based on projected MHI, July 1, 2022

SEWER
WHAT DO WE GET?

$116.0 million in Capital Spending (FY 2023 – FY 2027) including:

- $10.5 million Richland Hills Sewer
- $31.3 million in Sewer Collection Improvements
- $59.0 million in CSO projects
- $11.7 million Water Resource Recovery Facility projects

Includes:

- $25 million in ARPA funds for CSO
- $7.5 million in ARPA funds for Richland Hills