THE CITY OF LYNCHBURG

CITY COUNCIL

Tuesday, March 21, 2023 | 4:00 PM
2nd Floor Training Room - City Hall
900 Church Street
Lynchburg, VA 24504

BUDGET WORK SESSION AGENDA

I. Welcome — *Stephanie 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.** Enterprise Funds Operating and Capital Budget Overview
- **III.2.** Consideration of adopting Resolution #R-23-028 approving a change order to the Black Water Creek Bank Stabilization Phase II.
- **III.3.** FY 2024 Proposed Budget Reconciliation

City Council
Agenda Item III.1.
Information Only

AGENDA ITEM SUMMARY

MEETING DATE	PRESENTED BY
March 21, 2023	Tim Mitchell, Director of Water Resources

AGENDA ITEM # III.1

Enterprise Funds Operating and Capital Budget Overview

RECOMMENDATION

This item will appear for a Public Hearing on the April 4, 2023 Public Hearing Agenda. The recommendation will be for the approval of the proposed rate increases.

SUMMARY

City Council will receive an briefing on the need to update the City's water, sewer, and stormwater rates. The primary drivers for the rate increases include: significant cost increases, especially in chemicals and power; increasing regulatory requirements, the need to invest in our critical infrastructure, employee compensation. The most significant increase is in the sewer rate as required for continuing compliance with the financial criteria of the Combined Sewer Overflow (CSO) Consent Order.

PRIOR ACTION(S)

None

FISCAL IMPACT

As noted in the presentation.

CONTACT(S)

Tim Mitchell, Director of Water Resources

ATTACHMENT(S)

1. FY 2024 LWR Rate Presentation
2. PDC pres.LYH 3.14.23

REVIEWED BY

Tim Mitchell, Director of Water Resources

Date: March 16, 2023

Greg Patrick, Deputy City Manager

Date: March 16, 2023

Alicia Finney, Clerk of Council

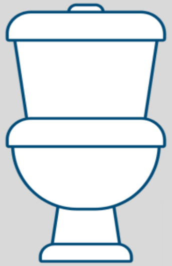
Date: March 16, 2023

LYNCHBURG WATER RESOURCES RATE UPDATES

March 21, 2023

PROPOSED RATE UPDATES

Water Volume Rate Increase $2.77 to $2.93 per HCF



Sewer Volume Rate Increase $7.22 to $8.10 per HCF

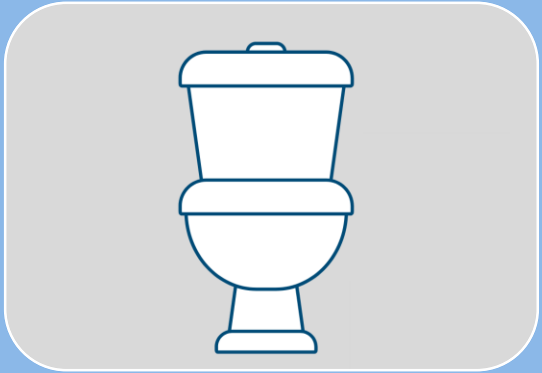
Stormwater $4.17 to $4.48 per SFU

HCF = Hundred Cubic Feet or 748 gallons

SFU = Single Family Unit or 2,672 square feet

RATE COMPARISONS

Water Average
Increase Per Month
= $0.81



Sewer Average
Increase Per Month
= $4.48

Stormwater
Increase Per Month
= $0.31

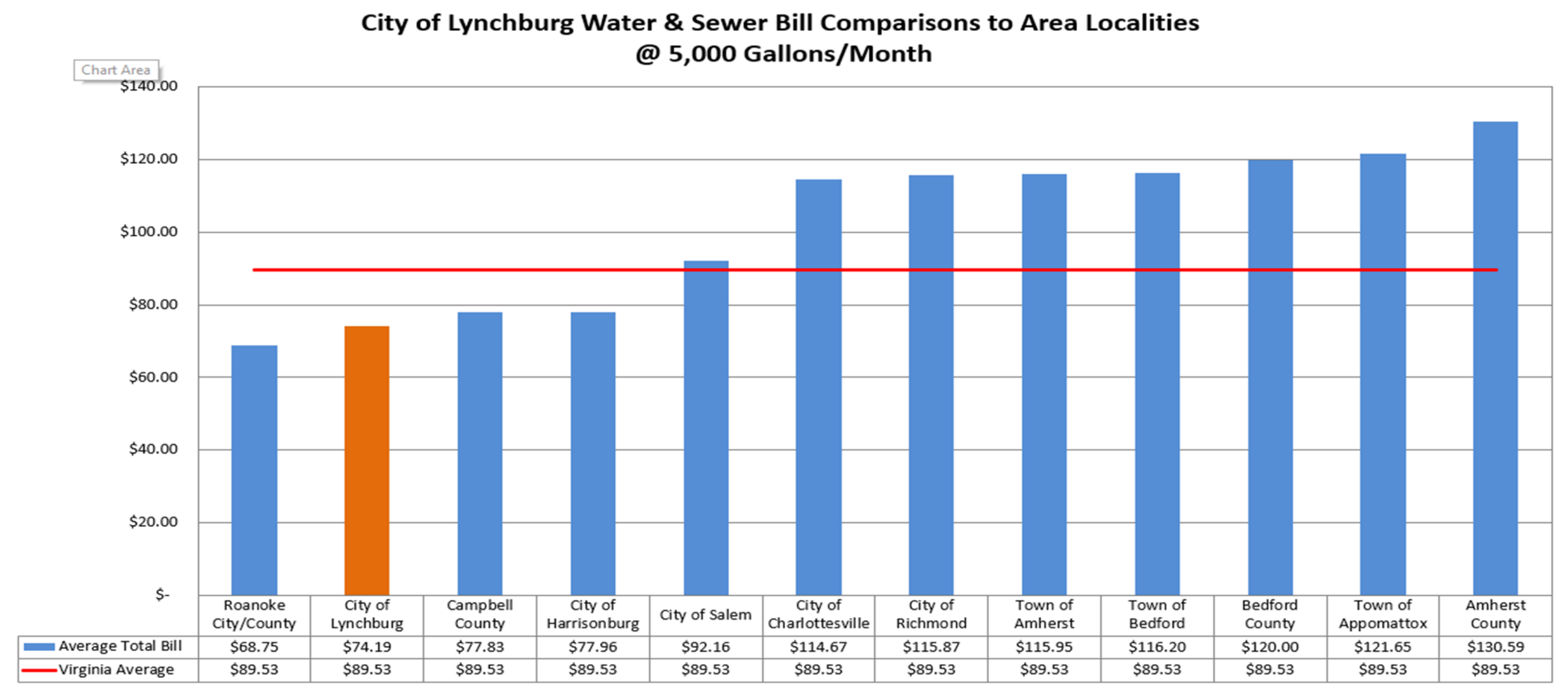
Total Average Residential Increase Per Month = $5.60

Note: Based on 5 year average monthly domestic use of 5.09 HCF (3,800 gallons per month)

RATE COMPARISONS

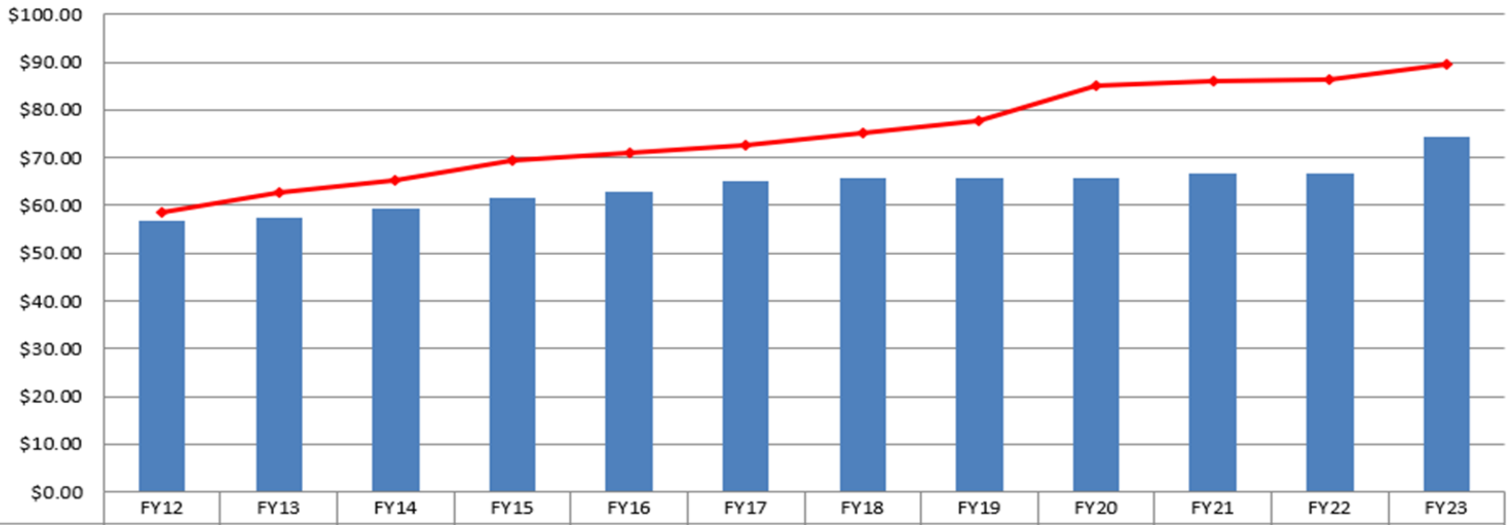
As of July 1, 2022:

- Water bill is $17.65 per month less than State Average
- Sewer Bill is $2.58 per month higher than the State Average
- State Median Stormwater Rate is $4.50 per month



RATE HISTORY COMPARISONS

City of Lynchburg Water & Sewer Bill Comparison to Virginia Average @ 5,000 Gallons/Month



	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Lynchburg	$56.76	$57.37	$59.37	$61.70	$62.86	$64.94	$65.81	$65.81	$65.81	$66.61	$66.61	$74.46
Virginia Average	$58.58	$62.59	$65.34	$69.44	$71.14	$72.61	$75.20	$77.77	$85.02	$86.06	$86.47	$89.53

WHY IS THE WATER RATE INCREASE NECESSARY?

FY 2024 Significant Cost Increases:

- Debt Service = $632,500
- Salaries and Benefits = $319,000
  - Includes one new IT related position to coordinate Operations Technologies with IT Cyber Security efforts
- Chemicals = $241,000
- Indirect and Self Insurance Costs = $119,000
- Regulatory Compliance
  - Lead and copper rule
  - Forever chemicals
  - Cyber Security

"Jackson Mississippi Water Crisis decades in the making…caused years of economic decline" ~ Kenneth Jones, Hinds County Administrator

We don't want to be in that position 30 or 40 years from now.

WATER INFRASTRUCTURE INVESTMENT IS CRITICAL

Water Master Plan Identified 5 Year Needs:

- Replace 162,000 feet (6 miles per year) of inferior pipe including: undersized lines for fire flow, asbestos cement pipe, old galvanized and cast iron pipe
- New 2 million gallon water tank

Goal is to renew or replace :

- At least 1% of water system per year (100 year life) – approx. 5 miles per year.
- At our current rate (about 2.5 miles per year) it will take over 200 years to renew the water system.

Proposed FY 2024 to FY 2028 CIP assumes approximately 3.8 miles per year.

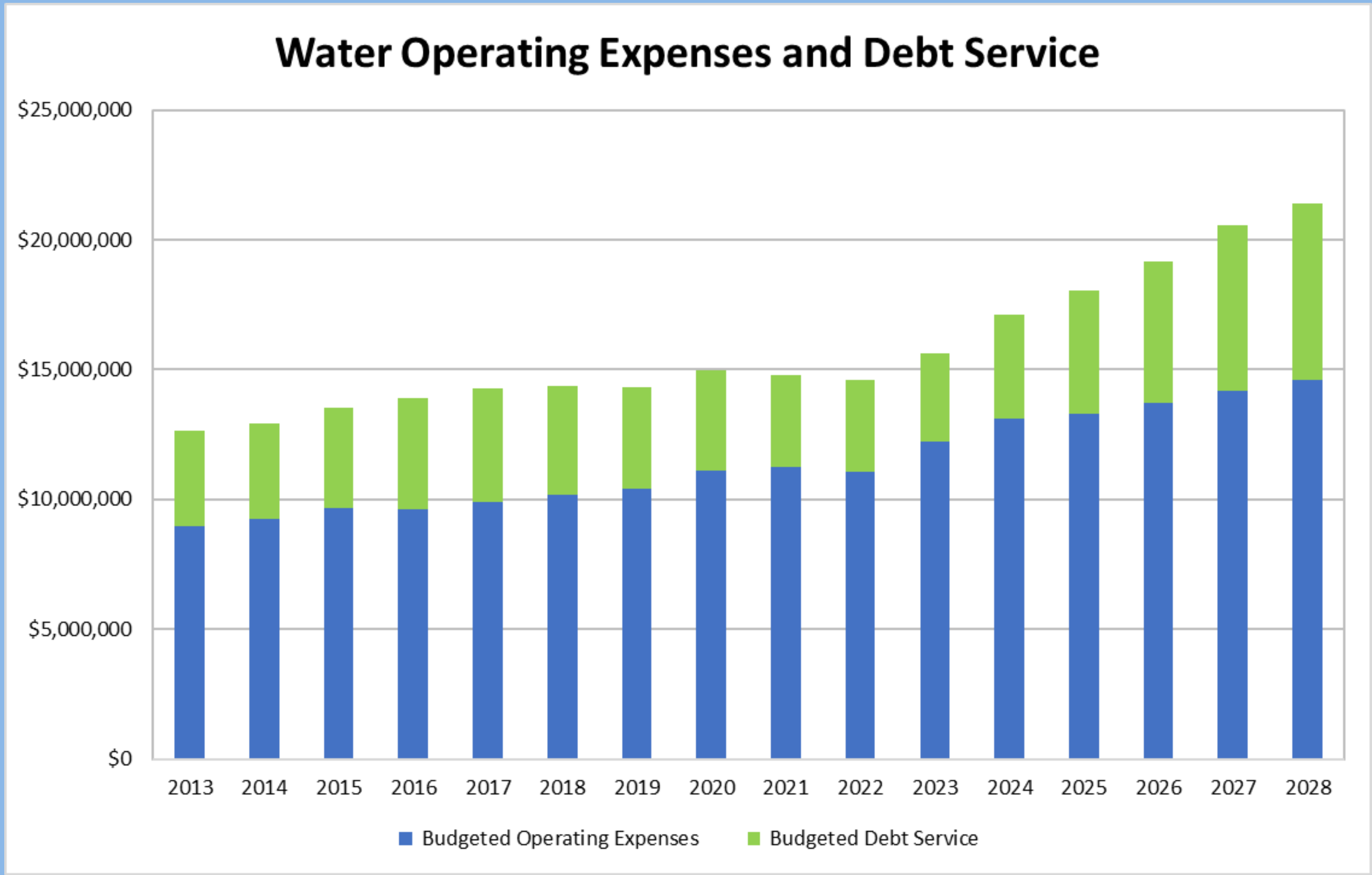
WATER CAPITAL SUMMARY

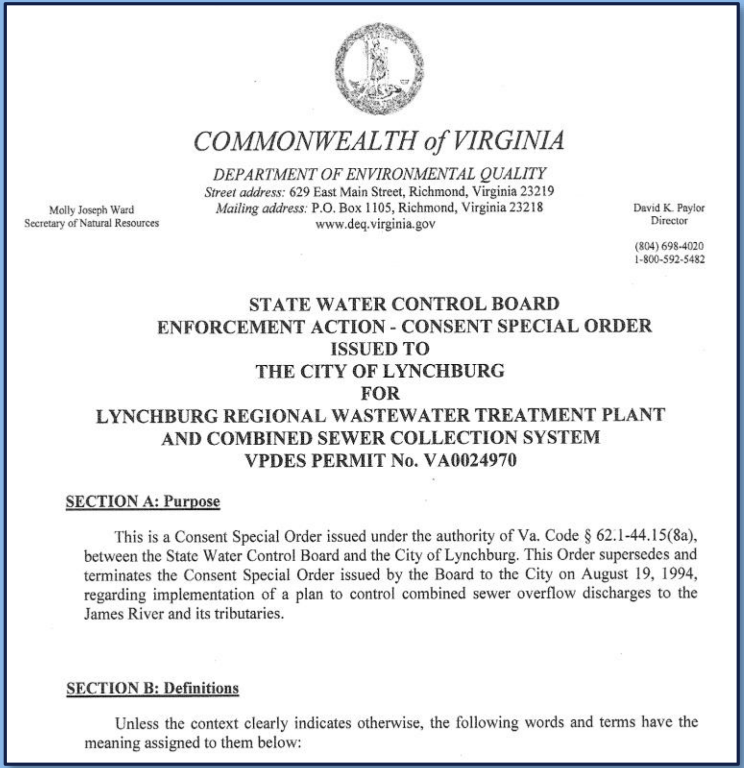
$66.1 million in Capital Spending (FY 2024 – FY 2028) including:

- $44.9 million in Distribution System Improvements prioritized based on: fire flow capacity, system integrity, water quality and system redundancy
- $8.5 million in Water Facility Improvements
- $1.6 million associated with compliance with Lead & Copper Rule revisions

Note: Water system failure is not just broken pipes. Pictured is a typical section of old cast iron pipe with tuberculation (corrosion). This impacts capacity and water quality.

WATER OPERATING EXPENSES AND DEBT SERVICE





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.

SECTION B: Definitions

Unless the context clearly indicates otherwise, the following words and terms have the meaning assigned to them below:

WHY IS THE SEWER RATE INCREASE NECESSARY?

Sewer Fund – Minimum rates dictated by CSO Consent Order

- Average annual sewer bill must equal or exceed 1.25% of Median Household Income (MHI)
- July 1, 2022 rate increased to $7.22 - should have been $7.44 per hundred cubic feet (hcf)
- Rates must be based on projected MHI, July 1, 2023 – $8.10 per hcf.

FY 2024 Significant Cost Increases:

- Chemicals = $990,000
- Debt Service = $529,000
- Employee Compensation = $510,000
  - Includes three new positions (2 - Utility Line Techs for off road sewer inspections + 1 Coordinator)
- Transfers to Water Fund = $461,000
- Electricity = $443,000
- Contractual Services = $323,000

SEWER CAPITAL SUMMARY

$211.1* million in Capital Spending (FY 2024 – FY 2028) including:

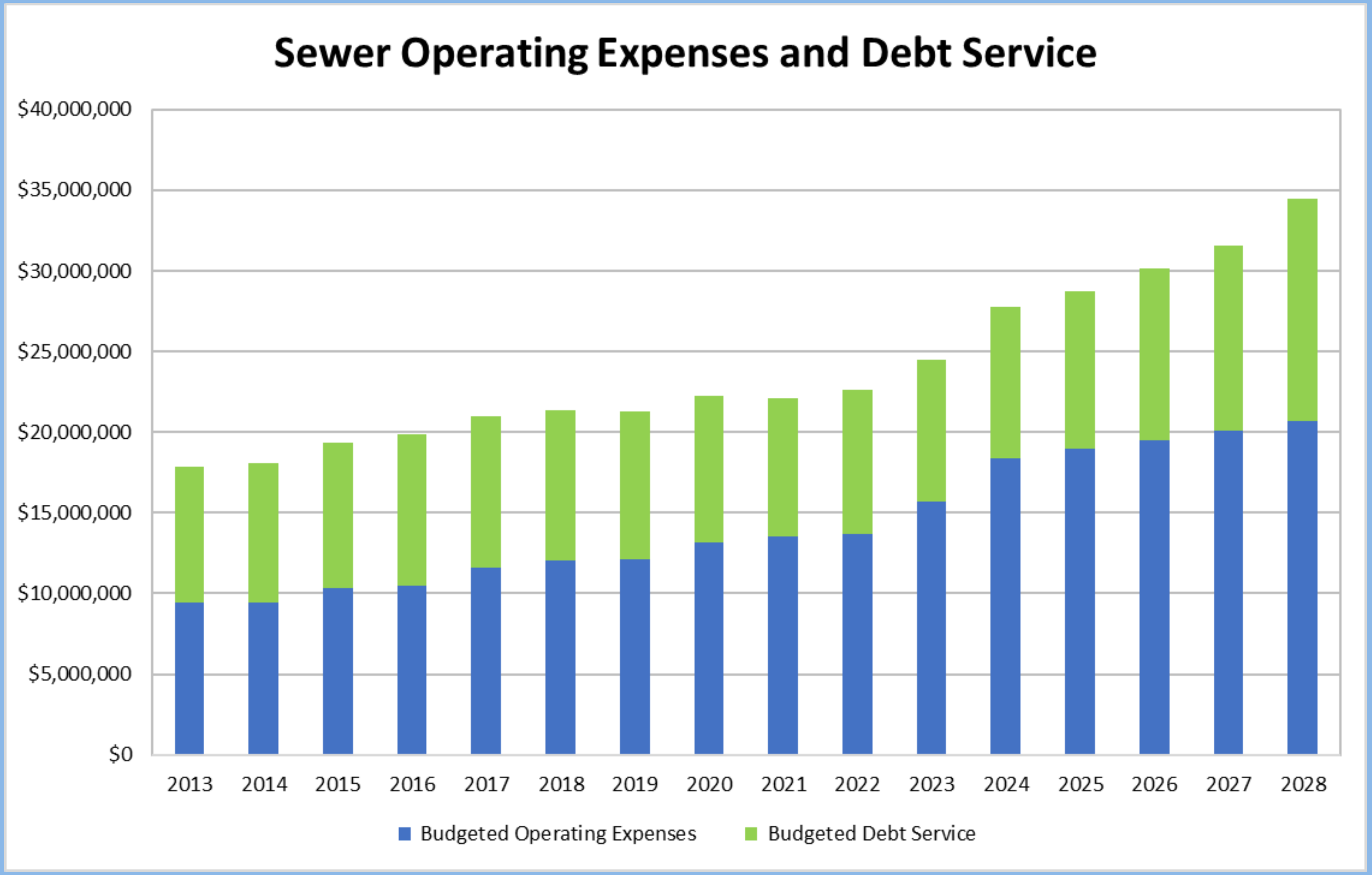
- $14.1* million Richland Hills Sewer
- $41.8 million in Sewer Collection Improvements
- $108.9 million in CSO projects
- $39.4 million Water Resource Recovery Facility projects

Includes:

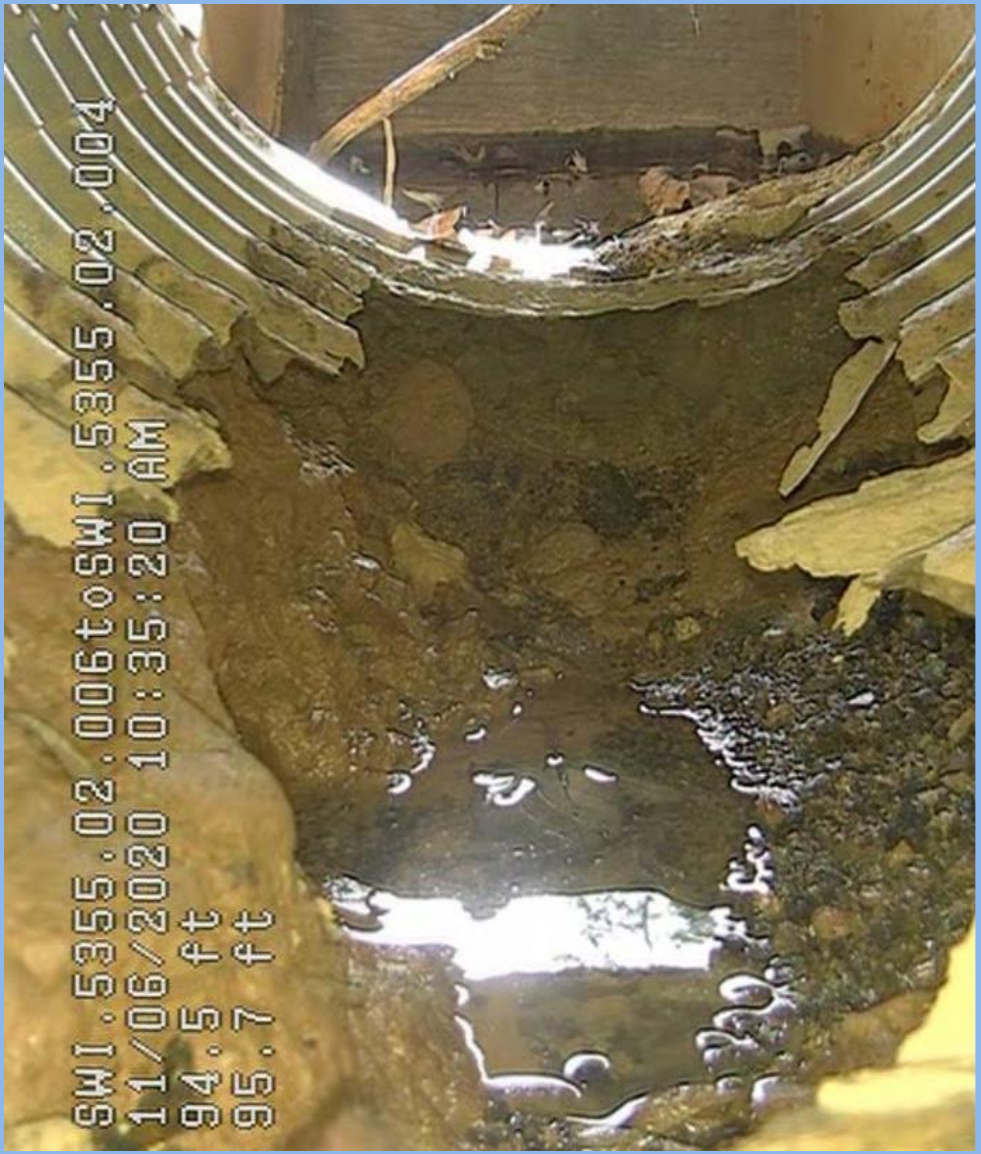
- $50 million in ARPA funds for CSO
- $14.1* million in ARPA funds for Richland Hills

**Includes $6.6 million in American Rescue Plan Act (ARPA) funds for Richland Hills.*

SEWER OPERATING EXPENSES AND DEBT SERVICE

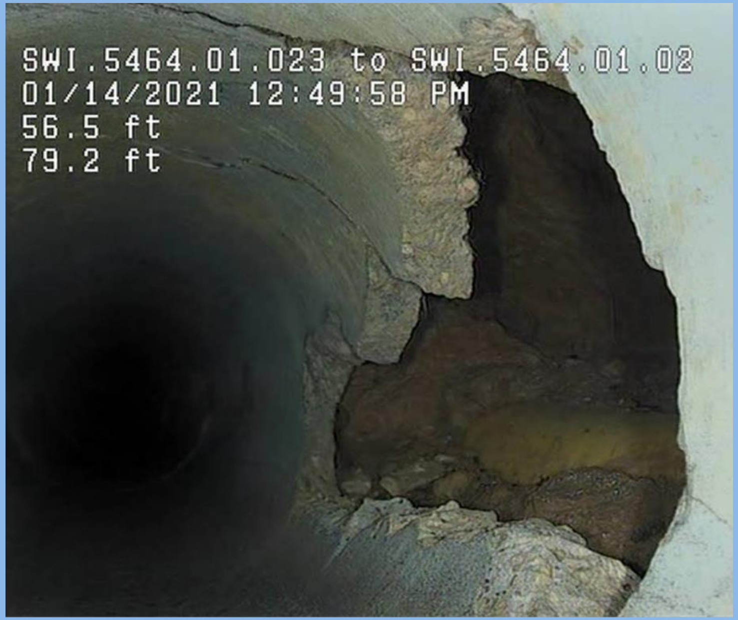


WHY IS THE STORMWATER RATE INCREASE NECESSARY?



FY 2024 Significant Cost Increases:

- Debt Service = $330,000
- Salaries and Benefits = $18,000



STORMWATER NEEDS

First 10 years of the Stormwater Utility focused on:

- Chesapeake Bay Compliance
- Municipal Separate Storm Sewer System (MS4) Permit Compliance
- Infrastructure Condition Assessment

Going Forward - Focus on Stormwater Infrastructure Needs:

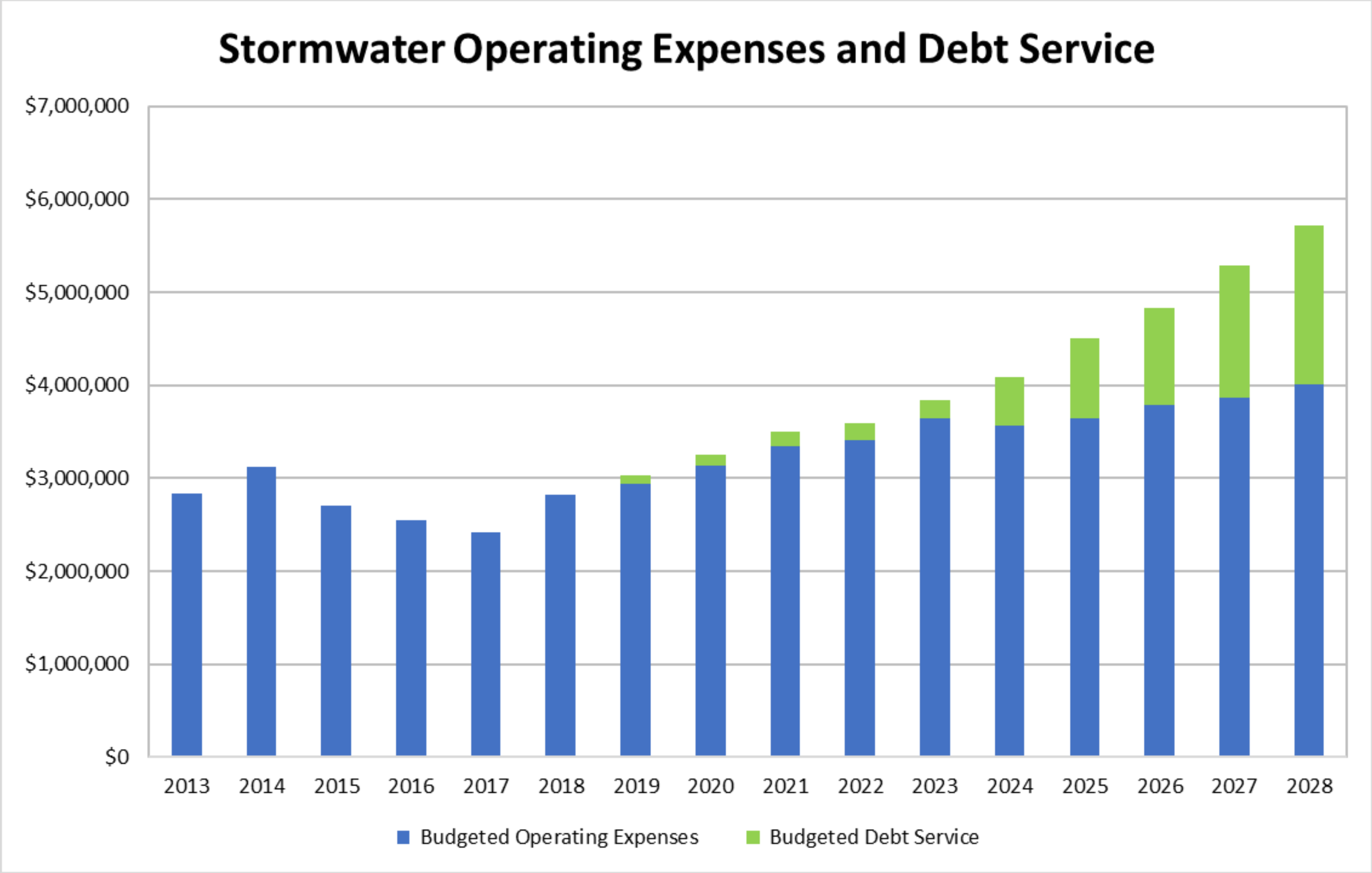
- Significant Infrastructure needs throughout the City
- Relatively new fund with new debt and no old debt dropping off

STORMWATER CAPITAL SUMMARY

$25.7 million in Capital Spending (FY 2024-FY 2028) including:

- $18.2 Million Infrastructure Renewal
- $7.5 Million in Best Management Practices Renewal and Improvements to address federal and state mandates

STORMWATER OPERATING EXPENSES AND DEBT SERVICE



OVERALL SUMMARY

All three funds are challenged with the following:

- Significant infrastructure needs
- Rising project and operational costs
- Difficulty recruiting and retaining qualified employees
- Increasing regulatory demands

Even with the proposed increases:

- Combined water and sewer bill is well below the state average
- Stormwater bill is below the state median

Lynchburg Regional Airport

Capital Development Projects

Physical Development Committee

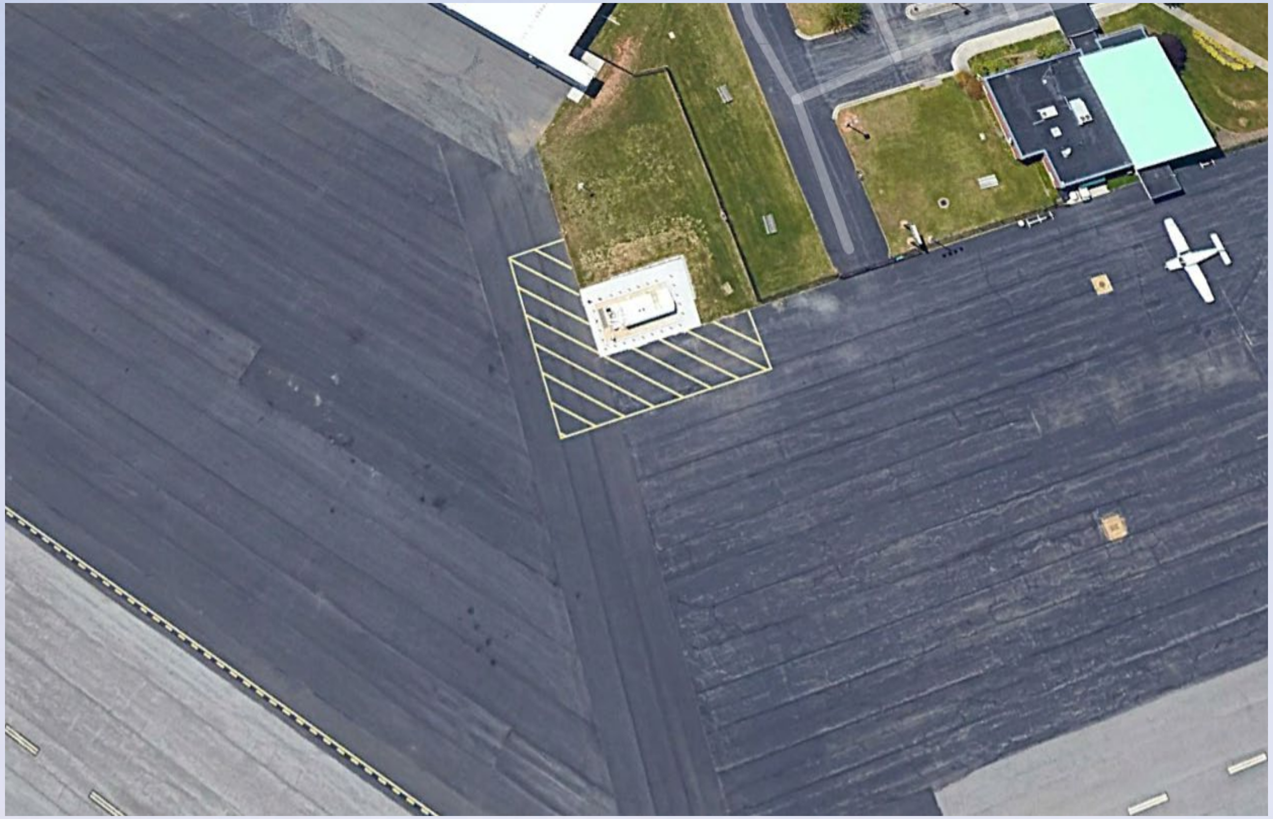
March 14, 2023

Lynchburg Regional Airport

Check ☑ Lynchburg First

Capital Development Projects Overview

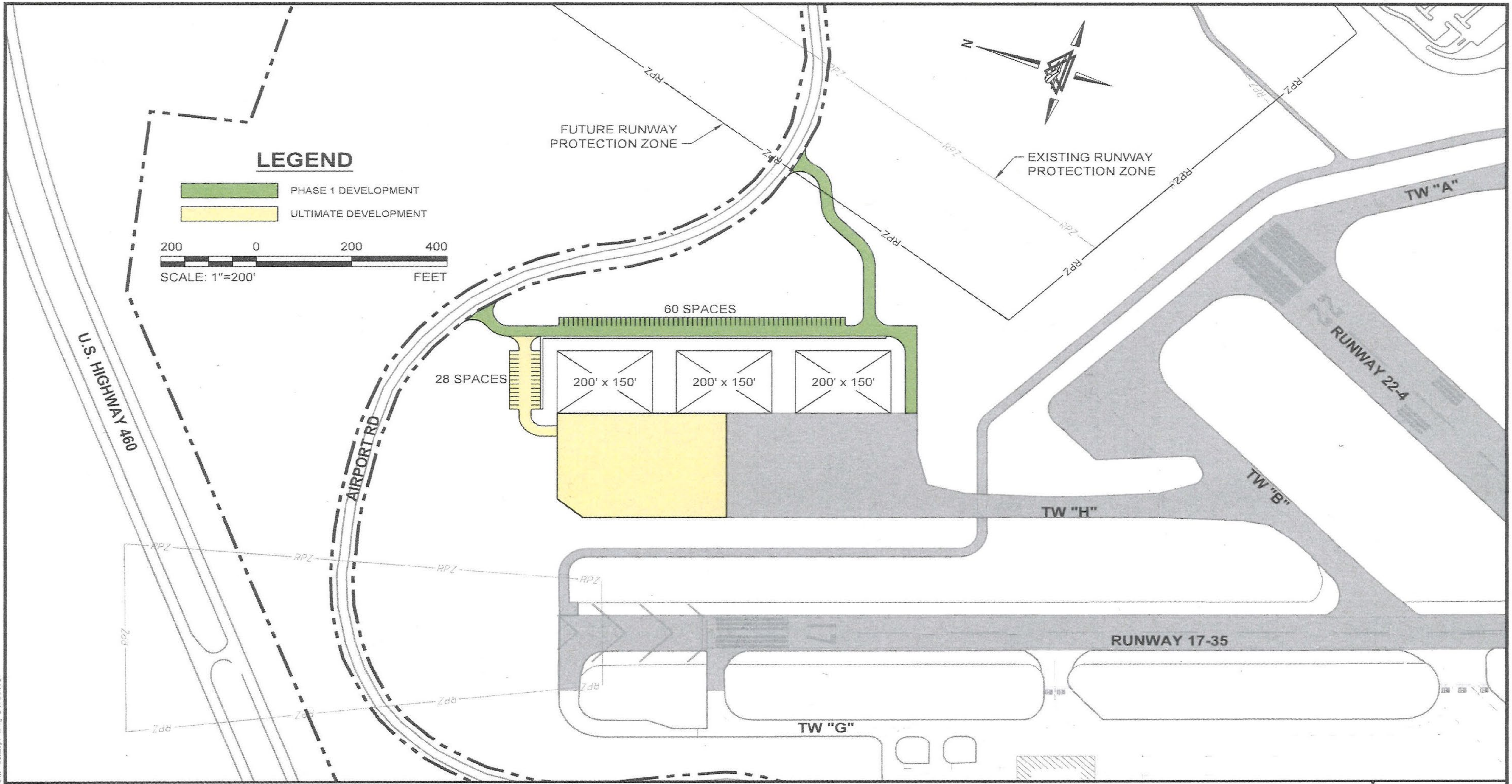
- Recently Completed Airport Projects
- Current Airport Projects
- Upcoming Airport Projects



Self-Service Avgas Tank

- 12,000 Gal. Avgas Capacity
- Sales approach based on “pricing leader” business model
- Target market: Based piston aircraft, transient overflights, etc.
- Creates value-added benefit for general aviation community


Google Earth



PARKING LAYOUT CONCEPT 1

LYNCHBURG REGIONAL AIRPORT

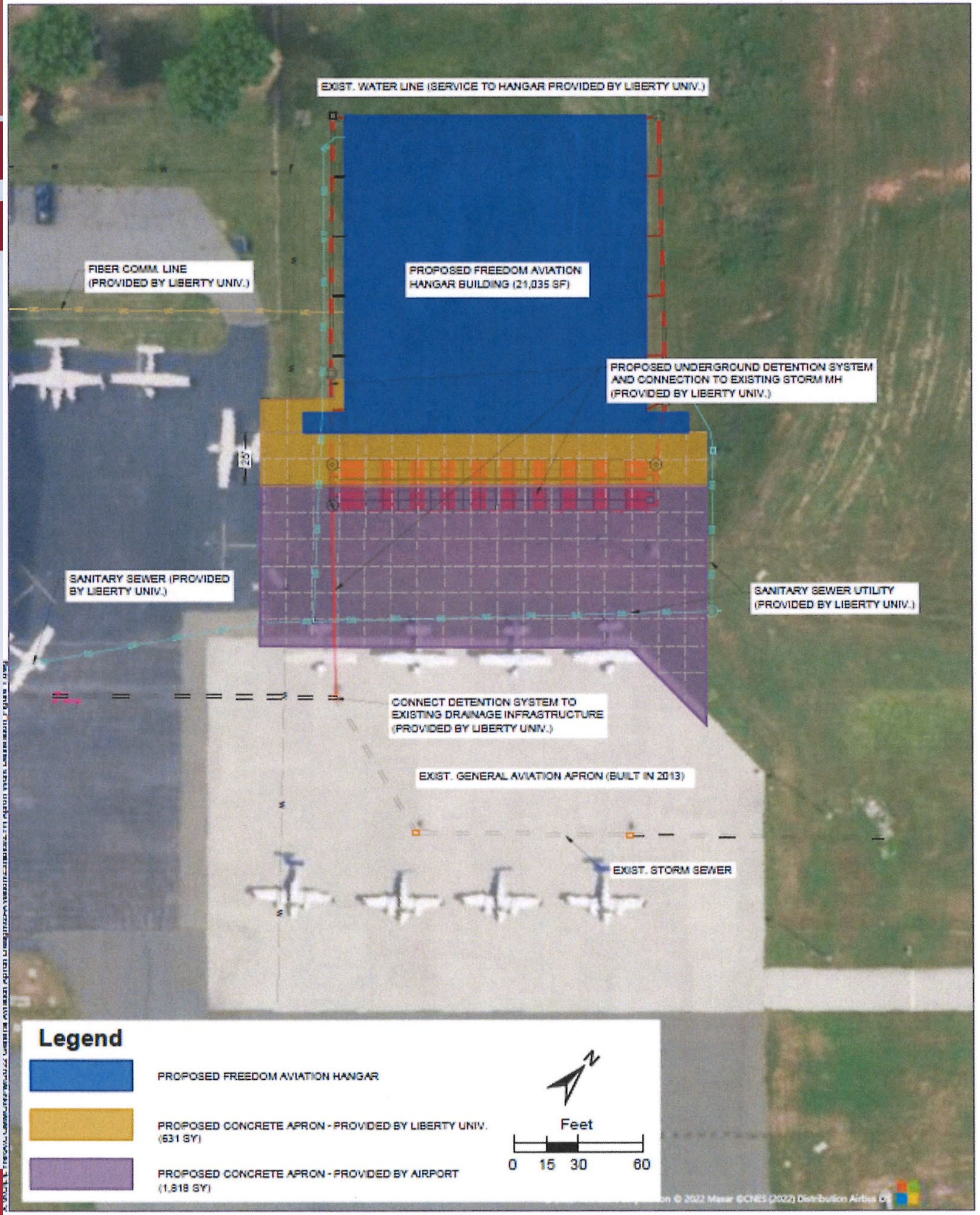
EXHIBIT 1

DRAWN BY: MJH | CHECKED BY: DES | SCALE: 1"=200' | DATE: AUGUST 2022

DRAWING: 21065 exh - Concept 1.dwg LAYOUT: L1

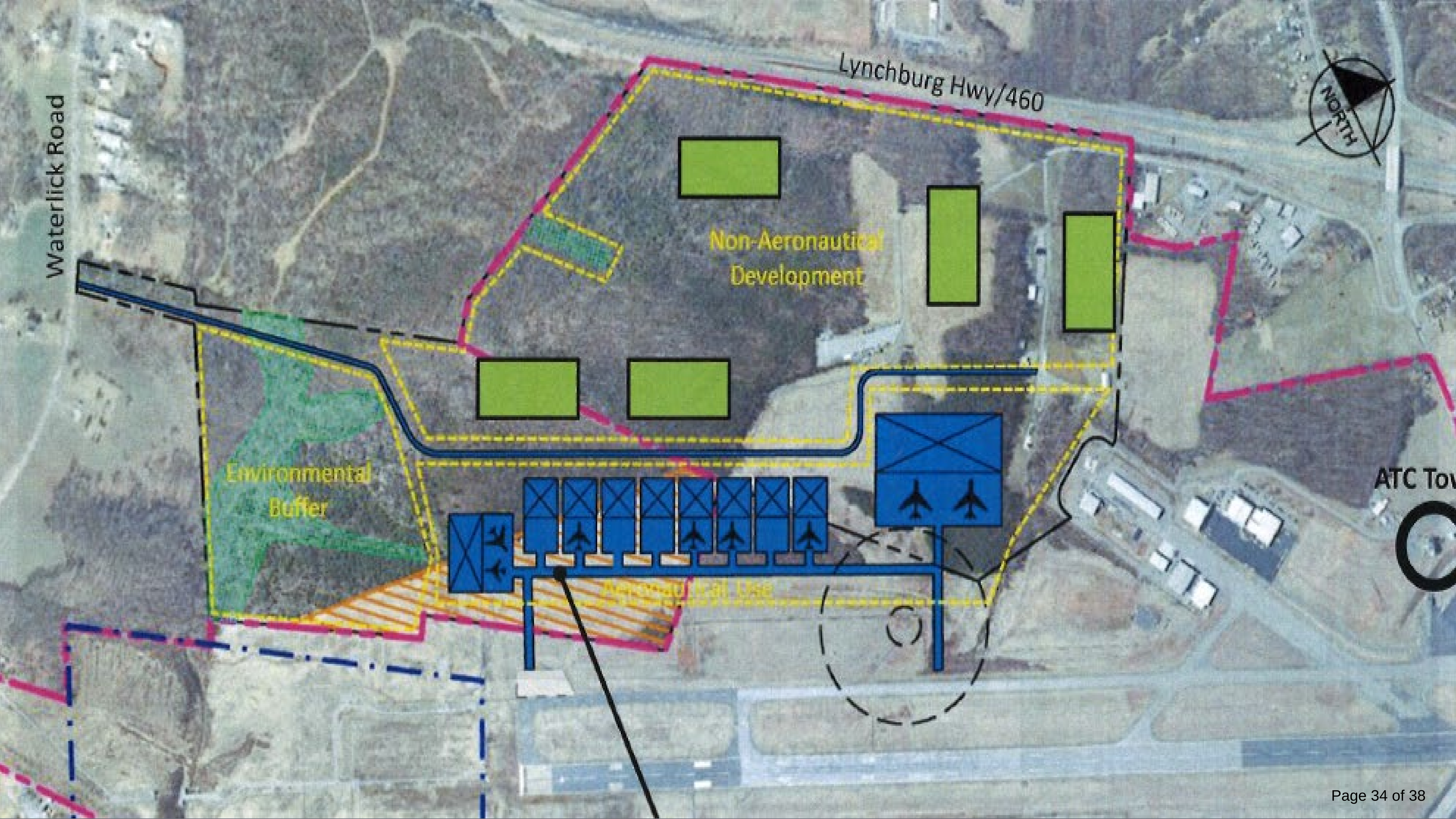
www.deltaairport.com


EXISTING
60' x 30'
OFFICE SPACE
EXISTING
100 x 120
HANGAR
46'
PROPOSED
120 x 120
HANGAR
PROPOSED
60' x 30'
OFFICE SPACE
GULFSTREAM V
149'
TOFA
RETAINING
WALL


EXIST. WATER LINE (SERVICE TO HANGAR PROVIDED BY LIBERTY UNIV.)
FIBER COMM. LINE (PROVIDED BY LIBERTY UNIV.)
PROPOSED FREEDOM AVIATION HANGAR BUILDING (21,035 SF)
PROPOSED UNDERGROUND DETENTION SYSTEM AND CONNECTION TO EXISTING STORM MH (PROVIDED BY LIBERTY UNIV.)
SANITARY SEWER (PROVIDED BY LIBERTY UNIV.)
SANITARY SEWER UTILITY (PROVIDED BY LIBERTY UNIV.)
CONNECT DETENTION SYSTEM TO EXISTING DRAINAGE INFRASTRUCTURE (PROVIDED BY LIBERTY UNIV.)
EXIST. GENERAL AVIATION APRON (BUILT IN 2013)
EXIST. STORM SEWER
Legend
PROPOSED FREEDOM AVIATION HANGAR
PROPOSED CONCRETE APRON - PROVIDED BY LIBERTY UNIV. (631 SY)
PROPOSED CONCRETE APRON - PROVIDED BY AIRPORT (1,818 SY)
Feet
0 15 30 60

Upcoming projects

- Taxiway B Runup Pad 2023
- Runway 4-22 rehab 2024 and associated lighting upgrades \ MALSF
- Rehabilitate Taxiway B
- New ARFF truck
- Update Airport Master Plan


Lynchburg Hwy/460
Waterlick Road
NORTH
Non-Aeronautical
Development
Environmental
Buffer

Thank you…questions?

AGENDA ITEM SUMMARY

MEETING DATE	PRESENTED BY
March 21, 2023	Tim Mitchell, Director of Water Resources

AGENDA ITEM # III.2

Consideration of adopting Resolution #R-23-028 approving a change order to the Black Water Creek Bank Stabilization Phase II.

RECOMMENDATION

Adopt a resolution authorizing the City Manager to approve the change order for KBS Earthworks, Inc. in the amount of $124,214.45 for the Blackwater Creek Bank Stabilization Phase II Project.

SUMMARY

The Blackwater Creek Bank Stabilization Phase II project is stabilizing approximately 165 linear feet of stream channel along the north bank of Blackwater Creek near Point of Honor. The purpose of the project is to maintain the structural integrity of existing adjacent infrastructure, including the James River Heritage Trail and the 60-inch sanitary sewer interceptor, which are threatened by severe bank erosion. The project area is immediately downstream of prior bank stabilization efforts and is being implemented due to the rapid failure of an existing sheet pile wall. This activity will protect public infrastructure while improving the overall downstream water quality by reducing the amount of sediment entering the waterway from the eroding bank.

The original contract amount is $386,725.60 and the amount of the change order is $124,214.45 making the new contract amount $510,940.05. The contractor, KBS Earthworks, Inc. is requesting the additional amount primarily due to unforeseen subsurface conditions that resulted in additional work and significantly more materials including stone, 4 ton boulders, and offsite disposal cost increases. The contractor currently has equipment mobilized for the project. Any delay in approving the change order may result in additional re-mobilization costs if the contractor removed the equipment from the site.

The Virginia Public Procurement Act requires change orders over 25% of the contract or $50,000 whichever is greater, requires the approval of the governing body. The duration of the project is short with completion expected next month. Without approval or delayed approval of the change order, the contractor will likely leave the project unfinished or have additional costs associated with time delays or remobilization.

PRIOR ACTION(S)

None.

FISCAL IMPACT

The additional $124,214.45 is available in the Sewer Capital Fund Collections System Improvements category.

CONTACT(S)

Tim Mitchell, Director of Water Resources

ATTACHMENT(S)

1. #R-23-028

REVIEWED BY

Date: March 16, 2023

Tim Mitchell, Director of Water Resources

Date: March 16, 2023

Greg Patrick, Deputy City Manager

Date: March 16, 2023

Alicia Finney, Clerk of Council

RESOLUTION: #R-23-028

WHEREAS, as of September 26, 2022, the City of Lynchburg (the "City") and KBS Earthworks, Inc. ("KBS") entered into a contract for services and/or work related to the Blackwater Creek Sewer Interceptor Bank Stabilization - Phase II project for an amount of $386,725.60 (the "Contract"); and

WHEREAS, KBS Earthworks, Inc. has requested a change order and/or amendment to the Contract for purposes of increasing the amount of the Contract from $386,725.60 to $510,940.05, the reason(s) for such increase being as follows: unforeseen subsurface conditions resulting in the need for additional materials, labor and time; and

WHEREAS, pursuant to Sec. 2.2-4309 of the Code of Virginia, 1950, as amended, "no fixed-price contract may be increased by more than twenty-five percent of the amount of the contract or $50,000, whichever is greater, without the advance written approval of . . . the governing body, in the case of political subdivisions[;]" and

WHEREAS, based on the previously stated authority, the Lynchburg City Council is required to approve of the requested change order and/or amendment by Resolution or Ordinance because the increase to the amount of the Contract involves an amount that exceeds twenty-five percent or $50,000, whichever is greater.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LYNCHBURG:

1. That an increase to the amount of the Contract between the City and KBS, from $386,725.60 to $510,940.05, is hereby approved.

2. That the City Manager is hereby authorized and directed to take any and all actions necessary to effectuate the approval granted by this Resolution on behalf of the City.

3. That this Resolution shall be effective upon its adoption.

Adopted: March 21, 2023

Certified: Alicia L. Finney
Clerk of Council