

**Utility Enterprise Fund**  
**Water and Wastewater Rate Analysis**



THE TOWN OF  
**VINTON**  
VIRGINIA

**Prepared by**

**DAVENPORT**  
& COMPANY LLC

EST. 1863 • MEMBER: NYSE • FINRA • SIPC

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**April 4, 2013**

# Overview

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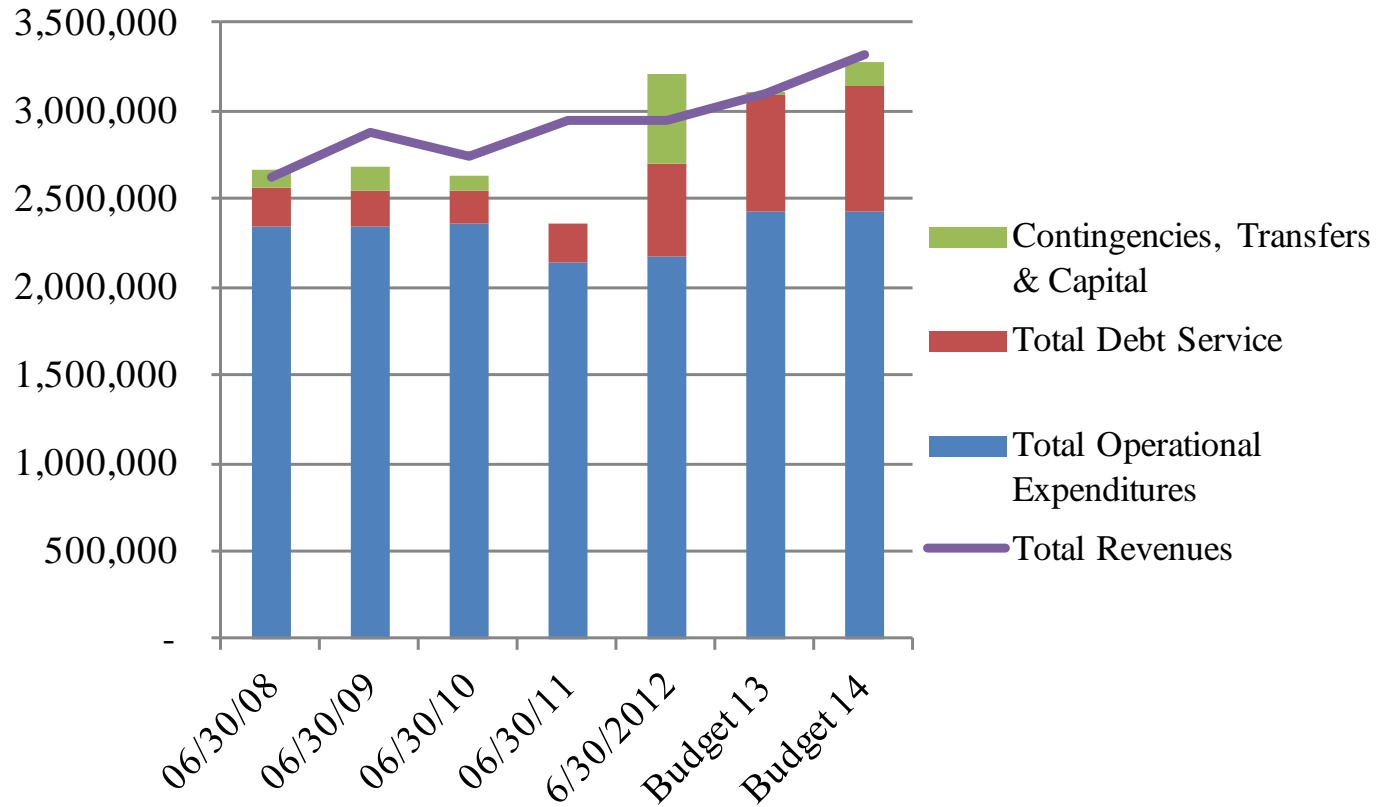
- **Purpose** – To discuss a Water & Sewer Enterprise Fund Revenue and Expenditure model that has been revised since the December 4, 2012 meeting to show the revenue increases necessary to provide for growing expenditures and capital spending of over \$16 million over the next ten years.
  
- **Background** –
  - ✓ March 2011 – Town Council last implemented user rate increases.
  - ✓ Fund balance for the Utility fund stands at just over \$100,000 or approximately 15 days of operations at the end of FY 2012.
  - ✓ Revenue increases from the December presentation averaged 9.0% over the five year period reviewed with increases of 9.4% for the first two years.
  
- **Objectives** –
  - ✓ Continue running the Water & Sewer Enterprise Fund as self-supporting operation (i.e. no support from the Town's General Fund).
  - ✓ Users of the system pay for the system.

# Potential Water & Sewer Enterprise Fund Policy Guidelines

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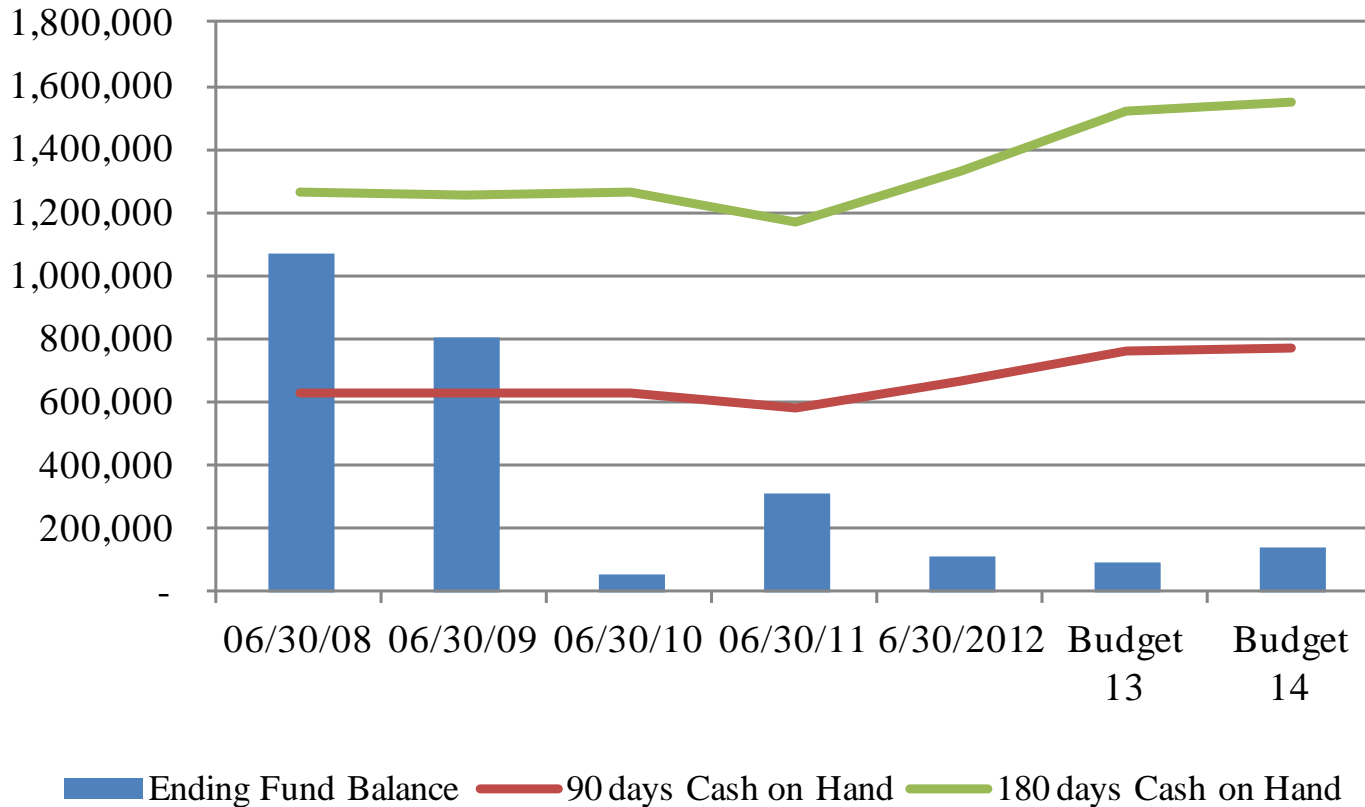
- Maintain Financial Independence from General Fund by avoiding the need for any General Fund Revenues for Water & Sewer Operations.
- Maintain a Water & Sewer Enterprise Fund Balance of at least 90 days of operating expenditures with a long term goal of at least 180 days operating expenditures.
- Target Net Revenues after Operational Expenditures to be at least 1.30x debt service requirements. The excess revenues would be available to first maintain the Water & Sewer Enterprise Fund Balance and second to provide equity funding of future capital projects (Note: this structure would further limit the overall amount of debt issued by the Town for Water & Sewer Enterprise Projects.)
- The Town will work to fund all capital projects of \$100,000 or less with Water & Sewer Enterprise Fund Equity. A goal of at least 5% of annual revenues shall be transferred to the capital fund each year for ongoing CIP and maintenance of the system.

# Historical Revenues and Expenditures



Revenues have been just enough to cover Operations over the last five years.

# Historical Fund Balance



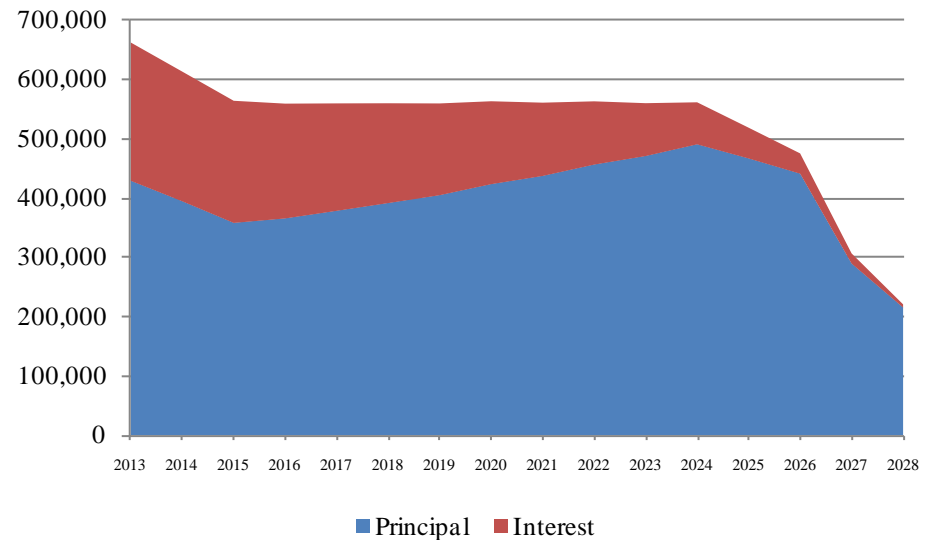
Fund balance dropped significantly in 2010.

# Existing Utility Fund Debt Service

Fiscal Year	Principal	Interest	Total
2013	\$428,247.52	\$232,765.40	\$661,012.92
2014	393,761.71	218,301.08	612,062.79
2015	357,351.88	205,560.60	562,912.48
2016	364,893.91	193,218.64	558,112.55
2017	377,675.79	180,849.28	558,525.07
2018	390,705.15	168,032.28	558,737.43
2019	403,989.87	154,447.54	558,437.41
2020	422,538.07	139,574.40	562,112.47
2021	436,358.12	123,379.40	559,737.52
2022	455,458.71	106,528.78	561,987.49
2023	469,848.72	89,013.78	558,862.50
2024	489,537.44	70,824.98	560,362.42
2025	465,792.59	51,828.20	517,620.79
2026	440,188.77	34,190.46	474,379.23
2027	288,876.79	17,175.08	306,051.87
2028	215,000.00	5,375.00	220,375.00

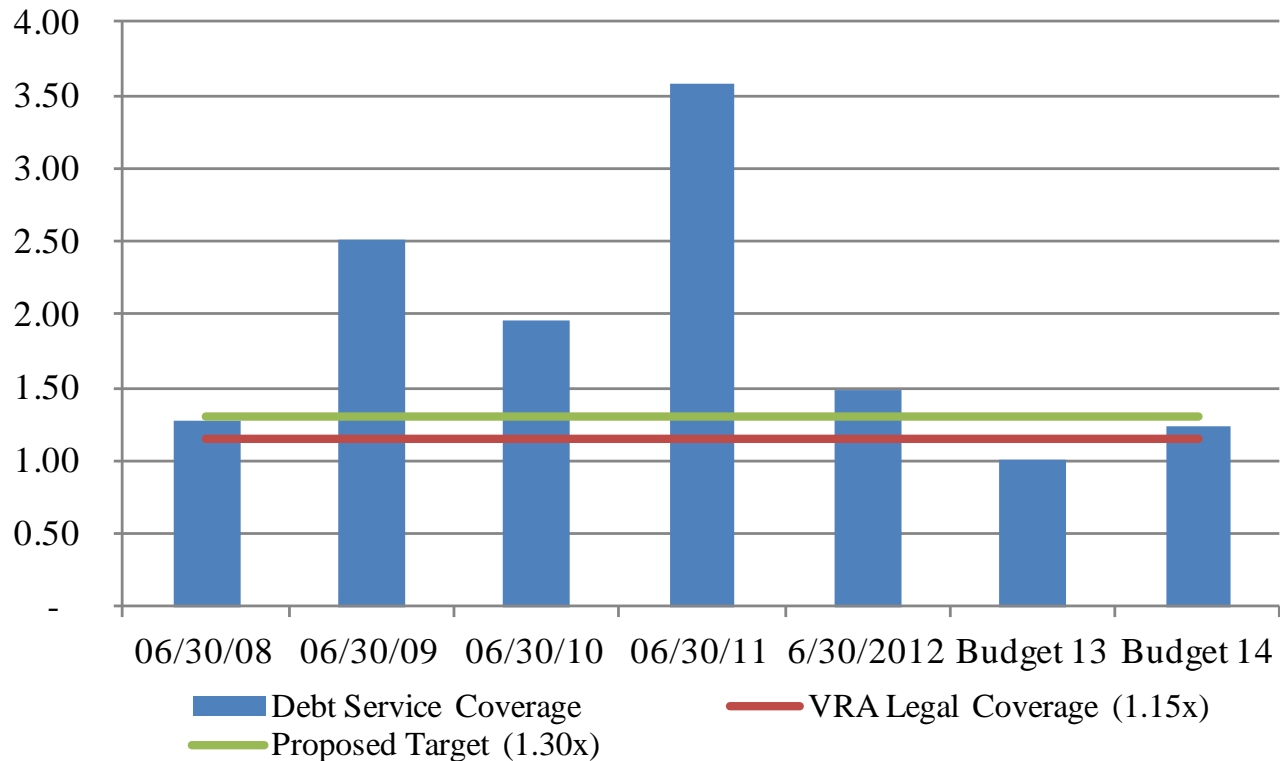
\$6,400,225.04    \$1,991,064.90    \$8,391,289.94

The Town has \$6.4 million of self-supporting Utility debt outstanding.



Debt service is essentially flat from 2015 to 2024. All debt is paid off in 15 years.

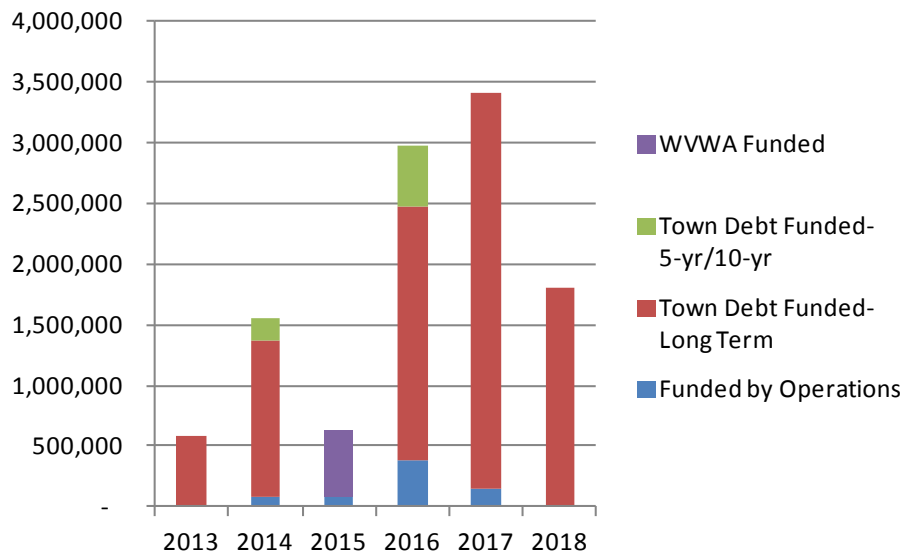
# Debt Service Coverage Ratio



Debt service coverage was strong from FY 2009 to FY 2011 but dropped significantly in FY 2012 with the trend expected to continue in FY 2013.

# Key Assumptions

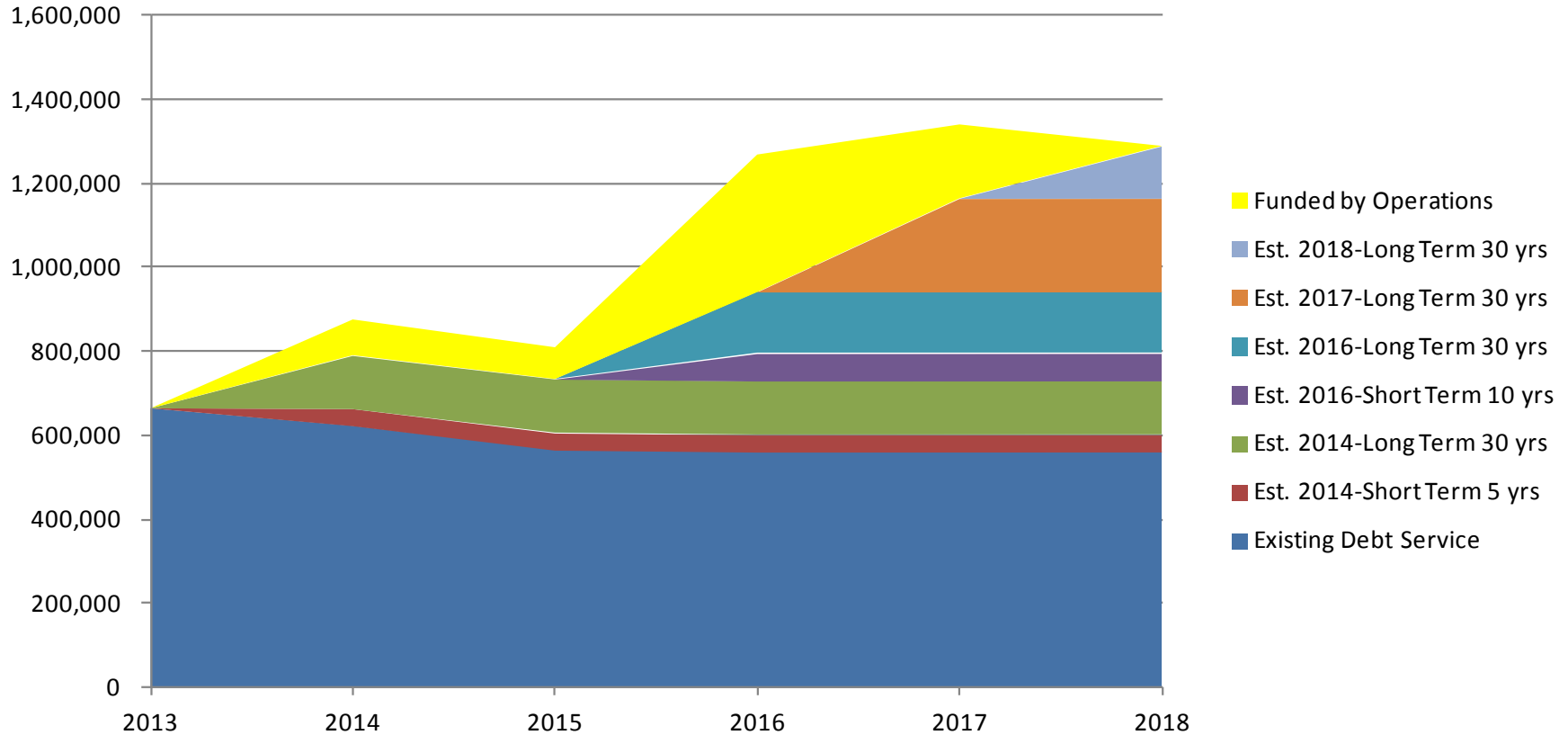
- Consistent average consumption patterns.
- Total Operational Expenditures grow approximately at 3.6% post budget 2014.
- The Capital Improvements Plan totals \$11 million to FY 2018 and is funded with 89% Bonds, 5% from WVWA and 6% Equity.
- Long Term debt is assumed to be amortized over 30 years.



The Town is facing a considerable capital program over the next several years.



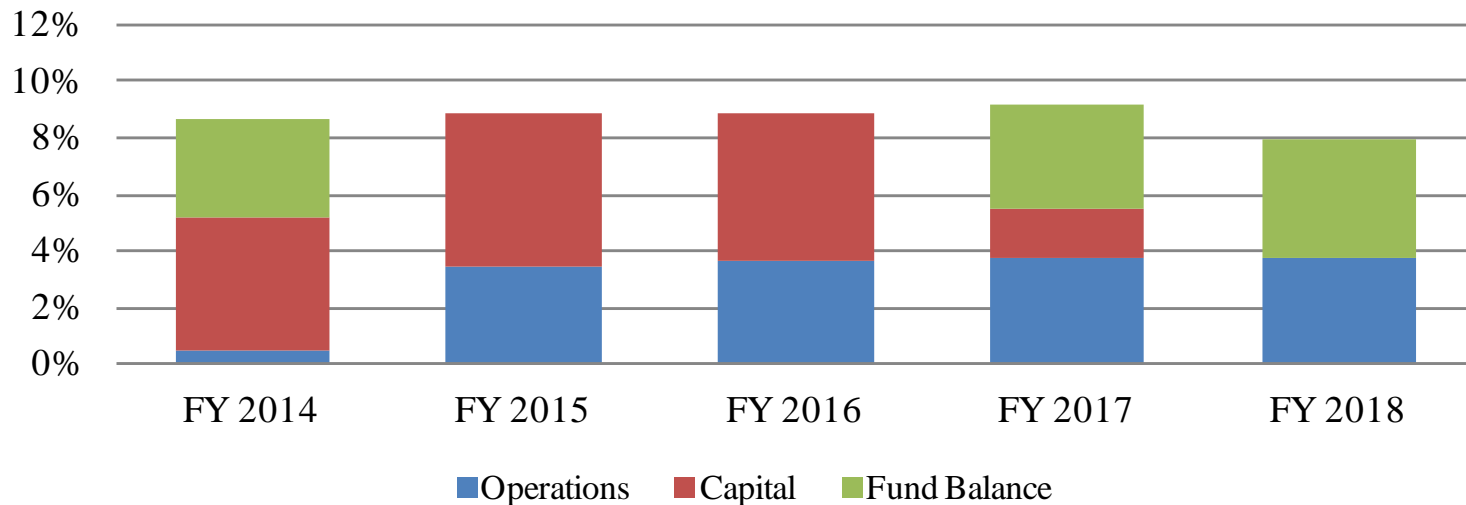
# Existing & Proposed Debt Service and Cash for Capital



Debt Service and Capital Requirements double in the next five years.

# Results- Operations, Reserve build up and funded CIP

## Revenue Growth needed from Water & Sewer Billings - Operations, Capital and building up Fund Balance



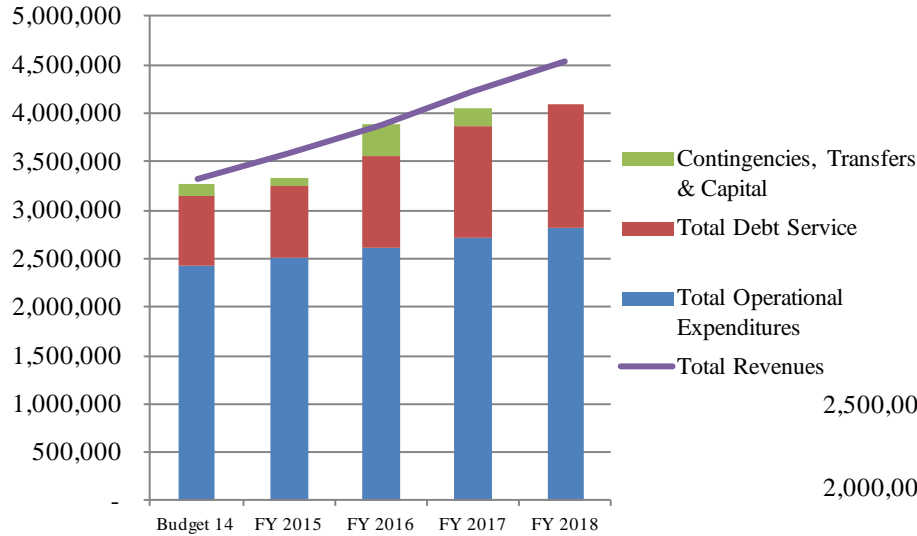
Recommendation: Adopt three years of increases at:

- 8.7% for FY14,
- 8.9% for FY 15 and
- 8.9% for FY 16.

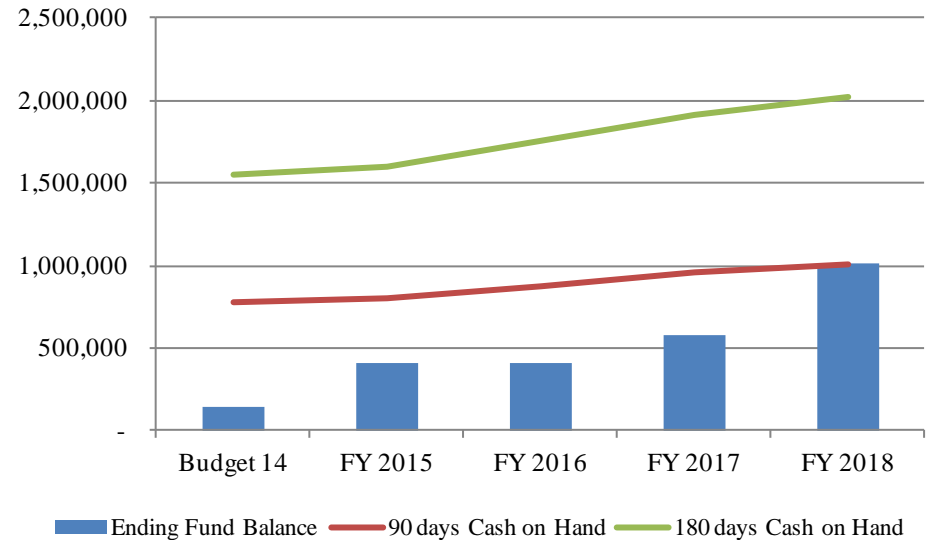
With the amount of debt needed past FY18 it is unlikely that there will be an opportunity to reduce these rates if the calculations are proven to be too conservative.

# Compliance with Proposed Policy

## Revenues vs. Expenditures



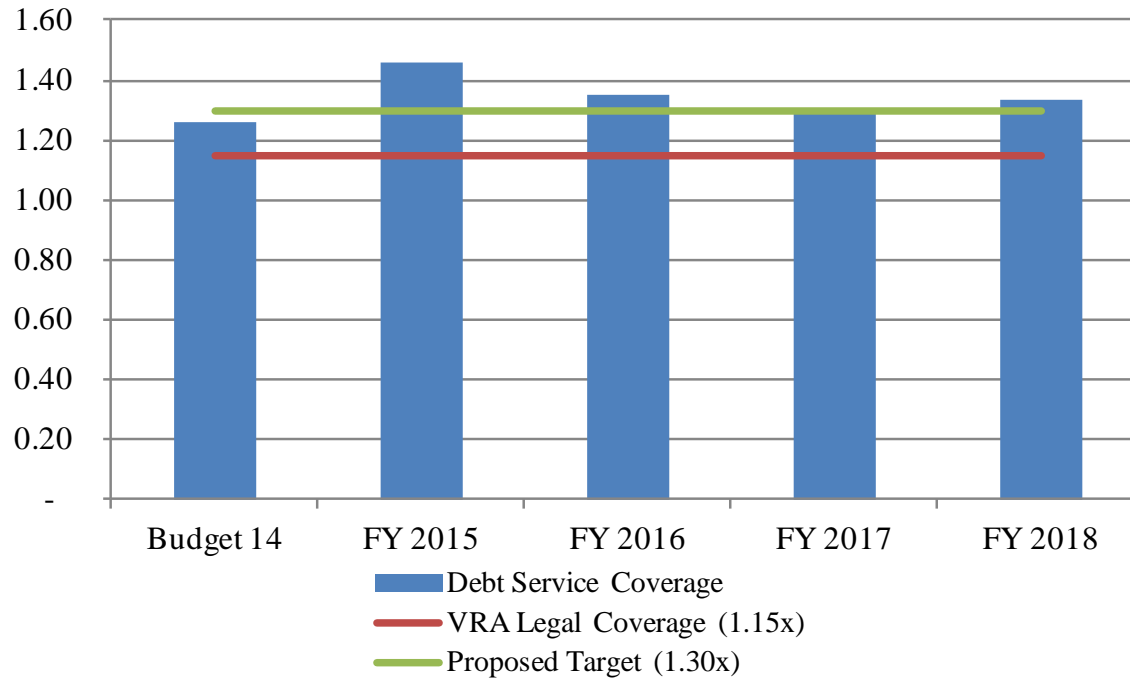
## Fund Balance



90 Days Cash on Hand is achieved in year 5. 180 Days would require larger revenue increases. The Town should work toward 180 Days over a longer term.

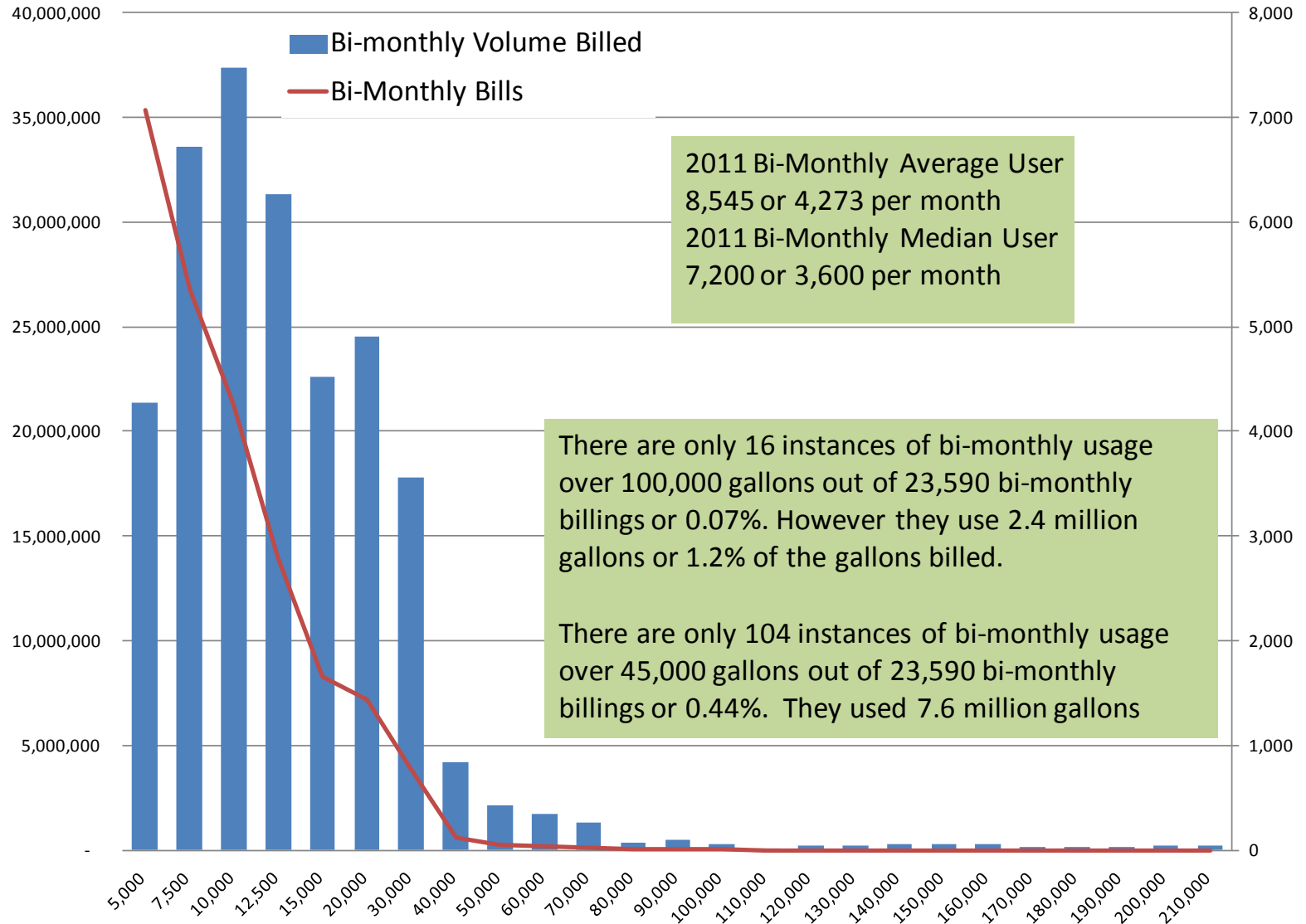
# Compliance with Proposed Policy

## Debt Service Coverage

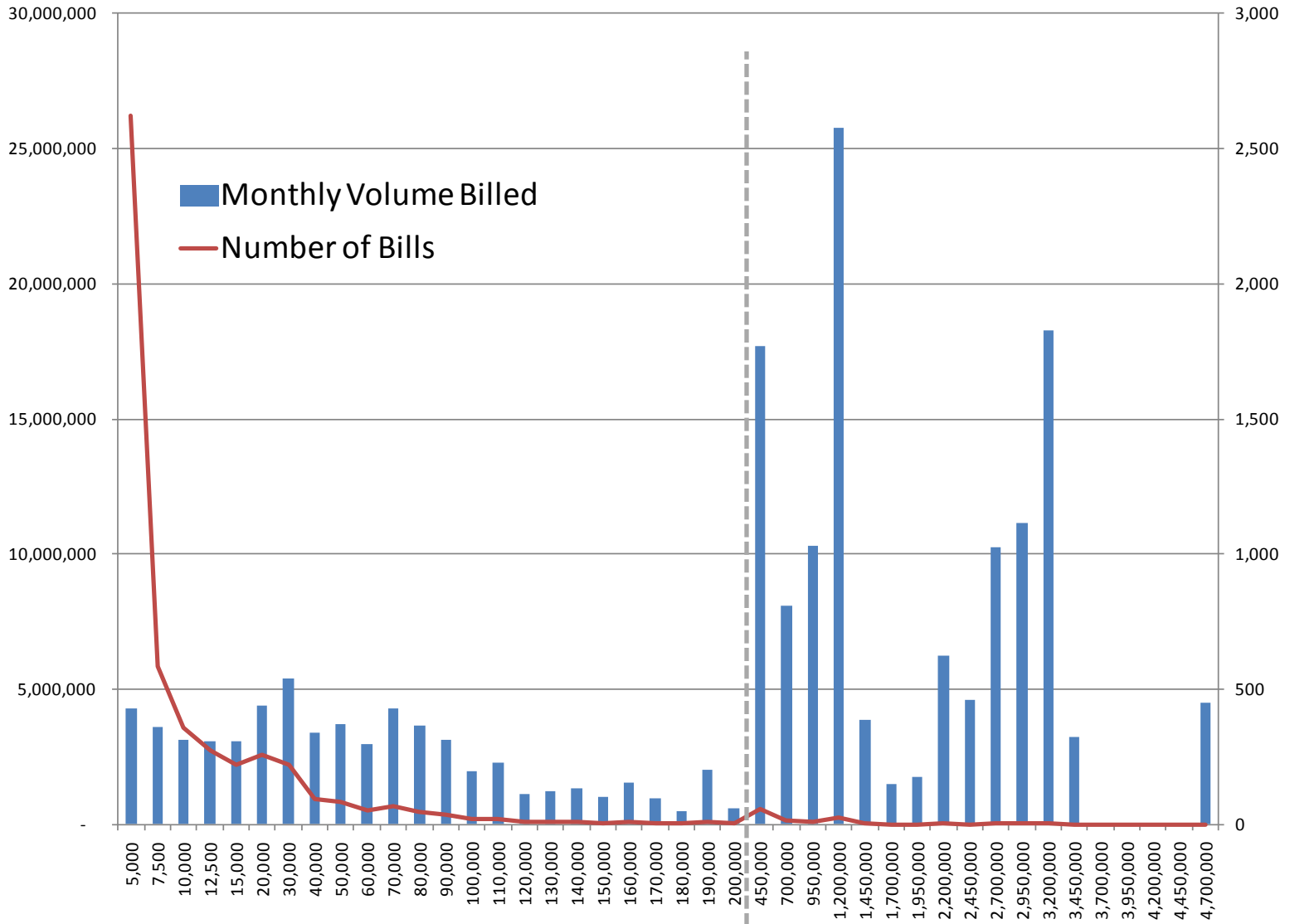


Debt Service Coverage drops as the amount of new debt service increases.

# 2011 Residential Data



# 2011 Commercial/Industrial Data



# Current Rate Structure

## Water Rates

### Residential (Bimonthly)

First 3,000 gallons or less through 5/8" meter	\$15.92
Next 42,000 gallons or less (per 1,000 gl)	2.94
Next 255,000 gallons or less (per 1,000 gl)	2.55
Next 700,000 gallons or less (per 1,000 gl)	2.35
Next 1,000,000 gallons or less (per 1,000 gl)	1.94

### Commercial/Industrial/Insustrial Service (Monthly)

First 1,500 gallons or less thru 5/8" meter	7.97
First 1,500 gallons or less thru 3/4" meter	8.69
First 1,500 gallons or less thru 1" meter	9.28
First 1,500 gallons or less thru 1-1/4" meter	9.66
First 1,500 gallons or less thru 1-1/2" meter	10.44
First 1,500 gallons or less thru 2" meter	13.36
First 1,500 gallons or less thru 3" meter	17.85
First 1,500 gallons or less thru 4" meter	23.44
First 1,500 gallons or less thru 6" meter	29.31
First 1,500 gallons or less thru 8" meter	32.81
All over 1,500 gallons (per 1,000 gl)	3.75

## Wastewater Rates

### Residential (Bimonthly)

First 3,000 gallons or less	\$23.39
All over 3,000 gallons (per 1,000 gl)	3.43

### Commercial/Industrial/Insustrial Service (Monthly)

First 1,500 gallons or less	11.68
All over 1,500 gallons (per 1,000 gl)	3.43

# Proposed Water Rates and Structure

## Water Rates

### Residential (~~Bi-Monthly~~) Monthly

	Current Bi-Monthly	Proposed Bi-Monthly	Proposed Monthly	% Change
<b>1,500</b> First <del>3,000</del> gallons or less through 5/8" meter	\$15.92	\$17.31	\$8.66	8.7%
<b>15,000</b> Next <del>42,000</del> gallons or less (per 1,000 gl)	2.94	3.20	1.60	8.8%
<b>All over 16,500 gallons (per 1,000 gl)</b> <del>Next 255,000 gallons or less (per 1,000 gl)</del>	2.55	4.00	2.00	56.9%
<del>Next 700,000 gallons or less (per 1,000 gl)</del>	2.35	n/a	n/a	
<del>Next 1,000,000 gallons or less (per 1,000 gl)</del>	1.94	n/a	n/a	

### Commercial/Industrial/Institutional Service (Monthly)

	Current Monthly	Proposed Monthly	% Change
First 1,500 gallons or less thru 5/8" meter	7.97	8.66	8.7%
First 1,500 gallons or less thru 3/4" meter	8.69	9.45	8.7%
First 1,500 gallons or less thru 1" meter	9.28	10.09	8.7%
First 1,500 gallons or less thru 1-1/4" meter	9.66	10.50	8.7%
First 1,500 gallons or less thru 1-1/2" meter	10.44	11.35	8.7%
First 1,500 gallons or less thru 2" meter	13.36	14.52	8.7%
First 1,500 gallons or less thru 3" meter	17.85	19.40	8.7%
First 1,500 gallons or less thru 4" meter	23.44	25.48	8.7%
First 1,500 gallons or less thru 6" meter	29.31	31.86	8.7%
First 1,500 gallons or less thru 8" meter	32.81	35.66	8.7%
All over 1,500 gallons (per 1,000 gl)	3.75	4.08	8.8%



# Proposed Wastewater Rates and Structure

## Wastewater Rates

Residential ( <del>Bi-Monthly</del> ) <b>Monthly</b>	Current Bi-Monthly	Proposed Bi-Monthly	Proposed Monthly	% Change
First <del>3,000</del> <sup>1,500</sup> gallons or less	\$23.39	\$25.42	\$12.71	8.7%
All over <del>3,000</del> <sup>1,500</sup> gallons (per 1,000 gl)	3.43	3.73	1.87	8.7%

Commercial/Industrial/Institutional Service ( <b>Monthly</b> )	Current Monthly	Proposed Monthly	% Change
First 1,500 gallons or less	11.68	12.70	8.7%
All over 1,500 gallons (per 1,000 gl)	3.43	3.73	8.7%

# Effect on Bills

## Water

Bi-Monthly Usage	FY 2014		FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016
	Current Bill (Bi-Monthly)	Proposed Bill (Bi-Monthly)	Proposed Bill (Monthly)	Proposed Bill (Monthly)	Proposed Bill (Monthly)	Proposed Bill % Change	Proposed Bill % Change	Proposed Bill % Change
4,000	\$18.86	\$20.51	\$10.26	\$11.17	\$12.16	8.7%	8.9%	8.9%
8,500	32.09	34.91	17.46	19.00	20.69	8.8%	8.8%	8.9%
12,500	43.85	47.71	23.86	25.96	28.27	8.8%	8.8%	8.9%
20,000	65.90	75.71	37.86	41.21	44.88	14.9%	8.8%	8.9%
25,000	80.60	95.71	47.86	52.11	56.76	18.7%	8.9%	8.9%
35,000	110.00	135.71	67.86	73.91	80.51	23.4%	8.9%	8.9%
45,000	139.40	175.71	87.86	95.71	104.26	26.0%	8.9%	8.9%

## Wastewater

Person(s) in Household	Typical Usage		FY 2014		FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016
	Bi-Monthly Usage @ 50 gl/day	Monthly Usage @ 50 gl/day	Current Bill (Bi-Monthly)	Proposed Bill (Bi-Monthly)	Proposed Bill (Monthly)	Proposed Bill (Monthly)	Proposed Bill (Monthly)	Proposed Bill % Change	Proposed Bill % Change	Proposed Bill % Change
1	3,000	1,500	\$26.82	\$29.15	\$14.58	\$15.87	\$17.28	8.7%	8.9%	8.9%
2	6,000	3,000	42.26	45.94	22.97	25.01	27.23	8.7%	8.9%	8.9%
3	9,000	4,500	55.98	60.86	30.43	33.13	36.07	8.7%	8.9%	8.9%
4	12,000	6,000	81.70	88.83	44.42	48.35	52.64	8.7%	8.9%	8.9%
6	18,000	9,000	98.85	107.48	53.74	58.50	63.69	8.7%	8.9%	8.9%
8	24,000	12,000	133.15	144.78	72.39	78.80	85.79	8.7%	8.9%	8.9%
			167.45	182.08	91.04	99.10	107.89	8.7%	8.9%	8.9%

## Combined Bill

Bi-Monthly Usage	FY 2014		FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016
	Current Bill (Bi-Monthly)	Proposed Bill (Bi-Monthly)	Proposed Bill (Monthly)	Proposed Bill (Monthly)	Proposed Bill (Monthly)	Proposed Bill % Change	Proposed Bill % Change	Proposed Bill % Change
4,000	\$45.68	\$49.66	\$24.83	\$27.04	\$29.44	8.7%	8.9%	8.9%
8,500	74.35	80.85	40.42	44.00	47.91	8.7%	8.9%	8.9%
12,500	99.83	108.57	54.28	59.08	64.33	8.8%	8.8%	8.9%
20,000	147.60	164.54	82.27	89.56	97.52	11.5%	8.9%	8.9%
25,000	179.45	203.19	101.60	110.61	120.45	13.2%	8.9%	8.9%
35,000	243.15	280.49	140.25	152.71	166.30	15.4%	8.9%	8.9%
45,000	306.85	357.79	178.90	194.81	212.15	16.6%	8.9%	8.9%

# Recommendations

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1. Advertise rates for the Public Hearing.
2. Discuss borrowing options for capital needs at future Council meeting.

# Next Steps

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- Dec. 4, 2012 – Council work session regarding future Water & Sewer Rates
- April 2, 2013 – Follow up Council work session regarding Water & Sewer Rates
- May 7, 2013 – Council considers rate increases via required public notices/hearings.
- Spring 2013/Summer 2013 – Staff and Davenport to review borrowing options for 2013-2014 capital needs.
- July 1, 2013 – Rate increases implemented.
- Summer/Fall 2013 – Execute Bond financing.

# Appendix – Projected Capital Improvement

Capital Improvement Program	2013	2014	2015	2016	2017	2018	2019+	Total
Improvements to WVWA Tinker Creek Interceptor (12.6% share)			550,000					550,000
Repair Tinker Creek Wastewater Interceptor (Design&Const)	500,000							500,000
Improvements to WVWA WPCP, Disinfection & Solids (5.5% share)		939,785						939,785
New Backhoe/Front end loader		96,000						96,000
Deployable Leak Detectors			37,500					37,500
Portable Sewer Video Camera		20,000						20,000
3rd Street WW Pump Station Emergency Generator		65,000						65,000
3rd Street WW Pump Station				623,231				623,231
Design Niagara Road Interceptor Capacity Improvement			38,000	37,000				75,000
Replace Compact Pickup Truck		25,000						25,000
Replace Full-size Pickup Truck with snow plow		30,000						30,000
Replace Full-size Pickup Truck with high-top		30,000						30,000
Jefferson Ave/Cleveland Ave/Jackson Ave Waterline Phase I		248,000						248,000
Jefferson Ave/Cleveland Ave/Jackson Ave Waterline Phase II		100,000						100,000
Jefferson Ave/Cleveland Ave/Jackson Ave Waterline Phase III				400,000				400,000
Bali Hai Water Pump				10,000				10,000
Maple St. Waterline				163,950				163,950
Replace Compact Pickup Truck					20,840			20,840
Map and Model GIS/GPS WW				295,625				295,625
Map GIS/GPS Water				376,250				376,250
Morrison Ave/Meadow St Waterline				218,500				218,500
Ruddell Road (West) Waterline				216,625				216,625
Timberidge Zone Waterline				382,100				382,100
Morrison Ave Zone Waterline				94,200				94,200
Shelborne Ave PRV station					34,700			34,700
Feather Road PRV station	37,625							37,625
Montgomery Village PRV	37,625							37,625
Replace Lindenwood Water System (Design)				150,000				150,000
Replace Lindenwood Water System (Construction)					1,961,875			1,961,875
Renew Montgomery Village WW					1,397,500			1,397,500
Bowman and East End WW I/I						1,300,750		1,300,750
Renew Hardy Road, Crofton & Montgomery WW						290,250		290,250
Renew Lindenwood Downstream WW						215,000		215,000
Renew West & Southend Downtown WW							1,290,000	1,290,000
Renew Crofton WW							1,290,000	1,290,000
Renew Midway WW							1,290,000	1,290,000
Renew Bali Hai/Ruddell/Mt View WW							1,290,000	1,290,000
<b>Total Uses</b>	<b>575,250</b>	<b>1,553,785</b>	<b>625,500</b>	<b>2,967,481</b>	<b>3,414,915</b>	<b>1,806,000</b>	<b>5,160,000</b>	<b>16,102,931</b>
Funded by Operations	-	85,000	75,500	327,000	175,540		-	663,040
Town Debt Funded- Long Term	575,250	1,287,785	-	2,098,606	3,239,375	1,806,000	5,160,000	14,167,016
Town Debt Funded- 5-yr/10-yr		181,000		541,875				722,875
WVWA Funded		-	550,000	-	-			550,000
<b>Total Sources</b>	<b>575,250</b>	<b>1,553,785</b>	<b>625,500</b>	<b>2,967,481</b>	<b>3,414,915</b>	<b>1,806,000</b>	<b>5,160,000</b>	<b>16,102,931</b>

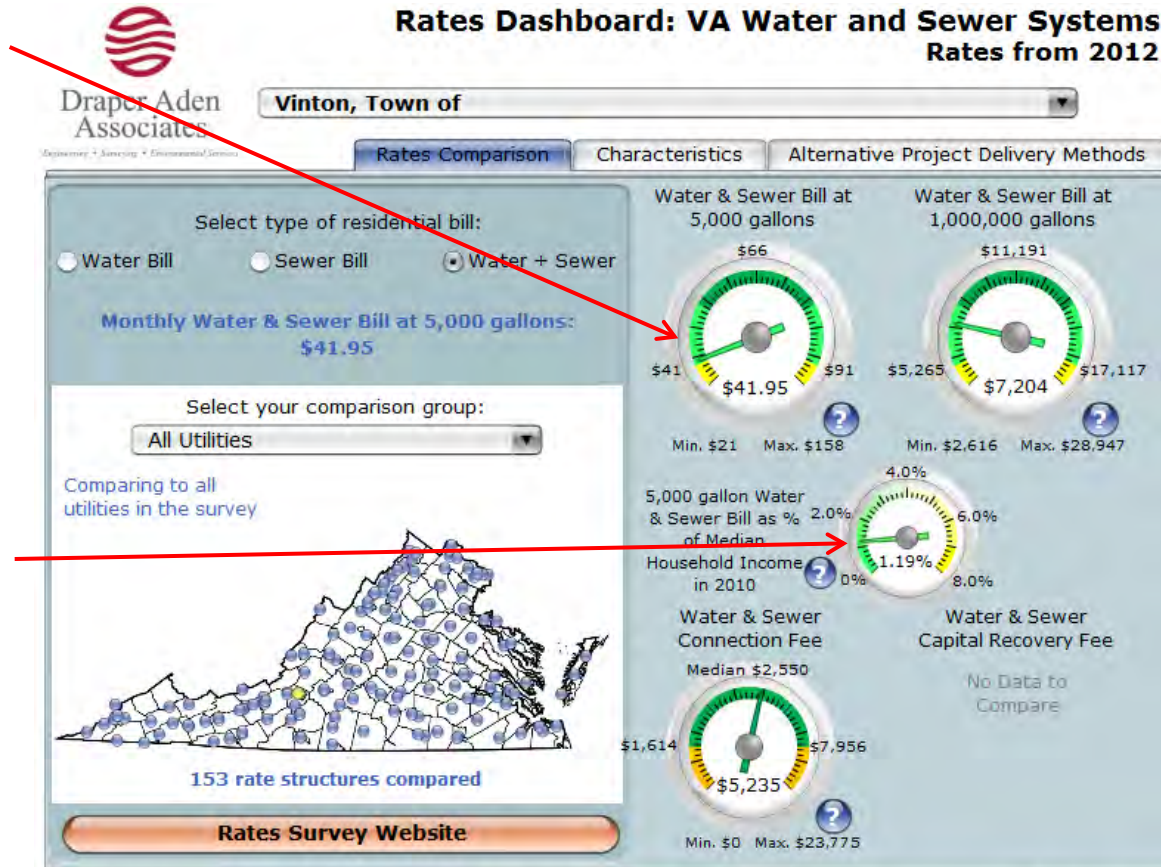
# Historic Rate Increases

	<b>2003-2007</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Water	0.0%	0.0%	0.0%	7.0%	0.0%
Sewer	0.0	0.0	10.0	20.0	0.0
Inflation	2.1	3.3	2.5	4.3	2.7
	<b>2008-2012</b>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Water	7.0%	0.0%	10.0%	15.0%	0.0%
Sewer	16.7	0.0	10.0	15.0	0.0
Inflation	5.0	(1.4)	1.1	3.6	1.7

CIP rose over 27% during the 10 year period.

# Town Water & Sewer Bills versus other Virginia Utilities

- For a user of 5,000 gallons per month the Town of Vinton 2012 user bill is \$41.95 which just misses being in the lowest 10% of bills in Virginia.
- This is roughly 1.2% of Median Household Income.
- Median bill is \$66 per month of 153 Utilities Surveyed.



Source: Draper Aden Associates 24th Annual Virginia Water and Wastewater Report.  
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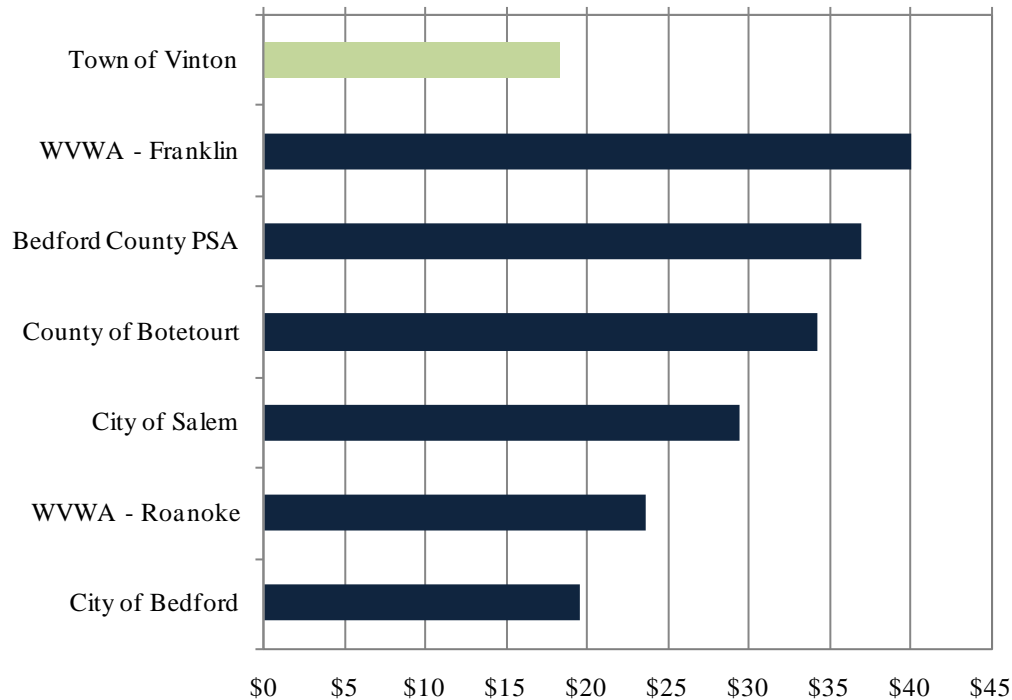
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# REGIONAL PEER GROUP



## Water Rate Comparisons:

Locality	Residential	
	Users	Rate
Town of Vinton	5,500	\$18.25
Western Virginia Water Authority (Franklin County)	1,567	40.00
Bedford County Public Service Authority	8,270	37.00
County of Botetourt	919	34.25
City of Salem	8,671	29.45
Western Virginia Water Authority (City & County of Roanoke)	52,147	23.65
City of Bedford	2,860	19.53



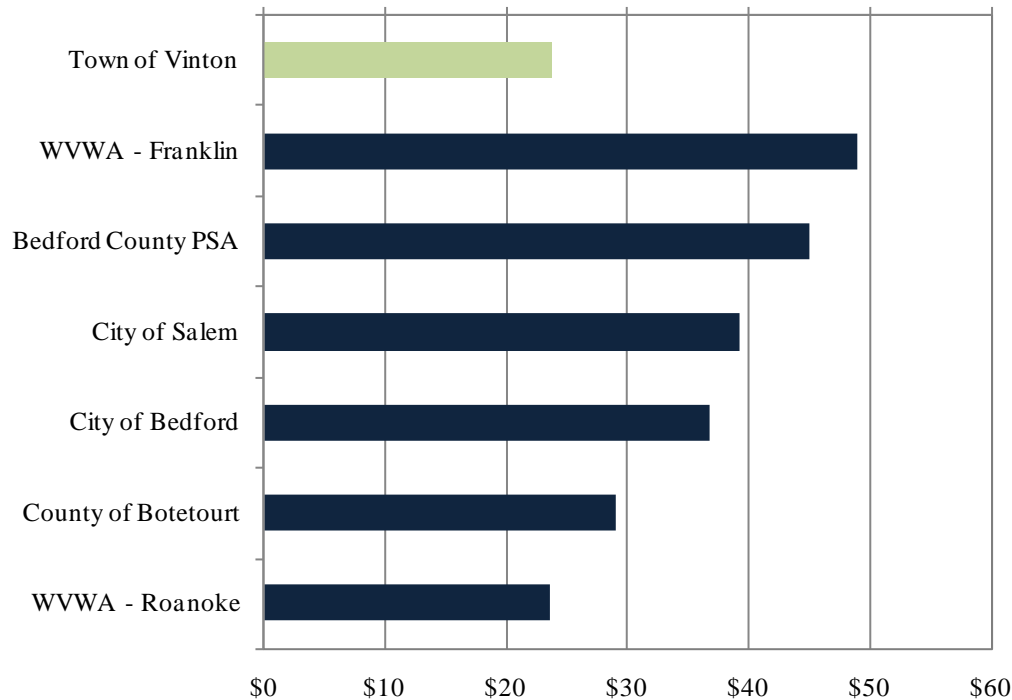


# REGIONAL PEER GROUP



## Wastewater Rate Comparisons:

<b>Locality</b>	<b>Residential Users</b>	<b>Rate</b>
Town of Vinton	5,500	\$23.70
Western Virginia Water Authority (Franklin County)	4	49.00
Bedford County Public Service Authority	1,412	45.00
City of Salem	8,359	39.22
City of Bedford	2,291	36.82
County of Botetourt	2,469	29.00
Western Virginia Water Authority (City & County of Roanoke)	52,147	23.65



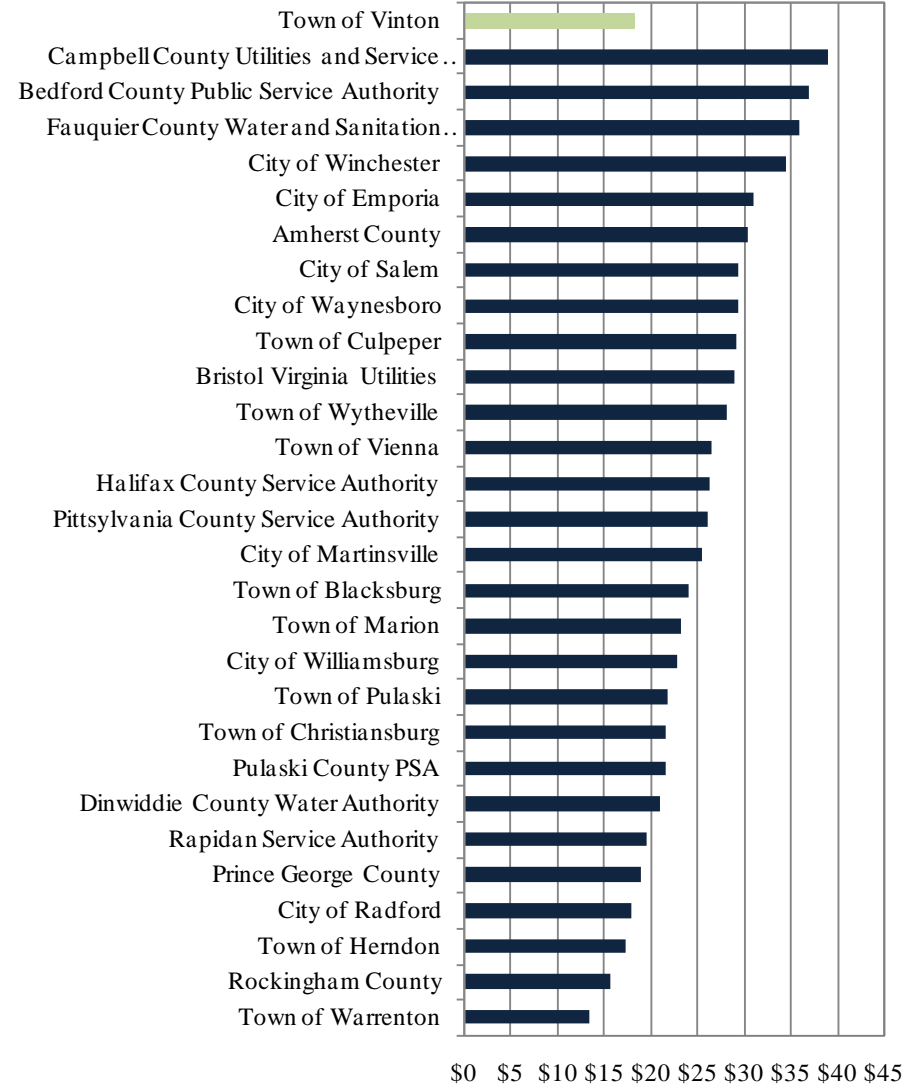


# CAPACITY PEER GROUP (3,000 – 10,000 RESIDENTIAL USERS)

## Water Rate Comparisons:

### Residential

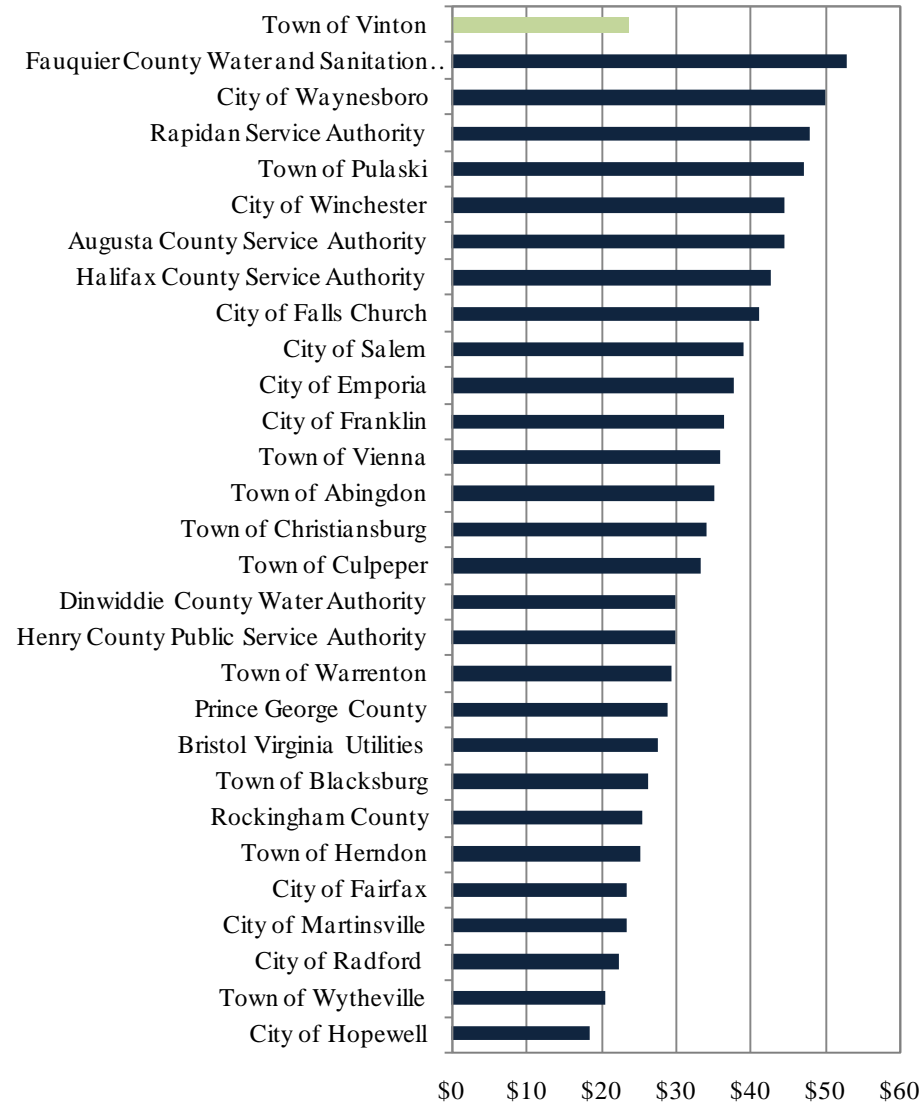
Locality	Users	Rate
Town of Vinton	5,500	\$18.25
Campbell County Utilities and Service Authority	9,412	39.06
Bedford County Public Service Authority	8,270	37.00
Fauquier County Water and Sanitation Authority	5,687	35.94
City of Winchester	9,785	34.54
City of Emporia	5,330	31.12
Amherst County	6,950	30.37
City of Salem	8,671	29.45
City of Waynesboro	7,544	29.40
Town of Culpeper	5,980	29.10
Bristol Virginia Utilities	6,872	28.98
Town of Wytheville	3,971	28.10
Town of Vienna	8,915	26.42
Halifax County Service Authority	4,216	26.25
Pittsylvania County Service Authority	3,592	26.00
City of Martinsville	6,700	25.50
Town of Blacksburg	8,701	24.04
Town of Marion	3,800	23.12
City of Williamsburg	3,400	22.75
Town of Pulaski	4,332	21.84
Town of Christiansburg	10,328	21.60
Pulaski County PSA	3,824	21.50
Dinwiddie County Water Authority	3,446	20.87
Rapidan Service Authority	4,120	19.50
Prince George County	4,250	19.00
City of Radford	5,281	17.90
Town of Herndon	7,889	17.36
Rockingham County	3,425	15.67
Town of Warrenton	4,167	13.30



# CAPACITY PEER GROUP (3,000 – 10,000 RESIDENTIAL USERS)

## Wastewater Rate Comparisons:

Locality	Residential Users	Rate
Town of Vinton	5,500	\$23.70
Fauquier County Water and Sanitation Authority	3,852	52.96
City of Waynesboro	7,025	50.05
Rapidan Service Authority	5,805	47.96
Town of Pulaski	3,699	47.24
City of Winchester	9,810	44.55
Augusta County Service Authority	10,011	44.54
Halifax County Service Authority	4,370	42.75
City of Falls Church	3,974	41.22
City of Salem	8,359	39.22
City of Emporia	5,330	37.86
City of Franklin	3,208	36.56
Town of Vienna	9,063	35.97
Town of Abingdon	4,486	35.25
Town of Christiansburg	9,674	34.20
Town of Culpeper	5,769	33.50
Dinwiddie County Water Authority	3,358	30.00
Henry County Public Service Authority	7,263	30.00
Town of Warrenton	3,759	29.40
Prince George County	5,250	29.00
Bristol Virginia Utilities	6,722	27.68
Town of Blacksburg	8,009	26.47
Rockingham County	3,518	25.45
Town of Herndon	7,889	25.42
City of Fairfax	7,021	23.55
City of Martinsville	6,300	23.37
City of Radford	5,112	22.36
Town of Wytheville	3,805	20.69
City of Hopewell	8,328	18.40



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