

**CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA**



Agenda Date:	June 17, 2024
Action Required:	2nd reading of Ordinance
Presenter:	Chris Cullinan, Director of Finance, Lauren Hildebrand, Director of Utilities
Staff Contacts:	Chris Cullinan, Director of Finance Lauren Hildebrand, Director of Utilities
Title:	Ordinance to amend and reordain Chapter 31 (Utilities) of the Code of the City of Charlottesville, 1990, as amended, to establish new utility rates and service fees for City gas, water and sanitary sewer (2nd reading)

Background

The City of Charlottesville owns and operates public utilities for water, wastewater, natural gas and stormwater. Utility services are essential on a daily basis to both individuals and to the entire community. Thoughtful, deliberate planning and sufficient financial resources ensure safe, efficient and orderly maintenance and operation of these systems. The need for investment in our utility systems is not without cost, but our utility rates must also be balanced with the need for continued affordability for our customers.

Each of the City's utilities is accounted for separately as enterprise funds. Enterprise funds are operated on a self-supporting basis, meaning that each utility is required to cover the full costs of providing its service. The City's utilities are funded solely through their rates and related fees and charges and are not subsidized with general tax revenues. The utilities do not operate on a for-profit basis. As such, utility rates are calculated annually to bring each fund to a break-even point; however, variable factors such as weather, usage, and number of customers may result in an unexpected operating surplus or deficit during any given year. If so, the surpluses or deficits are accounted for and remain within their respective utility fund.

Rivanna Water and Sewer Authority (RWSA), which provides the treatment services for the City, is one of the largest fixed cost elements for the water and wastewater budgets. For FY'25, the rates for RWSA have increased, and they are incorporated in the City's proposed utility rates.

Discussion

Proposed Utility Rates for FY'25

The budgets for each of the utilities have been thoroughly examined for opportunities to minimize costs without sacrificing service. Based on the revenue requirements needed to operate and maintain each utility and the above recommendations, the City is proposing the following rates in the

water, wastewater, and gas utility:

- \$76.87/1,000 cubic feet (cf) of water (average annual composite rate of seasonal rates),
- \$92.55/1,000 cf of wastewater, and;
- \$74.04/8,000 cf of natural gas.

In addition, the proposed Monthly Services Charges for Water and Wastewater are as follows:

Water Monthly Service Charge			
Meter Size	Current Monthly Service Charge	Proposed Monthly Service Charge	\$ Change
5/8"	\$6.50	\$7.50	\$1.00
1"	\$16.25	\$18.75	\$2.50
1 1/2"	\$32.50	\$37.50	\$5.00
2"	\$52.00	\$60.00	\$8.00
3"	\$104.00	\$120.00	\$16.00
4"	\$162.50	\$187.50	\$25.00
6"	\$325.00	\$375.00	\$50.00
14"	\$2,128.75	\$2,456.25	\$327.50

Wastewater Monthly Service Charge			
Meter Size	Current Monthly Service Charge	Proposed Monthly Service Charge	\$ Change
5/8"	\$6.50	\$7.50	\$1.00
1"	\$16.25	\$18.75	\$2.50
1 1/2"	\$32.50	\$37.50	\$5.00
2"	\$52.00	\$60.00	\$8.00
3"	\$104.00	\$120.00	\$16.00
4"	\$162.50	\$187.50	\$25.00
6"	\$325.00	\$375.00	\$50.00
14"	\$2,128.75	\$2,456.25	\$327.50

For the stormwater utility, there are minimal changes to the budget and stormwater fees are proposed to remain unchanged for the coming year at \$1.20 per 500 square feet of impervious

surface.

Impact on Average Customer

Utility customers continue to conserve water and natural gas, which is both good for the environment and for their utility bill. The average residential water customer is using 400 cubic feet (cf) per month. Similarly, the average residential gas customer is using 4,600 cf. Based on these usage figures and the proposed utility rates, the average residential customer is projected to spend the following per month:

<u>Service</u>	<u>Current</u> (based on rates adopted 7/1/23)	<u>Proposed</u> (Effective 7/1/24)	<u>Change</u>	<u>Percent</u>
Water ¹	\$36.57	\$38.25	\$1.68	4.59%
Wastewater ¹	\$41.84	\$44.52	\$2.68	6.41%
Natural Gas ¹	\$50.45	\$54.03	\$3.58	7.10%
Stormwater ²	\$5.86	\$5.86	\$0	0%
TOTAL	\$134.72	\$142.66	\$7.94	5.89%

1. Rates include monthly service charge.
2. The budget impact shown reflects a residential monthly average fee and provides consistency with other utilities. Stormwater fees are rounded to the next whole billing unit and are billed to property owners biannually.

For City residential customers who receive water, wastewater, stormwater and natural gas (82.5% of City residents), their total utility bill is projected to rise by \$7.94 per month, or 5.89%. For residential customers who receive just water, wastewater and stormwater service, their utility bill will increase by \$4.36 per month, or 5.17%. The proposed rate report can be found at <https://www.charlottesville.gov/602/Utility-Billing>.

Alignment with City Council's Vision and Strategic Plan

City Utilities operations supports City Council's Vision and Strategic Plan. It contributes to the Strategic Plan's Outcome Areas of Climate Action and Organizational Excellence:

Community Engagement

The public hearing is being held at tonight's Council meeting to establish the rates for City utility services (water, sanitary sewer, natural gas and stormwater). These rates would be effective as of July 1, 2024, if approved by Council on June 17, 2024. The notice for the public hearing was advertised in the newspaper during the weeks of May 13, 2024 and May 20, 2024.

Budgetary Impact

The Utility Funds (water, wastewater, and natural gas) are self-sustaining enterprise funds that are supported by the revenues from customers' usages. The stormwater fee is based on the impervious surface of the property.

Note: The approval of the utility rates has no impact on the General Fund.

Recommendation

Staff recommends approval of the proposed rates.

Alternatives

As noted above, the utilities operate on a self-sustaining, break-even basis. If the proposed rates are not adopted, the utilities would not financially perform in this manner which in turn would impact the City's ability to efficiently and reliably operate these systems. The City's ability to invest in these critical infrastructure systems would be negatively impacted as well. Additionally, the City would not meet its long-term financial policy by not having sufficient working capital for its utilities.

Attachments

1. FY2025 Utility Rate Ordinance
2. At a Glance FY2025
3. Operations Overview FY2025