

Public Utilities

DESCRIPTION

The County's Department of Public Utilities operates and maintains public water and wastewater systems in the Suburban Service Area, the Hanover Courthouse Area and five rural residential subdivisions. (collectively, the "System") The Suburban Service Area is the crescent shaped area north of the Chickahominy River, generally between and along Route 1 to the west and Creighton Road to the east, including the Town of Ashland, the Doswell area, and the Route 33 area adjacent to Henrico County. The County provides utility service to approximately 17,900 water customers and 16,100 wastewater customers.

The County operates the System as a self-supporting enterprise fund, the Utility Enterprise Fund, whereby the operations and capital expenditures are funded with revenues generated from customer user fees and one-time fees paid for capacity at the time of connection to the System. County General Fund tax dollars are not used to fund either the operating or capital budgets of the System. The Utility Enterprise Fund reimburses the County's General Fund for services provided by other County departments to support the Department of Public Utilities and pays a service charge to the General Fund in lieu of tax payments. The Board of Supervisors establishes and revises the water and wastewater rates and fees charged to customers of the System and adopts annual operating and capital improvements plan budgets.

The Department develops overall operations, maintenance and capital construction plans for the System to support Hanover's Comprehensive Plan for development and services to ensure operational reliability and adequate capacity and to remain in compliance with local, State and Federal regulations. The Department of Public Utilities operates the System with County personnel and maintains the System with a combination of County personnel and private contractors. The Department's personnel read meters, prepare bills, and maintain customer accounts. The Department's activities extend to providing assistance to other utility purveyors within the County, supporting economic development initiatives, and participating in regional approaches to providing water and wastewater services. These activities are accomplished with 92 full-time employees.

MISSION

The Mission of the Department of Public Utilities is "to provide water and wastewater services that, within regulatory guidelines, meet or exceed our customers' needs and expectations for safety, quality and quantity; to provide these services at a competitive price and in a fair and equitable and environmentally responsible manner, and to provide opportunities for personal and professional development for employees at all levels of the department."

EXISTING FACILITIES AND SERVICE AREA

The County's water system consists of 10 potable water wells, two surface water treatment plants, and 9 water-pumping stations. The water transmission and distribution system is comprised of approximately 310 miles of water lines ranging in size from 2 to 30 inches in diameter. The Doswell Water Treatment Plant is rated at 4 million gallons per day (mgd), was constructed in 1974 and upgraded and expanded in 1991. The South Anna Water Treatment Plant is rated a 2.0 mgd and was constructed in the early 1960's. The South Anna plant is currently not in service and would require substantial rehabilitation and upgrades to return it to service. Additional water supplies are provided by long-term contracts with City of Richmond and Henrico County, which serve the Suburban Service Area and the Route 33 area, respectively. In the Route 33 area, the County provides water service to Tyson Foods and a limited number of residential and commercial customers via a water purchase agreement with Henrico County (The County also has a connection to the Henrico County system along Route 1 at the Chickahominy River, which is not routinely utilized). The rural systems operated by the County are Georgetown, Dianne Ridge, Oak Hill Estates, Strawhorn, Sinclair Manor, and Courthouse.

The County's wastewater system consists of three wastewater treatment plants and 38 wastewater pumping stations. The wastewater collection system is comprised of approximately 303 miles of sewers. The Doswell Wastewater Treatment Plant is rated at 1.0 mgd and serves the Doswell area. Ashland is served by

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the 2.0 mgd Ashland Wastewater Treatment Plant, which was placed in service in 1992. The Hanover Courthouse area is served by the 0.08 mgd Courthouse Wastewater Treatment Plant, which has a 1978 in-service date. The majority of wastewater generated in the Suburban Service Area is pumped by the Beaverdam Creek Wastewater Pump Station (5.4 mgd average capacity) to the Henrico County Wastewater Treatment Plant.

WATER SUPPLY CONTRACTS

The County has purchased water from Henrico County since 1974. This water supply currently provides water for Hanover's Route 33 service area. On April 10, 1995, the County negotiated a new agreement with Henrico County to purchase up to 0.775 mgd. The term of the Henrico water contract is through June 30, 2014, and continues thereafter until terminated by either the County Manager of Henrico or the County Administrator of Hanover, upon giving the other party ten years written notice. In the fiscal year ended June 2003, Hanover purchased approximately 501 million gallons of water in accordance with the Henrico water contract.

On July 1, 1994, the County entered into a contract with the City of Richmond, which established a long-term potable water supply for the Suburban Service Area. The term of the Richmond contract is through June 30, 2035, and continues thereafter until terminated by either the City Manager of Richmond by giving fifteen years written notice (such notice may not be given earlier than July 1, 2025), or the County Administrator by giving ten years notice (such notice may not be given earlier than July 1, 2020), unless a shorter time for notice is mutually agreed upon. The ultimate capacity available to the County is 20 mgd, which is being purchased in 5 mgd increments. The County's current available capacity from Richmond is 10 mgd. Additional 5 mgd capacity purchases occur in 2005 and 2010.

WASTEWATER TREATMENT CONTRACT

While the County treats a portion of the wastewater it collects, it also purchases wastewater treatment services from Henrico County. Hanover has purchased such services since 1979. On April 10, 1995, the two counties entered a new wastewater agreement, which provides long-term wastewater treatment for the Suburban Service Area. The term of the contract is through June 30, 2014, and continues thereafter until terminated by mutual agreement by the two counties in writing. The new agreement increased the capacity from 3.69 mgd to 5.4 mgd, which is based upon a 90-day rolling average. Wastewater is conveyed to Henrico County's Strawberry Hill Pump Station from Hanover's Beaverdam Creek Pump Station via a 20" force main.

LARGEST CUSTOMERS

The following table provides data on the County's ten largest water customers for the fiscal year ended June 30, 2003 (1,000 gallons):

	Water Usage *	Water Revenue	% of Total Revenue
• Bear Island Paper Company	473,775	\$ 783,421	8.21 %
• Tyson Food	367,296	590,326	6.19
• Paramount's Kings Dominion	97,462	145,226	1.52
• Doswell Limited Partnership	81,975	123,939	1.30
• Hanover Medical Park Complex	33,334	69,235	0.73
• Randolph Macon College	20,140	64,032	0.67
• Media General	15,874	34,075	0.36
• All American Plazas, Inc.	9,121	23,206	0.24
• AIMCO Residential Group	8,436	30,554	0.32
• AMF Bowling Inc.	4,885	15,196	0.16
Total	<u>1,112,298</u>	<u>\$ 1,879,210</u>	<u>19.7 %</u>

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The ten largest water customers together represent about 19.7% of total water billing, with the largest customer, representing approximately 8.2% of total water billing.

The following table provides annual data on the County's ten largest wastewater customers for the fiscal year ended June 30, 2003:

	Wastewater		% of Total Revenue
	Usage *	Revenue	
• Paramount's Kings Dominion	69,073	\$ 218,674	1.75 %
• Hanover Medical Park Complex	30,417	102,258	0.82
• Randolph Macon College	17,543	72,221	0.58
• Supervalu Inc.	11,987	38,405	0.31
• All American Plazas Inc.	9,121	30,890	0.25
• AIMCO Residential Group	8,436	44,111	0.35
• Bear Island Paper Company, L.P.	5,281	19,379	0.16
• AMF Bowling Inc.	4,050	15,279	0.12
• Hanover House Best Western	3,933	13,109	0.11
• Media General	3,887	13,987	0.11
Total	<u>163,728</u>	<u>\$ 568,315</u>	<u>4.56 %</u>

*in 1000 gallons

The ten largest wastewater customers together represent about 4.56% of total wastewater billing, with the largest customer, representing approximately 1.75% of total wastewater billing.

Water and wastewater usage by a specific customer may not be equal based upon the specific needs for each service.

FINANCIAL AND BUDGETARY PROCEDURES

The Director of Public Utilities has responsibility for budgeting, accounting, procurement, billing, and collection activities for the System. Mr. Frank W. Harksen, Jr. has served as the Director of Public Utilities since January 1999.

The operating budget and the Capital Improvement Plan for the System are updated and prepared annually for presentation to the County Administrator in January. Preparation of the annual operating and Capital Improvement Plan budgets begins in September. It is presented to the County's Board of Supervisors in February and approval usually occurs in April.

In support of the County's Comprehensive Plan and in compliance with the Voluntary Settlement Agreement with the Town of Ashland, which provided for annexation of certain territory and the merger of the Ashland and County water and wastewater systems, the Department of Public Utilities plans, implements and funds improvements to make water and wastewater capacity available to an expansion area sometime during the five year period after an area comes in to phase, typically toward the end of the five year period, and areas within the Town of Ashland. When the County does make capacity available to an area, it is normally to a single point within or near the area. The County does not make water and wastewater service available to every parcel in an area when an area is in phase. The intent of the plan is that the Department make water and wastewater treatment capacity available so that every lot within the Suburban Service Area could be serviced by public water and wastewater if a property owner desired to extend public water and/or wastewater to their property.

The self-supporting Utility Enterprise Fund, which is funded by utility ratepayers, reimburses the County's General Fund through a calculated allocated payment for services such as procurement, finance, information technology, human resources, administration and legal that are provided by other County departments to support the Department of Public Utilities. And, although the Department is a part of the

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County government and thus tax exempt, beginning in Fiscal Year 2005, the County's General Fund also began charging a service charge to the utility ratepayers as a payment in lieu of taxes to recover costs associated with services provided by the Sheriff's Office and Public Safety Department, which are not a part of the calculated allocated payment.

The system is divided into two service routes and most customers are billed bi-monthly. Bills are due and payable upon receipt by the customer, with a past due notice mailed if the bill remains unpaid 30 days after the billing date. If payment is not made in accordance with the past due notice, the County Code requires that utility service be disconnected. A \$30 fee is assessed to all accounts where service has been discontinued due to nonpayment and a 10% late penalty fee is charged for all past due accounts. The County's annual losses from uncollected accounts have been less than 1% of the amount of total bills since 1990.

RATES, FEES, AND CHARGES

The principal sources of revenue for the Utilities Enterprise Fund are user fees and capacity fees. The user fee is a monthly or bi-monthly charge comprised of a minimum service charge based upon meter size, levied regardless of usage, and a commodity charge that is typically based upon metered water consumption. The capacity fee is a one time charge for each new connection to the water and wastewater systems. Capacity fees are based on the size of the water meter necessary to serve the new customer. In setting these fees, the goal is to cover projected operating, maintenance, general improvement, and rehabilitation costs with user fees. The projected capacity related capital improvement costs and the costs to support the Comprehensive Plan and Voluntary Settlement Agreement are funded with capacity fees. This practice generally allows growth in use of the County's services to pay for the costs of increasing the System capacity and expanding service territory. This rate structure applies to both water and wastewater services.

RATE STRUCTURE

<u>User Fees</u>	<u>Existing</u>	<u>Proposed</u>
	FY2004	FY2005
<u>Water, All Users</u>		
Minimum charge based on meter size		
5/8 inch	\$ 4.86	\$5.01
3/4 inch	4.86	5.01
1 inch	6.80	7.00
1 1/2 inch	8.76	9.02
2 inch	14.10	14.52
3 inch	53.48	55.08
4 inch	68.06	70.10
6 inch	102.09	105.16
In addition to these charges, a volume charge is also applied.		
0-4,000 gallons, per 1,000 gallons	\$ 0.92	\$0.94
4,001 to 15,000 gallons, per 1,000 gallons	2.99	3.08
15,001 to 50,000 gallons, per 1,000 gallons	3.77	3.88
50,001 to 1,000,000 gallons, per 1,000 gallons	3.05	3.14
1,000,001 and above, per 1,000 gallons	1.38	1.42

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User Fees (continued)

	FY2004	FY2005
Wastewater, All Users		
Minimum charge based on meter size		
5/8 inch	\$ 14.92	\$15.37
3/4 inch	14.92	15.37
1 inch	20.90	21.53
1 1/2 inch	26.86	27.67
2 inch	43.26	44.56
3 inch	164.17	169.10
4 inch	208.95	215.21
6 inch	313.42	322.82
In addition to these charges, a volume charge is also applied.		
0-4,000 gallons, per 1,000 gallons	\$ 4.26	\$4.39
4,000 – 15,000 gallons, per 1,000 gallons	4.51	4.65
above 15,000 to 50,000 gallons, per 1,000 gallons	5.19	5.35
above 50,000, per 1,000 gallons	3.14	3.24
Flat Rate Wastewater	\$ 63.53	\$65.44

Capacity Fees

Capacity fees are the fees charged to customers when initially connected to the County's system. The detailed fee schedule is listed below. If a unit already exists when the line is placed in service, the customer will be eligible for a reduced rate of 50% of the appropriate charge if paid within 90 days of the in-service date.

Residential Wastewater

Single and multi-family units are currently charged \$5,727 for a standard connection. The proposed per unit fee will be \$5,999, an increase of 3%.

Commercial, Industrial, Business, and Public Facilities Wastewater

	FY2004	FY2005
All capacity fees for these entities are based on meter size.		
5/8 inch	\$ 5,727	\$ 5,899
1 inch	14,322	14,752
1 1/2 inch	28,644	29,504
2 inch	45,830	47,205
3 inch	91,660	94,409
4 inch	143,222	147,518
6 inch	286,443	295,036
8 inch	458,309	472,058

Residential Water

Single and multi family units are currently charged \$3,378 for a standard connection. The proposed per unit fee will be \$3,480, an increase of 3%.

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Commercial, Industrial, Business, and Public Facilities Water

	FY2003	FY2004
All capacity fees for these entities are based on meter size.		
5/8 inch	\$ 3,378	\$ 3,480
1 inch	8,446	8,699
1 1/2 inch	16,892	17,399
2 inch	27,032	27,843
3 inch	54,065	55,687
4 inch	84,475	87,010
6 inch	168,951	174,019
8 inch	270,318	278,428

OBJECTIVES

- Provide reliable water and wastewater service in accordance with all applicable regulatory requirements
- Continue implementation of Vulnerability Assessment
- Emphasize continuing education to maintain operator licenses ensuring EPA regulatory compliance
- Continue implementing Capital Improvement Plan meeting customer capacity needs and economic development
- Receive American Metropolitan Sewage Peak Performance Award

SERVICE LEVELS	FY03 <u>Budget</u>	FY03 <u>Actual</u>	FY04 <u>Budget</u>	FY04 <u>Forecast</u>	FY05 <u>Budget</u>
Water customers	16,995	17,900	18,000	18,350	18,800
Wastewater customers	15,038	16,100	16,100	16,500	16,900
Customer calls	36,050	22,389	25,000	23,000	23,600
Plans Reviewed	546	496	523	520	530
Samples Collected	305,328	280,024	315,548	315,000	318,000
Water distributed (mgd)	8.20	8.10	8.45	8.30	8.50
Wastewater collected (mgd)	4.56	5.80	4.70	5.10	5.20
Miles of water line maintained	296	310	312	320	330
Miles of sewer line maintained	311	303	300	300	305

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BUDGET HIGHLIGHTS

FY04

The increase in salaries and fringe benefits is due to the addition of two additional positions. The decreases in operating expenditures and capital outlay reflect the needs of the department in FY04

FY05

The increase in salaries and fringe benefits is due to the addition of two additional positions, the reclassification of a part-time position to full-time, and VRS and health insurance increases. The decreases in operating expenditures and capital outlay reflect the needs of the department in FY05.

BUDGET SUMMARY

Expenditures

	FY03 Budget	FY03 Actual	FY04 Budget	FY05 Budget	Percent Change
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Salaries and Fringe Benefits	\$ 4,410,072	\$ 3,964,269	\$ 4,657,782	\$ 5,056,972	8.6%
Operating Expenditures	13,005,524	9,084,599	12,940,891	14,720,728	13.8%
Capital Outlay	5,751,596	9,342,426	4,049,000	11,708,000	189.2%
Total Expenditures	\$ 23,167,192	\$ 22,391,294	\$ 21,647,673	\$ 31,485,700	45.4%

Revenue

Permits, Privilege Fees, and Regulatory Licenses	\$ 311,000	\$ 265,977	\$ 280,000	\$ 255,100	-8.9%
Revenues from the Use of Money and Property	1,002,000	450,377	502,000	324,000	-35.5%
Charges for Services	14,793,537	13,907,272	14,692,333	14,995,600	2.1%
Miscellaneous Revenue	78,000	0	80,340	82,000	2.1%
Recovered Costs	168,000	168,000	168,000	168,000	0.0%
Other Revenues	6,575,000	9,960,845	5,925,000	15,661,000	164.3%
Reserve for Revenues	0	0	0	0	0.0%
Prior Year's Balance	239,655	0	0	0	0.0%
Total Department Generated Revenue	\$ 23,167,192	\$ 24,752,471	\$ 21,647,673	\$ 31,485,700	45.4%
Generated Revenue Percent of Budget	100.0%	110.5%	100.0%	100.0%	

Other General Fund Revenue

Other General Fund Revenue	\$ -	\$ -	\$ -	\$ -	
Other General Fund Percent of Budget	0.0%	0.0%	0.0%	0.0%	
Full-time Positions	87	87	89	92	3.4%
Part-time Positions	1	1	1	-	-100.0%
Full-time Equivalents	87.5	87.5	89.5	92.0	2.8%