



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of February 11, 2012**

DATE: February 8, 2012

SUBJECT: Request to advertise a public hearing on the proposed Fiscal Year 2013 water/sewer rate increase.

C. M. RECOMMENDATION:

Authorize advertisement of a public hearing to be held March 22, 2012, to consider a proposed amendment to Chapter 26, Article 1 of the Arlington County Code (Utilities Ordinance – Attachment A) to increase the water rate by no more than \$0.30, from \$3.68 to \$3.98 per thousand gallons and to increase the sewer rate by no more than \$0.12, from \$8.51 to \$8.63 per thousand gallons.

ISSUES: As part of the regular budget process, authorization from the County Board is being requested to advertise a public hearing to consider whether the County should increase the combined water/sewer rate by no more than \$0.42 per thousand gallons effective May 1, 2012, in order to realize revenue necessary to fund the FY 2013 proposed Utilities Fund budget.

SUMMARY: The FY 2013 Proposed Budget recommends increasing the water/sewer rate to fund the proposed Utilities Fund operating and capital budgets. The proposed combined rate increase of no more than \$0.42 (an increase in \$0.30 in the water rate and \$0.12 in the sewer rate) would raise the rate from \$12.19 to \$12.61 per thousand gallons. The estimated impact of this increase on an average residential customer would be \$29.40 per year.

BACKGROUND: The Utilities Fund is a self-supporting enterprise fund that is fully financed by user fees. The majority of its revenue comes from billing County residents, businesses, and other organizations for water and sewer use. The proposed water/sewer rate of no more than \$12.61 per thousand gallons is necessary to support proposed FY 2013 operating expenditures, debt service payments, and pay as you go (PAYG) transfers to the utilities capital fund. This proposed rate represents a maximum increase of \$0.42 per thousand gallons, or 3.4 percent, over the current rate.

County Manager:

BMD/mjs

County Attorney:

JAM

[Signature]

29. H.

Staff: Beth Craig, Utilities Fund Manager, DES

Revenues collected by the Utilities Fund are used to pay for operations and maintenance of the County's water distribution and sewage collection systems and the Water Pollution Control Plant, as well as wholesale water purchases from the Washington Aqueduct. Utilities Fund revenues also pay for debt service on bonds and loans issued to upgrade the County's water, sewer, and wastewater infrastructure and for utilities capital projects financed through PAYG funding. The Utilities Fund also pays for an equitable share of services provided to it by General Fund agencies through an indirect cost plan.

Personnel expense increases by \$0.7 million, which includes seven new FTEs at the Water Sewer Streets Bureau (WSS). A new Water Quality Engineer is necessary to adequately staff the program to ensure compliance with existing and emerging regulations, and allow for a more proactive approach to managing water quality. An additional six member Water Maintenance crew is necessary primarily to maintain safety, provide quality customer service, and reduce excessive overtime expense. The additional expense for the new crew is partially offset by an anticipated reduction in overtime expense for the Water Maintenance section once the new crew is in place. Employee steps and the impact of reclassification of positions identified to be substantially below comparative pay studies are also included.

Non-personnel expense increases by \$1.2 million, driven by increases in chemicals, maintenance supplies, and contracted services at the Water Pollution Control Plant (WPCP). Additional operating expense for new equipment and trucks to be used by the new Water Maintenance crew at WSS is included in this increase. Decreases in the WPCP budget for over strength positions and also the budget for overhead charges partially offset these increases.

The transfer to Pay-As-You-Go (PAYG) capital decreases by \$0.9 million based on analysis of FY13 capital spending needs and program balances. Also, debt service increases \$0.6 million for repayment of General Obligation Bonds for various Utilities capital projects.

DISCUSSION: If the \$0.42 per thousand gallon rate increase included in the FY 2013 Proposed Budget is adopted, the average single family household will pay \$29.40 more per year for water/sewer service than they currently do, based on an estimated household consumption of 70,000 gallons of water per year. The annual cost of water/sewer service in the Washington Metropolitan Area is displayed in Table 1, based on a rate survey from January 2012.

The rate increase will be effective for all metered water use on or after May 1, 2012. This effective date is used so that the new rate is in effect for most of the water/sewer charges billed starting July 1, 2012, in order for the rate increase to be effective for the full fiscal year.

FISCAL IMPACT: If the County Board adopts the proposed rate increase, an additional \$5 million in water/sewer revenues is projected. This revenue projection was included in the FY 2013 proposed Utilities Fund budget. This increase will continue the Utilities Fund's policy of fully financing all water and sewer related operating and maintenance costs, PAYG transfers, and debt service expenditures via the water/sewer rate and other utility user fees, such as sewage treatment fees charged to Fairfax County, the Alexandria Sanitation Authority, and the City of Falls Church for use of the County's Water Pollution Control Plant.

Table 1

**WASHINGTON METRO CURRENT AND PROPOSED
ESTIMATED ANNUAL HOUSEHOLD WATER/SEWER COST¹**

<u>Jurisdiction</u>	<u>Current Annual Cost²</u>	<u>Proposed Annual Cost³</u>	<u>% Change</u>
City of Alexandria	\$941	\$978	4%
Arlington County	\$853	\$883	3%
Prince William County	\$792	\$834	5%
Falls Church (Within City Limits)	\$789	\$789	0%
District of Columbia	\$734	\$779	6%
Prince Georges & Montgomery Counties	\$677	\$726	7%
Fairfax County	\$617	\$625	1%
Fairfax City (Residential)	\$590	\$647	10%
Loudoun County	\$585	\$648	11%

¹ All costs based on an estimated annual consumption of 70,000 gallons (17,500 per quarter).

² Current Annual Cost reflects rates as of January 2012.

³ Proposed Annual Cost reflects FY 2013 proposed rates, however, not all jurisdictions have proposed rates for FY 2013 at this time.

Attachment A

AN ORDINANCE TO AMEND, REENACT, AND RECODIFY CHAPTER 26, ARTICLE I, DIVISION 2, SECTION 26-7, OF THE ARLINGTON COUNTY CODE, RELATING TO AN INCREASE IN THE WATER/SEWER RATES AND FEES EFFECTIVE MAY 1, 2012.

- I. **BE IT ORDAINED** that Chapter 26, Article I, Division 2, of the Arlington County Code is amended, reenacted, and recodified as follows, effective May 1, ~~2011~~2012.

Chapter 26

UTILITIES

ARTICLE 1. IN GENERAL

* * *

DIVISION 2.

* * *

§ 26-7. Water/sewer rates and fees.

BASE: The charge for water/sewer service shall be based on the consumption of water as reflected by periodic readings of water meters serving the property.

- RATES:**
- (a) The rate for properties which use both shall be ~~\$12.19~~ \$12.61 per thousand (1,000) gallons of water furnished. The rate for these services is set forth as follows:
 - (1) Water Services – ~~\$3.68~~ \$3.98 per one thousand (1,000) gallons of water furnished.
 - (2) Sewer services - ~~\$8.51~~ \$8.63 per one thousand (1,000) gallons of water furnished.
 - (b) The rate for properties which are served by the County water system only shall be ~~\$3.68~~ \$3.98 per one thousand (1,000) gallons of water furnished.
 - (c) The rate for properties which are served by the County sewer system only shall be ~~\$8.51~~ \$8.63 per one thousand (1,000) gallons of water furnished based on the periodic water or sewer meter reading by the utility serving the property.

The remaining sections and subsections of Chapter 26 of the Code of Arlington not amended hereby shall remain in effect as previously enacted.