



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of February 23, 2008**

DATE: February 4, 2008

SUBJECT: Authorization for the advertisement of a public hearing on the proposed Fiscal Year 2009 water/sewer rate increase.

C. M. RECOMMENDATION:

Authorize advertisement of a public hearing on the proposed amendment to Chapter 26, Article 1 of the Arlington County Code (Utilities Ordinance) and authorize the advertisement for a public hearing to be held on March 27, 2008, for proposed rate increases in the Water Sewer services. This proposed amendment would increase the water rate by no more than \$0.01, from \$3.34 to \$3.35 per thousand gallons and the sewer rate by no more than \$1.33, from \$5.86 to \$7.19 per thousand gallons.

ISSUE: As part of the regular budget process, authorization from the County Board is being requested to advertise a public hearing on whether the County should increase the combined water/sewer rate by no more than \$1.34 per thousand gallons effective May 1, 2008, in order to realize revenues necessary to fund the FY 2009 proposed Utilities Fund budget.

SUMMARY: The FY 2009 Proposed Budget recommends increasing the water/sewer rate to fund the proposed Utilities Fund operating and capital budgets. The proposed rate increase of no more than \$1.34 would raise the rate from \$9.20 per thousand gallons to \$10.54 per thousand gallons. The estimated impact of this increase on an average residential customer would be \$8.00 per month, or \$23.00 per quarter, or \$94.00 per year. This increase is necessary primarily to finance a number of capital projects that will help ensure the County's compliance with existing and future environmental regulations.

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 \$10.54 per thousand gallons is necessary to support proposed FY 2009 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 \$1.34 per thousand gallons, or 14.6 percent, over the current rate.

County Manager: _____

County Attorney: _____

Staff: Victoria Greenfield, Division Director, DES UEPD
Molly Oberst, Technical Services Manager, DES WPCP

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.

This proposed increase is necessary to finance a number of capital projects that will ensure the County's continued compliance with environmental regulations. The most significant of these projects, the Master Plan 2001 Update to the Water Pollution Control Plant, will reduce the need for wet-weather external bypasses, provide additional plant capacity and reliability, reduce total nitrogen levels, and protect water quality and aquatic life in the Chesapeake Bay. The rate increase is also necessary to repay general obligation bonds that were issued in spring 2007 to finance improvements to the Potomac Interceptor sanitary sewer line and the Washington Aqueduct. Additional rate increases are projected to continue at a rate of up to 15% for the next several years as Master Plan 2001 construction continues.

DISCUSSION: If the \$1.34 per thousand gallon rate increase that is included in the FY 2009 Proposed Budget is adopted, the average single family household will pay \$23.00 more per quarter, or \$94.00 more per year, for water/sewer service than they currently do, based on 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 December 2007.

The rate increase will be effective for all metered water use on or after May 1, 2008. This effective date is used so that the new rate is in effect for most of the water/sewer charges billed starting July 1 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 \$9,300,000 in water/sewer revenues is projected. This revenue projection was included in the FY 2009 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 and the Cities of Alexandria and 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> |
|--------------------------------------|--|---|
| Falls Church (Within City Limits) | \$656 | Not yet announced |
| Arlington County | \$644 | \$738 |
| City of Alexandria | \$702 | \$723 |
| Prince William County | \$597 | \$656 |
| Prince Georges & Montgomery Counties | \$558 | \$607 |
| District of Columbia | \$503 | \$546 |
| Fairfax City (Residential) | \$508 | \$525 |
| Loudon County | \$459 | \$470 |
| Fairfax County | \$392 | \$430 |

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 December 2007/January 2008.

³ Proposed Annual Cost reflects FY 2009 proposed rates. However, not all jurisdictions have proposed rates for FY 2009 at this time.

Attachment A

AN ORDINANCE TO AMEND, REENACT, AND RECODIFY CHAPTER 26, ARTICLE I, SECTION 26-7, OF THE ARLINGTON COUNTY CODE, RELATING TO AN INCREASE IN THE WATER/SEWER RATES AND FEES EFFECTIVE MAY 1, 2008.

BE IT ORDAINED that Chapter 26, Article I of the Arlington County Code is amended, reenacted, and recodified as follows, effective May 1, 2007-2008.

Chapter 26

UTILITIES

ARTICLE 1. IN GENERAL

* * *

§ 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 ~~\$9.20~~ \$10.54 per thousand (1,000) gallons of water furnished. The rate for these services is set forth as follows:
 - (1) Water Services – ~~\$3.34~~ \$3.35 per one thousand (1,000) gallons of water furnished.
 - (2) Sewer services - ~~\$5.86~~ \$7.19 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 ~~\$3.34~~ \$3.35 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 ~~\$5.86~~ \$7.19 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 rates for water and sewer service become effective with water used on May 1, 2007 2008. The rates for the late charge and the water service activation/reactivation became effective July 1, 1992. The charges for cap-offs, drainage fixture unit inspections, and fire flow tests became effective July 1, 1993.