

**Stafford County Utilities Commission**  
**Work Session Minutes**  
February 28, 2013

**I. Call to order**

Chairman Bill Tignor called to order a work session of the Utilities Commission at the Stafford County Government Center on February 28, 2013 in the Board Chambers.

**II. Roll call**

The following persons were present: David Bohmke, John Harris, Gordon Howard, Bob Hunt, and Bill Tignor. Harry Critzer, Dale Allen, Janet Spencer, Deidre Jett and Cheryl Giles were present for the Utilities Department.

**III. Public Presentations**

There were no public presentations

**IV. Old Business**

**1. Proposed CIP Program**

Mr. Allen presented an overview of the proposed FY2014-FY2023 capital improvement projects. The following 39 projects were highlighted.

Rocky Pen Run Mitigation Projects	Water Distribution Rehabilitation Program
Wastewater Collection System Rehabilitation	Wastewater Pump Station Rehabilitation
Vehicles & Equipment Replacement	Courthouse Area Water System
Courthouse Area Water Tank	Claiborne Run Pump Station Generator
Austin Run Pump Station & Force Main	Old Route 3 Pump Station Replacement
Small Water Projects	Small Sewer Projects
Route 1 North Sewer	Claiborne Run Gravity Sewer Interceptor
Equipment Replacement-Aquia WWTF	342 Zone Water System Improvements –
Sweetbriar Woods PS Force Main & Gravity	Ebenezer Church Pump Station
Oaks of Stafford Pump Station Replacement	Claiborne Run PS Parallel Force Main
Falls Run Pump Station Force Main Replacement	Falls Run Sewer Interceptor Replacement
Equipment Replacement – Little Falls Run	Wastewater Pump Station Replacements
Equipment Replacement – Aquia WWTF	Claiborne Run Pump Station Replacement

Moncure Water Booster Pump Station Upgrade	Gravity Sewer Along Austin Run
Smith Lake Water Distribution Pump Station	Abel Lake WTF Upgrade
Potomac Creek Pump Station & Force Main	Falls Run Pump Station Replacement
Regional Water Interconnection	Little Falls Run WWTF – 3 <sup>rd</sup> Treatment
Country Ridge Pump Station Replacement	Stafford County Complex

The following questions were asked during the presentation:

- Mr. Tignor asked if the Courthouse Area Water Tank project would require condemnation of properties. Mr. Allen responded the project would not require condemnation of properties. It would be a voluntary exchange of properties procured by the hospital.
- Mr. Tignor asked what the life cycle of equipment is before it needs replacing. Mr. Allen responded that the average equipment life cycle is 15 years before it needs replacement.
- Mr. Hunt asked if closing of the Moncure Elementary school would have an effect on the capacity of the Moncure Booster Pump Station. Mr. Allen responded the pumps would have to be sized accordingly and there probably would not be a huge difference in the cost.
- Mr. Howard asked how many gallons of water are used per day. Ms. Spencer responded that the yearly average of water used is 9 to 11 million gallons per day.
- Mr. Tignor asked what impact would the proposed CIP projects have on a rate increase for next year. Mr. Critzer responded that based upon the rate study, we would need a 9% rate increase over the next three years.

Mr. Howard asked for a brief overview of the Comparison of Alternative for Funding Utilities FY14-FY23 Projects handout. Discussion ensued about available options for the rate increase.

Mr. Hunt expressed concern that the Board would probably not approve a 9% rate increase, due to the economy. Mr. Hunt also asked if an alternative plan was available, if the Board does not approve the 9% rate increase. Ms. Jett responded that the fiscal policy coverage is very important for sustainability purposes. The Board recognizes that a certain degree of rate increases are needed for Utilities to be self-sustaining.

Mr. Tignor commented that the Board may not approve the Commission's recommendation, but he felt that a recommendation should be based on what is best for the county and not on what is politically correct.

Mr. Bohmke commented that Supervisor Bob Thomas had requested information for no rate increase. After reviewing the information, Mr. Thomas' stated that it is apparent that a rate increase would need to be done and a "do nothing" approach could not be an option.

## **2. Utilities Rate Study**

Mr. Thierry Boveri, a representative of PRMG, presented an abridged version of the rate study presented at the February 12<sup>th</sup> meeting. He highlighted the following items: (See attached PowerPoint presentation)

- Recent Trends and Observations
- Financial Forecast and Revenue Sufficiency
- Rate & Fee Design
- Recommendations

The following items were discussed during the presentation:

- ❖ Mr. Howard asked how was the population increase in Stafford handled in terms of the demand on the system. Mr. Boveri explained that based upon the information provided by the Planning Department and by Utilities staff, a scenario was used of about 500 EDUs per year as being a reasonable forecast.
- ❖ Mr. Hunt commented that an average bill would increase from \$50 to \$70 and expressed the increase would be substantial. Mr. Boveri responded the measure of affordability was reviewed in terms of how a credit rating analysis is performed. Credit rating agencies look at a matrix of how utility bills are relative to the household's income. Stafford County has a 2% threshold as approaching an affordability issue, based upon the household's median income.
- ❖ Mr. Bohmke asked why the debt service overlay fee had not been recommended. Ms. Jett responded the debt service overlay fee would have avoided a double-digit rate increase, but would not have affected the amount of the monthly bill. Mr. Boveri explained that the benefit of a debt service overlay fee is that it can be used as a communicative tool for educating customers rather than having an overall effect on the revenue sufficiency. The proposed rate study would recover the debt charges from the demand and variable charges. The primary reasons the debt service overlay fee was not recommended is because it could fluctuate a lot and may raise litigation issues by utility customers on how the debt fee is applied.
- ❖ Mr. Harris commented about "transitional variants" and how it affects what the user pays for water and sewer connections. Mr. Harris asked what percentage of building permits are in the Urban Services Area (USA) for water and sewer versus building permits for well and septic outside of the USA. Ms. Jett responded that 80% are in the USA and 20% are outside of the USA. Discussion ensued about capitalization costs and revenue sources for the water system.
- ❖ Mr. Harris asked if the funding is not provided for CIP projects, what results could be expected. Mr. Critzer responded the projects that are in the 10-year CIP would definitely become more expensive if repairs are delayed and it is better to be proactive about maintenance of the projects.
- ❖ Mr. Bohmke asked what the consequences are if the 150 days reserves requirement of the rate covenant is not met. Ms. Jett explained that meeting the rate covenants are part of the bond indenture. The Government Financial Officers Association (GFOA)

recommends the working capital for an enterprise fund be a minimum of 90 days. For enterprise funds that have significant capital needs and high-fixed costs, GFOA recommends it be more than 90 days. Ms. Jett expressed that we are getting close to meeting some of the requirements of the rate covenants. If we do not meet them, it is a legal requirement and not a policy requirement. The 150 days keeps us in a position to meet other rate covenants. Discussion ensued about the debt service overlay fee in relation to the amount of cash reserves required.

- ❖ Mr. Tignor asked does staff have a different recommendation than the consultant's recommendation. Mr. Critzer responded staff's recommendation would be option 2, which would propose rate increases to meet the financial policy and fund critical CIP projects.
- ❖ Mr. Bohmke inquired if a 9.5% rate increase for FY14, FY15, and FY16 to replace his suggestion of a 12%, 8%, 8% rate increase would help to provide a more even amount of revenue without adding a debt service overlay fee. Ms. Jett responded that our capital needs are so significant that the balance would stay low as the capital needs are addressed. The Rocky Pen Run project still has funding that would come out of the cash reserves and there are several other critical projects that have to be constructed. The cash balance would not be built up until the 2020s.

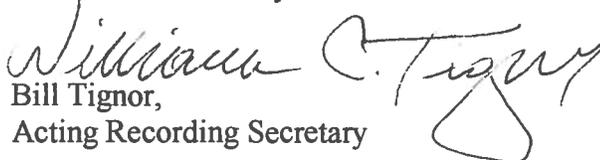
Mr. Howard commented that staff should make sure the message is consistent when presenting to the Board about the magnitude of investing in the water system. If different options are presented, be prepared to explain how the funds are allocated and what happens if critical projects are delayed.

Discussion ensued about looking at other options for the rate increase. Following the discussion, commission members agreed to further discuss the rate increase at the March 12<sup>th</sup> meeting.

**V. Adjournment**

There being no further business, the meeting was adjourned at 9:08pm.

Minutes submitted by:

  
Bill Tignor,  
Acting Recording Secretary