

# Public Utilities Proposed FY15 Budget

*Hanover: People, Tradition & Spirit*



# OVERVIEW

- Business Model
- Operating Expenses
- Capital Improvement Program
- Rates
- Capacity Fees
- Revenues
- Future Challenges



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# BUSINESS MODEL

- Self-sustaining Enterprise Fund
  - Operated as a “non-profit” for the benefit of Hanover’s citizens and businesses
- Activities funded by:
  - User fees
  - One-time capacity fees charged to new customers
  - Miscellaneous fees
- No financial support from General Fund
  - \$1.4 million payment to the general fund



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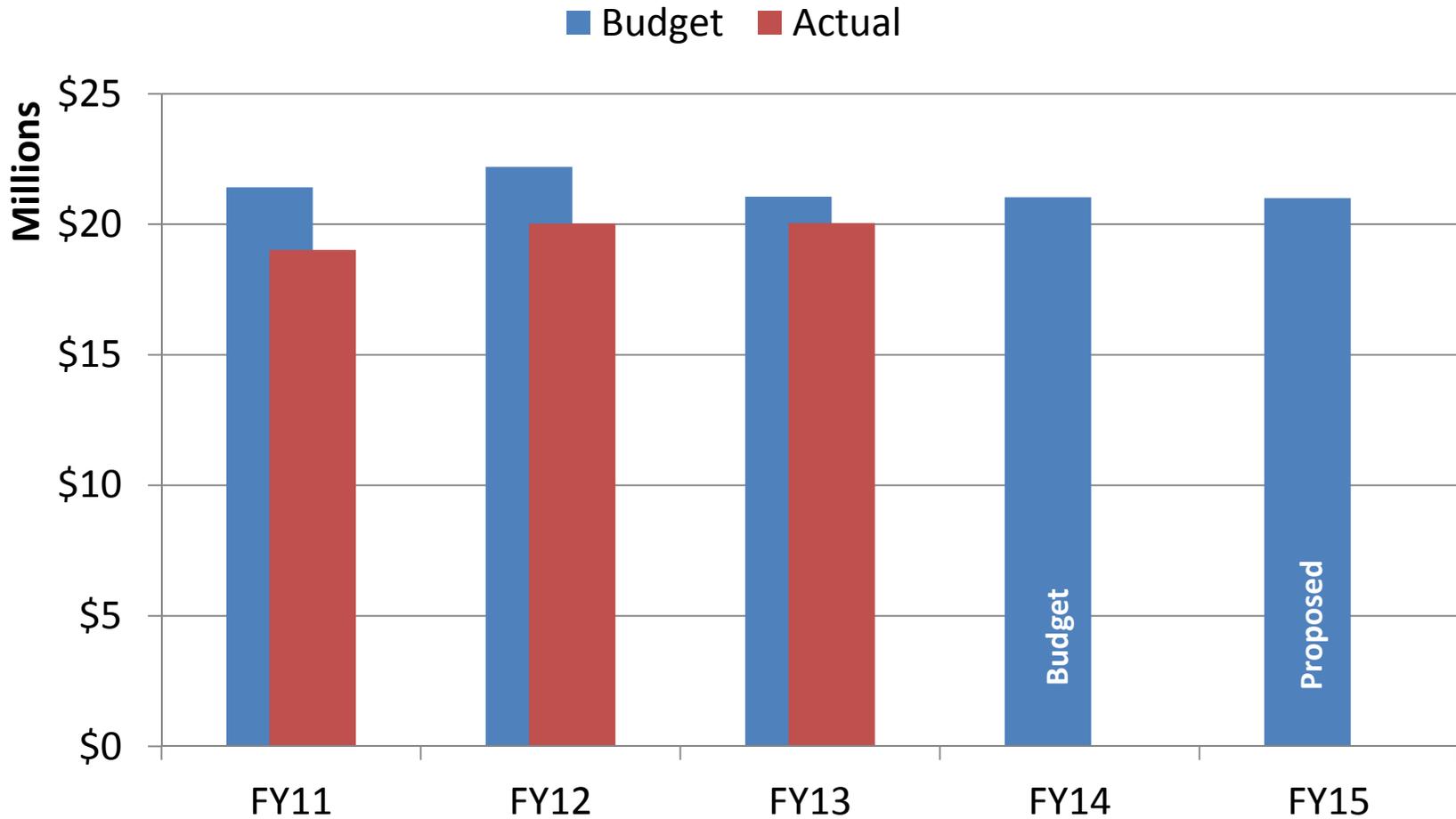
# OPERATING EXPENSES

	<u>FY14</u>	<u>FY15</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Wages	\$4,689,682	\$4,696,720	\$7,038	0.2%
Benefits	1,513,653	1,496,620	(17,033)	(1.1%)
Operations	6,850,850	6,912,258	61,408	0.9%
Purchased Services	4,534,061	4,531,326	(2,735)	(0.1%)
Debt Service	3,441,515	3,366,555	(74,960)	(2.2%)
<b>Total</b>	<b>\$21,029,761</b>	<b>\$21,003,479</b>	<b>(\$26,282)</b>	<b>(0.1%)</b>



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# OPERATING EXPENSES



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# CAPITAL IMPROVEMENT PROGRAM

## RENEWAL & REPLACEMENT



Henry Street Sewer Rehabilitation



Railroad Avenue Waterline Replacement



Ashland WWTP Nutrient Improvements



Totopotomoy WWTP Clarifier Rehabilitation

# CAPITAL IMPROVEMENT PROGRAM

## EXPANSION & ENHANCEMENT



Grassy Swamp Wastewater Pump Station



Walnut Grove Waterline



Grassy Swamp Wastewater Pump Station

# FIVE YEAR CAPITAL IMPROVEMENT PROGRAM

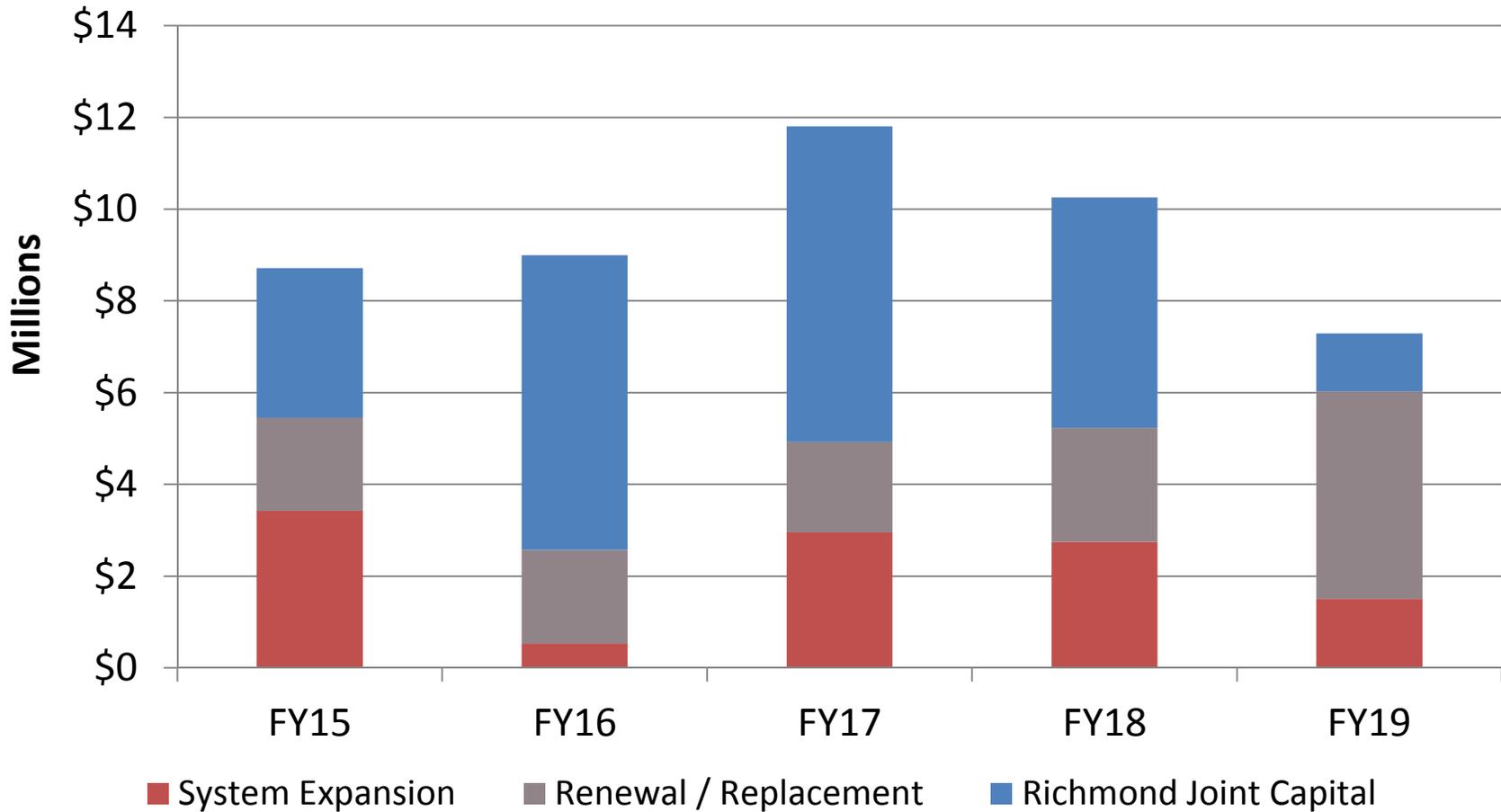
In Thousands

	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>Total</b>
Renewal & Replacement	\$5,295	\$8,463	\$8,851	\$7,509	\$5,789	\$35,907
Expansion & Enhancement	\$3,422	\$530	\$2,955	\$2,745	\$1,503	\$11,155
<b>Total</b>	<b>\$8,717</b>	<b>\$8,993</b>	<b>\$11,806</b>	<b>\$10,254</b>	<b>\$7,292</b>	<b>\$47,062</b>



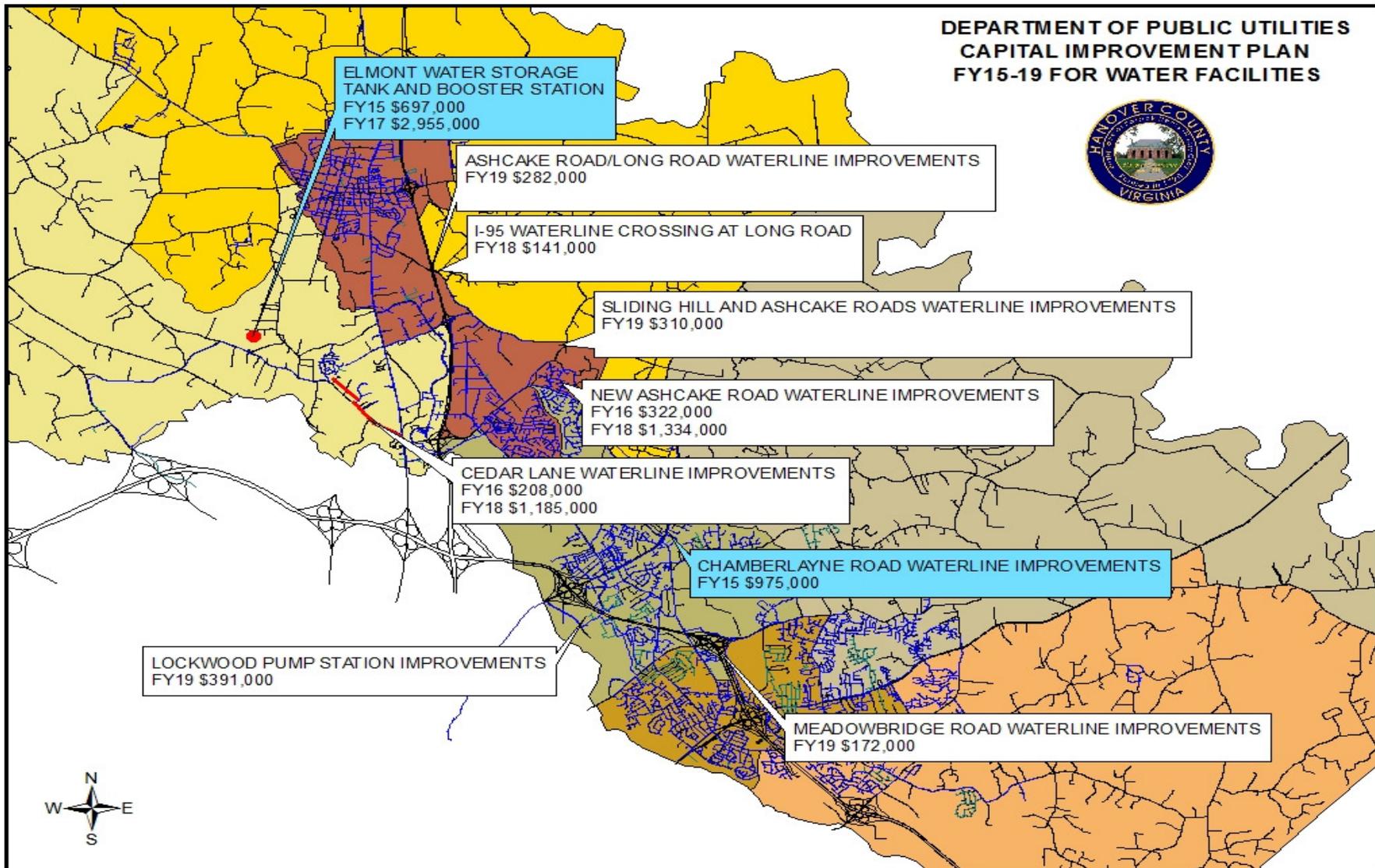
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# FIVE YEAR CAPITAL IMPROVEMENT PROGRAM



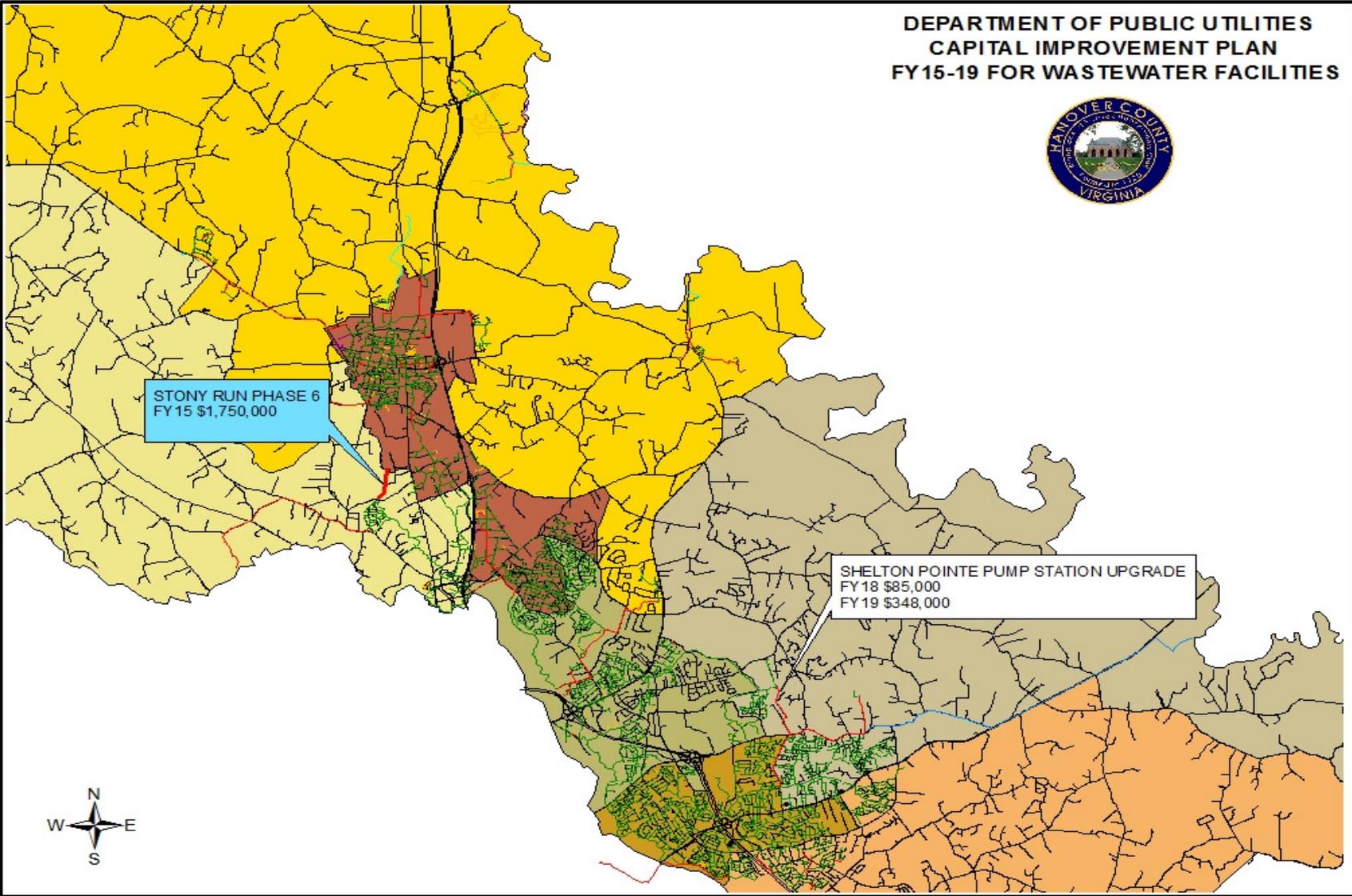
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**DEPARTMENT OF PUBLIC UTILITIES  
CAPITAL IMPROVEMENT PLAN  
FY15-19 FOR WATER FACILITIES**



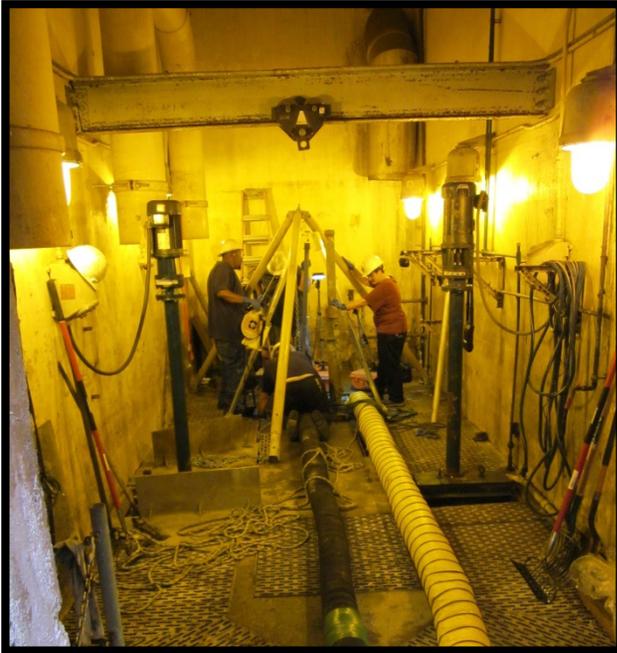
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DEPARTMENT OF PUBLIC UTILITIES  
CAPITAL IMPROVEMENT PLAN  
FY15-19 FOR WASTEWATER FACILITIES



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# RATES



Beaverdam Wet Well Cleaning



Repair of Waterline Break Neptune Drive



Shelton Pointe PS



Doswell Water Treatment Plant



CCTV Van Inspecting Sewers

# RATES

## Policy Guidelines

- Compliance with bond requirements
  - Debt service coverage
  - Maintain minimum cash balances
- Equitable cost allocation among customers
- Regular rate adjustments to avoid rate shock
- Tiered water rates to promote conservation
- Maintain adequate cash reserves for operations



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# RATES

User Rate Increases	Water	Sewer	Combined*
FY12	3%	2%	2.3%
FY13	1%	1%	1.0%
FY14	5%	1%	2.4%
<b>FY15 Proposed</b>	<b>4%</b>	<b>1%</b>	<b>2.1%</b>

\*Combined based on 10,000 gallons water and 9,000 gallons sewer bi-monthly



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# RATES

Typical Residential Bill	Water	Sewer	Combined
Current Bi-monthly Bill	\$41.47	\$74.61	\$116.08
Proposed FY15 Bi-Monthly Bill	\$43.16	\$75.36	\$118.52
Bi-monthly Increase	\$ 1.69	\$ 0.75	\$ 2.44
Annual Increase	\$10.14	\$ 4.50	\$ 14.64

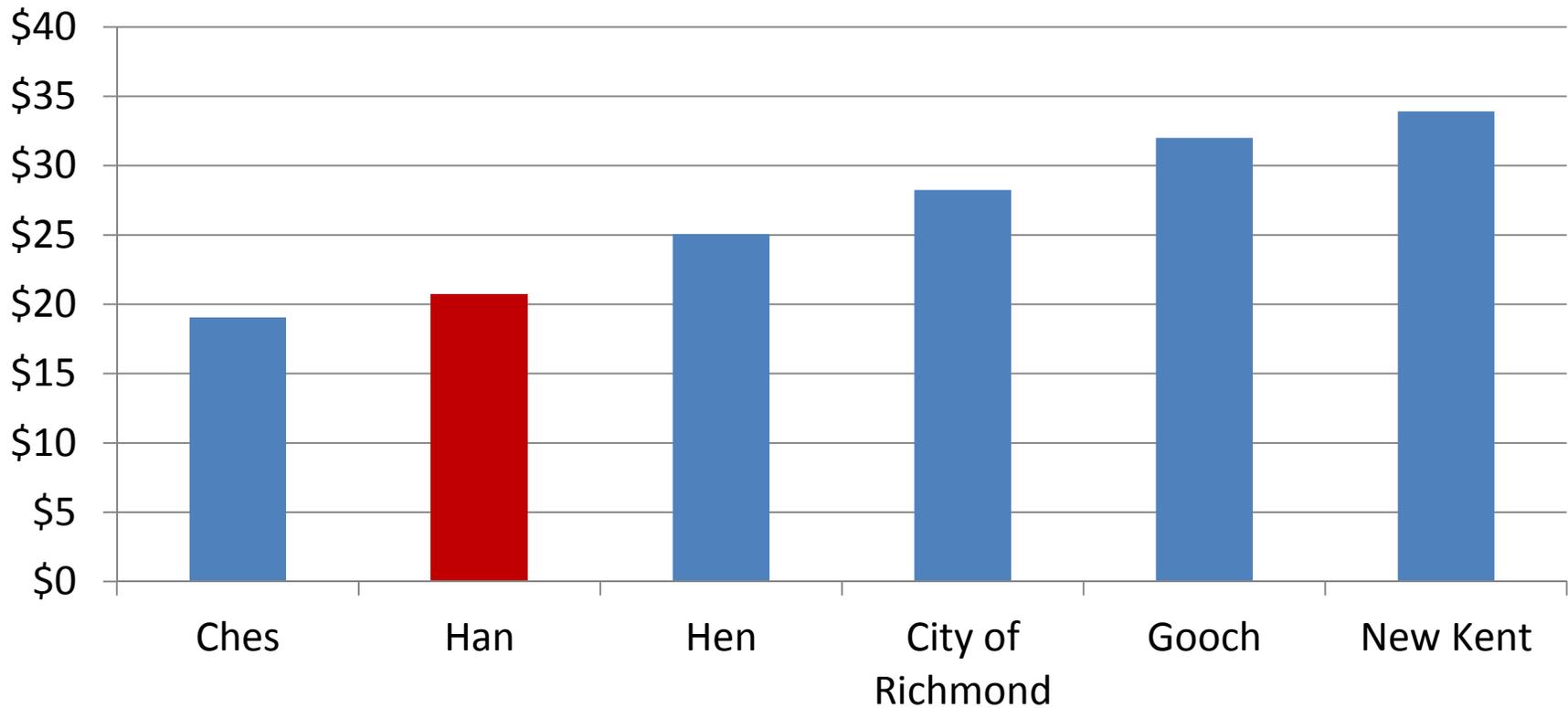
Based on 10,000 gallons water and 9,000 gallons sewer



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# RATES

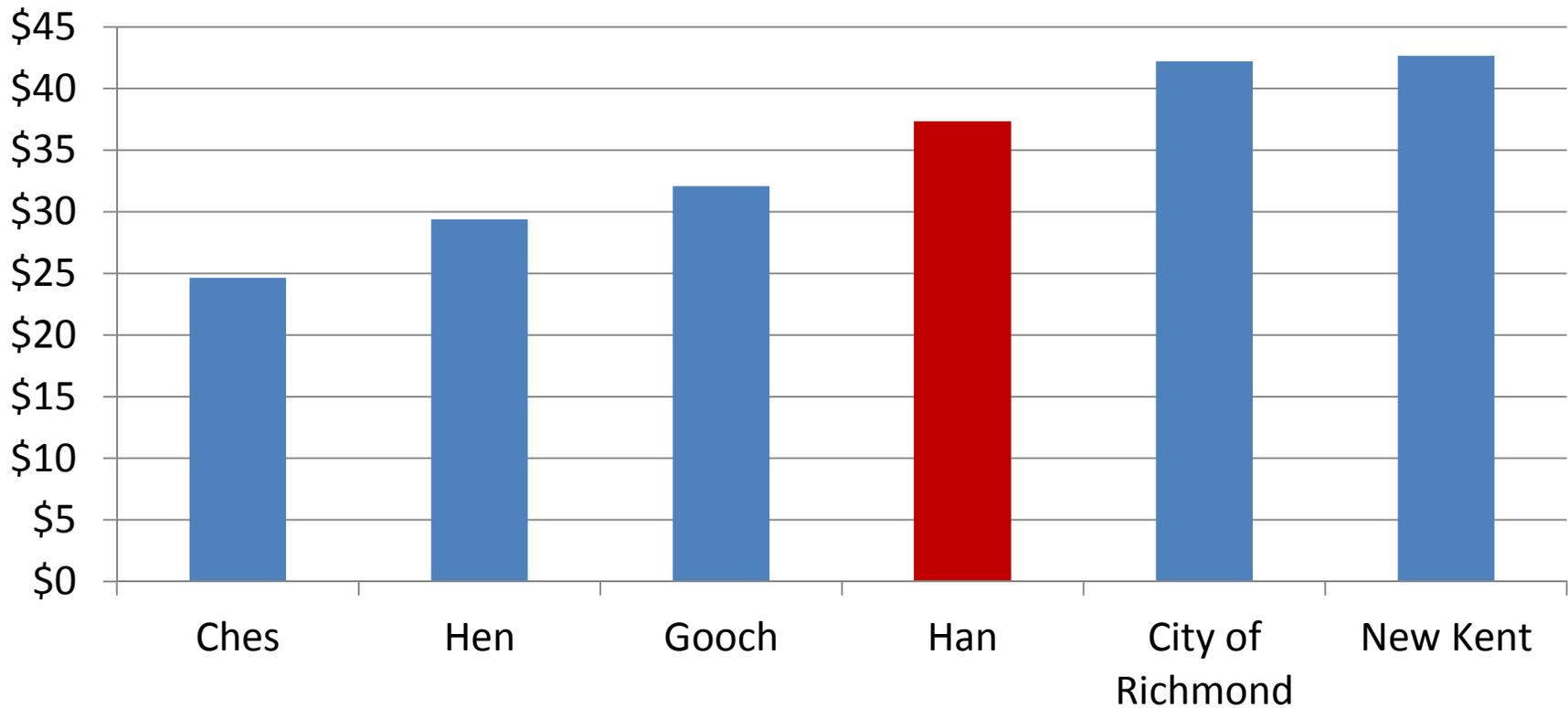
**Monthly Water Cost (FY14)  
(based on 5,000 gal/month)**



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# RATES

**Monthly Sewer Cost (FY14)**  
**(based on 4,500 gal/month)**



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# CAPACITY FEES

## COMBINED WATER AND SEWER

Proposed Inflationary 2.5% Increase

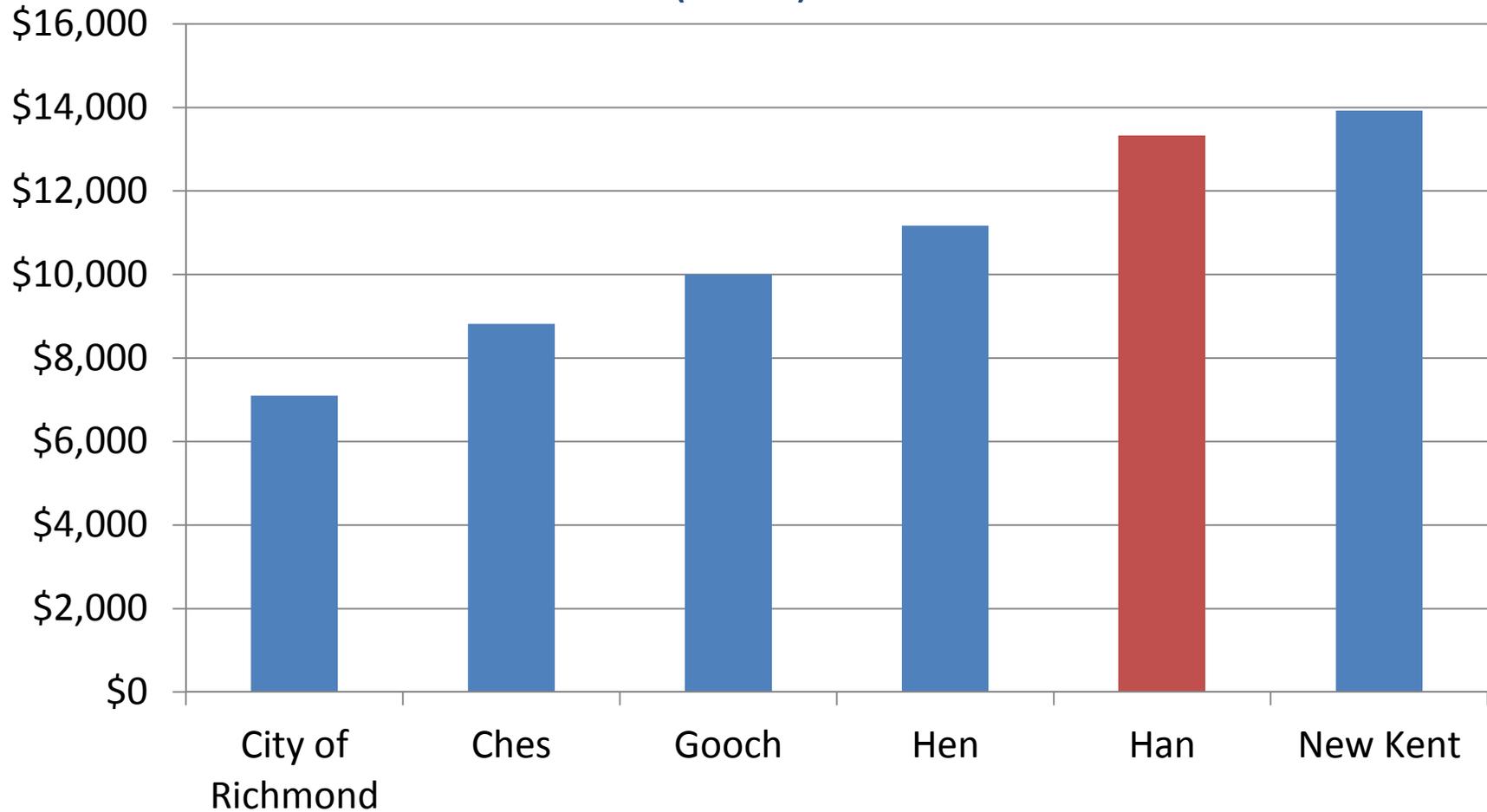
Meter Size	FY14	FY15
5/8" & 3/4"	\$13,324	<b>\$13,657</b>
1"	\$33,309	<b>\$34,142</b>
1-1/2"	\$66,618	<b>\$68,283</b>
2"	\$106,588	<b>\$109,253</b>
3"	\$213,177	<b>\$218,506</b>



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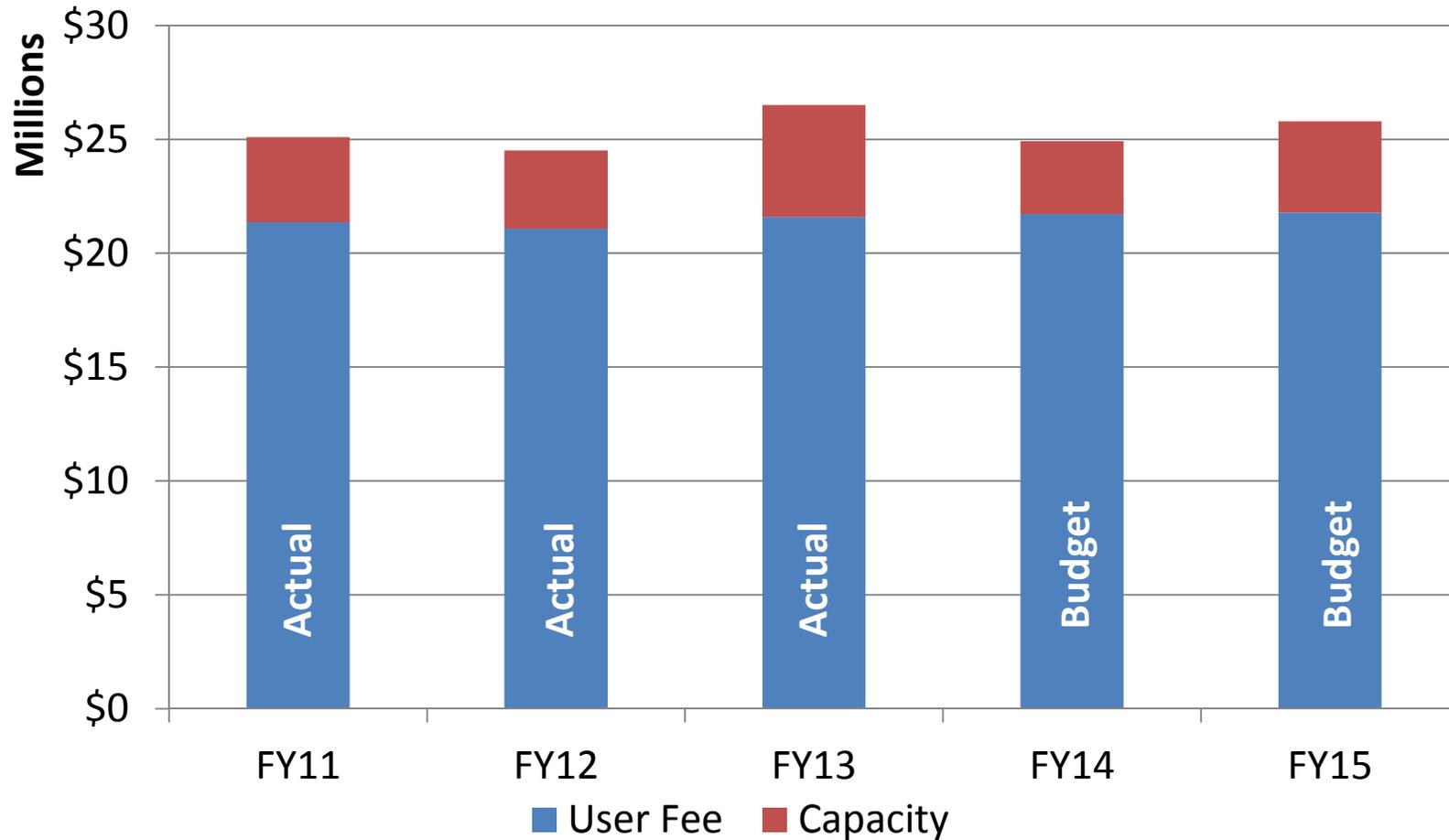
# CAPACITY FEES

(FY14)



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# REVENUES



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# FUTURE CHALLENGES

- Chesapeake Bay TMDL/Virginia WIP
  - Phase I Ashland Nutrient Improvements (\$600 K) and Phase I Totopotomoy Nutrient Improvements (\$5.6 M)
    - \$130,000 annual operating impact
- City of Richmond Joint Capital Costs of approximately \$23 million over the next 5 years/Renewal and Replacement
- Decreasing per capita water use
- Infrastructure expansion/enhancement within the Suburban Services Area



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# SEWER VACUUM BOAT



**STRAIGHT FROM VENICE, ITALY**



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# SUMMARY

- FY15 budget
  - Addresses identified renewal and replacement needs
  - Positions DPU to maintain regulatory compliance
  - Provides our employees with the resources needed
  - Includes inflationary type rate increases:
    - 4% water and 1% sewer fee increase for combined 2.1% increase for typical residential customer
    - 2.5% capacity fee increase



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# QUESTIONS