Stafford County Utilities Commission
February 15, 2023

I. Call to Order– Mr. Edwards, Utilities Director, called the meeting to order at 7:00 pm.

II. Roll Call – Those present at the meeting were; Ms. Tiffany Epple; Mr. Alan Glazman, Chair; Mr. Ben Litchfield; Mr. Bill Tignor and Ms. Nancy Sullivan. Mr. Floyd Bundrant and Mr. Greg Cox, Vice-Chair were absent. Staff members present were Mr. Chris Edwards, Utilities Director; Mr. Nate Huber, Assistant Director; Mr. Mark Gunderson, Assistant Director; Ms. Tyler Girsham, Administrative Specialist; and Ms. Tyra Fisher, Procurement & Finance Specialist.

III. Approval of Meeting Minutes – Mr. Glazman motioned, seconded by Nancy Sullivan, to approve the minutes from the October 11, 2022 meeting as presented. The motion passed 5 – 0.

IV. Nominations of Chair – Mr. Tignor nominated Mr. Glazman, seconded by Ms. Sullivan. The motion passed 5-0.

V. Nominations of Vice- Chair – Ms. Sullivan nominated Mr. Tignor, seconded by Mr. Glazman. The motion passed 5-0.

VI. Presentations by the Public – there were no members of the public present.

VII. Reports by Commission Members – no Commission members indicated a desire to speak.

VIII. Director's Report –Before Mr. Edward started his presentation. Mr. Tignor had a comment about the next meeting; he said to consider a recommendation he would like to know the water and sewer rates for surrounding localities and if they are considering rate increases as well. Mr. Edwards said that before the next meeting, he will do some research to and include it in his presentation. Mr. Tignor mentioned that he has read about issues in King George County due to them not addressing issues and having to make up for that with more than usual rate increases. Mr. Edwards replied that he knows about Spotsylvania County and he went into brief detail how their rate structure differs from Stafford's. He also mentioned the Fredericksburg is in their third year of a ten percent increase per year.

Mr. Edwards started his presentation by going through the pre-planning documents and maps. He starts with the map looking at the urban service areas and describes how we use that information to do future water projections for each area. Mr. Edwards went on to explain the importance of looking at these future water projections 10 to 60 years ahead of time so we can future proof things as much as possible. The next two documents that he went over was the water and sewer plan that was completed in 2018. Mr. Edwards mentioned that Mr. Nate Huber is currently working on getting this plan updated. He went on to note that in the documents is a description of each marker, the size it needs to be, and the areas it would serve. Cost estimates for each project were the next item highlighted by Mr. Edwards in these documents and he explained how these translate over to Utilities capital improvement plan and the general water and sewer plan. Mr. Glazman asked if we have a list what assumptions have we made as far as material and labor cost increases. Mr. Edwards explained that this is an item that we are constantly working on each year and why the general water and sewer plan is so important. He notes about areas that we are falling short on due to not having this plan updated in the last three to four years. The next item Mr. Edwards went over was the maps that are apart of the master plan; they show a 60 year build out. One of the projects that he highlighted was the water line project from Lake Mooney in the Hartwood District up to the north part of the county. Mr. Tignor asked if the central part of the county that is not being water served is the airport area? Mr. Edwards responded yes, that is the area that he is referring to is around the airport and Centerport Parkway area. Mr. Tignor asked if it includes that Austin Ridge area. Mr. Edwards said no, it is further south from there. Mr. Tignor mentioned that there use to be Abel Lake before Lake Mooney. Mr. Edwards noted that Abel Lake plant will not come back and our master plan has funds and schedule planned out in 2033 for the water pipeline project from Lake Mooney to northern Stafford.

Mr. Litchfield asked to what extent do these assumptions and plans start to change due to things like data centers coming in? Mr. Edwards explained how we assigned water use to vacant parcels and what we look into when a data center might be coming into a parcel. Mr. Edwards went on to explain what is grey water or reuse water, how that could be an option for these data centers and some of the advantages and disadvantages of using the reuse water. Mr. Tignor asked what would be the uses of the purple water? Mr. Edwards said it can vary depending on the data center, but some examples would be evaporated cooling and irrigation. Mr. Edwards highlighted that the greatest source of reuse water in the United States is the Occoquan reservoir.  Mr. Tignor said that he knows we discharge from a wastewater treatment plant basically into the river. He then asked do other localities upriver from us do the same thing. Mr. Edwards said yes. Mr. Tignor asked if the water that we take in from the river for Lake Mooney is purple water. Mr. Edwards said yes and explained that there are regulations in place though for how far the sites of discharge and water intakes need to be. Mr. Tignor asked if that state monitors that.  Mr. Edwards said yes, they do. Ms. Epple asked how the data centers will be affected if at certain times of the year if water usage has to be limited? Mr. Edwards explained why we would push the use of reuse water because as it gets hot, their water demands will increase. He noted that we will look into constructing facilities at both wastewater treatment plants if the need arises.

Before Mr. Edwards continued on with his presentation, he asked if any of the Commission members had anymore questions. Mr. Glazman asked about the Butler Road water and sewer line project as he did not see it on the list of projects that he had in front of him. Mr. Edwards then used one of the maps that was handed out to each Commission members where that project was located and how the project shows up on the list given to them. He also explained how the project would flow and steps needed to get this project done.

The next part of Mr. Edwards presentation was the general water and sewer plan and pro-rata. Mr. Edwards gave brief history about pro-rata, what the fees are for, and rough example how it works. Mr. Edwards highlighted what the general water and sewer plan is and how it ties into pro-rata and why Utilities is looking to do a rate increase soon than the usual five-year updates. He noted the consultant that helped in 2018's development plan, came in and assisted us with the cost estimates for not just Stafford County but throughout the whole state. Mr. Glazman asked if Mr. Edwards could explain the bullet point on County loses revenue. Mr. Edwards explain simply that a waterline takes four dollars to build and then we charge four developers one dollar each in pro-rata fees that it would pay for the waterline cost. However, due to inflation right now, that same waterline is now eight dollars to build and since rates have not been increased, the fees collected for the developers only cover half the cost to build so the County would lose revenue. The cost estimates that the rate consultant has help with will help us reflect what the current market projections are. Mr. Glazman clarified that if we continue to use the 2018 plan, that we will continue to lose revenue. Mr. Edwards said yes and gave examples of how much of an increase that bid packages are coming in at and percentage of revenue lost.

Mr. Edwards next explain the large water change areas and highlighted which areas that have slowed down in development and which areas are increase in development. Mr. Edwards noted that if a residential subdivision or commercial development comes in and builds some of our master plan items, that they would receive a credit for building that for us as it would satisfy their pro-rata charges.  Mr. Tignor asked if the central area is where the economic development is focused at right now? Mr. Edwards said yes and if you thought about what is coming into that area like the warehouses. Mr. Tignor asked if that is why we are pushing into that area? Mr. Edwards said yes, that is why and we are having to build most of the infrastructure to support the growth. Mr. Tignor mentioned that it seems like the Board wants to develop that area for economic reasons. Mr. Edwards agreed with Mr. Tignor and explained why we are looking at the rate increase so Utilities can recover some of the money that we are putting in to support the growth in that central area and not pass the cost to water and sewer user fees. Mr. Edwards went on to explain the large sewer change areas and highlighted which areas that have slowed down in development and which areas are increase in development. Mr. Edward briefly noted a few areas like Potomac and LFR. Ms. Epple asked what is LFR? Mr. Edwards said Little Falls Run. Ms. Epple then asked what was Falls? Mr. Edwards said it was Falls Run area over by Hartwood.

Mr. Edwards briefly went over our future plans and explained how inflation has caused some dramatic increase in project costs and is a driver in us seeking a rate change.  He also mentioned that until costs start to stabilize, Utilities would like to update this annually with the budget. He briefly explained that these pro-rata fees go back into the Utilities budget and noted the items and projects that these fees help cover the costs of.

Mr. Edwards opened the floor for questions. Mr. Tignor asked the multi-year rate increase that he saw on next meeting's agenda. Mr. Edwards said that after some research that Utilities used to do three-year rate increase instead of having to come back every year with this request. He explained how our budget compares and differs from other departments. He explained that after working with our rate consultant that a twenty percent increase would be needed to align with current market prices as a lot of budget is spend on cost goods. He noted that we knew a twenty percent increase was not feasible so we are asking for an increase of six and half percent each year for the next three years. Mr. Tignor asked if part of the reason that we had multi-year increases or waited several years was because we didn't have the levels of inflations that we are currently dealing with and Mr. Edwards said yes. Mr. Tignor went on to say that he doesn't see this inflation going away anytime soon and asked if we thought we were cutting yourselves short by doing a multi-year increase then having to do it again. Mr. Edwards explained that after the next three years we will have to sit down and look at everything. He mentioned that he is hoping that the world starts to correct itself and we should be fine over that period of time. He noted that another reason we are asking for a multi-year increase is it will make budgeting much easier and it will help us project our revenues each year. Mr. Edwards said that we are starting to see varies costs stabilize and stay flat, however we are not seeing anything go back down. Mr. Tignor asked if there has been any reduction in home construction? Mr. Edwards said yes and that is a reason that we are asking for the pro-rata rate increase right now. Mr. Edwards mentioned that we are budgeting for a fifty percent decrease in availability fees for new construction homes, but pro-rata is remaining strong due to the commercial building coming in. Mr. Tignor said that near his home that he has seen a new development come in, clear the land, and put in the roads and things were moving along great when interest rates were cheap, but now that rates have went up nothing is happening. Mr. Edwards agreed that as interest rates go up, the buying power goes down so they can't get that same amount of house anymore so the customer will try to wait it out. Mr. Glazman added that up until a year ago that there was a lot less uncertainty in estimates, but now we are having to factor in more uncertainties. Mr. Edwards agreed with Mr. Glazman and explained how these uncertainties affects our capital projects and why things are coming in higher than originally planned for. Ms. Epple asked how does something like Westlake's pro-rata expiring play a factor into all of this? Mr. Edwards said that they would need a new agreement and if they didn't do a new agreement and built all the water and sewer lines to their development that they would receive credit for those improvements they made. Mr. Litchfield asked that if we don't adjust these rates that we would be asking ordinary ratepayers to subsidize the warehouses and all the business development in the central part of the county? Mr. Edwards said yes and explained our two main sources of income, water and sewer user fees, and availabilities and pro-rata fees.

Mr. Edwards mentioned that next meeting we will be looking for a recommendation to take these increases to the Board. He asked if anyone had any additional questions. Mr. Glazman asked if there was a list of these fundamental assumptions that were made to come up with this plan? Mr. Edwards explains how the comp plan is used, how the water demands are in our ordinance, and how we use our water and sewer model. Mr. Edwards mentioned that we have most of these documents and then it is just figuring out what we need to serve. Mr. Glazman said he will work on rephrasing his questions for next time. He stated that we have made fundamental assumptions in terms of inflation rates, rate increases over time and we have to balance these against the development and upgrade plans. He said that he understands that it is a really detailed process and we have this giant model, but is there a simply model that is a crude estimate of your assumptions. Mr. Edwards said yes and no. He goes on to explain that in ten years, no we do not have a simply list as every project we go into great detail for accurate job costing. He said that plan that they will be approving is all based on the master plan, which carries out almost fifty years. Mr. Edwards mentioned that for CIP, that the County does have a flat formula that is generally used for planning these out as well. Mr. Glazman asked again for a crude model that would show like average project cost and how many of those projects do we having coming up in the next five years. Mr. Edwards explained that we do have rate model that will help us navigate what to do depending if rates go up or down and noted that everything is built on interest rates leveling off. He noted that because things have been so volatile that we don't believe that we can forecast ten years from now. Mr. Glazman said that given everything going on that and levels of uncertainties that it is hard to even plan out for the next two to three years. Mr. Edwards agreed and explaining how much time and efforts have been spent trying to stay on top of things. Mr. Litchfield expressed that he is a little uncomfortable with calling for a public hearing on rate increases and program changes because he has not seen specific language or rates. He said that he would have liked to seen this information that is going out to the public ahead of time. Mr. Edwards explained that this is usually how it is done and even the Board only gets so much information ahead of time. Mr. Edwards noted that we have spent that last six months working with a rate consultant, who serves the entire east coast, to develop the rate model and it should look similar to the one that was presented last year. He also briefly explains the Consumer Price Index and how that helps us figure out our minimum rates. Mr. Tignor asked if Mr. Edwards expects any major players to come here to address the public hearing as he is concerned with addressing the public and he would be relying on the staff to address issues and concerns from the public. Mr. Edwards said he is not expecting any major to come to the meeting and not expecting a large public presence.

IX. Unfinished Business – there was no Unfinished Business discussed

X. New Business – there was no New Business discussed

XI. Comments/Questions:

Mr. Litchfield asked about the impact to the County that the data centers would have and what would we need to build to support them. Mr. Edwards said that we are working on rough assessments so we can prepare if these do come into the county. Mr. Litchfield stated that he would have a hard time telling the residents of Stafford County that they would have to ration their water for the data centers. Mr. Glazman asked how many data centers are being forecasted? Mr. Edwards replied that it is tough for forecast because not all the data centers are the same and they all have different ways of functioning, but we will look at certain areas and assign uses for those so we can have an idea of what building costs will be needed. Ms. Epple asked what are the suggestive locations for them and if we are able to disclose that? Mr. Edwards said no. Ms. Epple asked why wouldn't a data center be amendable to using grey eater or recycled water and what is the downside of that? Mr. Edwards replied saying there are a lot of salts and minerals and each time it goes through you are evaporating hot water so the minerals and salts will start to get slightly concentrated and start to build some scale. Mr. Edwards noted that on the other hand portable water has slightly less salt and minerals. He said it would be more productive for them to use that, however if they maintain their systems, there shouldn't be a big issue using the grey water.

XII. Adjournment – Mr. Glazman motioned, seconded by Ms. Sullivan and approved unanimously to adjourn the meeting at 8:15 p.m.