Stafford County Utilities Commission
February 28, 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, Vice-Chair; Ms. Nancy Sullivan; Mr. Floyd Bundrant and Mr. Greg Cox. Staff members present were Mr. Chris Edwards, Utilities Director; Mr. Nate Huber, Assistant Director; Mr. Mark Gunderson, Assistant Director; Bryon Counsell, Chief Director, Infrastructure; Ms. Tyler Girsham, Administrative Specialist; and Ms. Tyra Fisher, Procurement & Finance Specialist.

III. Public Hearing -Proposed Ordinance 023-03 would amend and readopt fees for providing public water and sewer services as authorized by Virginia Code §§ 15.2-2111, 15.2-2119, 15,2-119.4, and 15.2-2122.

Before Mr. Edwards started his presentation on Ordinance O23-03, he highlighted an issue with the Public Hearing ad that was ran in the newspaper; it was a simple rounding error and a few rates to be about a penny more than what they should have been and the ordinance in front of them was the correct numbers. Mr. Tignor asked if the Board would also hold a public hearing. Mr. Edwards said yes and explained that this agenda would be going to the Board around March 21st in the budget work session and on the second meeting in April would be when the final public hearing will be held for all budget items for the County.

Mr. Edwards noted that this meeting was held to provide the Utilities Commission members with information on the Utilities fund and rates. Mr. Edwards said that we always go through our five-year plan, which is where we define what we want to do and what our goals are for the next five years. The first topic discussed was reinvestment. Mr. Edwards said that this topic has been consistent with our previous five-year plans and we want to make sure that we continue to reinvest in our system. Mr. Edwards highlighted the three main focuses under our reinvestment plan; investments in personnel requests, reinvest in existing infrastructure and Capital projects driven by 2018 masterplan. Mr. Edwards noted that before fiscal year 21, we did a benchmarking study and that shows us how we compared to other Utilities departments in the country in terms of staffing and our 3R programs. He also said that we will be planning to do this same study again this upcoming year and working on the 2023 masterplan.

Next Mr. Edwards went over how those investments start turning into dividends. He went on to explain how those dividends have help fund new positions and additional funding for 3R and capital projects. Along with being able to fund new positions, he explained that these have allowed staff to gain needed experience and also implement a successful internship program in the department. Mr. Edwards highlighted a few of the 3R programs that have been successful; Neighborhood Water Main Replacement-Ferry Farms; Transmission Main Replacement- Butler Road design; and Sewer Main and Pump Station Rehabilitation. He noted that the 3R programs have enhanced operations by maintaining 100% compliance, lowered hours spent on repairs and sewer rehabilitations saves on new construction costs.

The next topic that Mr. Edwards discussed in his presentation was the effects of inflation. He said that purchased goods are needed to provide water and sewer services. He noted that we have see an overall increased on all purchased goods from capital projects, pumps, chemicals, electricity and so much more. He gave two examples on how inflation has affected particular goods that are a necessity to operate; Bleach went from .53 cents a gallon up to 4.00 dollars a gallon and Electrical has had a 25-30% contract increase. Mr. Edwards went over the chart with the Consumer Price Index. He said that from 2019 to 2021 there has been generally about a 5% increase, but from 2021 to 2022 there are been a big increase, especially in industrial chemicals. He noted that we usually spend around 3 to 4 million dollars in chemicals each year and having a 35% increase on those is pretty drastic. He explained that our fiscal policy states that the rate increase should be at least 75% of the CPI-U and with that being about a 4.4% increase, we would be looking at a minimum of 3.3% increase. He went on to say that since fiscal year 2019, we have not done more than the minimum 75%, which has put us in the position to ask for a 6.5% increase per year for the next 3 years. Mr. Edwards highlighted that previously we have been asking for 1-year rate increase, but previously from fiscal year 2010 to 2019 we did multi-year increase and among other Utilities it is becoming a norm.

The CIP plans for the next 5 and 10 years were the next item that Mr. Edwards went over. He said that there is a heavy focus for the existing CIP and contains a lot of the same existing projects. He noted some of the existing projects were rehabilitations to our water and wastewater treatment plants, the Lake Mooney to North Stafford Distribution, Butler Road Water Line Replacement, Potomac Creek Sewer improvements, and Utilities Department Facility Expansion. Next, he touched on the new projects in the CIP, which were the Centralized Sludge management for fiscal year 2024, Water Plant Regulatory upgrades in fiscal year 2024, Smith Lake Filter repairs in fiscal year 2033, and Abel Lake to Lake Mooney Waterline in fiscal year 2033.

Next in the presentation, Mr. Edwards highlighted that projected personnel requests that would made over the next five years. For fiscal year 2024, he went over our needs to a Safety Specialist, SCADA, Network & Tech Specialist, and a Customer Service Representative. He highlighted that since 2004 to 2023, we have seen an increase in customer accounts by 60% and we have not added a single customer service representative in that time.

Mr. Edwards went over the fiscal year 2024 budget summary. He said that the 6.5% rate increase will help keep pace with inflation. He explained we have seen a reduced growth in number of accounts and availabilities, which is why we are proposing to increase pro-rata fees. He noted that we will be looking into using bond funding to help with our bigger projects like that treatment plant expansions and also use the state revolving loan fund. He summarized the expenses for fiscal year 2024; Personnel increase, Regulatory upgrades, Significant increase in electrical and chemical, Investment in 3R projects, and CIP to maximize Lake Mooney Water treatment plant.

After feedback from last meeting, Mr. Edwards included in his presentation a chart comparing Stafford with peer localities in terms of rates and upcoming increases. Mr. Edwards said that he was able to follow up with Spotsylvania, Fredericksburg, Fauquier and Hanover about proposed rate increases in those localities. He highlighted that City of Fredericksburg is in their third year of a 10% increase, Spotsylvania is looking to propose a 6 to 6.5% increase with a three-year increase, and Hanover just approved a five-year spending plan with 5 to 6% increases. Mr. Tignor asked if the numbers in red on the chart is for the proposed increases? Mr. Edwards explained that it does not, it includes all the increase leading up to fiscal year 2024. Mr. Tignor asked if the first row on the chart were based on all the figures below them? Mr. Edwards said yes and explain that if we looked at the surveyed average for increase, it is about 8.4% and Stafford is below average at 5.64%. He noted that we have tried our best to keep our rates down as much as possible, but unfortunately, inflation has caused for us to be in a spot where the minimum is not enough. Mr. Tignor asked if the other localities are likely to increase, are those numbers are not included in the chart? Mr. Edwards said no, but he knows of four of them that are planning to increase. He also noted that he included existing and proposed numbers in the chart so folks could see the difference. Mr. Tignor pointed out that King George at the bottom is quite high and asked if that reflects failure to invest over the years in the system? Mr. Edwards replied it is probably some of it and he knows that they have a lot of 3R needs and them having to reinvest back into their system. Mr. Glazman asked if the next step is to take this to the Board with hopes to get it approved? Mr. Edwards said yes. Mr. Glazman asked after that would we inform the public or how is it going to work? Mr. Edwards explained that we will advertise a public hearing when it is taken to the Board and we also push communication through our website, Facebook page, etc. showing the old rates and new rates. He also said that there is usually a mailer that will go out as well to help inform the public of what the approved increase is. Mr. Glazman asked if we would use the newspaper? Mr. Edwards said that we do use the newspaper for the advertisements for the public hearing like we did for tonight’s public hearings and again when it goes to the Board and in past years there has been an article about the rate increases.

Mr. Tignor said that he had a question that wasn’t a part of the presentation, but it was important to him. He said he remembered with Lake Mooney came online that the Commission was informed that we had water for the next 50 years and asked if Mr. Edwards could bring that figure up to date. Mr. Edwards said that he would have to go back and look, but if growth stays relatively even and he remembers correctly, we should have water through 2050 to 2060. Mr. Tignor said that was very reassuring. He went on to say that if his memory serves his right, that we had half the cost of Lake Mooney in reserves when it was built and that’s why we are not facing really high figures.

Mr. Edwards moved on to the next part of his presentation. He went on to highlight the average monthly increase for a single-family home would be about $6.20 a month and for a townhouse it would be about $4.61 a month.

Mr. Edwards opened the floor for any questions. Mr. Glazman stated that couple of years ago we didn’t expect the increases in costs we have experienced and then he asked what if the reverse happens and things don’t go up as much as we are projecting? He also asked if the 6.5% was fixed?

Mr. Edwards said that the 6.5% was fixed. He also explained that during FY27, when we would look at potential increases again, we would take a look at our cash reserves and current market trends, which hopefully will level off by then. Mr. Edwards said that if there were an excess in cash reserves that it would help us cash fund some small projects and not have to take out quite as much debt proceed or if we take out more debt proceed then we wouldn't have to raise rates quite as much. Mr. Cox asked if the example of the $6.20 increase was just water or sewer or both. Mr. Edwards said both and explained why we looked at monthly cost instead of just looking at the rates by themselves. He said if you look at Spotsylvania and their fee structure, they have a water fee, sewer fee and a debt service fee that make up their water and sewer bills. Mr. Edwards asked if anyone else had any additional questions? Mr. Bundrant asked with the data centers on the horizon, have we done any studies on how these data centers will affect the water supplies? Mr. Edward said that this is a topic that we had discussed with most of the staff and we have also engaged a consultant to assist us with this. Mr. Edwards went on to explain the idea of reuse water and how it could potential be used at data centers. He noted that we are trying to plan ahead so if we do have a data center or centers come in that we know what improvements will need to be made at our water and wastewater plants. Mr. Litchfield asked based on the proposed ordinance would our residential customers or family be paying more per gallon than a non-residential customer like a potential large data center? Mr. Edwards said explained that a non-residential customer is charged a flat fee, however it is comparable when looking at usage and cost between residential and non-residential customers.

IV. Public Comment on Proposed Ordinance O23-03 – No members of the public present.

V. Recommendation of Proposed Ordinance O23-03 to take to the Board

Mr. Tignor stated that he is really proud of the way the Utilities Department and its finances are managed because he remembers the days when Utilities department had to borrow money from the Board because of inadequate funding. He believes it is a really professional type operation and he is proud to support it.

Mr. Tignor motioned to approve recommendation, Mr. Bundrant seconded. Recommendation passed 7-0.

VI. Public Hearing - Proposed Ordinance 023-07 would amend and readopt water and sewer service as authorized by Virginia Code §§ 15.2-2111, 15.2-2122, and 15.2-2243.

Mr. Edwards started this presentation with an overview of Pro-Rata. He explained that pro-rata was implemented in the 1990's and based on State Code §15.2-2243. He also explained how the fees are the proportionate share of the total estimated cost of ultimate water and sewerage facilities required to serve a common area, when developed according to the comprehensive plan and costs are shared by each developer within the area. He said the pro-rata requires the creation of a General Water and Sewer Improvement Plan and should be updated, if changes are needed, annually. He said that for water the majority of the county is looking at a 10 to12% increase except in the center part of the county due to us doing a lot of the building in that area. He noted that if a developer does come in and build the waterline instead of us, then they will get credit for it, which will satisfy their payment. Ms. Epple asked if the growth in the central area is from the proposed data centers. Mr. Edwards replied and said no, not right now. He said that the two things are that we are seeing a lot of growth in the Centerport area and also the CIP improvements to help get that waterline done from Lake Mooney to the northern part of the county. Mr. Edwards went on to the sewer pro-rata charges and said those are moderate increases. He noted that we are seeing some decreases on the sewer side in the some of the sewer sheds and that in the Little Falls Run area that it is actually negative so nothing will be charge there.

Mr. Edwards said that historically that our five-year cost estimate has been adequate and we had gone almost ten years before but due to current inflation it is causing the county to pay a lot extra for projects. These extra costs are causing the county to lose revenue. Mr. Edwards noted that we would like to keep doing our annual increase on our project costs until we start to see costs stabilize. Mr. Edwards finished his presentation with stating that he would like a recommendation to take these increases to the Board.

Mr. Edwards opened the floor for questions. Ms. Epple asked why we wanted to only do a one-year increase for pro-rata, but a three-year for the water and sewer rates? Mr. Edwards explained that the pro-rata fees are based on the CIP projects or the capital improvement projects and we are seeing really fast increases in to build these. He said that we are trying to reevaluate this annually to make sure we are keeping up with building costs for these projects and currently staff is doing revise cost estimates monthly to make sure we are not losing revenue. Mr. Glazman asked why water pro-rata charges are separated into five areas when sewer is separated into eight or nine areas? Mr. Edwards explained that when the original plan was adopted by the Board in 1991 that those were the five and eight areas adopted in the program and we haven't felt a need to change them. Mr. Glazman asked again about the difference between the five and eight. Mr. Edwards explained that sewer has eight pinch points in the county and the water was probably based on the pressure zones in the county. Mr. Tignor stated that he thinks these were named by what's out there in the communities nearby or even maybe politics. Mr. Cox stated that he guesses the sewer lines have more names than the water lines.

Mr. Cox asked to go back to the last presentation and said that he is concerned about the safety guy and asked if we really don't have a safety guy. Mr. Edwards said that there is one county wide that was adopted in fiscal year 2022. Mr. Cox asked how deals with the insurance company, OSHA, incident reports, etc.? Mr. Edwards said that there are two people County wide, one in risk management and the new safety officer. Mr. Cox stated that he certainly supports us on that.

VII. Public Comment on Proposed Ordinance 023-07 – No members of the public present.

VIII. Recommendation of Proposed Ordinance O23-07 to take to the Board

Ms. Epple motioned to approve recommendation, Ms. Sullivan seconded. Recommendation passed 7-0.

IX. Adjournment – Mr. Glazman motioned, seconded by Ms. Sullivan and approved unanimously to adjourn the meeting at 7:50 p.m.