

A scenic view of a lake with a bridge, surrounded by lush green trees, with a bald eagle flying over the water.

Colonial Heights City Council Special Meeting April 28, 2020

Colonial Heights City Council Meeting

April 28, 2020



- 1. Call to Order**
- 2. Roll Call**
- 3. Declarations of Personal Interest**

Colonial Heights City Council Meeting April 28, 2020



4. Closed Meeting Pursuant To The Code Of Virginia In Accordance With The Following Provision:

Paragraph A.5 of Virginia Code Section 2.2-3711, to discuss prospective businesses or industries locating on a 10.84 acre parcel with parcel ID number 5400020000H and a street address of 401 Temple Avenue, where no previous announcement has been made of the businesses' or industries' interest in locating in the community.

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5. Vote To Come Back Into open Meeting:

The Council has been in closed meeting pursuant to the Code Of Virginia in accordance with the following provision:

Paragraph A.5 of Virginia Code Section 2.2-3711, to discuss prospective businesses or industries locating on a 10.84 acre parcel with parcel ID number 5400020000H and a street address of 401 Temple Avenue, where no previous announcement has been made of the businesses' or industries' interest in locating in the community.

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Consideration of the following certification:

Each member will now certify that to the best of the member's knowledge (i) only public business matters lawfully exempted from open meeting requirements of the act and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the meeting by the public body. Any member who believes there was a departure from the requirements of clauses (i) and (ii), shall so state prior to the vote, indicating the substance of the departure that, in his judgment, has taken place.

Roll Call. An affirmative vote shall constitute certification of compliance.

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6. Reading of Manner Addressing Council

ANY MEMBER OF THE PUBLIC addressing the Council shall approach the lectern, give his name and address in an audible tone of voice for the record, **AND ADDRESS THE COUNCIL AS A BODY RATHER THAN SPEAK TO ANY MEMBER.** Unless further time is granted by the Council, **ANY MEMBER OF THE PUBLIC** shall address the Council for a maximum of five (5) minutes, regardless of the number of issues he desires to discuss. **PROVIDED** however, that the main proponent of any application, petition, or plan that is the subject of a public hearing shall be allowed to address the Council initially for a maximum of ten (10) minutes and later in rebuttal for a maximum of three (3) minutes.

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7. Advertised Public Hearings

**A. Increasing Real Property Tax Levies Due To A
4.71% Increase In Assessed Value – 6:00 p.m.**

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7. Advertised Public Hearings

B. AN ORDINANCE NO 20-13

(First Reading) Providing for a levy on all real estate located in the City not exempt from taxation to be fixed at \$1.20 for the tax year commencing January 1, 2020, and ending December 31, 2020; and providing for a levy on all real estate located in the City not exempt from taxation to be fixed at \$1.20 for the tax year commencing January 1, 2021, and ending December 31, 2021, for general municipal purposes.

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7. Advertised Public Hearings

C. AN ORDINANCE NO 20-14

(First Reading) Providing for a tax levy on all tangible personal property not either exempt from taxation or otherwise taxed, for the tax year ending December 31, 2020; and for the tax year commencing January 1, 2021, and ending December 31, 2021; for general municipal purposes.

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7. Advertised Public Hearings

D. AN ORDINANCE NO 20-15

(First Reading) Providing for a tax levy on motor vehicles owned by members of a volunteer rescue squad or volunteer fire department, and persons appointed to serve as auxiliary police officers for the tax year ending December 31, 2020; and for the tax year commencing January 1, 2021, and ending December 31, 2021, for general municipal purposes.

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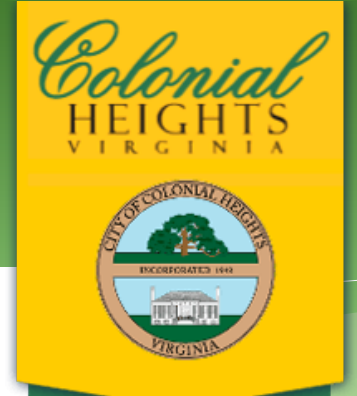


7. Advertised Public Hearings

E. AN ORDINANCE NO 20-16

(First Reading) Providing for a personal property levy of one dollar (\$1.00) on each motor vehicle which is specifically equipped to provide transportation for physically handicapped individuals for the tax year commencing January 1, 2020, and ending December 31, 2020; and providing for such levy on motor vehicles which are specifically equipped to provide transportation for physically handicapped individuals for the tax year commencing January 1, 2021, and ending December 31, 2021, for general municipal purposes.

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7. Advertised Public Hearings

F. AN ORDINANCE NO 20-17

(First Reading) Providing for a tax levy of \$2.00 on each \$100 of assessed value on machinery and tools, tangible personal property used in a research and development business, and motor vehicles, trailers and semitrailers with a gross weight of 10,000 pounds or more used to transport property for hire by a motor carrier engaged in interstate commerce, for the tax year ending December 31, 2020; and for the tax year commencing January 1, 2021, and ending December 31, 2021; for general municipal purposes.

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7. Advertised Public Hearings

G. AN ORDINANCE NO 20-18

(First Reading) Establishing a tax rate pursuant to Chapter 35.1 of Title 58.1 of the Code of Virginia (“Personal Property Tax Relief”) on all qualifying vehicles under the Chapter.

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7. Advertised Public Hearings

H. AN ORDINANCE NO 20-FIN-3

(First Reading) Adopting the General Fund Budget for the fiscal year beginning July 1, 2020, and ending June 30, 2021, and appropriating the estimated revenues for the year for the objects and purposes stated herein.

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7. Advertised Public Hearings

I. AN ORDINANCE NO 20-FIN-4

(First Reading) Appropriating and providing funds for financing the City of Colonial Heights Public School Budget for the fiscal year beginning July 1, 2020 and ending June 30, 2021, and approving such budget.

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7. Advertised Public Hearings

J. AN ORDINANCE NO 20-FIN-5

(First Reading) Adopting the Recreation Activity Fund for the fiscal year beginning July 1, 2020, and ending June 30, 2021, and appropriating the estimated revenues for the year for the principal purposes stated.

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7. Advertised Public Hearings

K. AN ORDINANCE NO 20-FIN-6

(First Reading) Adopting the Capital Projects Fund Budget for the fiscal year beginning July 1, 2020, and ending June 30, 2021, and appropriating the estimated revenues for the year for the principal purposes stated.

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7. Advertised Public Hearings

L. AN ORDINANCE NO 20-FIN-7

(First Reading) Adopting the Stormwater Fund for the fiscal year beginning July 1, 2020, and ending June 30, 2021, and appropriating the estimated revenues for the year for the principal purposes stated.

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7. Advertised Public Hearings

M. AN ORDINANCE NO 20-FIN-8

(First Reading) Adopting the Water and Sewer Fund Budget for the fiscal year beginning July 1, 2020, and ending June 30, 2021, and appropriating the estimated revenues for the year for the operating expenses stated.

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7. Advertised Public Hearings

N. AN ORDINANCE NO 20-FIN-9

(First Reading) Adopting the Economic Development Authority Budget for the fiscal year beginning July 1, 2020, and ending June 30, 2021, and appropriating the estimated revenues for the year for the operating expenditures stated.

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7. Advertised Public Hearings

O. Discussion And Consideration Of The Proposed 2020-2021 City Of Colonial Heights Annual Operating Budget – 6:05 p.m.

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8. Discussion And Approval Of The Following Items:

A. Presentation Of The Utility Rate Study

City of Colonial Heights, VA



Water & Sewer Rate Study Results

April 28, 2020

Agenda

- * Introduction
- * Study Goals & Objectives
- * Financial Plan
 - * Condition Assessment
 - * Long-term Forecast
- * Alternative Rate Structures

Study Goals

- * Evaluate effectiveness of existing **rate structure**
- * Recommend **defensible rates** that support utility operational and capital needs
- * **Communicate** the basis and merits of recommended rate structure changes
- * Evaluate water and sewer assets and project level of **future capital investment** needs
- * Promote long-term **system sustainability and financial health**

Study Objectives

* Financial Plan & Rate Study

- * Develop forecast of revenues and revenue requirements
 - * Integrate results from Condition Assessment
- * Assess level of future increases
- * Calculate cost-justified rate options
- * Create a financial planning model (Excel-based) for use by City staff

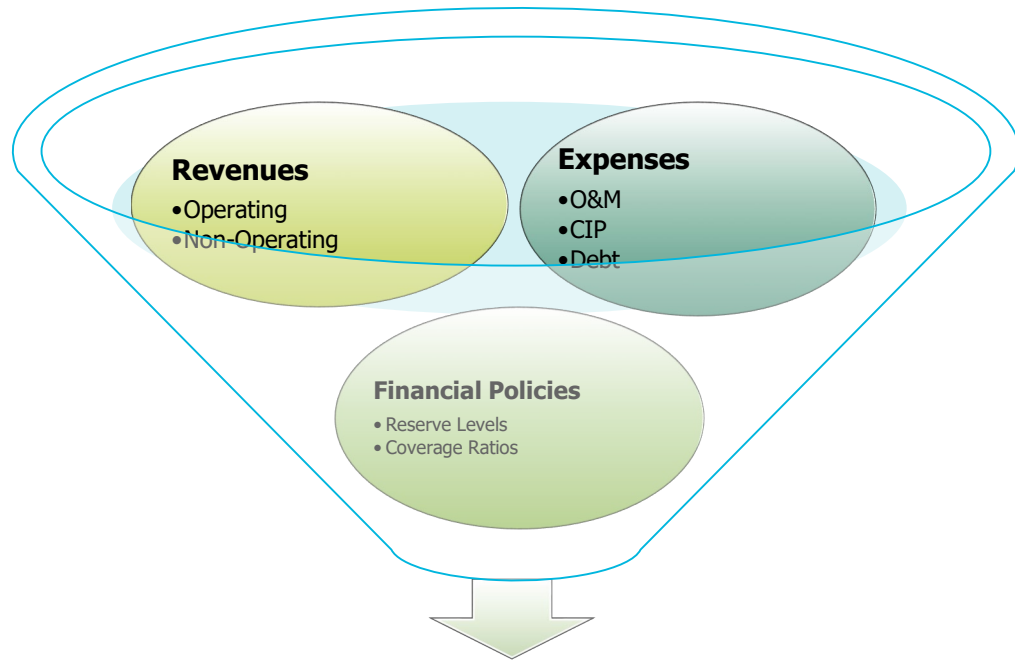
* Condition Assessment

- * Evaluate existing water and sewer assets
- * Assess level of future capital investment needs

Financial Plan

Developing A Financial Plan

As an Enterprise Fund, a Utility Should Run Like a Business



Multi-year Financial Plan

*Rate/Revenue Adjustment
Forecast*

- * Cost increases primarily driven by infrastructure repair and replacement needs
- * Revenues based on user charges, customer accounts and usage, and growth projections
- * Financial policies help guide the balancing process

Revenue Requirements

- * Operating Expenses
 - * FY 2021 budget as expense baseline
 - * Inflationary escalation: 2.0%-5.0% per year depending on expense category (blended rate approximately 3.0%)
 - * Projected wholesale costs
 - * ARWA includes annual inflationary rate increases
 - * SCWWA includes annual increases and incremental capital needs (e.g. nutrient reduction)
- * Debt Service
 - * Existing – 2010 Revenue Bonds, 2015 Refinanced Bonds, 2015 New Money Bonds
 - * “Double Barrel”
 - * Proposed – Based on projected capital spend
- * ***Key Issue: Long-term capital investment needs***

Projected Capital Need: Risk-Based Projection Over 25 Years

- * Risk scores determined via:
 - * Condition Assessment
 - * Performance Assessment
 - * Criticality Assessment
- * Vendor quotes and recent bid tabs set base replacement costs
- * Condition-based degradation curves identified when equipment/pipes reach the end of their useful lives

Risk Matrix - \$ of Water & Wastewater System Assets for Replacement in 25 Yrs									
Risk Score = LoF * CoF		Likelihood of Failure (LoF)					Criticality Totals	Sanitary Sewer Risk Results	
		1 Very Good	2 Good	3 Fair	4 Poor	5 Very Poor			
Consequence of Failure (CoF)	1 Low Impact	\$90,000 0%	\$64,540 0.03%	\$84,920 0.05%	\$14,120 0.01%	\$1,600 0.00%	\$255,180 0.1%	Low	\$681,960 0.4%
	2	\$0 0.00%	\$423,500 0.22%	\$29,127,510 15.46%	\$8,199,200 4.35%	\$1,851,200 0.98%	\$39,601,410 21.0%		\$153,149,970 81.3%
	3 Moderate Impact	\$19,000 0.01%	\$49,200 0.03%	\$115,759,940 61.46%	\$13,326,950 7.08%	\$764,150 0.41%	\$129,919,240 69.0%	Medium Low	\$33,758,800 17.9%
	4	\$0 0.00%	\$0 0.00%	\$18,579,050 9.86%	\$0 0.00%	\$0 0.00%	\$18,579,050 9.9%	Medium High	\$764,150 0.4%
	5 High Impact	\$0 0.00%	\$0 0.00%	\$0 0.00%	\$0 0.00%	\$0 0.00%	\$0 0.0%	High	\$188,354,880 100%
Condition Totals		\$109,000 0.1%	\$537,240 0.3%	\$163,551,420 86.8%	\$21,540,270 11.4%	\$2,616,950 1.4%	\$188,354,880 100%		

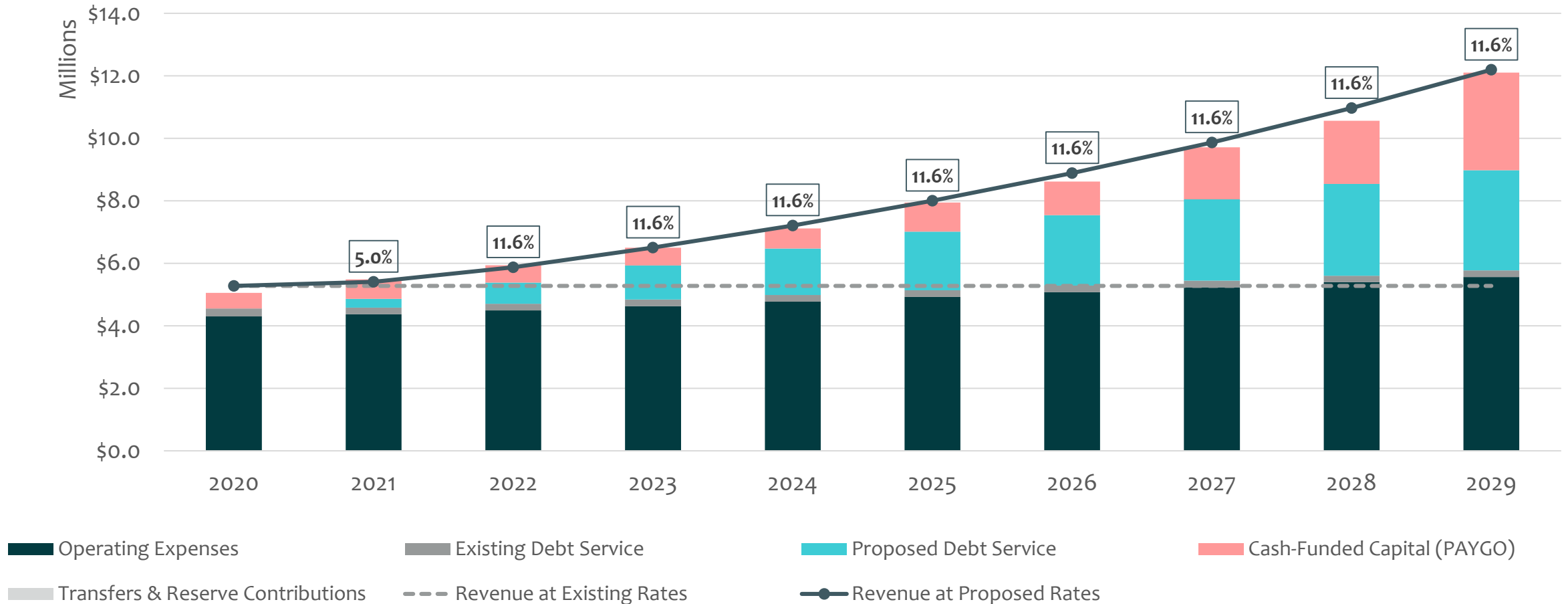
Projected Capital Need: Risk-Based Projection Over 25 Years

- * **Bottom line:** *A risk-based approach resulted in identifying a minimum capital need of \$188M over the next 25 years, averaging \$7.5M per year.*
- * Financial Plan is presented on a \$7.5M per year and \$4.0M per year spend

Financial Plan Structure

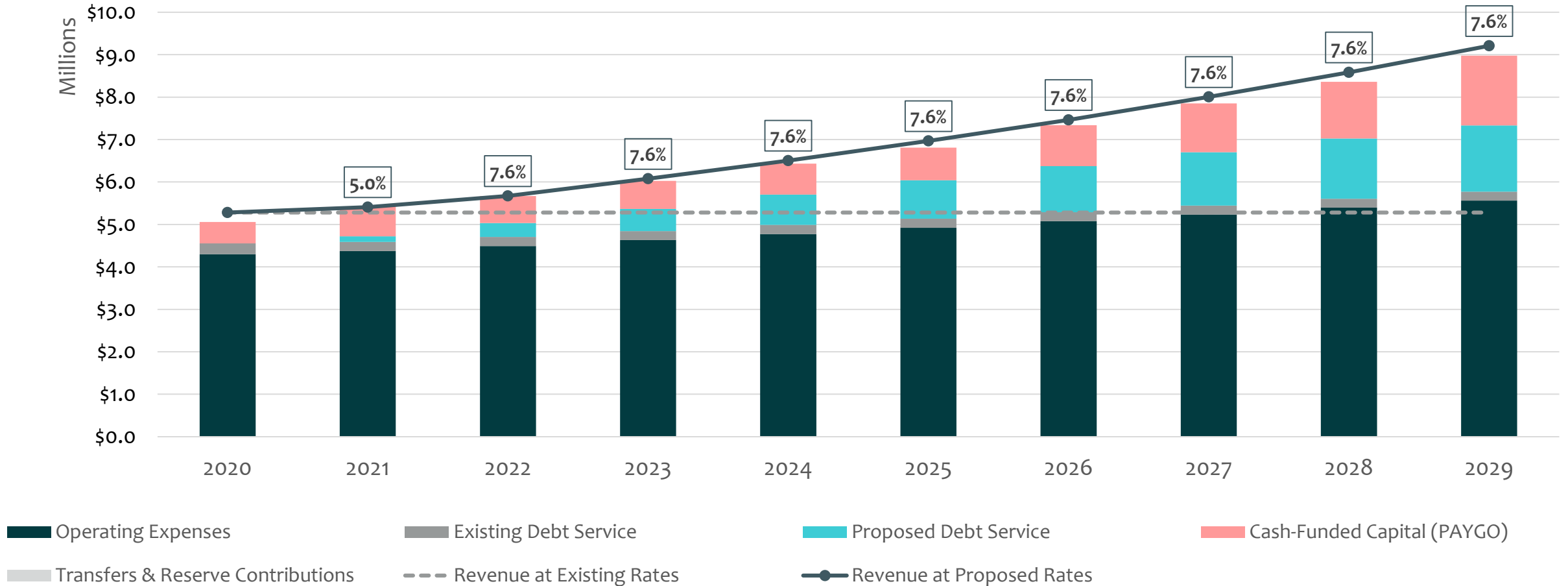
- * Programmatically build revenue base to:
 - * Support capital plan over the next ten years
 - * Provide liquidity for operations and maintenance
 - * Enhance security for capital financing (i.e. revenue bonds)
- * Financial Policies
 - * Liquidity
 - * Days Cash on Hand (Minimum Target: > 90 Days O&M)
 - * Goal to Increase to 180 days O&M expenses over time as borrowing needs accelerate
 - * Leverage
 - * Debt Service Coverage (Minimum Target: > 1.20x)
 - * % CIP Debt-Financed (Target: 50%)
 - * Balance system leverage
 - * To be achieved over time

Projected Financial Plan: \$7.5m Capital Spend



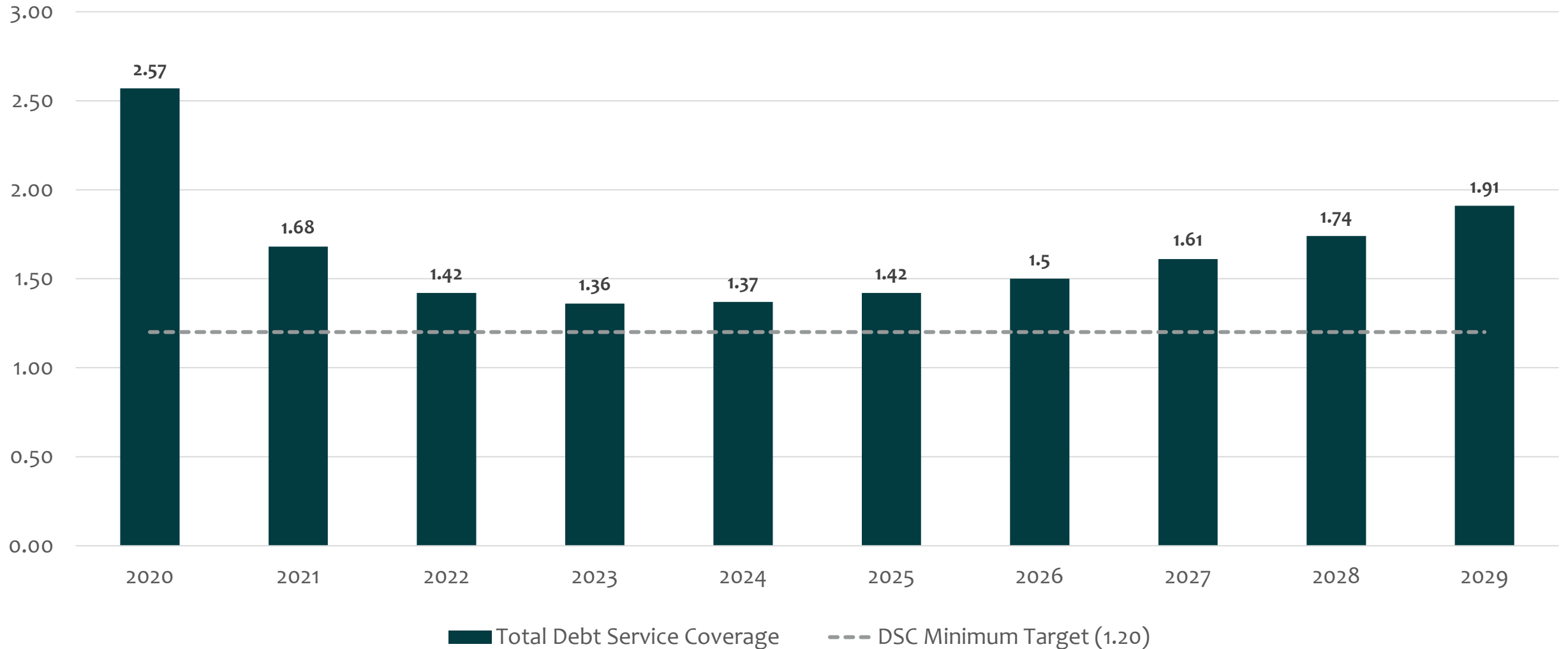
Rate increases shown above

Projected Financial Plan: \$4m Capital Spend

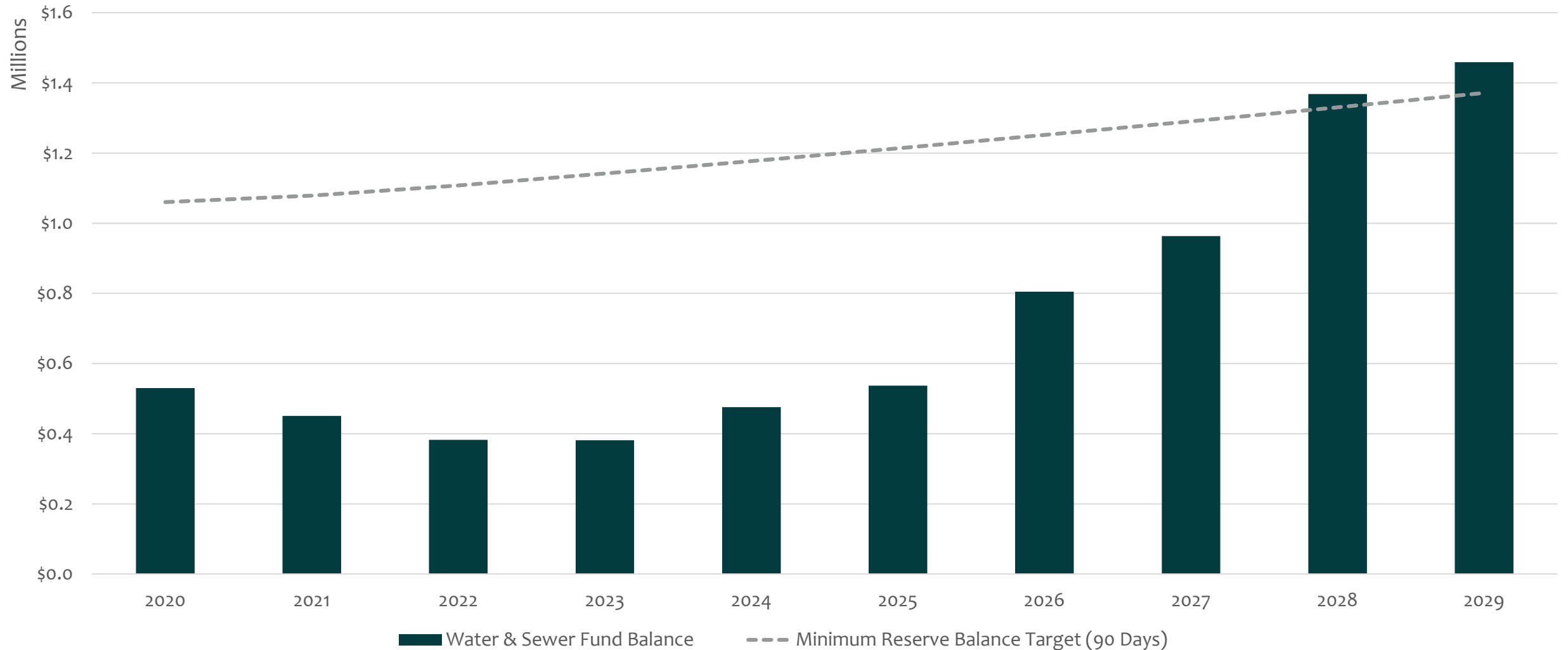


Rate increases shown above

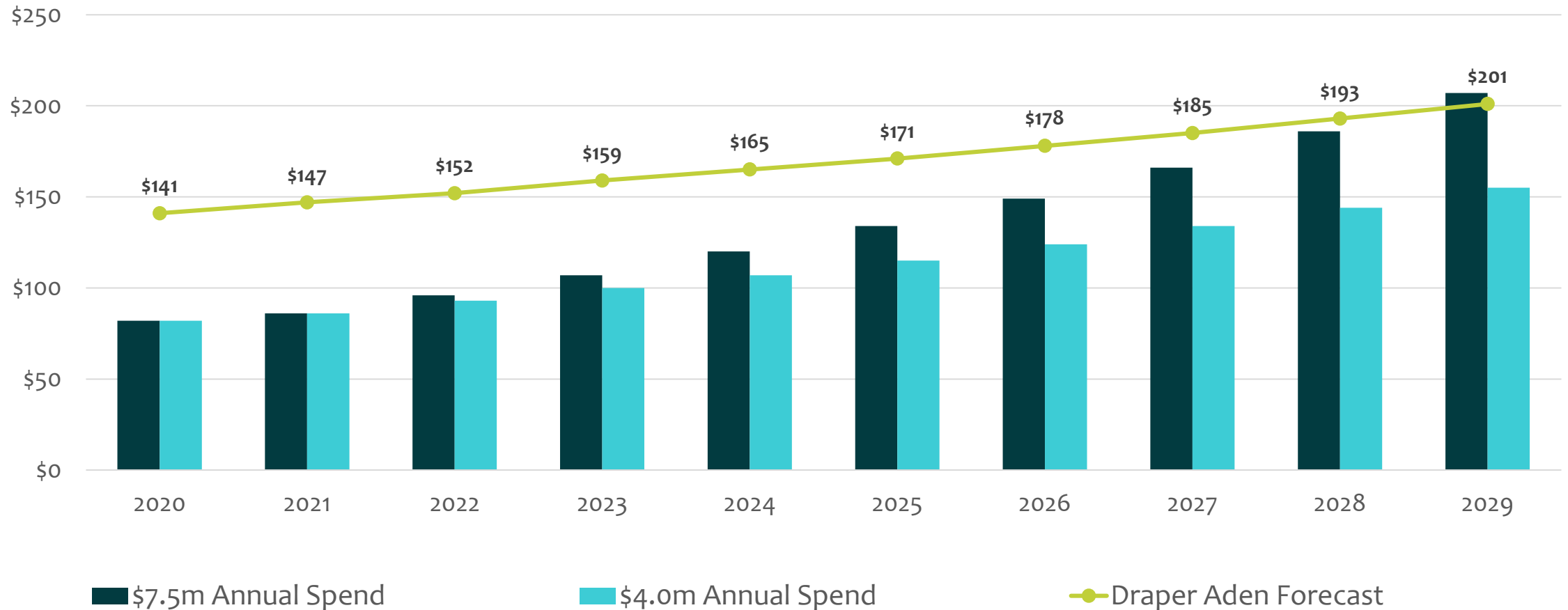
Debt Service Coverage (\$7.5m Spend)



Reserve Balance (\$7.5m Spend)



Long-Range Customer Impacts (Bi-Monthly Bill for 10.7 Ccf or 4 Kgal)



**Draper Aden median bill, forecasted to grow at 4% per year
(10-year avg. increase in VA)*

Rate Alternatives

Existing Rates

Bi-Monthly Water Rates	FY 2020
Inside-City	
Minimum (0-10 Ccf)	\$19.33
Volumetric (per Ccf)	
Tier 1 0-50 Ccf	\$1.62
Tier 2 50-250 Ccf	\$1.80
Tier 3 250-1,250 Ccf	\$2.00
Tier 4 >1,250 Ccf	\$2.20
Outside-City	
Minimum (0-10 Ccf)	\$23.42
Volumetric (per Ccf)	\$1.67
Monthly Capital Charge	\$3.00

Bi-Monthly Sewer Rates	FY 2020
Inside-City	
Minimum	\$26.13
Volumetric (per Ccf)	
Tier 1 0-1,000 Ccf	\$2.75
Tier 2 >1000 Ccf	\$3.30
Outside-City	
Minimum	\$30.93
Volumetric (per Ccf)	\$3.55
Monthly Capital Charge	\$3.00

Rate Options

	Water	Sewer
Option 1	<ol style="list-style-type: none"> 1. Implement True Base Charge (no minimum allowance) 2. Retain Existing Volume Structure 	<ol style="list-style-type: none"> 1. Retain Current Base Charge 2. Implement increase to volume-only
Option 2	<ol style="list-style-type: none"> 1. Phase-Down Minimum to 6 Ccf (Bi-Monthly) 2. Retain Existing Volume Structure 	<ol style="list-style-type: none"> 1. Retain Current Base Charge 2. Implement increase to volume-only
Status Quo	Across-the-Board Increases (Existing Structure)	Across-the-Board Increases (Existing Structure)

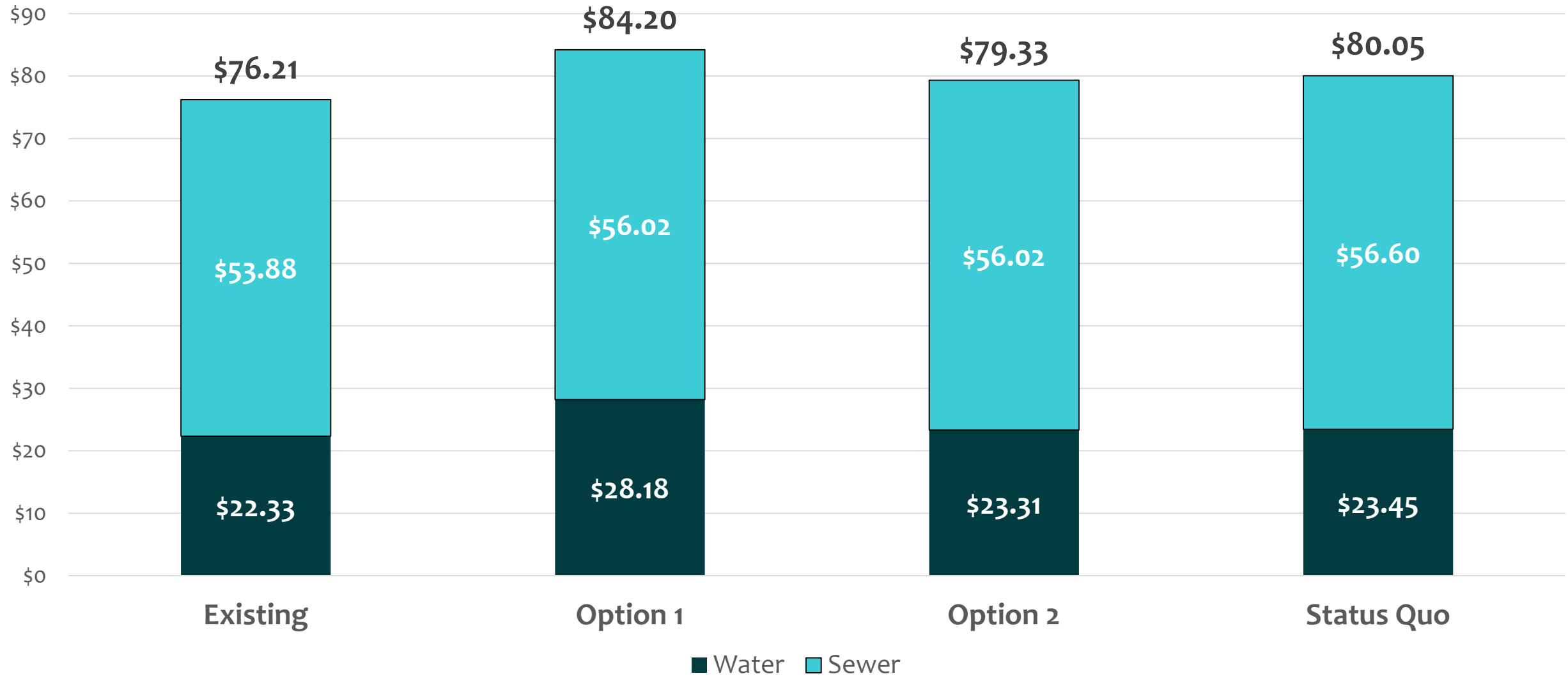
*Note: Options designed to recover 5%
revenue increase.*

Proposed Rate Options

Proposed Rates	FY 2020 Existing		FY 2021 Status Quo		FY 2021 Option 1		FY 2021 Option 2	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
<u>Base Charge</u>								
All Customers	\$ 22.33	\$ 29.13	\$ 23.45	\$ 30.59	\$ 14.66	\$ 29.13	\$ 17.63	\$ 29.13
<u>Allowance (Ccf)</u>								
	10	0	10	0	0	0	6	0
<u>Volume Charges (Water)</u>								
Tier 1	50	\$ 1.62	\$ 1.70		\$ 1.50		\$ 1.89	
Tier 2	250	1.80	1.89		1.67		2.11	
Tier 3	1,250	2.00	2.10		1.85		2.34	
Tier 4	>	2.20	2.31		2.04		2.57	
<u>Volume Charges (Sewer)</u>								
Tier 1	< 1,000 Ccf	\$ 2.75	\$ 2.89		\$ 2.99		\$ 2.99	
Tier 2	> 1,000 Ccf	3.30	3.47		3.58		3.58	

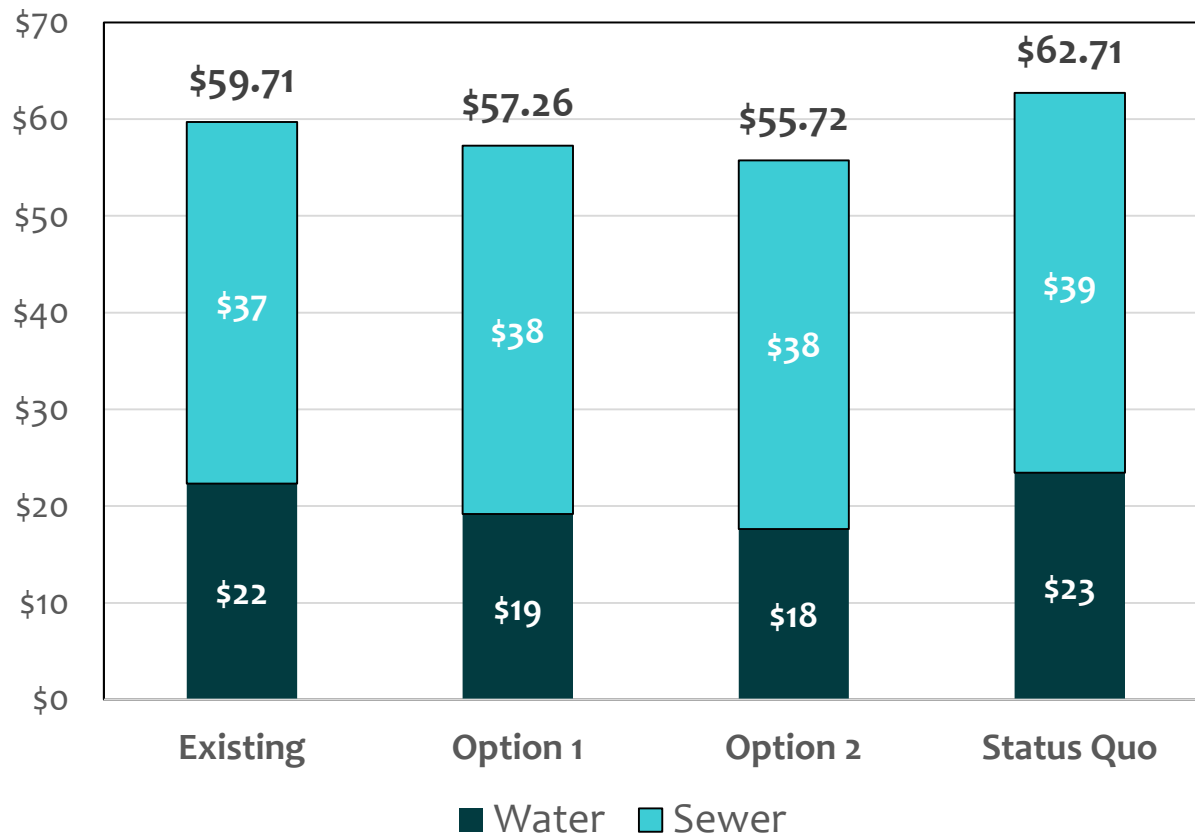
*Note: Options designed to recover 5% revenue increase.
Base charges recover capital charge.*

Customer Impacts – Median Residential (Bi-Monthly, 9 Ccf Customer)

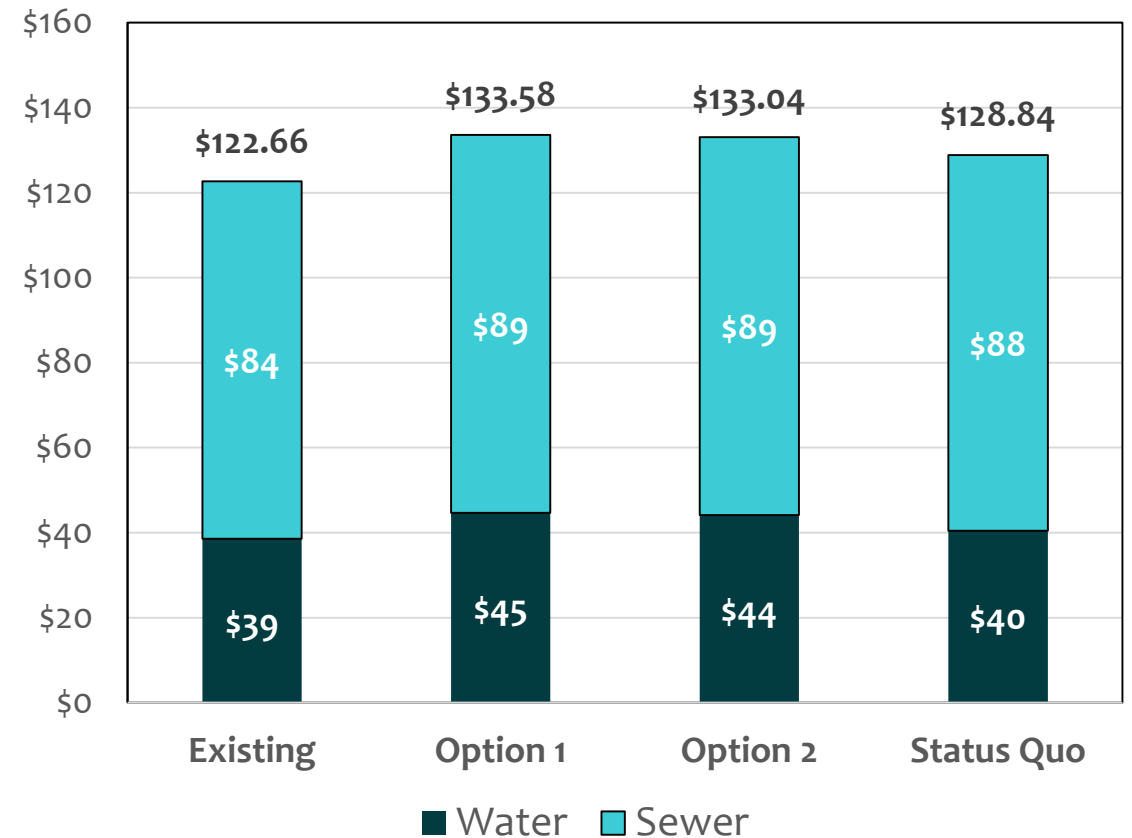


Customer Impacts (Low & High Volume Residential)

Low Volume (3 Ccf)



High Volume (20 Ccf)

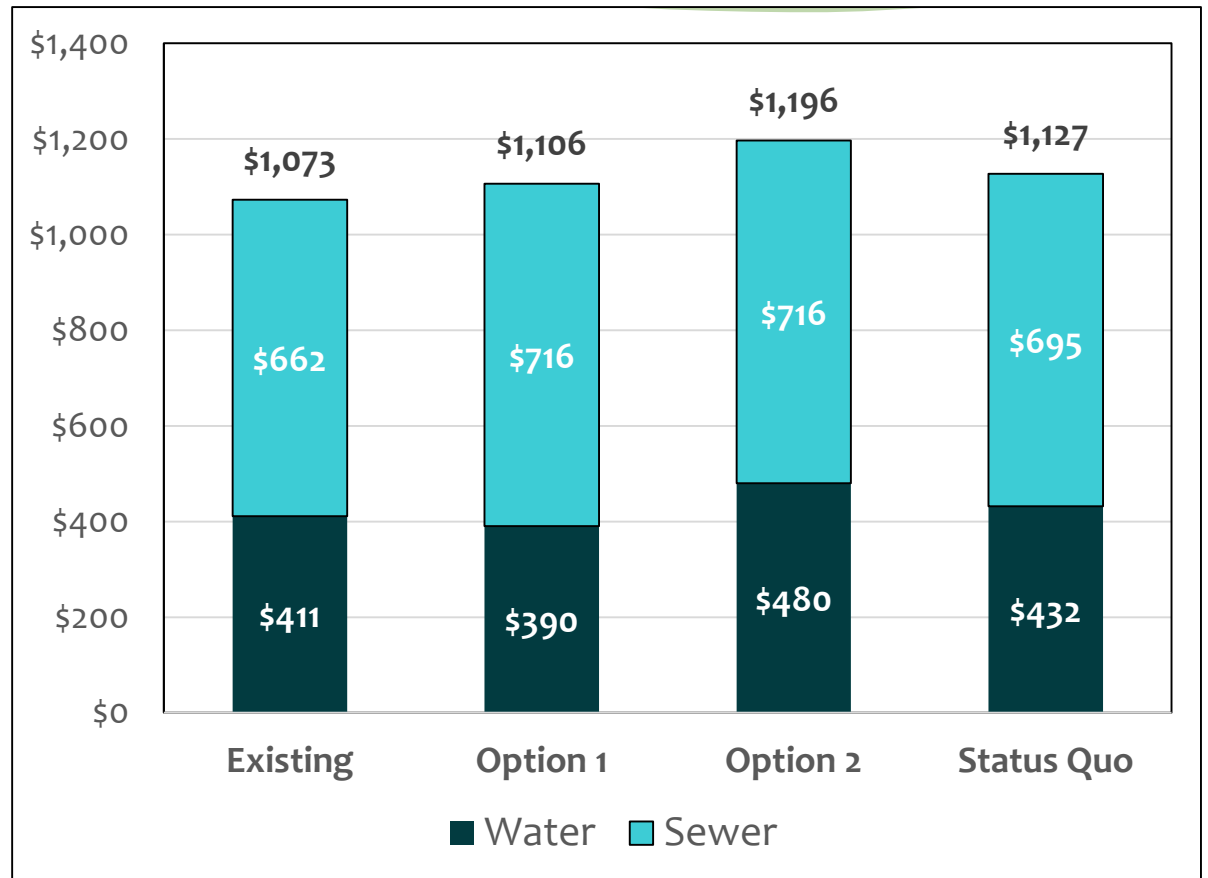


Customer Impacts (Median & High Volume Business)

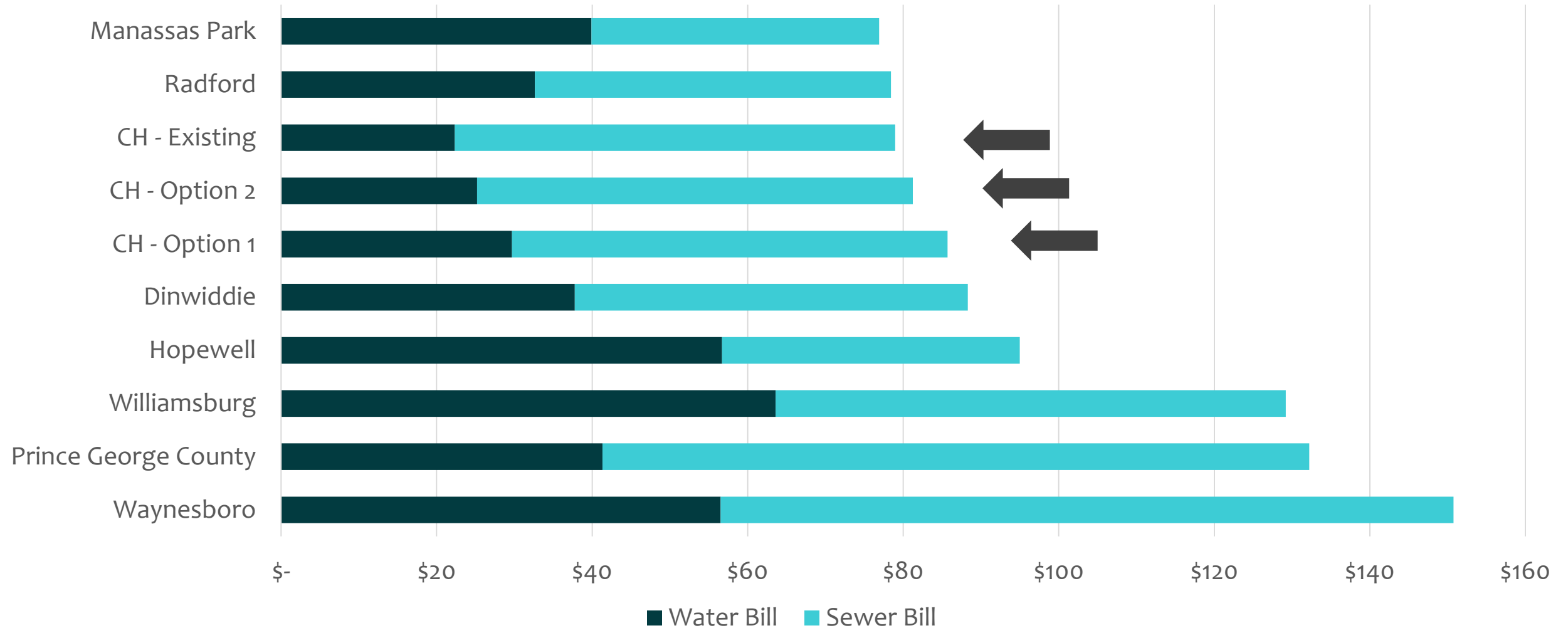
Median Volume (12 Ccf)



High Volume (230 Ccf)



Local Benchmarking (10 Ccf Bi-Monthly Bill)



Thank you!

Contact:

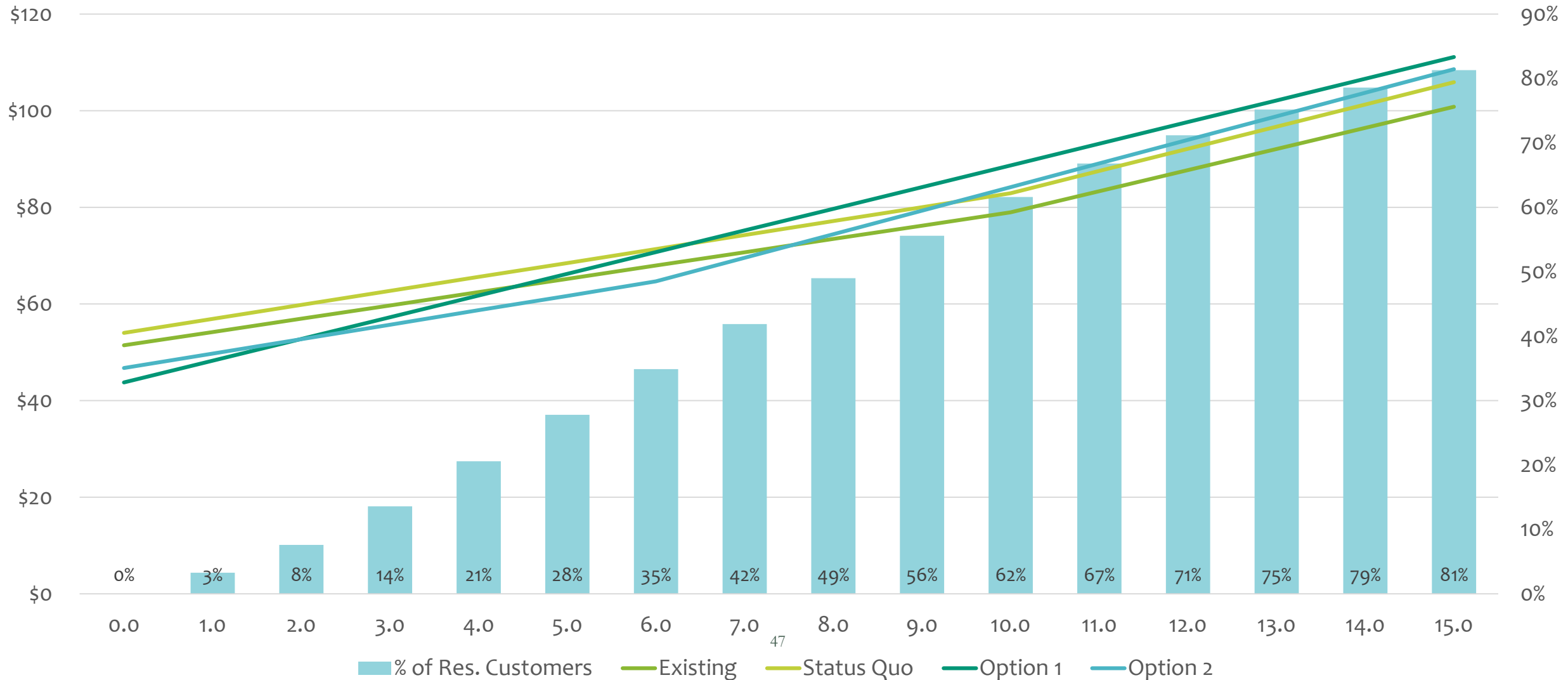
Will Kerr

704 661 8568 / wkerr@raftelis.com

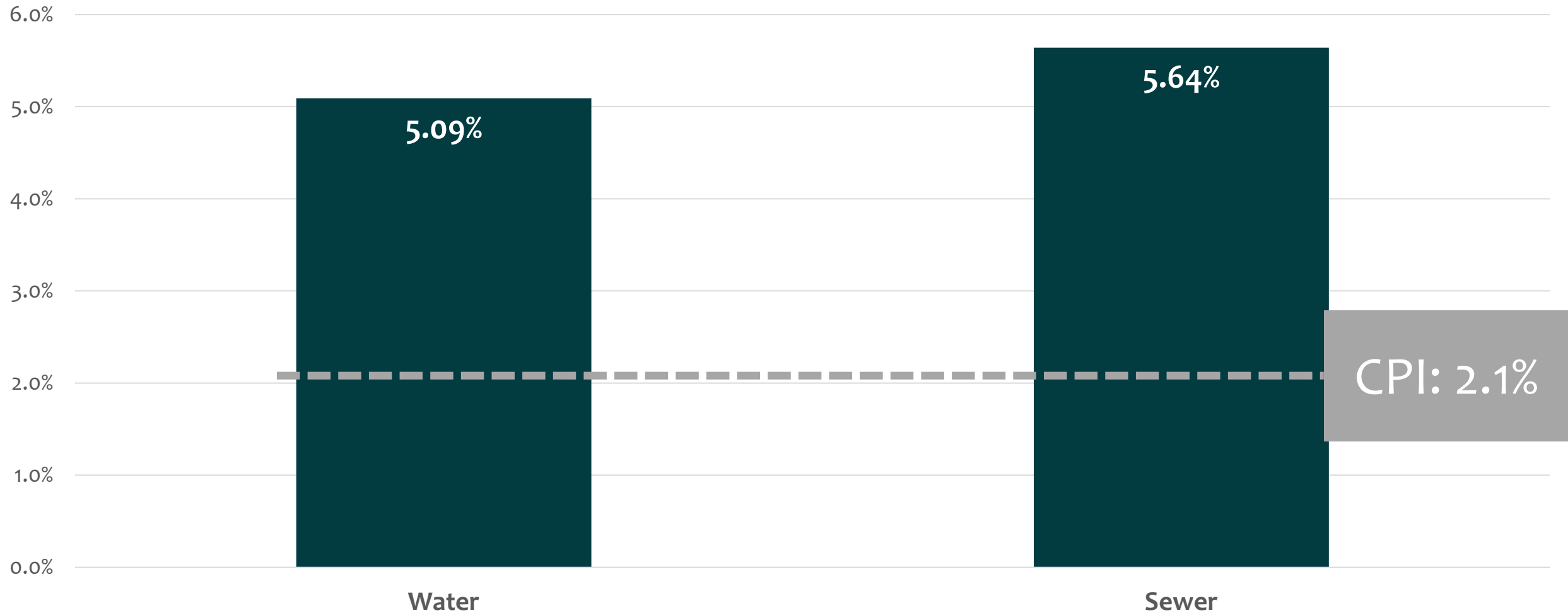
Bart Kreps

704 936 4438 / bkreps@raftelis.com

Residential Impact Portrait



Annualized Rate Increases



Source: AWWA/Raftelis 2019 National Water and Sewer Rate Survey

Note: Survey data from 2004 – 2018.

Revenues

- * User Charge Revenues
 - * Customer Accounts & Usage – Growth projected to stay flat throughout the forecast
 - * Two bulk customers: Chester & VSU
- * Other Revenues (Turn-on fees, penalties, etc.)
 - * All other miscellaneous revenues projected to stay flat

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8. Discussion And Approval Of The Following Items:

B. A RESOLUTION NO 20-21

Approving and adopting the City of Colonial Heights Fiscal Years 2021-2025 Capital Improvement Plan.

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8. Discussion And Approval Of The Following Items:

C. A RESOLUTION NO 20-22

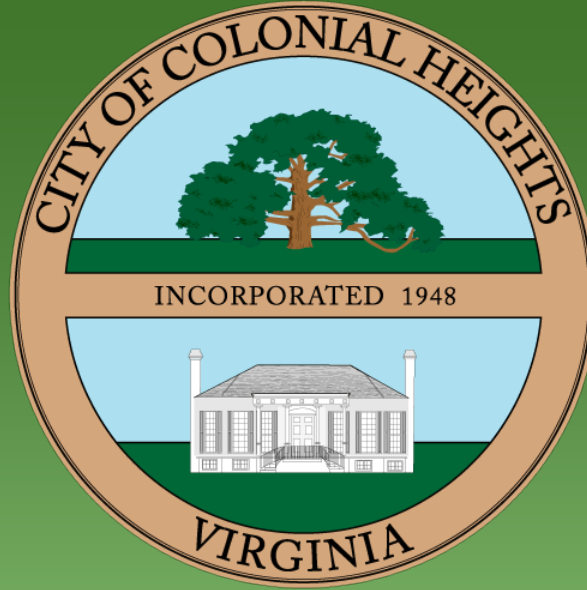
Requesting the Governor of the Commonwealth of Virginia to seriously consider modifying Executive Orders Fifty-One, Fifty-Three, and Fifty-Five so as to allow for the reopening of Virginia's society and economy no later than May 25, 2020.

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9. Adjournment



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City Council Special Meeting
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