



**MEMORANDUM**

**TO:** Timothy J. Baroody, City Manager  
**FROM:** Donna Leahy, Budget Analyst  
**RE:** Ordinance to Amend Water & Sewer Fees for the City of Fredericksburg  
**DATE:** April 19, 2023 (for the April 25, 2023 City Council Meeting)

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**ISSUE**

City Council is asked to increase water and sewer fees in order to generate revenue to support necessary capital improvements to the City's critical water & sewer infrastructure.

**RECOMMENDATION**

This ordinance requires two reads. Staff recommends approval of this ordinance on first read. If approved, the second reading would occur at the May 9, 2023 City Council meeting.

**BACKGROUND**

**Public Hearing**

A public hearing was held on the proposed amendment to Water & Sewer rates and fees on April 18, 2023. No comments were heard from the public regarding these changes.

The City provides water and sewer service through two separate enterprise funds. The public water and sewer facilities, processes, equipment, and personnel costs are sustained by revenues from the fees generated by the system, not by general government revenues.

The City continues to plan for major capital projects in the Water and Wastewater Capital Funds in Fiscal Year (FY) 2024 and beyond. These projects include Internal System Improvements budgeted at \$2.8 million, Spotsylvania Shared Water Projects budgeted at \$26.4 million, Sanitary Sewer Interceptors budgeted at \$27.7 million, and the previously unappropriated portion of the Wastewater Treatment Plant (WWTP) Upgrade, budgeted in FY 2024 for \$59.5 million (the entire WWTP upgrade project is projected to cost \$158.5 million). The budgeted amounts noted above span the FY 2024 – FY 2028 Capital Improvement Plan time frame.

In FY 2020, the City began a process of implementing increases in water and sewer rates in preparation for these and other major capital projects, raising both water and sewer rates by 10%. The City did not increase the rates in FY 2021 because of the economic uncertainty associated with the global pandemic. In FY 2022, water and sewer rates were both raised by 10%. In FY 2023, the City raised water rates by 8% and the sewer rates by 10%.

The FY 2024 Recommended budget proposes implementation of a 10% rate increase in water rates and a 10% increase in wastewater rates, effective July 1, 2023.

The City Council engaged the services of NewGen Strategies and Solutions LLC) to update their study of the water and sewer rates, fees and charges, including fixed charges, consumption charges, and availability fees beginning in FY 2020.

Results show that water and sewer rates must be increased in order to cover current operating costs, current debt service, and future capital needs and related debt service. The updated model shows that an increase of 10% in water rates in FY 2024 will provide revenues sufficient to meet the needs of the water fund, and a 10% increase will provide for the needs of the sewer fund. Therefore, staff is recommending these rate changes for FY 2024.

It is very important to note that this work will need to be updated on an annual basis based on changing schedules and costs for capital projects, actual results for water and sewer sales, actual operating costs to maintain the system, and the availability of intergovernmental sources to fund portions of the capital projects.

The following charts shows the current and proposed rates and fees.

1. Water Service - For metered water service, the bi-monthly (every two months) service charge currently consists of a meter fee based upon a nominal meter size and a commodity fee based upon metered consumption. If adopted by City Council, the fees would be increased as follows:

Water Utility Fees	Current	Proposed	Change
<b>Water Base Fees (bi-monthly rates)</b>			
5/8" Fixed Fee	\$16.15	\$17.77	\$1.62
¾" Fixed Fee	\$21.28	\$23.41	\$2.13
1" Fixed Fee	\$42.01	\$46.21	\$4.20
1 1/4 & 1 ½ Fixed Fee	\$93.25	\$102.58	\$9.33
2" Fixed Fee	\$167.99	\$184.79	\$16.80
3" Fixed Fee	\$398.13	\$437.94	\$39.81
4" Fixed Fee	\$672.18	\$739.40	\$67.22
6" Fixed Fee	\$1,572.84	\$1,730.12	\$157.28
8" Fixed Fee	\$2,680.77	\$2,948.85	\$268.08
<b>Water Commodity Charge</b>			
Per 1000 gallons	\$3.29	\$3.62	\$.33

2. Water Connection Fees – The city establishes new water connections from its water mains to customers’ water meters. The one-time cost of tapping into the water main is the Water Connection Fee. If adopted by City Council, the fees would be increased as follows:

Water Connection Fees	Current	Proposed	Change
<b>Fixed Fees</b>			
¾" Fixed Fee	\$2,600	\$3,600	\$1,000
1" Fixed Fee	\$2,900	\$4,100	\$1,200
1 ½" Fixed Fee	\$3,100	\$4,800	\$1,700
2" and Larger Fixed Fee	Actual cost plus 20%	Actual cost plus 20%	-

3. Sanitary Sewer Service - The bi-monthly sanitary sewer service charge currently consists of a meter fee based upon a nominal water meter size and a commodity fee based upon metered water consumption. If adopted by City Council, the fees would be increased as follows:

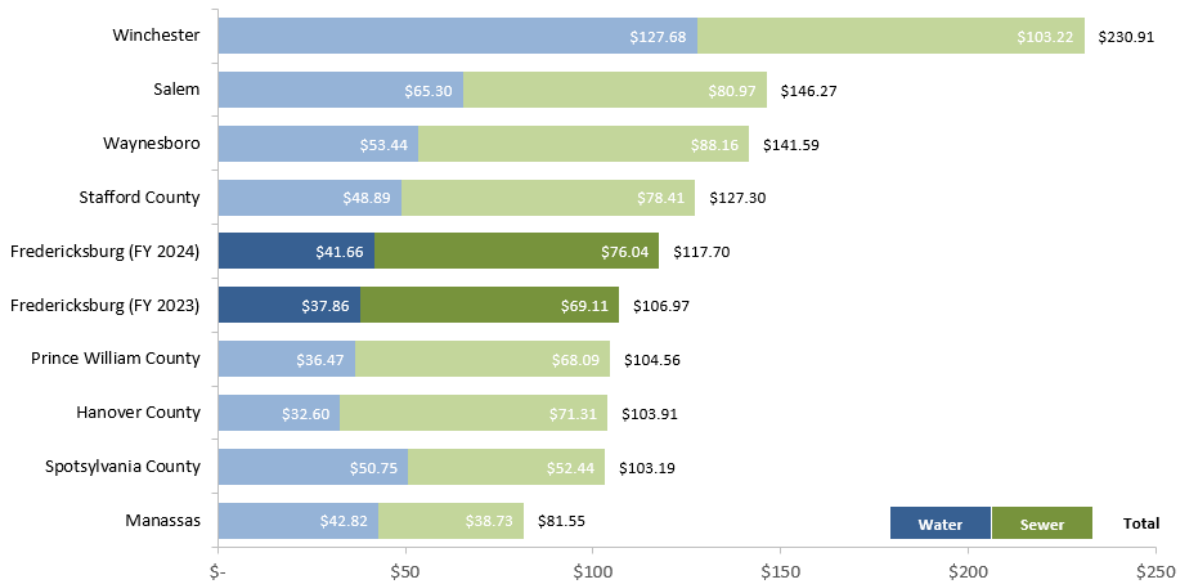
Sewer Utility Fees	Current	Proposed	Change
<b>Sewer Base Fees (bi-monthly rates)</b>			
5/8" Fixed Fee	\$25.81	\$28.39	\$2.58
¾" Fixed Fee	\$34.01	\$37.41	\$3.40
1" Fixed Fee	\$67.16	\$73.88	\$6.72
1 1/4 & 1 ½ Fixed Fee	\$149.07	\$163.98	\$14.91
2" Fixed Fee	\$268.58	\$295.44	\$26.86
3" Fixed Fee	\$636.54	\$700.19	\$63.65
4" Fixed Fee	\$1,074.63	\$1,182.09	\$107.46
6" Fixed Fee	\$2,417.90	\$2,659.69	\$241.79
8" Fixed Fee	\$4,121.12	\$4,533.23	\$412.11
<b>Sewer Commodity Charge</b>			
Per 1000 gallons	\$6.56	\$7.22	\$.66

4. Sewer Connection Fees – The main sewer line is owned and maintained by the City. Property owners are responsible for the sewer service line (lateral) that runs from the property and connects to the main sewer line. The one-time cost of connecting to the sewer main is the Sewer Connection Fee. If adopted by City Council, the fees would be increased as follows:

Sewer Connection Fees	Current	Proposed	Change
<b>Fixed Fees</b>			
4" Lateral Fixed Fee	\$5,100	\$5,800	\$700
6" Lateral Fixed Fee	\$5,300	\$6,300	\$1,000

The proposed rate will increase a bi-monthly bill by \$10.73 for a customer whose bi-monthly water usage is 6,600 gallons. This is considered the “median” or average user.

The following is a comparison of Fredericksburg and peer communities. As calculated by NewGen, the bills are based on smallest meter size and 6,600 gallons of usage, which again is the median for Fredericksburg customers. Please note, the bills for the other communities are calculated using the current rates and do not reflect potential increases.



On January 24, 2023, City Council passed Ordinance 23-01, which amended the Water and Sewer Availability Fees. Availability fees are charged to new development to offset the costs associated with increasing system capacity – either within the transmission or conveyance system or at the treatment plants.

The last rate increase for these fees occurred in FY 2013. The proposed fee increase will allow the City to increase revenues to offset inflationary increases in project costs related to capacity, and would also serve to help offset the increased capacity costs for the new wastewater treatment plant. These changes were as follows:

Water	Previous Rates	Effective 3/1/2023
5/8" Meter Size	\$3,000	\$3,800
3/4" Meter Size	\$4,000	\$5,100
1" Meter Size	\$7,800	\$9,900
1.5" Meter Size	\$17,300	\$21,900
2" Meter and Larger (per ERC <sup>1</sup> )	\$3,000	\$3,800

Wastewater	Previous Rates	Effective 3/1/2023
5/8" Meter Size	\$5,000	\$6,000
3/4" Meter Size	\$6,600	\$7,920
1" Meter Size	\$13,000	\$15,600
1.5" Meter Size	\$29,200	\$35,040
2" Meter and Larger (per ERC)	\$5,000	\$6,000

The table below provides the details of the Recommended Capital Improvements Plan for FY 2024 through FY 2028.

### WATER CAPITAL FUND (FUND 303)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
Internal System Improvements	\$ 350,000	\$ 350,000	\$ 600,000	\$ 750,000	\$ 750,000	\$ 2,800,000
Pressure Release Valve Replacement	\$ 180,000	\$ 380,000	\$ -	\$ -	\$ -	\$ 560,000
SCADA	\$ -	\$ -	\$ 620,000	\$ -	\$ -	\$ 620,000
Sewer and Water Master Plan	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Spotsylvania Shared Water Projects	\$ 2,025,021	\$ 18,496,954	\$ 5,837,568	\$ -	\$ -	\$ 26,359,543
Telegraph Hill Loop	\$ -	\$ 150,000	\$ 1,100,000	\$ -	\$ -	\$ 1,250,000
<b>Grand Total</b>	<b>\$ 2,705,021</b>	<b>\$ 19,376,954</b>	<b>\$ 8,157,568</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 31,739,543</b>

### WASTEWATER CAPITAL FUND (FUND 304)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Total
2 & 17 Pump Station Improvements	\$ 85,000	\$ 1,085,000	\$ -	\$ -	\$ -	\$ 1,170,000
Annual Manhole Sewer System Rehab	\$ 175,000	\$ 175,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 650,000
Annual Sewer Cleaning and Inspection	\$ 375,000	\$ 525,000	\$ 525,000	\$ 525,000	\$ 525,000	\$ 2,475,000
NPS/Farrell Lane Sewer Main Replacement	\$ -	\$ 350,000	\$ -	\$ 2,900,000	\$ -	\$ 3,250,000
Princess Anne (Upper) Sewer Replacement	\$ -	\$ 100,000	\$ 900,000	\$ -	\$ -	\$ 1,000,000
Sanitary Sewer Interceptors	\$ -	\$ 750,000	\$ -	\$ 26,950,000	\$ -	\$ 27,700,000
Sanitary Sewer System Improvements	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 3,000,000
Sewer and Water Master Plan	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Spotsylvania Shared Wastewater Projects	\$ 707,986	\$ -	\$ -	\$ -	\$ -	\$ 707,986
Wastewater Treatment Plant Capital Maintenance	\$ -	\$ 1,905,000	\$ -	\$ -	\$ -	\$ 1,905,000
Wastewater Treatment Plant Upgrade	\$ 59,510,000	\$ -	\$ -	\$ -	\$ -	\$ 59,510,000
<b>Grand Total</b>	<b>\$ 61,602,986</b>	<b>\$ 5,490,000</b>	<b>\$ 2,125,000</b>	<b>\$ 31,075,000</b>	<b>\$ 1,225,000</b>	<b>\$ 101,517,986</b>

The Capital Improvements Plan recommendation includes \$55.3 million in new water and sewer fund debt spread over the next five years. The largest portion -- \$27 million -- would be

debt issued for Sanitary Sewer Interceptors. Spotsylvania Shared Water Projects is also projected to cost \$24.3 million in debt issuance.

**FISCAL IMPACT**

The FY 2024 City Manager's Recommended Budget includes \$4.7 million budgeted in Water Sales revenue, and \$8.1 million in Sewer Charges, taking into account the proposed Utility Fee increases. As of April 6, 2023 revenue for FY 2023 totals \$3.3 million for Water and \$5.75 million for Sewer.

Attachment: Ordinance Increasing Water and Sewer Fees



April 25, 2023  
Regular Meeting  
Ordinance No. 23-XX

**MOTION:**

**SECOND:**

**RE: Amending Water and Sewer Fees Rates and Charges**

**ACTION: APPROVED: Ayes: 0; Nays: 0**

**FIRST READ: \_\_\_\_\_ SECOND READ: \_\_\_\_\_**

**SEC. I. Introduction, purpose and authority.**

Public water and sewer facilities, processes, equipment and personnel costs are sustained by revenues from the fees generated by the system, not by general government revenues. The Council has determined that water and sewer fees and charges must be increased in order to cover current operating costs, debt service, and future capital needs, and that the recommended fee changes are reasonable, fair, and equitable.

The Council adopts this ordinance pursuant to its authority under §15.2-2143 and §15.2-2119 of the Code of Virginia (1950), as amended. Public notice has been duly made and public hearings held in accordance with the requirements of the Code of Virginia.

**SEC. II. Amending water and sewer fees and charges.**

The City Council hereby ordains that the City's *Water and Wastewater Rates and Charges*, regulations promulgated and published by the Director of Public Works, are hereby amended to incorporate the following changes.

**1. Metered water service and connection fees.**

For metered water service, the bi-monthly service charge currently consists of a meter fee based upon a nominal meter size and a consumption fee based upon metered consumption. Both components of such charge as well as the water connection fees are hereby increased, as follows:

Fee Description	Current	Proposed	Change
<b>Water Utility Fees</b>	Legal Reference: §15.2-2119 Code of Virginia		
<b>Water Base Fees (bi-monthly rates)</b>			
5/8" Fixed Fee	\$16.15	\$17.77	\$1.62
¾" Fixed Fee	\$21.28	\$23.41	\$2.13
1" Fixed Fee	\$42.01	\$46.21	\$4.20

1 1/4 & 1 1/2 Fixed Fee	\$93.25	\$102.58	\$9.33
2" Fixed Fee	\$167.99	\$184.79	\$16.80
3" Fixed Fee	\$398.13	\$437.94	\$39.81
4" Fixed Fee	\$672.18	\$739.40	\$67.22
6" Fixed Fee	\$1,572.84	\$1,730.12	\$157.28
8" Fixed Fee	\$2,680.77	\$2,948.85	\$268.08
<b>Water Commodity Charge</b>			
Per 100 gallons	\$.329	\$.362	\$.033
<b>Water Connection Fees</b>			
3/4" Fixed Fee	\$2,600	\$3,600	\$1,000
1" Fixed Fee	\$2,900	\$4,100	\$1,200
1 1/2" Fixed Fee	\$3,100	\$4,800	\$1,700
2" and Larger (per ERC) Fixed Fee	Actual cost plus 20%	Actual cost plus 20%	N/A

**2. Sanitary sewer service rates.**

The bi-monthly sanitary sewer service charge currently consists of a meter fee based upon a nominal water meter size and a consumption fee based upon metered water consumption. Both components of the charge as well as the sewer connection fees are hereby increased, as follows:

<b>Sewer Utility Fees</b>		<b>Legal Reference: §15.2-2119 Code of Virginia</b>		
<b>Sewer Base Fees (bi-monthly rates)</b>				
5/8" Fixed Fee	\$25.81	\$28.39	\$2.58	
3/4" Fixed Fee	\$34.01	\$37.41	\$3.40	
1" Fixed Fee	\$67.16	\$73.88	\$6.72	
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6" Fixed Fee	\$2,417.90	\$2,659.69	\$241.79	
8" Fixed Fee	\$4,121.12	\$4,533.23	\$412.11	
<b>Sewer Commodity Charge</b>				
Per 100 gallons	\$.656	\$.722	\$.066	
<b>Sewer Connection Fees</b>				
4" Lateral Fixed Fee	\$5,100	\$5,800	\$700	
6" Lateral Fixed Fee	\$5,300	\$6,300	\$1,000	

**SEC. III. Effective date.**

This ordinance shall take effect July 1, 2023.



**Votes:**

**Ayes:**

**Nays:**

**Absent from Vote:**

**Absent from Meeting:**

**Approved as to form:**

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**Kathleen Dooley, City Attorney**

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***Clerk's Certificate***

*I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 23-XX duly adopted the City Council meeting held date,2023 at which a quorum was present and voted.*

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***Tonya Lacey, MMC  
Clerk of Council***