

TO: Mr. Ande Banks, Acting City Manager
FROM: Mike Collins, Public Utilities
DATE: April 17, 2023
RE: Water and Sewer Long Term Financial Model; FY2024 Update

Summary: This agenda item is to provide understanding of the strategic financial planning model for developing water and sewer rates.

Background HPU presented the updated Water (WLTFM) and Sewer (SLTFM) Long Term Financial Models for FY2023+ to City Council on May 10, 2022. This presentation is an update for FY2024+.

Key Issues: Direct operating expenses.
Indirect operating expenses.
Capital for asset retirement.
Capital for expansion.
Debt

Environmental Impact:

- *Water operations* maintain current levels of services; includes emphasis upon:
 - water transmission and distribution with acceptable levels of water quality, available fire-flow, and reliable uninterruptable service.
 - protection of in stream aquatic biota through compliance with our Virginia Water Withdrawal Permit (VWWP)
 - water loss management
 - energy consumption management
- *Water capital expansion* includes the following major projects:
 - Installation of VWWP mandated raw water intake screens on all three water sources for purposes of protecting fish juveniles and eggs from entrainment and entrapment.
- *Water capital for asset retirement* includes the following major projects.
 - Replacements in the next ten years include Phase 3 & 4 of the Route 33 West Asset Management Plan and some of Harrisonburg's earliest water pipe from the late 1890-1910 era.
- *Sewer operations* maintain current levels of services; includes emphasis upon:
 - sewer collection and transmission with acceptable levels of reliable uninterrupted service (overflows into the immediate environment).

- Funding of operations, capital, and debt for Harrisonburg Rockingham Regional Sewer Authority (HRRSA) which provides sewer treatment at enhance nutrient removal (ENR) levels of technology.
- Infiltration & inflow management
- *Sewer capital for asset retirement* includes the following major projects.
 - Asset replacements in the next ten years including a combination of the most aged and the most structurally deteriorated pipe in the system.
 - \$200,000 per year annual commitment specific for infiltration & inflow abatement

Fiscal Impact: Rates FY2024-2035; LTFM sets forth a proactive strategy to fund future operations and infrastructure.

Prior Actions: Rate adjustments have been made annually using the principles of the LTFM; COVID delayed recommendations for 2021 and 2022 which resulted in a significant shutdown in capital funding and higher proposed rate increases 2023-2029.

Alternatives: Rate increases can be delayed but the result will be higher increases to support failing infrastructure.

Community Engagement: Open at City Council

Recommendation: Information only

Attachments: Power Point presentation

Review:

The initiating Department Director will place in Legistar, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda. The completion of review only addresses the readiness of the issue for Council consideration. This does not address the recommendation for approval or denial of the issue.