



## PERFORMANCE MEASURES

	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>Change 22 to 23</u>
<b>Workload Measures</b>				
Average No. of Fire Hydrants in Service	13,668	13,800	13,900	100
Miles of Water Mains	1,657	1,663	1,673	10
Miles of Sewer Mains	1,532	1,540	1,545	5
Number of Water Customers	100,964	101,600	102,500	900
Number of Sewer Customers	97,892	98,600	99,400	800

## BUDGET HIGHLIGHTS

The Public Utilities' Water and Sewer Fund is an enterprise fund, supporting its operating and capital infrastructure expenditures with revenues derived from customer charges and water and sewer revenue bonds. Additionally, funding has been provided by the America Rescue Plan to assist new customers with connecting to system.

The Department provides water and wastewater services to approximately 94% of the County's citizens, including the delivery of clean drinking water, sewer disposal, street lighting, refuse management and recycling services. The Solid Waste and Street Lighting functions are discussed in greater detail in a separate narrative within this document.

Ensuring the efficient delivery of services to citizens has required a commitment to making necessary investments in the System's operations and critical water and sewer infrastructure. In addition, to address system demands resulting from consumer growth, Public Utilities performs capacity improvements that are consistent with the County's broader planning, and residential and commercial development objectives. The Department also engages in strategic, long-term infrastructure planning to ensure that citizens' and businesses' water and sewer capacity requirements are sufficiently met well into the future.

## RESOURCES

In FY23, projected operating resources of \$146,868,267 will support water and wastewater operations, reflecting an increase of 4.6% from the FY22 adopted budget. Included is a increase to water and sewer rates, which would have a \$3.16 impact on the median residential account.

In addition to supporting operating requirements, resources must be sufficient to service debt, bond coverage requirements and future capital requirements within the five-year Capital Improvement Program. Due to the nature of the infrastructure maintained by the Water and Sewer Fund, consistent infrastructure maintenance and replacement must be planned on a multi-year basis, as opposed to the year-to-year analysis included in each budget cycle.

On an annual basis, Public Utilities performs cash flow projections verifying cash flows are sufficient to cover current and future operating costs, capital infrastructure improvements, debt service, and bond coverage requirements over a multi-year period. These projections are critical in ensuring that rate changes are sufficient for meeting all the obligations of the fund. The FY23 budget adheres to that premise. Payments and transfers from the General Fund to

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Water and Sewer in FY23 total \$2,150,750 for debt service costs related to the Elko Tract infrastructure improvements.

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#### EXPENDITURES

The FY23 budget of \$110,860,891 includes expenditures for personnel, operating, capital outlay, and debt service and is equal to the budget target. Overall, the Water and Sewer operating budget is increasing by 6.3%, or \$6,589,187. This is primarily attributable to salary and benefit rate increases and funding of ten positions. Of the ten positions, seven are added for the operations of the Cobbs Creek Reservoir, which will begin filling in the fall of 2022, and three positions are added to design and manage water & sewer infill projects. The infill projects are funded with proceeds received from the federal government through the American Rescue Plan Act (ARPA) but the positions are supported by water & sewer revenues. Along with an increase in operating expenses for repair maintenance supplies, machinery and equipment replacement, contractual increases and offset by an increase in debt service of \$838,265.

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#### DEBT SERVICE REQUIREMENTS

Projected debt service expenditures of \$31,191,008 represents a net increase of \$838,265 or 2.8% when compared to the approved FY22 budget. The debt service in the FY23 budget is based on existing debt service. The next anticipated bond issue could occur in FY23.

The debt service budget will fully fund requirements arising from the Water and Sewer Fund's outstanding debt, which on June 30, 2021 was \$474,903,035. According to bond covenants for outstanding debt, the Water and Sewer Fund must ensure that net operating revenues be at least 1.25 times the Fund's debt service requirements. In the year that ended June 30, 2021, this coverage equaled 1.98 times the debt service requirement. (Source: Annual Comprehensive Financial Report June 30, 2021: Cash and Cash Equivalents – Exhibit 5.)

Debt service expenditures, in total, represent 28.0% of the FY23 Water & Sewer budget. As a note, this is a much higher percentage than what is seen in the General Fund (target of 7.75% of General Fund expenditures) and is representative of another difference between the County's General Fund and the Water and Sewer Enterprise Fund.

The FY23 budget for the Department of Public Utilities continues to plan for infrastructure improvement and replacement, meet all debt service coverage requirements, and cover all known fixed operational cost increases. Because of the continued emphasis on multi-year planning and strong financial policies, the County of Henrico Department of Public Utilities possesses AAA bond ratings from the following three bond rating agencies: Moody's Investors Service, Standard & Poor's and Fitch IBCA. It is one of only 14 public utilities in the United States to possess a triple AAA bond rating.

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Historical Depiction of Fund Equity (Outside of Restricted Equity for Accounts Receivable, and Debt Service Coverage Requirements):

At the end of each year, the annual audit offers a depiction of fund equity that is available largely for future-year infrastructure improvements in the Capital Improvement Program. For the past five years, this unrestricted fund equity has been noted as follows:

FY17: \$ 101,851,492

FY18: \$ 140,813,367

FY19: \$ 146,439,690

FY20: \$ 158,493,173

FY21: \$ 196,635,341

(Source: Annual Audit of the Water and Sewer Enterprise Fund, Respective Fiscal Year.)