

Question: What change is recommended on connection fees in the Rate Study?

Results of study produced recommendations for connection fees, to be effective January 1, 2007.

- Connection fees are based on meter size (the larger the meter, the larger the respective fees)
- Raise City-Funded connection fees on 5/8" meter to \$7,216 for both water and sewer
- Raise Developer-Funded connection fees on 5/8" meter to \$5,810 for both water and sewer

Question: How will Chesapeake compare with other cities in the area?

The water rate in Phase I is less than what we are currently paying the city of Portsmouth for treated water. The sewer rate will still be the lowest in South Hampton Roads.

Consumption Charges Per 100 Cubic Feet (750 gallons)

	Current	Phase I 1/1/07	Phase II 7/1/08	Phase III 7/1/10
Water	\$3.225	\$3.578	\$3.878	\$4.178
Sewer	\$0.725	\$1.789	\$2.554	\$3.971
TOTAL	\$3.950	\$5.367	\$6.432	\$8.149

Minimum Monthly Bill (Includes 3 Consumptions)

	Current	Phase I 1/1/07	Phase II 7/1/08	Phase III 7/1/10
Water	\$15.50	\$16.50	\$17.50	\$18.50
Sewer	\$ 5.95	\$ 6.95	\$ 7.95	\$ 8.95
TOTAL	\$21.45	\$23.45	\$25.45	\$27.45
% Change		+9%	+9%	+8%

Average Monthly Bill (Based on 9 Consumptions)

	Current	Phase I 1/1/07	Phase II 7/1/08	Phase III 7/1/10
TOTAL	\$45.15	\$55.65	\$64.04	\$75.34
% Change		+23.3%	+15.1%	+19.2%

Still Have Questions?

Public Utilities Department

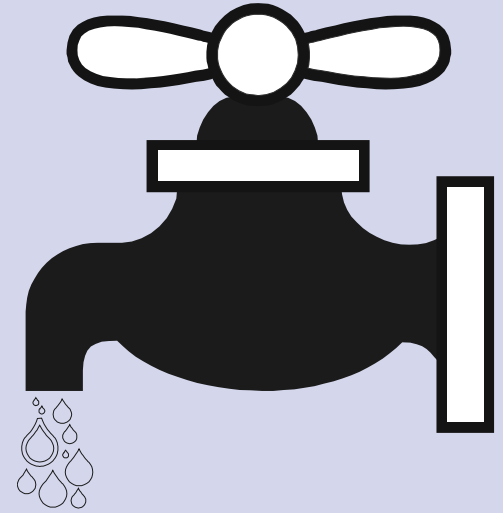
Call: 382-6401

Email: water@CityOfChesapeake.net

Web: www.CityOfChesapeake.net

Water & Sewer Rates

Just The Facts



*What Chesapeake residents want to know about the
Public Utilities Department
Proposed Rate Increase*

Chesapeake City Council

Public Hearing

Tuesday, September 26, 2006

6:30 p.m.

City Council Chambers, City Hall

To register to speak, call the City Clerk at 382-6151

or sign-up at the meeting prior to 6:30 p.m.

Chesapeake
VIRGINIA

Frequently Asked Questions

Question: Where does the Public Utilities Department get its money?

The Public Utilities Department operates as an Enterprise Fund. We operate like a non-profit business within the City organization. The department is self-supporting from water sales, sewer services, and other related fees and charges.

Question: Does Public Utilities receive tax dollars?

No. Tax money is NOT used to support the department.

Question: What factors might affect Public Utilities' budget?

The Bond Coverage Ratio (BCR) required by Master Bond Resolution must be 1.0 or greater. Our earnings must at least match all of our expenses including the debt we have incurred.

Question: Why is the Bond Coverage Ratio (BCR) important?

If Utilities does not meet the BCR, it hurts our credit rating. Future borrowing could be more expensive because we will have to pay higher interest rate on the borrowed money.

Question: Didn't the last rate study anticipate the need for more money?

It did. However, the last rate study had some assumptions that were not met.

- It anticipated revenues based on a customer growth rate of 2% when the actual rate was 1.62%
- It anticipated annual expenses growing at 3% when actual expenses (health care, chemicals, gasoline, etc.) were much higher.

Question: Why were the percentage increase of personnel costs almost double the expected rate?

Public Utilities workers are City employees and therefore subject to the same raise and benefit packages as other City employees. Most of the increases reflect the increased VRS (Virginia Retirement System) and health insurance costs for City employees.

Question: Doesn't Public Utilities buy water that's already treated? How does that affect the costs?

Public Utilities buys treated water from both Norfolk and Portsmouth. For the past 12 of 18 years Public Utilities has charged our customers less than what the contract required us to pay for the treated water from both Norfolk & Portsmouth.

Question: Did the previous rate study account for the Lake Gaston Water Treatment Plant untreated (raw) water costs?

Yes, however, the raw water source was changed to raw water purchased from Norfolk. This raw water will cost between \$1.2 million and \$1.5 million more per year than what was expected.

Question: Are there any other cost increases Public Utilities has experienced?

Yes. Costs for water and sewer main materials, for example copper tubing, have increased dramatically, up to 5 fold. These material cost increases have also been reflected in our Capital Improvements Program.

Question: Did Public Utilities do anything to try to hold down costs?

Yes. Public Utilities has deferred expenses as much as possible and has no more room to do so. Here's how we did it:

- We controlled discretionary spending
- We controlled Capital Improvement Budget (CIB) projects in spite of needs
- We reduced CIB funds for system renewals (routine annual maintenance)
- We optimized service areas

Question: Are there any consequences to deferring maintenance or projects?

Yes. Deferral in repairs in certain instances may mean replacement later at greater cost.

Question: Doesn't growth in the City bring more income to Public Utilities?

Despite growth of 1.2%, sales remain flat. The flat sales are being recognized by all municipalities in this area and are attributed to increased water conservation .

Question: What other pressures are on Public Utilities that affect its budget?

Unfunded EPA and DEQ mandates impact all the regional utility departments' budgets. No state or federal government funds are available and the City must comply with the mandates. These mandates will lead to more sewer upgrade projects in our Capital Improvement Budget.

Question: Will the increase in the rate make it possible for neighborhoods to get on city water and sewer?

There are approximately 79 sewer and 44 water unserved areas projects currently identified. The total cost for all of these projects is just under \$100 million. The Rate Study provides \$27 million to begin projects with a revised Cost Participation Policy.

Question: How did Public Utilities come up with the recommendation?

The Rate Study was conducted by a nationally-recognized consultant, who examined Public Utility revenue sources, growth and current economic trends and used new basic assumptions. We adjusted account growth and future expenses to be more reflective of current experiences.