

UTILITY FUNDS SUMMARY

Danville Utilities provides innovative, reliable, competitive, and safe utility services with a highly valued and qualified workforce, while helping drive economic development.

The City of Danville has been in the utility business since 1876. Danville is the only municipality in Virginia to operate all four essential utilities -- electricity, natural gas, water, and wastewater -- plus telecommunications services. Danville Utilities serves the City and adjoining residential neighborhoods with water and gas service. Electricity is distributed to 42,000 customer locations in a 500-square mile service area that includes Danville, most of Pittsylvania County's households, and small portions of Henry and Halifax Counties. Danville Utilities provides water, wastewater, and natural gas services to customers within a 50-square mile area consisting of the city adjacent suburban areas.

Danville Utilities values:

- Safety
- Customer Care
- Professionalism
- A valued workforce
- Stewardship

Danville Utilities fulfills community responsibilities by:

- Ensuring proper accountability to the City Manager, Utilities Commission, City Council, utility customers, and the community.
- Supporting the City's community and economic development efforts.
- Minimizing harmful impact on the service area's natural environment.
- Building and strengthening mutually beneficial relationships with other municipal departments, the school district, and outside organizations.
- Generating revenue to the City's General Fund to support continued provision of world class municipal and school services, thereby ensuring a positive return on utility owner investment.

Danville Utilities is organized into six operating divisions – Water & Wastewater Treatment, Water & Gas, Power & Light, Telecommunications, Support Services, and Administration across five funds.

The Proposed FY 2021 Budget includes operating expenditures (less depreciation and General Fund contributions) of \$150 million and \$23.25 million for affiliated capital projects. Included in the capital projects is bond funding in the amount of \$5,800,000, Contribution-in-Aid in the amount of \$2,500,000, Reprogrammed funds in the amount of \$3,000,000, and a loan from the Gas Fund to Telecommunications in the amount of \$1,250,000.

The budget is based on projected revenues using utility rates approved by City Council and includes no rate increases. The following factors affect all five Utility funds except as noted:

Salary Adjustments

The amount budgeted for FY 2021 for salaries and FICA are based on salary projections and include pay-for-performance increases and pay study increases to be effective in July 2020. Consistent with the FY 2020 budget, increases were not distributed to the respective salary and benefit accounts but included in the administrative division of each fund's budget in line item

UTILITY FUNDS SUMMARY

51417 “Salaries and Wages Adjustment”. There is an allowance of \$368,180 for salary adjustments included in this line item in combined Utility budgets for 2021 in anticipation of the continuation of the pay for performance increases.

Retirement Rates

The latest actuarial report reflects the funding status of the pension system has improved from 101.9% to 102.4%. This was accomplished through additional contributions and the recognition of investment gains. The report recommended an employer contribution of 6.846% of covered payroll for general employees in order to maintain a funded ratio of 100%. In FY 2019, City Council approved a change in City Code that requires employees hired on or after September 1, 2019, to pay half of the contribution to the retirement system. There is an adjustment of \$113,390 for increased funding for retirement included in line item 51417 “Salaries and Wages Adjustment” in combined Utility budgets for FY 2021.

Benefits Allocation

The City’s self-insured employee health insurance plan is accounted for within the Human Resources Department. Through line item 57100 “Employee Benefits/HR Allocation”, each utility division receives an allocation of the plan’s expenses and premiums based on the division’s specific number of employees. The allocation decreased an average of 43% per Utility fund with a decrease of \$429,050 in combined Utility budgets for 2021.

Revenue

Revenue will cover operating costs and ongoing system-related improvements to maintain the integrity and reliability of the utility infrastructure.

UTILITY FUNDS SUMMARY

Expenditures

This budget includes appropriations of \$15 million for contribution to the City's General Fund which is identical to the prior year contribution. Proposed FY 2021 capital improvements include \$22.45 million in projects that are necessary to meet environmental quality requirements, replace outdated infrastructure and facilities and to improve reliability and safety. Specific projects include:

Wastewater

- \$2 million for Northside Process Plant Modifications financed with reprogrammed funds.
- \$3.6 million for construction of SOVA Megasite Sewer Improvement Project financed with revenues and fund balance (Public Works).
- New Sewer Lines \$250,000 (Public Works)
- Sewer Line Reconstruction \$300,000 (Public Works)

Water

- \$1 million to replace aging waterlines and infrastructure in the distribution system financed with operating revenue
- \$4.5 million for engineering and construction of Berry Hill Industrial Park Water Infrastructure which will be financed with \$2.5 million contribution in aid, \$1 million from fund balance and \$1 million from reprogrammed funds.

Gas

- \$500,000 for the Cast Iron Gas Pipeline Replacement program financed with operating revenue.
- \$3 million for County Gas Expansion project financed with \$1.75 million in revenues and \$1.25 million from fund balance.

Electric

- \$4 million for substation upgrades and improvements (financed with debt)
- \$1.8 million for line rebuilds and 25 kV conversion (financed with debt)

Telecommunications

- Fiber to the Home is budgeted at \$1.5 million with \$50,000 from revenues, \$1.25 million from the Gas fund balance as a loan and \$200,000 from Telecommunications fund balance.

The proposed utility fund budgets will ensure continued delivery of reliable services at the lowest rates currently possible while supporting vital economic development activities.

**CITY OF DANVILLE - UTILITIES DEPARTMENT
CITY COUNCIL'S INTRODUCTORY FOR FY 2021
ALL UTILITY FUNDS BY FUNCTION**

| Description | Wastewater Fund - 51 | Water Fund - 52 | Gas Fund - 53 | Electric Fund - 54 | Telecomm Fund - 55 | TOTAL |
|---|-------------------------|--------------------|-------------------|-----------------------|-----------------------|--------------------|
| Revenue | | | | | | |
| Rev-Use Money/Property | 118,200 | 284,940 | 459,900 | 1,564,180 | 31,000 | 2,458,220 |
| Charges for Services | 9,118,040 | 8,408,480 | 22,389,840 | 128,343,950 | 624,770 | 168,885,080 |
| Miscellaneous Revenue | 86,500 | 2,581,490 | 7,810 | 130,000 | 0 | 2,805,800 |
| Recovered Cost | 0 | 17,980 | 0 | 5,970 | 0 | 23,950 |
| Non-Revenue Receipts | 0 | 0 | 0 | 0 | 0 | 0 |
| Total -- Operating Revenue | 9,322,740 | 11,292,890 | 22,857,550 | 130,044,100 | 655,770 | 174,173,050 |
| Transfer from Fund Balance | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 9,322,740 | 11,292,890 | 22,857,550 | 130,044,100 | 655,770 | 174,173,050 |
| Operating Expenses | | | | | | |
| Treatment Plants | 3,088,200 | 0 | 0 | 0 | 0 | 3,088,200 |
| Public Works | 1,701,970 | 0 | 0 | 0 | 0 | 1,701,970 |
| Laboratory | 0 | 104,680 | 0 | 0 | 0 | 104,680 |
| Operations-Main | 0 | 1,302,370 | 0 | 0 | 0 | 1,302,370 |
| Operations-Industrial | 0 | 156,230 | 0 | 0 | 0 | 156,230 |
| Treatment-Main | 0 | 348,620 | 0 | 0 | 0 | 348,620 |
| Administration Services | 724,360 | 1,903,600 | 1,819,500 | 6,161,150 | 3,900 | 10,612,510 |
| Engineering | 0 | 309,270 | 398,510 | 1,044,490 | 0 | 1,752,270 |
| Distribution | 0 | 544,430 | 534,350 | 4,430,380 | 0 | 5,509,160 |
| Service | 0 | 242,590 | 251,540 | 0 | 0 | 494,130 |
| Meters & Regulators | 0 | 140,980 | 171,960 | 0 | 0 | 312,940 |
| Meters | 0 | 0 | 0 | 383,580 | 0 | 383,580 |
| Gas Control | 0 | 0 | 544,110 | 0 | 0 | 544,110 |
| Substations | 0 | 0 | 0 | 1,336,680 | 0 | 1,336,680 |
| Hydro-Electric Plant | 0 | 0 | 0 | 978,580 | 0 | 978,580 |
| Transmissions | 0 | 0 | 0 | 175,000 | 0 | 175,000 |
| Generators | 0 | 0 | 0 | 368,720 | 0 | 368,720 |
| Customer Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Utility Administrative Services | 0 | 0 | 0 | 1,296,970 | 0 | 1,296,970 |
| Support Services | 0 | 0 | 0 | 338,100 | 0 | 338,100 |
| Operations | 0 | 0 | 0 | 0 | 447,600 | 447,600 |
| Rivercity TV | 0 | 0 | 0 | 0 | 0 | 0 |
| Purchased Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | 333,340 | 359,710 | 123,160 | 3,152,550 | 0 | 3,968,760 |
| Capital Expenses | 126,300 | 926,490 | 845,400 | 3,306,680 | 25,000 | 5,229,870 |
| Subtotal -- Operating Expense | 5,974,170 | 6,338,970 | 4,688,530 | 22,972,880 | 476,500 | 40,451,050 |
| (Net of Source of Supply) | | | | | | |
| Depreciation | 2,145,750 | 1,752,540 | 1,542,230 | 8,871,610 | 482,230 | 14,794,360 |
| Source of Supply | 0 | 0 | 12,730,400 | 96,489,660 | 57,000 | 109,277,060 |
| Total -- Operating Expense | 8,119,920 | 8,091,510 | 18,961,160 | 128,334,150 | 1,015,730 | 164,522,470 |
| Annual Contribution to General Fund | 705,760 | 950,300 | 3,186,330 | 10,429,610 | 81,000 | 15,353,000 |
| Total Expenditures | 8,825,680 | 9,041,810 | 22,147,490 | 138,763,760 | 1,096,730 | 179,875,470 |
| Add - Depreciation | 2,145,750 | 1,752,540 | 1,542,230 | 8,871,610 | 482,230 | 14,794,360 |
| Revenue in excess of Operating Expense | 2,642,810 | 4,003,620 | 2,252,290 | 151,950 | 41,270 | 9,091,940 |
| Capital Improvements | | | | | | |
| Capital Projects | 0 | 4,500,000 | 3,500,000 | 0 | 250,000 | 8,250,000 |
| Sewer Capital Projects | 4,150,000 | 0 | 0 | 0 | 0 | 4,150,000 |
| Total -- Capital Improvements | 4,150,000 | 4,500,000 | 3,500,000 | 0 | 250,000 | 12,400,000 |
| Revenues Over(Under) Expenses | -1,507,190 | -496,380 | -1,247,710 | 151,950 | -208,730 | -3,308,060 |

**CITY OF DANVILLE - UTILITIES DEPARTMENT
CITY COUNCIL'S INTRODUCTORY FOR FY 2021
ALL UTILITY FUNDS BY ACTIVITY**

| Description | Wastewater Fund - 51 | Water Fund - 52 | Gas Fund - 53 | Electric Fund - 54 | Telecomm Fund - 55 | TOTAL |
|---|-------------------------|--------------------|-------------------|-----------------------|-----------------------|--------------------|
| Revenue | | | | | | |
| Rev-Use Money/Property | 118,200 | 284,940 | 459,900 | 1,564,180 | 31,000 | 2,458,220 |
| Charges for Services | 9,118,040 | 8,408,480 | 22,389,840 | 128,343,950 | 624,770 | 168,885,080 |
| Miscellaneous Revenue | 86,500 | 2,581,490 | 7,810 | 130,000 | 0 | 2,805,800 |
| Recovered Cost | 0 | 17,980 | 0 | 5,970 | 0 | 23,950 |
| Non-Revenue Receipts | 0 | 0 | 0 | 0 | 0 | 0 |
| Total -- Operating Revenue | 9,322,740 | 11,292,890 | 22,857,550 | 130,044,100 | 655,770 | 174,173,050 |
| Transfer from Fund Balance | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 9,322,740 | 11,292,890 | 22,857,550 | 130,044,100 | 655,770 | 174,173,050 |
| Operating Expenses | | | | | | |
| Personnel Svcs | 783,840 | 1,762,990 | 1,529,000 | 5,597,560 | 135,680 | 9,809,070 |
| Employee Benefits | 107,010 | 225,820 | 197,580 | 810,080 | 21,900 | 1,362,390 |
| Purchased Services | 2,763,080 | 579,270 | 476,470 | 4,926,920 | 130,650 | 8,876,390 |
| Internal Service | 736,570 | 889,490 | 97,950 | 304,290 | 40,500 | 2,068,800 |
| Other Operating Expense | 226,380 | 822,370 | 785,460 | 3,697,850 | 16,370 | 5,548,430 |
| Cost Allocation | 785,700 | 1,129,110 | 1,268,920 | 2,356,340 | 131,400 | 5,671,470 |
| Capital Outlay | 160,000 | 492,770 | 151,810 | 223,930 | 0 | 1,028,510 |
| Debt Service | 411,590 | 437,150 | 181,340 | 5,005,910 | 0 | 6,035,990 |
| Reimbursement | 0 | 0 | 0 | 50,000 | 0 | 50,000 |
| Subtotal -- Operating Expense | 5,974,170 | 6,338,970 | 4,688,530 | 22,972,880 | 476,500 | 40,451,050 |
| (Net of Source of Supply) | | | | | | |
| Depreciation | 2,145,750 | 1,752,540 | 1,542,230 | 8,871,610 | 482,230 | 14,794,360 |
| Source of Supply | 0 | 0 | 12,730,400 | 96,489,660 | 57,000 | 109,277,060 |
| Total -- Operating Expense | 8,119,920 | 8,091,510 | 18,961,160 | 128,334,150 | 1,015,730 | 164,522,470 |
| Annual Contribution to General Fund | 705,760 | 950,300 | 3,186,330 | 10,429,610 | 81,000 | 15,353,000 |
| Total Expenditures | 8,825,680 | 9,041,810 | 22,147,490 | 138,763,760 | 1,096,730 | 179,875,470 |
| Add - Depreciation | 2,145,750 | 1,752,540 | 1,542,230 | 8,871,610 | 482,230 | 14,794,360 |
| Revenue in excess of Operating Expense | 2,642,810 | 4,003,620 | 2,252,290 | 151,950 | 41,270 | 9,091,940 |
| Capital Improvements | | | | | | |
| Capital Projects | 0 | 4,500,000 | 3,500,000 | 0 | 250,000 | 8,250,000 |
| Sewer Capital Projects | 4,150,000 | 0 | 0 | 0 | 0 | 4,150,000 |
| Total -- Capital Improvements | 4,150,000 | 4,500,000 | 3,500,000 | 0 | 250,000 | 12,400,000 |
| Revenues Over(Under) Expenses | -1,507,190 | -496,380 | -1,247,710 | 151,950 | -208,730 | -3,308,060 |