

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

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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.

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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
ADOPTED BUDGET FOR FY 2021
ALL UTILITY FUNDS BY FUNCTION**

Description	Wastewater	Water	Gas	Electric	Telecomm	TOTAL
	Fund - 51	Fund - 52	Fund - 53	Fund - 54	Fnd - 55	
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

**CITY OF DANVILLE - UTILITIES DEPARTMENT
ADOPTED BUDGET FOR FY 2021
ALL UTILITY FUNDS BY FUNCTION**

Description	Wastewater Fund - 51	Water Fund - 52	Gas Fund - 53	Electric Fund - 54	Telecomm Fnd - 55	TOTAL
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
ADOPTED BUDGET FOR FY 2021
ALL UTILITY FUNDS BY ACTIVITY

Description	Wastewater	Water	Gas	Electric	Telecomm	TOTAL
	Fund - 51	Fund - 52	Fund - 53	Fund - 54	Fnd - 55	
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
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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