

MEMORANDUM

DATE: December 16, 2003
TO: The Board of Directors
FROM: Robert H. Smith, Assistant Manager, James City Service Authority
SUBJECT: Water and Sewer Rate Study

The last James City Service Authority (JCSA) water and sewer rate study was conducted in December 1989 by Coopers & Lybrand. Since that time the annual rate reviews have been conducted by in-house staff, which evolved to a formal in-house annual rate study beginning in 1998. In view of the time lapse since the last external review, staff determined that it was time for a “fresh look” by an outside firm to determine if the JCSA was on track with current rate structures and future rate projections.

The firm of Municipal & Financial Services Group (MFSG) located in Annapolis, MD, was selected from seven proposals to conduct the Water & Sewer Utilities Cost of Service/Rate Study. Working with the JCSA staff, MFSG has prepared a draft report which they will present at the December 16, 2003, work session. An Executive Summary with recommendations are contained on pages 1 through 4 of the attached report.

In summary, the Study verified that:

- Current user rates for water and sewer do not produce sufficient revenue to cover revenue requirements for FY 2005 and beyond.
- System facility (connection) charges for water and sewer are currently established at an appropriate level based upon the average cost of capacity within the water and sewer systems.

After discussing the Rate Study with representatives of MFSG and staff, it is recommended that the Board approve the proposed rates for planning purposes. If this recommendation is accepted, staff will use the proposed rates in the development of the FY 05 and FY 06 Budget and Public Hearing Notices that will be advertised at the appropriate time intervals as required by Section 15.2-5136 of the Code of Virginia.

Robert H. Smith

CONCUR:

Larry M. Foster

RHS/gs
wtrsewrate.mem

Attachments