

City of Reidsville Press Release – Release Date April 5, 2016



Council unanimously approves increase in City's utility rates

The Reidsville City Council unanimously voted to increase water and sewer rates by 10 percent effective July 1, 2016.

With a 10% increase, the average residential utility customer will see their monthly bill go up less than \$5.00. In fact, 64% of customers should see a monthly increase of less than \$4.00.

The vote came during a special meeting held March 14, a follow-up to rate discussions beginning at the Council's annual budget retreat on January 30 and continued on February 5th.

Council members expressed concern about rising operating costs of the City's utility system and the need to re-invest in infrastructure. While the recent water quality issues in Flint, Michigan may be an extreme, the Council noted the seriousness of that situation. They cautioned against falling behind on maintenance and upgrades to water distribution and sewer collection. The EPA administrative order levied against neighboring Eden also brought home to the Council the importance of keeping utility rates at a level where the City can make system improvements along the way.

Staff offered Council several possible rate increase scenarios. With the 10% increase, it was felt by City staff that there would be less chance of needing another increase in the succeeding year.

Reidsville has made positive strides in recent years to improve its water quality. Among the efforts it has made have been to take back outsourced operations of its Water and Wastewater Treatment Plants in 2014 and to implement several procedures to clear out existing water lines, some of which are over 100 years old.

Aging infrastructure is a problem facing municipalities across the country. According to the North Carolina School of Government's Environmental Finance Center, municipalities optimally should be charging consumers 120% of operating expenses. That allows the fees to cover the actual cost of operations, plus 20% for capital improvements. These capital improvements can range from purchasing needed equipment and vehicles to replace aging water and sewer lines.

Over the years, the City of Reidsville has invested close to \$79 million into its utility system. Preliminary budget numbers for fiscal year 2016-2017 show that a 10% increase will bring the City's operating margin to 1.07%. To reach the 120% benchmark, the City would have to implement a 32% increase, which was deemed to be too much of a burden on local residents and businesses.

Staff will continue to monitor this operating margin, the level of reserves and the capital needs of the system when considering future rates. It appears this rate increase will allow an additional \$500,000 of investment in the City's system during the upcoming fiscal budget year.

Even with the 10% increase, Reidsville's utility rates will be among the lowest in Rockingham County. The average Reidsville residential usage is 4 units a month, which equals approximately 3,000 gallons; the State traditionally uses 5,000 gallons a month as normal residential usage. Staff provided Council with a chart showing that, based on usage of 4,000 gallons a month, the average Reidsville resident's current combined water and sewer bill is \$49.77, second lowest only to the Town of Mayodan at \$34.72. Even with the 10% increase, Reidsville residents' new \$54.75 bill compares favorably to \$70.43 for the City of Eden and \$81.49 for the County. *(See chart on succeeding page.)*