



City of Reidsville Press Release – Release Date February 20, 2020

Council unanimously approves 5% increase in utility rates

Faced with the loss of its biggest taxpayer and third highest water user, the City of Reidsville will increase its utility rates by 5% effective July 1, 2020.

The average residential water user should see their utility bill go up by \$2.40 a month or \$30 annually.

The Reidsville City Council voted unanimously at this year's Annual Budget Retreat held in late January to implement the 5% increase. The last time the City increased its utility rates was a 3% increase in 2018.

Among the factors behind the increase was the loss of Commonwealth Brands, which ceased operations in December of 2019. The tobacco factory accounted for nearly 5% of the City's tax base and was the City's third largest water user. This came on the heels of losing Ball Corporation, another top 5 taxpayer and utility user when the plant closed in 2017, and TMD WEK South, also in 2017.

The City also expects to see some forthcoming expenses and losses associated with NCDEQ's regulation of 1,4 Dixoane, a wastewater byproduct. Although a utility rate increase was needed, the City expects to absorb any property-related losses.

It is believed that this 5% increase will be sufficient for the next two fiscal years barring any unforeseen circumstances and hopefully longer.

Staff also has continuously cautioned the Council about the need to stay ahead of rising operating costs of the City's utility system and to re-invest in infrastructure.

At the Council Retreat, several Council members stressed that among their responsibilities is to make sure their citizens have good, clean water.

"It is vital that we maintain our utility system so that we don't run into the same problems that other municipalities, such as Flint, Michigan, have experienced," Mayor Jay Donecker noted. "Our citizens realize that, unfortunately, costs rise, and it is better to meet those rising needs head on rather than fall behind and have to implement a substantial increase later."

Even with this increase, Reidsville's utility bills are the second lowest in the County. The City also includes in its utility bill \$5.85 each month for landfill tipping fees. (*See attached Utility Comparison among Service Providers in Rockingham County.*)

Residents have also indicated in the past that they would prefer to have incremental increases rather than be hit with a large rate increase.

The University of North Carolina at Chapel Hill School of Government's Environmental Finance Center recommends that 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 and debt service.

Preliminary budget numbers for fiscal year 2020-2021 show that a 5% increase will bring the City's operating margin closer to 1.09%, which is still below the industry standard of 1.20%.