



## **AMHERST COUNTY SERVICE AUTHORITY**

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June 15, 2012

To: Amherst County Service Authority Board  
Subject: Regulations/Debt Service Obligations And Rates

Dear Board Members:

Now that ACSA's Series 2009 & Series 2010 bonds have been refinanced, we anticipate that Davenport & Co. representatives will provide the Board with a financial review. Refinancing has reduced ACSA's debt service cash flow problems. But, it has not eliminated them. Please keep in mind that ACSA has already reduced the discretionary portion of its budget by 27.7% over the last three years. (ACSA staff has no control over the Board approved debt service obligation portion of the budget.) While we have every intention of meeting the Board's 0% increase instructions in the discretionary budget for C. Y. 2013, further cuts of this nature would cripple ACSA's ability to meet its public health and safety obligations. Davenport will review a number of financial alternatives. Among them will be rate adjustments.

While nobody really wants to pursue such an alternative, the following factors should be remembered. My May report to the Board, "The Relationship Between Regulations and Rates, and the Value of Rate Benchmarking," documented that ACSA's rates are lowest of the Lynchburg MSA authorities. While they are also lower than the average, or median, of the Commonwealth's similar sized water/wastewater utilities, **all public water and wastewater utilities are facing the same regulatory pressures and these are pushing the rates higher.**

The Board has been conscientious in its efforts to avoid rate adjustments during the last two years of the "Great Recession". But, in this highly regulated industry all of our surrounding localities have been forced to continue regular rate adjustments to meet their debt service budgetary obligations. (Which resulted from bonds sold to meet the regulations.) Area 2011 water and wastewater rate increases include the following,

Town of Amherst	= +14.3%
Bedford Co. Public Service Authority	= + 8.0%
Campbell Co. Utilities Service Authority	= + 7.1% & \$3 BSF (=+9.3%)
City of Lynchburg	= + 3.3%

Each of these organization plans to continue adjusting rates annually, or every two years.



As ACSA's Board discovered when they similarly adjusted rates between 2001 and 2010, the public objects much less to repeated modest rate adjustments than they do to infrequent large adjustments. During the 1990's, when we adjusted rates every 4-6 yrs, they had to be double digit increases and dozens of individuals objected at the public hearings. During the period of 2001-2010, with small adjustments every year or two, it was rare to have anyone attend the hearing (at one we had three citizens present)

These are certainly not the only considerations for evaluating the financial alternatives presented by Davenport. But, they are important and should be remembered during your deliberations.

Thank you for your time and attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Dan E. French". The signature is written in black ink and is positioned above the printed name and title.

Dan E. French  
Director of Public Utilities

DEF/dm