

**From:** [Taylor, Steven A. – Council Chief of Staff Office](#)  
**To:** [Brown, Meghan K. - Council Chief of Staff Office](#)  
**Subject:** FW: Budget analysis of Ordinance 2017-087  
**Date:** Friday, July 14, 2017 2:40:01 PM

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## Steven A. Taylor

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**From:** Charles Pool [mailto:Charles\_Pool@msn.com]  
**Sent:** Wednesday, July 05, 2017 11:27 AM  
**To:** Echelberger, Jr., William E. – Council Chief of Staff Office  
**Cc:** Agelasto, Parker C. - City Council; Larson, Kristen N. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Trammell, Reva M. - City Council; Ali, Lou B. - Council Chief of Staff Office; Taylor, Steven A. – Council Chief of Staff Office; Hilbert, Chris A. - City Council  
**Subject:** Budget analysis of Ordinance 2017-087

Dear Mr. Echelberger,

The agenda for the July 18th City Council Land Use Committee notes that you will be presenting the Budget Analysis for Ordinance 2017-087. I have acquired information pertinent to the financial impact of the ordinance through the Freedom of Information Act (FOIA). I hope you will find this information useful in your Budget Analysis. (Please see lengthy FOIA e-mail chain below this e-mail.)

**A.** The O&R Request accompanying the ordinance greatly exaggerates the revenue to the City from the project. **The Budget Analysis should reflect the fact that the actual maximum NET revenue to the City from the sale to Chesterfield Co. of an additional 5 million gallons of treated water per day (or 1.8 billion gallons of treated water per year) is only \$85,394 per year.**

According to the March 14, 2017 O&R Request submission with Ordinance 2017-087, the additional sale of up to 5 million gallons per day to Chesterfield County would result in "Revenue to the City: \$6,494,103 five year total starting in 2020." But, in the June 2, 2017 FOIA response (below), Utility Director Steidel confirms that this projection of \$6.4 million in revenue to the City actually GROSS revenue not NET revenue to the City: **"REVENUE PROJECTED WITH THIS VOLUME INCREASE IS GROSS REVENUE"**

According to the FOIA information that I received from the Utility Director, the actual cost to the

City of providing each ccf (hundred cubic feet or 748 gallons) of water is 70.5 cents and the water is contractually to be sold to Chesterfield with only a 5% mark-up or 74 cents per ccf. So the City makes only 3.5 cents in NET revenue over actual costs per each ccf of water sold to the County. From knowing the volume of water sold and the mark-up on each ccf of water, I have computed that the City would generate a maximum net revenue of \$426,970 over five years, or \$85,394 net revenue annually. It is worth noting that the 5 million-gallons-per-day amount is a maximum increase in water volume proposed to be purchased by Chesterfield Co., and any reduced water volume less than 5 million-gallons-per-day would result in less than \$85,394 in annual net revenue to the City.

My computations are as follows:

Projected increase of water: 5,000,000 gallons per day

5,000,000 per day X 365 days = 1,825,000,000 gallons per year.

748 gallons = 1 ccf

1,825,000,000 gal per year divided by 748 = 2,439,839 ccf per year

Richmond utility actual cost of ccf of water available for sale = \$0.705

Chesterfield charged per ccf of water = \$0.74

\$0.74 (Chesterfield pays per ccf) minus \$0.705 (Richmond actual cost per ccf) = \$.035

(Richmond net revenue per ccf)

\$.035 x 2,439,839 ccf per year = \$85,394 maximum additional revenue per year

\$85,394 additional revenue per year x five years =

\$426,971 additional revenue to the City over five years

**B. The Budget Analysis should reflect the fact that no NET revenue to the city results from the projected \$400,000 increase in Chesterfield Co.'s contribution to the city's Capital Costs.** The increased Capital Costs resulting from the sale of an additional 5 million gallons of water per day is contractually limited to recovering the City's "ACTUAL COST." According to item #3 in the existing 1994 water contract with Chesterfield Co.: "Payments for providing water to the County shall be of three types: payments for joint Capital Costs, payments for Direct County Capital Costs, and payments for Operating Expenses. All payments shall be based on actual cost to the City ..."

The administration appears to mistakenly include the projected \$400,000 increase in Capital Cost contributions from the county when citing increased revenue projections, but according to the contract with the County, these Capital Costs are based on actual costs incurred by the City, and, as such, cannot be considered NET revenue from the project.

**C. The Budget Analysis should include an evaluation of the imprudent clause in the contract that would require the City to pay the County for the two-million-gallon tank and pumping facility if the County unilaterally decides not to renew the lease.** The City of Richmond would be contractually obligated per Section 1 (a) (ii) of the agreement to pay Chesterfield Co. for the 2-million-gallon storage tank and pumping facility in Larus Park or give

the county credit in future capital costs, regardless of whether or not Richmond needs the facility. This wording unwisely would give the County extraordinary leverage to negotiate lower water prices in the future by threatening not to renew the agreement, in which case the City would be forced to pay millions of dollars to purchase the water facility that it may not need. No one in private business would agree to such an ill-advised clause.

Chesterfield Ordinance 12.D.1, approving the project for the County, estimated the cost of the project, including the pump station and transmission mains to be \$22.2 million. Times Dispatch press report estimated the cost of the 2-million-gallon tank and pumping facility at \$7.5 million. There is a high likelihood that the city would experience a net loss on the agreement if Chesterfield did not renew the lease. **And since the City eventually must acquire the 2 million-gallon-tank and pumping facility when the lease is terminated by the County after the useful lifespan of the facility, projected costs to the City for demolishing the facility after its useful lifespan should be factored into the Budget Analysis. The City would need to spend millions of dollars in costs for decommissioning and demolishing the facility after its useful lifespan, mitigating any hazardous material on the site, and reclaiming the land back to its natural state.**

**D.** Section 5 a. of the existing contract with Chesterfield Co. limits the County's PILOT payments to personal property and real estate taxes: "The County shall pay the City ... a percentage of payments in lieu of any real estate and personal property taxes to be calculated annually." This language exempts the County from paying the PILOT in lieu of federal income taxes. **The Budget Analysis should include the estimated payments that City utility customers would be obligated to pay for the 34% federal income tax PILOT on the additional sale of water to Chesterfield. Utility Director Steidel estimated the federal income tax PILOT on the additional sale of water to the County to be approximately \$1 million over five years.**

**E.** The administration has implied that the City would net new water service and fire hydrants to several residences near the facility, but, in fact, the City is contractually obligated to foot the bill for these 4,000 feet of new water lines: 1.c. "The City shall design, construct, own, operate, and maintain approximately 4,000 feet of new water transmission main to supply the new ground storage tank." **No estimate was provided by the administration for the City's expense of providing nearly a mile of new water lines for the new facility, but the City's expense of building the 4,000 feet of new water transmission lines should be included in the Budget Analysis.**

**F.** The Ordinance 2017-087 would lock in the extremely low volume rate that water is sold to the County. Richmond residents and businesses must pay \$3.82 per ccf (hundred cubic feet or 748 gallons) while Chesterfield pays only 74 cents per ccf. **The Budget Analysis of this agreement should quantify the competitive disadvantage to Richmond businesses resulting from the five-fold disparity in the price that water is sold to the County.** Pricing the County's water volume at one-fifth the price that the water is sold to the City businesses and residents

exacerbates the city's high poverty rate and encourages businesses who use a substantial water volume to move to the County. The extraordinary low volume rate of 74 cents per ccf provides no incentive for the County to conserving water and will exacerbate water shortage during drought conditions.

**G.** The most egregious aspect of Ordinance 2017-087 is that over one-and-a-quarter acre of Lewis G. Larus Park would be leased to the County for \$1 per year. This is contrary to City code section 8-2 (c) that specifically prohibits leasing any portion of Larus Park for any development. No alternative sites were considered. **The minimal monetary return to the City for leasing City park land and the permanent loss of natural habitat of the forested area should be considered in the Budget Analysis.**

Thank you for your consideration of the above seven points when preparing the Budget Analysis for Ordinance 2017-087. This ordinance is extraordinarily favorable to the County but ridiculously disadvantageous to the City. Would it be possible to meet with you to review these points? Please send me a copy of your Budget Analysis of Ordinance 2017-087 when you have completed it.

Sincerely,

Charles Pool  
(804) 788-0359

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**From:** Steidel, Robert C. - DPU <Robert.Steidel@richmondgov.com>

**Sent:** Friday, June 9, 2017 9:57 AM

**To:** Charles Pool; dseli@wrallp.com

**Cc:** Agelasto, Parker C. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Larson, Kristen N. - City Council; Trammell, Reva M. - City Council; Hilbert, Chris A. - City Council; Fountain, Angela D. - DPU; Stoney, Levar M. - Mayor; thad williamson; Jackson, Allen L. - City Attorney; Kearney, David B. - City Attorney; 'Hayes, George'

**Subject:** RE: Questions regarding Ordinance 2017-087

Mr. Pool, as I stated to you last night the information you are requesting was prepared by Chesterfield County and I will forward your request for **Site Review documentation prepared by Whitman, Requardt, and Assoc. for this project, including the survey of 320 trees that would need to be removed** to Mr. Hayes, DPU director of Chesterfield County, for his review and response.

Mr. Pool, as I stated to you last night the information you are requesting, if it exists, was prepared by Chesterfield County and I will forward your request for **alternative site studies prepared for Chesterfield Co. or Richmond for the Chesterfield Co. water facility project**

**proposed for Lewis G. Larus Park** to Mr. Hayes, DPU director of Chesterfield County, for his review and response.

Mr. Pool as I stated last night in the meeting you attended, the amount of the land lease is \$1 per year and if found on page 2 in section I.a.ii. of the draft amendment to the water contract attached to Ordinance 2017-087. Governments and other utility providers routinely lease land in adjacent jurisdictions for infrastructure and the amount is a traditionally a de minimums amount in these cases. The lease results in new water sales from Chesterfield County to Richmond which results in revenue to the water utility and the general fund.

Mr. Pool as I stated last night in the meeting you attended, the deed transferring the property to the City (Ordinance 75-309-302) discusses that the property shall be used as a park but that the property may also be used for other public purposes so long as the use meets "sound planning principles". The reference in the O&R should have more accurately reflected the project is in accordance with the Ordinance with the deed of transfer. In the meeting you attended last night you heard from Councilwoman Larson who has requested the City Attorney provide her with an opinion on the compliance of the project with city code which I will assume will be shared with you.

Sincerely,

Robert C. Steidel  
Director City of Richmond Virginia Department of Public Utilities  
730 E Broad Street Richmond Virginia 23219  
804-646-1378  
804-646-7000 Customer Service  
[Robert.Steidel@richmondgov.com](mailto:Robert.Steidel@richmondgov.com)  
[www.richmondgov.com/dpu](http://www.richmondgov.com/dpu)

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**From:** Charles Pool [mailto:Charles\_Pool@msn.com]  
**Sent:** Friday, June 9, 2017 8:49 AM  
**To:** Steidel, Robert C. - DPU; dseli@wrallp.com  
**Cc:** Agelasto, Parker C. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Larson, Kristen N. - City Council; Trammell, Reva M. - City Council; Hilbert, Chris A. - City Council; Fountain, Angela D. - DPU; Stoney, Levar M. - Mayor; thad williamson  
**Subject:** Re: Questions regarding Ordinance 2017-087

Dear Mr. Steidel,

If I could please trouble you for additional information pertaining to the proposed Chesterfield Co. water facility proposed for Larus Park:

- 1). At the meeting at Fisher Elementary School on June 8, 2017 sponsored by Councilwoman Kristen Larson, it was revealed that **320 mature trees** would need to be cut down on **1.26 acres** of Lewis G. Larus Park for the proposed Chesterfield Co. water facility. **Please provide Site Review documentation prepared by Whitman, Requardt, and Assoc. for this project, including the survey of 320 trees that would need to be removed.**

**2). Please provide any alternative site studies prepared for Chesterfield Co. or Richmond for the Chesterfield Co. water facility project proposed for Lewis G. Larus Park.**

**3). Please provide the agreed upon dollar amount for the annual land lease of the acre + land in Richmond's Larus Park by Chesterfield Co.**

4). Your "O&R Request" accompanying Ordinance 2017-087 states that, "Encroachment into Larus Park as part of this project is in accordance with city code." City Code Section 8-2 (c) specifically prohibits leasing Larus Park for any development: "Notwithstanding any other provision of law to the contrary, Bandy Field Park, **Lewis G. Larus Park**, Crooked Branch Ravine Park and City-owned real estate that has been designated as part of the James River Park System **shall not be leased for any purpose that would result in or involve any development of any part of these public park lands.**"

However, your "O&R Request" accompanying Ordinance 2017-087 states that, "Encroachment into Larus Park as part of this project is in accordance with city code." **Please provide the city code section to which you were referring when you stated that, "Encroachment into Larus Park as part of this project is in accordance with city code."**

Thank you very much for your assistance with this request for information.

Charles Pool  
(804) 788-0359

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**From:** Steidel, Robert C. - DPU <[Robert.Steidel@richmondgov.com](mailto:Robert.Steidel@richmondgov.com)>

**Sent:** Friday, June 2, 2017 5:41 PM

**To:** Charles Pool

**Cc:** Agelasto, Parker C. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Larson, Kristen N. - City Council; Trammell, Reva M. - City Council; Hilbert, Chris A. - City Council; Cuffee-Glenn, Selena - CAO; Lassiter, Wayne - DPU; Fountain, Angela D. - DPU; Stoney, Levar M. - Mayor; thad williamson; Cuffee-Glenn, Selena - CAO; Saunders, J.E. Lincoln - CAO/Mayor's Office

**Subject:** RE: Questions regarding Ordinance 2017-087

Mr. Pool the DPU response to your FOIA request of 25 May 2017 is as follows:

1) What alternative locations were considered other than Richmond's city park (Larus Park) for the water facility for Chesterfield County?

**RESPONSE:** *As the proposed facilities are to be designed, built and operated by Chesterfield County public utilities I am unable to answer your basis of design question. However as the proposed location is co-located with the existing City of Richmond ground water storage tank at this elevation as a result of the mathematics of the hydraulic grade of the pumping capacity from the drinking water treatment plant, this location is logical.*

2) Is it possible that this proposed water facility would be expanded in Larus Park in the future?

**RESPONSE:** *Chesterfield County is requesting 5 million gallons per day of capacity and the facilities are designed by Chesterfield County for that volume. The terms of the 3 county water contracts run another few decades so there could be changes by any of the four participating jurisdictions regarding supply, treatment, storage and distribution in that time that would impact storage and pumping by either Richmond or Chesterfield at the Huguenot Road station site. However at present other than the project at hand, there is nothing I am aware of.*

3) Considering the large sacrifice that Richmond residents would incur for creating the water facility for Chesterfield County in Larus Park, including the destruction of a portion of our city park and payment of federal income tax on the sale of the water, from the point of view of Richmond residents what is the "public necessity" for building this facility for Chesterfield County in Richmond's Larus Park?

**RESPONSE:** *The project at hand will provide redundancy in water storage at the location between the interconnectivity of the existing City of Richmond 0.75 million gallon ground storage tank and proposed Chesterfield County 5.0 million gallon ground storage tank, increased reliability of water pressure in the City pressure zone 7, provide fire protection in unserved residential areas of the city, and respond to the changing needs of the metropolitan region water supply planning process for safe drinking water through adaptive management.*

4) According to your March 14, 2017 submission with the ordinance 2017-087, you state that the project adding sales of up to 5 million gallons per day to Chesterfield County will result in "Revenue to the City: \$6,494,103 five year total starting in 2020."

Additionally, the information that you provided to me indicates that the actual cost to the city of providing each ccf of water is 70.5 cents and the water is being sold to Chesterfield with only a 5% mark-up at 74 cents per ccf, so the city makes only 3.5 cents over actual costs per each ccf (748 gallons) of water sold to the county. From knowing the volume of water sold and the mark-up on each ccf of water, I have computed that the city would generate revenue of \$426,970 over five years.

My computation is as follows:

Projected increase of water: 5,000,000 gallons per day

5,000,000 per day X 365 days =1,825,000,000 gallons per year.

748 gallons = 1 ccf

1,825,000,000 gal per year divided by 748 = 2,439,839 ccf per year

Richmond utility actual cost of ccf of water available for sale = \$0.705

Chesterfield charged per ccf of water = \$0.74

\$0.705 Richmond actual cost per ccf

\$0.74 Chesterfield pays per ccf

\$.035 Richmond revenue per ccf

\$.035 x 2,439,839 ccf per year = \$85,394 additional revenue per year

\$85,394 additional revenue per year x five years =

\$426,971 additional revenue to the city over five years

Could you please provide a breakdown of how you anticipate to have an increased revenue of \$6,494,103 from the additional sale of 5 million gallons of water to Chesterfield County per day

with a revenue mark-up of only 3.5 cents per ccf (hundred cubic feet)? (Based upon the figures that you have provided it appears that the additional sale in water volume of 5 million gallons per day would generate only \$426,971 in additional revenue to the city over five years.)

**RESPONSE:** THERE ARE A FEW DIFFERENCES BETWEEN THE METHODOLOGIES, WHICH MAY HELP TO EXPLAIN THE ASSUMPTIONS USED BY DEPARTMENT OF PUBLIC UTILITIES (DPU) TO ARRIVE AT ITS PROJECTED REVENUE OF \$6.5 MILLION OVER 5 YEARS AS IT RELATES TO CHESTERFIELD COUNTY'S INCREASE IN WATER INTAKE. TWO KEY ASSUMPTIONS INCLUDE:

1. CHESTERFIELD WILL INCREASE ITS ANNUAL INTAKE OF WATER BY 2.5 MILLION GALLONS PER DAY EACH DAY BEGINNING IN FY19
2. REVENUE PROJECTED WITH THIS VOLUME INCREASE IS GROSS REVENUE; THE CALCULATION USED BY YOU YIELDS NET REVENUE
3. \$6.5 MILLION REVENUE PROJECTED INCLUDES BOTH AN OPERATING (I.E., VOLUME) & A CAPITAL COMPONENT FOR THE 5-YEAR PERIOD

5) From the information you provided below, there is a 34% federal income tax rate that the Richmond utility customers are charged on revenue generated by the utility. You project \$6,494,103 additional revenue generated over five years from the project resulting from the additional sale of 5 million gallons of water per day to Chesterfield County. But you state that the estimated income tax payment on the increase revenue of \$6,494,103 calculates to approximately \$1 million, which would be 15% (rather than 34%) of the additional revenue.

Could you please explain why the 34% income tax rate burden on Richmond utility customers on the increased revenue of \$6,494,103 would not be \$2,207,995? (i.e. \$6,494,103 x 34% = \$2,207,995)?

**RESPONSE:** FOR DPU'S WHOLESALE ACCOUNTS (I.E., THE COUNTIES OF HENRICO, CHESTERFIELD & HANOVER) THE PILOT PAYMENT MADE BY THE DPU ANNUALLY TO THE CITY'S GENERAL FUND, WHICH IS A COMPONENT OF THE OPERATING COST CHARGED TO THE COUNTY, INCLUDES ONLY THE REAL ESTATE & PERSONAL PROPERTY PORTION. IT DOES NOT INCLUDE THE FEDERAL INCOME TAX OR GROSS RECEIPTS TAX PORTION OF THE PILOT PAYMENT MADE TO THE GENERAL FUND, WHICH IS TYPICALLY THE LARGEST PORTION THAT CONTRIBUTES TO THE CALCULATION OF THE TOTAL PILOT PAYMENT. FOR COMPUTING

AS EXPLAINED IN OUR RESPONSE TO QUESTION #3 OF YOUR PREVIOUS SET OF QUESTIONS RECEIVED MAY 23 OUR RATIONALE & METHODOLOGY USED TO ESTIMATE THE AMOUNT OF TAX REVENUE TO BE COLLECTED FROM THE COUNTY CALCULATED \$190,000 PER YEAR OR \$1,000,000 OVER 5 YEARS. IT IS ALSO IMPORTANT TO NOTE THAT INCOME TAX, THE LARGEST COMPONENT OF THE PILOT PAYMENT, IS NOT LEVIED AGAINST CAPITAL CONTRIBUTIONS COLLECTED FROM CHESTERFIELD COUNTY.

6) Why does the city of Richmond utility not charge Chesterfield Co. a (PILOT) payment in lieu of federal income tax on the sale of water, just like it charges Richmond utility customers?

**RESPONSE:** THE WATER CONTRACT WITH CHESTERFIELD COUNT UNDER ITS GENERAL PROVISIONS IDENTIFIES QUALIFYING OPERATING EXPENSES & STIPULATES THAT THE COUNTY SHALL MAKE A PAYMENT TO THE CITY IN LIEU OF ANY REAL ESTATE & PERSONAL PROPERTY TAXES.



7) How much do city residents pay the Richmond water utility for Fire Protection per ccf? And is this amount charged in the volumetric cost or the fixed charges or both?

**RESPONSE:** THE MAJORITY OF PUBLIC FIRE PROTECTION COSTS ARE INCLUDED IN THE WATER VOLUMETRIC RATE WITH A SMALLER PORTION RECOVERED THROUGH THE FIXED CHARGE. AT THIS POINT IN TIME, THE SPECIFIC COSTS ASSOCIATED WITH PUBLIC FIRE PROTECTION, WHICH INCLUDES FIRE HYDRANTS AND OTHER CAPACITY RELATED COSTS, ARE NOT ALLOCATED SEPARATELY BUT INCLUDED WITHIN WATER SUPPLY/TREATMENT, TRANSMISSION, DISTRIBUTION, STORAGE, AND PUMPING COSTS.

8) What is the overall water volume that is purchased from the Richmond water utility by City of Richmond customers (not counting the water volume that is sold to the counties)?

**RESPONSE:** SEE TABLE BELOW.

<b>Ccf Purchased</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>Chesterfield County</b>	<b>3,626,367</b>	<b>4,079,709</b>	<b>4,215,250</b>
<b>Hanover County</b>	<b>2,497,778</b>	<b>2,568,017</b>	<b>2,637,737</b>
<b>Henrico County</b>	<b>5,661,175</b>	<b>6,355,236</b>	<b>5,803,601</b>
<b>City of Richmond</b>	<b>11,198,246</b>	<b>11,684,445</b>	<b>11,488,304</b>

Sincerely,

Robert C. Steidel  
Director City of Richmond Virginia Department of Public Utilities  
730 E Broad Street Richmond Virginia 23219  
804-646-1378

804-646-7000 Customer Service  
[Robert.Steidel@richmondgov.com](mailto:Robert.Steidel@richmondgov.com)  
[www.richmondgov.com/dpu](http://www.richmondgov.com/dpu)

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**From:** Charles Pool [<mailto:Charles.Pool@msn.com>]  
**Sent:** Thursday, May 25, 2017 11:21 AM  
**To:** Steidel, Robert C. - DPU  
**Cc:** Agelasto, Parker C. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Larson, Kristen N. - City Council; Trammell, Reva M. - City Council; Hilbert, Chris A. - City Council; Cuffee-Glenn, Selena - CAO; Lassiter, Wayne - DPU; Fountain, Angela D. - DPU; Stoney, Levar M. - Mayor; thad williamson; Cuffee-Glenn, Selena - CAO; Saunders, J.E. Lincoln - CAO/Mayor's Office  
**Subject:** Questions regarding Ordinance 2017-087

Dear Mr. Steidel,

Thank you for your prompt response to my previous inquiry (below). If I could please trouble you with some addition questions pertaining to Ordinance 2017-087 for the Chesterfield water facility that is proposed to be built the Richmond city park (Larus Park):

- 1). **What alternative locations were considered other than Richmond's city park (Larus Park) for the water facility for Chesterfield County?**
- 2). **Is it possible that this proposed water facility would be expanded in Larus Park in the future?**
- 3). Considering the large sacrifice that Richmond residents would incur for creating the water facility for Chesterfield County in Larus Park, including the destruction of a portion of our city park and payment of federal income tax on the sale of the water, **from the point of view of Richmond residents what is the "public necessity" for building this facility for Chesterfield County in Richmond's Larus Park?**
- 4). According to your March 14, 2017 submission with the ordinance 2017-087, you state that the project adding sales of up to 5 million gallons per day to Chesterfield County will result in **"Revenue to the City: \$6,494,103 five year total starting in 2020."**

Additionally, the information that you provided to me indicates that the actual cost to the city of providing each ccf of water is 70.5 cents and the water is being sold to Chesterfield with only a 5% mark-up at 74 cents per ccf, so the city makes only 3.5 cents over actual costs per each ccf (748 gallons) of water sold to the county. From knowing the volume of water sold and the mark-up on each ccf of water, I have computed that the city would generate revenue of \$426,970 over five years.

My computation is as follows:

Projected increase of water: 5,000,000 gallons per day  
5,000,000 per day X 365 days =1,825,000,000 gallons per year.

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Chesterfield charged per ccf of water = \$0.74

\$0.705 Richmond actual cost per ccf

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\$.035 Richmond revenue per ccf

\$.035 x 2,439,839 ccf per year = \$85,394 additional revenue per year

\$85,394 additional revenue per year x five years =

\$426,971 additional revenue to the city over five years

**Could you please provide a breakdown of how you anticipate to have an increased revenue of \$6,494,103 from the additional sale of 5 million gallons of water to Chesterfield County per day with a revenue mark-up of only 3.5 cents per ccf (hundred cubic feet)?** (Based upon the figures that you have provided it appears that the additional sale in water volume of 5 million gallons per day would generate only \$426,971 in additional revenue to the city over five years.)

5). From the information you provided below, there is a 34% federal income tax rate that the Richmond utility customers are charged on revenue generated by the utility. You project \$6,494,103 additional revenue generated over five years from the project resulting from the additional sale of 5 million gallons of water per day to Chesterfield County. But you state that the estimated income tax payment on the increase revenue of \$6,494,103 calculates to approximately \$1 million, which would be 15% (rather than 34%) of the additional revenue.

**Could you please explain why the 34% income tax rate burden on Richmond utility customers on the increased revenue of \$6,494,103 would not be \$2,207,995? (i.e. \$6,494,103 x 34% = \$2,207,995)?**

6). **Why does the city of Richmond utility not charge Chesterfield Co. a (PILOT) payment in lieu of federal income tax on the sale of water, just like it charges Richmond utility customers?**

7). **How much do city residents pay the Richmond water utility for Fire Protection per ccf? And is this amount charged in the volumetric cost or the fixed charges or both?**

8). **What is the overall water volume that is purchased from the Richmond water utility by City of Richmond customers (not counting the water volume that is sold to the counties)?**

Thank you for your assistance with this request for information.

Sincerely,

Charles Pool

---

**From:** Steidel, Robert C. - DPU <[Robert.Steidel@richmondgov.com](mailto:Robert.Steidel@richmondgov.com)>

**Sent:** Tuesday, May 23, 2017 9:24 AM

**To:** 'Charles Pool'

**Cc:** Agelasto, Parker C. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Larson, Kristen N. - City Council; Trammell, Reva M. - City Council; Hilbert, Chris A. - City Council; Cuffee-Glenn, Selena - CAO; Lassiter, Wayne - DPU; Fountain, Angela D. - DPU; Stoney, Levar M. - Mayor; thad williamson; Cuffee-Glenn, Selena - CAO; Saunders, J.E. Lincoln - CAO/Mayor's Office

**Subject:** RE: four questions regarding Ordinance 2017-087

Mr. Pool, responses to your FOIA request of 16 May 2017 are below and attached. Councilman Agelasto information in this response also addresses your question of 17 May 2017.

1). How does the city justify selling water to Chesterfield County at \$0.74 per Ccf at the same time that it is charging residents of Richmond (who own the utility) a rate over five times higher at \$3.82 per Ccf? **The volumetric rate charged to Chesterfield County is based on their proportionate share of joint operating costs only. Chesterfield makes a separate, annual payment to Richmond for its share of capital costs, and this payment is not reflected in the \$0.74 per Ccf rate. The City's volumetric rate of \$3.82 per Ccf includes both operating and capital costs.**

**The joint operating costs recovered from Chesterfield reflect costs that benefit both wholesale and retail customers. These costs include, for example, water source of supply, treatment, and transmission. Chesterfield pays a smaller portion of certain joint costs associated with the City's water distribution system and administrative functions, as they not fully benefit from these services. Finally, Chesterfield does not pay for customer related costs since they have their own retail water system and customer service functions.**

2). What currently is the tax rate that the utility uses when computing the PILOT payment in lieu of Federal Income Tax charged to Richmond customers for the "income" of the water utility? **The current rate used is 34%.**

3). Over five years what is the projected PILOT payment in lieu of Federal Income Taxes that Richmond customers would be charged on the projected additional \$6,494,103 in sales of water to Chesterfield County? **In FY 2016, operating revenues from Chesterfield County were approximately \$3.5 million, which was about 5% of the City's total water operating revenues of \$65 million. The estimated federal income tax portion of the PILOT for the water system was approximately \$3.8 million. If we assume 5% of this income was related to revenue from Chesterfield County, approximately \$190k of the federal income tax portion of the PILOT was associated with Chesterfield County. Applying this same rationale over the next five years, the estimated tax payment calculates to approximately \$1,000,000.**

4). What is the estimated square footage of Richmond's Larus Park that would be displaced to create the new water capacity facility for Chesterfield County along with the accompanying road and parking lot? **Chesterfield County Department of Public Utilities will design and construct the project. Design is not complete. Attached is the City of Richmond Planning Commission agenda and meeting summary**

of 16 February 2016 for your information on design comments provided by the Commission on the conceptual review.

5). What is the estimated number of trees that would be cut down in Richmond's Larus Park to create the proposed water capacity facility for Chesterfield County? **Same response as for question number 4.**

6). What alternative steps, including reduced service charges and rates that encourage conservation by rewarding low water consumption, did Richmond and Chesterfield consider to reduce the need for additional water capacity facilities? **As stated in the O&R cover memorandum of 14 March 2017 Chesterfield County has notified the City that the County wishes to increase its purchase of water from the City from the current 27 million gallons per day to a new volume of 32 million gallons of water per day. The regional water supply planning process brings safe drinking water supply to the metropolitan area.**

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**From:** Charles Pool [<mailto:Charles.Pool@msn.com>]  
**Sent:** Tuesday, May 16, 2017 4:31 PM  
**To:** Steidel, Robert C. - DPU  
**Cc:** Agelasto, Parker C. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Larson, Kristen N. - City Council; Trammell, Reva M. - City Council; Hilbert, Chris A. - City Council; Cuffee-Glenn, Selena - CAO; Lassiter, Wayne - DPU; Fountain, Angela D. - DPU; Stoney, Levar M. - Mayor; thad williamson  
**Subject:** Re: four questions regarding Ordinance 2017-087

Dear Mr. Steidel,

Thank you very much for the prompt response to my inquiries regarding Ordinance 2017-087 (below).

If I could please trouble you with six additional questions regarding this proposed ordinance:

- 1). How does the city justify selling water to Chesterfield County at \$0.74 per Ccf at the same time that it is charging residents of Richmond (who own the utility) a rate over five times higher at \$3.82 per Ccf?
- 2). What currently is the tax rate that the utility uses when computing the PILOT payment in lieu of Federal Income Tax charged to Richmond customers for the "income" of the water utility?
- 3). Over five years what is the projected PILOT payment in lieu of Federal Income Taxes that Richmond customers would be charged on the projected additional \$6,494,103 in sales of water to Chesterfield County?
- 4). What is the estimated square footage of Richmond's Larus Park that would be displaced to create the new water capacity facility for Chesterfield County along with the accompanying road and parking lot?
- 5). What is the estimated number of trees that would be cut down in Richmond's Larus Park to create the proposed water capacity facility for Chesterfield County?
- 6). What alternative steps, including reduced service charges and rates that encourage conservation by rewarding low water consumption, did Richmond and Chesterfield consider to reduce the need for additional water capacity facilities?

Thank you again for your prompt response to my questions regarding the proposed Ordinance 2017-087.

Sincerely,

Charles Pool

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**From:** Steidel, Robert C. - DPU <[Robert.Steidel@richmondgov.com](mailto:Robert.Steidel@richmondgov.com)>

**Sent:** Tuesday, May 16, 2017 1:28 PM

**To:** Charles Pool

**Cc:** Agelasto, Parker C. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Larson, Kristen N. - City Council; Trammell, Reva M. - City Council; Hilbert, Chris A. - City Council; Cuffee-Glenn, Selena - CAO; Lassiter, Wayne - DPU; Fountain, Angela D. - DPU

**Subject:** RE: four questions regarding Ordinance 2017-087

Mr. Pool, Councilwoman Larson has requested this ordinance to be continued 30 days.

Responses to your FOIA request of 12 May are as follows:

1). According to Ordinance 94-242-225, which is attached to the Ordinance 2017-087: "Upon completion of the preliminary cost study by Oct. 1 each year, the billing rate per Ccf should be adjusted to the actual cost for the just completed fiscal year per Ccf plus 5%."

**What is the "actual cost" per Ccf for the just completed fiscal year to which 5% is added when billing Chesterfield Co. for water?**

The actual rate billed to Chesterfield County in the most recently completed fiscal year (2016) was \$0.74 per Ccf. The billing rate for fiscal year 2017 will be calculated by applying a 5% inflation factor to the 2016 calculated rate.

2). **What percent is added to the "actual cost" per Ccf of water when billing Richmond utility customers?**

The rate billed to Richmond Water Utility customers is derived from calculations in the Financial Model and the Cost of Service for the Water Utility. No additional percentage is added to this calculated amount.

3). **Does the current "actual cost" per Ccf (to which 5% is added) for water sold to Chesterfield Co. include a PILOT (payment in lieu of taxes)?**

Section 5a of the Chesterfield County Water Contract allows for a percentage of payments in lieu of real estate and personal property taxes (PILOT) to be included in the rate charged to Chesterfield County.

4). **How will the cost for water to Chesterfield County be calculated under the amended contract?**

The amended contract calls for 24.2% of the shared project costs of the utility to be billed to Chesterfield County; a change from the current percentage of 20.5%. The percentage is derived by dividing the county's daily purchase rights by the water plant's total daily capacity.

Robert C. Steidel

Director City of Richmond Virginia Department of Public Utilities

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**From:** Charles Pool [<mailto:Charles.Pool@msn.com>]

**Sent:** Friday, May 12, 2017 2:07 PM

**To:** Steidel, Robert C. - DPU

**Cc:** Agelasto, Parker C. - City Council; Robertson, Ellen F. - City Council; Gray, Kimberly B. - City Council; Larson, Kristen N. - City Council; Trammell, Reva M. - City Council; Hilbert, Chris A. - City Council

**Subject:** four questions regarding Ordinance 2017-087

Dear Mr. Steidel,

I understand that Ordinance 2017-087 is before the Land Use Committee next Tuesday. In advance of that meeting, could I please trouble you to provide the following information:

1). According to Ordinance 94-242-225, which is attached to the Ordinance 2017-087: "Upon completion of the preliminary cost study by Oct. 1 each year, the billing rate per Ccf should be adjusted to the actual cost for the just completed fiscal year per Ccf plus 5%."

**What is the "actual cost" per Ccf for the just completed fiscal year to which 5% is added when billing Chesterfield Co. for water?**

2). **What percent is added to the "actual cost" per Ccf of water when billing Richmond utility customers?**

3). **Does the current "actual cost" per Ccf (to which 5% is added) for water sold to Chesterfield Co. include a PILOT (payment in lieu of taxes)?**

4). **How will the cost for water to Chesterfield County be calculated under the amended contract?**

Thank you for your assistance with this request for information.

Sincerely,

Charles Pool