

Danville Utilities provides innovative, reliable, competitive, and safe utility services with a highly valued and qualified workforce, while helping drive economic development.

The City of Danville has been in the utility business since 1876. Danville is the only municipality in Virginia to operate all four essential utilities: electricity, natural gas, water, and wastewater along with telecommunications services. Danville Utilities serves the City and adjoining residential neighborhoods with water and gas service. Electricity is distributed to 42,000 customer locations in a 500-square mile service area that includes Danville, most of Pittsylvania County's households, and small portions of Henry and Halifax Counties. Danville Utilities provides water, wastewater, and natural gas services to customers within a 50-square mile area consisting of the city adjacent suburban areas.

Danville Utilities values:

- Safety
- Customer Care
- Professionalism
- A valued workforce
- Stewardship

Danville Utilities fulfills community responsibilities by:

- Ensuring proper accountability to the City Manager, Utilities Commission, City Council, utility customers, and the community.
- Supporting the City's community and economic development efforts.
- Minimizing harmful impact on the service area's natural environment.
- Building and strengthening mutually beneficial relationships with other municipal departments, the school district, and outside organizations.
- Generating revenue to the City's General Fund to support continued provision of world class municipal and school services, thereby ensuring a positive return on utility owner investment.

Danville Utilities is organized into six operating divisions – Water & Wastewater Treatment, Water & Gas, Power & Light, Telecommunications, Support Services, and Administration across five funds.

The FY 2023 Budget includes operating expenditures (less depreciation and General Fund contributions) of \$143 million and \$21 million for affiliated capital projects.

The budget is based on projected revenues using utility rates approved by City Council and no rate increases were included. The following factors affect all five Utility funds, except as noted:

Salary Adjustments

The amount budgeted for FY 2023 for salaries and FICA are based on salary projections and include pay-for-performance increases and minimum wage adjustments. Consistent with the prior year budget, increases and adjustments were not distributed to the respective salary and benefit accounts but included in the administrative division of each fund's budget in line item 51417 "Salaries and Wages Adjustment". There is an allowance of \$298,750 for pay for performance increases included in this line item in combined Utility budgets for 2023 in anticipation of the

continuation of the pay for performance increases. An estimated \$176,280 is included for wage compression related to minimum wage adjustments required by State law.

Retirement Rates

The latest actuarial report reflects the funding status of the pension system has improved from 104.7% to 106.6%. This was accomplished through additional contributions and the recognition of investment gains. The report recommended an employer contribution of 4.533% of covered payroll for general employees to maintain a funded ratio of at least 100%.

Benefits Allocation

The City's self-insured employee health insurance plan is accounted for within the Human Resources Department. Through line item 57100 "Employee Benefits/HR Allocation", each utility division receives an allocation of the plan's expenses and premiums based on the division's specific number of employees. The allocation decreased an average of 6.3% per Utility fund with an increase of \$94,290 in combined Utility budgets for 2023.

Revenue

Revenue will cover operating costs and ongoing system-related improvements to maintain the integrity and reliability of the utility infrastructure.

Expenditures

This budget includes appropriations of \$15.5 million for contribution to the City's General Fund which is identical to the prior year contribution. Proposed FY 2023 capital improvements include \$21 million in projects that are necessary to meet environmental quality requirements, replace outdated infrastructure and facilities and to improve reliability and safety. Specific projects include:

Wastewater

- \$1 million for the Fall Creek Sanitary Sewer Reconstruction & Rehabilitation project financed with Wastewater fund balance (Public Works)
- New Sewer Lines \$250,000 financed with revenues (Public Works)
- Sewer Line Reconstruction \$300,000 financed with revenues (Public Works)

Water

- \$6 million to replace aging waterlines and infrastructure in the distribution system financed by State Grants, Bonds, and water revenues
- \$3.5 million for the Off-stream Reservoir project which will be financed by State grants and bonds

Gas

- \$3 million for the New Natural Gas Transmission Pipeline project which will be financed by Gas fund balance and revenues

Electric

- \$1.5 million for the Ballou Substation project
- \$1.5 million for the Underground Electric Distribution Conversion project
- \$1 million for the AEP Fourth Delivery Point – West Fork Substation project
- \$3 million for the New Design Substation Upgrade project
- \$1.25 million for the Airside Substation Expansion project

All Electric Fund projects will be financed with bonds.

The proposed utility fund budgets will ensure continued delivery of reliable services at the lowest rates currently possible while supporting vital economic development activities.

CITY OF DANVILLE - UTILITIES DEPARTMENT
ADOPTED BUDGET FOR FY 2023
ALL UTILITY FUNDS BY FUNCTION

Description	Wastewater Fund - 51	Water Fund - 52	Gas Fund - 53	Electric Fund - 54	Telecomm Fnd - 55	TOTAL
Revenue						
Rev-Use Money/Property	29,950	119,090	286,550	1,180,820	2,620	1,619,030
Charges for Services	9,078,570	8,855,470	22,408,490	121,398,650	768,680	162,509,860
Miscellaneous Revenue	80,000	46,000	8,500	390,000		524,500
Recovered Cost		13,000		5,000		18,000
Non-Revenue Receipts						
Total Operating Revenue	9,188,520	9,033,560	22,703,540	122,974,470	771,300	164,671,390
Transfer from Fund Balance						
Total Revenue	9,188,520	9,033,560	22,703,540	122,974,470	771,300	164,671,390
Operating Expenses						
Treatment Plants	3,406,230					3,406,230
Public Works	1,744,090					1,744,090
Laboratory		92,270				92,270
Operations-Main		1,289,070				1,289,070
Operations-Industrial		165,020				165,020
Treatment-Main		432,620				432,620
Administration Services	798,960	2,077,350	1,842,110	6,696,450	2,300	11,417,170
Engineering		359,270	374,400	1,092,950		1,826,620
Distribution		587,770	572,840	4,712,550		5,873,160
Service		283,780	308,270			592,050
Meters & Regulators		99,270	125,380			224,650
Meters				396,490		396,490
Gas Control			481,130			481,130
Substations				1,551,250		1,551,250
Hydro-Electric Plant						
Transmissions				116,000		116,000
Generators				73,500		73,500
Customer Services						
Utility Administrative Services				1,425,530		1,425,530
Support Services				355,720		355,720
Operations					453,730	453,730
Rivercity TV						
Purchased Services						
Debt Service	145,330	130,740	88,430	3,191,720		3,556,220
Capital Expenses	837,370	1,638,650	866,130	3,171,090	25,000	6,538,240
Subtotal Operating Expense (Net of Source of Supply)	6,931,980	7,155,810	4,658,690	22,783,250	481,030	42,010,760
Depreciation	2,028,770	1,660,660	1,690,430	8,696,410	485,610	14,561,880
Source of Supply			13,715,730	87,238,820	60,000	101,014,550
Total Operating Expense	8,960,750	8,816,470	20,064,850	118,718,480	1,026,640	157,587,190
Annual Contribution to General	705,760	953,300	3,196,330	10,572,610	81,000	15,509,000
Total Expenditures	9,666,510	9,769,770	23,261,180	129,291,090	1,107,640	173,096,190
Add - Depreciation	2,028,770	1,660,660	1,690,430	8,696,410	485,610	14,561,880
Revenue in excess of Operating	1,550,780	924,450	1,132,790	2,379,790	149,270	6,137,080
Capital Improvements						
Capital Projects		1,000,000	3,000,000			4,000,000
Sewer Capital Projects	1,550,000					1,550,000
Total Capital Improvements	1,550,000	1,000,000	3,000,000			5,550,000
Revenues Over(Under) Expenses	780	(75,550)	(1,867,210)	2,379,790	149,270	587,080

CITY OF DANVILLE - UTILITIES DEPARTMENT
ADOPTED BUDGET FOR FY 2023
ALL UTILITY FUNDS BY ACTIVITY

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Miscellaneous Revenue	80,000	46,000	8,500	390,000		524,500
Recovered Cost		13,000		5,000		18,000
Non-Revenue Receipts						
Total -- Operating Revenue	9,188,520	9,033,560	22,703,540	122,974,470	771,300	164,671,390
Transfer from Fund Balance						
Total Revenue	9,188,520	9,033,560	22,703,540	122,974,470	771,300	164,671,390
Operating Expenses						
Personnel Svcs	843,170	1,954,590	1,512,750	5,651,920	141,790	10,104,220
Employee Benefits	122,610	275,310	216,720	1,301,120	18,740	1,934,500
Purchased Services	3,735,300	740,890	446,010	4,427,100	136,220	9,485,520
Internal Service	881,240	909,580	113,160	318,510	35,970	2,258,460
Other Operating Expense	238,200	1,470,840	811,170	3,459,080	23,380	6,002,670
Cost Allocation	846,070	1,266,490	1,296,200	2,502,140	123,930	6,034,830
Capital Outlay	75,000	327,900	143,810	15,410	1,000	563,120
Debt Service	190,390	210,210	118,870	5,057,970		5,577,440
Reimbursement				50,000		50,000
Subtotal -- Operating Expense (Net of Source of Supply)	6,931,980	7,155,810	4,658,690	22,783,250	481,030	42,010,760
Depreciation	2,028,770	1,660,660	1,690,430	8,696,410	485,610	14,561,880
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