



March 9, 2026 | Town of Vienna | Water and Sewer Rate and Indirect Cost Study | Presentation to the Town Council

Study Recommendations



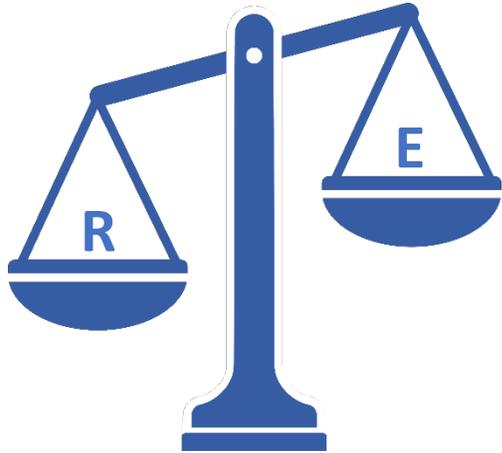
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Presentation Agenda

- Study Assumptions
- Indirect Cost Analysis
- Asset Replacement
- Financial Projections
- Rate Designs and Projected Rates
- Bill Impacts and Comparisons
- Leak Adjustment Policy Analysis
- Recommendations

Business Fundamentals



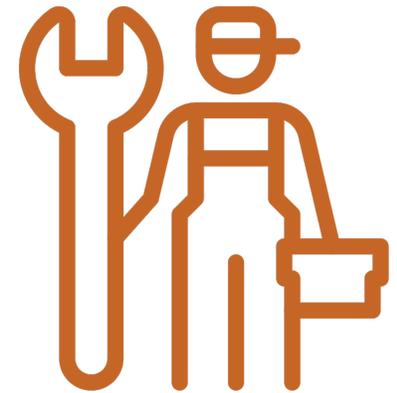
Revenue Sufficiency

Revenues should match or exceed expenses



Reserves

Prepare for a rainy day



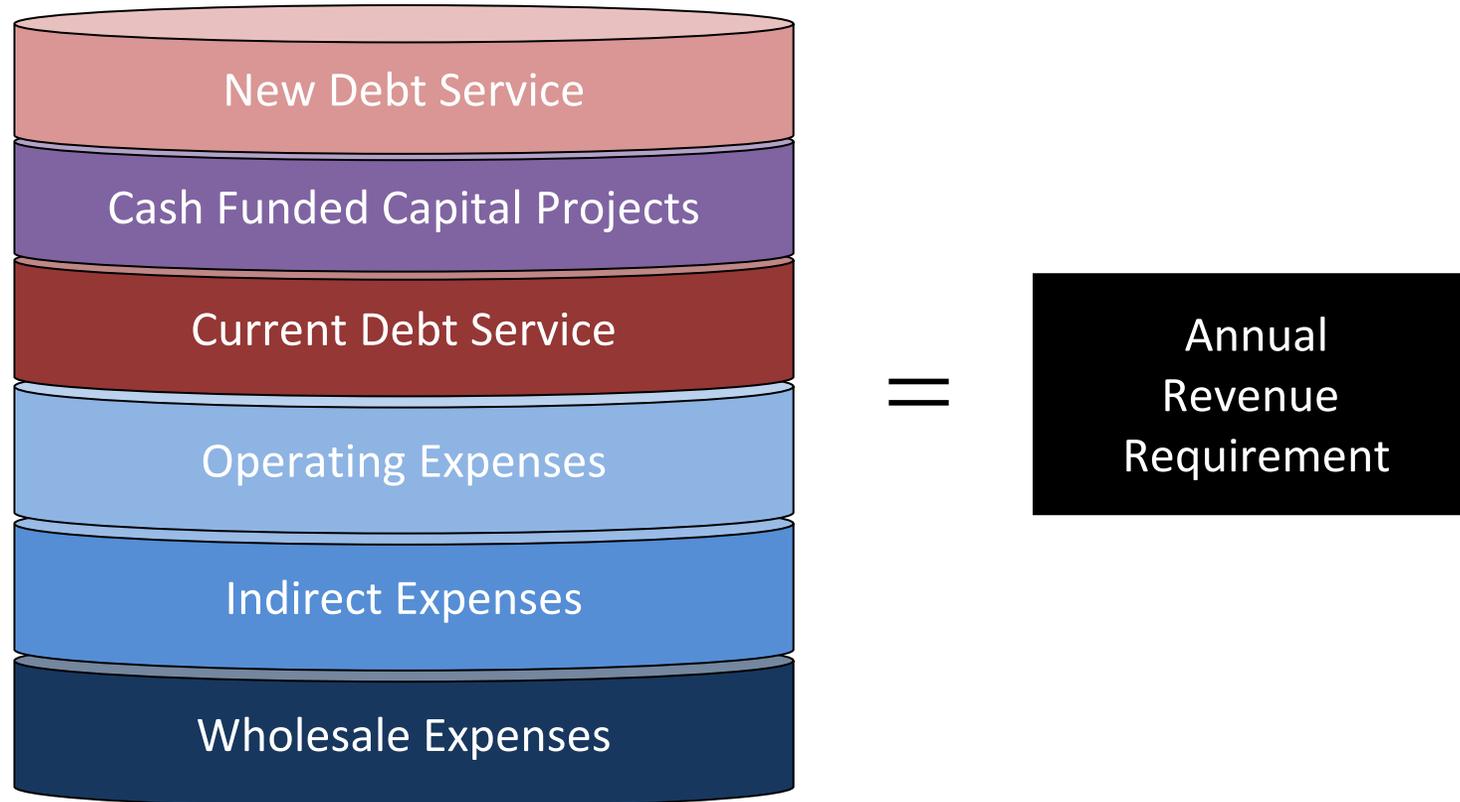
Reinvestment

Repair, replace, and reinvest in infrastructure

Factors Affecting Vienna's Charges and Rates

- Operating and maintenance expense changes
 - Wholesale water purchase expense based on estimates from Fairfax Water (per year decreases average 2.2%)
 - Wholesale wastewater treatment expense from Fairfax County and DC Water escalated by 3.0%
 - healthcare expenses were escalated by 12.5% (based on discussions with Town staff)
 - majority of expenses were escalated by 3.0% (based on CPI over the past 20 years)
- Capital improvement plans
 - investment in the treatment, distribution, and collection systems
 - Payment of town share of Fairfax County sewer capital projects
- Debt service
 - existing and future debt(including \$4.7 million in Fairfax Water PFAS project costs)
- Customer changes
 - no growth anticipated based on future growth expectations
- Water usage and sewage generation changes
 - no growth anticipated based on future growth expectations
- Miscellaneous revenue changes
 - no increase in ancillary fees or services
- Reserve target
 - recommended minimum operating reserve balance of 90 days (25%) of operating expenses

Revenue Requirement



Indirect Cost Analysis

- The Water and Sewer Fund pays an indirect cost allocation to the General Fund to reimburse it for administrative and support services provided (e.g., finance, HR, IT, legal, executive oversight), ensuring costs are equitably distributed across funds
- The Indirect cost analysis was updated using FY 2026 budgeted financial data
 - Cost of central services were allocated using the methodology applied consistently with the prior study
- Recalculated total FY 2027 indirect cost allocation: ~\$3.3 million

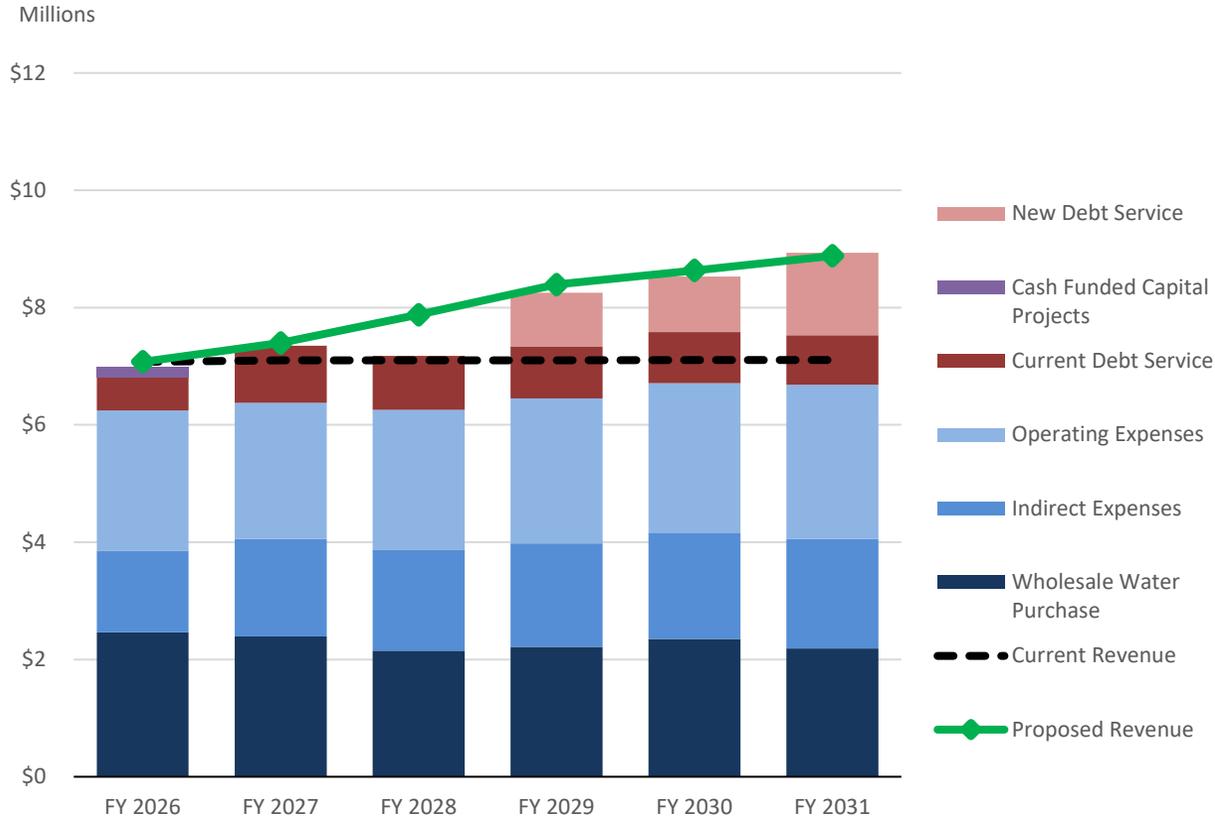
All proposed rate scenarios assume a \$3.3 million “WS Transfer To GF” expense line item in FY 2027 that is then escalated in future years.

Asset Replacement

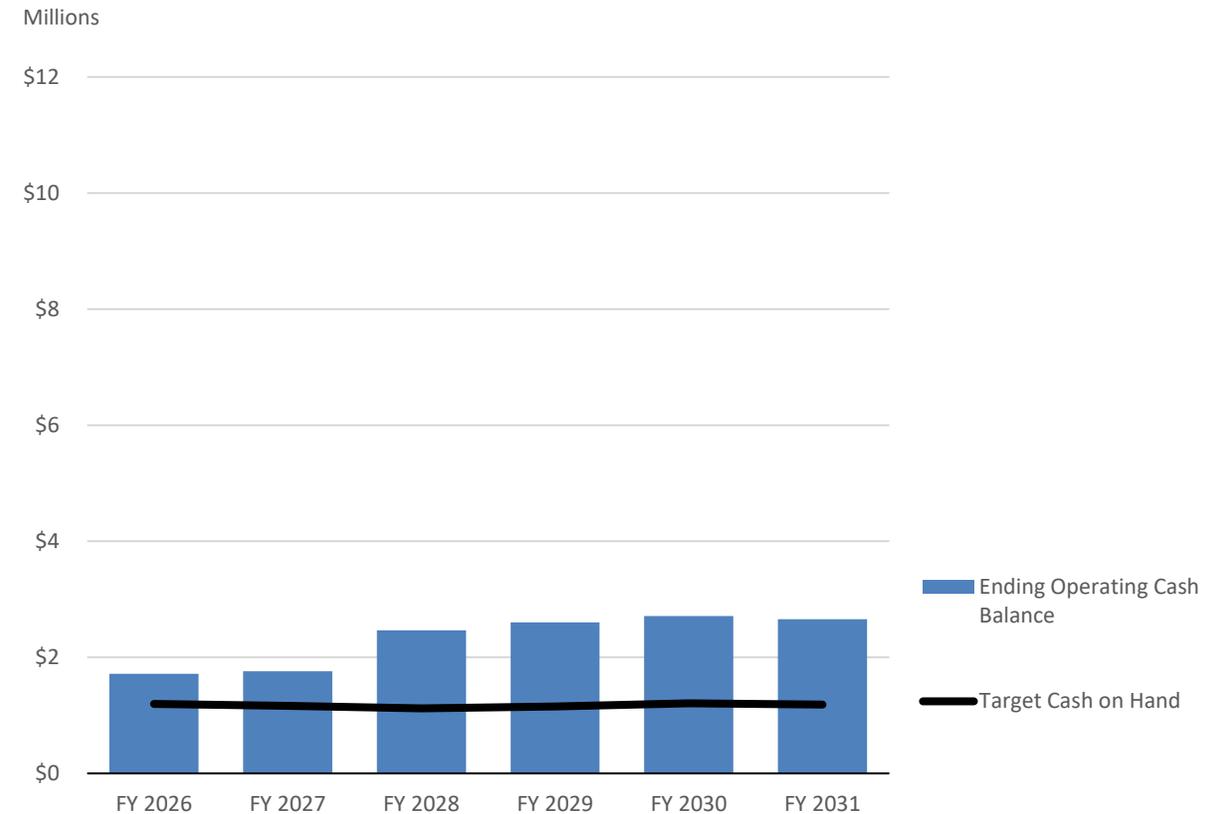
- Recommended asset replacement schedule:
 - Inflate the Current CIP to replace 2.0 miles of water main service lines in 2028
 - An increase of \$1.25 million of water main replacement beginning in 2028 CIP



Expenses/Revenues and Cash Balance – Water (Recommended Asset Replacement Schedule)

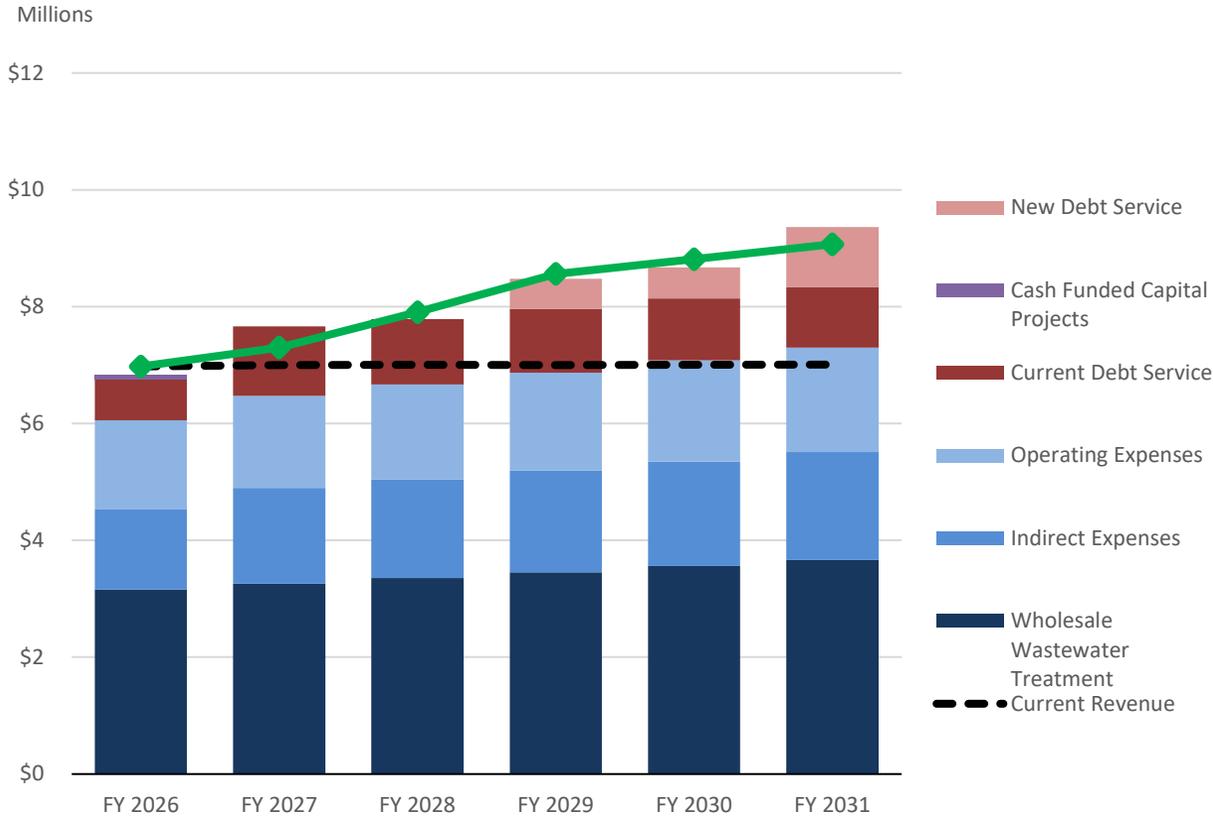


Proposed Revenue reflects a \$3.00 increase in service charges and a 4% increase in water rates in FY 2027.

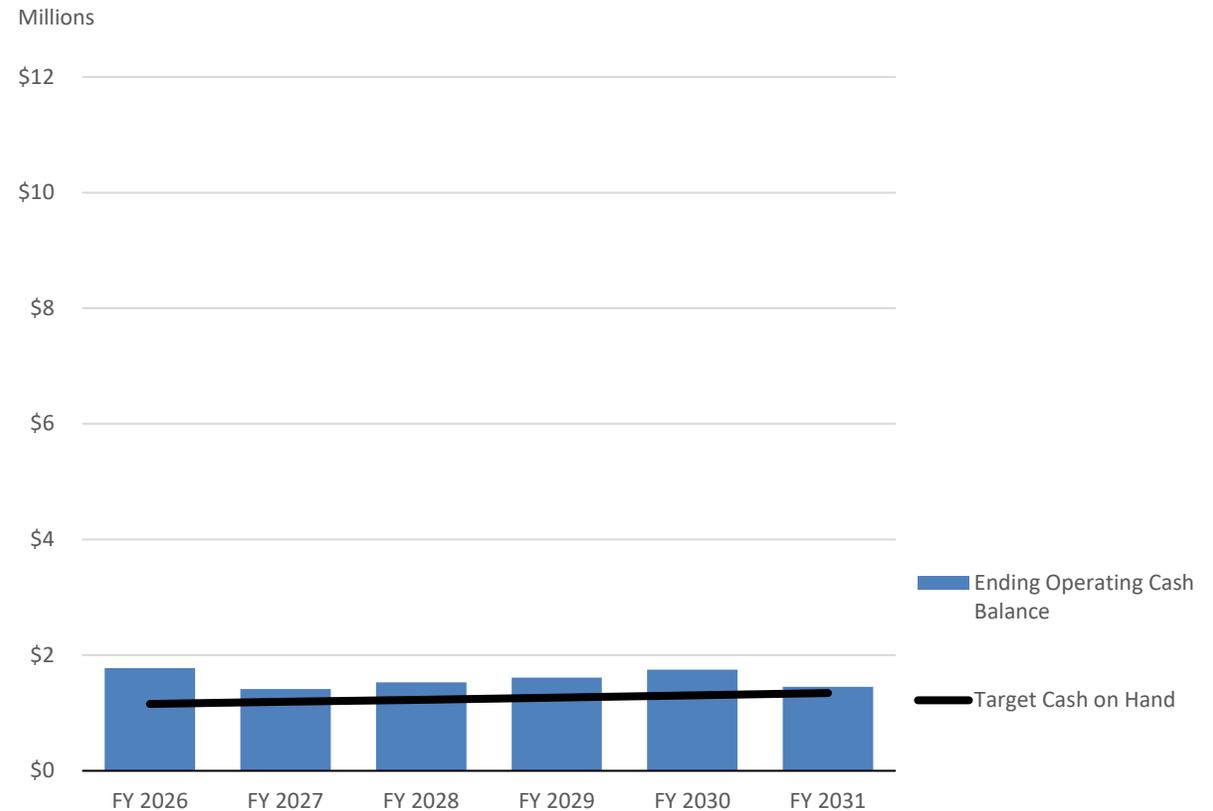


The black line represents target equal to operating fund balance of 90 days (25%) of operating expenses

Expenses/Revenues and Cash Balance – Sewer (Recommended Asset Replacement Schedule)



Proposed Revenue reflects a 4% increase in sewer rates in FY 2027.



The black line represents target equal to operating fund balance of 90 days (25%) of operating expenses

Rate Designs

- Current Rate Design (Option 1):
 - Quarterly Service Charge (varies by meter size)
 - Residential Water and Sewer: three tier inclining block volume rates (per 1,000 gallons)
 - Commercial Water and Sewer: three tier inclining block volume rates with higher cutoffs than residential customers (per 1,000 gallons)
- Alternative Rate Design (Option 2):
 - Quarterly Service Charge (varies by meter size)
 - Residential Water and Sewer: three tier inclining block volume rates (per 1,000 gallons)
 - Commercial Water and Sewer: three tier inclining block volume rates with *the same cutoffs as* residential customers (per 1,000 gallons)

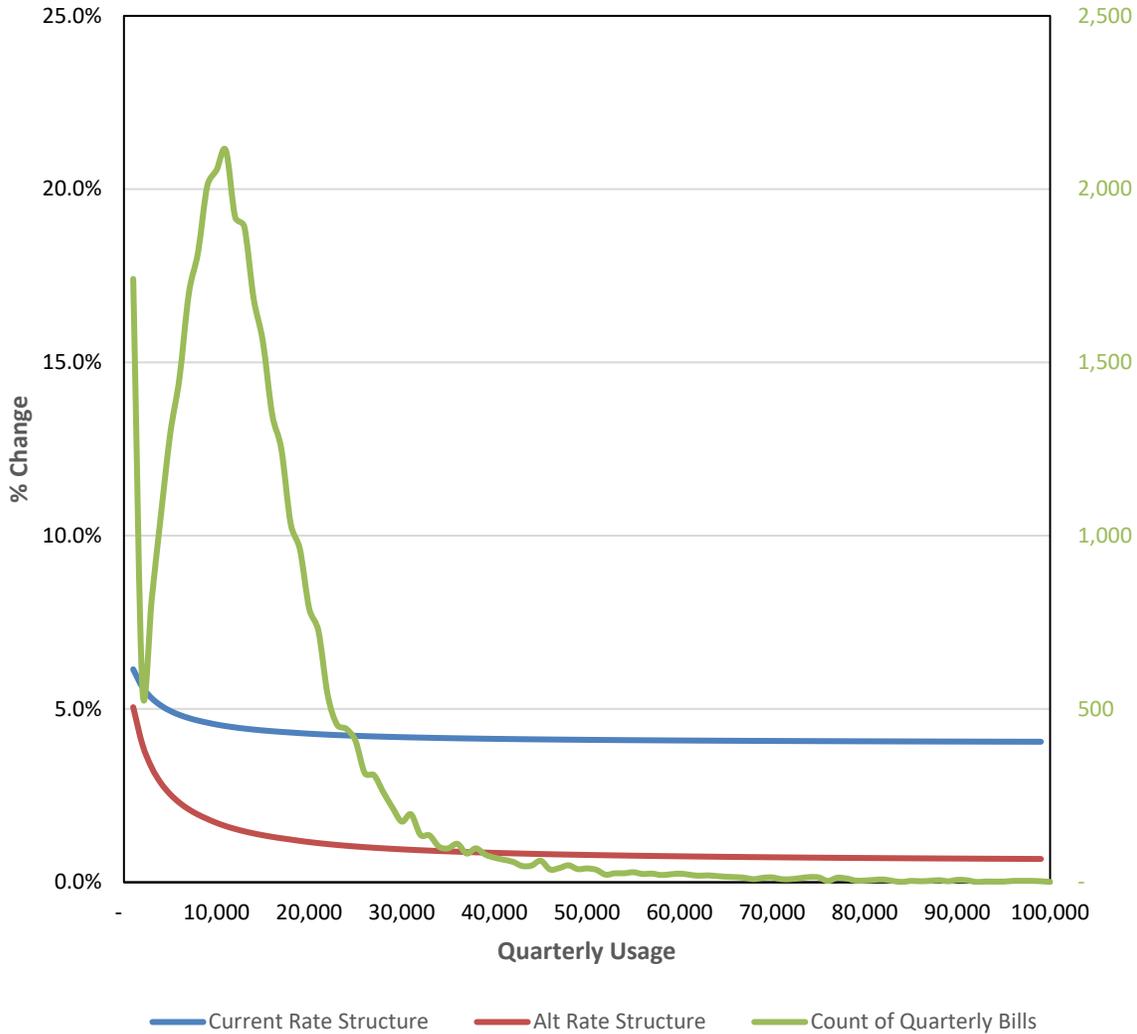
*Current and Alternative rate designs recover the same amount of revenue
(incorporating the recommended asset replacement schedule)*

FY 2027 Quarterly Bill Impact

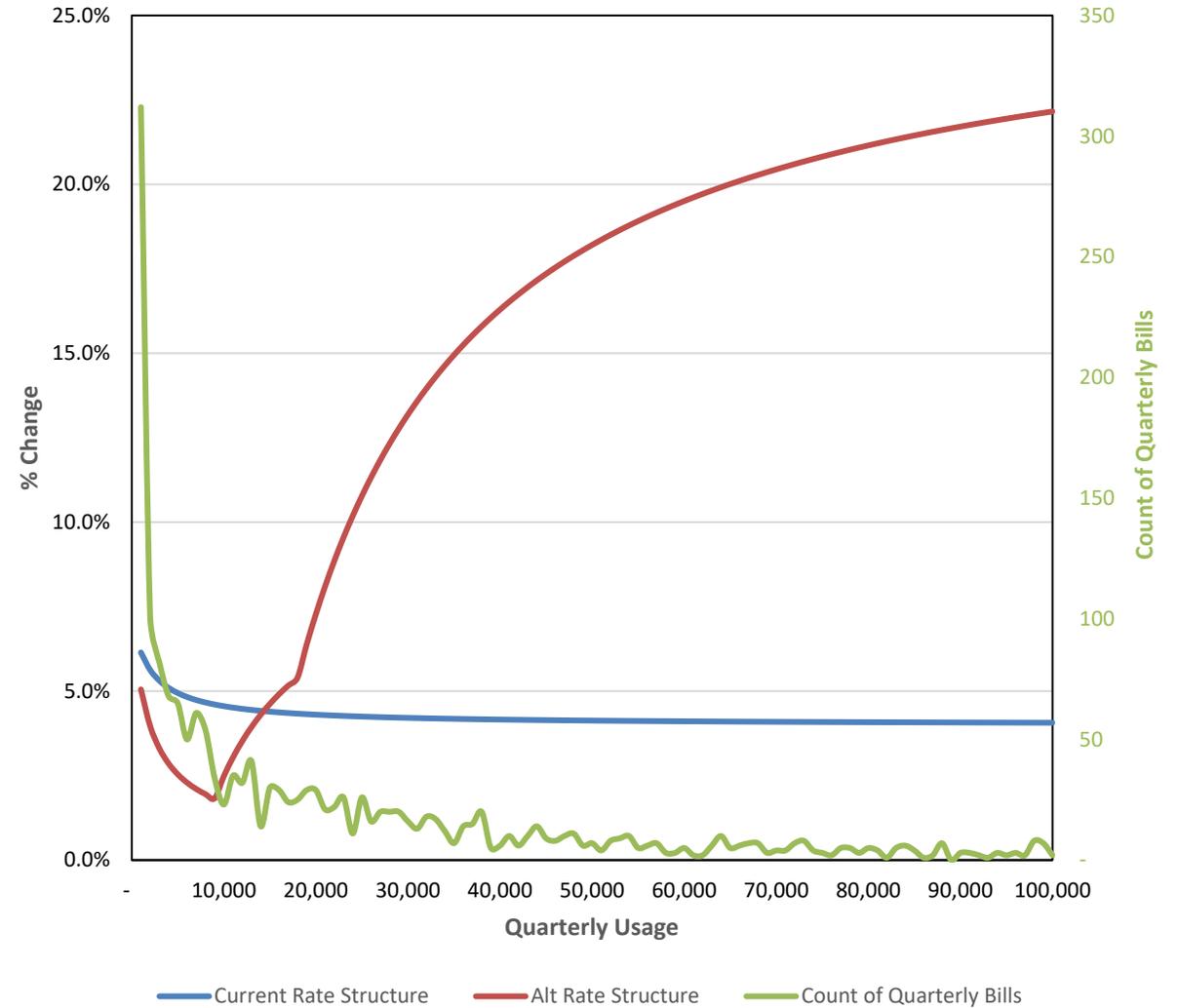
User (Percentile)	Quarterly Usage (gallons)	Current Bill	Curr Rate (Option 1) FY 2027 Bill	Curr Rate (Option 1) FY 2027 Bill \$ Inc.	Curr Rate (Option 1) FY 2027 Bill % Inc.	Alt Rate (Option 2) FY 2027 Bill	Alt Rate (Option 2) FY 2027 Bill \$ Inc.	Alt Rate (Option 2) FY 2027 Bill % Inc.
Small Residential User (25th)								
Service Charge	5/8"	\$42.00	\$45.00	\$3.00	7.1%	\$45.00	\$3.00	7.1%
Water Bill	8,000	\$60.40	\$62.82	\$2.42	4.0%	\$60.97	\$0.57	0.9%
Sewer Bill		\$96.00	\$99.84	\$3.84	4.0%	\$96.30	\$0.30	0.3%
Combined Bill		\$198.40	\$207.66	\$9.26	4.7%	\$202.27	\$3.87	2.0%
Median Residential User (50th)								
Service Charge	5/8"	\$42.00	\$45.00	\$3.00	7.1%	\$45.00	\$3.00	7.1%
Water Bill	12,000	\$92.70	\$96.41	\$3.71	4.0%	\$93.58	\$0.88	0.9%
Sewer Bill		\$147.30	\$153.19	\$5.89	4.0%	\$147.76	\$0.46	0.3%
Combined Bill		\$282.00	\$294.60	\$12.60	4.5%	\$286.34	\$4.34	1.5%
Large Residential User (75th)								
Service Charge	5/8"	\$42.00	\$45.00	\$3.00	7.1%	\$45.00	\$3.00	7.1%
Water Bill	18,000	\$142.20	\$147.89	\$5.69	4.0%	\$143.55	\$1.35	0.9%
Sewer Bill		\$225.90	\$234.94	\$9.04	4.0%	\$226.61	\$0.71	0.3%
Combined Bill		\$410.10	\$427.82	\$17.72	4.3%	\$415.16	\$5.06	1.2%
Large Commercial User (75th)								
Service Charge	1"	\$160.00	\$174.00	\$14.00	8.7%	\$174.00	\$14.00	8.7%
Water Bill	60,000	\$453.00	\$471.12	\$18.12	4.0%	\$544.20	\$91.20	20.1%
Sewer Bill		\$720.00	\$748.80	\$28.80	4.0%	\$862.80	\$142.80	19.8%
Combined Bill		\$1,333.00	\$1,393.92	\$60.92	4.6%	\$1,581.00	\$248.00	18.6%

Customer Bill Impacts

2027 Quarterly Bill Impact (Residential)

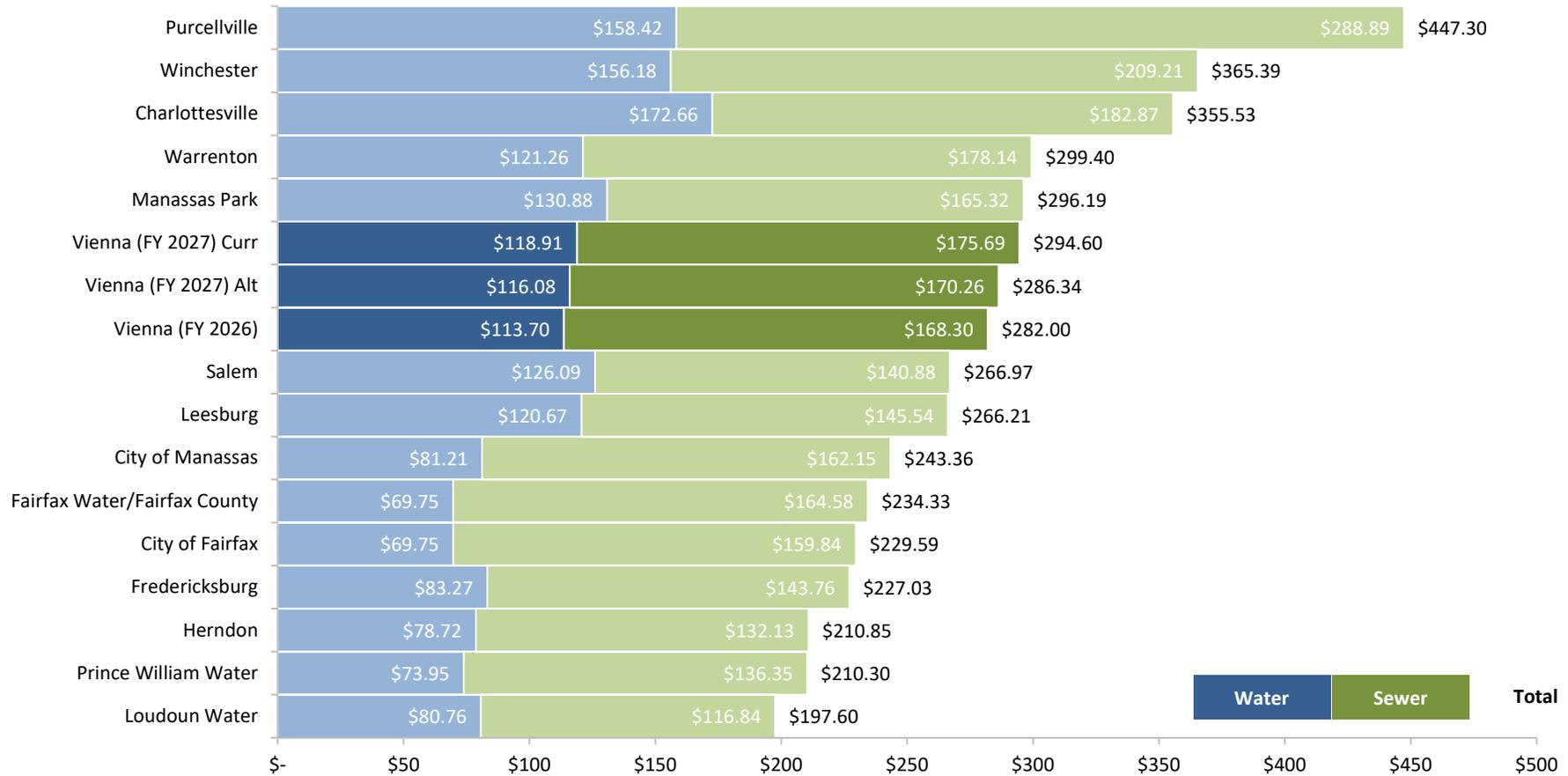


2027 Quarterly Bill Impact (Commercial)



FY 2026 Combined Quarterly Bill Comparison

5/8 inch meter size, 12,000 gallons of usage



Leak Adjustment Policy Analysis

- Current Policy
 - Credit for 50% of water and sewer usage over average consumption for outdoor leaks, and credit for 50% of water usage over average consumption for inside leaks
- Policy Option 1:
 - 100% credit for water and sewer over average consumption (Outdoor Leaks)
 - 100% credit for water over average consumption (Indoor Leaks)
 - Estimated Fiscal Impact: ~\$62,000 revenue loss
- Policy Option 2:
 - 100% credit for water and sewer over average consumption for both Indoor and Outdoor Leaks
 - Estimated Fiscal Impact: ~\$181,000 revenue loss

Recommendations

- Adopt the projected water and sewer revenue changes for the planning period (FY 2027)
 - Indirect cost allocation of ~\$3.3 million beginning FY 2027
 - Asset replacement schedule for 2.0 miles per year
 - Service Charges: \$3.00 increase in FY 2027
 - Water: 4% increase in FY 2027
 - Sewer: 4% increase in FY 2027
- Consider impacts of alternative rate design on residential and commercial customers
- Review rates and charges on an annual basis and revise as needed
- Consider a full cost of service study for all rates and charges every three to five years



QUESTIONS?

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