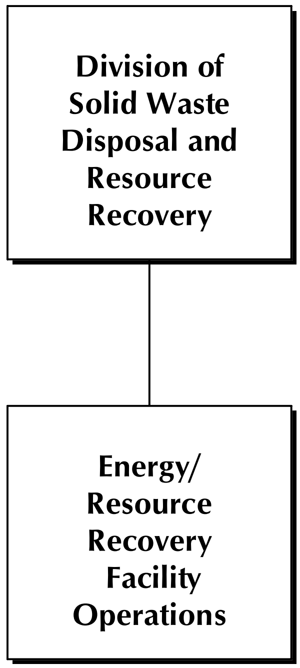
Fund 112
Energy/Resource Recovery Facility



Mission
To serve Fairfax County citizens by providing effective and environmentally-sound solid waste disposal by converting waste-to-energy; by reducing the need for landfill space through volume reduction of solid waste; and by managing the operational contract in the best interests of the citizens.

Focus
Fund 112 manages the contract for the I-95 Energy/Resource Recovery Facility (E/RRF), owned and operated by Covanta Fairfax, Inc. (CFI). Under the terms of the Service Agreement, the County is required to deliver at least 930,750 tons of municipal solid waste (MSW) per year for which it pays a disposal fee to CFI. The facility can dispose up to 1,085,000 tons of waste annually to produce approximately 80 megawatts of electricity that is sold to Dominion Virginia Power. This is enough electricity to power about 76,000 homes.

In FY 2005, Fairfax County residents generated 98 percent of the guaranteed annual tonnage (GAT) of waste that is required under the Service Agreement. The County accepts additional MSW from other regional jurisdictions and through the Supplemental Waste program to meet the GAT. Refuse is exchanged with Prince William County under a mutually beneficial agreement. Efforts by the fund to maximize revenues through additional MSW from other jurisdictions and the refuse exchange agreement with Prince William County have significantly increased revenues in those categories and have reduced the burden on Fairfax County ratepayers.

The County charges a disposal fee to all users of the E/RRF and subsequently pays the contractual disposal fee to CFI from these revenues. Revenues from the sale of electricity and supplemental waste are used to offset the cost of the disposal fee paid to CFI. When the E/RRF is not able to handle the amount of waste available, some waste is diverted to Virginia landfills. Staff must be constantly vigilant in balancing waste as a commodity to ensure that it is disposed of efficiently and cost-effectively.

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Pursuant to an agreement between Dominion Virginia Power and CFI signed in 1987 and amended in 1996, Dominion Virginia Power began purchasing electricity from CFI at a lower rate starting in May 2005. As a result, CFI will realize lower electricity revenues beginning in FY 2005 until the end of the County's Service Agreement with CFI in FY 2011. Due to careful management of the operations contract, a rate increase is not required in FY 2007. The rate will remain at $33 per ton of waste. Funding from the Rate Stabilization Reserve will be used, as planned, to make up the difference.

An independent engineering study by HDR Engineers indicated that the E/RRF new Air Pollution Control Equipment is performing as expected. June 2005 stack tests indicated that the overall air emissions reductions from the E/RRF, resulting from the Clean Air Act retrofits in 2000, remain at: 89 percent of Sulfur Dioxide; 95.5 percent of Mercury; 98.3 percent of Hydrochloric Acid; and 46 percent of Nitrogen Oxides. Additionally the ash conditioning system that was recently added to the E/RRF is providing the anticipated stabilization.

Also execution of the Solid Waste Management Plan initiatives has begun. Recycling of new materials is constantly being reviewed. The program is pulling increased amounts of cardboard, mixed paper and plastics from the waste stream. Increased recycling is needed so that the capacity at the E/RRF can be maintained for waste that requires processing.

Moreover, removal of materials from the waste stream that are constituents of concern has increased with the expanded partnership between the County and the Rechargeable Battery Recycling Corporation. Removal of computers and other electronic equipment through recycling events is further improving the fuel source for the E/RRF.

A project management plan has been completed that addresses the research, analyses and other actions that are needed as part of the renegotiation of the Service Agreement with CFI between now and 2011. The renegotiation will address how the relationship with CFI will be structured after the facility bonds are paid.

Agency accomplishments, new initiatives and performance measures are displayed at a program-wide level. Please refer to the Solid Waste Management Program Overview in Volume 2 of the FY 2007 Adopted Budget Plan for those items.

Budget and Staff Resources

Agency Summary

Category	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Authorized Positions/Staff Years					
Regular	9/ 9	9/ 9	9/ 9	9/ 9	9/ 9
Expenditures:					
Personnel Services	$507,043	$631,030	$631,030	$647,371	$647,371
Operating Expenses	31,379,242	35,783,638	37,505,189	38,897,589	38,897,589
Capital Equipment	13,650	0	0	0	0
Total Expenditures	**$31,899,935**	**$36,414,668**	**$38,136,219**	**$39,544,960**	**$39,544,960**

Position Summary

1	Management Analyst III	1	Engineering Technician II	1	Administrative Assistant II
1	Management Analyst II	1	Heavy Equipment Operator	4	Weighmasters

TOTAL POSITIONS
9 Positions / 9.0 Staff Years

FY 2007 Funding Adjustments

The following funding adjustments from the FY 2006 Revised Budget Plan are necessary to support the FY 2007 program:

- **Employee Compensation** **$16,341**
  An increase of $16,341 in Personnel Services is associated with salary adjustments necessary to support the County's compensation program.

- **Contractor Compensation** **$3,071,075**
  An increase of $3,071,075 in Operating Expenses is primarily associated with $3,011,075 for increased anticipated contractor compensation paid to CFI for the operation of the E/RRF and $60,000 for consultant and legal fees in preparation for the renegotiation of the Service Agreement with Covanta Fairfax, Inc.

- **Miscellaneous Operating Expenses** **($57,160)**
  A net decrease of $57,160 in Operating Expenses includes an increase of $42,876 primarily for repair and maintenance of scales that weigh the trash entering the E/RRF offset by $100,036 for one-time costs that were carried over into FY 2006.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2007 Advertised Budget Plan, as approved by the Board of Supervisors on May 1, 2006:

- The Board of Supervisors made no adjustments to this fund.

Changes to FY 2006 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2006 Revised Budget Plan since passage of the FY 2006 Adopted Budget Plan. Included are all adjustments made as part of the FY 2005 Carryover Review and all other approved changes through December 31, 2005:

- **Carryover Adjustments** **$100,036**
  As part of the *FY 2005 Carryover Review*, encumbered carryover of $100,036 in Operating Expenses was included.

The following funding adjustments reflect all approved changes to the FY 2006 Revised Budget Plan from January 1, 2006 through April 24, 2006. Included are all adjustments made as part of the FY 2006 Third Quarter Review:

- **Third Quarter Adjustments** **$1,621,515**
  As part of the *FY 2006 Third Quarter Review*, Operating Expenses were increased by $1,621,515 primarily due to increased contractor costs associated with the operation of the Energy/Resource Recovery Facility.

FUND STATEMENT

Fund Type G10, Special Revenue Funds

Fund 112, Energy/Resource Recovery Facility (E/RRF)

	FY 2005 Actual	FY 2006 Adopted Budget Plan	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	FY 2007 Adopted Budget Plan
Beginning Balance	**$16,437,760**	**$18,819,065**	**$19,860,693**	**$21,468,641**	**$20,216,836**
Revenue:					
Disposal Revenue:					
County of Fairfax[1]	$29,280,793	$30,429,201	$32,932,008	$31,280,535	$31,280,535
District of Columbia[2]	216,550	1,815,000	185,057	999,992	999,992
Waste Exchange Agreement[3]	1,846,435	1,821,369	1,609,740	1,821,369	1,821,369
Wastewater Services[4]	93,548	111,600	101,178	99,498	99,498
Non-Fairfax Waste[5]	1,359,063	1,785,960	1,263,787	1,797,213	1,797,213
Supplemental Waste[6]	67,016	194,760	66,120	80,294	80,294
Subtotal Revenue	$32,863,405	$36,157,890	$36,157,890	$36,078,901	$36,078,901
Other Revenue:					
Interest on Investments	$298,990	$286,705	$656,415	$410,131	$410,131
Miscellaneous[7]	145,984	100,000	100,000	150,000	150,000
Subtotal Other Revenue	$444,974	$386,705	$756,415	$560,131	$560,131
Total Revenue	$33,308,379	$36,544,595	$36,914,305	$36,639,032	$36,639,032
Transfers In:					
General Fund (001)[8]	$2,014,489	$0	$1,578,057	$0	$0
Total Transfers In	$2,014,489	$0	$1,578,057	$0	$0
Total Available	**$51,760,628**	**$55,363,660**	**$58,353,055**	**$58,107,673**	**$56,855,868**
Expenditures:					
Personnel Services	$507,043	$631,030	$631,030	$647,371	$647,371
Operating Expenses[9]	31,379,242	35,783,638	37,505,189	38,897,589	38,897,589
Capital Equipment	13,650	0	0	0	0
Total Expenditures	$31,899,935	$36,414,668	$38,136,219	$39,544,960	$39,544,960
Total Disbursements	**$31,899,935**	**$36,414,668**	**$38,136,219**	**$39,544,960**	**$39,544,960**
Ending Balance	**$19,860,693**	**$18,948,992**	**$20,216,836**	**$18,562,713**	**$17,310,908**
Tipping Fee Reserve	$1,500,000	$1,500,000	$1,000,000	$1,500,000	$1,500,000
Rate Stabilization Reserve[10]	12,893,756	11,720,769	13,488,613	11,667,626	10,415,821
Operations and Maintenance Reserve[11]	5,466,937	5,728,223	5,728,223	5,395,087	5,395,087
Unreserved Ending Balance	**$0**	**$0**	**$0**	**$0**	**$0**
Disposal Rate/Ton	$32/Ton	$33/Ton	$33/Ton	$33/Ton	$33/Ton

[1] The fee for the I-95 Energy/Resource Recovery Facility was $32 per ton in FY 2005 and is $33 per ton in FY 2006. The rate will remain at $33/ton in FY 2007.

[2] Based upon an anticipated purchase order with the District of Columbia government for residential waste only.

[3] Prince William County waste is received at the E/RRF as a result of the Interjurisdictional Solid Waste Facility Use Agreement.

[4] Wastewater Services includes the disposal of grit and screenings and other wastewater-related material from the Alexandria Sanitation Authority (ASA).

[5] Non-Fairfax Waste is waste from other jurisdictions that is disposed by haulers with contracts with the County. In order to account for revenues in the proper fund, an audit adjustment of $205,758.78 has been reflected as an increase to FY 2005 revenues. This audit adjustment has been included in the FY 2005 Comprehensive Annual Financial Report (CAFR). Details of the FY 2005 audit adjustment were included in the FY 2006 Third Quarter Package.

[6] Supplemental Waste is being tracked separately and is the basic fee to dispose of this waste. Additional fees that are paid above the basic fee are split between Covanta Fairfax, Inc. (CFI) and the County and are reflected as Miscellaneous Revenue since tip fees vary depending upon the material types and market conditions. The Supplemental program has been under review by the Virginia Department of Environmental Quality which has resulted in decreased disposal.

[7] Miscellaneous Revenue is generated by the excess amount that CFI charges to dispose of Supplemental Waste.

[8] CFI now incurs an annual tax assessment, due to the transfer of the property in July 2003 from the federal government to Fairfax County. The tax expense is considered a pass through cost by the Covanta Fairfax, Inc./Fairfax County contract and the General Fund will offset the tax liability by returning the amount paid by CFI to Fund 112.

[9] In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of $1,009,718 has been reflected as an increase to FY 2005 expenditures to record the amount due to CFI for reimbursement of real estate taxes. In addition, an audit adjustment decreasing FY 2005 expenditures by $654,796.76 is included in order to post expenditures to the proper fund. These audit adjustments have been included in the FY 2005 Comprehensive Annual Financial Report (CAFR). Details of the FY 2005 audit adjustments were included in the FY 2006 Third Quarter Package.

[10] The Rate Stabilization Reserve is used to buffer against sharp increases in tip fees annually. Potentially steep increases could result from issues such as tax changes regarding energy sales, power deregulation and state or EPA environmental fees.

[11] The Operations and Maintenance Reserve is necessary for ongoing improvements and enhancements to the E/RRF including emissions control efforts. Planned work for FY 2007 includes a potential wastewater reuse project and a back-up power plan for the Fairfax Water Authority. Future projects will include additional retrofits to the air pollution control systems. Additional reductions in nitrogen oxides are expected from regulatory authorities. The reserve will fund the initial capital expenditures of the improvement fund and absorb the associated operating and maintenance costs.