Fund 400
Sewer Revenue

Focus

All availability fees and sewer service charges associated with the Wastewater Management Program are credited to this fund as operating revenues. The total receipts from all revenue sources are used to finance the following: Operation and Maintenance (Fund 401); Construction Improvement Projects (Fund 402); Debt Service (Fund 403); and Subordinate Debt Service (Fund 407). Any remaining balance in Fund 400, Sewer Revenue is used for future year requirements and required reserves.

The Program's Availability Fee and Sewer Service Charge are based on staff analysis and consultant recommendations included in the February 2009 Wastewater Revenue Sufficiency and Rate Analysis.

Current Availability Fee Rates

Availability Charges are one-time "tap fees" charged to new customers for initial access to the system. The revenue from Availability Fees is used to offset the costs of expanding major treatment facilities. In FY 2010, Availability Fees will increase from $6,896 to $7,310 or approximately 6 percent for single-family homes based on current projections of capital requirements. Rates are adjusted based on continued increases in expenses associated with treatment plant upgrades and interjurisdictional payments that result from population growth, more stringent treatment requirements and inflation. This FY 2010 rate increase is consistent with the recommendations of the Department of Public Works and Environmental Services and the analysis included in the February 2009 Wastewater Revenue Sufficiency and Rate Analysis report. FY 2010 through FY 2011 Availability Fee rates are projected to increase 6.0 percent in anticipation of rising borrowing costs. Since construction costs appear to be declining, FY 2012 and FY 2013 rates are projected to be held equal to FY 2011 rates pending a more detailed pricing analysis. The following table displays the resulting increase by category.

Category	FY 2009 Availability Fee	FY 2010 Availability Fee
Single Family	$6,896	$7,310
Townhouses and Apartments	$5,517	$5,848
Hotels/Motels	$1,724	$1,827
Nonresidential	$357/fixture unit	$378/fixture unit

Current Sewer Service Charge

Sewer Service Charges are revenues received from existing customers and are used to fully recover program operation and maintenance costs, debt service payments and capital project requirements attributable to improving wastewater treatment effluent quality as mandated by state and federal agencies. The Sewer Service Charge rate will increase from $4.10 to $4.50 per 1,000 gallons of water consumption in FY 2010. This equates to an approximate increase of 9.75 percent in Sewer Service Charges. In addition, a new base charge to sewer billings is included in FY 2010 to recover billing costs for the Wastewater Management Program. The base charge will be billed quarterly in the amount of $5.00 per bill totaling $20.00 per year. Base charges are an industry standard used to promote revenue stability and are locally used by: Fairfax Water, Loudoun Water, Stafford County, DCWASA, City of Alexandria, WSSC, and Prince William County. The combined effect of the sewer service charge as well as the new base charge equate to an increase of 16.2 percent in rates and will result in an anticipated increase in the annual cost to the typical household of

$50.40. For FY 2011 and FY 2012, annual service charge increases of 17.0 percent have been adopted and for FY 2013, an annual sewer service charge increase of 14.0 percent will be adopted. Sewer service charge rates are increasing as debt and capital expenses rise in anticipation of construction of additional treatment facilities to meet more stringent nitrogen removal requirements imposed by the State as a result of "Chesapeake 2000" Agreement. New Chesapeake Bay water quality program requirements include reductions in the amount of nutrient pollutants discharged from wastewater treatment facilities. In December 2004, the state notified the County that the renewal of County's National Pollutant Discharge Elimination System (NPDES) permit will include a requirement that nutrient removal be performed at the "Limits of Technology." Current technology allows for discharge limits of less than 3.0 milligrams per liter of nitrogen and 0.1 milligrams per liter for phosphorus. The County currently has the capability to meet a nitrogen removal standard of 6.0 milligrams per liter. A phased approach has been recommended to renovate and upgrade current plant facilities to accommodate these more stringent nutrient discharge requirements. Due to the significant level of requirements, it is anticipated that projects will be financed on an as-needed basis. These rate increases are consistent with the recommendations of the Department of Public Works and Environmental Services and the analysis included in the February 2009 Wastewater Revenue Sufficiency and Rate Analysis.

Category	FY 2009 Sewer Service Charge	FY 2010 Sewer Service Charge
Per 1,000 gallons water consumed	$4.10	$4.50

The FY 2010 Sewer Service Charge will generate an additional $7.0 million in revenues over the estimated *FY 2009 Revised Budget Plan* amount and will partially offset the increased costs associated with capital project construction, system operation and maintenance, debt service and upgrades to effectively meet new, more stringent nitrogen discharge limitations from wastewater treatment plants. Other sources of revenue are projected to remain flat due to a moderate level of new development and growth anticipated in the County as compared to previous years. The program may also utilize sewer fund balances to partially offset these higher costs.

Availability Fees and Sewer Service Charges from FY 2006 through FY 2013

Fiscal Year	Availability Fee	Sewer Service Charge Per 1,000 gallons water used
2006	$5,874	$3.28
2007	$6,138	$3.50
2008	$6,506	$3.74
2009	$6,896	$4.10
2010	$7,310	$4.50
2011	$7,750	$5.27
2012	$7,750	$6.17
2013	$7,750	$7.03

Changes to FY 2009 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2009 Revised Budget Plan since passage of the FY 2009 Adopted Budget Plan. Included are all adjustments made as part of the FY 2008 Carryover Review, FY 2009 Third Quarter Review, and all other approved changes through April 20, 2009.

- There have been no revisions to this fund since the approval of the FY 2009 Adopted Budget Plan.

Fund 400
Sewer Revenue

FUND STATEMENT

Fund Type G40, Enterprise Funds **Fund 400, Sewer Revenue**

	FY 2008 Actual	FY 2009 Adopted Budget Plan	FY 2009 Revised Budget Plan	FY 2010 Advertised Budget Plan	FY 2010 Adopted Budget Plan
Beginning Balance	**$59,022,173**	**$107,656,786**	**$110,796,414**	**$96,869,855**	**$96,869,855**
Revenue:					
Lateral Spur Fees	$9,000	$20,000	$20,000	$10,000	$10,000
Sales of Service	7,723,432	7,500,000	7,500,000	7,500,000	7,500,000
Availability Charges	14,087,927	20,000,000	20,000,000	15,000,000	15,000,000
Connection Charges	35,142	75,000	75,000	50,000	50,000
Sewer Service Charges	92,086,866	100,500,000	100,500,000	107,500,000	107,500,000
Miscellaneous Revenue	264,450	150,000	150,000	150,000	150,000
Sale Surplus Property	60,673	30,000	30,000	30,000	30,000
Interest on Investments	3,973,932	3,500,000	3,500,000	3,000,000	3,000,000
Sale of Purchase Capacity	50,565,000	0	0	0	0
Total Revenue	$168,806,422	$131,775,000	$131,775,000	$133,240,000	$133,240,000
Total Available	**$227,828,595**	**$239,431,786**	**$242,571,414**	**$230,109,855**	**$230,109,855**
Transfers Out:					
Sewer Operation and Maintenance (401)	$79,908,494	$88,500,000	$88,500,000	$93,000,000	$93,000,000
Sewer Construction Improvements (402)	13,550,000	23,500,000	23,500,000	18,000,000	18,000,000
Sewer Bond Parity Debt Service (403)	1,650,160	10,650,000	10,650,000	6,650,000	6,650,000
Sewer Bond Subordinate Debt Service (407)	21,923,527	23,051,559	23,051,559	24,300,000	24,300,000
Total Transfers Out	$117,032,181	$145,701,559	$145,701,559	$141,950,000	$141,950,000
Total Disbursements	**$117,032,181**	**$145,701,559**	**$145,701,559**	**$141,950,000**	**$141,950,000**
Ending Balance [1]	**$110,796,414**	**$93,730,227**	**$96,869,855**	**$88,159,855**	**$88,159,855**
Management Reserves:					
Operating and Maintenance Reserve[2]	$24,800,000	$22,125,000	$26,000,000	$45,000,000	$45,000,000
New Customer Reserve[3]	21,500,000	0	22,100,000	22,846,287	22,846,287
Virginia Resource Authority Reserve[4]	6,637,072	6,637,072	6,637,072	6,637,072	6,637,072
Total Reserves	$52,937,072	$28,762,072	$54,737,072	$74,483,359	$74,483,359
Unreserved Balance	**$57,859,342**	**$64,968,155**	**$42,132,783**	**$13,676,496**	**$13,676,496**

[1] The Wastewater Management Program maintains fund balances at adequate levels relative to projected debt service requirements, operation and maintenance expenses and capital improvements. These costs change annually and funding for sewer projects is carried forward each fiscal year; therefore, ending balances fluctuate, reflecting the carryover of these funds.

[2] The Operating and Maintenance Reserve provides for unforeseen expenses associated with sewer system emergencies. This reserve is targeted to be maintained at a level between $25 and $45 million. This level of reserve is based on industry practice to maintain existing customer reserves at a level which can support 30 and 180 days of working capital and approximately 50 percent of one year's requirements for rehabilitation and replacement of the current system's assets.

[3] The New Customer Reserve provides for debt service and administrative expenses associated with new customer debt, until such time as adjustments to availability charges can be accommodated. This reserve is targeted to be maintained at approximately $22 million. This level of reserve is based on payment expenses associated with one year of debt service and administrative expenses associated with new customer debt.

[4] The Futue Debt Reserve was established in anticipation of debt service reserve requirements for Virginia Resource Authority loans related to future treatment plant issues.