

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 Forecasted Financial Statement for July 1, 2007 through June 30, 2012.

Current Availability Fee Rates

Availability Charges are fees charged to new customers for initial access to the system. In FY 2009, Availability Fees will increase from \$6,506 to \$6,896 for single-family homes based on current projections of capital requirements. The Availability Fee rates for all types of units 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. The following table displays the resulting increase by category.

Category	FY 2008 Availability Fee	FY 2009 Availability Fee
Single Family	\$6,506	\$6,896
Townhouses and Apartments	\$5,205	\$5,517
Hotels/Motels	\$1,627	\$1,724
Nonresidential	\$337/fixture unit	\$357/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 \$3.74 to \$4.10 per 1,000 gallons of potable water consumption in FY 2009. This equates to an approximate increase of 9.75 percent increase in rates and will result in an anticipated increase in the annual cost to the typical household of \$27.36. The increase in Sewer Service Charges is adjusted based on federally mandated requirements which will result in the renovation and rehabilitation of existing treatment facilities. 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 voluntary nitrogen removal standard of 8.0 milligrams per liter. A phased approach is 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 with shorter-term financing during FY 2008 and FY 2009.

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Category	FY 2008 Sewer Service Charge	FY 2009 Sewer Service Charge
Per 1,000 gallons water consumed	\$3.74	\$4.10

The FY 2009 Sewer Service Charge will generate an additional \$8.2 million in revenues over the estimated *FY 2008 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 the moderation of new development and growth in the County as compared to previous years. The program will also utilize sewer fund balances to partially offset these higher costs. These FY 2009 rate increases are consistent with the recommendations of the Department of Public Works and Environmental Services and the analysis included in the Forecasted Financial Statement for July 1, 2007 through June 30, 2012.

Availability Fees and Sewer Service Charges from FY 2005 through FY 2012

Fiscal Year	Availability Fee	Sewer Service Charge Per 1,000 gallons water used
2005	\$5,621	\$3.20
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	\$4.94
2012	\$8,215	\$5.14

Changes to FY 2008 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2008 Revised Budget Plan since passage of the FY 2008 Adopted Budget Plan. Included are all adjustments made as part of the FY 2007 Carryover Review and all other approved changes through December 31, 2007:

- ◆ At the *FY 2007 Carryover Review*, the Board of Supervisors approved no changes to the expenditures for this fund. The FY 2008 transfer out was decreased \$10,000,000 due to large carryover fund balances in Fund 401, Sewer Operations and Maintenance and Fund 403, Sewer Bond Parity Debt Service. Both of these funds ended FY 2007 with fund balances that are larger than required in FY 2008 which permitted the reduction in the transfers out.

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FUND STATEMENT

Fund Type G40, Enterprise Funds

Fund 400, Sewer Revenue

	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan
Beginning Balance	\$58,435,627	\$55,601,336	\$59,022,173	\$64,091,786
Revenue:				
Lateral Spur Fees	\$16,800	\$20,000	\$20,000	\$20,000
Sales of Service	7,870,836	7,000,000	7,000,000	7,500,000
Availability Charges	19,552,442	20,000,000	20,000,000	20,000,000
Connection Charges	49,518	75,000	75,000	75,000
Sewer Service Charges	87,837,591	92,326,794	92,326,794	100,500,000
Miscellaneous Revenue	130,008	150,000	150,000	150,000
Sale Surplus Property	41,372	30,000	30,000	30,000
Interest on Investments ¹	4,186,070	2,500,000	2,500,000	3,500,000
Total Revenue	\$119,684,637	\$122,101,794	\$122,101,794	\$131,775,000
Total Available	\$178,120,264	\$177,703,130	\$181,123,967	\$195,866,786
Transfers Out:				
Sewer Operation and Maintenance (401)	\$73,662,390	\$84,908,494	\$79,908,494	\$88,500,000
Sewer Construction Improvements (402)	11,861,000	13,550,000	13,550,000	23,500,000
Sewer Bond Parity Debt Service (403)	11,474,701	6,650,160	1,650,160	10,650,000
Sewer Bond Subordinate Debt Service (407)	22,100,000	21,923,527	21,923,527	23,051,559
Total Transfers Out	\$119,098,091	\$127,032,181	\$117,032,181	\$145,701,559
Total Disbursements	\$119,098,091	\$127,032,181	\$117,032,181	\$145,701,559
Ending Balance ²	\$59,022,173	\$50,670,949	\$64,091,786	\$50,165,227
Management Reserves:				
Operating and Maintenance Reserve ³	\$19,504,866	\$21,225,000	\$21,225,000	\$22,125,000
Virginia Resource Authority Reserve ⁴	6,637,072	6,637,072	6,637,072	6,637,072
Total Reserves	\$26,141,938	\$27,862,072	\$27,862,072	\$28,762,072
Unreserved Balance	\$32,880,235	\$22,808,877	\$36,229,714	\$21,403,155

¹ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of \$20,096 has been reflected as an increase to FY 2007 revenues to reflect the actual interest on investments. The audit adjustment has been included in the FY 2007 Comprehensive Annual Financial Report (CAFR). Details of the FY 2007 audit adjustments will be included in the FY 2008 Third Quarter Package.

² 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.

³ The Operating and Maintenance Reserve was established to provide funding to offset expenses associated with sewer system emergencies occurring within Fund 401, Sewer Operation and Maintenance.

⁴ The Virginia Resource Authority (VRA) Reserve was established in anticipation of debt service reserve requirements for VRA loans related to future treatment plant costs.