

# FUND 400

## SEWER REVENUE

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### ***Board of Supervisors' Adjustments***

***The following funding adjustments reflect all changes to the FY 2004 Advertised Budget Plan, as approved by the Board of Supervisors on April 28, 2003:***

- ◆ Transfers Out are decreased by \$105,443 to reflect reduced funding for the Pay for Performance program in Fund 401, Sewer Operation and Maintenance. Based on the approved 25 percent reduction, the FY 2004 program will result in reductions in the increases employees will receive based on their performance rating, capping employees to a maximum of 5.25 percent. This adjustment leaves in place the pay for performance program in preparation for system redesign in FY 2005.

***The following funding adjustments reflect all approved changes to the FY 2003 Revised Budget Plan from January 1, 2003 through April 21, 2003. Included are all adjustments made as part of the FY 2003 Third Quarter Review:***

- ◆ Transfers Out are increased by \$6,538,411 due to the following: an increase of \$2,065,703 to Fund 401, Sewer Operation and Maintenance primarily due to increased interjurisdictional payments for higher plant operating costs from neighboring treatment plants; an increase of \$3,637,000 to Fund 402, Sewer Construction Improvements to repair and replace 1,950 linear feet of sewer lines as identified by the County's sewer rehabilitation and repair program; and, an increase of \$835,708 to Fund 407, Sewer Bond Subordinate Debt Service to provide for the first year accrual of interest expense on the \$50 million FY 2002 Virginia Resource Authority loan for the County's share of construction costs for the Alexandria Sanitation Authority treatment plant upgrade for ammonia removal.

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## ***County Executive Proposed FY 2004 Advertised Budget Plan***

### **Purpose**

All operating revenues of the Wastewater Management Program are credited to this fund. In addition, interest on investments from fund balances, except the interest earned from the balances of Fund 406, Sewer Bond Debt Reserve, and Fund 408, Sewer Bond Construction, is credited to this fund. Major categories of operating revenues include the following: Sales of Service, Availability Charges, and Sewer Service Charges. Sales of Service are those revenues received from other jurisdictions for the County's treatment of their wastewater. Availability Charges are fees charged to new customers for initial access to the system. 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 funding primarily attributable to improving wastewater treatment effluent standards as mandated by State and Federal agencies. The total receipts from all revenue sources are used to finance Operation and Maintenance (Fund 401), Debt Service (Fund 403, Sewer Bond Parity Debt Service and Fund 407, Sewer Bond Subordinate Debt Service), and Construction Projects (Fund 402, Sewer Construction Improvements and Fund 408, Sewer Bond Construction) associated with the Wastewater Management Program. Any balance remains in Fund 400, Sewer Revenue, for future year requirements and required reserves.

The Program's Availability Fee and Sewer Service Charge are based on staff analysis and consultant recommendations, and are included in the Forecasted Financial Statement for July 1, 2002 through June 30, 2007.

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## Current Availability Fee rates:

In FY 2004, Availability Fees will increase from \$5,247 to \$5,431 for single-family homes based on current projections of capital requirements. The Availability Fee rate 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 2003 Availability Fee	FY 2004 Availability Fee
Single Family	\$5,247	\$5,431
Townhouses and Apartments	\$4,198	\$4,345
Hotels/Motels	\$1,312	\$1,358
Nonresidential	\$271/fixture unit	\$281/fixture unit

## Current Sewer Service Charge:

The Sewer Service Charge rate will increase from \$2.95 to \$3.03 per 1,000 gallons of water consumption in FY 2004. Based on this rate increase, the additional annual cost to the typical household is anticipated to be \$6.08. Sewer Service Charges are adjusted based on projected capital requirements associated with the renovation and rehabilitation of existing treatment facilities.

Category	FY 2003 Sewer Service Charge	FY 2004 Sewer Service Charge
Per 1,000 gallons water consumed	\$2.95	\$3.03

The FY 2004 Sewer Service Charge and Availability Fee are based on increased costs associated with capital project construction, system operation and maintenance, debt service, and upgrades to effectively reduce nitrogen discharge from wastewater treatment plants in order to meet new, more stringent nitrogen discharge limitations. The program will also utilize sewer fund balances to partially offset these higher costs. These 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, 2002 through June 30, 2007.

## Availability Fees and Sewer Service Charges from FY 2000 through FY 2007:

Fiscal Year	Availability Fee	Sewer Service Charge Per 1,000 gallons water used
2000	\$4,621	\$2.70
2001	\$4,898	\$2.81
2002	\$5,069	\$2.88
2003	\$5,247	\$2.95
2004	\$5,431	\$3.03
2005	\$5,621	\$3.20
2006	\$5,874	\$3.28
2007	\$6,138	\$3.40

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The agency will continue to have a nitrification reserve (previously shown in Fund 402, Sewer Construction Improvements) in the amount of \$250,000 in Fund 400, Sewer Revenue, to provide funding for the County share of the design and construction expenses associated with the installation of a Biological Nutrient Removal system at the Arlington Wastewater Treatment Plant. The retention of a nitrification reserve will provide the County with the ability to respond to State Water Control Board mandates for stricter phosphorus and nitrogen effluent permit standards.

### Funding Adjustments

*The following funding adjustments from the FY 2003 Revised Budget Plan are necessary to support the FY 2004 program:*

- ◆ Transfers Out are increased by \$49,633,397 due to the following: an increase of \$11,916,450 in Fund 401, Sewer Operation and Maintenance; a decrease of \$19,000,000 in Fund 402, Sewer Construction Improvements; an increase of \$55,254,896 in Fund 403, Sewer Bond Parity Debt Service; an increase of \$1,462,051 in Fund 407, Sewer Bond Subordinate Debt Service. **For more detailed information, refer to the individual narratives, which immediately follow this narrative.**
- ◆ An increase of \$635,684 in Revenues is primarily due to increased receipts from sewer service charges based on an increase in the number of sewer customers and increased unit costs of sewer services.

*The following funding adjustments reflect all approved changes to the FY 2003 Revised Budget Plan since passage of the FY 2003 Adopted Budget Plan. Included are all adjustments made as part of the FY 2002 Carryover Review and all other approved changes through December 31, 2002:*

- ◆ Transfers Out were increased by \$2,327,937 due to the following: a decrease of \$4,023,185 in Fund 401, Sewer Operation and Maintenance based on lower than projected usage of outside professional consultant services and lower utility costs related to the BNR process at the Norman M. Cole, Jr. Pollution Control Plant; an increase of \$4,822,000 in Fund 402, Sewer Construction Improvements due to the installation of 16,000 linear feet of sewer line for the Portland Place area and River Oaks area to the County's sanitary sewer system; a decrease of \$81,174 in Fund 403, Sewer Bond Parity Debt Service due to lower than anticipated interest and fiscal agent payments; a decrease of \$1,610,296 in Fund 407, Sewer Bond Subordinate Debt Service to support the FY 2003 Debt service payments on the \$50 million loan from the Virginia Resources Authority for the County's share of construction costs for the Alexandria Sanitation Authority treatment plant upgrade.

# FUND 400 SEWER REVENUE

## FUND STATEMENT

Fund Type G40, Enterprise Funds

Fund 400, Sewer Revenue

	FY 2002 Actual	FY 2003 Adopted Budget Plan	FY 2003 Revised Budget Plan	FY 2004 Advertised Budget Plan	FY 2004 Adopted Budget Plan
<b>Beginning Balance</b>	<b>\$161,851,820</b>	<b>\$175,621,052</b>	<b>\$173,117,699</b>	<b>\$147,572,179</b>	<b>\$141,033,768</b>
Revenue:					
Lateral Spur Fees	\$22,800	\$20,000	\$20,000	\$21,000	\$21,000
Sales of Service <sup>1</sup>	8,924,015	7,620,000	7,620,000	7,723,000	7,723,000
Availability Charges	30,684,849	28,334,000	28,334,000	28,810,000	28,810,000
Connection Charges	71,220	60,000	60,000	79,000	79,000
Sewer Service Charges	70,462,261	72,336,000	72,336,000	78,928,000	78,928,000
Delinquent Charges	50,984	30,000	30,000	56,000	56,000
Miscellaneous Revenue	77,758	70,000	70,000	170,000	170,000
Sale Surplus Property	0	30,000	30,000	30,000	30,000
State Revolving Loan	50,000,000	0	0	0	0
Interest on Investments <sup>1</sup>	4,424,760	9,612,000	9,612,000	2,930,684	2,930,684
<b>Total Revenue</b>	<b>\$164,718,647</b>	<b>\$118,112,000</b>	<b>\$118,112,000</b>	<b>\$118,747,684</b>	<b>\$118,747,684</b>
<b>Total Available</b>	<b>\$326,570,467</b>	<b>\$293,733,052</b>	<b>\$291,229,699</b>	<b>\$266,319,863</b>	<b>\$259,781,452</b>
Transfers Out:					
Sewer Operation and Maintenance (401)	\$60,773,880	\$63,852,440	\$61,894,958	\$71,745,705	\$71,640,262
Sewer Construction Improvements (402)	61,762,763	45,712,000	54,171,000	31,534,000	31,534,000
Sewer Bond Parity Debt Service (403)	13,207,577	13,528,282	13,447,108	68,702,004	68,702,004
Sewer Bond Subordinate Debt Service (407)	17,208,519	18,236,861	20,682,865	21,309,208	21,309,208
Sewer Bond Construction (408)	500,029	0	0	0	0
<b>Total Transfers Out</b>	<b>\$153,452,768</b>	<b>\$141,329,583</b>	<b>\$150,195,931</b>	<b>\$193,290,917</b>	<b>\$193,185,474</b>
<b>Total Disbursements</b>	<b>\$153,452,768</b>	<b>\$141,329,583</b>	<b>\$150,195,931</b>	<b>\$193,290,917</b>	<b>\$193,185,474</b>
<b>Ending Balance</b>	<b>\$173,117,699</b>	<b>\$152,403,469</b>	<b>\$141,033,768</b>	<b>\$73,028,946</b>	<b>\$66,595,978</b>
Management Reserves:					
Operating and Maintenance Reserve <sup>2</sup>	\$16,613,966	\$15,963,110	\$16,812,237	\$17,924,994	\$17,898,634
Nitrification Reserve <sup>3</sup>	1,667,000	1,250,000	1,250,000	250,000	250,000
Future Debt Reserve <sup>4</sup>	4,835,000	4,056,000	4,056,000	3,277,000	3,277,000
<b>Total Reserves</b>	<b>\$23,115,966</b>	<b>\$21,269,110</b>	<b>\$22,118,237</b>	<b>\$21,451,994</b>	<b>\$21,425,634</b>
<b>Unreserved Balance</b>	<b>\$150,001,733</b>	<b>\$131,134,359</b>	<b>\$118,915,531</b>	<b>\$51,576,952</b>	<b>\$45,170,344</b>

<sup>1</sup> In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of \$1,037,971.75 has been reflected as an increase to FY 2002 revenues to reflect accrued interest and properly record revenues. The audit adjustment has been included in the FY 2002 Comprehensive Annual Financial Report (CAFR).

<sup>2</sup> The Operating and Maintenance Reserve was established to provide funding to offset expenses associated with sewer systems emergencies occurring within Fund 401, Sewer Operation and Maintenance.

<sup>3</sup> The Nitrification Reserve was established to offset expenses occurring in Fund 402, Sewer Construction Improvements, associated with the nitrogen discharge upgrades at the Arlington Wastewater Treatment Plant.

<sup>4</sup> The Future Debt Reserve was established in anticipation of debt service reserve requirements for future treatment plant issues.