

Fund 400 Sewer Revenue

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.

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); Subordinate Debt Service (Fund 407); and, Bond Construction (Fund 408) associated with the Wastewater Management Program. 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, 2005 through June 30, 2010.

Current Availability Fee Rates:

Availability Charges are fees charged to new customers for initial access to the system. In FY 2007, Availability Fees will increase from \$5,874 to \$6,138 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 2006 Availability Fee	FY 2007 Availability Fee
Single Family	\$5,874	\$6,138
Townhouses and Apartments	\$4,699	\$4,910
Hotels/Motels	\$1,469	\$1,535
Nonresidential	\$304/fixture unit	\$318/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 standards as mandated by state and federal agencies. The Sewer Service Charge rate will increase from \$3.28 to \$3.50 per 1,000 gallons of water consumption in FY 2007. This equates to a 6.75 percent increase in rates and will result in an anticipated increase in the annual cost to the typical household of \$16.72. This rate increase represents a departure for the rate schedules that have been projected in the past. The higher 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 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 has the capability to meet the current 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

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to the significant level of requirements, the FY 2007 budget also requires a planned bond sale in the amount of \$150 million to provide maximum flexibility to meet new state regulatory requirements at Wastewater Management facilities.

Category	FY 2006 Sewer Service Charge	FY 2007 Sewer Service Charge
Per 1,000 gallons water consumed	\$3.28	\$3.50

The FY 2007 Sewer Service Charge and Availability Fee increases will generate an additional \$3.5 million in revenues 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. The program will also utilize sewer fund balances to partially offset these higher costs. These FY 2007 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, 2005 through June 30, 2010.

Availability Fees and Sewer Service Charges from FY 2003 through FY 2010:

Fiscal Year	Availability Fee	Sewer Service Charge Per 1,000 gallons water used
2003	\$5,247	\$2.95
2004	\$5,431	\$3.03
2005	\$5,621	\$3.20
2006	\$5,874	\$3.28
2007	\$6,138	\$3.50
2008	\$6,506	\$3.74
2009	\$6,896	\$3.99
2010	\$7,310	\$4.26

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:

- ◆ There have been no revisions to this fund since approval of the FY 2006 Adopted Budget Plan.

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:

- ◆ As part of the FY 2006 Third Quarter Review there were no expenditure revisions, however the Board of Supervisors approved a Transfer Out decrease of \$13,000,000 to Fund 402, Sewer Construction Improvements due to changes in project schedules and estimated cashflow needs primarily associated with long-term phasing of the new Chesapeake Bay water quality program requirements. New Chesapeake Bay requirements outline significant reductions in the amount of nutrient pollutants discharged from wastewater treatment facilities. Wastewater treatment facility upgrades to meet the Chesapeake Bay requirements are anticipated to begin in FY 2007 and continue for several years.

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FUND STATEMENT

Fund Type G40, Enterprise Funds

Fund 400, Sewer Revenue

	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	\$70,323,787	\$70,629,867	\$62,124,239	\$39,318,723	\$52,248,938
Revenue:					
Lateral Spur Fees	\$39,000	\$20,000	\$20,000	\$20,000	\$20,000
Sales of Service	7,400,814	8,236,000	7,500,000	7,600,000	7,600,000
Availability Charges	31,303,561	35,210,000	30,000,000	28,000,000	28,000,000
Connection Charges	76,440	75,000	75,000	75,000	75,000
Sewer Service Charges	79,043,085	88,630,000	81,020,000	86,488,800	86,488,800
Delinquent Charges	0	50,000	0	0	0
Miscellaneous Revenue	150,776	150,000	150,000	150,000	150,000
Sale Surplus Property	30,953	90,000	30,000	30,000	30,000
Interest on Investments ¹	1,510,254	1,052,717	1,500,000	1,259,200	1,259,200
Total Revenue	\$119,554,883	\$133,513,717	\$120,295,000	\$123,623,000	\$123,623,000
Transfers In:					
Sewer Bond Construction (408)	\$9,500,000	\$0	\$0	\$0	\$0
Total Transfers In	\$9,500,000	\$0	\$0	\$0	\$0
Total Available	\$199,378,670	\$204,143,584	\$182,419,239	\$162,941,723	\$175,871,938
Transfers Out:					
Sewer Operation and Maintenance (401)	\$72,596,080	\$74,565,928	\$69,133,457	\$78,008,575	\$78,008,575
Sewer Construction Improvements (402)	35,495,200	45,807,900	32,807,900	11,861,000	11,861,000
Sewer Bond Parity Debt Service (403)	7,490,532	6,720,045	6,720,045	11,474,701	11,474,701
Sewer Bond Subordinate Debt Service (407)	21,672,619	21,508,899	21,508,899	22,100,000	22,100,000
Sewer Bond Construction (408)	0	0	0	0	0
Total Transfers Out	\$137,254,431	\$148,602,772	\$130,170,301	\$123,444,276	\$123,444,276
Total Disbursements	\$137,254,431	\$148,602,772	\$130,170,301	\$123,444,276	\$123,444,276
Ending Balance ²	\$62,124,239	\$55,540,812	\$52,248,938	\$39,497,447	\$52,427,662
Management Reserves:					
Operating and Maintenance Reserve ³	\$18,703,022	\$18,840,955	\$18,840,955	\$19,504,866	\$19,504,866
Nitrification Reserve ⁴	2,497,000	1,718,000	2,497,000	0	0
Future Debt Reserve ⁵	0	0	6,637,072	6,637,072	6,637,072
Total Reserves	\$21,200,022	\$20,558,955	\$27,975,027	\$26,141,938	\$26,141,938
Unreserved Balance	\$40,924,217	\$34,981,857	\$24,273,911	\$13,355,509	\$26,285,724

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¹ In order to account for revenues in the proper fiscal year, an audit adjustment in the amount of \$69,785 was reflected as a decrease to FY 2005 revenues to credit interest on debt service payments made in advance. The audit adjustment has been included in the FY 2005 Comprehensive Annual Financial Report (CAFR).

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 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. Beginning in FY 2007, no funding is required since all future nitrification expenses were appropriated in Fund 402, Sewer Construction Improvements.

⁵ The Future Debt Reserve was established in anticipation of debt service reserve requirements for Virginia Resource Authority loans related to future treatment plant issues.