

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 January 2011 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 2012, Availability Fees will remain at \$7,750 for single-family homes based on current projections of capital requirements. Rates are based on requirements associated with treatment plant upgrades and interjurisdictional payments that result from population growth, more stringent treatment requirements and inflation. The FY 2012 rate is consistent with the recommendations of the Department of Public Works and Environmental Services and the analysis included in the January 2011 Wastewater Revenue Sufficiency and Rate Analysis report. FY 2012 through FY 2014 rates are anticipated to be held equal to FY 2011 rates pending a more detailed pricing analysis. The following table displays the rates by category.

Category	FY 2011 Availability Fee	FY 2012 Availability Fee
Single Family	\$7,750	\$7,750
Townhouses and Apartments	\$6,200	\$6,200
Hotels/Motels	\$1,938	\$1,938
Nonresidential	\$401/fixture unit	\$401/fixture unit

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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 \$5.27 to \$6.01 per 1,000 gallons of water consumption in FY 2012. This equates to an approximate increase of 14.0 percent in Sewer Service Charges. In addition, the base charge remains the same in FY 2012 and is 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, District of Columbia Water and Sewer Authority (DCWASA), City of Alexandria, Washington Suburban Sanitary Commission (WSSC), and Prince William County. The combined effect of the sewer service charge increase as well as the base charge equate to an anticipated increase in the annual cost to the typical household of \$56.24. For FY 2013 and FY 2014, annual service charge increases of 13.9 percent and 9.8 percent are being considered. 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. The Chesapeake Bay water quality program requires reductions in the amount of nutrient pollutants. In December 2004, the state notified the County that the renewal of County’s National Pollutant Discharge Elimination System (NPDES) permit includes a requirement that nutrient removal be performed at the “Limits of Technology.” Current technology allows for discharge limits of 3.0 milligrams per liter for nitrogen and 0.1 milligrams per liter for phosphorus. The County has a nitrogen discharge requirement of 7.0 milligrams per liter. A phased approach has been under way to renovate and upgrade current plant facilities to accommodate new 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 January 2011 Wastewater Revenue Sufficiency and Rate Analysis report.

Category	FY 2011 Sewer Service Charge	FY 2012 Sewer Service Charge
Per 1,000 gallons water consumed	\$5.27	\$6.01

The FY 2012 Sewer Service Charge will generate an additional \$17.608 million in revenue over the estimated FY 2011 *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 fairly 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.

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Availability Fees and Sewer Service Charges from FY 2008 through FY 2015

Fiscal Year	Availability Fee	Sewer Service Charge Per 1,000 gallons water used
2008	\$6,506	\$3.74
2009	\$6,896	\$4.10
2010	\$7,310	\$4.50
2011	\$7,750	\$5.27
2012	\$7,750	\$6.01
2013	\$7,750	\$6.85
2014	\$7,750	\$7.52
2015	\$7,750	\$7.97

Changes to FY 2011 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2011 Revised Budget Plan since passage of the FY 2011 Adopted Budget Plan. Included are all adjustments made as part of the FY 2010 Carryover Review, FY 2011 Third Quarter Review, and all other approved changes through April 12, 2011.

- ◆ There have been no revisions to this fund since the approval of the FY 2011 Adopted Budget Plan.

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FUND STATEMENT

Fund Type G40, Enterprise Funds

Fund 400, Sewer Revenue

	FY 2010 Actual	FY 2011 Adopted Budget Plan	FY 2011 Revised Budget Plan	FY 2012 Advertised Budget Plan	FY 2012 Adopted Budget Plan
Beginning Balance	\$87,265,589	\$81,555,589	\$86,560,787	\$66,925,787	\$88,525,787
Revenue:					
Lateral Spur Fees	\$12,600	\$10,000	\$10,000	\$10,000	\$10,000
Sales of Service	8,888,800	8,000,000	8,000,000	9,500,000	9,500,000
Availability Charges	10,668,539	12,000,000	12,000,000	10,000,000	10,000,000
Connection Charges	28,980	50,000	50,000	30,000	30,000
Sewer Service Charges	117,550,994	125,775,000	125,775,000	143,383,500	143,383,500
Miscellaneous Revenue	200,360	150,000	150,000	150,000	150,000
Sale Surplus Property	47,503	30,000	30,000	30,000	30,000
Interest on Investments	847,422	2,000,000	1,000,000	900,000	900,000
Total Revenue	\$138,245,198	\$148,015,000	\$147,015,000	\$164,003,500	\$164,003,500
Total Available	\$225,510,787	\$229,570,589	\$233,575,787	\$230,929,287	\$252,529,287
Transfers Out:					
Sewer Operation and Maintenance (401)	\$90,000,000	\$98,800,000	\$73,400,000	\$78,000,000	\$78,000,000
Sewer Construction Improvements (402)	18,000,000	24,500,000	24,500,000	29,000,000	29,000,000
Sewer Bond Parity Debt Service (403)	6,650,000	19,850,000	22,650,000	25,554,960	25,554,960
Sewer Bond Subordinate Debt Service (407)	24,300,000	24,500,000	24,500,000	25,633,624	25,633,624
Total Transfers Out	\$138,950,000	\$167,650,000	\$145,050,000	\$158,188,584	\$158,188,584
Total Disbursements	\$138,950,000	\$167,650,000	\$145,050,000	\$158,188,584	\$158,188,584
Ending Balance ¹	\$86,560,787	\$61,920,589	\$88,525,787	\$72,740,703	\$94,340,703
Management Reserves:					
Operating and Maintenance Reserve ²	\$45,000,000	\$30,000,000	\$45,000,000	\$40,000,000	\$40,000,000
New Customer Reserve ³	22,846,287	23,000,000	23,000,000	23,000,000	23,000,000
Virginia Resource Authority Reserve ⁴	6,637,072	6,637,072	6,637,072	6,637,072	6,637,072
Total Reserves	\$74,483,359	\$59,637,072	\$74,637,072	\$69,637,072	\$69,637,072
Unreserved Balance	\$12,077,428	\$2,283,517	\$13,888,715	\$3,103,631	\$24,703,631

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