

Fund 69040

Sewer Bond Subordinate Debt Service

Focus

Fund 69040, Sewer Bond Subordinate Debt Service, provides debt service funding for the Upper Occoquan Service Authority (UOSA) Bond Series and the Virginia Resources Authority (VRA) loans. The UOSA Bond Series is based on the County's portion of the UOSA plant expansion from 27.0 million gallons per day (mgd) to 54.0 mgd. Two low-interest VRA loans from the State Revolving Fund Program were used to fund the County's share of construction costs for the Alexandria Renew Enterprises Treatment Plant upgrade for ammonia removal as required by the State Water Control Board.

The UOSA Board is currently amending their Service Agreement to allow member jurisdictions to pay cash for their portion of CIP costs and avoid participating in future UOSA bond sales. Based on available sewer revenues, Fairfax County is able to take advantage of this option and avoid debt service costs in the future. Fairfax County's share of the next scheduled UOSA bond sale is projected to be \$13 million. As part of the *FY 2014 Carryover Review*, the Board of Supervisors approved an increase of \$13,000,000 to Fund 69300, Sewer Construction Improvements, necessary to fund Fairfax County's portion of the Capital Improvement Program (CIP) related to the UOSA treatment plant upgrades using cash on hand rather than incurring debt. Taking advantage of this cash option will ultimately save the County approximately \$14 million in debt service interest payments over a 30 year period.

All debt service payments are supported by Sewer System Revenues through a transfer from Fund 69000, Sewer Revenue. Pursuant to the Sewer Bond resolution and respective agreements, these debt obligations are subordinate to the County's Sewer Revenue Bonds and therefore, the payments are made from this fund.

Funding in the amount of \$26,318,820 will provide for the FY 2016 principal and interest requirements, including an amount of \$20,115,543 for the UOSA plant requirements and \$6,203,277 for the VRA debt requirements. It should be noted that UOSA debt for bond series 2007A and 2007B is structured so that no principal payments are made during the construction phase of the project. Interest is capitalized and principal payments begin once construction is substantially complete. This helps level the debt service payments for all jurisdictions involved.

The following table identifies the payments required in FY 2016:

	Principal	Interest	Total
UOSA PLANT EXPANSION:			
1995A	\$5,496,564	\$1,568,696	\$7,065,260
2007A	0	2,621,743	2,621,743
2007B	0	2,552,749	2,552,749
2010B	726,887	1,174,012	1,900,899
2011A	104,624	68,171	172,795
2011B	244,525	130,007	374,532
2013A	680,619	1,570,386	2,251,005
2013B	2,807,174	369,386	3,176,560
Subtotal – UOSA	\$10,060,393	\$10,055,150	\$20,115,543

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	Principal	Interest	Total
VRA DEBT PAYMENTS:			
FY 2001 VRA Loan	\$2,468,941	\$322,137	\$2,791,078
FY 2002 VRA Loan	2,948,673	463,526	3,412,199
Subtotal – VRA	\$5,417,614	\$785,663	\$6,203,277
Total	\$15,478,007	\$10,840,813	\$26,318,820

Changes to FY 2015 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2015 Revised Budget Plan since passage of the FY 2015 Adopted Budget Plan. Included are all adjustments made as part of the FY 2014 Carryover Review, and all other approved changes through December 31, 2014.

- ◆ **Carryover Adjustments** **(\$379,353)**
 As part of the *FY 2014 Carryover Review*, the Board of Supervisors approved a decrease of \$379,353 due to savings associated with the refunding of the UOSA Series 2003 Bonds on November 15, 2013.

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FUND STATEMENT

Fund 69040, Sewer Bond Subordinate Debt Service

	FY 2014 Actual	FY 2015 Adopted Budget Plan	FY 2015 Revised Budget Plan	FY 2016 Advertised Budget Plan
Beginning Balance	\$2,620,248	\$1,700,480	\$4,062,643	\$2,929,373
Transfer In:				
Sewer Revenue (69000)	\$27,500,000	\$25,000,000	\$25,000,000	\$23,500,000
Total Transfer In	\$27,500,000	\$25,000,000	\$25,000,000	\$23,500,000
Total Available	\$30,120,248	\$26,700,480	\$29,062,643	\$26,429,373
Expenditures:				
Principal Payment ¹	\$13,607,354	\$14,603,244	\$14,814,258	\$15,478,007
Interest Payment ^{1,2}	12,450,251	11,909,379	11,319,012	10,840,813
Total Expenditures	\$26,057,605	\$26,512,623	\$26,133,270	\$26,318,820
Total Disbursements	\$26,057,605	\$26,512,623	\$26,133,270	\$26,318,820
Ending Balance³	\$4,062,643	\$187,857	\$2,929,373	\$110,553

¹ The bond principal and interest payments are shown here as expenditures. However, for accounting purposes, the Comprehensive Annual Financial Report will show these disbursements as "Construction in Progress" to be capitalized. In addition, the bond principal and interest payments were adjusted as part of the *FY 2015 Revised Budget Plan* due to savings from the refunding of the UOSA Series 2003 Bonds on November 15, 2013.

² The Wastewater Management Program makes principal and interest payments to the Upper Occoquan Service Authority (UOSA) in advance of the principal and interest due dates based on the original agreement with UOSA. UOSA credits the Wastewater Program any interest earning from the advanced payments; therefore, the interest payment actuals are normally lower than anticipated.

³ The Wastewater Management Program maintains fund balances at adequate levels relative to projected debt service requirements. These costs change annually and therefore, fund balances fluctuate from year to year based on actual debt service requirements.