

We Sell Services

- **Collection (3,380 miles pipe & 65 pump stations)**

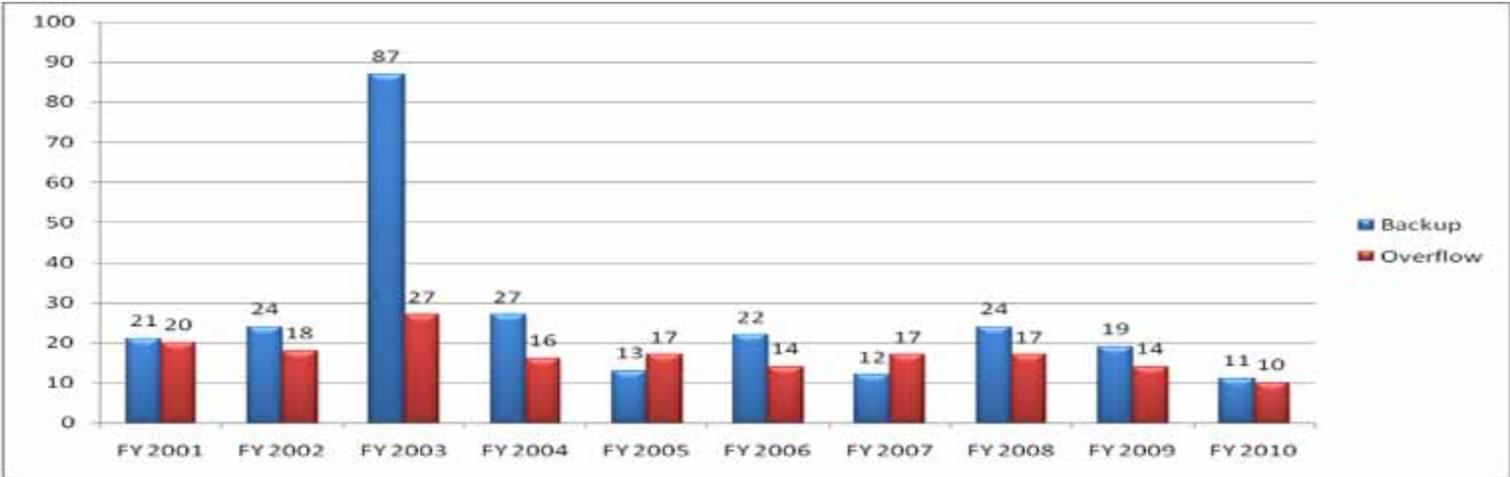
- **Basic Community Need**
- **Regulatory Requirements**
 - Pump Stations – 65 pump stations
 - Miss Utility
 - Infiltration & Inflow Program (I&I)
 - Flow Metering – 59 stations
 - Capacity Management
- **Non-Regulatory Services**
 - Inspection
 - Cleaning
 - Rehabilitation & Replacement (R&R)
 - CIP

- **Treatment**

- **Basic Community Need**
- **Regulatory Requirements**
 - Clean Water Act Standards
 - Clean Air Act Standards
 - Sludge Standards
 - Chesapeake Bay
 - Water Reuse (TN Limit)
- **Non-Regulatory Service**
 - Odor Control
 - Water and Energy Management
 - Water Reuse

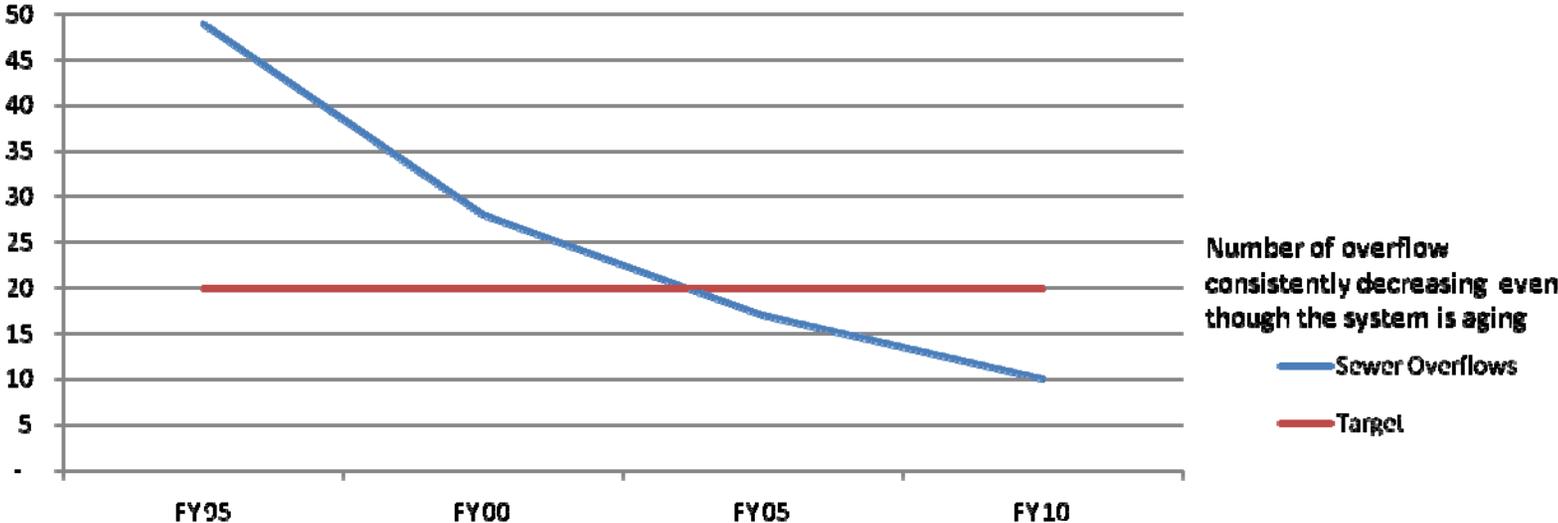


WCD Sanitary Sewer System Historical Backup and Overflow Data



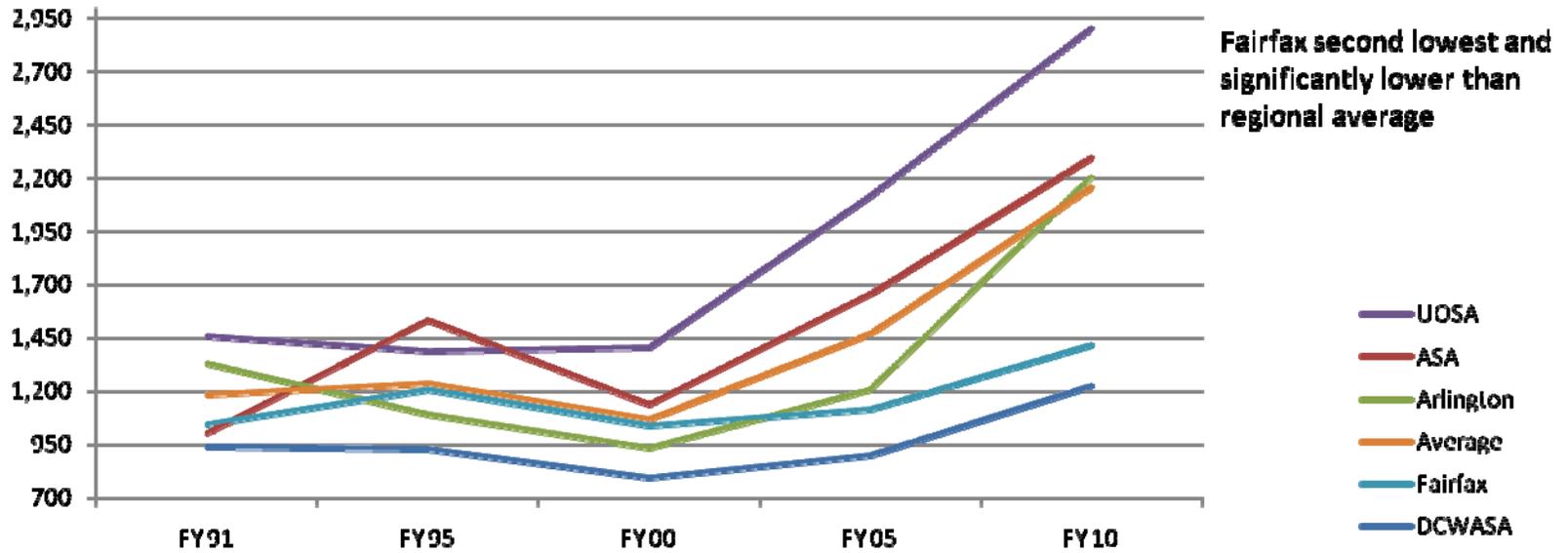
Sewer Overflows per Year

EPA estimates that about 40,000 SSO events occur in the United States each year
 Water Environmental Federation "Median Overflow is 4.3 per 100 miles" equates to 145 overflows for a collection system of our size. One overflow is a violation of our permit.

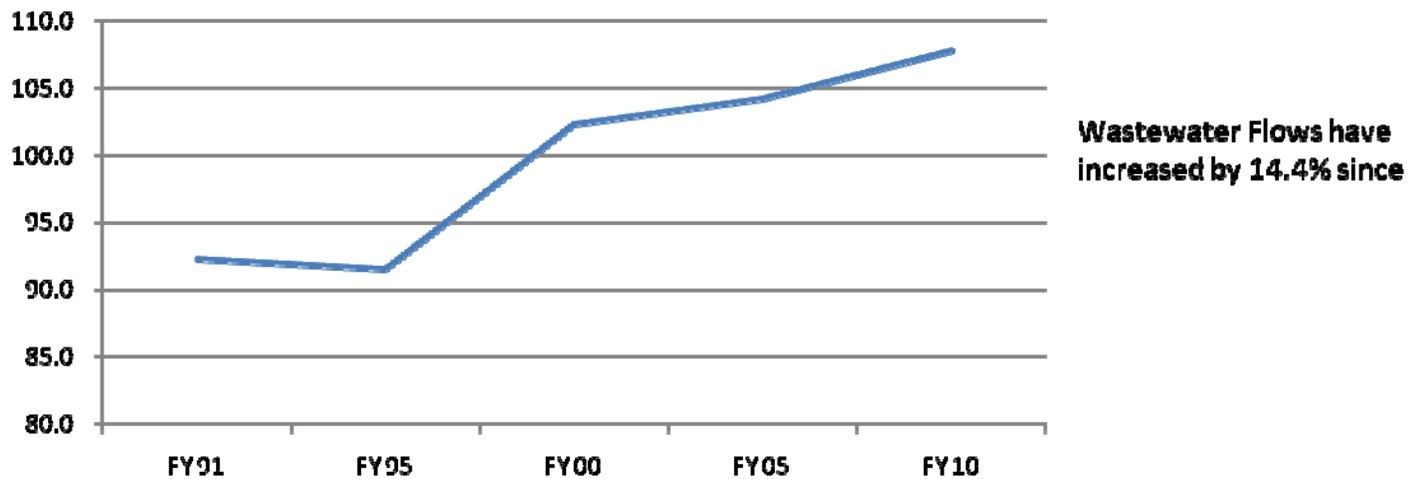


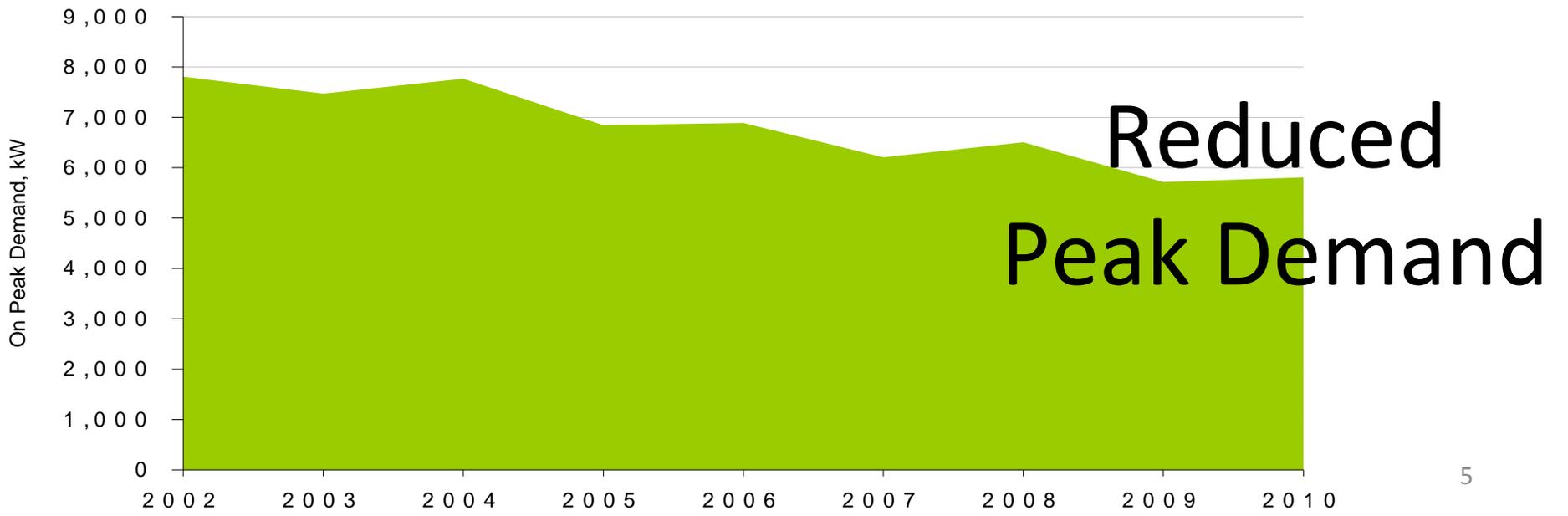
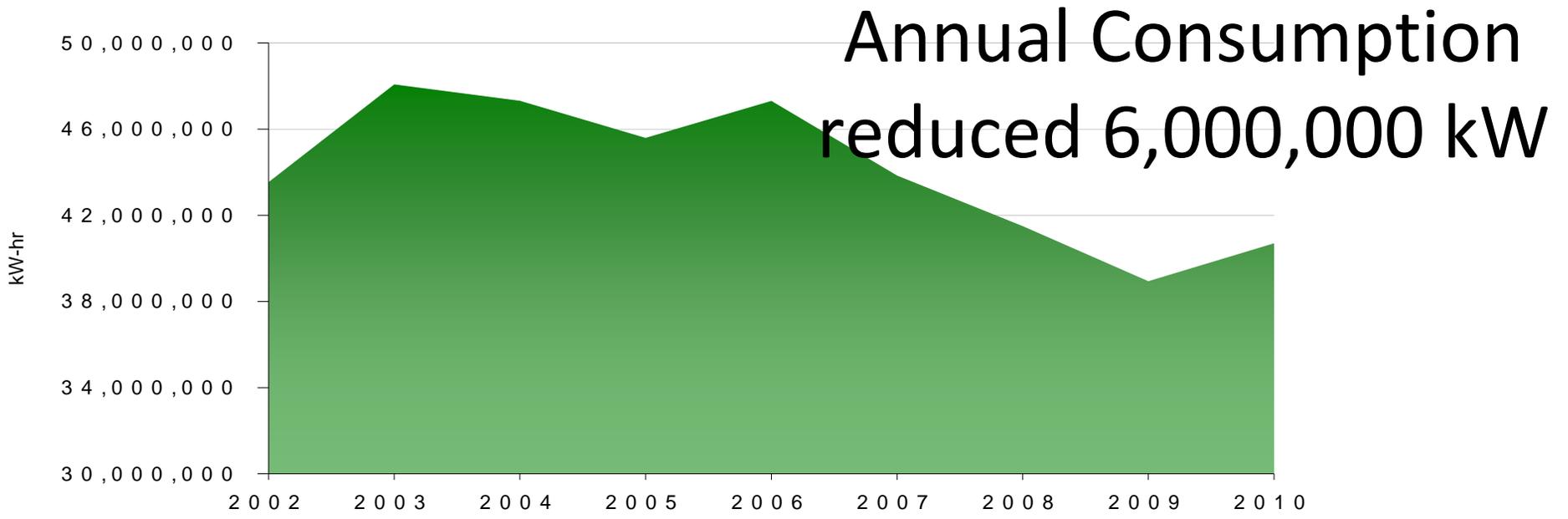
Unit cost for Wastewater Treatment per 1,000 gallons

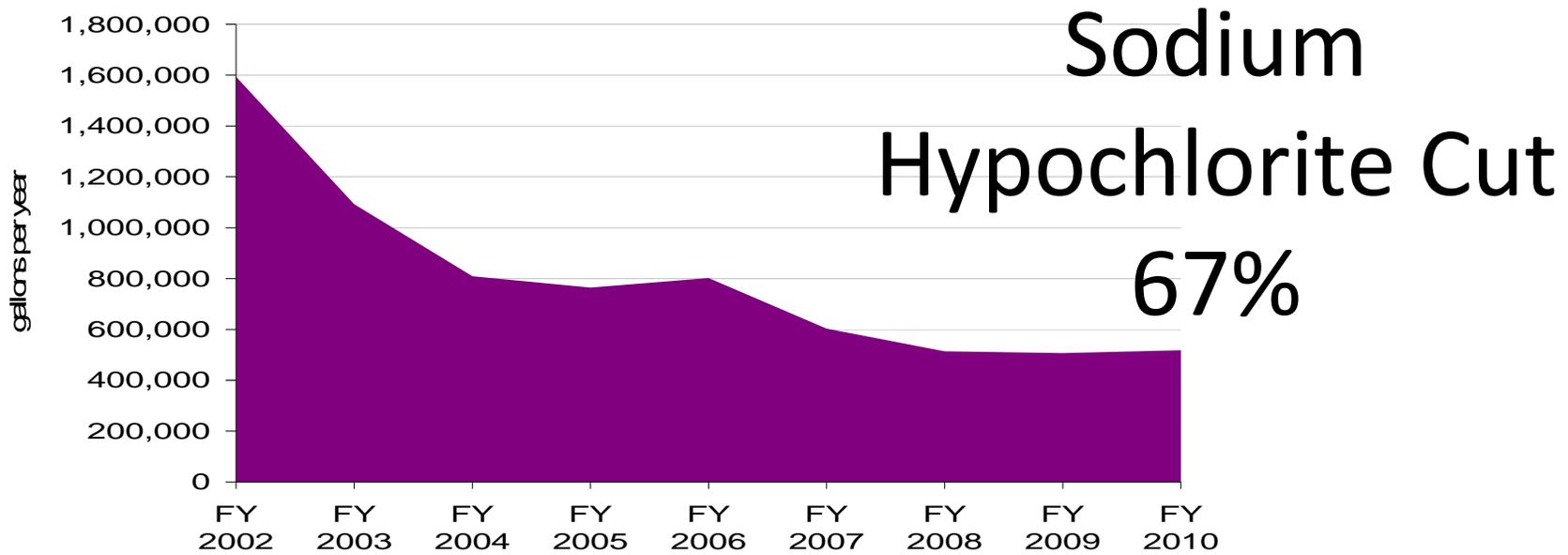
Fairfax County has been able to maintain unit cost increases at a very modest level over the last ten years despite increases flows and treatment levels.



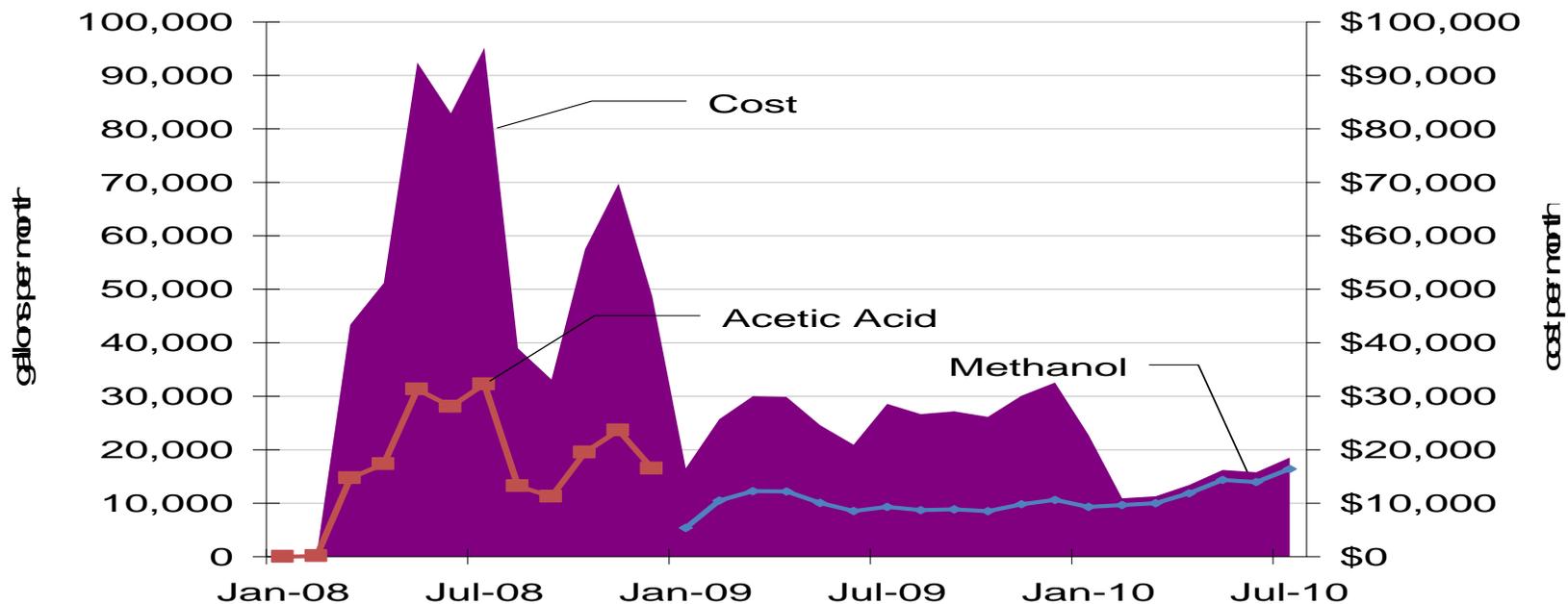
Wastewater Flow



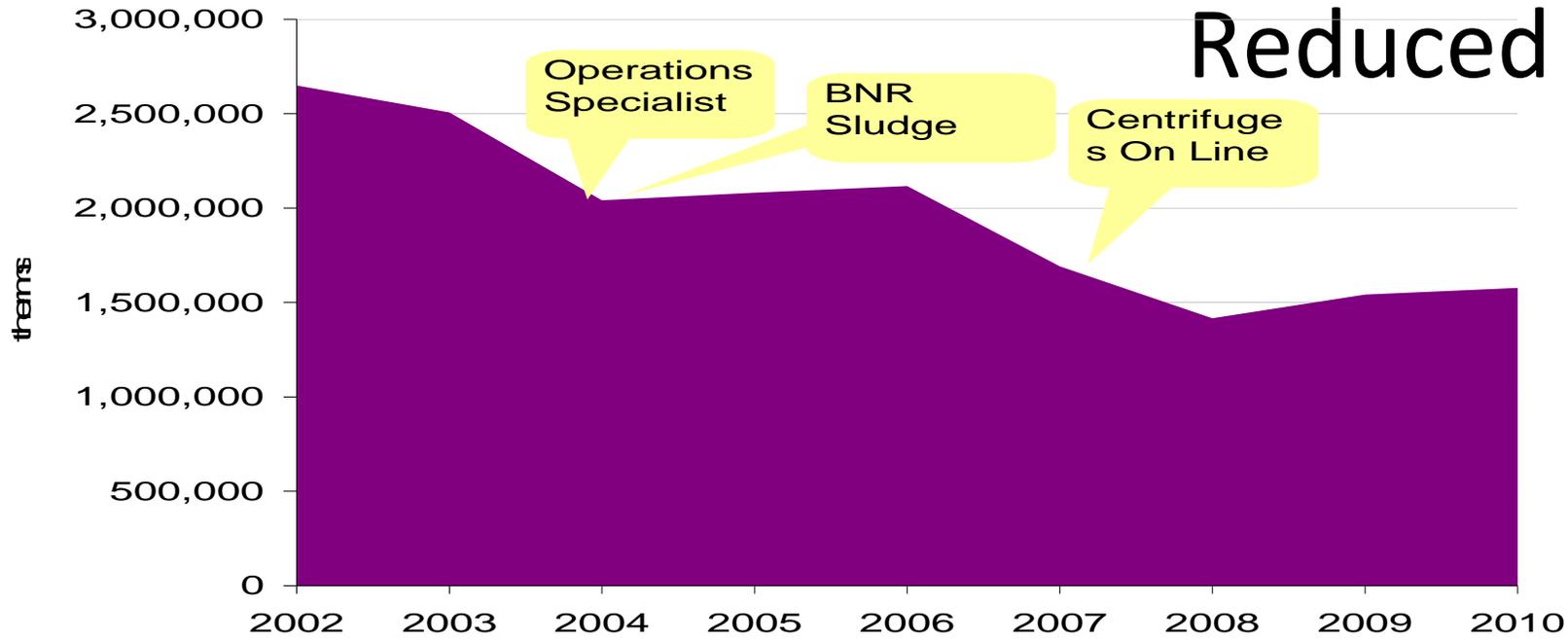




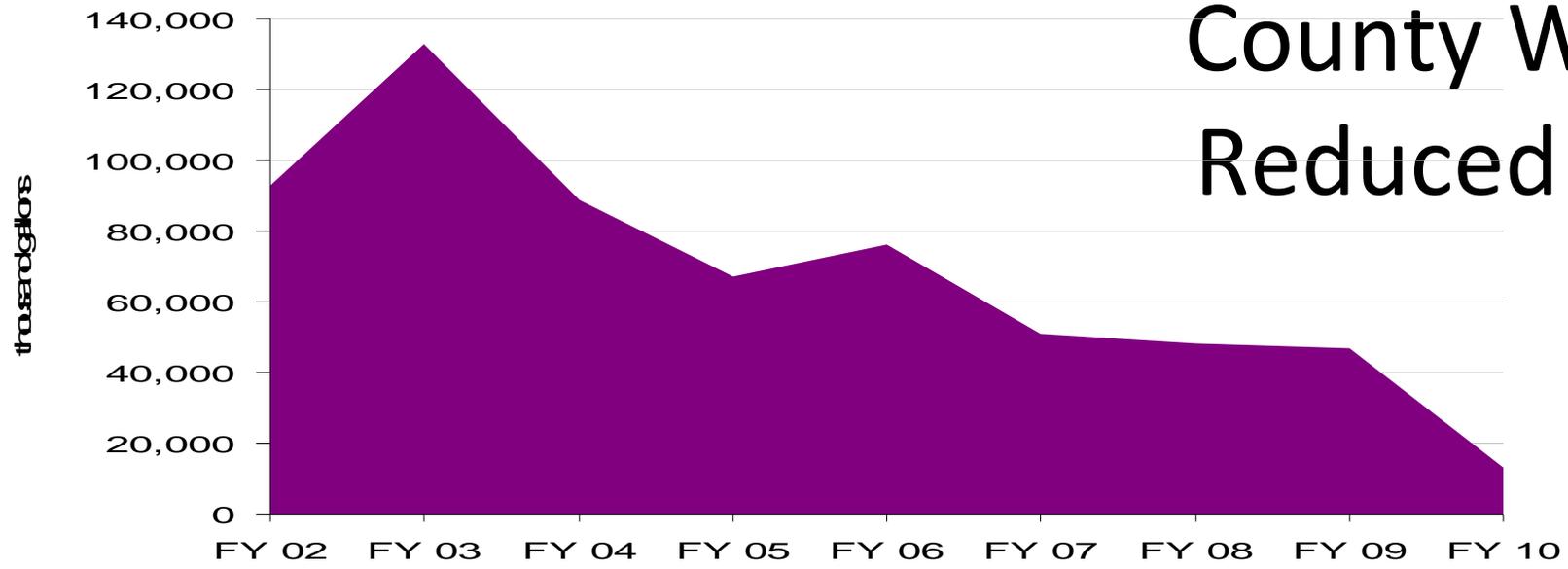
Switched Denitrification Chemicals



Sludge Fuels Reduced 35%

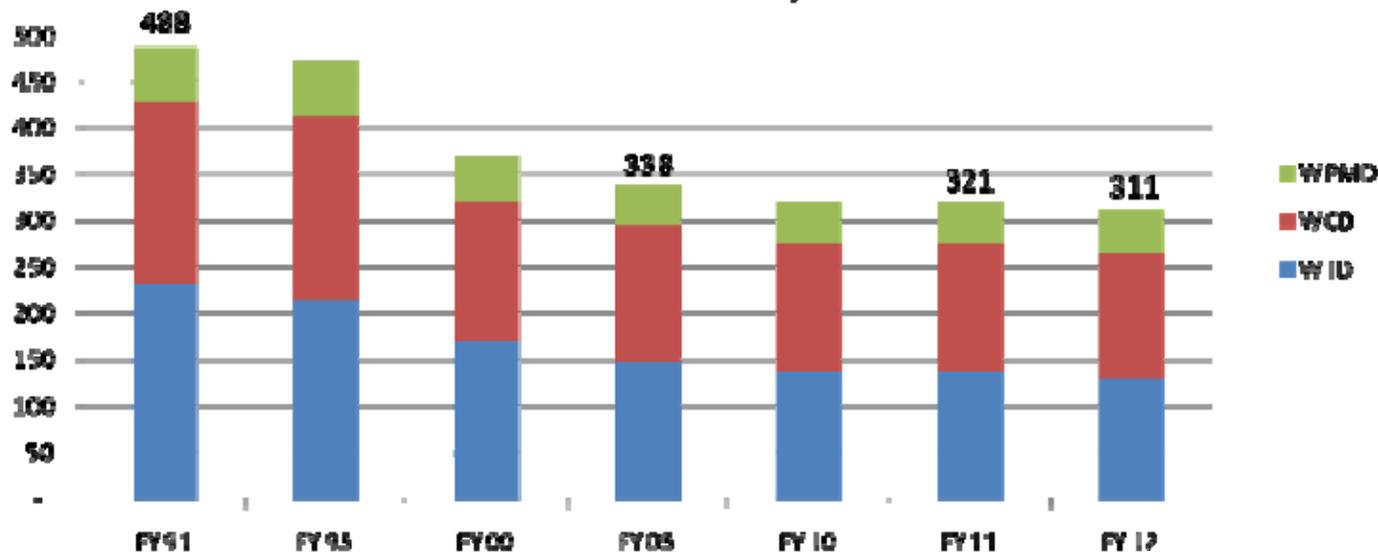


County Water Reduced 90%



Position Count by Division

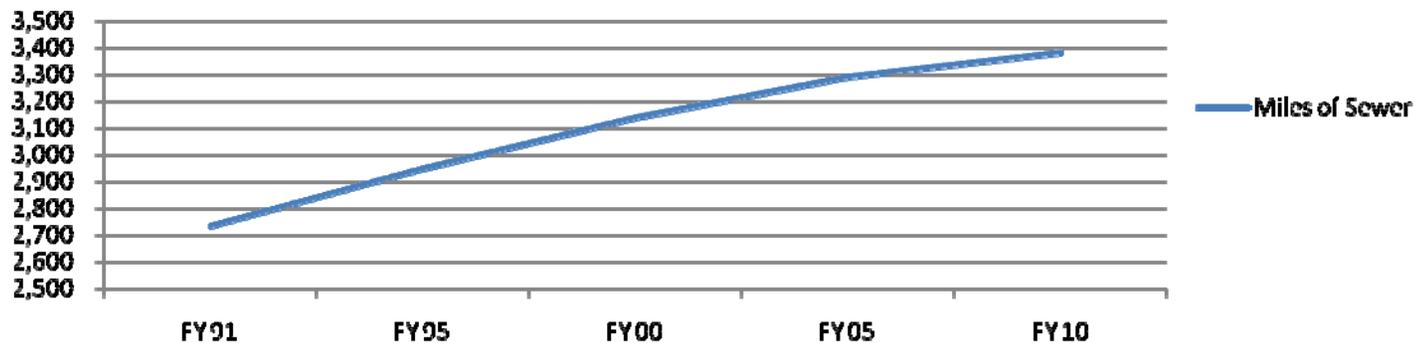
Reduced Number of Positions by 177 since FY 1991



Wastewater Flows (mgd) 92.3 91.5 102.3 104.2 107.8 112.0 (est.) 114.0 (est.)

Miles of Sewer

656 miles have been added to the system since FY 1991



WWM's Cost Saving Initiatives

implemented over the years

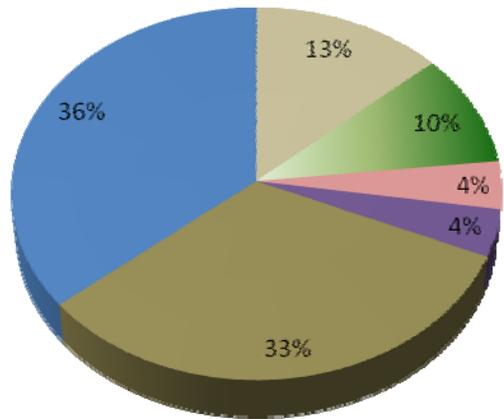
Initiative	Benefit
Streamlined operations/eliminated supervisory layers	49 positions eliminated since 2001
Decreased electrical consumption by 6,000,000 kW	\$580,000 per year since 2003
Decreased chemical consumption 33% - 89%	\$1.9 million per year since 2003
Decreased water consumption by 90%	\$90,000 per year
New telephone maintenance contract	\$40,000 over 5 years
Energy efficiency initiatives	Reduce energy loss up to 36%
Contracted out easement clearing	\$50,000 per year
Contracted out sliplining/pipe repair program	\$1.5 million per year
Virtualized servers and computer licenses	\$100,000 per year
Sold phosphorus credits	\$100,000 over 5 years
Reduced Sludge Fuel by 35%	\$2.6 million
Reduced Denitrification Cost by switching chemicals	\$70,000 over last 2 years

**Lines of Business
FY 2012**

	Million Dollars	Positions		Million Dollars	Positions
Collection			Treatment		
- Regulatory Requirements			- Regulatory Requirements		
Pump Station	\$ 4.5	34	Treatment by Contract	\$ 45.4	0
Miss Utility Program	0.6	5	Treatment by County	15.6	112
I & I Program	0.6	5	Clean Water Act Standards		
Flow Metering	0.6	4	Clean Air Act Pollution Stds		
Response	5.6	69	Sludge Standards		
- Non Regulatory			Chesapeake Bay		
Inspections	0.6	5	Water Reuse (TN Limit)		
Cleaning	1.2	18	- Non Regulatory		
Subtotal Collection	\$ 13.7	140	Odor Control	1.0	0
			Water and Energy		
			Management	0.4	5
Planning and Monitoring			Preventive Maintenance	1.8	18
- Regulatory Requirements			Subtotal Treatment	\$ 64.2	135
Financial &					
Management	\$ 2.8	15			
Pretreatment	0.4	5	Debt Service		
Lab	1.4	15	- Regulatory Requirements	\$ 50.3	0
Plan Review and					
Engineering	0.9	8			
- Non Regulatory			Total WWM Operations	\$ 139.7	321
Billing Agent Fees	5.7		Proposed Position Cuts:		10
GIS	0.3	3			311
Subtotal Planning & Monitoring	\$ 11.5	46			

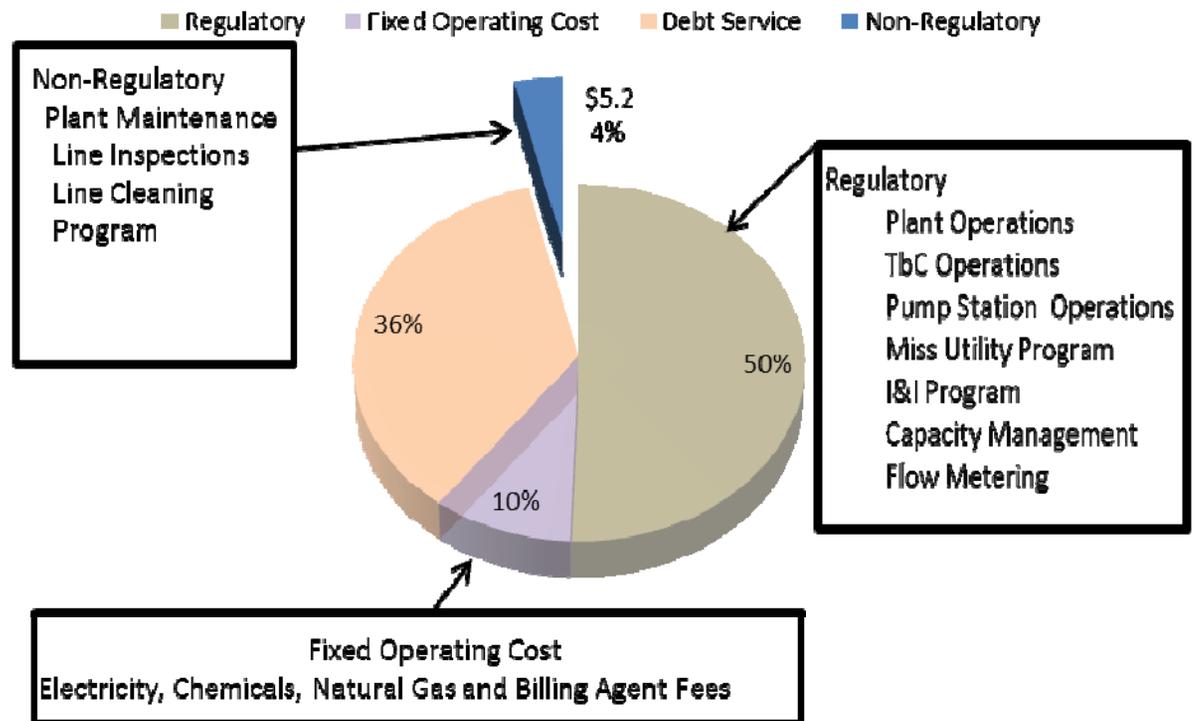
FY 12 Budget

Annual WWM Expenses



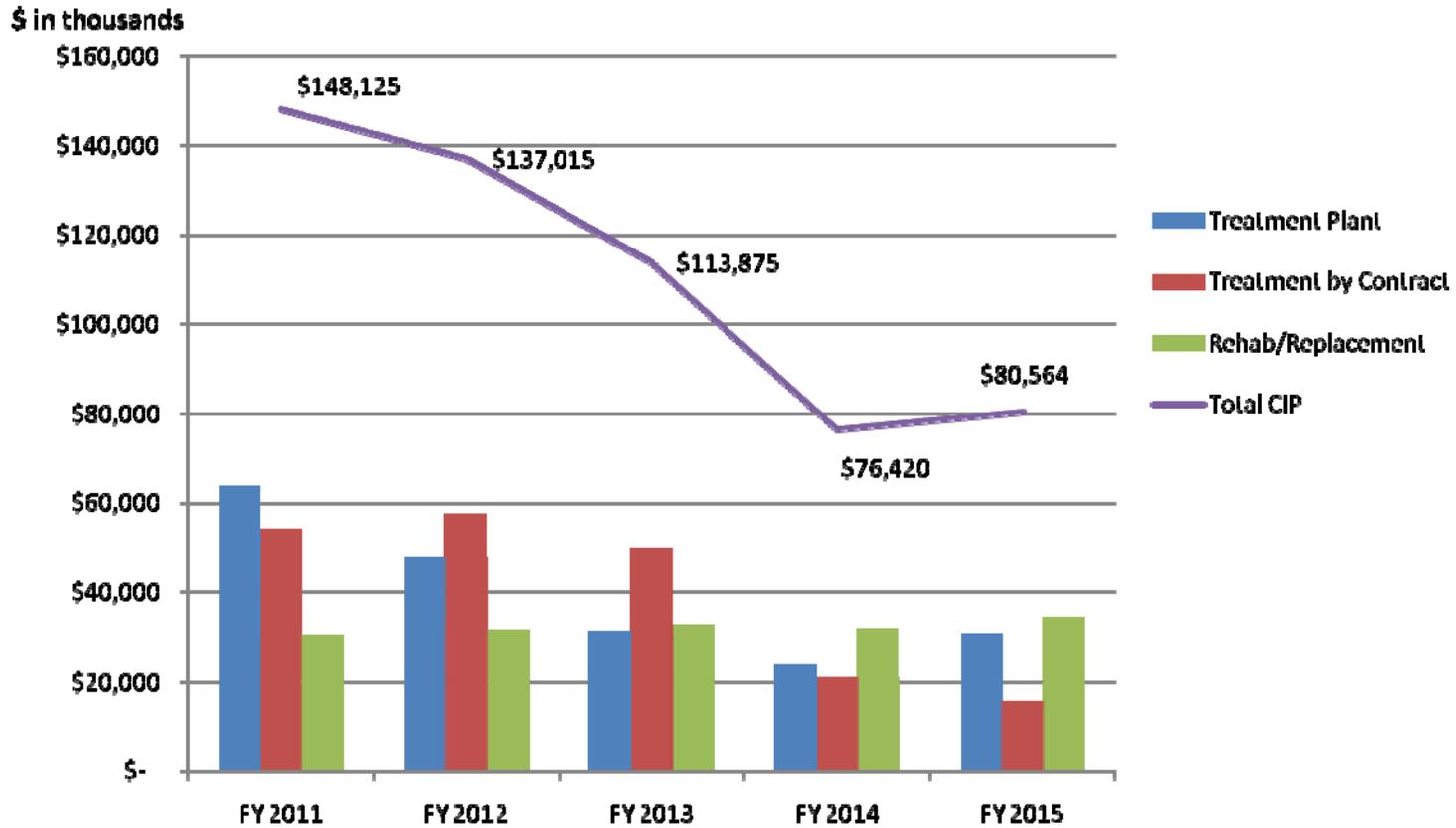
- Plant O&M
- Collection O&M
- P&M Operations
- Billing Agents
- TbC O&M
- Debt Service

Regulatory vs Non-Regulatory

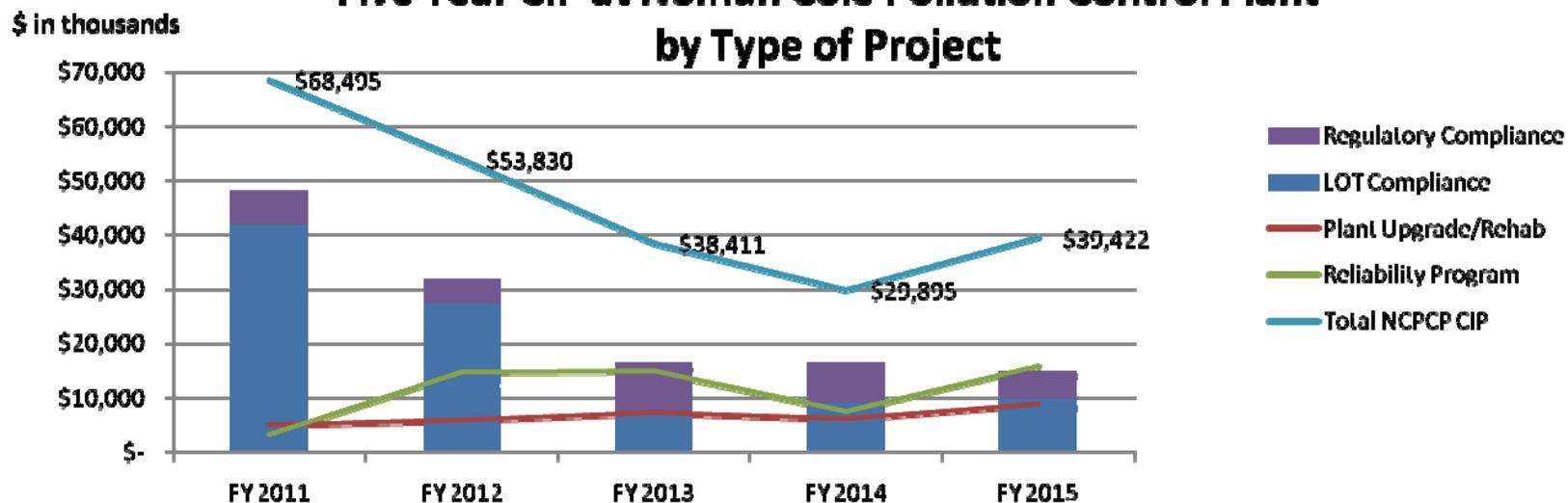


Five Year CIP by Program Area

\$535.2 million total CIP for the next five years.



Five Year CIP at Noman Cole Pollution Control Plant by Type of Project



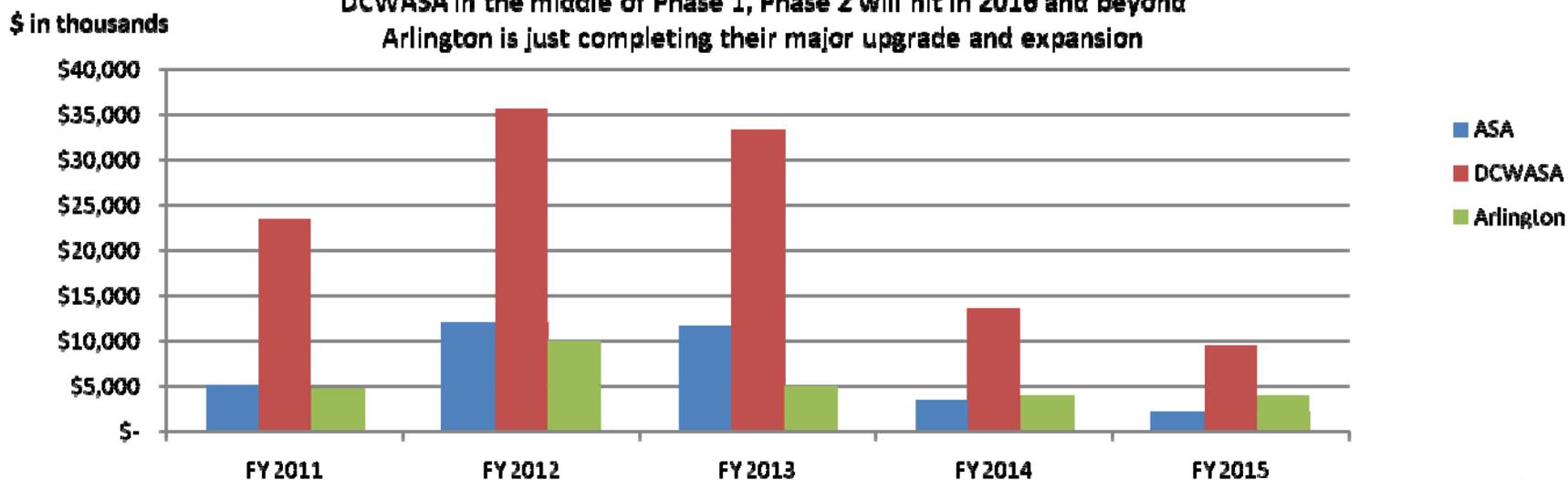
Five Year CIP County Portion at Interjurisdictional Plants

This does not include UOSA which is totally debt financed.

ASA beginning the LOT Compliance Projects

DCWASA in the middle of Phase 1, Phase 2 will hit in 2016 and beyond

Arlington is just completing their major upgrade and expansion



Financial Requirements & Goals

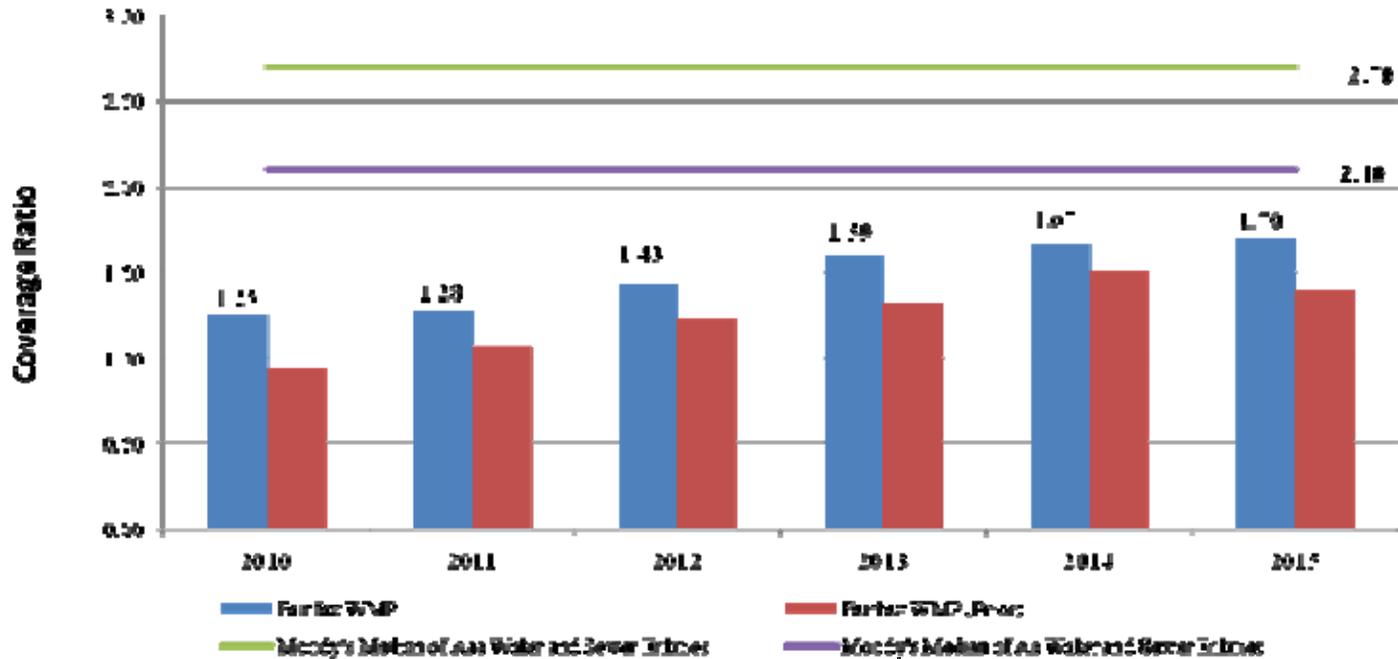
- Bond Covenants
 - Mandatory Coverage Ratios
 - Senior Debt 2.0 (excluding nonrecurring revenues by 2011)
 - Gross Revenues less Operating Expenses divided by Senior Debt Service
 - Total Debt 1.25 (excluding nonrecurring revenues by 2013)
 - Gross Revenues less Operating Expenses divided by Total Debt Service
 - Moody's Aaa median: 2.70
 - Reserve Goals
 - Minimum O&M: 90 days
 - Target O&M: 120 days
 - Recommended O&M: 180 days
- Financial Goals
 - Maintain Bond Rating - AAA/aa May, 2009
 - Fund R&R via Cash vs. Borrowing
 - Operating Margin – Improve from 20% to 40%
 - Operating Revenue divided by O&M expense
 - Funds available for Debt Service and Cash funded R&R
 - Moody's Median 35%
- Growth Pays for Growth Policy
- Minimize Customer Impact
- Maintain Competitive Rates



Total Annual Debt Service Coverage

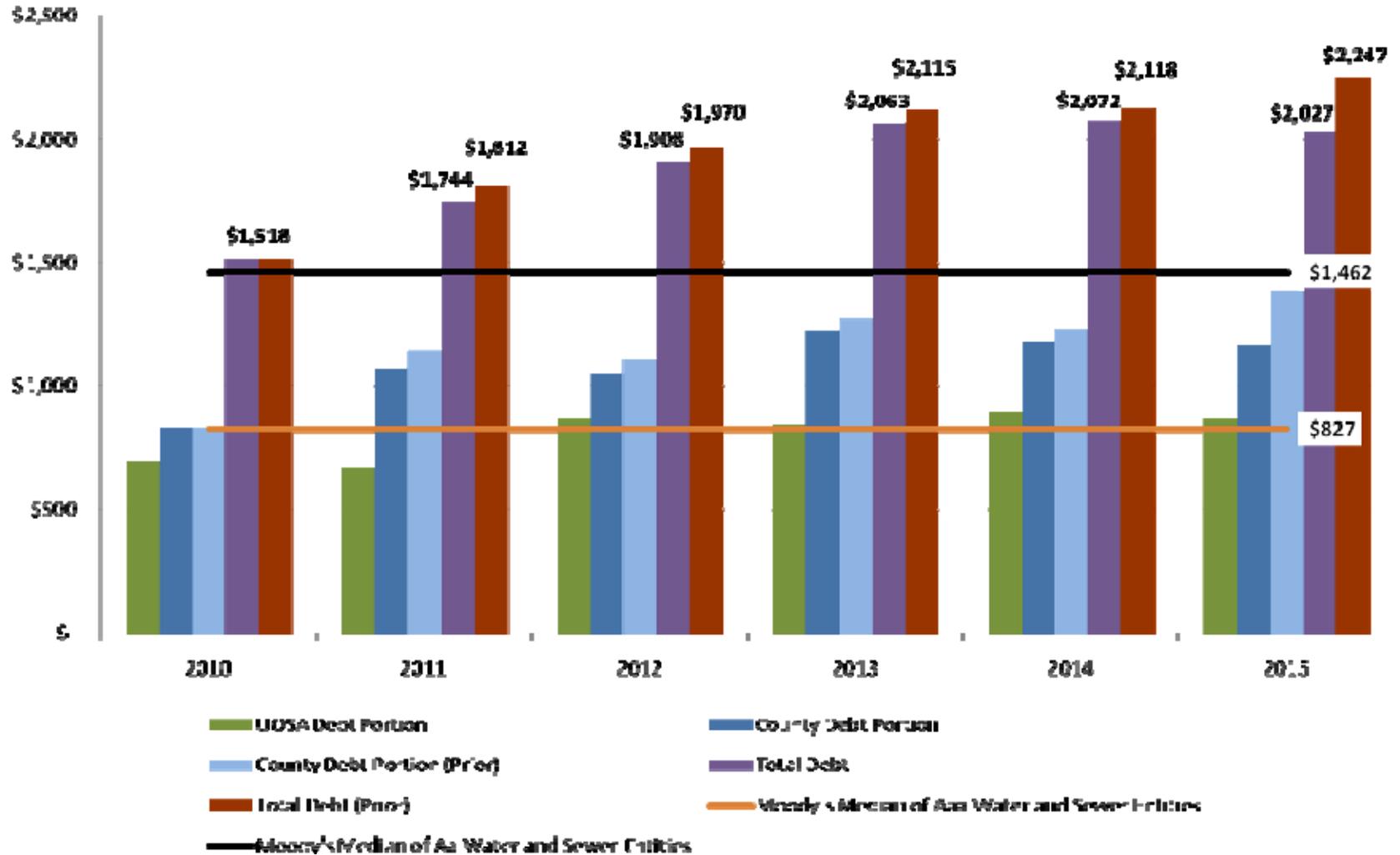
Moody's Credit Report on Fairfax Water (November 2009): "Although annual rate increases were imposed, debt service coverage declined steadily to 1.9 times in 2009. Improved debt service coverage levels and maintenance of ample liquidity will remain important credit factors moving forward. Incorporating regular commodity rate increases, coverage is projected to average 1.78 times through 2019."

Moody's Rate Fairfax Water Aaa with a negative outlook.



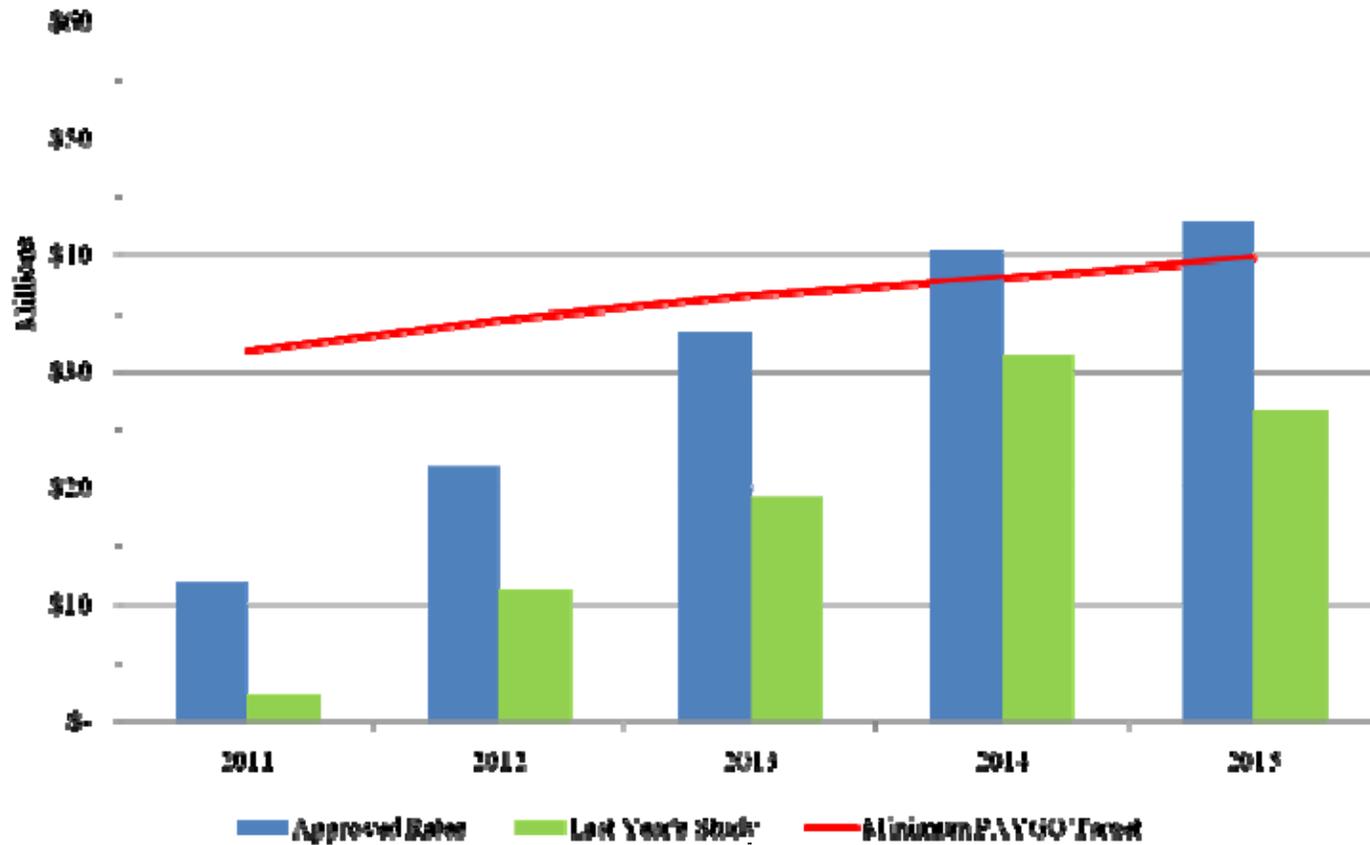
Total Outstanding Debt per Connection

Total outstanding debt burden on existing customers. Without the UOSA Debt; between Moody's Aaa and Aa ratings; With UOSA Debt; significantly higher than the Moody's Aa rating Median



System Reinvestment

(3%) of Gross Asset less Land is Minimum Target
 Current Approved Rate Achieves Target by 2014



Approved Sewer Service Rate

FY 2011
\$5.27

FY 2012
\$6.17

FY 2013
\$7.03

FY 2014
\$7.72

FY 2015
\$8.03 (est.)

Cost of Funds for Investment Grade Credit Ratings

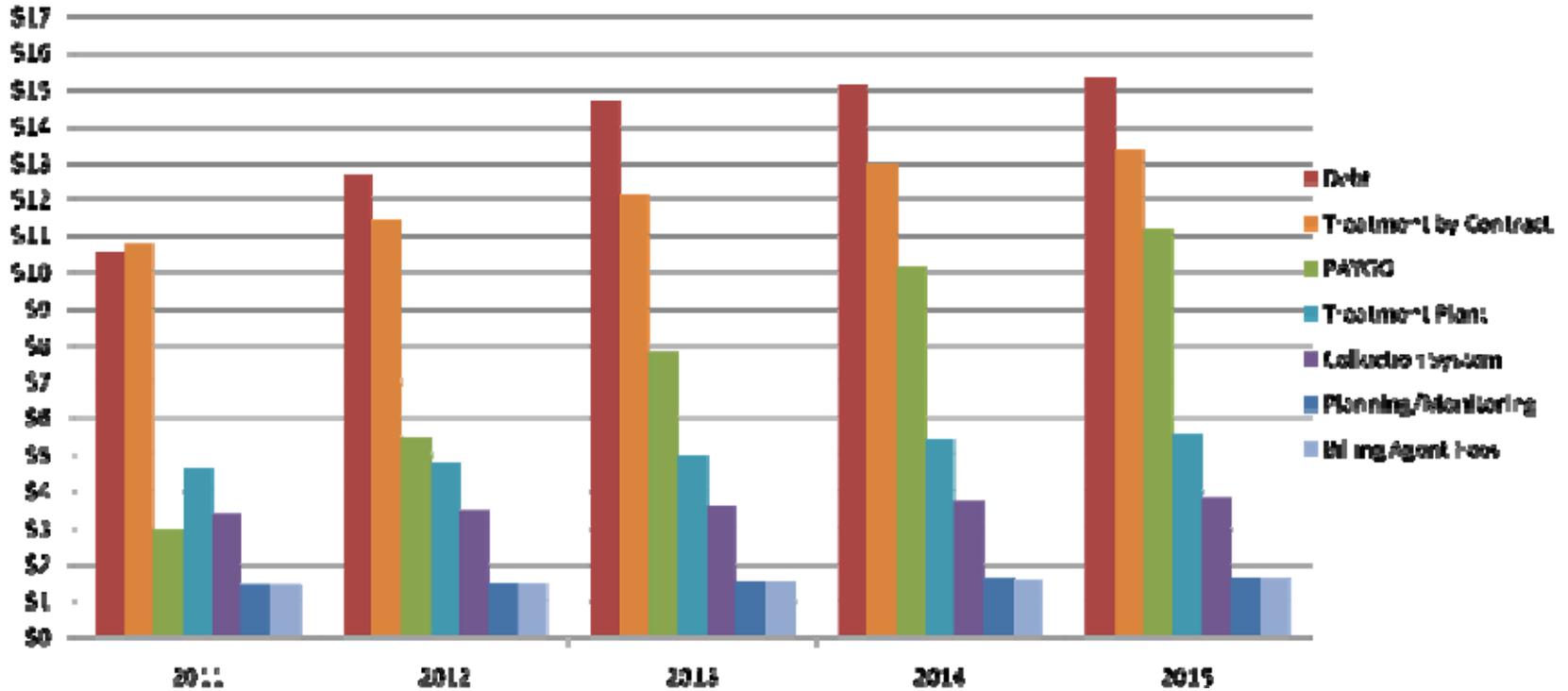
Payment	Rating			
	AAA	AA	A	BBB
Average Annual Debt Service	\$8,310,000	\$8,445,000	\$9,120,000	\$10,402,500
Premium compared to next higher rating		135,000	675,000	1,282,500
Total Payment	\$249,210,000	253,455,000	273,510,000	312,105,000
Premium compared to next higher rating		\$4,245,000	\$20,055,000	\$38,595,000

Assumes \$150 million bond issue with 30 year level debt service.

Different credit ratings based on corresponding Municipal Market Data (MMD).

Break down of Monthly Customer Bill - Percentage

Reducing O&M Expenditures allows us to fund more CIP with cash
 Limiting our Debt Issuance will give us more control and flexibility over our rates



Average Monthly Sewer Bill

FY 2011
\$35.04

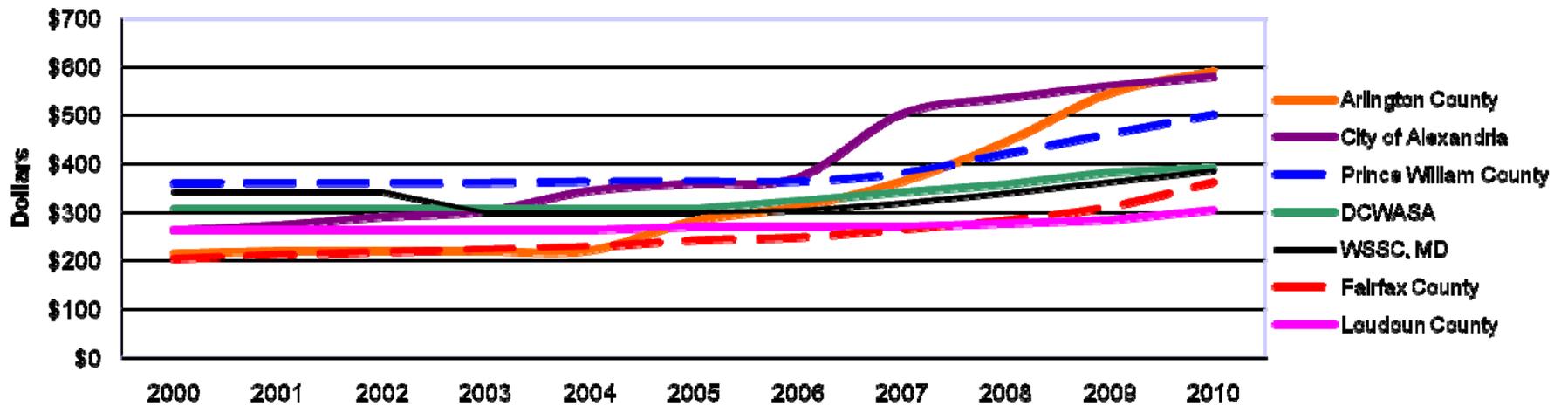
FY 2012
\$40.74

FY 2013
\$46.19

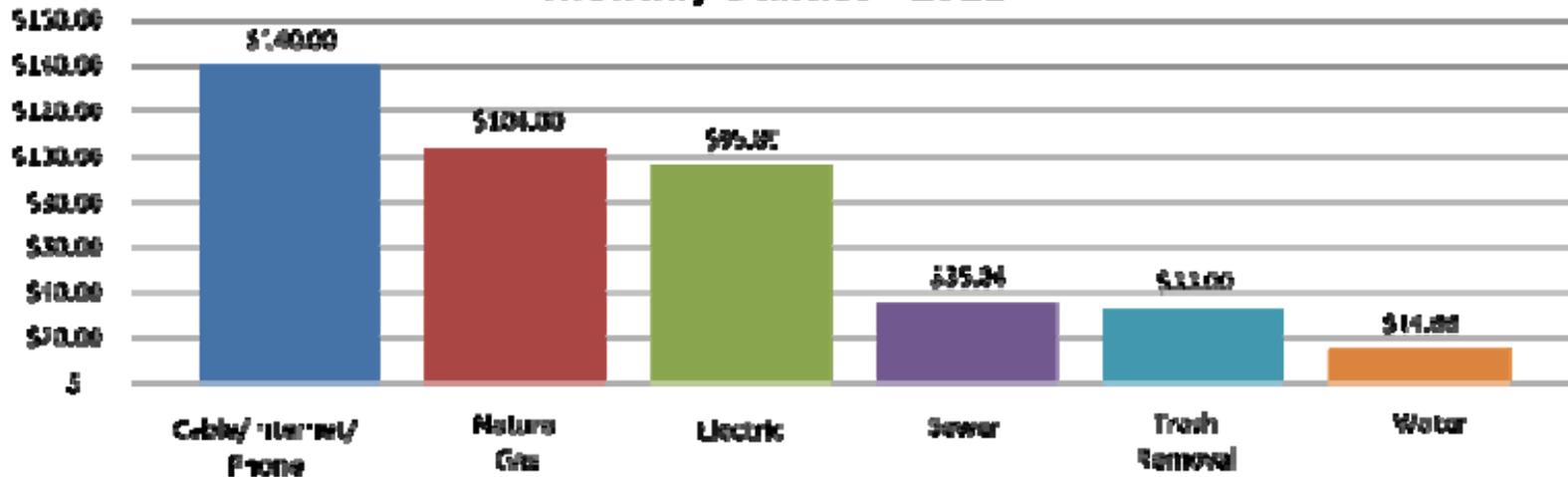
FY 2014
\$50.56

FY 2015
\$52.52 (est.)

Annual Household Costs for Sewer Service
 Fairfax County has historically had the lowest costs in the region.
 Now Fairfax has the second lowest, only Loudoun County has a lower cost.



Monthly Utilities - 2011



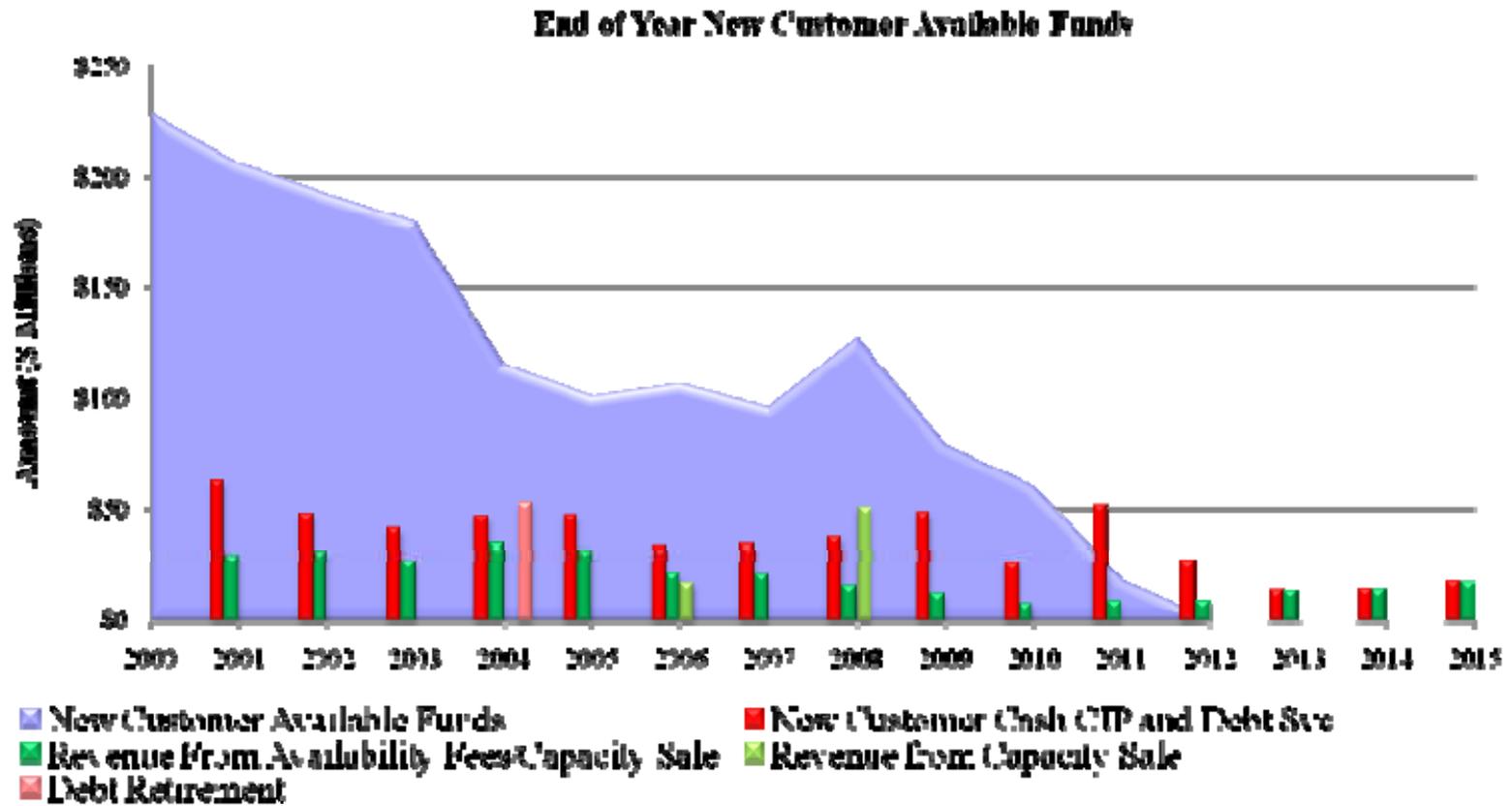
Capacity Sales/Purchases

- Sale of 2 mgd to Prince William Service Authority \$40 million
- Sale of 4 mgd to City of Alexandria \$56 million

- Purchase 1 mgd from Loudoun Water \$22 million
- Purchase 6 mgd from WSSC or DCWASA \$48 million

- Net proceeds to pay off New Customer Debt \$26 million
 - Almost one year of new customer annual debt service
- Projected New Customer Fund Balance
 - excluding sales and purchases including sales and purchase
 - FY 2011 \$33.7 million FY 2011 \$51.1 million
 - FY 2012 \$-8.8 million FY 2012 \$16.5 million
 - FY 2013 \$-37.1 million FY 2013 \$-11.8 million

Use of Availability Fees



Wastewater Management Program: Years 5-10

