

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.

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 \$25,437,026 will provide for the FY 2021 principal and interest requirements, including an amount of \$19,462,134 for the UOSA plant requirements and \$5,974,892 for the VRA debt requirements. It should be noted that UOSA debt for bond series 2014 and 2016B 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 2021:

	Principal	Interest	Total
UOSA PLANT EXPANSION:			
2010B	\$843,028	\$1,058,137	\$1,901,165
2011A	109,872	47,029	156,901
2011B	256,600	93,095	349,695
2013A	7,444,878	1,528,395	8,973,273
2013B	3,070,148	100,720	3,170,868
2014	0	4,219,919	4,219,919
2016B	0	690,313	690,313
Subtotal – UOSA	\$11,724,526	\$7,737,608	\$19,462,134
VRA DEBT PAYMENTS:			
FY 2001 VRA Loan	\$2,679,176	\$19,104	\$2,698,280
FY 2002 VRA Loan	3,222,724	53,888	3,276,612
Subtotal – VRA	\$5,901,900	\$72,992	\$5,974,892
Total	\$17,626,426	\$7,810,600	\$25,437,026

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Pandemic Response and Impact

The Wastewater Management Program of the Department of Public Works and Environmental Services has continued to work at full capacity during the COVID-19 pandemic to fulfill the System's responsibilities to its customers. Accomplishing this task has required considerable innovation, hard work, and adaptation (e.g., additional personal protective equipment, facility cleaning, distancing measures, equipment, and new tools) that have increased the System's resource requirements.

The Wastewater Management staff worked with the System's financial advisors to project estimated impacts to revenues and developed financial management strategies. To proactively address the negative financial impact, the System is reducing some projected operating expenditures through delaying the replacement of vehicles and equipment, slowing down some capital projects, and using some of the existing cash reserves. Consistent with the Board's decision with the adoption of the FY 2021 budget, the elimination of employee raises and eliminating new positions will also impact operating expenditures for FY 2021. The System's 10-year financial plan has been updated to include adjustments for revenue losses from the pandemic and closely monitoring unfolding trends throughout the year.

Changes to FY 2020 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2020 Revised Budget Plan since passage of the FY 2020 Adopted Budget Plan. Included are all adjustments made as part of the FY 2019 Carryover Review, FY 2020 Third Quarter Review, and all other approved changes through April 30, 2020.

There have been no adjustments to this fund since approval of the FY 2020 Adopted Budget Plan.

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FUND STATEMENT

Category	FY 2019 Actual	FY 2020 Adopted Budget Plan	FY 2020 Revised Budget Plan	FY 2021 Advertised Budget Plan	FY 2021 Adopted Budget Plan
Beginning Balance	\$4,391,213	\$3,859,338	\$4,159,040	\$375,866	\$375,866
Transfer In:					
Sewer Revenue (69000)	\$25,250,000	\$22,000,000	\$22,000,000	\$25,100,000	\$25,100,000
Total Transfer In	\$25,250,000	\$22,000,000	\$22,000,000	\$25,100,000	\$25,100,000
Total Available	\$29,641,213	\$25,859,338	\$26,159,040	\$25,475,866	\$25,475,866
Expenditures:					
Principal Payment ¹	\$16,770,209	\$17,470,829	\$17,470,829	\$17,626,426	\$17,626,426
Interest Payment ^{1,2}	8,711,964	8,312,345	8,312,345	7,810,600	7,810,600
Total Expenditures	\$25,482,173	\$25,783,174	\$25,783,174	\$25,437,026	\$25,437,026
Total Disbursements	\$25,482,173	\$25,783,174	\$25,783,174	\$25,437,026	\$25,437,026
Ending Balance³	\$4,159,040	\$76,164	\$375,866	\$38,840	\$38,840

¹ The bond principal and interest payments are shown here as expenditures. However, for accounting purposes, the Comprehensive Annual Financial Report (CAFR) will show these disbursements as "Construction in Progress" to be capitalized.

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 Management 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.