

Fund 69030: Sewer Bond Debt Reserve

Focus

Fund 69030, Sewer Bond Debt Reserve, fulfills the County's requirement to maintain a Reserve Fund for existing and planned sewer bonds. As outlined in the 1986 Bond Resolution, this reserve is required to be the lesser of the maximum principal and interest requirements for any bond year or 125 percent of the average annual principal and interest requirements for the bonds.

No funding is required for Fund 69030 in FY 2022. The current balance of \$34,926,274 is at a sufficient level to satisfy the legal reserve requirements for the 2012 Sewer Revenue Bonds, the 2014 Sewer Refunding Bonds, the 2016 Sewer Refunding Bonds, the 2017 Sewer Revenue Bonds, and the new 2021 Sewer Revenue Bonds.

County staff received Board approval on May 4, 2021 to solicit bondholder consent to proposed amendments to the Sewer 1985 General Bond Resolution as part of Series 2021 Sewer Revenue bond sale. The primary amendment sought to reduce or eliminate the Sewer Bond Debt Reserve requirement as reflected in this fund. The County's Sewer Revenue Bonds hold triple-A bond ratings from all three bond rating agencies, and the County's Financial Advisor views this as an unnecessary requirement given the strong financial status of the Sewer Fund. The bondholder consent process requires a majority of outstanding bondholders, more than 50 percent, to approve these changes within a three-year period that expires in May 2024. As a condition to buying the Series 2021A and Series 2021B, all bondholders provided written consent to the proposed amendments. This translated to 43 percent of outstanding bondholders. County staff anticipate meeting the remaining 7 percent through either a new money or refunding bond sale by May 2024. Assuming the 50 percent target is achieved by May 2024, County staff would return to the Board to request adoption of the amendments. All monies in this fund could then be released for future Sewer capital projects or payment of existing Sewer debt service.

Pandemic Response and Impact

The Wastewater Management Program of DPWES 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.

As of March 2021, wastewater revenue was tracking higher than budget, due largely to the influx of availability fees, and expenses remain in line with budgeted estimates. The County has continued to suspend service disconnections for delinquent payments, which as of March 2021 is estimated at \$2.2 million. The County received \$1.47 million in federal funding to help customers with past due utility bills due to COVID-19 related financial hardships.

The Wastewater Management staff worked with the System's financial advisors to project estimated impacts to revenues and developed financial management strategies. The System's 10-year financial plan has been updated to include adjustments for revenues during the pandemic and staff is closely monitoring unfolding trends throughout the year. Additional updates if required will be addressed at a future quarterly financial review.

Changes to FY 2021 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2021 Revised Budget Plan since passage of the FY 2021 Adopted Budget Plan. Included are all adjustments made as part of the FY 2020 Carryover Review, FY 2021 Mid-Year Review, FY 2021 Third Quarter Review, and all other approved changes through April 30, 2021.

Adjustment to Revenues

There have been no expenditure adjustments to this fund since approval of the FY 2021 Adopted Budget Plan. However, the *FY 2021 Revised Budget Plan* revenues were increased by \$1,800,000 as part of the *FY 2021 Third Quarter Review*. This was due to a revised projection associated with the upcoming Sewer Revenue Bonds Series 2021A. This new money bond sale will finance \$230,000,000 of capital projects over the next several years, and it will require a deposit of approximately \$10,000,000 in this fund. Bond proceeds will support the County's share of capital improvement projects at regional Wastewater Treatment Plants that provide wastewater capacity to meet the needs of the County's Integrated Wastewater System. Project funding requirements are driven by environmental regulations as mandated by the Commonwealth of Virginia, Department of Environmental Quality, and renovation and replacement of aging infrastructure.

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FUND STATEMENT

Category	FY 2020 Actual	FY 2021 Adopted Budget Plan	FY 2021 Revised Budget Plan	FY 2022 Advertised Budget Plan	FY 2022 Adopted Budget Plan
Beginning Balance	\$24,926,274	\$24,926,274	\$24,926,274	\$34,926,274	\$34,926,274
Revenue:					
Bond Proceeds	\$0	\$8,200,000	\$10,000,000	\$0	\$0
Total Revenue	\$0	\$8,200,000	\$10,000,000	\$0	\$0
Total Available	\$24,926,274	\$33,126,274	\$34,926,274	\$34,926,274	\$34,926,274
Total Expenditures	\$0	\$0	\$0	\$0	\$0
Total Disbursements	\$0	\$0	\$0	\$0	\$0
Ending Balance¹	\$24,926,274	\$33,126,274	\$34,926,274	\$34,926,274	\$34,926,274

¹ The fund balance provides a sufficient level to satisfy the legal reserve requirements for the 2012 Sewer Revenue Bonds, 2014 Sewer Refunding Bonds, 2016 Sewer Refunding Bonds, 2017 Sewer Revenue Bonds, and the new 2021 Sewer Revenue Bonds. This reserve provides for one year of principal and interest as required by the Sewer System's General Bond Resolution.