

Fund 69310: Sewer Bond Construction

Focus Fund 69310, Sewer Bond Construction, provides for major sewer system construction projects including upgrades and expansions of sewage treatment plants utilized by Fairfax County residents that are funded primarily from the sale of sewer revenue bonds. Funding to continue to meet state regulatory requirements for nitrogen removal and plant upgrades for the County's Noman M. Cole, Jr. Pollution Control Plant is supported by revenue bonds from Fund 69310, Sewer Bond Construction, or by cash from Fund 69300, Sewer Construction Improvements.



The Chesapeake Bay water quality program requires reductions in the amount of nutrient pollutants. The County's Virginia Pollutant Discharge Elimination System (VPDES) permit includes a requirement that nutrient removal be performed at the "State of the Art." The County has a nitrogen discharge annual mass limit of 612,158 pounds per year, which is achievable at capacity flow if the County's effluent has an average nitrogen concentration of 3.0 milligrams per liter. A phased approach has been under way to renovate and upgrade current plant facilities to accommodate these more stringent nutrient discharge requirements.

Based on the current schedule of identified and active projects, bond proceeds remaining from the FY 2021 Sewer Revenue Bonds should support the capital projects through FY 2023. This funding supports the reinvestment in the Noman M. Cole, Jr. Pollution Control Plant and other Treatment Plants operated by Interjurisdictional Partners in order to maintain regulatory compliance requirements as they pertain to the Clean Water Act, Chesapeake Bay Preservation Program and Title V of the Clean Air Act as enforced by the Virginia Department of Environmental Quality.

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.

In May 2021, the County conducted a Sewer Revenue Bond and Revenue Refunding Bond Sale (Series 2021A) to support upgrade and improvement projects at the Noman M. Cole, Jr. Pollution Control Plant and regional Wastewater Treatment Plants. Bond proceeds will allow for the construction of all projects programmed into the FY 2022 Adopted Budget Plan.

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.

Carryover Adjustments \$10,961,231

As part of the *FY 2020 Carryover Review*, the Board of Supervisors approved funding of \$10,961,231 due to the carryover of unexpended project balances in the amount of \$2,242,029 and an adjustment of \$8,719,202. The adjustment includes \$498,905 in interest earnings received in FY 2020 and \$8,220,297 in revenue from the sale of purchased capacity.

Third Quarter Adjustments \$38,070,000

As part of the *FY 2021 Third Quarter Review*, the Board of Supervisors approved funding of \$38,070,000, including an increase of \$38,200,000 due to a revised projection associated with the upcoming Sewer Revenue Bonds Series 2021A, and a decrease of \$130,000 due to an increase in the Transfer Out to Fund 69020, Sewer Bond Parity Debt Service, which was necessary in FY 2021 because the Underwriter's Discount expense is paid from bond proceeds, which are reported as revenue in Fund 69310, Sewer Bond Construction.

A Fund Statement and a Summary of Capital Projects are provided on the following pages. The Summary of Capital Projects may include some projects without a Total Project Estimate amount. These projects are considered "continuing" projects or projects for which funding is necessary on an ongoing basis (e.g., a contingency or planning project).

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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	\$41,660,937	\$0	\$6,828,474	\$0	\$0
Revenue:					
Sale of Bonds ¹	\$0	\$191,800,000	\$230,000,000	\$0	\$0
Interest on Investments	498,905	0	0	0	0
Sale of Purchased Capacity ²	8,220,297	0	0	0	0
Virginia Water Quality Improvement Grant ³	68,519	0	5,162,525	0	0
Total Revenue	\$8,787,721	\$191,800,000	\$235,162,525	\$0	\$0
Total Available	\$50,448,658	\$191,800,000	\$241,990,999	\$0	\$0
Total Expenditures	\$43,620,184	\$190,727,825	\$240,788,824	\$0	\$0
Transfers Out:					
Sewer Bond Parity Debt Service (69020) ⁴	\$0	\$1,072,175	\$1,202,175	\$0	\$0
Total Transfers Out	\$0	\$1,072,175	\$1,202,175	\$0	\$0
Total Disbursements	\$43,620,184	\$191,800,000	\$241,990,999	\$0	\$0
Ending Balance⁵	\$6,828,474	\$0	\$0	\$0	\$0

¹ In FY 2021, an amount of \$240 million in Sewer Revenue Bonds (Series 2021) was issued to support upgrade and improvement projects at the Noman M. Cole, Jr. Pollution Control Plant and regional Wastewater Treatment Plants, including \$230 million in this fund and \$10 million to be reserved in Fund 69030, Sewer Bond Debt Reserve, for legal requirements.

² On August 5, 2019, the Board of Supervisors approved the sale of 0.5 mgd of Fairfax County unused capacity at the Upper Occoquan Service Authority (UOSA) treatment plant to the City of Manassas. The City of Manassas paid Fairfax County \$8,220,297 in cash and will be responsible for all remaining debt payments to UOSA with respect to the purchased capacity.

³ Reflects Virginia Water Quality Improvement Fund Point Source grant approved by the Board of Supervisors on September 22, 2015, for upgrading and building facilities to support nitrogen removal requirements associated with the Chesapeake Bay Program. In FY 2020, an amount of \$68,519 was received and \$5,162,525 is anticipated in FY 2021 and beyond.

⁴ A Transfer Out to Fund 69020, Sewer Bond Parity Debt Service, was necessary in FY 2021 as this reflected the Underwriter's Discount expense associated with the Series 2021 to be paid from bond proceeds, which are reported as revenue in Fund 69310, Sewer Bond Construction.

⁵ The capital projects in this sewer fund are budgeted based on the total project costs. Most projects span multiple years, from design to construction completion. Therefore, funding for capital projects is carried forward each fiscal year, and ending balances fluctuate, reflecting the carryover of these funds.

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SUMMARY OF CAPITAL PROJECTS

Project	Total Project Estimate	FY 2020 Actual Expenditures	FY 2021 Revised Budget	FY 2022 Advertised Budget Plan	FY 2022 Adopted Budget Plan
Noman Cole Treatment Plant Renovations (WW-000017)		\$36,305,200.22	\$197,766,528.82	\$0	\$0
Noman Cole Treatment Plant Upgrades (WW-000016)	132,053,268	7,314,983.35	42,022,295.24	0	0
WCD Expansion - Bond Funded (WW-000034)	1,000,000	0.00	1,000,000.00	0	0
Total	\$133,053,268	\$43,620,183.57	\$240,788,824.06	\$0	\$0