

Fund 69000: Sewer Revenue

Focus All Availability Charges and Sewer Service Charges associated with the Wastewater Management Program are credited to this fund as system revenues. The total receipts from all revenue sources are used to finance the following: Operation and Maintenance (Fund 69010); Construction Improvement Projects (Fund 69300); Debt Service (Fund 69020); Subordinate Debt Service (Fund 69040); and Sewer Bond Construction (Fund 69310). Any remaining balance in Fund 69000, Sewer Revenue, is used for future year requirements and required reserves.



The Program's Availability Charge and Sewer Service Charge are based on staff analysis and consultant recommendations included in the January 2023 [Wastewater Revenue Sufficiency and Rate Analysis](#) report.

Availability Charges

The Availability Charge is a one-time charge to new customers for initial connection to the system. The revenue from the Availability Charge is used to offset the costs of expanding conveyance and treatment plant upgrades and interjurisdictional payments that result from population growth, more stringent treatment requirements and inflation. In FY 2024, the Availability Charge increased from \$8,592 to \$8,860 for single-family homes with \$182 of the \$268 increase due to the Developers' Reimbursement Program approved by the Board of Supervisors on December 13, 2022. Rates are based on requirements associated with conveyance and treatment plant upgrades and interjurisdictional payments that result from population growth, more stringent treatment

requirements and inflation.

The FY 2024 rate is consistent with the recommendations of the Department of Public Works and Environmental Services (DPWES) and the analysis included in the January 2023 [Wastewater Revenue Sufficiency and Rate Analysis](#) report. The following table displays the rates by category:

Category	FY 2023 Availability Charge	FY 2024 Availability Charge
Single Family	\$8,592	\$8,860
Townhouses and Apartments	\$6,874	\$7,088
Hotels/Motels	\$2,148	\$2,215
Nonresidential	\$430/fixture unit	\$443/fixture unit

Sewer Service and Base Charges

Sewer Service and Base Charges are revenues received from existing customers and are used to fully recover program operation and maintenance costs, debt service payments and capital project requirements attributable to improving wastewater treatment effluent quality as mandated by state and federal agencies. The five-year sewer rate plan approved by the Board of Supervisors as part of the [FY 2023 Adopted Budget Plan](#) had proposed to increase the sewer charges by 5.5 percent in FY 2024. After a careful review, the Wastewater Management staff recommended to increase the sewer charges by 6.2 percent in FY 2024, including a baseline increase of 5.9 percent and an increase of 0.3 percent due to the Developers' Reimbursement Program approved by the Board of Supervisors on December 13, 2022. The Sewer Service Charge increased from \$8.09 to \$8.46 per

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1,000 gallons of water consumed based on Fairfax County’s winter quarter average consumption of 16,000 gallons.

The Base Charge increased from \$40.14 per quarter to \$44.81 per quarter. The Base Charge provides for a more equitable rate structure by recovering a portion of the program’s fixed costs. The industry practice for a fixed charge revenue rate is 25 percent to 30 percent of operating revenues. The fixed charge revenue percentage in FY 2024 is equal to 24.4 percent. The current system, including sewer lines, facilities, purchased capacity and equipment, is valued at approximately \$2.0 billion. Based on the age and required maintenance of the system, reinvestment must continue to be addressed. The implementation of the increases to the Base Charge will help ensure that all users of the system share in the fixed costs associated with reinvestment and operations.

The annual average customer bill increased from \$678.32 in FY 2023 to \$720.68 in FY 2024, an annual cost increase of \$42.36 or 6.2 percent with \$2.16 of the annual increase due to the Developers’ Reimbursement Program approved by the Board of Supervisors on December 13, 2022. The FY 2024 average bill in Fairfax County is one of the lowest compared to the average bill in other regional jurisdictions even with the proposed increases. The increases in the Sewer Service Charge and Base Charge from FY 2024 to FY 2028 will partially offset the increased costs associated with capital project construction, system operation and maintenance, debt service and upgrades to meet new, more stringent nitrogen discharge limitations from wastewater treatment plants.

Year	Sewer Service Charge Per 1,000 gallons of water	Base Charge Per Quarterly Bill	Sewer Charges Percentage Increase	Fixed Charge Revenue Percentage
2023	\$8.09	\$40.14	0.00%	23.3%
2024	\$8.46	\$44.81	6.20%	24.4%
2025	\$8.81	\$49.73	5.80%	25.6%
2026	\$9.33	\$52.62	5.90%	25.9%
2027	\$9.83	\$55.41	5.30%	25.8%
2028	\$10.35	\$58.35	5.30%	25.8%

Charges for Hauled Wastewater

As part of the FY 2020 Adopted Budget Plan, the Board of Supervisors approved the establishment of charges to recover a portion of the cost of disposal and treatment of hauled wastewater at the County’s septage receiving facility (SRF), which is located at the NCPCP.

The County’s SRF was constructed to receive and treat septage from local onsite sewage disposal systems in accordance with Code of Virginia Ann. Section 15.2-2123. In addition, the SRF receives landfill leachate, portable toilet waste, restaurant grease, and recycled carwash water. Hauled septage and wastewater used to be received and treated at no cost to pump and haul contractors to encourage proper disposal. This cost used to be covered by the sewer charges paid by the customers of the County’s public sewer system. The charges for hauled wastewater improve equity among customers served by the sewer system and those served by the pump and haul contractors. Also, the charges recover a portion of the costs of operation, maintenance, and upcoming necessary improvements to the SRF.

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DPWES initially set the charges at a level comparable to the fees charged by the Upper Occoquan Service Authority (UOSA), the only other facility in the County that receives hauled wastewater. The charge for high strength waste such as septic tank and restaurant grease and landfill leachate remained at \$27 per 1,000 gallons of the hauler's truck capacity in FY 2024. The charge for low strength waste also remained \$7.72 per 1,000 gallons of hauler truck capacity in FY 2024. Wastewater Management continues to review these charges and both could be adjusted in the future. The projected FY 2024 revenue from charges for hauled wastewater is equal to \$200,000.

This level of revenue in FY 2024 will allow the system to meet permit conditions, meet and maintain all of the required financial targets through FY 2028, maintain competitive rates with neighboring utilities, continue to preserve its AAA bond rating, and require less debt to support capital projects.

The table below reflects the Wastewater Management Program's projected fiscal health in FY 2024 and FY 2025. The financial planning process incorporates the following indicators that are interrelated and structured to identify the adequacy of rates from a cash flow, business, and compliance standpoint. These indicators are used by the rating agencies to determine the Program's credit rating.

Calculated Financial Indicators			
Financial Indicator	Target	FY 2024	FY 2025
Net Revenue Margin	45% to 65%	52%	53%
Days Working Capital ¹	150 to 200 days	218	216
Debt Coverage Senior	Min. 2.75x	3.13x	2.95x
Debt Coverage All-in ²	1.80x to 2.20x	2.03x	2.00x
Affordability (% of median income spent on sewer bill)	Less than 1.2%	0.57%	0.59%
Debt to Net Plant in Service	Below 40.0% Never above 50.0%	35%	33%
Outstanding Debt per Connection	Max \$3,000	\$1,976	\$2,134
Next Sewer Bond Sale Expected in FY 2024 - \$227.1 Million			

¹ The Days Working Capital financial indicator is exclusive of Availability Charges in Fund 69000, Sewer Revenue, debt expenses in the Wastewater debt related funds, Fund 69300, Sewer Construction Improvements, and Fund 69310, Sewer Bond Construction. It is calculated based on Operating Expenses and 360 days per year.

² The Debt Coverage All-in financial indicator is exclusive of Availability Charges.

It is anticipated that the rates in FY 2024 will support the County's ability to maintain high bond ratings (AAA by Fitch Investor Service and Standard and Poor's Corporation and Aaa by Moody's Investors Service, Inc.) from the rating agencies. These high credit ratings have enabled the County to sell bonds on behalf of the Program at interest rates lower than those obtained by most sewer authorities, thereby achieving savings throughout the life of the bonds.

Changes to FY 2023 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2023 Revised Budget Plan since passage of the FY 2023 Adopted Budget Plan. Included are all adjustments made as part of the FY 2022 Carryover Review, FY 2023 Third Quarter Review, and all other approved changes through April 30, 2023.

Adjustment to Transfer Out

The FY 2023 Revised Budget Plan Transfer Out to Fund 69300, Sewer Bond Parity Debt Service, was increased by \$1,500,000 as part of the FY 2022 Carryover Review. This increase was necessary to support projected expenditures in Fund 69020, Sewer Bond Parity Debt Service, in FY 2023.

Adjustment to Transfer Out

The FY 2023 Revised Budget Plan Transfer Out to Fund 69300, Sewer Construction Improvements, was increased by \$2,999 as part of the FY 2023 Third Quarter Review. This increase was necessary to address audit adjustments reflected in the FY 2022 expenditures.

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FUND STATEMENT

Category	FY 2022 Actual	FY 2023 Adopted Budget Plan	FY 2023 Revised Budget Plan	FY 2024 Advertised Budget Plan	FY 2024 Adopted Budget Plan
Beginning Balance	\$131,476,283	\$126,856,856	\$119,748,967	\$125,584,070	\$125,433,768
Revenue:					
Lateral Spur Fees	\$3,000	\$10,000	\$10,000	\$10,000	\$10,000
Water Reuse Charges	219,082	275,000	275,000	275,000	275,000
Sales of Service ¹	10,984,471	10,288,000	10,288,000	10,288,000	10,288,000
Availability Charges	16,355,050	19,424,000	19,424,000	18,300,000	18,300,000
Connection Charges	707,819	250,000	250,000	250,000	250,000
Sewer Service Charges	218,884,269	234,640,800	234,640,800	251,365,500	251,365,500
Sewer Hauled Charges	137,192	300,000	300,000	200,000	200,000
Miscellaneous Revenue	278,169	400,000	400,000	400,000	400,000
Sale Surplus Property	70,862	100,000	100,000	100,000	100,000
Interest on Investments	345,770	1,800,000	1,800,000	800,000	800,000
Total Revenue	\$247,985,684	\$267,487,800	\$267,487,800	\$281,988,500	\$281,988,500
Total Available	\$379,461,967	\$394,344,656	\$387,236,767	\$407,572,570	\$407,422,268
Transfers Out:					
Sewer Operation and Maintenance (69010)	\$116,713,000	\$122,100,000	\$122,100,000	\$124,000,000	\$125,000,000
Sewer Bond Parity Debt Service (69020)	32,000,000	27,000,000	28,500,000	38,400,000	38,400,000
Sewer Bond Subordinate Debt Service (69040)	25,000,000	22,200,000	22,200,000	22,400,000	22,400,000
Sewer Construction Improvements (69300) ²	86,000,000	89,000,000	89,002,999	90,000,000	90,000,000
Total Transfers Out	\$259,713,000	\$260,300,000	\$261,802,999	\$274,800,000	\$275,800,000
Total Disbursements	\$259,713,000	\$260,300,000	\$261,802,999	\$274,800,000	\$275,800,000
Ending Balance³	\$119,748,967	\$134,044,656	\$125,433,768	\$132,772,570	\$131,622,268
Management Reserves:					
Operating and Maintenance Reserve ⁴	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000
New Customer Reserve ⁵	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Capital Reinvestment Reserve ⁶	44,748,967	59,044,656	50,433,768	57,772,570	56,622,268
Total Reserves	\$119,748,967	\$134,044,656	\$125,433,768	\$132,772,570	\$131,622,268
Unreserved Balance	\$0	\$0	\$0	\$0	\$0

¹ In order to account for revenues and expenditures in the proper fiscal year, audit adjustments were reflected as a decrease of \$147,303.42 to the FY 2022 Sales of Service to properly record revenue in the proper fiscal period. The Annual Comprehensive Financial Report (ACFR) reflects all audit adjustments in FY 2022. Details of the audit adjustments were found in Attachment VI of the FY 2023 *Third Quarter Review*.

² The FY 2023 Third Quarter Transfer Out to Fund 69300, Sewer Construction Improvements, increased \$2,999. This increase was necessary due to audit adjustments reflected in the FY 2022 expenditures within Fund 69300.

³ The Wastewater Management Program maintains fund balances at adequate levels relative to projected debt service requirements, operation and maintenance expenses and capital improvements.

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⁴ The Operating and Maintenance Reserve provides for unforeseen expenses associated with sewer system emergencies. This reserve is targeted to be maintained at a level between \$25.0 and \$45.0 million. This level of reserve is based on an industry practice to maintain existing customer reserves at a level that can support 30 and 180 days of working capital and approximately 50 percent of one year's requirements for rehabilitation and replacement of the current system's assets.

⁵ The New Customer Reserve provides for debt service and administrative expenses associated with new customer debt, until such time as adjustments to availability charges can be accommodated. This reserve is based on payment expenses associated with one year of debt service and administrative expenses associated with new customer debt.

⁶ The Capital Reinvestment Reserve is intended to address both anticipated and unanticipated increases within the Capital Improvement Program. This reserve will provide for significant rehabilitation and replacement of emergency infrastructure repairs. A reserve of 3.0 percent of the five-year capital plan is consistent with other utilities and is recommended by the rating agencies. Based on the total five-year capital plan, an amount of \$30.0 million would be required to reach 3.0 percent.