

Fairfax County Wastewater Management

Overview of Financial Position and Critical Management Challenges



November 21, 2008





Overview

- Slow New Customer growth (\$8M deficit).
- Declining unit flow factors (low revenue /high O&M).
- Entering period of significant construction (\$400M 5-yr CIP).
- Forecasting significant increases in O&M expense (~ 30%).
- Uncertainty in financial markets and construction markets.
- Need for additional capacity expansion /purchase.
- Nutrient loading limits.
- Close monitoring of adopted 5-yr. rate adjustments.



Tysons Corner Redevelopment

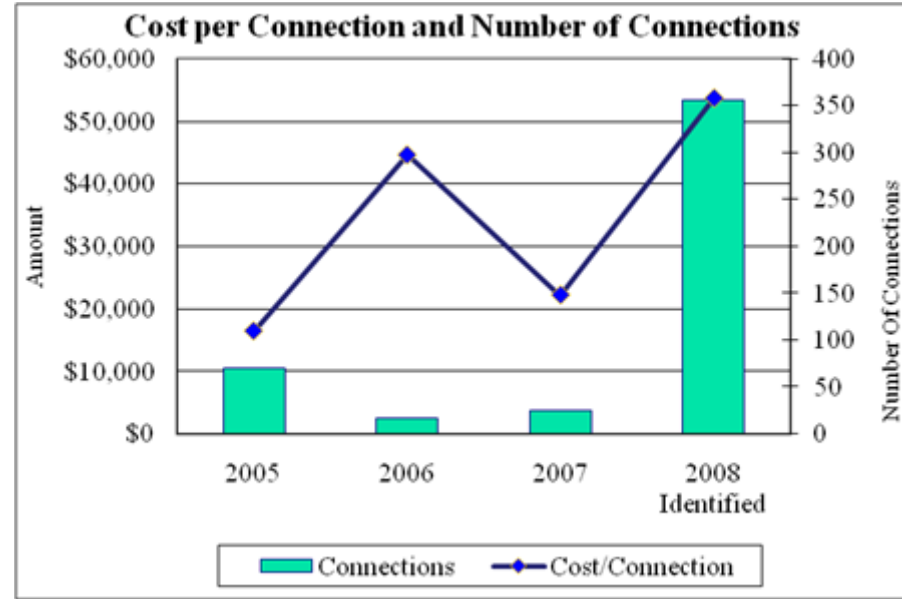
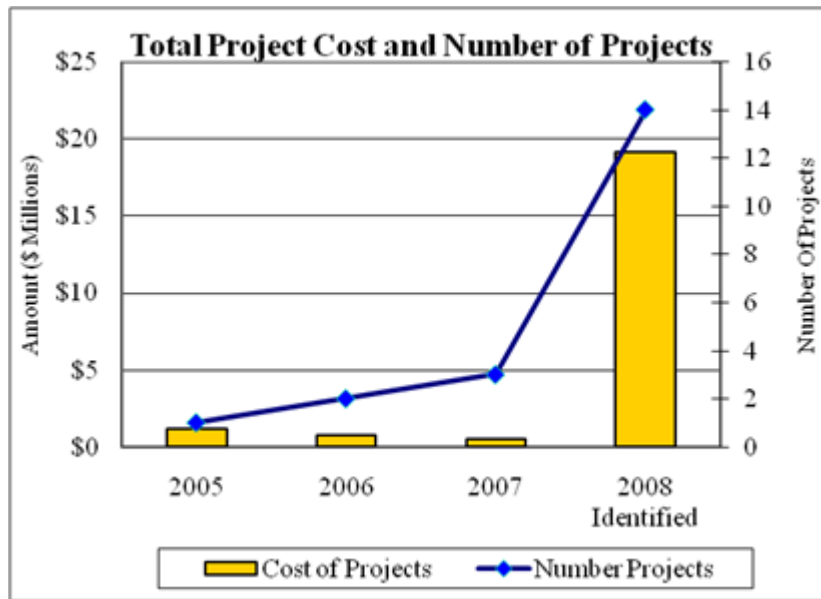
- Requires additional 9.5 M Gal/Day of treatment capacity
- Estimated cost - \$234 M
- Cost recovery mechanisms to be considered:
 - Traditional Availability Fee
 - Tax /special assessment by a Community Development Authority
 - Sanitary District with Increased Availability Fee
 - Unconventional (e.g., Capacity Assessment Units)



Consideration of Base Charge per Bill

- Provides partial or full cost recovery of fixed costs.
- Industry standard to promote revenue stability .
- Most of Wastewater Management's costs are fixed.
- \$5/bill generates \$7.2 M/year.
- Minimizes sewer service charge volatility.
- Locally used by: Fairfax Water, Loudoun Water, Stafford County, DCWASA, City of Alexandria, WSSC, and Prince William County.

Revisiting Extension and Improvement Policy



- 14 projects totaling \$19 M are in current 5-Year CIP (2008 Identified).
- The average E&I cost per connection is \$46,228 (as high as \$105,000).
- WWM collects an average of \$5,900 per connection.



Summary

- Facing increasingly dynamic regulatory and financial period.
- Adopted 5-yr. charges should meet foreseeable financial needs.
- Nitrogen Cap regulations significantly affect growth planning.
- Some County policies must be revisited (Tysons cost recovery, base charge per bill, and E&I policy).
- Continue monitoring financial and operational risks.