

Response to Questions on the FY 2013 Budget

Request By: Supervisor Cook

Question: In total, how much money is held in reserve funds within the Department of Public Works and Environmental Services? Please identify each such reserve fund, the money in each fund, and the purpose of each fund.

Response: The following table summarizes reserve balances by fund as projected for FY 2012 in the *FY 2012 Third Quarter Review*. When necessary, specific reserves are listed separately.

<i>Other Funds: Solid Waste</i>		
108, Leaf Collection	\$2.7 million	This balance accumulates from the fees (\$.015 per \$100 of assessed value) paid by residents within the 38 Fairfax County Leaf Collection Districts. One of the main uses of these funds is to allow for equipment replacement when required and to offset future-year rate increases.
109, Refuse Collection and Recycling Operations	\$9.9 million	The projected ending balance of \$9.9 million, primarily generated by an annual household levy of \$345 for those in refuse collection districts, includes \$0.3 million in a Wheeled Container Reserve to purchase and replace single-stream recycling and trash collection containers for sanitary district customers, \$3.7 million in Collection, Recycling and Residential/General Equipment reserves to fund the future replacement of equipment that exceeds its useful lifespan, \$60,000 in a PC Replacement Reserve to provide funding for the timely replacement of obsolete computer equipment, \$1.9 million in a Construction and Infrastructure reserve to fund emergency repairs necessary at the Newington Solid Waste Facility and \$4.0 million in a Rate Stabilization Reserve to mitigate against any need for an unusually large rate increase in a future year.
110, Refuse Disposal	\$12.1 million	The projected ending balance of \$12.1 million includes \$1.8 million in an Equipment Reserve to fund the future replacement of equipment necessary to operate the I-66 transfer station, \$.06 million in a PC Replacement Reserve to provide funding for the timely replacement of obsolete computer equipment, \$2.0 million in an Environmental Reserve to monitor landfill gas, ground water quality, and stormwater runoff at the site of a closed landfill, \$5.1 million in an Operating and Maintenance Reserve to react to unanticipated events and to serve as a rate stabilization reserve, and \$3.1 million in a Construction Reserve to provide for future major repairs and improvements to the I-66 Transfer Station. These funds have primarily been generated by restricted refuse disposal fees collected on a per-ton basis.
112, Energy/Resource Recovery Facility (E/RRF)	\$35.5 million	The projected ending balance of \$35.5 million includes \$1.5 million in a Tipping Fee Reserve which is used to buffer against sharp annual changes in tip fees, and \$24.0 million in a Rate Stabilization Reserve which is maintained to protect against any long term adjustments to tip fees. The Rate Stabilization Reserve is being maintained at a high level for the expected changes in tip fees following the expiring Covanta contract in FY 2016. The final \$10.0 million in an Operations and Maintenance Reserve is reserved for ongoing improvements and enhancements to the E/RRF that may be required due to a change in regulations for law, including emissions control efforts, and funds the County's share of the initial capital expenditures required for improvements/retrofits to the air pollution control systems. These funds have primarily been generated by restricted E/RRF fees collected on a per-ton basis.

114, I-95 Refuse Disposal	\$35.3 million	The projected ending balance includes \$.04 million in a PC Replacement Reserve to provide funding for the timely replacement of obsolete computer equipment, \$5.0 million in an Environmental Reserve to protect the environment or meet regulatory requirements. Specific examples of future environmental projects include ashfill, gas control projects, wastewater management, groundwater protective measures, and storm water management. An additional \$2.7 million is projected in the Active Cell Closure Liability Reserve required by state and federal regulations which is necessary for the closure of active disposal cells of the Ashfill assumed to completely close by FY 2030 and for ash filling activities to progress in accord with state requirements and \$26.0 million is projected in the Post-Closure Reserve which is required for a 30-year period after the ashfill closes and is mandated by the federal and state regulations. The estimated liability associated with this reserve is nearly \$50.0 million. There is also \$1.1 million in a Capital Equipment Reserve for the timely replacement of equipment required to operate the I-95 Ashfill, and \$0.4 million in a Construction Reserve to meet the requirements of current and future construction projects necessary for the operation of the I-95 Ashfill, such as drainage and road-related projects. These funds have primarily been generated by restricted Solid Waste Landfill Ash Disposal fees collected on a per-ton basis.
<i>Other Funds: Sewer</i>		
400, Sewer Revenue	\$117.9 million	This total includes \$97.6 million in reserves and \$20.3 million in unreserved fund balance. The four reserves include \$45.0 million in the Operating and Maintenance Reserve, which is maintained at a level of \$25.0 to \$45.0 million for unforeseen expenses associated with sewer system emergencies. This level of reserve is based on industry practice to maintain existing customer reserves at a level which 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. An amount of \$23.0 million is projected in the New Customer Reserve to maintain emergency reserve for debt service and administrative expenses associated with new customer debt, until such time as adjustments to availability charges could be accommodated. This reserve is targeted to be maintained at approximately \$22 to \$23 million, based on payment expenses associated with one year of debt service and current administrative expenses associated with new customer debt. Also included is \$6.6 million for the Virginia Resource Authority Reserve. This reserve was established in anticipation of debt service reserve requirements for Virginia Resource Authority loans related to future treatment plant bond issues. Finally, funding of \$23.0 million is included for a new Capital Reinvestment Reserve. 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 as well as fluctuations in project scope requirements. It is anticipated that this reserve will eventually reach an amount which is 3.0 percent of the total five year capital funding plan or approximately \$30.0 million. A reserve of 3.0 percent of the five year capital plan is consistent with other utilities and is recommended by rating agencies.
401, Sewer Operation and Maintenance	\$0.1 million	The FY 2012 unreserved ending balance is projected to be \$87,946. Expenditures for Fund 401 are maintained at adequate levels relative to projected operation and maintenance expenses. These costs change annually; therefore unreserved ending balances fluctuate.
403, Sewer Bond Parity Debt Service	\$3.0 million	The FY 2012 unreserved ending balance is projected to be \$3,022,363 and is maintained at adequate levels relative to projected debt service requirements. Fund balances fluctuate from year to year based on actual debt requirements and are used to cover amortization of issuance costs.

406, Sewer Bond Debt Reserve	\$26.3 million	This balance is maintained at adequate levels to satisfy the legal reserve requirements for the 2004 Sewer Revenue Refunding Bonds, the 2009 Sewer Revenue Bonds and the planned FY 2012 Sewer Revenue Bond sale. These reserves provide for one year of principal and interest as required by the Sewer System's General Bond Resolution.
407, Sewer Bond Subordinate Debt Service	\$0.1 million	The FY 2012 unreserved balance is projected to be \$74,330 and is maintained at adequate levels relative to projected debt service requirements for the Upper Occoquan Sewage Authority (UOSA) payment. Fund balances fluctuate from year to year based on actual debt service requirements.
<i>Other DPWES Funds</i>		
116, Integrated Pest Management Program	\$1.8 million	Funds are held in reserve as the pest-related treatment requirements supported by this fund can vary significantly from year to year. These funds have primarily been generated through a tax levy of \$0.001 per \$100 of assessed value on County residents.

In addition to the above reserves within Other Funds, there are several DPWES capital project contingency/reserve projects within capital construction funds which result from project balances remaining after project completion. As project balances are identified, unexpended funds are reallocated to these contingency projects to provide funding for those projects in which expenditures may exceed cost estimates.