

# Fund 69000: Sewer Revenue

## FUND STATEMENT

| Category                                             | FY 2020 Actual       | FY 2021 Adopted Budget Plan | FY 2021 Revised Budget Plan | FY 2021 Mid-Year Estimate | Increase (Decrease) (Col. 5-4) |
|------------------------------------------------------|----------------------|-----------------------------|-----------------------------|---------------------------|--------------------------------|
| <b>Beginning Balance</b>                             | <b>\$108,685,073</b> | <b>\$115,107,774</b>        | <b>\$121,353,571</b>        | <b>\$121,830,460</b>      | <b>\$476,889</b>               |
| <b>Revenue:</b>                                      |                      |                             |                             |                           |                                |
| Lateral Spur Fees                                    | \$11,400             | \$17,020                    | \$17,020                    | \$17,020                  | \$0                            |
| Water Reuse Charges <sup>1</sup>                     | 282,185              | 164,606                     | 164,606                     | 164,606                   | 0                              |
| Sales of Service <sup>1</sup>                        | 8,222,053            | 10,000,620                  | 10,000,620                  | 10,000,620                | 0                              |
| Availability Charges <sup>2</sup>                    | 22,180,963           | 1,869                       | 12,000,000                  | 12,000,000                | 0                              |
| Connection Charges                                   | 580,558              | 34,648                      | 34,648                      | 34,648                    | 0                              |
| Sewer Service Charges <sup>1,3</sup>                 | 208,257,853          | 188,174,662                 | 198,174,662                 | 198,174,662               | 0                              |
| Miscellaneous Revenue <sup>1</sup>                   | 499,473              | 829,212                     | 829,212                     | 829,212                   | 0                              |
| Sale Surplus Property                                | 69,981               | 100,000                     | 100,000                     | 100,000                   | 0                              |
| Interest on Investments                              | 2,360,921            | 650,000                     | 650,000                     | 650,000                   | 0                              |
| <b>Total Revenue</b>                                 | <b>\$242,465,387</b> | <b>\$199,972,637</b>        | <b>\$221,970,768</b>        | <b>\$221,970,768</b>      | <b>\$0</b>                     |
| <b>Total Available</b>                               | <b>\$351,150,460</b> | <b>\$315,080,411</b>        | <b>\$343,324,339</b>        | <b>\$343,801,228</b>      | <b>\$476,889</b>               |
| <b>Transfers Out:</b>                                |                      |                             |                             |                           |                                |
| Sewer Operation and Maintenance (69010)              | \$109,220,000        | \$109,250,000               | \$109,250,000               | \$109,250,000             | \$0                            |
| Sewer Bond Parity Debt Service (69020)               | 23,100,000           | 31,000,000                  | 31,000,000                  | 31,000,000                | 0                              |
| Sewer Bond Subordinate Debt Service (69040)          | 22,000,000           | 25,100,000                  | 25,100,000                  | 25,100,000                | 0                              |
| Sewer Construction Improvements (69300) <sup>4</sup> | 75,000,000           | 65,000,000                  | 77,000,000                  | 77,000,000                | 0                              |
| <b>Total Transfers Out</b>                           | <b>\$229,320,000</b> | <b>\$230,350,000</b>        | <b>\$242,350,000</b>        | <b>\$242,350,000</b>      | <b>\$0</b>                     |
| <b>Total Disbursements</b>                           | <b>\$229,320,000</b> | <b>\$230,350,000</b>        | <b>\$242,350,000</b>        | <b>\$242,350,000</b>      | <b>\$0</b>                     |
| <b>Ending Balance<sup>5</sup></b>                    | <b>\$121,830,460</b> | <b>\$84,730,411</b>         | <b>\$100,974,339</b>        | <b>\$101,451,228</b>      | <b>\$476,889</b>               |
| <b>Management Reserves:</b>                          |                      |                             |                             |                           | <b>0</b>                       |
| Operating and Maintenance Reserve <sup>6</sup>       | \$45,000,000         | \$30,000,000                | \$45,000,000                | \$45,000,000              | \$0                            |
| New Customer Reserve <sup>7</sup>                    | 30,000,000           | 30,000,000                  | 30,000,000                  | 30,000,000                | 0                              |
| Virginia Resource Authority Reserve <sup>8</sup>     | 5,974,892            | 5,974,892                   | 5,974,892                   | 5,974,892                 | 0                              |
| Capital Reinvestment Reserve <sup>9</sup>            | 40,855,568           | 18,755,519                  | 19,999,447                  | 20,476,336                | 476,889                        |
| <b>Total Reserves</b>                                | <b>\$121,830,460</b> | <b>\$84,730,411</b>         | <b>\$100,974,339</b>        | <b>\$101,451,228</b>      | <b>\$476,889</b>               |
| <b>Unreserved Balance</b>                            | <b>\$0</b>           | <b>\$0</b>                  | <b>\$0</b>                  | <b>\$0</b>                | <b>\$0</b>                     |

<sup>1</sup> In order to account for revenues and expenditures in the proper fiscal year, audit adjustments in the amount of \$476,888.39 have been reflected as increases to the FY 2020 Water Reuse Charges, Sales of Service, Sewer Service Charges and Miscellaneous Revenue. The audit adjustments will be included in the FY 2020 Comprehensive Annual Financial Report (CAFR). Details of the audit adjustments are included in the FY 2021 Mid-Year Package.

<sup>2</sup> As part of the FY 2021 Adopted Budget Plan, the County assumed a minimal amount of Availability Fee revenue as a result of the COVID-19 pandemic. Updated data for the final quarter of FY 2020 noted an average of \$2.5 million per month. The \$12.0 million figure for the FY 2021 Revised Budget Plan assumes a conservative \$1.0 million in fee revenue per month. Historically, the minimum annual availability fee revenue collected over the past 20 years was \$10.7 million in FY 2010 at lower fee levels.

<sup>3</sup> As part of the FY 2021 Adopted Budget Plan, the County assumed a 5 percent decline in revenues for delinquent payments as a result of the COVID-19 pandemic. Updated data through June 2020 indicates delinquent payments to be immaterial. As a result, \$10.0 million has been added back to the FY 2021 Revised Budget Plan.

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<sup>4</sup> The *FY 2021 Revised Budget Plan* Transfer Out to Fund 69300, Sewer Construction Improvements, increased \$12.0 million. This increase is necessary to support Fairfax County's share of facility improvements at the Alexandria Wastewater Treatment Plant to comply with nutrient discharge limits.

<sup>5</sup> The Wastewater Management Program maintains fund balances at adequate levels relative to projected debt service requirements, operation and maintenance expenses and capital improvements.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> The Virginia Resource Authority Reserve was established in anticipation of debt service reserve requirements for Virginia Resource Authority loans related to future treatment plant issues.

<sup>9</sup> 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 rating agencies. Based on the total five-year capital plan, an amount of \$30.0 million would be required to reach 3.0 percent.