

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.

It is planned that \$200,000,000 in Sewer Revenue Bonds will be sold in FY 2021 to support the upgrade and improvement projects at the Noman Cole, Jr. Pollution Control Plant. The anticipated Sewer Revenue Bonds sale includes \$191.8 million in this fund and \$8.2 million to be reserved in Fund 69030, Sewer Bond Debt Reserve, for legal requirements. This funding supports the reinvestment in the Noman Cole, Jr. Pollution Control Plant 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. The renovation program follows the plant's Master Plan to evaluate and prioritize projects.

Pandemic Response and Impact

The Wastewater Management Program of the Department of Public Works and Environmental Services 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.

The Wastewater Management staff worked with the System's financial advisors to project estimated impacts to revenues and developed financial management strategies. To proactively address the negative financial impact, the System is reducing some projected operating expenditures through delaying the replacement of vehicles and equipment, slowing down some capital projects, and using some of the existing cash reserves. Consistent with the Board's decision with the adoption of the FY 2021 budget, the elimination of employee raises and eliminating new positions will also impact operating expenditures for FY 2021. The System's 10-year financial plan has been updated to include adjustments for revenue losses from the pandemic and closely monitoring unfolding trends throughout the year.

Changes to FY 2020 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2020 Revised Budget Plan since passage of the FY 2020 Adopted Budget Plan. Included are all adjustments made as part of the FY 2019 Carryover Review, FY 2020 Third Quarter Review, and all other approved changes through April 30, 2020.

Carryover Adjustments **\$47,392,300**

As part of the *FY 2019 Carryover Review*, the Board of Supervisors approved funding of \$47,392,300 due to the carryover of unexpended project balances in the amount of \$46,386,145 and an adjustment of \$1,006,155 to appropriate interest earnings received in FY 2019.

Third Quarter Adjustments **(\$121,500,000)**

As part of the *FY 2020 Third Quarter Review*, the Board of Supervisors approved a decrease of \$121,500,000 as no Sewer Revenue Bonds were issued in FY 2020 based upon updated cashflow requirements.

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 2019 Actual	FY 2020 Adopted Budget Plan	FY 2020 Revised Budget Plan	FY 2021 Advertised Budget Plan	FY 2021 Adopted Budget Plan
Beginning Balance	\$80,880,300	\$0	\$41,660,937	\$0	\$0
Revenue:					
Sale of Bonds ¹	\$0	\$121,500,000	\$0	\$191,800,000	\$191,800,000
Interest on Investments	1,006,155	0	0	0	0
Virginia Water Quality Improvement Grant ²	197,696	0	5,231,044	0	0
Total Revenue	\$1,203,851	\$121,500,000	\$5,231,044	\$191,800,000	\$191,800,000
Total Available	\$82,084,151	\$121,500,000	\$46,891,981	\$191,800,000	\$191,800,000
Total Expenditures	\$40,423,214	\$121,500,000	\$46,891,981	\$190,727,825	\$190,727,825
Transfers Out:					
Sewer Bond Parity Debt Service (69020) ³	\$0	\$0	\$0	\$1,072,175	\$1,072,175
Total Transfers In	\$0	\$0	\$0	\$1,072,175	\$1,072,175
Total Disbursements	\$40,423,214	\$121,500,000	\$46,891,981	\$191,800,000	\$191,800,000
Ending Balance⁴	\$41,660,937	\$0	\$0	\$0	\$0

¹ In FY 2020, an amount of \$130 million in Sewer Revenue Bonds was projected to be issued to support the upgrade and improvement projects at the Noman M. Cole, Jr. Pollution Control Plant, including \$121.5 million in this fund and \$8.5 million to be reserved in Fund 69030, Sewer Bond Debt Reserve, for legal requirements. No Sewer Revenue Bonds were issued in FY 2020 based upon updated cashflow requirements. In FY 2021, an amount of \$200 million in Sewer Revenue Bonds is projected to be issued to support the upgrade and improvement projects at the Noman M. Cole, Jr. Pollution Control Plant, including \$191.8 million in this fund and \$8.2 million to be reserved in Fund 69030, Sewer Bond Debt Reserve, for legal requirements.

² 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 2019, an amount of \$197,696 was received and \$5,231,044 is anticipated in FY 2020 and beyond.

³ A Transfer Out to Fund 69020, Sewer Bond Parity Debt Service, is 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.

⁴ 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 2019 Actual Expenditures	FY 2020 Revised Budget	FY 2021 Advertised Budget Plan	FY 2021 Adopted Budget Plan
Noman Cole Treatment Plant Renovations (WW-000017)		\$29,981,865.02	\$13,152,527.04	\$150,000,000	\$150,000,000
Noman Cole Treatment Plant Upgrades (WW-000016)	157,183,268	10,441,349.16	33,739,453.59	40,727,825	40,727,825
Total	\$157,183,268	\$40,423,214.18	\$46,891,980.63	\$190,727,825	\$190,727,825