

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.

Based on the current schedule of identified and active projects, bond proceeds remaining from the FY 2021 Sewer Revenue Bonds should support the capital projects through FY 2023. This funding supports the reinvestment in the Noman M. Cole, Jr. Pollution Control Plant and other Treatment Plants operated by Interjurisdictional Partners 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.

Pandemic Response and Impact

The Wastewater Management Program of DPWES 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. The System's 10-year financial plan has been updated to include adjustments for revenues during the pandemic and staff is closely monitoring unfolding trends throughout the year.

Changes to FY 2021 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2021 Revised Budget Plan since passage of the FY 2021 Adopted Budget Plan. Included are all adjustments made as part of the FY 2020 Carryover Review, FY 2021 Mid-Year Review, and all other approved changes through December 31, 2020:

| | |
|------------------------------|---------------------|
| Carryover Adjustments | \$10,961,231 |
|------------------------------|---------------------|

As part of the *FY 2020 Carryover Review*, the Board of Supervisors approved funding of \$10,961,231 due to the carryover of unexpended project balances in the amount of \$2,242,029 and an adjustment of \$8,719,202. The adjustment includes \$498,905 in interest earnings received in FY 2020 and \$8,220,297 in revenue from the sale of purchased capacity.

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 2020 Actual | FY 2021 Adopted Budget Plan | FY 2021 Revised Budget Plan | FY 2022 Advertised Budget Plan |
|---|---------------------|-----------------------------|-----------------------------|--------------------------------|
| Beginning Balance | \$41,660,937 | \$0 | \$6,828,474 | \$0 |
| Revenue: | | | | |
| Sale of Bonds ¹ | \$0 | \$191,800,000 | \$191,800,000 | \$0 |
| Interest on Investments | 498,905 | 0 | 0 | 0 |
| Sale of Purchased Capacity ² | 8,220,297 | 0 | 0 | 0 |
| Virginia Water Quality Improvement Grant ^{3,4} | 68,519 | 0 | 5,162,525 | 0 |
| Total Revenue | \$8,787,721 | \$191,800,000 | \$196,962,525 | \$0 |
| Total Available | \$50,448,658 | \$191,800,000 | \$203,790,999 | \$0 |
| Total Expenditures⁴ | \$43,620,184 | \$190,727,825 | \$202,718,824 | \$0 |
| Transfers Out: | | | | |
| Sewer Bond Parity Debt Service (69020) ⁵ | \$0 | \$1,072,175 | \$1,072,175 | \$0 |
| Total Transfers Out | \$0 | \$1,072,175 | \$1,072,175 | \$0 |
| Total Disbursements | \$43,620,184 | \$191,800,000 | \$203,790,999 | \$0 |
| Ending Balance⁶ | \$6,828,474 | \$0 | \$0 | \$0 |

¹ In FY 2021, an amount of \$200 million in Sewer Revenue Bonds (Series 2021) 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 On August 5, 2019, the Board of Supervisors approved the sale of 0.5 mgd of Fairfax County unused capacity at the Upper Occoquan Service Authority (UOSA) treatment plant to the City of Manassas. The City of Manassas paid Fairfax County \$8,220,297 in cash and will be responsible for all remaining debt payments to UOSA with respect to the purchased capacity.

³ 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 2020, an amount of \$68,519 was received and \$5,162,525 is anticipated in FY 2021 and beyond.

⁴ In order to account for revenues and expenditures in the proper fiscal year, an audit adjustment in the amount of \$5,380.86 has been reflected as a decrease to FY 2020 Virginia Water Quality Grant to accurately record revenue in the proper fiscal period. In addition, an audit adjustment in the amount of \$1,029,768.27 has been reflected as a decrease to FY 2020 Total Expenditures to accurately record expenditure accruals in the proper fiscal period. This impacted the amount carried forward and resulted in an increase of \$1,029,768.27 to the *FY 2021 Revised Budget Plan*. The project affected by this adjustment was WW-000017, Noman Cole Treatment Plant Renovations. These adjustments were included in the FY 2020 Comprehensive Annual Financial Report (CAFR). Details of the FY 2020 audit adjustments were included in the FY 2021 Mid-Year Package.

⁵ A Transfer Out to Fund 69020, Sewer Bond Parity Debt Service, is necessary in FY 2021 as this reflects the Underwriter's Discount expense associated with the Series 2021 to be paid from bond proceeds, which are reported as revenue in Fund 69310, Sewer Bond Construction.

⁶ 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 2020 Actual Expenditures | FY 2021 Revised Budget | FY 2022 Advertised Budget Plan |
|--|------------------------|-----------------------------|-------------------------|--------------------------------|
| Noman Cole Treatment Plant Renovations (WW-000017) | | \$36,305,200.22 | \$160,566,528.82 | \$0 |
| Noman Cole Treatment Plant Upgrades (WW-000016) | 132,183,268 | 7,314,983.35 | 42,152,295.24 | 0 |
| Total | \$132,183,268 | \$43,620,183.57 | \$202,718,824.06 | \$0 |