

UTILITY FUNDS

Wastewater Fund

FY 2015 Adopted Budget - City of Fairfax, Virginia

**City of Fairfax, Virginia
FY 2015 Wastewater Fund
Budget Summary**

Revenues	FY 2013 <u>Actual</u>	FY 2014 <u>Budget</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Adopted</u>
Operating Revenues				
Residential Sales	\$1,941,289	\$1,838,480	\$1,950,000	\$2,047,500
Commercial Sales	2,827,381	2,570,540	2,352,700	2,470,335
Subtotal Operating Revenues	4,768,670	4,409,020	4,302,700	4,517,835
Availability Charges	335,025	265,000	600,000	2,200,000
Other Revenues				
Interest	11,198	15,000	18,000	18,000
Miscellaneous / Financing Reimbursements	106,212	235,767	336,582	433,397
Subtotal Other Revenues	117,410	250,767	354,582	451,397
Other Financing Sources	1,199,539	2,296,000	2,296,000	2,557,000
Total Revenues	\$6,420,644	\$7,220,787	\$7,553,282	\$9,726,232
Expenses				
Operating Expenses				
Annual Wastewater Treatment	\$1,838,522	\$2,271,360	\$1,975,000	\$2,060,000
CIP Payments - Fairfax County	1,199,539	1,761,000	1,761,000	1,567,000
Capital Projects	230,701	535,000	535,000	990,000
Line Maintenance	528,405	580,990	592,490	834,710
Administrative & Engineering	562,753	699,011	715,611	905,521
Subtotal Operating Costs	4,359,920	5,847,361	5,579,101	6,357,231
Other Expenses				
Debt Service	722,474	512,708	1,055,924	1,864,189
Subtotal Other Expenses	722,474	512,708	1,055,924	1,864,189
Total Expenses	\$5,082,394	\$6,360,069	\$6,635,025	\$8,221,420
Cash Balance - June 30	\$7,861,647	\$9,212,992	\$8,779,904	\$10,284,716
Total FTE	8.0	8.0	7.8	9.1

FY 2015 Adopted Budget - City of Fairfax, Virginia

FUNCTION: Wastewater Services

DEPARTMENT: Utilities

DIVISION OR ACTIVITY: County Wastewater Treatment Contract

BUDGET COMMENTS:

The following budget adjustment(s) from the FY 2014 Adopted Budget are necessary to fund the FY 2015 Adopted Budget. Included are all material adjustments recommended by the City Manager. FY 2015 reflects a proposed decrease in budget of \$405,360 (10.1%).

- **Annual Wastewater Treatment**

A decrease of \$211,360 (9.3%) in contract services with the County of Fairfax reflects the County's projected cost decrease from the FY 2014 Adopted Budget.

- **CIP Payments – Fairfax County**

The Capital Improvement is based on the County's projections for the cost of the upgrades to the Noman M. Cole Wastewater Treatment plant. While that cost is projected to decrease by \$194,000 (11%) in FY 2015 due to a lower total planned spend in that year, the updated schedule provided by the County shows sharp increases for FY 2016 through FY 2021.

With regard to capital assets, Fairfax County formally notified the City in 2009 that major plant upgrades are required due to an EPA mandated nitrogen reduction program and plant renovations. The City's share of the total capital cost when finalized will be 6.27%, which equates to the percentage of total capacity that the City owns at the Noman M. Cole Wastewater Treatment Plant. Renovation and construction costs are contingent upon the final scope of work and construction change orders over a projected 16 year period.

PROGRAM:

Wastewater originating in the City's Wastewater system is treated by Fairfax County in its Noman M. Cole, Jr., Pollution Control Plant by a contractual agreement that provides a guaranteed treatment capacity for the City.

GOAL:

To ensure effective Wastewater services to city customers and to make sure treatment capacity is available for future use by administering the wastewater treatment contract with Fairfax County.

OBJECTIVES:

- To determine how much capacity is available for future use by measuring and monitoring city wastewater flows to Fairfax County's Noman M. Cole, Jr. Pollution Control Plant and make recommendations to purchase additional capacity if necessary.
- To monitor the city's payments to the county for treatment, capital improvement, operations and maintenance costs to ensure costs to city customers are accurate and properly prorated.

SERVICES AND PRODUCTS:

- Wastewater metering stations, treatment and disposal of wastewater for City residents and businesses and to protect the Chesapeake Bay.

FY 2015 Adopted Budget - City of Fairfax, Virginia

FUNCTION: Wastewater Services

DEPARTMENT: Utilities

DIVISION OR ACTIVITY: County Wastewater Treatment Contract

PERFORMANCE MEASURES:

Indicators	FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Projected
Output Measures				
Rolling average daily flow (Millions Gallons Daily–MGD)	3.2	3.2	3.3	3.4
Outcome Measures				
% Utilization 4.2 MGD Avg Capacity	76%	76%	79%	81%

FY 2015 Adopted Budget - City of Fairfax, Virginia

Cost Center 435110: County Wastewater Treatment Contract

Title	FY 2013 <u>Actual</u>	FY 2014 <u>Budget</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Adopted</u>
County Charges - Operating	\$1,838,522	\$2,271,360	\$1,975,000	\$2,060,000
County Charges - Capital	1,199,539	1,761,000	1,761,000	1,567,000
Total	\$3,038,061	\$4,032,360	\$3,736,000	\$3,627,000

FY 2015 Adopted Budget - City of Fairfax, Virginia

FUNCTION: Wastewater Services

DEPARTMENT: Utilities

DIVISION OR ACTIVITY: Wastewater Line Maintenance

BUDGET COMMENTS:

The following budget adjustment(s) from the FY 2014 Adopted Budget are necessary to fund the FY 2015 Adopted Budget. Included are all material adjustments recommended by the City Manager that were approved by the City Council, as well as additional City Council actions, as approved in the adoption of the budget on April 30, 2014.

- **Employee Compensation**

An increase of \$119,505 in salaries resulting from the addition of 1.1 FTEs, a 3.5 percent merit step for eligible employees, and a 0.5% COLA for all employees. The associated increase in fringe totals \$78,715.

- **Capital Improvements:**

An increase of \$435,000 (81.3%) in capital outlay for Wastewater rehabilitation projects. These activities are required to ensure capacity management and avoid wastewater overflows to the environment and backups into businesses and homes. Funding is provided by lease financing obtained in November 2010. Capital project spending is budgeted at an increased level over FY 2014 in light of the need to increase the rehabilitation and replacement of aging pipelines and manhole infrastructure. Details of the various adopted FY 2015 projects can be found in Capital Budget - Section G of the budget document.

PROGRAM:

Wastewater conveyance pipelines and facilities are maintained and rehabilitated by the Wastewater Support Services Division (WSSD) of the Public Works Department.

GOAL:

To provide reliable wastewater service by inspecting, cleaning, repairing and rehabilitating the city's wastewater pumping and gravity conveyance network.

OBJECTIVES:

- To minimize the number of wastewater service line backups to less than two per fiscal year
- To minimize the number of wastewater overflows to the environment to less than two per fiscal year
- To reduce excessive inflow and infiltration (I/I) by ten percent from FY 2013, the base year.
- To complete 95% of preventive maintenance activities scheduled

SERVICES AND PRODUCTS:

- Provide well-maintained and unobstructed wastewater conveyance pipelines
- Minimize backups and overflows
- Inspect and resolve wastewater pipelines exhibiting grease and blockage
- Respond to and resolve odor control issues

FY 2015 Adopted Budget - City of Fairfax, Virginia

FUNCTION: Wastewater Services
DEPARTMENT: Utilities
DIVISION OR ACTIVITY: Wastewater Line Maintenance

PERFORMANCE MEASURES:

Indicators	FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Projected
Output Measures				
Feet of pipe and related manholes rehabilitated	8,492	7,000	5,000	8,000
Percentage of manhole inventory inspected	100%	80%	90%	TBD
Outcome Measures				
Number of Wastewater overflows	0	1	0	0
Number of Wastewater service line backups	0	0	0	0
Percent of preventive maintenance activities achieved	90%	90%	90%	TBD

FY 2015 Adopted Budget - City of Fairfax, Virginia

Cost Center 435120: Wastewater Line Maintenance

Title	FY 2013 <u>Actual</u>	FY 2014 <u>Budget</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Adopted</u>
Salaries	\$330,753	\$326,883	\$326,883	\$446,388
Fringe Benefits	117,832	117,607	117,607	196,322
Purchased Services	22,005	29,000	40,500	56,000
Other Charges	20,731	18,500	18,500	26,500
Supplies & Materials	37,084	89,000	89,000	109,500
Capital Outlay	230,701	535,000	535,000	970,000
Total	\$759,106	\$1,115,990	\$1,127,490	\$1,804,710

Personnel Classification	Grade	FY 2013 <u>Actual</u>	FY 2014 <u>Budget</u>	FY 2014 <u>Estimate</u>	FY 2015 <u>Adopted</u>
Superintendent	25	0.0	0.0	0.5	0.5
Crew Supervisor	18	1.0	1.0	1.0	1.0
Utility Worker III	13	1.0	1.0	1.0	1.0
Utility Line Technician	13	1.0	1.0	1.0	1.0
Wastewater Equipment Operator	12	0.0	0.0	0.0	1.0
Utility Technician	11	1.0	0.0	0.0	1.0
Utility Worker II	10	1.0	1.0	1.0	1.0
Utility Technician	9	0.0	1.0	1.0	1.0
Utility Worker I	9	1.0	1.0	1.0	0.0
Total FTE		6.0	6.0	6.5	7.5

FUNCTION: Wastewater Services

DEPARTMENT: Utilities

DIVISION OR ACTIVITY: Wastewater Administration

BUDGET COMMENTS:

The City's transition out of the water treatment and distribution business had a significant impact on the Wastewater Administration cost center. Because water and wastewater usage are so closely tied, Fairfax Water took over wastewater billing as part of the overall water deal. Also, administrative personnel were allocated between both the Water and Wastewater Funds until January 2014, when the sale of the Water Utility was finalized. The Wastewater Fund is now managed by Public Works. As a result, significant adjustments to the FY 2014 Adopted Budget are needed to fund the FY 2015 Adopted Budget.

- **Employee Compensation**

Salaries and fringe decreased by \$100,405 (46.2%) resulting from the .4 decrease in headcount due to the sale of the Water Utility and the outsourcing of wastewater billing.

- **Internal Services**

An increase of \$184,856 in the Management and Motor Pool Fees from the FY 2014 Adopted Budget reflects an increase of charges to the department for its use of City services. The fee is based on updated service allocations which became more expensive to the remaining enterprise funds after the disposition of the Water Utility. The allocation is determined by formula resulting from a review of the City's operations by an outside professional accounting firm.

- **Other Charges**

The sharp increase in other charges (contract services) of \$179,666 or 856% is the fee Fairfax Water will charge the City for wastewater billing on the City's behalf.

- **Capital Outlay**

A decrease of \$40,000 reflects a lower projected need for external engineering firms to provide support, planning and development for utility management.

PROGRAM:

Wastewater service management and administration are provided by the Department of Public Works but no longer include utility billing. Customer service, customer issue resolution, general administration, and engineering review are to be provided by Public Works as an in-kind service.

GOAL:

To provide effective leadership, managerial, administrative and engineering support to the Wastewater line maintenance division in order to enhance department performance. To strengthen environmental sustainability and meet the City's goal of providing unsurpassed user-friendly, customer-focused business practices.

FY 2015 Adopted Budget - City of Fairfax, Virginia

FUNCTION: Wastewater Services
DEPARTMENT: Utilities
DIVISION OR ACTIVITY: Wastewater Administration

OBJECTIVES:

- To monitor and ensure efficient utility billing for Wastewater customers by Fairfax Water the City’s out source for these services.
- To review site plans submitted by developers within 7 business days of submittal
- To manage new connections to the wastewater system
- To provide “Capacity Management” via managing wastewater conveyance to Fairfax County and a life-cycle cost basis for the wastewater Capital Improvement Program
- To have a strong safety program resulting in zero “lost time” accidents for the Department

SERVICES AND PRODUCTS:

- Administrative services for Wastewater Services Section
- Monitoring Utility Billing Quality and cost effectiveness
- Wastewater emergency response assistance
- Wastewater conveyance and service connection Information Management
- Asset Management support via GIS
- Records Management

PERFORMANCE MEASURES:

Indicators	FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Projected
Output Measures				
Site Plans reviewed	37	33	33	30

FY 2015 Adopted Budget - City of Fairfax, Virginia

Cost Center 435130: Wastewater Administration & Engineering

Title	FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Adopted
Salaries	\$162,698	\$157,060	\$156,560	\$82,159
Fringe Benefits	57,431	60,486	60,486	34,983
Purchased Services	2,258	3,000	0	5,625
Internal Services (Mgt Fee & Motor Pool)	327,624	396,565	396,565	581,421
Other Charges	12,674	21,000	102,000	200,666
Supplies & Materials	68	900	0	667
Capital Outlay	0	60,000	0	20,000
Total	\$562,753	\$699,011	\$715,611	\$925,521

Personnel Classification	Grade	FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Adopted
Director of Public Works	**	0.0	0.0	0.1	0.1
Director of Utilities	**	0.1	0.1	0.0	0.0
City Engineer	26	0.0	0.0	0.1	0.1
Assistant Director of Utilities	24	0.5	0.5	0.0	0.0
Stormwater Res Engineer	23	0.0	0.0	0.3	0.3
Assistant Stormwater Res Engineer	19	0.0	0.0	0.0	0.3
Util. Const. Projects Coord.	18	0.3	0.3	0.0	0.0
Facilities Inspectors	17	0.0	0.0	0.4	0.4
Utility Billing & System Spec.	15	0.3	0.3	0.0	0.0
Administrative Assistant IV	14	0.5	0.5	0.5	0.5
Utility Billing Clerk	13	0.3	0.3	0.0	0.0
Total FTE		2.0	2.0	1.3	1.6

FY 2015 Adopted Budget - City of Fairfax, Virginia

FUNCTION: Wastewater Services
DEPARTMENT: Utilities
DIVISION OR ACTIVITY: Wastewater Debt Service

BUDGET COMMENTS:

The following budget adjustment(s) from the FY 2014 Adopted Budget are necessary to fund the FY 2015 Adopted Budget.

- Debt Service:**
 In November 2010, the City obtained \$24 million in financing to fund capital projects in the Water and Wastewater Funds. Those proceeds and associated debt service were allocated between the two funds. As part of the City’s transition out of the water treatment and distribution business, the debt was refinanced into a lease revenue bond. The balance of the lease revenue bond debt and related funds were transferred to the Wastewater Fund, accounting for the \$1.35 million increase in debt service in FY 2015 over the FY 2014 Adopted Budget.

PROGRAM:

General revenue bonds and resulting debt service are required, after City Council approval, for projects too large to be funded by current user fee revenues. Such capitalized projects will have a long-term public benefit and ensure adequate capacity for current and future customers.

GOAL:

To ensure an adequate and efficient wastewater conveyance system, that is financially secure, by paying principal and interest (debt service) for bond proceeds issued by the VRA to the City to pay for completed treatment improvements upgrades at Noman Cole, Jr., Pollution Control Plant and the City’s pumping and collection service area.

OBJECTIVE:

- Retire Debt

SERVICES AND PRODUCTS:

- Payment of principal and interest on debt to bond holders.

Cost Center 435710: Wastewater Debt Service				
Title	FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Adopted
Debt Service	\$722,474	\$512,708	\$1,055,924	\$1,864,189
Total	\$722,474	\$512,708	\$1,055,924	\$1,864,189

Lease Financing for Utility Improvements
Principal 10-1; Interest 10-1 & 4-1

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2015	\$485,000	\$1,379,189	\$1,864,189
2016	510,000	1,356,494	1,866,494
2017	535,000	1,331,949	1,866,949
2018	565,000	1,305,224	1,870,224
2019	595,000	1,275,064	1,870,064
2020	625,000	1,243,344	1,868,344
2021	660,000	1,209,934	1,869,934
2022	685,000	1,176,552	1,861,552
2023	705,000	1,142,904	1,847,904
2024	730,000	1,106,770	1,836,770
2025	755,000	1,068,073	1,823,073
2026	785,000	1,026,710	1,811,710
2027	815,000	980,721	1,795,721
2028	850,000	930,437	1,780,437
2029	880,000	878,189	1,758,189
2030	920,000	823,829	1,743,829
2031	955,000	767,197	1,722,197
2032	995,000	707,797	1,702,797
2033	1,035,000	645,474	1,680,474
2034	1,080,000	580,542	1,660,542
2035	1,125,000	512,852	1,637,852
2036	1,170,000	442,392	1,612,392
2037	1,220,000	369,012	1,589,012
2038	1,270,000	292,574	1,562,574
2039	1,320,000	213,066	1,533,066
2040	1,375,000	130,325	1,505,325
2041	1,435,000	44,053	1,479,053
Total	\$24,080,000	\$22,940,661	\$47,020,661

Purpose: Financing capital improvements to the Wastewater system.

Principal Amount: \$24,080,000

Date of Issue: November 2010

Collateral: Wastewater Fund revenues

FY 2015 Adopted Budget - City of Fairfax, Virginia

Wastewater Fund Expense Detail

Account		FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Adopted
<u>County Wastewater Treatment Contract (435110)</u>					
530835	City-County Contracts - O&M	\$1,838,522	\$2,271,360	\$1,975,000	\$2,060,000
530835	City-County Contracts - CIP	1,199,539	1,761,000	1,761,000	1,567,000
	Subtotal	\$3,038,061	\$4,032,360	\$3,736,000	\$3,627,000
<u>Wastewater Line Maintenance (435120)</u>					
511105	Salaries - Full Time	\$279,679	\$296,003	\$296,003	\$418,953
511115	Salaries - Overtime	38,616	20,350	20,350	16,853
511130	On Call Pay	12,458	9,000	9,000	9,045
511135	Holiday Worked	0	1,530	1,530	1,538
511165	ST Portion of Accrued AL	0	0	0	0
512110	Fringe Benefits	117,832	117,607	117,607	196,322
530113	Contract Services	1,344	3,500	15,000	20,000
530350	Building Maintenance	520	2,500	2,500	2,500
530351	Equipment Maintenance	20,141	23,000	23,000	33,500
550110	Utilities Expense	19,870	14,000	14,000	14,000
550430	Equipment Rental	861	3,000	3,000	10,500
550501	Travel & Training	0	1,000	1,000	2,000
550731	Employee Awards	0	500	500	0
560110	Office Supplies	556	1,000	1,000	1,000
560420	Operating Supplies	11,090	19,000	19,000	24,500
560430	Operating Materials	4,468	19,000	19,000	24,000
560501	Chemicals - Other	20,970	50,000	50,000	60,000
580105	Vehicle Replacement	0	0	0	0
580108	Other Mach & Equip Repl.	0	0	0	0
580410	Utility Engineering	0	0	0	0
580428	Sewage Pump Station Rehab	200,833	0	0	50,000
580429	Sewer Rehab at Creek Cross.	20,940	0	0	0
580441	Sewer Lining	8,928	280,000	280,000	450,000
580442	Manhole Rehab	0	55,000	55,000	90,000
580443	Sewer Trunk Line Rehab.	0	200,000	200,000	200,000
580444	SCADA	0	0	0	0
580448	Geographical Information System	0	0	0	100,000
580449	Collection System Repair & Replacement	0	0	0	80,000
	Subtotal	\$759,106	\$1,115,990	\$1,127,490	\$1,804,710

FY 2015 Adopted Budget - City of Fairfax, Virginia

Wastewater Fund Expense Detail Continued

Account	FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Adopted
<u>Administration & Engineering (435130)</u>				
511105 Salaries - Full Time	\$152,591	\$156,560	\$156,560	\$82,159
511115 Salaries - Overtime	141	0	0	0
511125 Tempoary Help	9,966	0	0	0
511160 Incentive Awards	0	500	0	0
511198 Salary Vacancy Factor	0	0	0	0
512110 Fringe Benefits	57,431	60,486	60,486	34,983
530113 Contract Services	2,258	3,000	0	5,625
540060 Management Fee	296,963	353,742	353,742	541,378
540102 Motor Pool Charges	30,661	42,823	42,823	40,043
550501 Travel & Training	75	3,000	0	666
550806 Other Services	12,599	18,000	102,000	200,000
550820 Dues & Subscriptions	0	200	0	264
560110 Office Supplies	68	700	0	403
580410 Utility Engineering	0	60,000	0	20,000
Subtotal	\$562,753	\$699,011	\$715,611	\$925,521
<u>Debt Service (435710)</u>				
590105 Principal	\$0	\$0	\$0	\$485,000
590110 Interest	722,474	512,708	1,055,924	1,379,189
Subtotal	\$722,474	\$512,708	\$1,055,924	\$1,864,189
Total Wastewater Fund	\$5,082,394	\$6,360,069	\$6,635,025	\$8,221,420

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UTILITY FUNDS

Water Fund

There is not a budget for the City's Water Fund in FY 2015, City residents and businesses are now provided water services from Fairfax Water. An explanation of that transition follows.

The decision to create a water supply and treatment plant and operate an independent water system more than 50 years ago was an innovative and cost-effective means to serve the water needs of the community. Over time circumstances changed, and the initial efficiencies and cost-effectiveness of the City's water system faced new realities and challenges:

- Increased costs
- Reduced customer base
- Changing technologies
- Increasingly stringent federal and state standards
- Costly capital improvements

Consistent with the City's tradition of securing cost-effective and high value services, the Mayor and City Council made the decision to convert to Fairfax Water to serve City residents and businesses. The City of Fairfax ceased its Water Utility operations January 3, 2014 when the City sold its water distribution assets, located in Fairfax City and Fairfax County, to Fairfax Water and bought into Fairfax Water's system. This transaction effectively transferred all City of Fairfax retail water customers to Fairfax Water. The City paid the sum of \$20.0 million (offset by the sale of the City's water system assets, located in Fairfax City and Fairfax County) as a net capacity buy-in to Fairfax Water's system. The City will pay the \$20.0 million obligation through a seven year note, with the first five years interest free and the last two years at three percent interest.

On January 31, 2014 the City completed its transition out of the water treatment and distribution business by selling its water treatment and distribution assets located in Loudoun County to Loudoun Water for the sum of \$30.0 million. Assets sold to Loudoun Water included the City's surface water supply and treatment system, comprised of two reservoirs and a water treatment plant located in and around Goose Creek in western Loudoun County and the City's 24-inch water transmission line located in Loudoun County. These funds will be used to retire existing Water Fund debt and to pay-off the \$20.0 million note due to Fairfax Water for the net capacity buy-in on behalf of City of Fairfax water customers.

City residents and businesses now receive water supplied by Fairfax Water from the Corbalis Water Treatment Plant located on the Potomac River. All water related services: meter reading, maintenance/repairs, infrastructure upgrades, and billing, are now provided by Fairfax Water. As a result, City of Fairfax water system customer rates will be reduced to the same rates paid by Fairfax Water's existing customers within three years (of January 3, 2014); until then the water rates in the City will not increase from the City's FY 2014 adopted rates. City of Fairfax residents and businesses are guaranteed the same water rates as Fairfax Water customers in perpetuity, a significant savings now and in the future.