

OPERATING & CAPITAL BUDGETS

CAPITAL BUDGET
FY 2021 - FY 2025



OPERATING BUDGET
FY 2021



Service Authority
Prince William County

Prince William County
Service Authority

*Operating & Capital Budget
Fiscal Year 2021
Adopted*

THE BOARD OF DIRECTORS

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Mission and Vision

The Prince William County Service Authority (the “Authority”) is dedicated to excellence in providing safe, reliable water service to our customers and returning clean water to the environment.

The Authority’s vision is to be a nationally acclaimed leader in providing clean water and excellent customer service through sustainable, innovative business practices, community partnerships and environmental stewardship. The Board of Directors identified the following six strategic areas of excellence in its vision for the organization:



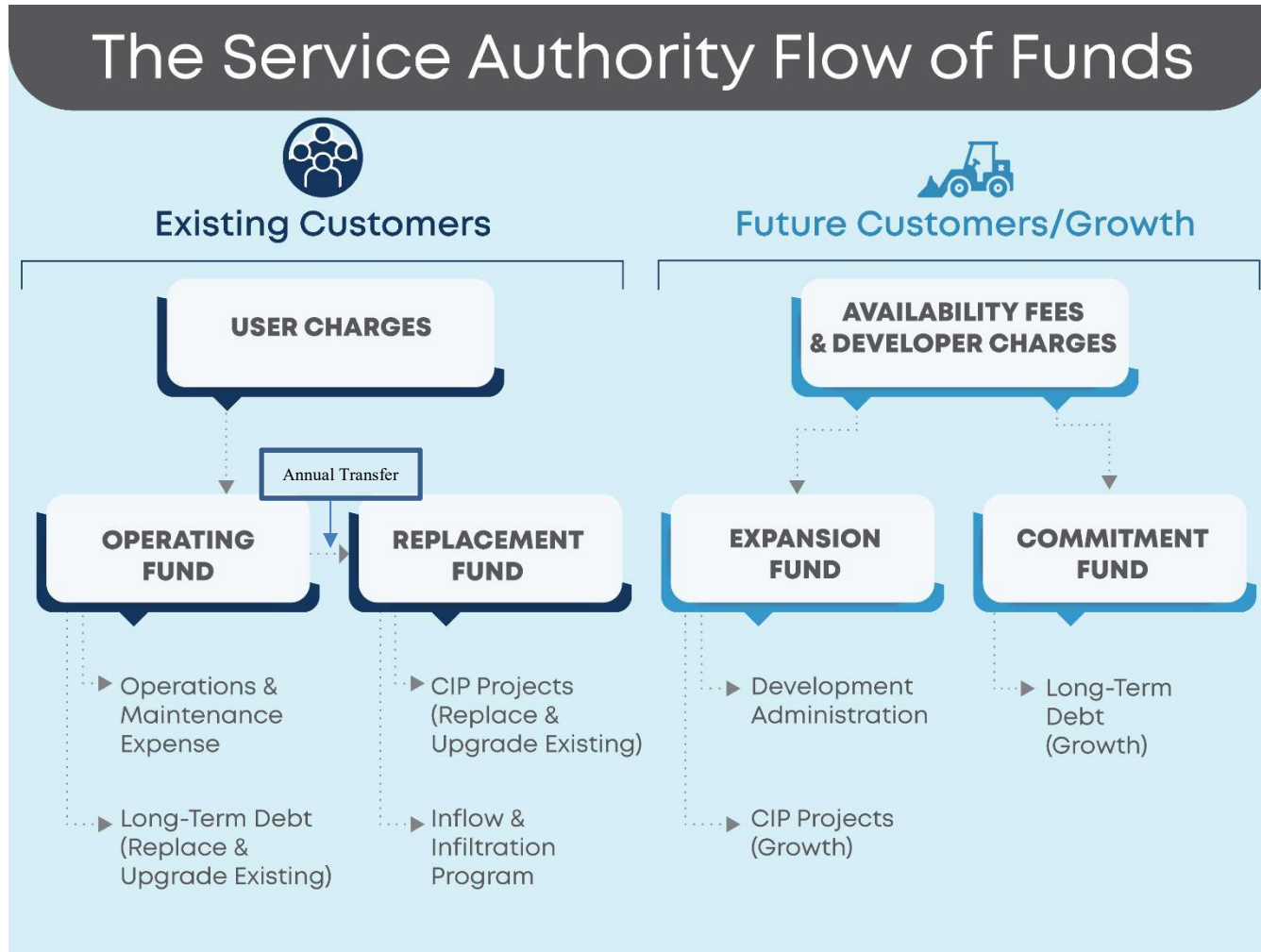
Strategic Plan

The Authority’s Strategic Plan guides the development of the budget to support the achievement of strategic objectives, to include:

- Maintain sound financial standing
- Provide a high level of service to customers
- Retain and engage a high performing workforce
- Achieve full regulatory compliance
- Maintain and invest in needed infrastructure and technology
- Continuously improve

Fund Structure

The accounting general ledger and budget are prepared on a “four fund” basis to track revenues and expenses as they relate to the Authority’s operations and growth.



The FY'21 Budget was prepared during the Coronavirus Public Health Emergency (COVID-19). Although the Service Authority is not in financial distress, the proposed budget reflects the current economic realities and uncertainties due to COVID-19.

- Total revenue is projected to be \$147.3 million. Development is projected to slow from the projected 1,600 ERU's in FY'20 to 1,350 in FY'21 as a result of the current economic situation.
- Total expenses are projected to be \$94.6 million which represents a \$392,283 or 0.4% decrease from the FY'20 budget. Cost increases to utilities, purchased resources, and chemicals, were offset by cost reductions in personnel and contractual services.
- Capital Spending is projected at \$27.5 million. In addition, a potential new debt issuance of \$164.0 million to fund large upcoming capital projects would add debt service of approximately \$7.3 million in FY'21.

With the uncertainty of the economic impact of COVID-19 on our customers coupled with the unknown impact to the cost of service, staff will continue to monitor the situation closely, reducing costs where possible and returning to the Board in the Fall to determine if the rate increase scheduled for January 1, 2021 can be reduced or eliminated.

TABLE 1 - BUDGET OVERVIEW - ALL FUNDS

Description	FY'20 Budget ²	FY'21 Request	Difference	Percent Change	Notes
<u>Revenue</u>					
R1 User Charges	\$ 120,752,266	\$ 121,455,000	\$ 702,734	0.6%	- 0.5% account growth & adopted rates, anticipated customer credits
R2 Avail. Fees & Developer Charges	26,436,784	22,442,039	(3,994,745)	-15.1%	- Projected ERUs of 1,350 in FY'21 vs 1,600 in FY'20
R3 Interest Income	3,558,600	2,676,000	(882,600)	-24.8%	- Lower interest rates
R4 Other Revenue	714,500	714,500	-	0.0%	- Antenna lease revenue remains flat to FY'20
Total Revenue	\$ 151,462,150	\$ 147,287,539	\$ (4,174,611)	-2.8%	- See notes above for R1, R2, R3 & R4
<u>Expenses</u>					
E1 Personnel	\$ 42,343,800	\$ 39,580,100	\$ (2,763,700)	-6.5%	- Deferred hiring, health ins. increase, salary adj., reduced VRS contr.
E2 Purchased Resources	28,032,300	30,456,791	2,424,491	8.6%	- Increase in Fairfax Water wholesale projected rate
E3 Material & Supplies	5,921,800	6,336,326	414,526	7.0%	- Increase in chemical cost, materials, parts & supplies
E4 Utilities	3,986,500	4,287,000	300,500	7.5%	- Increase in usage and rates
E5 Contr. Serv., Ins., Rent and Other	14,367,800	13,599,700	(768,100)	-5.3%	- Reduction in IT programs and preventative maintenance
E6 Contingency	300,000	300,000	-	0.0%	- Remains flat to FY'20
Total Expenses	\$ 94,952,200	\$ 94,559,917	\$ (392,283)	-0.4%	- See notes above for E1, E2, E3, E4, E5 & E6
<u>Capital and Related Debt</u>					
Debt Service (Principal & Interest)		\$ 31,013,739			- Includes new debt issuance - see page 6
Projected CIP Spending		27,511,250			- See details on page 7

1) Budget is further detailed in the Supplemental Tables. Operating & Replacement Funds (pages 8 & 9) and Expansion & Commitment Funds (page 10).

2) FY'20 User Charges and Availability Fees & Developer Charges are based on most recent projections and adopted rates.

Chart 1

Sources & Uses

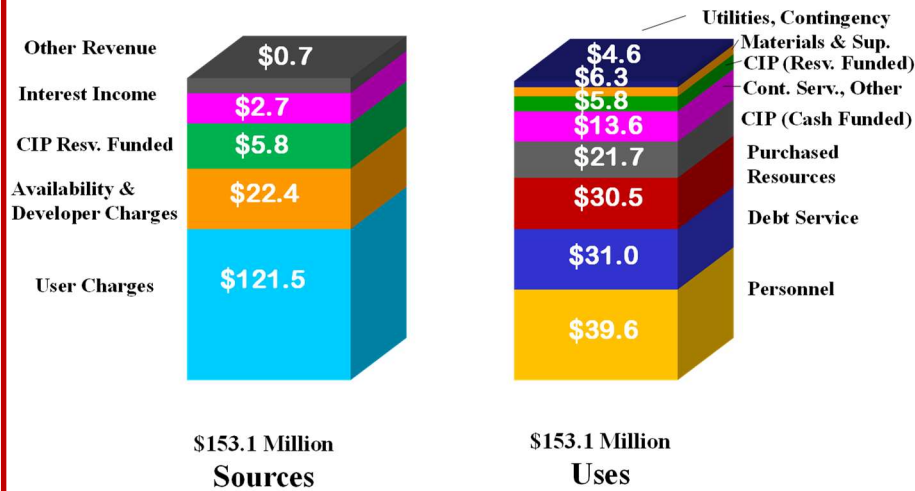
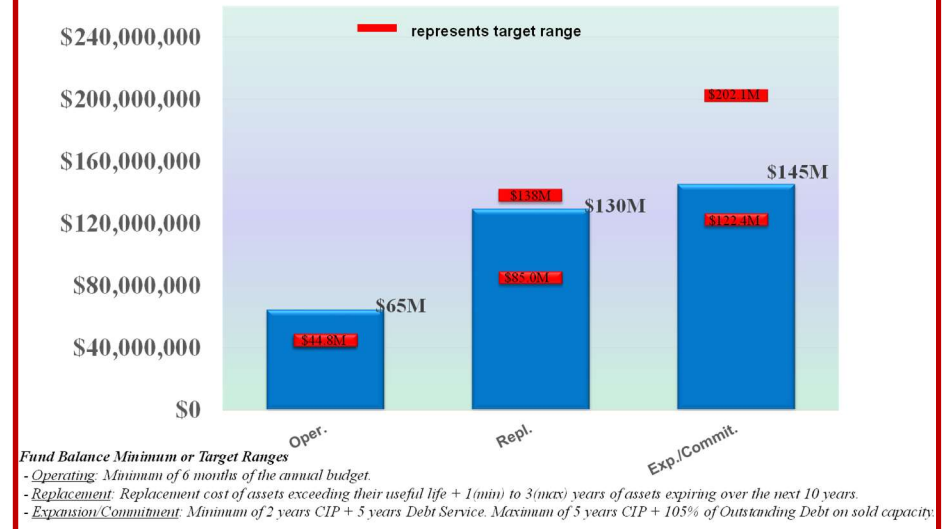


Chart 2

PWCSA Fund Balance

Projected as of June 30, 2020



- Due to the capital-intensive nature of our business, which requires long-range financial planning and fiscal discipline, the Service Authority has built up substantial fund balances to maintain and replace its infrastructure, support economic development, and weather uncertain times. Fund balances are projected to be \$340.0 million as of June 30, 2020. Although fund balances are projected to decrease in FY'21 due to CIP spending and a customer rebate, fund balances are projected to remain within target levels in FY'21.

REVENUES

R1	<ul style="list-style-type: none"> - User Charges increased 0.6% based on adopted rates. Water and sewer usage declined slightly from the prior year with 0.5% account growth offset by continuing trend of 1% decline in consumption per account. Staff will return to the Board in the Fall to determine if the rate increase scheduled for January 1, 2021 can be reduced or eliminated. For additional details on User Charges, see page 8. - No Late Fees and Disconnect Fees in July, August and September.
R2	<ul style="list-style-type: none"> - Availability Fees & Developer Charges dropped 15.1% due to slower growth. Availability Fees authorize a customer to establish service and cover the pro-rata share of capacity and infrastructure. New Equivalent Residential Units (ERUs) of 1,350 are projected in FY'21 vs. 1,600 in FY'20. - Slight drop in Inspection Fees and other administrative developer charges.
R3	<ul style="list-style-type: none"> - Interest earnings on fund balances are expected to decline based on lower interest rates (average rate of 0.65%).
R4	<ul style="list-style-type: none"> - Antenna Lease income is projected to remain flat to FY'20.

EXPENSES

E1	<ul style="list-style-type: none"> - 6.5% personnel cost decrease from FY'20. Salaries and Wages were reduced by deferring some positions and holding a higher vacancy rate (time to fill positions). - 2.5% salary adjustment (1.25% effective July 1, 2020 and 1.25% effective January 1, 2021) for employees with an annual base salary of \$70,000 or less. - Fringe Benefits include a 5% increase to the employer portion of health insurance premiums. The VRS contribution rate declined from 10.5% to 6.45%, resulting in a \$1.0 million decrease.
E2	<ul style="list-style-type: none"> - Purchased Resources consist of expenses related to the purchase of clean water and the treatment of wastewater from wholesale providers under the terms and conditions of those agreements. The volume of water & sewer purchased has a direct correlation to User Charge Revenue. - Purchased Resources is projected to increase by \$2.4 million or 8.6% due to higher costs passed on from providers.

Budget Details & Assumptions

FY'21 Operating Budget

E2	Wholesale Provider					
	Fund	Type	Rate	Tgals	Amount	
	Oper.	Purch. Water	\$1.45	9.1M (83%)	\$13.2M	
	Commit.	Purch. Water		N/A	\$0.6M	
	Oper.	Purch. Water	\$1.18	1.8M (17%)	\$2.2M	
	Total Purchased Water				\$16.0M	
	Oper.	Purch. Trash		N/A	\$0.2M	
	Oper.	Purch. Sewer		N/A	14.3M	
	Total Purchased Resources				\$30.5M	

- The Fairfax Water wholesale rate increased significantly in 2019 as a result of major plant improvements to the Corbalis Water Treatment Plant and a reduction in purchases by Loudoun Water.

- Purchased Sewer consists of amounts paid to the Upper Occoquan Service Authority (UOSA). Estimates are based on an average daily flow of 13.3 MGD and reflect the increase in UOSA's operating costs.

E3 - Materials & Supplies includes the cost of tools, small equipment, chemicals, parts & supplies, postage, uniforms, and other materials and supplies that are critical and essential for day-to-day operations. The increase of \$414,526 is due to additional chemical costs (lime) for sludge processing in the incinerator, water main break emergency paving repairs due to VDOT requirements and additional parts & supplies for COVID-19 preparedness.

E4 - Utility costs are projected to increase \$300,500 due to higher electricity rates and telecommunications costs.

E5 - Contractual Services consists of recurring and on-demand service contracts such as sewer condition assessments and other system studies, cybersecurity monitoring services, invoice printing & mailing, janitorial services, hardware/software development, and maintenance/support contracts. The reduction in Contractual Services of \$768,100 from FY'20 will be achieved by reducing costs in the cybersecurity program, IT programs, external project management, as well as, deferring some preventative maintenance.

- Insurance, Rent and Other Operating expenses remained flat to FY'20.

E6 - Contingency amount remained flat to FY'20.

TABLE 2 - FY'21 PLAN OF FINANCE

	TOTAL DEBT SERVICE			FY'21 DEBT SERVICE		
	Principal	Interest	Total Payment	Principal	Interest	Total Payment
Service Authority Bonds	\$ 52,855,000	\$ 12,423,573	\$ 65,278,573	\$ 3,215,000	\$ 1,682,378	\$ 4,897,378
Virginia Resources Authority (VRA)	53,914,519	6,811,137	60,725,656	6,509,966	1,374,948	7,884,914
UOSA	158,815,919	57,536,558	216,352,477	5,766,960	5,157,674	10,924,634
Total Existing Debt Service	265,585,438	76,771,268	342,356,706	15,491,926	8,215,000	23,706,926
New Debt Issuance	163,957,000	79,132,035	243,089,035	3,120,074	4,186,739	7,306,813
Total Debt Service	429,542,438	155,903,303	585,445,741	18,612,000	12,401,739	31,013,739

- Plan of Finance includes a new debt issuance of \$164.0 million to fund capital projects (see list of Bonded Projects below) which results in additional debt service (Principal and Interest) of \$7.3 million in FY'21. New debt service depends on the timing and method of financing.

List of Bonded Projects (\$164.0 Million)

- Water Supply Project (WSUP-105) Montclair/Four Seasons Water System Improvements - \$14,795,000
- Water Transmission Project (WAT-181) Rt. 1 Trans. Main - Garfield BPS to Rt. 234 - \$14,869,000
- Water Transmission Project (WAT-182) Rt. 1 Trans. Main - Rt. 234 to Fuller Heights Road - \$14,354,000
- Water Reclamation Facility Project (WRF-138) Facility Wide Improvements - Design-Build Project - \$85,443,000
- Information Technology Project (IT-126) SCADA System Upgrade - \$20,859,000
- Regional Utility Project (REG-1) Occoquan River Crossing - \$13,637,000

TABLE 3 - CAPITAL IMPROVEMENT PROGRAM

ALL PROJECTS	FY'21	FY'22	FY'23	FY'24	FY'25
Water Supply Projects (WSUP)	\$ 6,125,000	\$ 6,123,000	\$ 5,925,000	\$ 8,015,000	\$ 7,640,000
Water Storage Projects (WST)	2,750,000	1,650,000	2,450,000	1,650,000	7,588,000
Water Transmission Projects (WAT)	14,746,000	14,194,000	7,523,000	5,397,000	8,886,000
Sewage Pumping Station Projects (SPS)	6,854,000	24,467,000	17,087,000	13,662,000	2,076,000
Sewer Collection Projects (SEW)	4,475,000	4,475,000	4,067,000	1,500,000	1,500,000
Water Reclamation Facility Projects (WRF)	5,750,000	12,950,000	21,200,000	29,500,000	28,300,000
Miscellaneous Projects (MISC)	10,625,000	8,970,000	14,000,000	15,678,000	8,078,000
Information Technology Projects (IT)	8,285,000	6,627,000	6,660,000	4,127,000	5,035,000
Regional Utility Projects (REG)	500,000	812,000	5,000,000	5,000,000	2,325,000
	\$ 60,110,000	\$ 80,268,000	\$ 83,912,000	\$ 84,529,000	\$ 71,428,000
<i>Total Bonded Projects included above</i>	\$ 17,785,000	\$ 28,289,000	\$ 35,208,000	\$ 37,327,000	\$ 35,135,000

- The FY'21-FY'25 Capital Improvement Program provides an itemization of potential projects over the next five years. The timing of projects are dependent on many factors to include easement acquisition, weather, coordination with other project schedules, as well as, unanticipated project delays.
- In FY'21, the Service Authority projects CIP spending of \$27.5 million. Projects that could not be accomplished without placing customers out of service or adhering to social distancing guidelines have been deferred. Please see the FY'21-FY'25 Capital Improvement Program for a detail list of planned projects and project details. Approval of the Capital Budget does not authorize specific construction projects. Service Authority Purchasing Regulations require construction and engineering contracts exceeding \$200,000 to be approved by the Board of Directors.

TABLE 4 - OPERATING & REPLACEMENT FUND REVENUE

Description	FY'20 Budget ¹	FY'21 Request	Difference	Percent Change
<u>Operating Revenues</u>				
Sale of Service ²	\$ 89,305,000	\$ 89,936,000	\$ 631,000	0.7%
Peak Use & High Demand Charges	4,114,818	4,210,000	95,182	2.3%
Service Charge ²	23,664,200	24,764,000	1,099,800	4.6%
Other Operating Revenue ³	3,668,248	2,545,000	(1,123,248)	-30.6%
Total Operating Revenue	\$ 120,752,266	\$ 121,455,000	\$ 702,734	0.6%
<u>Non-Operating Revenues</u>				
Interest Income	\$ 1,863,400	\$ 1,481,000	\$ (382,400)	-20.5%
Property Rental	714,500	714,500	-	0.0%
Total Non-Operating	\$ 2,577,900	\$ 2,195,500	\$ (382,400)	-14.8%
Total Revenue	\$ 123,330,166	\$ 123,650,500	\$ 320,334	0.3%

¹ FY'20 revenues are based on most recent projections for consumption and adopted rates.

² Sale of Service Revenue (consumption based) includes \$631,000 and Service Charge Revenue (fixed charge) includes \$1,099,800, due to previously adopted rate increases that are effective January 1, 2021. Staff will return to the Board in the Fall to determine if the rate increase scheduled for January 1, 2021 can be reduced or eliminated.

³ An estimated decline in Disconnect Fees, Late Fees, and Application Fees, as well as, an allowance for other unanticipated declines in user charges.

TABLE 5 - OPERATING & REPLACEMENT FUND EXPENSES

Description	FY'20 Budget	FY'21 Request	Difference	Percent Change
<u>Expenses</u>				
Salaries & Wages	\$ 27,987,000	\$ 26,582,700	\$ (1,404,300)	-5.0%
Fringe Benefits	10,313,800	9,542,900	(770,900)	-7.5%
Purchased Water	13,210,000	15,327,258	2,117,258	16.0%
Purchased Sewer	13,945,100	14,294,533	349,433	2.5%
Purchased Trash	209,100	210,000	900	0.4%
Utilities	3,986,500	4,287,000	300,500	7.5%
Insurance	512,300	512,300	-	0.0%
Contractual Services (Incl. R&M)	9,831,500	10,271,100	439,600	4.5%
Material & Supplies	5,850,000	6,279,326	429,326	7.3%
Rent, Training, Travel, Other	1,339,300	1,287,250	(52,050)	-3.9%
Contingency	275,000	275,000	-	0.0%
Other Non-Operating	156,000	135,000	(21,000)	-13.5%
Total Expenses	\$ 87,615,600	\$ 89,004,367	\$ 1,388,767	1.6%

TABLE 6 - EXPANSION & COMMITMENT FUND BUDGET

Description	FY'20 Budget ¹	FY'21 Request	Difference	Percent Change
<u>Operating Revenues</u>				
Avail. Fees & Developer Charges	26,436,784	22,442,039	(3,994,745)	-15.1%
Total Operating Revenue	\$ 26,436,784	\$ 22,442,039	\$ (3,994,745)	-15.1%
<u>Non-Operating Revenues</u>				
Interest Income	1,695,200	1,195,000	(500,200)	-29.5%
Total Non-Operating	\$ 1,695,200	\$ 1,195,000	\$ (500,200)	-29.5%
Total Revenue	\$ 28,131,984	\$ 23,637,039	\$ (4,494,945)	-16.0%
<u>Expenses</u>				
Salaries & Wages	\$ 3,031,500	\$ 2,642,300	\$ (389,200)	-12.8%
Fringe Benefits	1,011,500	812,200	(199,300)	-19.7%
Purchased Water	668,100	625,000	(43,100)	-6.5%
Contractual Services (Incl. R&M)	2,524,700	1,392,000	(1,132,700)	-44.9%
Material & Supplies	71,800	57,000	(14,800)	-20.6%
Rent, Training, Travel, Other	4,000	2,050	(1,950)	-48.8%
Contingency	25,000	25,000	-	0.0%
Total Expenses	\$ 7,336,600	\$ 5,555,550	\$ (1,781,050)	-24.3%

¹ FY'20 revenues are based on most recent projections and adopted rates.

AWRF	Advanced Water Reclamation Facility
BPS	Booster Pumping Station
CIP	Capital Improvements Program – A detailed schedule of capital projects to be undertaken by the Authority or contributed by developers
COVID-19	Coronavirus Disease 2019.
ERU's	Equivalent Residential Units – A unit of capacity equal to the peak volume required to serve a typical single-family residential customer
FY	Fiscal Year
IT	Department of Information Technology
MGD	Millions of Gallons per Day
MISC	Miscellaneous
REG	Regional Utility
R&M	Repair and Maintenance
SCADA	Supervisory Control and Data Acquisition system – a computerized system for remote monitoring and control of facilities
SEW	Sewer Collection
SPS	Sewage Pumping Station
UOSA	Upper Occoquan Service Authority – A regional AWRF owned by the Authority, Fairfax County, Manassas and Manassas Park
VDOT	Virginia Department of Transportation
VRS	Virginia Retirement System
WAT	Water Transmission
WST	Water Storage
WSUP	Water Supply
WRF	Water Reclamation Facility