



The Utilities Fund is a proprietary enterprise fund used to account for funds needed to operate, maintain and expand Stafford County's Water and Wastewater system. The Utilities Fund is financed and managed in a manner similar to private business industry.

Provision of Water Services:

Two reservoirs, Smith Lake and Abel Lake, supply water to Stafford County's treatment facilities. The Smith Lake Water Treatment Facility (WTF), rated at 10 million gallons per day (mgd), provides water to the northern region of Stafford and to the Camp Barrett area of Marine Corps Base Quantico. The Abel Lake WTF, rated at 6 mgd, provides water to the southern region. Combined, the two reservoirs hold over 3.4 billion gallons of water. If needed, interconnecting piping in the water distribution system allows the transfer of treated water from one service area to the other. A third reservoir, Rocky Pen Run, is currently under construction. It is expected to be available in 2014. It will provide an additional 5.4 billion gallons of water storage.

The water distribution system is comprised of more than 605 miles of pipe ranging in size from 2 to 30 inches in diameter, with four primary pumping stations. Two ground storage tanks, two standpipes and ten elevated tanks provide water storage of nearly 16.7 million gallons.

Provision of Wastewater Services:

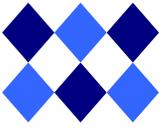
Wastewater treatment is provided by the Little Falls Run and Aquia wastewater treatment facilities (WWTF). The treatment capacity at Little Falls Run WWTF is currently permitted at 8 mgd. The current treatment capacity at Aquia WWTF is 10 mgd. Both treatment facilities utilize biological nutrient removal, ultraviolet light disinfection, and the low-load aeration system that allows higher flow rates without adversely affecting treatment. The wastewater collection and transmission system consists of more than 430 miles of gravity sewers, 55 miles of sewer force mains and 89 pump stations.

Utilities Department Personnel:

The Utilities Department employees provide customer service, daily inspections, planning, administration, operation and maintenance of the systems. An on-call Field Operations crew and an on-call mechanic handle after-hours emergencies. All water and wastewater treatment facility operators are fully trained and most are licensed. The treatment facilities and field crews maintain an excellent safety record.

Projected Demand for Service:

The number of billed customer accounts served by the Utilities Department is expected to reach 33,700 by the end of Fiscal Year 2014, assuming 1.25% growth. For the remainder of the planning period (FY15-FY19), accounts are projected to continue to grow at a moderate rate of 1.25% per year.



ADOPTED FY 2014 UTILITIES FUND BUDGET

Revenues/Sources			
	User Fees	Expansion Fees	Total
Water/Sewer Fees	\$ 27,061,000	\$ -	\$ 27,061,000
Availabilities/ProRata Fees	-	8,700,000	8,700,000
Other Charges and Fees	1,212,000	-	1,212,000
Use of Money/Property	-	185,000	185,000
Grants	-	-	-
Bond Proceeds	-	20,000,000	20,000,000
Subtotal	\$ 28,273,000	\$ 28,885,000	\$ 57,158,000
Prior Year Fund Balance	-	-	-
Total Revenues	\$ 28,273,000	\$ 28,885,000	\$ 57,158,000
Expenditures			
	Operating	Expansion	Total
Personnel & Operating			
Admin/Cust Service/ Engineering	\$ 5,749,005	\$ -	\$ 5,749,005
Smith Lake WTP	2,687,017	-	2,687,017
Abel Lake WTP	2,553,544	-	2,553,544
Field Operations	5,081,357	-	5,081,357
Aquia WWTF	2,760,387	-	2,760,387
Little Falls Run WWTF	2,083,420	-	2,083,420
Maintenance	3,765,549	-	3,765,549
Total Personnel & Operating:	\$ 24,680,279	\$ -	\$ 24,680,279
Debt Service	-	6,556,000	6,556,000
Total Personnel, Operating & Debt Service	\$ 24,680,279	\$ 6,556,000	\$ 31,236,279
Capital Expenditures			
Austin Run PS and FM Replacement	-	5,200,000	5,200,000
Claiborne Run PS Generator Replacement	-	1,000,000	1,000,000
Courthouse Area Water System Improvements	-	1,350,000	1,350,000
Old Route 3 PS Replacement	-	663,000	663,000
Computer System Upgrades	127,000	-	127,000
Small Sewer Projects	448,000	-	448,000
Small Water Projects	630,000	-	630,000
Vehicle and Equipment Replacement	200,000	-	200,000
Water Distribution System Rehabilitation	400,000	-	400,000
Wastewater Pump Station Rehabilitation	650,000	-	650,000
Wastewater Collection System Rehabilitation	400,000	-	400,000
Total Capital Expenditures	\$ 2,855,000	\$ 8,213,000	\$ 11,068,000
Total Expenditures	\$ 27,535,279	\$ 14,769,000	\$ 42,304,279

The Utilities Fund began increasing fund balance in the 1990's in anticipation of the construction of the Rocky Pen Run Reservoir, Treatment Facility, and other capital improvements. The projects and other capital improvements will also have a bond-funded component. Changes to fund balance reflect these expenditures and related revenues.



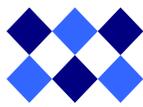
Our mission is to provide water and wastewater services that satisfy the current and future needs and expectations of our customers.

Our performance is directed at meeting or exceeding all federal and state requirements. The Department of Utilities strives to provide effective, efficient and reliable service to our residential and business customers. The Department makes every effort to utilize innovative practices and cutting-edge technology in the accomplishment of its mission. Management is supportive and proactive in personnel matters, ensuring that staff members perform at the highest level and take pride in their jobs and the contributions they make to the success of the Department.

THINKING EFFICIENTLY

Clean water is the highest priority of the Department of Utilities. In order to meet the future water demands of the County, the County is undertaking the largest project in the County's history, namely the Rocky Pen Run Reservoir, Dam, and Water Treatment Facility. The state of the art facility is expected to provide drinking water in the summer of 2014. The larger facility will be able to produce more water, but at the same staffing level, as we temporarily take the Abel Lake Facility off-line for several years.

Clean water is also the highest priority of our water treatment plants. The plants recently completed EPA mandated nutrient removal upgrades, ensuring the quality of the water returning to the environment. The Aquia and Little Falls Run Plants continue to operate at high standards. While the industry awards we get every year are nice, the real beneficiary is the environment - and our bottom line as we avoid costly fines.

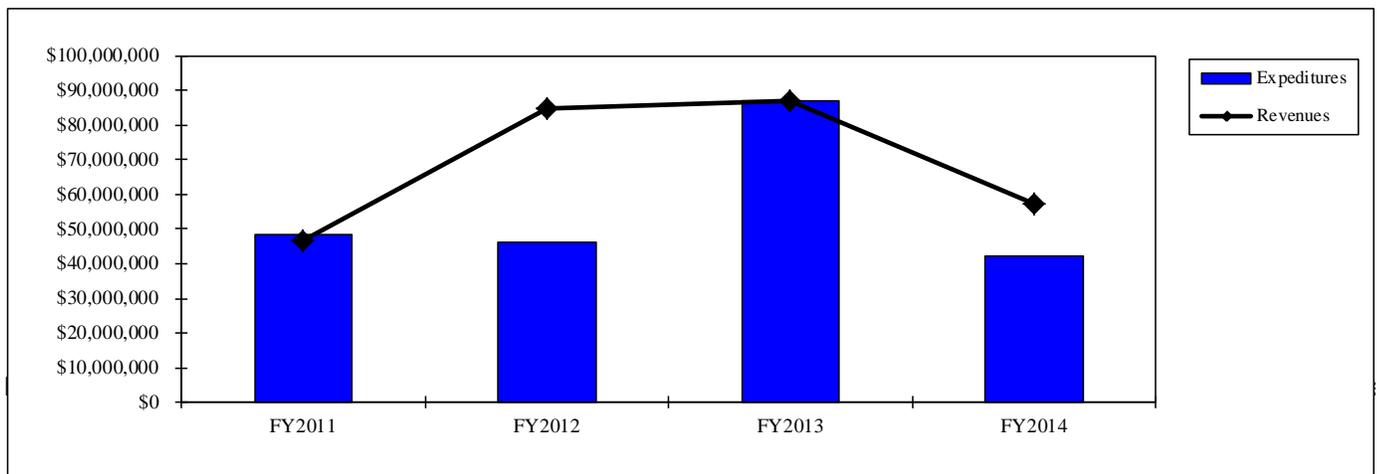


BUDGET SUMMARY

	FY2011 Actual	FY2012 Actual	FY2013 Adopted Budget	FY2014 Adopted Budget	FY2014 Change '13 to '14	
Revenue/Sources						
Water/Sewer Fees	\$21,990,884	\$22,664,873	\$25,143,000	\$27,061,000	\$1,918,000	7.63%
Availability/ProRata Fees	4,625,722	6,988,859	8,307,000	8,700,000	393,000	4.73%
Other Charges and Fees	1,083,729	1,530,178	1,399,000	1,212,000	(187,000)	-13.37%
Use of Money/Property	596,926	436,545	227,000	185,000	(42,000)	-18.50%
Grants	2,914,691	1,037,356	67,000	0	(67,000)	-100.00%
Revenue Bond Proceeds	13,548,644	52,348,794	32,265,000	20,000,000	(12,265,000)	-38.01%
Prior Year Fund Balance	0	0	19,459,441	0	(19,459,441)	-100.00%
Total Revenue/Sources	\$46,550,255	\$85,006,605	\$86,867,441	\$57,158,000	(\$29,709,441)	-34.20%
Expenditures						
Personnel	\$10,586,856	\$10,624,413	\$10,832,851	\$11,152,127	\$319,276	2.95%
Operating	9,589,869	9,573,857	11,973,590	13,228,152	1,254,562	10.48%
Operating -Capital Projects	5,622,000	1,557,356	4,792,000	2,855,000	(1,937,000)	-40.42%
Expansion-Capital Projects	18,993,000	18,469,815	53,845,000	8,213,000	(45,632,000)	-84.75%
Debt Service	4,028,263	5,812,568	5,124,000	6,556,000	1,432,000	27.95%
OPEB Liability Reduction	300,000	300,000	300,000	300,000	0	0.00%
Total Expenditures	\$48,336,096	\$46,338,009	\$86,867,441	\$42,304,279	(\$44,563,162)	-51.30%
Difference	(\$1,785,841)	\$38,668,596	\$0	\$14,853,721	\$14,853,721	

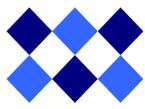
Funded Positions

Full-Time Positions	141	139	139	139	0	0.00%
Part-Time Positions	1	1	1	1	0	0.00%



Notes:

- (1) FY14 Proposed Budget assumes \$20M in bond proceeds for the construction of Capital Projects.
- (2) FY14 Proposed Budget includes \$0.3M related to projected liabilities associated with Other Post Employment Benefits (OPEB) as calculated according to the provisions outlined within GASB45.



SIGNIFICANT BUDGET CHANGES

REVENUE /SOURCE VARIANCES

Water/Sewer Fees

- FY14 adopted budget includes a 9% user fee rate increase
- The expected increase in revenues will be approximately 7.4%.
- Although the number of accounts is increasing by about 1.25% annually, overall water demand on a month-to-month comparison is declining. Declining water demand is an industry wide trend.

Availability/ProRata Fees

- Projected growth of an average of 500 equivalent dwelling unit (EDU) connections in FY13 budget vs. an average of 460 within the FY12 budget. An increase is expected in Pro Rata revenue as projects in the Falls Run and Austin Run sewer shed are completed.

Grants variance

- Grant-eligible projects related to Nutrient Removal Upgrade projects are complete. No additional grant revenues are available.

Revenue Bond Proceeds

- Approximately \$20M in revenue bonds is proposed for FY14 to meet critical water system and wastewater improvement demands.
- An additional \$25M in revenue bonds is proposed for FY 15 to fund additional critical water and wastewater needs.

EXPENDITURE VARIANCES:

Personnel

- Increase in salaries and health care costs.

Operating

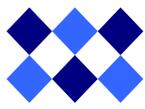
- Increases in chemical, electric and transportation costs.
- 11% increase in the indirect cost allocation.
- Equipment replacement at the Smith Lake Water Treatment Facility.
- Pump Station maintenance and equipment replacements.

Operating-Capital Projects and Expansion-Capital Projects

- Continued construction activities for Rocky Pen Run Dam and Reservoir, the Rocky Pen Run Water Treatment Facility, and associated water distribution infrastructure needed to convey treated water into the water distribution system. Continued construction of the Falls Run Interceptor.

Debt Service

- New debt service on Capital Improvement Plan bonds.

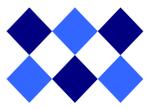


CORE SERVICES

- Provide water for residential, commercial, industrial and fire-suppression needs
- Collect and treat wastewater prior to discharge to protect receiving streams
- Provide for sustainability through revenue generation to support operations; timely replacement, rehabilitation, and renewal of assets; and adequate training and cross-training of staff
- Provide project design, detailed plan review, and inspection of all construction prior to acceptance by the County to ensure the reliability and maximize the useful life of all water and sewer infrastructure
- Provide administrative services including development of ordinances governing water and sewer issues, short- and long-term planning, ongoing fiscal planning to balance revenue and expenditure needs; and excellent customer service including meter reading, billing, account maintenance, supportive customer interaction regarding account status, resolution of complaints, requests for information, or any other issues customers, builders, developers, etc. may have

DEPARTMENTAL GOALS/OBJECTIVES

- Provide quality water and uninterrupted service by effectively managing and operating water and wastewater facilities, including water production and transmission, wastewater treatment and conveyance, and residuals disposal to meet customer demands and regulatory requirements.
- Prioritize and implement a capital improvement program to meet expansion, regulatory and other performance goals, while keeping within the constraints of the Utilities Funding sources and policies.
- Effectively manage capital projects, external consultants/contractors, schedules and quality of deliverables to ensure Stafford County citizens are getting the BEST value for every dollar invested in the water and wastewater system.
- Fund maintenance and repair of water and wastewater infrastructure at a level that will provide for continued sustainability of the system infrastructure.
- Develop and support professional and forward-thinking staff to fulfill the technical, administrative, operating and maintenance requirements of the water and wastewater system.



DEPARTMENTAL SERVICE LEVELS

	FY2012 Actual	FY2013 Budget	FY2014 Plan
Outcomes			
Billion Gallons of Water Treated (Manual Tracking)	3.817	4.003	4.194
Billion Gallons of Wastewater Treated (Manual Tracking)	2.774	3.220	3.269
Outputs			
# of Water and Sewer Billed Accounts (HTE System)	32,289	32,764	33,246
# of Miss Utility Locate Requests Processed (Manual Tracking)	17,272	20,000	23,000
# of Backflow Preventers Inspected and/or Tested (Hansen Sys.)	500	500	500
# of Water Meters Read (HTE System)	378,631	345,089	350,196
# of Delinquency Notices (HTE System)	24,464	24,209	24,567
# of Delinquent Water Turn-Offs (HTE System)	5,612	4,890	4,963
Service Quality			
Wastewater Treatment Effectiveness Rate - % of days (Manual Tracking)	100%	100%	100%
Drinking Water Compliance Rate - % of days (Manual Tracking)	100%	100%	100%
Efficiencies			
Operating Cost to Treat Water (per thousand gallons) (Manual Tracking)	\$1.05	\$1.14	\$1.20
Operating Cost to Treat Wastewater (per thousand gallons) (Manual Tracking)	\$1.28	\$1.38	\$1.39



UTILITIES FUND REVENUE

	FY 2012 Actual	FY 2013 Adopted Budget	Adopted Budget	FY 2014 Changes '13 to '14	
Revenues					
Water & Sewer Fees	\$22,664,873	\$25,143,000	\$27,061,000	\$1,918,000	7.63%
Availability/ProRata Fees	6,988,859	8,307,000	8,700,000	393,000	4.73%
Other Charges & Fees	1,530,178	1,399,000	1,212,000	(187,000)	-13.37%
Use of Money & Property	436,545	227,000	185,000	(42,000)	-18.50%
	<u>\$31,620,455</u>	<u>\$35,076,000</u>	<u>\$37,158,000</u>	<u>\$2,082,000</u>	<u>5.94%</u>
Other Sources					
Revenue Bonds	52,348,794	32,265,000	20,000,000	(12,265,000)	-38.01%
Grants	1,037,356	67,000	-	(67,000)	100.00%
Donated Assets	10,048,202	-	-	-	-
Prior Year Fund Balance	-	19,459,441	-	(19,459,441)	-100.00%
	<u>\$63,434,352</u>	<u>\$51,791,441</u>	<u>\$20,000,000</u>	<u>(\$31,791,441)</u>	<u>-61.38%</u>
Total	<u><u>\$95,054,807</u></u>	<u><u>\$86,867,441</u></u>	<u><u>\$57,158,000</u></u>	<u><u>(\$29,709,441)</u></u>	<u><u>-34.20%</u></u>

Water & Sewer Fees

Utilities customers are billed monthly for water consumption and wastewater usage. Stafford County projects 33,700 billed customer accounts by June 2014. Rate increases of approximately 9.5% are proposed for FY14-16. Actual increases will be determined by the Board of Supervisors. The average residential customer's monthly bill is projected to be \$53.14 in FY14 based on usage of 5,000 gallons. This is well below the Virginia average of \$58.58 for the same volume of usage.

Availability Fees

Customers desiring to use the Stafford County water or wastewater system pay a one-time fee per equivalent dwelling unit (EDU). Currently the availability fees are \$6,900 for water and \$3,500 for wastewater (per EDU). These fees are designated for capital expansion and are used as a source to pay debt service for expansion projects. The budget projects the addition of 500 EDUs per year.

Pro-Rata Fees

Developers pay a pro-rata share of the cost of constructing Stafford's water or wastewater transmission systems. Fees are based on the estimated impact the development project will have on the appropriate water pressure or wastewater zone.

Use of Money & Property

Interest is earned on the cash and investment balances of the Utility Enterprise Fund. Interest revenue is expected to decline over the next five years as cash balances are spent down relative to large capital projects that are underway.

Other Charges & Fees

This category includes all other fees that are not included in the categories listed above.

Revenue Bonds

The County expects to issue \$20 M in bonds to fund various water and wastewater system improvements in FY14, and another \$25 M in FY15. The County last issued water and sewer revenue bonds in FY12. The \$61 M in bond proceeds were used to partially finance the construction of water system capital improvement projects including the Rocky Pen Run Reservoir and Water Treatment Facility in FY12 and FY13.

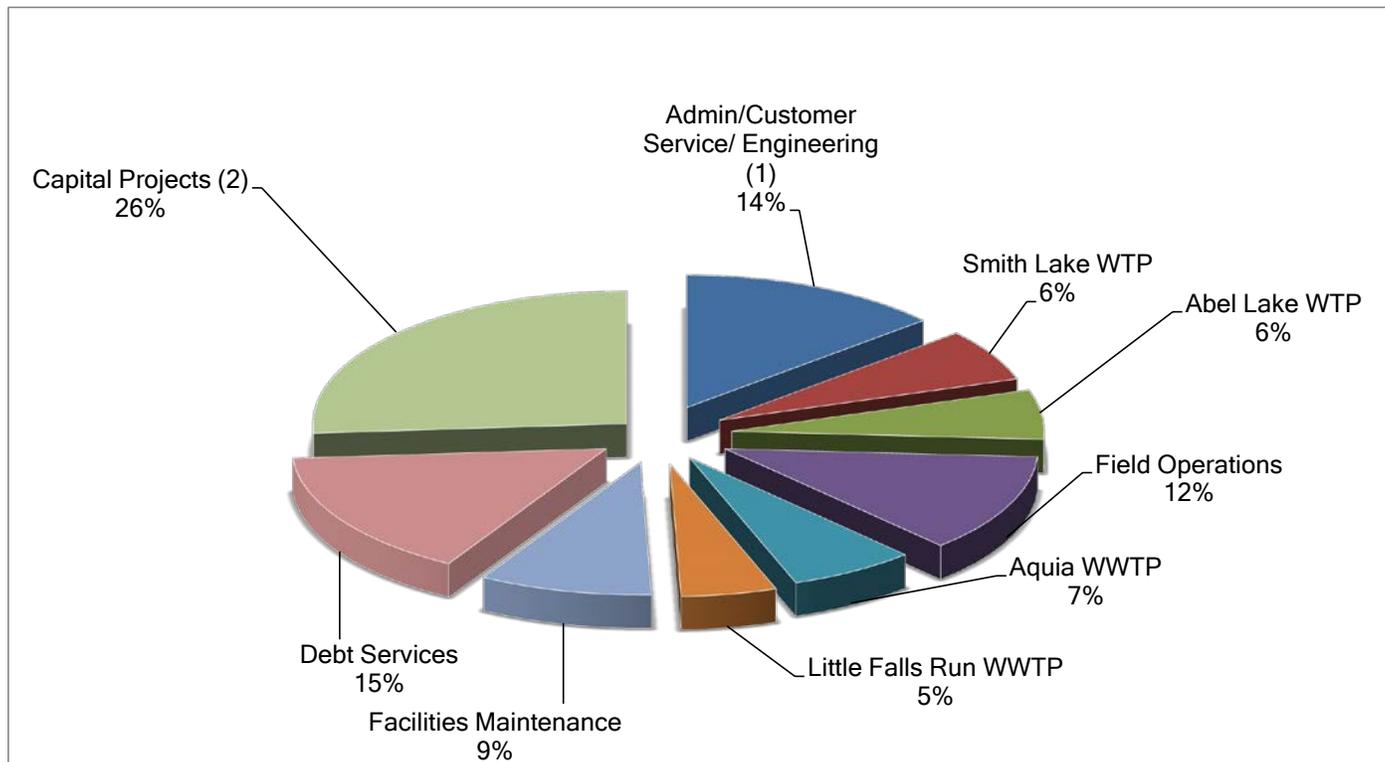
Grants

No grant revenues are projected for FY14.



UTILITIES FUND EXPENDITURES

Expenditures	FY2012 Actual	FY2013 Adopted Budget	Adopted Budget	FY2014 Changes 13 to 14	
Admin/Customer Service/ Engineering (1)	\$5,052,973	\$5,707,576	\$5,749,005	\$41,429	0.73%
Smith Lake WTP	1,884,734	2,423,623	2,687,017	263,394	10.87%
Abel Lake WTP	2,068,498	2,372,697	2,553,544	180,847	7.62%
Field Operations	4,375,118	4,724,233	5,081,357	357,124	7.56%
Aquia WWTP	2,470,908	2,597,310	2,760,387	163,077	6.28%
Little Falls Run WWTP	1,728,023	1,944,030	2,083,420	139,390	7.17%
Facilities Maintenance	3,001,836	3,336,972	3,765,549	428,577	12.84%
Debt Services	5,812,568	5,124,000	6,556,000	1,432,000	27.95%
Capital Projects (2)	20,027,172	58,637,000	11,068,000	(47,569,000)	-81.12%
Total Expenditures	\$46,421,830	\$86,867,441	\$42,304,279	(\$44,563,162)	-51.30%



Notes:

(1) FY14 Proposed Budget includes \$0.3M related to projected liabilities associated with Other Post Employment Benefits (OPEB)

(2) In FY14, it is expected that \$20 M in bonds will be issued for various water and sewer construction projects.



PROJECTED AVAILABLE CASH BALANCE

	Total
6/30/2013 Projected Cash Balance	\$ 20,274,000
FY14 Projections:	
Revenues	
Water & Sewer Fees	27,061,000
Availability & Pro Rata Fees	8,700,000
Other Charges & Fees	1,212,000
Interest	185,000
Revenue Bonds	20,000,000
Grants	-
	57,158,000
Expenses	
Personnel	11,152,127
Operating	13,528,152
Capital Projects	11,068,000
Debt Service	6,556,000
	42,304,279
Change in fund balance	14,853,721
Projected 6/30/14 Fund Balance	35,127,721
Less:	
Debt Set asides	(2,500,000)
Advance Payments	(1,809,000)
Operating Reserve	(3,723,000)
3R Reserve	(3,811,000)
Deposits	(6,000,000)
Project Committed Funds	-
Total Reserved Funds	(17,843,000)
Unallocated Fund Balance	\$ 17,284,721



UTILITIES FUND APPENDIX

FINANCIAL AND RATE STRUCTURE

Stafford County operates the Utilities system as a self-supporting entity. The Utilities Department has three major sources of revenue:

- *Monthly user fees* pay the operations and maintenance costs of the system and a portion of annual debt service costs.
- *Availability fees* are used to pay for outstanding debt, the construction of new water supply sources, water and wastewater treatment facilities, and neighborhood projects.
- *Pro Rata fees* are used to construct the water tanks, water and sewer mains, and pumping stations identified in the Water and Sewer Master Plan.

Other sources of revenue include connection charges, bulk sale of water, septic haulers fees, pump & haul fees, reconnection fees and inspection fees.

The intent of the County in setting its rates and fees is to cover all costs of providing service to its customers. The rates are structured so that new customers connecting to the system pay the majority of the cost associated with the growth of the system and current users pay the entire cost associated with current operations, including upkeep.

Stafford County has authority to establish and revise water and wastewater rates and adopts an annual budget and capital improvements program. System earnings and issuance of revenue bonds provide financing for capital improvements.

BILLING AND COLLECTION PROCEDURES

Customers receive a monthly bill for services, which is due within 25 days of the bill date. Meters are read monthly and are only estimated if the meter is inaccessible or cannot be read due to inclement weather.

A 10% penalty is added 25 days from the billing date, at which time the bill is delinquent. If the account remains unpaid 40 days from the billing date, the service may be terminated. There is a \$30 reconnection fee to re-establish service and an additional fee of \$25 if service is reconnected after hours. The County utilizes the Virginia Set-off Debt Collection Program and the issuance of warrants in debt as a collection means.

