



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 fall of 2014. It will provide an additional 5.4 billion gallons of water storage.

The water distribution system is comprised of more than 613 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:

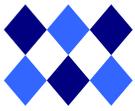
Wastewater treatment is provided by the Little Falls Run and Aquia wastewater treatment facilities (WWTF). The treatment capacity at Little Falls Run WWTF is currently permitted at 8 mgd. The current treatment capacity at Aquia WWTF is 10 mgd. Both treatment facilities utilize biological nutrient removal, 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 506 miles of sewer lines 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 34,500 by the end of Fiscal Year 2015, assuming 1.25% growth. For the remainder of the planning period (FY16-FY19), accounts are projected to grow at a moderate rate of 1.25% per year.



ADOPTED FY15 UTILITIES FUND BUDGET

Revenues/Sources

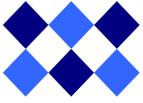
	User Fees	Expansion Fees	Total
Water/Sewer Fees	\$28,884,000	\$0	\$28,884,000
Availabilities/ProRata Fees	0	8,658,000	8,658,000
Other Charges and Fees	1,108,000	0	1,108,000
Use of Money/Property	0	106,000	106,000
Grants	0	0	0
Bond Proceeds	0	12,131,000	12,131,000
Subtotal	\$29,992,000	\$20,895,000	\$50,887,000
Prior Year Fund Balance	0	0	0
Total Revenues	\$29,992,000	\$20,895,000	\$50,887,000

Expenditures

	Operating	Expansion	Total
Personnel & Operating			
Administration	\$2,552,528	\$0	\$2,552,528
Customer Service/ Inspection/Engineering	3,372,127	0	3,372,127
Smith Lake WTP	2,314,410	0	2,314,410
Abel Lake WTP	230,663	0	230,663
Rocky Pen Run WTF	3,053,914	0	3,053,914
Field Operations	5,048,040	0	5,048,040
Aquia WWTF	2,706,575	0	2,706,575
Little Falls Run WWTF	2,050,814	0	2,050,814
Maintenance	4,209,117	0	4,209,117
Total Personnel & Operating:	\$25,538,188	\$0	\$25,538,188
Debt Service	\$0	\$7,399,000	\$7,399,000
Total Personnel, Operating & Debt Service	\$25,538,188	\$7,399,000	\$32,937,188

Capital Expenditures

342 Zone, Phase 1 - Design	\$0	\$859,000	\$859,000
Claiborne Run Gravity Sewer Interceptor Replacement	0	2,200,000	2,200,000
Courthouse Water Tank	0	2,536,000	2,536,000
Ebenezer Pump Station Replacement	0	650,000	650,000
Falls Run PS Force Main Replacement (design)	0	154,000	154,000
Falls Run Sewer Interceptor, Phase 2A		1,500,000	1,500,000
Oaks of Stafford PS Replacement	0	520,000	520,000
Rt. 1 North Sewer	0	4,200,000	4,200,000
Sewer Extension Projects	0	213,000	213,000
Sweetbriar Woods PS Force Main Replacement	0	525,000	525,000
VDOT - Onville Road and Garrisonville Road Water	0	220,000	220,000
VDOT Project - Onville Rd. and Garrisonville Road Sewer	0	256,000	256,000
Water Extension Projects	0	212,000	212,000
Equipment Replacement - Aquia WWTF	55,000	0	55,000
Equipment Replacement - Little Falls WWTF	43,000	0	43,000
Hansen Upgrade	48,000	0	48,000
Vehicle and Equipment Replacement	426,000	0	426,000
Water System Rehabilitation Program	100,000	0	100,000
Wastewater Pump Station Rehabilitation	250,000	0	250,000
Wastewater System Rehabilitation Program	100,000	0	100,000
Contingency	2,377,828	0	2,377,828
Total Capital Expenditures	\$3,399,828	\$14,045,000	\$17,444,828
Total Expenditures	\$28,938,016	\$21,444,000	\$50,382,016



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 fall 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 wards we get every year are nice, the real beneficiary is the environment - and our bottom line as we avoid costly fines.



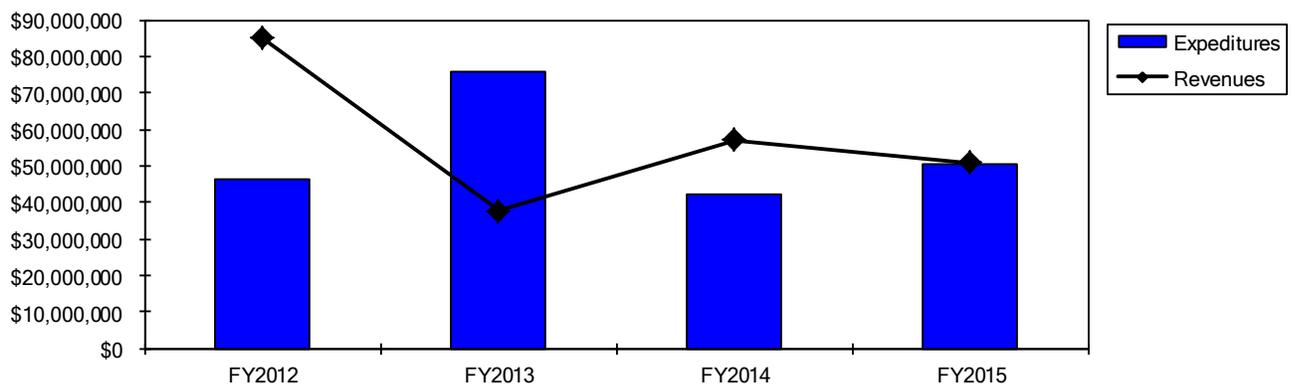
UTILITIES

BUDGET SUMMARY

	FY2012 Actual	FY2013 Actual	FY2014 Adopted Budget	Adopted Budget	FY2015 Change FY14 to FY15	
Revenue/Sources						
Water/Sewer Fees	\$22,664,873	\$24,743,052	\$27,061,000	\$28,884,000	\$1,823,000	6.74%
Availability/ProRata Fees	6,988,859	11,029,162	8,700,000	8,658,000	(42,000)	-0.48%
Other Charges and Fees	1,530,178	1,484,712	1,212,000	1,108,000	(104,000)	-8.58%
Use of Money/Property	436,545	329,132	185,000	106,000	(79,000)	-42.70%
Grants	1,037,356	276,145	0	0	0	0.00%
Revenue Bond Proceeds	52,348,794	0	20,000,000	12,131,000	(7,869,000)	-39.35%
Prior Year Fund Balance	0	0	0	0	0	0.00%
Total Revenue/Sources	\$85,006,605	\$37,862,203	\$57,158,000	\$50,887,000	(\$6,271,000)	-10.97%
Expenditures						
Personnel	\$10,624,413	\$10,893,556	\$11,152,127	\$11,157,872	\$5,745	0.05%
Operating	9,573,857	10,301,660	13,228,152	14,380,316	1,152,164	8.71%
Operating -Capital Projects	1,557,356	2,915,287	2,855,000	3,399,828	544,828	19.08%
Expansion-Capital Projects	18,469,815	46,621,781	8,213,000	14,045,000	5,832,000	71.01%
Debt Service	5,812,568	5,032,058	6,556,000	7,399,000	843,000	12.86%
OPEB Liability Reduction	300,000	0	300,000	0	(300,000)	-100.00%
Total Expenditures	\$46,338,009	\$75,764,342	\$42,304,279	\$50,382,016	\$8,077,737	19.09%
Difference	\$38,668,596	(\$37,902,139)	\$14,853,721	\$504,984	(\$14,348,737)	-96.60%

Funded Positions

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



Notes:

- (1) In September of 2013 the Board of Supervisors approved \$45 million in water and sewer revenue bonds to meet critical infrastructure demands. The bonds are expected to be issued in two series. Approximately \$12.131 million of capital project costs will be funded with bond proceeds in FY15.
- (2) FY15 Adopted Budget includes start-up costs for the new Rocky Pen Run Water Treatment Plant.



SIGNIFICANT BUDGET CHANGES

REVENUE /SOURCE VARIANCES

Water/Sewer Fees

- FY15 proposed budget includes a 7% user fee rate increase.
- The expected increase in revenues will be approximately 6.5%. Although the FY14 Budget included a 9% increase, an 8% for FY14 was approved effective Nov 1, 2013,

Availability/ProRata Fees

- The FY15 budget projects availability revenues to increase to \$7.1 million from \$5.2 million in FY14. The increase reflects recent trends and is based on a projection of 700 equivalent dwelling unit (EDU) connections for water service and 665 for sewer service.
- Pro Rata revenue is projected to decline as revenues related to the certain projects are recognized.

Revenue Bond Proceeds

- In September of 2013 the Board of Supervisors approved \$45 million in water and sewer revenue to meet critical infrastructure improvement demands. The bonds are expected to be issued in two series.
- Approximately \$12.131 million of capital project costs will be funded with bond proceeds in FY15.

EXPENDITURE VARIANCES:

Operating

- Increases in water treatment costs related to electricity and start-up costs of the new water treatment facility at the Rocky Pen Run Reservoir
- Facility Maintenance costs increases related to the implementation of a water tank maintenance program.

Operating-Capital Projects and Expansion-Capital Projects

- Major wastewater distribution projects scheduled to begin in FY15 include the Route 1 North and Claiborne Run Sewer Interceptors.
- Major water collection and distribution projects include the Courthouse Road Water Tank.

Debt Service

- New debt service on Capital Improvement Plan bonds.



UTILITIES

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

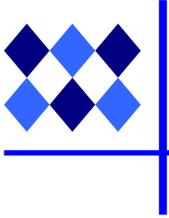
- Provide quality water and uninterrupted service by effectively managing and operating water and wastewater facilities, including water production and transmission, wastewater treatment and conveyance, and residuals disposal to meet customer demands and regulatory requirements.
- Prioritize and implement 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.



UTILITIES

DEPARTMENTAL SERVICE LEVELS

	FY2013 Actual	FY2014 Budget	FY2015 Plan
Outcomes			
Billion Gallons of Water Treated (Manual Tracking)	2.944	3.655	3.623
Billion Gallons of Wastewater Treated (Manual Tracking)	2.824	2.805	2.746
Outputs			
# of Water and Sewer Billed Accounts (HTE System)	33,240	33,608	34,484
# of Miss Utility Locate Requests Processed (Manual Tracking)	17,936	19,000	20,000
# of Backflow Preventers Inspected and/or Tested (Hansen Sys.)	500	500	500
# of Water Meters Read (HTE System)	378,105	390,933	400,000
# of Delinquency Notices (HTE System)	28,634	30,609	31,500
# of Delinquent Water Turn-Offs (HTE System)	4,696	4,728	4,800
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)	\$1.04	\$1.21	\$1.48
Operating Cost to Treat Wastewater (per thousand gallons) (Manual Tracking)	\$1.42	\$1.82	\$1.74



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 review water and wastewater rates and adopts an annual budget and capital improvements program. System earnings and issuance of revenue bonds provide financing of 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 becomes 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 normal working hours. The County utilizes the Virginia Set-off Debt Collection Program and the issuance of warrants in debt as a collection means.



UTILITIES FUND REVENUE

	FY 2013 Actual	FY 2014 Adopted Budget	Adopted Budget	FY 2015 Changes '14 to '15	
Revenues					
Water & Sewer Fees	\$24,743,053	\$27,061,000	\$28,884,000	\$1,823,000	6.74%
Availability/ProRata Fees	11,029,162	8,700,000	8,658,000	(\$42,000)	-0.48%
Other Charges & Fees	1,484,712	1,212,000	1,108,000	(\$104,000)	-8.58%
Use of Money & Property	329,193	185,000	106,000	(79,000)	-42.70%
	<u>\$37,586,120</u>	<u>\$37,158,000</u>	<u>\$38,756,000</u>	<u>\$1,598,000</u>	<u>4.30%</u>
Other Sources					
Revenue Bonds	-	20,000,000	12,131,000	(7,869,000)	-39.35%
Grants	276,145	-	-	-	100.00%
Donated Assets	10,375,109	-	-	-	-
Prior Year Fund Balance	-	-	-	-	-
	<u>\$10,651,254</u>	<u>\$20,000,000</u>	<u>\$12,131,000</u>	<u>(\$7,869,000)</u>	<u>-39.35%</u>
Total	<u><u>\$48,237,374</u></u>	<u><u>\$57,158,000</u></u>	<u><u>\$50,887,000</u></u>	<u><u>(\$6,271,000)</u></u>	<u><u>-10.97%</u></u>

Water & Sewer Fees

Utilities customers are billed monthly for water consumption and wastewater usage. Stafford County projects 34,800 billed customer accounts by June 2015, a 1.5% increase. The Board of Supervisors approved a rate increase of 8% effective November 1, 2013. The Board also approved a 7% rate increase for FY 2015 and a 6% increase for FY 2016.

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 700 EDUs per year for water service and 665 for sewer service. This estimate reflects recent trends and is an increase from the 500 budgeted in FY14.

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. The decline of Pro Rata revenue is due to prior year revenue recognition of various pro rata projects under construction.

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

In September 2013, the Board of Supervisor's approved \$45 million of water and sewer revenue bonds. The County expects to issue \$17 million in bonds in May of 2014 to fund various water and wastewater system improvements. The remaining authorization will be issued in FY15 and FY16. The FY15 Capital Improvement Plan identifies \$12.131 million of bond funded projects.

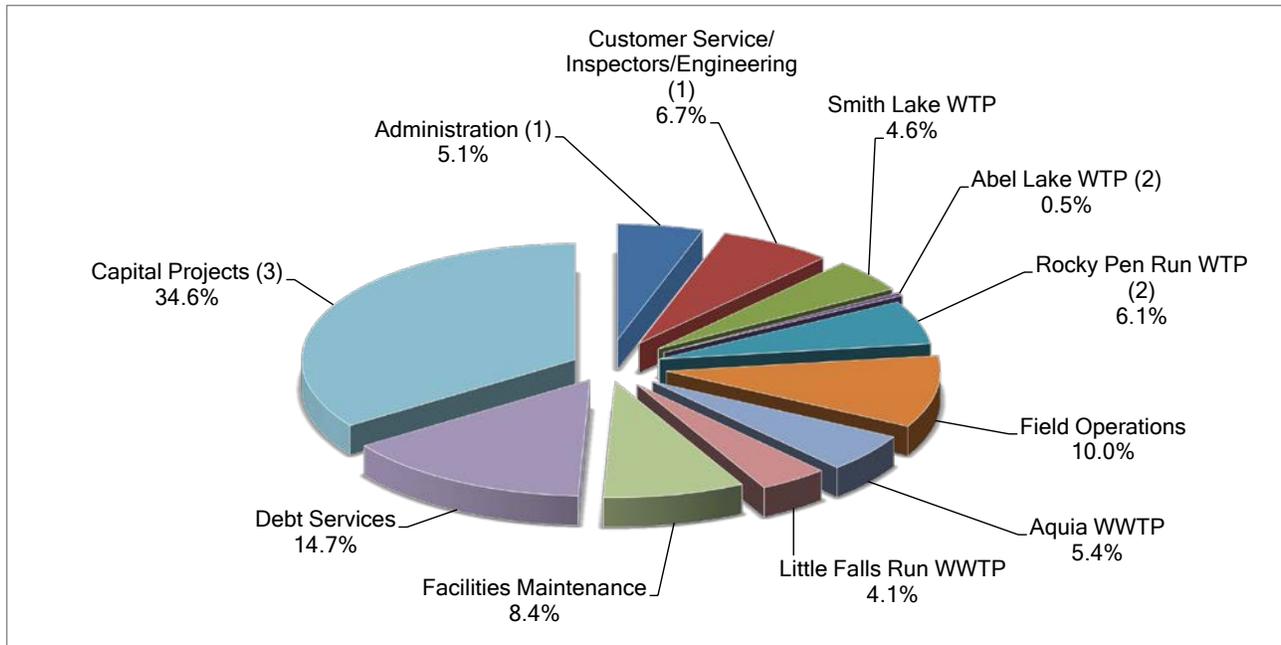
Grants

No grant revenues are projected for FY15.



UTILITIES FUND EXPENDITURES

Expenditures	FY2013 Actual	FY2014 Adopted Budget	Adopted Budget	FY2015 Changes FY14 to FY15	
Administration (1)	\$5,017,024	\$5,749,005	\$2,552,528	(\$3,196,477)	-55.60%
Customer Service/ Inspectors/Engineering (1)	\$0	\$0	\$3,372,127	3,372,127	-
Smith Lake WTP	1,997,186	2,687,017	2,314,410	(372,607)	-13.87%
Abel Lake WTP (2)	2,260,084	2,553,544	230,663	(2,322,881)	-90.97%
Rocky Pen Run WTP (2)	0	0	3,053,914	3,053,914	-
Field Operations	4,351,359	5,081,357	5,048,040	(33,317)	-0.66%
Aquia WWTP	2,538,149	2,760,387	2,706,575	(53,812)	-1.95%
Little Falls Run WWTP	1,841,749	2,083,420	2,050,814	(32,606)	-1.57%
Facilities Maintenance	3,189,665	3,765,549	4,209,117	443,568	11.78%
Debt Services	5,032,058	6,556,000	7,399,000	843,000	12.86%
Capital Projects (3)	49,537,068	11,068,000	17,444,828	6,376,828	57.61%
Total Expenditures	\$75,764,342	\$42,304,279	\$50,382,016	\$8,077,737	19.09%



Notes:

(1) Administration was combined with Customer Service/Inspectors/Engineering in previous budgets. On a combined basis the budget increases approximately \$175,650 or 3.0% in FY15 from FY14 funding levels.

(2) The FY15 Proposed Budget reflects the opening of the new state-of-the-art Rocky Pen Run Water Treatment Plant and the temporary closing of the Abel Lake Water Treatment Plant. A three month overlap of operations at the plants is built into this budget.

(3) In 2013 the Board of Supervisors authorized \$45 million of water and sewer revenue bonds for improvements to the water and sewer system. In FY15, it is expected that \$12.131 million of bonds proceeds will be used to fund various water and sewer construction projects.



PROJECTED AVAILABLE CASH BALANCE

6/30/2014 Projected Equity in Cash and Investments \$36,025,658

FY15 Projections:

Revenues

Water & Sewer Fees	28,884,000
Availability & Pro Rata Fees	8,658,000
Other Charges & Fees	1,108,000
Interest	106,000
Revenue Bonds	12,131,000
Grants	0

Total Revenues 50,887,000

Expenses

Personnel	9,968,858
Operating	15,569,330
Capital Projects	17,444,828
Debt Service	7,399,000

Total Expenses 50,382,016

Change in fund balance 504,984

6/30/2015 Projected Equity in Cash and Investments 36,530,642

Less:

Debt Set Asides	(4,000,000)
Construction and Maintenance	(12,000,000)

Total Restricted Funds (16,000,000)

Unrestricted \$20,530,642

