

Biennial Budget

Fiscal Year 2019 through 2020

Fiscal Year
2019-2020



Prepared by Division of
Management and Budget
Lyle C. Beefelt, Director



Prince William County
Service Authority

*Biennial Budget
Fiscal 2019 – 2020*

Adopted

THE BOARD OF DIRECTORS

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ADOPTED
MAY 10, 2018

DEAN E. DICKEY
GENERAL MANAGER

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Executive Summary

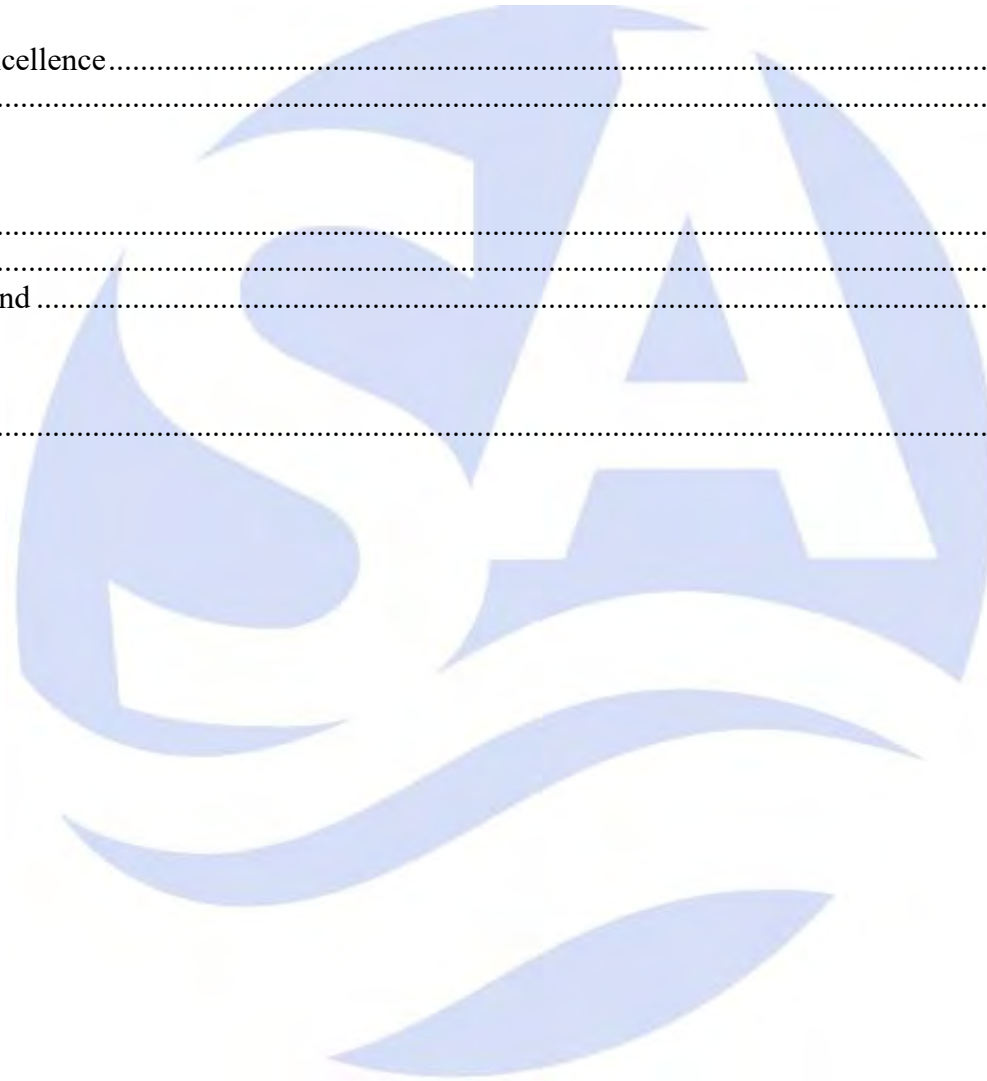
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Glossary of Abbreviations

4WD	Four-Wheel Drive	I & I	Inflow and Infiltration
ADMIN.	Administration	IT	Department of Information Technology
AMWA	American Water Works Association	LPFM	Low Pressure Force Main
AWRF	Advanced Water Reclamation Facility	LXX	Lift Station (Wastewater) Number XX
AOE	Area of Excellence	M & B	Management and Budget
A/P	Accounts Payable	MISC.	Miscellaneous
AWRF	Advanced Water Reclamation Facility	NACWA	National Association of Clean Water Agencies
CAFR	Comprehensive Annual Financial Report	O & M	Division of Operations and Maintenance
CALS	Client Access License	OD	Organizational Development
CCTV	Closed Circuit Television Camera	PLC	Programmable Logic Controller
C & D	Collection and Distribution	PS	Pump Station
CIP	Capital Improvements Program – A detailed schedule of capital projects to be undertaken by the Authority or contributed by developers.	PT	Part-Time
CMMS	Computerized Maintenance Management System	PU	Pickup
CS	Customer Service	PWCSA	Prince William County Service Authority
EAM	Enterprise Asset Management	R&M	Repair and Maintenance
ENG.	Engineering	SCADA	Supervisory Control and Data Acquisition system – a computerized system for remote monitoring and control of facilities.
ESWR	Environmental Services and Water Reclamation	STD.	Standard
ERU's	Equivalent Residential Units – A unit of capacity equal to the peak volume required to serve a typical single-family residential customer. It is currently 400 gallons per day for water and 330 gallons per day for sewer.	SUV	Sport Utility Vehicle
EXT.	Extended (as-in Extended Cab)	SVC.	Service
FBI	Fluidized Bed Incinerator	UOSA	Upper Occoquan Service Authority – A regional AWRF owned by the Authority, Fairfax County, Manassas and Manassas Park.
FT	Full-Time	UTV	Utility Vehicle
FTE	Full Time Equivalent	VEH	Vehicle
FY'XX	Fiscal Year 20XX	VRA	Virginia Resources Authority
GC/MS	Gas Chromatography Mass Spectrometry	VWEF	Virginia Water Environment Federation
GFOA	Government Finance Officers Association	WEF	Water Environment Federation
HROD	Human Resource Organizational Development	WWF	Water and Wastewater Facilities
I/E	Instrument/Electrical	YTD	Year-to-date

Board Vision

To be a nationally acclaimed leader in providing clean water and excellent customer service through sustainable, innovative business practices, community partnerships and environmental stewardship.

Areas of Excellence

- Customer Satisfaction
- Workforce Excellence
- Agile, Optimized and Sustainable Operations
- Financial Viability
- Respected Community Partnership
- Advanced and Accessible Technology

Fund Structure

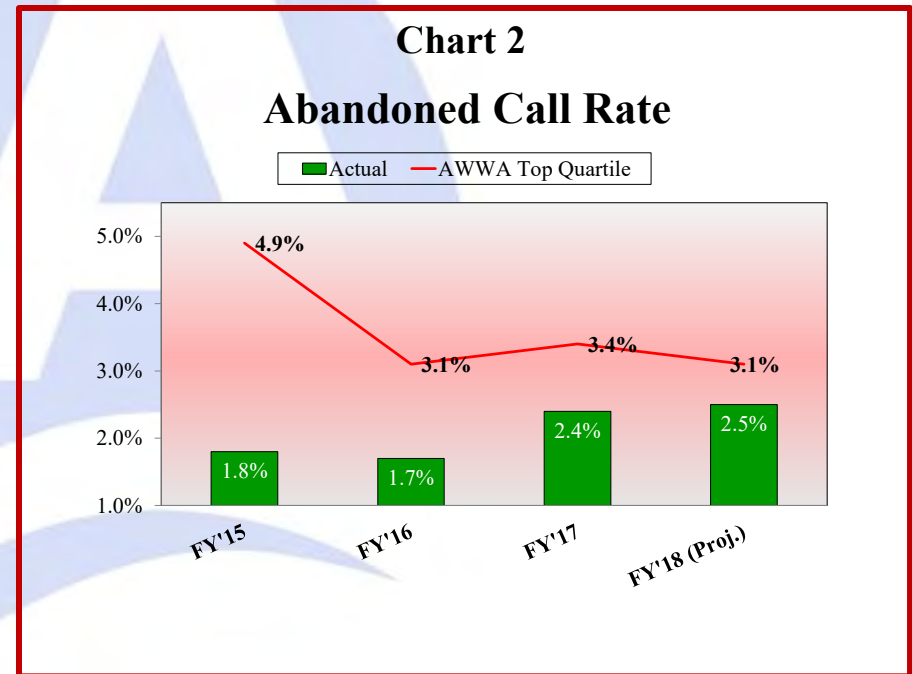
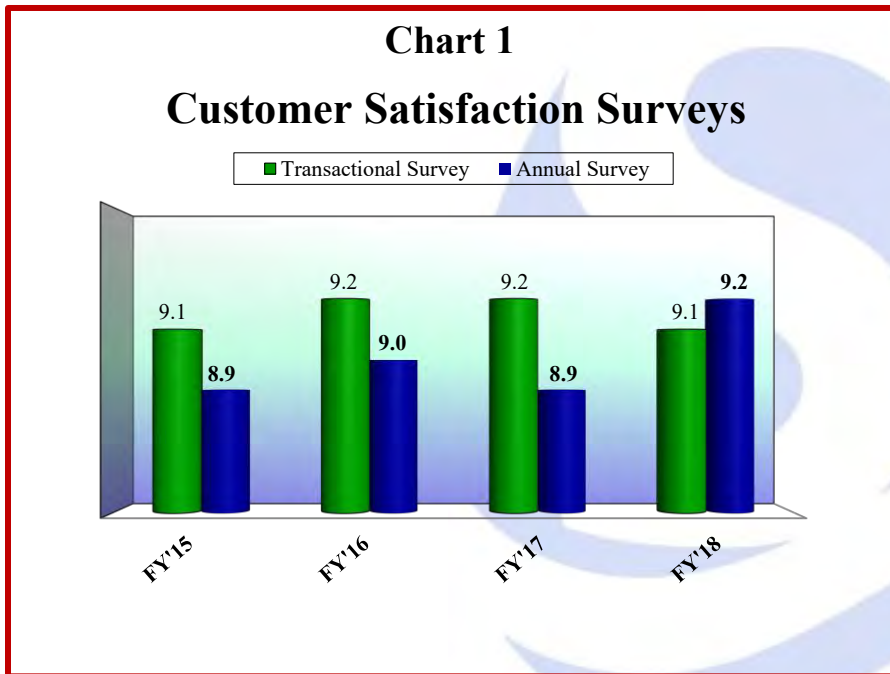
The accounting general ledger and budget are prepared on a “four fund” basis, which provides a tool for tracking revenues and expenses as they relate to the Authority’s growth and operations. The “four funds” are named for the four areas on which the budget focuses: operations, capital expansion, debt service (commitment) and capital replacement. General guidelines of the four funds are as follows:

- | | |
|-------------------|---|
| Operating Fund: | Funded by user rates and used to pay for daily operations. |
| Expansion Fund: | Funded by availability fees and other developer charges and used to pay for development administration and capital projects that increase capacity. |
| Commitment Fund: | Funded by availability fees and interest earned and used to pay debt and capacity agreements. |
| Replacement Fund: | Funded annually by a transfer of excess operating funds and used to pay for capital replacement expenditures. |

Service Authority Areas of Excellence

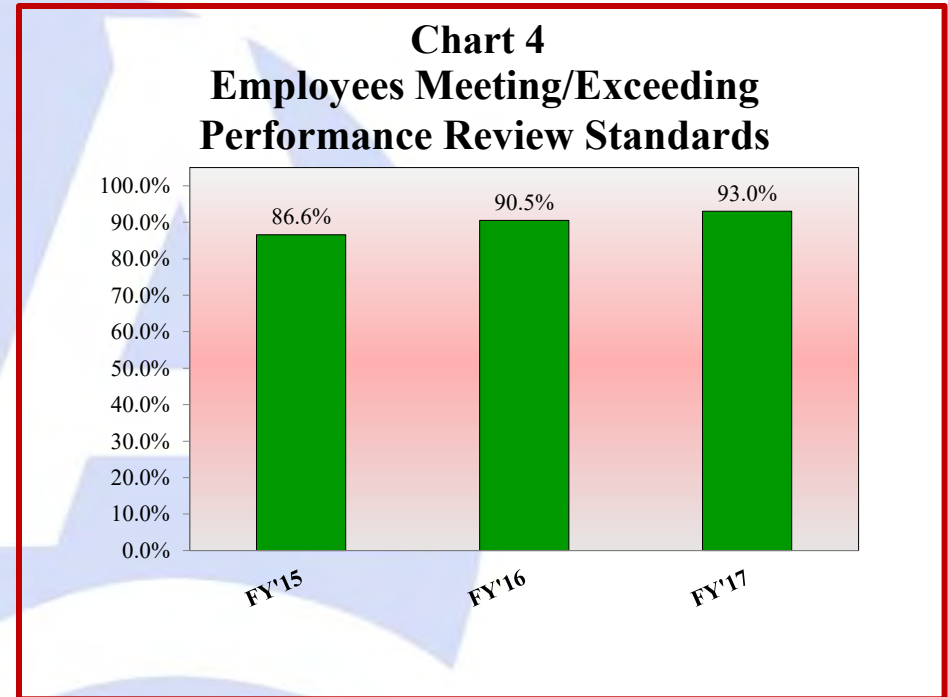
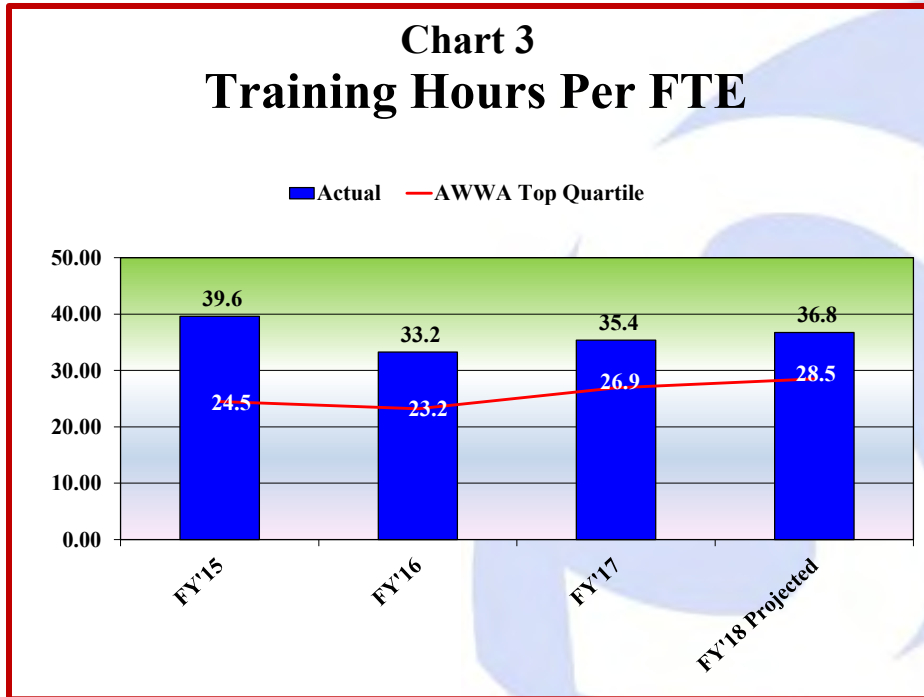
Customer Satisfaction (AOE 1)

To further its mission of providing superior service, the Authority monitors a broad array of performance measures. Steady attention to execution has resulted in improved productivity and quality of service.



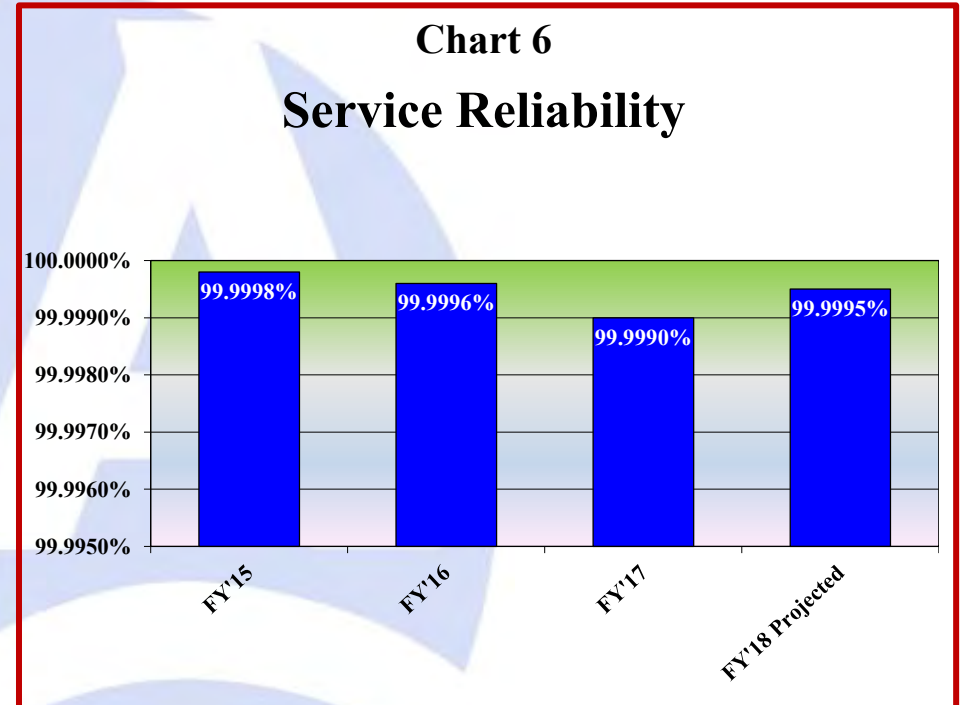
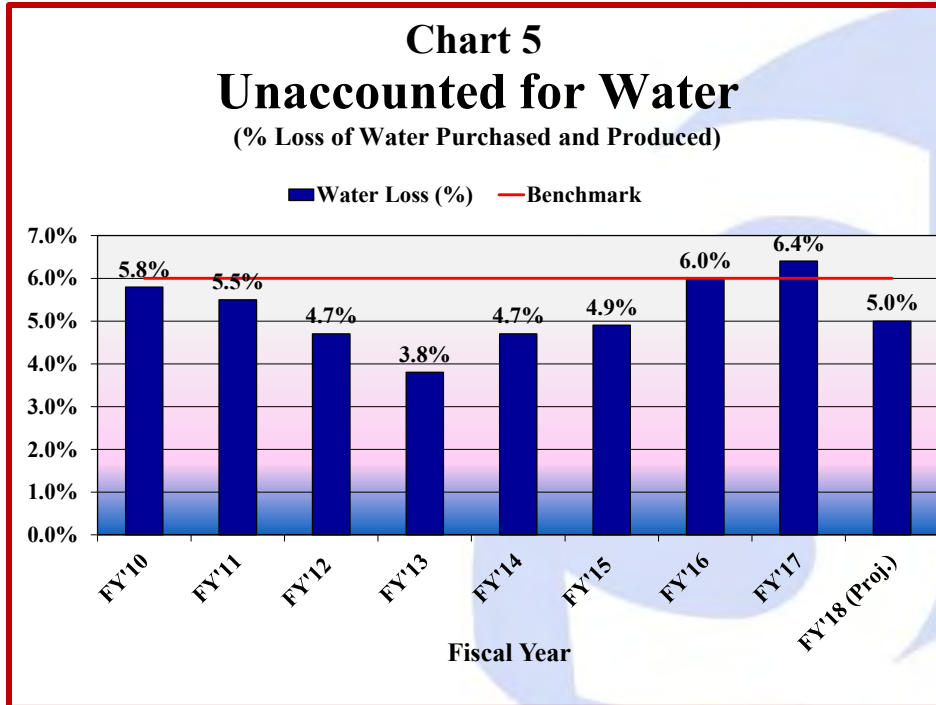
- The Authority conducts a comprehensive annual customer satisfaction survey, and an ongoing monthly transactional survey to determine how satisfied customers are with their most recent interaction. On a scale of 1-10, the average overall satisfaction rating for the transactional and annual survey is 9.1 (FY'18 projected) and 9.2 respectively (see Chart 1).
- The Authority's abandoned call rate has consistently outperformed the AWWA top quartile over the past 3 years, and is projected to average 2.5% in FY'18 (see Chart 2).

Workforce Excellence (AOE 2)



- The Authority was well within the AWWA top quartile for formal training hours per employee per year in each of the past three years and is projected to be within the top quartile in FY'18 (see Chart 3).
- Extensive training, mentoring and peer reviews has improved the consistency of evaluations across workforce segments. The Authority has increased the share of employees meeting and/or exceeding our high standards each year through setting clear expectations, addressing performance issues promptly and focusing on performance improvement (see Chart 4).

Agile, Optimized and Sustainable Operations (AOE 3)



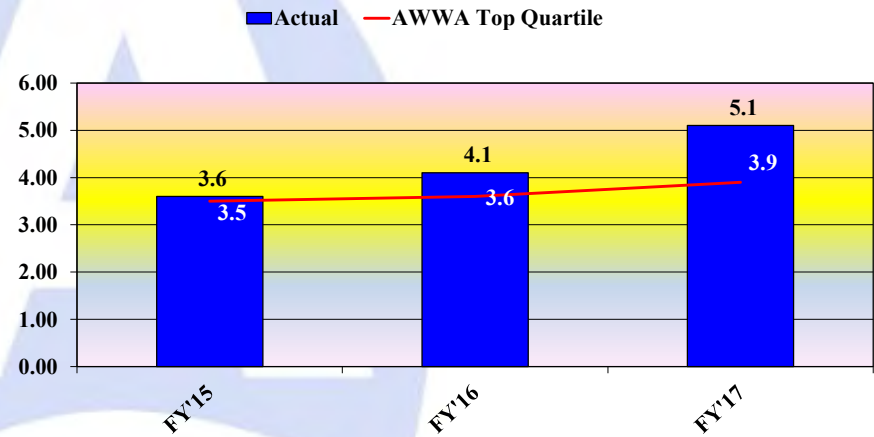
- The volume of unaccounted for water stayed below the benchmark of 6.0% during eight of the past nine years as the Authority diligently strives to capture all billable consumption through the hydrant meter program, construction meters for developers, large meter replacement program, the meter exchange program, implementing a leak detection program and increased quality assurance reviews in the billing process (see Chart 5).
- Water service reliability is the cornerstone of the Authority’s mission of provide safe, reliable water service to our customers. The Authority continues to meet its service reliability benchmark of 99.999% (Five 9s), which equates to five and one quarter minutes of water service outage per customer per year (see Chart 6).

Financial Viability (AOE 4)

**Chart 7
Bond Rating**



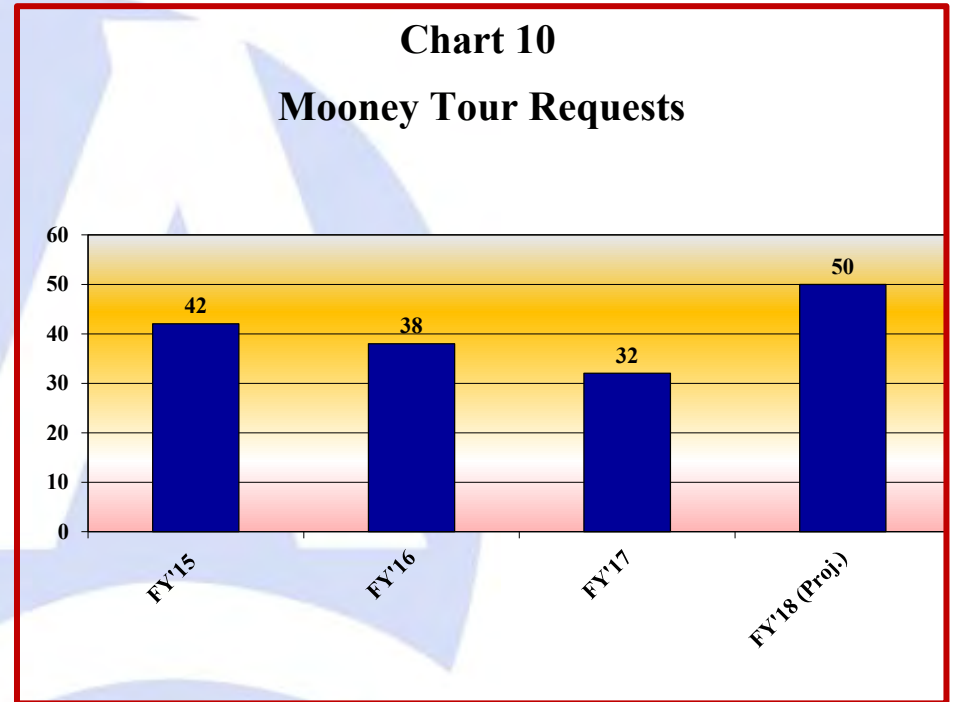
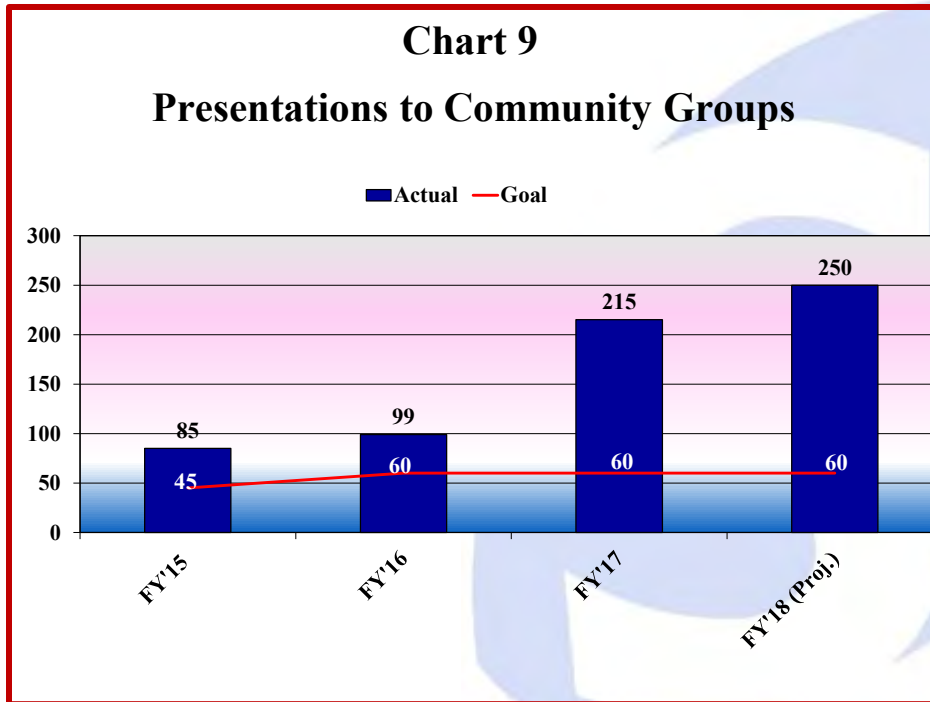
**Chart 8
Return on Assets**



- The Authority is rated AAA by Standard and Poor's and Aaa by Moody's, the two leading U.S. credit rating agencies. This is the highest rating available and few utilities our size have received this distinction (see Chart 7).
- The Authority's revenue comes primarily from user rates, developer charges and developer contributed assets. With a capital cycle approaching 50 years, our rates of return are adequate to meet our current and future capital needs. Our return on assets was in the AWWA top quartile during each of the past three years (see Chart 8).

FY'19 – 20 Adopted Biennial Budget

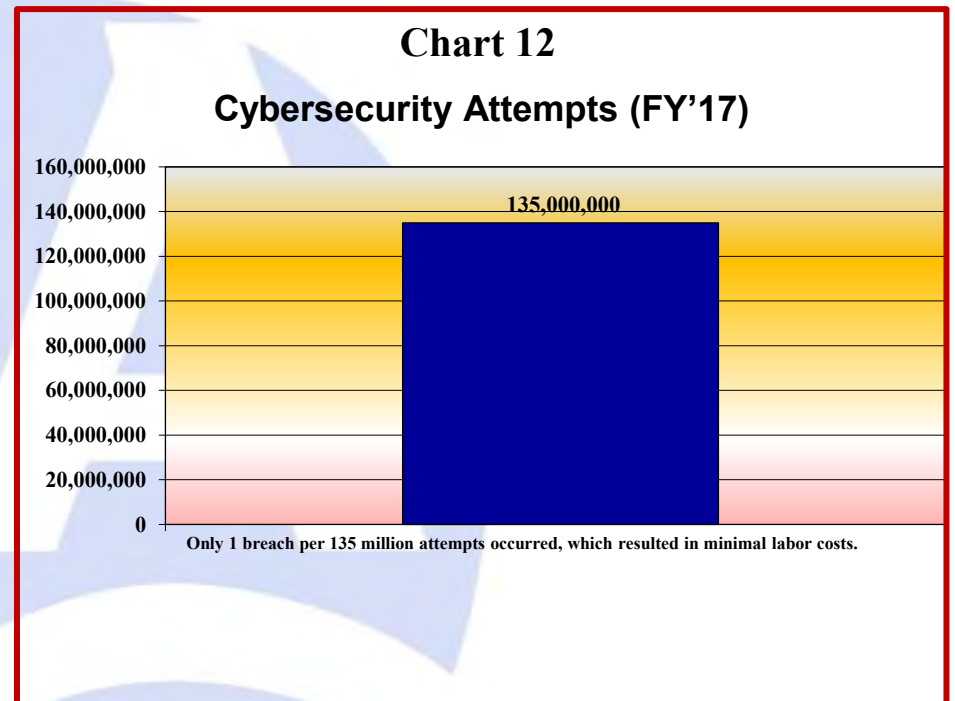
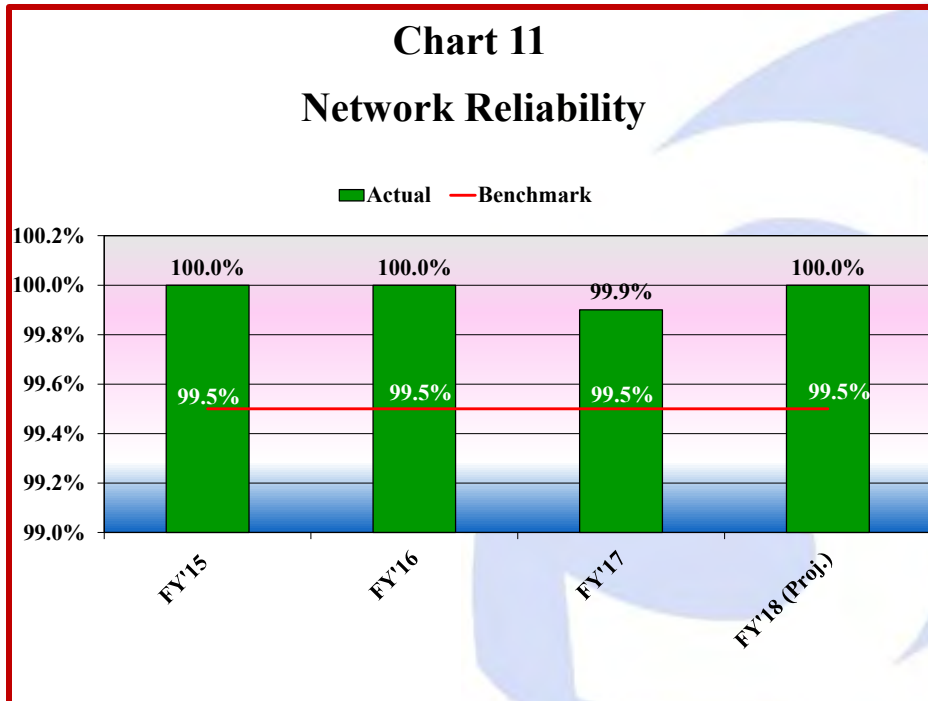
Respected Community Partnership (AOE 5)



- The Authority connects to and supports its key community through informational presentations to a variety of groups, including schools, civic organizations and neighborhood organizations. The number of presentations have increased in each of the past three years and exceeded our goal each year (see Chart 9).
- The Authority consistently conducts tours at the Grubbs Educational Center and H.L. Mooney AWRF, exceeding its benchmark over the past four years (see Chart 10).

FY'19 – 20 Adopted Biennial Budget

Advanced and Accessible Technology (AOE 6)



- The Authority's standard for network process effectiveness with availability at 99.5%, meaning the network is operating properly 99.5% of the time, system-wide 24/7/365. The reliability of our technology is a key factor in efficient field operations and rapid response by field staff to issues that arise in the system (see Chart 11).
- The Authority ensures the security and cyber security of sensitive or privileged data and information by deploying a defense-in-depth approach, which is the concept of protecting a network with a series of defensive mechanisms. The Authority has also developed a comprehensive cyber security employee training program to continually educate employees about new and emerging threats to help reduce and prevent possible cybersecurity attempts and breaches (see Chart 12).

FY'19 – 20 Adopted Biennial Budget

Award Winning Service

The Service Authority has been recognized on both the national and state levels for overall excellence, as well as, exceptional operations, safety and financial management programs.



For the 28th consecutive year, the Division of Finance was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for the high quality of the PWCSA's Comprehensive Annual Financial Report (CAFR).



PWCSA received NACWA's Platinum Peak Performance Award II for 100% permit compliance at the H.L. Mooney AWRF for eight consecutive years. The Authority has also received the Gold Peak Performance Award for permit compliance seven times.

GEORGE W. BURKE, Jr. FACILITY SAFETY AWARD



The H.L. Mooney AWRF received the WEF/ George W. Burke, Jr. Facility Safety Award in recognition of its ongoing safety initiative documented by the implementation and improvement of its safety program.

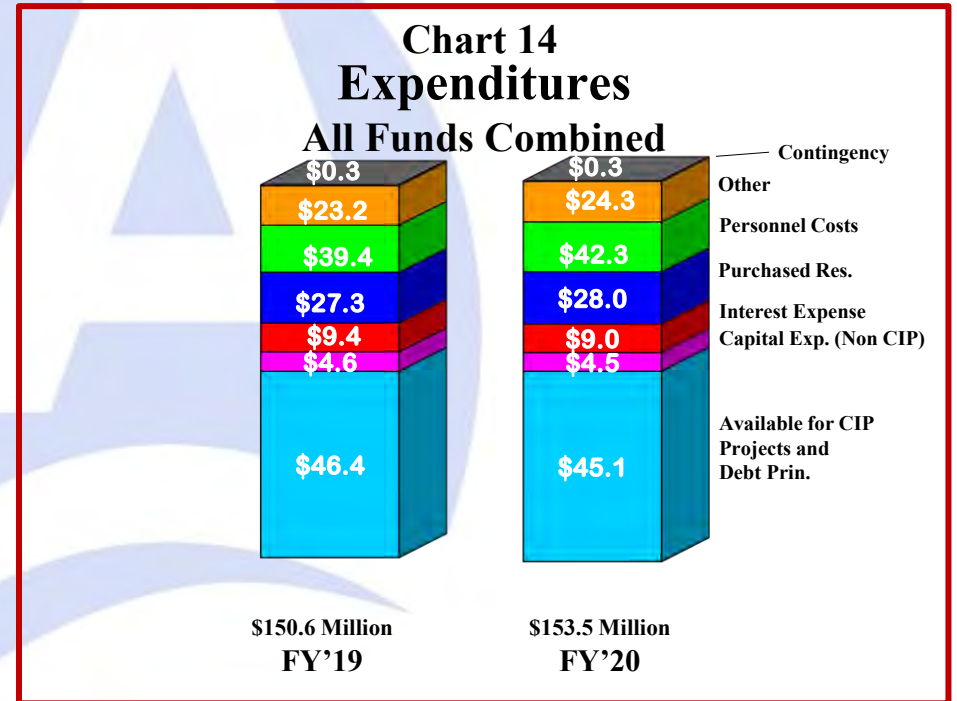
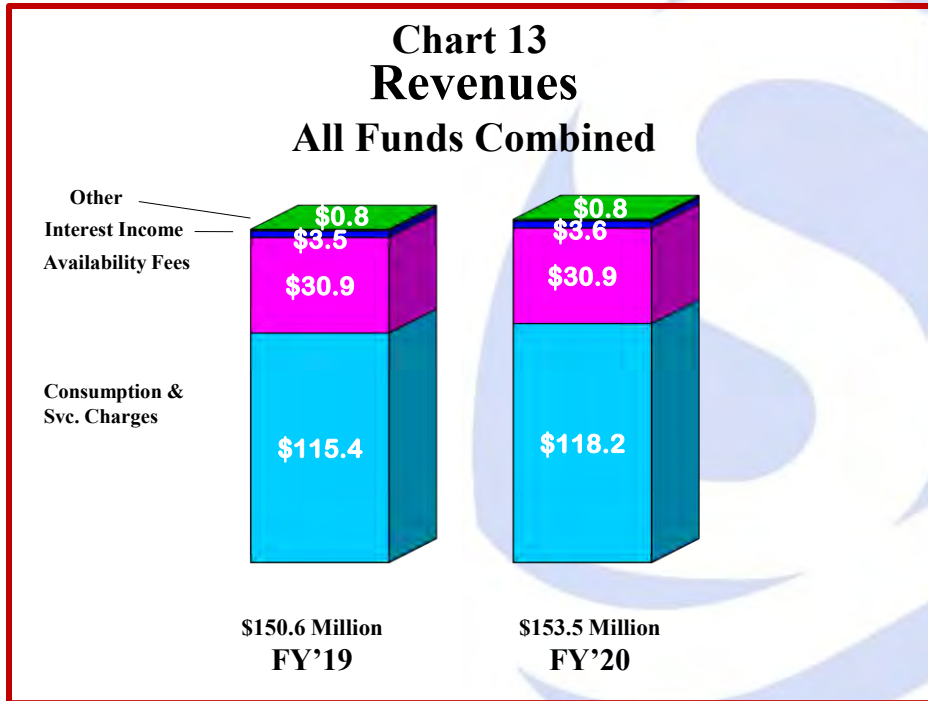


PWCSA received the Universities Council on Water Resources Education and Public Service Award. This award is presented to agencies that have made significant contributions to increased public awareness of water resources development, use or management covering the natural biological or social sciences.

PWCSA received the Prince William County Green Community Award. This award is presented to organizations in Prince William County that make a dedicated effort to conserve, protect, restore and create a healthier environment.

Budget Overview

The Budget for revenues and expenditures are \$150.6 million in FY'19 and \$153.5 in FY'20, which will generate \$46.4 million in FY'19 and \$45.1 million in FY'20 for CIP Projects and debt principal payments (see Charts 13 and 14).



- The Authority budgeted for account growth of 1.4% annually, combined with existing customers, is expected to produce \$115.4 million and \$118.2 million in consumption and service charge revenue for FY'19 and FY'20 respectively. The budget for availability fees is \$30.9 million each in FY'19 and FY'20 and projects 2,000 ERU's per year.
- Some planned capital expenditures may be deemed operating expenses and reclassified at the end of a project. These amounts have been budgeted in the CIP and are not included in the operating budget.

Budget Overview

TABLE 1 - BUDGET OVERVIEW - ALL FUNDS

Description	FY'18 Budget	FY'19 Request	Difference	Percent Change	FY'20 Request	Difference	Percent Change
<u>Revenue</u>							
Consumption & Svc. Chrgs	\$ 108,176,700	\$ 115,393,600	\$ 7,216,900	6.7%	\$ 118,229,000	\$ 2,835,400	2.5%
Water Availability Fee	7,693,400	9,399,500	1,706,100	22.2%	9,401,000	1,500	0.0%
Sewer Availability Fee	17,420,600	21,559,600	4,139,000	23.8%	21,559,600	-	0.0%
Interest Income	3,390,800	3,523,700	132,900	3.9%	3,558,600	34,900	1.0%
Other Revenue	574,000	754,200	180,200	31.4%	761,700	7,500	1.0%
Total Revenue	\$ 137,255,500	\$ 150,630,600	\$13,375,100	9.7%	\$ 153,509,900	\$ 2,879,300	1.9%
<u>Expenses</u>							
Personnel Costs	\$ 36,612,800	\$ 39,374,000	\$ 2,761,200	7.5%	\$ 42,343,800	\$ 2,969,800	7.5%
Purchased Resources	27,258,900	27,258,900	-	0.0%	28,032,300	773,400	2.8%
Interest Expense	9,778,500	9,387,700	(390,800)	-4.0%	8,965,600	(422,100)	-4.5%
Other Expenses	21,195,500	23,187,400	1,991,900	9.4%	24,276,100	1,088,700	4.7%
Contingency	300,000	300,000	-	0.0%	300,000	-	0.0%
Total Expenses	\$ 95,145,700	\$ 99,508,000	\$ 4,362,300	4.6%	\$ 103,917,800	\$ 4,409,800	4.4%
Net Income (excl. Depr.)	\$ 42,109,800	\$ 51,122,600	\$ 9,012,800	21.4%	\$ 49,592,100	\$(1,530,500)	-3.0%

Operating Fund

Revenues

TABLE 2 - OPERATING FUND REVENUE

Description	FY'18 Budget	FY'19 Request	Difference	Percent Change	FY'20 Request	Difference	Percent Change
<u>Operating Revenues</u>							
Sale of Service - Water	\$ 30,601,900	\$ 31,389,300	\$ 787,400	2.6%	\$ 32,323,300	\$ 934,000	3.0%
Peak Use Charges	2,175,600	2,291,300	115,700	5.3%	2,314,000	22,700	1.0%
Sale of Service - Sewer	52,183,900	53,988,400	1,804,500	3.5%	55,068,100	1,079,700	2.0%
Service Charge - Water	6,289,500	7,921,600	1,632,100	25.9%	8,000,800	79,200	1.0%
Service Charge - Sewer	10,722,900	13,081,900	2,359,000	22.0%	13,735,900	654,000	5.0%
Application Fees	334,600	407,900	73,300	21.9%	411,900	4,000	1.0%
Disconnect Fees	420,900	485,100	64,200	15.3%	489,900	4,800	1.0%
Late Payment Fees	1,327,500	1,520,700	193,200	14.6%	1,535,900	15,200	1.0%
Other Operating Revenue	1,065,800	1,223,500	157,700	14.8%	1,235,200	11,700	1.0%
Total Operating Revenue	\$ 105,122,600	\$ 112,309,700	\$ 7,187,100	6.8%	\$ 115,115,000	\$ 2,805,300	2.5%
<u>Non-Operating Revenues</u>							
Interest Income	\$ 618,200	\$ 744,200	\$ 126,000	20.4%	\$ 751,500	\$ 7,300	1.0%
Property Rental	574,000	654,200	80,200	14.0%	660,700	6,500	1.0%
Other Non-Operating	-	100,000	100,000	N/A	101,000	1,000	1.0%
Total Non-Operating	\$ 1,192,200	\$ 1,498,400	\$ 306,200	25.7%	\$ 1,513,200	\$ 14,800	1.0%
Total Revenue	\$ 106,314,800	\$ 113,808,100	\$ 7,493,300	7.0%	\$ 116,628,200	\$ 2,820,100	2.5%

Operating Fund

Expenses

TABLE 3 - OPERATING FUND EXPENSES

Description	FY'18 Budget	FY'19 Request	Difference	Percent Change	FY'20 Request	Difference	Percent Change
<u>Operating Expenses</u>							
Salaries & Wages	\$ 24,125,200	\$ 25,979,900	\$ 1,854,700	7.7%	\$ 27,987,000	\$ 2,007,100	7.7%
Fringe Benefits	8,995,700	9,636,900	641,200	7.1%	10,313,800	676,900	7.0%
Purchased Water	13,239,900	12,847,000	(392,900)	-3.0%	13,210,000	363,000	2.8%
Purchased Sewer	13,145,900	13,538,800	392,900	3.0%	13,945,100	406,300	3.0%
Contractual Services	5,584,000	6,125,200	541,200	9.7%	6,489,800	364,600	6.0%
Repair & Maintenance	3,026,000	3,162,700	136,700	4.5%	3,244,600	81,900	2.6%
Operating Supplies	5,556,700	5,682,900	126,200	2.3%	5,850,000	167,100	2.9%
Utilities	3,764,300	3,888,900	124,600	3.3%	3,986,500	97,600	2.5%
Insurance	490,900	499,600	8,700	1.8%	512,300	12,700	2.5%
Other Operating Expenses	939,400	1,446,500	507,100	54.0%	1,548,400	101,900	7.0%
Total Operating Expenses	\$ 78,868,000	\$ 82,808,400	\$ 3,940,400	5.0%	\$ 87,087,500	\$ 4,279,100	5.2%
<u>Non-Operating Expenses</u>							
Interest Expense	\$ 2,344,900	\$ 2,251,200	\$ (93,700)	-4.0%	\$ 2,150,100	\$ (101,100)	-4.5%
Contingency	250,000	250,000	-	0.0%	250,000	-	0.0%
Other Non-Operating	149,100	152,100	3,000	2.0%	156,000	3,900	2.6%
Total Non-Operating	\$ 2,744,000	\$ 2,653,300	\$ (90,700)	-3.3%	\$ 2,556,100	\$ (97,200)	-3.7%
Total Operating Fund	\$ 81,612,000	\$ 85,461,700	\$ 3,849,700	4.7%	\$ 89,643,600	\$ 4,181,900	4.9%

Replacement Fund

TABLE 4 - REPLACEMENT FUND BUDGET

Description	FY'18 Budget	FY'19 Request	Difference	Percent Change	FY'20 Request	Difference	Percent Change
<u>Revenue</u>							
Operating Revenues	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	N/A
Interest Income	1,100,900	1,100,900	-	0.0%	1,111,900	11,000	1.0%
Total Revenue	\$ 1,100,900	\$ 1,100,900	\$ -	0.0%	\$ 1,111,900	\$ 11,000	1.0%
<u>Expenses</u>							
Contractual Services	\$ 90,800	\$ 94,600	\$ 3,800	4.2%	\$ 97,100	\$ 2,500	2.6%
Contingency	25,000	25,000	-	0.0%	25,000	-	0.0%
Total Expenses	\$ 115,800	\$ 119,600	\$ 3,800	3.3%	\$ 122,100	\$ 2,500	2.1%
Net Income (excl. Depr.)	\$ 985,100	\$ 981,300	\$ (3,800)	-0.4%	\$ 989,800	\$ 8,500	0.9%

TABLE 5 - EXPANSION & COMMITMENT FUND BUDGET

Description	FY'18 Budget	FY'19 Request	Difference	Percent Change	FY'20 Request	Difference	Percent Change
<u>Operating Revenue</u>							
Operating Revenues	\$ 1,722,600	\$ 1,739,800	\$ 17,200	1.0%	\$ 1,757,100	\$ 17,300	1.0%
Inspection Fees & Revenue	1,331,500	1,344,100	12,600	0.9%	1,356,900	12,800	1.0%
Availability Fees	25,114,000	30,959,100	5,845,100	23.3%	30,960,600	1,500	0.0%
Interest & Other Income	1,671,700	1,678,600	6,900	0.4%	1,695,200	16,600	1.0%
Total Revenue	\$ 29,839,800	\$ 35,721,600	\$ 5,881,800	19.7%	\$ 35,769,800	\$ 48,200	0.1%
<u>Operating Expenses</u>							
Salaries & Wages	\$ 2,621,700	\$ 2,816,800	\$ 195,100	7.4%	\$ 3,031,500	\$ 214,700	7.6%
Fringe Benefits	870,200	940,400	70,200	8.1%	1,011,500	71,100	7.6%
Purchased Water	668,100	668,100	-	0.0%	668,100	-	0.0%
Interest Expense	7,433,600	7,136,500	(297,100)	-4.0%	6,815,500	(321,000)	-4.5%
Other	1,799,300	2,339,900	540,600	30.0%	2,600,500	260,600	11.1%
Contingency	25,000	25,000	-	0.0%	25,000	-	0.0%
Total Expenses	\$ 13,417,900	\$ 13,926,700	\$ 508,800	3.8%	\$ 14,152,100	\$ 225,400	1.6%
Net Income (excl. Depr.)	\$ 16,421,900	\$ 21,794,900	\$ 5,373,000	32.7%	\$ 21,617,700	\$ (177,200)	-0.8%

Capital Budget

Summary by Type

TABLE 6 - CAPITAL BUDGET			
	FY'19		FY'20
Summary by Type			
Equipment	\$ 1,405,000	\$	1,108,500
Computer	932,000		810,000
Vehicles	1,331,000		1,726,000
Furniture and Fixtures	220,000		105,000
Miscellaneous/Other Improv. (Under \$100K)	700,000		800,000
Total Capital by Type	\$ 4,588,000	\$	4,549,500