



Loudoun Water Statement of Policy

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(all *italicized* words can be found in Appendix A – Definition of Certain Terms)

I. Introduction

This Statement of Policy for the Loudoun County Sanitation Authority, herein after referred to as “Loudoun Water”, is intended to provide information to the Board, employees and the general public on the history and statutory powers of Loudoun Water as well as its governance and management; service area definition and existing facilities and resources to serve customers; and policies adopted by the Board that reflect the core values of Loudoun Water. The Board reserves the right to amend or modify the Statement of Policy without notice and to interpret the meaning of all statements made herein.

Other Board-approved documents supplement the information contained in the Statement of Policy. Such documents include the *Employment Policy Manual; Rates, Rules and Regulations Document; Engineering Design Manual;* and the *Procurement Manual*. Additional information about these documents can be found in Appendix A.

II. History of Loudoun Water

Loudoun Water is a public body, politic and corporate created and organized under the provisions of the Virginia Water and Waste Authorities Act, herein after referred to as the “Act”, and is an instrumentality of the Commonwealth of Virginia. Loudoun Water was created by an act of the Board of Supervisors of Loudoun County, Virginia (the “County”) and was chartered by the State Corporation Commission on May 27, 1959. Loudoun Water was created for the purpose of acquiring, constructing, operating and maintaining *water systems* and *wastewater treatment and sewage disposal systems* for the County and to exercise the powers conferred by the Act.

III. Powers of Loudoun Water

The Act and Loudoun Water’s Articles of Incorporation provide that Loudoun Water is authorized, among other things, to:

1. acquire, construct, reconstruct, improve, extend, own, operate and maintain any water system, or *sewer system*, or *sewage disposal system*, or any combination of such systems, within or partly within and partly without Loudoun County, Virginia;
2. issue revenue bonds to pay all or part of the cost of any of the facilities of Loudoun Water, such bonds to be repayable solely from revenues;
3. fix, charge and collect rates, fees and charges for the use of its facilities or for the services furnished by any system operated by Loudoun Water in accordance with the provisions of the Act; and
4. enter into contracts or agreements with any unit including counties, cities and other authorities, relating to the furnishing of services of Loudoun Water.

IV. Governance and Management

Loudoun Water is governed by a Board (the “Board”) consisting of nine members appointed by the County Board of Supervisors for a term of four years, as stipulated in the Act. Members may be reappointed for additional terms. The Board has the right to appoint a General Manager to implement policies and directives.

The Board governs Loudoun Water by establishing policies in a manner so as to provide an adequate and economical system for its users and at the same time to complement and conform to federal and state statutes, health and environmental regulations, and County Board of Supervisors’ planning and legislation, to include the *Comprehensive Plan*.

V. Service Area

Loudoun Water is chartered to serve the entire County (approximately 522 square miles) with the exception of the incorporated towns and currently provides public water and sewer service to a number of the unincorporated areas. These areas make up the *Central System* with Loudoun Water owning and operating all facilities necessary to serve this area of the County. The incorporated towns within the County operate independent water and wastewater systems known as *Municipal Systems*. Loudoun Water also supports many *Community Systems* that are self-sustaining community wells and packaged *wastewater treatment* plants designed to serve small-scale development such as villages, hamlets, clusters and other uses as defined by County zoning ordinances.

Loudoun Water shall pursue or cause to be pursued consolidation of potential service areas when it is in the best interest of its customers.

VI. Existing Facilities and Resources

Water

Loudoun Water contracts with *Fairfax Water* and the *City of Fairfax* for wholesale water purchases. The *water supply* sources include the Potomac River through an agreement with *Fairfax Water* and Goose Creek through an agreement with the *City of Fairfax*. Loudoun Water has secured the majority of its water capacity rights from *Fairfax Water*, Virginia’s largest water utility. The *City of Fairfax* owns and operates a *water treatment* facility on Goose Creek in Loudoun County and Loudoun Water has secured capacity rights at the plant. Beaverdam Creek Reservoir, also in Loudoun County, holds 1.3 billion gallons of water and is routinely available to maintain flows in Goose Creek. The current system does not include a major *water treatment* facility.

Loudoun Water’s Potomac River *Water Supply* and Raw Water Storage Plan secures the *water supply* needs for its customers for the next 30 years. The plan entails putting an intake into the Potomac River and pumping water to several retired quarries for storage. Loudoun Water will also build a *water treatment* plant.

The existing water system includes miles of water lines, pressure regulating stations, valves, fire hydrants and a number of water storage facilities.

Wastewater

Loudoun Water owns and operates the *Broad Run Water Reclamation Facility (BRWRF)*, an advanced *wastewater treatment* facility that serves the eastern portion of the County. Cleaned water is returned to Broad Run which joins the Potomac River about 4.5 miles downstream.

Loudoun Water contracts with the *District of Columbia Water and Sewer Authority (DCWASA)* for *wastewater treatment* capacity at the Blue Plains *Wastewater Treatment Plant* with corresponding *transmission entitlements* in the Potomac Interceptor. Blue Plains supplements the BRWRF treatment capacity.

Loudoun Water is committed to *water reclamation* and is in the first stages of providing reclaimed wastewater to some of its commercial customers.

In addition to treatment capacity, the existing *sewer system* includes a network of gravity and force mains, as well as pump stations.

VII. Policies

Section 1.0 – Water Resource Planning

Loudoun Water has adopted a policy to create a common understanding of the primary water resources available to Loudoun Water and to establish a shared vision for organizing, planning, implementing and managing these programs. The policy serves as a solid foundation to support planning and strategies for implementing *water supply*, *water treatment*, *wastewater treatment*, *water reclamation* and *water conservation* initiatives.

Policies

PLN 1.1 – Policy for Water Resource Planning

A. Loudoun Water is responsible for providing water and wastewater services in a professionally responsible and cost-efficient manner to protect public health and welfare, both now and in the future. Assets will be prudently developed and managed to sustain resources and protect the environment. Loudoun Water will ensure that current and future communities we serve have reliable, safe and affordable *water supply*, *wastewater treatment* and disposal, and *water reclamation* to best protect quality of life, economic stability, and the environment.

B. Facilities will be planned, constructed and managed in a professional manner so as to actively provide stewardship of public funds and the environment. Loudoun Water will promote the sustainability of water resources, and embrace cooperation and partnership with local and regional water and wastewater utilities, regulatory agencies and governments. Public trust and confidence must be maintained.

C. The following critical success factors serve as guidelines during the planning, implementation, and management of Loudoun Water programs:

1. Provide for greater energy efficiency, redundancy, reliability and protection of renewable resources, in anticipation of community expectations.
2. Provide water, wastewater and *water reclamation* facilities compatible with, and complementary of, planned growth and land use policies established by the County Board of Supervisors.
3. Ensure *water supply* redundancy and storage to reduce risk during drought conditions, water outages or other emergencies and to support, augment and safeguard regional *water supply* systems.
4. Continue leadership in *water reclamation* including continued promotion and use of reclaimed water.
5. Build upon our established water resource stewardship programming to encourage best practices of water resource conservation, water use efficiency and water demand management.
6. Strengthen source water protection goals and policies in cooperation with County government and the region.
7. Continue leadership in *nutrient management* to include highly dependable *wastewater treatment* and establish *nutrient trading* partnerships to best protect the economic and environmental viability of the County.
8. Achieve results in a financially prudent manner to reflect Loudoun Water's continued commitment to fiscal responsibility.
9. Lead by example, such that all of our business processes and decisions consider their full and long-term impacts to the environment, and that they are designed to minimize any negative impacts while maximizing economy of efforts whenever practical.
10. Continue our commitment to partner with, educate and engage the public through water resources outreach programs.

Section 2.0 – Financial Planning

Loudoun Water is committed to fiscal integrity and financial leadership. The following policies are intended to reinforce the commitment to provide high quality services as economically as possible and recognize the overarching priority of protecting the investment our customers have made in the system.

Financial planning policies consider major areas affecting our financial condition including rates and charges, debt financing, cash balance, investments and procurement. These policies provide guidance for the Board and staff as they make decisions regarding Loudoun Water's current and future financial condition.

Subsection 2.1 - Rates and Charges

The Act confers to Loudoun Water the power to fix, charge and collect rates, fees and charges for the use of facilities or for the services furnished by any system operated by Loudoun Water in accordance with the provisions of the Act. Loudoun Water is organized and operates on a basis designed to raise sufficient revenues to pay all costs and provide all appropriate reserves.

Loudoun Water has two general types of revenues – User Rates and Availability Charges. User Rates are designed to recover the costs of operation and maintenance, renewals and replacements, as well as capital improvements to the system serving existing customers. Availability Charges are designed to recover the costs of capital facilities required to meet the demands of new growth. This includes the costs of capital facilities necessary to supply, store and treat water as well as capital needed to discharge, pump and treat sewage.

Detailed information regarding Loudoun Water's sources of revenue can be found in the *Rates, Rules and Regulations Document*. The document sets forth the criteria for the billing and collection of revenues as well as outlines rules and regulations applicable to providing water and sewer service to our customers.

Policies

FIN 2.1.1 – Rate Setting for *Community Systems*

- A. *Community Systems* shall be constructed at no net cost to Loudoun Water, in accordance with construction and design criteria approved by Loudoun Water and regulatory authorities.
- B. Prior to acceptance of any system, Loudoun Water may adopt a mandatory connection resolution applicable to that system. If adopted by Loudoun Water, such mandatory connection resolution shall be submitted to the Board of Supervisors of Loudoun County for concurrence and shall be fully enforceable and in effect prior to acceptance of the system(s).
- C. Rates associated with *Community Systems* shall be such as to permit the system to be financially self-sustaining, with all operation, maintenance and replacement costs being paid by the users and/or owners of all properties in the service area served by or capable of being served by the system(s).

D. The rates shall be subject to review and revision periodically by Loudoun Water, and payment of all rates shall be secured by a lien upon properties to be served or capable of being served by the system(s) as permitted by the Act.

E. For new *community systems*, the developer or his assignee(s) shall subsidize the maintenance and operation thereof until 90% of the units are sold and occupied and are using the systems. A uniform rate will be assessed to all users of these community systems. The uniform rate will include costs for operation, maintenance, repair and replacement, on-going capital, and funding for an operation and maintenance reserve account.

F. For *community systems* where *recognized health hazards* are being or will be abated (using state revolving loan funds and other non Loudoun Water capital for construction) the rates will initially be established to reflect what is considered affordable by the state lending agency in accordance with policy FIN 2.5.2.

G. For single customer *community systems*, invoices will be rendered monthly to recover all operation and maintenance costs as well as on-going capital expenditures.

H. The terms and conditions of this Section shall be incorporated in a Community System Agreement and a Restrictive Covenant both of which shall be recorded as separate instruments in the Land Records for any property to be served by the Community System. The Community System Agreement shall detail the design, construction, performance and surety obligations of the developer and the rights and remedies available to Loudoun Water to enforce the Agreement.

I. The Restrictive Covenant shall place all future property owners on notice that the cost to operate the Community System will be borne solely by the users of the system. In order to ensure the safety and quality of the water supply, the Restrictive Covenants shall also provide Loudoun Water with the authority to regulate the use of water during drought conditions and prohibit the use of fertilizers, the storage and disposal of waste, or the construction of impervious surfaces near wells serving the system.

Subsection 2.2 – Cash Balance and Debt Issuance

The Act confers to Loudoun Water the power to issue revenue bonds to pay all or part of the cost of any facilities of Loudoun Water with such bonds repayable solely from revenues.

Policies

FIN 2.2.1 – Financial Policy Guidelines

It is the financial policy of Loudoun Water that finances shall be maintained and applied within the following Guidelines:

1. *Cash balance* goal equal to 2 to 3 times the 3-year rolling average of the sum of annual operating and maintenance expenditures plus debt service (i.e., end of current capital improvement program)
2. Maintain at least 1.5x coverage of *Net Revenues* including availability charges to debt service requirements
3. Utilize cash for at least 1/3 of the multi-year capital improvement program

FIN 2.2.2 – Variable Rate Debt

Unhedged variable rate debt exposure should not exceed approximately 20 percent of total outstanding fixed rate debt of Loudoun Water. Cash and short-term investments may serve as a hedge for variable rate debt and to the extent available would allow Loudoun Water to exceed the 20 percent ratio, accordingly, dollar for dollar. Prior to issuing variable rate debt, Loudoun Water and its financial advisor will evaluate the appropriate level of variable rate debt.

Subsection 2.3 – Investments

It is the policy of Loudoun Water that the investment and administration of its funds be made in accordance with the Code of Virginia Investment of Public Funds Act, the applicable provisions of any outstanding bond indebtedness, and the following investment policy. It is the intent of Loudoun Water to be in full compliance with all applicable Federal, State and Local laws, and other regulations and statutes governing the investment of public funds.

Policies

FIN 2.3.1 – Investment Policy

A. SCOPE - This policy applies to the investment of all the financial assets and funds held by Loudoun Water. A list of permitted investments is maintained by the Treasurer/Director of Finance and reviewed periodically by the financial advisor.

- B. OBJECTIVES - All of Loudoun Water's funds, regardless of term, shall be invested with the following objectives listed in the order of priority:
1. Legality – Funds shall be invested in only those investments permitted by federal, state and local law as it relates to public funds, as well as any contractual agreements entered into by Loudoun Water;
 2. Safety – Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. Specifically, Loudoun Water will:
 - a. seek to avoid realizing any loss through the sale or disposal of an investment: and
 - b. seek to mitigate the risk of unrealized losses due to a decline in value of investments held in the portfolio.
 3. Liquidity – The investment portfolio shall remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. This shall be accomplished by structuring the portfolio in the following manner:
 - a. Loudoun Water will purchase investments scheduled to mature in accordance with its anticipated cash needs, in order to minimize the need to sell investments prior to maturity;
 - b. A portion of funds will be maintained in cash equivalents, including money market funds, investment pools and overnight securities, which may be easily liquidated without a loss of principal should an unexpected need for cash arise; and
 - c. The portfolio will consist largely of investments with active secondary markets.
 4. Yield – Loudoun Water's investment portfolio shall be designed with the objective of attaining a fair rate of return consistent with the investment risk constraints and cash flow characteristics of the portfolio. The Treasurer shall establish suitable benchmarks for the measurement of the portfolio's return.

C. DELEGATION OF AUTHORITY

1. Loudoun Water's Treasurer is the official charged with collecting, safeguarding and disbursing Authority funds. The Treasurer is responsible for considering the quality and capability of staff, investment advisors and consultants involved in investment management, and developing and maintaining appropriate administrative procedures for the operation of the investment program.
2. The Treasurer may designate the Director of Finance to manage the day-to-day operations of the investment program. The Director of Finance may delegate authority to, yet has the responsibility to oversee, members of his/her staff in the solicitation of offerings, the placing of purchase and sell orders, confirming trades, preparing reports and other activities as required for the daily operations of the investment area.
3. The Director of Finance is also charged with developing written standard investment procedures and an asset allocation plan consistent with this Policy. Such procedures shall be reviewed and approved by the Treasurer prior to implementation.
4. The Treasurer may employ financial consultants on a contractual basis to assist in the development and implementation of investment procedures and policies, to provide guidance in investment matters, and to monitor the effectiveness and continued compliance with such policies and procedures, subject to the approval of the Board.
5. The Treasurer may also employ investment advisors on a contractual basis to manage all or a portion of Loudoun Water's portfolio, subject to the approval of the Board, provided that the investment advisor is fully registered under the Investment Advisory Act of 1940.

D. STANDARDS OF CARE

1. The standard of prudence to be used by investment personnel shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. The “prudent person” standard states:
“Investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”
2. The Treasurer, and those delegated investment authority under this Policy, when acting in accordance with written procedures and this Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

E. ETHICS AND CONFLICTS OF INTEREST - Officers and employees of Loudoun Water involved in the investment process shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business and any personal investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of Loudoun Water.

F. COLLATERAL AND SAFEKEEPING ARRANGEMENTS - Loudoun Water’s investments shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by Virginia Code, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. The Code refers to a counterparty as the issuer or seller of the security and any repurchase agreement provider.

G. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

1. It is desirable to select investments on a competitive basis when possible to ensure that Loudoun Water receives the best price available on a particular investment and avoids paying excessive fees, mark-ups or other compensation to the provider.
2. The Treasurer/Director of Finance shall adhere to the following procedures when funds become available for investment to the extent practical:
 - a. The Treasurer/Director of Finance shall determine the class of investment and maturity range most appropriate for investment of the funds available, based upon the anticipated expenditure schedule of Loudoun Water, the desired asset allocation of Loudoun Water’s portfolio and Loudoun Water’s Investment Plan.
 - b. Offers will be solicited for the selected investment from a group of pre-approved providers. It will be the responsibility of the Treasurer/Director of Finance to maintain a list of approved dealers/providers for various types of investments suitable for Loudoun Water’s portfolio.

- c. The Treasurer/Director of Finance will accept the offer (or bid, if Loudoun Water is selling an investment) which provides the highest rate of return or which is otherwise deemed most suitable while complying with this Policy and any other criteria specified in the solicitation of offers.
3. Loudoun Water shall retain a record of the offers received, the instruments chosen, and the rationale for making the decision.
4. From time to time, certain investment dealers may present Loudoun Water with offers that are attractive for investment. Although Loudoun Water should endeavor to verify (and document) that the price is “fair”, it may occasionally purchase such a security without a competitive process if the investment is for \$1,000,000 or less.
5. Additionally, a competitive process shall not be required for the investment of funds in money market accounts, investment pools and overnight securities. However, it shall be the responsibility of the Treasurer/Director of Finance to be aware of the yields being offered by various highly liquid investments, and to invest Loudoun Water’s overnight funds in the vehicle(s) which provide a competitive return to Loudoun Water while complying with this policy and any other criteria established by the Treasurer.

H. **SUITABLE AND AUTHORIZED INVESTMENTS – GENERAL FUND** - A list of permitted investments is maintained by the Treasurer/Director of Finance and reviewed periodically by the financial advisor.

I. **INVESTMENT OF THE BOND FUND AND DEBT SERVICE RESERVE FUND** - A list of permitted investments is maintained by the Treasurer/Director of Finance and reviewed periodically by the financial advisor.

J. **DIVERSIFICATION**

1. Loudoun Water will endeavor to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity. Target asset allocation strategies shall be developed by the Treasurer/Director of Finance to provide guidance as to appropriate levels of diversification.
2. The following investment limitations have been established for Loudoun Water’s investment portfolio:
 - a. Treasuries/Obligations collateralized with Treasuries - No limitation
 - b. Obligations of Commonwealth or Local Governments - 10% of portfolio
 - c. Certificates of Deposit (fully collateralized only) - 5% from any one institution
 - d. Repurchase Agreements - Limits applicable to collateral
 - e. Federal Agency Securities - 40% from any one agency
 - f. Commercial Paper - 25% of portfolio - 5% any one issuer
 - g. Banker’s Acceptances - 25% of portfolio

Subsection 2.4 – Procurement

Code of Virginia requires that public bodies in the Commonwealth adhere to the Virginia Public Procurement Act (VPPA). Loudoun Water strives to obtain high quality goods and services at reasonable cost and conducts all procurement procedures in a fair and impartial manner in accordance with the provisions of the VPPA.

Loudoun Water maintains a *Procurement Manual* that is currently under revision. The Procurement Section of the Statement of Policy will remain in the Statement until such time as the Board approves the updated *Procurement Manual*.

Policies

FIN 2.4.1 – Board Purchasing Policy

A. GENERAL

1. This policy is adopted pursuant to Va. Code Ann. §2.2-4302 *et seq.*, of the Virginia Public Procurement Act (the Act), to govern the purchase of supplies, services and construction for Loudoun Water.
2. It is the intent of this policy that:
 - a. Loudoun Water obtain high-quality goods and services at reasonable cost in a timely manner
 - b. All purchasing be conducted in a fair and impartial manner with avoidance of any impropriety or appearance of impropriety
 - c. All qualified vendors have access to public business and no offeror be arbitrarily or capriciously excluded
 - d. Competition be sought to the maximum feasible degree and that procurement procedures involve openness and administrative efficiency
 - e. Specifications shall at all times reflect the procurement needs of Loudoun Water and the same shall not be designed to favor a particular vendor

B. PROCEDURE - In furtherance of the foregoing policy, Loudoun Water shall follow the procedures for procurement of goods and services as set forth in and as defined by the Act.

1. RESPONSIBILITY FOR PROCUREMENT

- a. The purchasing system for Loudoun Water shall be administered by and shall be under the direction and supervision of the General Manager or his/her designee. Nothing contained in this Policy shall prevent the General Manager from designating a responsible person or persons to perform the duties of purchasing agent for Loudoun Water, said agent to be subject at all times to the direction of the General Manager.
- b. The General Manager is hereby declared to be the official of Loudoun Water to receive the protest of any bidder or offeror regarding any award or decision to award a contract, as specified in the Act. Prior to rendering a decision regarding any protest or any contractual claim, the General Manager shall first consult and obtain the advice of the General Counsel regarding conformance of such protest or dispute procedure and its disposition in accordance with the terms of the Act.

2. CONSIDERATION OF CONTRACTUAL CLAIMS

- a. Any contractual vendor claims made against Loudoun Water as provided in the Act shall be submitted to the General Manager in writing as provided by the Act. The following procedures shall be followed:
 - i. All contracts which are the subject of any contractual claim shall require, and any claimant shall submit as a condition precedent to consideration of any claim, an invoice for final payment within 60 days after completion and acceptance of the work or acceptance of the goods which are the subject of the claim. However, written notice of the contractor's intention to file a claim shall be given at the time of the occurrence or beginning of the work upon which the claim is based. Nothing herein shall preclude a contract from requiring submission of an invoice for final payment within a certain time after completion and acceptance of the work or acceptance of the goods. Pendency of claims shall not delay payment of amounts agreed due in the final payment.
 - ii. Upon receipt of any claim, the General Manager shall promptly arrange to hold a hearing with the claimant in order to permit the claimant fully to present the factual and legal basis for the claim.
 - iii. The General Manager shall submit his recommendation to the Board within 45 days of receipt of any claim.
 - iv. The Board shall make a decision with respect to such claim at its next scheduled meeting.
 - v. The Board's decision shall be delivered in writing to the claimant no later than 60 days from the date of submission of the claim to the General Manager.
- b. The decision of the Board shall be deemed the final decision of Loudoun Water for purposes of any condition precedent to invocation of administrative procedures or institution of legal action, all as provided by the Act.

3. SMALL PURCHASES

- a. Single or term contracts for goods or services other than professional services, if the aggregate or the sum of all phases is not expected to exceed \$50,000 may be made without requiring competitive sealed bids, if made in accordance with small purchase procedures administered by the General Manager. Such small purchase procedures shall provide for competition wherever practicable. However, contracts for goods or services other than professional services that are expected to exceed \$30,000 shall require the written informal solicitation of a minimum of four bidders or offerors.
- b. Single or term contracts for professional services (other than those services identified in the VPPA that do not require competition), if the aggregate or the sum of all phases is not expected to exceed \$50,000, may be made without requiring competitive negotiation if made in accordance with small purchase procedures administered by the General Manager.

4. BUDGET LIMIT AND CONTRACT APPROVAL

- a. All purchases must be made within the constraints of the annual budget approved by the Board and in accordance with Loudoun Water's budget guidelines as follows:
 - i. Board must authorize any adjustments to overall spending level with respect to annual approved budget
 - ii. General Manager must authorize any adjustments between departments that do not result in adjustments to annual approved budget in total

- iii. Division Directors and/or department managers maintain control over their respective approved annual budget(s)
- b. Approval of the Annual Budget by the Board is deemed as Board approval to enter into contracts for execution by the General Manager and other purchases not otherwise specifically reserved to the Board.
- c. Construction and professional services contracts for \$100,000 or more, any contract that exceeds the estimated value by greater than 30%, and any amendment which would cause a construction or professional services contract to be or exceed \$100,000 must be approved by the Division Director, the General Manager or Deputy General Manager, and the Board.

Subsection 2.5 – Miscellaneous

Policies

FIN 2.5.1 – Disposition of Real Property

- A. Property Identification, Delineation and Planning
 - 1. The Board will determine periodically if its property (or portions thereof) is available for sale, long term lease or other disposition (permit, license, easement, etc.). In making such determination the Board will recognize that the principal purpose of Loudoun Water is the efficient supply of water and sewer service to its present and future utility customers.
 - 2. It further shall:
 - a. Identify the site(s) available for lease or other disposition
 - b. Establish general criteria for and types of acceptable uses
 - c. Direct staff to master plan (consultant - landscape architect) the site(s) to include analysis of utility service, ingress/egress requirements, easement requirements and incorporation of Loudoun Water and/or public co-use, required land use approvals/studies/permits, coordination of site with balance of Loudoun Water property and site (if applicable), a plat or plan suitable for use in a solicitation of use proposals.
 - d. Determine the extent of public involvement, which will be sought with respect to the plan and uses acceptable for each available property.
- B. Request for Proposals - Upon approval and acceptance of the master plan the Board will authorize a Request or Proposals (RFP) for use of the site or portions thereof. The RFP will include lease terms, public use and public benefit requirements, evaluation criteria and selection requirements. Provision at all times shall be made for appropriate indemnity to Loudoun Water against third party claims, liens or encumbrances to its property.

FIN 2.5.2 – Financing Water and Wastewater Systems to Replace Failed *On-site Systems*

At the request of the County Board of Supervisors, Loudoun Water will attempt to provide public water and/or wastewater systems to replace failed *on-site systems* in areas designated by the Board of Supervisors:

1. in areas declared a health hazard by the State Health Commissioner of VA; and in other areas on a case by case basis; and
2. where Loudoun Water, at its election, may own and operate such replacement facilities; and
3. where financing arrangements are available to fund the total project costs, such that those costs are not subsidized by existing Loudoun Water customers; and such that as determined by Loudoun Water the total amount of total project costs funded does not affect Loudoun Water's financial condition; and
4. provided the County agrees, if necessary, to create special tax service or sanitary districts to guarantee payment of total project costs by imposition of taxes and charges secured by liens upon real estate served by the replacement facilities; and
5. the County and Loudoun Water enter into a Service Agreement to establish terms for the repayment of total project costs incurred by Loudoun Water. Terms shall address but not be limited to: a rate of return acceptable to Loudoun Water, a payback period acceptable to Loudoun Water, accelerated payback and security mechanisms, and determination of eligible costs to Loudoun Water.

Section 3.0 – Community and Municipal Systems

Loudoun Water owns and operates *Community Systems*, and will consider formal requests from incorporated towns to operate their *Municipal Systems* as defined in the **Service Area** section of this document. The following policies do not obligate Loudoun Water to operate other systems but rather establish useful and practical conditions under which service will be provided should Loudoun Water agree to do so. The conditions provided in these policies provide the basis for service agreements with developers and towns.

Subsection 3.1 – Community Systems

The County's General Plan prohibits extension of the *Central System* into certain areas of the County and zoning ordinances require, under certain circumstances, that development be served by *Community Systems*. The area to be served by any *Community System* to be owned and/or operated by Loudoun Water shall be approved by the County Board of Supervisors. Routine service extensions within service areas shall be as determined by Loudoun Water.

Policies

OPS 3.1.1 – Statement of Policy Concerning Ownership of *Community Systems*

Loudoun Water adopts the following position concerning *Community Systems*:

1. *Community Systems* to Meet Loudoun Water Policy Standards
 - Except in response to a resolution by the Board of Supervisors, Loudoun Water will not consider accepting ownership, maintenance or operation of any *Community System* which does not meet the policy provisions herein.
2. Design Approval Required
 - a. Before agreeing to accept any *Community System*, Loudoun Water shall review and approve the design and construction standards and details applicable to that system. Loudoun Water's review and approval shall be in addition to any review, approval or standards which may be adopted and enforced by county, state, and federal regulatory authorities including approval of effluent discharge permits.
 - b. Loudoun Water's design standards may require *distribution piping* and *collection systems* within *Community Systems* to be of a standard configuration, capable of being compatible when connected to future public *water supply* systems and wastewater systems, including conformance with requirements for fire flow of water associated with public systems.
 - c. The design of any *Community System* shall make acceptable provision for necessary easements and maintenance access rights-of-way to reach all facilities and planned extensions of the systems. The systems shall be conveyed along with all necessary easements, rights-of-way, equipment manufacturer's warranties, by general warranty deed with title satisfactory to Loudoun Water.
 - d. A *hydrologic study* (at no cost to Loudoun Water) shall be made of each proposed *Community water system* in accordance with standards adopted by Loudoun Water. The study shall identify appropriate impoundment and/or well sites and the design of the *Community water system* shall include reservation and preservation of replacement sites and sites for development of future services if indicated. A *water use plan* shall be developed for the community, showing that intended usage will not be greater than what is sustainable. Appropriate

- documentation should be placed in the homeowner's documents.
- e. *Community sewer systems* using soil for final effluent disposal (surface or subsurface disposal) shall be designed, constructed and operated in a manner to assure that effluent does not migrate by aerosol or overland flow beyond the designated disposal area to be operated by Loudoun Water. For such systems, Loudoun Water may require increased disposal area; treated storage volume and/or buffer areas; vegetation or other barriers; and/or other design and construction measures to provide operational flexibility to assure effluent does not migrate beyond the designated disposal area.
3. Covenants and Notice Provisions
 - a. Loudoun Water will cause to be recorded on the official record plat for the subdivision or development and in the deed of record of each parcel of property to be served by *Community Systems* a notice concerning the characteristics and nature of the system.
 - b. The adequacy of water and wastewater capacities, quantities and water pressures at all times will depend upon the *Community System*, independent of any other system.

OPS 3.1.2 – Position Regarding Operation and Maintenance of Small *Community Systems*

Loudoun Water operates *Community Systems* to protect public health and the environment and does this with the customer in mind. Loudoun Water must strive for efficiency of operations. Economies of scale are generally realized as facilities are expanded. It is in the customers' interests for Loudoun Water to maintain minimum system size standards and interconnect or combine systems. Therefore, Loudoun Water does not accept ownership or operation of systems serving fewer than 15 residential lots unless there is a known or expected timeframe to interconnect with another *Community System* or Loudoun Water is requested by the County to serve those lots to address a public health issue. Regarding *Community Systems* to serve non-residential facilities, Loudoun Water will not provide services if the definition of a public system is not met (i.e., serving 25 or more people at least 60 days per year). If requested by the County, Loudoun Water agrees to provide technical services for smaller systems to the extent of approving acceptable technologies, reviewing and approving system design and construction specifications, providing construction inspection and conducting semi-annual audits of system operation and maintenance. Loudoun Water expenses for these services will be reimbursed.

Subsection 3.2 – *Municipal Systems*

Policies

OPS 3.2.1 – Policy to Operate Incorporated Towns’ *Municipal Systems*

- A. Loudoun Water will consider formal requests from a town to *contract operate* their *Municipal System(s)* subject to the following conditions:
1. Upon receipt of the request, Loudoun Water will conduct a cost of service study. This will establish the anticipated cost it will take for Loudoun Water to operate the facilities. If Loudoun Water acquires outside assistance to perform this study, the cost of doing so will be recovered from the town.
 2. In the event the *municipal system* needs upgrading or repairs, a separate analysis of the systems will be performed. This study will detail the conditions of the systems, required upgrades, repairs, and costs to perform improvements. The town must agree to finance the improvements.
 3. Loudoun Water will not provide customer service operations but may provide meter reading services.
 4. Any contract to operate the systems will be on a periodic basis not to exceed five years and will be reviewed at the end of the contract period. Upon mutual agreement, the contract could be extended or a new contract could be executed.
 5. In certain circumstances, it may be appropriate to initiate a brief (such as one year) trial period where Loudoun Water will be able to more fully understand the systems by operating and maintaining them and the town will be able to determine if contract operations by Loudoun Water are appropriate. In such cases, Loudoun Water and the town may negotiate special arrangements to aid with completion of the trial period.
- B. Requests for assistance in the event of an emergency will be considered on a case by case basis and for a short-term duration.

VIII. Appendix

A - Definition of Certain Terms

Broad Run Water Reclamation Facility (BRWRF) – Loudoun Water’s state-of-the-art plant that treats wastewater to the limits of technology for protection of the Capital region’s drinking water and the Chesapeake Bay.

Cash Balance – balance of cash and cash equivalents, and investments at any point in time.

Central System – that portion of Loudoun County in which Loudoun Water is chartered to provide water and wastewater service, excluding the incorporated Towns. Loudoun Water owns and operates all facilities necessary to serve this area.

City of Fairfax – wholesale provider of water capacity to Loudoun Water.

Collection Systems – pipelines, manholes, drains, pump stations, outfalls and controls to move wastewater from points of collection to discharge.

Community Systems – free standing water and wastewater systems whereby water can be supplied to a rural village or hamlet by its own community well and wastewater may be treated in the village/hamlet by its own packaged treatment facility.

Comprehensive Plan – set of policies adopted by the County Board of Supervisors intended to serve as a guide for future development to ensure orderly growth and protection of public health and welfare.

Contract Operate – to enter into an agreement with an entity to operate their water and/or wastewater systems.

Distribution Piping – network of pipes equipped with pumps, valves and other control devices for moving water.

District of Columbia Water and Sewer Authority (DCWASA) – wholesale provider of wastewater capacity to Loudoun Water.

Employment Policy Manual – comprehensive collection of employment policies to provide guidance and direction in carrying out day-to-day administration of all matters related to employment.

Engineering Design Manual – comprehensive collection of standards for designing water and sewer facilities, and preparing construction plans for such facilities that are to be owned, operated and/or maintained by Loudoun Water.

Fairfax Water – wholesale provider of water capacity to Loudoun Water.

Hydrologic Study – study of ground water, its location and prevalence.

Municipal System – independent water and wastewater systems owned by the incorporated Towns in the County.

Net Revenues – revenues including all receipts and other income derived from the ownership or operation of the system less operating expenses.

Nutrient Management – practice of using nutrients wisely for optimum economic benefit while minimizing the impact on the environment.

Nutrient Trading – pollution reduction method that would see a system of credits (based on how much pollution is dumped into the environment) that can be bought and sold.

On-site Systems – system that serves a single user, commonly well and septic systems.

Procurement Manual – policies and procedures applied to purchasing goods and services to ensure compliance with the Virginia Public Procurement Act and good business practices.

Rates, Rules and Regulations Document – sets forth the criteria for billing and collection of revenues, and outlines rules and regulations applicable to providing service to our customers.

Recognized Health Hazards – on-site water and/or wastewater systems that have been declared a health hazard by the Virginia Department of Health and for which a community system is used to replace the failing systems.

Sewage Disposal System – system of pipelines to transport sewage through inhabited areas to a sewage treatment plant.

Sewer System – network of pipes, pumps, force mains, discharge lines and treatment works for the collection and treatment of wastewater.

Transmission Entitlements – access to a certain capacity in transmission mains guaranteed through a legal agreement

Wastewater Treatment – removal of impurities from wastewater or sewage before it reaches aquifers or natural bodies of water.

Water Conservation – improved water management practices that reduce or enhance the beneficial use of water. Conservation measures include an action, behavioral change, device, technology or improved design or process implemented to reduce water loss, waste or use.

Water Reclamation – process of reclaiming water from domestic wastewater through a multi-step treatment process that speeds up nature's restoration of water quality.

Water Supply – available water to meet quality and quantity requirements.

Water System – infrastructure for the collection, transmission, treatment, storage and distribution of water.

Water Treatment – treatment of water to make it safe and acceptable for human use.

Water Use Plan – required by developers of community systems to specify risks associated with using land and water resources, and to strive to achieve a sustainable balance between meeting human needs and those of the environment.

B - Change Log

Policy	Original Adoption Date	Modification Date	Comments
PLN 1.1	9/11/2008		
FIN 2.1.1 Paragraphs A - D	12/15/1989	12/12/2002	
Paragraphs E - G	10/9/1997	7/8/2010	combined policies
Paragraphs H - I	7/8/2010	5/13/1999	combined policies
		7/8/2010	added by legal
FIN 2.2.1	10/14/2004		
FIN 2.2.2	12/8/2005		
FIN 2.3.1	3/9/2000	7/13/2006	
FIN 2.4.1	4/8/1983	7/8/2010	change to CD policy
		6/10/1999	
		9/14/2006	
		7/8/2010	added legal language
FIN 2.5.1	3/13/2003		
FIN 2.5.2	9/9/2004		
OPS 3.1.1	12/15/1989	12/12/2002	
OPS 3.1.2	12/11/2003	7/8/2010	combined policies
		5/14/2009	
OPS 3.2.1	6/11/1998	9/13/2007	
		7/8/2010	minor edits to text