

Raspberry Falls and Selma Estates Community Water Systems

Board Workshop
January 30, 2015





Review of Agreements and Policies
Related to Cost of New Water
Treatment Plant

Funding Considerations

Technical Options Review

Board Discussion

Loudoun Water Statement of Policy

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).

FIN 2.1.1 – Rate Setting for Community Systems

Community Water System Agreements for Raspberry Falls and Selma Estates

The user fees and rates established by the Authority will be designed to provide, as a minimum, sufficient funds to pay all costs of operation and maintenance of the System, including necessary service contracts, and replacement of equipment or repair of the System.

Deeds of Subdivision for Raspberry Falls and Selma Estates

All operation and maintenance costs of the Community Water System shall be borne by the users of the System and/or owners of the property to be served by the System in accordance with rates, rules and regulations established by the Authority.

Loudoun County General Plan

10. Communal water and wastewater systems must be financed by the developer or by those who will be directly served by the system. A financing plan will be required. The financing plan must be designed, organized, and operated to be financially self-sustaining to pay all costs incurred by the LCSA for operation and maintenance and to provide appropriate reserves. The County may provide financial assistance (such as loans or grants) to assist in the construction of such a facility for existing rural communities if the system is needed to solve a significant public health threat. Revised General Plan p. 2-19.

Loudoun County Zoning Ordinance AR-1 District Regulations

If the development is served by a communal water and/or sewage disposal system, such systems shall be operated and maintained by LCSA, in accord with all LCSA adopted policies. If LCSA policies preclude maintenance by LCSA, then the HOA shall contract with a public water or sewer (wastewater) utility as defined in Chapter 10.1 or 10.2 of Title 56 of the Code of Virginia. An access easement shall be provided for the entity maintaining the system. All costs of operation and maintenance of such communal systems shall be borne as a common expense by the owners of the lots served. Zoning Ordinance Section 2-103(C)(10).

Conclusions

- Loudoun Water has independent authority to establish rates and charges for community systems.
- Clear, unambiguous County policy is for the developer to pay for the construction of the system and for the owners of the lots served to pay for the costs of operation and maintenance.
- Loudoun Water and Loudoun County policies do not directly address premature failure of the water system.
- Proposed connection of Raspberry Falls and Selma Water Systems and construction of membrane treatment plant will require Loudoun County to determine it is in accord with the adopted comprehensive plan through a Commission Permit.

Interpretation of Policies

- A single rate for both Central System and Community System Customers would not comply with Loudoun Water or Loudoun County Policies.
- However, Loudoun Water can draw on funds other than Raspberry Falls and Selma Estates customer rates to fix the premature failure of their water supply.

Potential Sources of Funding for Water System Repair

- Raspberry Falls and Selma Estates Customer Rates
- Raspberry Falls and Selma Estates Developers
- Other Community System Customers, and/or
- Central System Customers
- Loudoun County General Fund

Sources of Central System Funds

- Only two revenue sources – One single enterprise fund
- Reserve contains cash and investments – it is encumbered (and is not like retained earnings in IOU)
 - ❖ Operating account – 90 days coverage - \$10.3 million
 - ❖ Capital replacement account – target = 50% depreciation by 2018; \$69.1million
 - ❖ Availability charges account –developer contribution; reserved for growth-related capital projects; \$225.1 million

Sources of Central System Funds, cont'd

- LW Financial policy = 2 – 3 times 3-year rolling average of operating expenses and debt;
 - Significant portion of reserves will be spent on the PWSP and expansion of the WRF
- \$240 million in existing debt
 - Bond rating agencies require reserve coverage for high debt metric
 - Planning for additional \$50 million in 2015 to fund PWSP
- “Central System” contribution requires rate increase

Sources of Community System Funds

- Current rate structure common across all community systems
- Intent was to pool risks for capital
- Current rates do not fully recover R&R:
 - Rate implications suggest change with Lenah connection
 - Community Systems rate study planned to start this spring
- “Community System” contribution requires rate increase
- Funding by Raspberry Falls & Selma Estates separate of all community systems requires change to current rate design methodology

Technical Options Hazen & Sawyer



Board Discussion

