

**BOARD OF SUPERVISORS
FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
INFORMATION ITEM**

SUBJECT: Update from Loudoun Water

ELECTION DISTRICT: Countywide

STAFF CONTACT(S): Charles Yudd, Assistant County Administrator
Gwen Kennedy, County Administration

PURPOSE: To provide an update from Loudoun Water on the Authority's finances and highlights from 2015.

BACKGROUND: During a joint meeting between the Board of Supervisors (Board) and the Loudoun Water Board of Directors in April 2015, Loudoun Water agreed, in an effort to develop more regular information sharing, to attend future Board Finance/Government Operations and Economic Development Committee meetings to provide updates on the Authority's finances.

Shaun Kelley, Chair of the Loudoun Water Board of Directors, and Loudoun Water staff will be present to share information about Loudoun Water Board's recent approved update to their five year plan of finance and will share results of their 2015 audit. Loudoun Water will also share information related to several 2015 highlights, including progress related to businesses relations and customer service improvements.

Loudoun Water 5 year Plan of Finance

The 5-Year Plan of Finance ("the Plan") is a planning tool that, through the use of a model, incorporates all the financial inputs (capital spending plan, operating budget, user rates and availability charges) to determine the need for future borrowings. The model allows Loudoun Water to analyze cash balances under different scenarios and evaluate debt coverage to insure compliance with bond covenants and Board-approved financial policies. The Loudoun Water Board policies address cash funding of the capital program by establishing cash balance goals as well as strict debt coverage requirements. The Plan is not intended to project future rate increases. That evaluation is completed through the user rate model.

The capital spending plan and capital improvement program have the greatest impact on the Plan because they drive the need for borrowing. Growth assumptions play a significant role within the Plan because those projections drive capital spending and serve as the basis for estimating the amount of availability charge revenue that will be considered in the Plan. User rates and the operating budget have the greatest impact on debt coverage tests.

The current Plan is based on the 2016 operating budget and capital spending plan approved by the Loudoun Water Board in December 2015 as well as the 2016 – 2020 capital improvement program.

Through adoption of the 5-year Plan of Finance, the Loudoun Water Board formally acknowledges that a financing plan exists, that the Board supports the Plan and the path forward assumptions, and it reinforces to the rating agencies Loudoun Water's commitment to financial planning. The Loudoun Water Board approved the Plan in April 2016.

Results of 2015 Audit

Loudoun Water's 2015 audit was completed in April by Yount, Hyde & Barbour. Loudoun Water has received an unmodified (clean) opinion on the 2015 financial statements. Staff is currently working on the Comprehensive Annual Financial Report (CAFR) that will be presented to the Loudoun Water Board in June for approval and distribution. The CAFR will be submitted to the Government Finance Officers Association Excellence in Financial Reporting Program with the goal of obtaining the award for the twenty-ninth consecutive year.

Loudoun Water Work Group and 2015 Highlights

County staff continues to work with staff from Loudoun Water as part of a Loudoun Water working group. On July 20, 2015, the Loudoun Water Work Group presented a work program at the Economic Development Committee Meeting that addressed improving economic development and communication with the public, businesses and County agencies. During this meeting, Loudoun Water will share information related to several 2015 highlights, including progress related to businesses relations and customer service improvements. An overview of highlights from 2015 will include: A new Loudoun Water Website and Customer Portal offering an on-line bill pay option, enhanced community engagement regarding Beaverdam Reservoir, and financing options for availability charges. Loudoun Water has dedicated resources for outreach to the business community, industry groups and the Loudoun County Economic Development Department to improve communication, coordination and streamline processes. Other key business initiatives include working with business customers on demand management best practices to reduce water consumption, reclaimed water program promotion and customer feedback requests.

ATTACHMENTS:

1. Loudoun Water Presentation

Loudoun Water Update to the Board of Supervisors

Finance/Government Operations and
Economic Development Committee

May 10, 2016



5-Year Plan of Finance

Drivers

- **Challenging capital program totaling \$575.5 million**
 - Potomac Water Supply Program = \$182.1 million
 - Broad Run WRF Expansion = \$99.1 million
- **Adherence to Board approved policies**
 - Cash Balance
 - Debt coverage
 - Use of cash to fund capital program while managing debt leverage
- **Maintaining AAA bond rating**

5-Year Plan of Finance

Summary

- Capital program totals \$575.5 million
- Cash funding of \$470.5 million (82%)
- Debt funding of \$105.0 million (18%)
- Cash balance projected to be spent to lowest target level by 2018



2015 Audit Results

- Completed in April by Yount, Hyde & Barbour
- Received unmodified (clean) opinion on financial statements
- Staff is working on Comprehensive Annual Financial Report for presentation to the Loudoun Water Board in June
- CAFR will be prepared in accordance with the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting Program with goal of obtaining the award for the 29th consecutive year.

2015 Highlights

- **Launched new website as well as LW Connect, our online customer portal**
- **Enhanced community engagement regarding Beaverdam Reservoir**
- **Enhanced presence and coordination with business and industry community, in conjunction with Loudoun County Economic Development Department**

Questions

