

**To: Government Reform Commission**

**From: Mark Nelis and Tanya Matthews, Commissioners**

**Date: June 27, 2012**

**Re: Loudoun Water**

### **Background**

At the request of co-chairs Tanya Matthews and Robert Gordon, I have contacted Dale Hammes, of Loudoun Water and requested that he attend our meeting of June 28<sup>th</sup> to address the Commission. The list of issues is set forth below. In general these issues are a summary of issues raised by the public in our public outreach sessions, comments of the Reform Commission and comments from co-chairs Gordon and Matthews following an interview with Mr. Hammes. To the extent possible I have avoided any discussion of issues directly related to the Raspberry Falls community system. However, the Raspberry Falls system does raise general questions about the operation of the smaller “community” systems. I have briefed Mr. Hammes on the issues presented for discussion in order that he can prepare to address these issues.

### **Issues for Discussion**

**Transparency of Loudoun Water** - The Reform Commission (“RC”) heard comments at the public input session regarding the inability to access financial information particular in regard to the operation of the smaller community systems. Based on our

conversation, I understand Mr. Hammes is interested in pursuing a policy of providing more financial information on Loudoun Water's website. Given that Loudoun Water ("LW") essentially serves as a public utility, and the utility customers have through the payment of utility fees, paid for the assimilation of this data, we recommend that as much of this information as possible be provided in a customer friendly fashion.

**Composition of Board-** At least one public speaker and members of the RC have raised the issue of whether the Board of Supervisors should adopt standards or guidelines for the appointment of members of the Board of LW. Model acts for Planning Commissions, Boards of Architectural Review, and Boards of Equalization often contain guidelines for the qualification of a member of the board. Applicable standards may include including persons with a degree and /or professional experience in the fields of civil engineering, finance, utility construction and the like.

**Reports to the Board of Supervisors-** The governing documents of LW do not contain any requirement for reports to the Board of Supervisors. Given the fact that some of the policies adopted by the Board of Supervisors determine the scope of service for Loudoun Water, a formal report and dialogue is helpful. Likewise the Board of Supervisors would be well advised to keep track of future rate increases and the financial health of Loudoun Water. The recommendation to the RC is that a formal report and oral presentation be given by LW to the BOS on an annual basis.

**Rates for community system-** As we heard in our public outreach hearings, all community systems have uniform rates- these rates are not uniform with customers of the central system but are uniform for all community systems. We advocate that the RC consider the considerable benefits in terms of billing and accounting of a uniform system of user rates for all LW customers. Given that all systems in Loudoun have been accepted for public service, it is an equitable result that all customers pay the same user rates. As Mr. Hammes will be able to testify, the costs of operating the community systems is a very small percentage of LW's overall budget.

**Additional community systems-** Mr. Hammes has explained that LW supports the policies of the Board of Supervisors including permissible land development patterns and utility service. Given the maintenance issues and public complaints regarding the operation of community systems, the RC should consider whether policies encouraging the use of community systems should be continued. The replacement of the infrastructure in community systems, given their small number of customers, is likely to be at a significantly higher cost per customer.

**Rate hearings-** LW, based on Mr. Hammes' description, goes well beyond the requirements of the Code of Virginia in regards to notice to users regarding a proposed increase in rates. However with increasing rates (6% per year) and the lack of public input at the last rate hearing (7 speakers) we recommend that the Loudoun County website and calendar announce the dates and times of the public input sessions for rate increases. Likewise any efforts by LW to increase public participation is recommended.

**Appeal Process-** A brief review of LW's governing documents reveals that it does not appear to be any formal appeal process for the decisions of LW. While decisions of LW are appealable to the Circuit Court, most utility companies and providers have a formal appeal process, often involving third party arbiters or a separate board or commission to hear appeals. As the utility system operated by LW grows, adopting such an appeal process would lend more credibility to the fairness and openness of the organization.