



CITY OF
**FALLS
CHURCH**

**Fairfax
Water**



Joint Statement

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Mediation Leads to Three-Way Settlement of Water Disputes and Win-Win for Water Customers

The City of Falls Church, Fairfax Water, and Fairfax County, with the assistance of a federal mediator, have successfully negotiated terms for the sale of the Falls Church Water Utility to Fairfax Water. The terms have been approved by the Falls Church City Council, the Fairfax Water Board of Directors, and the Fairfax County Board of Supervisors. The agreement is subject to approval by the voters of the City of Falls Church by referendum in November 2013.

The settlement calls for Fairfax Water's purchase of the Falls Church water system for \$40 million, the reduction in water rates to customers in the Falls Church system's service area, certain adjustments of the City's boundary line with Fairfax County, the settlement of all litigation between them, and employment for Falls Church Water Utility employees. The sale will create a robust water system that combines the benefits of the three independent water treatment plants and transmission systems that now serve the area.

On November 8, 2012, at a federal mediation session presided over by Magistrate Judge Theresa Buchanan, the parties' representatives agreed in principle on terms that they recommended to the respective governing bodies. Fairfax Water's Board approved the proposal on November 15; Falls Church's City Council approved it yesterday evening; and Fairfax County's Board of Supervisors approved it this afternoon. The agreement is conditioned on a period of due diligence, the execution of a final written agreement, and the approval of a referendum by the voters of the City of Falls Church, consistent with the City's charter. In the meantime, the litigation between the parties will be stayed so that the parties may focus their efforts on finalizing the settlement.

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“The City of Falls Church is proud of its long-standing commitment to regional cooperation,” said City of Falls Church Mayor Nader Baroukh. “The potential sale of the water system is a testament to that ideal and in the best interests of its water customers, taxpayers, and utility employees.”

“Fairfax County is pleased that all parties have reached an agreement on the purchase of the Falls Church water system,” said Fairfax County Board of Supervisors Chairman Sharon Bulova. “This settlement marks a step in the right direction towards providing a better, more affordable water service for residents and ensuring a first-class water system in the long run.”

“We are excited that we reached an understanding that will benefit all of the people served by these two water systems,” said Philip Allin, Chairman of Fairfax Water. “Providing the highest quality water at the lowest rates continues to be our mission and we are delighted to add the 140,000 persons served by the Falls Church system to the nearly 1.7 million people in northern Virginia we currently have the privilege of serving.”

Principal Terms of the Settlement

- Fairfax Water will purchase the Falls Church water system assets for \$40 million. The City will retain debt and pension obligations of the water system of about \$30 million. The City’s Utility assets, including three undeveloped land parcels located in Fairfax County totaling approximately 9 acres, will convey to Fairfax Water.
- Fairfax Water will acquire the City’s existing water supply contract with the Washington Aqueduct and become the retail water supplier for the City’s existing customers both inside the City and in the City’s current area of service in eastern Fairfax County.
- Fairfax Water will guarantee a uniform water rate for the customers in the City’s service area to ensure that City residents are treated equally to the City’s existing Fairfax County customers.
- Fairfax Water will offer guaranteed employment (terminable only for cause) to all of the City’s water system employees at comparable pay and benefits for a period of at least three years.
- Within two years from the sale closing, Fairfax Water will reduce the water rates to all customers in the City’s service area to Fairfax Water’s rates and will thereafter maintain a uniform rate for all customers, barring any extraordinary utility requirements.
- The City’s boundary with Fairfax County will be adjusted to include within the City’s corporate limits the three parcels on which the George Mason High School and Mary Ellen Henderson Middle School complex and athletic facilities are located, a connecting parcel at the intersection of Haycock Road and Route 7 (Broad Street), as well as several City-owned parcels near the intersection of Shreve Road and Gordons Road. The land transfer amounts to approximately 42 acres. Thirty percent of the school parcels may be used for any purpose, while the remaining portion must be used for education-related purposes for fifty years.
- Fairfax Water will meet twice a year with the City of Falls Church to discuss water system issues, and will maintain a payment office in the City for payment of water bills.
- The City of Falls Church’s pending lawsuit will be stayed until the agreement can be consummated, at which time the lawsuit will be dismissed. Fairfax County will not enforce its rate regulation Ordinance against the City while the case is stayed.

Next Steps

- Fairfax Water, the City of Falls Church, and Fairfax County have entered a period of “due diligence” and will proceed to prepare and finalize the contract documents.
- The pending litigation between the parties will be stayed.
- In accordance with the City’s charter, the question whether to approve the transaction will be subject to a referendum next year in the City of Falls Church.
- If the transaction is approved, the two water systems will become one in or around January 2014.

What It Means to the Customers

- Falls Church water system customer rates will be reduced to the same rates paid by Fairfax Water’s existing customers within two years.
- The City of Falls Church’s existing customers (inside and outside the City) will be charged the same water rates as Fairfax Water’s customers in perpetuity, barring any extraordinary utility requirements.
- The economies of scale from the consolidated system will save tens of millions of dollars in future capital improvement expenses to the water system.
- The settlement will end all pending litigation between the parties.
- Fairfax County residents’ water rates will be set by Fairfax Water, whose members are appointed by the Fairfax County Board of Supervisors
- The Washington Aqueduct water supply to Falls Church will be combined with Fairfax Water’s two existing state-of-the-art treatment plants, providing additional back-up supply and creating one of the most robust, integrated water systems in the country.
- The purchase of the City of Falls Church water system will not impact the water rates of current Fairfax Water customers.

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For more information, visit www.fallschurchva.gov
And www.fairfaxwater.org
And www.fairfaxcounty.gov