

March 17, 2011

At the regular meeting of the Board of Supervisors of Prince Edward County, held at the Court House, thereof, on Tuesday, the 17<sup>th</sup> day of March, 2011; at 6:00 p.m., there were present:

Howard M. Campbell

William G. Fore, Jr.

Don C. Gantt, Jr.

Robert M. Jones

Charles W. McKay

Howard F. Simpson

Jim R. Wilck

Mattie P. Wiley

Also present: Wade Bartlett, County Administrator; Sarah Elam Puckett, Assistant County Administrator; Jimmy Sanderson, Davenport & Company; Fred Pribble, Draper Aden Associates; Sheryl Stephens, Draper Aden Associates; Jeff Kapinos, Draper Aden Associates; Linnelle Stanhope, Crowder Construction.

Chairman Fore called the special meeting to order as a reconvened meeting from Tuesday, March 15, 2011. Supervisor McKay offered the invocation.

Chairman Fore read a prepared statement:

*Tonight's meeting of the Prince Edward County Board of Supervisors is for the sole purpose of having a work session on the financing of the Sandy River Reservoir Water Project.*

*This is the second in a series of meetings that the Board will have with Crowder Construction and Draper Aden Associates now that scope of work of the PPEA Interim Agreement is nearing completion. We also have with us tonight, Jimmy Sanderson, from Davenport & Company, the County's financial advisor.*

*Davenport will be presenting an analysis of the County's current financial status and its ability to fund this project, based on the projected costs.*

*The Crowder/Draper Aden team will discuss with the Board the assumptions used to develop the operational budget of the proposed system, to include projected revenues and expenditures.*

*I would ask Board members to please limit your comments tonight to questions asking for clarification of the information presented. There is going to be a lot of information for us to absorb.*

*Let us all respect this process, so that we each have an opportunity to hear the information, think about it and ask appropriate and pertinent questions.*

*What I want the public to know is that tonight is not a public hearing or a public input session. Tonight is solely an informational briefing by Davenport, Crowder and Draper Aden for the Board of Supervisors.*

*The citizens of this county will have ample opportunity at a later date to ask questions and to have those questions answered. You will also have ample opportunity to give the Board of Supervisors input on the proposed project. I can assure the public that you will be given plenty of notice of when those opportunities are scheduled.*

*So, please use tonight to listen. Write down your questions and participate with us in this important opportunity to plan for Prince Edward County's future.*

*I thank each of you for your interest in the water project and for coming out tonight to learn more about it.*

In Re: Presentation by County's Financial Advisor

Mr. Jimmy Sanderson, Davenport & Company, presented the Financial Analysis, including the County's current financial status, existing debt profile, peer group comparison to other localities in Virginia, historical revenues, fund balance trends, and capital modeling with respect to the Reservoir project. He reviewed Prince Edward County's rankings as compared with its peer group in the areas of population growth, governmental debt, debt service compared to revenues, and available financial resources. Mr. Sanderson said Prince Edward County has a healthy fund balance of just under \$10 million.

Mr. Sanderson then reviewed the current perspective on future debt capacity and impact the proposed Capital Improvement Project would make on the future debt capacity; the County currently has approximately \$15.5 million outstanding debt; the current debt service is approximately \$1.9 million and will drop off over the next few years. He said the County is in an extremely favorable financial position when compared to other Virginia governments. Mr. Sanderson stated that 72% of the County debt will be repaid over the next 10 years; this equates to about \$1.2 million. The County has the ability to finance the water plant project and maintain healthy financial ratios. Utilizing the County's decrease in existing debt service and projected system revenues, the County can establish a rate stabilization fund of approximately \$4 million and avoid any future tax increases associated with this project based on the stated assumptions. Utilizing a conservative 2.5% growth rate in the County Real Estate Tax Revenues, the County will have an additional \$1.3 million per year beginning in FY 2018 to supplement the General Fund. Mr. Sanderson then

presented Preliminary Funding case examples. Prince Edward's portion of the project is approximately \$19.6 million, making the debt associated with the existing line of credit permanent increases the amount to be financed to \$24,028,661. Mr. Bartlett stated the analysis assumes only revenues from the Real Estate tax would be used to pay this project. Real Estate taxes are about \$6 million and total local revenues are about \$15 million. He stated we are only talking about using a portion of 40% of all local revenues to fund the project and the other 60% would be available for other projects and expenses.

Supervisor Wilck questioned the current customer base. Mr. Sanderson stated when looking at a water project, assumptions must be made as to what expenses and revenues will be; additionally, assumptions had to be made as to what interest rates would be. Davenport used projected revenues that were provided by Draper Aden and factored those into the analysis. Discussion followed on building a customer base, current interest rates and the amount of debt service that would be incurred. It was stated short-term interest rates are about 2.0% and if funding were obtained in the near future, the cost from years 2013-2016 would decrease from \$901,000 to about \$500,000. This would be a savings of about \$1.6 million and would reduce the amount needed in the rate stabilization fund from \$4 million to \$2.4 million.

Supervisor Gantt asked if the numbers are based on Crewe and Burkeville; Mr. Bartlett said that if Crewe and Burkeville do not join the Authority or agree to be customers, the lines will not be extended to those areas, diminishing the costs, and may reduce the size of the plant. Mr. Bartlett added that approximately \$46,500 has been collected from existing customers in connection fees alone.

In Re: Presentation by Crowder Construction and Draper Aden Associates

Cheryl Stephens, Draper Aden Associates, presented a report on the proposed allocation of capital costs and debt service, projected water demands and projected cash flow for the Virginia Heartland Regional Water and Sewer Authority. Ms. Stephens reviewed the cost allocated to the project and the size of the treatment plant (2mgd); she said as the other localities request more capacity, their costs increase and Prince Edward County's cost decreases.

Ms. Stephens said the revenue projections for projected demands in Prince Edward County are conservative, estimating usage of approximately 80,000 gpd and increasing to about 120,000 per day over a ten year period; no assumptions for significant growth were included. The projections for connection fees

were kept low, although the connection fees can be significant, as in the case of Granite Falls which is approaching \$200,000 for water alone. She added that even at these low projections, revenue would be more than \$150,000 to start and increase to approximately \$224,000 in a ten year time frame. Ms. Stephens reviewed the projected usage of water, with the Authority selling approximately a half million gallons per day and assumed a two percent increase in sales over a ten year period, a very conservative estimate of growth. The water sales of approximately \$40,000 from Burkeville and \$440,000 from Crewe and from county customers would generate approximately \$600,000 in revenues. These revenues would provide funding to cover operating expenses and maintain the distribution system in the county.

Supervisor Wilck questioned why only six percent of the fees were being charged to Crewe and Burkeville. Ms. Stephens said Prince Edward County paying the higher 94% saves all future capacity of the reservoir for Prince Edward County. Mr. Fred Pribble, Draper Aden Associates, said the intake is an 8mgd intake and that the 480,000 gallons allocated to Crewe and Burkeville represents 6% of the capacity of the intake. Prince Edward County would then sell 6% to Crewe and Burkeville and Prince Edward County owns 94%.

Supervisor Wilck said a permit from the Department of Environmental Quality (DEQ) from December 7, 2006 which expires in 2021, grants permission to take 1.36 billion gallons per year; divided by 365 equals 3.7mgd. Mr. Pribble stated that is for an average day for that permit; the maximum daily is 6.3mgd, and the County could go back and request the maximum safe yield of the reservoir as the demand increases. Supervisor Wilck said the permit states only 1.7mgd can be used by the County and questioned the size of the 8mgd intake; Mr. Pribble stated you only want to go into the reservoir one time because of cost, and the safe yield of the reservoir is 8mgd. Discussion followed.

Supervisor Wilck then questioned the proposed allocation of 1.5 million gallons per day of the treatment plant to Prince Edward County; Ms. Stephens said the balance of the capacity of the 2mgd per day plant belongs to Prince Edward County to use or sell to someone else. The other localities of Crewe and Burkeville lump sum amount is their share of debt service; of the \$25 million, only \$19 million is Prince Edward County's share, the other \$5.5 million is debt service that will be paid for by the two communities for their share. Further discussion followed.

Jeff Kapinos, Draper Aden Associates, stated a smaller structure can be installed and a second could be installed at a later date, at a higher cost; the permit can be renewed as demand and yield increase up to the overall capacity. The 2mgd plant is what is assumed initially and that's why the percentages are based on 2mgd, which gives Prince Edward County the right to use that. He said the plant can operate for eight hours per day, not 24/7, saving operational costs. The capacity is then reserved for Prince Edward County.

After further discussion regarding the size of the plant, Supervisor Gantt suggested a 6mgd intake instead of an 8mgd intake. Mr. Bartlett stated the risk would be that the County would only have potential growth of 1-1.5 million and if there was a need to backfeed to the Town of Farmville for an emergency; another structure would add cost if it could be permitted. This plant is scalable to 4 million and could quickly go to 4 million capacity; he said the projections are looking at 30-40 years into the future.

Supervisor Gantt then suggested putting in the 8mgd intake which would not mean the County has to give anyone else anymore than the two [mgd]. If it is structured at 2mgd, it increases costs to Crewe and Burkeville. Mr. Bartlett stated that may make it too expensive to join the Authority. He added regionalization would provide the ability to seek grants; he said the allocation is of capacity, not usage.

Discussion followed on the water allocation from the Town of Farmville. Mr. Bartlett stated the Department of Health operation permit allows only 250,000 gallons per day.

Supervisor Wilck stated there are more than 40 million useable gallons of water in Wilcks Lake, 100 million useable gallons in Mottley Lake, and the Town of Farmville designed a water intake for Buffalo Creek, where there are six or more watershed lakes with an additional 300 million gallons, making a total of 440 million gallons available during a drought. Supervisor Gantt agreed the water is there; take into consideration the property owners will complain. Supervisor Wilck said Piedmont Soil and Water can open the gates. Discussion followed.

Supervisor Campbell questioned which locality supplies water to the Department of Corrections (DOC); Ms. Stephens said Crewe supplies their water. Supervisor Campbell stated the DOC has been hauling in water every summer from Powhatan to Nottoway.

Mr. Bartlett stated the Department of Mental Health will make a decision soon concerning expansion of their facility served by Crewe; they will reach capacity by October of 2011 and want to

expand the facility somewhere in the state by 300 beds, and one restriction for the Crewe site is the amount of water available. He said the Department of Mental Health reported at least 20% of all employees live in Prince Edward County; 166 Prince Edward County residents work in the facility.

Discussion followed on the availability of regional grants which would significantly reduce costs.

Mr. Bartlett stated a letter of support has been received from Crewe, and Burkeville has given its mayor the authority to sign a similar letter.

On motion of Supervisor Simpson and adopted by the following vote:

Aye:	Howard M. Campbell	Nay: None
	William G. Fore, Jr.	
	Don C. Gantt	
	Robert M. Jones	
	Charles W. McKay	
	Howard F. Simpson	
	Jim R. Wilck	
	Mattie P. Wiley	

the meeting was adjourned at 8:05 p.m.