

November 16, 2010

At a special meeting of the Board of Supervisors of Prince Edward County, held at the Court House, thereof, on Tuesday, the 16th day of November, 2010; at 3:00 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 Puckett, Assistant County Administrator; Jeff Kapanos, Draper Aden; Mike Larson, Draper Aden; Cheryl Stevens, Draper Aden; Bill Crowder, Crowder Construction; and Murray Taylor, Crowder Construction.

Chairman Fore called the special meeting to order, stating that the purpose of the meeting is for an update to the Sandy River Reservoir Water Treatment and Distribution project.

In Re: Sandy River Reservoir Water Treatment and Distribution Project Update

Mr. Jeff Kapanos, Draper Aden Associates, said the project is a month away from the next level estimate. He then presented an overview of the project.

Mr. Kapanos reviewed the site plan and projected eastern and western pipeline routes.

Mr. Mike Larson said the Virginia Department of Health made comments regarding the project; he said VDH requested a pilot study to be done beginning this fall. He said a small scale simulation will be done from a trailer unit with tanks, pumps, chemical feeds and lab equipment. Technicians will run a “plant” to demonstrate the treatability of water. He said the pilot study is being performed under the existing Interim Agreement budget, and additional pilot testing may be performed in the Comprehensive Plan.

Mr. Larson then reviewed the aeration process; he said VDH is concerned about aerating the reservoir but the issues could be avoided through proactive management of the Sandy River Reservoir, and that installation at a later date will not interfere with the operations of the plant. He said he wishes to provide operational flexibility with either green-sand coating on the filter or as a biological type of filter. He said discussion followed on the advantages of Granulated Activated Carbon (GAC) versus powdered activated carbon. He said the granulated activated carbon will be used in the pilot study. He said the VDH found the PER to be well done and appropriate for the purposes set forth.

Mr. Bartlett reported that representatives from Crewe, Burkeville, Hampden Sydney and Farmville were presented with the operational costs of the proposed water treatment plant; they are reviewing the information. He said he is to meet with representatives from Crewe on Tuesday, November 22. He said Hampden Sydney is in preliminary discussions, and are working on a proposal to donate their existing water system to Prince Edward County; in exchange for not charging them any connection charges. The County would then assume all maintenance and operating costs of the system. He said the Board will have to inquire if Farmville wishes to have an emergency connection; the Board needs to decide if it wishes to formally make such a request to the Town. He said options will include whether the County covers the cost entirely as the Town is a part of the County, or if the Town wishes to become a member of the Authority, if so, they should have some of the cost allocated to them.

Mr. Murray Taylor, Crowder Construction, reviewed the overall project cost. He said the estimates for the work on the intake were reviewed and found there was a drop of \$3 million from the March 2010 estimates to the July 2010 estimates.

Cheryl Stevens, Draper Aden Associates, reviewed the process of financial analysis, the allocated capacity, the 2013 demands and future demands, and financing options.

Mr. Bartlett said a method of allocation is to divide the costs; for example, the intake will provide eight million gallons. If Crewe wants one million gallons capacity, they would pay one-eighth of the cost of the intake. He said on the water plant, since it's a two million gallon capacity, if they want one million gallons, they would pay one-half of the cost. On the water lines, if the amount of the capacity of the line is five million gallons and Crewe would use one million gallons, they would pay one-fifth of the costs. He

said the assumption is the County would retain all the rights to the remainder of the capacity. On the other side of the Nottoway County line, Crewe and Burkeville are responsible for all costs.

Supervisor Wilck questioned Prince Edward County paying 7/8th of the cost of the intake. Mr. Bartlett said Prince Edward County would be paying more for the intake because the County would have the other seven million gallon capacity. On the operational costs, Crewe would be the largest user of the water, so they would be the largest payer of operational costs, which is different from capacity costs. Ms. Stevens said the figures given were an example and the actual numbers will change in approximately 30 days. The point of the plant is to have water capacity that will be available to meet the future growth needs of the county. The point of the analysis is to show the first draft of it, and the Board then makes the final decisions.

Mr. Larson stated the intake structure is the most oversized part of the project. It's much more difficult to go back and "up-size" the intake at a later date. The plant is a much smaller capacity; the intake is an eight million gallon per day structure, while the plant is only a two million gallon per day structure. The plant costs a lot more money than the intake structure.

Supervisor Wilck said if Crewe obtains the use of 75-80% of the water, certainly they should pay that much of the cost.

Ms. Stevens said Prince Edward County will pick up more of the cost of the intake but will be the one to benefit the most in the long term of this project.

Supervisor Gantt said an eight million gallon per day intake is to everyone's benefit.

Ms. Stevens then discussed the distribution lines to the east – along the High Bridge portion of Prince Edward County, including Crewe and Burkeville. She said the western portion includes Prince Edward County or Prince Edward County and Farmville. She then reviewed possible funding options. The projected water demands are used to determine size of the lines and size of the plant, and are different from the projections used to determine how much revenue the project might generate for the Heartland Authority. Current usage was studied and conservative usage models were projected to show detailed calculations of revenues that would be paid into the Authority to show the revenue stream.

Mr. Bartlett asked the Board to review the amounts of water use. Discussion followed on the assumptions of usage on a daily basis, such as variants of usage on regular days versus high usage days, such as for conventions or a fire.

Mr. Kapanos said the next steps include a fine-tuning estimate in mid-December. He said the pilot study will begin, Crowder has pricing packages and qualification packages out to local subcontractors and subcontractors that do utility work. The 30-35% design drawings on the treatment plant are being done. The following step includes partner negotiations and the final Comprehensive Agreement, and finally to construction.

Supervisor Wilck said it was mentioned that aeration costs and capital operational costs could be substantial; he asked at what point the Board will know what those are going to be and what is considered “substantial.” Mr. Larson said the aeration cost could be in the \$500,000 – \$700,000 range, and the operational costs will be mostly power consumption. He said some blowers will need to be run for several months.

Supervisor Wilck then said that Wiley & Wilson comments stated “We found the PER to be well done and appropriate for the purposes set forth.” He said Wiley & Wilson had said they indicated to Mr. Bartlett that there wasn’t enough business to make this [project] justifiable.

Mr. Bartlett said Wiley & Wilson didn’t use the word “justifiable.”

Supervisor Gantt said the report states, “High annual unit cost of water production due to low water demands.” He said the “need for project” section states there is little imminent need, but projections go out 20 years.

Supervisor Wilck said a speaker in the budget committee at the VACo meeting said that because of tight times and short money, the first thing that is recommended is to eliminate and stop all capital costs, and asked, “When would you expect this to be profitable?” Ms. Stevens said, “We haven’t run the numbers based on the final construction on this, ... [but] it probably won’t be in the first five or ten years. I haven’t done detailed projections out twenty or thirty years.”

Supervisor Wilck said, “Okay, that’s all right. Close enough. Five or ten years. So we’re going to have to support this with tax money for five or ten years. Am I right?”

Supervisor Gantt commented, “Something’s got to supplement it.”

Supervisor Wilck then said, “Well, I don’t see that’s feasible. We don’t have that kind of money. We’re not going to have any profit out of this thing for five to ten years. That’s (inaudible) possible financing.” Discussion followed.

Supervisor Gantt asked how the figure would be obtained for the cost of the water. Ms. Stevens said that the cost to run the plant is under \$600,000 per year, which includes no debt service.

Mr. Bartlett said the water system is an expensive proposition; regionalization grants will bring lower costs. He said regionalism is being pushed to make it financially advantageous to work as a region.

Ms. Stevens said that \$2.70 per 1,000 gallons to sell water to a partner is a reasonable amount. She said Crewe and Burkeville indicated that they would pay their portion of the debt service if they decide to partner with Prince Edward.

Ms. Stevens said VDH, VRA, Rural Development and the Tobacco Indemnification and Community Revitalization Commission want regional projects; they drive the grant money.

Mr. Bartlett said the costs will be refined after the pilot study. Mr. Larson said the pilot study will also help to determine electric power costs.

Ms. Stevens explained the presentations to Crewe and Burkeville and the impact to those municipalities on their operational costs. Discussion followed.

Supervisor Wilck asked that as demand for water service increases, there will also be a demand for a waste water treatment plant, and if the cost for a water treatment plant will be more than the distribution plant. Mr. Bartlett said that is another issue and would be sometime in the future, and the cost would be more.

Supervisor Campbell asked if other localities were interested. Mr. Bartlett said he spoke with representatives from Keysville, and letters were sent to all surrounding incorporated towns and counties. He said Amelia and Cumberland Counties expressed some interest; Buckingham County would have greater difficulty because of the distance. Discussion followed.

Mr. Bartlett said the County Administrator of Charlotte County expressed interest; the Board has to determine how many partners they may want; he reminded the Board that the more partners or customers Prince Edward County has, the lower the water capacity for Prince Edward County. He also reminded the

Board that other counties or municipalities would need to join the Authority at the beginning or they may not be able to join as it takes a unanimous vote of all members to allow a new member.

Supervisor Wilck said because of the best financial way to do it, the County has invested approximately \$5 million. He asked in order to get bonds we actually need to add \$5 million to each.

Supervisor Gantt asked about the line of credit. Mr. Bartlett said once the County has the final numbers, Davenport, the financial advisors for the County, will explain how best to make the existing loan permanent, long term. Discussion followed.

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 4:21 p.m.