

July 14, 2014

At a continuation meeting of the Southampton County Board of Supervisors held in the Board Room of the Southampton County Office Center, 26022 Administration Center Drive, Courtland, Virginia on July 14, 2014 at 6:00 PM.

SUPERVISORS PRESENT

Dallas O. Jones, Chairman (Drewryville)
Ronald M. West, Vice Chairman (Berlin-Ivor)
Dr. Alan W. Edwards (Jerusalem)
Glenn H. Updike (Newsoms)
Barry T. Porter (Franklin)
S. Bruce Phillips (Capron)

SUPERVISORS ABSENT

Carl J. Faison (Boykins-Branchville)

OTHERS PRESENT

Michael W. Johnson, County Administrator (Clerk)
Lynette C. Lowe, Deputy County Administrator/Chief Financial Officer
Richard E. Railey, Jr., County Attorney
Amanda N. Smith, Administrative Assistant

OTHERS ABSENT

Beth Lewis, Community Development Deputy Director
Julien W. Johnson, Jr. Public Utilities Director

Chairman Jones called the meeting back to order.

After the Pledge of Allegiance, Supervisor West gave the invocation.

Chairman Jones states we have one thing on the agenda and one thing only. This is a continuation from last month and at this time I will turn it over to Mr. Johnson.

Mr. Michael Johnson states if I can direct your attention I have a very brief presentation Mr. Chairman to give you an idea on how we got to where we got to. Just to remind you the selection process timeline actually started back on March 10th when we issued the request for proposals. On April 16th we received nine proposals. On the 18th those proposals were distributed to all 16 members of the management team. Shortly thereafter on the 22nd the management team decided they would appoint a smaller subcommittee which included eight members to evaluate those proposals. About a week later, we sent out the evaluation criteria that were included in the requested proposal to the selection panel and asked them to go ahead and complete a preliminary evaluation. It was a matrix where they provided a numerical score on each of the evaluation criteria for each firm that submitted a proposal. We collectively met for the first time on May 14th and developed a short list of the firms the committee wanted to interview. The interviews were conducted on June 4th and June 5th. On June 9th the panel went ahead and completed their ranking of the firms that were interviewed. On June 13th there was a negotiation meeting with the firm that was ranked first. Then on June 25th, the final scope and price was negotiated and that was presented to the full management team on July 1st for their consideration and endorsement. There were eight people that were on the selection panel which included two elected officials, Supervisor Phillips from Southampton County and Councilman Benny Burgess from the City of Franklin. It included two of the citizen appointed representatives which were Randolph Cook from Southampton County and Tom Jones from the City of Franklin. Tom Jones is a retired engineer from International Paper. It included two of the technical people in the community. Julien Johnson represented Southampton County as the technical person and Donald Cagle who is the Chief Wastewater Plant Operator in Franklin represented the City. Mr. Randy Martin and I sat in as representatives of the Administrative staff. As I mentioned earlier, there were nine firms that responded to the requested proposal. They were Bowman Consulting, Dewberry, Kimley-Horn & Associates, Municipal & Financial Services Group, RK&K, Snively King Majoros & Associates, Timmons Group, Wiley & Wilson, and WW Associates. Of those nine, six were chosen by the panel for interviews. That included Bowman Consulting, Dewberry, Kimley-Horn & Associates,

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Municipal & Financial Services Group, RK& K, and Timmons Group. As I mentioned earlier there were specific criteria the committee used to evaluate the proposals. This is the way it was broken down. The total possible score was 100 points. 20 points was the maximum for experience and qualifications but then the committee broke that down into three smaller categories. Under the experience and qualifications they looked primarily at engineering experience worth 8 points, experience specifically in doing rate studies for utility systems worth 7 points, and then experience in working with multi-jurisdictional projects like we have here was worth a maximum of 5 points. We looked at their experience in familiarity in working with Community Development Block Grant funded studies and that was worth a total of 10 points. The big piece was their methodology and plan for doing the study. That overall is worth 50 points, but again that was broken down into subcategories. We looked at their methodology and plan to address the engineering aspects of the study was worth 14 points. For the financial analysis part of the study, that was worth 18 points. To look at the organizational and governance part of the study that was worth 12 points. Then their plan to put together the final implementation plan was worth 6 points. The final two categories were looking at their workload and the ability to incorporate this study into their current work load. That was worth 10 points and then price overall was worth 10 points. We have eight committee members here; we have six firms that were interviewed here. What this slide shows is the actual score that was given by each committee member to each proposer here. Based on the mean average score, Timmons Group ranked first at 89.75, RK & K was second at 86.50, Dewberry was third at 86.13, Kimley-Horn at 84.38, Bowman at 82.00, and MFSG at 80.75. You can see they are pretty tightly clustered. All six of them are within 10 points of one another. But rather than just simply look at the mean, what the committee ultimately decided to do was to take each person's evaluation form and create a weighted average. So that if you ranked the firm first out of the six that firm would be awarded six points. If you ranked them second that firm would be awarded five points. If you ranked them third that firm would be awarded four points and so on and so forth. When you look at using the weighted average you can see here the scores. And again, Timmons Group came out first at 44 points. Second was Dewberry at 33 points. Third was Kimley-Horn at 31 points. As I mentioned before there are really three different components of this study. Engineering is one piece of it. But probably the more important pieces are the financial analysis and the governance and organizational matters. Timmons Group has bought in two sub-consultants to work with them. One is Davenport & Company to specifically work on the financial analysis and then McGuire Woods Consulting would be the party that works on the governance & organizational matters. You can see some of these names will be familiar to some of you. You have seen some of them in years pass. Of course, Timmons Group was the County's Engineer for many years. Davenport & Company remains our financial advisor and we have in the past also worked with McGuire Woods. So, let us talk about the specific scope of work of the study. There are really four different tasks. The first one is the engineering piece. Involved in that will be first of all an inventory of the utility assets in Southampton County and in the City of Franklin. An evaluation of the condition of the infrastructure in Southampton County and in the City of Franklin. A preliminary evaluation of the assets in Southampton County and in the City of Franklin. Then a specific evaluation looking at three different scenarios. One scenario is how do things look currently and then future if you continue to operate as you operate today; status quo. Two different municipalities working separately doing their own thing with utilities. How might things look if you look at a second scenario where you either share services or one community contracts with another for certain services. Then the third scenario would be a full sort of regionalized approach where we put everything together and have all the assets controlled regionally rather than individually. Then at the end of that what you end up with is one of the project deliverables, what we call a preliminary engineering report, which will be a summary of those engineering findings and their recommendations moving forward. That report is intended to identify the potential benefits, costs, and risks associated with those three scenarios I just mentioned. The second task is the financial analysis & utility rate study piece. This piece would be done by Davenport & Company and they have proposed to develop a multi-year financial model that integrates operating and capital budgets for both Southampton County and the City of Franklin. The revenue sources for the utilities for both Southampton County and the City of Franklin. The current and future capital needs for both Southampton County and the City of Franklin. A look at the reserve funds that each community has available, and a look at the current debt levels that each community has. What they will do with that model is evaluate the potential changes that might be necessary in the utility rate structure for all three of those scenarios. They can look at it next year, they can look at it five years from now, and they can look at it as far as ten years out under that model. That model will illustrate projections for debt service coverage. It will illustrate projections for your general fund balance, your enterprise fund balance, any subsidies that may be required from either or both localities, and any rate increases that would be required

from either or both localities.

Supervisor Phillips states that is for all three options.

Mr. Michael Johnson states correct that is for all three scenarios. The third task is the governance and organizational piece. This would be done by McGuire Woods. They would look at potential organizational and governance structures and there are really only about four different scenarios they can look at under the Code of Virginia. They can look at working together under a special services district. They can look at working together as a public service authority. They can look at the possibility of what is termed in the Code of Virginia a Community Development Authority or they can look at either of the two localities working with the other under a joint powers agreement. The second thing they will look at is to do a brief legal review and just make sure there are no "showstoppers" or "fatal flaws" from a legal standpoint in working together with a shared utilities scenario. The third piece that they really raised during the interview process and this was important to the management team was the impact that this might have on future economic development. How would a regional authority or some other entity, how would that work with a shared utility interface with economic development. In other words, what would be the decision making process in the future if we have economic development prospects come to town that have unique utility needs. Who makes the decision on what improvements get done. Who makes the decision on how that gets paid for? All of those kinds of things. So that is one of the components that McGuire Woods will be looking at and making recommendations on. The other thing that came out of the interview process that McGuire Woods was really big on was stakeholder's outreach. They want to make sure that there is a concerted effort to maximize public and stakeholder involvement. They have suggested creation of a questionnaire that would be distributed to the elected officials, Southampton County and the City of Franklin; to the staffs in Southampton County and the City of Franklin. To the entire 16 member management team and then the same questionnaires would be made available to any interested citizens. They have suggested putting them on the table in the back of the Board Room for a couple of months as the citizens come to your board meetings. The citizens can take the questionnaires home so they can fill them out and there will be instructions on where they can be returned to so that input can be taken into consideration. They also suggested the development of a website where citizens can actually go online and provide input directly. So that is one of the pieces that is in their proposals. The fourth and final task under the study is development of the implementation plan. What that will include is a look at the potential funding sources to be able to make any improvements that may be required in the City of Franklin and/or Southampton County and what are the funding cycles for those potential funding sources. Can some of the work be phased and if so how much you manage that phasing. What is the legal process if you decide to move forward with some type of new organization. What is the legal process for that? What is the timeline for that? How might permits, the BPDES discharge permits that DEQ currently issues to each locality? The ground water withdrawal permits that DEQ issues to both localities. How might they be transferred to some type of regional entity? What are the future capital cost and how might those be managed? What kind of money might we expect to save under the operations and maintenance cost if we look at working together? This is the proposed schedule. Of course tonight is the presentation to this Board and it is currently being presented at the City of Franklin Council meeting tonight. If it is approved by both the City of Franklin and Southampton County, there will be a joint kick-off meeting that will be held July 31, 2014. That is a fifth Thursday. That would include both governing bodies, this Board and the City of Franklin Council, and the management team. Most likely we will have that at the Workforce Development Center if that facility is available. At that kick-off meeting we will go over what the overview of the project is, what the goals and objectives are. At that point the 16 member management team will be broken down into three specific working groups. One group will be focused on working with Timmons on the engineering. One group will be focused on working with Davenport on the finance, and one group will be focused on working with McGuire Woods on the organizational and governance. Hopefully by late September there will be some preliminary findings that can be presented to the full management team, and once the management team has provided their input by early October those same preliminary findings will be presented to the Board of Supervisors and the Franklin City Council. In late November hopefully there will be some preliminary recommendations and study results presented to the management team. By mid-December, the management team would have had an opportunity to respond to that and the preliminary engineering report and the implementation plan would be finalized by the management team and then it can be presented to the governing bodies by early February in a joint meeting. So at the end what you really have are two primary deliverables. A draft and final Preliminary Engineering Report which incorporates the things I just

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addressed and then a draft and final implementation plan. The fee that is proposed for this project is \$40,000 that will be funded with the Community Development Block Grant which was obtained through the Virginia Department of Housing and Community Development. With that, we do have two of our management team members here tonight. We have Mr. Cook and Mrs. Jarratt. Mr. Cook was also involved in the selection process as was Supervisor Phillips. With that Mr. Chairman I will be pleased to answer any questions.



Selection Process Timeline

- **March 10** - Request for Proposals issued
- **April 16** - Proposals received
- **April 18** - Proposals distributed to Management Team
- **April 22** - 8-Member Selection Panel appointed
- **April 29** - Evaluation criteria distributed to Selection Panel
- **May 14** - Initial shortlist developed for interviews
- **June 4 and 5** - Consultant interviews
- **June 9** - Selection Panel rankings complete
- **June 13** - Negotiation meeting with top-ranked team
- **June 25** - Final scope/price negotiated
- **July 1** - Full Management Team endorsement

8-Member Selection Panel

- Bruce Phillips
- Bennie Burgess
- Randolph Cook
- Tom Jones
- Julien Johnson
- Donnie Cagle
- Mike Johnson
- Randy Martin

Firms Responding to RFP

1. Bowman Consulting
2. Dewberry
3. Kimley-Horn & Associates
4. Municipal & Financial Services Group
5. RK&K
6. Snively King Majoros & Associates
7. Timmons Group
8. Wiley & Wilson
9. WW Associates

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Evaluation Criteria

- Experience & Qualifications – 20 points
 - Engineering – 8 points
 - Rate Studies – 7 points
 - Multi-jurisdictional projects – 5 points
- Familiarity with CDBG funded studies – 10 points
- Methodology & Plan – 50 points
 - Engineering – 14 points
 - Financial Analysis – 18 points
 - Governance – 12 points
 - Implementation Plan – 6 points
- Ability to Incorporate into Workload – 10 points
- Price – 10 points

Mean Ranking

OVERALL RANK		Julien	Tom	Donnic	Randy	Bonnie	Randolph	Mike	Bruc	Average
1	Timmons	85	88	91	94	91	88	88	88	89.75
2	K&K	87	88	90	93	88	84	88	84	88.50
3	Dowberry	88	87	81	90	87	88	88	70	86.13
4	Kimley-Horn	85	72	81	88	91	88	80	75	84.58
5	Bowman	88	78	81	88	82	83	88	88	82.00
6	MPSO	84	88	87	80	84	78	88	88	80.75

Weighted Average Ranking

WEIGHTED AVERAGE	Bowman	Dowberry	Timmons	MPSO	K&K	Kimley-Horn	
Julien	3	3	5	6	1	5	1=8 points 2=8 points
Tom	2	4	5	5	6	1	3=4 points 4=2 points
Donnic	1	6	6	2	5	6	5=2 points 6=0 point
Randy	3	4	6	1	6	2	
Bonnie	5	3	6	1	2	4	OVERALL RANK
Randolph	2	4	6	1	5	6	1. Timmons 2. Dowberry
Mike	2	4	6	5	6	1	3. Kimley-Horn 4. K&K
Bruc	2	5	4	2	5	6	5. Bowman 6. MPSO
	20	25	44	19	19	31	

Study Team

- **Engineering – Timmons Group**
 - Joe Hines
 - David Saunders
 - Wes Hunnius
- **Financial Analysis – Davenport & Company, LLC**
 - Courtney Rogers
 - David Rose
- **Governance & Organizational Matters – McGuire Woods Consulting**
 - Preston Bryant, Jr.
 - Chris Lloyd
 - Dale Mullen

Scope of Work

- **Task 1 – Engineering Analysis**
 - Inventory of utility assets
 - Infrastructure evaluation
 - Preliminary asset valuation
 - Analysis under 3 scenarios
 - Status Quo
 - Shared or Contracted Services
 - Regionalized
 - Preliminary Engineering Report – summary of findings and recommendations moving forward – intended to identify potential benefits, costs and risks with each scenario

Scope of Work

- **Task 2 – Financial Analysis & Utility Rate Study**
 - Multi-year financial model that integrates operating & capital budgets, revenue sources, current & future capital needs, reserve funds, and debt
 - Will evaluate potential changes in rate structure for all 3 scenarios
 - Model will illustrate projections for debt service coverage, fund balance, required subsidies, rate increases, etc.

Scope of Work

- **Task 3 – Governance & Organization**
 - Evaluate potential organizational and governance structures
 - Special Services District
 - Public Service Authority
 - Community Development Authority
 - Joint Powers Agreement
 - Legal review – insure that there are no “showstoppers” or “fatal flaws” in developing a shared utility
 - Economic Development
 - How would shared utility interface
 - What’s the future decision making process
 - How will costs of adding capacity be addressed
 - Stakeholder’s Outreach – seek to maximize public and stakeholder involvement
 - Questionnaire for elected officials, county staff, Management Team, and interested citizens
 - Website for citizen input

Scope of Work

- **Task 4 – Implementation Plan**
 - Potential funding sources & funding cycles
 - Phasing plan
 - Identification of legal process to establish new organization
 - Timeline
 - Transfer of permits
 - Future capital costs
 - O & M cost savings

Study Schedule

- July 14 – Approval by City and County
- July 31 – Kick-Off Meeting – both governing bodies & Management Team
 - Project overview, goals & objectives, establish Management Team working groups
- Late September – Present preliminary findings to full Management Team
- Early October – Present preliminary findings to governing bodies
- Late November – Present preliminary recommendations and study results to Management Team

Study Schedule

- Mid December – Present PER and Implementation Plan to Management Team
- Mid-January – Finalize PER and Implementation Plan
- Early February – Present study findings to both governing bodies in a joint meeting

Deliverables and Fee

- Deliverables
 - Draft and final Preliminary Engineering Report (PER)
 - Draft and final Implementation Plan
- Fee
 - \$40,000 – funded with Community Development Block Grant obtained through the Virginia Department of Housing and Community Development

Chairman Jones states, anyone have any questions? He then called on Supervisor West.

Supervisor West states no sir. I am ready to move forward.

Chairman Jones called on Supervisor Porter.

Supervisor Porter states I am patient but I am ready to get it done. I think that the management team was thorough. I think they did an outstanding job and they should be congratulated on it. I think they are good people and I support what they are proposing.

Chairman Jones called on Supervisor Updike.

Supervisor Updike states I haven't had an opportunity to think about this completely but I think what is being proposed is a little bit more than just utilities being connected. It seem like to me this is basically a joint economic development, or whatever you want to call it, operation in all aspects. Second thing is in this whole process I haven't seen any schedule or presentation to the public to get their input. Sound like it is moving in consolidation type of program. The main thing is where in the program is the public being informed and given the opportunity to express their concerns. The third thing is it looks like according to the presentation you had five or six pretty good firms. We didn't have a bid on who is willing to bid this project out. We just made a selection and said

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Timmons Group you are in charge. Maybe other companies that were fairly close in the evaluation in scoring have the opportunity to make their presentation, their financial bid on the project.

Chairman Jones called on Supervisor Edwards.

Supervisor Edwards states look to me a very well thought out plan. I say go ahead and move forward with it.

Chairman Jones called on Supervisor Phillips.

Supervisor Phillips states it is an in-depth study. I am amazed at the amount of... we were really fortunate to get what we are going to get for this money that we are spending. To address Glenn's concerns, there are going to do, starting with the public meeting at the Workforce Center. It is my understanding there will be brochures. The people are going to have to come to the meetings to become aware of what is going on to begin with. It will be publicized in the paper. There will be a website and I am repeating what Mr. Johnson said, but I was also at the meeting and we expressed concern that the people feel like they are involved and have a say so, or they can voice any concerns. As the process went forward, I had of course, the concerns about the County's investment in this new Sewage Treatment Plant. I want to make sure the county's stake in this is protected or is at least taken into consideration. These are the things that... and I have requested to be on the governance committee so that I will be able to keep a finger on that pulse to see how that is going. This is all moving forward but during the process until the study is over it is going to be open to public comment and it's not costing us anything but the grant. I as well think we have started down a road and I think Glenn, the only thing we are talking about doing is trying to lessen the load on Southampton County's citizens that are paying for this enterprise fund, debt service and a supplement every year. That is the whole idea. There is a bigger picture of development coming to this area. We want to be able to be ready for that and be able to have this in place. I mean we have got to get this... we have a golden opportunity coming in this county with the development of the Hampton Roads Port. There are going to be a couple of years where we can become... we can bring the county back up to speed where it should be.

Supervisor Edwards states to be a little bit on the selfish side we have the upper hand.

Supervisor Phillips states we have made the investment, but the one thing that came out of this is for \$40,000 you are getting a wide view... I mean you have added some things, you have deviated a whole lot of things that... I am impressed. They were using terms... some of the contractors or the companies that submitted proposals had a tiered schedule of expenses and if you wanted this much you pay this much. If you wanted it this much closer and more in detail you pay almost double. By the time it was over with you would have paid more than double to get what we are getting with this study.

Mr. Michael Johnson states and just to address Supervisor Updike's question on the process in the way of price, we did get prices from all six of the firms that were interviewed at the interview stage. That price was factored in as 10% of the evaluation. So it was a concern and we knew what everybody was going to charge. I don't think there was anybody less than \$40,000. There were several that were near it.

Supervisor Porter states I would be surprised if anyone came under it. If you look at the engineering piece of it, and part of it is understanding the technology that you are working with, Timmons have an advantage because they were the engineers on our Wastewater Treatment Plant. So they don't have to study it, they know it. They have that piece already in the book.

Mr. Michael Johnson states and Davenport is both our financial advisor and the City of Franklin's so they are very familiar with our debt loads... with all those things.

Supervisor Porter states this group had an advantage on a price basis. The thing that I was more concerned about was technically they were the best group and apparently you felt like that as well. I think you did a really thorough study. I have talked to somebody about what is going on and I feel comfortable that you have come up with the right group of people to do it. And first of all, this is the study this is not the implementation. We have a whole new process of decisions to go through. I want to point out something else. We made an investment but we are subsidizing that investment to \$2.6 million a year, so we have to remember that. If we can get that down to a

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\$1 million dollar subsidy we are a big winner. We might think we are holding all the cards but let's not be so egotistical that we shoot ourselves in the foot. If we blow this and don't get anything out of it, we are still going to subsidize it at \$2.6 million dollars a year and to me that is the unacceptable path. We have to somehow work to arrive at a conscientious, a workable solution that is fair and beneficial to all parties.

Supervisor West states and I think Mr. Updike another issue that is concerning is long-term economic development. This is indeed a show to the City of Franklin that we are working hand in hand, jointly. We have been all along and we are tied at the waist. There is no question about that. I look at it in terms of economic development shortly in that area because of where they are and the industry and they are closet to the ports. I look at it for the taxpayers of this county that have been, as Barry has just pointed out, that have been footing this bill for so long. It is a win, win situation for everyone. I think the bottom line Mr. Phillips is good service will result in even better service than we presently have because we can unite into one and get better service for everybody and be prepared for the future. Maybe this thing can expand in other areas of the county. Maybe it can, I don't know but at least I like it because we can go in and find out what is available to us. We have the people and we have a grant and the grant will not be exceeded. We can get the right answers real soon.

Chairman Jones states I would just like to applaud the team. We have an excellent team and this is something we have been working on for years. We are finally getting together and it is going to benefit this county more and more than what little bit we thought we were going to get out of it. We have found out a whole lot of stuff we didn't even know. It is just awesome what you guys are doing and I applaud you and I think we have one of the best teams in the entire group.

Supervisor West states and we have qualified people. Mr. Cook and yes Mrs. Amanda and Mr. Phillips; we have qualified people.

Chairman Jones states that is what I said we have a good team.

Supervisor West states I am ready to move sir.

Chairman Jones states I am too. We need to let the City of Franklin know what we decide tonight.

Supervisor Porter motioned to endorse the management group's proposal.

Supervisor West seconded which carried unanimously.

Mr. Michael Johnson states tentatively put on your calendars July 31, 2014.

Chairman Jones states yes July 31, 2014; we don't have a time yet.

Mr. Michael Johnson states I think it is going to be 6:00 p.m. or 6:30 p.m. but it depends on the availability of the room. So what we will do is continue the July 28, 2014 meeting and I will know by then.

Chairman Jones states if there is nothing else to come before the Board, I need a motion to adjourn.

Supervisor West made a motion to adjourn.

Supervisor Edwards seconded the motion which passed unanimously.

There being no further business the meeting adjourned at 7:32 p.m.

Dallas O. Jones, Chairman

Michael W. Johnson, Clerk

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