

March 2, 2016

At a continuation meeting of the Southampton County Board of Supervisors held in the Technology Theater of the Workforce Development Center, 100 N. College Drive, Franklin, Virginia on March 2, 2016 at 6:00 PM.

SUPERVISORS PRESENT

Dallas O. Jones, Chairman (Drewryville)
Ronald M. West, Vice Chairman (Berlin-Ivor)
Dr. Alan W. Edwards (Jerusalem)
Carl J. Faison (Boykins-Branchville)
Barry T. Porter (Franklin)
S. Bruce Phillips (Capron)

SUPERVISORS ABSENT

R. Randolph Cook (Newsoms)

OTHERS PRESENT

Michael W. Johnson, County Administrator (Clerk)
Lynette C. Lowe, Deputy County Administrator/Chief Financial Officer
Beth Lewis, Community Development Deputy Director
Julien W. Johnson, Jr. Public Utilities Director
Amanda N. Smith, Administrative Assistant
Richard E. Railey, Jr., County Attorney

OTHERS ABSENT

Mr. Randy Martin, City Manager of Franklin, addressed everyone. At this time I would like to recognize Mayor Raystine Johnson-Ashburn to call the meeting to order and then she will refer to her colleague, the County, to do likewise.

Mayor Raystine Johnson-Ashburn addressed everyone. Good evening everyone. I am only going to stay up here for 45 minutes because I don't have this opportunity much longer so I am going to keep you here tonight. I want to welcome everyone and thank you for coming out. I want to take a few minutes to introduce my colleagues. We have our Vice-Mayor, representative of Ward 1, Barry Cheatham, Ward 2 Benny Burgess, Ward 3 Gregory McLemore, Ward 4 Mona Murphy, Ward 5 Mary E. Hilliard in her absence, and Ward 6 Frank Rabil. Please give them a round of applause. You know our City Manager, Randy Martin is with us and our City Attorney Mr. Taylor Williams is with us. We appreciate everyone and everyone's participation. This has been a long journey. This process has been going on for about four years and now you are hearing a report. At this time I will call this meeting back to order. Now, if you all would welcome Mr. Dallas Jones.

Chairman Dallas Jones addressed everyone. Thank you Mayor. It is an honor to be here tonight. This has been going on now for four years; it is a good thing. It is something that we needed a long time ago. It worked once before and it should work again. That is why we are working on it. One of our board members is absent tonight. Carl Faison will be in later but Mr. Cook had another meeting in Richmond so he will not be here tonight. Tonight we have Supervisor Phillips, Supervisor Porter, Supervisor Edwards, Supervisor West and myself. We would like to thank all of you; also our County Administrator Mr. Johnson and our Deputy County Administrator Mrs. Lowe. At this time I will call this meeting back to order.

Mr. Randy Martin states thank you Mayor and Mr. Chairman. It is my pleasure to get started. There are a couple of things I did want to mention; we do have some soft drinks and water in a cooler just outside. We also have some snacks. I think Amanda had some pull and I don't know how she pulled through, but technically we are not supposed to have snacks in this room so please be careful and try not to make a mess since they gave us permission to do that. We do want you to be comfortable and enjoy yourselves and get the information that you came to hear. I will

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recognize some other people here in a moment once we start the presentation. I do want to recognize Joe Hines with Timmons Group. He is here representing the consultant side of this tonight. Previously when we had a joint session with two boards they had a major role in that. Tonight we will be delivering the actual report that they have prepared as a result of the efforts of working with your Management Team. Tonight is the roll out, if you will, of the public presentation to two elected bodies and those members of the public, and Timmons. The actual summary presentation that has been worked on by the members of the Management Team, you will be able to see comments in the report of the various efforts of that. Tonight is to report back to the elected bodies of the results from their lengthy and very detailed work. Again, anyone that didn't sign in, please sign in. That is beneficial to us in following up with who was here and also for our grant report; we appreciate it. As far as I know that gets us going and we can get started. We are going to try to go through following the agenda. Mike and I are going to tag team. We got elected by the Management Team by default to make the presentation of the summary tonight of their efforts. We are going to alternate back and forth. We are assisted by Amanda Jarratt who is going to handle the technology side of it. I have copies of the agenda. If someone didn't get an agenda, I don't know how many more we have left. Any Management Team that didn't get a copy of the slides we will give as far as they go; we have a limited number of copies of those. Then we will give handouts of the actual engineering report which is a very thick document. We only have copies of those for the members of the team as well as the elected officials and the media. We will be presenting this at some civic groups going forward. We will also make copies available on our websites. We will do other ways of outreach to the public; put copies at some public facilities such as the library so that people can be aware of it. The elected bodies will have further meetings and work sessions individually on this and at that time the two bodies may decide to have other public meetings for input as we go forward in the process. Tonight is just a landmark in the sense we are taking the next step, a major leap, in reporting this information back to you. We will have handouts of that. We also have documents that include all of the minutes, handouts, and other documents utilized by the Management Team. Mike will go through the steps of the various things we have done. We put a summary of those together and we will be giving that to the elected officials so they can see how much effort was put into this by the members of the Management Team representing both communities. With that, I think we are ready to go. We want to recognize who the members of the project Management Team are. We do have a list of those members in your handout. We had equal representation between the City and the County and members of our joint Community Development Department. We also had regional representation from Hampton Roads Planning District Commission (HRPDC). We are both members of that as well as Amanda. You see the names and I won't name them all but I would like all of the Management Team members present to stand so you may see who they are. If you could join in, I would like to give them a round of applause. In the end, we will see if you will clap for them after you hear the presentation. Again, they did a tremendous job and put in a lot of time. I do want to mention the purpose tonight. It is not to debate the merits of and we are certainly not asking for any action but you will see towards the end of this presentation there are a number of next steps outlined. We do intend to do the public roll out tonight and take questions as time permits. We want to keep on schedule and not drag this out too long tonight. Once we complete the presentation if there are some questions, we certainly will try to take a few minutes, if time permits, to listen to those and if we can't answer them and the engineer needs to respond we certainly will give him the opportunity to do so. The key to it is this is just a small presentation that gives you a summary of this 300 page document you will receive. Obviously, it is not in great detail like it could be. We had an earlier version of this and went to the Management Team with it; that was more than double as long as this one. They felt it was too detailed and got lost in a lot of the numbers so we went back and tried to narrow it down to just the highlights of the analysis and recommendations. That being said, we encourage you to listen to this with an open mind and hear us out. Then, study the documents that we are going to give you before you make up your mind and come to any judgements because it is a great deal of detail that is behind each of these slides and documents that we will be sharing with you. The engineers and the other consultants did a tremendous job of putting together all of the information. They had a lot of hours of discussion and we don't expect you to have a grasp of all of that tonight. If you read the documents and study the minutes of the Management Team meetings, I think you will have a much better appreciation of how some of these conclusions were arrived at. The purpose tonight is to begin the process of educating the public as well as our elected officials on this process that we have gone through and the next steps that will be necessary and ready for discussion. With that, we will get started. I want to recognize the County Administrator, Michael Johnson, for the next part.

Mr. Michael Johnson addressed everyone. As you have already heard, several people have reference that this has been ongoing for four years. I will correct that; three and ¼ years, but it has taken us a while to get to this point. This particular project has origins going back to November 2012. That began with a Memorandum of Understanding between the Board of Supervisors and Franklin City Council. They agreed to explore, evaluate, and implement shared services opportunities that would improve services, enhance efficiency, and save money for both localities. As a follow-up to that, we have a committee that meets on a regular basis that includes the Mayor and the Vice-Mayor for the City of Franklin and two board members from Southampton. We meet regularly and talk about opportunities to share services. One of the first ones that came up was the opportunity to talk about sharing utility services. Two months after the initial Memorandum of Understanding, the Board and City Council authorize the staff to submit a letter to the Virginia Department of Housing and Community Development (VDHCD) for a planning grant to evaluate feasibility of potentially interconnecting and sharing utility services. It took us a few months to get that done and we finally got the letter of interest submitted in May 2013. In July, VDHCD responded. They said the idea sounds like it has some merit. What we will do is set \$3,000 aside for you to use and there are some things we want you to do. We want you to put together a Management Team of stakeholders from both communities. We want you to begin to talk about how you would like to structure a Request for Proposals (RFP) to actually perform the study. So, we went ahead and developed this Management Team and put together a Request for Proposals. Submitted that back to VDHCD and stated this is where we are. They said okay; we see where this is going. What we will do is provide you all with \$40,000 for a Planning Study. Once we got the notice back from VDHCD that they would fund the study we issued that Request for Proposals in March 2014 and it took until the end of July to get the contract executed. There was a consortium of firms that included Timmons Group, Davenport, as well as McGuire Woods Consulting. I will tell you that we received a number of competitive proposals back to do the study; really good competition. Members of the Management Team sat in on the interviews, perform the screenings, and based on the evaluation criteria that we established in the RFP, this particular team was selected to do the work. We actually kicked this project off in this room; some of you were here back on July 31, 2014. So, after the project kick-off, here are some bullet points of some meetings along the way. We had four Management Team meetings with all sixteen members on the days you see here; October and November 2014, June and October 2015, and then our final meeting with the full Management Team was on January 7, 2016. We also had subcommittees and workgroups that developed out of that Management Team. We had three different groups. We had a group called Governance Workgroup that was looking at how we might work together as an Authority if that was the option that was chosen. We had a Financial Workgroup that looked at what are the financial liquidations from the result of this study on each locality. Then we had the Engineering Workgroup that looked at the technical pieces; pipes pumps, those types of things. So, you can see the dates here for all of the sub-committee meetings and conference calls. Again, Randy mentioned the sixteen member Management Team; I can't tell you the number of hours that they devoted to this particular project. We finally got the draft report submitted to the Management Team in October 2015. In October, the Management Team suggested that we put together what they call a Roll-Out Subcommittee. That included several members of the Management Team as well as Randy, Amanda, and myself. We ended up having eight additional meetings trying to plan this presentation and how we would roll it out October through January. On February 10th we did our final roll-out presentation to the Management Team and of course the plan was to roll this out publically last Wednesday night, but due to high winds we delayed that and here we are tonight on March 2, 2016.

Mr. Randy Martin states that gives you the background and we had actions by the elected bodies to select the consultants; to approve that and to select and appoint the representatives of the Management Team. Next, we would like to talk a little bit about the goal. From the beginning, I think we all agreed the key was to create what we refer to as a win-win scenario for both localities. For it to work, we feel it has to maintain that. If it is not a win-win for both, then it most likely won't happen and probably shouldn't. Now, I will qualify that there are degrees of winning; not necessarily in basketball or other sport's contest where you define winning only by score. In our case there are different degrees and you will begin to see that and the Management Team came to that realization that some things are a bigger win or more advantageous than others. We feel like it needs to be a significant win-win for both localities. Three of the key or major considerations in determining whether it is a win are listed up there. Cost of course; that is the bottom line. So, what is it going to cost the two localities; the City and the County? In essence, what does that mean in terms of impact on the taxpayers and/or the rate payers in this case? In defining whether it could

be a win you see what the County's goal is; reduce the subsidy from their general fund that is currently going in from tax dollars collected to support the utility system. That hasn't changed yet; nothing has changed, but we have tried to define and identify what that really means so you will see some details on that as we go forward. In the case of the City, we do not currently subsidize our rates with tax dollars, but our goal is to minimize future cost increases to utility rate payers from actions that are required of us or that we have to take to maintain in order to keep our systems operating in compliance with all of the state rules and regulations. You will hear more about that in a few moments. The second area that we identified and was a major consideration was economic development; and all of this was covered in some degree in our grant application. Obviously, that is a high priority with both elected bodies based on their actions over the last couple of years. Going forward, it is essential as a community at-large that we work together to try and maximize our economic development potential. We will talk a little bit more about that. The third item is our responsibilities as citizens and elected/appointed officials to contribute to the environmental stewardship. Maintaining our environment and deposit waste where we can; particularly the river qualities that we have with our two rivers. Overall, in making sure what we do with our waste disposal and our water quality is in mind the best environmental stewardship plan that we can. With that, we will next talk about the scenarios that were evaluated under these proposals. We asked the consultant to specifically look at three different scenarios. The first scenario we asked them to take a look at is what we call status quo which is pretty much keeping things just like they are today. Each community remains autonomous; the County continues to operate and maintain its systems independently and the City will continue to operate and maintain its systems independently. Then, we asked them to look at the possibility of contracted services where one community might contract services to the other and one become the customer of the other. The third alternative that we asked them to consider was the possibility of a regional utility authority. When we talk about authority what we mean by that is merging the utility systems together and it would be managed and overseen by a Board that would be composed and appointed by representatives from each locality. There are currently 70 Public Service Authorities in Virginia. There are a number of examples that our management team looked at during this process. I pointed out on this particular slide; we tried to look at comparable communities. One of them was the Town of Floyd and Floyd County. Another was Frederick County and the City of Winchester; we focused on whether they had a town and a city working together and that is why we focused on those two. Those are the three alternatives that we asked the consultant to look at so that is what we are going to talk about soon.

Mr. Randy Martin states next we will discuss each of these scenarios in some detail. Again, there is a lot more details in the actual report. We tried to hit the highlights as we go through and looking at them reflecting back on those key considerations that I pointed out a moment ago. First under the status quo; that is a little misleading and we will comment later about that, because it may not be that we can do nothing and you will hear more about why. Particularly under status quo, one of the key considerations would be the City, under that scenario, continue to operate its own wastewater treatment plant until, and that is a key word, triggered to act. I want to talk a little bit about that. Again, there is a lot more details in the actual study that is documented. The key things here, we know that the state has the ability, along with the federal government, to change the water quality standards and they do quite often; and we are subject to that. That could very well trigger some action on part of the City to remain in compliance with the water quality standards. There are some ways the state can leverage you to take action on those even under the existing plan; if your flow meets or exceeds 95% of the designed capacity for three consecutive months. If you are in that situation, then the state has the ability to require you to submit plans on what you are going to do to prevent that occurrence. We will talk a little bit more about that in a moment; how close that can come upon us and how we have had some close occurrences. The third item is if a flood occurs and this community and area has had experience in that. If flood damage occurs, that requires and is referenced in some of the environmental regulatory authorities as major modifications. That can trigger action on behalf of the City to upgrade its wastewater treatment operations. Finally, last of those key considerations; making sure we have adequate capacity for economic development. Obviously, the flow that you have needs to be sufficient to meet your current needs and demands of the community as it currently exists. As you have growth and additional demand, that could come in many forms such as actual industry, new housing construction, and commercial development. All of those things contribute to the demand on your capacity and your permitted flow. That can result in your inability to serve new potential industry or other business expansions if you do not have adequate capacity under your permit. The key to all of this discussion and these considerations is once triggered the City would build a new 3

Million Gallon per Day plant out of the floodplain. That is another major consideration for the City. Everyone is familiar with the topography that our plant exists within the floodplain and would not be allowed to be reconstructed as it currently sits. It would require us to move out of it. We talked about things such as elevation and other components, but the final analysis would be that we would likely have to be sited on a new location out of the floodplain; which inside the City limits is quite a challenge. There is also a delay; a three to five year process is what we estimated and that is what experience has shown. From an engineering perspective, that is what it would take to get one of these facilities permitted and constructed. For us to have that kind of delay, you can see the impacts in terms of environmental impacts; particularly if you had additional flood damage or your capacity for economic development would be severely limited if you had to wait three to five years. That would very likely end any possibilities of any current projects if you didn't have the capacity you needed. Mike will go into some more details on some of the environmental impacts.

Mr. Michael Johnson states as Randy mentioned the first trigger that he talked about would be a change in water quality standards. I know the text on this particular slide is difficult to see but what you see here is a map of Southampton County and the City of Franklin. The purpose of this map is to illustrate the fact that both the lower Nottoway and the lower Blackwater are currently already classified as impaired waterways by DEQ. So, there are implications that are associated with having waterways that are already declared as impaired. What that ultimately means is these rivers are scheduled for development of Total Maximum Daily Loads (TMDL). Now TMDL is a regulatory term. It is used under the Clean Water Act to describe the value of the maximum amount of a pollutant a body of water can receive and still meet the water quality standards. What that really means is DEQ is going to utilize the TMDL to establish maximums for certain pollutants. It might be things like nitrogen, phosphorus, or zinc. These could enter into the rivers and enter the wastewater treatment plants and ultimately what that could result in are more stringent permit limits for the Franklin Plant which could equate to a higher level of treatment which would equate to what is called significant upgrades of that plant which triggers relocation of that plant.

Mr. Randy Martin states as Mike just pointed out; you heard some of the items on that trigger. Another one that I mentioned earlier was design capacity and I will try to cover that one. One of the DEQ regulations that I mentioned; when the monthly average flow reaches 95% of the design capacity for three consecutive months, that triggers the plant must be expanded or flow must be reduced. It is easier said than done to reduce flow. There are some things that we can do and we talked a lot about this. A lot of time was spent in the subcommittees and in the full management team talking about the age of our system; the amount of what we refer to as extraneous water that gets into our system that ends up getting treated at the plant; so, all of those considerations come into play. You can reduce the amount of that water through maintenance and replacing lines. We have done a lot of work already on that through our Public Works Department, but there is a lot more that needs to be done. It is like painting a ship. You start at one end, and once you have painted the entire ship it is time to start over at the other end and repaint. As the system ages, you have to keep those lines in the best possible condition. Even in the best of systems, keeping that extraneous water out is quite a challenge. Other than that effort to try and minimize the average flow when it is averaged out over a longer period of time, the only other way to do it is you don't have new connections. You can't increase the flow without upgrading the plant. State has the leverage to require that. Currently our average flow at our plant this past year was around 1.49 million gallons per day. That is 75% of the 2 million gallons per day permit that the City is currently operating under. These permits get reviewed periodically. I think it is every 5 years so every 5 years we are required to resubmit. Franklin just went through that process in 2014; so, the state is regularly evaluating where we stand on these kinds of things. But, on a monthly basis, and at least on a quarterly basis, they look at your averages and they look at your conditions and they can come to you and ask you to respond and give them some plan of action if you are not following your permit guidelines. Now, to illustrate how we are living on the edge with what we refer to as this extraneous water I mentioned; it is really inflow and infiltration (I&I) which is defined as ground water and/or surface water entering through broken sections of pipes, worn cracks, and poor seals. That could be in the public system or the private system on people's individual properties getting into our sewer system through those lines. So, there are sources for that like having manholes in a number of places consistently. We have been living on the edge is the way that we refer to it with this I&I. The other source other than the ground water source is the traditional drain water run-off that can also get into the system. Back in 2012, you can see the

period of August through November, we had three months out of four and the same conditions in October. You can see how that monthly flow changed each month. Those were periods of extreme heavy rainfall; that was a major contributor and also some degree of elevated ground water levels. Had we changed out October and November numbers, we would have hit this trigger. That is how precarious this thing can be. That is not the only instance over the long period of time that we analyzed, but that was one that really illustrated our concern.

Mr. Michael Johnson states the third trigger that Randy mentioned is the probability of a future flood event. What this slides show at the bottom is the elevation of the critical components at the Franklin Wastewater Treatment Plant. You will think of this when you see those numbers on the right; think of these as feet above main sea-level. For instance, that main building lower-floor locker room 3.5 means that the floor in that locker room is located 3.5 feet above main sea level. If you look at the top, you will see 10-year floodplain, 25-year floodplain, 50-year floodplain, and 100-year floodplain. That confuses people a lot of time so what that really mean is 10-year floodplain is a floodplain that has a 10% probability of flooding in any given year. A 25-year floodplain is an area that has a 4% probability of flooding in any given year. A 50-year floodplain is an area that has a 2% probability of flooding in any given year. A 100-year floodplain is an area that has a 1% probability of flooding in any given year. So, you can see the elevations of the critical components at the Franklin Wastewater Treatment Plant. The ones that are shaded in the darker gray, as you can see, are all in that 10-year floodplain. So, all of them have a 10% probability of flooding in any given year. The ones that are highlighted in yellow are the ones that are in what we call the 25-year floodplain. That floodplain is 15 feet above sea level. So those areas have a 4% probability of occurring in any given year. You see there is a reasonable probability for flooding to occur. This is an area photo of the last major flood event of the Franklin Wastewater Treatment Plant. The plant is the area that you see circled there. This is from the Nor'easter of October 2006. If you are a person that follows probabilities and odds, the probability is between now and 2031 you will see an event similar to this.

Mr. Randy Martin states just a footnote; we did ask Community Development to do a little research on this through our Emergency Services people; but, to put that into perspective, most of you in this room has been here a lot longer than I have. We went back and looked to see how many events have occurred where the flood elevation was exceeded by as much as 15 feet. The documents showed that it was 5 events. There were two in the 40s, one in the 60s, and then the two most recent was Hurricane Floyd and Hurricane Isabel. In the most recent event, the elevation reached was 21.61 and then the Floyd event was 25.11. That puts into perspective when we reflect back on that slide with those numbers; you start thinking about what was under water in our facilities as a result of that. The good thing was there were some steps taken when the Floyd event occurred; some items that were very vulnerable in some of these really low elevations were moved up, but that is about the extent of the upgrades that were done at that time and that was so we could get back operating and be less vulnerable. But, the numbers speak for themselves on how vulnerable we are in that regard. Next, we will talk about one of the other key considerations and that is economic development and the capacity available for economic development. The City, no question, has limited opportunity to compete for new industry under this evaluation. As I mentioned earlier, you have there our average daily flow. The 95% factor is showed as 1.9 MGD. You take away our 1.49 and also the City has a contractual agreement with Isle of Wight for a section of Isle of Wight that we allocated a certain amount towards. You see that amount is .23 MGD. The bottom line is the availability for growth is .18 MGD which is detailed a little more at the bottom; 180,000 gallons available. I won't go through them but you see the limited amount of development that could occur and keep us in compliance with our permit. Of course the other challenge is even if we were able to do that, we probably will get in trouble with one of the other triggers; because, unless we eliminate or greatly minimize and you can't really eliminate any extraneous water getting into the system from I&I, you are going to be challenged to maintain your flows during heavy rain periods to remain in compliance with the permit. Particularly that three month trigger as you grow and have more flow from growth. But you could work, and we talked a lot about that, in continuing our efforts and even intensifying to try to minimize the impacts of I&I, but the bottom line is that it is very limited in terms of growth; particularly industrial type of uses. With that, I will refer to Mike to summarize the County's situation.

Mr. Michael Johnson states what you see here is a snapshot of Courtland's Wastewater Treatment Plant. That particular plant is currently designed and permitted for 1.25 MGD but it was master planned to be able to be added on to with two more 1.25 MGD; what we call trains. So, ultimately

that plant has been master planned and in terms of permits has already been sized so we would be able to handle 3.75 MGD. If you look at it today with the train that we currently have constructed at 1.25 MGD. If you think about 95% that DEQ allows you to actually use before we would have to expand; that would reduce that capacity down to 1.19 MGD. Now, our current average daily flow in Courtland is about .20 MGD. So, when you subtract here you see very quickly what we have in Courtland today; available capacity is about 1 MGD in round numbers. Again, we sized the plans to be able to add two more trains which is about 2.5 MGD. At the bottom you can see what that equates to as far as flow for residential connections, light industry, and heavy industry.

Mr. Randy Martin states County has it and we don't. That is the bottom line in terms of capacity with our current situation. The next few slides we will talk about are the details of the scenarios. We are going to walk through the three scenarios and give you some more details. The first of this group that I want to speak to you about is not making up your mind based on the numbers; I know it is a sticker shock, but when you look at what the County had to spend to construct their facility and compare it to any other community of similar size, I think you will find that these numbers are not ridiculous; they are not overestimated. We hope that there would be a conservative amount that they could make it work, but it is a sticker shock. It is here, particularly when you look at what a community our size on its own under a status quo scenario would have to spend. Quick to point out, as I mentioned earlier, we have been at this for a while. The first number is for 2015. Well, we are no longer there; 2015 is gone. We are already beyond that number. Bottom line is, constructing an average size plant for our community and the needed additional capacity; constructing a 3 MGD plant. This is what I was speaking about earlier. Status quo doesn't mean do nothing in the sense of the plant. We just talked about all of the different reasons our plant may have to be upgraded; someone telling us through authority such as the state or others that we have to do it. The do nothing means the City would be standing alone and addressing this major life necessary need of having an adequate Wastewater Treatment Plant that meets all of our goals on our own and with our limited number of customers. So, honestly with the sticker shock we have to get past that. We have to focus on the reality that is set upon us in the years to come. Wastewater is expensive; it is very expensive. Meeting the water quality standards and all of the other things that we are facing, it is going to cost a lot of money and you see here based on the 2015 cost example that would double our current water and sewer rates. You see what the increase per year would be on the typical household and that is not a good thing. That is the challenge that we are facing if we stand alone and try to do this on our own. Mike will give you the status quo scenario for the County in a similar fact.

Mr. Michael Johnson states as you all know back in 2008 we swallowed the bitter medicine; went ahead and borrowed the money to build a waste water treatment plant. Our problem is we don't have the customers. What that means for County residence is we are continuing to subsidize the water and sewer operations slightly less than \$3 million a year out of our General Fund. So what does that really mean for the average person? What that means on our .77 cent real estate taxes, .19 cents of that is devoted just to cover the debt on utility operations. So, the average homeowner, who pays on \$155,000 which is the average home value in Southampton County, is paying \$285 a year extra with their real estate taxes to support the water and sewer operations whether they are connected or not. That could be John Burchett in Sebrell, Mike Johnson in Sedley, and Ronnie West in Zuni; whether you are connected or not you are paying money towards the water and sewer system. If we stay status quo, we will continue to pay for that.

Mr. Randy Martin states again, when you get into the report you will see a lot of dialog about all of the scenarios in this regards. The next thing we want to talk about by giving you a quick summary of pros and cons. I use those terms loosely because we have already been challenged within the committee and have had some significant debate about this. It is all about perspective. Somebody may consider a pro a con to some extent and vice versa. That would be in an individual's own assessment. This is what our committee came up with as what we believe to be the only arguable positives that could come from status quo and the most notable cons that could come from status quo. Under the pros as we listed them; again subject to debate. Each community will maintain control of its respective assets and rates. Now, again some may consider that to be a positive and some a negative; particularly negative if that results in having to take some very undesirable actions with the rates. That is the only positive that we could come up with and really getting back to the question of autonomy. Second major item is no major capital outlay will immediately be necessary but it would be required when a trigger forces action by the City to comply. Obviously, that can quickly turn into a negative where we could take a chance and defer

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some of these decisions under status quo. You can choose to do that until we are forced to. Of course that comes with a cost; going back to those numbers showing how those costs continues to escalate the longer this is deferred. The other part of that is the opportunity to work with the County could go away and we will speak to that in a little bit as their situation changes over time. The committee talked a lot about that. Major negatives; the most common thing is this is the most expensive option for the City to move forward once triggered. Another negative is the County continues to subsidize debt and operations with tax revenues and it does not provide any type of win-win alternative for either locality. Mike is going to talk a little bit about contracted services next.

Mr. Michael Johnson states the second scenario is contracted services. In the report, the consultant looked at six different alternatives. I am not going to go into a great amount of detail about what those alternatives are in this presentation but to give you a quick example; one of the alternatives was to go to one of the Franklin's pump stations and redirect the flow from one of the pump stations over to the collection system on Camp Parkway and then to the Courtland Wastewater Treatment Plant. Franklin continues operating its Wastewater Treatment Plant to balance the flow but a portion of the flow might come to Southampton County to relieve some pressure and allow some room for growth. Another alternative was to go to the Franklin Wastewater Treatment Plant site and build a pump station there where all of the City's flow would be pumped to Southampton County and treated there under some type of contractual operation. So, of these six different alternatives, the capital costs for the City of Franklin would range from \$28.2 million to \$62.2 million. This is a contractual deal; Franklin would pay the capital cost of whatever improvements would be required and then they would also pay the County a fee for treating their wastewater. In looking at this we made this note; the impact on operations and maintenance really deemed negligible. Any potential savings from the efficiencies of wastewater treatment consolidation were really offset by the increased cost of pumping. So, it really is the capital cost that is driving this whole thought process. When we looked at the pros and cons of the contracted services, the first pro each community maintains control of its respective assets and control is a good thing. Some would argue along with control comes responsibility which may not be a good thing, but we listed it as a pro. It is certainly quicker than the status quo but not the best long term solution to address these triggers we have talked about such as reducing the flow in the City of Franklin. Now, on the cons we talked about limited flexibility for long-term planning and execution. What we mean by that is contracts have term limits. Contracts have provisions for termination. It is very difficult for us to make long-term strategic decisions that would be in the best interest of both local governments if it is only a contractual obligation, because we don't really know with certainty what the future may hold. The second con is the City would have no real formal representation in the decision making process. They are a customer, not a partner. So, they really don't have a seat at the table they are just a paying customer as I mentioned. The relationship remains subject to the political process. Now, I will say this; I think the relations between the City and the County are probably better now than they have been in 30 years. What I can't tell you is that the same will be true 10 to 15 years from now. We don't know and as long as we simply have a contractual relationship that relationship will remain subject to the politics. Another con is each community maintains responsibility for its assets and operations. We thought about it and we believe that the contracted services option is a win, but it is a limited win for both communities based on the study alternatives. There are some options that may provide a bigger win. As Randy mentioned earlier, there are different degrees of winning with this particular service.

Mr. Randy Martin states that brings us to the third scenario that the study focuses on, and that is this concept of a Regional Authority; public service authority that is authorized under the Virginia statute and as Mike pointed out, it is utilized in a number of areas. Similarly for consistency, the engineers evaluated six different alternatives. When you go through the report, you will see the details of each. There is very little distinction and they mirror each other in a number of ways in terms of the type of facility we need constructed. Mike gave you a couple of examples. Those same six alternatives have a different range here from what is probably the cheapest of the six identified at \$20 million, but it could range as high as \$53.9 million. Again, depending on the things that are included and where your priorities lie. I will qualify that the big distinction here is you have more flexibility in phasing and things of that nature. As Mike pointed out, when you are operating either the City as a customer or independently, you don't have the tremendous ability to phase things and he guaranteed you are going to protect your interest in those assets going forward under the other scenarios. Under the Regional Authority, we did make the assumption that the impact on operations and maintenance would be deemed negligible. That doesn't mean we

couldn't make some savings. It may be that you don't have the need for more positions as a result of this in terms of staffing. It may be some other items where you could save money, but those numbers are pale in comparison to the capital outlay. So, for consistency sake, we didn't spend a tremendous amount of time focusing on those potential savings. Under either scenario we obviously would always try to pursue any ways we could cut cost. We didn't want that to drive the wagon if you will, because that really is not going to make this thing work. It is going to all be driven by the capital. With that, we will talk a little bit more about what a public service authority can do. There are some limitations on the authority, but in many respects it mirrors what the two elected bodies can do. There are some distinctions. They obviously can own, operate, and maintain a public utility system; in case of what we are discussing as their main reason for existence. They can acquire, purchase, or lease property. They can issue debt utilizing revenue bonds. Now this is a big distinction between the elected bodies that we currently have; these would be revenue bonds that would be repaid from the customer's receipts. The debts would be paid with the revenues generated by the system. Going back to the example Mike gave with the County where you currently have a large number of people who do not receive the service; many of which would never receive the service because they are so far away from the existing utility system that they have no ability to get any benefit from it. Under this scenario, only those who receive the service will be the responsible parties who would guarantee the revenue bond repayment. As I mentioned, they can issue general obligation debt and in essence they can obligate the taxing authority of either unit; like we said, they cannot levy taxes on their own. They do have the ability to fix, charge, and collect fees from the customers of the system. This is their primary way of operating. We looked at the pros and cons of this scenario and you will notice not by coincidence or by design necessarily, there are a significant number of pros that were identified. The analysis showed that the best makeup of such a committee would be to have equal representation. The theory here is any decisions made need to maintain that win-win goal that we started out with. If you can't convince the other side that it is a good thing for both, then you probably shouldn't be doing it. That is why we would recommend in this group that this route is pursued; that it would have equal representation meaning essentially you would have to build consensus between the two, the County and the City, before you were able to take major actions. Decisions here would be based solely on business factors and not politically motivated. Politically means a lot of things here, but it particularly means that by nature each of the elected bodies has a responsibility to respect the jurisdictions and their respecting constituents. In the sense of utility, as we operate ours within the City, it should be operated with more business like principles. That is really what we are speaking to here. It is not a criticism of the political process in the way that decisions are made currently. This is just to recognize that the benefit of all the customers of the utility would be taken into consideration by this Board and the majority would have to reach a consensus before they can do anything in terms of operations; investments, debts, etc. that impacts all of the customers in terms of rates would have to be considered. This option provides the greatest flexibility in planning. I mentioned that earlier, some of the limitations in some of the other options and it provide flexibility in executing technical solutions to meet the triggers. There is a great deal of opportunity for phasing these improvements which would control that \$20 million to \$53.9 million scenario. It could mean you could do it in the early years with the \$20 million expenditure and that carry you for a number of years if we properly maintain those systems and upgrade the existing system to keep from meeting some of those triggers. It doesn't say you would never have to do it but the scenario goes from the City building another plant to not building a plant at all and the Authority solely operating the current County-owned facility. This does provide the lowest cost long-term alternatives for both localities. It provides greater competitive advantage for regional economic development because then we would have a collective number. That is also another area where phasing could occur. You could increase the capacity as the demand for economic development occurs. You wouldn't have to build out the County's plant to the maximum flow number allowed by the permit that Mike mentioned earlier. You wouldn't have to do that all at once. You could do it in increments and over a period of time of use. We found out from the state and the consultants that it is also a greater opportunity to obtain grant funding for capital improvements based on regional collaboration. That is considered to be a great advantage when you are working with state and federal resources. There were some negatives identified. There is a degree where the local governing bodies would be giving up a significant amount of control of this utility operation. Of course with it, would come responsibility and debt associated with the systems to different degrees and that is talked about in more details in the report. It is a more difficult process to establish. There is a time table that we will show you in a few moments, but it does have certain things that have to be done that would require some additional efforts; so there is some difficulty in doing that. Once the assets are conveyed, there is not a real path to reverse the course. We can come up

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with scenarios of how that might be done, but as a practical matter, once you go through that door it is not likely you would ever go back for a number of reasons. That is why it needs to be carefully considered. With that I will refer to Mike. He is going to share with you what the Management Team recommendation was after hearing this report from the engineer and reviewing the entire report and then seeing the summary, they came up with their own recommendations.

Mr. Michael Johnson states there is a 250 pages plus report. Of all those technical, financial, and governance things that are in there, what the Management Team would like you to take away from tonight and remember is this; this is what they are really recommending. The Management Team thinks that the next logical step is to proceed with a full asset evaluation from an independent third party that has not worked for either the City or the County. In the report, you are going to see a preliminary asset evaluation. That asset evaluation was done by the engineers. Engineers are very thoughtful people but they are not accountants. What we are talking about is an accounting firm that could come in and really begin to assign values to the assets that are respectively owned by the City and the County so we can really determine if we are serious about putting these assets together under one umbrella so we will know exactly who is putting what in the pot. Assuming that the asset evaluation comes back and there is more thought and discussion and it is deemed appropriate and it does make sense. The next step would be to go through the legal process of setting up a Public Service Authority (PSA) in accordance with Virginia Water and Waste Authorities Act. They think the optimum number of board members is six. That would be three from the City and three from the County. Randy mentioned there will always have to be consensus on every decision that group makes by the respected locality. After the PSA is formed, develop a financial framework for an equitable consolidation of utility systems and assets. As Randy mentioned, the point of no return is once you have consolidated the assets. To get there, we have to assess the value of them, set up the legal structure, develop the financial framework, and once the two governing bodies are satisfied with all of that extra work and it still makes sense, that is when it becomes time to pull the trigger. This is sort of the schedule moving forward. Tonight is what we call the rollout. As Randy mentioned, there needs to be time for people to review it, study it, and provide input. So, we are saying three months or so for public input. We have already missed February so you may have to move this a little bit, but on this schedule we had February to April to allow sufficient time for these presentations, discussions, public meetings, and public input. Once we get that input, we would move forward with the asset evaluation. We are thinking that may take three to four months to get that work done by an independent accounting firm. Four to six months to go through the legal process of setting up an Authority. We will begin to meet with DEQ and other regulatory agencies in the meantime to talk about opportunities there may be for state funding for some of these capital improvements we talked about. Once we get to January 2017, if all of these other steps continue to make sense and we keep moving, at that point we think it would be appropriate for the authority to consider hiring their Executive Director who will be the person who will manage the Utility Operations. Then, we would begin development of the framework for the consolidation July 2017. If all of that goes well, we would be looking at potentially transferring the assets to the Authority sometime in 2018. You see there are a couple of other steps in there; meeting with potential funding agencies and applying for grants. Those things would be ongoing.

Mr. Randy Martin states to wrap up our presentation we have also taken a look and the engineer has assisted us in the report, you will see some of this information there. We tried to come up with a budget analysis looking forward and this is what the engineers recommended. We honestly haven't tested this or gotten any quotes other than their expertise of what they think it would cost. Mike and I have met and discussed it and we are planning to present to the two elected bodies during the upcoming budget for consideration of seed money, if you will, to begin this process. We are looking at a number around \$50,000 each that we would have for consideration. Each elected body would consider that during their normal budget cycle. These early items and steps, obviously there is opportunity to get additional funding from other sources; grants, foundations. We are going to pursue those to help. We feel like there needs to be a commitment from the local governing bodies to fund and go through the process that will be going on through the next fiscal year. With that said, we are at a point where I want to recognize again the members of the Management Team now that they have seen an additional presentation of this. Does anyone have any comments they would like to share as a member of the team towards the elected officials that are gathered here with regards to the presentation? If not, I know they will be available to you for individual consultation. I told them we may need them to come to some additional meetings to begin that process. Amanda started distributing the actual engineering report. We waited to give it

to you after the presentation so you wouldn't be distracted with that big document. We also will be handing out copies of the meeting summaries and wrap it up with any comments. Right now while we are handing those out, I would like to give the opportunity to any Management Team members that would like to comment. We did have three elected officials, and one is not here, that sat in on all of these meetings; Councilman Burgess and Supervisor Phillips are here. I did want to defer to those two gentlemen if they would like to make any comments to the group.



Project Management Team

| | |
|-----------------------|-----------------|
| Benny Burgess | Bruce Phillips |
| David Crear | Randolph Cook |
| Tom Jones | Nick Kitchen |
| Randy Martin | Michael Johnson |
| Russ Pace | Julien Johnson |
| Steve Watson | Dennis Beale |
| Donald Goodwin | Beth Lewis |
| | Lynette Lowe |
| Amanda Jarratt | |
| Whitney Katchmark, PE | |

Chronology

- [November 26, 2012](#) – Board of Supervisors and City Council both adopt a Memorandum of Understanding establishing a shared commitment to explore, evaluate and implement shared service opportunities that will improve services, enhance efficiency and save money;
- [January 28, 2013](#) – Board of Supervisors and City Council authorize submittal of a joint letter of interest to VDHCD for a planning grant to evaluate feasibility of interconnecting and sharing utility services
- [May 28, 2013](#) – Joint Letter of Interest submitted to VDHCD;
- [July 19, 2013](#) – VDHCD responds; offers \$3,000 for initial activities
- [March 14, 2014](#) – VDHCD provides \$40,000 for Planning Study
- [March 14, 2014](#) – RFP issued for Consulting Services
- [July 29, 2014](#) – Consulting contract executed with Timmons, Davenport and McGuire Woods Consulting
- [July 31, 2014](#) – Project Kick-Off Meeting at WFDC

Chronology

- **Management Team Meetings**
 - [October 15, 2014](#)
 - [November 12, 2014](#)
 - [June 23, 2015](#)
 - [October 13, 2015](#)
 - [January 7, 2016](#)
- **Management Team Subcommittee Meetings or Conference Calls**
 - [September 22, 2014 \(Governance Workgroup\)](#)
 - [October 2, 2014 \(Governance Workgroup\)](#)
 - [October 2, 2014 \(Financial Workgroup\)](#)
 - [October 9, 2014 \(Engineering Workgroup\)](#)
 - [December 18, 2014 \(Governance Workgroup\)](#)
 - [December 18, 2014 \(Financial Workgroup\)](#)

Chronology

- [October 13, 2015](#) - Draft Report Presented to Management Team
 - Roll-Out subcommittee appointed (8 additional meetings – October 2015 through January 2016)
- [February 10, 2016](#) - Final roll-out presentation to Management Team
- [February 24, 2016](#) – Roll-out presentation to Governing Bodies

Ultimate Goal

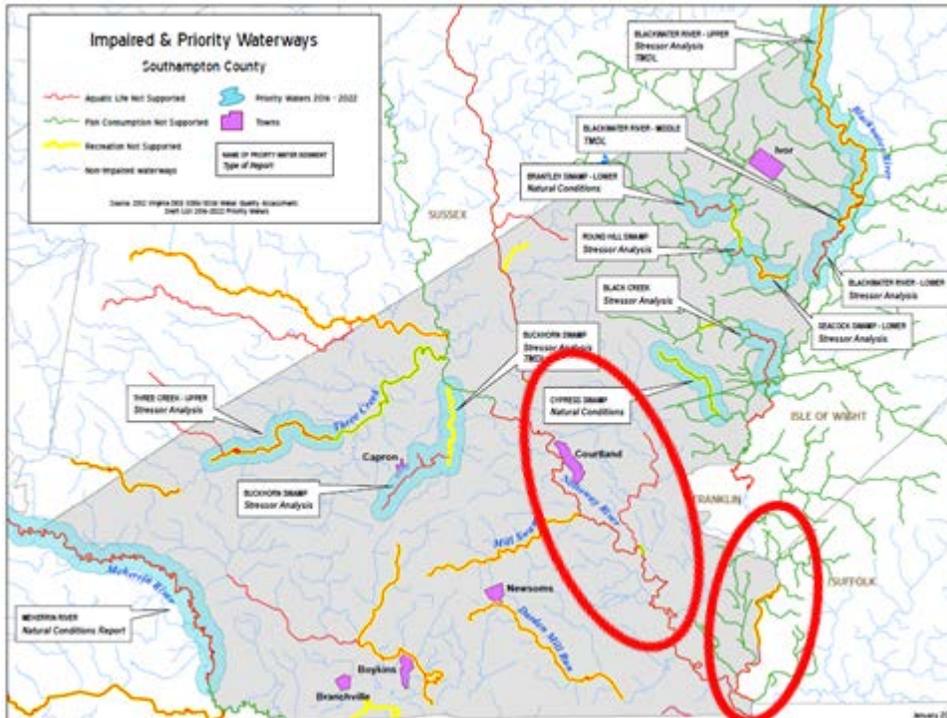
- **Create a win-win scenario for both localities**
 - **Costs**
 - County: Reduce the subsidy from the general fund in support of the utility system
 - City: Minimize future cost increases to utility rate payers
 - **Economic Development**
 - **Environmental Stewardship**

Scenarios Evaluated

- **Status Quo**
 - Each locality remains autonomous
- **Contracted Services**
 - One locality becomes the customer of the other
- **Regional Authority**
 - Merged utility systems with management and oversight assigned to a Board composed of appointed representatives from each locality
 - 70 PSA's currently in Virginia (eg. Floyd-Floyd PSA, Frederick-Winchester SA)

Scenario 1- Status Quo

- **City continues to operate its WWTP until “triggered” to act:**
 - Change in Water Quality Standards
 - Flow meets or exceeds 95% of design capacity for 3 consecutive months
 - Flood damage requires “major modifications”
 - Capacity needed for economic development
- **Once “triggered,” City would build a new 3 MGD plant out of the floodplain (3 to 5 year process)**



Changes in Water Quality Standards

- Lower Blackwater and Nottoway designated as “impaired” by DEQ
- Scheduled for development of Total Maximum Daily Loads (TMDLs)
- DEQ will use future VPDES permit limits as a tool to control the TMDLs and provide reasonable assurance that the reductions in the wasteload allocations (WLAs) are met. Compliance is expected at the time the permit is reissued, although in extenuating circumstances, a compliance schedule may be used
- May require major upgrades of the Franklin WWTP which triggers relocation of the plant away from the floodplain

Design Capacity

- DEQ Regulations - When the monthly average flow influent reaches 95% of the design capacity for three consecutive months, plant must be expanded or flow must be reduced
- Current average flow of 1.49 MGD or 74.5% of the 2.0 MGD plant

Living on the Edge with I & I

| Date | Franklin WWTP Monthly Average Flow (MGD) |
|----------------|--|
| Aug-12 | 3.2 |
| Sep-12 | 2 |
| Oct-12 | 1.4 |
| Nov-12 | 2.3 |
| Average | 2.23 |

Inflow and Infiltration (I&I) is defined as ground water and/or surface water entering the wastewater collection system.

Future Flood Probability

| | |
|--------------------------|------------------|
| 10-yr Floodplain: | EL12 |
| 25-yr Floodplain: | EL15 (estimated) |
| 50-yr Floodplain: | EL17 |
| 100-yr Floodplain: | EL19 |
| General Site Elevations: | EL8 to EL10 |

| Location | Elevation |
|--|-----------|
| Main Building Lower Floor Locker Room | 3.5 |
| Main Building Lower Floor Headworks Room | 3.17 |
| Main Building Upper Floor Lab | 13 |
| Main Building Upper Generator | 13 |
| Main Building Mezzanine at Influent Pump Station Hatches | 6 |
| Grade at Main Building | 9.5 |
| Top of Slab at Main Building | 10 |
| Top of Wall and Schreiber Units | 14.3 |
| Top of Digester Wall | 27.5 |
| Digester Building Lower Level | 7.5 |
| Digester Building Upper Level | 15.4 |
| Belt Press Building Floor | 12 |
| Old CCC Now Effluent Channel Top of Wall | 13.5 |
| New Blower Building | 14.7 |



October 9, 2006

Economic Development

- City has limited opportunity to compete for new industry

| | | |
|----------------------------------|--------------|------------|
| 95% of Permitted Capacity | 1.90 | MGD |
| Average Daily Flow | -1.49 | MGD |
| Reserved for IOW | -0.23 | MGD |
| Available for Growth | 0.18 | MGD |

0.18 MGD = 180,000 gallons
0.18 MGD = 600 residential connections; or
0.18 MGD = 1.8 million sq.ft. of light industry; or
0.18 MGD = 514,285 sq.ft. of heavy industry

Economic Development

- County has sufficient capacity at this time to compete for new industry

| | | |
|----------------------------------|--------------|------------|
| 95% of Permitted Capacity | 1.19 | MGD |
| Average Daily Flow | -0.20 | MGD |
| Available for Growth | 0.99 | MGD |

0.99 MGD = 990,000 gallons
0.99 MGD = 3,300 residential connections; or
0.99 MGD = 9.9 million sq.ft. of light industry; or
0.99 MGD = 2.8 million sq.ft. of heavy industry

Scenario 1 – Status Quo

- **City of Franklin – Construct new 3 MGD WWTP**
 - 2015 dollars - \$54.8 million
 - 2020 dollars - \$62 million
 - 2025 dollars - \$70.1 million
 - Monthly water and sewer rates would double from \$63 to \$126, an increase of \$756 annually per household based on 2015 dollars
- **Southampton County**
 - Continue to subsidize public utilities by \$2.9 million annually (equivalent to 19¢ on the countywide real estate tax rate or, stated another way, \$285 annually for an average home valued at \$150,000) based on 2015 dollars

Scenario 1 – Status Quo

- **Pros**
 - Each community maintains control of its respective assets and rates
 - No major capital outlay required until a “trigger” forces action by the City
- **Cons**
 - Is the most expensive option to move forward once triggered
 - County continues to subsidize debt and operations with tax revenues
 - Does not provide a win-win alternative for either locality

Scenario 2 – Contracted Services

- Evaluated 6 different alternatives
- Capital costs for City of Franklin range from \$28.2 million to \$62.2 million
- Impact on Operations & Maintenance deemed negligible
 - Potential savings from efficiencies of WW treatment consolidation offset by increased pumping costs

Scenario 2- Contracted Services

- **Pros**
 - Each community maintains control of its respective assets
 - Quicker than the status quo but not the best long term solution to address 1 or more “triggers” (reduce flow in Franklin)
- **Cons**
 - Limited flexibility for long-term planning and execution
 - City has no formal representation in decision making
 - Relationship remains subject to political process
 - Each community maintains responsibility for its assets and operations
 - Limited “win” for both communities based on studied alternatives

Scenario 3 – Regional Authority

- Evaluated 6 different alternatives
- Capital costs for Authority customers range from \$20 million to \$53.9 million
- Impact on Operations & Maintenance deemed negligible
 - Potential savings from efficiencies of WW treatment consolidation offset by increased pumping costs

A public service authority can...

- Own, operate, and maintain public utility systems
- Acquire, purchase, or lease property
- Issue debt utilizing revenue bonds
 - They cannot issue general obligation debt
 - They cannot levy taxes
- Fix, charge, and collect fees

Scenario 3 - Regional Authority

- **Pros**
 - Both localities have equal representation
 - Decisions based solely on business factors and not politically motivated
 - Provides the greatest flexibility in planning and executing technical solutions to meet "triggers"
 - Provides the lowest cost long term alternatives for both localities
 - Provides a greater competitive advantage for regional economic development
 - Greater opportunity to obtain grant funds for capital improvements based on regional collaboration
 - Provides the best win-win alternative for both localities
- **Cons**
 - Loss of control by governing bodies
 - More difficult to establish
 - Once assets are conveyed, there's no going back

Management Team Recommendations

- Management Team recommendations
 - Complete a Formal Asset Valuation by an independent third party entity that has not worked for either the City or the County
 - Set up a Public Service Authority (PSA) in accordance with the Virginia Water and Waste Authorities Act, per Virginia Code § 58.1-5100, with a balanced board (ideally 6 members) with an even number of representatives from the City and County
 - Develop a financial framework for an equitable consolidation of utility systems / assets

Implementation

| | |
|---|---------------------------|
| 1. Public roll-out & Citizen Input Period (3-4 months) | February '16 to April '16 |
| 2. Formal Asset Valuation (3-4 months) | April '16 to July '16 |
| 3. Legal set up for Public Service Authority (4-6 months) | July '16 to December '16 |
| 4. Meet with DEQ & other regulatory agencies | April '16 and ongoing |
| 5. Hire Executive Director for Authority | January '17 to June '17 |
| 6. Develop Framework for Equitable Consolidation | Begin July '17 |
| 7. Meet with potential funding agencies | Ongoing |
| 8. Apply for grants and other funding | Ongoing |
| 9. Transfer of assets to Authority | Potentially 2018 |

Budget Moving Forward

| | |
|--|-------------------|
| 1. Formal Asset Valuation: | \$ 30,000 |
| 2. Authority Set-up Legal Fees: | \$ 25,000 |
| 3. Additional Engineering Studies: | \$ 70,000 |
| 4. Meetings with DEQ, Regulatory Agencies and Funding Agencies: | \$ 30,000 |
| Total Recommended Budget: | \$ 155,000 |

*Based on Engineers' Estimate - 2015

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Mayor Raystine Johnson-Ashburn states may I ask a question first? Once there is a trigger, how long does the state gives us to reduce flow or expand?

Mr. Randy Martin states I will let the engineer respond to that.

Mr. Joe Hines states in reference to the trigger what that says is you need to start planning to do the next phase of work immediately. It is not stated like in other states once you get to 80% of your design flow you need to start planning the next stage of construction because of that timeline, you have 3 – 5 years to get that in place. What you don't want to do is get to the negotiating table with DEQ where they have already viewed that you have violated the permit and didn't plan because then you have to adhere to them. When you are getting close and 80% is kind of the trigger where everybody starts looking at planning for the next phase. You are right there or close enough where you need to start looking at that. In their mind they want you to do it as quickly as possible, but they are not going to be unreasonable with you. Again, they want it fixed and cleared up as soon as possible.

Mayor Raystine Johnson-Ashburn states so for clarity they don't have a defined timeline that we are to start reducing the flow or expanding the facility.

Mr. Joe Hines states no they want you to start immediately. That means they want you to get the engineering study underway, start planning for construction, and start planning for financing. There is no option to delay at that point in time. You need to proceed and they need to know that you are proceeding.

Mayor Raystine Johnson-Ashburn states but they don't dictate how long that planning is. You can plan for years.

Mr. Joe Hines states they will dictate; they will work with you to make sure you have a reasonable minimal timeframe.

Mayor Raystine Johnson-Ashburn states but there is no defined time.

Mr. Joe Hines states they basically have control to define that time as they see fit based on the current situation.

Mr. Randy Martin states in my experience before I came here, they set a range and we had a discussion on the parameters. If they felt like you weren't progressing fast enough, they would tighten down. They would stick you with fines and those types of things if you fail to perform once you establish those guidelines; and of course it could go to a consent order and we could spend a lot of time talking about. But, basically it is where you are under a court order to do something and you have no choice and they will drive the wagon then and you could end up paying a premium because of that. Before we have other questions, I will let those two elected officials comment and then we will have questions from anybody as long as the time permits.

Councilman Benny Burgess states I would like to reiterate a couple of things that were said. One is the Management Team worked really hard and I really appreciate it as a City Councilman all of the people that were involved and the amount of time that they spent because it really was a lot. Second thing I wanted to say was the committee throughout this process never looked at a particular thing and said this is what we want from the beginning. We let it evolve and it took to the very end to come up with our recommendation. As we go forward, that will be the same thing. What makes sense to both localities, the City and the County? What makes sense and what is the best option for both to be a win-win. No decision has been made. There is no scenario to say we are here and this is our full conclusion because there are a lot of decisions that will come up as we go through these steps, and decisions has to be made at each step. Based on the formal evaluation and depending on what that comes in at, it may not be a win-win. So, at every step we will get a chance to look at the decision. I want to make sure everybody realizes that we are not just recommending that we move forward to the end. It is a step by step process.

Mr. Randy Martin states as Mike pointed out there is that point of no return, but to comment on Councilman Burgess's comments further, even the creation of the Authority; we were told by the McGuire Woods representatives that it is not a commitment. There are a number of authorities across the state that have been created and they never did a thing. It was created on paper and the legal framework was set up. In the final analysis, those areas did not pull the trigger and go to the next level. I am going to hand Supervisor Phillips the microphone.

Supervisor Phillips states thank you; we were tasked and as you have seen there were a number of options for shared services where we could contract with the City or the City could put this decision off. To achieve a win-win, the PSA rises to that level. But, I would like to echo to achieve that both localities will have to have a level of commitment to come to the table with certain things that are going to be required. I would just say this process may seem a little speedy to me, but in order to achieve all of these goals it will take some work from both elected bodies to achieve them.

Mr. Randy Martin states another comment to the Mayor's question a moment ago; we have already collectively taken the steps to do this study. We are ahead of the game in the sense if we go to the state they are well aware of this. They would get copies as part of the grant process. So, they are going to know that the communities have done this study. If we shell this and do nothing for a length of time, and then we get hit with some of these triggers, I think they are going to have some hard questions for the offending parties; what happened? Why didn't you do anything? You had this knowledge; I think it is very important that we do an aggressive schedule to show that we are acting in good favor, because that is really what it comes down to. I have found over the years with these regulatory agencies, they expect you to act in good faith. Now, of course a local decision is a local decision, but again at some point that decision narrows dramatically when the state feels you are not acting in good faith or you have had an environmental catastrophe where you have bypassed a huge amount of wastewater and impacted the river quality. Any other questions?

Mr. John Burchett states yes sir; real quick. The six people that are on the Authority, will they be paid?

Mr. Randy Martin states that will be up to the Authority, but I would say it would be some comparable. It would be up to the Authority, but we haven't really researched what others do in terms of reimbursements. A lot of them do travel reimbursements and things like that, but it would be up to the Authority, and certainly they will be looking to the guidance of the two elected bodies in the creation of whether that is a good idea or not. I would say, it would likely be part-time roles. There will be a lot of work initially setting it up, but it would be part-time roles very similar to what our elected officials currently do and it may be small compensation like our elected officials currently get.

Mr. John Burchett states or it could be substantial.

Mr. Randy Martin states no. I don't see any scenario where it would be a full-time paid salary.

Mr. John Burchett states I have one more question. Have you looked into any other options?

Mr. Randy Martin states these are the only ones that came out of the engineering study, but I will let the engineer comment on that further.

Mr. Joe Hines states we essentially looked at four different options as far as combination of utility systems. The Public Service Authority was at the top because that was in accordance with the Virginia Water and Waste Authorities Act per the state. There are a number of them in the state that are properly functioning and it appears to be a good way to go.

Mr. John Burchett states how about the Hampton Roads Sanitation District? Has anybody approached them about possibly taking over both facilities, managing it, and charging us a fee? Find out what it would cost us and turn it over to them, because right now the other part of our county in the Route 460 corridor is already near Windsor. It is not that far from the County.

Mr. Joe Hines states Southampton County has asked us to participate in meetings with other potential partners in the past. I can't speak for everybody that they have talked to in the past.

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Mr. Randy Martin states I will let Mike speak to the history of those discussions. I was in a meeting today with another community that is in a similar discussion with HRSD. They have some type of unique situation but I will let Mike talk about the history. We have had no current discussions about any additional contact with them yet, but that doesn't preclude us from doing that.

Mr. Michael Johnson states John we have had discussions with HRSD twice within the last 15 years; probably the first time was in the mid- to late-1990s. The last time was around 2005/2006. Those discussions really yielded no fruit at the time, and we did not revisit that part during this study.

Mr. John Burchett states it looks like we are getting ready to put this into effect. We now have this nice sewer facility so they may be interested to talk to.

Mr. Michael Johnson states right now HRSD is a little bit distracted by the consent orders they are under to produce their overflow issues; so, they have some big fish to fry right now.

Mr. Randy Martin states to that end, Mike and I was in a meeting with CAOs not to long ago in the region and with HRSD one of the big ticket items they are looking at is they are obligated not only for their wastewater but also stormwater runoff for the region; not here but in the eastern section where the larger municipalities are located and it drains into the Chesapeake Bay. I won't go into details, but they are looking into a recharge of the treated wastewater into the water aquifer that could have positive benefits for us whether we are in the system or not. The capabilities in our area, particularly Franklin since we are on wells, draw out of that aquifer is a major issue on the horizon. This Authority, if it handles our utilities, will have to deal with that. HRSD is fairly on a fast track with that in trying to have something by 2020. So, they are being pretty aggressive on that. There are a lot of things you will see in the media in the coming months and years about that. We are opened to look at any potential option, but as Mike said, we don't know what the current climate of interest is. There was interest previously, but we don't know if they would even be interested now. We had some cursory contact with our neighbor Isle of Wight since we currently have some capacity in the City allocated to them. They may be interested in being a contractual partner with the Authority if that is the route we go; just like they currently are with the City, but we haven't pursued that because at this juncture we have done what the grant and what the parameters of the study has charged us to do. All options are still out there we can look at. Any other questions?

Councilman Gregory McLemore states lack of knowledge; would we consider this a feasibility study to pursue this project?

Mr. Joe Hines states it was considered a feasibility study/preliminary report where we incorporated the financial and organizational components into a study evaluation of the suggested recommendation. We did solicit feedback from the different teams so everybody had a lot of input into it. It is documented where you can go different ways. One thing I will say; the first thing you need to do is figure out really what the value of your assets are for each locality, because that is really the starting point of initiation. One other comment I want to make is if you control your utilities, you control your economic development in the future. Caterpillar had come to look at the Turner Tract site. It would have been great to have had two sites that would have been able to accommodate Enviva and Caterpillar. Volvo was looking at Virginia very hard, but they just announced last October in Charleston, SC. It is a \$500 million facility, thousands of jobs; it will produce 100,000 cars a year. I received a call stating we want you in Atlanta to meet with this \$458 million prospect, thousands of jobs. Phase I roughly 400,000 gallons a day water and sewer capacity and Phase II roughly 800,000 gallons a day water and sewer capacity. There are a lot of opportunities going on out there and really you guys are not too far away from them. They are looking at different localities including the Hampton Roads region and Amanda deals with that every day. What you have to do is get this infrastructure in place with the political and financial framework within the Authority, and then the actual structure itself and then you will start to see some of those opportunities come your way because that is a weakness right now. That is something to always keep in mind. It was less than three months that Caterpillar made their announcement in the United States and Southampton was a legitimate contender; \$160 million dollar investment/1,600 jobs.

Mr. Randy Martin states any other questions?

Councilman Gregory McLemore states so the grant was \$43,000 combined?

Mr. Randy Martin states it was \$40,000.

Councilman Gregory McLemore states what about the \$3,000?

Mr. Randy Martin states the \$3,000 was part of the \$40,000. They gave us an advance.

Councilman Gregory McLemore states okay and that produced the study?

Mr. Randy Martin states that is correct. Now, we put no local money other than our time and energy into this. Any other questions?

Councilman Barry Cheatham states why would the formal asset evaluation come after the input period?

Mr. Randy Martin states what we are speaking of in terms of input is this process of putting this thing out through the libraries and websites. Beyond that, I think we will schedule at least one civic group; Mike and I will do a similar shorter version of this. I think that is what we were referring to in this early stage. The asset evaluation could be ongoing but we have to appropriate money to do that.

Councilman Barry Cheatham states so the group decided that was important before we do anything further.

Mr. Randy Martin states that was a specific point that the management team came up with. They said that was a critical item that had to be done first, before we formally decide anything.

Councilman Gregory McLemore states so you are basically saying it will all depend on what the asset valuation says.

Mr. Randy Martin states it is a key consideration as the engineer has said.

Councilman Gregory McLemore states so if the numbers don't work out there then it is possible we wouldn't move forward.

Mr. Randy Martin states well that might be where you start. It is like the peeling of an onion I guess; one layer at a time.

Councilman Gregory McLemore states so the asset evaluation wasn't included in this study?

Mr. Randy Martin states no. It was beyond the scope of money that was available and what we were charged to do under the grant application. That was a result of the study. You wouldn't go through a formal asset evaluation until you get the report and decide whether you are even going to go with a Public Service Authority. If you are not going to go that route, you wouldn't need it. You would look into contracted services or some of the other options.

Mr. Joe Hines states we did visit all of the facilities from an engineering perspective and looked at them in terms of the age of the facility. We did consider a preliminary asset evaluation which is listed in there. Like Mike said, we are nice people but we are not accountants. We evaluated the value of assets from an engineering perspective; the age of the facility, the condition of the facility. We looked at the information we had and made a reasonable assessment the best that we could.

Mr. Randy Martin states one key factor is how much of the County's debt would you transfer to the authority and things like that. That is why it is such an important item. Any other questions? Mike, do you have anything else.

Mr. Michael Johnson states no; Tom has something.

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Mr. Tom Jones states one thing; on step three which is setting up the Public Service Authority, that framework would have to be approved by both governing bodies. That framework is probably where you would address the compensation for the board members. That wouldn't be something that the board itself would decide.

Mr. Randy Martin states that is a fair statement; also the boards are going to control who is appointed. I think if they have someone that took advantage of the situation it is a good chance...

Mr. Tom Jones states that would be part of the governance; the framework of the Authority.

Mr. Randy Martin states and they are a public body that has accountability.

Councilman Gregory McLemore states which elected body applied for this?

Mr. Randy Martin states both, but the County was the lead if I remember correctly.

Mr. Michael Johnson states we were the grant beneficiary.

Mr. Randy Martin states the County was the beneficiary and the City was the subsidiary on that, but it was considered a joint application in terms of consideration. Any other questions or comments? If not, I will refer to the Mayor so we can close out.

Mayor Raystine Johnson-Ashburn states in closing I would like to say so the Tidewater News can hopefully print it; we really need and welcome public participation in this decision. It is very important to get that word out. It is very important for the documents to be read by the public; any questions. We need a full vetting process as we go through these decisions; as my colleagues will go through these decisions. I would like to say on behalf of the Franklin City Council we appreciate your attendance and we do stand adjourn.

Chairman Dallas Jones states I would like to thank the committee for all of the work you have done. This is not a done deal. We are just looking at it. So, don't go out into the community and say they have already done it and it is going to happen. No it hasn't. Don't start that. Let's get it finished first and see what it looks like. We are going to let you know everything that we do. With that thank you all for coming and we stand adjourned.

There being no further business for tonight, meeting adjourned at 7:40 p.m.

Dallas O. Jones, Chairman

Michael W. Johnson, Clerk