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 November 12, 2014 at 6:30 PM.

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

SUPERVISORS ABSENT

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. Thank you all for making time to come out this evening. We particularly appreciate anybody that is here and not paid such as the local government worker. We want to thank you all that volunteer so much of your time to be here. We are going to go ahead and get started just for the essence of time; particularly our guests who have to travel to get back. We have some special guests here tonight and I will let Michael recognize her from the state, but we appreciate everybody for being here. As part of our management team I am talking about Elizabeth Boehinger. We are pleased to come back and give you another update. I will let Michael talk to you a little bit about the purpose of tonight's meeting and how it fits in with the schedule. My purpose is to welcome you and all the members of the council and supervisors. It is a historic meeting as far as I know and we will be calling both meetings to order here in just a moment. I know this is the first one since I have been here; a formal meeting between the two bodies. If you didn't sign-in be sure to put your name on the list at the entrance or we can pass it around so we can keep a good record for our grant of who attended and participated. Thank you for that and we will be taking formal minutes of the meeting on both sides and with that I will recognize our mayor and chairman to come down and recognize their boards, give a formal welcome, and call the meeting to order.

Mrs. Raystine Johnson-Ashburn, City Mayor of Franklin, and Mr. Dallas Jones, Southampton County Board of Supervisors Chairman approached the front.

Mrs. Raystine Johnson-Ashburn addressed everyone. Good evening everyone. I missed out. The last time we had a joint meeting I sat up there and Dallas Jones and I walked down the steps and I missed out on that tonight.

Chairman Jones states let's go back.

Laughter in the room.

Mrs. Raystine Johnson-Asburn states good evening everyone. It is a pleasure to be here and I think we have a full house as far as your elected leadership. I just want to introduce my colleagues and

Chairman Jones will introduce his. Our Vice-Mayor Barry Cheatham, Ward 2 Benny Burgess, Ward 3 Gregory McLemore, Ward 4 Mona Murphy, Ward 5 Mary E. Hilliard, and Ward 6 Frank Rabil, and yours truly. After Mr. Jones comes and introduces his board I will call the meeting to order. I don't want to call it to order until after he speaks.

Chairman Jones addressed everyone. Good evening to everyone. I would like to thank the mayor again. I won't forget next time. I will stay in the back and wait. I would like to thank you all for coming because this is one of the most important meetings we have had all year; get together so we can do things together. With that, I will introduce my board members: Ronnie West, Carl Faison, Bruce Phillips, Barry Porter, Dr. Alan Edwards, and Glenn Updike, along with myself, Michael Johnson, and Lynette Lowe.

November 12, 2014 Shared Utility Study Meeting

Franklin City Council/Southampton County Board of Supervisors/
Project Management Team/Consultants

Workforce Development Center, 6:00PM

Taylor Williams	
Russell Pace	
[illegible]	
David Crear	
Frank Rabil	
Donald Goodwin	
Bob Lowe	
Lynette C Lowe	
Dallas Jones	
Carl Faison	
Randy Martin	
Donnie Cagle	
Benny Burgess	
Barry W. Cheatham	
Mona Murphy	
Ronald M West	Southampton County

November 12, 2014 Shared Utility Study Meeting

Franklin City Council/Southampton County Board of Supervisors/
Project Management Team/Consultants

Workforce Development Center, 6:00PM

Mary Hilliard	
[illegible]	
Glenn H Upshire	
[illegible]	
Julien W [illegible] Jr.	Southampton
Dennis E Beck	Southampton County
[illegible]	FCC
[illegible]	SOUTHAMPTON COUNTY
Bruce Phillips	Southampton County
Gayle Phillips	Southampton Co.
MIKE JOHNSON	SOUTHAMPTON COUNTY
Elizabeth Boehringer	DHCD

Mrs. Raystine Johnson-Asburn states now I would like to call this meeting to order for the Franklin City Council.

Chairman Jones states I would like to call this Board of Supervisors meeting to order.

Mr. Randy Martin states now we are official and I recognize Michael and I recognize our management team. This is a joint meeting for that group as well.

Mr. Michael Johnson states as Randy mentioned we do have a special guest with us tonight, Mrs. Elizabeth Boehringer who is with the Department of Housing and Community Development which is the state agency that is providing the funding for this planning grant we are using to fund this study. Welcome Mrs. Boehringer and we thank you for making the trip from Richmond.

Mrs. Elizabeth Boehringer states glad to be here.

Mr. Michael Johnson states at this time may I ask all members of the management team to please

stand up for a second.

All members of the management team stood to their feet.

Mr. Michael Johnson states I won't go through and introduce everybody on the team. I think most of you know the people that are on this management team. Thank you all very much. These people have agreed to volunteer their time, talent, and knowledge to help the consultants through this study. So, we have a sixteen member management team that has been appointed to three different working groups. Those working groups are a technical working group that are looking at the engineering piece of this equation, a finance working group that is looking at the economics of the situation, and then we have an organizational work group that is looking at the governance options. These three groups have been working diligently behind the scenes. There have been a number of conference calls. There have been a couple of face to face meetings with the consultants and at this point the purpose of tonight's meeting is to give the consultant an opportunity to report out where we are in the study. To share with you the progress to date and to allow the governing bodies an opportunity for feedback and input into the process. Without further ado I will turn it over to Joe Hines, our consultant with the Timmons Group.

Mr. Joseph Hines, Timmons Group, addressed the board. Thank you Mike and everybody from both the Franklin City Council as well as the Board of Supervisors of Southampton County. Tonight I would like to introduce who I have with me from Davenport, Mr. Courtney Rogers with Davenport Financials and both groups are familiar with and Mr. Dale Mullen from McGuire Woods. They will be working with me as part of the presentation tonight. Again thank you for your time and thank you for the opportunity to do this study. It is certainly interesting as we get into each of these studies. It is like I tell college students when they first head off to college; it's a little bit of a journey and you never know where you are going to end up or when your opportunity is going to arise. We are about 50% through that journey. We think we have a decent direction as to where we will go. We are heading down that path and we will see where we will hopefully end up. I would also like to thank the management team and the sub-committees for all of their time as well. I know we have a lot of good intellectual capital within those groups. We have a presentation here that we have gone through with the management team and we want to present to everybody who is on the board or the council. We will do a quick review of the proposed agenda. We are going to do a review of our scope, a review of key drivers, and a review of our work completed to date, and alternatives of engineering, financial, governance, and organizational; and then we will talk about what is next. The overall study's objectives and scope; one was to keep an open mind. We had no predetermined solution and no stone unturned. I think we have done a pretty good job of turning over stones and I don't think we have any left to turn over. It has been an inclusive process. We have been engaged with the management team and sub-committees. We want to evaluate all aspects of shared utility services. We will review previous studies and agreements. We have gone through the bodies of information available there. Take a look at the non-shared services scenario (status quo). Take a look at the shared or contracted services since we may be contracted back and forth between the two to keep both entities the same. We will look at a regionalized scenario and a series of organizations which we could potentially and legally go down the road of and which road you think we will go down. We will make a comprehensive recommendation for what's in the best interest of both localities. The important thing here the city council may look at it and say that is not 100% in my favor and the board of Southampton might say that is not 100% in my favor but our view is to be the project advocate; an advocate for a combined system that makes since. Again, the key thing is it has to make since at the end of the day. We are going to do a phased plan and an approach for implementation. The key drivers for the project; obviously economic development. Franklin and Southampton have been working together for a number of years with Franklin Southampton Economic Development Incorporated. Regional cooperation; as I mentioned to somebody the other day, if two localities want to work together they can find a way to do it. There are usually two to three solutions to every problem. If you don't want to work together there are about 100 different ways to kill it. So, you have to make the decision if you want to work together or not. Finally there are shared efficiencies, cost, and financials. Again, we are going to recap the engineering. I don't want to down play our services but usually this is the easiest. Financial is a little bit harder but solvable. Then the governance and organizational, that is very political and the hardest to come to a solution with. We are here to make sure both localities are on board with where we are going and you all will make a decision that is for the best interest of your citizens from the city and county perspective. We can't be experts with that; you are the experts. Here is a recap of the engineering workgroup including

Dennis Beale, Donnie Cagle, David Crear, Julien Johnson, Tom Jones, and Russ Pace. What are the different scenarios that we can consider? One is the do nothing alternative. If we do nothing or you have to go to a plant expansion sometime in the future, what does that opportunity cost for not doing that and what will come down to regulation as far as both facilities are concerned. What happens with their permits and items like that. Then there is the phased approach; for example offloading sewage capacity. In other words, can we reroute part of the City of Franklin's sewer system and run it back to Southampton County's treatment plant to help balance out the flow between the two? There are multiple ways we can do that. What is the most beneficial and what is not beneficial; we are working through those scenarios right now. Consolidation of systems is the point of no return. Do we shut down the Franklin plant all together or eventually shut that down and consolidate everything over to Southampton's plant. Those items you will want to consider when you are looking at operating cost and efficiencies. Our data collection efforts today; we have downloaded all of the available GIS data. This is pretty biometric. There is a lot of data out there. We crashed a couple of computers during the process in the first go around. My engineers received brand new computers out of this and they are very thankful for the study. We have reviewed your historical documents both internal and external to Timmons. We have submitted the data needs lists to localities in which we have received almost 100% of that data and we have received complied data. We have conducted some meetings and workshops with the City of Franklin and Southampton. We came down and did a workshop with the City of Franklin on October 1, 2014 and then with Southampton on October 2, 2014. We had a conference call with the workgroup on October 9, 2014 and then we collect a bunch of data. We have been back a numerous of times since that meeting with both localities, visiting the system, looking at the pump stations, looking at all of the different operational aspects of each facility and plant. It is still a work in progress. We are doing a baseline valuation of utilities. Again, this is kind of an approximation of what it is. At some point you will need to get some type of accounting firm; a firm that does that for a living in terms of pure assets evaluation to confirm that information. We have identified issues associated with the Waste Water Treatment Plant capacity, inflow and infiltration due to the aged system in the City of Franklin, future permits for water supply. We have thought of some preliminary alternatives and we are going to look at permit compliance to determine any existing discharge capacities and nutrient loadings. We have done due diligence in field surveys. Again, as mentioned we have visited a number of facilities. We have visited 18 facilities in the City of Franklin and approximately 41 facilities in Southampton County. We conducted those in the first two weeks of October. Here are some of the basic system features. The baseline designed capacity for Courtland's Wastewater Reclamation Facility is 1.25 million gallons per day. The current usage is between 140,000 to 170,000 gallons per day. So in terms of economic development opportunities you want to look at your available capacity which is roughly to 800,000 gallons per day. When you get to the 80% mark of a facility design which is about 1 MGD a year that means you are forced into considering an expansion or into a plant expansion when you get to 95% capacity and forced into an actual expansion. So we want to be cautious of that and keep that number in mind as we go along. The Franklin Treatment Plant has a design capacity of 2.0 MGD and the current usage is 1.3 to 1.4 MGD. Wet weather, infiltration and inflow peaks have been as high as 6 MGD per day for wet weather situations. So, there are some potential options under consideration. We are looking at off-loading certain Franklin's Pump Stations within certain service areas to potentially feed them over to Courtland Wastewater Reclamation Facility. We have looked at off-loading certain Franklin Pump Stations to the Turner Tract force main. The county is in the process of installing that force main and potentially up-size that line. Construct interceptor Pump Stations in the Franklin system. In other words, do we take key points in the system and divert the flow over or do we go ahead and construct a large pump station, an interceptor Pump Station, at the Franklin's Waste Water Treatment Plant? Have everything flow down towards that treatment plant and then redirect it over to the Southampton plant. That way we could send an incremental flow to Courtland. One advantage that alternative offers is essentially it allows you to balance the system. When you look at these water and wastewater systems, you have to look at them as a system not as an individual unit because they all work together. So, there is a particular advantage that we can balance how much flow we can send over to Southampton to basically help both facilities reduce some wastewater; decrease the amount of wastewater in Franklin and increase the wastewater usage in Southampton. Other items under consideration; a potential flow from Cypress Cove. Which way do we go with that flow? Do we feed it into the City of Franklin or do we run that through Southampton system via The Turner Tract? Do we use the Franklin Wastewater Treatment Plant as a potential equalization basin during wet weather flow? In other words do we take that plant and decommission it over a five to ten year schedule? What can we do to help design our situation around what the City of Franklin is dealing with? The Hydraulics of multiple

interceptor pump stations and force main verses a single interceptor pump station at the City of Franklin. Those items we are trying to consider from an engineering perspective. So, cost considerations; what are future upgrade costs for Franklin Wastewater Treatment Plant? When and how much? I think it is kind of clear the way regulations are going that the Franklin Treatment Plant will eventually need to be upgraded so we want to take that into consideration. What does that cost and do we redirect that cost into our system. The cost of multiple interceptor pump stations in Franklin versus one pump station at the treatment plant. The upgrade cost for the Courtland Wastewater Reclamation Facility. It is not cheap to go out and essentially take that plant and extend it from 1.25 to 2.5. At some point in time will it make sense? Maybe 5, 10, or whatever number of years down the road you may want to take that step. The potential cost impacts for more restrictive discharge permits if required. That is, if we move a discharge permit over where the City of Franklin is and try to consolidate it with Southampton there will be some issues we are going to have with that. The ultimate operational impacts; power, staffing, chemicals, etc. If you run two plants, there are certain operational costs. There is a fixed minimum costs associated with working one plant. If you are working two plants are you going to absorb that cost or is there some efficiency in reducing that to one plant and increasing staffing numbers. Where are those efficiencies? We are working through those numbers right now. So, path forward; complete our baseline valuation. We have done our preliminary evaluations concerning divert wastewater flows, incremental, complete diversion, and potential consolidation of water systems. Then, we are looking at the order of magnitude costs estimates. What we want to do is make sure we are within reasonable language. It is not a detailed cost estimate. We will make sure we have the appropriate contingencies involved. We will try to use what essential costs are within the industry. We will be talking with contractors who have done this work before within this region. We will try to come up with some good numbers to give you a good magnitude of cost estimates. Now I would like to turn it over to Courtney Rogers to talk about the financial aspect of the project.

Mr. Courtney Rogers addressed everyone. Good evening. So, covering the financial workgroup is Donald Goodwin, Michael Johnson, Nick Kitchen, Lynette Lowe, and Randy Martin. We had a conference call on October 2. We talked about the update on the status of the models being built. Potentially what we did, we went in on an accounting line by line budgetary basis and built the last five years historical revenue expenditure models for both the city and the county. Then we added the budget information to FY 2015. What we are going to do is look at the alternatives that Joe talked about just a moment ago. We will look at status quo; what happens if we continue to move along the lines we are now as non-shared services. We will also look at shared or contracted services and a regional scenario where there is one authority. Then we discussed what types of outputs the city/county would like to see. The next steps for us; we need assumptions for operating expenditures under various scenarios; essentially power, staffing, and those types of things. We need to know under these various alternatives, what future increases we may need to add into the models. Then we have the capital expenditures side if the city does need to do something from a regulation standpoint to keep the sewer system running properly. We want to factor that in so we look at the status quo side and compare that to the regional scenario and we can see the impacts on the rates. We talked a little bit about timing and the schedule we will continue moving forward. Some of the other considerations that we want to take into account are the user rates themselves. One of the things a number of funding agencies look for is to make sure the rates are at least 1.5% in order to qualify for certain types of grants. That is one thing they look at. Then, they go back historically and look at rate changes. Some of you will notice Franklin last had an increase in 2008 and Southampton had one in 2013. It was also mentioned looking at capital cost and operational cost. One of the things we will take into account in the final scenario, under federal law and state law, the restructuring of debt between the City and County if we go with that scenario. There are some things we can do there to be efficient with both sides. This chart shows the breakdown of residential and non-residential customers, and gives figures of both water and wastewater for each system. The fourth column gives you the rates on a 5,000 gallon per month user basis. You can see Franklin is a little bit lower than Southampton on both water and wastewater. If you think about, going back to that previous slide, it has been about five years since an increase on the City of Franklin side. You typically see a 2-3% increase from any type of system. Going back to the things that Joe mentioned, power, staffing, those are the things that typically drive the facility system debts. So, if you are not raising rates, you are seeing the expenditures go up and that may be part of the differential you will see. When you combine them together you will see that Southampton's is $72.00 per month for someone who uses 5,000 gallons and Franklin's is almost $10.00 behind there. Now, I will turn things over to Dale Mullen.

Mr. Dale Mullen addressed everyone. Good evening. It is good to be back here. It is always great to see two localities, a county and a city, that have decided to make a commitment to explore the possibilities of moving forward together. Two solid business partners, who are committed to the same things; the good of both communities, the county and the city can accomplish more together than individually utilizing their resources… I hate to use the term because I think it is over used but synergistic, in fact where it is equal to more than what either of you could have brought to the table alone. The governance work group included Bruce Phillips, Randolph Cook, Michael Johnson, Benny Burgess, Beth Lewis, Randy Martin, Amanda Jarratt, and Whitney Katchmark. It also included me and Preston Bryant. Preston couldn't be here tonight so I am filling both roles. Preston is with McGuire Woods Consulting and I am an attorney with McGuire Woods. The work group had two lengthy conference calls. We talked more than four hours as well as side discussions with other players in answering questions, exploring the code, determining what governance vehicle offered the greatest possible benefit at the lowest possible risk. Part of that includes leaving yourself as both the city and the county the maximum flexibility to do many of the things that Joe talked about and to do many of the things that Courtney talked about which are, what are we going to put in terms of infrastructure and how are we going to pay for it, and how might we structure the debt that always come along with those two things? The what and the how.
The work group had two conference calls. One of the things that I noted the most is in all of the conference calls it always come down to the central question; the only thing that all of the participants are concerned with, if it is determined to be more efficient and cost effective for a county and city shared utility to provide water and wastewater services, what is the most responsible and equitable governance structure? You are blending resources and there is always a natural fear of what do we get and what do we give up? Thankfully, Virginia has a very elaborate system in the code of the way these kinds of projects generally move forward. Over time, I am proud to say that I have worked with many, and certain patterns begin to emerge. So, I bring to this not just the benefit of our experience in the conversation, but some experience on a statewide level. The primary consideration, and this is where the people from the media need to pay attention, primary consideration is always what is in best interest of the county tax payer and what is in the best interest of the city tax payer? Every conversation that we have had has revolved around those two points. There are some major considerations like providing the best service. People like their utilities, their water and wastewater, to be very predictable; not just in cost but also the provision of the service. If it is being paid for equally by both, it is very important both the county and the city consumer receive the same level customer service; receive the same level of provision of service; the financial strength of the county and city. Both the county and the city bring unique challenges and strengths to the table. The debt issuance by the shared utility; that is a major consideration when considering how these services will be provided. How will we structure the debt issuance? In fact, what is the most appropriate governance structure to provide for the debt service that could be necessary to build the infrastructure that will provide for a robust economy, provide for reliable services, and grow jobs throughout the region. Also, there need to be a fundamental fairness in the governance structure. Neither the county nor the city should bare an unequal burden of risk, or an unequal share of decision making. The work group discussed four possible governance structures. The code sections are not set up here but I will tell you what they are as we go through them. The first is a public service authority. Second is a special service district. Third is a community development authority and the fourth is a joint powers agreement. For each of these, in each of the conversations, we paid special attention to ensuring the financial strength of the joint effort including debt issuance and management. The working relationship; both financial and management relationship of the county and the city. Some attention has to be paid to the ease of the administration. I know that the city and the county already share certain services especially with large Economic Development, but the transition needs to be as seamless as it can be. There needs to be some ease in how the services are provided. I am going to skip over the first one and I am going to start with special service district. Special service districts are set up by Virginia Code 15.2-2403. They are frequently used for transportation or other kinds of services. I will tell you that special service districts are not commonly used for a shared utility like water or wastewater. There is a provision in the code where it can be used for water and wastewater utilities; also heat, power, and gas. One of the problems with the special service district is they don't have the same flexibility for issuing debt that some of the other three that we will discuss tonight have. Actually there is a specific prohibition in 15.2-2403 at paragraph 12 if you care to look it up. In paragraph 12, there is a specific prohibition that prohibits a locality from obligating general revenue funds and there is also a prohibition that prevents localities from pledging full faith in credit to the debts of a special service district. It may be necessary in the future to have those options available if a special service district is selected. Virginia code 15.2-2403 at

paragraph 12 specifically prohibits those. They can require properties in a district to connect for service and that way they are like some of these others, but that is a special prohibition against government involvement that you don't find in some of these other options. There are community development authorities. I participated in community development authorities (CDA) and in the past I have seen no examples, and I actually did a search this time, and I found no examples in Virginia of a community development authority being used for shared utilities. They can provide for all of the responsibilities envision for a shared utility. However, they are only established by a petition and while they can issue debt, there is generally less government involvement in community development authorities. They can request localities for an annual special tax levy not to exceed $.25 per $100.00 of assessed value. I have seen no example of a community development authority being used for a shared utility. A joint powers agreement, again, I didn't find any examples of a joint powers agreement being used for a shared utility. The localities have to annually appropriate operations funds. They cannot issue debt. They do not function as a standalone. It is the equivalent of memorandum of understanding there not generally suited for this type of project. I want to go back to one that emerge and always emerges in Virginia as a clear means of financing; a clear means of governance and that is the public service authority. The public service authority is established by 15.2-5102. It is a special provision in the Virginia Code that allows for this specific form of governance; especially for shared utilities. Now with the CDA, joint powers agreement, special service districts, I can say I have not seen any examples in Virginia. The one example that comes to the front is always the public service authority. Especially when the pair of powers for the water and wastewater utilities, and it is not just water and wastewater, you can establish others under the code. Those are the two most frequent. But, there are at least 70 identified in Virginia, water and wastewater authorities that exist. I am proud to say that my firm represents the organization that defends and represents the interest of those water and wastewater authorities, and one of the reasons these become so popular is that they provide the ability to be able to carry out every responsibility you might imagine for a shared utility and carry with it the ability to issue its own debt. This is important and Courtney can speak more of this as we progress. There are other options that will be available for how exactly this occurs, but the counties can pledge their full faith in credit and counties can participate financially, but they are structured under the Virginia Code to operate as an independent entity. They can issue their own debt as a public service authority. So, trends emerged from the workgroup's conversations. None of these decisions have been made. These are all simply ideas. These are patterns and considerations that have emerged. The workgroup is certainly leaning towards a public service authority. It is also, I believe, tried and true, it's tested and you will see it all across the state of Virginia. It is most commonly used for shared utilities. It provides for all of the responsibilities necessary to issue its own debt. The workgroup is also leaning towards a governing board that is comprised of either 6 or 8 members. These will be split evenly among County and City representatives. The City would have 3 members and the County would have 3 members or the City would have 4 members and the County would have 4 members. The governing board conversations that took place in the workgroup all agreed with the fundamental idea that part of the equity sought would be found in sharing the powers jointly. Additionally I would say and this is not uncommon among the 70, the idea emerged that the board, the governing body, should have some sense of autonomy. It should be able to make its own decisions if it is in fact a Board of Directors then it should be able to run the business of the authority. The county's Board of Supervisors and the City Council should have the appointment authority but no significant involvement beyond board appointment. Now, this is deceiving, no significant involvement. If the governing body is potentially going to be giving grants perhaps, certainly backing the loans that may be made potentially, making the appointments, then in those cases there is significant involvement. I know with certainty that when I am dealing with an appointed member of a authority, water, wastewater, or solid waste authority in Virginia I am always by proxy talking to the board member or the city council member who appointed that person. But, there should be some sense of autonomy and the workgroup felt these points were important. If the public service authority was declared winner, the governing board should be equally split among the County and the City, and the board should function with a certain amount of independence. Rate setting should be the sole responsibility of the shared utility board. By code, that is the way it is done anyway. Once you make the decision to use a public service authority, you have decided how the rates will be set. Obviously there will be input and opportunities for conversation between the appointing members of the governing bodies and the City Council and the Board of Supervisors. But, the rate setting at that point is the sole responsibility of the shared utility board. The workgroup is still considering what the board composition should be. I will tell you that across Virginia, I just had lunch with the Chairman of a board of a water and wastewater authority

and that board's executive director and we were talking about the differences that one seats. Sometimes in Virginia you will find that governing bodies, either City Councils or county's Board of Supervisors want a higher level of control. They agree the board should function autonomously, but they want more direct involvement. There are probably five, six, or maybe a couple of more where the board of directors of the public service authority is the same. In one case, at least, it is exactly the same as the Board of Directors of the water and wastewater authority. I guess if one doesn't have enough meetings to go to as a City Council person or as a Board of Supervisor member, you can always appoint yourself to the board. It makes a lot of meetings and while it has the appearance of autonomy, there really isn't any actual autonomy. But you will see that; you will sometimes see a board liaison; one member of a City Council or one member of a Board of Supervisors who will sit on the Board of Directors. You will more frequently see that these people are appointed from the citizens at-large of either the City or the County and then function as the appointee of the elected member of the Board of Supervisors or the City Council. The truth is, the decision is yours. In Virginia Code you will find no hard and fast rules that say it must be one way or another. You have the ability to decide. You can shape it as the governing bodies any way you decide. Next steps; we will certainly have to have at least one more meeting or call to discuss board composition. We will need to review and achieve consensus on all Governance and Organization recommendations, answer any outstanding questions, and now Joe Hines will talk about the schedule going forward.

Mr. Joseph Hines states thank you Dale and thank you Courtney. Obviously we will be here for questions when we complete this presentation. Quickly I want to go over where we are on the proposed schedule. We had approval of contract by the City and County the week of July 14, 2014. We did our first Management Team Kick-off Meeting on July 31, 2014. We established work groups and have had a hand full of meetings and conference calls in between as necessary to help gather information. We had our second management team meeting with the preliminary evaluation results which essentially is a summary of what you saw tonight during the week of October 13, 2014. We are here tonight presenting the preliminary results to City Council and County Board November 12, 2014. So, moving forward we tentatively have on schedule the week of November 17 or 24 to have our third management team meeting. That may be bumped back a little bit. We are going to try to adhere to that and get that done before Thanksgiving. As we work through all of these different scenarios that we discussed here, we are a little bit further along then what this report shows. At this point in time we will be discussing in depth all of the recommendations we may go with. One is the multiple pump stations in the City of Franklin system or do we recommend one consolidation system. What is the timing and phasing of potentially consolidating and working with both plants; items like that. And, then we will discuss how the financial organization recommendation moves forward. What are some of the benefits if we do a shared utility service or if we don't; items like that. Then, we will solicit that back from the management team prior to finalizing the report. We should have a draft preliminary hearing report and implementation plan to the management team somewhere around the middle of December. After we get done with that meeting, we should submit the final PER and Implementation Plan the middle of January 2015. Then, we will present these findings of study to the City Council and County Board somewhere around the end of January and the beginning of February. Of course this is the Davenport disclaimer not the Timmons Group or McGuire Woods disclaimer, but obviously from any financial perspective they put in a disclaimer as far as their work is concerned. That concludes the presentation. I know there is probably a hand full of questions. I know Raystine whispered a couple of questions to me. One of the things the mayor just asked about, does the public service authority have taxing authority? It is my understanding that you have rate setting authority from the users but you don't have taxing authority.

Mr. Dale Mullen states that is correct. A public service authority does not have taxing authority. You can get your revenue three ways that I can think of. You can get it by your rates. You can get it by grants, or you can borrow the money, but it does not have taxing authority the same as a locality would.

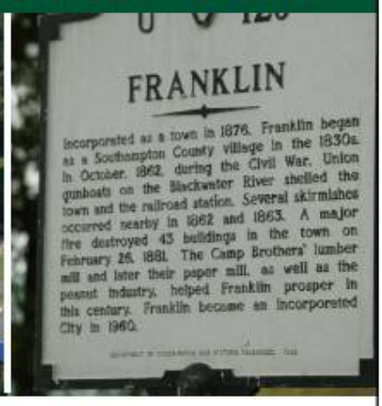
Mr. Courtney Rogers states you can also get a transfer from another locality right?

Mr. Dale Mullen states yes, sure.

Mr. Courtney Rogers states okay so that would be another way.

SHARED UTILITY SERVICES STUDY - UPDATE

Southampton County & City of Franklin



Presented to City of Franklin & Southampton County
November 12, 2014

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Proposed Agenda

- ✓ Review of Project Scope
- ✓ Review of Key Drivers
- ✓ Review of Work Completed to Date & Alternatives Considered
  - Engineering
  - Financial
  - Governance / Organizational
- ✓ What's next…

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Overall Study Objectives & Scope

- ✓ Open mind – no predetermined solution & no stone unturned
- ✓ INCLUSIVE process
- ✓ Evaluate all aspects of shared utility services
  - Review previous studies & agreements
  - Non-Shared Services (Status Quo)
  - Shared or Contracted Services
  - Regionalized Scenario
- ✓ Comprehensive Recommendation for what's in best interest of both localities
- ✓ Phased plan / approach for implementation

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Key Drivers

- ✓ Economic Development
- ✓ Regional Cooperation
- ✓ Shared Efficiencies
- ✓ Costs / Financials

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Franklin-Southampton Shared Utilities Study Components

- ✓ Engineering – *Easiest*
- ✓ Financial – *Harder, but solvable*
- ✓ Governance & Organizational (Political) – *Hardest*
- ✓ Implementation Plan

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Engineering Workgroup

- ✓ Dennis Beale
- ✓ Donnie Cagle
- ✓ David Crear
- ✓ Julien Johnson
- ✓ Tom Jones
- ✓ Russ Pace

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Engineering Considerations

- ✓ Do nothing
- ✓ Phased approach (i.e. offloading sewer capacity)
- ✓ Consolidation of systems (Point of no return)
- ✓ Capital Costs
- ✓ Operational Costs / Efficiencies

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Data Collection Effort

- ✓ Downloaded Available GIS Data
- ✓ Reviewed Historical Documents
  - Internal and External to Timmons
- ✓ Submitted Data Needs Lists
- ✓ Received Compiled Data

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Conducted Meetings / Workshops

- ✓ Engineering Workshops w/ Franklin & Southampton
- ✓ Franklin - Workshop on Oct 1, 2014
- ✓ Southampton – Workshop on Oct 2, 2014
- ✓ Conference Call with Workgroup on Oct 9, 2014

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Data Analysis

- ✓ Work In-Progress
  - Baseline Valuation of Utilities
- ✓ Identified Issues
  - WWTP Capacity
  - Inflow and Infiltration
  - Aged Systems
  - Future Permits for Water Supply
  - Preliminary Alternatives
  - Permit compliance
    - existing discharge capacities / nutrient loadings

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Due Diligence - Field Survey

- ✓ City of Franklin
  - October 3, 2014
  - 18 Facilities Visited & Observed
- ✓ Southampton County
  - October 7 thru October 9
  - 41 Facilities Visited & Observed

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Basic System Features

- ✓ Courtland WRF
  - Design Capacity: 1.25 MGD
  - Current usage: 140,000 to 170,000 GPD
  - Available capacity: up to 800,000 GPD before expansion limit
- ✓ Franklin WWTP
  - Design Capacity: 2.0 MGD
  - Current usage: 1.3 to 1.4 MGD
  - Wet weather (I&I) peaks – 6 MGD observed

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Potential Options under consideration

- ✓ Off-load certain Franklin PS's & service areas to Courtland WRF (incremental)
- ✓ Off-load certain Franklin PS's to Turner Tract force main (potentially up-size line)
- ✓ Construct interceptor PS's in Franklin System
- ✓ Construct interceptor PS at Franklin WWTP
  - Incremental flow to Courtland

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Other items under consideration

- ✓ Potential flow from Cypress Cove
- ✓ Use of Franklin WWTP as a potential "equalization" basin during wet weather flow
- ✓ Hydraulics of multiple interceptor PS's and force mains vs. a single interceptor PS at Franklin WWTP

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Cost considerations

- ✓ Future upgrade costs for Franklin WWTP (when & how much)
- ✓ Costs of multiple interceptor PS's in Franklin vs. one PS at the Franklin WWTP
- ✓ Upgrade costs for the Courtland WRF
- ✓ Potential cost impacts for more restrictive discharge permits (if required)
- ✓ Operational impacts (power, staffing, chemicals, etc.)

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Path Forward

- ✓ Complete Baseline Valuation
- ✓ Preliminary Evaluations
  - Divert Wastewater Flows
    - Incremental
    - Complete Diversion
  - Consolidate Water Systems
- ✓ Order of Magnitude Costs Estimates

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Financial Workgroup

- ✓ Donald Goodwin
- ✓ Mike Johnson
- ✓ Nick Kitchen
- ✓ Lynette Lowe
- ✓ Randy Martin

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Financial Management Team Update

- ✓ Held a Conference Call on October 2 :
  - Update on the status of models being built was given
  - Discussed the three alternatives to be evaluated:
    - Non-Shared Services (status quo)
    - Shared or contracted services
    - Regional Scenario
  - Model outputs
  - Next Steps
    - Need assumptions for Operating Expenditures under various scenarios
    - Need assumptions for Capital Expenditures under various scenarios
  - Timing

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Financial Considerations

- ✓ User Rates – 1.5% MHI for funding agencies
- ✓ Recent rate changes – consistent with 2-3% per year?
  - Franklin – 2008
  - Southampton - 2013
- ✓ Capital Costs
- ✓ Operational Costs
- ✓ Considerations under new organizational structure
  - Restructuring Debt

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Current Users & Rates

Description	Residential Customers	Non-Res Customers	Res Rates 5,000 gal /mo	Bus Rates 1 MG / mo	Last Rate Change	% Total Res	% Total Non-Res
Water							
Franklin	3,248	252	$26.77	$2,842	2008	81%	72%
Southampton	770	99	$31.00	$5,006	2013	19%	28%
Totals	***4,018***	***351***					
Wastewater							
Franklin	3,208	252	$36.56	$3,947	2008	71%	61%
Southampton	1,294	163	$41.00	$7,006	2013	29%	39%
Totals	***4,502***	***415***					

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Franklin vs. Southampton Rates

- ✓ Avg Water & Sewer bill for 5,000 Gal per month
  - Southampton $72.00 / month (2013 Rate)
  - Franklin $63.33 / month (2008 Rate)

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Governance & Organizational Workgroup

- ✓ Governance & Organizational Workgroup
  - Bruce Phillips — Southampton County
  - Randolph Cook — Southampton County
  - Michael Johnson — Southampton county
  - Benny Burgess — City of Franklin
  - Beth Lewis — City of Franklin
  - Randy Martin — City of Franklin
  - Amanda Jarratt — Franklin-Southampton Economic Development, Inc.
  - Whitney Katchmark — Hampton Roads Planning District Commission

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Governance & Organizational Workgroup

- ✓ Workgroup has had two lengthy conference calls – some four hours of discussion, plus many hours of research
  - Workgroup discussion has been robust, comprehensive, and collegial
- ✓ Central question
  - "If it is determined to be more efficient and cost-effective for a County-City shared utility to provide water and wastewater services, what is the most responsible and equitable governance structure?"
- ✓ Primary consideration
  - What's in the best interest of County and City taxpayers …

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Governance & Organizational Workgroup

- ✓ Several major considerations
  - Providing best service to County and City citizens
  - Financial strength of County and City
  - Debt issuance by Shared Utility
  - Strengthening economic development potential
  - Governance structure fairness

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Governance & Organizational Workgroup

- ✓ Workgroup discussed 4 possible governance structures
  - Public Service Authority
  - Special Service District
  - Community Development Authority
  - Joint Powers Agreement
- ✓ For each, special focus was on
  - Ensuring financial strength, including debt issuance and management
  - Working relationship (financial, management) with County and City
  - Ease of administration (management)

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Governance & Organizational Workgroup

- ✓ Public Service Authority
  - Some 70 such water and wastewater authorities exist in Virginia
  - Provides for the ability to carry out all responsibilities envisioned for a Shared Utility
  - Can issue debt (revenue bonds)
- ✓ Special Service District
  - Not commonly used for a Shared Utility
  - Provides for water and wastewater – and heat, power, and gas systems
  - Can require properties in district to connect for service
  - Cannot issue debt

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Governance & Organization Workgroup

- ✓ Community Development Authority
  - No examples in Virginia of a CDA being used for a Shared Utility
  - Provides for the ability to carry out all responsibilities envisioned for a Shared Utility
  - Can only be established per petition of 51% of property owners in a proposed CDA district
  - Can issue debt (revenue bonds)
  - Can request localities for an annual special tax levy not to exceed $0.25/$100 of assessed value
- ✓ Joint Powers Agreement
  - No examples in Virginia of a JPA being used for a Shared Utility
  - Localities must annually appropriate operations funds
  - Cannot issue debt

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Governance & Organization Workgroup

✓ Where the Workgroup is leaning …

- Public Service Authority is best governance structure
  - Most commonly used for Shared Utilities
  - Provides for the ability to carry out all responsibilities envisioned
  - Can issue debt (revenue bonds)
- Governing board should be 6 or 8 members, split evenly among County and City representatives
- Board should be autonomous – i.e., the County BOS and City Council should have no significant involvement beyond board appointment powers

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Governance & Organization Workgroup

✓ Where the Workgroup is leaning …

- Rate-setting should be sole responsibility of Shared Utility board
- Workgroup is still considering what board composition should be – i.e., elected and appointed officials, citizen members, etc.

✓ Next Steps

- Likely one more conference call to discuss board composition
- Review and achieve consensus on all Governance & Organization recommendations

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Proposed Schedule & Management Team Meetings

✓ Approval of Contract by City and County: *Week of July 14, 2014*

✓ 1st Management Team Meeting - Kick-off Meeting: *July 31, 2014*

- Provide a project overview and review goals & objectives of the study
- Discuss Management Teams concerns, potential issues and desired outcomes
- Establish working groups for each area of analysis (Engineering, Financial and Organizational) with 3-4 people per working group
- Working Group meetings/conference calls in between as necessary to help information gathering and to frame up the primary issues under consideration

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Proposed Schedule & Management Team Meetings

- ✓ 2nd Mgmt Team Meeting – Prelim Evaluation Results:
  Week of Sep 15 or 22 (WEEK OF 10/13)
  - Provide results of the preliminary evaluation of the three areas of analysis
  - Discuss potential Engineering, Financial and Organizational alternatives considered and the potential benefits, drawbacks and findings of these studies
  - Solicit feedback from the Management Team
  - Working Group meetings/conference calls in between as necessary properly vet the alternatives under consideration
- ✓ Present Prelim Results to City Council and County Board (Joint Meeting)
  Week of Sep 29 or Oct 6 (November 12, 2014 – Tonight)

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Proposed Schedule & Management Team Meetings

- ✓ 3rd Mgmt Team Meeting – Prelim Recommendations & Study Results:
  Week of Nov 17 or 24
  - Provide prelim recommendations & study results to the Management Team
  - Discuss Engineering, Financial and Organizational recommendations
  - Draft implementation plan for discussion
  - Solicit Feedback from the Management Team prior to finalizing report
- ✓ Submit Draft PER and Implementation Plan to Management Team:
  Week of Dec 15 or 22
- ✓ Submit Final PER and Implementation Plan: *Week of Jan 19, 2015*
- ✓ Present Findings of Study to Council and Board (Joint Meeting):
  Week of Jan 26 / Feb 2

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Mr. Joseph Hines states you all are very quiet here. We either did a really great job with the presentation or we just completely baffled everybody.

Mrs. Raystine Johnson-Asburn states I have one more comment. When you make the recommendation and in fact there is a governance board for the public service authority; if you would include some requirements of things we need to look for in the persons that would sit on that board it would be helpful.

Mr. Dale Mullen states yes ma'am. In fact, what I can do is give you a look at… I did a study about a year ago of what is being done around the state. I can give you the benefit of that information as well. Many governing bodies like to include people from various walks of life. As a matter of fact, some specifically want business people who are going to be using the water and sewer; people with some kind of vested interest. That will sometimes create a bit of conflict. If you want to set rates by industry… you need to watch out for those types of things. Some just want regular tax paying citizens and some want a mix. I will be happy to include some considerations for the board members one might appoint and what is also being done around the state if that would be useful to you.

Mr. Joseph Hines states McGuire Woods Consulting has also done a draft where they have gone and looked at other similar public service authorities in the state and looked at board composition, types of individual differences we did in a study awhile back. They got more specific with me at the joint authorities as well. I believe out of 70 it was 12 of them with joint localities?

Mr. Dale Mullen states yes.

Mr. Joseph Hines states about a dozen of them existed. We recently…Dale was involved and Courtney was involved and we recently set one up with James River Water Authority which is between Louisa and Fluvanna County. They are in the early stages of implementing a big water system project. We were meeting with Louisa today about that. That is a six person board which does have a County Administrator from both counties appointed to the board along with some citizen representatives. I believe both counties at this time feel relatively comfortable with that structure. A part of why you would do an even number, at least in my opinion, and Dale correct me if I am wrong; you don't want to force a tie vote or a no vote, you want to force a resolution that is beneficial to both localities or at least perceive beneficial to both localities. So, you always have to make a vote that includes at least one representative from the other locality voting in favor of whatever option that board decides to take.

Mr. Dale Mullen states actually I just sat on that board. In that case it was initially comprised a couple of different ways. One of the ways that it was comprised was the county of Fluvanna had 3 members and the county of Louisa had 3 members and both county managers were members by virtue of the position. So, you always make sure you have at least one operational person from either county there, and then they split up the remaining 2 and 2 just among citizens. So, Joe talked about a necessity for some type of mechanism for a tie breaker. But the truth is when you set up an authority with that nature and there is always an automatic stale mate for an idea that is not completely vetted and approved by both sides it usually prevents those issues from coming to a vote, because you know what the outcome is going to be anyway. It is going to be 3 and 3. So, some authorities have opted to provide for a tie breaker mechanism if necessary but some have opted not to ever exercise that because they want to make sure they are hand in hand. One of the ideas being the government is set up, believe it or not, such that change comes slowly if at all. Sometimes it certainly feels that way. But it is set up such that we have to consider the desires of our business partner before we move forward to a vote. So, sometimes that stale mate works to make sure that only those ideas that have approval are advanced.

Mrs. Raystine Johnson-Ashburn states and with the county or city representative on the board that really makes it… if they don't vote like the governing body says then would they be fired or reprimanded in some way?

Mr. Dale Mullen states you know, I am not trying to put it that harshly but you want the members of that governing body to be held accountable. It has been my experience that they are not only generally responsible as people but they also fill that accountability to the appointing authority which is the City or the County. It is hard to under Virginia Code to just run off and do one's own

thing as a water or a wastewater authority. You are pretty tightly constrained with the number of things you can do as an authority. So, there is little opportunity for acting outside the will of the jurisdictions.

Supervisor West states I have a question? Will the new government look at flood zones from recent events that have taken place? Franklin' present location of the sewage plant from my understanding is in the flood zone. Is that being considered in any way?

Mr. Joseph Hines states absolutely we are. What we are in the process of doing is research for the City of Franklin to see what is potentially available as options. Do we make application to flood proof it per say or do we relocate that facility. We will take a look at that and do some prescreening and decide where the project fits or doesn't fit. Our hopes are that we can uncover something, but we have to look at funding agencies in terms of opportunities and success.
You have had two flood events at that plant in the past 20 years give or take, so those are significant flood events. If you had one every 30, 40, 50 year event, but since you have had two, we have to take a closer look at it. From a funding perspective that actually helps the case because we need to do something to deal with the issue.

Supervisor West states is it true or not true that federal government looks favorably upon a public service authority when two…

Mr. Joseph Hines states within reasonable operation, yes sir.

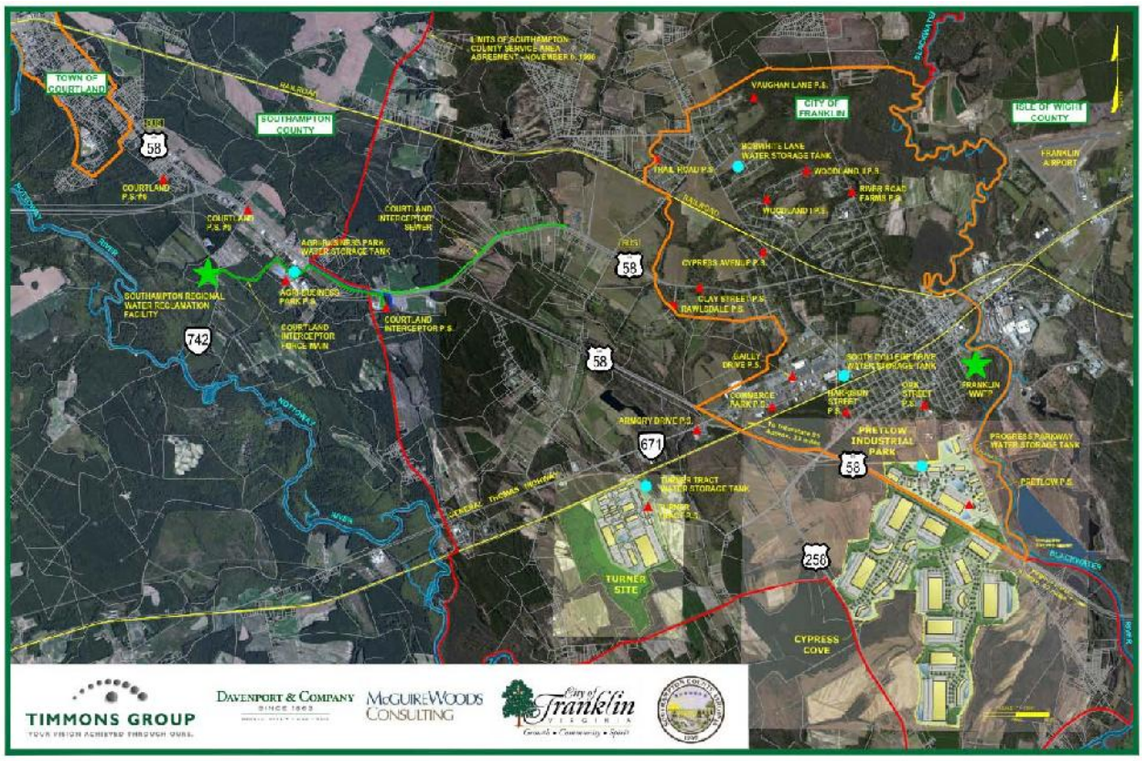
Supervisor West states it's within operation, is it not?

Mr. Joseph Hines states absolutely. That is… we deal with a lot of funding agencies that outright say or outright have it as policy that they give preference to two localities that are joint-venturing or entering into some type of partnership. So their policy would give preferential treatment or preferential funding and grants to two entities that are developing under one jurisdiction. Ok, if we don't have any more questions, thank you once again for your time.

Mr. Randy Martin called on Joseph Hines.

Mr. Joseph Hines states yes sir.

Mr. Randy Martin states one thing that I would like to get some perspective on. During the meetings, something that the management team is considering and have talked about is with the engineering options; getting a general feel for some of those considerations that go beyond what some people originally thought particularly looking at the cheapest way may not be the best way. There may be many ways to go about it and I don't want you to get too much into it but…



Mr. Joseph Hines states yeah I think I know what you are talking about Randy, and correct me if I am wrong, essentially, you see this is the City of Franklin and I am sorry it appears a little fuzzy on here, but you can see we have a series of pump stations throughout the City of Franklin. We have existing gravity of sewer lines up here at Riverdale Elementary School. Does it make sense to run it through Courtland Treatment Plant? Here we have the City of Franklin Treatment Plant. What we have done, we are looking at does it make sense to drop a pump station somewhere in this general area and feed it through the gravity system to the plant? Does it make sense to feed it off of a couple of these pump stations and put in a new Turner Tract force main? Or, are we better off instead of sinking three or four pump stations in the ground, maybe redoing some of the infrastructure and do one big pump station down here at Franklin's Treatment Plant and then build a force main, slide it over here to the Courtland pump station and pump it out through Courtland's facility. So, that is one of the alternatives to look at in terms of one singular pump station, one singular operation costs and one singular pipeline to get it over there. If we were to do three or four pump stations here you will have to build multiple lines. So, those are the kinds of balancing acts we are trying to figure out as to what is appropriate and what is not appropriate at this point in time. Does that answer your question?

Mr. Randy Martin states it's typically relevant that all of those pump stations go back to the Treatment Plant and anything you do that's not started at the plant you divide the system up and it goes back to your comments and the summary we heard from your staff. You will be able to manage the flow of the treatment process. I just want to make sure these people that have this concept understand that may be more expensive but that also picks up a fairly large area along Highway 58 corridor. That route for economic development purposes opens up a whole area that currently doesn't have access to it.

Mr. Joseph Hines states absolutely and again that is one of the pointers I was talking about earlier, economic development. You see here with the Turner Tract, you have several large tract properties here, Cypress Cove which is currently in the Comprehensive Plan. The Comprehensive Plan is the first step towards the zoning aspect of it. So, how do we feed that corridor? How do we provide long-term utility services for that corridor? I think we all realize this is your growth corridor from an economic development perspective and that needs to be taken into consideration.

Mr. Michael Johnson states do you want to talk about the significance of the red line there.

Mr. Joseph Hines states yes sir. The red line is the limits of the Southampton/ Franklin agreement that was signed in 1996 I believe. That is the limit at this point in time of that particular shared services utility area.

Mr. Michael Johnson states that is where we agreed to share tax revenues generated from different businesses that are located in that defined area. That agreement states the City of Franklin must provide those businesses with water or sewage treatment services and waive any and all rights to appropriate the County's territory within the designated area.

Mr. Joseph Hines states I think one of the things we learned with Project Casper was they had some industrial prerequisites associated with it. We are trying to look at what exists in the City of Franklin's system and how we can essentially accommodate that. We can't solve every economic development process needs today, but we can certainly plan and try to predict key elements. If they need to have an upgrade in infrastructure somewhere along the way, you can do that ideally at the same time they are building their facility. Another thing we have seen in the industry from an economic development perspective, they are processing quicker. I have another presentation I do where we show a graphic which shows essentially eight prospects in the past six years. The region itself had $3.4 billion of investments and 12,000 jobs created. The average time we were contacted by the county and they made the announcement was 5 months. So these guys moved pretty quickly. I am dealing with another prospect right now that is looking at the state. We got a meeting with VDEP at the end of the month so they can give us some graphics on these two sites we were working on. We did and sent them and less than two weeks we received a phone call to come in next week for a site visit. We did the site visit, called back the next day we are going to be in next week for another site visit. This is possibly another prospect for 2,000 jobs. They came in and said we will make a decision by February. They came in December and said they would get started by February. That happened down in Georgia. They are ahead of schedule. So, these are some pretty significant players. Serious companies will make a move and make a move quickly because of the market advantages when it comes to economic development. You want to be in the position to respond to that and in the position to understand what our limits are. I have heard Mike say before we go from a good deal to a bad deal, no deal is better than a bad deal. I have always commended Mike for having that in mind, what is in the best interest of the citizens and the board.

Mr. Randy Martin states Amanda Jarratt couldn't be here tonight and she sends her regards. She had a situation she had to deal with and we all wish her the best with that. This is also a corridor for natural gas. It is available and practical. We have had some recent meetings with Columbia and will be briefed in the coming weeks to discuss expansion capabilities for Columbia's Natural Gas line; service options that would serve Highway 58 corridor and General Thomas corridor. They are currently laying some lines and moving in the right direction. Hopefully we can get some updates on that at some point show that on a map too how that integrates. As well as the future proposed Dominion project called Atlantic Cost Pipeline. That line will traverse through this area as well.

Mr. Joseph Hines states you all have excellent corridors. Route 460 up in the air the way that it is, Highway 58, you can spend 30 minutes out there and count well over 100 trucks if not more during that period. I think we all know this is an excellent corridor and as things work their way out you are the next way out. I guess you can say you are the suburbs of Hampton Roads. Hopefully at the end of the day you will be in a position to be able to take advantage of that.

Mr. Barry Cheatham, Vice Mayor, addressed Mr. Hines. If you take all of Franklin's Wastewater now and send it over to Southampton County, how would that affect their capacity? Would they be at full capacity with what they currently have?

Mr. Joseph Hines states I know there would probably need to be a point of expansion. If we combine the two, we have to be able to run 1.5 - 1.7 million gallons per day. The next phase expansion in Courtland would be 1.7 – 2.5. That would give you roughly a half a million gallons a day to play with give or take. So, that is something we would need to take into consideration, timing and what not; and we also have to weigh out the probabilities of cost. The cost of us not doing something versus the cost of doing something.

Mr. Barry Cheatham states so you would have to do something to that treatment plant?

Mr. Joseph Hines states yes sir and it's obvious we would have to expand that treatment plant and we would have to eventually decommission the City of Franklin plant. But hey, if we could save $200,000 a year in operational cost that is good too because you can use that to pay debt off over a 20, 30 year period. However long you would want to finance it.

Mr. Randy Martin states one of the reasons I wanted to explain this potential connection from our plant to the County facility is that allows you a full range of options. The phasing or eventually a complete connection and closure of our plant. So, we are keeping all of our options open.

Mr. Joseph Hines states and this is what Randy's talking about. Right now it appears this is the most economical pipeline route. This will come through the City of Franklin along Armory Drive and follow the Highway 58 corridor here and finally to the pump station. That appears to be the most economical route. We have about four different scenarios like this we are looking at including coming off of different locations. Mr. Pace, Mr. Cagle do you have any questions you want to ask? Usually the engineers and the operation guys are the ones who can make or break my projects because if I don't satisfy those guys then I haven't done my job because we want to make it as user friendly as possible.

Mr. Donnie Cagle addressed Mr. Joseph Hines. You said it's going down Armory Drive?

Mr. Joseph Hines states well its generally following that area. That is one of the routes. One of the multiple routes we have looked at and again this is just one potential scenario. I just wanted to give you an idea in case the question came up.

Mr. Randy Martin states another consideration that came into this thing late in the game for the City side; it hasn't affected the County directly yet, is water and water permits and particularly communities that the main source of water is ground water. The state is making it real hard to look at ground water permitting and they are doing this in all of Hampton Roads. All areas that utilize this are under stress according to the state's studies. It will be a long discussion about that. Having water available will be one of the considerations going forward. We can't have sewer and no water to go with it. We may have to look at alternatives in the future to try to reduce our dependence on ground water in this whole region. Particularly for communities like us who are solely dependent on ground water. That is a new ball game. I wanted to throw that in not to scare anybody but that is a major concern we will have looking ahead down the road. Thank you all; I appreciate our team doing that. If anyone has any questions, you can forward them and we will certainly pass them on or give them to one of the management team members or to Mike or me. We will be glad to get those answered for you. Tonight was just to bring you up to speed. We are about midway of our process and give you some feel of where we are at. I along with Mike want to thank you all for putting in all those hours; been quite a few hours and time spent and we still have a ways to go. The one thing Dale mentioned, the organizational group is looking seriously at the options, but we haven't closed the door on any of it in terms of phasing or anything else. It is still a wide open process until we narrow things down and the management team starts taking some positions on some of these things. We really won't know where we are heading with this in term of recommendation to the Council and to the Board of Supervisors. I thank all of you for coming. I want to recognize Mike and see if he has anything to add?

Mr. Michael Johnson states I just have one comment. Joe, you will make the presentation available to us?

Mr. Joseph Hines states yes I will send you guys a copy once I get back in the office.

Mr. Randy Martin states we will get that out to all of you once that is done. Thank you Mike. Anything else? If not, at this time I will ask the Mayor and the Chairman if they have any comments and after that we will close the two meetings out.

Mrs. Raystine Johnson-Asburn states I just want to say this is the single most important and largest project with the shared services committee and I am just appreciative to our counterparts in the County. We are looking at this for a benefit of our tax payers. I think that is the best thing that any elected official can do. I will call for a motion in a few minutes and declare the meeting adjourned after the County has done the same. It has been moved and probably seconded to adjourn. Motion passed unanimously. I am disappointed because I just know someone here would want to stay. Anyway, Mr. Jones.

Supervisor Jones states does any board member have anything else to say? I would just like to say we were at a retreat this past weekend and talking to other supervisors this is one of the main

things that they are doing; trying to work together. Not only the cities but other counties. They are crossing the lines to work together and it's working for counties a lot larger than ours. If they are doing it then it's a good thing and we need to keep up. If we don't we will fall short. With that, I need a motion to adjourn.

Supervisor West made a motion to adjourn.

Supervisor Phillips seconded the motion which passed unanimously.

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

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Dallas O. Jones, Chairman

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Michael W. Johnson, Clerk