

**14. CONTINUED DISCUSSION
SHARED UTILITY SERVICES STUDY**

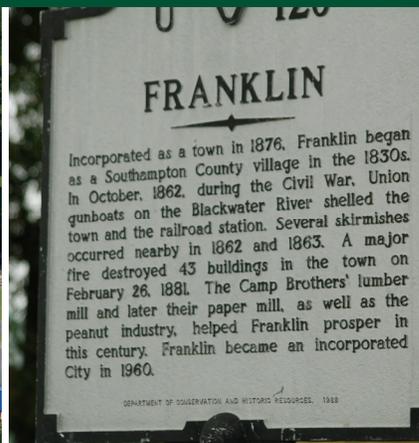
Supervisor Phillips, the Board's representative on the 16-member Management Team overseeing the Shared Utility Services Study, asked that this matter be placed on your agenda for follow-up discussion.

As you know, we're awaiting the first draft of the Preliminary Engineering Report. If there are specific comments or questions that you have (or your constituents have expressed), please come prepared to share them.

NO MOTION REQUIRED

SHARED UTILITY SERVICES STUDY - UPDATE

Southampton County & City of Franklin



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



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...



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



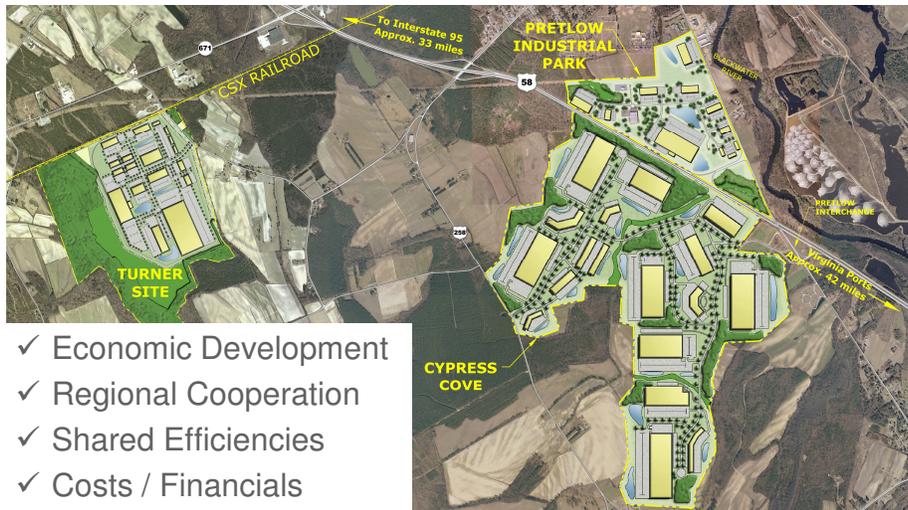
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Key Drivers



- ✓ 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



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					



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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