

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 July 31, 2014 at 6:00 PM.

SUPERVISORS PRESENT

Dallas O. Jones, Chairman (Drewryville)
Ronald M. West, Vice Chairman (Berlin-Ivor)
Dr. Alan W. Edwards (Jerusalem)
Glenn H. Updike (Newsoms)
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

OTHERS ABSENT

Amanda N. Smith, Administrative Assistant
Richard E. Railey, Jr., County Attorney

Mr. Randy Martin, City Manager of Franklin, addressed everyone. Thank you all for coming. I am Randy Martin, City Manager of Franklin, and I would like to recognize all the elected officials present. We do appreciate all of you for coming out. I will leave that to the two Board Chairs out there; City of Franklin Mayor and Southampton County Board of Supervisors. I want to recognize each of them and let them say a word of welcome and then we will get started. I will start with Mayor... deferred; Dallas... deferred. You two will have to work that out.

Chairman Jones states ladies first.

Mrs. Raystine Johnson-Ashburn, City Mayor of Franklin, states we can go together.

Laughter in the room.

Chairman Jones states I would like to thank all of you ladies and gentlemen for coming out. This is a great day for me because I have been looking forward to working with the City of Franklin together as we are now for a long time and now it is happening and it is a great thing. We are going to do great things together. I would like to introduce my board members, Mr. Carl Faison, Mr. Ronnie West, Mr. Glen Updike, Dr. Alan Edwards, and the other young man on the end Mr. Barry Porter. That is my Board; and Bruce Phillips, I am sorry Bruce.

Mrs. Raystine Johnson-Ashburn stated I would like to do the same and welcome you and I would like to say this is great that we can get together and study joint ventures such as this. I as well have council members here, Vice-Mayor Barry Cheatham, Benny Burgess, our newly elected Frank Rabil, Mrs. Mary E. Hilliard ward 5, Mrs. Mona Murphy ward 4. I think that is it except the man that opened up Mr. Randy Martin our City Manager. Is Mr. Taylor Williams here?

Mr. Randy Martin states he is coming but he is at a school board meeting.

Mrs. Raystine Johnson-Ashburn states welcome to each of you and thank you.

Mr. Randy Martin states thank you board members and electors for being here. That shows the kind of commitment you have and we really do appreciate it. I would like to thank all the members of the management team that could be here tonight. We thank you and as well as all other citizens

and interested parties; it is a pleasure to have you here. I have a couple of logistical things. Because this is a grant project it is important we keep good records of who attends meetings. We have a signup sheet. If it wasn't put out before you came in we ask that you sign that on your way out or we will pass it around if we can. We want to make sure everybody's name is listed.

July 31, 2014 Shared Utility Study Kick-off Meeting

Workforce Development Center

6:00PM

R. Randy Martin	City of Franklin
Russ Face	COF
Jukew Johnson	Southampton Co.
MIKE JOHNSON	SOUTHAMPTON COUNTY
Nick Kitchen	Southampton County
Barry Cheatham	City of Franklin
mark ray	City of Franklin
Just Roll	"
Syrene Peral	Southampton/Franklin
BRIAN HEDGEPETH	CITY OF FRANKLIN/SOUTHAMPTON
Mona Murphy	City of Franklin
Mary Hilliard	City of Franklin
Amanda C. Spatt	FSEDI
Synette C. Lowe	So County
Whitney Katchmarck	HRPDC
Tom Lewis	FKLN Citizen Rep
Bery Beyer	FKLN

July 31, 2014 Shared Utility Study Kick-off Meeting

Workforce Development Center

6:00PM

Donnie Cagle	City of Franklin WVWTP
RANDOLPH Cook	SOUTHAMPTON COUNTY 617125N
Liz Burgess	City of Franklin
Taylor Williams	City Atty, Franklin Va
Dennis Beak	Southampton County Utilities
Beth Lewis	COF
Bonnie Phillips	S.C. BOS,
DeWalt	SBOS
Jean + Lyda Updebe	→ BOS SH. Co.

Secondly, there is an agenda back there if anybody wants to get one and a list of Michael and I collaborated committee's breakdown for our management team to work with the consulting entities that we have chosen and will be introduced in a few moments. Particularly for the management team members if you would make sure you grab a copy of that so you will know which team you have been assigned. If anyone has any strong objections take it up with Michael. We will be glad to try to accommodate anybody that has anything interesting or difficult. Again, I didn't bring a list of management team members up. Michael do you have it handy? I will let you introduce each one of them. They may be easy to recognize because some of them are staff members and some of them are citizen representatives and a couple of the elected officials. We will make sure everyone knows who is where. We have been working hard on this for months now in various meetings trying to put together this plan. Up to this point I want to reiterate something that has been said over and over again since we have started discussing this. There have been no decisions made other than what the elected bodies have made. This is essentially we agreed to get a grant, you appointed a committee, that committee has worked hard with the management team, and we have selected the firms we are going to introduce tonight to do the work for the grant. There have been no final decisions or preconceived decisions on how this thing is going to work out. I am as interested as everybody to see how the facts work out with what I think, might be

some of the pros and cons of the various options that are out there. Michael Johnson will review those in more details. We have made a strong effort in trying to convince the public as well as the media contrary to those opinions who have a different view of how things work but those are the facts as I know them and I look forward to working to try to come up with some recommendations that the elected bodies can then take a second look at and make some decisions going forward. We will talk more about the schedule. The purpose of tonight obviously is to gauge input, to introduce our team which has been expanded to include some very fine firms. I am really proud and look forward to working with. With that, I will refer to Michael Johnson for his comments and we will get started. He will probably wrap that up with the introduction of our team that is going to be conducting the study.

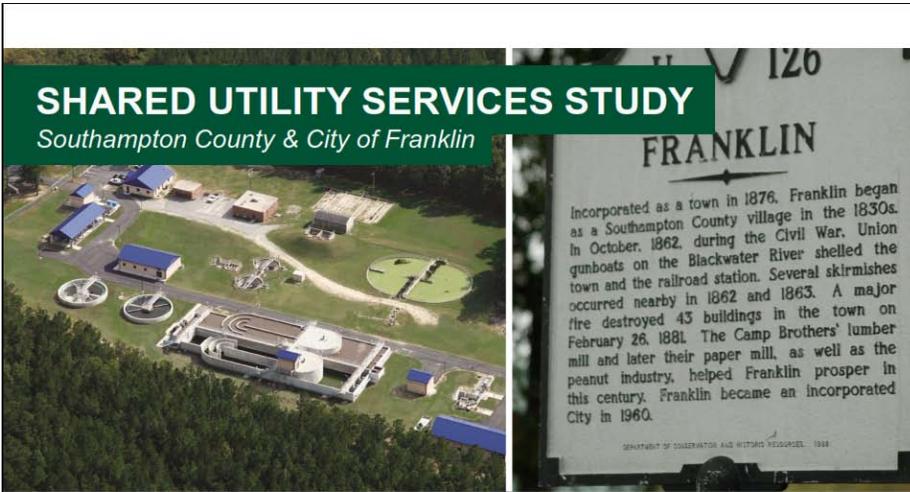
Mr. Michael Johnson addressed everyone. I will start with a quick overview of how we got to where we are tonight. I will begin with a chronology. It goes back to November 2012 when the Board of Supervisors and the Franklin City Council both adopted a memorandum of understanding establishing a shared commitment to explore, evaluate and implement a shared service opportunity. Once they adopted that memorandum of understanding they established a committee which includes from the City of Franklin Mayor Raystine Johnson-Ashburn, the Vice-Mayor Barry Cheatham, and from Southampton County it included our Vice-Chairman Ronald West and our County representative from the Franklin District Barry Porter. They began meeting to talk about where those opportunities to share resources might be. One of the quick items to surface was a discussion about utilities. In January 2013, the committee went back with a recommendation of two governing bodies and asked them to consider authorizing the submittal of a letter of interest to the Virginia Department of Housing and Community Development (DHCD) for a planning grant to evaluate the cost and the benefits of sharing utility services. In July 2013, one year ago, DHCD responded and they responded by saying we will offer you up to \$3000.00 for some initial activity. We want to make sure you all are serious about this. What we want you to do is three things. The first one is we want you to have initial public meetings in each locality. We want you to give your citizens an overview of the project. Those meetings occurred October 2013. We met with the Southampton County Planning Commission in one of their regular planning meetings and a special meeting over at City Hall. We had those meetings back to back two consecutive nights for the City of Franklin residents to attend to give the citizens just an overview of the project itself. The second thing DHCD said is we want you all to establish some key stakeholders. We want you to secure their commitment and serve on what we call a project management team and they told us who they wanted as key stakeholders. Let me pause just a second and introduce those key stakeholders. The members of the Project Management Team, I ask you to stand as I call your name. Dennis Beale. Dennis is the Chief Planning Operator at the Courtland Wastewater Treatment Plant. Donnie Cagle; Donnie is the Chief Operator at the Franklin Wastewater Treatment Plant. David Crear; Is David here tonight? I don't see David. David is one of the appointed citizen representatives from the City of Franklin. Julien Johnson; Julien is the Director of Utilities for Southampton County. Tom Jones; Tom is one of the citizen representatives for the City of Franklin, and Russ Pace. Russ is the Director of Public Works for the City of Franklin. These guys are actually the people that are going to be working on the technical subcommittee group because these are the guys with the technical backgrounds. Thank you all very much. Continuing on, Benny Burgess; Benny is representing the Franklin City Council. Randolph Cook; Randolph is one of the citizens representatives from Southampton County. Whitney Katchmark; Whitney is from the Hampton Roads Regional Planning District Commission and she is sharing with us her experience with the Region. Amanda Jarratt; Amanda is with Franklin Southampton Economic Development. Beth Lewis; Beth is with Franklin Southampton Community Development and then Bruce Phillips. Bruce is representing the Southampton Board of Supervisors. This is the group that will be working with the organizational subcommittee talking about what organizational options there may be. Donald Goodwin, I don't think I saw Donald here but Donald is going to be working with the financials along with myself and Randy Martin. We also have Nick Kitchen and Lynette Lowe. Nick is the mayor of the Town of Capron and one of the citizen representatives for Southampton County and Lynette is the Deputy County Administrator and Chief Financial Officer for Southampton County. That is the group that will be working with the financial subcommittee. That was the second task DHCD gave us; put together this team so we know you are serious and then the third thing they asked us to do was to develop a request of proposals. To hire consultants to come in and give us an objective study. We developed that draft. It took us awhile to get it developed and get it worked out with the people at DHCD but we finally got the green light in January 2014 to go out with that request. Once we had done those three things DHCD says okay we believe you are serious. What we will do is provide you all up to \$40,000 for this study. With

that commitment from DHCD, we put the request for proposal out on the street. In March 2014 we received nine proposals. Back in April 2014 we had the subcommittee of the management team that worked very hard in evaluating those proposals and interviewing six of the nine teams that gave us a proposal and then to conduct negotiations. That work was ongoing in May and June 2014. Finally, just earlier this month in mid-July, the consultant team was selected, and as Mr. Hines mentioned we have a team with three different firms where each has their own unique skill set. We have Timmons Group, who brings the engineering experience. We have Davenport and Company. They are running a little late but they are on the way, Davenport brings the financial experience. Then we have McGuire Woods Consultant who has a lot of experience with the organizational piece. That is the team that is going to be working with the management team over the next several months to work on the study. Tonight is the project kick-off. Before we really get into kicking off the meeting, I want to take a second to talk about what the purpose of the study is and how we are going to go about it before I turn it over to the consultant team. The purpose of the study; to narrow it down to one nice neat sentence is to assist Southampton County and the City of Franklin in determining whether and to what degree shared utility services might improve efficiency, reduce cost, and/or enhance economic competitiveness. In order to do that, they are going to compare three different scenarios for us. The first scenario is they are going to take a look at our utility operations and project how things might look if we stay on our current course; if we remain separate entities. Southampton County and the City of Franklin each continue to own and operate and implement their own improvements to water and sewer systems. What does the future look like there? The second scenario they will look at is how might it look if in some way they share services with one another or track services from one another? In other words, we would replace the current structure with one in which Southampton County may contract with the City of Franklin for certain things. The City of Franklin may contract with Southampton County for certain things; or we could consider putting some things together and operate as some sort of combined department as we have done with our department of Community Development. The third scenario that they will evaluate is what we call a regionalized scenario in which we replace the current structure with a new single entity that would be responsible to own, operate, and to manage the day to day utility for the City of Franklin and Southampton County facilities. That in a nutshell is what we have asked the consultants to do and now I am going to turn it over to Joseph Hines with Timmons Group to give you all a little bit more detail on how they intend to move forward with the study.

Mr. Joseph Hines addressed everyone. Thank you Michael and Randy for that introduction and the background history of the study. As Michael indicated my name is Joseph Hines and I am a principal with Timmons Group Engineers and we are based out of Richmond. We have offices in Virginia Beach, Northern Virginia, and all throughout Virginia. We have our consultant team with us tonight which is McGuire Woods Consulting. We have Preston Bryant who is a former city council member for the City of Lynchburg. He was also elected into the House of Delegates for 10 years and then he was appointed Secretary of Natural Resources under Governor Tim Cain prior to joining McGuire Woods Consulting. We are very lucky to have his expertise on this team as we look at these different alternatives from a political and organizational perspective. We think he can look at it through many different lenses and many different aspects as to what you may have under consideration. The other gentleman we have is McGuire Woods legal Dale Mullen. Dale was a Navy serviceman and he actually served as an undercover cop for the City of Richmond. He also worked in the Attorney General's office after he received his law degree and then served as the County Attorney and the County Administrator up in Louise County. We worked together when we were going through the formation of the James River Water Authority which was a very similar process where we looked at two localities whom merged to essentially come up with an organizational structure where they could do something to provide utility services to their desired designated service areas where they wanted to have economic development growth. Courtney Rogers with Davenport will be here with us shortly. He actually was taking a train from D.C. He had a meeting up in D.C. this morning and his train got a little bit delayed. He should be here around 6:30 or so. My two colleagues, I have David Saunders. David is a principal with our firm. He has over 30 years of experience working with many jurisdictions of similar size compared to Southampton County and the City of Franklin. He is an excellent engineer and has been a pleasure to work with. The other team member that we have is Wes Hunnius. He has about 15 years of experience. He is a Senior Project Manager with Timmons Group. He has been working with Southampton County on utility systems close to ten years now. He is very familiar with the County aspects of things. What I am going to do is walk through the presentation. It is a slight variation from the presentation we gave during the interview. It will be a little bit redundant for

some people who were in the interview but I feel like it is important to cover this for the management team and all of the interested citizens, councilmen, and board members who are here. There is the team overview. I will give you a little bit of background experience. We have been working together with Davenport, McGuire Woods Consultant and McGuire Wood's legal for over ten years now. This is a team that knows each other very well. We understand what is in the best interest of our clients. That is one thing that we always try to keep in mind; the best interest of our clients come first. All three of these firms seem to agree with that. We all have experience working with the City of Franklin and Southampton County and the Franklin Southampton Economic Development Incorporated. We have done similar studies in the past. We understand all potential issues and what exists out there; all of the considered local engineering, financial, and the political governance perspective. We understand there will be no perfect solutions for everybody in the room but what we will try to come up with is a perfect solution for the entirety as a whole. So that is one of the things we are going to look at. We all have experience working with multi-jurisdictional type situations. When we do our evaluation it will ultimately determine whether the City of Franklin and Southampton County are just as good or better off where they are today, or whether we end up working to assist them on some type of shared contractor services agreement. Those are the types of arrangements we are going to look at. There are no predetermined positions that we have at this point in time and we will leave no stone unturned. We are leaders in economic development. We understand infrastructure but at the end of the day each locality is trying to bring in opportunities for their citizens, especially investments in jobs. You all are very familiar with Union Camp, International Paper when they came to the area and when they shut down you know what kind of pain that was. So what we will do is set you up for the next 20, 30, 40 years of success from a perspective and an infrastructure perspective. We have significant experience working with CDBG type of grant so we know that organization very well. This is just a quick overview. This is some of Southampton County and City of Franklin Experience. I like to talk about Project Casper. That was Acme Smoked Fish Company and believe it or not there is an Acme company out there. I think everybody gave what it takes and we were that close. Everybody was up in New York and it was a heartbreaker that we didn't get that deal. However that is what happened and you learn from those deals and move on and try to set yourself up for success on the next deal. I think that is one thing to take away from this particular slide. This is a slide we had put together when we combined all our team's experience multi-jurisdictional and public service authority expertise throughout the Commonwealth and the Southeast. If we get down the road of looking at a shared utility which is one possibility then we have a number of different organizations we can look at to say what works well what doesn't work well. They are a resource to us because we do have relationships with those teams. So let's get down to the point of what we are doing here. Reality is there are three study components; engineering, that is probably the easiest out of the three. We know the systems very well. We have worked with the City of Franklin, we were pursuing Project Casper. After you have looked at these systems for 30 years there are certain things that will come to surface and 99% of what you encounter is something you have already encountered before. These are the easiest solutions to work out. The next component is financial and that is something harder because you have to deal with rate studies which are your capital investment your operational expenses. Do you want two treatment plants or do you want one treatment plant. The operational exposure, do you want two plants and end up spending \$300,000 to \$400,000 a year more and that turns into capital dollars as far as long term value. So, those are some of the things to look at. There are also efficiencies that can be captured in that regard too. You can share resources across the City of Franklin and Southampton County line. You may have someone working for the County who can go help operate the plant in the city and vice versa. We are going to look at the full range of those. Next is governance and organizational. Reality is that is the hardest one because it is political. I can within reason assign what three engineering solutions are, and probably what two or three financial solutions are, but when you get down to it because you have politics, emotions, and what people think might be right and might be wrong, and that is their perception. There are so many opinions in the world and everyone is entitled to one but the goal is to find a solution that works for everybody even though everybody is not 100% happy. This is going to move pretty quickly and we want everyone to have a voice as to what is going on and we encourage feedback. We have a questionnaire that we will be sending out to City Council members, the management teams, the staff, and to Southampton County Board. We are also going to have an opportunity for public input. We are going to work on setting up a public website where people can express their comments. We are also looking at a series of public meetings. One would be to inform people of what is going on so everybody is aware of where the study is at. Then last but not least we will have an implementation plan. It is great to plan but if you can't execute the plan it is useless. Reality is we want to come up with a plan that is going to

be executable that is going to work and work well for both localities. So what are some of your key drivers? We have mentioned economic development. Economic development is a key driver. I love this graphic because it shows correlation to Cypress Cove, Pretlow Industrial Park, and to the Turner Site. When we looked at this from an engineering perspective and development perspective what I see are a couple of opportunities. You have the basic utilities; you have a nice road running through and this is a pretty heavily traveled road. You have CSX Railroad so you have a lot of opportunity with several large tracts of land in between and you want to be in the position to take those. Economic development is a long-term process. It is a 20-30 year vision. It is an industry so you have to look at it as a 20-30 year industry so you are always planning for what is coming down the road next. Regional Cooperation, I think Michael and Randy touched on that. I think it is excellent how well Southampton County and the City of Franklin have worked together. There will be shared efficiencies and cost/financial efficiencies as well. In the overall study objectives we really have an open mind. We have no predetermined solution and no stone unturned. So if anyone in this room thinks of something they want us to take a look at we will go and take a look at it. We don't want anybody involved in the study to say you didn't do this, you didn't do that. We will make sure that any question you might have we will at least attempt to address it. Whether we actively address it for you or not is a different story but we surely are going to try to address it in the context in which we are doing our study. Again it is an inclusive process. We want everybody's input along the way. I think Michael has already mentioned we will go through a series of studies. We will review previous studies and agreements in place. We are trying to incorporate as much of that information into the study as possible because what we don't want to do is reinvent the wheel on something somebody has already studied. We are going to look at your status quo; your non-shared services, your shared or contracted services across the lines, and the regionalized scenario. At the end of the day it is the comprehensive recommendation for what's in the best interest of both localities. It may not be 100% in the City of Franklin's best interest. It may not be 100% in Southampton's best interest but we are going to try to look at it collectively as to what works best for both localities. Then it's the phased plan and the approach for implementation. Next slide, Engineering Considerations; do nothing. Continue operating as is. There is always a cost to a do nothing scenario, whether you have a treatment plant you know will have to be upgraded in the future or to continue operating a plant that is at 25% capacity that could use more operating efficiencies. Let's take a look at phased approach. We offload certain sewage capacity of certain areas within the city. Send that over to the Southampton Plant. Consolidation of systems which is essentially a point of no return. That is where you both are connected to each other, you are walking down the aisle and you are married. You are no longer engaged. The other aspects we will consider are the capital costs. There will be certain cost associated with shutting down a facility or maybe expanding a facility, or maybe building a new pump station or putting in a new force main. Those items we will take into consideration and then again the operational costs and efficiencies. Are you better off running two or three facilities or are you better off running one or two facilities and where is that operational savings along the way. I am going to skip over the financial considerations until Davenport gets here because I think they are the ones who can give this justice. I am going to skip over the next few slides and then I am going to turn this over to Preston Bryant to give you a general overview of his approach. Preston I know you have a powerpoint you want to do separate but do you want to go ahead with the McGuire Woods presentation or do you want to do that powerpoint now?



SHARED UTILITY SERVICES STUDY
 Southampton County & City of Franklin

Presented to Franklin Southampton Management Team
 July 31, 2014







Team Overview

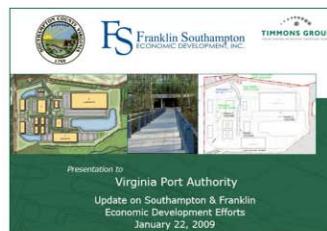


2



Our Background & Experience

- ✓ Well versed and experienced team
- ✓ City of Franklin, Southampton County & FSEDI Experience
- ✓ Similar studies
- ✓ Experience with Multi-Jurisdictional Utilities & Public Service Authorities
- ✓ Leaders in Economic Development
- ✓ Experience with & understanding of CDBG



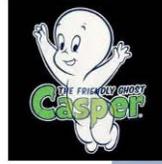
3



Southampton County and City of Franklin Experience

Representative projects include:

- ✓ Schematic Master Plan for Cypress Cove
- ✓ Schematic Master Plan for Pretlow Business Park
- ✓ Master Plan & Development of Turner Tract
- ✓ Engineering analysis and assistance with Project Casper (Acme Smoked Fish Company)
- ✓ Numerous confidential prospect visits
- ✓ Presentations to the Virginia Port Authority on behalf of FSEDI
- ✓ Utilities development for Turner Tract
- ✓ Courtland Water Reclamation Facility and Sewer Infrastructure
- ✓ Virtual Building for Southampton Business Park
- ✓ Water systems analysis for private water systems in Southampton
- ✓ Well permitting for Turner Tract

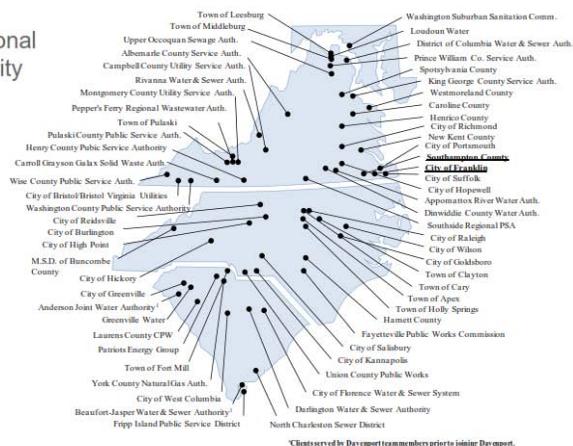


4



Experience with Multi-Jurisdictional and Public Service Authority Clients

Significant Multi-Jurisdictional and Public Service Authority expertise throughout the Commonwealth and the Southeast



5



Franklin-Southampton Shared Utilities Study Components

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



6



Key Drivers



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



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CONSULTING



Overall Study Objectives

- ✓ 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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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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Mr. Preston Bryant stated he will go ahead and present his separate powerpoint. After setting up the presentation he addressed everyone. Good evening my name is Preston Bryant and I am with McGuire Woods Consulting and for those who are here tonight I know what it is like to face these types of jurisdictional decisions and to be responsible to your constituents. I can appreciate the position you are in and the magnitude of the decision you may make. With regards to the regulatory side, as a state employee working with DEQ and other state agencies, at the end of the day we work with the Virginia Water and Wastewater Association which is an organization association for about 50 water and wastewater agencies across Virginia. Some of the organizational issues and governance issues we see where we might be able to help you. I will also say and it has been pointed out before there are no predetermined solutions. We are going to look at status quo verses some type of contractual relationship to see how that works verses doing something like an Authority. I do want to talk a little bit more about the authority piece because if it should go there, and we don't know if it is, there are some things you are going to have to start thinking about, and we might as well start since this is the kick-off meeting. We might as well start thinking about some of them right now. I will say a little bit more about the second bullet, does it make financial sense? If the study determines you should continue down your current independent paths governance will not be an issue. It will continue on as it is right now. If it is determined there may be some contractual arrangement, governance could be an issue because you may want to establish a joint jurisdictional committee or something like that to oversee it. If the study determines you are going to do something as a single entity like an authority then you are going to have some significant governance matters to discuss. I want to go over that last one again to leave it on your radar should it begin to go that way. These are the typical things you would be looking at if you were to create a single entity. The size of the governing board; there are plenty of agencies and many two member agencies across Virginia that have done some type of authority. Some of them have even number board members; three from each jurisdiction or four from each jurisdiction, what do you do in a tie break. So, you have those types of issues. How are you appointed? Who appoints them? Some have all elected members; some have a combination of elected and non-elected members. Some have terms of office; can you succeed yourself. Can you be appointed for two terms? Typically it is one person one vote but you may want to consider if there is another way to go about it. Weighted based on the number of customers or revenue. Then there are legal and fiduciary responsibilities. I will say a little bit more about that as well. If you choose to set up an authority, these things that you see on the screen here are basically statutory. If you look at the Code of Virginia these are the things that the Board would be responsible for doing. You would be setting rates and collecting fees. You would have the ability to issue bonds and go into debt, enter into contracts, the right to sue entities. All of these things are largely statutory. I am kind of stating the obvious but these are things to look at. I thought it may be good for context if nothing else, many of you know Whitney Katchmark here from D.C. she was very much involved along with me and people from Davenport and others and looking at the Hampton Roads Sanitation District (HRSD) Regionalization Study. The question was, should HRSD partake in all of the collection systems and have universal control over the fourteen local jurisdictions. I thought we may look at this to put things into context because we had roughly a year to do it and we completed it in roughly nine months. The scope of that study is very similar to what you are doing here in terms of status quo versus single entity. Do we keep things as they are or do something else? That is the first question. Is doing nothing an option? We did a lot of what we will be doing here in terms of looking at the financials, the debt, infrastructure, asset management, rates, and revenue. All of that was done there. Then there were the legal review and governance matters. It was complex; fourteen different jurisdictions; counties, cities, and towns. All of them had different political make-ups and economic interests. It was interesting and took about nine months. In that particular case, the way I phrase the first question that is the kind of question we had to ask ourselves to answer. If it is determined to be more efficient and cost effective for a regional public entity to assume control over locally-owned sewage collection systems, what is the best way to go about it in maintaining excellent customer service and good coordination with local governments? That was there big question and as you can see your question is thought about a little bit. It is not terribly dissimilar from what we did with the HRSD study. If it is determined to be more efficient and cost-effective for the City and County to do some type or some form of shared services. What is the most responsible and equitable way to go about it? It is more to it than that but that is the basic question. What we learned from the HRSD study is it might be applicable to what we are going to do here. What is governance that is very, very quick? Wendy will back me up on we really got wrapped around the axel. Just like here no matter what we do as the governing fathers and mothers it is a historical moment for both jurisdictions. There is history to it. Political, it has that element to it, economical yes and practical how will it be implemented? What are the

mechanics to serve your rate payers, your tax payers, and your constituents? I think the second bullet is the one I would work out first. It is not to say we are not thinking about the governance structure should it go that way; we are. But before we get too much involved in board structure and who cares and all that stuff, let's first figure out what make sense. If there is a lesson that we learn from HRSD study, we really got wrapped around the axel on governance stuff before we even answered the question does it make sense to do it. Let's try to focus on whether it makes sense, would be my suggestion. Then if it looks like it is going to make financial sense and it's in the best interest to your constituents we can start getting into the governance piece. We also want to ensure proper understanding of fiduciary roles and responsibilities. In HRSD situation in the way that the Board is appointed; the board is appointed by the governor. It has a total of eight members so an even number. Most come from a particular jurisdiction whether it is Virginia Beach, Norfolk, or Gloucester; whatever the case may be. There are a few members of the eight who actually "represent" multiple jurisdictions like James City County and Williamsburg for example. In each jurisdiction, for example the gentlemen in Virginia Beach, he is on the HRSD Board to look after Virginia Beach's interest and he better be fighting for us and that is wrong. If we were to create this governance, your legal and fiduciary responsibilities are not to the jurisdiction of where you happen to live or the jurisdiction that happens to appoint you but they are to the entity, the organization. You are dealing with debt potential and tax payers' money as a legal bond. You have to take your County or your City hat off and be a board member of the jurisdiction. That was a constant misunderstanding when we were working through the HRSD study. Then again, governance matters are also tied to economic development. We all know economic development is competitive. Especially when you have neighboring jurisdictions and if there is a big economic development prospect, the City wants it; the County wants it. So, you are going to have to work out when there is an economic development prospect, if there is a single entity agency, that it provides a very unbiased approach to working with the economic development authority here or at the State level. Again, there are protocols out there already where people do this, jurisdictions do this all day in a very un-bias, upfront, straight forward kind of way. Those can be worked through but it is something to be thinking about. Again, the preliminary study was a different study. It was very complex; fourteen different localities. All had their own interests and from a financial perspective it was complex because some had just water, some had water and sewer, some had issued bonds for only water, some had issued bonds for water and sewer, and so the question was from Davenport or from the bond lawyers were looking at each of the fourteen different jurisdictions. The same would be true for here. Take a good look at the debt, how was it issued, how do you unwind all of that debt, transfer it to another entity, and wind it up again. So that is something Davenport and the bond lawyers will work out. They will look and see if there are any show stoppers right there. They will look at your County and City ordinances. They will look at the City charter to see if there are any show stoppers in that particular jurisdiction that may keep you from doing what you want to do. In any scenario they would do that type of study. Joseph stated that doing the governance piece would probably be the hardest. I really don't think it is. Yes it is not easy and yes we have the political things to work through for sure but here just considering the tone of the Mayor and the Board of Supervisors share, expressing they have been waiting for this day and this will be very collegial and we have partnered together already on economic development and tourism. You have two jurisdictions here who have already agreed to do the study. To open up the door and see what is possible. We are starting out from a good point. There is lots of good will so I think if we go through the numbers and it looks like it is going to make some good financial sense, I really don't see a lot of heavy lifting or pulling of teeth in figuring out what the political and economic development pieces are. Again, we are not reinventing the wheel. There are probably seventy water and wastewater authorities across Virginia. There are probably a couple of dozen that are two-member jurisdictions running an authority or somehow working together so we already have a notebook full of bylaws and governance structures we can draw from to see what may work for you or what other examples out there that has been successfully done. As Joseph said, this is the kickoff and over the next few weeks and months we want to talk the study management team and really get your first impressions. What is important to you? What is important to your contingents? What are your biggest concerns? What would keep you awake at night if we went this route or we did something contractual or if we did an authority? So we will have those types of discussions to make sure we don't miss anything. To make sure we understand all of the political, economic, and other considerations. Joseph that concludes my presentation.

City of Franklin / Southampton County Shared Services Utility Study

Kick-off Meeting

- Governance Matters

www.mcguirewoodsconsulting.com

Preston Bryant
July 31, 2014

McGUIREWOODS
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Public Affairs Solutions

Scope of Study re: Governance

- Scope of Study makes no “governance” assumptions
- Depends – at least in part – on economics: Does it make financial sense?
- If Study determines to maintain status quo, “governance” is not an issue
- If Study determines to enter into a City-County contractual arrangement, “governance” is likely not an issue
- If Study determines that a new single entity should be considered, then “governance” issues will emerge

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Governance

Assuming a single entity, let’s briefly look ahead ...

- Items to Consider
 - Size of governing board
 - How appointed
 - Board composition – all elected officials, all non-elected, combination
 - Terms of office, succession
 - Voting strength
 - Legal and fiduciary responsibilities

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Governance

➤ Board Responsibilities

- **Oversee and safeguard operational, managerial, and financial interests of the entity**
- **Oversight will include**
 - Constructing, improving, equipping, repairing, and operating the water/wastewater system
 - Issuing revenue bonds or other financial instruments
 - Setting rates and collecting fees
 - Acquiring property and structures
 - Hiring and managing staff to construct, operate, and maintain the system
 - Entering into contracts and agreements related to the system's operations

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Governance

➤ An Overview of the HRSD Regionalization Study

- **Scope of HRSD Study was similar to Franklin-Southampton study**
 - Study status quo v. single entity
 - Evaluate financials, debt; infrastructure, rolling stock, other assets; operations and maintenance budgets; revenue from rates; organizational and staffing
 - Legal review and governance matters
- **Involved 14 local governments**
- **Took about 9 months to do**

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Governance

➤ HRSD – Basic Question to Answer

- **“If it is determined to be more efficient and cost-effective for a regional public entity to assume control over locally-owned sewage collection systems, what is the best governance structure for the authority and how can the authority maintain excellent coordination with local governments?”**

➤ Franklin-Southampton – Basic Question to Answer

- **“If it is determined to be more efficient and cost-effective for a City-County shared utility to provide water and wastewater services, what is the most responsible and equitable governance structure?”**

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Governance

- Lessons Learned from the HRSD Regionalization Study (governance)
 - Governance is very important (historically, politically, economically, practically)
 - First, figure out the economics ... then get to the governance matters
 - Ensure a proper understanding of fiduciary role and responsibilities
 - Governance matters are tied, in part, to economic development considerations

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Governance

- Preliminary thoughts ...
 - HRSD Regionalization Study was very complex
 - 14 localities – cities, towns, counties
 - Politically different
 - Economically different
 - Types of debt varied greatly

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Governance

- Preliminary thoughts ...
 - Franklin-Southampton study will not be nearly as complex as HRSD study
 - Only two localities
 - Collegial
 - History of partnering (economic development, tourism)
 - Already agree that Shared Services Utility is worthy of consideration

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Governance

- Preliminary thoughts ...
 - We're not reinventing the wheel
 - Lots of two-locality shared services models in Virginia
 - Many Virginia examples of successful governance structures, by-laws, etc.

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Governance

- Next Steps
 - Interviews with Study management team
 - Get basic "first thoughts" – what's most important, what are your concerns
 - Understand local political, economic, other considerations

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Questions or Comments?

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Joseph Hines states thank you very much. We do have Davenport representative, Courtney Rogers, who just walked in and we are glad you were able to join us. One of the things that Preston touched on, the fact, if you stay the same, contract services, or what not, there are essentially four different types of legal structures that are eligible to look at in Virginia should you come together to do a shared services agreement or authority. One is Public Service Authority. As Preston mentioned there are several of them out there. A couple thousand that is two-jurisdictional. Special Service Districts are out there; we will take a look at the legal mechanism of that. We will look at Community Development Authority and Joint Powers Agreement. Reality is, there are several avenues available but we will look at the context of each of them throughout the study and decide which prognosis we will come out ahead. One thing to keep in mind from an economic development perspective is you deal with Franklin-Southampton Economic Development Incorporated which appears to be working very well. The project Casper Project was one where their jurisdiction was up for consideration. One jurisdiction went ahead and basically got the support of the other jurisdiction. You need to be able to look at the incentives in it, your quick response to your prospects, and then one aspect that you have to consider at the end of the day if you do go with a joint authority are you going to do wholesale versus retail. Who is going to control the customers at the end of the day? We will talk now about the legal review. I will start out and in a moment turn it over to McGuire Woods. There are a couple of things you have to consider. You have City and County charters out there and a lot of legal terms you will have to take into consideration. That is why we bring the attorney along to help us with that process.

Mr. Dale Mullen addressed everyone. Good evening I am Dale Mullen with McGuire Woods as Joseph said. I am the attorney. There are always issues from a legal perspective when you combine two operations. Some that are common may be City or County requirements. There may be City or County codes that may need to be adapted or changed to adjust to what you want to do or you care not to do. You will have to look at the existing agreements. I know that concerns you because I have seen it included on a copy of it at the bottom from the 1996 revenue sharing agreement that would have to be examined and worked through as well as the current ownership of the permits. Anytime you have current situations with DEQ you will have to examine others permits to be transferred as the ownership to make sure you can do legally the environmental activity that you need to do. Additionally there is a 1/6 ownership in the City of Franklin Waste Water Treatment Plant. What we need to do is to make sure City and County staff as well as City and County constitutional officers help us coordinate our outreach to the community so it is positive and efficient, effective, and economical uses of all your resources. The public cares a great deal about how you use natural resources to drive economic development. They care a great deal about how you use the resources in terms of tax dollars in a way to make the best use of the combined assets of both the County and the City. Making sure the public has information that is timely, accurate, and responsive to their concerns is one of the biggest things we can help you do. One of the things that I do for a living is communicate complicated ideas in a way that anyone can understand them. I am firmly convinced that nothing we will do here is so different or so unusual or so controversial that every person who cares to understand can understand. It is important that everyone has the right information at the right time and presented in a way that it's meaningful. That is in part what I am here to do. I am here to ask any questions. It is great to be here. It has been fantastic to hear about to jurisdictions, a City and a County that understands what they want to do, how they want to do it, and where they want to do it. It is important to be in a place that wants to grow. Grow jobs and create a tax base that is not just meaningful for now. But what you are doing tonight is important for generations to come and for that reason I thank you for the opportunity to be here.

Joseph Hines states I will go ahead and go over financial. So, we will cover that and then we will wrap up our presentation and open up the floor. This is Courtney Rogers from Davenport. He has many of years of experience in finance and he has been in contact with Lynette and Melissa I believe; working with them compiling information for both the City and the County.

Mr. Courtney Rogers addressed everyone. Good evening. Sorry I am a little bit late this evening but I know these guys have been taking good care of you. We have already started on some of our work. As some of you know, we are financial advisors for both the City and the County for over fifteen years. I have worked with both over my twenty-two years of being in business. We have a lot of knowledge about the two utility systems. What we have done is receive from both, the financial structures, the details behind both systems and start putting them into a model. What we are going to do is essentially look at projections going forward on the City side as well as the County side. We will look at the first alternative which is status quo, no change. With the help of

the engineers we are going to look at what needs are out there for the City and what needs might be out there for the County. We will factor those in so we can see what happens if the entities were to stay separate. The next thing we are going to do is look at those two different models and combine them. We are going to see what happens if we put the City and the County together. Again we will look at the shared services on a larger scale. See where we can cut back, what expenditures can be reduced, and then again take into account any needs that may need to be factored in to move this system forward. We will also look at, as we mentioned earlier, what happens if its ran as a wholesale entity, where maybe the billing still stays at the City and the County level; and what would it look like if it was a full authority where the system works together as well as the billing side. One of the things we did and brought to the table is to look at the debt of the two entities. What we did if we take the existing debt, combined Southampton having just issued some debt for a new project where Franklin as you can see has a little debt left over from some of their projects. You can see graphically that the debt services drops off as the Franklin debt drops off. One of the things about taking a City and County in this case, two different entities and combining them into a new entity is that we actually refinance the two debt services of the existing City and County into a new authority debt. The first thing to look at; let's say a new debt is needed by this entity to take care of some projects. We are looking at approximately \$450,000 to \$650,000 a year to repay money depending on interest rates of course. As a regional entity there is a 10% increase in rates which would result in about \$420,000 worth of revenue. Absent further system growth and no debt restricting, \$10 million of new money could require as much as a 15% increase and that is something that we want to avoid. We like to try to avoid double digit rate increases when we can. The first scenario is to virtually refund all of the debt. It's roughly \$38 million. We will also assume interest rates as of May 14, 2014 issued through the Virginia Resources authority Pooled Financing Program. Then we would extend maturity six years because we are financing and refinancing in this case assets that have very long lives. The results of that is an interest rate of 3.70%, an extended maturity date, about \$700,000 annually, cash flow relief over the next decade, and the current value cost/benefit is roughly a breakeven. That is with refinancing the entire debt portfolio of the two entities. The next thing we looked at which was a different scenario is where you could pick and choose a little bit of the debt pieces that were in the front of the line for approximately \$11 million with interest only through 2024. We don't know if that will be the year because we haven't gotten that far. Worst case scenario, what does it look like. Once we do that, and add new money with interest only, the principal will be structured around existing and restructured debt resulting in level debt service. Again we would assume interest rates using the market as of May 14, 2014 and consider extending the final maturity by six years to closely mirror the useful life of the assets. Under this scenario, the new entity could issue \$30 million of new money with less than a 10% one-time increase on rates. This is kind of the way we are thinking. We are not saying this is what we are doing, we are not there yet. That is the job of this team. To go through and figure out what each scenario is. This is to give you a sense of how we are thinking about it. We do have some opportunities to move some of the debt structure around and keep those increases to a minimum over the next few years. A ten percent increase in theory if you are increasing the rates on an annual basis with inflation it is about a three to four year period of an increase. As I understand the City of Franklin has increased their water and sewer rates, from a business standpoint people, you need to be in a position where people understand the cost increase is due to the cost of inflation to a certain degree. We will minimize this as much as possible.

Joseph Hines states the other things we will look at are the shared efficiencies of everything. We will run the full spectrum of opportunities from do nothing to do everything. The other thing we will consider is a combination that needs to be worked out, asset evaluation. We will have to look at and reasonably assess the value of those assets. What we will do is the preliminary value of assets. If you do a consolidation or do any type of contract between localities you will have to look at restructuring that. You will have to have a full asset evaluation done independently of this particular study. Last but not least we have the implementation plan. As I mentioned earlier if we cannot find a plan to be executed we have not done our job. We will take a phased plan or approach. Understand that these plans are very candied to these developments. Take one bite at a time. We also have to look at funding sources and timelines. Look at what is available. They have funding programs out there. They have \$14 to \$15 million available and you may want to tap into \$1 - \$2 million of that. What kind of timeline are we on. Do we pay that in 5 years or 10 years if we do that? The potential transfer of permits; there are going to be some issues there. There is some value to holding permits like that. So once again we will access that. Again we will be fair, put everything out there for the City and the County to review, and again it goes back to

responsibly assess where everything is. The capital cost both short-term and long-term. Again infrastructure is the key to Economic Development success; the traveling deal that was just landed in Chesterfield County; a \$2 billion dollar, 2,000 jobs deal. It is a paper plant. I was with Jake Sacamyer down at a conference and he made the comment everybody is asking what we did to get this site so successful. He said I will tell you what we did. We invested over \$100 million in infrastructure over the past ten years in Chesterfield County. That is one of the reasons they were able to make that deal happen. So, here we are at our first kick-off meeting. We have our contract to have three management team meetings. You approved all contracts July 14, 2014 and we are here July 31, 2014. We are essentially working through all these issues here. We have established working groups and what we will do in the process between these management meetings we will break up into three areas of analysis, engineering, financial, and organizational. These groups will work together to gather information and bring them to the next management meeting. There will probably be a series of phone calls and conference calls in between and also a series of emails that you will be working with the team as we move forward with that process. We have a set second team meeting; somewhere around the week of September 15 or September 22. What we will do is provide the preliminary results from the evaluation of the three areas of analysis. We will discuss some of the potential alternatives, drawbacks, and findings of these studies and solicit feedback from the management team again. Then we will come back and do a joint meeting with the City Council and Southampton County Board of Supervisors and present the preliminary results. That will be about a week or two behind the management meeting to update the public so the public knows what is going on. We will have our third management team meeting where we will look at the study again. We will go back and take a look at things a second time. It will be at some point in time around mid-November. We should have our preliminary recommendations and study results. Again we will be talking through the different aspects of what we come up with. We want to make sure the management team is comfortable with where we are heading. If not we will back up a little bit and readdress those issues. Then we will start drafting a PER and implementation plan for discussion to the management team around the week of December 15 or 22. We will then submit the final PER and implementation plan. We will submit that around the third week of January and then we will present our findings in a joint meeting to the City Council and Board of Supervisors around January 26 or February 2, 2015. That should get the cycle started for DHCD. We have to get the application started sometime in February/March. We will have a good idea of where we are going at that point in time. Let's take a look at public engagement. We eventually will have a survey here. We will make that survey available to all of the stakeholders involved including the City and County staff. We are looking at putting up a website for citizen input. We will be able to send out emails and answer various questions. We will have two formal presentations to provide an update of the study and then presenting the findings of the study when we are done. Then we will still do press releases if necessary. If the management team feels like it is necessary, then we will do that. We will work with them to make sure the program's information is put out there. As far as deliverables there will be two things; a preliminary engineering report and an implantation and funding plan. And again, we would like to thank you for the opportunity. This is a great opportunity for both localities. It is an extension of regional cooperation and this is a long-term partnership. A long-term partnership between the City of Franklin and Southampton County along with Davenport, McGuire Woods Consulting, and Timmons Group. So with that, thank you very much.

Audience applauds.

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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Financial Considerations

- ✓ Consider the three scenarios as outlined in the Request For Proposal, Non-Shared Services (status quo), Shared or Contracted Services, and, Regionalized scenario from the following perspective(s):
 - Each Local Government's Utility Enterprise Fund
 - Each Local Government's General Fund; and
 - Each Local Government's Current and future credit rating(s).
- ✓ Prepare a Multi-Year Utility Enterprise Pro-Forma Model which:
 - Integrates operating revenues, operational and maintenance expenditures, and reserve funds
 - Incorporates potential CIP needs and related indebtedness
 - Evaluates potential changes in rates
- ✓ Fully consider the unique legal aspects of a newly combined regional entity.
 - Under the combined regional entity options there exists the opportunity to restructure the assumed utility debt to fully take into consideration the useful life of the previously financed assets

City of Name	FUTURE PERFORMANCE (SAMPLE)					
	2015 Actual	2016 Budget	Proposed 2017	Proposed 2018	Proposed 2019	Proposed 2020
Operating Revenue	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Operating Expenses	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)
Operating Income	300,000	300,000	300,000	300,000	300,000	300,000
Capital Expenditures	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Debt Service	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Reserve Contributions	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Net Change in Net Worth	0	0	0	0	0	0



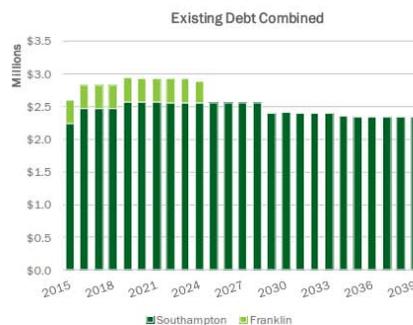
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Example of our Approach: Regional Combined Utility

- ✓ Observations:
 - Under a regional entity with the existing Utility debt of each locality combined there is no debt service drop off for 10 years.
 - If new money is needed assume that for every \$10 million approximately \$450,000 to \$650,000 a year is required for debt service repayment depending upon interest rates.
 - As a regional entity a 10% increase in rates would result in approximately \$420,000 additional revenues.
 - Absent further system growth and no debt restructuring, \$10 million of new money could require as much as a 15% rate increase across the board.



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Scenario 1 - Assumptions

- ✓ Refund virtually the entire debt portfolio of Southampton County and City of Franklin - roughly \$38 million.
- ✓ Assumed interest rates using market as of May 14, 2014 issued through the Virginia Resources Authority Pooled Financing Program.
- ✓ Consider extending the final maturity by roughly 6 years through 2045 to more closely mirror the useful life of the asset(s).

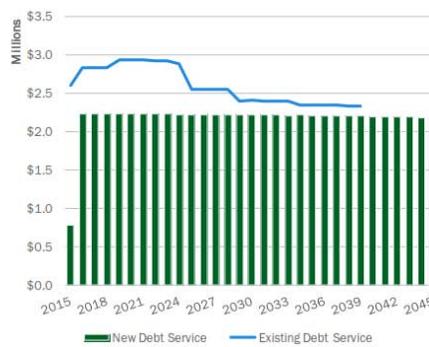


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Scenario 1 - Results

- ✓ All-in interest rate of 3.70%.
- ✓ Final maturity extended 6 years to 2045.
- ✓ Approximately \$700,000 of annual cash flow relief over the next decade.
- ✓ Present value cost/benefit is roughly a "breakeven".



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Scenario 2 –Key Assumptions

- ✓ Restructure approximately \$11.1 million of selected maturities with interest only through fiscal year 2024.
- ✓ Add \$30 million of new money with interest only through fiscal year 2024 with principal structured around existing and restructured debt resulting in level debt service.
- ✓ Assumed interest rates using market as of May 14, 2014 issued through the Virginia Resources Authority Pooled Financing Program.
- ✓ Consider extending the final maturity by roughly 6 years through 2045 to more closely mirror the useful life of the asset(s).



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Scenario 2 - Results

Under this scenario, the new regional entity could issue \$30 million of new money with a less than 10% one time increase on user rates for the foreseeable future.



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Governance & Organizational Considerations

- ✓ Governance (political organization)
- ✓ What's available in Virginia
 - Public Service Authority (Virginia Water and Waste Authorities Act)
 - Special Service District
 - Community Development Authority (CDA)
 - Joint Powers Agreement
- ✓ Economic Development
 - Incentives
 - Quick response to prospects
 - Wholesale vs. Retail



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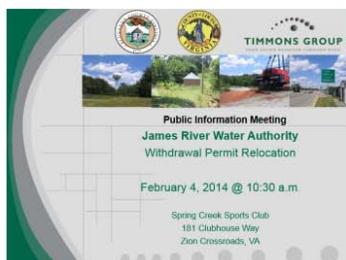
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Governance & Organizational Considerations

- ✓ Legal Review
 - City & County Charters
 - 1996 Revenue Sharing agreement
 - Current ownership of permits
 - Isle of Wight's 1/6 ownership in City of Franklin WWTP
- ✓ External Stakeholders Outreach



AGREEMENT

THIS AGREEMENT DATED the 6th day of November, 1996, and entered into by the parties on the dates hereinafter stated, by and between the City of Franklin, hereinafter called "the City" and the County of Southampton, hereinafter called "the County".



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Governance & Organizational Considerations

Considerations for Blended Systems

- ✓ Practical
- ✓ Political
- ✓ Personal

Key is to combine these elements to pick the appropriate organization (or system) up-front...



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Implementation Plan

- ✓ Phased plan / approach
- ✓ Funding sources & funding cycles
- ✓ Timeline
- ✓ Potential Transfer of permits
- ✓ Capital costs (short-term & long-term)



Infrastructure is key to Economic Development Success!



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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
 - 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



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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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Stakeholder / Public Engagement

- ✓ Survey/Questionnaires for City Council, County Board, County / City Staff & Management Team Members
- ✓ Website for citizen input – work with City / County
- ✓ Two formal presentations:
 - Providing an update of the Study
 - Presentation of the findings of the Study
- ✓ Press releases, if necessary or as desired by the Management Team



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Deliverables

- ✓ Preliminary Engineering Report
- ✓ Implementation & Funding Plan

Preliminary Engineering Report for the Shared Utilities Services Study

For
City of Franklin & Southampton County



December 2014

By

Timmons Group
1001 Boulders Parkway, Suite 300
Richmond, VA 23225



Thanks for the opportunity

- ✓ Great opportunity for both localities
- ✓ Extension of Regional Cooperation
- ✓ Long-term partnership



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Mr. Randy Martin states we appreciate the informative presentation tonight. If you weren't involved in the interview process this gave you an insight on why they are here. They bring a lot to the table in terms of experience and qualifications. It fits very nicely in my opinion the area we are looking at and the kind of issues we will be presented with. No one is saying or implying this is going to be easy but I highly look forward to it. I think it's going to be a task well worth the effort whatever comes out of it. One thing I am committed too and I know our Boards are from the comments I have heard and Michael feels this way and Amanda does and all the others involved, we are going to continue working together no matter how this comes out. This City and County are joined at the hip in a lot of ways and it would be foolish for us to think otherwise. At this time if any of the Management Team, the public, or elected bodies have any specific questions you want to ask these group of people or to Michael and I, we will address the question to the best person equipped to answer. You don't necessarily have to ask them tonight. We still have questionnaires and we certainly hope all the elected officials will complete that. We want to give you an opportunity to ask questions or if the management team wants to make any comments.

Tom Jones states this will be long-term economic development growth for the future. Right now we have between two jurisdictions about 5.75 million gallons of treatment capacity and this job could easily be built out of Courtland. Some scenarios economically may say we could use up to 2 billion gallons per day. Do you know the process yet, have you evaluated that in that particular scenario to see how much over long-term.

Mr. Randy Martin states many of you are aware of the cost of that plant. Two things, one, the plant is aging. Two, once you get beyond a certain level you are going to have to upgrade the system which will be expensive to that particular plant.

Tom Jones states what is the cost of losing too many gallons of capacity?

Mr. Randy Martin states the alternative to that question is, are we going to need that 2 billion gallons. That is what you need to ask. That is the ultimate question overall. Can we reasonably project out utilizing both plants or one single plant to meet the 30 to 50 year projections of localities?

Tom Jones states so you will be looking at projections?

Mr. Randy Martins states yes. It might be difficult because you are in an area where DEQ closely scrutinizes what you pull out of the ground because of International Paper. So that could become a ruling factor at the end of the day. So what may be nice to have may be too much because you may never use it.

Mr. Tom Jones states so we will look at the projections and determine what is needed.

Mr. Randy Martin states yes and what we are not going to do is give large capacity unless we absolutely have too. So if you have gotten to capacity where there are well permits or discharge permits, we want you to hold them as long as you can but DEQ is getting wiser and smarter as to how people are requesting these things and they really don't need it.

Supervisor West states I did not know that Isle of Wight had some interest in the City of Franklin Waste Water Treatment Plant.

Mr. Randy Martin states we have a contractual revenue sharing agreement. That would be one of the legal considerations we are looking at. For example, what happens to that if the plant goes or vice versa how does it impact any arrangements we might have if we keep those plants operating quote, unquote. There is another consideration with the City of Franklin. The capacity is currently limited. Some of you have commented on that. Taking on certain obligations with our capacity to grow currently if we stand alone, so that is certainly one of the considerations. We are going to have to look at the legal elements of that. How that fairs under any of these scenarios.

Supervisor West states well do they need to be at the table, on board.

Mr. Randy Martin states we have talked about that and have had great discussion with the new Administrator in Isle of Wight and at some point we will want to bring them in on the discussion.

To see what they envision for the area that is outside the City, the services available, that portion of Isle of Wight adjacent to us. At some point we are going to engage them just for clarity going forward so they can plan as well. Good question, good point. Do you want to add anything to that Joseph?

Mr. Joseph Hines states one thing to consider, let's say we go down the road with a joint services authority. Two things you can do is one add additional services. Say if you want to build a landfill or something like that, something that is conditional to what these contracts allow you to do and two is to add a jurisdiction if you want to do that. Now obviously each jurisdiction you add, you want to make sure it is compatible. If we can meet the obligations the City has with Isle of Wight either including them in the authority or allowing them to join the authority at a later date or not letting them join the authority at all, as long as we can meet the legal obligation the state has, I think we have covered that aspect of it. So there are some good things associated with it. You want to do something that is very workable and gives you some flexibility in the future.

Supervisor West states it still seems like there will be some type of contractual agreement between Isle of Wight and the current obligations.

Mr. Joseph Hines states not only the contractual agreement situation but there will also be some financial consideration. Currently the idea is just a contractual relationship. They don't have any authority or ownership in our system.

Supervisor West states okay, but I didn't know what the relationship was.

Mr. Joseph Hines states what it does is give us the opportunity to possibly get financial resources from somebody other than the City of Franklin and Southampton County residents and citizens. So, there are a lot of ways to look at.

Supervisor West states okay, good; thank you.

Mr. Joseph Hines states particularly one that I have dealt with in the jurisdictions was how the jurisdictions ranked. If the jurisdictions ranked high that would benefit both parties. Anyone have any more comments or questions from the group. We don't want to keep you here all night, but we want to be sure to answer any questions. Does anyone from the management team have anything to say or comment? Any of our elected officials? I will assure one thing. We haven't had instances where we were faced with not being able to meet the needs of a jurisdiction. I think the County is similar because of location even though they have capacity. There is a cost associated in where someone is located; the cost of getting service to it. It doesn't take a rocket scientist very long to figure out some of these benefits. One of the things we are facing right now is significant interest in that type of development. In some of our meetings I am hoping we can get help to refine some of these areas and hoping some of the elected officials can give us some wisdom on what they see in the future. As I mentioned this is a long-term plan, but we want to see some relatively near time benefits as a result of it. I know many of you are concerned this is moving too fast possibly. Some of you have mentioned a concern, and I won't mention any names that we are moving too slow. I have heard that a few times. Reality is this is a process. We have to engage the public. We have to have the public's backing. We are going to do everything we can. We mentioned websites, surveys, whatever else we can do; public meetings to get the public engaged in this. There is always one or two out there somewhere in the City or County at the end of the day that may say that is the first I have heard about it. We don't want it to be on our part a lack of disclosure and before I give my recommendation to City Council and the Board of Supervisors I am going to be sure to do everything I can to get the answers to your many questions. There have been several questions to our management team and I will assure you there will be a bunch more. Unless we have further comments from the Chairman or Mayor be sure to sign the attendance sheet and this meeting is adjourned.

July 31, 2014

There being no further business for tonight, meeting adjourned at 7:20 p.m.

Dallas O. Jones, Chairman

Michael W. Johnson, Clerk