

February 23, 2009

Mr. William G. O'Brien, Chairman  
Virginia Resources Authority  
1111 E. Main Street, Suite 1920  
Richmond, Virginia 23219

**RE: Southeastern Public Service Authority**

Dear Chairman O'Brien:

By motion of the Southampton County Board of Supervisors, at its regular session earlier today, I have been authorized to express the following position with regard to the serious fiscal issues facing the Southeastern Public Service Authority (SPSA).

First, as a member locality of SPSA, please accept our sincere appreciation for VRA's willingness to assist the communities of South Hampton Roads in this matter. We look forward to working with you to restructure SPSA's debt in order to provide timely relief to inadequate cash flows, mitigate precipitous increases in the municipal tipping fee, and provide us adequate time to evaluate comprehensive system reform. Further, Southampton County is ready and willing to consider guaranteeing VRA its portion of SPSA's debt, allocated on the basis of population.

These are difficult times, requiring strong leadership by all the member localities. Southampton County is prepared to meet the challenge in taking all the necessary steps to resolve this ongoing financial crisis. We look forward to working closely with you in finding an amicable solution to this pressing challenge.

With kind personal regards, I am

Sincerely yours,

Dallas O. Jones, Chairman  
Board of Supervisors



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## Lender lays out conditions to help SPSA

RICHMOND

A state lending agency on Tuesday laid out its conditions for helping SPSA, the beleaguered regional waste authority, stave off skyrocketing garbage fees and financial collapse.

The Virginia Resources Authority could assist SPSA restructure its debt, but doing so would be "an extremely serious proposition," said Sheryl Bailey, executive director of the lending agency. SPSA owes an estimated \$240 million, including \$129 million to VRA.

Bailey said a restructuring would expose the state financially and "could crowd out other worthy projects that VRA could assist across the state."

Without a restructuring, officials with the Southeastern Public Service Authority have said they could run out of money and be forced to close as early as April. Either that or SPSA would be forced to adopt the highest trash-disposal fees in the country, at \$245 per ton of garbage, that six cities and counties in South Hampton Roads would have to pay to keep the waste authority solvent.

SPSA has handled trash and recycling for 30 years in Virginia Beach, Norfolk, Chesapeake, Portsmouth, Suffolk, Franklin, Isle of Wight County and Southampton County. Only Suffolk and Virginia Beach would be spared from a \$245-per-ton rate, as their "tipping fees" are capped. All eight communities are on the hook for SPSA's debts.

Before VRA jumps into a deal, SPSA and its eight member communities would have to live by conditions spelled out in a resolution approved Tuesday by VRA. Among the requirements, SPSA must give VRA the right to approve any future debts, the sale of any assets and must sign off on any revamped business model, according to the resolution.

Bailey said those conditions do not mean the state agency wants operational control of the trash authority. "We're not taking over SPSA," she said. "The interest is purely financial."

SPSA's spokesman declined comment, saying that agency officials had not seen VRA's resolution in writing, nor had the agency been briefed about a possible restructuring of debts.

"We will review it and make recommendations to our board for them to decide if the organization, and all eight cities it serves, are willing and able to meet the seven conditions listed," SPSA spokesman Tom Kreidel said in an e-mail.

SPSA did not send anyone to the VRA meeting in Richmond. The resolution also requested SPSA's member localities to guarantee the debt that VRA picks up as part of any deal. It asked them to follow the lead of Isle of Wight County, which submitted a letter that said it wanted to work directly with VRA to restructure SPSA's debt to create a more evenly disbursed repayment plan.

