

**9. RESOLUTION PROVIDING MORAL OBLIGATION
PLEDGE ON A PORTION OF SPSA'S REMAINING DEBT**

You may recall from last April that we, along with four other SPSA-member communities provided a pro-rata guarantee to the Virginia Resources Authority (VRA) on \$72 million of refinanced SPSA debt. Our share of the guarantee at the time was roughly \$4.9 million.

As you are also aware, the sale of SPSA's Waste-to-Energy (WTE) Plant will allow SPSA to retire roughly \$142 million of its \$220 million in debt and reduce its annual debt service requirements by roughly 60%. In addition, the sale will allow SPSA to forgo more than \$50 million in capital expenditures (Cell VII and 2 transfer stations in Suffolk) over the next 8 years. The sale is expected to save Southampton County more than \$6 million in increased tipping fees over the next 8 years.

As a prime creditor, VRA must approve SPSA's sale of the WTE plant. Among other things, VRA is requiring that SPSA utilize the sale proceeds to proportionally reduce its debt among its three creditors (VRA, Wachovia, and Ambac), so that their respective risk is not substantively changed by the transaction. In addition, VRA is requiring pro-rata guarantees from all eight SPSA member communities for its share of the remaining debt, estimated at roughly \$46.7 million. After the sale, in addition to the VRA debt, SPSA will still owe Wachovia almost \$19 million and Ambac just less than \$11.8 million.

SPSA will utilize a portion of the sale proceeds to repay the City of Virginia Beach its obligation under the forbearance agreement approved last year, and the City of Virginia Beach will assume its pro-rata share of the guarantee to VRA.

Attached for your consideration, please find a resolution prepared by our bond counsel, providing your non-binding (moral) pledge to guarantee up to \$1,050,000 of the remaining debt that SPSA will have with VRA. The resolution serves to release the County from its pledge last April, reducing our exposure from up to \$4.9 million to a maximum of \$1.05 million. The amount is based upon the percentage of municipal waste that Southampton County contributes to SPSA's system (2.1%). The seven other SPSA-member communities will consider similar resolutions.

MOTION REQUIRED**A motion is required to adopt the attached resolution.**