

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

As you recall from last month, the Board adopted a resolution authorizing the guaranty of the timely payment of a portion of principal and interest on certain debt that SPSA will have remaining with VRA following the sale of its waste-to-energy plant. Since the guaranty agreement was still being developed at the time of your approval last month, I represented that it would be substantively in the same form as the 2009 document and the Board approved the resolution based upon that representation. While it may be debated whether changes in the 2010 Guaranty Agreement were substantive or not, there were changes, and I'd prefer to err on the side of caution and ask you to consider readopting the resolution this month with the Guaranty Agreement and Reimbursement Agreement attached. The most substantive change is removal of the condition from the Guaranty Agreement that all eight member communities must approve any additional indebtedness by SPSA – that provision is now contained in a separate reimbursement agreement between SPSA and the owner communities.

The fundamentals of last month's approval are unchanged. You are still providing your non-binding (moral obligation) pledge to guarantee up to \$1,050,000 of the remaining debt that SPSA will have with VRA, subject to their release of your April 2009 pledge, which guaranteed up to \$4.9 million of remaining debt at that time. The new amount is based upon the percentage of municipal waste that Southampton County contributes to SPSA's system (2.1%). All seven of the other SPSA-member communities will consider similar resolutions.

You will recall that 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.

Proceeds from the sale will be used to proportionally reduce SPSA's debt among its three creditors (VRA, Wachovia, and Ambac), so that their respective risk is not substantively changed by the transaction.

SPSA will also 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.

MOTION REQUIRED

A motion is required to adopt the attached resolution.