

SPSA/VRA MATTERS

RECEIVED MAR 13 2009

March 10, 2009

The Honorable Dallas O. Jones
Chairman of the Board of Supervisors
Southampton County
P. O. Box 400
Courtland, VA 23837

Dear Chairman Jones:

On behalf of the Virginia Resources Authority's (VRA) Board of Directors, I would like to thank you for your letter regarding the County of Southampton's willingness to work with VRA to address SPSA's pressing financial difficulties. Southampton's consideration in this matter is sincerely appreciated.

VRA looks forward to working with the City in helping to achieve a successful outcome for the SPSA owner communities and the Commonwealth of Virginia.

Sincerely,



William G. O'Brien
Chairman

cc: ✓ Michael W. Johnson
City Manager



COUNTY of ISLE OF WIGHT

THE COURTHOUSE

March 4, 2009

VIA FACSIMILE AND FIRST CLASS MAIL

The Honorable Timothy M. Kaine, Governor
Commonwealth of Virginia
Office of the Governor
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

RE: Southeastern Public Service Authority Debt

Dear Governor Kaine:

The Isle of Wight County Board of Supervisors is deeply concerned by your correspondence, dated February 13, 2009, to a majority of the Southeastern Public Service Authority (SPSA) member localities. Specifically, we are troubled by the possibility of State funding to member localities being intercepted in order to recoup possible debt service payments that may be made by the Commonwealth.

As stated in our February 12, 2009 letter, we remain willing and able to pledge the full faith and credit of Isle of Wight County to guarantee our portion of the debt as you may deem appropriate. We believe Isle of Wight's portion is best determined first, on a population basis or second, on an average tonnage basis for the last five (5) years.

In the event that it should become necessary for the Commonwealth to make debt service payments on behalf of SPSA, we are ready and willing to perform one of the following actions. We will make our proportionate share debt payment within ten (10) days, provided such payment would not adversely affect our unappropriated fund balance. If the amount owed does adversely affect the fund balance, we would respectfully request that your office provide us with 45-60 days notice so that we may make appropriate arrangements to secure debt financing.

Again, we thank you for your leadership and support on this important issue and look forward to working with you to resolve this matter amicably for all involved.

With best personal regards, I am

Sincerely yours,



Phillip A. Bradshaw, Vice-Chairman
Isle of Wight County Board of Supervisors

cc: **The Honorable Board of Supervisors, Isle of Wight County**
The Virginia Resources Authority Board of Directors
Sheryl D. Bailey, Ph.D., Executive Director, Virginia Resources Authority
Arthur Anderson, Esq., McGuire Woods
James Traudt, Davenport and Company
Mayor/Chairman of the City Councils of the Cities of Virginia Beach,
Chesapeake, Franklin, Norfolk, Portsmouth and Suffolk; and the County of
Southampton
Chief Administrative Officers of the Cities of Virginia Beach, Chesapeake,
Franklin, Norfolk, Portsmouth and Suffolk; and the County of Southampton
Rowland Taylor, Executive Director, Southeastern Public Service Authority
W. Douglas Caskey, County Administrator
A. Paul Burton, Interim County Attorney



OFFICE OF
THE MAYOR AND CITY COUNCIL

CITY OF SUFFOLK

P. O. BOX 1858, SUFFOLK, VIRGINIA 23439-1858 PHONE: (757) 514-4018 FAX: (757) 538-1527

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February 25, 2009

Mr. William G. O'Brien
Chairman
Virginia Resources Authority
1112 Main Street, Suite 1920
Richmond, VA 23219

Dear Mr. O'Brien:

This letter serves to respond to your request that each member locality of the Southeastern Public Service Authority (SPSA) provide VRA with written correspondence regarding our intentions and continued support of SPSA.

Allow me first and foremost to thank VRA for your willingness to discuss debt restructuring alternatives to address the financial challenges currently being experienced by SPSA. Your Executive Director, Dr. Sheryl Bailey's expedient and deliberative response has been very beneficial in reemphasizing the focus of all of us on problem-solving and pragmatic planning for SPSA.

Our City Council, on behalf of our respective localities, do hereby provide the following assurances to VRA:

- 1. Our city will ensure that our obligations under our Service and Use agreements are met.** Further, the localities are meeting frequently to determine financially sound approaches to address SPSA's short-term and long-term fiscal needs.
- 2. Our city is committed to addressing responsibly the collection, disposal and/or reuse of our solid waste as to protect the environment and the sustainability of our communities.** We are actively discussing the long-term approach to waste management. Certainly the current assets and obligations of SPSA are a strategic part of these discussions and we will work collaboratively with VRA prior to implementing any plan of action to include appropriate asset valuations, engineering and feasibility studies, and cost-benefit analysis.

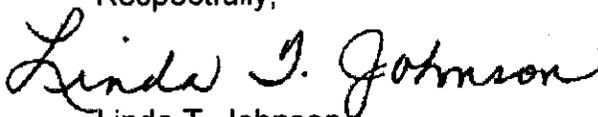
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3. **Our city is committed to ensuring that SPSA meets its obligations to its creditors.**
4. **Our city desires to identify a comprehensive financial plan for SPSA and a debt financing that provides financial stability. We desire to discuss and consider a restructuring of debt through VRA along with other alternatives.** The city is willing to consider the application of its full faith and credit to such restructured debt through a fair and equitable methodology based on waste stream, population or other reasonable approach that may be identified through independent financial advice.

For many years, SPSA has served our localities well in the disposal of our region's solid waste. The Waste to Energy plant has been a leader in the reuse of waste. However, we know that SPSA's current financial crisis demands our complete attention and a consensus-built solution. Our Chief Administrative Officers are, and will remain, directly and fully engaged, along with our Financial Advisors, in developing a plan of action for the current and future SPSA operations.

Please know, the Suffolk City Council stands committed to provide our collective leadership to ensure the proper fiscal and operational management of SPSA.

Respectfully,



Linda T. Johnson
Mayor

pc: The Honorable Council
C. Edward Roettger, City Attorney
Erika S. Dawley, City Clerk
The Virginia Resources Authority Board of Directors
Sheryl D. Bailey, Ph.D., Executive Director, Virginia Resources Authority
James Traudt, Davenport and Company
Mayor/Chairman of the City Councils of the Cities of Virginia Beach, Chesapeake, Franklin, Norfolk, and Portsmouth; the County of Southampton, and the County of Isle of Wight
City Managers/County Administrators of the cities of Virginia Beach, Chesapeake, Franklin, Norfolk, and Portsmouth; the County of Southampton, and the County of Isle of Wight
Southeastern Public Service Authority (SPSA) Board of Directors, Alternates and Executive Director
Don Williams, Norfolk

SOUTHAMPTON COUNTY

26022 Administration Ctr. Dr.
P.O. Box 400
Courtland, Virginia 23837



757-653-3015
Fax: 757-653-0227

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

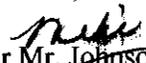
Sincerely yours,


Dallas O. Jones, Chairman
Board of Supervisors

RECEIVED FEB 23 2009

February 19, 2009

Mr. Michael W. Johnson
County Administrator
Southampton County
P. O. Box 400
Courtland, VA 23837


Dear Mr. Johnson:

The Virginia Resources Authority (VRA) has finalized the schedule for its Spring 2009 Pool Bond Program and this letter is being sent to inform you of the upcoming timetable. The information listed below is in addition to the VRA Board of Director's parameters outlined in their February 10, 2009, Resolution (attached). The letter requested by the VRA Board is still due by February 25, 2009.

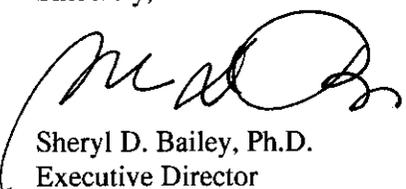
All applications for projects to be included in VRA's Spring Pool are due no later than March 13, 2009. This is the same schedule as for other potential borrowers. The Spring Pool is the last transaction VRA will issue in fiscal year 2009. A completed VRA application from each locality will be required to participate in this bond pool, including the following pertinent items:

- Analysis outlining each communities' participation in the SPSA restructuring;
- Last three years of audited financial statements;
- Information regarding any debt issued since last audit;
- FY09 budget and FY10 budget if available;
- Most recent Capital Improvement Plan;
- Most recent rating reports;
- Financial Policies and statement as to compliance with same;
- Ten largest taxpayers and percentage of each to total tax base;
- Ten largest employers;
- Information regarding any pending or potential litigation against locality;
- Assessed Value of Real Estate; and
- Most recent Official Statement for General Obligation debt.

Due to VRA's continued heavy workload on the Chesapeake Bay Cleanup initiative, increased demand for its programs due to the credit crisis and the increased workload from the federal economic stimulus bill, VRA has a very heavy calendar with virtually no slack. Hence, the Spring financing schedule is very tight.

As always, feel free to contact me with any questions.

Sincerely,


Sheryl D. Bailey, Ph.D.
Executive Director

Attachments: VRA Resolution and Application

Resolution of the Board of Directors of the Virginia Resources Authority (VRA)

The Southeastern Public Service Authority of Virginia (SPSA) was created pursuant to the Virginia Water and Sewer Authorities Act by its owner communities which are the Cities of Virginia Beach, Norfolk, Chesapeake, Suffolk, Portsmouth and Franklin, and the Counties of Southampton and Isle of Wight.

SPSA is currently indebted to VRA in the amount of approximately \$ 129 million on bonds issued for various capital expenditures ("SPSA Local Bonds").

Upon VRA's recent review of SPSA's financial condition, VRA has grave concerns regarding SPSA's ability to pay the SPSA Local Bonds to VRA in the short and long term. Although no formal request has yet been made, VRA anticipates that SPSA will approach VRA to restructure its existing debt, which may include the SPSA Local Bonds.

Should this occur, and if VRA and the Commonwealth of Virginia decide to increase their risk exposure by restructuring SPSA's existing debt, VRA intends to impose numerous requirements on SPSA and/or its owner communities as a condition of such restructuring. These terms will include at a minimum:

1. Each of SPSA's eight owner communities must guaranty the SPSA debt held by VRA with a General Obligation Pledge, except for Southampton County, which must guaranty its share of such SPSA debt with a Moral Obligation Pledge;
2. Each owner community must provide VRA with written assurance of its commitment to work with VRA and SPSA in restructuring and guarantying SPSA's debt, in a letter similar to Isle of Wight's letter of February 6, 2009 to VRA. Such written assurance must be received by VRA no later than February 25, 2009;
3. VRA will have the right to approve SPSA's issuance or incurrence of any future debt;
4. VRA will have the right to approve the sale or disposition of any SPSA assets;

5. To the extent authorized by law, VRA will review and suggest and/or require modifications to SPSA's business model and its implementation, as necessary to protect VRA's and the Commonwealth's risk exposure;
6. Each of SPSA's eight owner communities shall designate a point person to interact and communicate with VRA regarding SPSA's potential debt restructuring going forward. Such point person shall not be a current board member, staff member or employee of SPSA; and
7. To the extent authorized by law, VRA may also consider the inclusion of other conditions deemed necessary by the VRA Board to protect VRA's and the Commonwealth's risk exposure from such debt restructuring, including but not limited to the review of significant contracts that impact SPSA's business model, operations and ability to fulfill its debt obligations.

The above are the parameters VRA intends to require for any SPSA debt restructuring that may be considered or implemented. However, at this time, as no formal debt restructuring proposal has been proffered or considered, these parameters may be modified, amended and/or supplemented to accommodate any specific debt restructuring under review or consideration.

Passed unanimously by VRA Board on February 10, 2009