

**FLUVANNA COUNTY CITIZEN WATER COMMITTEE
MEETING MINUTES**

June 3, 2010

MEMBERS PRESENT:

Shelly Wright, Interim County Administrator
John Robins, Public Works Director
Vicki Karabinus, Economic Development Coordinator
Darren Coffey, Planning Director
Alan Batson, Chairman FUSD Advisory Board
Richard Schwarz LMOA
Scott Marshall, Economic Development Authority
Gary Peterson, Chamber of Commerce
Elizabeth Franklin, Chair of Fluvanna Taxpayers Association
Dennis Holder, Fluvanna Friends of Rural Preservation
Shaun Kenney, Columbia District Supervisor

ALSO PRESENT:

Keith Smith
Garland Nuckols
Neil Phillips
Bill Hughes
Jacques Ruch
Sam Patterson
Chris Fairchild
Ray Signoretti
Mozell Booker, Fork Union District Supervisor
Chad Brown
Marvin Moss
Debra Kurre

CALL TO ORDER & WELCOME

Ms. Shelly Wright, Interim County Administrator, called the meeting of June 3rd, 2010 to order at 7:04 p.m. in the Historic Courthouse of Fluvanna County in Palmyra, Virginia. Ms. Wright welcomed the attendees and public.

REVIEW AND ENDORSEMENT OF MINUTES

Ms. Wright asked if there were any changes to the May 13th minutes .

Since the minutes of the last meeting had not been posted with sufficient time for Committee members to review, comments regarding the minutes were deferred until the next meeting.

PUBLIC COMMENT

Ms. Wright opened the Public Comments section of the meeting, asking each speaker to limit their remarks to three minutes.

Mr. Jacques Ruch inquired as to the possibility of a deal with Tenaska for the pipeline running along Route 6. He further commented that it is his understanding that of the \$28M cost of the JRWA, \$3M is for Fork Union, but that amount does not include the right of way up Route 600, and that should also be considered.

Mr. Chris Fairchild commented about an option that might have some merit for consideration by the Committee. That is, if a system was built that had enough capacity for FUSD and ran untreated water to Zion Crossroads, and the pipe in between was sufficient to serve the 3M gallons needed, it would give some citizens assurance that growth won't go beyond that area. It would also make the county plan better and could potentially convince some citizens to support the pipeline. He added that the conversation, thus far, is the same as it was ten years ago in that we aren't presenting any new options.

Mr. Sam Patterson stated that he had addressed the group six weeks ago and is saddened that nothing has changed and feels the need to address the group again. Mr. Patterson requested that his written statement to the Committee be included in the minutes and has been attached.

Mr. Holder asked whether he could address Mr. Ruch's questions, stating that he has factual information that will respond to some of those concerns. Mr. Holder stated that the ECTI line is already in several of the alternatives including what was known as the JRWA plan, and the Timmons estimates do include \$750K for right of way acquisition. Mr. Ruch further inquired whether we could "grab" the water at Tenaska and run to Fork Union. Ms. Wright indicated that this question will be brought back to the committee for discussion.

Presentation of Financial Models

Mr. Robins presented two items for discussion, stating that the financial models are not complete but he will bring us up to date.

The four primary alternatives the Committee is considering are:

- County is Broke (Do Nothing)
- Free Enterprise
- James to Zion Crossroads Via LM
- AquaVirginia

Supporting tables were presented for each. Mr. Robins further pointed out that, as was discussed in a sub-committee meeting, if we choose the "Do Nothing" option, the overall impact for the entire county is not zero. However, Fork Union will need to take some action because their source water is at its limit and this fact will have to be dealt with at some point. If Fork Union does this on their own, using numbers from 1996, it is estimated that approximately \$0.21 would be added to Fork Union real estate owners' tax bills. Another alternative from 1996 was to drill additional wells, which would add about \$.017 as an ad valorem tax. Even though the County doesn't have to pay in this scenario, the citizens of Fork Union would have to pay and this should be recognized.

Mr. Holder indicated disagreement with this analysis, contending that this is known as a "consequence project" and that the committee isn't considering consequent projects with any of the other options. If the Committee is to consider consequence effects, wastewater should be included in any alternative that takes water to Zion Crossroads. Mr. Holder further stated that the Committee doesn't have the time or expertise to consider this effect, and so Mr. Holder believes we should not include them.

Mr. Kenney asked whether that is, in fact, being considered in all of the options. Mr. Robins responded that we do not have the analysis done, although, the County currently has an RFP out for those engineering services, but the budget appropriation would have to follow. Ms. Wright responded that there are some private partners that could provide sewage treatment. Mr. Robins added that if set up properly, a sewer system should pay for itself, but that it would require an upfront investment.

Ms. Wright asked where in the model we capture the economic development aspects of a system. If economic development is to be a consideration, how do we capture the fact that there are other projects

that will have to be funded absent economic development? Mr. Robins responded that we have not captured that in this model. Mr. Holder indicated this is a very limited analysis, described by Mr. Patterson as a “build analysis”.

Regarding the “Do Nothing” option, Ms. Wright continued that it is misleading to simply state “zero dollars”. Absent any economic development activity, the residential tax base will be the only resource to pay the debt service and costs of opening the new high school. There is universal agreement on the need for a public safety radio system, and other investments will need to be made in school buses, safety vehicles, etc. If the County does nothing else operationally, the true rate to fund FY11 level expenditures with those listed additions and the full impact of the debt services out of current year collections would be a \$0.10 increase. To say that doing nothing on the water pipeline is a zero dollar impact is misleading because it is a zero dollar investment but it is not a zero dollar consequence.

In response to Mr. Kenney’s inquiry as to whether this Committee has considered the question of what is desirable economic development, Ms. Wright reminded the group that the question has been addressed in the Economic Development Commission’s Business Plan that was presented throughout the county over the past several months in the Economic Development Roadshow.

Mr. Holder stated his desire for answers to a variety of questions, indicating that this information would help evaluate what economic development would contribute to the County. As examples, his questions included: How many rooftops does the County have compared to businesses? What does the average business in Fluvanna County pay in taxes, including real property and personal property? Ms. Wright responded that there is a huge differential between what we can and cannot currently attract absent water and other infrastructure. Mr. Batson suggested that the group consider Louisa County and their development at Zion Crossroads, adding that the EDC should be bringing those facts to this committee. In response, Ms. Wright stated that the hope and assumption behind the EDC’s public “Roadshow” meetings was that people would be reading and analyzing the documentation from the EDC so it wouldn’t be concurrent with the water discussion.

Ms. Franklin stated that the premise is that if we bring a pipeline, it will bring economic development which will diversify the tax base. She contends that we need a formula that would demonstrate that economic development will actually reduce taxes. Mr. Marshall responded that the EDA’s position is that water is necessary at Zion Crossroads. Fluvanna cannot compete without it.

Mr. Kenney stated that even with the “Do Nothing” option we will still faced with a \$0.10 hike in taxes, if not more. The group generally understood and accepted that point, but Mr. Holder reiterated his point that we need facts to support the argument for economic development.

Ms. Wright reminded the Committee that if the County chooses not to build the water line, the two potential partners will pursue other options. This cannot be a “do nothing now, but decide later” plan. Mr. Holder responded that we have other plans that take that fact into account.

Regarding the “County is Broke – FUSD is Included” alternative. Mr. Kenney inquired as to the actual rate? Mr. Robins responded that it is \$0.18 over the current \$0.54. Mr. Holder added that there are alternatives and the county should contribute something to the well-being of FUSD. Mr. Marshall responded that does have a taxpayer impact.

Mr. Robins asked for direction from the committee on the impact of houses vs. businesses and whether this information is to be included or not in the “County is Broke” option. Mr. Holder responded that if we are going to consider consequent costs, we should do it across the board. Mr. Schwarz suggested that we simply make reference to it. Ms. Franklin further suggested adding a paragraph or footnote, where appropriate, indicating that the analysis does not include all consequential costs that will be deemed necessary such as the improvements to the FUSD system, sewage infrastructure costs, etc.

Mr. Robins went on to present the “Free Enterprise” Plan, running a raw water line from the James River up the ECTI line to the prison. A summary analysis was distributed, with Mr. Robins noting that it indicates is raw water sales, not retail water sales. Three different scenarios were considered. The least expensive option takes water up to the Colonial pipeline to Route 250. No service areas would be provided with treated water. Raw water would be sold to the prison for treatment. FUSD would also be provided with raw water and would have to construct a treatment plant. Taxpayer impact was estimated at \$0.02.

The “James River to Zion Crossroads via Lake Monticello” option was the plan approved by the Board of Supervisors the last time they considered the water issue and is the route shown in the Comprehensive Plan. Mr. Robins pointed out that the demand numbers used are extremely conservative to keep the projected revenues down. This model includes a \$1 per 1,000 gallons surcharge to Louisa. With this option, the taxpayer impact is estimated at \$0.03 with break-even in Year 23. Mr. Kenney pointed out that the Ferncliff area will undoubtedly be growing. Mr. Holder responded that Louisa’s projections included their intentions for the Ferncliff area.

The “Aqua Virginia Proposal”

Mr. Robins informed the Committee that AquaVirginia has proposed a different approach that could reduce county cash outlay and postpone it for many years. This option can be substituted for the AquaVirginia alternative already presented. The committee asked to see the outline. Mr. Coffey asked whether the Committee would apply the same methodology if we decide to consider this as an option and the response was in the affirmative.

Mr. Keith Smith stated that he will discuss the proposal in more detail with Supervisor Chesser and present it to the committee at the next meeting. Ms. Wright asked that the sub-committee match AquaVirginia’s new proposal to the current format and model it similarly. Mr. Schwarz asked whether this proposal would be addressed at the Town Hall meeting on June 15th. Ms. Wright responded that if it is the same format and model we should consider including it at the Town Hall meeting.

Mr. Holder indicated interest in learning more about the proposal that Mr. Coffey had previously mentioned regarding setting up a taxing district, stating that could dramatically change the tax impact of some of the proposals. Mr. Coffey responded that a CDA takes the cost of the treatment plant infrastructure off the taxpayer and puts it on the taxpayers in the CDA. The County would need technical expertise properly investigating a CDA, which can rely on property or sales tax, or a combination. Ms. Wright responded that, first Morgan Keegan must address the possible impact of a CDA because their viability fluctuates with the market.

Ms. Franklin inquired as to the absence of the “Fork Union First” plan? Mr. Coffey responded that the committee decided that it is one of the subsets of the “County is Broke” option. Ms. Franklin responded that the FTA is not convinced there is a need for water in the middle of the county, and considers the Fork Union First plan as a need in and of itself. Mr. Holder argued for including the “Let Louisa Do It” plan to meet those needs. Ms. Wright responded that the committee straw poll resulted in agreement that it is not within the purview of this group to consider what Louisa might or might not do. She noted that this is the same debate held earlier in the meeting about consequent effects.

Mr. Coffey added that the committee went around the table and decided how this was to be handled. Mr. Kenney added that it is a consequence of doing nothing anyway. Mr. Marshall stated that the people in Fork Union need to know what will happen if we choose “Do nothing”. Mr. Batson thought it would be mentioned in the narrative and not treated as an alternative.

Discussion of Town Hall Meeting

The Committee agreed to changed the date of the Town Hall Meeting to June 21st instead of June 15th. Mr. Coffey will secure a location and ensure that adequate notice is published. Choices for the meeting location were the Community Center #1, Library #2, or the Palmyra Fire House #3.

The format of the Town Hall will be Presentation with Q&A:

- Purpose of Committee
- Objectives
- Alternatives
- Evaluation Work to Date

Attendees will be able to view display boards. There will also be handouts.

OTHER BUSINESS

Mr. Holder asked when the Committee is going to discuss the JRWA. Mr. Coffey responded that, until we have feedback from the Town Hall meeting, it is inappropriate to discuss that mechanism. Ms. Wright added that the Board did not empower this committee to make a determination about the financing mechanism moving forward. Mr. Holder responded that the financing mechanism could be a factor in whether or not he encourages his constituents to support the decision. Mr. Kenney responded that it is not within this Committee's purview to dictate policy to the Board of Supervisors. Rather, the Board is looking for information as to best practices, possible solutions and information from the citizens. Ms. Franklin stated that, in her opinion, the JRWA is an inherent question because there is a plan on the table that depends on Louisa paying half of the cost. The plan calls for a partnership, but does not require that it take the form of an authority. Mr. Kenney reiterated that the Board is looking for alternatives and objective information. Mr. Coffey added that this committee is not speaking for any one group, as each member represents different interests. Mr. Batson added that it is not reasonable to assume the committee will have a unanimous agreement on any plan. It is the Board's job to make the decision, and it is the committee's job to give them a balanced picture. Mr. Holder asked whether there is a forum by which dissenting opinions can be communicated. Mr. Kenney responded that if any group wants to provide their own analysis, they should be invited to include it in a written format and submit it to the Board.

PUBLIC COMMENT

Ms. Wright opened the floor for public comment.

Mr. Patterson stated that there are two "elephants in the room". The ability of the county to float a bond in the current market is zero with the current debt load. That also implies that a referendum of the citizens needs to be included. Secondly, if this were 2012, we would be dealing with the full impact of the school debt in addition to the high school maintenance, E-911, the 2012 property reassessment. The estimated additional tax could be \$0.18 to \$0.22. The Board must address the possibility that no one will want to move to Fluvanna with such a tax rate, and that does not take into consideration the cost of this pipeline.

Mr. Ruch seconded what Mr. Patterson said. It is Mr. Ruch's opinion that the only reason this committee was formed is to decide whether the County will continue with the JRWA or not and the July deadline is because of Louisa's deadline.

Mr. Fairchild asked whether the government ever published a projection to the community of the expected return on this project, or a prospectus. Mr. Fairchild added that there is a substantial group of taxpayers that the county hasn't necessarily sold on the project and this might be beneficial for that group.

Mr. Smith conveyed best wishes to Ms. Wright.

Ms. Kurre concurred with Mr. Smith. She continued that it is necessary to consider the cost of doing nothing. Also, what is to stop Louisa County from withdrawing water from the James River and transporting it to Zion Crossroads, possibly requiring that Fluvanna purchase water from them? She agrees with Mr. Holder that we need a simple analytical number of what current businesses contribute to

the tax base, and what would that number look like if we had a different type of business structure. She concluded by stating that Fluvanna needs to capitalize on its proximity to the James River.

ADJOURN

There being no further business, Ms. Wright adjourned the Citizen Water Committee meeting of June 3rd, 2010 at 9:31p.m.

Minutes recorded by Vicki Karabinus.

Approved by Committee Consent on

Attachment A: Comments submitted by Mr. Sam Patterson during Public Comment

Fluvanna Water Pipeline Proposal
Citizens Water Committee Presentation (CWC)
Samuel Patterson, Palmyra District
June 3, 2010

I am addressing the citizens water committee again because most of the salient and critical observations I made at a CWC meeting about 6 weeks ago failed to be recorded into the minutes of the meeting. I am requesting that this written document be made a part of the permanent records of this committee.

As I pointed out before, the CWC was a well intentioned idea which unfortunately has been stacked with pro water pipeline supporters that have still not considered the true economic facts or the reality of our present national, state and county funding debts and deficits as they relate to funding a project of this scope and magnitude. What is most important to note is that I was one of the earliest supporters of a water pipeline to Zion Crossroads as far back as 2005 to create an economic reality of business development in the Route 250 corridor that has been severely lacking in Fluvanna county.

My support for a water pipeline was removed by two critical and ongoing factors that make it impossible for Fluvanna to build this project: 1) the worst crushing national recession since the 1930's and 2) the debt payments on an \$82 million dollar new high school we can neither afford nor have we even budgeted yearly operational costs. I have been staggered that none of the realities of: massive foreclosures in our county, large numbers of property defaults, drops in all types of revenues, large county fiscal deficits, a depleted reserve fund, large and looming tax increases to fund our school's debt payments and property devaluations; have not seemed to deter people blind to wanting a water pipeline at whatever the cost.

Proponents of the pipeline seem to have adopted the attitude that "if you build it they will come" and choose not to be concerned with the fiscal recklessness and dereliction of financial duty that such a stance could cost the county. This committee of well-meaning but non-professional people has been tasked by the BOS to develop a cost-benefit analysis to determine whether or not to build this water pipeline. Unfortunately the CWC has neither the expertise, time, money nor impartial professionalism to develop such a rigorous analysis.

As I pointed out six weeks ago, I have done a number of cost-benefit (C-B) analyses and given the deadline of July 2010 and ten experienced engineers, I could not do even one of the route alternatives for a rigorous C-B analysis. What this committee is performing is a thinly backed set of build and route costs to BUILD the pipeline. Nowhere have I seen the development of a true cost benefit analysis, a risk analysis nor even more important, a sensitivity analysis. Unless each of these are done by a team of experienced professionals anything that comes from this committee will be seen as totally suspect and lacking in professional rigor. The bias of the CWC to build the pipeline is so apparent, it has removed all sense of objectivity to the process. Sadly, many of the citizens of the county now see the efforts to build the pipeline, no matter the costs, as lost objectivity.

Most importantly, in its blind walk to construct reasons for building the pipeline, the CWC has omitted proving the first and most important factor in any large capital intensive project that will commit the citizens of a county to large tax increases to fund such a massive undertaking: that of demonstrable need and the revenue to support the project. There have been no large companies seeking location here to develop the need with an accompanying large revenue base upon which to base funding. All anyone can cite is anecdotal evidence of need or worse, the "if you build it, they will come" scenario. Demand for such an expensive project would have to be enormous to justify any costs given the economic realities confronting our nation and county.

The CWC has critically omitted several other serious factors that must be considered when contemplating a project of this size. The CWC has not done a cost estimation on the build-out of the water line once it reaches Zion Crossroads. Nor has it done a cost of sewer build-out estimation because where there is water sewer must follow. There has not been a total estimation of ALL right of way acquisition costs. There has been no demonstrable revenue stream to support the above actions. The CWC has not factored in the existing debt load of the county as well as known tax increases that must be incurred to fund the debt service on the new high school and, other Capital Improvement Projects. The CWC has not factored in declining state and county revenues from which to fund the project.

Right now our effective tax rate in two years will be around 82 cents/\$100 in property value to fund the new high school debt and to offset the loss in property value after the 2012 property reassessment. This means that even more people will not be able to afford to stay in their homes and keep their lands and even more declining property tax revenues due to defaults. This things WILL happen even without the specter of funding a water pipeline whose true and actual cost has STILL not been properly valued, given the set of additional factors I have brought to the CWC's attention and, thus far has not been included into the initial evidence for need and, the ability to fund such a project.

The bottom line here is that the CWC has neither the expertise, time, funding nor objectivity to develop what they have been tasked to do by the BOS – develop a true and accurate benefit-cost analysis to guide the BOS on their decision. Finally no such decision by the BOS will be allowed without a general county referendum to commit such massive dollar amounts without due consideration for ALL the attendant costs to build out such a project and ALL the cost that will be borne by the taxpayers of Fluvanna. My strongest recommendation to the CWC is to state the facts, enumerated herein, against building this project at this time, because your work, while admirable in citizens giving of their time, carries a dangerous and false sense of expertise and objectivity that simply does not exist on this committee. I am sorry to be the bearer of such a harsh review of this committee, but I will not allow a citizens committee to drive this county even further off a financial cliff by advocating the building a water pipeline we simply cannot fund at this gravely serious time of financial solvency for our county, state and country.