

PUBLIC SERVICE AUTHORITY EXPLORATORY COMMITTEE GENERAL QUESTIONS ABOUT PSA

- 1. Should the PSA reflect the population of the entire County, with its membership proportioned to reflect population numbers in incorporated Towns and those outside incorporated Towns? (3:1)**

Virginia Code details many aspects of how a Public Service Authority (PSA) can be established and operated for the purpose of owning and maintaining public infrastructure for the purpose of the common good. The Code says that a PSA is to be governed by a Board of Directors, and does not dictate the membership make-up of that Board. An important decision in the reorganization of the existing Northampton PSA is the answer to this question!

The PSA Exploratory Committee, formed in February 2010 and made up of one elected official (and one alternate) from each participating governing body, was charged with answering questions about the PSA, including this one.

The PSA Exploratory Committee is recommending that the membership of the PSA's new Board be ten (10) members -- six (6) at-large members appointed by the County Board plus four Town members, each appointed by one of the respective participating Towns.

- 2. As we learned at the recent meeting in Exmore, Exmore's system is losing money, its users are not covering expenses, is a PSA willing to raise rates to cover expenses? Or will they pass this on to all county residents?**

Under Virginia law, the PSA is responsible for raising sufficient revenues to cover its costs – or said another way -- to run itself as any business would be run. Therefore, the rates set by the PSA for its services (sewer / wastewater or drinking water) are determined by a number of factors – including the number of “users” that buy the service. PSA's do not have the authority to tax.

By collecting the existing and any new sewer projects together under one PSA umbrella, economies of scale can be achieved, providing the lowest possible rates for all the users in exchange for the public service. Users support and pay for the PSA services they use; non-users do not.

In Northampton, the proposed projects would increase the number of users overall, including the number of users in Exmore. The more users on the system should reduce the cost per customer for providing the service.

3. Should the PSA absorb any debt associated with any Town's present sewage/water system?

It is allowable and not unusual for a PSA to absorb or assume debt associated with existing sewage / water systems that may be taken over by the PSA for operation. "Should" that be done may better be answered by the PSA Board after its members can fully explore the details and financial impacts associated with that idea. Important questions will need to be answered first; such as, can better interest rates be gained on the loans if combined under a new PSA? The same economies of scale that result from collecting the existing and new sewer projects together (and, therefore, the larger number of existing and new users) will also impact on the answer to this question.

4. In FY 2011, how much are we going to budget for the PSA?

Under state law, local governments can choose to construct and operate infrastructure projects such as the wastewater project being talked about in Northampton now; or local governments can choose to require its PSA to do that.

Local governments do sometimes participate in supporting the start-up costs of such projects, even when built by PSAs. The grants and loans being sought to support new sewer systems in Northampton would provide for the majority of these costs, with the revenues from existing and new users providing a source of revenue to pay for debt service and operating costs.

How much money, if any, the County or Towns might choose to "lend, advance, or give" the PSA is determined by the Board of Supervisors and Town Councils. How much might be needed, if any, won't be known until after the projects are developed, grants and loans awarded, users counted, and costs known.

5. Is it safe to say that Cape Charles does not need County or PSA help?

The Town Council of Cape Charles has its own wastewater treatment facility and already has mandatory hook-up requirements for Town residents. The Council has determined that participating in the regional Northampton PSA could be beneficial, both to the PSA and for its own citizens / users. To date, the Town has fully participated in the PSA Exploratory Committee and in the recent community listening interviews. Cape Charles' elected officials, Town staff, and residents have also agreed to participate in the regional wastewater's Project Management Team. Recently, the Town Council received a presentation on the potential pros and cons to participating in the PSA. As with each of the other Towns, Cape Charles' officials generally see an advantage in joining together to insure proper treatment of human waste countywide.

Will Cape Charles' wastewater or water facilities fall under the PSA's umbrella? That is one of many decisions yet to be made.

6. If ARRA funds are not received, does the PSA continue to operate?

Grants and loans for wastewater projects, such as those needed in some areas of the County, are available through a wide variety of sources – to name just a few of the usual sources, federal Environmental Protection Agency, federal US Department of Agriculture Rural Development, state Department of Environmental Quality, state Department of Housing and Community Development.

The American Recovery and Reinvestment Act (ARRA) funds or Stimulus Funds were distributed through numerous government agencies, including USDA. While USDA did have a significant amount of dedicated ARRA funds when we first considered submitting planning grants for these projects, USDA’s National Office has stated that as of 5/17/2010 applications have been received that have or will fully commit USDA’s allocation of ARRA funds. The VA Department of Environmental Quality (DEQ) is still overseeing programs and awarding grants that involve ARRA funds which our project appears to be a likely candidate.

Even if the ARRA funds are not obtained for this project, there are still reasons why the PSA should continue to seek solutions and funding from other agencies to address the need for water and sewer services on the Shore.

7. Is the Hospital / Heritage Hall our top priority for PSA involvement?

The revised Articles of Incorporation for the PSA must include a description of its project priorities (per state Code) At its April 21st meeting, the PSA Exploratory Committee said this:

“With regard to a prioritization of the project listing which is contained in the draft Articles of Incorporation, the Committee developed and approved the following priorities:

*“(1) Northern Node
Concurrent projects of Hospital/Nassawadox and Exmore*

*“(2) Southern Node
Cheriton (commercial, residential = downtown; KMC Plant)
Sewer Expansion – Cape Charles*

“(3) Asset Transfer of Existing Systems (study, then decisions)”

8. Has Riverside Hospital expressed a desire for County assistance?

During one recent listening interview a Hospital spokesperson said, “We’re in the health care business, not the wastewater business!” The Hospital has expressed its support for the regional wastewater system, and is appointing a representative to the Project Management Team.

9. Is Exmore's present system efficient enough to protect the watershed just upstream from the aquaculture hatcheries located along Parting Creek? What will an expansion mean for the viability of these hatcheries?

Exmore's current system is meeting all limits required for effluent quality and the readings from the monitoring wells on site confirm that there is no adverse impact on any of the groundwater leaving the site.

10. Will any new sewage system be designed for land application of effluent?

This question will be answered by the engineers as part of the PER (Preliminary Engineering Report).

The engineers are currently not considering any direct application of sewage effluent to the ground such as the process known as Spray Irrigation. In the northern area of the County, consideration is being given to the application of treated effluent below the surface of the ground for expanded facilities on the West side of Town adjacent to the New Road Facilities.

11. How much land will be required for a sewage treatment plant if land application is preferred? Who will purchase this land?

This question cannot be answered until No. 10 above is answered. The soil studies will begin soon to determine the land requirements for any proposed subsurface application of treated effluent.

12. Will mandatory sewer hook-ups be required to be eligible for ARRA funds? Have the Towns discussed the possibility of mandatory hook-ups with their respective residents?

It is common for funding agencies to require mandatory hook-up unless more than 80% of the potential users in a service area commit to participating. This rule is made to assure that the revenues will be sufficient to meet the costs of operating the system. This is especially important when loans are made to support capital costs – the lending agency wants to know that there will be sufficient revenues raised to pay the debt service. These decisions have not yet been made (except that Cape Charles already has a mandatory policy). The intent is to design service areas that can successfully achieve 80% voluntary users. We are working to balance the goal of voluntary participation with grant funding requirements. If that can be achieved, mandatory hook-ups will not be necessary. That decision will have to be faced in the future.

13. Does the Board of Supervisors intend on creating a firm list of projects that are prioritized for the PSA? Should the PSA be limited to 1 or 2 clearly defined projects? Any subsequent project would again be initiated by the Board of Supervisors?

The most immediate projects of the renewed PSA are to be included in the new Articles of Incorporation – those projects are contained in #7 above. Any new projects – say, in 5 or 10 or 20 years – could be developed by the PSA's Board. Of course, the County Board or the Council of any of the Towns could choose to specify future projects of the PSA (per State Code Section 15.2-5111), or could develop, own and operate infrastructure projects on their own.

Note : Most PSA s enact an ordinance that assigns them a specific service area, which in this case I assume would include the areas within the Town Boundaries as well as the County. This is done specifically to prohibit another utility from coming in and competing with the Authority within its designated service area. Based on this you may want to revise the last part of the above paragraph.

Most PSAs are always considering new projects. The factors that most often come into play are the real need for the services proposed and the financial impact that the proposed project will have on the existing operation and debt service costs of the PSA. This same approach should be used for any new project under consideration and a full consensus of all members achieved before proceeding.