

**TOWNS AND COUNTY UTILITIES PROJECT
PROJECT MANAGEMENT TEAM MEETING
January 5, 2011, 7 PM**

MEETING NOTES

Members and Other Persons present:

Sandra Benson	Northampton Co Staff
Dr. Art Carter	Citizen
James Davis	Health Department
Granville Hogg	PSA Member
John Hallett	Nassawadox Councilman
Bob Meyers	PSA Member
Artie Miles	Exmore Staff; PSA Member
Mary Miller	CBES
Billy Moore	Exmore Mayor
Estelle Murphy	Nassawadox Mayor
Katie Nunez	Northampton Co & PSA Staff
John Ordeman	Nassawadox Community Member
Bob Panek	Cape Charles staff; PSA Member
Mike Thornes	Northampton Co Staff
Ruth Wise	Exmore Community Member

Consultants present:

Eldon James
Biff Johnson
Sue Rowland
Joe Turner

INTRODUCTIONS & REVIEW OF RECENT MEETING MINUTES

Sue opened the meeting shortly after 7 PM, and asked if any introductions were needed.

In response to request for amendments to the minutes of the November 17, 2010 meeting (previously distributed by email and handed out at this meeting), Ruth Wise asked for amendments to the notes about her remarks on page 3, as follows:

Ruth Wise agreed said that many good points had been discussed made at this meeting that needed to be discussed, particularly related to low wealth and African American communities, still needing to provide more information on the project, and that [H]aving financial parameters written and adopted by the elected bodies could be helpful. However, until people understand how these parameters would affect "me", they would not want votes to be taken.

Sue asked Ruth for further clarification, and she responded that Fairview community meetings had taken place and residents were not convinced that they needed to participate in the sewer project. Rather they heard that they had good soils and the explanations for the need for the system were not convincing. While Ruth agreed that more information had been provided, the Fairview residents were not convinced.

Next, Granville Hogg asked to provide clarification on his intent in asking questions about failing septic systems. (See page 2 -- "Granville Hogg was also present and shared reactions to the meeting. There was a question raised about identifying the failed septic

systems in the Fairview (and other areas).” He stated that the point he wishes to make is that his questions about failing septic systems are not looking to see where failing systems are presently located, but where problems have been identified and corrected, it should be public information. This information should be given to the PSA, to assist in determining where service may be needed. Granville agreed that data on where systems have been repaired might be an indicator of where soils and septic system problems exist.

Sue asked if any other amendments should be made, and no further replies were received. Sue committed to sending her draft for these minutes to both Ruth and Granville to insure she accurately reflects their statements.

NORTHERN NOTE – GUIDANCE TO HURT & PROFFITT FROM THE PMT ON P.E.R. SERVICE AREA AND PHASING

Sue turned the meeting over to Bif Johnson and Joe Turner to lead the discussion on the Northern Node.

Bif began by highlighting discussions at previous PMT and PSA meetings that the northern node be viewed in a phased approach or manner, and that the first phase should include all the town of Nassawadox and the hospital/medical community. With that direction, Joe has completed a review of the revised service area for Phase I.

Bif reported that the hospital makes up about 37% of flow that would go to the new treatment plant, the balance coming from the residential and business community in Nassawadox. The total “phase 1” project would cost about \$11.7 million. With assumptions that: (1) 100% user participation is achieved, (2) a mix of 67% “free” money to 33% loan money with terms of 0%, 30 yr. loan, (3) user costs could get to less than the \$42/month that we have been talking about as a group to be an acceptable rate.

Joe went on that the project would still use a vacuum system, with treatment capacity sufficient to expand outside of the town in the future, including a septage receiving facility with a 10K/day capacity, which is a source of revenue that helps to pay back the loan. A low-pressure drainfield is included. Consideration for re-use (such as agricultural irrigation) is not a component of this project as proposed now, but could be added (would need the drainfield anyway for times when the re-use component was not available). In answer to questions, Joe clarified that no composting facility is included in this plan.

The user hook-up fee is assumed within the capital financing resulting in a \$0 hook-up fee to the user.

Response to clarifying questions asked:

- The hospital’s current usage is about 40,000 gallons/day.
- Septage receiving is for trucks to bring in septic tank pump-out; this is a revenue producing function as well.

- No “up front” fees would be charged to residential customers that decide within a given time-frame to participate; that also means no cost to the residential customer for connecting from the house to the mainline in the street (lateral connection).
- Commercial users would pay the availability fee and make the lateral connection to the system at their own cost.

A considerable amount of conversation ensued about the assumption that 100% user participation would be achieved. Bif responded that either everyone would voluntarily agree to hook-up or the locality has to require mandatory hook-up. He restated that the financial model was put together with that assumption based on his understanding of the group’s guidance at the last meeting.

Jack Ordeman asked for some clarity on the future residential users. Bif responded that for people who build in the future, there would be a connection fee.

Eldon emphasized that Bif was asked to generate a financial model that would get the project to the affordable monthly rate (\$42 or less) and that he presented the assumptions required to get to that number. He reiterated that this model is not a given; the decisions are the elected bodies’ to decide if these assumptions, the project costs and user charges are acceptable.

Discussion ensued about the term “free money,” which includes other sources of funds as well as grants. Bif explained that these are resources put toward construction costs and not to be paid back to anyone. For example, in Nassawadox, 37% of projected flow is from a known commercial entity (medical). An investment from that community would be a component of the “free money.” Another example was given using a restaurant that cannot expand based upon the limitations of its current septic system. Money put into the project by that restaurant owner to get their business connected and remove the limitations of the septic system is also “free money”. This element of the “free money” portion would come from any of the commercial establishments in the service area.

Granville put a question to Estelle Murphy - if an individual had recently put money into the construction of the alternative systems that’s tied into the mortgage, would that homeowner be asked to double-pay. Following discussion, Eldon advised that there is no single right or wrong answer to that question - rather the decision is at the discretion of the local governing body. James Davis remarked that the health department is receiving information that the costs of the annual maintenance contract fee now required by state law for alternative systems is over \$500; homeowners may be making decisions based upon what their assessment of the best “deal” for them would be.

Art Carter expanded the discussion about the impact of the mandatory assumption by asking if a Plan B had been developed. He opined that it is unrealistic to expect 100% voluntarily sign up to the project. Bob Panek commented that should Plan B change the assumption to 80% of volunteer users (based upon the minimum proportion of users required by Rural Development for grants), the monthly bill would become some number higher than that presented with 100% participation and out of the affordability range.

John Hallett asked about monthly rate increases over time; Bif responded that the model assumes 3% increase each year for the next ten. In questions about how the costs of repairs would be paid, Bif responded that repair costs are factored into the Operation & Maintenance costs included in the financial modeling.

Katie Nunez commented that this financial model is based only on "phase 1" as a stand alone system, meaning that the financial modeling cannot take advantage of economies of scale realized by blending these costs with other wastewater systems that the PSA might be operating (i.e. merging Cape Charles and other systems). She opined that with economies of scale savings could be achieved, but this model does not include that factor and the consultants have not been contracted to do so.

In a question about the service area, it was confirmed that this model includes only the Nassawadox town limits; the Giddens Rd area south of Nassawadox is not included. The group asked that this area be added to a list of areas in the County to be submitted to the PSA for consideration for service in the future.

Granville again addressed a question to Estelle, asking what she thinks the feelings are in Nassawadox about the project. Estelle noted that not many surveys were returned, indicating that too many unanswered questions are discouraging residents from making a decision. She said that with what information they have, the Council has said there would be no mandatory ordinance; yet, they remain willing to continue to listen and explore the project, as indicated by their presence at tonight's meeting.

Granville asked questions about the towns' capacity to invoice. Neither Nassawadox nor Cheriton now bill for any service, and therefore have no administrative infrastructure for invoicing. Katie, Bob Panek, and Bif reminded the group that these costs are a standard component of Operations & Maintenance expenses, and that the cost of billing is, therefore, included in the estimates for O&M within the financial modeling.

Joe Turner asked Estelle if the information given tonight is enough information for Nassawadox residents to make a decision regarding hook-up. Joe's opined that most people want to know the monthly bill. All agreed that residents want to know what that cost would be with initial hook-up and into the near future.

Sue Rowland asked if this discussion was sufficient to inform what should be included in the Northern Node P.E.R. That question sparked additional discussion. Katie reminded the PMT that this P.E.R. is the final product due under the DHCD Planning Grants. Including an option that only included the medical complex would not be acceptable as the DHCD and Rural Development funders are interested in regional residential systems. By limiting an option to the medical complex alone would eliminate those sources of funding.

The groups' discussion then turned to Exmore as a Phase II option, and questioned if the P.E.R. could include "chapters" or sections that reflect the phasing concept. Billy Moore expressed concern that Exmore appeared to be pushed to the end of these discussions. Bif expressed concern that if the project cost approaches the \$25-30 million range, the project

may be too large. He asked for guidance from the PMT on how the proposed project should be described. Eldon reminded the PMT that the comments from Rural Development (Carrie Schmidt) on phases of the project don't have to be sequential, but could be overlapping.

Billy commented that he receives phone calls several times a month from residents in need of sewer. Artie Moore asked that if Nassawadox declines to participate, could the plans for the Exmore project go forward. He reminded the PMT that expense is added to the project when connections are made between the two towns; costs would change with two treatment systems (versus one).

Bif reminded the PMT that the first priority for wastewater treatment is the hospital area, and that other users (residential) are needed to dilute the hospital effluent. In response to questions about that, Bif has asked for information from the hospital on data about the quality of the hospital system's current discharge. John Hallett asked how the hospital's plans to move does affects the project plans; he also expressed doubt that the hospital complex would account for 37% of the Phase I effluent.

It was agreed that the Nassawadox Council should make a decision about its participation in Phase I; that the community-at-large cannot make that decision but advise. Estelle said that she would put the question forward to the Council at its next meeting (January 24th).

Bif offered to produce a fact sheet for use in Nassawadox that details the project area and costs, the assumptions as presented at this meeting, and user costs. Discussion suggested that the fact sheet should include that since the PSA has prioritized the medical facility, if the Council votes against the project, the first option would change to the hospital and Exmore. Bif agreed to have the draft fact sheet to the Council's PMT representatives by January 12th.

Granville asked for additional discussion on the assumption of "free money" to loan mix. Bif explained that the composition of the "free money" couldn't be known at this point; only that the assumptions presented at this meeting are needed to result in the monthly user rate presented. Bif affirmed that discussions are underway with the hospital to determine what their contribution to the project might be. Following additional questions about what the hospital's contribution would need to be, Eldon stated that if the town council votes to proceed with the project, and if, as an example, only 40% "free money" is secured, no reasonable person would hold the town council to its vote when the parameters set were not met.

Sue commented that the discussion has implied that while some want decisions made only after more details are nailed down, others want decisions made before all details can be known. She advised that leadership is necessary to move forward with the information that is known.

Katie opined that if Nassawadox cannot move forward, to solve the medical community's problem options including other communities should be explored. Exmore representatives

have expressed their willingness to step forward to be the partner with the hospital community.

Bob Panek and Art expressed their opinions about the pros and cons of requiring mandatory hook-up or allowing residents to voluntarily hook-up. Billy commented that Exmore is committed to improving the wastewater treatment situation there, and the Council is prepared to "take the heat to get this done because we need it."

Bif summarized the activities to be accomplished following this meeting:

- For Nassawadox, a handout with user cost figures detailed, including a map and monthly rates through the first 10 years;
- Include the assumptions that led to the project budget and user costs;

Upon discussion about whether or not to include costs if only 80% of users participate, the Nassawadox Council members asked for only costs using a 100% user participation assumption. Estelle and John opined that the Council's vote would include the word "mandatory".

Bif said that based on this advice, the P.E.R. for northern node will include options that describe either Nassawadox and the hospital area, or Exmore and the hospital area. Katie provided that she would need to verify that DHCD would agree that a P.E.R. that doesn't include Exmore as a stand alone project phase it would be accepted as meeting the planning grant product requirement.

Sue asked if the group understood that this decision would provide for a P.E.R. that is limited to the Nassawadox/hospital complex area if the Nassawadox Council votes to proceed, and that other Northern Node options would require funding for additional P.E.R.s, no longer covered under the current DHCD Planning Grant.

Sandra and Bob P asked if option chapters could be included in the final P.E.R. The PMT asked that the P.E.R. include options that would include Exmore, probably without any connections between the two towns. This approach would allow the P.E.R. to be used for Exmore project grant applications. The group agreed that if the Nassawadox Council votes to move forward, the P.E.R. would describe that as Phase I / Option I; Phase I / Option II of that same PER is to be an Exmore project.

Sue facilitated the group's decision on the timing and purpose of the next PMT meeting; then set for Wednesday February 2nd at 7 PM.

Bif asked for any other questions or discussion on decisions; there were no responses.

SOUTHERN NODE - PLANNING WORK COMPLETED

Katie announced that DEQ approved the funding requested for the Southern Node, and that a meeting with DEQ staff to begin discussions on the details was not scheduled yet. She also announced that the County Board received a petition from Fairview residents that expresses their concerns, asking that they not be included in the project. A copy of the

petition is available for viewing on the County's website page for the PSA. (She will also post a copy on the PMT webpage.)

Bif commented that with that information in hand, he was gathering information for a smaller Southern Node project; details can be shared at the next PMT meeting. Granville commented that the Cheriton town council meeting is tonight and that the Council is supposed to be talking about the options of a smaller project. Bif agreed, and announced that he and Joe had met with the Cheriton mayor this afternoon in preparation for that discussion.

T-CUP PMT'S RECOMMENDATIONS TO PSA AND GOVERNING BODIES FOR WASTEWATER PROJECTS

Due to the time, these discussions were deferred.

NEXT MEETING - PURPOSE AND DATE

The next meeting will be held on **Wednesday, February 2nd, at 7 PM.**

POST SCRIPT: SOUTHERN NODE

NOTE: This Post Script is added to update the PMT on the events of the Cheriton Town Council's discussion on the Southern Node, its meeting being held at the same time as the PMT meeting. Cheriton Council members / PMT members Larry LeMond and Norma Spencer attended the Council's meeting.

A resolution was adopted by the Council (5-1) as follows:

WHEREAS, the Town of Cape Charles is currently constructing a new wastewater treatment plant, and

WHEREAS, the Town of Cape Charles is working cooperatively with the Town of Cheriton and the County of Northampton to explore implementation of a regional wastewater system to serve both towns and the surrounding area of Northampton County; and

WHEREAS, the Towns of Cheriton and Cape Charles and the County have previously agreed to cooperatively accept a planning grant from the Virginia Department of Housing and Community Development to define the project area, seek public input and conduct a Preliminary Engineering Study and Report to evaluate alternatives and costs; and

WHEREAS, the Town of Cheriton in cooperation with the County and the Towns of Cape Charles, Exmore and Nassawadox took action to reform the Public Service Authority; and

WHEREAS, the governing body appointed its representative to serve on the Public Service Authority Board when reformation was completed; and

WHEREAS, to date two funding applications have been filed and negotiations for the first of several potential grant/loan opportunities are imminent; now

THEREFORE BE IT RESOLVED that the Town of Cheriton supports proceeding with the Southern Node project with the following incentives:

- That the service area and funding/financing package allows for an initial monthly utility bill not to exceed \$42\$35; and
- That, as an incentive to connect, the initial availability fee be set at no cost for those who sign the necessary documents by the project signup deadline; and

BE IT FURTHER RESOLVED that if the above incentives are provided the Town of Cheriton agrees that it will actively promote voluntary participation by the residents within the service area, and that if 80% of those within the service area do not agree to connect the Town of Cheriton will consider action to require all residents within the defined service area to connect.

In light of the recent expressions to the County Board from County residents living near the Town (especially Fairview residents) that their area not be included in the service area, the Town of Cheriton will not pressure these residents to be a part of the service area in the Southern Node.

Minutes drafted by Sue Rowland

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