

Eastern Shore of Virginia Public Service Authority
P.O. Box 66
Eastville, VA 23347

January 21, 2014

Mr. David Boyd
22146 Verlinda Landing N.
Cape Charles, VA 23310

Dear Mr. Boyd,

Thank you for submitting a list of questions at the Public Service Authority Board Meeting on December 17, 2013. Below are answers to your questions:

1. Is the \$70,000 in funding now being proposed in addition to the earlier \$90,000 the BOS spent earlier out of taxpayers money, without their being made aware of it (apparently even the BOS chairman wasn't aware of it)?

Answer: In the county's Fiscal Year 2014 budget (July 1, 2013 thru June 30, 2014), a new fund was created (Fund 250 – Wastewater Project) and a budget was provided in 2 parts: \$95,000 for engineering and \$35,000 for future debt service for a southern end wastewater project. This was advertised and adopted by the Board of Supervisors on June 18, 2013. This fund is under the control of the Public Service Authority. Within that available funding, the Public Service Authority has executed a contract with Hurt & Proffitt in the amount of \$70,000.

As background information, the County was the recipient of 3 grants from the Department of Housing and Community Development in 2010, totaling \$80,000 that covered the cost of preparing the Preliminary Engineering Reports (PERs) for the originally envisioned Northern and Southern Node projects.

2. Is there a plan to recoup this \$70,000 and the earlier \$90,000 from the proposed commercial customers and re-pay it to the County taxpayers?

Answer: The funds now being utilized for engineering are considered an advance to the project by the County. Engineering will be included in the capital cost of the project, to be financed via a twenty year bond. Part of the proceeds from the bond will be utilized to reimburse funds advanced by the County. The debt service for the bond would be covered by tax revenues derived from the Special Tax District and the general real property tax rate, in the proportion decided upon by the BOS. As noted in the Answer to Question #1, the only funds provided to date from the County's general fund to Fund 250 – Wastewater Project total \$95,000 for engineering and \$35,000 for debt service. Of the \$95,000, a contract with Hurt & Proffitt has committed \$70,000 of those funds.

3. Does this project include engineering for the alternate route to the Bayview treatment facility? If not, why not? That's a much shorter run to an underutilized facility – should be much cheaper.

Answer: No. The project is based on utilizing the high quality treatment, including nutrient removal, at the new Cape Charles wastewater treatment plant. The Bayview system is a hybrid of septic tanks and a process that minimally treats the liquid component of the wastewater. While it certainly would be less expensive to install a force main to the Bayview facility, extensive upgrades would be required to treat the wastewater from the proposed new service area. Both the Bayview and Cape Charles facilities have underutilized capacity.

4. Why is this engineering plan not designed to include the Town of Cheriton? Any central sewer design in this vicinity needs to include Cheriton. Studies of fecal pollution in Kings Creek indicated the majority of that pollution was coming from Cheriton.

Answer: It is recognized that environmental and other benefits would accrue by installation of a central wastewater system in Cheriton. The town was the core of the proposed service area in the original Southern Node PER. To keep rates affordable to the residents of Cheriton, i.e. 1.5% of median household income, about 80% of project costs would need to be funded by grants or some other form of capital contribution. Unfortunately, it is virtually impossible to attain this level of grant coverage in the current funding environment. The Southern Node, Commercial Phase 1 project now being engineered includes some of the common infrastructure that would be needed to eventually service Cheriton. The PSA has provided an estimate to the BOS for expanding the service area to include Cheriton.

5. The survey for the interest in this project is inherently flawed. It assumed anyone who didn't say no was interested in hooking up, thus skewing the results to show more were interested than is the likely case. It would have been just as valid, perhaps more so, to assume those that didn't say they were interested would not be potential customers. The survey and analysis was conducted with inherently biased assumptions, and is therefore not a valid estimate of interest, as presented.

Answer: It is true that the survey did not receive a robust response, and that fact has been recognized in all public presentations and forums. We believe the direct mailing, public notice and public hearing process related to creating the proposed Special Tax District provided a more accurate representation of the interest in the system. Of the 70 parcels proposed for inclusion in the district, owners of 11 parcels indicated a desire to be excluded. Additionally, owners of 4 contiguous parcels indicated a desire to be included.

6. Has the total cost of this project been calculated, so we know what the potential indebtedness to the county residents will be?

Answer: Yes. The current estimate is about \$1.8 million, and has been shown in all public presentations concerning the project. This estimate will be refined as engineering progresses.

7. If it is assumed the commercial customers will eventually pay for it, has a valid study of the number of customers, versus the total cost of the project been made, to determine if this project is within the realm of reason for those customers to pay that cost?

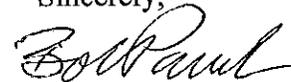
Answer: As indicated above, the debt service for the project would be funded via tax revenues derived from both the Special Tax District and the general real property tax rate, in a proportion to be determined by the BOS. Thus, recovery of the capital cost of the project is not dependent on the number of system customers. The PSA has provided the BOS the tax calculations for the various scenarios; i.e. number of parcels, property valuation, split between Special Tax District and general tax rate.

8. Remember the County population is shrinking and had done so consistently for 80 years. If, in 50 years we have ½ the current number of residents, the cost per resident will be twice what it would be with current population numbers. Furthermore, virtually every project such as a regional central sewer system has built in assumptions of substantial population growth. That would mean in 50 years there would be perhaps twice the population to pay the costs, so the cost per person would be ¼ the number based on current population numbers. Therefore, if you compare per capita cost estimates for an area with a shrinking population like Northampton County, to the estimates normally used for this type of project, we may be paying 4 times as much per person before all is said and done.

Answer: Per capita cost is one interesting metric, but we do not believe it is appropriate for evaluating the proposed project. The project would serve commercial properties, not residential. A much higher proportion of the cost would fall to the owners of the relatively small number of properties in the Special Tax District, and a very small proportion would fall to the vastly higher number of property owners not in the district. Thus, the per capita effect on the vast majority of county residents is quite small. Further, the ability to more readily develop the commercial properties should lessen the burden on those owners. Additionally, estimating population change over a period of 50 years into the future is quite challenging. Ameliorating against that difficulty is the fact that the capital cost of the project would be recovered in only 20 years. Finally, the project is an enabler for the BOS goal of fostering economic development. A stronger economy should stabilize, and perhaps even reverse the County's population trend.

I hope you find the above information useful.

Sincerely,



Bob Panek
Chairman