

THE REGULAR WORK SESSION OF THE NEW KENT COUNTY BOARD OF SUPERVISORS WAS HELD ON THE 21ST DAY OF SEPTEMBER IN THE YEAR TWO THOUSAND FIVE OF OUR LORD IN THE BOARDROOM OF THE COUNTY ADMINISTRATION BUILDING AT 6:00 P.M.

IN RE: ROLL CALL

Mark E. Hill	Present
D. M. Sparks	Present
James H. Burrell	Absent (arrived at 6:47 p.m.)
Stran L Trout	Present
W. R. Davis, Jr.	Present

Chairman Davis called the meeting to order. He reported that Mr. Burrell was attending another meeting and would be late.

IN RE: FINANCE ITEMS

Before the Board for consideration was the request for appropriations for FY2004/2005 and FY2005/2006.

County Administrator John Budesky reviewed the requested appropriations. He indicated that the appropriation for the Community Development Block Grant for Plum Point represents a portion of the County's required match. He reported that the project is moving forward and an award was received from the State. The County Attorney has been assisting with the contracts with Woodford and Quin Rivers. There are some language issues in the contract with Quin Rivers and they are still working on liability and insurance requirements with Woodford. Mr. Budesky indicated that these issues should be worked out and the contracts signed within the next several days. The project includes five substantial reconstructions, several renovations, and the rehabilitation of some of the wells and drain fields. He reported that there may be some additional funds due on the County's part. Although no physical work has been done, the two contractors are working on agreements with subcontractors and anticipate starting work within 30 days. He indicated that the project needs to be completed by October 2007; however, the State has admitted a delay on its part (because of employee vacancies) and has indicated that it will work with the County on an extension, if needed.

Public Works Director Alan Harrison reported that there were some additional costs for the new concrete pad installed at the Route 618 refuse site that involved engineering and testing not included in the specifications for the bid and contract. This was testing to insure that the sub-foundation and concrete pad were adequate.

Mr. Sparks moved to appropriate FY04/05 Leverage Funds expended in FY05 for the CDBG Plum Point Rehabilitation Grant in the sum of \$6,567.70, and to appropriate FY05/06 funds for additional construction administration services by geotechnical sub-consultants for the Route 618 refuse site concrete pad in the sum of \$836.77, as presented. The members were polled:

Mark E. Hill	Aye
D. M. Sparks	Aye
James H. Burrell	Absent
Stran L. Trout	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: DEPARTMENT RESTRUCTURING

Under consideration by the Board was a recommendation from the County Administrator to restructure the Public Works and Parks & Recreation Departments.

County Administrator John Budesky reviewed the proposed division of the current Public Works Department into the Department of Public Utilities and the Department of Public Works, which he stated will best serve the long-term needs of the County. Current Public Works Director Alan Harrison would become Public Utilities Director, and moving with him would be his secretary, and all of the water and wastewater plant operation employees. The current Parks and Recreation Department Director vacancy would become the Public Works Director position and the person in that position would oversee the Division of Buildings, Grounds and Maintenance, as well as the Division of Parks & Recreation. The current Parks & Recreation Programmer position will be upgraded to Parks & Recreation Supervisor, and a new part-time programmer position will be created. Mr. Budesky indicated that he had previously proposed that the new programmer position be full-time, but has found that a part-time position will enable the changes to fit within the current budgets, leaving a net positive of about \$1,200. He asked that the \$1,200 overage be left in the budget in order to have some funding to bring in a new person to train with Maintenance Supervisor Buck Stewart before his retirement.

Mr. Budesky reported that there will be some expenses involved in leave payout for both the retiring Maintenance Supervisor and the resigned Parks & Recreation Director (neither of which was expected or planned for in the budget) for which the Board may be asked to approve the use of contingency funds. There may be some savings from the Parks & Recreation Director's vacancy.

There was some discussion regarding budgeting for leave payout payments. Accounting & Budget Director Mary Altemus reported that although it is not budgeted for, there is an audit entry for leave payout payments.

Mr. Davis expressed his concern about finding a director with the skill sets to manage buildings, grounds and maintenance, as well as have expertise in parks and recreation. Mr. Budesky explained that this is a common structure in other localities and, in light of the development, construction and maintenance that will be required for Quinton Park and other County park property, someone with building expertise would be preferable. Recreation programming and planning can be handled by the Parks & Recreation Supervisor.

Public Works Director Alan Harrison indicated that he very much supported this restructuring.

Mr. Sparks asked about the function of the Public Works Director. Mr. Budesky indicated that the person in that position would need to have a broad base and knowledge of construction, and would be in charge of developing a building maintenance plan, plans for recreational facilities, coordinating bids and contracts, making sure that projects are done according to specifications, developing long range plans for ball field development, and participating in capital building projects, including the vehicle maintenance facility and school buildings. He anticipates that this director will be very busy.

Mr. Hill commented that he thinks this director's time will be well-used.

Mr. Trout stated that it is important to hire someone who understands construction.

Mr. Davis asked about benefits. Mr. Budesky reported that the position would come with full benefits, which are already budgeted for under the vacant Parks & Recreation Director position.

Mr. Sparks asked if Mr. Budesky was comfortable that he could find someone who has experience, knowledge and training. Mr. Budesky indicated that he will be looking for someone with a strong building background, and with skills, ability and tenure in the field. The Parks & Recreation Supervisor will continue to be responsible for programming and marketing. He stated that the County has tried to use move Quinton Park forward with the help of volunteers, and while those efforts are appreciated, the volunteers are not familiar with the County's bid structure, and the County needs an internal focus to handle these projects.

Mr. Davis asked about location of offices. Mr. Budesky reported that he is working on a plan and he feels comfortable that he will be able to meet the space needs with the imminent relocation of the School Board offices.

Mr. Sparks asked if this needed to be a director's position. Mr. Budesky stated that it did, as this person will need the responsibility and authority to make decisions.

Mr. Hill stated that the Parks & Recreation Advisory Board eagerly accepted the proposed changes. Mr. Hill indicated that he has spoken with current recreation staff and they are eager as well to see this move forward. He admitted that he had had some early questions but Mr. Budesky has demonstrated that this is the way that departments in other localities are set up and it makes sense.

Mr. Budesky indicated that there is a benefit in that the County won't have to hire a separate maintenance staff for Parks & Recreation, as this will all be under the same department. Currently Parks & Rec staff is cutting the grass and lining the ball fields instead of developing programs.

Mr. Hill asked about the possibility of sharing of some services by the County government and School Board, as suggested in a study previously distributed to the Board members. Mr. Budesky reported that he had given that some thought, but finds that there is a real challenge, as the School Board staff is currently overtaxed with three separate school building projects going on. He indicated that the referenced study concerned sharing human resources and purchasing staff, and he agreed that there is some merit to that. He stated that the real benefit would be in purchasing, as both the School Board and County would be able to power-bulk purchases on fuel, chemicals, paper, etc. Human Resources is a little different in that there is a specialty required for teachers that is different from County government staff. The School Board has a person that performs HR part time, as does the County, and each performs other functions as well and he stated that he cannot see any savings from consolidating those positions. He admitted that neither the schools nor the County government has any real purchasing functions, and that a joint position might help, but is not funded. He indicated that this requires not only familiarity with the purchasing process and bid development, but also more technical expertise. Currently each department handles its own purchasing. If the County had one person with experience who could focus on procurement, this would likely reduce the legal expenses incurred with the County Attorney. He indicated that he has not had a chance to further analyze this.

Mr. Davis asked what would happen if the restructuring doesn't work. Mr. Budesky stated that with the ever-increasing demands resulting from the water and sewer system projects, it was his original intention to split the Public Works Department and hire a new Public Works Director, leaving Parks & Recreation as it is. However, that would have required the creation of another full-time position. It is planned that Jennifer Ronk will remain with Mr. Harrison, and that the two current part-time secretaries in Parks & Recreation will be support for the Public Works Director. It may be that the County can save costs by using County staff to perform services that are currently contracted out (like grass cutting).

Mr. Hill made a motion to divide the current Department of Public Works into the Department of Public Utilities and the Department of Public Works. The new Department of Public Works will have supervision over the Division of Parks and Recreation and the Division of Buildings/Grounds/Maintenance; to upgrade the current position of Parks & Recreation Programmer to Parks & Recreation Supervisor, and to create a part-time position of Recreation Programmer; and to carry forward to FY06 the sum of \$44,521.00 from FY05 Parks & Recreation part-time salaries funds.

Mr. Sparks asked if it was necessary for the Board to approve department restructuring. County Attorney Phyllis Katz advised that the Board could delegate that authority. Mr. Davis cautioned the Board members to keep in mind that this is a director position and the Board needs to be involved if a new department is being created. Mr. Sparks stated that as long as the Board is aware of the proposal, it could delegate this authority. Mr. Budesky stated that Mr. Sparks had brought up a good question, and asked whether the Board should have voted to abolish the position of Economic Development Director when that contract was not renewed. Ms. Katz advised that the Board reserves the authority over organizational structure and the pay plan.

The members were polled on Mr. Hill's motion:

D. M. Sparks	Aye
James H. Burrell	Absent
Stran L. Trout	Aye
Mark E. Hill	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: WIDENING OF INTERSTATE 64 THROUGH NEW KENT COUNTY

Under consideration by the Board was Resolution R-96-05 expressing support of the widening of Interstate 64 through New Kent County and a higher speed rail system with re-establishment of a stop in Providence Forge.

Mr. Trout explained that there was a Richmond district VDOT meeting on October 17, 2005, at the Petersburg Train Station to discuss the interstate and primary six-year plan. He stated that the Board needs to impress upon the State the importance of additional lanes along I-64 through New Kent, as well as continuing to look at high speed rail, and that the October 17 meeting would be an excellent forum to address these issues. The public meeting starts at 4 p.m. but there is a 3 p.m. session for elected and local officials. He reported that there is also a meeting of the Hampton Roads District on November 2 and he feels that New Kent should have representation at that meeting as well. Copies of the adopted Resolution would be submitted to VDOT for consideration at both meetings.

Mr. Trout moved to adopt Resolution R-96-05 as presented. The members were polled:

James H. Burrell	Absent
Stran L. Trout	Aye
Mark E. Hill	Aye
D. M. Sparks	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: FARMES OF NEW KENT

Present for discussions with the Board from Farms of New Kent were Pete Johns, Chuck Rothenberg, John Combs, Bonnie France and Doug Anderson.

County Administrator John Budesky clarified that the Board is not being asked to approve the CDA tonight. He indicated that the developer is interested in the Board's input on its proposed timeline (which he referred to as an "aggressive schedule", noting that it is attempting to have the CDA completed by June 30, 2006), the proposed CDA petition and what is to be included. Over the next nine months, this process will be "hashed out" and a CDA Board established.

Mr. Sparks asked how the special assessment would be collected. Mr. Johns explained that for residential units, it would be paid at the time of closing. Mr. Sparks indicated that he did not think that was made clear in paragraph 4.c. of the proposed petition. Ms. France explained that typically, a one-time assessment is levied by the Board of Supervisors and attached to each parcel. Property owners could be given the option to pre-pay the assessment, and it may be of benefit to a commercial property owner to pay it off over time, with the assessment being collected by the County with its regular tax bill.

The Board members expressed that it was not their understanding that the assessments would be paid over time. Ms. Katz confirmed that this payment method had not been in any of the documents.

Ms. France explained that in order for this to be tax-exempt financing, the IRS rules that if one class of property owners is given the option to pre-pay, it would have to apply to everyone, both residential and commercial.

Mr. Davis asked if levies were assessed on a number of lots owned by a developer, would the assessments be paid all at one time by the developer or when the houses were built. Mr. Rothenberg explained that in that situation, typically a developer would give a letter of intent to pay assessments at the time of closing. Mr. Trout stated that he thought that the developer would be handling this, and not the builder. Mr. Budesky stated that could be a requirement in the ordinance and Ms. Katz indicated that she would look at the IRS rules and see what is required.

Mr. Davis asked about the length of the CDA. Mr. Johns reported that it is typically 28 – 30 years. Ms. France added that often the first years are interest-only payments, and then run on a 20 – 25 year amortization. What she would fear would be the inability to sell the bonds if prepayment is required, as investors generally buy these bonds with the understanding that it would be a 5 – 10 year investment, and not a 3 – 5 year return.

There was discussion regarding whether or not commercial landowners should be offered the option to pay the assessment over time rather than up front. Mr. Trout stated that he would rather see commercial paid off up front. Mr. Combs and Mr. Armstrong suggested that it could be an economic development incentive if commercial businesses were not required to pay it up front. When new residential citizens buy, they never see it, the developer pays it and it is gone. Mr. Combs reported that in the Bel Creek CDA, most property owners elected to pay off over time. Mr. Rothenberg indicated that they will need to discuss this further with their marketing consultants. Ms. France indicated that she will try to get sense of what that would do to the marketing of the bonds.

Mr. Davis asked about financing. Mr. Johns distributed handouts with two scenarios. The first would include some of the main elements that would affect the entire region, including the roundabouts at I-64. He indicated that they would like to do all road improvements up front instead rather than in phases, including the road improvements on Route 249 and Route 106, and at the Route 106 interstate interchange (but not any of the interior roads inside the land bays). Scenario I included Parham Landing related improvements of \$37+ million and also items that would affect commercial properties at I-64, running water and sewer lines to Watkins School, and the water tower. He stated that he believes Scenario I would help encourage commercial development in the whole area. Mr. Trout noted that these would be essentially public improvements.

Mr. Sparks asked if the roads were included in the proffers. Mr. Johns said that they were - but in phases. If they were included in the CDA, then they could all be done up front without affecting the County in any way. Mr. Sparks responded that it would affect those who buy property in the development. Mr. Johns admitted that it would be reflected in the price of the property, no matter how it's paid for.

Mr. Burrell asked about the Underground 3-Phase power loop on Route 106 south of I-64. Mr. Johns indicated that the loop would run from south of I-64 (at Mr. Horsley's station) to Route 249. Dominion Virginia Power wants to make this a part of a loop. Mr. Davis asked why the power company won't bring the connection the rest of the way. Mr. Johns responded that his development has to pay for it. Mr. Harrison confirmed, stating that the power company will extend it for free on a pole line but not if it is underground.

Mr. Hill asked if the amount listed for hookups and connections was for residential only. Mr. Johns responded that it contained a commercial component to include availability fees. Mr. Combs explained how that amount was calculated, based on square footage. Mr. Davis asked what happens if the infrastructure ends up costing more and Mr. Johns responded that in that instance, his group would have to borrow from a conventional lender. Ms. Katz stated that the developer would have the option of coming back to the Board to allow financing of additional costs. Ms. France added that it would be hard to sell bonds if there was no ability show potential investors how much the projects will cost. They should have more detailed cost information by the time the bonds go to market.

Mr. Trout asked if this would freeze fees. Mr. Rothenberg stated that the agreement provides that they pay the current availability fees.

Mr. Trout asked about timing. Ms. France stated that if the CDA was created and stayed on a "fast track", she didn't see why the bonds could not be issued by June 30, 2006. At the time that the assessments are levied, it is important to know that they are sufficient to pay off the CDA bonds.

There was a discussion on estimated fees on the commercial connections, which are based on meter size. Mr. Budesky stated that the Board will be receiving recommendations later in the evening regarding the increasing of fees.

Ms. France stated that the CDA Board would hire and pay for professional to administer the process.

Mr. Davis asked about the next step in the process. Mr. Budesky stated that staff needs some guidance and feedback as to whether the Board is comfortable with the proposed level of debt in the CDA. Although the County will not be responsible for repayment of the CDA bonds, the bonds' existence might impact the County when it goes out to borrow money.

Ms. Katz stated that financial consultant Ted Cole and bond counsel Dan Siegel will be analyzing the proposal and it will be best to wait to hear from them before making any decision.

Mr. Davis asked the Board to remember that it may impact the County's bond rating.

Mr. Hill stated that there is a value in having all of the road improvements done up front at the same time as it will limit the impact on local drivers. Mr. Johns agreed that was a value shared by all. Completing the road improvements up front will help to draw businesses to the interchange.

Doug Anderson stated that the real value is that they will get a better rate by doing all of the road improvements at the same time. If the improvements were done in stages, costs would likely be impacted by the rise and fall of rates.

Ms. France indicated that recent changes to the State Code require that the Board adopt an ordinance to allow it to consider CDA petition. If it has not already been done, then it would have to be advertised for public hearing.

Mr. Budesky stated that the bond counsel and financial analyst will be consulted and he reminded the Board that if there was anything that they did not want as a part of the CDA, they should let him know immediately

Mr. Sparks stated that before making any decision, he wanted advice as to risk from the bond counsel and financial advisor.

Mr. Davis stated that he had been concerned with the \$36 million previously proposed and now it has increased to \$63 million.

Mr. Trout stated that depending on what the Board hears from counsel, he has no concern with the proposed items being included.

There was a general discussion about CDAs in Virginia. Ms. France indicated that five CDAs in Virginia have issued bonds, although a dozen or so have been created. Although she could not remember the figures, she stated that some are comparable in size to this one. She reported that CDAs are currently a hot topic in localities and rating agencies. She is hearing informally that rating agencies would look at this as a County debt but never as a County liability. They consider it as overlapping debt, and she reported that a CDA debt may actually be a positive, as the law prohibits any CDA payments from the general fund.

Ms. Katz stated that bond agencies may consider a locality's taxing ability, and this is something about which Mr. Siegel will be able to advise the Board.

Mr. Davis stated that whether the CDA is \$63 million or the original \$36 million, there will need to be an analysis of both by the financial advisors.

Mr. Hill stated that the Board needs a special session to work on this at a time when Mr. Siegel and Mr. Cole can be available. The rest of the Board members agreed and a special work session was scheduled for October 5 at 6 p.m. in the Old Courthouse, contingent upon the availability of the consultants.

Ms. Katz and Ms. France agreed to work together on an ordinance and notice of public hearing for the October 11 board meeting regarding the Board's authority to consider CDA petitions.

IN RE: DONATION OF PARK PROPERTY

Under consideration by the Board was the offer from Farms of New Kent to donate a parcel of land to be used for a central county park, in return for an extension of time within which to post surety, as well as the removal of the building cap in Land Bay I.

Mr. Budesky reminded that the Board had determined at its previous meeting that this offer needed to be broken down into two components. He reported that the Board is agreeable to accepting the property in exchange for a deferral of the surety payment requirements. However, the issue of removal of caps in Land Bay, along with a proffer of \$1,500 per home for school construction, would have to go before the Planning Commission before the Board could consider it.

Mr. Anderson explained that they thought that the five year payment schedule would be in arrears rather than in advance. They would like to cover that with the CDA and use their funds to get things under construction, and are offering the park property as interim surety while working on the CDA. The next payment due will be on July 1 and they are hopeful that the CDA will be in place by then.

Mr. Davis clarified that if the surety payment is deferred until July 1, Farms of New Kent will give 100 acres to the County for a park.

Mr. Budesky stated that Tracy Lassiter from VDOT informed the Board last week that the State was about to undertake construction at the westbound rest area, and asked if that project would take any additional land. It was reported that Criss Cross Road runs through there and there will be a buffer area between the rest area and the subject property.

Mr. Burrell asked about the steep grade of some of the land. Mr. Budesky stated that Farms of New Kent has estimated that there are about 75 usable acres on the tract. The Board reviewed the maps.

John Combs stated that the land has been surveyed. It was reported that there is enough land to have a 50 foot right-of-way.

Mr. Johns stated that Criss Cross Hunt Club has asked to lease the property for hunting, as its members currently have deer stands located on the property.

Mr. Trout asked if staff had reviewed Phase I, and stated that the Board would have to make any decision contingent upon reviews.

Mr. Davis asked about zoning. Mr. Johns reported that the subject property was zoned agricultural and is not located in an AFD.

Mr. Budesky stated that the County needed time for due diligence and if it waits until the October 11 meeting, it will be necessary to extend the time to post surety or bond until then.

There was a discussion regarding leasing the property to a hunt club and Mr. Budesky indicated that it would have to be bid out. There was consensus that any closing on the property would be held after the first of the year, when hunting season was over.

Mr. Trout stated that he would like to see the property.

Mr. Sparks asked if Farms of New Kent would pay for attorneys' fees and for preparation of the contract documents. Mr. Johns stated that they would pay for reasonable fees and expenses.

IN RE: CONSTRUCTION CAP IN LAND BAY I

Mr. Johns stated that values of properties in Land Bay I are going to be more than double the breakeven point and will be cash positive for New Kent. They are now capped at building 63 units per year in Land Bays I, III and IV combined. In return for removing the cap for Land Bay I, they are offering to pay an additional \$1,500 to be used for school capital, for each unit that exceeds the 63 unit cap.

Mr. Burrell asked about a rumor that they would be building houses on Iden. Mr. Johns stated that they currently have no plans for Iden but are looking at different possibilities. Mr. Rothenberg stated that they have filed an application to include Iden in Land Bay III but will likely defer that until 2006 so they can focus on finishing the area plans for the original PUD and CDA. Mr. Johns stated that they have committed to preserve the Iden property but they will be looking to do something with the additional acreage that is there. However, he assured the Board that they want to keep Iden's historical view and control that corner, and that preserving that view's present condition is as important to them as it is to the County.

Ms. Katz commented that this proposed change could really accelerate build-out in Land Bays I, III and IV. Mr. Trout agreed, stating that build-out of Land Bays III and IV could drop to 10 years. Mr. Johns countered that very few people who can afford to build that size home have children. Mr. Trout responded that the price of homes in Land Bay I is not the point. The fact is that build-out would be accelerated from 15 years to 10 years.

Ms. Katz stated that in order to make this change, the ordinance would have to be amended, which would require a public hearing with the Planning Commission, and then come back to the Board.

Mr. Rothenberg asked if the Board thought removing the cap on the 300 units in Land Bay I would have a significant impact on County services, as those folks tend to be slow to build. Mr. Trout repeated that the land bay was not the issue - the issue is that there will be accelerated build-out in Land Bays III and IV from 15 years to 10 years.

Mr. Johns stated that it was the same thing. If there is a delay in building in Land Bay I, all 63 units could be built in Land Bays III and IV. He stated that there is a lot of competition for high priced homes. Mr. Trout responded that he was looking at the net effect on the County. If the County took the cap off of Land Bay I, then 63 homes a year could be built in III and IV.

Mr. Anderson stated that it was obvious that the Board did not like what has been proposed. He suggested that they continue to work with the County Administrator and come back with something better.

IN RE: ISSUANCE OF GENERAL OBLIGATION SCHOOL BONDS

Under consideration by the Board was Resolution R-95-05 authorizing the issuance of up to \$2,750,000 New Kent County, Virginia general obligation school bonds.

Mr. Budesky recommended that the Board move forward on this. The County is on the waiting list for the Literary Loan which may come through as early as this fall or may not be until next year. This bond will provide interim financing until that time.

There was consensus among the Board members that this does not need a lot of discussion.

Chairman Davis opened the Public Hearing. There being no one signed up to speak, the Public Hearing was closed.

Mr. Trout clarified that this is not additional debt.

Mr. Burrell moved to adopt Resolution R-95-05 as presented. The members were polled:

Stran L. Trout	Aye
Mark E. Hill	Aye
D. M. Sparks	Aye
James H. Burrell	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: PUBLIC UTILITIES PROJECT

Mr. Budesky reported to the Board that at the last meeting, there were some miscalculations in the figures presented by the Public Works Director in that engineering fees had not been included. He asked the Board to revise the motion made at the last meeting to increase borrowing from \$3.4 to \$3.8 million. He indicated that it was very difficult to bring this back to the Board, but this is the way to remedy it.

Mr. Trout moved to amend the motion made on September 12, 2005, to approve the borrowing of additional funds for the Bottoms Bridge utilities project, from \$3.4 million to \$3.8 million.

Mr. Davis asked about the estimates for the plant expansion and expressed his concern that the County might be blind-sided by nutrient requirements. Mr. Budesky reported that staff has taken into account the additional treatment costs and will cover that later in the agenda.

The members were polled on Mr. Trout's motion:

Mark E. Hill	Aye
D. M. Sparks	Aye
James H. Burrell	Aye
Stran L. Trout	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: RATE STUDY

Stewart Rumble and Bill Madigan from Goodman & Company were present to review the draft Rate Study report. They reported that they had attempted to have discussion with as many County staff as possible in order to get some good numbers.

They stated that key assumptions were that rates would stay the same as they are now, and that the current development rate stays the same (economy would have to hold up for the forecast to hold true). They also assumed that the agreement with Henrico County will decrease as its capacity of the plant decreases. The creation of a CDA for Farms of New Kent was also included in their assumption. They did admit that there was no way to predict construction costs in the future and there are always construction overruns.

They reviewed the three scenarios of the forecast through 2010. In the Combined Water & Sewer scenario, there was shortage in cash flow beginning in 2008 and continuing through 2010. It was pointed out that the forecast is based upon a 4mgd plant at Parham Landing. Downsizing that plant to 3mgd would result in a cost savings of \$12,150,000. They also reviewed the additional revenues that would result if the County increased service rates by 5% per year beginning in 2007.

Mr. Hill asked when a 4mgd plant would begin to be cash positive. It was reported that they had not gone past 2010, but they would estimate that would happen by 2011.

Mr. Budesky indicated that the Board knew that there was going to have to be some additional borrowing and a modest 5% increase was what staff suggested that they use.

The Board inquired how New Kent's rates compare to those of neighboring localities. Mr. Harrison reported that New Kent's rates are in line with most. A comparison chart was provided but it was pointed out that in many cases, one is not comparing "apples to apples". Other localities are in different stages and it is hard to make realistic comparisons.

Goodman & Company reported that the revenue numbers are conservative and if "things fall into place", revenues from hook-ups and fees should exceed estimates.

Mr. Budesky asked about scheduling a public hearing to raise the rates. Mr. Davis asked if it could wait until budget time. Mr. Budesky agreed that it could.

Mr. Hill asked for staff's opinion and expressed his concern that the water rates are too low. Mr. Budesky stated that he felt that a 5% increase was reasonable and would still maintain the system. With such a small customer base, an increase of 7% or 8% wouldn't make much difference. The real difference is with the size of the plant.

Mr. Hill asked if increasing the rates now would have an impact. Mr. Budesky stated that the Board could choose not to raise the rate and only increase the connection fees, which would affect only new customers.

Mr. Harrison indicated that he would recommend a rate increase every year, even just a little, rather than a very large one to "catch up". Mr. Trout agreed, and suggested that the Board also look at hook-up fees.

Ms. Katz reminded that once Farms of New Kent signs its availability fee agreement, it will be locked in on fees.

Mr. Davis suggested changing rates effective January 1. Mr. Hill stated that he didn't want to increase user fees but thinks that the Board needs to look at water connection fees. Mr. Harrison stated that the County is breaking even on water now but there has not yet been a lot of capital expense.

Mr. Davis stated that the County just increased fees last year and the Board has to be practicable but not foolish. If the fees are increased by 5% in 2006, the County should be in good shape.

Mr. Budesky stated that it would affect Farms of New Kent by almost \$2 million. Only availability fees would be affected in the Courthouse area. Keeping that in mind, he requested that the Board raise connection fees as soon as possible.

Mr. Hill stated that if the County raises connection fees, it would only impact new customers. Mr. Budesky stated that he would recommend a modest fee increase and not talk about rates until budget time. Connection fees are what should be considered.

Ms. Katz advised that the Board could hold a public hearing on October 11 but would not be able to vote until the next meeting. There was a consensus to advertise for Public Hearing a 5% increase on fees but not usage rates, and adopt at the work session.

Mr. Hill repeated his concern that the water fees are not high enough. Mr. Budesky suggested that the Board revisit that at budget time.

It was agreed that the proposed increase in the fees would be water connection at \$3,150; sewer at \$6,300, and availability fee at \$3,465.

Mr. Budesky asked for a decision on the plant size. Mr. Davis suggested that the Board plan on a 3mgd plant.

The representatives from Goodman & Company stated that they wanted to make sure that the Board was comfortable with the assumptions that they used for the draft report.

Ms. Katz asked if the *ad valorem* taxes in the Bottoms Bridge Service District were included. The Goodman representatives stated that they were not – only the connection fees outside of Bottoms Bridge.

Mr. Trout suggested that the Board look at increasing the *ad valorem*. Mr. Budesky agreed, reporting that costs were up 18%.

Mr. Trout expressed his concern that the County would apply for a 4mgd plant and be approved, but would only build a 3mgd plant.

Mr. Harrison explained that the original allocation is based on 568,000 gallons/day. As of 2010, the County will need a 3mgd plant and the DEQ and State Water Control Board are fine with that. He indicated that the York River basin has a lot of unused allocation. The County can build a 3mgd plant now, and knows what those costs are. He reported that after the Preliminary Engineering Report, he will be better able to pin costs down. He stated that if the County is approved for 4mgd and builds a 3mgd, it will lose that extra allocation. He confirmed that New Kent has asked for a 4mgd. If the County does not have plant on line by 2010, the allocation is gone. He stated that it is wise to get pre-approved for 4mgd even if the County doesn't build it. If the County needs to expand in the future, it will have to go through a nutrient credit exchange program (which is just being set up). It will cost \$12.5 more for a 4mgd plant now than it would for a 3mgd plant. If the County builds a 3mgd plant and is required to expand in the future, it will cost more to expand the plant than today's difference in the costs of the two plants. There is no way to project nutrient treating costs.

Mr. Trout asked if the 3mgd plant would be expandable. Mr. Harrison said that the plant would be built to be expandable to 4mgd.

Mr. Trout asked if this will be a replacement of the current plant. Mr. Harrison said although they are still working on the plans, he would expect to use a small part of the existing plant. Roger Hart added that there is a problem meeting the nutrient levels with a 568,000 gallon/day plant, and they may use some of the existing clarifiers as mixing units. Mr. Harrison stated that the nutrient removal process is adding a new element to the process.

IN RE: SERVICE DISTRICTS

Before the Board for consideration was a proposal from R. Stuart Royer & Associates to perform a sewer service district study on Route 106 for the sum of \$7,400.

Mr. Budesky explained that although some of the South Route 106 property owners have expressed an interest, he cannot say that those interested amount to 51% of the property owners. There are some who have not committed.

Mr. Davis suggested asking the property owners first before spending \$7,400 on a study and asked how many have expressed an interest. Mr. Budesky estimated 15 – 20. Mr. Budesky pointed out that it will most likely cost Route 106 property owners more than is being paid by landowners in Bottoms Bridge because there are less owners to share the costs.

Mr. Hill stated that there is an economic development prospect that will not come to New Kent if there water and sewer are not available. He went on to say that the County should set up water and sewer districts in all the areas designated in the Comp Plan, and start collecting *ad valorem* taxes now.

Mr. Sparks suggested that the Board determine interest before proceeding any further.

Mr. Hill mentioned that development of the property owned by Mr. Shaia and the Shannons would probably bring in more revenue that what is being generated in Bottoms Bridge.

Mr. Harrison reported that he has \$5,500 that was carried over for a utilities master plan that could be used toward the cost of this study. He stated that the money spent on a

Route 106 sewer district study money would not be wasted as the information could be plugged into the master plan.

Mr. Hill stated that the Board made a commitment to run water and sewer along I-64 to have public utilities available at the interchanges and it can't expect people to pay \$3.5 million to get it to their property lines.

Mr. Hart indicated that the estimate was for running sewer down Route 106 just past Arrow Dynamics. Mr. Budesky stated that it would cost \$3.2 million plus \$500,000 to get it to the middle of the Fisher property (including water). Mr. Harrison talked about the cost savings as a result of the agreement with Farms of New Kent to oversize the water tanks.

Mr. Davis asked about including that area in a CDA. Ms. Katz stated that Farms of New Kent has agreed to pay up front and the landowners south of I-64 may not want to pay up front, and the County cannot treat them any differently.

Mr. Hill suggested that both sides of Route 106 should be considered for a service district. Mr. Budesky reminded that the County has encouraged Farms of New Kent to look at a CDA.

Mr. Sparks announced that he had discussed this project with Mr. Hart who has now agreed to perform the service district study at no charge to the County. Mr. Sparks thanked Mr. Hart for his generosity.

IN RE: PUBLIC UTILITIES

Under consideration by the Board was a request for interim borrowing for design and start up costs for Phase II and the Parham wastewater treatment plant expansion.

Mr. Sparks asked when the plant expansion will come on line. Mr. Harrison reported that March 31, 2009 is the target date.

Mr. Hill moved to approve the borrowing of an amount up to \$1.2 million for the design and start up costs of Phase II of the utilities project and borrowing of an amount up to \$1.4 million for the design and start up costs for the expansion of the Parham Landing wastewater treatment plant.

Mr. Davis asked when these funds would be needed. Mr. Budesky stated that they would be needed soon as the loan would include money for easement acquisition.

Mr. Hill asked if the line was going to run up the median of Route 33. Mr. Hart stated that it would be installed in the median, and this has been cleared with VDOT. Mr. Harrison confirmed that it has been approved by Bobby Campbell. Mr. Harrison distributed the revised schedule.

The members were polled on Mr. Hill's motion:

D. M. Sparks	Nay
James H. Burrell	Aye
Stran L. Trout	Aye
Mark E. Hill	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: CONTRACT CHANGE ORDER WITH KDR REAL ESTATE SERVICES

Before the Board for consideration was approval of a change order to the contract with KDR Real Estate Services for easement acquisition work.

Mr. Budesky reported that staff had been expecting this bill which is for work performed and authorized by the Board. He indicated that KDR has now finished its work for the County and all remaining easement negotiations are being handled by the County Attorney, the Public Works Director and himself.

Mr. Harrison stated that KDR has agreed that they are not going to charge the County for any additional work they do, and have indicated that this is their final invoice. Both Mr. Harrison and Mr. Budesky confirmed that KDR had been asked to do a substantial amount of work that was not included in the scope of the contract.

Mr. Sparks commented that there needed to be better control of public dollars. Mr. Budesky concurred, explaining that this project was out of hand from the beginning, that the contract was weak, and that KDR was asked to do work that was not specified in the scope.

Mr. Hill stated that this was the firm that had been recommended by the County Attorney and that the law firm should be held responsible for any deficiencies in the contract. He commented that KDR did almost nothing for the first six months.

Ms. Katz indicated that KDR was asked to do additional work that was not covered in the contract and everyone knew that there would be additional money due. Until an easement is obtained from a landowner, work is continuing. She stated that she hoped, on behalf of her law firm, that in the next phase all of the issues can be ironed out.

Mr. Trout stated that if KDR did work authorized by the Board, then the County owes them the money.

Mr. Davis asked what services KDR performed in August. Mr. Budesky explained that in some instances KDR was in active negotiations and close to settlement. It was agreed that they would wrap up those negotiations so as not to confuse the property owners.

Mr. Sparks stated that he would like more details before going any further. Mr. Harrison indicated that he would ask KDR to provide an itemized breakdown.

Mr. Trout suggested that the Board could authorize that this be paid after review by the County Administrator. He moved to approve a change order to the contract with KDR Real Estate Services and to appropriate \$13,904.34 to be paid from Fund 198 Bottoms Bridge, subject to review and approval of invoice amounts by the County Administrator. The members were polled:

James H. Burrell	Aye
Stran L. Trout	Aye
Mark E. Hill	Aye
D. M. Sparks	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: MEETING SCHEDULE

Chairman Davis announced that the next regular meeting of the Board of Supervisors will be held on Tuesday, October 11, 2005, at 6:00 p.m. in the Boardroom of the County Admin Building.

IN RE: CLOSED SESSION

Mr. Burrell moved to go into Closed Session to discuss a personnel matter pursuant to Section 2.2-3711A.1 of the Code of Virginia involving performance of an employee, and for consultation with legal counsel pursuant Section 2.2-3711A.7 of the Code of Virginia about actual or probable litigation and specific legal matters that require advice. The members were polled:

Stran L. Trout	Aye
Mark E. Hill	Aye
D. M. Sparks	Aye
James H. Burrell	Aye
W. R. Davis, Jr.	Aye

The motion carried. The Board went into closed session. Mr. Sparks moved to return to open session. The members were polled:

Mark E. Hill	Aye
D. M. Sparks	Aye
James H. Burrell	Aye
Stran L. Trout	Aye
W. R. Davis, Jr.	Aye

The motion carried.

Mr. Burrell made the following certification:

Whereas, the New Kent County Board of Supervisors has convened a closed session on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

Whereas, Section 2.2-3712 of the Code of Virginia requires a certification by the Board that such closed session was conducted in conformity with Virginia law;

Now, there, be it resolved that the Board hereby certifies that to the best of each member's knowledge (i) only public business matters lawfully exempted from open session requirements by Virginia law were discussed in closed session to which this certification resolution applies and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Board.

Chairman Davis inquired whether there was any member who believed that there was a departure from the motion. Hearing none, the members were polled on the certification:

The members were polled:

D. M. Sparks	Aye
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James H. Burrell	Aye
Stran L. Trout	Aye
Mark E. Hill	Aye
W. R. Davis, Jr.	Aye

The motion carried.

IN RE: ADJOURNMENT

There being no further business, Mr. Sparks moved to adjourn. The members were polled:

James H. Burrell	Aye
Stran L. Trout	Aye
Mark E. Hill	Aye
D. M. Sparks	Aye
W. R. Davis, Jr.	Aye

The motion carried. The meeting was adjourned at 11:08 p.m.
