

A WORK SESSION OF THE NEW KENT COUNTY BOARD OF SUPERVISORS WAS HELD ON THE 24<sup>th</sup> DAY OF FEBRUARY IN THE YEAR TWO THOUSAND FOUR OF OUR LORD IN THE BOARDROOM OF THE COUNTY ADMINISTRATION BUILDING AT 7:00 P.M.

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IN RE: ROLL CALL

Mark E. Hill	Present
D. M. "Marty" Sparks	Present
Stran L Trout	Present
W. R. "Ray" Davis, Jr.	Present
James H. Burrell	Present

Chairman Burrell called the meeting to order at 7:06 p.m.

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IN RE: FINANCING OPTIONS FOR UTILITIES

County Administrator Gary Christie introduced David Rose and Ted Cole from Davenport & Associates, the County's financial advisors, to review options on financing capital improvement projects.

Mr. Cole distributed a Preliminary Capital Project Planning Approach covering existing debt service (\$5.7 million) as of June 30, 2003, plus estimated new literary loans totaling \$9.4 million, with debt service on interim financing beginning in FY05 and full interest and principal payments in FY08. There were charts showing the existing and projected value of one cent in real estate tax rate, and provided scenarios wherein 0% and 25% of that growth was used to pay the debt on CIP projects. Also provided was summary of the CIP projects projected for 2004, 2005 and 2006, including long term (\$4,482,360) and short term borrowing (\$4,386,850) and long term borrowing for schools (\$42,400,000), which included the construction of a new school. Key assumptions were that the existing debt service incorporates new literary fund loans, all capital projects in FY04-FY06 are funded by short term financing for 5 years at 3%, long term for 15 years at 4% and long term school financing by a combination of literary loan funds and 30 year conventional financing; FY04 capital expenditures are reimbursed from financing proceeds; borrowing late in 2004; availability of \$6,142,915 in capital reserve funds; and that the value of one cent in the real estate rate is \$100,000 in FY04 at a rate of \$.81, and the rate of that penny grows at 3.5% - 5%. He reviewed what impact each scenario would have on the real estate tax rate.

Borrowing for utilities infrastructure was not included.

Mr. Burrell expressed his concern that any portion of the growth rate of a penny would be used toward capital debt, taking into account the ever expanding costs of the operational budget.

Mr. Christie explained that in the past, New Kent has funded its CIP projects with unused funds in the operating budget, after retaining 15% for reserve in the general fund. Mr. Cole suggests that the County use those unused funds to "shave off the peak" to avoid a tax increase to service the debt.

There was general discussion about the literary loans, and increasing the tax rate early and setting those funds aside in capital reserves in order to service the debt when it comes due in order to lessen the impact on the tax rate. There was also discussion regarding what other localities have done, and the risk that future Boards can "undo" the planning of this Board, as well as typical financing, reduction in state revenues, and the advantages of having a grant writer. They discussed the Public Private Education Act, and Mr. Rose stated that it is not improbable that some new developer could step forward and contribute to the building of schools in some meaningful way. Mr. Davis inquired as to how Davenport would calculate the "per student cost" for school construction in order to help the County establish proffer amounts. Mr. Rose agreed to take a look at that and get back with the Board.

Mr. Cole and Mr. Rose also described the different financing options for utilities. It was reported that 30 year terms was standard for a service district, and there was discussion about the effects of early pay off.

Mr. Sparks inquired how a service district would affect the County's debt capacity. Davenport reported that it depended on the magnitude of the borrowing relative to the overall debt of the County, as well as the size of the district compared to the size of the County, and the revenues and historic evolution of the County. There was also discussion regarding pledging the "moral obligation" of the County in order to obtain a favorable financing rate. Mr. Rose stated that with a service district, the County maintains control, as opposed to a CDA.

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IN RE: BOTTOMS BRIDGE SERVICE DISTRICT

Mr. Christie reported that staff is continuing to work with R. Stuart Royer and others on the Bottoms Bridge Service District. Property from the north side of I-64 has been added. Although property north of the railroad tracks is zoned for commercial and manufacturing, it is recommended that it not be included because of the high cost to provide service. The district is proposed to run along Route 60 from the Star Motel to the Chickahominy River, with removal of the requested residential subdivisions. If the Board approves the district, then it will be advertised for public hearing at the April meeting. Once advertised, parcels can be removed but none can be added.

Mr. Christie reported that the flow numbers from the Williams' tract have come in at 486,000 gpd and Steve Jacobs at Robinson Farmer Cox has those numbers and will be reporting to the Board on Thursday night with cost figures.

Mr. Davis reminded that the agreement with Henrico County provides that New Kent pay for outside attorney fees, legal fees and condemnation fees to bring the Henrico sewer line to the New Kent County line, and inquired what those are estimated to be.

Mr. Davis also asked about the study performed by Resource International for H. H. Hunt. Mr. Christie indicated that would be discussed later in closed session..

Roger Hart of R. Stuart Royer distributed handouts with Anticipated Project Costs Summary which reflected that the anticipated cost of construction, engineering services, additional services (easement plat preparation and resident inspection), land acquisition and permitting/testing for the expanded service district, including the Williams tract and other property north of I-64, to be \$7,553,786. Mr. Hart reported that they are still setting targets and getting ready to get the aerial survey done.

There was discussion regarding whether the cost of service to customers would increase or decrease because of the addition of the Williams tract and other property north of I-64. Availability fee is based on construction cost, and user fees are based on operational costs. Mr. Hill stated that he had received a letter from a group on the South side of I-64 who stated that their pro rata share should be based on the original \$4,791,770, and that anything additional should be paid for by the landowners on the North side. It was consensus that the added properties would reduce the pro rata share to all customers because there are more to share the cost.

There was also discussion about having users who are requesting large flows, enter into a contract with the County, obligating them to pay for the flows they've requested, whether used or not, so that the County is not required to assume that burden. Mr. Hart reported that a system becomes more expensive to operate if you don't have the flows for which it was designed. There was discussion on whether the Board was willing to slow the process down in order to get contracts signed. Mr. Siegel suggested that the County could proceed with the design process but not proceed with bids until a certain percentage of contracts have been signed. Mr. Hart stated that the pump stations have been designed to be expanded so as to keep the cost as economical as possible, and line sizes and locations will not change.

Mr. Christie reported that staff is ready to move to start advertising and sending out notices. The public hearing has to be advertised three times.

Mr. Trout moved to advertise the district, as indicated on the map which includes property on the north side of Interstate 64 and the Williams tract, for public hearing on April 13, 2004. The members were polled:

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

The motion carried.

It was the consensus of the Board that in any contract with proposed large users, there be clear language that there is no guarantee of any rezoning or PUD approval.

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IN RE: DEERLAKE SUBDIVISION

Mr. Christie reported that the developer of the Deerlake Subdivision, Doug Godsey, has offered to run the sewer line from Deerlake to the Chickahominy Wastewater Treatment Plant at his cost, if the County will agree to keep connection fees in his subdivision at \$4,000. Further, if anyone outside of his subdivision hooks onto the line, he would get some credit for those connections. The County would have to pay to upsize the pipe if it wants others to be able to use it. The County could use the connection fees to upgrade the plant when needed.

Staff will continue to work with Mr. Godsey on this proposal.

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IN RE: OTHER BUSINESS

Mr. Trout reported that Senate Bill 167, which will increase the number of Satellite Wagering Facilities from 6 to 10, has passed the Senate and the General Laws Subcommittee of the House and now will go to the full House of Delegates. He asked supporters to send e-mails to their representatives to urge passage, as New Kent collects \$100,000 per year in revenue for every OTB.

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IN RE: CLOSED SESSION

Mr. Hill moved to go into closed session for discussion and consideration of contract negotiations pursuant to §2.2-3711A.3 of the Code of Virginia involving engineering costs. The members were polled:

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

The motion passed. The Board went into closed session.

The Board emerged from closed session. Mr. Sparks made the following certification:

Whereas, the New Kent County 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

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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 Burrell inquired whether there was any member who believed that there was a departure from the motion. The members were polled:

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

The motion carried.

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IN RE:           ADJOURNMENT

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

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

The motion carried. The meeting was adjourned at 9:40 p.m.

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