

**VIRGINIA:**

At a regular meeting of the King George County Service Authority Board of Directors, held on Tuesday, the 5<sup>th</sup> day of April 2011, at 6:00 p.m. in the Board Room of the Revercomb Building at 10459 Courthouse Drive, King George, Virginia:

**PRESENT:** Joseph W. Grzeika, Chairman  
Cedell Brooks, Jr., Vice-Chairman  
John P. LoBuglio, Member  
James F. Mullen, Member  
Dale W. Sisson, Jr., Member  
A. Travis Quesenberry, County Administrator  
Matthew J. Britton, County Attorney

The Chairman, Mr. Grzeika, called the meeting to order.

Mr. Brooks provided the Invocation.

Mr. Mullen led the Pledge of Allegiance.

**Public Comment**

The Chairman opened the floor for public comment. There being none, the Chairman closed that portion of the meeting.

**Reports of the Members of the Board**

There were no reports from the members of the Board.

**SA-04-01 – Consent Agenda**

On a motion by Mr. Sisson, seconded by Mr. LoBuglio, and carried unanimously, each member voting as follows: Mr. Grzeika Aye; Mr. Brooks Aye; Mr. LoBuglio Aye; Mr. Mullen Aye; and Mr. Sisson Aye, the King George County Service Authority Board of Directors approved the Consent Agenda, as presented, which included the following:

Authorized the issuance of warrants against the FY10-11 KGCSA Operating Fund in the total amount of \$39,433.80

Authorized the issuance of warrants against the FY10-11 KGCSA Capital Reserve Projects Fund in the total amount of \$2,954.74

**SA-04-02 – Report of the County Attorney**

The County Attorney had no report.

**SA-04-03 – Presentations and Reports**

*A. Capital Funding and Financial Modeling Update – Davenport & Company*

Mr. Kyle Laux of Davenport & Company stated that on November 2, 2010, Davenport presented a multi-year financial planning and capital funding update to the Board and discussed the advantages of refunding/terminating out the Service Authority's 2009 Refinancing/restructuring while interest rates were favorable, discussed an initial capital funding strategy for FY 2011-2015 capital needs as well as a multi-year plan to make the Service Authority "self-supporting".

Mr. Laux requested the Service Authority take action on the refunding/terminating out of the 2009 Refinancing/Restructuring noting that the September 2009 financing was structured to obtain the lowest interest rate available at the time, maximize cash flow savings, and provide maximum future flexibility. He explained that the 2009 financing rate was at 4.962% and is callable at any time with no penalty and has a bullet maturity in 2019 and would need to be refinanced for an additional period before 2019. He further explained that locking in the long-term fixed rates now would eliminate the Authority's exposure to potentially rising interest rates. The current refinancing using Virginia Resource Authority(VRA) financing would allow the Authority to pay early without penalty at any time, and at a rate of 4.7% with a longer fixed term rate. The Authority would retain the ability to refinance the new loan after a 10-year No-Call period.

Mr. Laux informed the Board that the application has been submitted, credit has been approved, and Davenport is ready to move forward. He requested the Board approve the Resolution authorizing terminating out the current debt through VRA as has been done in the past. Given the fact that the Service Authority is not at a self-supporting state yet, the VRA has requested a Support Agreement from the Board of Supervisors, which has been done in the past.

As far as the Capital expenditures, Mr. Laux noted that the Service Authority has identified approximately \$13M of Capital Projects to be funded during the FY2011-2015 time period. Remaining bond proceeds total approximately \$2.9M that can be dedicated to these capital projects. Mr. Laux stressed that the remaining bond proceeds from a 2006 and 2008 borrowing should be the first monies spent (outside of specific State funding) on new Service Authority Capital Projects. He stated that the Service Authority has been notified by the Virginia Department of Health (VDH) that it is eligible to receive approximately \$1.6M of below market interest rate financing and recommended this VDH financing be accepted due to favorable rates/terms/conditions.

Mr. Laux discussed a Capital Funding Strategy which included utilizing existing bond proceeds first to comply with Tax Code requirements as well as taking advantage of the VDH Loan with below market interest rate financing. He requested that the Board authorize the VRA refunding resolution after which the Board of Supervisors would consider approval of a Moral Obligation Support Agreement, with the VRA bonds being done in May 2011 and moving forward on the VDH loan in June 2011.

**Action Items:**

**SA-04-04 – Consideration of Resolution providing for the Issuance, Sale, and Award of a Water and Sewer System Revenue Refunding Bond**

The Board was provided with a Resolution authorizing the 2011 Bond Refunding through Virginia Resources Authority.

On a motion by Mr. Sisson, seconded by Mr. LoBuglio, and carried unanimously, each member voting as follows: Mr. Grzeika Aye; Mr. Brooks Aye; Mr. LoBuglio Aye; Mr. Mullen Aye; and Mr. Sisson Aye, the King George County Service Authority Board of Directors adopted the Resolution authorizing the 2011 Bond Refunding through the Virginia Resources Authority, as presented.

### **SA-04-05 – Authorization to Advertise a Public Hearing for Proposed Water and Wastewater Rate Increases**

As discussed at the March 31, 2011 KGCSA budget work session, Mr. Thomas presented an advertisement for Public Hearing for the proposed rate increases for FY2011/2012 for the Board's consideration. He further noted that the proposed FY2011/12 KGCSA budget included rate increases of 5% for water rates, including the flat debt fee, 12% for sewer rates, and a 5% increase for connection fees, as recommended in the Davenport study.

Mr. Thomas explained that the rate, user fee, or connection fee increases require a 60 day notification of the public hearing. The budget proposal assumes an effective date for the rate increases of July 1, 2011. This would require the public hearing to be held no later than the June 21, 2011 Board meeting.

On a motion by Mr. Sisson, seconded by Mr. LoBuglio, and carried unanimously, each member voting as follows: Mr. Grzeika Aye; Mr. Brooks Aye; Mr. LoBuglio Aye; Mr. Mullen Aye; and Mr. Sisson Aye, the King George County Service Authority Board of Directors authorized the King George County Service Authority to advertise a public hearing for the proposed FY2011/2012 Water and Wastewater Rate Increases for the Board meeting to be held on June 21, 2011, as presented.

### **SA-04-06 – Authorize Execution of Deed of Subdivision, Easement and Vacation for Gateway Pad Sites A-D**

Mr. Thomas requested the Board authorize the General Manager to sign and execute the Deed of Subdivision, Easement and Vacation for King George Gateway. He noted that the document had been prepared to provide for the subdivision of certain parcels to allow development of individual pads, vacation of easements, and dedication of new water line easements to serve these parcels for the King George Gateway site, specifically pad sites A through D. Mr. Thomas noted that the County Attorney had reviewed and approved the documents as to form.

On a motion by Mr. Sisson, seconded by Mr. Brooks, and carried unanimously, each member voting as follows: Mr. Grzeika Aye; Mr. Brooks Aye; Mr. LoBuglio Aye; Mr. Mullen Aye; and Mr. Sisson Aye, the King George County Service Authority Board of Directors authorized the General Manager to sign and execute the Deed of Subdivision, Easement and Vacation for the King George Gateway Pad Sites A thru D, as presented.

### **Discussion Items:**

#### **SA-04-07 – General Manager's Report**

Mr. Thomas presented information on the following items of interest:

- The Virginia AWWA Water Re-Use Committee: Two teleconferences have been held with the first formal meeting to be held in Richmond, Virginia on April 27, 2011
- Service Authority has three vehicle leases due for either re-lease or exchange to new vehicles. When looking at options for leasing, it was discovered that the current interest rate on new leases were less than leases the Service Authority currently has. Therefore, the three leased vehicles will be exchanged for new vehicles. This action will provide a savings of about \$200/month.

- A call was received from a resident in Cleydael subdivision and Miss Utility was called for an emergency fix. However, the leak turned out to be larger than anticipated and Service Authority staff was called in to repair the leak.

There being no further business to come before the Board, the Chairman adjourned the meeting on a motion by Mr. Sisson, seconded by Mr. Brooks, and carried unanimously.