

**Stafford County Utilities Commission**  
**Meeting Minutes**  
August 9, 2011

**I. Call to order**

Vice Chairman Steven Apicella called to order the regular meeting of the Utilities Commission at the Stafford County Administration Center on August 9, 2011 in the A, B, C Conference Room.

**II. Roll call**

Cheryl Giles conducted a roll call. The following persons were present: Steven Apicella, Lloyd Chittum, Bob Gibbons, Danny Kim, and Clarence Young. Harry Critzer, Dale Allen, Mike Smith, Janet Spencer, Deidre Jett and Cheryl Giles were present for the Utilities Department.

**III. Public Presentations**

There were no public presentations.

**IV. Approval of minutes from last meeting**

The June 14, 2011 minutes were approved as written.

**V. Commission Members' Comments**

Mr. Chittum inquired about the reservoir levels. Mike Smith responded that Abel Lake was down 2 feet and Smith Lake was down 4 feet.

**VI. Director's Report**

There were no items to report.

**VII. Unfinished Business**

**Issuance of Revenue Bonds & Utilities Finance**

Mr. Critzer reported that at the July 5<sup>th</sup> Board of Supervisors (BOS) meeting, a public hearing was held asking the Board to authorize the sale of bonds to help finance the County's Utilities Capital Improvements Program (CIP). Several questions were asked by the Board members with respect to future increases. Mr. Sterling asked if the existing rate structure provides sufficient revenue to fund the debt service without increases beyond the already approved rate increases. He also asked if all Utilities bond-funded infrastructure currently envisioned is included in our current CIP.

Mr. Critzer stated that the original CIP borrow amount was \$94M, but due to concerns from the Board, staff deferred about \$30M worth of projects. The revised CIP deferred an additional \$24.6M. The \$61M worth of bond revenue would be used for Rocky Pen Run and other CIP projects. He provided an overview of the Utilities CIP for FY2012-FY2031 cash fund balance and reported that several large infrastructure projects are planned over the next 20 year period.

Mr. Apicella asked if the revenue associated with the rate increases would pay for Rocky Pen Run. Mr. Critzer responded that the three years' worth of 1.5% annual growth and rate increases generate \$4.2M in revenue annually, which would cover the estimated \$4.0M annual debt service.

Utilities Commission

August 9, 2011

Page 2 of 3

Mr. Apicella commented that a better understanding of how the rates pay for the CIP projects would be helpful. Ms. Jett explained that in the past, availability payments were relied on heavily to cover the debt service, but due to the economic downturn, rate increases would be needed to cover the debt service, increases in operating expenditures and capital projects.

Mr. Apicella asked if, when we borrow as part of the Utilities fund, is it counted against the county's maximum borrowing authority. Ms. Jett responded that it does not count against the county's maximum borrowing authority because the bonds are not supported by the county's general obligation pledge.

Mr. Apicella suggested the Board be presented with the following options: To purchase with cash, continue to debt finance purchases, or a combination of the two.

Ms. Jett presented an overview of the water and sewer revenue bonds program. She highlighted the following items:

- The Bond Program and Our Fiscal Policy
- Debt Service Coverage Ratios & Requirements
- Rate Increases and New Debt Service
- Future Infrastructure Projects
- Rocky Pen Run Milestones

Ms. Jett stated the current bond ratings for water and sewer revenue bonds are AA by Standard & Poor's and AA2 by Moody's. The county's general obligation bond ratings are AA2 by Moody's, AA- by Standard & Poor's and AA by Fitch. Mr. Gibbons asked what is the difference between a AA and an A rating. Ms. Jett responded that the difference between a AA and an A bond rating is about \$7M in additional debt service for the life of the bond with an A rating.

Mr. Gibbons asked on what basis it was determined to finance the Rocky Pen Run (RPR) project. Mr. Critzer responded that the intent was to fund the project with availability fees, but due to one of our fiscal policy requirements, we also need to be able to finance the debt service with user fees by FY18.

Mr. Gibbons asked if staff has a projected construction cost for the RPR dam. Mr. Critzer stated the solicitation for bids is out for the water treatment plant and bids are due September 15<sup>th</sup>. The dam and reservoir bids have not gone out yet, but are expected to go out for solicitation and be due by October 27<sup>th</sup>. Staff has been using an estimate of \$26M for the water treatment plant and \$38M for the dam, for a total of \$64M.

Discussion ensued regarding the disclosure of how much funding would be needed for the RPR project and changing the bid advertisement date. Mr. Apicella inquired as to the harm in waiting to advertise the invitation to bid prior to getting the Board to authorize the issuance of bonds. Mr. Critzer responded that it is important to get the water treatment plant constructed by the summer of 2014. Mr. Apicella commented that if it doesn't jeopardize the schedule, staff should postpone going to the Board for issuance of the bonds until after the invitation of

the bids has been completed. Ms. Jett explained if the bonds are not authorized by Oct. 21<sup>st</sup>, we run the risk of not being able to award the contract this year. When the contract is awarded, revenues have to be available to pay for it, which is why the authorization to issue bonds must be approved prior to awarding the contract.

Mr. Chittum asked what the projected numbers of bidders are for the RPR dam. Mr. Allen responded that he projects seven companies would bid for the RPR dam.

Mr. Gibbons asked if all the permits for the project have been received. Mr. Allen responded the Department of Conservation & Recreation (DCR) permit is needed and should be received once a final set of plans and specs have been given to DCR.

Mr. Gibbons commented that interest is being paid on the reserves and inquired how much it would cost to service the \$61M that's being borrowed. Ms. Jett explained that when debt is issued through Virginia Resources Authority (VRA), we keep those reserves. When it is a debt reserve fund for a stand-alone bond that's issued, the money is held by a fiscal agent. It is not held by the county. When debt is issued through VRA, the debt reserve is held by the county.

Mr. Gibbons suggested that the information on slide #10 be added to slide #6 and the graph should show all the capital needs and debt reduction. Staff should also explain how additional borrows instead of using cash would affect future debt service.

Mr. Critzer informed the Commission that Mr. Sterling recommended a member attends the Finance, Audit and Budget committee meeting on August 16<sup>th</sup> at 1:00pm. Mr. Gibbons stated that he would attend the meeting.

Mr. Apicella suggested staff present the Board with additional options on mitigating the increase in rates to finance debt. He stated that staff should explain that a portion of the CIP could be debt-financed and a portion could be cash-financed.

Mr. Critzer stated the suggestions provided by the Commission were very helpful and staff would incorporate the suggestions into their presentation to the Board.

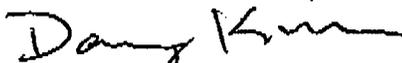
#### **VIII. New Business**

There was no new business to discuss.

#### **IX. Adjournment**

Mr. Apicella adjourned the meeting at 8:35pm.

Minutes submitted by:

  
Danny Kim,  
Recording Secretary