

AGENDA

FRANKLIN CITY COUNCIL

MONDAY, MARCH 14, 2016 – CITY HALL COUNCIL CHAMBERS – 207 W. SECOND AVE.

7:00 P.M.**Regular Meeting**

CALL TO ORDER MAYOR RAYSTINE D. JOHNSON-ASHBURN

PLEASE TURN OFF CELL PHONES MAYOR RAYSTINE D. JOHNSON-ASHBURN

PLEDGE OF ALLEGIANCE

CITIZENS' TIME

AMENDMENTS TO AGENDA

1. CONSENT AGENDA

A. Minutes: February 22, 2016 Work Session & Regular Meeting

2. FINANCE

A. Financial Report: January, 2016

3. OLD/NEW BUSINESS

A. Real Estate Property Value Reassessment 2016 Update – Wampler/Eanes Appraisal Group, LTD.

B. Southeastern Public Service Authority (SPSA) Presentation – Taylor Williams, IV, City Attorney

C. Public Comment: SPSA Post 2018 Use & Support Agreement

D. City Manager's Report

1. Spring Amnesty Week: April 4 – 7, 2016

4. COUNCIL/STAFF REPORTS ON BOARDS & COMMISSIONS5. CLOSED SESSION

Closed Session - I move that the Franklin City Council meet in Closed Session to discuss and consider appointments to boards and commissions; and consult with the City Attorney pertaining to actual litigation, where such consultation or briefing in open meeting would adversely affect the litigating posture of the public body pursuant to Virginia Code Section 2.2 – 3711 (A) (1) and (7).

Motion Upon Returning to Open Session- I move that the only matters discussed during the session were those lawfully exempted from open meeting requirements and identified in the motion by which the closed session was convened.

6. ADJOURNMENT

UPCOMING ITEMS TO BE SCHEDULED

The items below are intended to be reflective, and not inclusive of all subjects staff is working on to bring forward to City Council in the next two months. Both the time lines and subject matter are subject to change and should not be considered final.

SUBJECT**TENTATIVE TIME LINE**

**School Board Presents FY 2016 – 2017 Budget Request
To City Council (Work Session)**

March 28, 2016 @ 6:00 p.m.

SPSA Post 2018 Use & Support Agreement Council Action

March 28, 2016 @ 7:00 p.m.

**Outside Agencies & Organizations FY 2016 – 2017
Budget Presentations to City Council**

April 11, 2016 @ 6:00 p.m.

CONSENT AGENDA

A. Minutes: February 22, 2016 Work Session & Regular Meeting

City Council
Work Session – February 22, 2016 @ 6 p.m. – 7 p.m.
Rental Housing Inspection Program

The Franklin City Council held its Work Session meeting on Monday, February 22, 2016 at 6:00 p.m. in the Council Chambers at City Hall.

Council Members in Attendance: Mayor Raystine D. Johnson-Ashburn, Barry Cheatham, Vice-Mayor; Benny Burgess, Mary Hilliard, Frank Rabil, and Mona Murphy (Greg McLemore absent).

Others in Attendance: Taylor Williams, IV, City Attorney; Randy Martin, City Manager; Donald Goodwin, Community Department Director; and Beth Lewis, Deputy Director Community Development.

CALL TO ORDER: Mayor Johnson-Ashburn called the Work Session to order at 6:00 p.m.

Mayor Johnson-Ashburn recognized City Manager Martin who gave a brief overview of progress made since the last Council discussion on the proposed Rental Housing Inspection Program.

Manager Martin reminded Council a consensus was reached at that time for the City Manager to pursue next steps. Council raised some questions about the program and staff was asked to prepare and present a draft ordinance and a recommendation for the initial Rental Inspection District.

City Manager Martin then recognized Director Goodwin to review the draft ordinance and maps recommended for consideration. Handouts were distributed to members of Council.

The draft ordinance is divided into three sections as follows:

1. **General:** purpose, intent and definitions
2. **Rental Inspection District(s):** establishing, description/map boundaries; structures outside district; and,
3. **Notification and Inspection:** Process of notifying and inspecting, certificate of compliance, exemptions, violations, occupancy, multi-family, fees, appeals, penalties.

Director Goodwin next reviewed a matrix prepared by staff illustrating example findings and action to be taken in enforcing the proposed inspection program. Director Goodwin then reviewed a proposed map of the initial “conservation district” that predominately reflects the original boundary of the city limits in the early days of Franklin’s existence before annexation and development expanded the boundaries. The area is considered to have the vast majority of the city’s oldest housing units.

Following considerable discussion by the Council, Director Goodwin and City Manager Martin reviewed the next steps for the process. The initial step is for staff to complete an assessment of this proposed “conservation area” or Rental Inspection District and report findings to Council. This assessment would then allow staff to develop a proposed resource allocation and budget to implement the program. These steps would be completed before scheduling a public hearing on the final draft of the proposed ordinance.

The Council members by consensus agreed for staff to focus on the area illustrated for the initial Rental Inspection District to complete the assessment. Staff will then develop an implementation strategy based upon the assessment (to include # of units, cost, time-line). After updating Council, the required public hearing would be scheduled to be followed by Council consideration of actions on the ordinance and

City Council
Work Session – February 22, 2016 @ 6 p.m. – 7 p.m.
Rental Housing Inspection Program

program. After adoption, staff would initiate the enforcement program based upon the resources committed to the program. The staff's target for giving feedback on the assessment is during April, 2016.

Mayor Johnson-Ashburn declared a recess of the work session at 6:59 p.m.

These Minutes for February 22, 2016 City Council Work Session Meeting were adopted on the 14th day of March 2016.

Mayor

Clerk to City Council

The Franklin City Council held its regular meeting and work session on Monday, February 22, 2016 at 7:05 p.m. in the Council Chambers at City Hall.

Council Members in Attendance: Mayor Raystine D. Johnson-Ashburn, Barry Cheatham, Vice-Mayor; Benny Burgess, Mary Hilliard, Frank Rabil, and Mona Murphy (Greg McLemore absent).

Staff in Attendance: Randy Martin, City Manager; Taylor Williams, City Attorney; Mark Bly, Director of Power and Light; Chief Vince Holt, Director of Emergency Services; Melissa Rollins, Finance Director; Russ Pace, Director of Public Works; Brenda Rickman, Commissioner of the Revenue; Dinah Babb, Treasurer; Alan Hogge, Director of Social Services; Jennifer Maynard, Voter Registrar; and Chief Phil Hardison, Police Department.

Others in Attendance: Officer Kevin Muse, Franklin Police Department; Dan Howe, Executive Director, Downtown Franklin Association; Lisa Mitchell-Gibbs, Benefits Program Specialist Supervisor; Lieutenant Kenneth Barham, Franklin Police Department and Teresa Rose-McQuay; Administrative Assistant and Acting Secretary, Recording Minutes.

PLEDGE OF ALLEGIANCE

Everyone recited the Pledge of Allegiance in attendance.

CITIZENS' TIME

No one signed up to speak for Citizens' Time.

AMENDMENTS TO AGENDA

There were no amendments to agenda.

SPECIAL RECOGNITION: Retiree Resolutions, New Employee Introduction

Mayor Johnson-Ashburn recognized the recent Retirees' of the City of Franklin. The retirees' are: Carolyn B. Doughtie, Social Services; Virginia B. Carr, Social Services; Wanda V. Cotton, Police Department; and Lonnie L. Norman, Public Works.

Mayor Johnson-Ashburn asked members of Council to read the resolutions aloud for the retirees. Vice-Mayor Cheatham read aloud the resolution for Carolyn B. Doughtie. Councilman Rabil read aloud the resolution for Virginia B. Carr. Councilwoman Hilliard read aloud the resolution for Wanda V. Cotton. Councilman Burgess read aloud the resolution for Lonnie L. Norman.

Ms. Doughtie worked with the Department of Social Services in Southampton County and the City of Franklin for 27 years. Ms. Carr worked with the Department of Social Services in the City of Franklin for 25 years. Ms. Cotton began as a Part-time Dispatcher moving to Full-time in 1994 with the Police Department; serving 22 years. Mr. Norman worked in Public Works for a total of 25 years.

Mayor Johnson-Ashburn and Vice-Mayor Cheatham distributed the plaques to the retirees and thanked them for their hard work and service to the City of Franklin. Councilman Burgess made the motion to adopt the resolutions and Councilwoman Hilliard seconded the motion.

The motion was approved by 6 – 0 vote (Councilman McLemore absent).

Everyone in attendance applauded the retirees. The Council members congratulated, thanked them and wished them well.

Mayor Johnson-Ashburn recognized Ms. Rollins, Finance Director to introduce Ms. Melisa Blythe, the new Payroll Technician for the City. Ms. Rollins stated that Ms. Blythe is a graduate of Chowan College in Murfreesboro, North Carolina. Ms. Blythe is married and has two children. Ms. Rollins noted that Ms. Blythe is a quick learner and said that she is a valuable addition to the Finance Department. Mayor Johnson-Ashburn and Council members welcomed her to the City of Franklin family. Everyone in attendance welcomed Ms. Blythe with a round of applause.

Consent Agenda

Minutes: February 8, 2016 Called Meeting

Mayor Johnson-Ashburn asked if there were any corrections or changes to the minutes of the February 8, 2016 Regular meeting. Hearing none the Mayor asked for a motion. Councilwoman Hilliard made the motion to adopt the minutes as presented and Councilman Rabil seconded it.

The motion was approved by a 6 – 0 vote (Councilman McLemore absent).

Departmental Reports: January, 2016 (Separate File)

Mayor Johnson-Ashburn asked if there were any questions or comments concerning the January 2016 Departmental Reports sent in a separate file. Manager Martin commented that there was a corrected sheet distributed to Council for the Delinquent meals and Lodging Tax Report for December of 2015. Manager Martin apologized for the mistake.

Councilman Burgess asked if the report is correct that an account is four months behind on the Delinquent Meals and Lodging Tax.

Commissioner of the Revenue Rickman responded the report is accurate. Southampton Memorial Hospital, Hospital Housekeeping is under new management and they have fallen behind. Ms. Rickman stated Southampton Memorial Hospital, Hospital Housekeeping will receive a letter from the City of Franklin advising them to correct this issue.

Finance

FY 2014 – 2015 CAFR/AUDIT Presentation – Davis & Associates (Continued from 1/25/16 Regular Meeting)

Mayor Johnson-Ashburn recognized Finance Director Rollins to introduce Ms. Audrey Davis of Davis & Associates to present the FY 2014 – 2015 CAFR/AUDIT. Ms. Davis addressed Council and presented the independent audit findings to Council. Ms. Davis stated that the City of Franklin received an Unmodified Audit Opinion.

Ms. Davis shared the meeting objective – to conduct the Formal Exit Conference for the City of Franklin, FY 2015 Audit; present the Audit Findings; and discuss relevant issues.

Ms. Davis explained the overall Audit Scope:

- Perform an audit to determine whether the City's financial statements and related footnotes, taken as a whole, are fairly presented in all material respects, and in conformity with GAAP
- Review the City's system of internal controls and compliance with laws and regulations related to the financial statements
- Issue Management Letter as appropriate
- Perform certain procedures and issue Schedule of Expenditures of Federal Awards (SEFA)

Ms. Davis explained the Audit Findings:

- The Firm issued an Unmodified Audit Opinion.
- There was no material findings related to internal controls.
- There were no material findings related to compliance with laws and regulations.
- There was no material findings related to the SEFA.
- There was no Management Letter issued.

Ms. Davis discussed the Net Position and Revenues of the Audit:

- The assets of the Primary Government exceeded its liabilities at June 30, 2015 by \$27 million
 - \$10.1 million (37.4 percent) unrestricted
- Net position for governmental activities of \$19 million
 - Decrease of \$2 million from prior year
 - Unrestricted net position of \$10.1 million
- The net position of the City's business-type activities were \$7.7 million
 - Decrease of \$1.7 million
 - Unrestricted net position of \$2.1 million
- The School Board's net position was \$9.3 million
 - \$9.1 million reported as invested in capital assets
 - Remaining \$157,796 unrestricted.
 - Net position decreased by \$200,000 from previous year
- Revenues from governmental activities totaled \$22.3 million
 - General Revenues, specifically Property Taxes and Other Local Taxes, are the largest components of revenues (57 percent)
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Ms. Davis shared a graph with the revenues by source – governmental activities:

- Real Estate & Personal Property taxes – 32%
- Other local taxes – 25%
- Operating grants & contributions – 19%
- Charges for Services – 8%
- Grants & gifts non-restricted – 7%
- Miscellaneous, Use of money & property and Revenue sharing from counties – 3% each
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Ms. Davis noted that expenses for governmental activities totaled \$25 million, which is an increase of \$2.2 million from the previous year. She noted that Public Safety was the largest expense function. Coincidentally, Public Safety was the largest expense function from the previous year as well.

Ms. Davis shared the findings breakdown of the General Fund.

- Fund balance of \$7.0 million
- Actual revenues and other financing sources, including transfers, were less than amended budget revenues by \$1.8 million
- Expenditures, transfers and other uses of funds were \$1.9 million less than amended budget

Ms. Davis also shared the breakdown for the City's Long-Term Debt.

- The City's total outstanding general obligation debt was \$20 million
 - Includes \$4.6 million of business-type activity debt supported by the enterprise fund
 - Of remaining amount, \$7.0 million is school-related and \$8.8 million is general government debt
 - Total outstanding general obligation increased by \$577,104 from previous year

Ms. Davis noted five findings of Internal Control issues related to the School Board and made recommendations as follows:

Finding Number: 1

Nature of Finding: Segregation of Duties – Material Weakness in Internal Controls

- Criteria
 - In order to reduce the opportunity for fraud to occur, internal controls over the handling of School Board funds should instill a proper segregation of duties over expenditures made from the schools' funds. As a part of this system of internal controls, all payments should be subjected to at least one level of approval, and under no circumstances should the individual with purchasing power also be the individual with the power of approval.
- Condition
 - The School Board does not have the proper segregation of duties related to the approval of expenditures. The office of the Superintendent approves its own transactions and does not require an additional level of approval for these charges.
- Effect
 - Allowing one individual to both purchase and approve payments without additional approvals can result in the misuse of school funds and significantly increases the opportunity for fraud to occur.
- Recommendation
 - We recommend that the School Board revise its policy on internal controls over School Board funds and train all personnel on acceptable practices.

Finding Number: 2

Nature of Finding: Oversight over Financial Transactions – Material Weakness in Internal Control

- Criteria
 - In the event that an authorized Purchase or Credit Card is used for charges to the School Board, all charges should be for an approved purchase and be matched to the

appropriated funds in the budget as necessary. Policies should clearly restrict the use of the School Board's purchase card for personal expenses.

- Condition
 - We found one instance certain School Board personnel charged the cost of travel for their family on the School Board's credit card. The personnel then immediately provided a check to the school board to reimburse these improper travel charges, however there are no policies or regulations currently in place to prohibit the use of the Purchase card in this manner.
- Effect
 - Allowing approved cardholders to charge personal expenses to the School Board's accounts may result in improper charges being paid by the School Board.
- Recommendation
 - We recommend that the School Board update their policies to include extensive instructions on the acceptable use of the School Board's Purchase Cards.

Finding Number: 3

Nature of Finding: Significant Deficiency in Internal Controls

- Criteria
 - All School Board disbursements should be supported by complete documentation, regardless of the nature of the expenditure. Supporting documentation may include invoices, vouchers, or purchase orders, and all should be properly approved for payment.
- Condition
 - We discovered instances in which School Board expenditures were not accompanied by proper supporting documentation.
- Effect
 - Failing to require a review of supporting documentation prior to the approval of all expenditures creates the opportunity for charges to be falsified and for fraud to occur.
- Recommendation
 - We recommend that the School Board amend its policies to require all expenditures to require complete supporting documentation prior to authorization.

Finding Number: 4

Nature of Finding: Budget Activity – Material Weakness in Internal Controls

- Criteria
 - According to Franklin's School Board Finance Policy:

"The superintendent or superintendent's designee is responsible for administering the division budget in accordance with board policies and applicable state and federal regulations, and laws. The superintendent or superintendent's designee uses appropriate fiscal planning and management methods, modeled after the best accepted business practices and directed toward the educational goals of the division.

1. If the appropriating body appropriates funds to the School Board by total expenditures, funds may be transferred by the School Board from one category to another. If funds are appropriated to the School Board by major classifications, no funds are expended by the School Board except in accordance with such classifications without the consent of the body appropriating the funds.

2. The superintendent may be authorized by the School Board to make line item transfers within a category. The School Board manages and controls the funds made available to the School Board for the public schools and incurs costs and expenses.”

- Condition

During Fiscal Year 2015, the School Board requested a budget increase, as the pre-approved levels were found insufficient to meet its needs.

- Effect

The requests for budget increases during the fiscal year indicates a lack of proper planning and management methods in determining the budget as well as a lack of management over adhering to the pre-approved budget levels.

- Recommendation

We recommend that the School Board and Superintendent’s office improve their planning and management techniques used when determining the budget levels prior to the start of each fiscal year in order to ensure a more controlled outcome.

Finding Number: 5

Nature of Finding: Procurement of Services – Material Non-Compliance

- Criteria

- According to Article 2 of the Virginia Public Procurement Act,
- “*Professional services shall be procured by competitive negotiation.*” - § 2.2-4302.2, defines the requirements for the competitive negotiation process

- Condition

- We found that the School Board selected two consultants without regard for the aforementioned competitive negotiation process.

- Effect

- Failure to adhere to the procurement guidelines set forth in the Virginia Public Procurement Act may result in excessive charges for products and services to the City of Franklin over and above what the School Board could be expected to pay in the open market.

- Recommendation

- We recommend that the School Board update its written policies to ensure compliance with the Procurement Act, We also recommend that all individuals with purchasing power train on these policies.

Ms. Davis also shared the Primary Government Findings and Recommendations.

- The Primary Government has a good focus on Internal Controls, which is essential to ensuring that any potential misstatements or errors detected; keep these practices in place.
- The Primary Government personnel responsible for the accounting and finance functions within the City are well trained and knowledgeable; this is important for ensuring the proper management of this function.

Ms. Davis thanked Council for allowing Davis and Associates to support this important audit engagement. Ms. Davis thanked all the different departments for their assistance with the audit process and stated that everyone was very helpful throughout the process.

Mayor Johnson-Ashburn asked members of Council for any comments or discussion concerning the City of Franklin 2015 Financial Statement Audit.

Councilman Burgess asked if during the process the auditors looked to see if all the proceeds associated with QZAB bonds are spent, any unspent and were the guidelines followed.

Ms. Davis stated that they did test the elements concerning the QZAB and verified the Schools used the funds properly.

Councilman Burgess asked if the unspent portions of the QZAB are in the report.

Ms. Davis commented that yes, they are listed in the notes portion of the Schools report.

Manager Martin stated that the amounts in the report are only through June 30; the end of the fiscal year cycle. After June 30, the City keeps up with the balance spent on a monthly basis.

Councilman Burgess asked Ms. Davis to rate the significance of the internal control audit issues she discovered with the Franklin City Schools.

Ms. Davis replied that they are significant and it is always a good practice to have quality internal controls in place.

Mayor Johnson-Ashburn communicated with the Superintendent of Franklin City Schools. Dr. Bell conveyed that the auditors for the schools did not know about the City's audit process. Mayor Johnson-Ashburn stated that she felt that our auditor should relay the findings with the schools.

Manager Martin commented that when the City received the final audit results, the schools received a copy for review.

Mayor Johnson-Ashburn instructed Manager Martin to coordinate dialogue between the auditor and the schools. Mayor Johnson-Ashburn thanked Ms. Davis for her presentation and moved to the next item on the agenda.

Manager Martin thanked all the departments, particularly the Finance Department staff and the independent auditor for the collective effort in assuring the positive outcome of the audit. Manager Martin also thanked Ms. Davis personally for her leadership in the audit process.

Tentative FY 2016 – 2017 City Budget Calendar

Mayor Johnson-Ashburn recognized Manager Martin to discuss with Council the tentative FY 2016 – 2017 budget calendar.

Manager Martin stated that this is just a tentative calendar and it generally follows the schedule of prior years. Manager Martin recommended, unless there are significant changes, that Council adopt the tentative calendar as presented.

Councilman Burgess noted that March 18 is on a Friday not a Monday.

Manager Martin acknowledged the day change.

Councilman Burgess asked if there is any way the Council could escalate the dates for the work sessions for the budget because the May timeline seems to be constricting.

Manager Martin replied that unfortunately because of the timing of several items affecting the budget process, it is hard to accelerate the process but we can try.

Manager Martin commended the Franklin City Schools for starting their budget process earlier than they have in prior years. Manager Martin stated that the schools beginning the budget earlier will help expedite the City's process.

Vice-Mayor Cheatham made the motion to adopt the tentative FY 2016 – 2017 budget calendar with corrected dates as noted and Councilman Burgess seconded it.

Mayor Johnson-Ashburn asked if there were any further discussion or comments; hearing none, Council voted.

The motion was approved by 6 – 0 vote (Councilman McLemore absent).

Pretlow Farm Lease Amendment

Mayor Johnson-Ashburn asked Attorney Williams to discuss the Pretlow Farm Lease Amendment. Attorney Williams reminded Council that at the February 8, 2016 Council meeting, Mr. Francis asked for an amendment in the lease agreement because he is not actually able to farm all the land reported available by the Farm Services Agency, which is the basis for the lease.

Upon discussing the situation with Mr. Francis, Attorney Williams suggested amending the rent to 191.34 acres at \$182.50 per acre for a total rent of \$34,919.55 resulting in an additional rent due for \$3,732.12 above the amount already paid.

Vice-Mayor Cheatham made the motion to amend the 2015 lease as recommended by Attorney Williams and Councilman Rabil seconded it.

Mayor Johnson-Ashburn asked if there were any further discussion or comments; hearing none, Council voted.

The motion was approved by 6 – 0 vote (Councilman McLemore absent).

SPSA Post 2018 Use & Support Agreement Presentation (Continued from 12/14/15 Regular Meeting)

Attorney Williams reminded Council that for quite some time SPSA has been wrestling with various aspects of a proposed Use and Support Agreement to take the place of the existing agreement dated April 7, 1983, which is set to expire on January 24, 2018.

Attorney Williams stated that after much discussion and time a committee of four SPSA board members was appointed to draft a new Use and Support Agreement. The first draft was submitted in March 2015 for comments and revision; the second draft was submitted in September, 2015 for further revision and the final draft was submitted in November 2015 for comment by the member communities. At the December 9, 2015 SPSA board meeting; the board-reviewed draft was distributed to the SPSA member communities for consideration. The length of the term of the proposed Use and Support Agreement is still unknown because a final vendor has not been selected by SPSA as of yet. The options for the Use and Support agreement are for a term of 10 years versus a term of 15 years.

Attorney Williams notified Council that SPSA is nearing a choice of vendor; as early as February 25, 2016 thereby issuing a letter of intent. Once the vendor is chosen then we will have an estimate of how much the tipping fee will be; it is ranging considerably less than the \$125 per ton rate currently. (The following report was presented initially on December 14, 2015 and has only been slightly updated).

What is different about this use & support agreement from the one signed in 1983?

1. All the use & support agreements are the same. There are no special provisions for any member community so what is good for one is good for all and what is bad for one is bad for all.
2. Every member will pay the same tipping fee per ton of trash collected.
3. The use & support agreement can be amended by a vote of at least 75%. There are 16 members on the board. 12 of the 16 board member's would have to agree to any amendment of the use & support agreement.
4. The term of this agreement either will be 10 years or will be 15 years. That has not been determined yet. It is still dependent upon the procurement process and is being negotiated. If the longer term is selected it will probably result in a lower tip fee.
5. There will be an early termination provision if a locality decides it wants to end the relationship with SPSA before the scheduled end date 10 years or 15 years from 2018. There is no termination fee if a locality decides not to sign the next use & support agreement after this one expires.
6. The Early Termination language is found in Schedule II of the Use & Support agreement. The Notice of termination must be given at least 2 years in advance of the termination effective date.
7. There is a formula to calculate the termination payment. The member seeking to terminate early would pay its share of outstanding debt & closure & post closure expenses minus any cash on hand to pay the financial obligations and minus monies in the closure & post closure funds. Then divide the % total number of tons of trash to be delivered 60 months before the termination date and that equals the early termination fee.
8. Following termination – the exiting member cannot & will not accept any solid waste delivered by or on behalf of any other city or county that is a SPSA member while continuing to be a member of SPSA. If someone else also does the early termination then once both are terminated they could contract together to dispose of solid waste.

Things that have not changed:

1. There are 8 member localities & each member locality will continue to have a representative appointed by the governor and a representative (non-elected) appointed by the locality.
2. Each appointee has an equal vote.
3. It is planned under current & foreseeable budgets that all SPSA debt will be paid off before the January 24, 2018 termination of the current use & support agreements.

4. It is planned that the landfill will have capacity to carry it to sometime between 2027 and 2031 under proposed procurement options. If SPSA determines to go straight landfill, SPSA will need to invest in expansion of the landfill by building a new cell before 2027. Building a new cell may result in new debt, because the plan is to build into the new tip fee an amount to be set aside for construction of the new cell as a pay as you go plan.
5. What everyone really is interested in knowing is what will be the tip fee with the new use & support agreement? That amount is not yet known because SPSA is still negotiating with all three vendors for disposal options. It will be a sum that is less than the current rate of \$125 a ton. With Suffolk & Virginia Beach paying the same tip fee as everyone else, the new rate should be substantially less, but everyone has a different definition of what constitutes “substantially” less. The amount will be influenced by the SPSA expected waste stream, the selected vendor, the expected life span of the current cell capacity at the landfill, fuel costs and who knows what else.

2 Things we do know:

1. The clock is ticking. When we had the SPSA board meeting on January 27, 2016, the end date for the current use & support agreement was less than 2 years away.
2. If we do not have an agreement with SPSA or have some other plan for the disposal of our trash, we will have trash piling up in the streets within a week.

Mayor Johnson-Ashburn asked if anyone had any questions or comments for Attorney Williams concerning the material discussed.

Vice-Mayor Cheatham asked for clarification of the term “termination” in regards to the use and support agreement; wanting to know if that included continued partnership in the member communities of SPSA.

Attorney Williams stated that is an unresolved question at this point. Attorney Williams replied that he would research the question and send Council an email with the findings.

Manager Martin stated that one thing is likely. As a founding entity in SPSA the City of Franklin will be liable forever as a member of the eight communities for the existing landfill if any environmental issues arise.

Mayor Johnson-Ashburn asked what are the next steps concerning this issue.

Manager Martin suggested Council consider receiving public comment at this meeting if anyone was present and desired to speak on the topic.

Mayor Johnson-Ashburn directed Ms. Rose-McQuay to bring the agenda sign in sheet to see if there was anyone present wishing to comment on the matter; there were no citizens signed up for this matter.

Councilman Burgess asked if the issue of whether a host fee may or may not have to be paid had been resolved.

Attorney Williams stated that there might be a good neighbor agreement with the City of Suffolk. Attorney Williams stated that this matter is under review and being the Chair of that Committee, he did not feel that it was appropriate to comment any further until it is resolved. Attorney Williams stated it would be discussed in closed session at the next SPSA meeting.

Councilman Rabil stated a concern about expecting public comment when there was not any mention of receiving public comment on the agenda.

Manager Martin suggested that if Council preferred, it be listed on the agenda of the next Council meeting before any action would take place on the issue.

Mayor Johnson-Ashburn asked if there would be any voting taking place at the upcoming SPSA meeting.

Manager Martin stated that a vote may be a possibility but it would take place after the closed session.

Attorney Williams agreed that is a reasonable assumption; the vote may occur on the new Use & Support agreement. Attorney Williams invited any member of Council who has any questions or a particular related subject matter they would like him to focus on to meet with him or email him so he can get the answers to any of their questions.

City Manager's Report

Manager Martin reported that Parks and Recreation has again received the Field of Excellence Award recognition for the Armory Drive Park football stadium field. He congratulated the work done by Parks and Recreation in a joint effort with the Franklin City Schools and the Public Works Department resulting in this recognition.

Mayor Johnson-Ashburn asked for everyone in attendance to give them a round of applause. The audience applauded their efforts in receiving the award.

Manager Martin reminded everyone of the Called meeting for the City/County Joint Utility Study presentation on Wednesday, February 24, 2016 at the Paul D. Camp Workforce Development Center at 6 p.m. This meeting will be open to the public and held jointly with the Southampton County Board of Supervisors.

Manager Martin shared the invitation to Council for the upcoming 62nd Annual meeting of the Chamber of Commerce on March 10, 2016 from 6 – 9 p.m. Manager Martin asked Council members to let him know who would be attending so that we can make reservations. Manager Martin stated that the Chamber of Commerce would be awarding the Business of the Year.

COUNCIL/STAFF REPORTS ON BOARDS & COMMISSIONS

Councilman Rabil reported the Business Friendly Committee meeting is scheduled Tuesday, February 23, 2016 at 5:15 p.m. in the City Administration Conference Room.

Vice-Mayor Cheatham reported on the Western Tidewater Regional Jail Board meeting and stated that the staff at the jail is moving along on the budget. Vice-Mayor Cheatham stated there is an upcoming meeting of the Western Tidewater Regional Jail Finance committee; Manager Martin is a member on that committee.

Manager Martin stated that the meeting was actually held earlier today. Vice-Mayor Cheatham asked him to report on the meeting.

Manager Martin reported that the preliminary budget showed a \$40,000 increase for the City of Franklin based upon the City's percentage of prisoners. Manager Martin reported that the recommendation of the Finance Committee is to establish a flat budget, which would mean no change for the City of Franklin. This is very good news if the Authority approves it considering the increases in the past few years.

Vice-Mayor Cheatham stated the meeting of the HRPDC was a routine meeting with nothing significant to report.

Vice-Mayor Cheatham also reported on the HRTPO meeting where it was discussed adding two more lanes on the high rise bridge which would be welcomed by everyone who drives that route. Vice-Mayor Cheatham shared a picture of the commuting patterns of Hampton Roads, which come all the way out to Southampton County.

Vice-Mayor Cheatham asked Manager Martin to comment about the proposal for recycling of water that was mentioned at the HRPDC meeting.

Manager Martin reported that the discussion is about highly treated water effluent from the Hampton Roads Sanitation District (HRSD) being recharged into the aquifer. Manager Martin stated that the beauty of this process if it works properly is:

1. It would address the concern of land subsidence that is occurring in the region closer to the shore.
2. For our benefit, it would positively affect the water levels in the aquifer; the state is putting pressure on local governments including Franklin to lower the level of permits in the area for water withdrawal and the proposal would relieve some of the pressure.

Manager Martin stated that the timeframe for the project is on target for early 2020. For the areas affected by the Chesapeake Bay rules, it would allow HRSD to meet stormwater requirements related to runoff by also recharging that water into the aquifer instead of it running back into the rivers or other low-lying areas untreated.

Vice-Mayor Cheatham stated the price tag for the seven plants that would be required is \$1 billion and the annual operating costs would be between \$21 and \$43 million.

Closed Session

There was no closed session meeting on February 22, 2016.

Adjournment

Vice-Mayor Cheatham made a motion to adjourn the meeting, seconded by Councilman Burgess.

The motion was approved by a 6 – 0 vote (Councilman McLemore absent).

Mayor Johnson-Ashburn declared the meeting adjourned at 8:29 p.m.

These Minutes for February 22, 2016 City Council Meeting were adopted on the 14th day of March 2016.

Mayor

Clerk to City Council

FINANCE

A. Financial Report: January, 2016



For the period ending January 2016

Based on Unaudited Financial Data

Basis of Reporting

2

- The information enclosed in the City's Financial Report for period ending January 31, 2016
- The report contains provisions for **most** revenue and expenditure accruals.
 - ▣ Reflects 7 months of revenue & expenditures in most cases (where noted, the 7th month has been estimated)
- Financial Report presentation is consistent with department's objectives to:
 - ▣ Report timely, relevant and accurate financial data
 - ▣ Promote accountability through monitoring, assessment and reporting

Financial Report Summary - Revenue

3

- ❑ Collection of delinquent real estate tax revenues has improved significantly over prior year period
- ❑ Current real and personal property tax collections are tracking similar in comparison percentage wise (i.e. % of budget collected).
- ❑ Other local tax revenue including economic indicators have remained consistent with prior year period (some economic growth in sales & meals taxes; lodging taxes are down).
- ❑ Year to date revenue is on target with budgeted projections.

Revenue Highlights

- 4 Overall General Property Taxes collected - \$4.46 mil, 60.3% of budget – 7.4 % increase over FY15 collections of \$4.15 mil which was 58.0% of budget.
 - Current Real Estate taxes** - \$2.57 mil, 47.2% of budget and 2.5% higher than FY15 collections of \$2.50 mil.
 - Delinquent Real Estate taxes** - \$380,000 significantly higher than the prior year doubling the amount anticipated per budgeted projections.
 - Delinquent Personal Property taxes** at \$19,401 is less than the prior year period
 - Penalty and Interest** revenue is slightly higher than the prior year period reaching 60.0% of the total budget.

General Property Taxes- Overall BUDGET COMPARISON

5

REVENUE SOURCE	2015--2016		ACTUAL 1/31/2016	BUDGET %	2014-2015		ACTUAL 1/31/2015	BUDGET %
	BUDGET				BUDGET			
Real Estate Taxes-Current	\$ 5,456,874	\$	2,573,163	47.2%	\$ 5,283,742	\$	2,508,650	47.5%
Real Estate Taxes-Delinquent	190,000		380,139	200.1%	190,000		189,700	99.8%
Personal Property Taxes-Current	1,450,000		1,316,047	90.8%	1,367,446		1,259,998	92.1%
Personal Property Taxes-Delinquent	65,000		21,205	32.6%	65,000		41,024	63.1%
Machinery & Tools	23,577		19,401	82.3%	65,000		15,576	24.0%
Penalties & Interest Taxes	145,000		87,213	60.1%	135,000		76,050	56.3%
Public Service Corporation Taxes	66,863		67,088	100.3%	61,818		64,977	105.1%
GENERAL PROPERTY TAX	\$ 7,397,314	\$	4,464,256	60.3%	\$ 7,168,006	\$	4,155,975	58.0%

Current	4,464,256
Prior Year	<u>4,155,975</u>
Net Change \$	308,281
Net Change %	7.4%

Local Tax Revenue (Budget per Actual Comparison)

6

	FY 15-16 Budget	1/31/2016	% of Budget Realized
Local Sales & Use*	\$ 1,800,000	\$ 1,035,431	57.5%
Cigarette Taxes	\$ 325,000	\$ 211,515	65.1%
Meals Taxes*	\$ 1,350,000	\$ 850,749	63.0%
Lodging Taxes*	\$ 150,000	\$ 64,709	43.1%
Total Local Tax Revenue	\$ 3,625,000	\$ 2,204,804	60.8%

*estimated actual to reflect 7 months of revenue

Local Tax Revenue (Prior Year Comparison)

7

	Meals Taxes	Lodging Taxes	Cigarette Taxes	Sales Taxes	Total
Jan-15	808,541	92,275	222,831	1,015,731	2,139,378
Jan-16	850,749	64,709	211,515	1,035,431	2,162,404
Change \$	42,208	(27,566)	(11,316)	19,700	23,026
Change %	4.96%	-42.60%	-5.35%	1.90%	1.06%
% of Budget	63.00%	43%	65.10%	57.50%	

Other Significant Revenue Events for FY 15-16

8

- ❑ Fees from Inspections and Planning Services decreased as anticipated
- ❑ Increased miscellaneous revenue real estate sales transactions and late penalty fees
- ❑ Boost in Isle of Wight Annexation Payment (\$80,000 more than the prior year period)
- ❑ Categorical aid in prior year was higher due to state wireless grant received

Revenue Summary

9

- Overall, total current general fund revenue reported at **\$11.977 mil** (58.2% of budget) is nearly \$629,000 or 5.5% more when compared to the **\$11.34 mil** (57.1% of budget) realized at 1/31/15. The increase is primarily associated with:

Revenue Sharing IOW County (Increase) -	80,000
Permits, Fees & Fines (Decrease) -	(\$50,000)
Misc. Revenue (Increase)-	\$ 39,000
Taxes & Licenses (Increase) -	\$299,000
Categorical Aid (Decrease) – PSAP Grant in prior year	(165,000)
Federal Revenue (Decrease)	(\$60,000)
VDOT State Highway Funds (Increase)	\$483,000
Net Increase As Summarized	626,000



GENERAL FUND EXPENDITURES

For the period ending January 31, 2016



General Fund Expenditure Highlights

- General Fund expenditures excluding transfers overall are pretty close when compared to the prior year period. Expenditures of \$9.2 mil is 56.8% of the current budget compared to 8.87 mil or 55.3% of the budget spent at 1/31/15.
- Current year expenditures exceed the prior year by \$326,000.
- **There are categorical increases and decreases** however. The biggest difference is current year expenditures in Streets for projects completed (VDOT reimbursed).

<u>Category of Expenditure</u>	<u>1/31/2016</u>	<u>1/31/2015</u>	<u>Variance</u>	<u>Primary Reason for Increase</u>
Elections, Courts & Sheriff	1,026,679	933,441	93,238	Increased payment for detention care
Comm. Development	296,722	263,533	33,189	Additional personnel and demolition expenditures
Streets	1,293,135	993,962	299,173	Paving & Drainage expenditures
Legislative, Gen. & Finance	1,289,803	1,200,539	89,264	Information Technology One Time expenditures
Fire & Rescue	1,325,049	1,498,294	(173,245)	Fire Truck Acquisition in prior year
Law Enforcement	2,066,469	2,206,071	(139,602)	Grant funded projects & vehicle purchases in prior year
Health	117,698	55,000	62,698	Timing of Quarterly payment
Library	203,071	142,095	60,976	Timing of Quarterly payment
Total	7,297,857	7,095,840	325,691	

General Fund Expenditures (current year actual to prior year actual comparison)

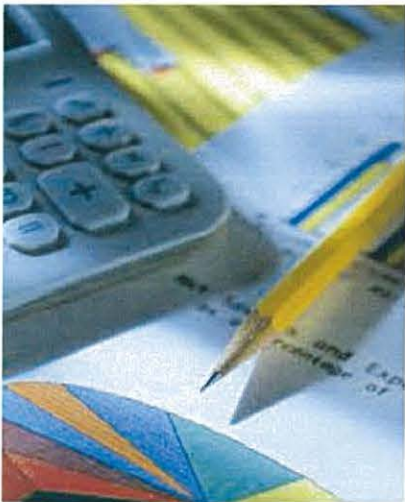
12

EXPENDITURES:	ACTUAL 1/31/2016	ACTUAL 1/31/2015	Variance
Operating Expense:			
Legislative, General & Financial	\$ 1,289,803	\$ 1,200,539	89,264
Elections, Courts, Sheriff	1,026,679	933,441	93,238
Law Enforcement	2,066,469	2,206,071	(139,602)
Fire and Rescue	1,325,049	1,498,294	(173,245)
Community Development	296,722	263,533	33,189
Streets	1,293,135	993,962	299,173
Garage	126,701	127,028	(327)
Buildings and Grounds	508,055	526,206	(18,151)
Health	117,698	55,000	62,698
Parks and Recreation	245,417	246,082	(665)
Library	203,071	142,095	60,976
Planning & Beautification	106,886	98,968	7,918
Downtown Development	64,055	61,342	2,713
Subtotal- Operating Expenses	8,669,740	8,352,561	317,179
Payments to Southampton Co.	\$ 500,000	\$ 500,000	-
Non-Departmental Miscellaneous	30,316	20,975	9,341
Pass through Contributions	-	-	-
Total Operating Expense	\$ 9,200,056	\$ 8,873,536	\$ 326,520



PRELIMINARY FINANCIAL REPORT **ENTERPRISE FUNDS**

For the period ending January 31, 2016



Based on Unaudited Financial Data

Airport Fund

14

□ Revenue Analysis

- Fuel sales of \$34,000 at the end of the quarter are less than the prior year period of \$42,000.
- Other local revenue consists primarily of airport rental fees and is also slightly less than the revenue realized during the prior year period.

□ Expenditure Analysis

- Operating Expenditures are tracking the same as the prior year period with only 33% of the total budget expended.
- Capital outlay – amount spent represents total for the year due to close out of project.

□ Cash Balance

- A negative cash balance is shown at \$104,572 as the budgeted General Fund Transfer to support airport operations has not been transferred as of January 31, 2016.

Water & Sewer Fund

15

□ Revenue Analysis

- Revenue from the sale of water and sewer service charges of \$1.65 mil at the end of the quarter represents nearly 53% of the total budget and is less than the prior period revenue of \$1.78 mil, nearly 57% of budget.

□ Expenditure Analysis

- Expenditures in the Fund are \$294,000 less than the prior year. While considerably more funds were spent on Water-line related projects in the current year, expenditures on Sewer System related projects were much higher (\$612,000) in the prior year period.

□ Cash Balance

- The cash balance in the Fund at the end of the month is \$1.79 million, an increase from the \$1.64 million reported January 2015 and a decrease from the \$2.13 million reported in December of 2015. Debt Service payments were made in January of 2016 which impacts the cash balance.

Solid Waste Fund

16

□ Revenue Analysis

- Revenue for the Solid Waste Fund is on target with budgeted projections reaching 57% of budget and is comparable to the prior year period.

□ Expenditure Analysis

- Operating expenditures as shown at \$456,000 are comparable to prior period expenses of \$438,000 and represent nearly 52% of the total budget.
- Capital expenditures are down as a result of the equipment purchase in the prior fiscal year.

□ Cash Balance

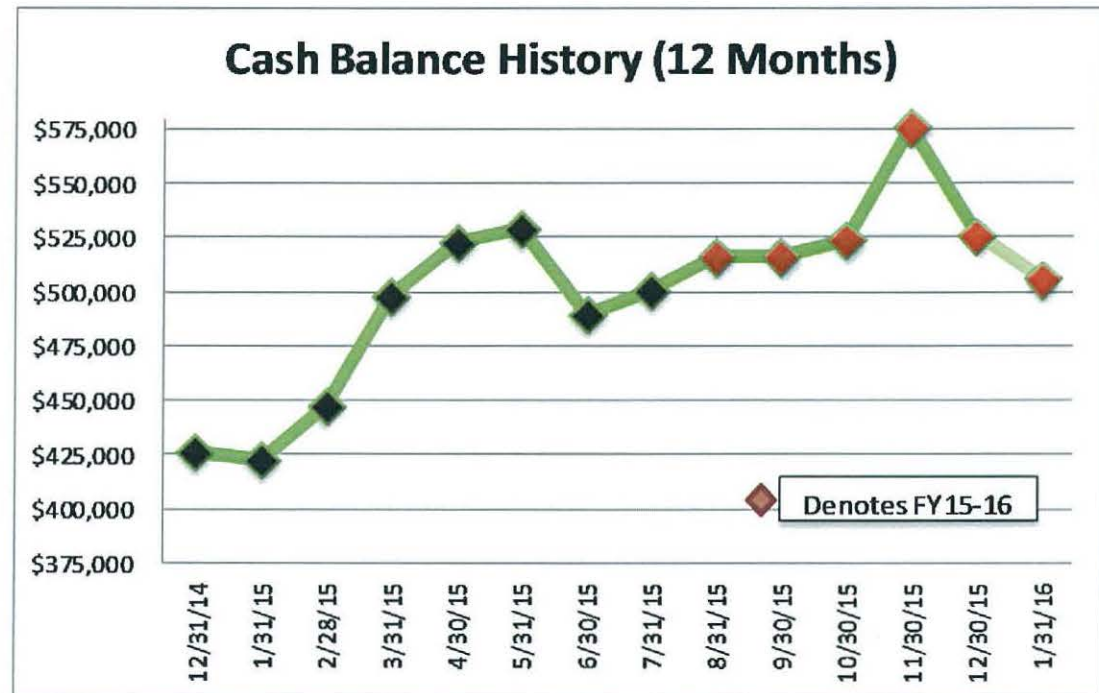
- The cash balance in the Fund at the end of the month is \$505,773, decreasing by \$21,000 from the cash balance reported last month. (Expenditures for the month of January surpassed revenue). However, the cash balance is nearly \$100,000 more than the prior year period.
 - Funds have been encumbered for new equipment that will lower the cash balance as planned once equipment is received and expensed).

Solid Waste Fund – Cash Balance

17

- Cash balance at January 31, 2016 = \$505,773

FYE 6/30/16		
Month	Cash Balance	Variance
30-Jun	\$489,888	
31-Jul	\$500,732	\$10,844
31-Aug	\$516,372	\$15,640
30-Sep	\$516,226	(\$146)
31-Oct	\$523,758	\$7,532
30-Nov	\$576,079	\$52,321
31-Dec	\$526,270	(\$49,809)
31-Jan	\$505,773	(\$20,497)
28-Feb		
31-Mar		
30-Apr		
31-Aug		
30-Jun		
Net Change Since July 31, 2015		\$36,382



Electric Fund – Revenue Analysis

18

- **Revenue** from energy sales - \$7.51 mil or nearly 53% of budget; FY14-15 revenue was \$7.57 mil – 53.7% of budget.
 - Fuel Adjustment revenue is down as a result of the applicable rate and is nearly 53% of the total budget. (On the expenditure side as expected, the cost associated with the sale of energy/fuel adjustment is also down and represents 51.4% of the total budget).
- **Expenditures** associated with the sale of energy (excluding fuel adjustment) at \$5.04 mil represents nearly 51% of the total budget and is less than the prior year period costs of \$5.36 mil, 54.6% of budget.

ELECTRIC FUND CASH ANALYSIS

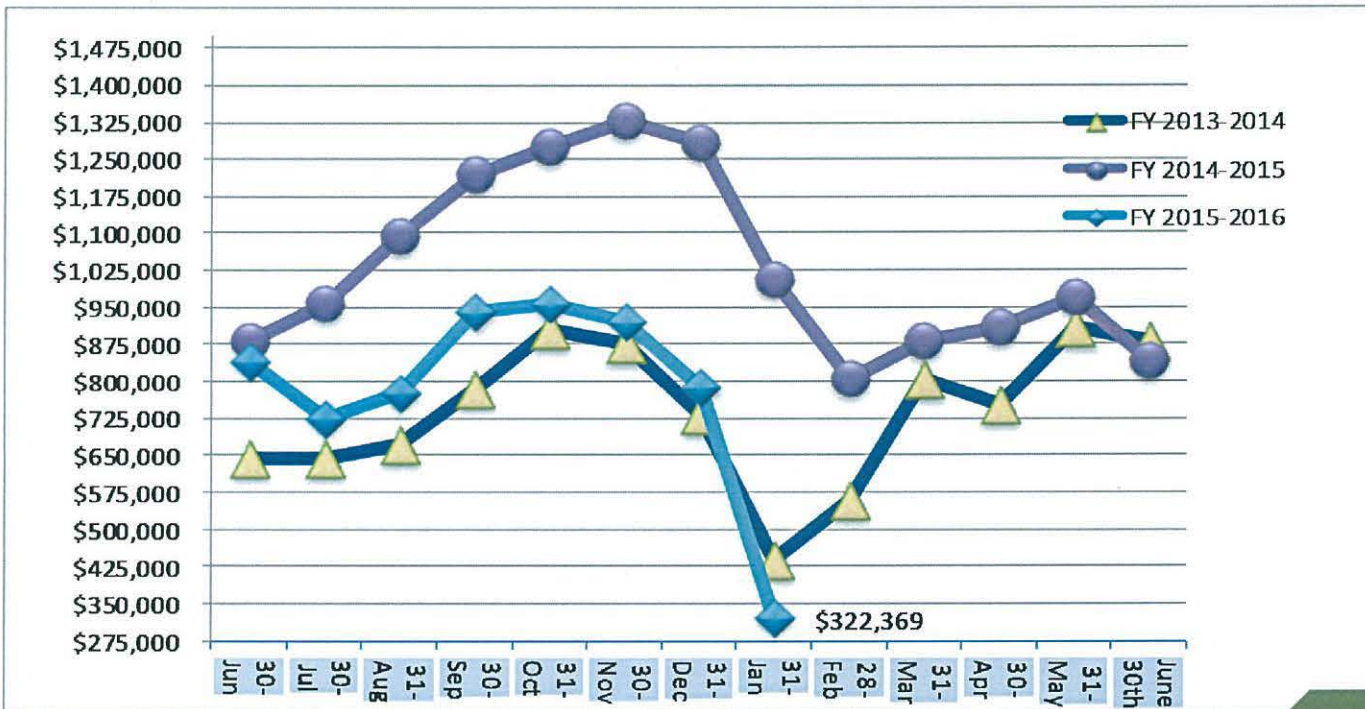
Cash in the Electric Fund at \$322,369 decreased by \$466,260 from the prior month period. Factors associated with the decrease include:

<input type="checkbox"/> Required Debt Service Obligation -	\$225,225
<input type="checkbox"/> Outstanding Receivable-Fuel Asst. Payments-	\$123,673*
<input type="checkbox"/> Outstanding Receivable – Loan Proceeds -	<u>\$ 90,300*</u>
<input type="checkbox"/> Total Impact to January Cash	\$439,198

***Posted to February 2016 Cash**

JANUARY 2016 VMEA PAYMENT = \$809,416.80

ELECTRIC FUND CASH ANALYSIS



Policy Evaluation:
Cash is below minimum policy guideline of \$1.44 million by \$1.11 million.

FY 2015-16 Cash Balance as a Percentage of Annual Revenues (excluding fuel adjustment) at FYE 01/31/16 = \$322,369 or 2.2%.

Billed vs. Payment Analysis

21

FY 2015-2016

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Total
BILLING	\$ 1,320,443	\$ 1,256,179	\$ 1,104,760	\$ 969,501	\$ 989,526	\$ 1,106,431	\$ 1,406,958.00	\$ 8,153,798
TOTAL PAYMENTS	\$ 1,185,914	\$ 1,292,900	\$ 1,243,163	\$ 1,151,102	\$ 973,282	\$ 988,430	\$ 1,048,736	\$ 7,883,527
VARIANCE	\$ (134,529)	\$ 36,721	\$ 138,403	\$ 181,601	\$ (16,244)	\$ (118,001)	\$ (358,222)	\$ (270,271)

FY 2014-2015

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Total
BILLING	\$ 1,369,562	\$ 1,152,150	\$ 1,166,632	\$ 923,126	\$ 1,193,378	\$ 1,500,615	\$ 1,285,171	\$ 8,590,634
TOTAL PAYMENTS	\$ 1,154,236	\$ 1,306,546	\$ 1,186,063	\$ 1,182,544	\$ 950,516	\$ 1,212,493	\$ 1,336,734	\$ 8,329,132
Variance	\$ (215,326)	\$ 154,396	\$ 19,431	\$ 259,418	\$ (242,862)	\$ (288,122)	\$ 51,563	\$ (261,502)

FY 2013-2014

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Total
BILLING	\$ 1,313,838	\$ 1,230,838	\$ 1,065,392	\$ 912,746	\$ 1,058,860	\$ 1,356,660	\$ 1,605,050	\$ 8,543,384
TOTAL PAYMENTS	\$ 1,065,604	\$ 1,233,896	\$ 1,215,170	\$ 1,123,385	\$ 937,102	\$ 1,094,581	\$ 1,221,909	\$ 7,891,647
VARIANCE	\$ (248,234)	\$ 3,058	\$ 149,778	\$ 210,639	\$ (121,758)	\$ (262,079)	\$ (383,141)	\$ (651,737)

ELECTRIC FUND CASH ANALYSIS



Cash in the Electric Fund at **February 2016** is projected to increase from the prior month period by roughly \$50,000.

- ❑ Payments from customers increased from \$1.11 million to \$1.35 million (by \$239,000).
- ❑ The February 2016 payment to VMEA increased by nearly \$400,000.

FEBRUARY 2016 VMEA PAYMENT = **\$1.208 MILLION**, 49% HIGHER THAN THE PRIOR MONTH PAYMENT OF \$809,000

- ❑ Estimated Balance at 2/29/16 is \$375,000.

Billed vs. Payment Analysis thru February

23

FY 2015-2016

	Dec	Jan	Feb	Total
BILLING	\$ 1,106,431	\$ 1,406,958.00	\$ 1,593,716.00	\$ 9,747,514
TOTAL PAYMENTS	\$ 988,430	\$ 1,048,736	\$ 1,325,041	\$ 9,208,568
VARIANCE	\$ (118,001)	\$ (358,222)	\$ (268,675)	\$ (538,946)

FY 2014-2015

	Dec	Jan	Feb	Total
BILLING	\$ 1,500,615	\$ 1,285,171	\$ 1,832,867	\$ 10,423,501
TOTAL PAYMENTS	\$ 1,212,493	\$ 1,336,734	\$ 1,492,269	\$ 9,821,401
Variance	\$ (288,122)	\$ 51,563	\$ (340,598)	\$ (602,100)

FY 2013-2014

	Dec	Jan	Feb	Total
BILLING	\$ 1,356,660	\$ 1,605,050	\$ 1,491,255	\$ 10,034,639
TOTAL PAYMENTS	\$ 1,094,581	\$ 1,221,909	\$ 1,551,736	\$ 9,443,383
VARIANCE	\$ (262,079)	\$ (383,141)	\$ 60,481	\$ (591,256)

Cash Balance History

	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
30-Jun	\$ 1,320,285	\$ 365,474	\$ 643,257	\$ 882,157	\$ 842,112
30-Jul	\$ 1,215,100	\$ 232,177	\$ 642,085	\$ 957,000	\$ 724,794
31-Aug	\$ 922,039	\$ 179,939	\$ 672,538	\$ 1,095,099	\$ 774,246
30-Sep	\$ 839,265	\$ 272,263	\$ 784,569	\$ 1,220,000	\$ 942,197
31-Oct	\$ 941,608	\$ 346,776	\$ 904,924	\$ 1,273,878	\$ 956,592
30-Nov	\$ 893,591	\$ 359,027	\$ 876,767	\$ 1,327,621	\$ 919,275
31-Dec	\$ 827,204	\$ 287,190	\$ 733,859	\$ 1,284,717	\$ 788,629
31-Jan	\$ 686,342	\$ 389,986	\$ 438,344	\$ 1,004,954	\$ 322,369
28-Feb	\$ 620,337	\$ 287,764	\$ 559,511	\$ 805,356	
31-Mar	\$ 552,907	\$ 370,727	\$ 803,846	\$ 881,641	
30-Apr	\$ 380,372	\$ 412,409	\$ 751,999	\$ 906,867	
31-May	\$ 412,409	\$ 672,007	\$ 908,047	\$ 968,713	
June 30th	\$ 365,474	\$ 643,257	\$ 882,157	\$ 842,112	

OLD/NEW BUSINESS

- A. Real Estate Property Value Reassessment 2016 Update – Wampler/Eanes Appraisal Group, LTD.**
- B. Southeastern Public Service Authority (SPSA) Presentation – Taylor Williams, IV, City Attorney**
- C. Public Comment: SPSA Post 2018 Use & Support Agreement**
- D. City Manager’s Report**
 - 1. Spring Amnesty Week: April 4 – 7, 2016**



Office of
THE COMMISSIONER OF THE REVENUE
P.O. Box 389
Franklin, Virginia 23851
(757) 562-8547
Fax (757) 569-0964

March 9, 2016

MEMORANDUM

TO: Mr. R. Randy Martin
City Manager

FROM: Brenda B. Rickman *BBR*
Commissioner of the Revenue

SUBJECT: 2016 Reassessment Information

Attached please find information that will be discussed by Mr. Steven I. Wampler, CRA of Wampler-Eanes Appraisal Group, LTD. at the March 14th council meeting. All questions concerning the 2016 General Reassessment should be directed to Mr. Wampler at this time.

Summary Comparison of
2016 Reassessment values to Current values and History 2015
March 9, 2016

Land Use Class	LAND Assmnts @ 2014 rates	IMPROVEMENT Assmnts @ 2014 rates	TOTAL ASSESSMENT @ 2014 rates	LAND Assmnts @ 2016 RATES (R16)	IMPROVEMENT Assmnts @ 2016 RATES (R16)	TOTAL ASSESSMENT @ 2016 RATES (R16)	\$ Difference	% CHANGE
ALL TAXABLE LAND USE CLASSES REASSESSMENT DATA March 9, 2016				159,123,100	395,203,300	554,326,400		
ALL TAXABLE LAND USE CLASSES CURRENT FILE DATA March 9, 2016	162,523,700	394,674,800	557,198,500				(2,872,100)	-0.52%
ALL TAXABLE LAND USE CLASSES HISTORY 2015 FILE July 1, 2015	162,275,900	393,567,100	555,843,000				(1,516,600)	-0.27%

This data is deemed reliable but is not warranted.

Land Use Class	2016 REASSESSMENT	CURRENT FILE	\$ Difference	% change
Class 1, Single Family Urban	317,747,100	319,215,100	(1,468,000)	-0.46%
Class 3, Multi-Family	37,743,200	36,035,000	1,708,200	4.74%
Class 4, Commercial / Industrial	178,719,100	181,937,100	(3,218,000)	-1.77%
Class 5, Agricultural / Undev 20 - 99 acres	16,751,800	16,639,300	112,500	0.68%
Class 6, Agricultural / Undev 100 & up acres	3,365,200	3,372,000	(6,800)	-0.20%
Federal Govt	8,730,200	9,421,800	(691,600)	-7.34%
State Govt	1,244,800	1,391,800	(147,000)	-10.56%
Local Govt	35,312,200	32,040,900	3,271,300	10.21%
Religious	26,339,700	26,102,100	237,600	0.91%
Educational	29,387,500	29,637,700	(250,200)	-0.84%
Other	10,298,800	10,983,200	(684,400)	-6.23%
Total	665,639,600	666,776,000	(1,136,400)	-0.17%
Non-Taxable	111,313,200	109,577,500	1,735,700	1.58%
Taxable	554,326,400	557,198,500	(2,872,100)	-0.52%
Land Use Class	2016 REASSESSMENT	HISTORY 2015	\$ Difference	% change
Class 1, Single Family Urban	317,747,100	318,668,500	(921,400)	-0.29%
Class 3, Multi-Family	37,743,200	36,035,000	1,708,200	4.74%
Class 4, Commercial / Industrial	178,719,100	181,228,200	(2,509,100)	-1.38%
Class 5, Agricultural / Undev 20 - 99 acres	16,751,800	16,539,300	212,500	1.28%
Class 6, Agricultural / Undev 100 & up acres	3,365,200	3,372,000	(6,800)	-0.20%
Federal Govt	8,730,200	9,421,800	(691,600)	-7.34%
State Govt	1,244,800	1,391,800	(147,000)	-10.56%
Local Govt	35,312,200	32,404,000	2,908,200	8.97%
Religious	26,339,700	26,257,200	82,500	0.31%
Educational	29,387,500	29,637,700	(250,200)	-0.84%
Other	10,298,800	10,966,500	(667,700)	-6.09%
Total	665,639,600	665,922,000	(282,400)	-0.04%
Non-Taxable	111,313,200	110,079,000	1,234,200	1.12%
Taxable	554,326,400	555,843,000	(1,516,600)	-0.27%

This information is deemed reliable but is not warranted.

FINAL SALES STUDY
RECAP
PREPARED MARCH 9, 2016
FOCUS ON NEIGHBORHOOD 1

	LAND USE CLASS	OCCUPANCY CODE	COUNT		LAND USE CLASS AND OCCUPANCY CODE DESCRIPTION	ASSESSMENT:SALES MEDIAN RATIO %
	ALL	ALL	121		CITY-WIDE BOTH NGBHD 1 AND NGBHD 2 ALL CLASSES - VACANT AND WITH BUILDINGS	97.6%
NGBHD 1	ALL	ALL	104		ONLY NGBHD 1 ALL CLASSES - VACANT AND WITH BUILDINGS	96.0%
NGBHD 1	1	15	3		SINGLE FAMILY URBAN VACANT LAND UNDER 20 ACRES	102.9%
NGBHD 1	1	10	87		SINGLE FAMILY URBAN WITH A HOUSE UNDER 20 ACRES	95.8%
NGBHD 1	3	10, 11, 20	1		MULTI-FAMILY	105.3%
NGBHD 1	1	20	1		TOWNHOUSES OR CONDOMINIUMS	94.3%
NGBHD 1	4	13	5		COMMERCIAL WITH BUILDINGS <u>DOWNTOWN</u>	101.8%
NGBHD 1	4	13	5		COMMERCIAL WITH BUILDINGS <u>OUTLYING</u>	97.5%
NGBHD 1	4	25	2		COMMERCIAL VACANT <u>OUTLYING</u>	100.7%
NGBHD 1	1	22	0		DOUBLEWIDE MOBILE HOME	N/A
NGBHD 1	5, 6	15 OR 10	0		ABOVE 20 ACRES / VACANT OR WITH HOUSE	N/A

FINAL SALES STUDY
RECAP
PREPARED MARCH 9, 2016
FOCUS ON NEIGHBORHOOD 2

	LAND USE CLASS	OCCUPANCY CODE	COUNT		LAND USE CLASS AND OCCUPANCY CODE DESCRIPTION	ASSESSMENT:SALES MEDIAN RATIO %
	ALL	ALL	121		CITY-WIDE BOTH NGBHD 1 AND NGBHD 2 ALL CLASSES - VACANT AND WITH BUILDINGS	97.6%
NGBHD 2	ALL	ALL	17		ONLY NGBHD 2 ALL CLASSES - VACANT AND WITH BUILDINGS	105.2%
NGBHD 2	1	15	0		SINGLE FAMILY URBAN VACANT LAND UNDER 20 ACRES	N/A
NGBHD 2	1	10	15		SINGLE FAMILY URBAN WITH A HOUSE UNDER 20 ACRES	105.3%
NGBHD 2	3	10, 11, 20	0		MULTI-FAMILY	N/A
NGBHD 2	1	20	2		TOWNHOUSES OR CONDOMINIUMS	102.9%
NGBHD 2	4	13	0		COMMERCIAL WITH BUILDINGS <u>DOWNTOWN</u>	N/A
NGBHD 2	4	13	0		COMMERCIAL WITH BUILDINGS <u>OUTLYING</u>	N/A
NGBHD 2	4	25	0		COMMERCIAL VACANT <u>OUTLYING</u>	N/A
NGBHD 2	1	22	0		DOUBLEWIDE MOBILE HOME	N/A
NGBHD 2	5, 6	15 OR 10	0		ABOVE 20 ACRES / VACANT OR WITH HOUSE	N/A

TRENDING: MEDIAN QUARTERLY SALES PRICES AND ASSESSMENT VALUES from July 1, 2013 through February, 2016

Representing only sales of land under twenty acres with a house. (Land Class 1 and Occupancy Code 10)

QUARTER	3rd Q 2013	4th Q 2013	1st Q 2014	2nd Q 2014	3rd Q 2014	4th Q 2014	1st Q 2015	2nd Q 2015	3rd Q 2015	4th Q 2015	1st Q 2016
MEDIAN SALE PRICE	185,000	137,263	108,000	131,900	165,000	180,250	123,500	163,250	178,000	168,450	170,000
SALES VOLUME	9	16	5	11	13	15	4	16	17	16	5

Quarterly Comparison of Sales Medians
Single Family Residences and Assessment Values



170,000 MEDIAN HOME PRICE FOR NEIGHBORHOOD 1 65,000 MEDIAN HOME PRICE FOR NEIGHBORHOOD 2
OVERALL FROM JANUARY 1, 2014 THROUGH FEBRUARY 2016.

This information is deemed reliable but is not warranted.



*Office Of The City Attorney
H. Taylor Williams, IV*

March 9, 2016

From: H. Taylor Williams, IV, City Attorney

To: Members of City Council

Re: SPSA Update

The regular SPSA Board meeting was held on February 24, 2016. A called Board meeting was held on Friday, March 4, 2016. At the called meeting the SPSA Board received a presentation on the proposed Use and Support Agreement and reviewed the Request for Proposals (RFP) process in a presentation from SPSA staff.

The Use and Support Agreement is an agreement between SPSA and the individual localities making up the SPSA membership. The RFP process documents the procurement negotiations between SPSA and 3 different vendors that began in October, 2014, and has continued up to the current time.

In recent months you have been presented with information on the proposed Use and Support Agreements as discussions about the agreement have progressed. Recently a "board reviewed" Use and Support Agreement was released for your review. Now you have a "board approved" Use and Support Agreement to review. On March 4, after receiving the presentation from SPSA staff, the SPSA Board approved the Use and Support Agreement by a vote of 12 to 4. The first presentation attached herein is the presentation made by SPSA staff to the SPSA Board. We will go over the presentation and try to answer any questions you might have regarding the proposed Use and Support Agreement. At a future council meeting you will be asked to approve the Use and Support Agreement and authorize the Mayor to execute the agreement on behalf of the City of Franklin.

There is also a presentation on the RFP process that has occurred over the last 17 months. Three different and unique vendors submitted bids to handle the Municipal Solid Waste (MSW) of the members of SPSA beginning January 25, 2018. The presentation will introduce all three vendors, explain the vendor's proposed method of handling SPSA's MSW and give a cost for the privilege of disposing of SPSA's waste. In the presentation you will see the pros and cons to each offer and you are provided with a side by side comparison of all three bids. The side by side comparisons also include a proposed disposal by straight landfill operation managed by SPSA to get a full understanding of the proposals made by each vendor. SPSA adopted a Resolution at the called meeting on March 4, 2016, to issue a Notice of Intent to Award a contract to dispose of SPSA's MSW to RePower South. The vote on the Resolution passed 9 to 7.

I will review in summary manner both presentations made by SPSA staff to the SPSA Board on March 4, 2016, and try to answer questions. The City will not be asked to approve or adopt the proposal made by any of the three vendors as the decision of which vendor's to adopt is entirely up to the SPSA Board. The contract will be between the vendor and SPSA, not the individual member localities.

H. Taylor Williams, IV
City Attorney



FINAL FORM USE & SUPPORT AGREEMENT - POST-2018:

Executive Summary

Board Presentation: March 4, 2016



Agreement Overview

- Intent, Purpose & Process
- Term & Termination
- SPSA Obligations
- Waste-Related Provisions
- Member Locality Obligations
- Dispute Resolution
- Special Termination Provision
- Strategic Operating Plan

Intent, Purpose & Process

- separate, identical agreements between SPSA and each Member Locality
- contains each party's basic obligations:
 - SPSA operates and maintains a disposal system for municipal waste; and
 - Member supports the system by delivering all MSW and paying tipping fees
- also includes a “Strategic Operating Plan” establishing SPSA’s operational, maintenance, administrative and other “day-to-day” responsibilities
 - designed to provide flexibility to adapt to changes in SPSA operations
 - also holds SPSA management accountable for operations, etc.
 - SOP is reviewed by the Board at least annually
- following approval by SPSA Board, as to form, U&SA would be reviewed, approved and signed by all parties at the appropriate time
 - **not effective until January 25, 2018**
 - current Use & Support Agreements remain in effect until then

Term & Termination/Non-Renewal

- Initial Term:
 - commences January 25, 2018
 - continues through later of (i) June 30, 2033 or (ii) expiration of initial term of waste-disposal agreement (15 years)
- Renewal:
 - Agreement renews automatically for successive additional 15-year terms;
UNLESS
 - Member provides SPSA with at least 18 months' notice that it does not plan to renew
- Termination:
 - Agreement terminates automatically if SPSA dissolves
 - in addition, Member Locality may terminate early (and withdraw from SPSA) by complying with the “Special Termination Provision”

SPSA Obligations

- manage, operate and maintain the Disposal System in accordance with a Strategic Operating Plan and applicable law
 - “Disposal System” consists of facilities owned/leased by SPSA for collection, management, processing and disposal of solid waste -- e.g., Regional Landfill, Transfer Stations, etc.
 - “Strategic Operating Plan” establishes SPSA’s operational, maintenance, administrative and other “day-to-day” responsibilities
- each Member Locality may deliver Municipal Solid Waste to any Transfer Station within the Disposal System
 - subject to available capacity/specific delivery points for some waste
- comply with all applicable laws
- maintain all required/appropriate permits and insurance

Waste-Related Provisions

- Out-of-Area Waste:
 - emphasizes SPSA's primary purpose as managing disposal of Member waste
 - specifically prevents SPSA from importing out-of-area waste for disposal within the SPSA System or any non-SPSA landfill
- Non-Member Waste:
 - SPSA's first responsibility remains Member Locality waste-disposal
 - however, in certain circumstances, *"to the extent not inconsistent with or adverse to its obligations to SPSA members, SPSA may provide services to commercial and other non-municipal customers"* on terms and conditions approved by the SPSA Board
- Ancillary Waste Disposal Services:
 - accommodates SPSA performance of "non-core" waste-disposal services like HHW, sludge, tire-shredding, etc., as long as:
 - not a "special deal" related to disposal of MSW
 - costs are covered AND services are available to all Members at the same fee
 - arrangement is approved by the Board and/or included in the SOP
 - other non-MSW is still excluded from SPSA system (e.g., Disaster Waste, Hazardous Waste, Recyclables, Yard Waste, etc.)

Member Locality Obligations

- deliver to SPSA **all** (100%) “Municipal Solid Waste” -- *i.e.*, all solid waste **controlled** by the Member Locality; expressly excludes:
 - HHW and other hazardous waste
 - yard waste
 - out-of-area waste
 - construction and demolition debris (CDD)
 - disaster waste
 - waste generated by schools, authorities, etc., unless controlled by Member
 - recyclable waste
- pay “Disposal System Fees” (e.g., tipping fees) established by Board from time to time
 - all SPSA Members will pay at the same rate so long as they are parties to Use & Support Agreement
 - fees cannot distinguish among Members based on distance, etc. -- *i.e.*, same dollar-per-ton for all for MSW



Dispute Resolution

- executive staff must first make good faith efforts to resolve each Dispute on their own
- as part of those good faith efforts, EITHER side may request **NON-BINDING MEDIATION** of the Dispute
- if the discussions/mediation do not resolve the Dispute, ONLY THEN can a party resort to litigation
- specific performance is an available (but not the exclusive) remedy for breach/default
- no arbitration under any circumstances

Special Termination Provision

- General Termination Right: Member Locality can terminate the Agreement and exit SPSA before expiration of the contract (ONLY) by:
 - providing two years' notice of intent to terminate early; and
 - paying its pro rata share of all outstanding SPSA Financial Obligations
 - referred to as “**Early Termination Payment**”
 - based on pre-termination amount of MSW delivered to SPSA
- “Financial Obligations”: include (1) debt, (2) projected closure/post-closure costs and (3) remaining financial obligations under contracts, **BUT these Financial Obligations are calculated**:
 - NET of assets (cash) set aside by SPSA to satisfy specific obligations (e.g., Landfill Closure Fund)
 - NET of Early Termination Payments paid by other terminated Members
 - based on PRESENT VALUE of the Financial Obligations

Special Termination Provision (cont'd)

- “Mechanics” of Special Termination Provision:
 - Member gives notice of its intent to terminate early (“Termination Notice”)
 - SPSA calculates “Early Termination Payment”
 - if Member disagrees, Payment calculated by “Independent Accounting Firm”
 - if Member does not timely revoke a Termination Notice (six months before scheduled termination date), then:
 - termination is effective on stated date
 - Early Termination Payment is due, in a lump-sum, at termination
 - Member withdraws from SPSA
 - AGAIN, provides SPSA Members with flexibility to terminate U&SA and withdraw from SPSA early, but must contribute their share of outstanding financial obligations -- for the benefit of SPSA and the other Members
 - **NOTE: there is NO Early Termination Payment obligation if a SPSA Member simply declines to renew the Agreement at the end of a term – paid only if a Member terminates EARLY**

Other Notable Provisions

- Amendments:
 - at least one month's prior notice is required before any material amendments to Use & Support Agreement can be adopted
 - amendments require Board approval by a **75% “super-majority”**
- Fee Projections: SPSA will provide Member Localities with projected tip fees for next fiscal year by February of the current year.
- Audit Rights: Members may review SPSA books and records for *any legitimate purpose*.
- Transfer Station Projects:
 - SOP provides framework for managing future transfer station projects based on nature of project (e.g., renovating existing station vs. building new station)
 - includes flexibility for cost-sharing between SPSA and Members.

Strategic Operating Plan

- as noted above, SOP establishes SPSA’s operational, maintenance, administrative and other “nuts and bolts” activities and responsibilities, including:
 - organizational structure
 - use of transfer stations and other Disposal System facilities
 - rates, fees and charges for SPSA services
 - designate ultimate/applicable disposal method(s)
 - process/procedure for development of new transfer stations
 - accounting and financial reporting
 - role in major storm – *i.e.*, “*procurement agent*” for localities
 - **holds SPSA management accountable for SPSA operations, etc.**
- also includes “Guiding Principles”, so Plan functions as “organizational compass” in addition to documenting operational procedures, etc.
- includes a “Planning Horizon” section describing how SPSA will periodically assess/address matters regarding the remaining capacity (among other things) of the Regional Landfill
- designed to evolve as SPSA evolves and provide flexibility for routine Board actions



Thank You

QUESTIONS/DISCUSSION



PROPOSALS RECEIVED IN RESPONSE TO RFP FOR POST-2018 WASTE DISPOSAL SERVICES

Board Presentation: March 4, 2016

RFP Process ~ Summary

- RFP Issued October 23, 2014, responses due December 16, 2014
- Addendum #1 issued November 4, 2014, extending the response date to January 15, 2015.
- Addendum #2 issued December 3, 2014, revising the evaluation criteria and responding to various questions.
- Three Proposals received January 15, 2015
 - RePower South
 - Republic Services
 - Wheelabrator Technologies
- Oral Presentations by each offeror to SPSA Board February 12, 2015
- All 3 offerors were deemed qualified to provide the services requested in the RFP.
- Proposals reviewed by an independent engineer, SCS Engineers

RFP Process ~ Summary (cont.)

- Competitive negotiations ensued for several months with all three offerors.
- RFP requested an initial 5-year term with 5-year renewal options based on the proposed Use & Support Agreement terms.
- As the NEW Use & Support Agreement evolved, a 10-year or 15-year term was recommended.
- As such, each offeror was requested to submit a revised proposal based on a 10 year and 15 year term pricing structure.
- A system-wide cost was developed based on each offeror's proposal and then compared to the projected system-wide cost of disposing SPSA's waste at the Regional Landfill.
- The quantitative analysis is based on 375,000 tons of waste and a 15-year term.



Recap of Three Proposals

Listed Alphabetically

- RePower South
- Republic Services
- Wheelabrator Technologies

RePower South ~ Proposal Overview

- SPSA would haul all municipal solid waste to a newly-developed, privately-financed recycling, recovery and renewable energy facility located in Chesapeake (CUP issued January 2016).
- SPSA waste-stream “processed” by RePower will support two revenue-generating product lines:
 - Commodity recycling
 - Advanced Biofuel (**ABFuel™**) --
 - pellets generated from patented, proprietary processing technology, sold to utility customers (e.g., Dominion) as alternative to coal as fuel supply
 - satisfies mandated “green initiatives”, but not intended to replace the use of coal
 - estimated to provide at least one-third of operating revenues
- Residual waste disposed in the Regional Landfill.

RePower Proposal ~ 15 Year Term

- SPSA hauls MSW to RePower Facility
- Guaranteed minimum tonnage of 350,000 tons
- Residual waste hauled by 3rd party to Regional Landfill
- Disposal Fees (2015 dollars):
 - Gross Disposal Fee: \$24.05/ton
 - Guaranteed Revenue Share: **(\$1.23/ton)**
 - Residual Waste Fee (up to 105,000 tons): **(\$6.00/ton)**
 - Net Disposal Fee: **\$16.82/ton**

*Net disposal fee MAY be further reduced by additional offsetting credits such as revenue share if Repower achieves revenue in excess of established threshold and/or diverted waste disposed in Regional Landfill.

Projected System-Wide Cost RePower South (2015 Dollars)

	RePower South
<u>Expenses</u>	
Transfer Stations	\$4,998,969
Transportation	\$4,733,798
Landfill	\$1,876,972
Administration	\$1,989,391
Net Disposal Cost other than Regional Landfill	\$5,774,041
Construct & Equip Portsmouth Transfer Station	\$195,464
Landfill Expansion: Includes constructing Cell 7 in 2 phases; Closure for Cells 5&6; and a Proposed Host Fee)	\$1,625,000
Total Expenses	\$21,193,635
Total Tons to Landfill	136,825
Cell 5 & 6 Reach Capacity In	2044
Municipal Waste Tons	375,000
System-Wide Cost	\$56.52

Note: Assumes SPSA uses \$5 million of \$16 million, originally set aside for landfill closure, to build a transfer station for Portsmouth and then SPSA would reimburse the landfill closure fund each year over 25 years.

Qualitative Comparison - RePower

- Pros:

- knowledgeable, experienced and motivated leadership team
- technology/process more “forward-looking”
- generates alternative energy source (pellets) and recovers recyclables
- may be best-positioned as possible “long-term” waste solution
- economic contributions to the community (taxes, workforce, etc.)
- preserves Regional Landfill

- Cons:

- major capital investment requirements/financing risks
- no operating history
- capacity limitations
- unpredictable and unproven revenue stream for products
- residual waste issues
- no parent guarantee

Republic Services ~ Proposal Overview

- SPSA would haul municipal solid waste to Brunswick Waste Management Facility (landfill) near Lawrenceville
 - alternative/back-up sites (landfills) include Old Dominion Landfill in Richmond and King & Queen in Little Plymouth
- Brunswick Waste Management Facility (landfill)
 - opened April 1997
 - over 20 million CY of permitted air space remaining
 - 100+ years of permitted facility life remaining (est.)
 - approximately 83 miles west of Regional Landfill and approximately 112 miles from the Oceana Transfer Station



Republic Proposal ~ 15 Year Term

- SPSA hauls MSW to Brunswick Waste Management Facility

- Guaranteed minimum tonnage of 375,000 tons

- Disposal Fees (2015 dollars)
 - \$23.56/ton

Projected System-Wide Cost Republic (2015 Dollars)

	Republic
<u>Expenses</u>	
Transfer Stations	\$4,998,969
Transportation	\$9,649,922
Landfill	\$1,776,972
Administration	\$1,989,391
Net Disposal Cost other than Regional Landfill	\$8,835,000
Construct & Equip Portsmouth Transfer Station	\$21,429
Landfill Expansion: Includes constructing Cell 7 in 2 phases; Closure for Cells 5&6; and a Proposed Host Fee)	\$0
Total Expenses	\$27,271,683
Total Tons to Landfill	15,000
Cell 5 & 6 Reach Capacity In	2251
Municipal Waste Tons	375,000
System-Wide Cost	\$72.72

Note: Assumes SPSA uses \$5 million of \$16 million, originally set aside for landfill closure, to build a transfer station for Portsmouth and then SPSA would reimburse the landfill closure fund each year over 233 years.

Qualitative Comparison - Republic

- Pros:
 - long operating history and significant financial resources
 - experienced management
 - no limitations on capacity
 - preserves Regional Landfill
- Cons:
 - “stigma” associated with landfilling
 - risks inherent in long-haul requirements -- accidents, pollution, etc.
 - transportation costs prohibitive
 - minimal economic contributions to the community

Wheelabrator ~ Proposal Overview

- SPSA will haul municipal solid waste to RDF plant tipping floor for processing by Wheelabrator
- Waste converted to fuel and conveyed to Waste-to-Energy facility for combustion, generating steam for U.S. Navy (Norfolk Navy Shipyard) and electricity for sale to the grid
- Ash residue to be disposed in non-SPSA landfill
- As security for failure to perform under new agreement, propose guarantee from Granite Holdings (Wheelabrator parent; subsidiary of Energy Capital Partners)

Wheelabrator Proposal ~ 15 Year Term

- SPSA hauls MSW to Wheelabrator Facility
 - Guaranteed minimum tonnage of 375,000 tons
 - Disposal Fees (2015 dollars):
 - Gross Disposal Fee: \$45.88/ton
 - Amortized Savings -- Current Contract: (\$1.58/ton)*
- Net Disposal Fee: \$44.30/ton

*Amortized Savings:

- Ends the “put or pay” agreement upon execution of a new 15 year contract. Assume July 1, 2016.
- Increase the credit for ash disposal from \$5 per ton to \$13 per ton effective July 1, 2016.
- Decrease the rate per ton for disposal
 - July 1, 2016 – June 30, 2017: \$50 to \$49.20
 - July 1, 2017 – January 24, 2018: \$52 to \$50.43
- Savings generated from “current” contract are amortized over 15 year contract.

Projected System-Wide Cost Wheelabrator (2015 Dollars)

	Wheelabrator
<u>Expenses</u>	
Transfer Stations	\$4,539,803
Transportation	\$4,600,292
Landfill	\$1,776,972
Administration	\$1,989,391
Net Disposal Cost other than Regional Landfill	\$16,612,500
Construct & Equip Portsmouth Transfer Station	\$0
Landfill Expansion: Includes constructing Cell 7 in 2 phases; Closure for Cells 5&6; and a Proposed Host Fee)	\$0
Total Expenses	\$29,518,958
Total Tons to Landfill	15,000
Cell 5 & 6 Reach Capacity In	2251
Municipal Waste Tons	375,000
System-Wide Cost	\$78.72

Qualitative Comparison - Wheelabrator

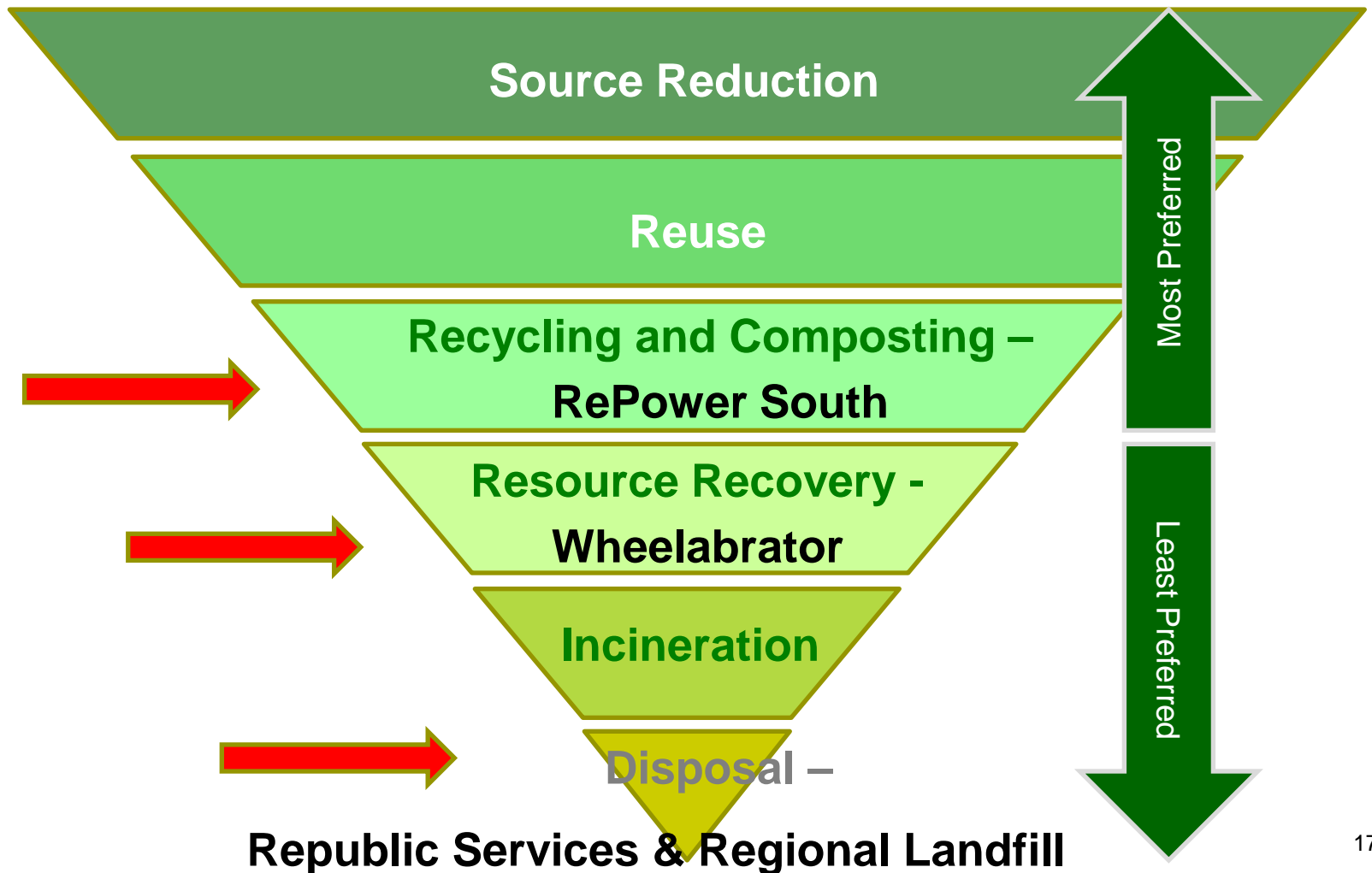
- Pros:

- incumbent -- known vendor with established infrastructure, systems and processes
- relationship with U.S. Navy
- economic contributions to the community (taxes, workforce, etc.)
- generates renewable energy (steam/electric) and recovers recyclables (metal)
- no near-term operational risks – no uncertainty about readiness on “day one”
- preserves Regional Landfill

- Cons:

- reliance on commercial waste for economic viability -- beyond SPSA control
- ash disposal requirements/issues

Regional Solid Waste Management Plan for Southeastern Virginia Waste Management Hierarchy



Quantitative Comparison of All Alternatives

(Based on 15 Year Term in 2015 Dollars)

	Regional Landfill	RePower South	Republic	Wheelabrator
Expenses				
Transfer Stations	\$4,998,969	\$4,998,969	\$4,998,969	\$4,539,803
Transportation	\$5,453,798	\$4,733,798	\$9,649,922	\$4,600,292
Landfill	\$3,620,518	\$1,876,972	\$1,776,972	\$1,776,972
Administration	\$1,989,391	\$1,989,391	\$1,989,391	\$1,989,391
Net Disposal Cost other than Regional Landfill	\$0	\$5,774,041	\$8,835,000	\$16,612,500
Construct & Equip Portsmouth Transfer Station	\$555,556	\$195,464	\$21,429	\$0
Landfill Expansion: Includes constructing Cell 7 in 2 phases; Closure for Cells 5&6; and a Proposed Host Fee)	\$4,893,750	\$1,625,000	\$0	\$0
Total Expenses	\$21,511,982	\$21,193,635	\$27,271,683	\$29,518,958
Total Tons to Landfill	375,000	136,825	15,000	15,000
Cell 5 & 6 Reach Capacity In	2027	2044	2251	2251
Municipal Waste Tons	375,000	375,000	375,000	375,000
System-Wide Cost	\$57.37	\$56.52	\$72.72	\$78.72

Note: Assumes SPSA uses \$5 million of \$16 million, originally set aside for landfill closure, to build a transfer station for Portsmouth and then SPSA would reimburse the landfill closure fund each year over 9 years under the landfill only scenario, or 25 years under the RePower scenario, or over 200 years under the Republic scenario.

Summary

1. The system-wide cost for RePower is comparable with the cost of landfilling waste.
2. SPSA has no startup costs for initial investment required under either the RePower scenario or the landfill scenario.
3. The risks associated with a “start-up” business are mitigated by termination rights in certain events, such as
 - Failure to obtain permits
 - Failure to obtain financing by date certain
 - Failure to begin construction by date certain
 - Failure to begin operation by date certain
 - Failure to perform, make payments, maintain insurance, etc.
 - Failure to maintain solvency
4. Based on qualitative and quantitative analysis, SPSA staff has concluded the proposal submitted by RePower South is the best proposal and provides the best value to SPSA for waste disposal Post 2018 and recommends the SPSA Board issue an Intent to Award to RePower South, subject to execution of a written contract.
5. RePower has delivered to SPSA (i) an Irrevocable/Binding Offer for waste-disposal services and (ii) an executed Waste Supply and Services Agreement, described in the following slides.

Initial Term/Extended Term

- Initial Term: fifteen (15) years from Commencement Date (*i.e.*, beginning 2018)
- Extended Term:
 - SPSA has *unilateral* right to extend WSA for one additional **ten (10) year term**
 - must provide at least one year's prior notice of decision to extend
 - Disposal Fee for Extended Term:
 - if actual RePower revenues **equal or exceed** “threshold” revenue amount, then Disposal Fee **reduced to 50% of Disposal Fee** at end of Initial Term, increasing annually by CPI (eliminate ALL revenue-sharing); OR
 - if actual RePower revenues are **less than** “threshold” amount but **greater than** revenue “floor”, then Disposal Fee reduced to **\$25/ton** – *i.e.*, “re-set” to 2018 rates, increasing annually by CPI (eliminate GUARANTEED revenue-sharing); OR
 - if actual RePower revenues are **less than** revenue “floor”, then Disposal Fee **continues at rate in effect** at end of Initial Term, increasing annually by CPI (KEEP all revenue-sharing)
 - all other WSA terms and conditions stay the same for Extended Term

Miscellaneous Provisions

- No Third Party Waste: RePower cannot accept waste from third parties without SPSA's prior written approval
- Excess Wait-Time Penalties: if SPSA trucks are "in line" longer than 45 minutes (or if trucks are diverted because lines are too long), RePower pays \$250/truck, plus incremental hauling/disposal costs
- Qualified Transferee: RePower can sell only to a "Qualified Transferee" – party with sufficient operating experience in similar facilities AND adequate financial wherewithal
- Limitation on Liability: each side's total liability is limited to \$5 million
- Financial Reports/Audit Rights: RePower provides quarterly and annual financials and SPSA has right to review almost all RePower financial records -
- to ensure financial viability, accurate revenue-share payments, etc.

COUNCIL/STAFF REPORTS ON BOARDS & COMMISSIONS