

# FTA MEMBERSHIP MESSAGE

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July 20, 2009

Dear Fluvanna Taxpayers Association Member:

One of the goals we've set is to provide you with fiscal impact information you can't get anywhere else. In coming months, we'll be sending you occasional reports that lay out the taxpayer consequences of County proposals and decisions. We'll also be alerting you to County meetings with key taxpayer implications.

With that in mind, please read the following informative report by Dennis Holder on the Joint Water Authority's last meeting. Dennis was the only citizen in attendance besides officials, and he brought back some important observations that should concern all of us who worked hard to win a referendum on the joint water authority.

It's becoming clearer and clearer that we were right to raise the many serious questions we did about the water authority -- questions the County has never satisfactorily answered -- judging by issues that surfaced at the water committee meeting.

The next water authority meeting will be August 6, at 2 p.m., in the Louisa County Supervisors boardroom. Go and let County officials know we're watching, voice your concerns and share them with others. – *Your FTA Steering Committee*

## **JAMES RIVER JOINT WATER AUTHORITY COMMITTEE MEETING — JULY 2, 2009**

*Report by Dennis Holder*

### **FUNDING**

**Report:** Of greatest interest to taxpayers was a report from Cabell Lawton, Fluvanna County Administrator and member of the JRWA board, and Joe Hines of the engineering consulting firm, Timmons Group, about funding sources.

The two told the JRWA board that they have researched the availability of federal stimulus money to finance the pipeline. They said that JRWA likely will not be eligible for grants because the two counties involved are too wealthy to qualify under federal guidelines. However, low-interest loans of stimulus money probably are available.

Two loan options exist. One is a federal channel with interest rates ranging from 2.75 to 3.25 percent but with more accountability required -- every request for proposal and every major expenditure would have to be approved by a government agency. The second channel, the state, offers interest rates of about 4.5 percent but with less accountability.

**Analysis:** The fact that the JRWA will not qualify for federal grants means that taxpayers in the two counties will be responsible for all of the costs of building a pipeline. It also means that taxpayers will be deprived of the usual input at county public hearings because borrowing through either channel will put the responsibility to seek funding on the JRWA instead of on county officials. Fluvanna County simply would build its share of JRWA debt service into the county budget every year.

It was my impression that Lawton was trying to sell the state channel, which would charge a higher interest rate with fewer requirements. If the JRWA borrowed \$50 million through one of these channels for 40 years, the term discussed at this meeting, the difference between 3 percent (the likely interest rate through the federal channel) and 4.5 percent (the likely rate through the state channel) could be significant. At 4.5 percent, \$50 million would cost a total of \$108 million over 40 years. At 3.0 percent, the total cost would be about \$86 million.

At 4.5 percent, annual debt service would be roughly \$2.7 million. At 3 percent, the annual total would be about \$2.15 million. The difference would be \$550,000. Fluvanna's half of the extra cost incurred would be \$275,000 each year. With the current tax base, that would result in an extra cost of \$30 per year for each \$300,000 home in the county. The overall impact of annual pipeline debt service for a \$300,000 home would be about \$120 per year at 4.5 percent. It would be about \$90 at 3 percent.

### ***PIPELINE ROUTE***

**Report:** Fluvanna Supervisor John Gooch, a member of the JRWA board, raised a question about the proposed route for the pipeline. He wanted to know whether the route had not already been decided by the two boards of supervisors or whether the JRWA board will have to vote on the route at some future time.

Joe Hines responded that several alternative routes are still on the table and that a final decision on a route cannot be made until he and Lawton meet with VDOT to find out whether the pipeline can be laid in VDOT rights-of-way. Although VDOT has resisted such rights-of-way uses, Hines said, he hopes the agency will yield.

This is important because cost projections for the pipeline were based on using VDOT rights-of-way, reducing the need to condemn land and reimburse property owners. If VDOT won't allow use of its rights-of-way, Hines said, other route options will be considered and cost estimates will have to be revised.

Louisa Administrator Dale Mullen, a member of the JRWA board, reported that officials in his county have several serious questions about the proposed routes. He said the questions are being drafted and will be presented to the board at one of its next two meetings. Mullen did not explain the nature of Louisa County's questions.

**Analysis:** Gooch's question as to whether the route for the pipeline is settled is interesting because his family owns land near the currently preferred "Western Route." Fluvanna's citizen representative to the JRWA, Tom Payne, also owns land in that

vicinity. If they do not recuse themselves from decisions about the route, conflict of interest questions could arise. If they do stand aside, only the three JRWA board members from Louisa County and Fluvanna Administrator Lawton will vote on the matter, giving Louisa disproportionate say over routes determining eminent domain condemnations in Fluvanna County.

The fact that cost estimates for the pipeline are based on use of VDOT rights-of-way is surprising. The cost estimates were drawn up despite a letter to Fluvanna County from VDOT saying, unequivocally, that use of highway rights-of-way would not be permitted. If VDOT maintains that stance, pipeline cost estimates issued by Fluvanna's Board of Supervisors are likely to soar. Taking land by eminent domain and paying fair market value for it will prove far more expensive than laying the pipe in free VDOT rights-of-way.

If VDOT will not make its rights-of-way available, Hines said, the currently preferred Western Route might not be the most cost-effective and another option might be considered. That might mean taking the pipeline up Highway 15 rather than going to the west of the women's prison, as currently envisioned. The current route would serve the women's prison without construction of major laterals. If the pipeline goes up Rt. 15, however, a lateral would be necessary to serve the prison and Fluvanna would have to foot the bill for that on its own. (Either way, the state is kicking in about \$1 million to take service to the prison.)

The fact that Louisa County is drafting questions about the route could be ominous. Fluvanna supervisors insist that both counties agreed on the Western Route before creation of the authority. Mullen's remarks suggest that Louisa's support for the Western Route may not be solid. Although the pipeline will lie entirely in Fluvanna County, Louisa may wind up wielding substantial influence over the final route by favoring one of the alternatives.

## **AQUA VIRGINIA**

**Report:** Lawton reported that he has been in continuing discussions with Aqua Virginia about some kind of joint agreement relating to the pipeline. He told the JRWA board that he is uncomfortable continuing such discussions alone and asked that one of Louisa's board members join him in future conversations with Aqua Virginia. At first, Mullen resisted the idea of ongoing discussions with Aqua Virginia. After some persuasion from Lawton, however, he agreed to sit in on a meeting with the company some time in the next two weeks.

**Analysis:** The possibility of an agreement with Aqua Virginia may not be completely dead. However, it is clear that the Louisa members of the JRWA have no enthusiasm for any partnership with the company. There also is an interesting legal question, not so far addressed, as to whether JRWA can enter into any agreement that would involve providing water at wholesale rates to Aqua Virginia, even in emergency situations. The JRWA charter clearly says that the authority will not accept any wholesale customers except Fluvanna County and the Louisa County Water Authority.