



Analysis of the Proposed Acquisition of
Founders Bridge Utility Company

Prepared by;

Ramona Carter, P.E., MPA
Director of Public Works
Powhatan County Virginia

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TABLE OF CONTENTS

- A. Executive Summary
- B. Founders Bridge Utility Company
- C. History of Water Concerns
- D. Requested Information and Current Status
- E. Chesterfield County Negotiations
- F. Third Party Financial Evaluation
- G. Impact of Adding 200 apartment units (Winterfield Phase II)
- H. Status of Winterfield II
- I. Recommendation

Appendices

- A. Water Agreement and Amendments-FBUC and Chesterfield County
- B. Documentation indicating exceedance of 180,000 gpd
- C. 2008 Water Report to Powhatan BOS regarding water shortage in FBUC
- D. Letter from Chesterfield offering additional capacity and pricing
- E. Correspondence 2013-Buddy Sowers requesting transfer from Route 60
- F. Ordinance)-2016-01-Approval of Winterfield II and proffer conditions
Resolution R-2016-87 Deferred acquisition of FBUC pending further investigation
- G. Meeting Summary Founders Bridge Ad Hoc Committee, GrayCo, Riverton Associates, Sydnor Hydro, Powhatan County and 2 residents from FBUC
- H. MOU Ad Hoc Committee
- I. Virginia Department of Health Drinking Water approval of August 2016 PER
- J. Summary of September 26, 2019 meeting with Chesterfield County and Powhatan County
- K. FBUC Financial Summary, Maintenance Logs
- L. Draper Aden Third Party evaluation of FBUC
Chesterfield County proposed Draft Water Agreement 2019
- M. Memo from Draper Aden 2008 Summarizing FBUC and irrigation problem
- N. Letter from GrayCo to Powhatan County indicating GrayCo.'s plan to isolate treated well water for Winterfield II from the Chesterfield County water supply.

A. EXECUTIVE SUMMARY

The water capacity issues in the Founders Bridge Area of Powhatan County has been a long standing concern for the residents of the area served by FBUC dating back to 2004. Chesterfield County has maintained that they have no excess water capacity in the FBUC area and they will not allocate any additional water to FBUC. The owners of FBUC, Gray Land Development Company (GrayCo) have made considerable effort to conserve water and reduce irrigation since 2004. GrayCo. has an agreement with Riverton Associates to provide 65,000 gpd water capacity. Riverton has already allocated some of the 65,000 gpd capacity to Winterfield I, Bel Crest and Bel Bridge. In order to fulfill their obligation to Riverton, GrayCo hires Bowman Engineers to develop a PER to supplement the Chesterfield water supply with treated well water. Existing residents in the FBUC service area were opposed to treated well water mixing with the Chesterfield water supply.

In 2016 GrayCo. indicated that they wanted out of the water business and wanted to sell or transfer ownership of FBUC. It is proposed that Powhatan County acquire FBUC, at no cost, and transfer 55,000 gpd from their Route 60 allocated capacity to FBUC area once Powhatan has taken over ownership.

Powhatan County begins negotiations with Chesterfield County to transfer from Route 60 and simultaneously begins due diligence on the FBUC system.

This report contains the information gathered through due diligence and negotiations with Chesterfield and provides a recommendation on the proposed acquisition of the FBUC.

B. FOUNDERS BRIDGE UTILITY COMPANY

Founders Bridge Utility Company (FBUC) is a privately owned utility company owned by Gray Land Development Company. FBUC provides water and sewer service for the properties located in Powhatan County. FBUC has an agreement with Chesterfield County to provide 180,000 gallons per day (gpd) of water and 135,000 gpd of wastewater treatment. As of December 2018 FBUC had 297 residential meters, 22 commercial meters and 72 irrigation meters. The original agreement between Gray Land Development Company and Chesterfield County was executed on September 7, 2000. Amendments to the original agreement were issued on October 13, 2003 and May 18, 2004 (Appendix A).

C. HISTORY OF WATER CONCERNS

Powhatan County Public Works Department has been able to trace back the potable water shortage in the FBUC service area to the summer of 2005. Appendix B contains a letter from Chesterfield County which states that FBUC exceeded the 180,000 gpd capacity on 58 days from August 1, 2005 to August 11, 2006. The letter indicates that FBUC also exceeded the water capacity from summer 2004 to summer 2005. Appendix B also contains daily consumption for the period of 6/1/2007 to 9/14/2008, which shows that FBUC exceeded the allocated 180,000 gpd 72 times prior to 10/09/2007. In the period from 10/09/2007 to 09/14/2008 FBUC did not exceed the allocation one time this can be attributed to changes that Gray Land Development Company made to the operation of the system. Appendix B contains a letter dated January 24, 2008 which states prior to the 2008 irrigation season the Founders Bridge Golf Villas and the Founders Bridge Pool Complex will be removed from the potable water system and irrigation for these areas will be provided from Independence Golf Course. The letter goes on to state that Gray Land Development Company will replace all of the existing companion irrigation meters

with meters or devices that can limit water usage to predetermined levels prior to 2009 irrigation season.

On November 25, 2008, the Powhatan County Board of Supervisors held a workshop in which the Director of Public Utilities presented a recommendation based on a Founders Bridge Water Study prepared by Draper Aden (Appendix C). The report addressed two concerns by the FBUC residents 1) The residents thought they were being charged too much for the water and sewer service 2) Chesterfields concern that FBUC had been exceeded the purchased capacity. At this time Powhatan County was not considering acquiring the Founders Bridge Utility Company. The Director of Public Utilities recommended that Gray Land Development Company continue their efforts to reduce irrigation, that the rates for water and sewer service were comparable to similarly sized utilities and there was no evidence that Powhatan County could provide the service at a lower rate. The outcome of the workshop was to continue to monitor the irrigation reduction efforts and revisit the issue if any compelling changes occur.

September 26, 2011, Chesterfield sends a letter to Sydnor Hydro indicating that they would be willing to sell FBUC an additional 60,000 gpd of capacity at a cost of \$659,400 (Appendix D)

June 26, 2013 the Interim County Administrator, Elmer Hodge, sent an email (Appendix E) to the Powhatan County Public Work Director indicating that he had a meeting with Buddy Sower and David Williams. The email states that Buddy Sower was inquiring about moving some of Powhatan's Route 60 capacity to FBUC for new multifamily. Elmer Hodge indicated that his preference was to hold the capacity "for economic development expansion on Rt 60".

February 1, 2016 O-2016-01 (Appendix F) is approved by the Powhatan Board of Supervisors for rezoning 50+ acres in the Founders Bridge Service area for Riverton Associates and the development of Winterfield Phase II. Condition 13 of the approval states "Vertical construction shall not commence on the commercial units and the apartments, nor shall any land disturbance activity commence on the single family detached lots until adequate water and sewer capacity is verified by the developer and the utility service provider and approved by the county".

August 2016-Bowman Engineering Consultants present a PER (Preliminary Engineering Report) for the Health Department. The report indicates that potable water for the Founders Bridge service area will be supplemented by treated well water. The well water will be treated via a water treatment plant and mixed with the Chesterfield water supply. Chesterfield reviewed the PER and indicated that as long as there was no possibility that the combined water could flow back into the Chesterfield system. The PER included backflow devices to prevent any water from flowing into the Chesterfield system from the Founders Bridge Utility Company.

October 2016- Gray Land Development Company approaches Powhatan County regarding possible acquisition of FBUC. October 24, 2016 BOS meeting R-2016-87 Authorizing the County Administrator to execute any contract documents for the acquisition of FBUC is removed from consideration by the Board.

November 10, 2016-County Administrator and Public Works Director conduct a citizens meeting in Powhatan to provide information on the proposed acquisition of FBUC (see attached presentation). Many of the citizens attending the meeting were extremely angry and voiced concern over introducing

well water into the FBUC infrastructure, they indicated that the value of their homes would decrease due to the well water. Citizens stated that they did not want the County to take over FBUC because their water and sewer rates would increase significantly.

November 17, 2016-County Administrator meets with Russ Aaronson, Casey Sowers, Jesse Royall and 2 residents from Bel Crest/Bel Bridge HOA (Appendix G). 90 day deferral of any decision by the BOS on the proposed acquisition of FBUC by Powhatan County. Bowman Consulting hired to evaluate irrigation solutions for the 76 Founders Bridge homes using potable water for irrigation. Proposed that Powhatan investigate moving some of the 572,000 gpd allocated to Powhatan County on Route 60 to FBUC, this solution has political implications and efforts were started to contact appropriate officials from both County governments. This would eliminate the need for well water.

February 2, 2017-Ad Hoc Founders Bridge Utility Company Water Committee issues a Memorandum of Understanding which proposed re-introduction of the proposed acquisition by Powhatan County of ownership of the FBUC water and sewer system, and the transfer, for the resale by Powhatan of peak day potable water capacity purchased by Powhatan County from Chesterfield County pursuant to an agreement dated March 6, 1997 (Appendix H). It was also agreed that FBUC would submit a revised PER to the Health Department. The treated well water system would be a back-up plan to be implemented only if Powhatan County is not successful in acquiring the FBUC system and obtaining consent of Chesterfield County to transfer and re-allocation of approximately 40,000 gpd.

March 30, 2017- The Health Department approves the Preliminary Engineering Report which allows FBUC to hire an engineer to formally design the wells and treatment facilities and send out for bids and construction (Appendix I). FBUC does not proceed with design of the wells and treatment facility.

Negotiations with Chesterfield: The following meeting were held with George Hayes, Director of Public Works Chesterfield County, Mike Nannery, Senior Engineer Chesterfield County, Ramona Carter-Director of Public Works Powhatan County, Johnny Melis, Utility Manager Powhatan County;

May 22, 2017

August 9, 2017

November 8, 2018

March 27, 2018

October 11, 2018

May 31, 2019-received draft water agreement from Chesterfield County

June 7, 2019-Powhatan provided feedback on the draft agreement

July 2, 2019-met with Chesterfield, outlined conditions that Powhatan County needed in the water agreement to make it feasible.

September 04, 2019-rescheduled by Chesterfield to September 26, 2019-A Summary of this meeting is attached in Appendix J

D. REQUESTED INFORMATION AND CURRENT STATUS

As part of Powhatan County's due diligence in evaluating the FBUC system, Powhatan requested that Gray Land Development Company provide the following information;

- Annual Financial Reports for the past 5 years (2014, 2015, 2016, 2017,2018) (Appendix K)
- Maintenance and Repair for last three years (Appendix K)
- GIS Mapping

- All easement information

In addition to the above information, Powhatan County hired Draper Aden to conduct a third party evaluation of the system using the information provided above by Gray Land Development Company and the draft water agreement provided by Chesterfield County on May 31, 2019 (Appendix L).

Powhatan County was provided all of the Financial Reports as requested from Gray Land Development Company. Sydnor Hydro provided maintenance and operation records for 2014-2018. The maintenance records consisted of a spreadsheet outlining monthly operating costs such as sampling and testing, meter reading and billing. The maintenance records also outlined location, date and overall cost of repairs but was not extremely helpful in identifying the cause of the repair. The limited information made it difficult to identify trends or common repairs issues such as saddle breaks. There are no reports of any repairs or maintenance completed on the sewer lines i.e. cleaning, inspecting. Gray Land Development Company hired Bowman Engineering to provide the GIS mapping. Bowman obtained GIS mapping information that was available from Chesterfield County, and uploaded files for Powhatan County to review. The review of the GIS mapping indicated several areas of concern. Issues ranged from conflicts with easements to lines located outside of easements, close to or under structures or incorrect locations. Powhatan County requested field verification of the following;

- 1) Confirm that all utility lines on Independence Gold Course are private lines not maintained or owned by FBUC.
- 2) 745 and 746 Riverstone Rd-show sewer easements and manholes under the houses.
- 3) 19037 Founders Knoll Terrace-there are water and sewer lines that run from in front of 19037 across Founders Bridge Blvd....that have a water easement but no sewer easement.
- 4) 2428 Bel Bridge Ct-there is a 16ft water easement...easement appears to overlap with structure...or is very close
- 5) 16285 Maple Hall Dr-sewer line and manholes are under a concrete driveway-confirm location and televise line for condition assessment.
- 6) 16274 Maple Hall Dr-water line easement appears to be under house structure.
- 7) 889/887 Dogwood Dell Lane-Sewer easement running between these two properties, house structure appears to be over the sewer line. Confirm location of sewer line, size of line and depth.
- 8) 859 Dogwood Dell Lane- water easement appears to be under the house, confirm location, and line size.
- 9) 2250 Founders View Lane-sewer easement location and line location.
- 10) 2376,2374, 2372 Bel Crest Circle- there are some issues with location of easements and actual location of utilities. 2376 the house is built in the easement however it is our understanding that the easement was going to be changed to reflect where the utilities were actually located. These three properties need surveys done.
- 11) 2364 and 2362 Bel Crest Circle-sewer easement location is very close to house structures, confirm location, depth, line size.
- 12) 474 and 476 Bel Bridge Circle- sewer easement-close proximity to houses-location, depth, line size.

Bowman Engineering conducted field survey but final results have not been provided to Powhatan as of the date of this report.

Gray Land Development Company hired McGure Woods to gather all of the easement information to present to Powhatan County. On March 18, 2019 McGure Woods presented a packet of easements for the Founder Bridge Utility. Powhatan County responded back that any property owned by Riverton Associates or Gray Land Development Company had no easements listed. McGure Woods responded with subdivision plats which outlined the missing easements. Powhatan County is aware of a possible conflict with Greg and Jodi Fender. Ms. Fender made numerous contacts with Powhatan County regarding the inaccurate easement on her property and the difficult time she has had trying to get the easement resolved. Greg and Jodi Fender's property is listed above in the conflict areas.

Draper Aden completed the third part evaluation of the FBUC system and the proposed draft water agreement. The report is contained in Appendix L.

E. CHESTERFIELD COUNTY NEGOTIATIONS

Initial conversations related to transferring 55,000 gpd of water from the Route 60 allocation in Powhatan to FBUC began in May of 2017. The initial discussions outlined the following;

- 1) Powhatan requested to transfer 55,000 gpd from Route 60 with the ability to transfer all or part of this back to Route 60 if another water supply was secured.
- 2) Chesterfield County infrastructure could support the transfer with no additional infrastructure improvements, only operational changes were required.
- 3) Powhatan wishes to have one contract that will include the water allocation of both FBUC and Route 60.
- 4) The FBUC service district will be taken into Powhatan's water and wastewater service district.
- 5) Powhatan County rates will be applied to all customers in the water and wastewater service district, which would include FBUC.
- 6) Powhatan and Chesterfield would work together to equalize the two contracts so as not to be punitive and to be as beneficial as possible to all parties.

As negotiations continued the terms of the transfer of the 55,000 gpd evolved. Chesterfield has indicated on several occasions that they have no additional capacity in the Founders Bridge area and only have enough capacity to support Chesterfield's economic development. There were several delays in the negotiations due to other priorities of Chesterfield County staff.

A summary of the most recent meeting with Chesterfield resulted in the following;

The conditions that Powhatan requested to the proposed first draft agreement were as follows:

- 1) No changes to the rate structure or capacity charges for the Route 60 contract other than changing the water capacity to 517,000 gpd by deducting the 55,000 gpd. ERU calculation will be based on 400 gpd/ERU as per the current billing practice and not the 350 gpd that Chesterfield Utilities staff proposed.
- 2) Two contracts, keep FBUC as one contract and Route 60 as another.
- 3) Change the FBUC sewer calculation to 350 gpd rather than 300 gpd per ERU.
- 4) Powhatan is agreeable to adding the Richmond Capital cost to the 180,000 gpd water capacity of FBUC.

- 5) Powhatan is agreeable to changing the ERU calculation for the FBUC contract from 1 ERU/structure to ERU based on meter size, or use, per the respective County codes.

Chesterfield Utilities staff responded that they would prefer to have one contract with Exhibit 3 and 4 outlining the different calculations for the billing of the Route 60 water meter versus the FBUC water and wastewater service.

Chesterfield Utilities indicated that they were not willing to leave the Route 60 contract with the current terms if they transferred 55,000 gpd capacity to FBUC because of the inconsistency the current billing methodology of 1 ERU = 400 gpd and the tiered and fluctuating bi-monthly capacity cost charge. Chesterfield Utilities staff will support leaving the Route 60 contract with the current terms only if the 55,000 gpd is not transferred.

The draft water agreement with Chesterfield County severely limited any economic development opportunities for Powhatan by 1) limiting the boundary where the 55,000 gpd could be used 2) Limiting the amount that could be transferred. Chesterfield indicated that the 55,000 gpd would be a onetime transfer, no additional water could be transferred in the future 3) Limiting any future development to Winterfield Phase II only.

F. THIRD PARTY EVALUATION

Powhatan County hired Draper Aden Associates to complete the following;

- 1) Evaluation of Maintenance Records, costs and projected repair costs going forward.
- 2) Evaluation of Financial Records from 2014 to 2018 submitted to the SCC for Founders Bridge Utility Company.
- 3) Evaluation of projected revenue if Founders Bridge Utility Company is acquired by Powhatan County and residents served by FBUC are put on Powhatan water and sewer rates. This task was completed using 2018 historical usage data.
- 4) Evaluation of the proposed draft water agreement from Chesterfield County and the impact on the cost of water to Powhatan.

It should be noted that on August 20, 2008 Draper Aden sent a memo to the Director of Utilities, Chris Rapp, stating "the lack of capacity is more of an issue than the rates" (Appendix M). This memo also states "It is not feasible" to buy more capacity from Chesterfield due to the cost involved. It appears that Chesterfield County might be willing to sell more capacity to Founders Bridge, but it is not feasible for the developer to recover the cost from the future homes. In 2008 it appeared that Chesterfield was not unwilling to sell more water to FBUC, but FBUC was unwilling to pay the increased cost of the water. As development increased in the area, capacity was allocated to Chesterfield Developments resulting in there being no additional capacity to sell even if FBUC or Gray Land Development Company was willing to pay the asking price.

The 2019 evaluation by Draper Aden can be summarized as follows;

Existing Net Proceeds FBUC based on FBUC rates, current operating costs and repairs (actual from financial reports);

2016 = \$3,831

2017 = (\$75,615) loss

2018 = \$53,312 (this includes \$47,500 connection fee, a onetime revenue)

It is difficult to project directly the net proceeds from FBUC based on Powhatan rates because the contracts calculate capacity charges differently. FBUC capacity is based on 1 ERU per structure and Powhatan is based on 1ERU for every 400 gpd.

	Revenue [†]		Total	Operating Costs	Net Proceeds
	Water	Sewer			
FBUC 2018	\$160,864	\$91,571	\$252,435	\$246,623	\$5,812
Net Proceeds with Powhatan Rates (assume \$45,000 annual repair costs)	\$196,700	\$158,991	\$355,691	\$291,623	\$64,068
Net Proceeds with Powhatan Rates and Chesterfield increased Capacity^{**}	\$196,700	\$158,991	\$355,691	\$325,623	\$30,068
Increased cost for Route 60 water using Chesterfield Draft Agreement				\$32,114	-\$2,046

[†]Revenue does not include any connection fees as these are one time revenue

^{**} Increase in operating cost includes Chesterfield commodity increase \$2.07 per ccf to \$2.15 per ccf

Table 1: Net Proceeds Comparison

When Draper Aden applies the conditions of the draft water agreement to the historical water usage for FBUC the water will cost approximately \$12,000 more per year and \$22,000 more per year for sewer. In addition the proposed changes to the Route 60 contract will cost Powhatan County approximately \$32,114 more per year. With no changes to the draft water agreement issued by Chesterfield County, the proposed merged contract will cost Powhatan approximately \$66,114 more per year. This is reflected in Table 1 (\$64,068-\$66,114 = -\$2,046).

G. IMPACTS OF ADDING 200 APARTMENT UNITS

February 1, 2016 O-2016-01 the rezoning of 50+ acres was approved which included the proposed 200 apartment unit development. The Developer understood that he needed to prove adequate water and sewer capacity prior to any vertical construction. The Developer and GrayCo. have a long term relationship which includes the Developer being guaranteed a specific capacity of water (65,000 gpd). Powhatan has made it very clear that they will not be held responsible for any liabilities that GrayCo. may have with the Developer. Powhatan’s interest in transferring 55,000 gpd from the Route 60 water supply was to assist with Economic Development.

The 2019 plans submitted to Powhatan County and Chesterfield County indicated that the apartment complex engineering design would require approximately 53,000 gpd of water capacity. Riverton Associates (Casey Sowers) has paid Gray Land Development for 65,000 gpd for use in their development in the FBUC service area. Riverton’s development includes Winterfield I, Bel Crest, Bel Bridge and Winterfield II. Based on the current number of meters in Winterfield Phase I (including Bel Crest and Bel Bridge), Riverton has already used 122 ERU x 350 gpd = 42,700 gpd of the 65,000 gpd purchased capacity. Keep in mind that capacity is different from actual metered usage. Capacity accounts for peak

day usage that may occur. There is 22,300 gpd capacity available for Winterfield Phase II. Riverton has a deficit of 30,700 gpd. Powhatan County required Riverton Associates to provide verification that adequate water and sewer capacity is available. Verification of adequate capacity has not been provided to Powhatan County to date. Riverton Associates indicated that they had meter reading data to present to Sydnor Hydro that would allow them to provide a letter verifying adequate water capacity.

FBUC has 135,000 gpd of sewer capacity allocated from Chesterfield County. Based on winter flow data (no irrigation), the existing structures utilize approximately 60,000 gpd of the sewer capacity leaving 75,000 gpd for Winterfield Phase II development. There appears to be adequate sewer capacity for Winterfield Phase II however Powhatan still requires this verification in order to approve vertical construction to proceed.

In the Draper Aden report from 2019, adding 200 apartments to the FBUC area would increase water and sewer revenue by approximately \$100,000 however there are additional operating costs, such as the cost to purchase water and sewer and the additional capacity charges associated with the draft water agreement. Net income to add 200 apartments will be approximately \$46,700. Powhatan County would show surplus revenue after the apartments are built-out however this does not take into account the additional cost of water from Chesterfield according to the draft water agreement.

H. STATUS OF WINTERFIELD PHASE II

Powhatan conducted courtesy review of the Utility plans submitted to the Powhatan County planning department. Riverton Associates has an approved PER for well water withdrawal and treatment for approximately 119 gpm (171,360 gpd). The estimated cost for construction of the well water treatment facility is approximately \$800,000. Riverton Associates indicated that they would construct the treated well water system and storage facilities separate and isolated from the Chesterfield water system (see Letter dated March 21, 2018 Appendix N). This would allow Riverton Associates to verify adequate capacity without having to blend with Chesterfield Water and without transferring additional water from Route 60.

In the September 26, 2019 meeting between Powhatan County and Chesterfield County, Chesterfield indicated that they had not received any Utility plans. According to Chesterfield's water agreement with FBUC all Utility plans are required to be submitted to Chesterfield for approval. On October 11, 2019 Chesterfield received plans from Balzer Engineering. Chesterfield County indicated that comments would be returned by November 1, 2019. Given that the PER was approved from the Health Department and the wells are already drilled, Riverton could proceed with design and construction of the treatment facilities or obtain verification satisfactory to both Chesterfield and Powhatan Counties that there is adequate water capacity to support Winterfield II and the apartments.

I. RECOMMENDATION

The proposed acquisition of the FBUC system was presented to Powhatan County as an economic development benefit and a way to increase Powhatan's customer base to help offset the subsidizing of the Powhatan Utility from the General Fund. FBUC has a long history of water supply issues directly

related to irrigation. The owner of FBUC, Gray Land Development Company, has been aware of the limited supply of potable water since 2004 and has implemented several water conservation projects in an effort to keep water demand within the 180,000 gpd allotted capacity. The approved PER (preliminary engineering report) allows FBUC to drill wells and construct water treatment facilities to add approximately 172,000 gpd of water capacity to the FBUC system. Gray Land Development Company's original intent was to construct the wells and treatment facility at a cost of approximately \$800,000 and then issue a rate case to the State Corporation Commission to increase the tariffs to account for the capital investment in the treatment facility. Gray Land Development Company proposed that Powhatan County acquire the system at no cost and then the County construct the treatment facility because Powhatan could charge Powhatan's commodity rate (higher) and pay for the cost of the treatment facilities with the increased revenue.

Initially, the homeowners were opposed to the County taking over the system because Powhatan's commodity rates were much higher than the 2014 Tariff that FBUC is currently charging. In addition homeowners did not want the Chesterfield water supply to be supplemented with treated well water as per the approved PER (Preliminary Engineering Report). After Powhatan County deferred the acquisition in November 2016, the homeowners realized that they would likely end up with treated well water even if the County did not acquire FBUC because GrayCo.'s need to solve the water supply issue. Residents approached the County to request that the County acquire the FBUC system and transfer 55,000 gpd from Powhatan's Route 60 water supply if agreeable with Chesterfield County. The County agreed to discuss the possibility of a transfer of 55,000 gpd with Chesterfield. Transfer of the 55,000 gpd from Route 60 would eliminate the need to drill the wells and build the water treatment facility and would solve the water supply issue that GrayCo. is responsible for resolving.

Chesterfield agreed to negotiate the possible transfer of 55,000 gpd to FBUC and merge the two separate water agreements (with very different terms) into one contract. In addition to negotiating a favorable water agreement with Chesterfield County, Powhatan County began due diligence in evaluating the FBUC system to determine if the acquisition is in the best interest of the County and tax payers. The evaluation of the FBUC system included financial reports, maintenance reports, GIS and mapping, easements, field verification and proposed/future developments (economic development potential).

There are several issues which weighed in on the recommendation;

- 1) The final draft water agreement with Chesterfield County increases the cost of water in both FBUC area and Route 60. In addition to the increased costs, Chesterfield limited future development to within the FBUC service boundary and only allowed Winterfield II for future development. Future Development is also limited by the volume of water and the movement of water. Chesterfield would only allow a onetime transfer of 55,000 gpd, no additional transfer will be allowed and no water could be transferred back to Route 60 in the future. The draft agreement removed both of the initial benefits of acquiring FBUC, economic development and financial benefit.
- 2) Mapping and Easements: The GIS mapping and easement plats revealed several areas of concern. Several water or sewer lines were shown to be located very close to or under buildings

and structures. Some of the water and sewer lines were located outside of the easement. Some of the easements were not available or were not recorded.

- 3) Maintenance Records: The maintenance records are maintained by Sydnor Hydro who operates the system for FBUC. The records provided by Sydnor lacked detail regarding water breaks and how the repairs were completed. The records did indicate that water main repairs are costly due to the asphalt and concrete located overtop of the mains i.e. mains are located in road right-of-way. It is estimated that on average repairs will cost at least \$45,000 per year. The records indicated that no maintenance or repairs have been performed on the sanitary sewer system.
- 4) The financial analysis indicates that taking on the additional customers does not significantly increase revenue because the system at FBUC comes with added maintenance costs i.e. meter reading, repairs, billing, electrical costs, reporting. Even applying Powhatan's rates only provides approximately \$65,000 revenue per year. One water or sewer repair would easily use up \$65,000. Once the draft water agreement with Chesterfield is applied the County will likely not generate enough revenue to offset expenses.

Powhatan County Utilities is subsidized by the General Fund, any increases in the cost of water along Route 60 will be borne by all tax payers not just the businesses and residents connected to the water and sewer infrastructure. Powhatan County Utilities cannot recommend acceptance of the draft water agreement because it places additional tax burdens on all citizens in order to take over FBUC.

Based on the due diligence evaluation, the third party evaluation and the Draft Water Agreement from Chesterfield (July 2019), as they are currently presented, it is not in the best interest of Powhatan County to acquire Founders Bridge Utility Company. Without significant changes in the four issues identified above Powhatan should not pursue a future acquisition as the water supply shortage will continue to be an issue due to irrigation and will be exacerbated with additional development and water demands. The addition of Winterfield II without an additional water allocation (wells or from Chesterfield) could create a water crisis and significant economic impact to the businesses and residents.