



TOWN COUNCIL
Town Hall Meetings
Cape Charles Civic Center
February 16, 2022 at 6:30 PM
February 19, 2022 at 2:00 PM

Two Town Hall Meetings were held by the Town Council regarding the potential sale of the Town's public utilities under the Public-Private Education Facilities and Infrastructure Act (PPEA). The purpose of the two meetings was to better accommodate the schedules of the citizens and business owners. The same information was covered in both meetings.

At approximately 6:30 p.m. on February 16, 2022, Mayor William "Smitty" Dize, having established a quorum, called to order the Town Hall Meeting. In addition to Mayor Dize, in attendance were Vice Mayor Bennett, Councilmen Buchholz, Follmer and Grossman, and Councilwomen Holloway and O'Brien. Also, in attendance were Town Manager John Hozey, Project Manager Bob Panek, Officer Andrew Spencer, Assistant to the Town Manager Julie Pruitt, and Town Clerk Libby Hume. Representatives from Virginia American Water and NewGen Strategies & Solutions were also in attendance. There were 24 members of the public physically in attendance, and 30 viewers on Facebook.

At approximately 2:00 p.m. on February 19, 2022, Mayor William "Smitty" Dize, having established a quorum, called to order the Town Hall Meeting. In addition to Mayor Dize, in attendance were Vice Mayor Bennett, Councilmen Buchholz and Grossman, and Councilwomen Holloway and O'Brien. Councilman Follmer arrived at 2:18 p.m. Also in attendance were Town Manager John Hozey, Project Manager Bob Panek, Officer Juana Diaz, Assistant to the Town Manager Julie Pruitt, and Town Clerk Libby Hume. Representatives from Virginia American Water and NewGen Strategies & Solutions were also in attendance. There were 18 members of the public physically in attendance, and 16 viewers on Facebook.

Mayor Dize welcomed all in attendance adding that presentations would be provided by representatives from Virginia American Water (VAW) and NewGen (NewGen) Strategies & Solution, followed by a period for questions from the attendees.

Please see attached for the presentations from VAW and NewGen, along with the handouts provided by VAW.

There was discussion regarding the following: i) For the 10-year forecasting, the Town's 5-year capital improvement plan was used as well as assumptions on the following 5 years based on maintenance and average replacement. A typical utility system had a life span of 15-20 years and some reach as much as 50- years. A 10-year forecast gave a reasonable estimation; ii) Some of the Town's debt would expire in year 11. Beyond that, the Town most likely would have to incur more debt for maintenance or upgrade to the systems. The timeframe was too far out and there were too many variables to predict; iii) John Hozey explained the Enterprise Funds adding that they were self-sustaining by user rates. General Fund tax revenue could not be used to offset the Utilities Fund; iv) VAW representatives explained the consolidated rate structure which spread the costs of capital improvements across their entire user base. This would help maintain the current rates and potentially reduce the rates for Cape Charles users once the Town was included in the consolidated rate; v) John Hozey stated that the next step in this process was for Council to decide whether to sell the utility systems or not. Should Council decide to move forward with the potential sale, the next step would be to negotiate and agreement with VAW. The agreement would have to incorporate requirements from the annexation agreement so representatives from Preserve Communities (Bay Creek) would have to participate in the negotiations as well; vi) Several of the attendees voiced their

concern of the Town losing control of the rates, etc. if the utilities were sold. John Hozey reiterated that any change in rates would have to be approved by the State Corporation Commission who worked for the best interests of the public, not the private utility company; vii) John Hozey concluded the discussion stating that part of the reasoning for considering the sale of the utilities was the need for expertise. He wanted it clear that the current employees were excellent operators. They were trained to be operators. The Town needed engineering support and regulatory expertise. We did not have, nor have we ever had anyone on staff with the kind of expertise that was necessary. The Town had been assessed a number of fines since 2007 and had received many warnings. It was critical for the Town to provide the staff with the needed support. If the Town were to retain ownership of the utility systems, we would need to contract out for the management of the facilities. If the systems were sold to VAW, they had people on staff with the necessary expertise to manage the facilities.

Mayor Dize thanked everyone for coming out for the Town Hall meetings adding that citizen involvement was crucial to the process. If anyone had any more questions or concerns, they should email them to John Hozey. Copies of the public messages and other information relating to this issue could be obtained at the Utility Billing office in the Town Hall.

Motion made by Councilwoman Holloway, seconded by Councilman Grossman, to adjourn the February 16, 2022 Town Council Town Hall Meeting. The motion was approved by unanimous vote.

The February 16, 2022 meeting adjourned at 8:33 p.m.

Motion made by Councilwoman Holloway, seconded by Councilman Grossman, to adjourn the February 19, 2022 Town Council Town Hall Meeting. The motion was approved by unanimous vote.

The February 19, 2022 meeting adjourned at 3:41 p.m.

Mayor Dize

Town Clerk

February 16 & 19, 2022 Town Hall Meetings Presentation Slides & Handouts

Virginia American Water's presentation



Strong American Company: Over 170 Years Serving Virginia



Largest investor-owned water and wastewater utility in the Commonwealth of Virginia.

Serving approximately 339,000 people in 25 communities.

Providing drinking water to the:

- City of Alexandria since 1850
- City of Hopewell since the 1930s
- Prince William Water/Wastewater since 1966
- Areas in and around the Northern Neck since 2000
- Fort Lee since 2001
- Town of Waverly to be closed in Spring 2022
- Operation Agreement signed for 18 Groundwater Systems in Northern Neck

339,000

Residents provided with high-quality service

72 M

Gallons of drinking water delivered each day

171

Years of serving residents in the Commonwealth of Virginia

American Water's Military Services

Largest provider of water and wastewater services to the military in the US, including two bases in Virginia.

- Fort A.P. Hill
- Fort Belvoir



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What A Partnership with Virginia American Water Means



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Water Quality



Compliance and Process Monitoring is Critical: American Water's water quality professionals and treatment plant operators perform over one million tests each year for about 100 regulated contaminants at our nearly 80 quality control labs.

Access to state-of-the-art Laboratory: We also have access to American Water's Central Laboratory, which supports the company's research and water compliance efforts through sophisticated testing and analysis.

Research and Innovation: Our team of scientists are regularly refining testing procedures, innovating new methods, and setting new standards for detecting potentially new contaminants—even before regulations are in place -and treating emerging contaminants.

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Focus on Community Partnerships



- Environmental Grant Program
- Elementary School Art Contests
- Firefighting Support Grant Program
- Food, Clothing, School Supply and Toy Drives
- Back-to-school Events
- Community/Charitable Support
- Community Festivals



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Our Customer Service Commitment



COVID-19 Response

- Over \$1 M in CARES Act funds were available to our customers
- Expanded payment arrangements
- Business continuity plan
- Community support/charitable donations



24/7 customer service for emergencies

MyWater online account management portal

View/pay your bill, check your account balance, turn your service on/off, sign up for alerts, view your water usage, enroll in Paperless Billing and Auto Pay, and more.

Emergency alert notification system - phone, email and/or text

Online emergency reporting

Five convenient bill payment options:

- 📄 Auto Pay (no stamps required)
- 📄 Online
- 📄 By Mail
- 📞 By Phone
- 👤 In Person

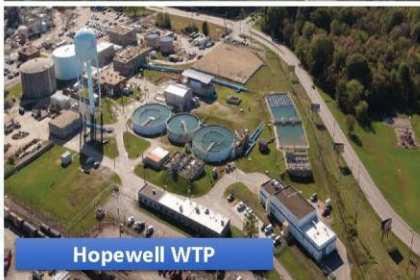
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- GIS Technology
- AMI Meter Reading
- Innovative Safety Strategies
- Asset Management
- Distribution & Production
- Preventive Maintenance Efficiency
- Capturing and Tracking company assets and improvements
- MyWater, W1V, Mapcall

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VAW's 2020-21 Capital Projects...



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Thank You



More Than A Transaction – It's a Partnership



Economic Development

- Virginia American Water is positioned to help the Town of Cape Charles staff to achieve desired developer growth through existing mechanisms already established. These mechanisms work similarly to those outlined in the Annex Agreements currently in effect in Cape Charles.
- VAW's large customer base also enables the Company to make capital investment while balancing the impact to existing customer rates.



Employees

- Retain existing employees
- Competitive pay, benefits, performance-based compensation, tuition reimbursement
- Opportunities for career advancement, professional development and training
- Access to Employee Training Center located in Virginia.



Community

- Community engagement in areas that are a priority for the town such as schools and civic organizations
- Scholarships, internship opportunities, STEM+H initiatives
- Customer assistance programs
- Access to American Water Charitable Foundation grant programs



Customers and Safety

- Safe, reliable water for community
- PUC regulated ensuring oversight in future rate-making
- 24/7 customer service with local and other bill pay options
- Exceptional track record when it comes to water quality and drinking water regulatory compliance.



Investments

- Increased Property Tax Base
- Sustainable Rate Stabilization – Unique to VAW due to our customer base in Virginia.
- Capital Improvements
- Other Re-occurring sources of revenue potential (Franchise Fees, Permits, etc)

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February 15, 2022

PPEA SCENARIOS EVALUATION

TOWN OF CAPE CHARLES, VIRGINIA



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NEWGEN AT A GLANCE

OUR COMPANY	OUR PEOPLE	OUR CLIENTS	OUR COMMUNITIES
 12 locations nationwide	 47 employees	 NewGen Staff Summit - 2019 <i>Thoughtful Decision Making for Uncertain Times</i>	 Our Vision be a consulting company that makes a difference for our clients, our employees, and in our communities
2012 established	 28% hold professional certifications	 52% have advanced degrees	 \$380,000 since 2015, NewGen has committed to giving 1% of our gross revenues to charity each year
	 47% female	 53% male	 In 2020, NewGen donated ~\$100K amongst 44 organizations nationwide, with over \$380K being donated since the program inception
		 ELECTRIC	 SOLID WASTE
		 NATURAL GAS	 WATER / WASTEWATER
		Energy: 775 active projects	Environmental: 904 active projects
		39/100 largest public power utilities by electric revenues, 2017 (APPA)	

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Decision Matrix

Criteria	Weighting	VAW	Status Quo
Customer Affordability – Rate Stability	1.6	^	✓
Need for Professional Expertise	1.6	^	✓
Assumptions Affecting Rates	1.4	✓	^
Planned Capital Expenditures	.5	^	✓
Incorporation of Annexation Agreement	.5	✓	^
Connection Fee Revenue	.2	✓	^
Confidence in System Growth	.2	^	^
Reputation – Track Record	1.4	^	✓
Customer Service Methodology	1.2	✓	^
Treatment of Existing Employees	1.2	^	✓
Net Cash Flow to Town	1	^	✓
TOTAL SCORE:		^	✓

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DESCRIPTION OF MATRIX TERMS

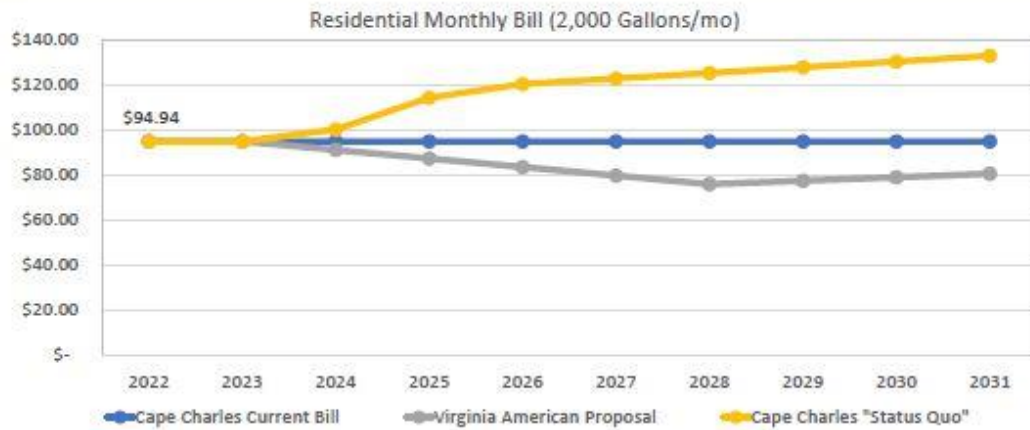
- **Customer Affordability – Rate Stability**
 - How does the scenario's rate projection compare to current rates?
- **Need for Skilled Manpower**
 - Does the scenario include the ability to attract and retain the necessary skilled workforce?
- **Assumptions Affecting Rates**
 - How certain are the assumptions in the scenario?
- **Reputation – Track Record**
 - What is the overall reputation of the system operator and their track record of providing good service?
- **Customer Service Methodology**
 - How personal and responsive is the customer service?
- **Treatment of Existing Employees**
 - How will the Town's existing employees fair under the scenario?
- **Net Cash Flow to the Town**
 - What is the cashflow the Town will receive in the scenario?

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WATER AND SEWER BILL TEN-YEAR FORECAST (ESTIMATED)



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BILL FORECAST ASSUMPTIONS

Cape Charles "Status Quo":

- FY 2022 Cape Charles Budget (2.0% escalation in future years)
- Cost of Hiring Additional Expertise (personnel or contract management)
- Existing Debt payable by Cape Charles
- No New Cape Charles Debt
- Cape Charles Capital = \$5 MM (Plus Developer Contributions)
- Partial drawdown from Utility Fund Facility Fee Reserves
- Average Annual Growth = 34 New Connections per Year

Virginia American Water Proposal:

- Notional projection, subject to future rate cases approved by the SCC
- 2.0% escalation of future expenses
- Capital investment = \$10.0 MM (Developer Contributions TBD)
- Average Annual Growth = 34 New Connections per Year

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VAW's Handouts:



Virginia American Water is a subsidiary of American Water, the largest and most geographically diverse U.S. publicly traded water and wastewater utility company.



To learn more about Virginia American Water's water and/or wastewater solutions, please contact:

Casey Allen
Vice President of Operations
casey.allen@amwater.com

02-2022



ABOUT VIRGINIA AMERICAN WATER

Virginia American Water has provided high-quality, reliable water service to customers statewide for more than 170 years.

Virginia American Water is the largest water company in the state, serving approximately 339,000 people in 25 communities. More than 130 highly-skilled professionals carry out the company's foremost responsibility of providing safe, reliable drinking water and wastewater service to our customers.

OUR INFRASTRUCTURE INVESTMENTS

Our team of experts regularly monitor, maintain and upgrade our facilities to continue to operate efficiently and meet regulatory standards. This requires investing millions each year in our infrastructure, including treatment plants, tanks, pump stations, pipes, fire hydrants and metering equipment. We do this because we care about our customers as much as we care about water.

In 2021 alone, we invested more than \$35 million in water system improvements statewide, including the replacement of aging water mains in our Alexandria, Hopewell and Prince William Districts. These critical water main replacements help to enhance water service reliability and improve fire flow protection. Additionally, we've built new domestic and industrial pump stations and have converted from chlorine gas to sodium hypochlorite at our Hopewell treatment plant. We're also upgrading wells and replacing water mains in our Eastern District.

HIGH-QUALITY WATER SERVICE

We have a track record of meeting or surpassing water quality standards. Statewide, we perform thousands of tests annually for about 100 regulated contaminants on the water before it leaves our treatment plants. We also have access to American Water's Central Lab in Belleville, Illinois, which conducts sophisticated drinking water testing and analysis.



virginiaamwater.com



VIRGINIA AMERICAN WATER

Serving 339,000 people within seven counties and two cities.

Providing drinking water service to:

- City of Hopewell and portions of Prince George County since the 1930s
- Fort Lee since 2001 (under a contract with the U.S. Army)
- City of Alexandria since 1850
- Dale City since 1966
- Areas in and around the Northern Neck since 2000

Providing wastewater service to:

- Dale City (Prince William County) since 2013



SAFETY

At Virginia American Water, safety is not just a key strategic priority, it is a core value. We do not compromise safety for speed, convenience, or profit. We take the responsibility of ensuring the safety and wellbeing of our customers and employees very seriously. In support of this, we have put enhanced programs into place, embedding safety measures into all areas of our business and engraining strong safety principles into the American Water way of working.

LENDING A HELPING HAND

Virginia American Water understands that sometimes customers face circumstances that stretch their financial resources, and we are here to assist. Our customer service representatives will work with customers on a plan to pay the balance of their bill over time.

Our H2O Help to Others Program offers grants of up to \$500 per year for customers who qualify (federal low-income guidelines). Grants are supported by corporate donations and customer and employee contributions.

Since the program was first launched in 2010, Virginia American Water has provided hundreds of households help with their water bill.

Budget billing is a free service that is available to eligible residential customers. The program makes it easier for customers to manage their cash flow by providing predictable monthly payments and avoiding unplanned seasonal spikes that may be difficult to pay.



COMMUNITY PARTNER

Our employees take an active role in the communities we serve, and we proudly support local initiatives. Here are just a few ways we serve our communities:

- **Environmental Grant Program:** Supports community-based projects that improve, restore and protect our source water and watersheds.
- **Firefighting Support Grants:** Supports volunteer fire companies in purchasing equipment and critical trainings.
- **Speakers' Bureau and Hands-on Activities:** We provide presentations on water-related topics for all ages.
- **American Water Charitable Foundation:** Alexandria and Hopewell received generous grants to support the development of accessible piers and nature-based play areas, encouraging community members to recreate near and on our source water (Potomac and Appomattox Rivers).

WE'RE A REGULATED UTILITY

Virginia American Water must meet stringent guidelines of federal and state agencies when it comes to water quality and wastewater, including the U.S. Environmental Protection Agency, Virginia Department of Health and Virginia Department of Environmental Quality. Our rates are set by the State Corporation Commission through a transparent and public process.

AN EXCEPTIONAL VALUE

Virginia American Water is proud to provide safe, high-quality and reliable drinking water and wastewater services to our customers' homes and businesses. Even as we invest millions of dollars in our infrastructure across the state, the cost of tap water remains about a penny per gallon. For most customers, our water bill is the lowest utility bill they pay each month.

www.virginiaamwater.com



Proposed drinking water improvements related to customer complaints

1-Discolored water (iron/manganese)

→ Treatment plant: provide stable/constant treatment

- Full plant automation
- On-line monitoring
- New chemical feed systems
- Evaluate filtration media

→ Distribution System:

- Flushing/localized flushing at the ends of the system
- Loop dead end mains
- Evaluate corrosion inhibitor addition to prevent rust formation

2- Lime / Hard water

- Treatment optimization with on-line monitoring and computer control
- Evaluate softener resin

3- Taste and odor

- Common issue when using surface water (lake, rivers), related to organic material
- Not as common in ground water, related to organic material or metals/minerals
- Various treatment steps are available to remove bad smells and tastes

→ Conduct a study to identify the issue and effective treatment options

→ Use backup wells

