

COUNTY OF YORK

MEMORANDUM

DATE: August 25, 2021

TO: York County Board of Supervisors

FROM: Neil A. Morgan, County Administrator



SUBJECT: Peninsula Regional Agencies Report

The purpose of this report is to share information in a single document about York County's relationship with four Peninsula entities that provide important services to our citizens: Hampton Roads Sanitation District (HRSD), Peninsula Airport Commission (PAC), Virginia Peninsula Public Service Authority (VPPSA), and Newport News Waterworks. Our partnership with the City of Williamsburg, which serves as a water purveyor to certain portions of the upper County, is also discussed. In this report, you will find the purpose, history, governance, and financial aspects of each organization, and how they relate to York County.

I hope you find it informative. Should you have any questions or need clarification on any part of this report, please let me know.

PENINSULA REGIONAL AGENCIES REPORT

HAMPTON ROADS SANITATION DISTRICT

In 1934, the Virginia General Assembly created the Hampton Roads Sanitation Disposal Commission. Six years later, the qualified voters within the commission voted for the creation of the Hampton Roads Sanitation District (HRSD). After six more years, on July 1, 1946, operations began utilizing facilities acquired from the United States government. As a political subdivision of the Commonwealth of Virginia, HRSD's main mission is to safely treat wastewater collected by the various localities around Hampton Roads. As such, it owns and operates sewer "trunk lines" throughout the region as well as sewage treatment plants, with administrative offices in Virginia Beach and Newport News.

HRSD's governing board is made up of eight citizens appointed by the Governor, who must reside in Hampton Roads: One member must be from either Williamsburg, James City County, York County, Poquoson, Gloucester County, King William County, Matthews County, Middlesex County, or the town of Urbanna. The current representatives for the Peninsula are Maurice Lynch (Williamsburg), Frederick Elofson (Newport News) and Molly J. Ward (Hampton). Board meetings are held monthly and are open to the public.

The vast majority of HRSD's revenue is comprised of monthly payments made by all residents, businesses, non-profits, and government agencies that are required to pay based on use. The FY2022 operating budget is approximately \$357.5 million. Information on HRSD's finances can be found [online](#). The only County contribution to HRSD's budget is its ongoing monthly sewer bill, which equates to approximately \$41,400 annually.

HRSD is considered a government entity and is not specified in the Code of Virginia as taxable in any way and therefore is exempt.

THE PENINSULA AIRPORT COMMISSION

(Newport News Williamsburg International Airport)

The Peninsula Airport Commission (PAC) was originally organized by state charter in 1946 on surplus Federal land. As a political subdivision of the state, the PAC's purpose is to facilitate public and private air service in the area of the Virginia Peninsula. Over the course of many years, additional land for the airport has subsequently been acquired in both Newport News and York County.

The Commonwealth's original vision for governance was a Board of Commissioners selected by Newport News, Hampton, York County, Williamsburg, and James City County. (Poquoson was not yet an independent entity.) The total number of commissioners and their proportionality has changed several times since the PAC's inception. The airport ran into financial difficulties during the 1970s at the time of the U.S. government's deregulation of the airline industry. This also saw the departure of Williamsburg and James City County as members of the governing body. Around 1980, York County had its role in the governance ended by action of the majority of commissioners from Newport News and Hampton. After initially disputing its dismissal, York County eventually withdrew its objection and has not been represented on the PAC since. For the past four decades, the Commission has consisted of two Hampton Commissioners and four Newport News Commissioners.

After the collapse of the People Express air service arrangement in 2016, York County and others advocated for the restructuring of the PAC such that York, James City County, and Williamsburg would rejoin the Commission and participate in airport oversight along with Hampton and Newport News. The governing bodies of all Peninsula localities, with the exception of Newport News, voted to allow York, James City and Williamsburg to rejoin the PAC. Unfortunately, this idea has been dormant for approximately three years.

The airport's finances are not easily characterized due to changes throughout its long history, its financial interrelationships with the City of Newport News, and some smaller regional contributions for air service incentives that are related to, but not part of, the PAC's operating or capital budgets. For instance, one complication is that even though the PAC is an independent subdivision of the state, its annual audit and Comprehensive Annual Financial Report are combined with that of Newport News. This has been a point of discussion in the past and lead some to feel that the PAC's balance sheet is connected to Newport News in some way.

Until the 1970s, the operating costs of the airport - then known as Patrick Henry Field - were subsidized by the participating localities. Since the mid-1980s, no local governments have subsidized the airport's operating budget. This change was an evolution that included changes in Federal airport grant policies, landing fee structures, growth in private and commercial business, and revenue from non-air operations, most especially a large trailer park that operated on land owned by the airport. (The trailer park still exists today, but on a greatly reduced scale).

During the mid-1980s, PAC leadership identified the need to build a modern commercial terminal; however the airport did not have sufficient cash flow to finance a new terminal without assistance. The cost of the \$20 million-plus project was financed in three roughly equivalent components: 1/3 covered by the PAC, 1/3 loaned to the airport from the City of Newport News, and the majority of the remainder from a land for cash swap with the

Newport News Economic Development Authority (EDA). This loan was repaid over twenty years and, as far our research can determine, there have been no additional major operating or cash capital contributions from any locality to the PAC.

Beginning in the 1990s, Peninsula localities and some area businesses began contributing funds through the Newport News EDA to incentivize commercial air service at the airport. An early version of this program was overseen by an entity known as the Mayor's Blue Ribbon Commission. Later, a more formal structure was created to account for and oversee contributed funds known as the Regional Air Service Enhancement Fund (RAISE). The Newport News EDA remained the fiscal agent and representatives from the Economic Development offices of Gloucester, York, Hampton, Newport News, Poquoson, James City County, and Williamsburg met periodically to approve any incentive packages offered to airlines. Management of these funds by the airport was strictly prohibited by FAA rules about airport funds being used for incentives. No limitations existed for other entities, however.

The strategy of offering incentives proved very effective, and at one point this strategy resulted in Air Tran offering low cost direct service to Atlanta, New York, and Boston. Before Southwest purchased Air Tran and eliminated all Newport News routes, the airport briefly reached the volume of one million passengers per year.

The basic mechanism of the incentive packages was an offer to guarantee monthly revenue based on an average number of occupied plane seats. This eliminated the airline's risk. Until the People Express arrangement that ended in scandal, all previous agreements through the Newport News EDA included a performance agreement such that if the service wasn't provided, then no subsidies were obligated.

York County participated in the RAISE process from 2008 until FY2017. Once the People Express situation became public, York and all of the other Peninsula localities ceased contributing to the fund and per the agreement, the RAISE Committee ceased to exist in 2017 and was not renewed by the parties. In total, York contributed \$262,676 for 10 years based on a population based funding formula.

While many Peninsula leaders believe that a properly overseen airline service incentive fund should be reactivated, there has been no agreement to do so. The remaining funds continue to be under the fiscal control of the Newport News EDA and total approximately \$ 1.2 million. Of that amount, York County's direct remaining contribution is \$77,751 as of June 30, 2021. These funds have been designated to support marketing initiatives, which may include the recently announced connection to Washington D.C.

VIRGINIA PENINSULA PUBLIC SERVICE AUTHORITY

The Virginia Peninsula Public Service Authority (VPPSA) was created in 1989 as a regional governmental organization under the Water and Waste Authorities Act during a time when the regulation of solid waste and landfills was rapidly changing. Similar regional entities, such as the Southeastern Public Service Authority (SPSA), were created in Virginia during the same time frame. VPPSA provides solid waste management services to its member jurisdictions: York County, Williamsburg, James City County, Hampton, Poquoson, Essex, King & Queen, King William, Mathews, and Middlesex. Though once participating members, both Newport News and Gloucester opted out from continuing as members. VPPSA is governed by a Board of Directors made up of one representative from each member jurisdiction.

VPPSA currently provides the following services to York County:

- Curbside Recycling
- Drop-off Recycling
- Operation of the Compost Facility at the Waste Management Center
- Household Chemical and Computer/Electronics Recycling Collection
- Major Disaster Debris Management Contracts

Information on VPPSA governance and finances can be found [online](#). County financial arrangements can mostly be understood to include the following: VPPSA entered into an agreement with York County to operate a regional yard waste processing facility at the County's existing Waste Management Center. VPPSA pays a monthly ground lease payment totaling \$118,000 annually based on a November 20, 2012 agreement. VPPSA also pays the County a host fee of \$1.60 for each ton of acceptable waste delivered to the Facility, which is approximately \$39,000 annually.

In return, York County pays VPPSA for the following services, which are included in the budget for FY2022:

- | | |
|---|-------------|
| • Curbside Recycling | \$1,352,980 |
| • Drop-off Recycling | \$5,415 |
| • Administrative Services | \$11,000 |
| • Household Chemical Operation Collection | \$20,517 |
| • Household Chemical Operation Disposal | \$81,622 |
| • Computer Recycling | \$3,049 |
| • Compost Facility Operation | \$346,924 |

NEWPORT NEWS WATERWORKS

During the 1920s, Newport News purchased in its entirety what was then a private water utility originally developed by the Huntington family in conjunction with construction of Newport News Shipbuilding and related development. Newport News Waterworks (NNWW) is a wholly-owned department and enterprise fund of the City of Newport News. All staff are employed by the city, property owned for water system purposes technically belongs to the city, just as all assets and liabilities of this approximately 400,000 customer regional system is owned by Newport News.

Waterworks provides potable water for most of York County, portions of lower James City County, and all of Newport News, Hampton, and Poquoson. Service in York County is pursuant to an agreement between the two localities last revised in 1998. Through the city, NNWW owns property in all of these localities plus New Kent County, including pump systems, treatment plants, reservoirs, and land intended to protect the reservoirs from undesirable runoff. Outside of Newport News' boundaries, Waterworks' largest land holdings are in York County, including hundreds of acres surrounding Harwoods Mill Reservoir.

In terms of finances, NNWW is an enterprise fund fully incorporated in the Newport News Comprehensive Annual Financial Report and budgeting process. Information about all of Waterworks' financial data can be found [online](#). As an enterprise fund, the city recovers costs for internal services it provides to the water utility. For example, NNWW's budget includes charges for Human Resources, Information Technology, and management services. These charges are typical for government enterprise funds such as the County's sewer fund or Williamsburg's water fund, albeit on a larger scale.

NNWW's expenditures also include the cost of its several hundred person staff, the cost of power, its equipment fleet, repair and replacement of water pipes, facilities maintenance, and significant payments in lieu of taxes to all of the localities within which it controls land and facilities. NNWW is a government entity specified in the Code of Virginia and can be taxed to the extent of water supplied outside of the County. The city pays a tax to the County according to a formula set out in Code of Virginia § 58.1-3663, based on the proportion of its total revenues derived from outside York County. The applicable taxable percentage is approximately 56%. Because of the large land holdings and expensive facilities that NNWW has in York County, it is included in the County's top ten largest tax payers with budgeted County revenue in FY22 of approximately \$594,000. NNWW also pays the debt service on all of the water infrastructure that is continuously in need of upgrades, and contributes an annual return on investment to the City's General Fund.

On the revenue side, the vast majority of the water utility's income comes from fees paid by all regional water consumers including residential, industrial, commercial, and governmental. It's important to point out that although all water rates and charges are set exclusively by the Newport News City Council, the same rates and charges are applied to all customers of the same type, regardless of the jurisdiction in which they reside. For example, all of the City of Newport News' public buildings are charged the same for water use as all of the York County public buildings. This includes a monthly water consumption bill paid by the County currently budgeted annually at \$68,000. In addition, the County pays NNWW for water used at the various pump stations, which equates to approximately \$15,000 per year. The County also buys water in bulk from NNWW for resale to Aqua Virginia for private systems in portions of Carver Gardens, Queens Lake, York Terrace, and Nelson Park in the amount of \$300,500 annually. This cost is offset by the revenue received from Aqua Virginia to purchase the bulk water from the County.

In 2004, the County entered into an agreement with the City and Newport News Waterworks that implemented a plan for all of York County not supplied by other water purveyors to be part of the NNWW service area. This agreement turned over to NNWW the County's existing water infrastructure in the Lightfoot Area and also shared in the cost of the construction of a water pipeline to the northern part of the County. The purpose of the pipeline is to eventually incorporate the Lightfoot Well System into the surface treated potable water system utilized by most of the County. In 2009, in accordance with the 2004 agreement, the County transferred capital assets (mostly infrastructure) of approximately \$6.1 million to NNWW and also paid a system development fee of \$423,690 for the existing customer accounts to be transferred to the City for operation and maintenance. Ten years later, in 2019, York County participated in a three-party agreement with Newport News and the Colonial Williamsburg Foundation to design and construct a large water main to supply the northern part of the County with treated surface water, as mentioned previously. The County's financial contribution to this project was \$3,717,822. The total cost associated with the NNWW/Lightfoot Extension was \$7,700,000.

The relationship between York County and NNWW has resulted in many positives, with a major one being the McReynolds Athletic Complex (MAC) originally known as the York County Sports Complex. Back in 2005, the County entered into an agreement to build the MAC on Newport News owned watershed property in York County. In exchange for the right to develop the property, the County pays rent to NNWW in the amount of \$209,774.50 annually. The MAC has become a popular location for sporting events, both large and small, as well as a place to hold community events. Its paved path is utilized by citizens wanting a safe place to walk or jog, and the playgrounds are popular among families.

CITY OF WILLIAMSBURG

The City of Williamsburg is the water purveyor to two separate service areas in the northern part of the County. The first and longest served area is along Merrimac Trail (2nd Street), James York Plaza, and the Middletown Farms neighborhood. The second service area is along the Bypass Road corridor, including commercial and residential properties along the corridor and adjacent developments, as well as the Mooretown Road developments up to Airport Road. Williamsburg also provides water to Bruton High School and Camp Peary.

Waller Mill Reservoir, located in York County, is owned by the City of Williamsburg and is from where Williamsburg obtains a majority of its water supply. Williamsburg also operates its own water treatment facility at the location. In addition, groundwater is withdrawn from a deep well system, permitted by the Virginia Department of Environmental Quality, that is used to supplement the surface water reservoir. Williamsburg also has an agreement with Newport News Waterworks to purchase raw water (untreated) as demand requires. The County pays the City of Williamsburg for water service at two pump stations, which is approximately \$760 per year.

A 1995 memorandum of understanding between Williamsburg and York County states that the City's property that is located in the County and necessary for the production of the City's water is subject to partial taxation by the County, but only when Williamsburg has made a "substantial net profit" in the operation of its water system during the prior year. The last payment made by the City of Williamsburg to the County was \$71,128.65 in FY18.