

Reservoir report claims city is way off

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KING WILLIAM - Two environmental groups released a report Friday that claims Newport News's projections that support the city's \$40 million master bond program that fund a portion of the King William Reservoir Project are "erroneous and misleading."

The city, however, disagrees.

"The implications of the erroneous projections are that the predicted revenues will not materialize to pay off the 2007 water revenue bond. That means that water rates and hookup fees would have to rise significantly to satisfy the city's financial obligations," said Dr. Donald Phillips, the report's author and a retired scientific researcher at NASA Langley.

The report is the second released by both the Alliance to Save the Mattaponi and the Sierra Club that contradict the city's projected revenue and future water sales.

prospectus claimed that "there is no litigation pending or, to its knowledge and belief, threatened which would have a material adverse effect on the operations or financial condition of the System."

Last week, opponents of the project pointed out that the city is engaged in litigation in federal court in a suit where three environmental groups and the Mattaponi Indian tribe are all asking that the project's federal permit be revoked.

Additionally, the Chesapeake Bay Foundation has challenged the legality of the project's

Virginia state permit extension in state court.

In addition to the litigation, the State Water Control Board must renew the project's permit by 2012, which many have called uncertain.

If the \$300 million project is constructed, the groups say residents and businesses will pay much higher prices for water, and taxpayers will bear the burden of paying for the operation of the project.

"The need for the King William Reservoir is predicated on a projected growth in demand for water that has not been realized," said

The first report released in August of 2008 claimed that the city's actual population growth and Peninsula water demand were short of the projections the city had presented to various permitting authorities when seeking project approval for the reservoir project.

The 2008 report stated that the city's water sales have not increased since 1993 and in fact, have actually decreased in recent years, claiming that based on Newport News' own water rate study, the city was selling 45.7 million gallons per day (mgd) in 1990 and 43.5 mgd in 2007.

The most recent report finds "discrepancies" in Newport News's bond prospectus.

The city's \$40 million water revenue bond was issued prior to 2007, according to Project Manager Ron Harris, and was the first of its kind for Newport News.

"It's not specifically linked to the King William reservoir. It is one of the financing options for the project," Harris said. "We have several others. Two of which are agreements with Williamsburg and James City County as partners."

The third, Harris said, is a new "System Development Fee" the city charges for new water hookups, which has increased each year, combined with actual water sales.

"Each can pay for about a third of the debt service for the money we spend on the project," Harris explained.

The report also states that Newport News's bond

Glen Besa, Virginia Director of the Sierra Club. "Under the circumstances, the city owes it to its water customers to re-evaluate the need for the reservoir."

Harris, who yesterday had not yet seen the report, said the bond program was initially reviewed and recommended by several outside financial firms. Construction for the project is expected to begin after 2012.

"We're still basically on schedule and on budget," Harris said.