

**AG E N D A**  
**JAMES CITY COUNTY BOARD OF DIRECTORS**  
**REGULAR MEETING**  
**County Government Center Board Room**  
**101 Mounts Bay Road, Williamsburg, VA 23185**  
**March 22, 2016**  
**6:30 PM**

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**A. CALL TO ORDER**

**B. ROLL CALL**

**C. CONSENT CALENDAR**

1. Minutes Adoption - February 23, 2016 Regular Meeting
2. Resolution Appointing Wilmington Trust, N. A. and Removing U. S. National Bank Association, as Trustee Under Master Indenture
3. Ratification of Series 2016 Bond Documents

**D. PUBLIC HEARING(S)**

**E. BOARD CONSIDERATION(S)**

**F. BOARD REQUESTS AND DIRECTIVES**

**G. GENERAL MANAGER'S UPDATE**

**H. ADJOURNMENT**

1. Adjourn until 6:30 pm on April 26, 2016 for the Regular Meeting

**ITEM SUMMARY**

DATE: 3/22/2016  
TO: The Board of Directors  
FROM: Teresa J. Fellows, Administrative Coordinator  
SUBJECT: Minutes Adoption - February 23, 2016 Regular Meeting

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**ATTACHMENTS:**

	Description	Type
▣	022316 BOD Mins	Cover Memo

**REVIEWERS:**

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	3/15/2016 - 9:49 AM

**MINUTES**  
**JAMES CITY SERVICE AUTHORITY BOARD OF DIRECTORS**  
**REGULAR MEETING**  
**County Government Center Board Room**  
**101 Mounts Bay Road, Williamsburg, VA 23185**  
**February 23, 2016**  
**6:30 PM**

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**A. CALL TO ORDER**

**B. ROLL CALL**

John J. McGlennon, Roberts District  
Ruth M. Larson, Berkeley District  
P. Sue Sadler, Vice Chairman, Stonehouse District  
Michael J. Hipple, Powhatan District  
Kevin D. Onizuk, Chairman, Jamestown District

M. Douglas Powell, General Manager  
Bryan J. Hill, Secretary to the Board

**C. CONSENT CALENDAR**

A motion to Approve was made by Ms. Sadler and the motion result was Passed.

AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: McGlennon, Larson, Sadler, Hipple, Onizuk

1. Setting a Public Hearing - FY 17 Utility Rates
2. Minutes Adoption - January 26, 2016, Organizational Meeting
3. Refunding of Outstanding James City Service Authority Bonds

**D. PUBLIC HEARING(S)**

**E. BOARD CONSIDERATION(S)**

**F. BOARD REQUESTS AND DIRECTIVES**

**G. GENERAL MANAGER'S UPDATE**

Mr. Powell stated that he wanted to brief the Board on the JCSA's easement clearing program, which is a major component of the management and operations maintenance program that is required as part of the Consent Order. He stated that the majority of the JCSA's wastewater easements are located in rights-of-way that are already cleared and maintained; however, there are 130 miles of easements that are off of rights-of-way. Evaluations of these easements began in 2014. Staff walks, photographs and prioritizes these easements for clearing. To date most of the clearing has been completed in the more remote areas. Soon staff will begin work in the easements that are in more developed areas and more visible to the public. He stated that this is a County-wide impact; however, he noted that 36 miles of these easements are located within the Ford's Colony neighborhood. He stated that staff recently met with representatives of the Ford's Colony Homeowners Association to let them know what would be occurring. He stated that this is a long-term and expensive project, but it is the hope that once this project is completed that the maintenance of these easements can be done with herbicides going forward. He

stated that staff is trying to communicate with residents that may be impacted by this easement clearing.

The Board stated that communication will be key in this process moving forward and agrees that the impacted residents need to be made aware of what is occurring.

## **H. ADJOURNMENT**

### 1. Adjourn until 6:30 p.m. on March 22, 2016, for the Regular Meeting

A motion to Adjourn was made by Mr. McGlennon and the motion result was Passed.

AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: McGlennon, Larson, Sadler, Hipple, Onizuk

At 7:16 p.m., Mr. Onizuk adjourned the Board.

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Bryan J. Hill  
Secretary to the Board

**ITEM SUMMARY**

DATE: 3/22/2016

TO: The Board of Directors

FROM: M. Douglas Powell, General Manager

SUBJECT: Resolution Appointing Wilmington Trust, N. A. and Removing U. S. National Bank Association, as Trustee Under Master Indenture

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**ATTACHMENTS:**

	Description	Type
□	Memorandum	Cover Memo
□	Resolution	Resolution

**REVIEWERS:**

Department	Reviewer	Action	Date
James City Service Authority	Powell, Doug	Approved	3/8/2016 - 10:52 AM
Publication Management	Boles, Amy	Approved	3/8/2016 - 12:03 PM
Legal Review	Kinsman, Adam	Approved	3/14/2016 - 10:15 AM
Board Secretary	Fellows, Teresa	Approved	3/14/2016 - 10:48 AM
Board Secretary	Hill, Bryan	Approved	3/15/2016 - 11:34 AM
Board Secretary	Fellows, Teresa	Approved	3/15/2016 - 11:35 AM

**MEMORANDUM**

DATE: March 22, 2016

TO: The Board of Directors

FROM: M. Douglas Powell, General Manager, James City Service Authority

SUBJECT: Resolution Appointing Wilmington Trust, N.A. and Removing U.S. Bank National Association as Trustee Under Master Indenture

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The James City Service Authority contracted with U.S. Bank National Association to serve as trustee for bond proceeds as part of a Master Indenture of Trust dated April 1, 2003 and the Second Supplemental Indenture of Trust dated August 1, 2008. The Master Indenture of Trust is the agreement made between the bond issuer and the trustee that establishes the responsibilities of each party.

Recently, U.S. Bank National Association has made several errors relating to the amount of funds required to be in the debt service reserve fund. Staff believes that U.S. Bank National Association has not been satisfactorily performing its duties and obligations in accordance with the Master Indenture of Trust. Under the provisions of the Master Indenture of Trust, only the Board of Directors can remove the trustee.

Staff recommends that the Board adopt the attached resolution, which removes U.S. Bank National Association as trustee and appoints Wilmington Trust, N.A as trustee.

MDP/ab  
Trustee-mem

Attachment

RESOLUTION APPOINTING WILMINGTON TRUST, N.A.

AND REMOVING U.S. BANK NATIONAL ASSOCIATION

AS TRUSTEE UNDER MASTER INDENTURE

WHEREAS, the James City Service Authority (the "Authority") is a public body politic and corporate of the Commonwealth of Virginia duly created pursuant to the Virginia Water and Waste Authorities Act ((formerly the Virginia Water and Sewer Authorities Act) Chapter 51, Title 15.2, Code of Virginia of 1950, as amended) by the Board of Supervisors of James City County, Virginia (the "County"), and is authorized to acquire, construct, operate and maintain water, sewer and other facilities and to borrow money and to issue its revenue bonds to pay all or part of the cost of such facilities; and

WHEREAS, the Authority and U.S. Bank National Association and its successor or successors (the "Trustee"), have entered into a Master Indenture of Trust dated as of April 1, 2003, as supplemented and amended (collectively, the "Master Indenture"); and

WHEREAS, no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default has occurred and is continuing under the Master Indenture; and

WHEREAS, the Master Indenture provides for the removal of the Trustee by the Authority upon the finding by the Authority that the Trustee has not been satisfactorily performing its duties and obligations under the Master Indenture.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the James City Service Authority, of James City County, Virginia, that:

1. The Authority hereby finds that U.S. Bank National Association has not been satisfactorily performing its duties and obligations as Trustee under the Master Indenture.
2. The Authority hereby appoints Wilmington Trust, N.A. as Trustee under the Master Indenture and hereby removes U.S. Bank National Association as Trustee under the Master Indenture.
3. The officials and employees of the Authority are authorized and directed to deliver all certificates and instruments and to take all such further action as they may consider necessary or desirable in connection with the removal of U.S. Bank National Association, as Trustee under the Master Indenture and the appointment of Wilmington Trust, N.A., as Trustee under the Master Indenture.
4. All other resolutions or parts thereof in conflict herewith are repealed.
5. This resolution shall take effect immediately.

\_\_\_\_\_  
Kevin Onizuk  
Chairman, Board of Directors

ATTEST:

\_\_\_\_\_  
Bryan J. Hill  
Secretary to the Board

	VOTES		
	<u>AYE</u>	<u>NAY</u>	<u>ABSTAIN</u>
MCLENNON	_____	_____	_____
LARSON	_____	_____	_____
ONIZUK	_____	_____	_____
SADLER	_____	_____	_____
HIPPLE	_____	_____	_____

Adopted by the Board of Directors of the James City Service Authority, James City County, Virginia, this \_\_\_ day of \_\_\_\_\_, 2016.

Trustee-res



The undersigned Secretary of the James City Service Authority certifies that:

1. A regular meeting of the James City Service Authority was held on \_\_\_\_\_, 2016, at which the following members were present and absent:

**PRESENT:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ABSENT:** \_\_\_\_\_

2. A resolution entitled "Resolution Appointing Wilmington Trust, N.A. and Removing U.S. Bank National Association, as Trustee Under Master Indenture" was adopted at such meeting by the [unanimous] vote of the members of the Authority present at the time of such vote.

3. Attached hereto is a true and correct copy of the foregoing resolution as recorded in full in the minutes of the meeting on \_\_\_\_\_, 2016.

4. This resolution has not been repealed, revoked, rescinded or amended and is in full force and effect on the date hereof.

WITNESS my signature and the seal of the James City Service Authority this \_\_\_ day of \_\_\_\_\_, 2016.

(SEAL)

\_\_\_\_\_  
Secretary,  
James City Service Authority

**ITEM SUMMARY**

DATE: 3/22/2016

TO: The Board of Directors

FROM: M. Douglas Powell, General Manager, James City Service Authority

SUBJECT: Ratification of the Form of the Public Offering and Appendix – Water and Sewer System Revenue Refunding Bonds, Series 2016

---

At the February 23, 2016 meeting, the Board of Directors approved a resolution authorizing the issuance and sale of bonds for the refunding of the James City Service Authority's outstanding bonds, series 2008. Staff stated that the Board would be asked to ratify the form of the public offering of securities at its March 22 meeting.

**ATTACHMENTS:**

	Description	Type
▣	Memo	Cover Memo
▣	Resolution	Resolution
▣	POS	Backup Material
▣	Appendix D	Backup Material

**REVIEWERS:**

Department	Reviewer	Action	Date
James City Service Authority	Luton, Stephanie	Approved	3/14/2016 - 9:39 AM
Publication Management	Burcham, Nan	Approved	3/14/2016 - 9:41 AM
Legal Review	Kinsman, Adam	Approved	3/14/2016 - 10:18 AM
Board Secretary	Fellows, Teresa	Approved	3/14/2016 - 10:47 AM
Board Secretary	Hill, Bryan	Approved	3/15/2016 - 11:34 AM
Board Secretary	Fellows, Teresa	Approved	3/15/2016 - 11:35 AM

## MEMORANDUM

DATE: March 22, 2016

TO: The Board of Directors

FROM: M. Douglas Powell, General Manager, James City Service Authority

SUBJECT: Ratification of the Form of the Public Offering and Appendix – Water and Sewer System Revenue Refunding Bonds, Series 2016

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At the February 23, 2016 meeting, the Board of Directors approved a resolution authorizing the issuance and sale of bonds for the refunding of the James City Service Authority's outstanding bonds, series 2008. Staff stated that the Board would be asked to ratify the form of the public offering of securities at its March 22 meeting.

Please find attached the form of the public offering of securities and the appendix. Staff recommends approval of the resolution ratifying the documents.

MDP/nb  
Ratification-mem

Attachment

**RESOLUTION**

**RATIFICATION OF THE FORM OF THE PUBLIC OFFERING AND APPENDIX –**

**WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016**

WHEREAS, the James City Service Authority Board of Directors approved a resolution authorizing the issuance and sale of bonds for the refunding of outstanding bonds, series 2008, at its February 23, 2016 meeting.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the James City Service Authority, James City County, Virginia, hereby ratifies the form of the public offering of securities and the appendix.

\_\_\_\_\_  
Kevin Onizuk  
Chairman, Board of Directors

ATTEST:

\_\_\_\_\_  
Bryan J. Hill  
Secretary to the Board

	VOTES		
	<u>AYE</u>	<u>NAY</u>	<u>ABSTAIN</u>
MCGLENNON	_____	_____	_____
LARSON	_____	_____	_____
ONIZUK	_____	_____	_____
SADLER	_____	_____	_____
HIPPLE	_____	_____	_____

Adopted by the Board of Directors of the James City Service Authority, James City County, Virginia, this 22nd day of March, 2016.

Ratification-res

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2016

**NEW ISSUE--BOOK-ENTRY ONLY**

**Ratings: Moody's: \_\_\_\_\_**  
**Standard & Poor's: \_\_\_\_\_**  
 (See "RATINGS")

*In the opinion of Bond Counsel, under current law and subject to conditions described in "TAX EXEMPTION," interest on the Series 2016 Bonds (1) is not included in gross income for federal income tax purposes and (2) is not an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations; however, such interest may be included in the calculation of a corporation's alternative minimum income tax. See "TAX EXEMPTION" for certain provisions regarding the Code that may subject a holder to other federal tax consequences. Interest on the Series 2016 Bonds is exempt from income taxation by the Commonwealth of Virginia.*

\$ \_\_\_\_\_<sup>\*</sup>  
**JAMES CITY SERVICE AUTHORITY**  
**(VIRGINIA)**

**WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016**

**Dated: Date of Delivery****Due: January 15, as shown on the inside cover**

The Water and Sewer System Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"), of the James City Service Authority (the "Authority") are being issued to refund in advance of their maturities all of the Authority's outstanding \$27,120,000 Water and Sewer System Revenue Bonds, Series 2008, and to pay the costs of issuing the Series 2016 Bonds and refunding the bonds to be refunded, as described in "PLAN OF REFUNDING." The Series 2016 Bonds are being issued pursuant to an Indenture as described herein, are secured by a pledge of the net revenues of the Authority's water and wastewater system as described herein, will bear interest from their date of delivery, payable semiannually on January 15 and July 15 in each year, commencing on July 15, 2016, at rates, and will be in the principal amounts payable on January 15 of each year as set forth on the inside front cover of this Official Statement. The principal of the Series 2016 Bonds, when due, is payable at the principal corporate trust office of Wilmington Trust, N.A., as Trustee, Registrar and Paying Agent for the Series 2016 Bonds. The Series 2016 Bonds are subject to redemption prior to maturity as described in this Official Statement.

The Series 2016 Bonds are issuable only in book-entry form registered in the name of Cede & Co., as the nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2016 Bonds. Individual purchases will be in principal amounts of \$5,000 or any multiple of \$5,000. The Series 2016 Bonds will be available to purchasers only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive delivery of the Series 2016 Bonds. As long as any purchaser is the beneficial owner of a Series 2016 Bond, the purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payments of principal, premium, if any, and interest on the Series 2016 Bonds. Principal of, premium, if any, and interest on the Series 2016 Bonds will be paid by Wilmington Trust, N.A., as Trustee under the Indenture, to DTC, or its nominee, which will then remit the payments to the DTC Participants for subsequent disbursement to the beneficial owners of the Series 2016 Bonds. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

**The Series 2016 Bonds are limited obligations of the Authority payable solely from the net revenues and other property pledged and assigned to the Trustee under the terms of the Indenture to secure payment of the Series 2016 Bonds. Neither the Commonwealth of Virginia nor any of its political subdivisions, including the Authority, is obligated to pay the principal of or premium, if any, or interest on the Series 2016 Bonds or other costs incident to them except from the revenues, money or property of the Authority pledged for such purpose. Neither the faith and credit nor the taxing power of the Commonwealth or any county, city, town or other subdivision of the Commonwealth is pledged to the payment of the principal of, premium, if any, or interest on the Series 2016 Bonds.**

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

The Series 2016 Bonds are offered for delivery when, as and if issued, subject to the approval of legality by Hunton & Williams LLP, Richmond, Virginia, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Authority by its General Counsel, the County Attorney's Office of James City County, Williamsburg, Virginia. It is expected that the Series 2016 Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about April \_\_, 2016.

This Official Statement is dated \_\_\_\_\_, 2016.

<sup>\*</sup> Preliminary, subject to change.

\$ \_\_\_\_\_<sup>\*</sup>  
**JAMES CITY SERVICE AUTHORITY**  
**(VIRGINIA)**

**WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016**

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<b>Maturity (January 15)<sup>*</sup></b>	<b>Amount<sup>*</sup></b>	<b>Rate</b>	<b>Price or Yield</b>	<b>CUSIP<sup>**</sup></b>
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
\$ _____ % Term Bonds Due January 15, _____, priced at _____ % to yield _____ %, CUSIP _____				
\$ _____ % Term Bonds Due January 15, _____, priced at _____ % to yield _____ %, CUSIP _____				

<sup>\*</sup> Preliminary, subject to change.

<sup>\*\*</sup> A registered trademark of the American Bankers Association (“ABA”), used by Standard & Poor’s in its operation of the CUSIP Service Bureau for the ABA. The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, and the Authority is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Authority has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

**JAMES CITY SERVICE AUTHORITY**

101-E Mounts Bay Road  
P.O. Box 8784  
Williamsburg, Virginia 23187-8784  
(757) 253-6805

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**DIRECTORS**

Kevin Onizuk, Chairman  
Sue Sadler, Vice Chairman  
Michael J. Hipple  
Ruth Larson  
John J. McGlennon

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**SENIOR STAFF**

M. Douglas Powell, General Manager  
Stephanie Luton, Assistant Manager & Treasurer  
Bryan Hill, Secretary

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**GENERAL COUNSEL**

James City County Attorney's Office  
Williamsburg, Virginia

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**BOND COUNSEL**

Hunton & Williams LLP  
Richmond, Virginia

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**FINANCIAL ADVISOR**

Davenport & Company LLC  
Richmond, Virginia

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**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Dixon Hughes Goodman, L.L.P.  
Newport News, Virginia

No dealer, salesman or any other person has been authorized by the Authority to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there will be no sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2016 Bonds. The information set forth in this Official Statement has been obtained from other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Authority, except as to information provided by it. The information and the expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under it will, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date of this Official Statement or the earliest date as of which such information is given. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any such opinion or estimate will be realized.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2016 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2016 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAS PASSED UPON THE MERITS OF THE SERIES 2016 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES 2016 BONDS, INCLUDING TRANSACTIONS (A) TO OVERALLOT IN ARRANGING THE SALES OF THE SERIES 2016 BONDS AND (B) TO MAKE PURCHASES AND SALES OF SERIES 2016 BONDS, FOR LONG OR SHORT ACCOUNT, ON A WHEN-ISSUED BASIS OR OTHERWISE, AT SUCH PRICES, IN SUCH AMOUNTS AND IN SUCH MANNER AS THE INITIAL PURCHASER MAY DETERMINE.



## TABLE OF CONTENTS

INTRODUCTION.....	1
PLAN OF REFUNDING*.....	1
SOURCES AND USES OF FUNDS.....	2
DESCRIPTION OF THE SERIES 2016 BONDS.....	2
General.....	2
Optional Redemption.....	3
Mandatory Sinking Fund Redemption.....	3
Notice of Redemption.....	3
Selection of Series 2016 Bonds for Redemption.....	4
Effect of Redemption.....	4
SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.....	4
General.....	4
Limited Obligations.....	4
Revenue Covenant.....	4
Reserve Covenant.....	5
No Debt Service Reserve Fund.....	5
Additional Bonds and Parity Indebtedness.....	5
Subordinate Debt.....	5
BONDHOLDERS' REMEDIES IN EVENT OF DEFAULT.....	6
BOND DEBT SERVICE REQUIREMENTS.....	6
JAMES CITY SERVICE AUTHORITY.....	7
History and Statutory Powers.....	7
Governance and Management.....	7
Service Area.....	9
Existing Facilities and Resources.....	10
Service Contracts.....	10
Rate Regulation.....	10
Economic Condition and Outlook.....	10
Historical Information Regarding the System.....	11
Capital Improvements Program.....	16
LITIGATION.....	16
RATINGS.....	17
VERIFICATION OF MATHEMATICAL COMPUTATIONS.....	17
FINANCIAL STATEMENTS.....	17
LEGALITY FOR INVESTMENT.....	17
CERTAIN LEGAL MATTERS.....	17
TAX EXEMPTION.....	18
Opinion of Bond Counsel.....	18
Original Issue Discount.....	18
Original Issue Premium.....	19
Other Tax Matters.....	19
FINANCIAL ADVISOR.....	19
SALE AT COMPETITIVE BIDDING.....	20
CONTINUING DISCLOSURE UNDERTAKING.....	20
General.....	20
Prior Instances of Non-Compliance.....	20
MISCELLANEOUS.....	20
AUTHORIZATION AND CERTIFICATION CONCERNING THE OFFICIAL STATEMENT.....	21
APPENDIX A - DEFINITION OF CERTAIN TERMS.....	A-1
APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	B-1
APPENDIX C - AUDITED FINANCIAL STATEMENTS.....	C-1
APPENDIX D - INFORMATION CONCERNING JAMES CITY COUNTY, VIRGINIA.....	D-1
APPENDIX E - CONTINUING DISCLOSURE AGREEMENT.....	E-1
APPENDIX F - PROPOSED FORM OF BOND COUNSEL OPINION.....	F-1
APPENDIX G – BOOK-ENTRY ONLY SYSTEM.....	G-1
APPENDIX H – NOTICE OF SALE.....	H-1

**OFFICIAL STATEMENT**

\$ \_\_\_\_\_\*  
**JAMES CITY SERVICE AUTHORITY  
(VIRGINIA)  
WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS  
SERIES 2016**

**INTRODUCTION**

The purpose of this Official Statement, including its cover and appendices, is to set forth information relating to the James City Service Authority (the “Authority”), its water and wastewater systems (collectively, the “System”) and its Water and Sewer System Revenue Refunding Bonds, Series 2016, to be issued in the aggregate principal amount of \$ \_\_\_\_\_ (the “Series 2016 Bonds”).

The Series 2016 Bonds are being issued pursuant to the Constitution and laws of the Commonwealth of Virginia, including the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended, and other applicable provisions of law (collectively, the “Act”). The Series 2016 Bonds are being issued under a Master Indenture of Trust dated as of April 1, 2003, as previously supplemented and amended (the “Master Indenture”), between the Authority and Wilmington Trust, N.A., as Trustee (the “Trustee”), and as supplemented and amended by the Third Supplemental Indenture of Trust dated as of April 1, 2016 (the “Third Supplemental Indenture”), between the Authority and the Trustee. The Master Indenture as it has been previously supplemented and amended and as supplemented and amended by the Third Supplemental Indenture is referred to as the “Indenture.”

*Certain capitalized terms used in this Official Statement are defined in **APPENDIX A**, and a summary of certain provisions of the Indenture appears in **APPENDIX B**.*

*This Official Statement, including its Appendices, contains descriptions of the Indenture, the Series 2016 Bonds and other documents. Such descriptions do not purport to be complete, and are qualified in their entirety by reference to the documents themselves, which should be reviewed for complete details of their terms and conditions. Copies of such documents are available upon request made to 101-E Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784 (Telephone No. 757-253-6805).*

**PLAN OF REFUNDING\***

The Authority is issuing the Series 2016 Bonds, together with other available funds of the Authority, (i) to refund in advance of their maturities all of the Authority’s outstanding Water and Sewer System Revenue Bonds, Series 2008 (the “Refunded Bonds”), and (ii) to pay costs of issuing the Series 2016 Bonds and refunding the Refunded Bonds. The specific principal amounts, maturities and interest rates of the Refunded Bonds are set forth below.

<b>January 15</b>	<b>Amount</b>	<b>Rate</b>	<b>Redemption Price</b>	<b>Redemption Date</b>
2017	\$ 585,000	3.500%	100%	1/15/17
2018	605,000	4.000	100	1/15/18
2019	630,000	4.000	100	1/15/18
2020	655,000	4.000	100	1/15/18
2021	680,000	4.000	100	1/15/18
2022	705,000	4.250	100	1/15/18
2023	735,000	4.250	100	1/15/18
2024	770,000	4.250	100	1/15/18

\* Preliminary, subject to change.

2025	800,000	4.250	100	1/15/18
2026	835,000	4.375	100	1/15/18
2027	870,000	4.375	100	1/15/18
2028	910,000	4.500	100	1/15/18
2029	950,000	4.500	100	1/15/18
2032	3,110,000	4.500	100	1/15/18
2039	9,145,000	4.750	100	1/15/18
2040	1,565,000	5.000	100	1/15/18

On the date of issuance of the Series 2016 Bonds, a portion of the proceeds of the Series 2016 Bonds will be deposited into an Escrow Account (the “Escrow Account”) established with the Trustee under the Indenture and used to purchase noncallable securities as required by the Indenture, the principal and interest payments on which will be sufficient to pay the interest on the Refunded Bonds as and when due on and before January 15, 2018, and to redeem the remaining amount of the Refunded Bonds at their first redemption date on January 15, 2018.

The Authority has determined that the refunding will result in present value debt service savings and other benefits.

Upon the irrevocable deposit of cash and securities to the Escrow Account and the Authority’s delivery of irrevocable instructions to the Trustee to redeem the Refunded Bonds in full on January 15, 2018, the Refunded Bonds will be deemed to be no longer outstanding under the Indenture as of the date of issuance of the Series 2016 Bonds. Thereafter, the Refunded Bonds will be payable solely from the Escrow Account and will no longer be secured by the Indenture, including its lien on the Revenues. The aggregate amount of the Authority’s Bonds outstanding and secured by the Indenture will thereupon be \$\_\_\_\_\_, including the Series 2016 Bonds to be issued.

### SOURCES AND USES OF FUNDS

The proceeds received from the sale of the Series 2016 Bonds are expected to be applied as follows:

Sources of Funds:

Series 2016 Bond Proceeds	
Original Issue [Discount][Premium]	
Total Sources of Funds	_____
	=====

Uses of Funds:

Escrow Account	
Costs of Issuance (including Underwriter’s Discount)	
Total Uses of Funds	_____
	=====

### DESCRIPTION OF THE SERIES 2016 BONDS

#### General

The Series 2016 Bonds will be issued in the aggregate principal amount set forth on the front cover, will be dated their date of delivery (the “Closing Date”), will bear interest from such date, payable on January 15 and July 15, commencing July 15, 2016, at the rates, and will mature on January 15 in the years, set forth on the inside front cover of this Official Statement. Interest will be paid by check or draft mailed to the registered owners of the Series 2016 Bonds as such owners appear on the registration books of the Authority maintained by the Trustee on the January 1 or July 1, as appropriate, next preceding any interest payment date. The Series 2016 Bonds will be issued as fully registered bonds, in book-entry form only, registered in the name of Cede & Co., as nominee for DTC. Individual purchases will be in principal amounts of \$5,000 and integral multiples of \$5,000. The Authority has engaged Wilmington Trust, N.A., to act as Trustee and Paying Agent for the Series 2016 Bonds. Individual purchasers will not receive delivery of physical certificates. See APPENDIX G – “BOOK-ENTRY ONLY SYSTEM.”

**Optional Redemption**

The 2016 Bonds maturing before January 15, \_\_\_\_, are not subject to optional redemption prior to maturity. The Series 2016 Bonds maturing on and after January 15, \_\_\_\_, are subject to optional redemption prior to maturity by the Authority at any time on or after January 15, \_\_\_\_, from any money available for such purpose, in whole or in part in increments of \$5,000 or any integral multiple of \$5,000, upon payment of a redemption price equal to 100% of the principal amount of the Series 2016 Bonds to be redeemed, together with accrued interest to the date fixed for redemption.

**Mandatory Sinking Fund Redemption**

The Series 2016 Bonds maturing on January 15, \_\_\_\_, are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on January 15 in years and amounts as follows:

Year	Amount
------	--------

The Series 2016 Bonds maturing on January 15, \_\_\_\_, are required to be redeemed prior to maturity in part upon payment of 100% of the principal amount thereof plus accrued interest to the redemption date on January 15 in years and amounts as follows:

Year	Amount
------	--------

**Notice of Redemption**

Notice of optional redemption will be mailed by the Trustee to Cede & Co., as the registered owner of the Series 2016 Bonds at least 30 and not more than 60 days before the redemption date. Failure to mail any such notice or any defect in it will not affect the validity of the proceedings for redemption of any Series 2016 Bond with respect to which no failure or defect has occurred. The Authority shall not be responsible for sending notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Series 2016 Bonds. If no qualified securities depository is the registered owner of the Series 2016 Bonds, notice of redemption shall be sent to the registered owners of the Series 2016 Bonds. During the period that DTC or the DTC nominee is the registered owner of the Series 2016 Bonds, the Authority will not be responsible for sending notices of redemption to Beneficial Owners of the Series 2016 Bonds. **See APPENDIX G – “BOOK-ENTRY ONLY SYSTEM.”** All Series 2016 Bonds called for redemption will cease to bear interest on the specified redemption date.

At the direction of the Authority, the Trustee may give a notice of optional redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such Series 2016 Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the Series 2016 Bonds called for redemption at the place or places of payment, such Series 2016 Bonds shall be paid and redeemed.

## **Selection of Series 2016 Bonds for Redemption**

If less than all of the Series 2016 Bonds are called for optional redemption, the maturities to be called will be as directed by the Authority in such manner as the Authority determines to be in its best interest. If less than all of any maturity of the Series 2016 Bonds is called for redemption, the Series 2016 Bonds within each maturity to be redeemed will be selected by the Paying Agent in a manner in which the Paying Agent determines to be appropriate and fair.

## **Effect of Redemption**

After the date on which any Series 2016 Bonds have been called for redemption and sufficient sums for their payment on the redemption date are held by the Paying Agent, interest on such Series 2016 Bonds will cease to accrue and the registered owners of such Series 2016 Bonds will be entitled to look only to the Paying Agent for payment.

## **SOURCES OF PAYMENT AND SECURITY FOR THE BONDS**

### **General**

The Series 2016 Bonds will be issued under, and, together with any Additional Bonds and Parity Indebtedness, will be equally and ratably secured by, the Master Indenture. Currently, the only other bonds outstanding under the Master Indenture are the Series 2008 Bonds, which will be refunded upon the issuance of the Series 2016 Bonds. The Series 2016 Bonds will be limited obligations of the Authority payable solely from the Net Revenues derived from the ownership or operation of the System, certain reserves and income from investments.

Under the Indenture, the Authority pledges to the Trustee as security for the payment of the principal of and premium, if any, and interest on the Bonds and any Parity Indebtedness, all of the Net Revenues derived from the ownership and operation of the System and all amounts held under the Indenture in the Bond Fund, subject only to the right of the Authority to use revenues for other purposes, as set forth in the Indenture; provided, however, that amounts in the Bond Fund do not secure Parity Indebtedness.

The Indenture does not convey or mortgage the System. The Authority has covenanted, however, not to lease, sell, encumber or otherwise dispose of any part of the System except in the limited circumstances provided in the Indenture. See “**Particular Covenants**” in **APPENDIX B**.

### **Limited Obligations**

**The Series 2016 Bonds, the premium, if any, and the interest on them will be limited obligations of the Authority payable solely from the net revenues of the System and other property pledged and assigned to the Trustee under the terms of the Indenture to secure payment of the Series 2016 Bonds. Neither the Commonwealth of Virginia nor any of its political subdivisions, including Authority and the County, will be obligated to pay the principal of, premium, if any, or interest on, the Series 2016 Bonds or other costs incident to them except from the net revenues or other property pledged for such purpose. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any county, city, town or other subdivision of the Commonwealth, including the Authority and the County, is pledged to the payment of the principal of, premium, if any, or interest on the Series 2016 Bonds. The issuance of the Series 2016 Bonds does not directly, indirectly or contingently obligate the Commonwealth or any county, city, town or other subdivision of the Commonwealth, including the County, to levy any taxes or to make any appropriation for the payment of the Series 2016 Bonds. The Authority has no taxing power.**

### **Revenue Covenant**

The Master Indenture provides that the Authority will establish, fix, charge, collect and revise the rates, fees and charges for the use of and for the services furnished by the System, so that in each Fiscal Year Net Revenues are not less than the sum of (A) 1.2 times Senior Debt Service for the Fiscal Year, (B) Subordinate Debt

Service for the Fiscal Year, (C) any amount required to be deposited in the Debt Service Reserve Fund to satisfy the Debt Service Reserve Requirement and (D) any amounts required to be deposited in the Repair and Replacement Fund during the Fiscal Year. In the event the Replacement Reserve Requirement is increased or funds on deposit in the Repair and Replacement Fund are less than the Replacement Reserve Requirement, the Master Indenture requires the Authority to increase the balance in the Repair and Replacement Fund to the Replacement Reserve Requirement in approximately equal installments over a period not longer than sixty months.

If the Authority (a) as of the end of any Fiscal Year is not in compliance with the revenue covenant described above (the “Revenue Covenant”), (b) fails for three consecutive months to make the deposits to the Interest Account and the Principal Account of the Bond Fund which are required by the Master Indenture, or (c) is required to transfer money from the Debt Service Reserve Fund to the Bond Fund because of a deficit in the Bond Fund and the amount so transferred is not replenished within thirty days, then the Authority will immediately request the Consulting Engineer to submit a written report and recommendations with respect to increases in the Authority’s rates, fees and charges and improvements in the operations of and the services rendered by the System and the Authority’s accounting and billing procedures necessary to bring the Authority into compliance. The report and recommendations will be filed with the Trustee and the Authority, in the case of an event described in clause (a) or (b) of the foregoing, within 120 days from the date of discovery of noncompliance with the Revenue Covenant and, in the case of an event described in clause (c) of the foregoing, within 150 days after the date of transfer from the Debt Service Reserve Fund.

If the Authority promptly revises its rates, fees, charges, operations and services in conformity with the report and recommendations of the Consulting Engineer and otherwise follows such recommendations to the extent permitted by law so that the Authority will, when its actions become fully effective, be in compliance with the Revenue Covenant, then any failure to meet the Revenue Covenant will not constitute an Event of Default under the Indenture so long as no other Event of Default has occurred and is continuing; provided, however, that if at the end of any Fiscal Year, Net Revenues are less than the sum of (A) 1.0 times Senior Debt Service for the Fiscal Year, (B) Subordinate Debt Service for the Fiscal Year, (C) any amount required to be deposited in the Debt Service Reserve Fund to satisfy the Debt Service Reserve Requirement and (D) any amounts required to be deposited in the Repair and Replacement Fund during the Fiscal Year, then an Event of Default will be deemed to have occurred without notice or grace period. See “**JAMES CITY SERVICE AUTHORITY -- Rate Regulation.**”

### **Reserve Covenant**

If Authority Reserves are less than 50 percent of Operating Revenues for the most recent Fiscal Year, then the Authority agrees that the Authority Reserves shall be used solely to (i) pay Operating Expenses, (ii) fund capital expenditures for the System, (iii) pay Bond Debt Service and Parity Debt Service and (iv) replenish the Debt Service Reserve Fund to satisfy the Debt Service Reserve Requirement.

### **No Debt Service Reserve Fund**

There is no Debt Service Reserve Fund for the Series 2016 Bonds.

### **Additional Bonds and Parity Indebtedness**

Additional Bonds and Parity Indebtedness may be issued by the Authority under the Indenture. See “**Additional Bonds**” and “**Parity Indebtedness**” in **APPENDIX B**.

### **Subordinate Debt**

The Authority may issue Subordinate Debt secured by a pledge of Net Revenues that is expressly made subordinate to the pledge of Net Revenues securing the Bonds and any Parity Indebtedness or that is unsecured.

## **BONDHOLDERS' REMEDIES IN EVENT OF DEFAULT**

In case of an Event of Default under the Indenture (see “**Events of Default**” and “**Remedies; Rights of Bondholders**” in **APPENDIX B**), the Trustee may, and upon the request of the holders of 25% in aggregate principal amount of Bonds then outstanding and upon indemnification as provided in the Indenture will, proceed to protect and enforce its rights and the rights of the holders of the Series 2016 Bonds by declaring the entire unpaid principal of and interest on the Series 2016 Bonds due and payable or by instituting a mandamus or other suit, action or proceeding at law or in equity, including any action for specific performance of any agreement contained in the Indenture. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Series 2016 Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) permits “municipalities,” if insolvent or otherwise unable to pay their debts as they become due, to file a voluntary petition for the adjustment of debts, provided that such municipality is “specifically authorized, in its capacity as a municipality or by name, to be a debtor....” Bankruptcy Code, Section 109(c)(2). Current Virginia statutes do not expressly authorize the Authority or municipalities generally to file under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against entities such as the Authority.

Bankruptcy proceedings by the Authority could have adverse effects on holders of Series 2016 Bonds, including (1) delay in the enforcement of their remedies, (2) subordination of their claims to claims of those supplying goods and services to the Authority after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (3) imposition without their consent of a plan of reorganization reducing or delaying payment of the Series 2016 Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any plan of reorganization not accepted by at least a majority of any class of creditors such as the holders of the Series 2016 Bonds, such class of creditors will have the benefit of their original claim or the “indubitable equivalent” thereof, although such “equivalent” may not provide for payment of the Series 2016 Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

## **BOND DEBT SERVICE REQUIREMENTS**

The following table sets forth the annual Bond Debt Service for the Series 2016 Bonds.

<b>Fiscal Years Ended June 30</b>	<b><u>Series 2016 Bonds</u></b>		<b>Total Debt Service</b>
	<b>Principal</b>	<b>Interest</b>	

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**JAMES CITY SERVICE AUTHORITY**

**History and Statutory Powers**

The James City Service Authority (the “Authority”) is a public body politic and corporate of the Commonwealth of Virginia. The Authority was created in 1969 by the James City County Board of Supervisors pursuant to the Virginia Water and Sewer Authorities Act (now the Virginia Water and Waste Authorities Act), Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the “Act”).

The Act and the Authority’s Articles of Incorporation provide that the Authority is authorized, among other things, (1) to acquire, construct, operate and maintain an integrated water system for supplying and distributing water in the County and an integrated sewer system and sewage disposal system for the County, (2) to issue bonds payable solely from revenues to pay all or part of the cost of a water system, sewer system and sewage disposal system, (3) to fix, revise, charge and collect rates, fees and charges for the use of and for the services of any system operated by the Authority, and (4) to enter into contracts with any unit, including counties, cities and other authorities, relating to the furnishing of services of the Authority. The Act also provides that the Authority is subject in all respects to the jurisdiction of the Virginia State Water Control Board.

The Authority provides water and sewer transmission services within the County, one of the top five fastest growing counties in Virginia.

Certain information concerning the County is included in **APPENDIX D**.

**Governance and Management**

The Authority is governed by a Board of Directors consisting of the Board of Supervisors of the County who appoint themselves as the Board of Directors of the Authority. The members are as follows:

<b>Directors</b>	<b>Occupation</b>	<b>Term Expires</b>
Michael J. Hipple	General Contracting Business Owner	12/31/2017
Ruth Larson	Marketing	12/31/2019
John J. McGlennon	Professor – College of William & Mary	12/31/2019
Kevin Onizuk	Mortgage Banker	12/31/2017
Sue Sadler	Retired Business Owner	12/31/2019



On January 26, 2016, Kevin Onizuk and Sue Sadler were elected to serve through December 31, 2016 as Chairman and Vice Chairman, respectively, of the Authority.

The day-to-day activities are conducted by a staff of approximately 89 full-time employees and 2 part-time employees.

M. Douglas Powell is General Manager of the Authority. Mr. Powell joined the Authority in 2014. He received a Bachelor of Arts degree from the College of William and Mary in 1990 and a Master of Public Administration from Virginia Commonwealth University in 1992. Mr. Powell has served as Acting County Administrator, Assistant County Administrator and Community Services Director since joining James City County in the mid-1990s.

Stephanie Luton is Treasurer and Assistant General Manager of the Authority. Ms. Luton joined the Authority in 2011. She received a Bachelor of Arts degree from Williams College in 1987, a Master of Science from the University of Vermont in 1991 and a Master of Business Administration from the College of William and Mary in 2001. Prior to working for the Authority, Ms. Luton served as Purchasing and Management Services Director for James City County for 11 years.

Bryan Hill is Secretary of the Authority and also serves as County Administrator for the County. He received his undergraduate degree in Public Administration from Alfred University and his Masters from the University of Southern California. Mr. Hill joined the County in 2014 after seven years with Beaufort County, South Carolina, as Deputy County Administrator and budget analyst. He was the Vice Chancellor for Finance and Operations at the University of South Carolina's Beaufort/Bluffton Campus and served as Director of Finance for the University of Maryland's Office of Information and Technology as well as Director of Administration for the Department of Aerospace Engineering.

Michael D. Vergakis, P.E., is Chief Engineer for Water at the Authority. Mr. Vergakis rejoined the Authority in 2001, after serving as Chief Engineer for Water and Sewer for the Authority from 1992 to 1998. He received his Bachelor of Science degree in Civil Engineering from the University of Arkansas in 1982. Mr. Vergakis is a registered Professional Engineer in the Commonwealth of Virginia. Mr. Vergakis has also worked at various Civil Engineering firms and is a veteran of the US Air Force.

Danny W. Poe, P.E., is Chief Engineer for Sewer at the Authority. Mr. Poe joined the Authority in 1998. He received his Bachelor of Science degree in Civil Engineering Technology from Bluefield State College in 1979. Mr. Poe is a registered Professional Engineer in the Commonwealth of Virginia. Prior to accepting employment with the Authority, Mr. Poe worked for Buchart Horn, Inc., an engineering firm, for 14 years.

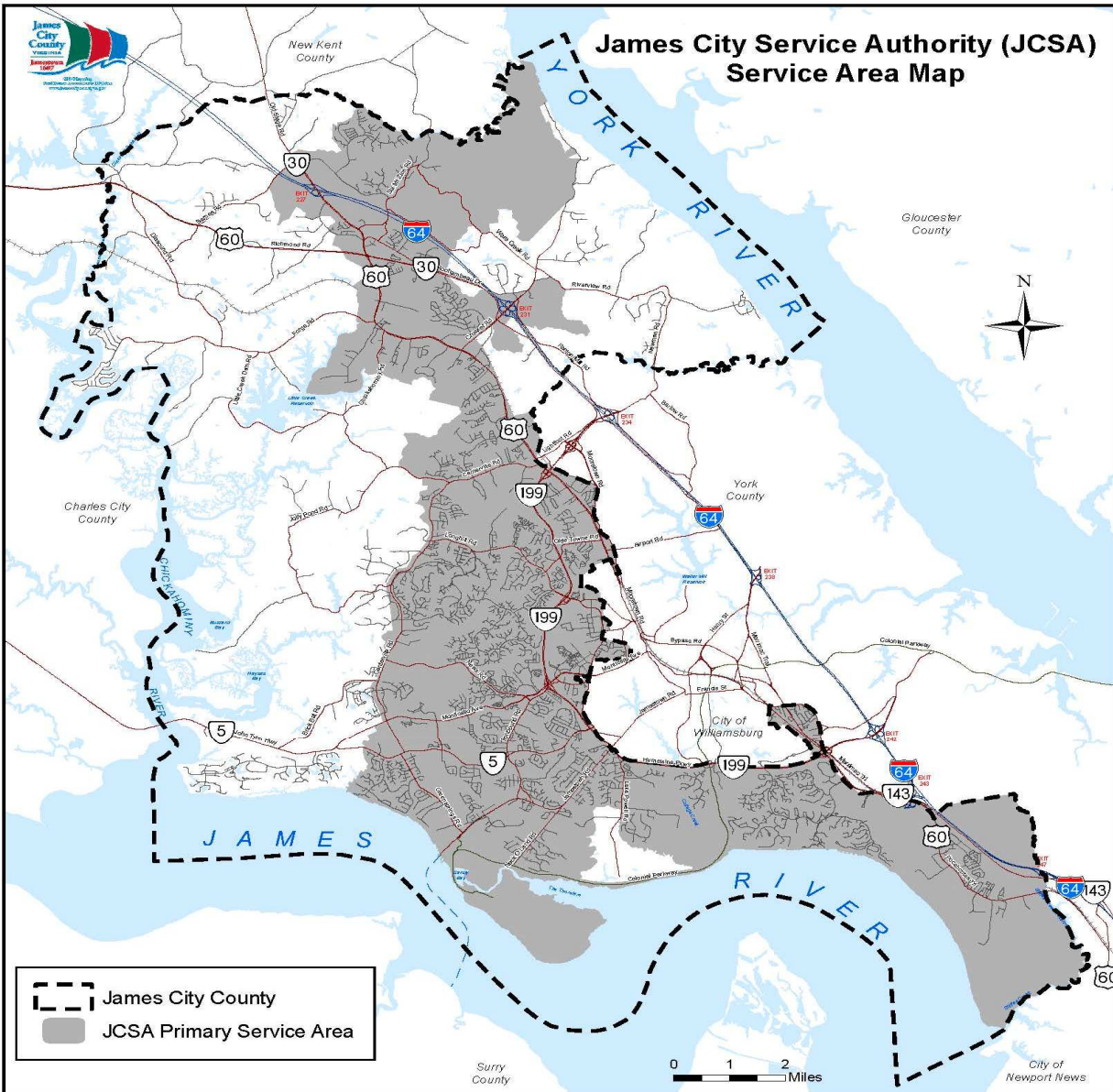
The Authority has executed an Annual Services Contract with five engineering firms for general engineering consultant services. This contract was awarded in 2015 and may be renewed for four (4) additional years one year at a time. The firms included are as follows:

Brown and Caldwell	Virginia Beach, Virginia
CDM Smith, Inc.	Newport News, Virginia
Draper Aden and Associates	Newport News, Virginia
O'Brien and Gere	Glen Allen, Virginia
Rummell, Klepper & Kahl. LLP	Newport News, Virginia

The Authority receives organizational staff support for accounting, human resources, data processing, purchasing, vehicle maintenance, administrative buildings and grounds maintenance and legal support from the County staff. These services are paid for by the Authority.

## Service Area

The Board of Directors has authorized water and sewer operations for the Authority within the Primary Service Area (PSA) which includes approximately 84 square miles of the County and 77% of the total County population. The demand for the Authority's services has been focused primarily in the central area of the PSA. With the approval of the County, the JCSA has extended services beyond the PSA to several public sites in the County, including three public schools, Freedom Park and two major planned communities. The Authority also provides water and/or sewer service to limited sections of York County and the City of Williamsburg with the concurrence of the appropriate governing bodies.



## **Existing Facilities and Resources**

The Authority's water system currently includes a central water system with ten water production facilities and a groundwater treatment facility that serve the PSA. The Authority also operates eight small independent water production and distribution systems located outside the PSA. The water system includes approximately 402 miles of water transmission and distribution lines. The water system facilities supply approximately 4.7 million gallons of water per day to approximately 21,250 water customers. The Authority's groundwater treatment facility uses reverse osmosis technology and has a capacity of five (5) million gallons of water per day.

The Authority's sewer system includes 76 pump stations with approximately 435 miles of sewer collection lines. The sewer system facilities collect and move approximately 5.1 million gallons of sewage per day for approximately 22,975 sewer customers. The Authority has no sewage treatment facilities. Sewage treatment for areas served by the Authority, as well as for other Hampton Roads communities, is provided by the Hampton Roads Sanitation District.

## **Service Contracts**

The Authority entered into a Project Development Agreement with the City of Newport News on March 25, 2008, for long-term water supply. Under the Agreement, the Authority agreed to pay \$50,000,000 in two equal installments for the right to purchase up to four (4) million gallons per day of treated water measured as a yearly average. The Authority has the right to receive up to five (5) million gallons per day of treated water without penalty under certain "non-drought" conditions. On December 31, 2008, the Authority paid the City of Newport News the first installment of \$25 million. The second installment of \$25 million, adjusted by the change in the Engineering News Record Building Cost Index, is due June 30, 2019 and must be approved by the Board of Directors. If the Board decides not to make the second installment payment, water allocations will be reduced by 50%. Newport News annually adjusts the billing rate for any water purchased under the Agreement. The initial term of the Agreement ends on January 1, 2050, at which time the Agreement shall be automatically renewed for additional terms of 25 years.

## **Rate Regulation**

The Authority's Board of Directors has sole power to set rates, subject to a statutory requirement for a public hearing.

## **Economic Condition and Outlook**

The County has a strong, diverse, and growing economic base. The County is located near the Cities of Hampton, Newport News and Williamsburg, and York County. Major employers within commuting distance include Busch Gardens, Anheuser-Busch, Owens Brockway, Ball Metal, Newport News Shipbuilding, Langley Air Force Base, Fort Eustis, the Colonial Williamsburg Foundation, and the National Aeronautics and Space Administration. The County's population grew 9.4 percent from 2010 to 2015 while the Commonwealth of Virginia's population increased only 4.8 percent during the same time period. A historically fast-growing population and expanding commercial base enhances the long-term economic outlook for the Authority.

The Authority currently has groundwater permits for its central system to withdraw 8.9 million gallons per day to support its residential and commercial customers. Facilities currently provide ample resources and treatment capacity. With the current permitted capacity and the Authority's agreement with Newport News to purchase additional water, there is no need to increase capacity. Given current capacity, the Authority projects demand can be met through at least 2040. However, the Virginia Department of Environmental Quality has expressed an interest in reducing the withdrawal of groundwater within the Eastern Virginia Groundwater Management Area, of which the Authority is a part. The Authority is currently evaluating options for alternative sources of water should the groundwater withdrawal permit be reduced.

In 2007, the Board of Directors authorized the Authority to enter into a Consent Agreement with the Virginia Department of Environmental Quality (DEQ) to address sewer system overflows. Thirteen other Hampton Roads localities entered into similar agreements during the same timeframe. In February 2014, the regional sewage treatment provider Hampton Roads Sanitation District ("HRSD"), and fourteen Hampton Roads localities, including

the Authority, entered into a Regional Hybrid Consolidation Plan for meeting Consent Agreement requirements to reduce sewer overflows.

Under this Plan, scheduled for completion in the fall of 2016, HRSD is responsible for major rehabilitation projects to repair deteriorated infrastructure and projects to increase the capacity of HRSD and locality pump stations and pipelines. Projects will be designed on a regional basis. Work will be performed where it is most needed rather than in each individual sewer basin within a locality that did not meet Consent Agreement standards. This regional approach to capital construction is estimated to save approximately \$1 billion regionally compared to the cost of each locality individually fulfilling its Consent Agreement responsibilities. HRSD will fund the work through a regional HRSD rate. In addition, HRSD will also assume liability for wet weather sewer overflows due to inadequate capacity. The Authority keeps ownership and control of its local sewer infrastructure and is still responsible for monitoring and maintaining the local sewer system to Consent Agreement standards and fixing significant defects on an ongoing basis (“find and fix”).

The Authority conducted a comprehensive water and sewer rate study in fiscal year 2015 and the Board of Directors adopted a new rate structure in April, 2015, that went into effect July 1, 2015. The new rate structure includes a fixed charge for water and sewer service. The philosophy of the fixed charge is the Authority incurs significant costs to maintain infrastructure regardless of usage and the Authority should not be completely reliant on variable revenue to cover these fixed costs. The new rate structure also includes changes to the water and sewer service rates to offset some of the additional customer cost from the fixed charge and provide for near term water supply enhancement projects and operating and maintenance costs.

During fiscal year 2015, a major waterline replacement was completed in the Williamsburg Landing neighborhood, rehabilitation work was completed on the sewer interceptor improvement project in the Lift Station 1-5 basin (upper reaches of Powhatan Creek) along Chisel Run to Olde Towne Road near Route 60 and a sewer line reconstruction project was completed in a portion of the Tarleton Bivouac neighborhood. Work continued on the multi-year water meter replacement project to increase accuracy and efficiency in meter reading and leak repair using radio read meters.

### Historical Information Regarding the System

**General.** The following table summarizes the historical average daily flows.

#### Summary of Historical Flows (MGD) Water Produced

Year	Average Day	Avg. Day in Month of Maximum Flow	Wastewater Average Day
2006	4.8	6.4 (August)	4.4
2007	4.9	6.5 (June)	4.6
2008	4.9	6.3 (July)	4.7
2009	4.8	7.1 (August)	5.4
2010	5.0	6.8 (June)	4.5
2011	5.1	7.4 (July)	4.4
2012	4.8	6.4 (July)	5.0
2013	4.7	6.1 (July)	5.0
2014	4.7	5.9 (June)	5.1
2015	4.7	6.1 (July)	5.1

Source: James City Service Authority

The Authority’s ten largest customers collectively consume 6.4% of the water sold by the Authority. The Authority’s single largest customer, Owens-Brockway, a glass bottle manufacturer, consumed approximately 1.4% of the water sold in Fiscal Year 2015.

The following tables include the ten largest customers of the Authority and their total water and wastewater service charges and usage in Fiscal Year 2015.

<b>Customer</b>	<b>FY 2015 Total Service Charges</b>
Owens-Brockway	\$139,016
Eastern State Hospital	101,005
Patriot's Colony	95,450
Williamsburg – James City County Public Schools	85,075
Greystone	80,918
Platinum Management	80,606
Country Village (sewer only)	63,716
Rolling Meadows	59,723
Steeplechase	54,836
Windy Hill Trailer (sewer only)	39,469
Total	<u><u>\$799,814</u></u>

<b>Customer</b>	<b>FY 2015 Total Usage (Gallons)</b>
Owens-Brockway	25,044,250
Country Village (sewer only)	19,787,592
Eastern State Hospital	16,277,500
Patriot's Colony	14,310,316
Williamsburg – James City County Public Schools	13,857,620
Greystone	12,804,000
Windy Hill Trailer (sewer only)	12,257,476
Platinum Management	12,085,000
Rolling Meadows	8,953,950
Steeplechase	8,221,250
Total	<u><u>143,598,954</u></u>

The following table summarizes the historical number of connections to the System.

#### Summary of Historical Connections

<b>Year</b>	<b>Water</b>	<b>Average ERCs<sup>(1)</sup></b>	<b>Sewer</b>
2006	17,552	19,200	17,982
2007	18,283	19,600	18,426
2008	18,770	20,400	18,590
2009	19,085	25,753	18,702
2010	19,368	20,200	18,860
2011	19,719	20,866	21,127
2012	20,070	19,200	21,488
2013	20,549	18,597	21,962
2014	20,858	18,937	22,575
2015	21,246	19,415	22,955

Source: James City Service Authority

<sup>(1)</sup> Equivalent Residential Connections ("ERCs") are determined based upon the rated capacity of a water meter (e.g., the average amount of water which can flow through such meter on a continuous basis) as compared to the rated capacity for a typical "5/8" residential water meter.

**Service Charges.** Operating revenues are derived from the rates charged for water and wastewater service provided by the System. The average quarterly bill for a residential customer is shown below:

**Historical Summary of Quarterly Continuing  
Service Charges for Residential Water Service**

Year	Basic Charge	Rate per 1000 Gals. <sup>(1)</sup>	Quarterly Total <sup>(2)</sup>	% Increase
2006	None	2.30 - 2.71 - 7.60	50.76	1.3%
2007	None	2.50 - 3.00 - 8.50	55.50	9.3
2008	None	2.50 - 3.00 - 8.50	55.50	0.0
2009	None	2.85 - 3.45 - 9.80	63.45	14.3
2010	None	2.85 - 3.45 - 9.80	63.45	0.0
2011	None	2.85 - 3.45 - 9.80	63.45	0.0
2012	None	2.85 - 3.45 - 9.80	63.45	0.0
2013	None	2.85 - 3.45 - 9.80	63.45	0.0
2014	None	2.85 - 3.45 - 9.80	63.45	0.0
2015	None	2.85 - 3.45 - 9.80	63.45	0.0

Source: James City Service Authority

<sup>(1)</sup> Inverted Block Rate structure: 1<sup>st</sup> Block based on 0 to 15,000 gallons used per quarter.  
2<sup>nd</sup> Block based on 15,000 to 25,000 gallons used per quarter, which changed to 15,000 to 30,000 gallons used per quarter.  
3<sup>rd</sup> Block based on over 25,000 gallons used per quarter, which changed to 30,000 gallons used per quarter.

<sup>(2)</sup> Assumes 21,000 gallons average quarterly use.

**Historical Summary of Quarterly Continuing  
Service Charges for Residential Sewer Service**

Year	Basic Charge	Rate per 1000 Gals.	Quarterly Total <sup>(1)</sup>	% Increase
2006	None	\$2.70	\$56.70	0.0%
2007	None	2.80	58.80	3.7
2008	None	2.80	58.80	0.0
2009	None	2.80	58.50	0.0
2010	None	2.80	58.80	0.0
2011	None	2.80	58.80	0.0
2012	None	2.80	58.80	0.0
2013	None	3.22	67.62	15.0
2014	None	3.22	67.62	0.0
2015	None	3.22	67.62	0.0

Source: James City Service Authority

<sup>(1)</sup> Assumes 21,000 gallons average quarterly use.

Average water and sewer bills for water and sewer customers for jurisdictions near the County are shown in the following tables, which also show the Authority's charges for comparative purposes.

**Comparison of Area Water Bills  
Annual Consumption 60,000 Gallons as of June 2015**

Virginia Jurisdiction	Water Service
City of Williamsburg	\$297.00
City of Norfolk	436.44
City of Newport News	433.68
City of Virginia Beach	353.52
James City Service Authority	171.00

Source: James City Service Authority

**Comparison of Area Sewer Bills  
Annual Consumption 60,000 Gallons as of June 2015**

<b>Virginia Jurisdiction</b>	<b>Sewer Service<sup>(1)</sup></b>
City of Hampton	\$171.60
City of Newport News	305.52
City of Virginia Beach	369.72
City of Norfolk	294.60
York County	288.00
James City Service Authority	193.20

Source: James City Service Authority

<sup>(1)</sup> Rates charged by the municipality. Residents of these municipalities pay a separate wastewater treatment fee to Hampton Roads Sanitation District of \$5.12 per 1,000 gallons.

**System Facilities Charges.** A system facilities charge for water service is assessed for each new separate service connection. The purpose of the charge is to defray in part the cost of providing major supply, transmission main, booster pumping and distribution facilities. A similar system facilities charge for sewer service is assessed for each new separate service connection. The current charge for a residential 5/8 inch meter is \$500 per bathroom fixture and has been in effect since 2008. The sewer service connection is also based on the size of the water meter and is \$400 per bathroom fixture and has been in effect since 2009.

**Historical Summary of Availability Charges  
for a Typical Residential Connection**

<b>Year</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
2006	\$2,400	\$2,400	\$4,800
2007	2,400	2,400	4,800
2008	4,200	2,520	6,720
2009	4,200	3,360	7,560
2010	4,200	3,360	7,560
2011	4,200	3,360	7,560
2012	4,200	3,360	7,560
2013	4,200	3,360	7,560
2014	4,200	3,360	7,560
2015	4,200	3,360	7,560

Source: James City Service Authority

**Historical Operating Summary.** The following tables summarize certain charges of the Authority attributable to its water and wastewater services and its financial performance in the five fiscal years ending June 30, 2011, through June 30, 2015. Certain of the financial data contained in these tables for fiscal years ending June 30, 2011, through June 30, 2015, are derived from the Authority's audited financial statements. Audited financial statements for the years ended June 30, 2014, and June 30, 2015, are included in **APPENDIX C**.

**Changes in Revenues, Expenses and Net Position**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Operating revenues:					
Water and sewer services	\$12,603,818	\$11,718,297	\$12,002,533	\$11,825,702	\$12,588,470
Rental income	171,401	144,381	164,875	160,914	325,991
Water supply proffers	125,192	26,967	13,362	57,446	450,262
Reimbursements for storm costs	-	349,541	-	900	-
Other	190,467	198,025	242,028	285,892	214,104
<b>Total operating revenues</b>	<b>\$13,090,878</b>	<b>\$12,437,211</b>	<b>\$12,422,798</b>	<b>\$12,330,854</b>	<b>\$13,578,827</b>
Operating expenses:					
Salaries	\$ 4,040,543	\$ 4,144,696	\$ 4,306,155	\$ 4,288,721	\$ 4,257,924
Fringe benefits	1,585,037	1,584,707	1,636,038	1,337,328	1,546,525
Operating supplies	888,559	899,095	822,882	882,253	836,288
Maintenance of buildings and equipment	3,193,116	3,065,512	3,364,910	3,501,598	2,067,464
Utilities	813,478	917,498	862,665	875,020	861,074
Contractual fees	873,110	882,505	910,491	836,634	915,365
Storm costs	-	359,921	-	-	-
Other	697,629	560,671	504,573	496,851	497,803
<b>Total operating expenses</b>	<b>\$12,091,472</b>	<b>\$12,414,605</b>	<b>\$12,407,714</b>	<b>\$12,218,405</b>	<b>\$10,982,443</b>
Operating income before depreciation and amortization	\$ 999,406	\$ 22,606	\$ 15,084	\$ 112,449	\$ 2,596,384
Depreciation and amortization	7,273,473	7,469,016	7,619,431	7,670,391	7,810,808
Operating loss	(\$ 6,274,067)	(\$ 7,446,410)	(\$ 7,604,347)	(\$ 7,557,942)	(\$ 5,214,424)
Nonoperating revenues (expenses):					
Facility charges	\$ 3,839,702	\$ 3,165,330	\$ 3,868,654	\$ 4,305,728	\$ 3,863,650
Investment income (loss)	509,675	351,929	(1,249,111)	267,061	248,207
Gain (loss) on disposal of capital assets	34,324	21,285	(44,507)	15,352	23,497
Interest expense, net	(1,531,715)	(1,478,060)	(1,141,052)	(1,114,130)	(1,095,684)
<b>Total nonoperating revenues</b>	<b>\$ 2,851,986</b>	<b>\$ 2,060,484</b>	<b>\$ 1,433,984</b>	<b>\$ 3,474,011</b>	<b>\$ 3,039,670</b>
Income before contributions	(\$ 3,422,081)	(\$ 5,385,926)	(\$ 6,170,363)	(\$ 4,083,931)	(\$ 2,174,754)
Capital asset contributions	1,750,073	5,395,362	4,600,645	3,388,700	5,284,379
Changes in net position	(\$ 1,672,008)	\$ 9,436	(\$ 1,569,718)	(\$ 695,231)	\$ 3,109,625



The following table shows the historical debt service coverage ratios.

**Historical Revenue Bond Coverage**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Gross Revenues	\$17,474,579	\$15,975,755	\$14,997,834	\$16,918,995	\$17,714,181
Less: Direct Operating Expenses	12,091,472	12,414,605	12,407,714	12,218,405	10,982,443
Net Revenues Available for Debt Service	5,383,107	3,561,150	2,590,120	4,700,590	6,731,738
Debt Service	3,027,750	3,028,100	1,644,306	1,645,931	1,646,856
Debt Service Coverage	1.78	1.18	1.58	2.86	4.09

Source: James City Service Authority

**Capital Improvements Program**

The Authority has an estimated Fiscal Year 2016-2020 Capital Improvements Program of approximately \$25.6 million for both water and sewer facilities. The largest portion of the water facilities improvements is for water supply, while the sewer facilities improvements consist primarily of sewer line and manhole rehabilitation, repair, replacements and improvements mandated by the Department of Environmental Quality.

The table below details the estimated Capital Improvements Program expenditures for the Authority. It is currently anticipated that all of the expenditures will be funded through a combination of facility and service charges.

	<b>FY 16</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>Total</b>
Water Supply	\$3,812,000	\$2,007,000	\$1,947,000	\$1,947,000	\$1,947,000	\$11,660,000
Water Distribution	400,000	1,200,000	2,000,000	1,200,000	1,700,000	6,500,000
Sewer Improvements	818,000	1,330,000	1,350,000	1,350,000	1,350,000	6,198,000
Other Projects	225,000	465,000	200,000	200,000	200,000	1,290,000
Total Expenditures	\$5,255,000	\$5,002,000	\$5,497,000	\$4,697,000	\$5,197,000	\$25,648,000

Source: James City Service Authority

The overall Capital Improvements Program may be affected by unanticipated events and circumstances which could result in differences between projected and actual financial results. If customer growth, operating expenses or capital improvement costs are different from that projected, rate and fee increases may be required to support the long-term Capital Improvements Program. Regardless of delays or a slower rate of growth, the Authority believes that revenues will be adequate to support the proposed Capital Improvements Program.

**LITIGATION**

There is no litigation pending or threatened (1) to restrain or enjoin the issuance, sale, execution or delivery of the Series 2016 Bonds, or (2) in any way contesting or affecting the validity of the Series 2016 Bonds, any proceeding of the Authority taken with respect to their issuance or sale, the Authority's ability to pledge and use the Net Revenues for the payment of the Series 2016 Bonds, the operation of the System, the existence or powers of the Authority, or the title of any officer of the Authority with respect to his or her position. There is no litigation pending or, to the best knowledge of the Authority, threatened which would have a material adverse effect on the condition of the Authority, financial or otherwise, or its contractual arrangements with third parties for water supply or wastewater treatment.

## RATINGS

The Series 2016 Bonds have been rated “\_\_\_” by Moody’s Investors Service, Inc. (“Moody’s”), and “\_\_\_” by Standard & Poor’s Ratings Services (“Standard & Poor’s”). Such ratings are based on the creditworthiness of the Authority.

Such ratings reflect only the respective views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007; Standard & Poor’s Corporation, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will be continued for any given period or that they will not be revised or withdrawn entirely by either or both of such rating agencies, if in the judgment of either or both circumstances so warrant. A downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Series 2016 Bonds.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor, on behalf of the Authority, relating to (i) computations of forecasted receipts of principal and interest on the investments in the Government Obligations deposited in the Escrow Account and the forecasted payment of principal and interest to redeem the Refunded Bonds and (ii) computation of the yields on the Series 2016 Bonds and the Government Obligations deposited in the Escrow Account was examined by The Arbitrage Group, Inc. Such computations were based solely on assumptions and information supplied by the Financial Advisor and purchasers on behalf of the Authority. The Arbitrage Group, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

## FINANCIAL STATEMENTS

The financial statements of the Authority included as **APPENDIX C** to this Official Statement have been audited by Dixon Hughes Goodman, L.L.P., Newport News, Virginia, independent auditors, as stated in their report thereon included in **APPENDIX C**. Dixon Hughes Goodman, L.L.P will not be reviewing any matters in connection with the issuance of the Series 2016 Bonds.

## LEGALITY FOR INVESTMENT

Under the Act, the Series 2016 Bonds are securities in which all public officers and public bodies of the Commonwealth of Virginia and its political subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, may legally invest funds in their control. No representation is made as to the eligibility of the Series 2016 Bonds for investment or any other purpose under the laws of any other state.

## CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Series 2016 Bonds are subject to the approving opinion of Hunton & Williams LLP, Bond Counsel, which will be furnished at the expense of the Authority upon delivery of the Series 2016 Bonds. This opinion will be limited to matters relating to the authorization and validity of the Series 2016 Bonds and to the tax status of interest on them as described in “**TAX EXEMPTION.**” The proposed form of the opinion of Bond Counsel is included as **APPENDIX F** to this Official Statement. Bond Counsel has not been engaged to investigate the financial resources of the Authority or its ability to provide for payment of the Series 2016 Bonds, and Bond Counsel’s opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been

relied on by anyone in making a decision to purchase Series 2016 Bonds. Certain legal matters will be passed on for the Authority by its general counsel, the County Attorney's Office of James City County, Williamsburg, Virginia.

## **TAX EXEMPTION**

### **Opinion of Bond Counsel**

In the opinion of Bond Counsel and in accordance with customary opinion practice, under current law, interest, including accrued original issue discount ("OID"), on the Series 2016 Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax, and (c) is exempt from income taxation by the Commonwealth. Except as discussed below regarding OID, no other opinion will be expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Series 2016 Bonds.

Bond Counsel's opinion is given in reliance upon (a) computations provided to The Arbitrage Group, Inc., the mathematical accuracy of which was verified by them, relating to the sufficiency of investments in the Escrow Account established in connection with the Series 2016 Bonds for the refunding of the Refunded Bonds to pay when due the principal of and premium, if any, and interest on the Refunded Bonds and the yields on such investments and on the Series 2016 Bonds, and (b) certifications by representatives of the Authority as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Series 2016 Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2016 Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2016 Bonds. Failure by the Authority to comply with such covenants, among other things, could cause interest, including accrued OID, on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

Customary practice in the giving of legal opinions includes not detailing in the opinion all of the assumptions, limitations and exclusions that are a part of the conclusions therein. See "Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions," 63 Bus. Law. 1277 (2008), and "Legal Opinion Principles," 53 Bus. Law. 831 (May 1998). Purchasers of the Series 2016 Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Series 2016 Bonds.

### **Original Issue Discount**

The initial offering prices of the Series 2016 Bonds maturing in the years \_\_\_\_\_ (the "OID Bonds"), will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such Series 2016 Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of such Bonds are sold.

Under the Code, for purposes of determining the holder's adjusted basis in an OID Bond, OID treated as having accrued while the holder holds the Series 2016 Bond will be added to the holder's basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of such Series 2016 Bonds.

### **Original Issue Premium**

Series 2016 Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such Bond must be reduced by the amount of premium that accrues while such Series 2016 Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Series 2016 Bonds while so held. Purchasers of such Series 2016 Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Series 2016 Bonds.

### **Other Tax Matters**

In addition to the matters addressed above, prospective purchasers of the Series 2016 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2016 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Series 2016 Bonds also should consult their own tax advisors as to the status of interest on the Series 2016 Bonds under the tax laws of any state other than Virginia.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Series 2016 Bonds, under current Service procedures, the Service will treat the Authority as the taxpayer and the owners of the Series 2016 Bonds will have only limited rights, if any, to participate.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is not a guarantee of result or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

There are many events that could affect the value and liquidity or marketability of the Series 2016 Bonds after their issuance, including but not limited to public knowledge of an audit of the Series 2016 Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, federal or state legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Series 2016 Bonds who purchase Series 2016 Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the Series 2016 Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Series 2016 Bonds.

### **FINANCIAL ADVISOR**

Davenport & Company LLC, Richmond, Virginia, has served as financial advisor to the Authority with respect to the sale of the Series 2016 Bonds. The financial advisor has assisted the Authority in matters relating to the planning, structuring and issuance of the Series 2016 Bonds and has provided other advice.

## SALE AT COMPETITIVE BIDDING

The Series 2016 Bonds will be offered for sale at competitive bidding on April \_\_\_\_, 2016, unless such date is postponed or changed as described in the Notice of Sale, attached hereto as **APPENDIX H**. This Official Statement has been deemed final as of its date by the Authority in accordance with the meaning and requirements of Rule 15c2-12 (“Rule 15c2-12”) of the Securities and Exchange Commission (“SEC”), except for the omission of certain pricing and other information permitted to be omitted pursuant to Rule 15c2-12. After the Series 2016 Bonds have been awarded, the Authority will complete the Official Statement so as to be a “final official statement” within the meaning of Rule 15c2-12 (the “final Official Statement”). The final Official Statement will include, among other matters, the identity of the winning bidders and the managers of the syndicates, if any, submitting the winning bids, the expected selling compensation to the underwriters of the Series 2016 Bonds and other information on the interest rates and offering prices or yields of the Series 2016 Bonds, as supplied by the winning bidders.

## CONTINUING DISCLOSURE UNDERTAKING

### General

To permit compliance by the underwriters with the requirements of Rule 15c2-12, the Authority will execute a Continuing Disclosure Agreement (the “CDA”) at closing agreeing to provide certain annual financial information and notice of certain enumerated events required by Rule 15c2-12. Such information will be filed through the Electronic Municipal Market Access System (“EMMA”) maintained by the Municipal Securities Rulemaking Board and may be accessed through the Internet at [emma.mrsb.org](http://emma.mrsb.org). As described in **APPENDIX E**, the CDA requires the Authority to provide only limited information at specific times, and the information provided may not be all the information necessary to value the Series 2016 Bonds at any particular time. The Authority may from time to time disclose certain information and data in addition to that required by the CDA. If the Authority chooses to provide any additional information, the Authority shall have no obligation to continue to update such information or to include it in any future disclosure filing.

Failure by the Authority to comply with the CDA is not an event of default under the Series 2016 Bonds or the Indenture. The sole remedy for a default under the CDA is to bring an action for specific performance of the Authority’s covenants under the CDA, and no assurance can be provided as to the outcome of any such proceeding.

### Prior Instances of Non-Compliance

[TO COME]

## MISCELLANEOUS

The Authority has furnished all information in this Official Statement relative to it, including the audited financial statements for the years ended June 30, 2014 and June 30, 2015, and for the periods then ended, as well as the report on the audited financial statements by Dixon Hughes Goodman, L.L.P., Newport News, Virginia, independent auditors, contained in **APPENDIX C**. Dixon Hughes Goodman, L.L.P. will not be reviewing any matters in connection with the issuance of the Series 2016 Bonds.

The references in this Official Statement to the Indenture, the Act, the Series 2016 Bonds and other documents are brief outlines of certain of their provisions. These outlines do not purport to be complete, and reference is made to the documents and the Act themselves, a reasonable number of copies of which will be furnished without charge (except for copying charges) by the Authority upon request made at 101-E Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784 (Telephone No. 757-253-6805).

So far as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

**AUTHORIZATION AND CERTIFICATION  
CONCERNING THE OFFICIAL STATEMENT**

This Official Statement has been authorized by the Authority. Concurrently with the delivery of the Series 2016 Bonds, the undersigned will furnish a certificate to the effect that, to the best of their knowledge, this Official Statement did not as of its date and does not as of the date of delivery of the Series 2016 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included in it for the purpose for which it is to be used, or which is necessary in order to make the statements contained in it, in light of the circumstances under which they were made, not misleading.

The distribution of this Preliminary Official Statement has been duly authorized by the Directors of the Authority. The Authority has deemed this Preliminary Official Statement final as of its date within the meaning of Rule 15c2-12, except for the omission of certain pricing and other information permitted to be omitted by Rule 15c2-12.

**JAMES CITY SERVICE AUTHORITY**

By: \_\_\_\_\_  
Chairman

By: \_\_\_\_\_  
General Manager

**APPENDIX D**

**COUNTY OF JAMES CITY, VIRGINIA**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
INTRODUCTION .....	2
Government Services and Facilities.....	2
Form and Organization of Government.....	2
Economic Development.....	3
ECONOMIC AND DEMOGRAPHIC FACTORS .....	3
Population.....	3
Income .....	4
Housing, Construction, and Financial Activity.....	4
Employment.....	6
Tourism.....	7
Health Care .....	8
Education .....	8
Colleges and Universities .....	9
Public Safety.....	9
Transportation.....	10
FINANCIAL INFORMATION .....	10
Budgetary Process .....	10
Current Operating Budget.....	10
Five-Year Summary of General Fund Revenues, Expenditures and Changes in Fund Balances .....	11
Published Financial Information.....	15



## **INTRODUCTION**

James City County, Virginia (the “County”), is the site of Jamestown, which in 1607 became the first permanent English settlement in the New World. The United States Congress called Jamestown the birthplace of Virginia and American Government.

The County is conveniently located between the major metropolitan areas of Richmond and Norfolk. Adjacent to the County is the City of Williamsburg, Virginia (the “City”), home to historic Colonial Williamsburg and the College of William and Mary. During the 1970’s and 1980’s, tourism plus commercial and residential development expanded dramatically in the County and surrounding areas. Today, the County is home to approximately 73,325 residents and encompasses 147 square miles, the largest land area on the Virginia peninsula. Services provided by the County include a transit system, professional police service, fire and dispatch, parks and a recreation center, public-private health center, and social services that promote self-sufficiency.

### **Government Services and Facilities**

The County provides a comprehensive range of local government services characteristic of its form of government under Virginia law. Although legally separate and independent, the City and the County are closely linked. The City is the County seat and both jurisdictions share an elected Treasurer, Clerk of the Circuit Court, Commonwealth’s Attorney and Sheriff. The County and the City share a public school system and courts. The County is also a partner in many regional entities such as the jail, library system, transit, public health department and behavioral health system. Cooperative agreements exist for fire, emergency medical, social services and recreation.

### **Form and Organization of Government**

The County is governed by a five member Board of Supervisors (the “Board”). Each member is elected by the voters in his or her district for a term of four years. Terms are staggered with representatives from two districts being elected one year and the other three representatives being elected two years later. At their annual organizational meeting, the Board elects a chairman and vice chairman from among the five supervisors. The Board passes all local ordinances and determines all local policies that govern the County. It appoints a County Administrator as well as most boards and commissions. It also appropriates funds for County operations and generally oversees all County functions.

The County Administrator is the chief administrative officer of the County and is responsible to the Board for executing policies established by the Board. The County Administrator acts as Clerk to the Board and handles the daily administrative operations of the County as well as its strategic planning.

In addition to the elected members of the Board, five constitutional officers are elected. These are the Commissioner of the Revenue, the Treasurer, the Clerk of the Circuit Court, the Commonwealth’s Attorney and the Sheriff. The Treasurer, the Clerk of Circuit Court, the Commonwealth’s Attorney and the Sheriff are elected jointly by the voters of the County and the City. The County and the City courts are part of the 9<sup>th</sup> Judicial District. The three judges serving the area represent Juvenile, District and Circuit Courts and are appointed by the General Assembly of Virginia. The Circuit Court Judge appoints the members of the County’s Board of Zoning Appeals and members of the County’s Electoral Board which, in turn, appoints the General Registrar.

The County’s schools are operated by the Williamsburg-James City County School Board, which consists of two members appointed by the City and five members elected by the voters of the County. Each of the County members are elected by the voters in his or her district for a term of four years, and the terms are staggered with representatives from two districts being elected one year and the other three representatives being elected two years later.

## Economic Development

The Department of Economic Development’s mission is to foster development and expansion of a diversified and healthy base of primary business and industry that will better balance the tax base, increase job opportunities and enhance both the quality and standard of living in the County. The department focuses on the retention and expansion of the County’s existing primary businesses and industries, plus the recruitment of new businesses and industries.

The Economic Development Authority of James City County, Virginia (the “Economic Development Authority”) coordinates industrial revenue bond financings for qualifying businesses and charitable entities and manages inducements and loans to businesses. The Economic Development Authority works in collaboration with a variety of organizations to strengthen the economic base in the County through efforts such as James River Commerce Center (a 219 acre industrial park) and the Triangle Business & Innovation Center. Most recently, the Economic Development Authority has entered into a regional partnership with the City of Williamsburg and York County to market the area as a region to business and enterprise.

### ECONOMIC AND DEMOGRAPHIC FACTORS

#### Population

According to estimates by the County, the County’s 2015 population is approximately 73,325. The following table presents the population figures for selected years.

#### POPULATION AND RATES OF CHANGE JAMES CITY COUNTY, THE COMMONWEALTH OF VIRGINIA AND THE UNITED STATES SELECTED YEARS

Year	County	Rate of Change	Commonwealth of Virginia	Rate of Change	United States	Rate of Change
1950	6,317	--	3,318,680	--	150,697,361	--
1960	11,539	82.67%	3,966,949	19.53%	178,464,236	18.43%
1970	17,853	54.72	4,651,448	17.26	203,211,926	13.87
1980	22,763	27.50	5,346,797	14.95	226,545,805	11.48
1990	34,859	53.14	6,187,358	15.72	248,709,873	9.78
2000	48,102	37.99	7,079,030	14.41	281,421,906	13.15
2001	50,200	4.36	7,204,928	1.78	285,112,030	1.31
2002	51,800	3.19	7,302,731	1.36	287,888,021	0.97
2003	53,100	2.51	7,386,346	1.14	290,447,644	0.89
2004	55,200	3.95	7,510,260	1.68	293,191,511	0.94
2005	57,542	4.24	7,600,467	1.20	295,895,897	0.92
2006	59,635	3.64	7,683,718	1.10	298,754,819	0.97
2007	61,495	3.12	7,749,603	0.86	301,621,157	0.96
2008	62,237	1.21	7,854,031	1.35	304,059,724	0.81
2009	63,135	1.44	7,928,779	0.95	307,006,550	0.97
2010	67,009	6.14	8,001,024	0.91	308,745,538	0.57
2011	68,874	2.78	8,096,604	1.19	311,718,857	0.96
2012	69,546	0.98	8,185,867	1.10	314,102,623	0.76
2013	70,231	0.98	8,260,405	0.91	316,427,395	0.74
2014	71,140	1.29	8,326,289	0.80	318,907,401	0.78
2015	73,325	3.07	8,382,993	0.68	321,418,820	0.79

Sources: 2001 through 2015 population figures for James City County are from the Weldon Cooper Center (except 2010); 2010 and all other years are from the U.S. Department of Commerce, Bureau of the Census.

## Income

Presented below are comparative tables on per capita income and median household income for selected years.

### PER CAPITA INCOME

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
James City County <sup>(1)</sup>	\$43,505	\$46,531	\$49,221	\$51,944	\$50,035	\$50,787	\$53,871	\$55,639	\$56,208	\$57,465
Commonwealth of Virginia	40,036	42,386	44,422	45,618	44,458	45,412	47,689	49,320	48,956	50,345
United States	35,904	38,144	39,821	41,082	39,376	40,277	42,453	44,266	44,438	46,049

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>(1)</sup> Numbers are for the County and the City of Williamsburg combined.

### MEDIAN HOUSEHOLD INCOME

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
James City County	\$65,681	\$67,054	\$67,984	\$71,618	\$72,988	\$73,903	\$75,938	\$76,767	\$76,960	\$76,705
Commonwealth of Virginia	54,207	56,297	58,378	61,044	60,316	61,406	63,302	63,636	63,907	64,792

Source: U.S. Census Bureau.

<sup>(1)</sup> Data only available through 2014.

## Housing, Construction, and Financial Activity

The data in the tables below are presented to illustrate various housing characteristics for the County. As of June 30, 2015, the total number of dwelling units in the County was estimated to be 32,360, an increase of approximately 23.8% from June 30, 2006.

### TOTAL DWELLING UNITS

Calendar Year	Total Unit Count
2006	26,130
2007	26,901
2008	27,427
2009	27,757
2010	30,151 <sup>(1)</sup>
2011	30,544
2012	30,923
2013	31,343
2014	31,724
2015	32,360

Source: James City County Planning Division.

<sup>(1)</sup> The number of dwelling units for fiscal year 2010 was calibrated to account for official 2010 Census housing information.

Selected data is presented below to illustrate the level of new construction that has occurred in the County.

**TOTAL NUMBER OF BUILDING PERMITS ISSUED AND VALUE**

Fiscal Year	Construction					
	Commercial/Industrial		Residential		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
2006	197	\$ 70,501,744	1,645	\$264,701,674	1,842	\$335,203,418
2007	231	111,021,564	1,454	256,134,794	1,685	367,156,358
2008	225	63,187,911	973	130,064,874	1,198	193,252,785
2009	183	45,242,077	790	89,989,687	973	135,231,764
2010	128	24,599,420	830	99,077,199	958	123,676,619
2011	144	48,473,968	809	106,315,258	953	154,789,226
2012	172	45,837,716	802	100,812,412	974	146,650,128
2013	139	27,700,522	835	117,237,035	974	144,937,557
2014	166	33,169,762	741	123,841,836	907	157,011,598
2015	147	16,449,776	822	129,526,342	969	145,976,118

Source: James City County Building and Safety Permits Division.

## Employment

The following table presents the employment and average weekly wages for the second quarter of 2015.

### JAMES CITY COUNTY AVERAGE EMPLOYMENT AND AVERAGE WEEKLY WAGE Second Quarter 2015<sup>(1)</sup>

Industry Group	Average Employment For Quarter <sup>(1)</sup>	Percent of Total	Weekly Wage Per Employee
<b>Private</b>			
Health Care and Social Assistance	3,940	17.92	\$ 743
Retail Trade	3,764	17.12	397
Accommodation and Food Services	3,212	14.61	391
Educational Services	2,217	10.08	674
Construction	1,417	6.44	883
Manufacturing	1,323	6.02	997
Professional, Scientific, and Technical Services	1,304	5.93	1,154
Administrative and Support and Waste Management	1,138	5.18	618
Management of Companies and Enterprises	826	3.76	1,206
Real Estate and Rental and Leasing	801	3.64	908
Wholesale Trade	766	3.48	677
Other Services (except Public Administration)	616	2.80	492
Finance and Insurance	421	1.91	1,424
Information	207	0.94	734
Agriculture, Forestry, Fishing and Hunting	35	0.16	373
<b>Total Private</b>	<b>21,987</b>	<b>100.00%</b>	
<b>Public</b>			
Local Government	3,207	71.36	\$ 728
State Government	1,215	27.04	743
Federal Government	72	1.60	930
<b>Total Public</b>	<b>4,494</b>	<b>100.00%</b>	
<b>Total</b>	<b>26,481</b>		

Source: Virginia Employment Commission for Second.

<sup>(1)</sup> Data excludes self-employed persons and non-disclosed data for the following industries: Arts, Entertainment and Recreation; Mining, Quarrying and Oil and Gas Extraction; Transportation and Warehousing; and Utilities.

The average annual unemployment rates for the County, the Commonwealth and the United States for recent years are set forth in the following table.

### AVERAGE ANNUAL UNEMPLOYMENT RATES Calendar Year

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 <sup>(1)</sup>
James City County	3.2%	2.7%	2.5%	3.2%	5.4%	6.3%	6.1%	5.7%	5.3%	5.0%	3.8%
Commonwealth of Virginia	3.6	3.1	3.0	3.9	6.7	7.1	6.6	6.0	5.7	5.2	3.9
United States	5.1	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2	4.8

Source: Virginia Employment Commission; Bureau of Labor Statistics, Local Area Unemployment Statistics.

<sup>(1)</sup> 2015 Unemployment Rate as of December 2015.

A variety of industrial and commercial service employers are located within the County. The table below presents data regarding the major employers in the County, including the products and services they provide and the approximate number of employees.

**MAJOR PRINCIPAL EMPLOYERS**  
**Fiscal Year Ended June 30, 2015**

Firm	Type of Business	Approximate Number of Employees
Busch Gardens	Theme Park	1,000+
Williamsburg-James City County Public Schools	Educational Institution	1,000+
Eastern State Hospital	Hospital	500-999
James City County	Local Government	500-999
Wal-Mart Distribution	Distribution	500-999
Kingsmill Resort & Spa	Accommodation	500-999
Anheuser-Busch InBev Inc.	Manufacturing	500-999
Owens & Minor	Healthcare logistics	500-999
Jamestown-Yorktown Foundation	Educational Institution	250-499
Williamsburg Landing	Continuing Care Retirement Community	250-499

*Source:* James City County Department of Economic Development and the Virginia Employment Commission.

The table presented below is a summary of recent County taxable retail sales.

**TAXABLE RETAIL SALES**

Fiscal Year	Taxable Retail Sales
2004	\$679,508,600
2005	763,697,400
2006	832,202,000
2007	882,593,500
2008	892,444,900
2009	861,852,500
2010	842,195,000
2011	892,445,000
2012	932,214,200
2013	992,914,200
2014	999,911,900
2015 <sup>(1)</sup>	1,053,339,000

*Source:* Treasurer, James City County.

**Tourism**

The tourism industry makes a substantial contribution to the County's and Virginia's economy. According to the Virginia Tourism Corporation (VTC), in 2014, Greater Williamsburg area visitors contributed approximately \$398 million to the James City County economy and almost \$1.2 billion to the economy of the Greater Williamsburg area. The Williamsburg Area Chamber and Tourism Alliance reports that in 2010 more than six million people attended events and toured attractions in the area. The current hotel room inventory in the Greater Williamsburg area is approximately 8,021 with an inventory of 1,473 in the County. In addition, there are 12 time share properties representing 6,475 additional rooms in the region, with an inventory of 3,532 in the County.

**HOTEL ROOMS TAX RECEIPTS**  
**Fiscal Year 2006 to Fiscal Year 2015**

<b>Fiscal Year</b>	<b>Total Hotel Room Tax Receipts</b>
2006	\$2,931,941
2007	3,405,699
2008	3,318,746
2009	2,764,063
2010	2,553,820
2011	2,520,379
2012	2,753,408
2013	3,008,660
2014	3,149,512
2015	3,350,328

*Source:* James City County Department of Financial Management Services.

**Health Care**

Located in upper York County is Sentara Williamsburg Regional Medical Center, a comprehensive medical center with an Emergency Department, all private patient rooms, and an array of inpatient and outpatient services to support optimal health. The hospital has a cardiac catheterization lab and advanced imaging services that feature a 32-slice Computed Tomography (CT) scanner. This 5-story, approximately 339,000 square foot facility adjoins the existing Geddy Outpatient Center via an enclosed connector on the first and second floors.

Riverside Doctors Hospital opened in the City of Williamsburg in May of 2013. This two story, 100,000 square foot facility includes an emergency department and is certified as a primary stroke center.

The largest non-military medical provider on the peninsula is Riverside Regional Medical Center in Newport News. This 576-bed facility offers comprehensive medical care in 29 specialties, Level II trauma care, complete cardiac care, complete cancer treatment, laser surgeries, hospice, neonatal ICU, home care and health education programs.

Other hospitals located in the area are Sentara Hampton General Hospital, Mary Immaculate Hospital, Newport News General Hospital, Riverside Rehabilitation Institute, Veteran’s Administration Medical Center, McDonald Army Hospital, Langley Air Force Base Hospital, Riverside Psychiatric Institute and Eastern State Hospital. For specialized needs, such as acute care for children, serious trauma or burns, peninsula area citizens can go to Norfolk to the Children’s Hospital of the King’s Daughters, devoted exclusively to children, and Sentara Norfolk General Hospital, which features a Level I trauma center and Nightingale helicopter service. The Medical College of Virginia in Richmond is located just an hour drive northwest.

**Education**

The Williamsburg-James City County Public Schools Division (the “Public Schools”) was formed in 1954 as a joint venture of the City and County to provide quality public education to the children within the two localities. Local financing for its operating and capital budgets is governed by a contract between the two localities.

The Public Schools are managed by a School Board consisting of seven members. There are five County members who are elected by County voters for four year terms. There are two City members of the School Board who are appointed for three year terms by the City Council.

The School Board has the power and responsibility to set policy and ensure that the Public Schools follow state and federal guidelines. The School Board appoints the superintendent; establishes goals and adopts policies

that become the basis for instructional programs in accordance with state regulations and local needs; sets student policies; manages school facilities and identifies additional facility requirements; and maintains public relations.

There are nine elementary schools, three middle schools and three high schools for the 2015-2016 school year. Summarized in the following tables are selected items of information concerning the total annual school membership (enrollment) and the percentage change.

**PUBLIC SCHOOLS STUDENT POPULATION**

<b>School Year</b>	<b>Number of Students</b>	<b>Percent Change</b>
2005-2006	9,820	4.4%
2006-2007	10,105	2.9
2007-2008	10,137	0.3
2008-2009	10,248	1.1
2009-2010	10,503	2.5
2010-2011	10,549	0.4
2011-2012	10,671	1.2
2012-2013	10,748	0.7
2013-2014	10,998	2.3
2014-2015	11,116	1.1
2015-2016	11,303	1.7

*Source:* Williamsburg – James City County Public Schools.

**Private and Parochial Schools.** There are two parochial schools in the area – one in the County and one in the City.

**Colleges and Universities**

There are several colleges and universities within a short distance of the County.

The College of William and Mary was founded in the City over three hundred years ago. Current enrollment is approximately 8,400 students. The College sponsors the Virginia Institute of Marine Science at Gloucester Point, Virginia, and it participates in the Southeastern Universities Research Association’s support of the Jefferson Labs in Newport News. Jefferson Labs, which became fully operational in 1995, conducts state-of-the-art physics research.

Hampton University, located approximately 40 miles from the County in the City of Hampton, was founded in 1868 and has an enrollment of approximately 4,400 students.

Christopher Newport University, located approximately 30 miles from the County in Newport News, has an enrollment of approximately 4,500 students.

Thomas Nelson Community College (“TNCC”) is a two-year public college with a campus in Hampton and a campus in the County (the “James City Campus”). The James City Campus is a state-of-the-art academic, administrative, physical plant and student and faculty support facility in a three-story, 120,000 square-foot building on the Historic Triangle campus located on 74 acres next to the Warhill High School in the County. TNCC has an enrollment of approximately 16,200 students. Students can transfer class credits earned at TNCC to most four year universities with no loss of credits.

**Public Safety**

**Police Department.** The Police Department is responsible for enforcing the law, preserving the peace, crime prevention services and animal control. The department has 103 sworn officers and annually responds to over



20,000 calls for service. The department is accredited by the Virginia Law Enforcement Professional Standards Commission, which rates agencies on over seven hundred different standards and criteria.

*Fire.* The Fire Department is responsible for providing protective action services to the citizens and visitors of James City County. Those protective services include fire protection, emergency medical services, open water and dive rescue, fire prevention, fire code enforcement, and public education. The Fire Department is also responsible for the Emergency Communications system that includes the 911 dispatch center, 800 MHz radio system. The third component of the Fire Department is Emergency Management, which is responsible for planning, response, and mitigation of emergency situations including natural disasters, hazardous material incidents, and Surry Nuclear Power Plant, and citizen emergency notification systems. The Fire Department has a staff of 147 including 109 uniformed and 38 civilians.

## **Transportation**

Interstate 64 links the County with the Tidewater communities to the east and with Interstate 95 and the entire interstate corridor of the eastern seaboard to the west. The commercial and industrial areas in the County are within minutes of Interstate I-64 and within 45 minutes of Interstates I-95 and I-295.

Three international airports, all within 45 minutes of the County, provide air transportation and cargo facilities: Richmond International Airport to the west and Williamsburg/Newport News International and Norfolk International airports to the east. These airports handle international and domestic passenger flights and all-cargo flights daily. Williamsburg-Jamestown airport serves as a regional general aviation airport for turbo-prop and corporate aircraft.

The CSX rail line that passes through the County provides rail service to the County. Along with Interstate I-64, the rail line provides access to the Hampton Roads ports some 40 minutes to the east. Hampton Roads is the second largest commercial port area on the East Coast.

## **FINANCIAL INFORMATION**

### **Budgetary Process**

The Code of Virginia requires the County Administrator to submit, for informative and fiscal planning purposes, a balanced, proposed operating budget to the Board of Supervisors at least 90 days before the beginning of each fiscal year, which commences July 1. Inclusion of any item in the proposed budget does not constitute an obligation or commitment on the part of the Board of Supervisors to appropriate funds for such item or purpose.

The budget includes a two-year financial plan for operations and a five-year plan for capital projects. Public hearings are conducted to obtain citizen comments. Prior to June 30, only the first year of the financial plan is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund and function level. The appropriation for each fund and function can be revised only by the Board; however, the County Administrator may amend the budget within functions. The School Board is authorized to transfer budgeted amounts within the Public Schools' categories. Supplemental appropriations may be made without amending the budget.

Each department is required to review its performance versus budget on a monthly basis. In addition, a formal review of actual revenues and expenses versus budget is performed mid-year on a County-wide basis.

All County general fund appropriations lapse June 30.

### **Current Operating Budget**

On April 28, 2015, the Board of Supervisors adopted a total budget for the fiscal year ending June 30, 2016.

The adopted budget for fiscal year 2016 was greater than the adopted budget for fiscal year 2015. General governmental revenues for fiscal year 2016 are projected to increase by approximately 6.7% compared to the 2015 adopted budget.

The following table shows the County's General Fund budgeted revenues and expenditures for fiscal years 2015 and 2016.

**GENERAL FUND  
REVENUES AND EXPENDITURES**

	<b>Fiscal Year 2015 Adopted</b>	<b>Percent of Fiscal Year 2015 Budget</b>	<b>Fiscal Year 2016 Adopted</b>	<b>Percent of Fiscal Year 2016 Budget</b>
<b>REVENUES:</b>				
General property taxes	\$112,397,500	64.1%	\$122,976,950	65.8%
Other local taxes	21,765,000	12.4	21,790,000	11.7
Licenses, Permits and Fees	8,230,000	4.7	8,585,000	4.6
Fines and Forfeitures	315,000	0.2	320,000	0.2
Use of Money and Property	125,000	0.1	125,000	0.1
Revenue from the Commonwealth	26,584,500	15.2	27,177,500	14.5
Revenue from the Federal Government	7,000	-	7,500	-
Charges for Current Services	5,667,700	3.2	5,798,750	3.1
Miscellaneous Revenues	158,300	0.1	183,300	0.1
<b>Total Revenues</b>	<b>\$175,250,000</b>	<b>100.0%</b>	<b>\$186,964,000</b>	<b>100.0%</b>
<b>EXPENDITURES:</b>				
County Operations:				
General Administration	\$ 3,254,379	1.9%	\$ 3,254,423	1.7%
Court Services	3,679,705	2.1	3,644,492	1.9
Public Safety	23,908,147	13.9	24,389,454	13.0
Financial Administration	6,875,535	4.0	6,992,388	3.7
Development Management	3,568,376	2.1	3,629,402	1.9
General Services	8,843,659	5.2	9,592,667	5.1
Citizen and Community Services and Other Operations:	5,691,440	3.3	5,873,340	3.1
Contributions - Other	749,161	0.4	760,969	0.4
Outside Agencies				
Nondepartmental	340,522	0.2	167,224	0.1
Contribution to Williamsburg-James City County Schools	98,832,474	57.6	100,948,507	54.0
Williamsburg Regional Library System and Arts Center	4,367,111	2.5	4,421,282	2.4
Other Regional Entities	3,733,274	2.2	3,767,589	2.0
Health Services	1,785,160	1.0	1,855,362	1.0
Contributions to Other Funds	9,621,057	5.6	17,666,901	9.4
<b>Total Expenditures</b>	<b>\$175,250,000</b>	<b>100.0%</b>	<b>\$186,964,000</b>	<b>100.0%</b>

Source: James City County Department of Financial Management Services; Fiscal Year 2015 and 2016 Adopted Budgets.

**Five-Year Summary of General Fund Revenues, Expenditures and Changes in Fund Balances**

The financial data shown in the following table present a summary of revenues, expenditures and other sources and uses of the County's General Fund for each of the five fiscal years through the period ended June 30, 2015.

**GOVERNMENTAL FUNDS**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Year End June 30**

	2011	2012	2013	2014	2015
<b>REVENUES:</b>					
General property taxes	\$108,564,306	\$110,677,787	\$109,112,196	\$112,151,342	\$112,542,078
Other local taxes	19,100,086	20,006,069	21,208,061	21,435,046	22,771,626
Licenses, permits, and fees	7,055,618	7,487,105	7,623,652	8,134,299	8,443,821
Fines and forfeitures	334,633	274,198	295,355	293,625	271,615
Use of money and property	442,698	395,001	330,514	339,358	232,388
Charges for services	4,861,478	5,174,185	5,736,864	5,549,607	5,944,750
Intergovernmental	34,515,554	37,099,346	34,672,161	33,945,431	34,169,438
Miscellaneous	1,201,370	1,286,664	1,473,964	1,875,484	4,217,842
Total Revenues	<u>\$176,075,743</u>	<u>\$182,400,355</u>	<u>\$180,452,767</u>	<u>\$183,724,192</u>	<u>\$188,593,558</u>
<b>EXPENDITURES:</b>					
Storm costs	\$ -	\$2,454,661	\$ -	\$ -	\$ -
General government	8,265,513	8,669,692	9,399,885	9,643,858	9,432,889
Judicial administration	5,311,684	5,254,489	5,250,974	5,514,609	5,599,728
Public works	7,241,872	6,493,573	7,606,884	7,353,940	6,976,533
Health and welfare	7,582,994	7,042,619	6,785,380	7,061,327	7,193,841
Education	73,830,796	74,280,245	75,931,599	77,496,482	79,610,865
Parks, recreation, and culture	9,180,161	9,163,941	9,075,083	9,899,159	9,858,887
Public safety	23,792,805	24,915,821	26,555,114	26,764,383	27,475,307
Community development	10,289,898	9,873,740	10,914,977	10,958,279	10,769,064
Nondepartmental	(266,150)	1,265,803	966,806	721,744	525,433
Debt service:					
Principal	14,830,524	14,787,955	23,473,305	16,417,326	16,862,695
Interest	9,853,465	9,384,810	9,522,081	8,822,326	7,787,361
Underwriters discount	-	-	-	-	-
Capital outlay <sup>(1)</sup>	30,042,723	15,023,734	12,586,344	18,421,679	13,424,741
Total Expenditures	<u>\$199,956,285</u>	<u>\$188,611,083</u>	<u>\$198,068,432</u>	<u>\$199,075,112</u>	<u>\$195,517,344</u>
Excess (deficiency) of revenues over (under) expenditures	(\$ 23,880,542)	(\$ 6,210,728)	(\$ 17,615,665)	(\$ 15,350,920)	(\$ 6,923,786)
<b>Other financing sources:</b>					
Transfers in	\$ 28,784,026	\$29,412,515	\$ 33,965,148	\$ 34,729,940	\$ 35,271,660
Issuance of debt	4,820,000	7,672,000	26,380,000	-	34,185,000
Underwriter's discount	(20,003)	-	(253,624)	-	(112,863)
Payment to refunded bond escrow agent	(5,019,743)	-	-	-	(39,371,952)
Premiums on bonds issued	321,834	-	2,309,915	-	3,907,273
Transfers out	(28,784,026)	(29,412,515)	(33,965,148)	(34,729,940)	(35,271,660)
Total other financing sources	<u>\$ 102,088</u>	<u>\$ 7,672,000</u>	<u>\$ 28,436,291</u>	<u>\$ -</u>	<u>(\$ 1,392,542)</u>
Net change in fund balances	(\$ 23,778,454)	\$ 1,461,272	\$ 10,820,626	(\$ 15,350,920)	(\$ 8,316,328)
Debt service as a percentage of Noncapital expenditures <sup>(2)</sup>	14.27%	13.65%	17.57%	13.97%	13.36%

<sup>(1)</sup> Including operating transfers to capital projects.

<sup>(2)</sup> Noncapital expenditures equals total expenditures less amounts for capitalized assets on the government-wide statement of net assets.

The following table shows the County's fiscal year 2015 revenues by source.

**GOVERNMENTAL FUNDS  
Fiscal Year 2015 Revenues by Source**

	Amount	Percent of Total	Increase (Decrease) from 2014
General Property Taxes	\$112,542,078	60.03%	0.35%
Other Local Taxes	22,771,626	12.15	6.24
Permits, privilege fees reg. licenses	8,443,821	4.50	3.81
Fines and Forfeitures	271,615	0.14	(7.50)
Use of Money and Property	232,388	0.12	(31.52)
Charges For Services	5,944,750	3.17	7.12
Intergovernmental	34,169,438	18.23	0.66
Miscellaneous	3,102,305	1.65	65.41
<b>Total Revenue</b>	<b>\$187,478,021</b>	<b>100.00%</b>	

*Source:* James City County Department of Financial Management Services.

The following table sets forth the assessed value of all taxable property in the County for each of its ten most recent fiscal years.

**HISTORICAL ASSESSED VALUE  
Fiscal Year 2006 to Fiscal Year 2015**

Year	Real Property	Personal Property	Public Service	Total
2006	\$ 8,189,928,900	\$693,850,170	\$165,476,326	\$ 9,049,255,396
2007	9,821,638,100	730,150,755	152,475,702	10,704,264,557
2008	10,672,714,225	761,010,321	176,428,097	11,610,152,643
2009	11,005,655,000	750,654,235	184,750,991	11,941,060,226
2010	11,155,493,300	741,196,285	196,289,584	12,092,979,169
2011	11,172,929,700	768,751,597	210,802,200	12,152,483,497
2012	11,316,807,900	802,225,966	222,670,868	12,341,704,734
2013	10,921,180,200	838,145,072	232,588,225	11,991,913,497
2014	11,067,756,400	864,017,834	233,973,337	12,165,747,571
2015	11,148,405,300	935,845,627	336,370,602	14,420,621,529

*Source:* Real Estate Assessments and Commissioner of the Revenue, James City County.

The following table shows the County's property tax rates for each of its eleven most recent fiscal years.

**PROPERTY TAX RATES<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Assessed % NADA Loan Value</b>
2005	\$0.825	\$4.00	100%
2006	0.785	4.00	100
2007	0.770	4.00	100
2008	0.770	4.00	100
2009	0.770	4.00	100
2010	0.770	4.00	100
2011	0.770	4.00	100
2012	0.770	4.00	100
2013	0.770	4.00	100
2014	0.770	4.00	100
2015	0.770	4.00	100

Source: James City County, Virginia, Comprehensive Annual Financial Report, Year Ended June 30, 2015

<sup>(1)</sup> Per \$100 of assessed value.

The following table sets forth information concerning the County's general property tax collection rate for each of its nine most recent fiscal years.

**GENERAL PROPERTY TAX COLLECTION RATE<sup>(1)</sup>**  
**Fiscal Year 2006 to Fiscal Year 2015**

<b>Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>			<b>Total Collections to Date</b>		
	<b>Taxes Levied for the Fiscal Year</b>	<b>Amounts<sup>(3)</sup></b>	<b>Percentage Of Levy</b>	<b>Collections in Subsequent Years<sup>(4)</sup></b>	<b>Amount</b>	<b>Percentage of Levy<sup>(5)</sup></b>
2006	\$95,574,858	\$78,647,494	82.29%	\$16,850,677	\$95,498,171	99.92%
2007	105,811,945	88,752,007	83.88	16,977,379	105,729,386	99.92
2008	114,071,066	96,586,301	84.67	17,364,741	113,951,042	99.89
2009	114,860,437	97,895,837	85.23	16,806,828	114,702,665	99.86
2010	116,355,119	99,101,581	85.17	16,888,741	115,990,322	99.69
2011	117,175,876	100,889,563	86.10	15,840,347	116,729,910	99.62
2012	121,294,208	101,482,234	83.67	19,297,459	120,779,693	99.58
2013	117,394,409	98,431,581	83.85	18,076,974	116,508,555	99.25
2014	118,756,973	100,523,591	84.65	17,285,081	117,808,672	99.20
2015	120,406,640	101,071,578	83.94	-	101,071,578	83.94

Source: Treasurer, James City County.

<sup>(1)</sup> Exclusive of penalties and interest.

<sup>(2)</sup> Collections related to fiscal year levies include the Personal Property Tax Relief Act (the "PPTRA") reductions claimed by taxpayers.

<sup>(3)</sup> Collections in subsequent years do not include PPTRA reductions claimed by taxpayers.

<sup>(4)</sup> Collections of delinquent taxes may result in overall collections exceeding current year levy.

The following table sets forth the County's ten largest taxpayers of property taxes. The aggregate assessed property taxes of the ten largest taxpayers represent 22.08% of the County's total property tax levy for fiscal year 2015.

**TEN LARGEST TAXPAYERS  
(Fiscal Year 2015)**

Name of Business	Property Taxes Assessed	% of Total Taxable Assessed Value
Anheuser-Busch, Inc.	\$3,924,079	11.02%
Seaworld Parks, LLC	1,458,740	4.10
Ball Metal Container	559,424	1.57
Printpack, Inc.	466,985	1.31
Owens-Brockway Glass Container	448,168	1.26
Wal-Mart, Inc.	317,484	0.89
Cox Communications of Hampton Roads	242,898	0.68
Toyota Lease Trust	226,624	0.64
HVT, Inc.	110,893	0.31
Branscome, Inc.	106,533	0.30
	<b>\$7,861,828</b>	<b>22.08</b>

*Source:* Commissioner of Revenue, James City County.

**Published Financial Information**

The County issues and distributes a Comprehensive Annual Financial Report on its financial operations for each fiscal year. The report covers the fiscal year ending the prior June 30. Copies of the Annual Financial Report are available to the public upon request from the Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187.

In addition to the Annual Financial Report, the County also annually publishes an Adopted Budget and a five-year Capital Improvements Program. These documents are available through the Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187.

**ITEM SUMMARY**

DATE: 3/22/2016  
TO: The Board of Directors  
FROM: Teresa J. Fellows, Administrative Coordinator  
SUBJECT: Adjourn until 6:30 pm on April 26, 2016 for the Regular Meeting

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**REVIEWERS:**

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	3/15/2016 - 1:49 PM