



2014 VACo Achievement Awards

Deadline: June 2, 2014

Application Form

All applications must include the following information. Separate applications must be submitted for each eligible program. **Deadline: June 2, 2014.**

Program Information

Locality Frederick County

Program Title Creation of the Lake Holiday Sanitary District

Program Category Communications/Customer Service

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Title County Administrator

Signature 

Creation of the Lake Holiday Sanitary District; Frederick County Comes to the Aid of a Property Owner's Association



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Overview

Lake Holiday is large residential community located in the northwestern portion of Frederick County. Surrounding a 245 acre man-made lake, the development contains over 800 homes and is managed by a professionally staffed Property Owners Association (POA) and an elected Board of Directors. In 2008, as a result of modified State regulations, the community found itself facing a State mandated upgrade to their dam's spillway which was projected to cost upwards of ten million dollars.

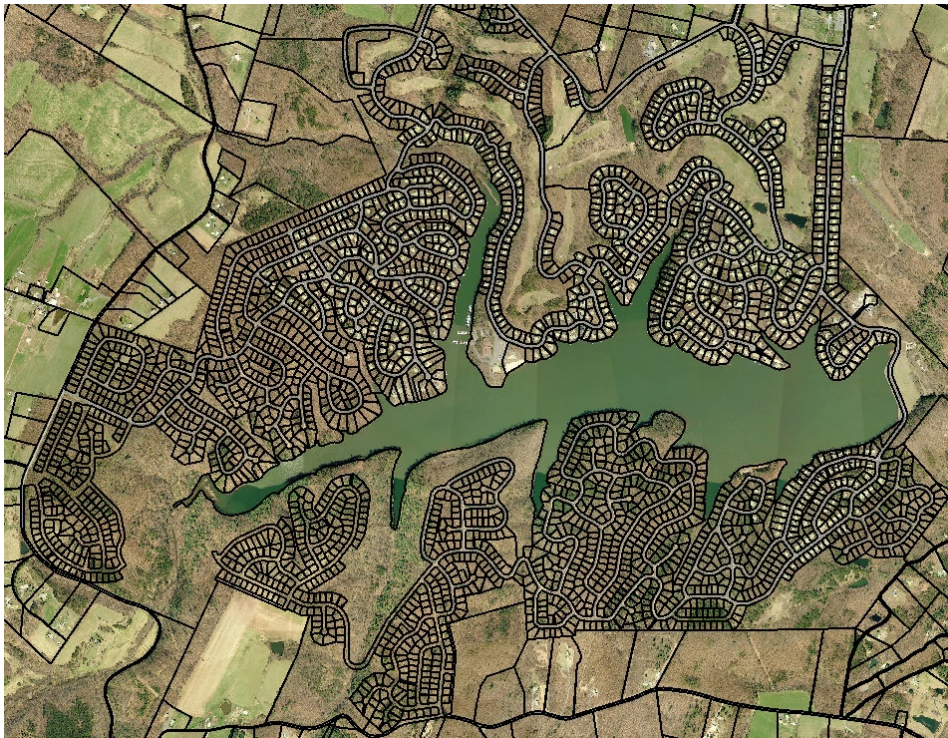
Though financially sound, there was no way the community would be able to assemble the funds needed to complete the required upgrade within the timeframe set out by the legislation. The possible consequences of failure included a forced reduction of the water level within the lake to a point where the community's identifying feature and primary recreational amenity would be decimated. The resulting impact on property values and quality of life within the community would be severe enough to threaten the solvency of the development.

Every conceivable means of securing long term financing had been exhausted when, in 2008, the POA Board of Directors turned to County leaders for assistance. Ultimately, Frederick County agreed to support the establishment of a Sanitary District. Lake Holiday property owners would be assessed a "tax" which would be collected by the County Treasurer with the funds derived being pledged as security to obtain bond financing for the spillway project. The two entities entered into an agreement which set out the purpose of the sanitary district and created a six member advisory committee comprised of three representatives from LHCC and three from the County. The committee was charged with developing a recommended course of action for securing financing and completing the spillway project.

In response to a petition, the Frederick County Circuit Court created the Lake Holiday Sanitary District in the fall of 2009. A November 2010 bond referendum for qualified Lake Holiday voters passed overwhelmingly. The Advisory Committee, working closely with County Staff, obtained financing through the Virginia Resource Authority. County staff bid the project, handled all aspects of construction supervision and financial reporting, and the spillway construction project was completed, under budget, in the Spring of 2013.

Lake Holiday's Plight

Totalling nearly 2,000 acres, Lake Holiday is a large scale, planned community located in northwestern Frederick County. The development is home to over 800 year-round and seasonal residences which occupy some of the over 2,700 building lots contained within the project. The community surrounds a 245 acre private lake which is the focal point of the development and its primary recreational amenity. The lake was formed in the early 1970's, as a component of the initial project development by the construction of the Lake Holiday dam.



Lake Holiday and Surrounding Development

All property owners within Lake Holiday are members of the Lake Holiday County Club, Inc. (LHCC) a private property owner's association (POA) with a well established management structure. Governed by an elected Board of Directors and employing a fulltime professional manager, office support staff and maintenance personnel, the POA oversees all aspects of the community's operations including budgeting, fee collection, security and maintenance.

The community maintains some 15 miles of private roads, a large club house, marina, two beaches, and tennis and basketball courts. Despite years of sound fiscal management, in 2008 the LHCC community found itself in a dire financial predicament as a result of the Virginia General Assembly's enactment of the Virginia Impounding Structure Regulations – Dam Safety.

Among other things, the new regulations dramatically increased the performance standards governing the discharge capacity of existing manmade impoundments throughout Virginia. Under the legislation the new standards were to take effect in December of 2010. Even though the Lake Holiday dam and spillway were built in conformance with applicable regulations in effect at the time of their construction, and the structure had functioned without incident for over four decades, the spillway fell far short of meeting the new requirements. To make matters worse, the work that would be required to bring the spillway into compliance would necessitate a major, and very costly, reconstruction.

Magnitude of the Required Project

The Lake Holiday Dam is 102-foot tall and approximately 1,000 feet in length. South Lakeview Drive travels across the crest of the dam and provides access to more than 100 residences located on the south side of the Lake. As a result of its size, the Virginia Department of Conservation and Recreation's Dam Safety Division classified the dam as a "High Hazard", large dam. Under the new regulations the dam and spillway configuration would be required to safely pass sixty percent of the "Probable Maximum Precipitation" (PMP) in addition to meeting eight associated criteria. To put the 60% PMP context; for the watershed that feeds Lake

Holiday to generate the volume of water contemplated by the legislation the area would need to receive over twenty-one inches of rain in a twenty-four hour period.

As it existed at the time, the spillway consisted of six corrugated metal culverts, eight foot in diameter, encased in concrete with a large concrete apron on the downstream side. Compliance with the new regulations would require demolishing and replacing the existing spillway and road that traversed it in their entirety, constructing a bridge over the new spillway, and rerouting underground utilities across the newly constructed bridge. In order to accomplish this, the water level within the lake would need to be lowered some ten feet and maintained at the reduced level throughout the duration of the project. In addition to the work associated with the spillway, easements would need to be secured across a neighboring property and a temporary road constructed in order to provide a means of access for the 100 homes that would be isolated while the new spillway and bridge were under construction. Once construction commenced the project was expected to take eighteen to twenty four month to complete.



The Lake Holiday Spillway Prior to Reconstruction

LHCC budgeted funds and secured an engineering firm to design a spillway that would comply with the new requirements. The spillway design fees alone were over six hundred thousand dollars; actual construction costs were anticipated to be in the neighborhood of ten million. With an annual operating budget of roughly 1.2 million, there was no way the POA would be able to amass the funding that would be needed for the project in the timeframe called for by the legislation. All efforts by Lake Holiday to secure grants or other forms of financing assistance were unsuccessful.

Partnering with Frederick County for a Solution

In 2008, following many months of searching in vain for financing, representatives of LHCC approached Frederick County government leaders to explore the possibility of working with the County to establish a special taxing district as a means of financing the required upgrade. As a result of their exploration, LHCC had concluded that the County's ability to levy and collect a tax was their only hope for obtaining financing. The opportunity to receive County guidance in the form of administrative oversight, professional engineering and construction management expertise made the prospect of a taxing district even more attractive.

The Code of Virginia provides for the creation of a sanitary district to be utilized as a mechanism to pay expenses associated with the construction, maintenance or operation of various "traditional facilities" such as roads, sidewalks or sewer and water facilities, within the district. A sanitary district is established by the local Circuit Court in response to either a request from a locality or by a petition of property owners within a proposed district. Once created the responsibility for administration and oversight of the district falls to the local governing body.

In October of 2009, in response to a petition from Lake Holiday landowners, the Frederick County Circuit Court established the Lake Holiday Sanitary District (LHSD). In June of 2010, the Frederick County government and the LHCC Board of Directors entered into an agreement which set out the purpose and direction of the newly created district. In order to facilitate a coordinated effort, the agreement also established the *Lake Holiday Sanitary District Working Committee* (LHSDWC) comprised of three members appointed by LHCC and three appointed by the County Board of Supervisors (The Board of Supervisor member representing the Magisterial District in which the lake was located, the Assistant County Administrator, and the County's Public Works Director). The Committee would function as an advisory board and was provided with the task of developing a recommended course of action designed to culminate with the completion of the spillway design, construction, and financing.

In accordance with State Code requirements, county staff prepared the necessary paperwork and in July of 2010 the County successfully petitioned the Circuit Court to have a voter referendum on borrowing funds for the spillway reconstruction placed on the November ballot. Leading up to the vote, the County and LHCC undertook a joint educational effort aimed at informing the LHCC voters of magnitude of the spillway improvements required, the consequences of failing to meet the newly impose standards and the limited options available for financing. An informational flyer explaining the situation was included with real estate tax bills mailed to LHCC property owners and several "town hall" style informational meetings were held within LHCC. Due in large part to these efforts, the referendum was overwhelmingly approved by a margin of ninety two percent.

With approval of the referendum on borrowing, County staff was then able to proceed with efforts to secure financing. County Administration, working closely with the County's bond council and financial advisor, prepared an application for bond financing through the Virginia Resource Authority's pooled financing. In May of 2011 a twenty year, \$9.25 million bond issue was finalized. Repayment of the financing would be accomplished through the assessment and collection (by the County Treasurer) of a levy on properties within the LHSD.

Given the scale and complexity of the spillway project, it was agreed that County staff would administer the project. The Public Works Department prepared bid documents, oversaw the prequalification of contractors and assisted with the actual selection process. Public Works staff also handled all facets of the contract administration and supervision of the construction activities. The project commenced in 2011 with the construction of a large siphon system that would be used to lower the lake level to the elevation required. While the water level was being lowered, demolition of the existing spillway structure also began. The entire project was completed, under budget, in May of 2013 with the final contingency payment to the contractor being made the following in November.



A large siphon system was used to lower the lake level over a period of weeks.



Demolition of the old spillway began in the Spring of 2011



Aerial view of the spillway under construction

Conclusion

When they were first approached with the idea of assisting Lake Holiday via creation of a sanitary district, County leaders were hesitant due partially to the fact that the County's experience with its only existing sanitary district had not always been positive. Considerable staff time and resources had occasionally been consumed dealing with issues that arose within the district. With the proposed district there was added concern over the possible financial liability the County might face should Lake Holiday fail to meet the debt obligation the district would be taking on. It was clear that County support for the proposal would hinge on the ability to structure the district, and the financing, in such a way that there would be minimal financial risk to the County.

To address the concerns, County costs that would be incurred as a result would be staff's coordination of the reconstruction effort; arranging financing, bidding the project, handling contract administration and on-site supervision, etc. were all built into the project budget to be paid for through bond proceeds. Ongoing administration and collection costs would be factored into the debt service fee charged to the Lake Holiday property owners.

Through the efforts of bond council, financial advisors and a very helpful Virginia Resource Authority, the bond financing was structured such that the County's moral obligation backing was not required. Two factors that made this possible were; the fact that the total, combined property assessment within the development was roughly \$240 million making the ratio of the value of real estate within the development compared to anticipated project cost reasonable; and that collection of fees to service the debt would be handled through the County Treasurer's office with a full array of means available to pursue payment.

At the time of this writing the LHSD has entered its fourth year of successful debt service payments. The County Treasurer mails Sanitary District bills to property owners on the same cycle as County real estate tax bills and quarterly debt service payments are electronically transferred to the trustee. The water level within Lake Holiday is back to its normal pool level, the new spillway, bridge, road and relocated utilities are all functioning as designed. This non-conventional use of a sanitary district is now viewed as a glowing success and a testament to the cooperative efforts of those involved.



Ribbon cutting ceremony prior to opening the reconstructed road over the spillway to traffic



Completed Lake Holiday Spillway and bridge