

**Washington County Service Authority Board of Commissioners
June 11, 2007 Special Called Meeting Minutes**

A Special Called Meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 7:10 PM.

ROLL CALL

Commissioners Present:

Mr. Gerald Cole, Chairman
Mr. Sam Kiser
Mr. Phil McCall
Mr. Scott Rector, Vice-Chairman
Mr. D.L. Stout
Mr. Sam Blaylock

Staff Present:

Robbie Cornett, Interim General Manager
Kim Roberts, Controller
Ella Ratcliffe, Information Systems Manager

Commissioners Absent:

Mr. Daniel Reynolds

Consultants Present:

none

Also Present:

Mr. Mark Lawson, General Counsel
Ms. Dawn Figueiras, General Counsel
Mr. Glen Manus
WCSA Employees

3. Approval of Agenda

Mr. McCall made a motion to approve the agenda. Mr. Kiser seconded. The motion passed 6-0-1.

4. Presentation of WCSA's 2007/2008 Fiscal Year Budget

Ms. Kim Roberts presented the Board with an updated handout of the proposed 2007/2008 Fiscal Year Budget. Ms. Roberts stated that she would begin with good news that they would not be proposing a rate increase for the upcoming fiscal years budget. She stated that by

updating the budget numbers which showed a substantial increase in revenue thru the month of May. Ms. Roberts outlined the Proposed Schedule of Line Extensions, Upgrade and \$1500.00 projects. She stated that they had reviewed their resources to fund all of these proposed projects and feel that they would not be able to fund all of the projects presented in one year. The Authority staff had identified the top 5 projects that would be the most critical to be completed. Ms. Roberts stated that in order to complete these projects this upcoming year it would take a total of \$410,600.00. She then reviewed the Capital Expenditure Plan for each Department totaling around \$943,000.00. Ms. Roberts reviewed all the projects and expenditures that would total around 13 million if everything was completed in the fiscal year budget. Ms. Roberts stated that \$360,000 had been put in the reserves accounts. It also showed that \$203,000 came from grant money, and \$749,000 came from Revolving Loan funds and the net cash flows where around 2.7 million and she also showed that Debt Service Payments were around 1.2 million dollars. She stated that with the additional revenues thru May that they would not anticipate having to use the reserves. Ms. Roberts stated that this would leave around of 9.4 million to be funded. She also reviewed actual operational budgets thru the end of May. She stated they had budgeted 8.5 million in revenue and they are projected to make around 8.6 million thru the end of June. She stated that the total projected amount for the Water fund

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would make around \$591,000.00. She added the depreciation of 2.1 million for the current year and subtracted the debt service for the water was a 1.1 million covered at 115%. This puts the Authority's net income for water at \$1,460,279.00 for the current year and the upcoming budget year around \$422,000. She also showed the projected sewer revenues of making around \$284,000.00 and added depreciation which would make it around \$250,000.00 and also covering the debt service of \$93,000 which gave a net income of \$456,000.00 with the projected year 2007/2008 of \$433,000.00. She consolidated both the water and sewer revenues which total \$875,000.00 per year before depreciation. She added the depreciated and amortization of 2.7 million and debt service payments of 1.2 million which leaves a net cash flow of \$1.4 million to fund the Capital Projects. She stated for the upcoming 2007/2008 year they would bring over \$883,597.00 to fund the Capital Projects. She also showed a summary sheet that totaled the water and sewer revenues by department at a glance. She presented a slide presentation showing why our rates must satisfy our Bond Covenants, cover annual operating expenses, fund depreciation and show that the Authority is progressive in preparing for the future debt requirements. She also reviewed the WCSA Rate History of Residential customers and the current Financial Status for the Fiscal Year ending June 30, 2007. This also showed a re-cap of Capital requests and the Operating Budget

Proposals and assumptions of the Water and Sewer funds. She proposed that there should be no rate increase of water or sewer rates at this time because all expenses should be covered without hitting reserves. She did propose the connections fees remain consistent based on 2006/2007 fee structure. She also proposed that the compensation should have a 2% minimum for the cost of living that was presented at the last meeting. Mr. Cornett stated that since they did rerun the revenues thru the end of May and compared to the revenues that were presented thru the end of April our numbers did turn out better than anticipated. He also stated that the WCSA staff had discussed doing a rate study analysis that would take a look at the Authority's customers as a whole and look at the long term Capital needs such as the Galvanized line project and the water plant expansion. He hoped that by doing this study it would help in gaining us additional revenues. Mr. Cornett recommended that the Board accept the budget as presented. Mr. McCall questioned Mr. Cornett on a previous update that had been sent to the Board showing the revenue projections for the current year and addressing needs for the upcoming fiscal year. Mr. McCall stated that he would like for Mr. Cornett to explain why this had changed since the update had been sent. Mr. Cornett stated that at the time that the update had been sent to the Board they were working off of revenue number that were for the last ten months of the year and it looked like they would be spending more than they would be making that

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would require that they may have to tap the reserves. He stated that we had a very good month of revenues in May that were unexpected. He stated that he felt like the anticipated amount of revenue that would be generated in June since the weather was dry would not require them to tap into any of the reserves. Mr. McCall questioned whether we would have a shortage of water considering the hot and dry weather. Mr. Cornett stated that there were some concerns about the line sizes being too small to cover the demand of what customers were trying to use during the dry weather. He stated that one of the more serious problems had been running both the treatment plants at full capacity and also purchasing more water than normal from Bristol Virginia Utilities to cover the demands. He stated that they had been running pump stations where we purchase water from Bristol Virginia Utilities around 24 hours a day, 7 days a week on one station, and the other one at least 12 hours a day and have still struggled to maintain the demand. Mr. Cornett stated this is the reason why we should still pursue upgrading the water treatment plant as soon as possible. He stated that they were now in the process in advertising for Engineering services to design the intake and plant expansion. Mr. Cornett also stated that the expansion of this plant would cost approximately 18 million dollars and be increasing the capacity of the plant from 4.6 million gallons to 12 million gallons per day which would meet the demands thru the year 2032. This also satisfies the Health Departments 80% rule because

anytime we exceed our treatment capacity we have to already have plans for a future expansion. He also stated that they are now using the Seven Springs Secondary for an interim basis temporarily to help with the demand. Mr. McCall stated that the reason why he questioned this is so they could get ahead of obtaining revenue so they could do some of the necessary improvements for the water system. He wanted to know if we would feel better in raising the rates a little now versus more of an increase later, or would we feel better in leaving them at the current rate. Mr. Cornett stated that by upgrading the water plant and doing the Galvanized line project would be an increased debt to the Authority and could eventually cause a substantial increase in rates. He stated that in the past that the Board felt it necessary to make small increases in the rates versus making a large increase at one time. He said that a rate structure analysis would be helpful in determining an amount for the increase so they recommended not doing the increase until this study could be done. Mr. Kiser stated that he felt it would be a good idea to do the rate study analysis but also felt that it may not be a good idea to wait for another year to increase the water rates due to all the upcoming improvements to the system. He felt the scenario of small water rate increases to the customers would be much better than larger ones. Mr. Cornett stated that they had prepared a rate increase scenario for the Board in case they did want to look at a rate increase. Mr. Rector and Mr. Blaylock questioned when

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the last increase had taken place. Mr. Rector made a motion to table the approval of the budget until the regular meeting. Mr. Rector's motion was seconded by Mr. Stout and approved by a unanimous vote. Mr. Kiser recommended additional information be provided to the Board on recommendations of a proposed rate increase. Mr. Cornett said he would try to provide this information to them by the end of the week.

5. Closed Meeting, Personnel

Mr. Kiser moved that the Board adjourn to Closed Meeting in accordance with the Virginia Freedom of Information Act, Code of Virginia Section 2.2-3711 Paragraph A (1): Personnel: Discussion, consideration or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specified public officers, appointees, or employees of any public body; and evaluation of the performance of departments where such evaluation of performance of departments necessarily involve discussed specific individuals.

In addition to the Board, the presence of Mr. Mark Lawson, and Ms. Dawn Figueiras, WCSA Counsel and Mr. Robbie Cornett, WCSA Interim General Manager and Mr. Glen Manus are requested. The motion by Mr. Kiser was seconded by Mr. McCall. The motion passed (6-0-1). The Board adjourned to Closed meeting at 8:10 p.m.

Return to Public Session

Upon motion by Mr. McCall and second by Mr. Rector, the Board returned to Public Session at 10:40 p.m.

Certification of Closed Meeting

Whereas, the Washington County Service Authority has convened to a Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provision of the Virginia Freedom of Information Act; and Whereas, Section 2.2-3712 Paragraph D of the Code of Virginia requires a certification by this Authority that such Closed Meeting was conducted in conformity with Virginia law; Now, therefore, be it resolved that the Authority hereby certifies that to the best of each member's knowledge, (1) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the Closed Meeting to which this certification resolution applies, and (2) only such public business matters as were identified in the motion convening the Closed Meeting were heard, discussed or considered by the Authority. The motion passed 6-0-1.

AYE: Mr. Blaylock, Mr. McCall, Mr. Rector, Mr. Stout, Mr. Kiser, Mr. Cole

NAY: none

Absent: Mr. Reynolds

6. Late Items

Mr. McCall moved that the Board establish an Assistant Operation/Maintenance Manager with the job description that was previously advertised. This position will report to the General Manager and shall be

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filled by a Committee consisting of members of the Board of Commissioners and the General Manager. Mr. Cole will be authorized to engage in negotiations with Mr. Robbie Cornett for top candidate of this position. Mr. McCall's motion was seconded by Mr. Rector and passed by a unanimous vote.

7. Adjournment

Mr. Rector made a motion to adjourn. Mr. Stout seconded. The motion passed 6-0-1. The Board adjourned at 10:45 p.m.

Mr. Gerald Cole, Chairman

Ella Ratcliffe, Assistant Secretary