

**Washington County Service Authority Board of Commissioners
May 23, 2011 Recessed Meeting Minutes (Meeting Held June 6, 2011)**

The recessed meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 7:05 PM.

ROLL CALL

Commissioners Present:

Mr. Joe Chase, Chairman
Mr. D.L. Stout, Vice Chairman
Mr. Prince Coleman
Mr. Devere Hutchinson
Mr. Dwain Miller (Note: Arrived Late)
Mr. Frank Stephon, IV
Mr. Kenneth Taylor

Staff Present:

Robbie Cornett, General Manager
Kimberly Harold, Controller
Amanda Paukovitz, Administrative Assistant

Also Present:

Mr. Mark Lawson, General Counsel
WCSA Employees

3. Approval of the Agenda

Mr. Cornett indicated no proposed changes or corrections to the Agenda. Mr. Stephon made the motion to approve the Amended Agenda. Mr. Stephon's motion was seconded by Mr. Coleman and was approved by a Board vote of 6-0-0-1.

4. Consideration of the 2011-2012 and 2012-2013 Rate Amendments

Mrs. Harold referred to handouts regarding the rates at the Board's stations. She reminded the Board that in 2009, Municipal and Financial Services Group (MFSG) completed a cost of service study for WCSA. Two years into that rate plan implementation, the Authority asked that MFSG update the plan in light of operating expenses and the economic conditions over the two previous years, and provide an update of future conditions. At the June 1 Public

Hearing, MFSG presented their results, findings and provided a presentation to the Board. Mrs. Harold provided a typed summary of their proposed rates, fees and charges for the fiscal year 2011-2012 [erroneously referred to as fiscal year 2012-2013], along with MFSG's updated memorandum. She explained that with the previous rate plan implementation in 2009, WCSA approved to increase water rates by 3% for fiscal year end (FYE) 2012 and 3% for FYE 2013. After reviewing the economic conditions, MFSG requested that WCSA amend that rate plan to 7% in [FYE] 2012 and 9% in [FYE] 2013. For wastewater treatment, WCSA had approved a 5% increase for FYE 2012 and 5% increase for FYE 2013. Following MFSG's updated rate study, they have recommended an 8.25% increase for [FYE] 2012 and a 6% increase for [FYE] 2013, with no change in FYE 2014. Mrs. Harold noted these recommended changes for rates, fees and charges in the form of a resolution for the Board's consideration. She offered to answer the Board's questions.

Mr. Taylor asked if a two year projection was necessary, opposed to a one year projection. He wondered if they were trying to "fit everything in a box". Mr. Taylor thought it may be easier to look at an increase this year, reevaluate next year, and maybe even have to do more the next year. He knows it costs to get this done. Mr. Cornett noted the only downside he can think of to doing increases one year at a time is the cost side of the study and the advertising for the public hearing; that is the only problem he can foresee. Mr. Cornett expressed it would not be a problem to adopt [rates] one year at a time, should the Board so choose. He noted that most utilities try to

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forecast rates further into the future than one year at a time so businesses and individuals can plan accordingly. However, if the Board prefers to evaluate one year at a time, WCSA can do so. Mr. Cornett reminded the Board that they are talking about adjusting years three and four of the Rate Study's five year span at this time. He affirmed that this decision is at the Board's pleasure. Mr. Taylor expressed it as "just a thought".

Mr. Cornett noted MFSG's suggestion to discontinue contributions to our 3R Reserves for the next two fiscal years and pick up three years from now; this suggestion is also covered in the resolution that has been prepared for the Board's consideration.

Mr. Chase inquired if the Board had any other suggestions. He explained that the Board could always revise the rates next year, if they decide to change their minds. They could approve two years of rates and revisit them. Mr. Stephon agreed with Mr. Chase's suggestion; the rates can always be revisited. Mr. Chase affirmed he is not speaking against what Mr. Taylor had said either.

Mr. Cornett expressed that what is in front of the Board has been presented previously; nothing has changed. He noted that the recommended rates do accommodate the necessary changes needed for the recent BVU increases. Mr. Stephon made the motion to approve the rate changes, as proposed and presented by Mrs. Harold (see corresponding resolution attached, as later referenced). Mr. Stephon's motion was seconded by Mr. Hutchinson, and was approved by a Board vote of 6-0-0-1 [1: Mr. Miller was not yet present].

5. Consideration of the 2011-2012 and

2012-2013 Fiscal Year Budget

Mrs. Harold referenced a budget packet at the Board's stations. Upon Mrs. Harold's inquiry whether the Board would like her to provide an additional full budget presentation or just an update, Mr. Chase requested just an update would be necessary, as the Board has had a prior budget workshop. Mrs. Harold reminded the Board of the full budget update and presentation provided at the March 28 Board Meeting. She has since highlighted in blue the items that have changed. Within Administration's budget, the line items for the refrigerator & shelving and coat racks have been moved to next year's budget, as the purchase has not yet been expended. Opposed to the \$70,000 previously budgeted based on estimates, roof bids came in at \$120,000, which has been updated on the budget accordingly. Upon inquiry from the Board, Mrs. Harold addressed the line item for the Board's laptops being moved over to this upcoming fiscal year, as WCSA is still researching what would be the best option for the Board. Mr. Taylor asked Mr. Cornett for a further explanation. Mr. Cornett explained that WCSA Staff have looked at laptops and recently, Apple iPads in lieu of laptops. They have completed a demo of the iPad, which Staff may indeed recommend; the product seems to be a little more economical and user friendly. Mr. Cornett wanted to get the budget approved before they "pull the trigger". The current thinking would involve an iPad with an AirCard, to assure internet service. He explained there are several advantages to iPads, which is what Staff would propose if the budget is approved. The Customer Service Department budget, as indicated on page 2 of the

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budget, has no further changes.

The Maintenance Department requested a Verifier G2 Utility Package be added to its budget, via written request. Mr. Cornett explained that the Verifier G2 is a line locator that WCSA has demonstrated through Miss Utility for close to a year. WCSA has found this particular locator to be very useful and valuable, as Rick Boyd of the Maintenance Department has used the device quite regularly on the Route 58 road widening project.

The Water Production Department requested the replacement of fence around Cole Spring. As this item was not expended this year, the budget item merely rolled forward to the next year. The Distribution, Meter and Sewer Departments had no budget changes. On page 8 of the budget packet, Mrs. Harold updated the actual numbers for the CIP with the total dollars expended through the end of April, as all May invoices have not yet been entered. WCSA spent \$956,109 on cash-funded projects. These updates also affected the FYE 2011 column. The total capital expenditures needed to be funded for FYE 2011 is \$1,871,251.

In regards to line item updates, according to page 10, WCSA anticipates having \$2.9 million in income after Debt Service for FYE 2011, leaving \$1.1 million to the positive before funding depreciation. WCSA anticipates FYE 2012 to leave \$1.3 million to the positive and \$3 million in capital projects/equipment, with \$1.7 million hitting reserves.

Supplemental changes were made by Mr. Cornett and Mrs. Harold updated the supplemental budget accordingly. The cost of living adjustment (COLA) remained at 1.5%. Typically, WCSA

follows their request with the IRS rate of inflation. Although the rate of inflation, as of yesterday, was 3.6%, WCSA did not find it appropriate to go all the way considering recommended rate increases. In response, staff has recommended WCSA maintain the proposed 1.5% COLA. An allotment for an average 1% performance evaluation adjustment remained as well. Mr. Cornett explained that the changes he made to the supplemental budget were two compensation increases due to likely accomplishments in licensing and an increase in compensation for the upcoming Operations Manager position, bringing the corresponding income to better align with AWWA recommended figures.

The following page of the supplemental budget contains benefit information. As of the full budget review on March 28, WCSA anticipated an expected 10% increase in premiums for benefits. A 10% allotment seems appropriate, considering the history of agencies about WCSA's size. The anticipated 10% increase has been budgeted for medical, along with dental and long term disability benefits. WCSA saw an increase of 9% in dental premiums last year, but also a slight decrease in health insurance premiums due to a good claims year. Mrs. Harold noted that renewals will not officially come in until early July. She explained we had not budgeted changes to the benefits at this time and reminded the Board that as VRS instituted Plan 1 and Plan 2 (for new employees hired after July 1, 2010), changes can be made to contributions. However, Staff is not recommending any changes at this time.

(Note: Dwain Miller arrived at 7:25 PM.)
Mrs. Harold has plugged in actual

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numbers through April 30 within the projections to let the budget's numbers reflect where WCSA stands.

Mr. Cornett noted there have not been many changes since the last review of the budget in March, but he and Mrs. Harold would be happy to answer any questions the Board may have.

Mr. Chase asked Mrs. Harold to clarify the reserves hitting figure on page 11 of the budget. Mrs. Harold explained that if projections are correct for the next operating year, WCSA will end up spending more than we bring in. Typically, the capital improvement projects, such as the case this year, do not always spend the amount planned. Every year, WCSA takes a closer look at budgeting these figures as close to actual as possible. As the year progresses, the amount hitting reserves decreases. WCSA usually does not hit reserves for this significant amount, but there is no exact way to forecast actual numbers of how much will be accomplished within the year. Mr. Cornett expressed WCSA has these funds in its reserves. He noted that the Authority tries not to raise rates in any given year to cover that particular year's needs. WCSA tries to keep reserves at a level so if there is a year where we anticipate a need for more revenue than we are going to bring in, we will have it within our reserves. The Authority is forecasting a \$1.1 million addition to reserves for the previous year, with a \$1.7 million hit to reserves the following year. From fiscal year to fiscal year, the amount to hit reserves may vary from a modest increase to a modest decrease.

Mr. Chase asked if the Board had any further questions.

Mr. Cornett noted that a Rates Resolution was prepared for the Board to

consider. He expressed we may need to clarify that the earlier motion on the rates follows this resolution. The Board may want to consider a resolution for the budget, when the Board finds the time appropriate.

Mr. Miller inquired if the budget is basically the same as presented before. Mrs. Harold noted that basically, the budget is the same. There are few changes, which are indicated in blue. Mr. Taylor made the motion to approve the 2011-2012 Fiscal Year Budget, as updated (see resolution attached). Mr. Taylor's motion was seconded by Mr. Stephon and was approved by a Board vote of 7-0-0-0.

Mrs. Harold and Mr. Cornett thanked the Board. Mr. Lawson clarified the approved resolution for the Board. Mrs. Paukovitz and Mr. Cornett affirmed the approved resolution will be included within the minutes.

Mr. Chase inquired if there are members of the public present in the audience. Mr. Cornett clarified that the individuals are members of WCSA Staff and their families, expressing interest in the Board's action on the budget. He expressed that WCSA is appreciative of the Staff's interest in the budget.

6. Closed Meeting: Personnel, Acquisition and Disposition of Property, Investment of Public Funds & Legal Advice

Mr. Stephon read the following Closed Meeting Motion:

[Mr. Hutchinson] moved that the Board adjourn to Closed Meeting in accordance with the Virginia Freedom of Information Act, Code of Virginia § 2.2-3711 Paragraph (A) (1): Personnel, 1. To Discuss and Consider the Performance and Salary of the Employee of the Public

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Body, Code of Virginia § 2.2-3711 Paragraph (A) (3): Acquisition and Disposition of Property, 2. To Discuss and Consider the Acquisition of Real Property, Code of Virginia § 2.2-3711 Paragraph (A) (6): Investment of Public Funds, 3. To Discuss Various Inter-municipal and Other Agreements, Code of Virginia § 2.2-3711 Paragraph (A) (7): Legal Advice, 4. To Discuss Potential Litigation, 5. To Discuss Various Inter-municipal and Other Agreements, 6. To Discuss Potential Contract Litigation.

In addition to the Board, the presence of Mr. Mark Lawson, WCSA Counsel, and Mr. Robbie Cornett, WCSA General Manager, are requested.

Mr. Hutchinson's motion was seconded by Mr. Stout and was approved by a 7-0-0-0 Board vote. The Board adjourned to Closed meeting at 7:36 PM.

Return to Public Session

Upon a motion by Mr. Coleman, a second by Mr. Stephon, and a 7-0-0-0 vote of the Commissioners, the Board returned to Public Session at 9:07 PM.

Mr. Stephon read the following:

Certification of Closed Meeting

Whereas, the Washington County Service Authority has convened a Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; And whereas, § 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.

AYE: Mr. Miller, Mr. Hutchinson, Mr. Stephon, Mr. Chase, Mr. Coleman, Mr. Taylor and Mr. Stout.

6. Late Items

Mr. Cornett noted a draft copy of an amendment to an agreement between the WCSA, the Industrial Development Authority of Washington County (IDA) and the Smyth-Washington Regional Industrial Facilities Authority (SWIFA) for the Board's consideration of approval. The amendment would also authorize the General Manager to execute the agreement on the Board's behalf.

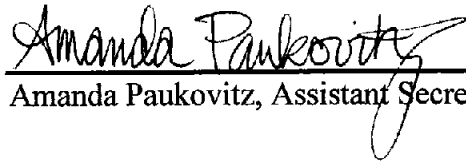
Mr. Stephon made the motion to approve the amendment to the agreement (see attached). Mr. Stephon's motion was seconded by Mr. Stout and was approved by a Board vote of 7-0-0-0.

Mr. Stephon read the following resolution for consideration:

WHEREAS, the Authority employed Robert C. H. Cornett as General Manager by contract dated June 16, 2008, which agreement expires June 30, 2012; and WHEREAS, Mr. Cornett's contract requires that on an annual basis, but no later than the Authority's regular June meeting, the Authority is to adjust the General Manager's salary and/or other benefits in such amounts and to such extent as the Board of Commissioners may determine, and that the General Manager is entitled to the annual cost-of-living increase granted to other employees of the Authority; and WHEREAS, the Board of Commissioners

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has reviewed the General Manager's performance and found that he has met or exceeded the goals established for the past year, and has otherwise performed in an exemplary manner, providing good services to the Board of Commissioners, to the Authority, and to the residents of Washington County, Virginia; and WHEREAS, in light of our current economic conditions, the General Manager has requested that he not be given an increase to his base pay, which gesture is much appreciated by the Board of Commissioners;


Amanda Paukovitz, Assistant Secretary


NOW THEREFORE BE IT RESOLVED, that the Board of Commissioners commends Mr. Robert C. H. Cornett for his excellent service during the fiscal year July 1, 2010 through June 30, 2011, and it hereby awards Mr. Cornett a 1.5% cost-of-living increase to his base pay, and a one-time cash bonus of \$1,600.

Mr. Stout made the motion to accept the resolution (see attached). Mr. Stout's motion was seconded by Mr. Taylor [erroneously referred to as Mr. Coleman], and was approved by a 7-0-0-0 vote of the Board.

Mr. Cornett thanked the Board for their consideration, for their encouragement and for supporting him as their General Manager. Mr. Chase affirmed [the resolution] as well deserved and that they appreciate him working with the Board. The additional Board members affirmed Mr. Chase's statement as well.

7. Adjourn or Recess

Mr. Stephon made the motion to adjourn. Mr. Stephon's motion was seconded by Mr. Coleman and was approved by a 7-0-0-0 vote of the Board. The meeting was adjourned at 9:12 PM.


Mr. Joe Chase, Chairman

Washington County Service Authority

RESOLUTION

WHEREAS, the Washington County Service Authority is a water and wastewater utility operating in Washington County Virginia;

WHEREAS, in 2009 a water and sewer cost of service study was completed for the Washington County Service Authority by Municipal and Financial Services Group (MFSG);

WHEREAS, as a result of their 2009 cost of service study, MFSG recommended that water and sewer rates, fees, and charges be adjusted to promote a "growth pays for growth" strategy within the Authority;

WHEREAS, on June 22, 2009 the Washington County Service Authority's Board of Commissioners adopted the adjustments as recommended by MFSG;

WHEREAS, two years into the 2009 rate plan implementation the Washington County Service Authority requested that MFSG update the plan in light of actual operating results over the previous two years and updated forecast of future conditions;

WHEREAS, MFSG has completed their update to the 2009 rate study, and has developed and presented their findings to the Board of Commissioners and Staff of the Washington County Service Authority and consequently recommended that the Authority not contribute to the 3R Reserve over the next two fiscal years and modify the increases in water and sewer monthly user fees from the original rate plan of: water 3% in 2011-2012 and 3% in 2012-2013 and sewer 5% in 2011-2012 and 5% in 2012-2013 ;

WHEREAS, the Board of Commissioners and Staff of the Washington County Service Authority have reviewed the recommendation for modifications to the rate plan, and think it is in the best interest of the Washington County Service Authority to enact these modifications as stated above;

THEREFORE, BE IT RESOLVED, the Washington County Service Authority's Board of Commissioners hereby approve the modifications to the 2009 rate plan as presented by MFSG and summarized herein.

Motion by: STEPHON

Seconded by: HUTCHINSON

Aye 6 Nay 0 Absent 1

This 6TH day of JUNE 2011

Joe Chase
Joe Chase, Chairman

Attest:
Amanda Paukovitz
Amanda Paukovitz, Assistant Secretary/Treasurer

Washington County Service Authority

RESOLUTION

WHEREAS, the Washington County Service Authority is a water and wastewater utility operating in Washington County Virginia; and

WHEREAS, the Washington County Service Authority must annually develop and approve a budget for the operation, maintenance and replacement and expansion of its water and sewer systems; and

WHEREAS, the Washington County Service Authority Staff, for fiscal year 2011-2012 prepared and began review of a proposed budget during the months of January, February, March and June 2011; and ; and

WHEREAS, Washington County Service Authority Staff submitted a proposed budget to this governing body on June 6, 2011 for its consideration; ~~and~~

WHEREAS, the proposed budget presented on June 6, 2011 will be bound and presented as the "2011-2012 Approved Budget" consisting of departmental capital expenditures, capital project list, compensation and benefits summary as presented on June 6, 2011 subject to operating and capital projection data and detailed line items of revenue and expenditures being updated through the end of the current fiscal year-end (June 30, 2011) and carried forward to the 2011-2012 fiscal budget; **AND**

THEREFORE, BE IT RESOLVED, the Washington County Service Authority's Board of Commissioners hereby adopts the proposed 2011-2012 fiscal year budget as presented in this resolution.

Motion by: TAYLOR

Seconded by: STEPHON

Aye 7 Nay 0 Absent 0

This 6TH day of JUNE 2011

Joe Chase
Joe Chase, Chairman

Attest:

Amanda Paukovitz
Amanda Paukovitz, Assistant Secretary/Treasurer

**WASTEWATER CAPACITY AGREEMENT
BETWEEN
WASHINGTON COUNTY SERVICE AUTHORITY,
INDUSTRIAL DEVELOPMENT AUTHORITY OF WASHINGTON COUNTY
AND
SMYTH-WASHINGTON REGIONAL INDUSTRIAL FACILITIES AUTHORITY**

This Agreement, dated this ____ day of June, 2011, is made by and between **WASHINGTON COUNTY SERVICE AUTHORITY (“WCSA”), INDUSTRIAL DEVELOPMENT AUTHORITY OF WASHINGTON COUNTY (“IDA”), and SMYTH-WASHINGTON REGIONAL INDUSTRIAL FACILITIES AUTHORITY (“SWIFA”).**

WITNESSETH:

WHEREAS, WCSA is a water and waste authority created by Washington County, Virginia, pursuant to the Virginia Water and Waste Authorities Act, that provides water and sewer service to the geographical area including Glade Spring, Virginia, and SWIFA is an industrial development authority created by the Virginia Counties of Washington and Smyth, pursuant to the Virginia Industrial Development Authorities Act, and it exists for the purpose of attracting business and industry to the geographical area including Highlands Business Park south of Glade Spring, Virginia (the “Park”);

WHEREAS, on March 20, 1995, WCSA and the IDA entered into an agreement (the “1995 Agreement”), attached hereto as Exhibit A and incorporated herein by the reference, by which, WCSA and the IDA agreed that the IDA would participate in the funding of the “Emory/Meadowview Sewer Plant” (hereinafter called “the Plant”), which is owned and operated by WCSA, in exchange for WCSA reserving certain sewer capacity in the Plant specifically for use by customers located within the Park;

WHEREAS, after the 1995 Agreement, the IDA conveyed the Park’s real property to SWIFA by deed dated October 10, 2000;

WHEREAS, after the 1995 Agreement's execution, the parties have treated SWIFA (rather than IDA) and WCSA as a parties to the 1995 Agreement; and

WHEREAS, the parties desire to amend the 1995 Agreement;

NOW, THEREFORE, in consideration of the premises and the terms and conditions of this Agreement, the parties hereto amend the 1995 Agreement as follows:

1. The "Smyth-Washington Regional Industrial Facilities Authority" is substituted for the "Industrial Development Authority of Washington County" as a party to the 1995 Agreement.

2. "The Park," as referenced above or referred to in the 1995 Agreement as the "Industrial Park," is defined as the Highlands Business Park and depicted on the map attached hereto as Exhibit B, and consisting solely of the tax parcels attached hereto as Exhibit C.

3. Paragraph 4 of the 1995 Agreement is amended to read: "In the event that Daily Usage has not reached 50 million gallons per day in any three consecutive months by September 1, 2016, the reserved capacity will be reduced to a quantity equal to twice the Average Daily Usage over the preceding one-year period unless the Parties agree to extend the period by Amendment. "Average Daily Usage" shall be calculated annually for the period of September 1—August 31, by totaling the water consumption or wastewater discharge data, whichever is more practicable, for all customers in the Park and dividing that total by 365 days.

4. On an annual basis by September 5 of each year, the WCSA will provide to SWIFA a written summary of the Average Daily Usage of those customers in the Park.

5. The parties wish to reaffirm and clarify that as of this amendment, under the 1995 Agreement and this amendment, SWIFA has and retains, at least until September 1, 2016,

100,000 gallons of sewer capacity, the unused portion of which can be assigned to any new industry in the Park without system fee charges.

WITNESS the signatures and seals of the parties this June __, 2011.

WASHINGTON COUNTY SERVICE SMYTH-WASHINGTON REGIONAL
AUTHORITY INDUSTRIAL FACILITIES AUTHORITY

By _____

By _____

Its _____

Its _____

Seen and agreed to:

INDUSTRIAL DEVELOPMENT AUTHORITY
OF WASHINGTON COUNTY, VIRGINIA

By _____

Its _____

DRAFT

**RESOLUTION
OF THE BOARD OF COMMISSIONERS
OF THE
WASHINGTON COUNTY SERVICE AUTHORITY**

WHEREAS, the Authority employed Robert C. H. Cornett as General Manager by contract dated June 16, 2008, which agreement expires June 30, 2012; and

WHEREAS, Mr. Cornett's contract requires that on an annual basis, but no later than the Authority's regular June meeting, the Authority is to adjust the General Manager's salary and/or other benefits in such amounts and to such extent as the Board of Commissioners may determine, and that the General Manager is entitled to the annual cost-of-living increase granted to other employees of the Authority; and

WHEREAS, the Board of Commissioners has reviewed the General Manager's performance and found that he has met or exceeded the goals established for the past year, and that he has otherwise performed in an exemplary manner, providing good service to the Board of Commissioners, to the Authority, and to the residents of Washington County, Virginia; and

WHEREAS, in light of our current economic conditions, the General Manager has requested that he not be given an increase to his base pay, which gesture is much appreciated by the Board of Commissioners;

NOW THEREFORE, BE IT RESOLVED, that the Board of Commissioners commends Mr. Robert C. H. Cornett for his excellent service during the fiscal year July 1, 2010, through June 30, 2011, and it hereby awards to Mr. Cornett a 1.5% cost-of-living increase to his base pay, and a one-time cash bonus of \$ 1600.

WITNESS this Resolution passed this June 6, 2011.

WASHINGTON COUNTY SERVICE
AUTHORITY

By: Joe Chase
Chairman

ATTEST:

Amanda Paulson
Asst. Secretary