

**Washington County Service Authority Board of Commissioners
March 26, 2018 Recessed Meeting Minutes (held April 23, 2018)**

1. Call the Meeting to Order

The Recessed Meeting of the Washington County Service Authority Board of Commissioners was held in the Jack S. Cole Conference Room located at 25122 Regal Drive, Abingdon, Virginia. The meeting was called to order by the Chairman at 4:09 pm.

2. Roll Call - *Chairman*

Commissioners Present:

Mr. Mike White, Chairman
Mr. Jim McCall, Vice Chairman
Mr. Wayne Campbell
Mr. Dwain Miller
Mr. Tim Orfield
Mr. Kenneth Taylor

Commissioners Absent:

Mr. Vernon Smith

WCSA Officers Present:

Robbie Cornett; Secretary, General Manager
Melinda Jett; Treasurer, Controller
Carol Ann Shaffer; Assistant Secretary, Administrative Assistant

WCSA Staff Present:

Dave Cheek PE; Operations Manager
Ryan Kiser, PE; Engineering Manager
Holly Edwards, Customer Service Manager
Mark Osborne PE; Distribution Manager

3. Approval of the Agenda - *Chairman*

Mr. McCall motioned to approve the Agenda, Mr. Miller seconded and the Board approved voting 5-0-0-2.

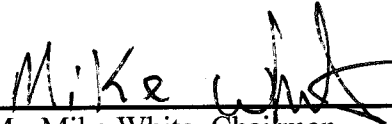
4. 2018-2019 WCSA Budget Workshop – *Robbie Cornett and Melinda Jett*

An outline of the presentation reviewed by Mr. Cornett and Mrs. Jett is attached.

Mr. Cornett indicated that if the Board is inclined to the rate recommendations, action could be taken as a late item in the Regular Meeting. After a brief discussion, the Board indicated they were not prepared to make a decision and requested more information on future revenue requirements in relation to revenue.

5. Adjourn – 6:04 pm - *Chairman*

Mr. Taylor made a motion to adjourn, Mr. Miller seconded and the Board approved voting 6-0-0-1.



Mr. Mike White, Chairman



Carol Ann Shaffer, Assistant Secretary

1  **2018/2019 Fiscal Year Budget**

2  **Introduction**

- ▶ Budget Process (Melinda)
- ▶ Looking Back (Robbie)
- ▶ Departmental Capital (Melinda)
- ▶ Five-Year Capital Improvement Plan (Robbie)
- ▶ Compensation and Benefits (Robbie)
- ▶ Expenses (Melinda)
- ▶ Rates Fees & Charges (Robbie)
- ▶ Reserves & Coverage Ratios (Robbie)
- ▶ Conclusion and Recommendation (Robbie)

Budget Process
(Melinda)

3  **Budgeting Process**

- ▶ Expenses (Power, Chemicals, etc.) Reviewed One-by-One to see if Current Year Projections are Accurate or Need Adjustment +/- (Review *Page 17*)
- ▶ Department Capital (Vehicles, Computers, etc.) are Carefully Considered by Department Managers and Strong Case Made
- ▶ WCSA's Capital Improvement Plan is Reviewed by Staff in Light of:
 - Prior Board Action to Approve Projects;
 - Aging, Critical, and Regulatory Infrastructure Needs;
 - Updated Cost Estimates; and
 - Project Schedules

4  **Budget Process Going Forward**

- ▶ Receive Board Comment Tonight
- ▶ Update Budget:
 - Board Comment and Action Tonight
 - Through April 2018
 - Compensation and Benefit Study Recommendations
- ▶ Hold Budget Workshop #2, May 21, 2018, to Review Updated Budget
 - May Need Further Review OR Could be Ready for Adoption
- ▶ If Budget not Approved in May, Consider in June 2018

Looking Back
(Robbie)

5  **Water Budget v. Actual Expenses**

6  **Sewer Budget v. Actual Expenses**

Departmental Capital
(Melinda Pages 1-9)
Five-Year Capital Improvement Plan
(Robbie Pages 10-13)

7  **Water Capital Improvement Plan**

- ▶ "Red" Text Represents Changes From Current and Approved CIP
- ▶ Additions Approved by Board That Need to be Considered in Next Rate & Financial Plan

- (9) Chip Ride Road Extension
- (18) Rattle Creek Road Extension
- (21) Sugar Cove Road Extension
- (22) Rich Valley Road Extension
- (17) Smyth Chapel Improvements
- (20) Meter Replacement

8 **Water Capital Improvement Plan**

- ▶ Additions Proposed by Staff That Need to be Considered in Next Rate & Financial Plan
 - (10) Route 58 Water Storage Tank Demolition
 - (23) Swift Spring Preliminary Engineering Study
 - (24) Avens Bridge PRV/PSV
 - (25) Pine Hill Pump Station
 - (26) Bella's Pump Station
 - (27) Stone Mountain Pump Station

9 **Wastewater Capital Improvement Plan**

- ▶ "Red" Text Represents Changes From Current and Approved CIP
- ▶ Additions Proposed by Staff That Need to be Considered in Next Rate & Financial Plan
 - (23) Lee Highway Corridor PER Phase 2
 - (24) Exit 22 WWTP Closure
 - (25) Abingdon Steel Lift Station EQ Basin
 - (26) Lee Highway Corridor Sewer Project
 - Backbone System

10 **Proposed for Removal From Capital Improvement Plan**

- ▶ Haskell Station Water Extension (Complete)
- ▶ Ritchie Road Water Extension (Complete)
- ▶ Property Acquisition Wastewater Compensation and Benefits
(*Robbie Page 16 and 19-35*)

11 **Compensation**

- ▶ Goal: Attract and Retain Quality Workforce
- ▶ Proposal Subject to Compensation and Benefit Study:
 - Cost of Living Adjustment (COLA)
 - Benchmark: Historical Annual Inflation
 - 2.2% Average Since January 2018
 - Effective July 2018
 - Performance
 - Amount Equal to 1% of Total Compensation Budgeted at 0.5%
 - Applied Based on Annual Appraisals Performed by Supervisor Starting January 2019

12 **Cost of Living Adjustment**

13 **Census**

- ▶ 73 Full-Time Positions
- ▶ 3 Part-Time Positions (Decrease of 2)
- ▶ Coverage and Succession Planning Ongoing

- Do we Have Enough to Cover Shifts and Leave (Sick and Vacation)
- ~40% of Workforce Within Five Years of Eligibility
- Could Result in Midterm Request

14  **Overtime**

15  **Insurance**

- ▶ Proposal Subject to Compensation and Benefit Study
- ▶ Plan Year October 1-September 30
- ▶ Renewal Expected July 2018
- ▶ Budgeting 6% Increase (Less Aggregate)
- ▶ Current Aggregate \$155,610
- ▶ Employees Portion Scheduled to Move From 10% to 15% for Dependent Coverage
- ▶ Thank You for Maintaining 10% Employee Portion Last Year!!!

Departmental Expenses

(Melinda Pages 17-35)

Rates, Fees & Charges

(Robbie)

16  **Water Rate Increases 2014-2019**

17  **Monthly Water Bill Impacts 2014-2019**

18  **Water Connection Fees 2014-2019**

19  **Sewer Rate Increases 2014-2019**

20  **Monthly Sewer Bill Impacts 2014-2018**

21  **Sewer Connection Fees 2014-2019**

Reserves & Coverage Ratios

(Robbie)

22  **Reserves & Coverage Ratios**





23  **Reserves (Looking Ahead)**

- ▶ 2019/2020 Rate and Financial Plan
 - Consider Guidelines for Use of Existing Reserves
 - General Operating
 - Repair and Replacement
 - Rate Stabilization
 - Consider Reserve Funding Levels
 - Initial Target Depreciation
 - Long-term Target Asset Management
 - Where are we now?
 - Consider Feasibility & Desirability of New Reserves
 - System Extensions?
 - Others?

Conclusion and Recommendation

(Robbie)

24  **Conclusion**

- ▶ WCSA Performing Better Than Projected
 - As of June 30, 2017, Water and Sewer Reserves and Coverage Ratios Were Ahead of 5-Year Plan (2015-2019)
 - Sewer Reserves Exceeded 2019 Target
 - Water and Sewer Coverage Ratios Exceeded 2019 Targets
 - Water Reserves Projected to Exceed 2019 Target
- 25  **Rescind Water Rate Increase**
- ▶ Pros:
 - Projected to Exceed 2019 Reserve Target Without Increase
 - Projected to Exceed 2019 Coverage Target Without Increase
 - At 1.34% of MHI for 5,000 Gallon Residential, Rates Moderate to Moderate-high
 - Meter Replacement Expected to Increase Revenue
 - ▶ Cons:
 - \$22.7 Million in Unfunded Capital
 - Not Rural Development Grant Eligible
 - May Consider Desirability and Feasibility of Establishing Extension Reserve Next Year
 - Reserve Funding Consistent with Asset Management
 - Meter Replacement Expected to add new Debt
- 26  **Rescind Wastewater Rate Increase**
- ▶ Pros:
 - Projected to Exceed 2019 Reserve Target Without Increase
 - Projected to Exceed 2019 Coverage Target Without Increase
 - At 1.93% of MHI for 5,000 Gallon Residential, Rates Generally Considered High
 - Rural Development Grant Eligible
 - Meter Replacement Expected to Increase Revenue
 - ▶ Cons:
 - \$49.7 Million in Unfunded Capital
 - May Consider Desirability and Feasibility of Establishing Extension Reserve Next Year
 - Reserve Funding Consistent with Asset Management
- 27  **Recommendation/Request**
- ▶ Preliminarily Rescind Water Rate Increase (2.5% Minimum and 9.0% Volumetric)
 - ▶ Preliminarily Rescind Wastewater Rate Increase (1% Minimum and 4.5% Volumetric)
 - ▶ Conduct Public Hearing May 21, 2018
 - ▶ Consider Budget May 21 or June 25, 2018
 - Including Final Decision on Rates
- 28  **Public Hearing**
- ▶ § 15.2-5136. Rates and charges. Subsection G. After the adoption by the authority of a resolution setting forth the preliminary schedule or schedules fixing and classifying such rates, fees and charges, notice of a public hearing, setting forth the proposed schedule or schedules of rates, fees and charges, shall be given by two publications, at least six days apart, in a newspaper having a general circulation in the area to be served by such systems or facilities, with the second notice being published at least 14 days before the date fixed in such notice for the hearing. The hearing may be adjourned from time to time. A copy of the notice shall be mailed to the governing bodies of all localities in which such systems or facilities or any part thereof is located. After the

hearing the preliminary schedule or schedules, either as originally adopted or as amended, shall be adopted and put into effect.