

**Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes**

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 5:59pm.

ROLL CALL

Commissioners Present:

Mr. Joe Chase, Chairman
Mr. Ken Taylor, Vice Chairman
Mr. Devere Hutchinson
Mr. Jim McCall
Mr. Dwain Miller
Mr. Mark Nelson
Mr. Frank Stephon, IV

WCSA Staff Present:

Robbie Cornett, General Manager
Dave Cheek, Operations Manager
Kimberly Harold, Controller
April Helbert, Engineering Manager
Carol Ann Shaffer, Administrative Assistant

Also Present:

Mr. Mark Lawson, Legal Counsel

3. Approval of the Agenda

Mr. Cornett presented an Amended Agenda to the Board for approval. Mr. Nelson motioned to approve the Agenda. Mr. Miller seconded the motion and the Board approval voting 7-0-0-0.

4. Public Query & Comment

There was not public query and comment.

5. Approval of the Consent Agenda

- Minutes for December 18, 2013 Regular Meeting.
- Routine Reports for December 2013.
- Financial Reports for December 2013.
- Check Register and General Manager Financial Report for December 2013.

Mr. Stephon motioned to approve the Consent Agenda. Mr. McCall seconded the motion and the Board approved voting 7-0-0-0.

6. Engineer's Report and Update

Mr. Bobby Lane of The Lane Group, Inc. (TLG):

- **New Raw Water Intake & Water Treatment Plant- Task Order 9 Final Design of 12 MGD Water Plant Expansion, Raw Water Intake and Raw Water Line Improvements**

The Contractor continues to work on punch list items at the 12 MGD Water Plant, concentrating their efforts at the Intake, Mr. Lane said. All three concrete filter vaults have been constructed. The valve vault has been formed and poured and the Contractor has installed the screens. The Contractors have also completed about 25 feet of boring with about 135 feet remaining; using a combination of hand tunneling and a bullet proof cutting head and plans to be working double shifts in the very near future.

- **Galvanized Waterline Replacement Project**

TLG continues to work on Phase 3. Line crews are assisting to mark existing water line locations. Surveying work continues.

- **Hidden Valley Water System Preliminary Engineering Report**

TLG submitted final drawings to WCSA for review.

- **Mendota Water System Source Improvements**

Mr. Lane spoke with Scott County PSA engineers and they are comfortable the required changes at the Scott County water plant have been made to ensure their water will meet regulations.

**Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes**

Scott County engineers are proposing a four week testing program; providing a sample a week for four weeks to WCSA staff for evaluation.

TLG is also working with the VDH to develop an approved inline water treatment method to treat water at the county line in the event there are any issues with water quality on the Scott County side.

- **Nordyke Road Water System Project**

TLG held the Pre-Construction Conference and they have issued the Notice to Proceed to Tipton. Tipton plans to begin work as soon as the weather permits, reported Mr. Lane

- **Oak Park Sewer Project**

The Contractors are working on final clean-up items. TLG plans to present a final Clean-Up Change Order to the Board at the February meeting.

- **Western Washington County Sewer Study – Beaver Creek Discharge Permit**

Mr. Osborne and staff are working to finalize property options. Mr. Lane has asked DEQ to speed up the process for scheduling the public meeting.

Mr. Bill Skeen of Maxim Engineering

- **Tumbling Creek South & North Fork River Road Water Projects**

Zeppa Excavating was the low bidder for this Project, meeting all bid requirements, said Mr. Skeen.

- **Larwood Acres / Exit 1 Wastewater Feasibility Study**

Maxim is very close to finishing the Sewer Study and expects to be able to submit a draft copy to WCSA for staff review in the next couple of weeks, reported Mr. Skeen.

Mr. Kevin Heath of Adams-Heath Engineering (AHE):

- **Town of Damascus WWTP VPDES Permit Renewal**

The application has been filed with DEQ for review. AHE is waiting to receive the draft permit limits for review.

- **Abingdon Water Storage Improvements Study**

AHE is working to complete their response to WCSA staff review comments on the draft PER and expect to resubmit the draft to WCSA staff very soon.

- **Smyth Chapel Area Water Improvements Study**

AHE completed their response to WCSA comments and resubmitted the PER for additional review and comment, Mr. Heath reported.

- **Route 58 Water Supply Improvements Project**

AHE completed as much of the project draft design as possible given they are lacking the Purchase Option Agreement for the water storage tank site.

- **Rich Valley Road/Whites Mill Road/ Hillandale Road/ Red Fox Land Water Extension Project**

AHE held the Pre-Construction Conference and have issued the Notice to Proceed to Tipton. The official start date on Monday, January 27, said Mr. Heath.

Dennis Amos of Anderson and Associates (A&A):

- **Exit 13 Sewer Project Phases 2A**

The Environmental Review on the Exit 13 Project continues to progress, reported Mr. Amos.

The A-95 review from the MRPDC has been completed. All initial comments from RD have been addressed, documented and resubmitted to RD for approval.

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

WCSA staff requested information regarding the total failing septic systems in the Phase 3 area and A&A is waiting on VDH to respond to that request. Once that scope is identified, A&A will be able to complete the PER for submittal to RD.

Preliminary negotiations on Phase 2A between A&A and WCSA are complete and will be discussed as an Agenda Item.

7. Water & Wastewater Construction Projects Report and Update *April Helbert*

Mrs. Helbert reported the Contractors missed the deadline of December 31st for the bore on the Sutherland Project. The Contractor was able to get the time of year restriction waived from the permitting agencies for that crossing. She then reported on the Childress Hollow Road Project saying, letters were mailed to property owners notifying them of the Board's decision to proceed with the Childress Hollow Road Project.

8. Operations Manager's Report & Update *Dave Cheek*

Discussion Items:

- Polar Vortex
 - Significant Data
 - Brainstorming Results
 - Action Item Update
- Departmental Information
 - Financials
 - Key Points
- Forward Looking Statement

Polar Vortex of 2014 Significant Data (Sunday 1-5-2014 to Saturday 1-11-2014):

- Maintenance/Metering/Distribution responded to 230+ calls during working hours, there were numerous calls to our employees personally from folks that knew them.

- Drinking Water Plant (DWP) took 70 After Hour Calls and Responded to Hundreds of Customer Inquiries while Producing 32% more water than normal.

Mr. McCall acknowledged the WCSA employees in the audience saying "you all are the hero's. It was terrible out there."

- Maintenance/Metering/Distribution also responded to 91+ after hours calls.
- Of the hundreds of freeze up calls, less than 7 were due to WCSA's equipment.
- Main Breaks: 4 @ 4" main line breaks, 1 @ 6" main line break, & 4 @ 8" main line breaks during this same time period. We also capped off a 14" line at the Middle Fork Drinking Water Plant.
- No Tanks Ran Dry, No Boil Notices were Issued.

Polar Vortex 5W2H:

Mr. Cheek referred to a diagram showing the 5W2H; What, Why, How, Who, When, Where and How Much as it relates to the Polar Vortex.

Don Cole's Initial Call In Flow Chart:

Mr. Cheek then referred to a flow chart that showing the 5W2H for calls made to the filter plant.

Total Operations:

Mr. Cheek was very pleased to report Total Operations were under budget for December 2013 and under budget year to date. He commended the different departments for a great job.

Mr. Cheek then discussed –

December Operations Key Points:

- Zero OSHA Recordable Accidents.
- Zero Preventable Vehicular Accidents.

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

- Safety Training: Completed Global Harmonization Training/Driving Employee Safety Committee for Improved Ownership.
- Reviewed 2013/14 Capital for Justification and Execution Plan.
- Started 2014/15 Capital and Operating Budget Review.

Total Water Production:

Again, Mr. Cheek was very happy to report water production was under budget for December and for the year.

December Water Production Key Points:

- Fairly Normal December Water Production at 235.3MM Gallons:
 - Town of Chilhowie must have several leaks as they are pulling more than normal.
 - Saltville continues to have supply issues that are impacting WCSA in that area.
- Did Receive VDH Gold Award for December, but will have Silver for 2013.
- Middle Fork DWP Intake Screen Major Reliability Concern:
 - The Plant must Cease Production if the Screen Fails.
 - Plan to Repair once South Fork Intake is on Line.
 - Have 2 Contingency Plans, Neither Particularly Good.

Total Wastewater Treatment:

Wastewater Treatment was also under budget for December 2013 and for the year.

December Waste Water Treatment Key Points:

- Hall Creek - Performing Very Well, Over 99% Removal Rates, Good Bio Mass and Control.
- Damascus is still an area of concern:

- Exceeded our Daily Influent Flow limit in December:

- 1st Month, if 3 Consecutive then Must Revise Action Plan.

- Making Good Ground on the Action Plan:

- Good Bio-Mass Established
- Just Received Sewer Camera. To Begin Investigating "Hot Spots".

- Many Efforts to Prepare for Foul Weather:

- Additional Gen Set Inspections, issues found.
- Identified Icing Points and put in preventive measures.

Total Maintenance:

The Maintenance Department was also under budget for December 2013 and for the year, Mr. Cheek reported.

December Maintenance Key Points:

- 30 After Hours Call Ins (2012 average - 51), Focus Area.
- 2 Main Breaks, (Cedar Creek Rd, Porterfield Hwy), (2012 average - 8).
- Taylor's Valley Spring Turbidity over limit from 7:00 am on 12/24 to 2:00 pm on 12/25. Maintained Tank Level by Hauling Water around the clock (8 People).
- Damascus Sewer Work, completed sealing all the river man hole covers:
 - Sewer Camera needed to identify hot I&I spots.
- Significant time spent correcting issues such as:
 - Inconsistent Customer Taps on New Line Replacements.
 - Low Water Pressures.
- Developing 5 Year Equipment Strategy.

Mr. Cheek asked the Board to consider a committee to develop a 5 year

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

equipment strategy and asked for two Board volunteers.

Operations Forward Looking Statement:

- Safety Culture is Improving, Starting to Obtain more Employee Buy In.
- Recognition Efforts are Gaining Traction.
- Plants are Operating Very Well:
 - Damascus is a Concern:
 - Resource Planning is Critical to Complete the Actual Work.
- Saltville Supply Concerns and Countermeasures.
- Non – Revenue:
 - Water – Blow Offs (>300 in our System).
 - Sewer – I&I.
- Effective Multi-Year Strategies
 - Capital.
 - Operating Expenses.

Total Distribution:

The Distribution Department was also under budget for the month of December and for the year.

December Distribution Key Points:

- Managed more than 204 Distribution System Inquiries/Adjustments.
- Performed 238 locates.
- Approximately 95% of the Damascus sewer line has been located and mapped.
- Completed Wet Well replacement with cost savings of over \$12k/billing cycle.
- County Development Support:
 - 3 Pressure Tests for Existing Projects
 - Attended 10 meetings with VDOT/Private Development
 - Securing Easements/Purchases for Stonegate Project/Western

Washington County Waste Water Facility/Damascus Water Storage/Galvanized Line Phase 2 & Childress Hollow Road

- Executing Action Plan derived from April 2013 VDH Inspection.

Total Metering;

The Meter Department was under Budget for December and the year.

December Metering Key Points:

- Short but very busy month:
 - Read 99.4% of All Meters (22,017) with Radio
- When we read the meters if we see a significant increase we contact the Customer to let them know they may have a leak. There were 106 calls in December.
- 553 were Contacted for Potential Cut Off.
- Lifted 104 for Non-Payment, Lifted 82 for other, Transferred 71 and Set 64.

Mr. Chase thanked Mr. Cheek for his very in-depth report.

Mr. Cornett asked the Board to consider two members to serve on the Equipment Capital Planning Committee mentioned by Mr. Cheek. Mr. Miler and Mr. McCall volunteered to serve on the committee.

9. General Manager's Report & Update *Robbie Cornett*

Mr. Cornett referred to his General Manager's Report and Update at the Board's stations. He reported on the following noteworthy WCSA performance & accomplishments from all departments during the month of December:

Water Production

- Produced more than 201 million gallons of drinking water from WCSA and more than 30 million

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

gallons of water for the Town of Chilhowie.

Distribution

- Coordinated the outside purchase of more than 4 million gallons of drinking water.
- In total, 6.8 million gallons per day of drinking water was distributed to our customers for the month.

Customer Service

- 21,020 active water accounts.
- 2,323 active sewer accounts.
- 2 water taps applied for.
- 4,595 accounts with late charges added.
- 135 reconnections/transfers of service.
- 90 disconnect notices processed.
- \$11,084.76 was adapted for 89 customer water leaks.
- \$4,124.62 was written off as bad debt three years old.

Maintenance

- 25 leaks.
- 2 major breaks.
- 3 water taps
- 30 after hour maintenance call-outs.

Wastewater

- Treated 11 million gallons of wastewater at Hall Creek.
- Treated more than 8 million gallons of wastewater at Damascus.

Other Items

- Jimmy Mullins earns his Class 3 Wastewater License. Mr. Mullins was hired March 2010 as a trainee.
- Karen Barger resigned as the Engineering Administrative Assistant / Project Manager to be with her children.
- WCSA presentation by Mr. Chase and Mr. Cornett to the Comprehensive Plan Committee on January 8th regarding how we are organized, governed, regulated and

our capital plan for water and sewer went well. Mr. Cornett thanked Mr. Chase for co-representing at that meeting.

- Rate and Financial Plan continues to go well.
- Sewer camera equipment has arrived and proving helpful during training
- Legislative Session: VWWAA Board of Directors (8 elected members) is tracking 45 bills that if passed, could impact all Authorities including WCSA. McGuire Woods serves as Counsel to the Board and amount other things identifies bills of interest, facilitates communication with other interested stakeholders, sits in on committee meetings and lobbies for the Association.

10. Consideration of Tumbling Creek Road South and North Fork River Road Construction Bids April Helbert and Bill Skeen

Zeppa Excavating was the low bidder for Contract 1 with a bid of \$71,675 and Contract 2 with a bid of \$97,580.50; totaling \$169,255.50. After review of their bid documents, Maxim feels comfortable recommending the bid be awarded to Zeppa, said Mr. Skeen.

For informational purposes, Mr. Skeen said the North Fork River Road Project would connect to the Tumbling Creek South Project, therefore, the North Fork River Road Project cannot be completed without the Tumbling Creek South Project.

Mrs. Helbert then discussed Project financial feasibility.

The total estimated project cost for Tumbling Creek Road South is \$105,508.75. WCSA has contributed \$10,500 and we have a VDH loan in the amount of \$72,911. The shortfall on this Project is \$22,098, which could be cash

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

funded or VDH funded if additional monies are available.

The total estimated project cost for North Fork River Road is \$130,709.53. WCSA has contributed \$9,000 and we have a VDH grant for \$100,980. The shortfall on this Project is \$20,730.

Mrs. Helbert then referred to the financial analysis that shows different funding scenarios for the Project.

As Mr. Skeen said, the North Fork River Road Project cannot be done without the Tumbling Creek Project, stated Mrs. Helbert.

She then referred back to the financial analysis saying, the only project that will cash flow after 30 years is the North Fork Rover Road at Tumbling Creek South Project.

For Scenario 1, (Tumbling Creek South Project only) the deficit is just less than \$76,000.

Scenario 3 (both projects combined with WCSA cash funding the shortfall) the deficit is just over \$37,000.

Scenario 4 (both projects combined and loan funding the shortfall) the deficit will be just over \$60,000.

The cost for committed connection (included in the report) is just over \$20,000; except for North Fork River Road alone. However, this Project does predate the WCSA policy of \$20,000 per connection for extension projects, added Mrs. Helbert.

The total cost for both Projects is about \$236,218 with a combined funding package of \$193,391 which includes cash funding, loan and grant funding. The total shortfall for both Projects is about \$42,827. Mrs. Helbert said WCSA would need to cash fund the shortfall or request additional funding from VDH, which would most likely be in the form of a loan.

These Projects were included in the last Rate Study as a debt in the amount of \$193,392 plus interest, so there would be no new revenue requirements associated with these Projects.

Due to the advanced stage of the project, and WCSA's total debt service being less than previously projected, Staff recommends the Board consider allowing staff request additional funding of \$42,827.28 from VDH. She continued saying, we also recommend you allow the General Manager to request and accept additional funding if conditions are comparable to original Tumbling Creek South loan. If an offer of funding is not provided by VDH or conditions are not acceptable to WCSA, fund the project from WCSA cash reserves.

Mrs. Helbert then recommended awarding the Projects to the low bidder subject to funding agency approval and legal counsel concurrence.

The financial feasibility discussed is based solely upon residents who have signed user agreements. Any additional residents who sign up, will only help these numbers, said Mrs. Helbert.

Are there any grant funds we could access to make this Project work, asked Mr. Nelson.

Mrs. Helbert said they would certainly request grant funding from VDH, but in the past, VDH said any additional funds allocated for this Project would be in the form of a loan.

Mr. Nelson said his concern was the same; adding more debt and the debt service coverage going down further. My position is, said Mr. Nelson, we fund this Project from cash so we are not adding to the problem. Using contingency monies to fund this could be an issue too, he added. Based on projections, in 2015, our debt service coverage will fall under our covenants.

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

Mr. Nelson said he would like to what the penalties are for falling under debt services. Mr. Nelson stated funding agencies can call for those debts based on a breach of the covenants.

The Project has merit, said Mr. Nelson, it is just a question of funding.

Mr. Nelson suggested WCSA request grant funding and present our dilemma to VDH. If we can't get grant funding, pay the shortfall from cash if our reserves allow, he added.

Mr. Cornett said he thought the reserves would allow funding for this Project. He offered to request grant funds, but said WCSA could fund the shortfall from reserves if grant funding is not available.

Mr. Nelson said, based on the projections, it was very important to request grant funding whenever possible. If grant funds are not available, we need to evaluate the effect on our coverage ratios before borrowing additional funds.

Mr. Chase asked about how much grant funds were available.

Mr. Cornett said we have no way of knowing if an agency will provide grant or loan funding for a project. We have been told grant funds are generally allocated at the beginning of the year; but we will certainly request grant funds for this Project.

Mrs. Helbert answered Mr. Chases question saying the shortfall was in the amount of \$42,827.

Mr. Chase asked if we could determine whether or not we are approved for grant funding by the February meeting.

Mr. Cornett said yes; though it would be better to award the Project because of the stream crossing permit's time restrictions. Mr. Skeen said the stream crossing permit will not allow for work to be done in the stream from March 1 to June 30.

Mr. Hutchinson asked if there were any projects nearing completion that are under budget so we can convert those monies

Mr. Cornett said he did not believe so.

Mr. Nelson asked if the excess money from the Tobacco Commission could be used to fund this Project.

The Tobacco Commission money was specifically earmarked for mega site related funds. About two months ago, we asked the Tobacco Commission if we could use those funds for related projects within the mega site and they have not responded. Mr. Cornett continued saying, concern Mr. Snider shared was we probably wouldn't get to use them at all, but we can certainly ask.

Mr. Nelson though it would be worth asking about. He said he hated for that money not to be utilized in some fashion to help Washington County since that was what the money was originally to be used for.

Mr. McCall asked Mr. Cornett if he thought this Project was a \$42,000 benefit to the water system.

Mr. Cornett said he saw two things with this Project: 1. North Fork River Road from Route 19 to the Smyth county line is an area where there has been sporadic interest in water. Mr. Cornett thought the system over time would grow from the Route 19 area to Tumbling Creek because this Project would allow us to serve customers in either direction on from Tumbling Creek Road. 2. We are so far along with the information conveyed to potential customers. If we do not accept the funding offer and reapply in the future, the funding offer could offer better terms and conditions, or the offer could be worse; it is hard to predict. He continued saying, we are so far along with the information conveyed to potential customers. With all the

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

effort that has been put into this Project; bidding and renewing permits; it seems now it is the appropriate time to move forward. We will certainly seek grant money for the Tobacco Commission before we accept loan funds, subject to Board approval. With the way our coverage ratios are trending now, we may fall below 1.15 this year. Mr. Cornett feels the Rate Study offers a very valid plan to bring the ratios back up in 2015.

One thing Mr. Cornett encouraged the Board to consider was catching projects before they get to this stage. It is easier to turn down a funding offer before we have sent the project out to bid, he stated. Mr. Cornett said he was not fond of being in this position, but at this late stage, it would be more daunting to go back and resubmit for funding.

Mr. Chase agreed with Mr. Cornett and felt they had gone too far with this Project not to move forward.

Mr. Nelson made a motion to move forward to seek grant funds. If grant funds are not available, WCSA pays the shortfall in the amount of \$42,827.28 out of cash reserves. Mr. Stephon seconded the motion. Mr. Chase asked if there was any further discussion.

Mr. Taylor asked Mr. Skeen if it would hurt to delay the stream crossing until July.

Mr. Skeen said it would be July 1 before they could reenter the stream. Mr. Taylor asked what the time allotment for notice to proceed was.

Mr. Skeen said 60 days.

Mr. Taylor said his goal was provide water to people who needed water and he and wanted to be sure not to keep delaying the Project. Mr. Taylor asked if there was a way to enter the stream before grant funds are secured.

Mrs. Helbert thought VDH would have an answer to the grant funding request relatively quick.

Mr. Cornett said he thought VDH could give an answer for grant funding by the end of the following week.

Mr. Chase asked the Board to vote on Mr. Nelson's motion. The Board voted 7-0-0-0 approving the motion. Mrs. Helbert asked the Board to consider making a motion to award the bid.

Mr. Taylor motioned to award the bid to the low bidder, Zeppa Excavating. Mr. McCall seconded and the Board approved voting 7-0-0-0.

11. Consideration of Funding Offer from the Department of Environmental Quality for Exit 13 Phase 2A April Helbert

Assuming WCSA accepts the funding offer and proceeds forward with the project, said Mrs. Helbert, the financial impact of the project would be:

- Up to \$20,000 Cash Contribution from WCSA (this would cover the \$20,000 in additional engineering for easement assistance and any other easement related costs for this project).
- \$884,895 Loan from DEQ at 0% interest for 20 years.

Mrs. Helbert said with the existing connections, the Project would not cash flow during its 20 year loan period. Once the loan is paid off, she said, the annual income would be approximately \$33,686 based on current users and their average monthly usage; plus 5 additional users at an average monthly usage of 5,000 gallons per month. The analysis also assumes those who did not sign User Agreements only pay the availability charge.

Summarized, revenue from the project area will not repay the debt service

**Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes**

during the loan period. The deficit during the loan period would be approximately \$9,559 per year, for every year after the first year, explained Mrs. Helbert.

This Project was included in our most recent rate study as \$1,793,607 in debt funding, leaving \$875,723 as part of our current financial and rate plan that can now be reconsidered. A significant portion of this Phase 2 A Project was constructed as part of the Oak Park Project.

Though the project does not cash flow initially, the area should be suitable for expansion of existing customers as well as new business, explained Mrs. Helbert. If growth occurs, the project may cash flow before the debt is retired. Several existing customers have contacted WCSA regarding the timing of public sewer for the expansion of their businesses. And, with 41 of the 52 existing customers agreeing to take service, customer expectation of sewer service is high.

Mrs. Helbert said the proposed project meets WCSA participation (50% plus 1) and cost per connection (\$20,000) guidelines. Though the project does not cash flow initially, that is likely to change in the future. For that reason, Mrs. Helbert said, WCSA staff recommends the Board consider accepting the DEQ funding offer.

Mr. Nelson asked if the use of excess mega site funds could be consideration for this Project since it would tie in nicely with the mega site. Mr. Nelson felt this Project offered the best opportunity to use those excess funds. He continued saying he knew the IDA would like to see that area continue to be developed.

Mr. Cornett offered to make that part of

the VDH request, if the Board so desired.

Mr. Nelson said it was hard for him to add another \$800,000 in debt, knowing our position this year.

Mr. Nelson motioned to move forward with this Project subject to approved grant funding. Mr. Hutchinson seconded and the Board approved with a 7-0-0-0 vote.

12. Consideration of an Engineering Agreement Between WCSA and Anderson & Associates for the Exit 13 Phase 2A Project April Helbert

Mrs. Helbert discussed the engineering costs associated with this Project. The basic services is a lump sum amount of \$84,200.00 with additional services as a hourly not-to-exceed amount of \$25,000.00 and RPR Services of in a hourly not-to-exceed amount of \$62,400.00; totaling \$171,600.00.

If the Agreement is approved, a scoping meeting among Staff and Anderson & Associates will be held. Our goal is to advertise for construction bids in early 2015 if not earlier, stated Mrs. Helbert.

WCSA Staff negotiated this Agreement with Anderson & Associates over the past month. WCSA Legal Counsel has also reviewed, commented, and approved this Agreement.

Mr. Cornett recommended the Board table action on the Agreement until Project funding was secured.

Mrs. Helbert said all the costs discussed above were included in the current Rate Study.

Mr. Nelson motioned to table this item until grant funding was identified for the Project. Mr. McCall seconded and the Board approved voting 7-0-0-0.

13. Consideration of Revisions to WCSA's Sick Leave Policy Robbie Cornett

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

At the December 18 meeting, the Board tabled action on the recommendation made by the Compensation and Benefits Committee to amend the sick leave policy. The Board wanted more time to consider this important matter and asked for more information.

Also, at the December meeting the Board asked if the 60% compensation from short-term disability (STD) was taxed or not and if so, at what rate. Those benefits are employer-paid which means income replacement will be taxable. This aligns with the VRS/VLDP plan design. STD and LTD are 100% employer-paid. The tax rate would be the rate the employee would otherwise pay.

Mr. Cornett then discussed the following options for Board consideration.

It may be appropriate to divide the employees into three groups: 1) those with more than 120 days of accumulated sick leave, 2) current employees with less than 120 days of sick leave, and 3) employees that will be hired after January 1, 2014.

1. Current employees with more than 120 days of sick leave already accumulated. We need to decide what to do about the accumulated time over 120 days and three options are presented for consideration:

A. Payout for all sick leave over 120 days (13 affected employees). Potential options for payouts include:

i. Offer a 25% payout for employees with less than 20 years of service and 50% for employees with more than 20 years. This would cost WCSA \$157,000.

ii. 50% payout to all employees with more than 120 days accumulated sick leave. Adding those additional 5 employees would cost an additional \$14,000; for a total cost of \$171,000.

iii. 100% pay to all employees at 100% of their accrued sick leave over 120 hours at a cost of \$343,000.

a. This option is the only payout option that fully compensates those employees who have accrued more than 120 days of sick leave. Employees who have used their sick leave have been paid at 100% already for those days. This option would cost WCSA \$343,000.

B. "Grandfather" or "red circle" the 13 employees with more than 120 days of accumulated sick leave.

i. The issue for this option going forward annually, we need to decide what to do with sick leave that those 13 employees would continue to earn said Mr. Cornett.

C. Allow employees to CHOOSE whether they would like to be "red circled" and save their accumulated sick leave OR have a payout for sick leave already accumulated over 120 days.

i. We would need to make a decision on what level of payout.

Mr. Cornett made the following recommendation to the Board:

- Allow employees to choose whether to be "red circled" (i.e., keep their entire sick leave balance), or to be paid out for all leave over 120 days.
- Employees who choose to be "red circled" would follow the same policy regarding accumulating future sick leave (see below) as is chosen for those current employees.
- Mr. Cornett asked the Board consider paying the 5 employees who have less than 20 years of service at the 50% rate for their sick time over 120 days.

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

2. Current employees with less than 120 days of sick leave already accumulated:

Mr. Cornett recommended the Board consider putting a cap on the accumulation of sick leave at 120 days, then, to discourage sick leave abuse, issue an annual payout of days over 120 at the existing separation policy rate (50% for more than 20 years and 25% for less than 20 years of service).

3. New employees hired after 1/1/2014:

A. Cap sick leave accumulation of 120 days to be consistent with other employees.

B. To avoid abuse of sick leave, Mr. Cornett proposed an annual payout of sick leave over 120 days. Mr. Cornett's recommendation was to consider adding a cap to the accumulation of sick leave at 120 days, then, to discourage sick leave abuse, issue annual payout of days over 120 at the existing separation policy rate. Another decision that needs to be made is in regards to the STD and sick leave benefits, stated Mr. Cornett. Will we allow employees to choose which to use, sick leave or disability; or do we require employees to exhaust sick leave before utilizing STD benefits?

Mr. Cornett's recommendation was to allow the employee the option to choose which benefit they use.

Through the process of evaluating our sick leave policy, said Mr. Cornett, we are reminded that employees also have the opportunity to purchase "years of service credit" once they reach retirement age. The Virginia Retirement System (VRS) refers to this as "Sick Leave Conversion at Retirement" however; the employee can pay for service credit with any funds available to

them, not just sick leave payouts, in increments of a month at a time.

Mr. Cornett said the employees with more than 120 days of accumulated sick leave met to discuss the policy. Four items were raised for the Board's further consideration.

First, assuming the Board will allow employees the option to "red circle" a question arose regarding future changes by the Board that could negatively impact a decision made by the employee now. For example, said Mr. Cornett, if employees are able to red circle (cap) their sick leave at their current accrual and be entitled to a 50% payout at separation of employment due to having more than 20 years of service, could a future Board reduce the cap amount, the 50% payout or both. My response to that was "yes," a future Board could make that decision. That led to what options the Board may have to guarantee that decision. After speaking with Mr. Lawson and Mrs. Figueiras, they confirmed the Board, through a resolution or Board action alone would be unable to guarantee that level of benefit and it would require some form of contract.

Secondly, WCSA policy stipulates that our "vacation" anniversary date is March 31 each year. Mr. Cornett said a question that arose was moving the vacation and sick leave anniversary date to June 30th.

The third point was a request to pay the 5 employees with less than 20 years of service at the 50% rate, with an increased cost of \$14,000.

The forth item discussed was the minimum standard for our STD policy is that set by the Virginia Retirement System. Among many things, one element is that for the first 5 years, the employer is to provide income replacement at 60 %. After 5 years,

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

income replacement must change. Mr. Cornett said the group proposed for consideration, implementing the income replacement provisions required in 5 years, for employees with a minimum of five years of service, now.

Mr. Cornett then discussed his recommendations.

The first option with respect to Board action binding future Boards is not possible. Entering into employment contracts is probably an area in which we would not want to establish a president.

The second proposal to move the anniversary date for all sick and vacation leave from March 31 to June 30 shouldn't cost anything additionally. It could also be advantageous to WCSA to have anniversary dates coincide with the fiscal year. Mr. Cornett said he would humbly recommend the Board favorably consider this proposal.

Mr. Cornett said if we do decide on a payout option (option 3), he would ask the Board to kindly consider paying those 5 employees with less than 20 years of service and more than 120 days at the 50% rate.

The forth option, implementing the STD at the higher level of benefit now, does not appear to cost us anything unless we have employees with five years of Service go out on STD. And if they do go out on STD, depending on whether it is work related or not, the compensation reimbursement increases by as much as 40% for a period of time before declining. Therefore, though we have no way of estimating the use of STD, implementing the income replacement required in five years, now, should have little impact on WCSA, explained Mr. Cornett. Mr. Cornett kindly recommended the Board add this option.

To clarify, Mr. Nelson asked if the total cost to pay all employees at the 50% rate was \$157,000.

Mr. Cornett said the cost would be \$171,000.

Mr. Hutchinson asked if those with less than 20 years of service were within a 12 month window of that 20 year mark.

If we move the anniversary date to June 30th, one person is a month away and some others are as much as a couple of years away, said Mr. Cornett.

According to Mrs. Harold, two employees have 13 years of service. One employee is within 18 months, one within a year and one a month of the 20 year mark.

Mr. Chase said the Board may want to look at something different for new employees moving forward. Mr. Chase thought getting away from the 50% and 25% payout with no cap on the sick leave accumulation and allow employees to use that time toward their retirement was something he would like the Board to look into. In talking with others, said Mr. Chase, they thought WCSA's sick leave policy was very liberal.

Mr. Cornett discussed the option of converting sick leave to years of service credit with VRS. Something that needs to be discussed is at what rate do we pay for sick time so employees may purchase time through VRS, as the conversion rate is not a 1 to 1 ratio. Mr. Cornett felt it was a good alternative to look at in greater detail.

Mr. Chase said he would like to have a committee look at the option of purchasing VRS credit with sick leave.

Mr. Hutchinson said he thought this issue should be addressed in steps. First, address those with 120 days accrued sick time and then address the employees that have less than 120 sick days and set a cap on moving forward. He continued

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

saying he was not in favor of taking away anything from those employees who have accumulated the 120 plus days. He thought the Board should discuss ways to take care of those employees since they have worked hard to reach that goal and that should be acknowledged. Mr. Hutchinson also thought the Board should consider employees within 12 or 18 month of their 20 year of service and thought those employees should be granted a 100% payout. Mr. Hutchinson would like to discuss those options in more detail and wished all this information would have been available for the committee at their meeting last month.

Mr. Hutchinson again stated this should be taken in steps. Mr. Hutchinson said he would like to look at the possibilities for employees to take vacation time with sick leave or STD. He also thought WCSA should not enter into any type of contract or agreement with employees because there is no way of knowing what will happen in the years to come.

Mr. Nelson said the sick leave policy was fine and we wouldn't be talking about this if it weren't for the new STD policy, correct?

Mr. Cornett said "yes sir."

Mr. Nelson asked what the reason was for the new STD policy.

Mr. Cornett gave background information for the new STD policy saying, when the STD requirements were mandated by VRS, most other governmental institutions decided to make revisions to their leave programs that complement the STD policy. There is nothing that says we have to make any changes to our sick leave policy, stated Mr. Cornett. We have been told, through workshops and seminars, that most governmental agencies are making changes to their leave plan to reflect the

STD policy. Certainly, another option is to make no change, stated Mr. Cornett.

Mr. Nelson's concern is that an employee will elect which option they take. Based on current policy, we pay at 25% or 50% when they retire. Mr. Nelson asked if the Board wanted to avoid that payout. Mr. Nelson's point was the employee has saved this time in case something happens; "it is their insurance policy", said Mr. Nelson.

Most companies have caps on sick leave, have a "use it or lose it" philosophy and let you build up to the 120 days because that is where the long term disability kicks in. Most companies do not have a payout option for sick leave, said Mr. Nelson said he did not want employees to be put in a position where they have a hard time surviving. After looking at all these things, if we trust our employees to do the right thing, which there is no doubt in my mind they do, why do we really want to do anything, Mr. Nelson asked. What are we really trying to accomplish and why disenfranchise them if there is no real cost to us, Mr. Nelson stated.

Mr. Cornett thought that was certainly a valid and a good option. From what I have been made aware of, the concern is that a lot local governments have sick leave policies that are more in line with not having any STD or LTD coverage, said Mr. Cornett. If an employee that has both, and they get into a situation where that employee has a large sick leave bank and are out on disability, the large sick leave bank is paid in addition to the disability pay. Being out for STD or LTD is something the employee has no control over, said Mr. Cornett. I don't think we necessarily need to change anything, but most agencies changed their sick leave policy to minimize that liability.

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

Mr. Nelson said employees have accrued for that liability with their sick leave banks and he didn't think it was any different from the employee purchasing an individual STD policy.

Mr. Nelson said the reason he wanted to table this last month is "in my mind I couldn't figure why we were touching this".

Mr. Miller suggested implementing a different policy for new hires but not to make any sick leave policy changes for existing employees.

Mr. Nelson thought it was important to review all the benefits from time to time, for the benefit of both the employees and the stakeholders. If there was not a real problem, don't create one and he said he did not see a real problem with the existing policy to make him see a need for change.

Mr. McCall asked how the 5 employees would be affected if no change in policy was made.

Mr. Cornett said there would be no affect to them.

No change honors what the employees have always known, Mr. McCall stated, their (the employees) contract is our (the Board's) action and our contract is our word.

Mr. Chase said he would to have a committee discuss possible policy changes for new hires.

Mr. Nelson said he would like a committee to review the entire employee benefits package and see if there are any changes that could be made to help employees or to help the WCSA overall.

Mr. Miller reminded the Board that a Benefits Committee reviewed all the employee benefits last year and suggested using the same committee again.

Mr. Chase said he would like Mr. Nelson to be part of the new committee.

Mr. Nelson said he would be glad to serve on the committee.

Mr. Nelson motioned to make no changes to WCSA's current sick leave policy for existing employees and the committee will review options for a new sick leave policy for new hires.

Mr. Chase asked if there was any further discussion.

At that point, Mr. McCall asked the employees in the audience if they had any comments.

Mr. Chase welcomed comments from the audience.

Mr. Bobby Gobble and Mr. Johnny Lester were both in favor of making no changes to the existing sick leave policy for current employees.

Mr. Hutchinson said he did not want to do anything that would hurt the employees who have been loyal to WCSA and have been good stewards of their sick leave. Mr. Hutchinson said, "due to the fact that was not an option given to us earlier before tonight; to do nothing, I am all for doing nothing."

Mr. McCall recommended amending the motion to include changing the accrual date to June 30.

Mr. Nelson amended his motion to include changing the accrual date for vacation and sick leave to June 30th.

Mr. Stephon seconded the amended motion and the Board approved voting 7-0-0-0. Mr. Nelson and Mr. Stephon will serve on the new Benefits Committee.

14. Consideration of a Resolution Recognizing Employees Efforts During the Polar Vortex Weather Event
Robbie Cornett

Mr. Cornett asked the Board consideration to approve the following Resolution recognizing employee efforts during the Polar Vortex.

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

WHEREAS, [FULL NAME], served with dedication and diligence as an Employee of the Washington County Service Authority from January 5, 2014 to January 10, 2014 during the Polar Vortex; and

WHEREAS, Employee [Last Name] represented the customers of the Service Authority of Washington County in a worthwhile and capable manner in subzero temperatures; and

WHEREAS, Employee [Last Name] contributed to the expressed purpose and goals of the Service Authority by serving in the finest tradition as an Employee during challenging times,

NOW THEREFORE, BE IT RESOLVED that the Board of Commissioners of said Washington County Service Authority, duly assembled to conduct business on this the 22nd day of January, 2014, does hereby unanimously adopt this RESOLUTION OF COMMENDATION, in full recognition of, and in gratitude for, the above enumerated services and contributions, and wish [FULL NAME] well in all future service.

Mr. Stephon motioned to approve the Resolution, Mr. Nelson seconded and the Board unanimously approved voting 7-0-0-0.

14. Closed Meeting

At 8:02 pm, Mr. Nelson 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; 1. To discuss and consider prospective candidates for employment, assignment, appointment, performance, demotion, salaries, disciplining or resignation of employees of the public body. Code of Virginia Section 2.2-3711

Paragraph (A) (3): acquisition and disposition of property; 2. To discuss the disposition of real property. Code of Virginia Section 2.2-3711 Paragraph (A) (6): investment of public funds; 3. To discuss various inter-municipal and other agreements and potential agreements and 4. To discuss various agreements existing and proposed related to the South Fork Intake. Code of Virginia Section 2.2-3711 Paragraph (A) (7): legal advice; 5. To discuss potential litigation, contract litigation or both related to the South Fork Intake and the Exit 13 Phase 1 Project; and 6. To discuss various inter-municipal and other agreements.

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

Mr. Taylor seconded the Motion of Closed Meeting and the Board approved voting 7-0-0-0.

Return to Public Session:

Mr. Stephon motioned to return to Public Session at 8:56 pm. Mr. Nelson seconded and read the following **Return to Public Meeting**; Mr. Chairman, I move that the Board return to Public Session. The Board approved voting 7-0-0-0. Mr. Nelson then 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, 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

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

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 by Mr. Miller, Mr. Hutchinson, Mr. Stephon, Mr. Chase, Mr. Nelson, Mr. Taylor and Mr. McCall confirming no outside discussion took place other than Closed Meeting topics.

15. Late Items:

1. Consideration of a 2004-2015 Budget Workshop *Robbie Cornett*

After a brief discussion, the Board agreed to meet Thursday, February 27 at 6:00 pm for the workshop.

2. Consideration of a Memorandum of Agreement Between WCSA and the IDA Regarding 250,000 G/D of Water Capacity for Oak Park *Robbie Cornett*

Mr. Nelson motioned to approve the Agreement, Mr. Stephon seconded and the Board approved voting 7-0-0-0.

3. Consideration of an Employee Summer Picnic *Carol Ann Shaffer, Robbie Cornett*

Following the Board's recommendation to provide a summer picnic for employees, a team of employees met and developed the following options, said Mrs. Shaffer. Though the numbers are not yet final, available dates are going quickly and for that reason, explained Mrs. Shaffer, we will need to book the venue prior to the Board's February Meeting. We would kindly ask the Board if any of the following options are out of range for what the Board was

considering. We propose to book the venue prior to the February meeting and report to the Board then.

Mrs. Shaffer explained the committee met and came up with a list of possible venues for the summer picnic. Mrs. Shaffer called for available dates and they were very limited. Some of the dates fell on holiday weekend and even on race weekend.

Mr. Chase asked if there was a budget for the picnic and who could be invited. He did not remember much discussion about the summer picnic.

Mr. Nelson said it was discussed when they voted on the employee Christmas Bonus. We discussed WCSA should have some type of a family outing to build friendships.

Mr. Nelson said any of the venues were not out of line as of costs. It is important to be careful how to use revenue but felt having a company picnic was an investment in the employees. Mr. Nelson continued saying, in his experience, far more good came from having a company picnic than bad. Mr. Nelson said you have to decide what audience you are trying to reach. Mr. Nelson said in his opinion, what we are really trying to do here is get the employees to work together and be team members. It is more than just the cost, it is really an investment in the future of the team you are building, stated Mr. Nelson.

Mr. Chase said he agreed and would like to see the team develop a budget.

Mr. Nelson said he thought that was what the three options were.

Mr. Cornett said both Hungry Mother and the 4H Center said the options would be gone by the time we met in February. Mr. Cornett said the options were given to see if any were too high or in line with what the Board thought so the committee can make reservations.

Washington County Service Authority Board of Commissioners
January 22, 2014 Regular Board Meeting Minutes

Mr. Cornett said the committee was also looking into what "family" would mean; members of the household or extend to grandchildren.

Mr. McCall suggested starting small and choosing the 4H Center.

Mr. Hutchinson discussed a time when the company he worked for went to Dollywood for their summer picnic. He said after entering the gates, all the employees and their families went in all different directions the rest of the day. Mr. Hutchinson's idea of having a summer picnic was help establish a close knit family tie between employees. If you go to somewhere like Dollywood, you lose that close knit time you are trying to accomplish, said Mr. Hutchinson. He recommended keeping the picnic close to home so employees could arrive early and stay late if they choose to.

Mrs. Shaffer said the committee discussed several different possible issues, one of those being parking.

Mr. Nelson asked which venue the committee recommended.

Most people liked Hungry Mother because of the various activity opportunities such as the ball field, tennis courts, horse shoe pit, paddle boats and swimming. Mrs. Shaffer said the 4H Center was also fine with the committee.

Mr. Nelson said Dollywood was something they were not interested in because of what the Board is trying to achieve but felt the 4H center or Hungry Mother Park would be fine and the committee could decide on either of those venues.

Mr. Cornett said he wanted to be sure we were in the right price range before booking a venue, so the committee will move forward and schedule the picnic at the Hungry Mother Park.

Mr. McCall recommended Mr. Taylor also serve on the Summer Picnic Committee. Mr. Taylor agreed to his recommendation.


Mr. Hutchinson felt the first summer picnic should include immediate family only and that would be reevaluated going forward.

4. Consideration of a Joint Defense Agreement Negotiated between WCSA, The Lane Group (TLG) and TLG's Insurance Carrier Subject to the Insurance Carrier's Approval of Said Agreement *Robbie Cornett*

Mr. Nelson motioned to approve the agreement. Mr. Taylor seconded and the Board approved voting 7-0-0-0.

16. Recess

At 9:13pm, Mr. Nelson made a motion to recess until Thursday, January 23, 2014 at 6:30 pm for a Rate and Financial Plan Workshop. Mr. Hutchinson seconded and the Board voted 7-0-0-0 approving the motion to recess.



Mr. Joe Chase Chairman



Carol Ann Shaffer, Assistant Secretary