

**Washington County Service Authority Board of Commissioners
January 22, 2014 Recessed Meeting Minutes (held January 23, 2014)**

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 6:36pm.

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

Consultants Present:

Doug Bean, Raftelis Financial Consultants
Bart Kreps, Raftelis Financial Consultants

Also Present:

Mrs. Dawn Figueiras, Legal Counsel

3. Approval of the Agenda

Mr. Cornett had no corrections to the Agenda. Mr. Nelson motioned to approve the Agenda. Mr. Hutchinson seconded the motion and the Board approval voting 7-0-0-0.

4. WCSA Rate and Financial Plan Workshop *Raftelis Financial Consultants*

Mr. Bean thanked the Board for the opportunity to work with WCSA and the Citizens Advisory Task Force Committee.

Mr. Bean reviewed the agenda as follows:

- Draft Financial Plan Overview – what the expense and revenue needs will be.
- Forecast of Accounts and Billable Consumption – What sort of growth can be expected based on history?
- Operating Cost Projections.
- Capital Plan and Funding Sources – this will have the biggest impact on the financial plan.
- Projected Cash Needs.
- Results of Pricing Objectives Prioritization Exercises.

Mr. Bean then discussed the Rate Setting Process

- Step 1: Identify Financial and Pricing Objectives.

The Board went through this exercise at the last meeting, said Mr. Bean. Step 2: Identifying Revenue Requirements and Demand on Projections. Mr. Bean said this information would be covered in the meeting tonight.

- Step 3: Allocating Costs. This will be the information discussed at the February workshop.
- Step 4: Design a Rate Structure
- Step 5: Assess Effectiveness of Addressing Pricing Objectives – did we meet the objectives we decided on with the first exercise.

The Pricing Objectives that were important to the Board based on this exercise were:

- Affordability
- Revenue Stability
- Rate Stability
- Economic Development

Mr. Bean then discussed the Pricing Objectives that were deemed important to the Citizen Advisory Task Force Committee.

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- Affordability
- Economic Development
- Simple to Understand
- Revenue Stability

Mr. Bean explained that there were only two things that were different in level of importance. Mr. Bean thought these two differences reflected the differences in the groups.

Mr. Bean said it was understandable since the Board sets the rates so Rate Stability is important to the Board. The committee added Simple to Understand. The Board understands the rates because you deal with rates every day, said Mr. Bean.

Mr. Kreps then discussed Water Demand. In the model, we need to project water demand and project where we think it will go. There are many factors that drive consumption. About 10 to 15 years ago, Washington County saw a lot of growth that has since stalled, said Mr. Kreps. We see there is no growth in accounts in the past 5 years and consumption has gone down. In looking at recent history, we can't confidently project growth in the system. Our forecast may show slight growth in water accounts. People are also using less water because of low flow toilets and high efficiency fixtures and appliances and with higher water prices. Mr. Kreps then discussed sewer demand saying, sewer is different. We are assuming some growth on the sewer side.

Mr. Kreps then referred to a chart saying, we are not looking toward growth to solve all the issues, we just do not have the data to support that and will filter into how we calculate revenue.

Mr. Kreps then discussed Revenue Requirements or costs. Mr. Kreps said what they were doing in developing the

financial plan was evaluating the cost structure. We are looking at what the costs are now; what the operating costs are and the capital costs are; projecting that into the future and laying out a path in term of where we need to be in the next 5 years, said Mr. Kreps. In putting the cost side and the revenue side together, you will see where the revenue funding gaps are, he added. If the amount generated from the existing rates and future consumption is not enough to cover financial requirements, there is a gap that has to be covered with additional revenue.

Revenue is based on existing rates or proposed rates. There are other ways to produce revenue, system fees and taps fees for example but the revenue structure is quite small because there is not growth, stated Mr. Kreps.

Mr. Kreps then discussed the cost side or **Revenue Requirements:**

- Operating Expenses
 - Use the current budget as a base; develop escalators based on historical trends and anticipated inflation rates.
- Capital Costs
 - Work with WCSA staff to understand the capital program needs.
 - Tabulate existing and proposed debt service required to finance the capital program.
 - Identify level of revenue financed capital.
- Reserve Requirements
 - Consider all financial and debt policies for the utility.

Mr. Kreps discussed Operating Costs. We like to evaluate how things have changed historically. Mr. Kreps said the Capital Operating Costs were included in the financial plan. The financial data shows historically, Capital Operating

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Costs change about 3% annually, stated Mr. Kreps.

Mr. Kreps said some of the cost categories that were evaluated in regards to the Budget were inflation rates such as power rates, personnel costs, overtime costs and legal costs cost and applying different escalation rates to them. Electricity and chemicals rates have been increasing at rates higher than CPI said. Mr. Kreps. Legal expenses associated with the Intake cases were adjusted on the Budget, noted Mr. Kreps.

Costs savings initiatives were also considered. We will no longer need to purchase water from Bristol at a higher rate once the Water Treatment Plant construction is complete.

Mr. Kreps then discussed the Capital Program. On the water side, Mr. Kreps said, WCSA had about a \$35 million capital program with the majority related to reinvesting in existing infrastructure. The Galvanized Water Line Replacement Project was the biggest project by far with Phases 2 and 3 in the current Capital Plan. The majority of that project is funded through the Virginia Resources Authority (VRA), providing essentially a 38 year loan at 2.25% interest.

Sewer Capital Improvements Projects (CIP) was the next item Mr. Kreps discussed. Sewer CIP is a little different from water with the improvement projects and extension projects that will add new customers. The majority of Sewer SIP is financed through bonds and loans. Since the infrastructure will last a long time, we try to match the funding with the longevity of the infrastructure assets, meaning customers pay for those projects over a long period of time.

Mr. Kreps then discussed **Debt Service Coverage:**

- Net revenues available for debt service divided by total debt service.
- Debt covenants with creditors require this ratio to be a minimum of 1.15%. Mr. Kreps explained the 1.15 is basically a 15% cushion for debt repayment.
- Water and sewer utilities have independent pledge of revenues.
- Projected water debt service coverage is less 1.0% in FY 2014:
 - Delayed reductions in BVU water purchase costs.
 - Additional debt service from raw water intake contractor cost overruns.
 - Declining system fee revenues.
 - Legal fees due to pending litigation.

Mr. Kreps said we have reached out to bond counsel, McGuire Woods, to let them know we expect our bond coverage ratio to be less than 1.15% this year, said Mr. Kreps. If you do miss the required ratio, you must show that you are working to get back to the required 1.15% very quickly, by 2015. We are working on a report to do that, stated Mr. Kreps. VRA is seeing that this may be an issue in 2014 as well.

WCSA does not have a credit rating or sell revenue bonds as many other utilities do because we are able to borrow from the VRA and other sources. If you are borrowing or selling revenue bonds you get a credit rating. Fitch establishes ratings and evaluates utilities. Mr. Kreps then reviewed the following **Key Financial Matrix:**

- Debt Service as a % of Gross Revenue:
 - WCSA:
 - FY 2013 Audit – 20.4%
 - FY 2014 Estimated – 28.1%

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- Fitch FY 2014 Medians:
 - AA Credits – 22.0%
 - A Credits – 24.0%
 - All Credits – 21.0%
 - Debt Service Coverage:
 - WCSA:
 - FY 2013 Audit – 1.3
 - FY 2014 Estimated – 0.92
 - Fitch FY 2014 Medians:
 - AA Credits – 2.0
 - A Credits – 1.7
 - All Credits – 2.1
 - Days Cash on Hand:
 - WCSA:
 - FY 20113 Audit – 252
 - FY 2014 Estimated – 132
 - Fitch FY 2014 Medians:
 - AA Credits – 398
 - A Credits – 254
 - All Credits – 404
- plan will raise Revenues under Existing Rates, meeting revenue requirements. The next item Mr. Kreps discussed was **Water Financial Plan Results:**
- Current water rates are insufficient to fund annual capital and operational needs.
 - Existing reserves can be used pay-off debt obligation about to mature and limit debt service coverage impacts in FY 2015.
 - Rate increases of 6.5% in FY 2015 and approximately 4.5% annually from FY 2016 through FY 2019.
 - Target minimum total debt service coverage of at least 1.25 by 2015.
 - Review and update financial plan annually. It is impossible to dead on every year so it is important to adjust as necessary.

Mr. Kreps discussed WCSA's cash on hand in more detail. As you can see by the matrix, said Mr. Kreps, cash on hand decreases in 2014. WCSA has debt that will be maturing in 2015. In the Financial Plan, Raftelis booked that last 2015 debt payment to be made in 2014 which will bring the Debt Service Coverage Ratio back up in 2015.

Mr. Kreps then discussed the graph depicting the Financial Plan for Water. He said there were two things that could be done with monies remaining after expenses are paid. The remaining monies could either sit in reserves or be used to cash fund CIP. Mr. Kreps referred to Revenues under Existing Rates on the graph saying, in order to change the Revenues under Existing Rates, you have to change rates due to the lack of potential growth. In 2014 we are not even covering the debt, and as you move forward, that delta will only grow, stated Mr. Kreps. The proposed

Mr. Kreps then discussed the graph depicting the Financial Plan for Wastewater. There is some growth in revenues but not enough to fill the gap entirely, said Mr. Kreps. The proposed Sewer Financial Plan will cover the revenue requirements until 2019. That will mean an increase in user rates of about 3% annually. Many of the extension projects in the CIP were not included in the financial plan. Since sewer is a new utility, Mr. Kreps recommended each sewer extension project be reviewed independently to be sure it will provide positive cash flow.

Sewer Financial Plan Results:

- Adjustments in sewer rates are need to fund projected operating and capital needs.
- Rate increases of 3.0% annual from FY 2015 through FY 2019.
- Current sewer rates are insufficient to fund many of the proposed expansion projects:

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- Careful evaluation of cash flow implications should be reviewed prior to project approval.
- Review and update financial plan annually.

Next, Mr. Kreps discussed **Reserves**:

- Current balances are adequate, but not excessive
- Reserves provide liquidity, mitigate operational risk, and improve credit quality.
- Forecast maintains reserves consistent with current levels.

Mr. Kreps suggested adopting official policies regarding reserves; consider what types of reserves you have and why you have them and a minimum amount that should be kept in operating reserves.

- Consider establishing specific reserve policies. Examples:
 - Minimum Operating Reserve Fund - (120 days O&M expenses or 90 days O&M expenses plus debt service).
 - Repair, Replacement, and Renewals Reserve Fund – calculated based on useful life of assets (initial target could be depreciation).
 - Rate Stabilization Reserve Fund – Approx. 10% annual rate revenue.

Some utilities adopt a Rate Stabilization Fund to help with ups and downs in water usage to help smooth our rate spikes, said Mr. Kreps.

- Capital Improvements Reserve Fund – annual average of 5-year CIP.

Mr. Kreps reviewed the following, **Next Steps**:

- Revise financial plan, if necessary.
- Develop rate structure options.
- Meet with Stakeholder Advisory Group and Board to discuss rate structure options.

Mr. Kreps asked if there were any questions.

Mr. Nelson questioned the “other revenues” asking if the forecast for “other revenues” was at around \$250,000 for the 5 year period.

Mr. Kreps said they left the actual amount the same as it is currently and it decreased a small amount with growth.

This is one area, said Mr. Nelson; we have considered reducing the cost of to drive more customers, which leverages our fixed costs.

Mr. Nelson said he would be interested to see what the increase would need to be with that cost coming down. Since it is such a small part of revenue, I do not think the percentage of increase is going to be much at all, he stated.

Mr. Kreps said, “It won’t”.

Mr. Nelson said “he liked the idea of prepaying debt and getting in line with the covenants, I believe we have the reserves to do that. In pushing it out in 2014 and not having any new debt in 2014 so we are not in a position where we have less than 1.15 in coverage and have to something or be told what we need to do in 2015 versus having the opportunity to manage it ourselves; I really like that idea” Mr. Nelson asked how much of that debt were you anticipating us prepaying?

Mr. Kreps said about \$775,000, the last payment. Mr. Kreps being able to be reimbursed for some already paid engineering fees that will offset some of the amount.

On the Key Financial Matrix, said Mr. Nelson, you (Mr. Kreps) discussed debt services as a percent of gross revenue as 28% to 30%. Mr. Nelson said 28% seemed high to him for an authority of our size. Mr. Nelson said he would be more interested looking at a matrix comparing authorities our size rather

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than larger authorities. As you get bigger and have more of consistent revenue, an authority can take on more leverage. The covenants are there so an authority does not get over leveraged, he stated.

Mr. Kreps said they would definitely provide information on smaller systems.

Mr. Nelson said another issue for him was having that large slack in the first year of 6.5%. Mr. Nelson said he preferred spreading that out and not take that big of a hit at one time; to look at building reserves over time and consider the debt we will be taking on in 2015 and level that out some, he said. With the customer base we have, there are a lot of people on a fixed income. A larger spike in rate increases tends to bring the most discomfort to our customers. Most people understand the system is aging and there has to be infrastructure built and they want to help; but can only do so much, stated Mr. Nelson.

The challenge in 2015 is and with the way the current debt profile is, we have to get our debt coverage ratio above 1.15% quickly so we don't have a lot of choices.

Mr. Nelson said the only other option we have is looking at refinancing some of our debt and pushing the debt out longer. Mr. Kreps said refinancing would be an option.

Mr. Nelson said he did not want to get in a position infrastructural changes that were needed could not be done. He continued saying "I believe there is some growth potential in the county. I believe the economy has held growth back but I still believe we have a lot of things going on for us here that will help us continue to grow." Mr. Nelson said he did believe there would be some growth, another up-swing cycle.

Mr. Kreps said he believed there was room for growth, but was leery to about projecting that into the rate structure.

Mr. Nelson said he understood their point.

Mr. Kreps said one of his concerns was inflation which could affect operating costs.

Mr. Nelson said cutting down on operating expenses could help level out some of those variable expenses. Mr. Nelson said he would like to continue to look at ways to cut expenses so we can explain to our stakeholders where and why we are using our monies.

At the end of the process, typically, will the Task Force Committee and the Board fairly close together in what they want.

Mr. Kreps said, sometimes but not always. Our committee seems to be a good cross section and they seem to be pretty well aligned with the Board. The goal in this process is to give them the opportunity to voice their opinion. Mr. Kreps said he was a huge proponent of the Citizens Advisory Committee because you give people a chance to give their input and prospective.

Mr. Kreps said when you break it down, it costs less than one penny a gallon to get the water to your tap. When you talk about all the positive things water and sewer utilities do to protect public health and protecting the environment and that they are absolute essential services, people listen, he said.

Mr. Kreps continued saying, grant money is not available anymore like it was in the 1970's and he did not think it would not be at that level again and agencies were pushing funding requirements down to the local level. There is some support though programs like VRA through loans.

The bottom line is free money is not available like it used to be, the

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infrastructure is old and must be replaced, Virginia regulations are changing and costs are going up. Because of all this, rates for water have gone up a little less than 5% per year and sewer rates have increased about 5.2% per year Mr. Kreps said. The increase will continue and yet, water is less than a penny per gallon from your tap, he stated.

Doug Bean wanted to discuss the advisory group. The value of the advisory group is the general person doesn't have the knowledge the task force has, and the committee can share their knowledge. The committee really understands how difficult what you are facing is and can now tell that story, said Mr. Bean. The other side is the task force committee will be telling you what they think. Mr. Bean said, if you have a really big disconnect, wouldn't you rather hear the committees point of view before making a decision?

Mr. Hutchinson said one of the biggest misconceptions people was WCSA received funding from the county. Most people think WCSA receives tax dollars, we do not. Mr. Hutchinson asked of the committee members thought the same thing.

Mr. Bean said in discussing WCSA's sources of revenue, they listened and understood WCSA had to make it on what they brought in since that was our only source of funds.

Mr. Hutchinson said when he talks to people about our revenue, they want to know why the county does not contribute to WCSA to keep their (the county citizens) water and sewer costs down since the authority is called Washington County Service Authority Mr. Bean suggested going back to the public to clear up that misconception.

Mr. Cornett had asked Mr. Kreps if he encountered utilities that established annual rate ceilings or increases and come back year to year to evaluate the rate structure, allowing the utility readjust if needed.

Mr. Kreps said sure. If utilities are reasonably close to where they need to be with their rates they leave them. If utilities recognize a large disconnect, the utility may adjust rates as needed. Mr. Kreps said with multi-year planning, it was good practice to do just that. About 1/3 of Raftelis' clients adopt multi-year plans, most utilities evaluate rates annually.

Multi-year planning is good for Boards because they do not have to revisit it as often and funding agencies like that they can see your 5 year financial plan.

Mr. Bean said they presented a 5 year rate plan to City Counsel in Charlotte showing the projected rate increases for those 5 years. In turn, City Council gave us policy saying for the next 5 years, rate increases had to be between 3% and 8% with a target of 5%. Mr. Bean said this policy provided them with a target, allowing them to adjust rates yearly staying with in their guidelines of 3% and 8% with a 5% average.

Mr. Chase asked if they ever made a recommendation to the Board regarding rates and the Board did not adopt their recommendation.

Mr. Kreps said yes. Some Boards have chosen not to adopt their recommendation. Generally, when Board's understand the different laws and understand the Board is ultimately responsible and the Board understands why rates need to be where they are, they usually do adopt our recommendations.

Mr. Bean added in developing rates is a science and an art. He then discussed

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working for a utility for years and having a consulting firm work with them to develop rates and in his experience, they always agreed on the science. The science end is developing financial policies to back up revenue requirements. The art is distributing the fees; do we increase the rates or have a flat rate, do we adopt large fixed fee or a small fixed fee. In essence the art of financial planning is deciding where the charges will be.

Mr. Kreps said the most stable rate structure is to have a fixed charge, charge everyone on the average and do not measure consumption. While it is the most stable rate structure, a small volume customer will not like it, he said, and we are not suggesting that be done.

The legality of rate setting is rates have to be reasonable; not arbitrary or capricious, but reasonable, said Mr. Kreps.

Mr. Hutchinson said one thing he paid attention and one of his big concerns was the amount of bad debt written off each month; about \$3,500 to \$5,000 each month. Mr. Hutchinson thought that was directly related to the number one pricing objective for both the Board and committee was affordability.

Mr. Nelson said the write off should be a concern and said another concern was the number of people coming off the system and why are so many coming off the system. If you can reduce that number by 20% or 30%, how will that affect the revenue stream, asked Mr. Nelson.

Understanding the circumstances and if there is a trend for people coming out of the system is key.

Mr. McCall said when you look at the size of the utility and how many customers we have, over 21,000, and the average for other counties is about 10,000 customers. Mr. McCall continued

saying, he hope Mr. Cornett discussed the history of WCSA with the Citizens Advisory Committee. Two Districts were here years ago. One of those, Sanitary District 1, was dissolved in 1976. Even then, the general public did not realize their taxes stood good for that utility. When WCSA was formed, that tax burden was taken off the Washington County citizens, stated Mr. McCall. In 1976 or 1977, Washington County was recognized in Annapolis MD, for the most rural county customers in the USA. We can't get grant money because our rates are so low, said Mr. McCall.

Mr. Bean said you have done a great job especially with replacing galvanized line and that is about water quality and saving money. Also, at the first Task Force Committee Meeting, Mr. Cornett presented each member with a notebook which contained the history of WCSA and discussed the history at the meeting.

Mr. Hutchinson said out of our 21,000 customers, probably 50% of those lived below the poverty level. That makes us unique and we have to address that and consider that when we adopt our rates, fees and charges. Mr. Hutchinson said 14 of 20 students in the Virginia school system lived below the poverty level. That makes a big difference when you try to restructure fees when you know whatever you do is going to directly affect those individuals. Mr. Hutchinson thought that may be the reason for all the water disconnections and bad debt written off monthly.

Mr. Kreps said other states offer subsidized rate programs where a utility partners with local agencies to provide customer support where the need exists. A bill was introduced in Virginia that would allow the state to provide similar subsidies.

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Something you can look at is developing a subsidized or lower rate for customers that qualify.

A utility could not build reserves specifically to be used for subsidies in Virginia, asked Mr. Nelson.

Mr. Kreps said not in Virginia.

Mr. Nelson then asked if a utility could help those customers by referring them to an organization that would provide support.

Mr. Kreps said yes, you can do that. He continued saying you can give customers an option to donate, on their bill for example pay an extra \$1.00 to help those that cannot pay their bill, but in Virginia you cannot have a rate based subsidy, at this point. You can offer the customer a payment plan and work with the customer on payment options.

Something more formal like an affordability discounted rate; a specific rate based subsidy is what cannot be done at this point in Virginia to help qualifying customer. A utility may certainly help customers through payment plans and things of that nature, said Mr. Kreps.

Mr. Nelson discussed a county program where individuals in certain income brackets would qualify for reduced real estate taxes.

Mrs. Figueiras said there was already a legislative authority in Virginia, where if a person qualified for a reduced real estate tax, they would also qualify for a reduced connection fee.

Mr. Cornett said but not a reduced monthly user fee.

Mrs. Figueiras said correct; they would only qualify for a reduced connection fee.

People that are living below the poverty level are not the ones paying a connection fee because they are not building new homes; those people are

paying the reconnection fee because they are purchasing existing homes, said Mr. Hutchinson.

Mrs. Figueiras said, with the Exit 13 Sewer Project, there were a few people in that area who did qualify for the reduced connection fee because of age and income level.

Mr. McCall asked how many people disconnected and the reconnected to the system on a monthly basis.

Mr. Cornett said he did not know the specific number but thought 5 individuals or less who qualified for reduced connection fees on the Exit 13 Project. Mr. Cornett then discussed the monthly water reconnects saying, we now the majority are rental properties and many are repeats. You can look at their history and see they have reoccurring water disconnections for non-payment. Why that is the case varies. Most of the customers that seem to be the most vocal are younger. Customers we rarely hear from are our more mature customer base. Most customers we hear from that complain about lift for non-payment are renters. We have had a bad time with renters building up debt with us and other utilities, and then move. When they move, they would change the account name at their new residence to avoid paying penalties. We started requiring a photo id for new accounts to make strides in collecting those fees. Customers who may be a few days late and do not have a history of being late, can take advantage of the extension program. Mr. Cornett said we want customers to stay connected. It is much better for us and the customer if they stay connected and we want to work with them to keep them connected.

Mr. Chase discussed an incident where someone talked with Mr. Chase about an

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agency that provides assistance paying connection fees for those who can't afford it. They were very critical of our connection fees but said nothing about how affordable our monthly user fees for water and sewer are which also help those same people.

We are not tracking numbers but a lot of disconnects for non-payment come from subsidized housing, said Mr. Cornett. In a meeting not long ago, a support agency's head was very interested in our connection fees and why they are what they are, and what we were going to do to reduce the cost to help their clientele. Others who were part of that meeting later questioned me wondering if they realized that if you reduce the connection fee the monthly user fee will increase, which means the amount of subsidy that organization will have to pay out will increase as well. Mr. Cornett said he felt one big disconnect was an agency may help subsidize 2 or 3 connections a year, but if the monthly user fee increases will that have a greater need for assistance then they realize.

Mr. Chase thanked Mr. Bean and Mr. Kreps for their assistance.

Mr. Cornett said advertisement of the Galvanized Line Phase II Project was delayed in light of updating the financial plan and rates. He asked the Board's consideration to approve advertising the Project in March and closing the loan in June, if they were comfortable with the information discussed tonight regarding rates.

Mr. Nelson asked if that could move that Project to July, into the 2015 fiscal year because of the debt ratio.

Mr. Cornett said as long as it is past June 1st, we are fine with the debt.

Mr. Kreps said yes, it is 2 years of interest, then the principal kicks in after that.

Mr. Nelson asked how paying the \$775,000 debt and adding this loan would affect the debt service coverage ratio.

Mr. Kreps said the forecast now showed the ratio at 1.25%. Assuming the \$775,000 payment, we will be at 1.15%.

Mr. Nelson asked if there was any other new debt that would be assumed by June 2014.

Mr. Cornett said, only a couple of small line extension projects.

Mr. Kreps said, basically we assumed ½ years interest on Phase II that will hit in 2015, FOIA hits in 2016 and P and I hits in 2017.

Mr. Cornett said the Financial Plan, as presented tonight, has Galvanized Line Phase II closing in June of 2014.

Mrs. Harold said the first principal payment would not be due until July 2017.

Mr. McCall said the Board already approved it. Phase II will have more of an impact than Phase I. The quicker we can move on it, the better position we will be in.

Mrs. Harold though the only additional expense would be bond counsel fees that may be about \$10,000 for the current year.

Mr. Taylor said he thought the Board should move forward with Phase III.

Mr. McCall thought it would cost more to do the project if they waited; it would be cheaper to do the project now.

Mrs. Figueiras asked if a motion needed to be made.

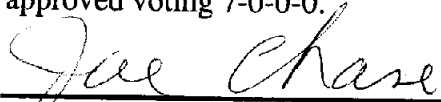
Mr. Cornett said, the Board previously authorized advertisement but administratively, the Board delayed the Project advertisement until they could consider the Financial Plan.

The Board agreed to advertise Phase II.

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5. Adjourn

Mr. Taylor motioned to Adjourn at 8:23 pm. Mr. McCall seconded and the Board approved voting 7-0-0-0.



Mr. Joe Chase Chairman



Carol Ann Shaffer, Assistant Secretary