

**Washington County Service Authority Board of Commissioners
January 25, 2016 Regular Meeting Minutes**

The Regular Meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 5:58 pm.

ROLL CALL

Commissioners Present:

Mr. Kenneth Taylor, Chairman
Mr. Mark Nelson, Vice Chairman
Mr. Wayne Campbell
Mr. Devere Hutchinson
Mr. Jim McCall
Mr. Dwain Miller
Mr. Mike White

WCSA Staff Present:

Robbie Cornett; Secretary, General Manager
Kimberly Boyd; Treasurer, Controller
Carol Ann Shaffer; Assistant Secretary, Administrative Assistant
Dave Cheek; Operations Manager
Mark Osborne; Technical Manager
Ken Perrigan, Meter Manager

Consultants Present:

Dennis Amos; Anderson and Associates, Inc.
Bobby Lane, PE; The Lane Group, Inc.
Matthew Lane, PE; The Lane Group, Inc.

General Counsel Present:

Dawn Figueiras; Elliott, Lawson & Minor

3. Approval of the Agenda

There were no revisions or corrections to the Agenda. Mr. Nelson motioned to approve the Agenda. Mr. Campbell seconded and the Board approved voting 7-0-0-0.

4. Public Query and Comment

There was no public query or comment.

5. Approval of the Consent Agenda

A. Approval of Minutes:

- November 23, 2015 Regular Meeting Minutes
- November 23, 2015 Recessed Meeting Minutes (held December 21, 2015)
- December 21, 2015 Regular Meeting Minutes

B. Routine Reports: December 2015

- Water Production
- Water Distribution
- Meter Department
- Wastewater Operations
- Customer Service
- Maintenance
- Engineering
- Accounting
- Health & Safety Report

C. Financial Reports: December 2015

- Balance Sheet
- Income Statement
- Check Register / General Manager Financial Report

D. Consideration of the Galvanized Line Phase 2 Water Project Change Order No. 4 for Division 2 - *The Lane Group*

Mr. Taylor disqualified himself from participating in any vote or discussion associated with the Consent Agenda due to a possible conflict of interest. Mr. Taylor is the Vice President of W&L Construction located on Highway 107 North in Chilhowie VA, 24319. W & L Construction was hired by Little Henry for paving work that is associated with the Change Order in Consent Agenda 5D.

Mr. Nelson asked for a motion to approve the Consent Agenda. Mr. Hutchinson motioned, Mr. White seconded and the Board approved voting 6-0-1-0 with Mr. Taylor abstaining from the vote.

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6. Water and Waste Construction Projects Update – Ryan Kiser

Mr. Kiser discussed the following presentation.

Inside Engineering Projects

- Childress Hollow Road Water Line Project:
 - Shop drawings have been reviewed and comments have been provided to the contractor and supplier.
 - Have received revised comments from Consolidated Pipe.
 - A Pre-Construction Conference has been scheduled for this Wednesday the 27th.
- Haskell Station Road
 - Staff has completed draft plans and will begin working on final plans. The E&S Plan has been approved for the project. Staff is continuing to work on the project.
- Ritchie Road Water Line Project
 - Staff had another meeting with property owner earlier in the month and continues to work with property owner to obtain an easement before further work continues on the project.

Private Development Projects

- Glade Spring Industrial Park – 750' sewer relocation
 - Staff has recorded the necessary Easements from SWIFA and AEP is in the process of recording their portion of the Easement. AEP has scheduled a Pre-Construction Conference that Staff will attend to ensure work will be performed to WCSA standards.
- Love's Travel Stop
 - WCSA RPR continues monitoring the work. Staff is

reviewing shop drawings as needed

- Exit 19 Development
 - Construction continues onsite. WCSA has made initial contact with contractor.
- Pippin Sewer Phase 5
 - Project has been approved for construction.
- Fairfield Inn Project
 - Staff received revised drawings and plans, commented on those plans and the Project has been approved.
- Legacy Village
 - No further development on the project.
- Farm Credit
 - Staff is in the process of reviewing the project. Staff has also performed fire flow testing on the area and will provide those results to the Developer/Engineer.
- Meadows Project (Abingdon Exit 17)
 - Staff has been contacted by the Engineer about attending a kickoff meeting for utilities. Staff has requested some preliminary plans to review before the kickoff meeting.

Potential New Water Line Projects

- Rattle Creek Road
 - WCSA has been approached by residents concerning the possibility of a water line project in their community from Rich Valley Road to Kimberlin Road.
- Walker Mountain Road
 - A member of community contacted Mr. Miller concerning possible line extension project from end of existing line on Walker Mountain Road to Mary's Chapel Road.

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Rattle Creek Road

- Project Length about 6,000 L.F
- Board Member District – Mr. Campbell
- Receiving User Agreements

Mrs. Browning of WCSA has been working with the Project Champion, Ms. Morrison, to secure user agreements.

- 2 Declines
- 9 Agrees
- Approximately 17 potential connections
- Future Work
 - Staff is working on hydraulics to determine best way to serve this section of Rattle Creek.
 - Once this is determined, a cost estimate will be performed
 - Continue working on User Agreements with the Project Champion.
 - Evaluate project financials and identify potential funding options

Walker Mountain Road

- Project Length about 7,000 L.F
- Board Member District – Mr. Miller
- Approximately 12 potential connections
- Future Work
 - Formulating User Agreements
 - Staff is studying the hydraulics of the line extension
 - Staff will be performing a cost estimate
 - Evaluate project financials and determine funding strategy

Mr. Miller said the person who was most interested in water on Walker Mountain road was the last resident on that road.

Mr. Kiser asked if there was any indication of interest on Walker Mountain Road.

Mr. Miller said there were three that may have interest and two that would probably not be interested in water service.

7. Operations Report and Update – Dave Cheek

Mr. Cheek's reviewed the following Operations Update for December 2015:

Discussion Items:

- Financials (All Excluding Salaries & Benefits, (Does Include Over Time)
 - Over Budget Items
- Department Highlights
- Forward Looking Statement

Year to Date we are \$282,000 Under Budget (\$49,000 Under Budget in December):

- With Adjustments for Accrual Reversals Removed; Otherwise \$375,000 Under Budget.

2015 December Water Production Highlights:

- SFI & MFDWP Issue Resolution
 - Many Difficulties over Christmas with Reduced Intake Capacity
 - Resulted in Exceeding Middle Fork Maximum Daily Withdrawal Permit
 - Notified DEQ, Answering Questions and Reaching out to DEQ for Assistance
- Mill Creek Membrane Plant – Koch Restart
 - Have taken some downtime due to high Turbidity. Alarm set at less than 5 NTU
- Mill Creek Membrane Plant – New Plant
 - Focusing on Most Cost Effective Method to Complete the Project
 - Contract Review
- System Operation
 - Addressing System Time / Temperature Relationship as it Impacts Quality
 - Exceeded HAA5 Operational Evaluation Level (OEL) at Brumley Gap

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- Not a Violation, but Notice that we Need to Take Corrective Action

2015 December Water Production Highlights (DBP)

- Meeting Weekly on Water Quality (One Week Chemical such as DBP, the Other Week on Flow/Pressure)
 - When:
 - #1 Fluoride Off – In Process
 - #2 Fluoride Off – Confirm
 - #3 Flus Program + Fluoride Off
 - Where
 - Every Tank in MFDWP System
 - Dead Ends off Each Tank
 - Other Areas of Interest
 - Data
 - Date
 - Time
 - Turbidity (Lab)
 - Fluoride (Lab)
 - pH (Lab)
 - Temperature
 - CI
 - UV254
 - Who
 - New Hire
 - MFDWP Operator

Brumley Gap Fluoride Off Data, Water Age

Mr. Cheek said the fluoride off process was complete. This process revealed the water stayed in the lines for about 13 days at Brumley Gap. Mr. Cheek said 13 days was a very good range.

We are All Concerned with Flint, MI

- Anytime we Learn of Water Safety Issues we want to Stop, Learn and Turn the Focus on Our Selves to Make Sure we are Doing All that we Can to Insure our Customer's Safety
- We do not know Flint's details, only what we hear or read from the Press

- What we do know about WCSA's Actions:

- Strictly follow Virginia Department of Health (VDH) testing protocol and guidelines
- Excellent Relationship with VDH to Openly Discuss any Issues
- Exceed Initial Distribution System Evaluation (IDSE) Requirements to Select the Areas Most Likely to develop a Quality Issue and Tailor a Testing Program for that Site
- Lead and Copper have their own Specific Testing Requirements
- pH is monitored every 3 hours to maintain neutral state
- Our Water is Hard, high Alkalinity, which forms a natural corrosion resistant layer
- Most Importantly, Dedicated Committed Employees

Mr. Cheek said anytime we hear of water issues in the media, you have to look at WCSA first and ask if we are doing everything we can.

Mr. McCall said it is good to look a Michigan, but just a couple of weeks ago he saw there was an issue in Coeburn.

Mr. Bobby Lane said the Health Department was very active in working with the Town of Coeburn. Coeburn's situation is one of iron and manganese staining fixtures and laundry. The issue in Coeburn is not the same as the issue in Flint, Michigan, but one of discoloration, stated Mr. Bobby Lane.

Mr. Hutchinson mentioned Virginia Tech's involvement with the Flint, Michigan situation. Mr. Hutchinson thought having something in the newsletter to assure customers of what WCSA is doing to address and prevent something like the Flint Michigan issue

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from happening would help ease the minds of our customers.

Mr. Cheek said WCSA is planning on training WCSA employees on these types of situations.

Mr. Nelson asked if WCSA has ever utilized Virginia Tech to perform testing.

Mr. Cornett said not that he knew of.

Mr. Hutchinson said he knew Virginia Tech did testing in this area because he saw Virginia Tech students testing the streams at Sugar Hollow Park. Mr. Hutchinson thought WCSA could take advantage of Virginia Techs expertise if the need were to arise.

Drinking Water Plant: Open House for Employees

- Date: 2-18-16
- Time: 8:30am; 10:00 am and 1:30 am

This tour is for employees who would like to visit the plant. Tours, demonstrations, discussion and light snacks will be provided.

2015 December Metering Highlights:

- Meter Replacement
 - Scheduling a Meeting with the WCSA and Board Team within the next 2 Weeks
 - Now that we have Heard the Initial Presentations, better define our Vision
 - Include Several Steps
 - From Do Nothing
 - To Comprehensive System that Ties our Work Order System/ Inventory/ SCADA and AMI Metering Together
 - Decide if we think 1 or 2 of the ESCO's Can Achieve our Vision
 - Define Goals for the Investment Grade Audit

- Determine Negotiating Strategy for the Investment Grade Audit

Communication Opportunities Update

- Our Operating Units have an issue with being able to communicate while in the field. This creates Safety and Efficiency Obstacles.
- We are committed to providing our Employees with a Safe Working Environment and are committed to finding the Best Solution from a Performance and Value Perspective.
- Plan Going Forward:
 - Team Approach with Stake Holders
 - Define Basic Needs
 - Perform Due Diligence on Current Alternatives
 - Digital 2-Way Radios
 - Possible Land/Tower Acquisition if of Value (Epperson)
 - Requires Forest Service Approval, they have asked us to exhaust all Options 1st , including State Police
 - Verizon Options, AEP Options. ESCO Options (See Metering)
- Develop Method of Comparing Current Alternatives, similar to our Bidding Process
 - Minimum Requirements
 - Value Consideration

2015 December Wastewater Process Highlights:

- System Operation
 - Continue to Focus on Process Stability
 - Both Hall Creek & Damascus well within Control Limits
 - Damascus did exceed 24 Hour Daily Influent, 0.24

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- MGD, requires 3 Consecutive Months for a Violation
- Inflow and Infiltration (I&I)
 - Team Approach with Maintenance
 - With all the Rain, we Sent Camera Truck to Inspect and Document Issues in Damascus
 - Area in Damascus behind Subway, Leak under Shotcrete at Bridge.
 - Issue Around Greenbrier Pump Station
 - Significant Improvements
 - Issue under Lee Highway that working to find a reasonable solution
 - Working with Town of Chilhowie and Reline America to determine if we can combine needs to obtain better pricing. Cost is about \$40 per foot.
- Capital Improvements
 - Developing a Procurement Strategy to Obtain Competitive Concepts and Costs

2015 December Water Maintenance Highlights:

- Galvanized Phase II Support
 Mr. Cheek said Mr. Gobble did a great job working through galvanized line.
 - Weekly Meetings with TLG to Identify and Correct Issues
 - Try to Immediately Resolve Issues
 - Making Good Progress
 - Utilizing our Resources where Practical to Close out G2 in the most Cost Effective Manner
 - Preparing for Phase III, Documenting Segments
- Routine Activities
 - Leaks – 24
 - Main Line Breaks – 6

- Fire Hydrant Flow Tested – 30; Repaired – 2 (More than 240 Hydrants Flow Tested in 2015)
- After Hours Responses – 34
- Costs
 - Preventive Maintenance
 - Mobile Equipment
 - Tanks
 - Pump Stations

2015 December Distribution Highlights:

- Continued Fire Hydrant Training with Field Demonstrations
 - In-house Data Management
 - Additional In-House Trained Personnel
- Developing System to align District Meters with District Billable Metering to identify Water Loss Areas
- Executing PSV/PRV Preventive Maintenance Program
- Establishing Preventive Maintenance Programs for Pump Stations, Tanks, Gate Valves, & Fire Hydrants
- Continued with Customer Education & Inspections of Cross Connections and Back Flow Prevention
- Assisting with DBP Water Age Study
- Investigating and Correcting System Pressure/Flow Issues
- Providing Technical Support to SFI and MFDWP Issues

Forward Looking Statement

- Customer Relationships
 - Fire Departments
 - Hydrants & Training
 - Water & Sewer Customers
 - More Customer Engagement at Time of Contact
 - Working with Customer Service for more In House Training & Processes to Assist Both our Customers and Our Teams

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Understand Each Other's
Concerns and Issues Better

- Costs
 - Production Costs (Water Loss and Inflow and Infiltration)
 - After Hours Call In
 - Base Knowledge and Tracking Ability
 - Hydrants as a Device to "Stress Test" our Water Delivery System to identify Problems Early
 - Work with Engineering/Operations on How to Work Together to Obtain the Most Value in our Construction Projects
- Quality
 - System Pressure/Flow Variations as Detected During Hydrant Stress Tests
 - Executing DBP System Aging Analysis
- As we work through our Process, such as taking a Critical Look at ourselves with Respect to the Issues in Flint, MI, we were struck with the realization that WCSA has many key individuals in very important roles who may want to retire in the next 5 years.
- Simple WCSA Demographics have 3 Eligible for Retirement in Now another 10 in the next 5 Years
- The Challenge is How to Help Transfer All of this Institutional Knowledge from these 40 year employees to the next generation.
- In preparation for the FY 2016/17 Budget Cycle WCSA would like to Investigate and Provide a Recommendation to the Board which might include:
- Creating New Positions for a Person to Start to Learn the Position's Institutional Knowledge

Mr. Miller mentioned a recent break on Lee Highway near BVU. He said that seemed to be a problem area and asked if there had been any thought about how to fix that area. Mr. Cheek said there were three primary areas with reoccurring issues, Lee Highway, Clear Creek and on Industrial Road. These three areas will be included in the CIP for improvements approval. Mr. Cheek thought some of these three areas discussed above may be able to be included in future projects.

8. General Manager's Report & Update - Robbie Cornett

Mr. Cornett discussed the following information for December.

Introduction:

- Safety
- Financials
- Customer
- Notables
- Ahead
- WCSA Financial Update (Kim Boyd)

Safety:

- December 2015
 - 11,719.5 Hours Worked
 - 1 Accident (No Fault)
 - Citizen hit parked truck
 - No Injuries
- Safety Training
 - Lock Out Tag Out Try Out – Water Treatment Plant

Financials - New Water Connections:

There were 10 new water connections in December; 7 Walk-ins and 3 due to the Hidden Valley Project.

Mr. Cornett then reviewed a slide showing yearly connections from 1998. The highest number of connections was 420 connections in 1999 and the lowest number was 90 connections in 2013.

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Mr. Nelson asked what percent was for commercial connections versus residential connections.

Mr. Cornett did not have the percentages but said most of connections were residential.

Financials – Water Revenue:

December:

- \$109,247 Below Projections

Year to Date:

- \$ \$341,038 Above Projections.

It is normal for water revenue to drop in winter months.

Financials – Expense:

Excluding compensation and benefit but including overtime:

December:

- Non-Departmental - \$38,719 Under Budget
- Administration – \$2,173 Under Budget
- Customer Service - \$5,827 Over Budget
 - Due to Overtime, Postage and a miscalculation in Holiday Bonus'

Year to Date:

- Non-Departmental - \$56,747 Under Budget
- Administration – \$15,701 Under Budget
- Customer Service - \$20,642 Under Budget

Financials - New Wastewater Connections:

There were 2 new wastewater connections in December.

Financial - Wastewater Revenue:

December:

- \$19,435 Below Projections

Year to Date:

- \$2,097 Below Projections

As with water, it is not uncommon for wastewater revenue to drop in the winter months.

Financials - Wastewater Expenses:

Excludes \$15,000 Local Limits, December:

- \$516 Under Budget

Excludes \$90,000 Local Limits, Year to Date:

- \$1,153 Under Budget

Customer Service

Mr. Cornett said there was a timing error in active water and wastewater accounts so the information provided in the Board Books was not accurate for December. Otherwise, Mr. Cornett said December was a normal month in Customer Service in terms of the figures.

Notables:

- Policy
 - Gifts & Gratuities
 - Developed by Staff

Mr. Cornett expressed his appreciation to staff for their work and review of the policy.

- Reviewed by Counsel for State/Federal Compliance
- Present to Board February 2016
- Continuous Improvement
 - Energy Performance Audit
 - Investment Grade Audit?
- Legislative Issues
 - Virginia Water and Waste Authorities Association
 - Tracking 70 plus Pieces of Proposed Legislation
 - Monitoring/Supporting/Opposing as Appropriate

Mr. Cornett mentioned the following pieces of Virginia Legislation that could impact WCSA if approved:

- House Bill 308
- House Bill 334
- House Bill 757
- House Bill 800
- House Joint Resolution 88
- Senate Bill 182
- Senate Bill 329
- Mill Creek Membrane Specification

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- Team Approach to Key Technical Aspects
- Engaged Williams Mullen to Help
- Fringe Benefit and Internal Control Audits
 - Directly Soliciting Proposals
 - Initial Request; Wait Until April 18 to Start due to Tax Season
 - Anticipate June 2016 Report
- Inter-Governmental Help Request
 - Town of Damascus
 - Beaverdam Stream Retaining Wall Replacement
 - 12" Water Line
 - 10" Sewer Line

Ahead:

- Water Quality
 - Disinfection Byproducts (Ongoing)
 - Operational Evaluation (Complete)
- Energy Performance
 - Committee to Consider Merit of Investment Grade Audit (February)
- Fringe Benefit and Internal Controls Audit
 - April-June 2016
- 2016/2017 Budget and Rate Model Update
 - January Through June 2016
- Water Withdrawal Permit
 - DEQ VWP (Virginia Water Protection) Permit
- Western Washington County Water Reclamation Facility
 - DEQ VPDES (Discharge Virginia Pollutant Discharge Elimination System) Permit
 - BVUA & TOA Talks

Mrs. Boyd then presented a financial update to the Board.

WSCA Rate Model Update

Updated:

- Operations & Maintenance Expenses
- Construction in Progress Schedule
 - Met with Staff to update the project schedules
- Schedule of Debt – Current & Pending
- Departmental Capital Purchases
 - Staff to meet 1-28-16 for upcoming budget
- Revenue
 - Monitoring Projections

Water:

- Hidden Valley – Went from debt funding \$805,700 to \$296,475
- Ritchie Road – (\$146,139) not in 2015-2019 funding plan – grant funded
- Abingdon Storage Tank (\$1,669,700)– was not in 2015-2019 funding plan – added to Galvanized Line Phase 3
- Childress Hollow (\$343,035)– Moved from 2015 to 2017
- Haskell Station (\$234,009) – Moved from 2015 to 2017
- Mill Creek – Received more funding than projected – Debt funding \$1,622,236 to \$814,880.
- Rt. 58 Corridor debt – Double Entered (\$1,829,000)
- Hidden Valley Phase 2 (\$567,248)– moved from 2017 to 2018
- Galvanized Line Phase 3 – Increased Loan amount from \$10 million to \$15.45 million and moved Principal and Interest Payments from 2017 to 2019
- Route 58 Corridor – moved Principal and Interest Payments from 2017 to 2019
- Adjusted Revenues – To only increase \$600,000 per year based on prior trends. Rate model projected \$800,000 increases each year.

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Sewer:

- Exit 13 2A (\$904,895) – moved from 2015 to 2017
- Exit 13 Phase 3 (\$1,205,800) – moved from 2017 to 2018
- Hall Creek WWTP Improvements (\$1,600,000) – In Rate Model as Debt
- Jet Vac Truck – moved from Water (\$325,000) to Sewer (\$250,000)
- Damascus Operations and Maintenance was not included in totals for Operations and Maintenance expenses (about \$200,000 per year).
- Revenue – Additional connections from Exit 13 Phase 2A (52) & Phase 3 (28) were shifted from 2016 & 2017 to 2017 & 2018, respectively.
- Reduced remaining sewer connections to 12 per year from 75 per year

Debt Service Coverage Ratios:

Mrs. Boyd discussed the Debt Service Coverage Ratio for Water based on the 2012 Model versus the Updated Model which includes current debt:

- 2012 Model for Fiscal Year 2016 – 1.49
- Updated Model for Fiscal Year 2016 – 1.43
- 2012 Model for Fiscal Year 2017 – 1.46
- Updated Model for Fiscal Year 2017 – 1.29
- 2012 Model for Fiscal Year 2018 – 1.55
- Updated Model for Fiscal Year 2018 – 1.46
- 2012 Model for Fiscal Year 2019 – 1.65
- Updated Model for Fiscal Year 2019 – 1.39

Mrs. Boyd said both the Galvanized Line debt and Route 58 Corridor debt will hit in 2019, if these Projects stay on their targeted track.

The next item discussed by Mrs. Boyd was the Debt Service Coverage Ratio for Sewer based on the 2012 Model versus the Updated Model which includes current debt:

- 2012 Model for Fiscal Year 2016 – 1.67
- Updated Model for Fiscal Year 2016 – 1.34
- 2012 Model for Fiscal Year 2017 – 1.74
- Updated Model for Fiscal Year 2017 – 1.34
- 2012 Model for Fiscal Year 2018 – 1.76
- Updated Model for Fiscal Year 2018 – 1.36
- 2012 Model for Fiscal Year 2019 – 1.92
- Updated Model for Fiscal Year 2019 – 1.20

The Exit 13 Phase 2 and Phase 3 Projects hit in 2019.

Water Cash Flow Comparison:

- 2012 Rate Model Starting Balance for Fiscal Year 2016 – \$3.2 million
- Updated Rate Model Starting Balance for Fiscal Year 2016 – \$3.57 million
- 2012 Rate Model Starting Balance for Fiscal Year 2017 – \$3.5 million
- Updated Rate Model Starting Balance for Fiscal Year 2017 – \$4.3 million
- 2012 Rate Model Starting Balance for Fiscal Year 2018 – \$3.98 million
- Updated Rate Model Starting Balance for Fiscal Year 2018 – \$4.5 million
- 2012 Rate Model Starting Balance for Fiscal Year 2019 – \$4.79 million
- Updated Rate Model Starting Balance for Fiscal Year 2019 – \$5.29 million

Sewer Cash Flow Comparison

- 2012 Rate Model Starting Balance for Fiscal Year 2016 – \$838,000
- Updated Rate Model Starting Balance for Fiscal Year 2016 – \$2.58 million

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This is because all expenses have been pushed to this year; the \$440,000 in Damascus Treatment and the Jet Vac Truck for a total of about \$700,000 in expenses that will come out of cash this year, Mrs. Boyd explained.

That brings us to \$1.7 million. Mrs. Boyd explained WCSA carries that \$1.7 million through each year. WCSA is projected to be at \$2.4 million. The sum of the difference is about \$600,000. This is due to the \$200,000 in Damascus Operations and Maintenance costs that were not calculated in the Rate Model. The \$600,000 difference is \$200,000 in Damascus Operations and Maintenance costs carried forward for 3 years.

Mr. Nelson asked what the percentages for rate increases in 2016, 2017 and 2018 were in the Rate Study. You have reduced the number of new customer so the revenue increases will be additional costs for existing customers.

Mrs. Boyd thought the increase for the minimum bill was 2.5% and a 9% increase for each tier on the water side but wanted to verify those figures.

Mr. Nelson said the Rate Model had an increase of revenues of \$800,000 and that was adjusted by Mrs. Boyd to \$600,000. Mr. Nelson said he was confused how they (Raftelis) missed that \$200,000 in the Rate Model.

Mrs. Boyd then confirmed the rate increases for water. The base sewer rate increased by 1% and each tier will increase 4.25 %.

Mr. Nelson said the principal reductions are not occurring until 2020.

Correct; said Mrs. Boyd.

The real issue is in 2020; when we have to start repaying principal payments on the existing substantial debt WCSA is taking on with the Galvanized Line Projects, stated Mr. Nelson. The numbers shown by Mrs. Boyd, with all the

increases, we will not have any issues with Debt Service Coverage through 2019 because WCSA is not paying back any principal, said Mr. Nelson. Mr. Nelson said when we get to 2020, there will really be a substantial drop..

Mr. Nelson said his real concern was adding more debt that would hit in 2020.

Mrs. Boyd said debt for the current year is \$3 million and in 2019 it is \$3.8 million.

Mr. Nelson said the Principal Payments for Galvanized Line Phase 2 and 3 would hit in 2020 and the debt payment will be a much higher number than the \$3.8 million. Mr. Nelson said he would be interested to know what the payments and Debt Service Coverage Ratios are for 2020, 2021 and 2022. That is what we (the Board) have to consider before approving other significant projects, said Mr. Nelson.

Mr. Miller asked if there was some debt that would be retired in 2020 as well.

Mr. Nelson said no.

The first year debt for Galvanized Line Phase 3 and Route 58 Corridor will hit in 2019, based on the current projected path, stated Mrs. Boyd.

This clearly shows WCSA's Debt Service Coverage will be fine unless the Board accelerates the debt, stated Mr. Nelson. It is clear Mrs. Boyd is showing the only revenue increase will come from increases to existing rate payers, stated Mr. Nelson.

Mr. Cornett and Mrs. Boyd confirmed his statement.

Mr. Nelson said WCSA is not driving any new revenue.

We are seeing about 100 new connection is water and a minimal amount of new connections in sewer said Mrs. Boyd.

Mr. Nelson said all the projects needed to be completed, but the balancing act is how to carry the debt without pushing

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existing rate payers at a higher than 9% increase.

Mr. Nelson thanked Mrs. Boyd for her work. He said it clearly shows unless we add a substantial amount of debt, we should be ok through 2019.

Upcoming Changes

- 2016-20107 Budget
 - Departmental Capital
 - Departmental Expenses
 - Compensation and Benefits

Looking Forward

- Meter Replacement – Looking at \$4 million to \$10 million project not in the CIP yet.
 - Lifespan of an accurate meter at 20 years
 - Last meter replacement was in 1999
 - Upcoming anticipated change out – 2019
 - Going through ESCO audit, their recommendation is supposed to cash flow using the return on investment. If not, WCSA will get a check for the difference.
 - If not replaced, it will cost WCSA to maintain existing meters as well as possible lower revenue registration.

Mr. Nelson asked what percent increase in expenses was figured in the Rate Model.

Mrs. Boyd said 3% per year.

The mistake Raftelis made on the sewer side of \$200,000 a year; that was a big push.

Mrs. Boyd said it was.

So it will be difficult to make up the 3% increase plus the \$200,000 in cash reserves with current rates; as a matter of fact it will be almost impossible...wouldn't that be fair, said Mr. Nelson.

Mr. Cornett said that would be fair.

Mr. Miller asked if the \$200,000 a year operations and maintenance costs in Damascus was an accurate figure.

Mrs. Boyd said that was not fully recognized yet as there budget expenses for sewer crews that have not been realized.

Mr. Nelson said Mr. Miller had a good point and asked what the actual operations and maintenance costs for Damascus was for the last 3 years?

Mrs. Boyd did not have that information on hand.

Mr. Nelson said if Raftelis projected \$200,000 in operations and maintenance costs and we are only spending \$50,000, the projections will be off.

Mrs. Boyd said "good point".

Mr. Nelson said he appreciated the work and said he thought it was good information to have to enable the Board to make better, sound decisions. We (the Board) have to be careful when paying interest only, stated Mr. Nelson.

Mr. Cornett said we are half way through the 5 year planning cycle and now is a good time to review the numbers.

Plus, it is being able to say to the rate payers that WCSA is well into the cycle of increases. Rate payers are going to question those increases more and more; but it is what we (the Board) have to do, said Mr. Nelson.

9. Engineer's Report and Update

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

- **Exit 13 Sewer Project Phase 2A**
WCSA staff is working to finalize easements for this Project. Once that is done, the Project will be ready for the bidding phase.

- **Exit 13 Sewer Project Phase 3**

Mr. Amos met WCSA staff on December 21st and received staff comments on plans. Mr. Amos made plan revisions

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based on the comments and resubmitted the revisions to WCSA staff on January 8th.

Mr. Miller asked if WCSA still lacked that one easement.

Mr. Kiser said there were two outstanding easements. We plan to push hard for those two easements this month, he stated.

Bobby Lane of The Lane Group (TLG)

Mr. Bobby Lane invited the Board and WCSA staff to an open house at TLG's new offices located on Valley Street on Thursday, January 28th.

• **Galvanized Line Phase 2**

TLG received permission from Rural Development to advertise Division 5. They plan to advertise Division 5 for bid Sunday, January 31st. The Bid Opening is scheduled for February 25, 2016. Mr. Lane believes there is from \$1.5 million to \$1.6 million in funds remaining from Phase 2 that can be transferred to Division 5.

• **Galvanized Line Phase 3**

Mr. Lane reported the preliminary drawings for Phase 3 were now complete and have been submitted for review.

• **Hidden Valley Water System**

Russel County is experiencing problems with a valve in the meter vault which they are working to correct. There is some clean up to do but for the most part, this project is complete and customers are connecting to the system, reported Mr. Lane. Mr. Lane said he did not know of any project completed by WCSA that was more appreciated by customers than the Hidden Valley Project. The folks at Hidden Valley are very appreciative, stated Mr. Lane and he thanked the Authority on the customer's behalf.

• **Mill Creek Water System Improvements**

TLG received a Deed of Gift for property that will be gifted for plant expansion. That gift will allow WCSA to move forward with Washington County for the Special Exceptions Permit and rezoning.. Mr. Lane thinks this will help move things forward and expects to advertise the Mill Creek Project in the near future.

• **Route 58 Water Supply Improvements Project**

Mr. Kiser received final plans from TLG today.

Once those plans are approved, TLG will submit this Project to VDH for approval. Mr. Lane hopes to advertise this Project for bid in the spring.

• **Smyth Chapel Area Water Improvements Study**

VDH approved the Per on December 7, 2016. Mr. Lane said this would be the last report of the Smyth Chapel Study.

• **Western Washington County Sewer Project**

Mr. Lane provided the Board with a revised schedule for this Project. He hopes to hold the TMDL Public Meeting in March, the Permit Public Meeting in April with the Permit being granted the week of May the 23rd; assuming there are no sound technical objections launched at the meeting. Mr. Lane said he and Mr. Hoffman both believe this is a realistic Permit Acquisition schedule.

Mr. Miller asked what areas on Division 5 would require the most work.

Mr. Matthew Lane said the Rivermont and Stone Gate areas.

10. Closed Meeting

At 7:21 pm, Mr. Nelson moved that the Board adjourn to Closed Meeting in accordance with the Virginia Freedom of Information Act;

1. Code of Virginia Section 2.2-3711 Paragraph (A) (7): Legal Advice: a. Consultation with legal counsel and

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briefings by staff pertaining to possible litigation, where such consultation of briefing in open meeting would adversely affect the negotiating or litigation posture of WCSA.

In addition to the Board the presence of Ken Russell, Industrial Development Authority Legal Counsel; Henry Snodgrass, Industrial Development Authority Chairman; Dawn Figueiras, WCSA Counsel; Dave Cheek, WCSA Operations Manager and Robbie Cornett, WCSA General Manager was requested.

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

Return to Public Session:

At 9:17 pm, Mr. Nelson made a Motion to Return to Public Session. Mr. Hutchinson seconded and the Board approved with a vote of 7-0-0-0.

Mr. Nelson 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 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. Campbell, Mr. Taylor, Mr. Nelson, Mr. White and Mr. McCall confirming no outside discussion took place other than Closed Meeting topics.

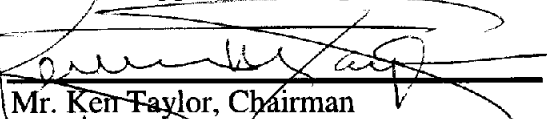
13. Late Items

Mr. McCall made a motioned to write a letter of support to the Washington County Industrial Development Authority. Mr. Nelson seconded and the Board voted 7-0-0-0 approving the motion.

Mr. Cornett offered to write and send a letter of support on behalf of the WCSA Commissioners.

14. Adjourn

At 9:20 pm, Mr. McCall made a motion to Adjourn. Mr. Campbell seconded and the Board approved voting 7-0-0-0.


Mr. Ken Taylor, Chairman


Carol Ann Shaffer, Assistant Secretary