

Washington County Service Authority Board of Commissioners
November 28, 2016 Regular Meeting Minutes

The Regular Meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 6:04 pm.

ROLL CALL

Commissioners Present:

Mr. Kenneth Taylor, Chairman
Mr. Wayne Campbell
Mr. Jim McCall
Mr. Dwain Miller
Mr. Vernon Smith

Commissioners Absent:

Mr. Mark Nelson, Vice Chairman
Mr. Mike White

WCSA Staff Present:

Robbie Cornett; Secretary, General Manager
Melinda Jett; Treasurer, Controller
Carol Ann Shaffer; Assistant Secretary, Administrative Assistant
Dave Cheek; Operations Manager
Holly Edwards, Customer Service Manager
Kenneth Perrigan, Meter Manager

Consultants Present:

Bobby Lane, PE; The Lane Group, Inc.

General Counsel Present:

Mark Osborne; Elliott, Lawson & Minor

3. Approval of the Agenda

Mr. Cornett submitted an Amended Agenda for Board consideration.

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

4. Public Query and Comment

There was no public query or comment.

5. Approval of the Consent Agenda

A. Approval of Minutes:

- October 12, 2016 Special Called Meeting Minutes
- October 24, 2016 Regular Meeting Minutes

B. Routine Reports: October 2016

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

C. Financial Reports: October 2016

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

D. Consideration of a Bonus and Luncheon for WCSA Employees - *Robbie Cornett*

E. Consideration of the Galvanized Line Phase 2 Division 5 Change Order No. 1 - *TLG*

F. Consideration of Exit 13 Phase 2A Change Order No. 1 - *A&A*

Mr. Taylor asked for a review of Item F. Mr. Cornett said many times, the customer adjacent to the service area that is not being served has interest in service.

The neighboring resident, First Bank and Trust, has a septic system that separates the solids in the water. The water is pumped to fill lines and so they are set up to pump into a force main. The Phase 2B Project extends from Virginia Highlands Airport to the Town of Abingdon. If we move ahead with the construction of a portion of the force main now back to the First Bank and Trust property as part of this project,

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First Bank and Trust can connect to the force main.

Change Order No. 1 will add 350 feet of line and will take about 15 days to construct at a cost of \$18,000. There is a guide wire on a power pole that may need to be addressed as well as a substantial driveway crossing. WCSA has talked to the land owner to let them know we plan to open cut instead of bore the driveway.

Mr. Miller asked if First Bank and Trust would be connecting to the gravity sewer in the next phase of construction.

At this point, First Bank and Trust indicates they would like to remain connected to the force main. The plan was to bring gravity to the Abingdon side of the Bank property. One of the challenges in doing that on the same side of Lee Highway as the bank is there are two water lines located there and there may be an issue with space. One will be eliminated with the galvanized line project.

Mr. Miller had a question about Item 5E. He asked if this item was for line on the Tennessee side of the project.

Mr. Lane answered saying it included line in Virginia and Tennessee.

Mr. Miller asked if WCSA had an agreement with Bristol Tennessee to serve these customers.

Mr. Cornett said WCSA did not have an agreement with Bristol Tennessee. But, for a many years, WCSA has provided water service to all of Stone Gate.

Do we also have meters at some of the homes along Old Jonesboro Road asked Mr. Miller?

Mr. Cornett explained the directions the lines ran in Stone Gate and said there may be a few customers on a 6 inch line on Old Jonesborough Road.

Mr. Millers point was if that section of line is replaced, is there a chance WCSA will lose those customers?

Mr. Cornett thought in order to lose those customers; Bristol Tennessee's line would have to parallel the WCSA line. Mr. Cornett said more than 10 years ago, before Mr. Sorah became City Manager, he and Mr. Sorah discussed that possibility a couple of times. There is not a good way for Bristol Tennessee to serve or for WCSA to convey without having two master meters. WCSA relies on that particular loop for fire flow so WCSA needs to maintain the loop.

As much as the Tennessee residents would like to have the same water provider, because Stone Gate is split by the state line, we didn't see a clear way to make that happen, stated Mr. Cornett. Most of the galvanized line on the Virginia side in Stone Gate has been replaced in the past 10 years but line on the Tennessee line wasn't replaced.

Mr. Taylor asked for a review of the Item D.

For approximately 27 years, the Board has considered a cash gift for WCSA's full and part-time employees. Over the past 16 years, the Board has considered a cash gift and a luncheon, stated Mr. Cornett.

As indicated in the update, there have been modifications made to the cash gift through the years. Since 2013, the cash gift has been based on years of service with a slight distinction between part-time and full-time employees explained Mr. Cornett. The other ways employees are recognized for their years of service is with an increase in vacation accrual starting after 5 years of service, years of service awards and receiving pins for years of service. WCSA currently has 73 employees full-time and 5 part-time employees.

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The total cost of the luncheon and cash gift is a little over \$57,000.

Mr. Cornett referred the Board to a table that showed WCSA's safety statics for several years. Overall, 2016 was a good year. As far as WCSA'S fascial health and financial health, in every area except one, we are performing better than predicted in the 5 year rate and financial plan and are 2.5 years into that plan, stated Mr. Cornett.

As of June 30, 2016:

- Water was \$1.13 million under budget.
- Sewer was \$0.48 million under budget.
- Water net position increased by 1.9 million.
- Sewer net position increased 245,000.
- Coverage ratios for water are lower (worse) than projected and higher (better) for sewer. 1.15 is the minimum.
 - Water was projected to be 1.46 and is 1.21.
 - Sewer was projected to be 1.73 and is 1.97.
- Water reserves were \$1.7 million better than projected.
- Sewer reserves were \$1.7 million better than projected.
- WCSA undertook a special (internal control and fringe benefit) audit with minor (nonmaterial) recommendations suggested. All recommendations are being addressed by Staff.

Quality:

- Attained the VDH Gold Award for the sixth year in a row. This means water produced is at least three times better than the standards require.
- Achieved very good third quarter disinfection byproduct results. The goal is to maintain these results.

Savings:

- Overtime is being managed well.
- Mr. Cornett offered to answer any questions the Board may have.
- Mr. Taylor said in his opinion, he didn't want to do any less than what was done last year. We've had good records and I would like to see some kind of increase, stated Mr. Taylor.
- Mr. Taylor asked how many employees had more than 25 years of service.
- Mr. Cornett thought there were about 6 employees with more than 25 years of service. Mrs. Shaffer confirmed there were 6.
- Mr. McCall asked what was being planned for Mrs. Boyd.
- Mr. Cornett said we would like to recognize Mrs. Boyd at the Christmas luncheon and have a party for her at the office. Mr. Cornett said he was trying to determine what Mrs. Boyd's schedule was for December. He said Mrs. Boyd did plan to attend the Christmas luncheon on December 14th.
- Mr. McCall said Mrs. Boyd has done well. Other people have too but Mrs. Boyd has gone above and beyond. Mr. McCall suggested presenting Mrs. Boyd with a gift certificate.
- Mr. Taylor proposed raising the employee Christmas bonus \$50.00 for each employee and raising the cap to from \$850.00 to \$900.00.
- Mr. Campbell said WCSA has a good group of employees. They come out in all hours of the day and night and they seem to get along well. You can't beat a good group of employees, stated Mr. Campbell.
- Mr. Taylor asked Mrs. Jett how much of an increase it would be; about \$4,000.00?
- Mrs. Jett said yes, about \$4,000.00.
- Mr. Miller motioned to approve the Revised Consent Agenda including the

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employee Christmas bonus increase of \$50.00 per employee with a cap of \$900.00 as Mr. Taylor suggested. Mr. Smith seconded and the Board approved voting 5-0-0-2.

6. Recess until 7:00 pm for Joint Meeting with the Town of Chilhowie, Town Council - 6:27 pm

Mr. Campbell motioned to recess until 7:00 pm for a Joint Meeting with the Town of Chilhowie. Mr. McCall seconded and the Board approved voting 5-0-0-2.

Joint Meeting

At 7:00 pm, the Town of Chilhowie called their Continued Meeting with the WCSA Joint Meeting to order.

ROLL CALL

Town of Chilhowie Council Present:

The Honorable Gary Heninger, Mayor
Ms. Donna Blevins
Mr. Alan Counts
Mr. Brent Foster
Mr. Don Hicks

Town of Chilhowie Council Absent:

Mr. Charlie Doane
Mr. Bill Clear

Town of Chilhowie Officials Present:

Mr. John Clark; Town Manager
Mrs. Marlene Henderson; Clerk,
Treasurer
Mr. Paul Cassell; Town Attorney

Washington County Service Authority Board of Commissioners Present:

Mr. Kenneth Taylor, Chairman
Mr. Wayne Campbell
Mr. Jim McCall
Mr. Dwain Miller
Mr. Vernon Smith

Commissioners Absent:

Mr. Mark Nelson, Vice Chairman
Mr. Mike White

WCSA Staff Present:

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

Consultants Present:

Bobby Lane, PE; The Lane Group, Inc.
General Counsel Present:
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7. Consideration of the Mill Creek Drinking Water Treatment Plant Improvements Project Bids – Bobby Lane

The Mill Creek Project is a joint venture between the Town of Chilhowie and WCSA. The Town of Chilhowie has taken the lead roll with the funding aspect.

Bids were received, opened and read aloud by Mr. Clark on November 17, 2016 at 2:00 pm.

There were three companies that bid on the project; Frizzell Construction, Clark Brothers and E.C. Pace. This was a re-bid and prices came in lower this bid.

Frizzell Construction was the low bidder with a bid of \$2,287,000. Contractors were also asked to bid on three alternatives. Alternative Bid Item 1 was to replace the roof. Alternative Bid Item 2 was to pave the access road to the plant. Alternative Bid Item 3 was for a piping vault. Frizzell Construction placed a bid of \$20,000 for Alternate 1, \$20,000 for Alternate 2 and \$75,000 for Alternate 3. Adding the three Alternatives to the base bid the total

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construction costs are \$2,402,000 and within the construction budget.

In an effort to improve the specifications and increase the Town and WCSA's reliance in the membrane manufacturer's ability to adequately treat the raw water sources, the following changes were made to the specifications prior to bidding:

- Required Bidder to acknowledge that the membrane manufacturer, used in the bid, has reviewed the raw water conditions and agrees the proposed equipment can meet the required performance requirements for the water sources.
- A Manufacturer's Bond was added to the specifications, equal to the cost of the membrane system, and a Contractor's Special Performance Bond of \$250,000. These bonds are both made to the Town and WCSA. The purpose of these bonds to ensure the entire system will perform in accordance with the plans and specifications. These bonds are to be made payable to the Town and to WCSA.
- Require Owners Acceptance Testing which is to be conducted by the contractor after substantial completion to demonstrate that the system will perform as specified for a period of 90 days with no unscheduled outages or downtimes. If the system does not meet the acceptance test, the Manufacturer Bond and Contractor Bond will be subject for use by the owner to make the system perform as required.
- Revised the Membrane System warranty from one year to three years.
- Revised the membrane warranty from 10 years; 5 years unconditional,

5 years prorated; to 15 years, 5 years unconditional, 10 years prorated.

Pall Corporation and Memcor, now Evoqua, Inc., were named as equals after discussions with Rural Development. The bidders were asked to name the membrane manufacturer utilized in their bid on the Bid Form. All three bidders chose Memcor. We have been concerned with regard to the robust character and durability of the Memcor system when compared to Pall membranes. With the certifications and bonding previously described, we conclude that the Memcor system has met the requirements of our specifications and will provide a quality membrane filtration system.

We have reviewed the qualifications of the lowest bidder, Frizzell Construction. Frizzell has significant experience in construction of water treatment facilities and in particular, membrane water treatment projects. Recently, Frizzell completed the 1.0 MGD Membrane Water Plant for the Virginia Carolina Water Authority, the 4.6 MGD to 6.6 MGD Interim Water Treatment Plant Expansion for the WCSA and the 3.0 MGD expansion of the Marion Water Treatment Plant. We conclude that Frizzell has the qualifications and experience to construct this project.

Mr. Lane continued saying, we believe therefore that the Town should consider awarding the Project to Frizzell Construction Company with a bid of \$2,402,000 pending approval from the Town's legal counsel, WCSA and USDA Rural Development.

Mr. Lane also requests the Town and WCSA review and approve the post-bid budget for submission to Rural Development.

The idea of the post-bid budget is to utilize as much of the project budget as possible. The total project \$3,704,000.

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Half of that budget, \$1,852,000, is in grant funds. Rural Development requires the loan money is to be spent first and any money that remains after project completion be returned to Rural Development which will be grant money and not loan money.

Mr. Lane proposed the following post-bid budget:

Pre-Bid Budget:

- Construction: \$532,300 less than budgeted
- Land and Rights: remain the same
- Legal Fees: increase \$9,900 to cover the cost of legal counsel in dealing with the property issue
- Bond Counsel: remain the same
- Interest During Construction: none budgeted but add \$100,000
- Other Improvements: an increase of \$325,000. Suggestions include:
 - Replacement of finished water pumps and motors
 - Security system
 - Upgrade to a metal roof
 - SCADA improvements
 - Additional spare parts
- Basic Engineering: remains the same
- Additional Engineering: an increase of \$91,770
 - Includes Amendments 1 and 2 and proposed Amendment 3, the rebidding cost of \$15,670
- Inspection: remain the same
- Project Contingency: decreased by \$53,000.
 - Contingency can only be 10% of project construction.

TOTAL: \$3,645, 170

This will leave a balance of \$58,830 that will be returned to Rural Development at the end of the project. Mr. Lane was advised by Rural Development to make adjustments that only made sense. Mr. Lane understood Rural Development would like to share in the fact that we

received very competitive bids for the project.

Mr. Lane said his conversations with Mr. Smith of Rural Development were very positive. Mr. Smith indicated to Mr. Lane to only added items to the project that made sense and he would do his best to ensure we could use all the monies we could show good use for, stated Mr. Lane.

Mr. Lane offered to address questions.

Mr. Taylor asked what the warranty formula was for the 10 year prorate.

If the membranes fail in the first 5 years they will be replaced at no cost to the owner. If the membranes fail in year 6, the warranty will cover 90%; 80% in year 7; 70% in year 8 and so on. If the membranes fail in year 15, the warranty will cover 10% of the cost of the membrane explained Mr. Lane.

Mr. Lane said this is the first time in his experience that manufacturers have agreed to anything more than a 10 year warranty. Mr. Lane said it was the best membrane warranty he was aware of.

Mr. Taylor asked what the cost of the membrane was.

Mr. Lane said the cost of all the membranes modules is about \$350,000 to \$400,000. Mr. Lane thought the Town and WCSA were putting monies aside for that use and he encouraged them to do so. Mr. Lanes expects the original membranes to last 10 to 15 years but felt the Town and WCSA needed to put money in reserve so the membranes can be replaced beginning in year 6. Mr. Lane will provide the exact cost of the membranes to Mr. Cornett and to Mr. Clark.

Mr. Miller asked what the warranty for the membrane system covered. The warranty covers the membrane skid, pumps, piping and the membrane modules; the entire system. The money

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would come from Memcor through the contractor to the owner.

Mr. Miller asked Mr. Lane as the lead engineer if he had confidence in the Memcor system. He asked Mr. Lane if he had confidence the Memcor system would work with the water at the Mill Creek Plant.

Mr. Lane said he was comfortable that Memcor would provide a quality product and said he thought Memcor could treat the water. If not, we have a money back guarantee with the manufacturer's and contractor's warranty. We should know if they can treat the water within a year after we go on line. Mr. Lane said he was satisfied that Memcor was a good system. Mr. Lane said he would be honest saying he thought the Pall membrane is the best membrane on the market but Rural Development required we have competition. I think we got a good system, a very good membrane and we have a good contractor, stated Mr. Lane.

Mr. Taylor asked Mr. Lane if he knew the difference in cost between Pall and Memcor.

Mr. Lane said based on conversations he had with the contractors, the difference in cost was about \$50,000 to \$60,000. The contractors were getting prices up until 1:55 pm on bid day and it was close. The low bidder submitted both warranties in his bid because he did not know who would be the lowest.

How long has Memcor been in business, asked Mr. Miller.

Memcor has been in business longer than Pall. When the state of Virginia began to accept membrane filtration as an approved water treatment technique, Memcor was the only product approved in the Commonwealth of Virginia. The first time Koch membranes were approved in the state of Virginia was at

the Mill Creek Plant. Pall came about around that time. Memcor is the oldest supplier of membranes approved in the state of Virginia, stated Mr. Lane.

Mr. Lane said Memcor has made improvements. When the membrane fibers fail they must be pinned and taken out of service. Memcor has had a lot of trouble with the fibers failing in the past. Memcor's most recent membrane shows that is now not the case. Some have been in service for a couple of years now and have not lost one membrane. If a membrane module breaks more than five fibers, it is considered a failure. If we have massive fiber failures that will signal system failure and activate the manufacturer warranty anytime during the 15 years, explained Mr. Lane.

Mr. Cornett said all the Koch cartridges were replaced at Mill Creek a year ago in September. We averaged 2.5 pins per cartridge on the Koch plant. For perspective, the Koch plant would probably have reached 5 pins per cartridge in about 2 years. Koch would have a difficult time with the Memcor warranty.

Mr. Lane said the Memcor system would remove .4 microns, the pall removes 1 micron. The Memcor filters provide what is called ultra-filtration; the Pall membranes provide micro-filtration. We will produce a higher quality of water from the Memcor system. The membrane system is capable of removing bacteria and a lot of the viruses found in water.

Mr. Cornett wanted to revisit something covered earlier by Mr. Lane. With the Koch membrane failure a year ago this past March, we wanted to encourage the contractors and membrane manufacturers to be sure their systems could treat the water by giving them access to the Mill Creek water and the

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material that was removed from the membranes. They did not do any physical testing. We did make them acknowledge in their bid that they did take whatever level of care they needed to take to be able to treat the water. While we hoped they would do more analysis that we have seen evidence of, it was emphasized and encouraged in the bidding process, offered Mr. Cornett.

Mr. Miler asked if there was enough money in the post-bid for inspection.

Yes sir, answered Mr. Lane. There is enough if the contractor does his work on time. Typically there is not much overtime on projects of this kind; the contractor typically works four 10 hour shifts. Mr. Lane said unless the contractor got in a bind, he did not expect overtime.

Mr. Taylor asked who held the \$250,000 bond.

Mr. Lane said the Town and WCSA would hold the bonds. There is a \$250,000 bond from the general contractor for everything outside the membrane system. The manufacturer's bond is in the amount equal to the cost of the membrane system, over \$1 million. That is in addition to the 100 % performance and payment bond which is also held by the owner, explained Mr. Lane.

Mr. Taylor spoke on behalf of the Board saying we certainly do not want the Town to run out of water. Everything is working and on behalf of the Board, we are glad to a part of it.

Mr. Counts said given we have a 15 year warranty, do you have any information on the financial stability of Memcor?

Mr. Lane said, to the best of his knowledge, Memcor is strong; they have been in business a long time. Memcor has been purchased by Evoqua which is a larger treatment parts supplier. It is

really hard to say with a high degree of certainty that any company will be in business, but Mr. Lane said he thought they were very strong. They have been in business a long time and are the largest membrane supplier in the state of Virginia. Mr. Lane said they could be sold but thought there would be accompany there to take care.

Mr. Taylor suggested having some language saying Memcor would have to honor the warranty in case of a buyout.

Mr. Lane did not think that language existed in the current warranty but is certainly something he will ask for.

Mrs. Henderson called for a vote to award the project to the low bidder, Frizzell Construction, as recommended by Mr. Lane.

Mr. Foster motioned to award the project to Frizzell Construction as recommended pending approval from legal counsel, WCSA and USDA Rural Development. Mr. Counts seconded and the motion passed with a 4-0-0-2 vote.

Mrs. Henderson then called for a vote to approve the Post-Bid Budget totaling \$3,645,170.00 for submission to Rural Development.

Mrs. Blevins motioned to approve the submission of the Post-Bid Budget to Rural Development. Mr. Foster seconded and the Board voted 4-0-0-2 approving the motion.

Mr. Hicks motioned to adjourn the Continued Meeting and Joint Meeting for the Town of Chilhowie. Mr. Counts seconded and the Board approved voting 4-0-0-2.

Mr. McCall motioned to award the project to Frizzell Construction pending approval from legal counsel and USDA Rural Development. Mr. Smith seconded and the Board approved voting 5-0-0-2.

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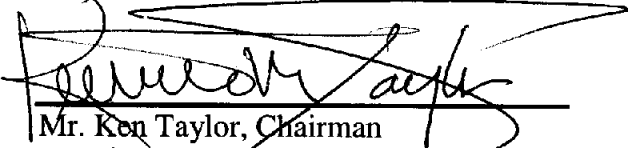
Mr. Campbell made a motion to approve the Post-Bid Budget of \$3,645,170.00 for submission to Rural Development. Mr. Smith seconded and the Board approved voting 5-0-0-2.

10. Late Items

No late items were discussed.

11. Adjourn – 7:43 pm

Mr. Campbell made a motion to adjourn the WCSA Joint Meeting with a second by Mr. Miller. The Board approved with a vote of 5-0-0-2.


Mr. Ken Taylor, Chairman


Carol Ann Shaffer, Assistant Secretary