

**Washington County Service Authority Board of Commissioners**  
**August 27, 2012 Regular Meeting Minutes**

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 7:05 PM.

**ROLL CALL**

Commissioners Present:

Mr. Joe Chase, Chairman  
Mr. D.L. Stout, Vice Chairman  
Mr. Prince Coleman  
Mr. Devere Hutchinson  
Mr. Dwain Miller  
Mr. Kenneth Taylor  
Mr. Frank Stephon, IV

WCSA Staff Present:

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

Consultants Present:

Bobby Lane, PE, The Lane Group, Inc.  
Kevin Heath, PE, Adams-Heath Engineering  
Bill Skeen, Maxim Engineering

Also Present:

Mr. Mark Lawson, General Counsel

**3. Approval of the Agenda**

There were no additions or corrections to the Agenda. Mr. Coleman motioned to approve the Agenda, Mr. Stephon seconded and the Board approval voting 7-0-0-0.

**4. Damascus Sewer System Monthly User Fees Public Hearing – Bobby Lane**

Mr. Lane began his presentation of the Damascus Sewer System Monthly User Rates by discussing the Town of Damascus Rate schedule. The Town of Damascus charges the same rate for all

In-Town and the same rate for all Out-of-Town Customers, regardless of classification.

The existing In-Town rates are as follows:

- Minimum for 2000 gallons - \$17.00
- Next 2000 gallons - \$5.25/1000 gallons
- Next 2000 gallons - \$5.65/1000 gallons
- All over 6000 gallons - \$5.80/1000 gallons

The existing Out-of-Town rates are as follows:

- Minimum for 2000 gallons - \$34.00
- Next 2000 gallons - \$10.50 per 1000 gallons
- Next 2000 gallons - 11.30 per 1000 gallons
- All over 6000 gallons - \$11.60 per 1000 gallons

WCSA bills residential, commercial and industrial customers for wastewater service based upon rates for each class of user as follows:

- Monthly Minimum Charge (all Customer Classes) - \$25.57
- Monthly Variable Charge/1000 gallons Residential - \$6.15
- Monthly Variable Charge/1000 gallons Commercial - \$7.15
- Monthly Variable Charge/1000 gallons Industrial - \$7.15

Mr. Lane went on to say, in addition to the difference in charges for user classification, the minimum bill for Damascus pays for the first 2000 gallons of sewer usage; while the base rate for WCSA is the base charge only and pays for no sewer usage.

The following Criteria were used in developing the Plan:

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- Town Sewer Rates should equal WCSA rates in the fifth year of merged system.
- Initial rate increases should be minimal to minimize the impact on small Town users.
- Damascus Out-of-Town Rates should not be lowered initially to meet the Rates of WCSA.

Mr. Lane added, in order to transition between the two rates, the new rates charged to the Town by WCSA will need to include both a minimum rate and a rate for the first 2000 gallons.

We will begin to mesh the Town Rates with those of WCSA by billing as shown on Table 1: In-Town Residential Rates (see attached)

Both WCSA and the Town should note that the existing rates charged by WCSA will probably increase slightly by the end of 2017. In order to “catch-up” with these rates, it is proposed that the rates shown in Table 1 and all subsequent Tables be increased periodically by the same percentages as WCSA Rates are increased, Mr. Lane explained.

Mr. Lane then referred to Table 2: In-Town Commercial and Industrial Rates (see attached)

Mr. Lane then discussed Table 3: Out-of-Town Residential Rates and Table 4: Out-of-Town Commercial and Industrial Rates (see attached) saying these rates will decrease.

Mr. Lane summarized the rates saying In-Town Rates increase and Out-of-Town Rates decrease over time.

**The Chairman then Opened the floor to Public Query and Comment Concerning the Damascus Sewer System Monthly User Fees.**

There was no public query or comment regarding the Damascus Sewer System Monthly User Fees.

**The Chairman Closed the floor to Public Query and Comment.**

Mr. Cornett added, we are not only equalizing rates over 5 years but we are also changing rate structures.

Mr. Stout motioned to adopt the proposed Damascus Sewer System Monthly User Fees. Mr. Hutchinson seconded the motion and the Board approved voting 7-0-0-0.

**5. Public Query & Comment**

The first to address the Board was Mr. Mark Deleon with DMD Properties LLC of Abingdon. Mr. Deleon said; I am speaking on behalf of many of the landlords here today. We received a letter about filing liens against us to collect the bad debt from the tenants. The biggest question for us is in the letter you state that it is up to the landlords to collect the bad debt for you. We have several other questions about the Consent for Service form. If we don't sign the Consent for Service form, you won't provide water to our tenants? Mr. Deleon asked the Board if they had a copy of the Consent of Service form with them.

Mr. Cornett answered, we do not have a copy of the forms with us tonight.

Mr. Deleon then said, WCSA charged deposits based on 5,000 gallons, which is about a \$150 deposit. Tenants can't afford that. Several tenants are moving to other counties to avoid paying the deposits. Mr. Deleon stated, BVU isn't charging a mandatory \$150 deposit.

Mr. Deleon then asked about deposits for persons on state and federal assistance, saying, those people are not required to pay a deposit, so who covers that if they default?

Mr. Deleon went on to discuss billing. He said, you charge 60 to 90 day's worth of deposits. If the tenant does not pay, you notify us within 15 days of their

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delinquency. We aren't allowed to touch the meter boxes if the tenants do not pay. If the tenants continue to not pay, and you don't cut off the meters, who takes care of that cost, asked Mr. Deleon. How can you have a lien on us when we aren't benefitting from what you are charging?

Mr. Tim Music was the next to speak asking if it was possible to get questions answered in this forum.

Mr. Chase said due to time constraints, it was not a forum in which questions were answered.

Mr. Music then asked if there was an attorney on the Board.

Mr. Chase said there was no attorney that sat on the Board but we did have Legal Counsel present at all Board meetings, referring to Mr. Lawson.

Tim Music asked Mr. Lawson what section of the Code of Virginia gave WCSA the right to do this.

Mark Lawson said he did not have the specific section available in front of him but that it was passed July 1, 2012.

Mr. Music asked Mr. Lawson when the law originally passed.

Mr. Lawson said it was passed July 1.

Mr. Music asked; was this passed very recently? The letter we received reads; for the past several years, landlords in Virginia have lobbied for change in the law that permits localities or authorities to obtain liens against real property. In other words it sounds as though for years we have been lobbying, trying to stop this and you (referring to Mr. Lawson) are saying this just recently passed, Mr. Music said.

Mr. Lawson answered, the act has been amended. The means of getting a lien has been changed; what the authorities have to go through to get a lien has changed. There is specific methodology created by the statute that went into

effect recently. So, last month is when WCSA Board passed resolutions to comply with the updated statute.

Mr. Music then said, so then, our law makers in Virginia passed a law allowing landlords to be taxed for delinquent tenants...it's a tax.

Mr. Lawson replied, no, it is not a tax. The law has changed and WCSA has passed resolutions to comply with that law. Mr. Lawson went on to say, if WCSA wants to be able to assert a lien against a landlord, WCSA must follow certain procedures. That is not to say that WCSA is going to file a lien against a landlord. There are all sorts of provisions in the law. You can go on line and Google State of Virginia laws and look up landlord lien and read the details of this provision.

Mr. Music said his main concern is that it is not easy to evict a tenant. You can go to the courts and it could take 3 to 6 months to evict. We are powerless to turn the meters off; we depend on you to take care of that.

Mr. Lawson stated WCSA provides the service to turn off the water. If WCSA lets too much time pass before they withdraw service, turn the water off; they cannot assert a lien against the landlord.

Mr. Music then referred to the letter saying, the letter stated WCSA has 60 days to turn the water off after someone is delinquent for 15 days. That's a total of 105 days and you are collecting for a minimum 3 months with the deposit.

Mr. Chase said this is something new and we are not trying to make things hard on the landlord, but in order to able to collect a lien and also to collect the deposits; this is the way the law set it up. It puts us in a position where we have to protect WCSA in filing liens and

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collecting deposits. The legislation states how it must be done

Mr. Gary Smith was the next to speak, asking, if a tenant is habitually or has a record of non-payment and request service; can WCSA refuse service? Why come to us (landlords) for a lien when you can see the tenant has a record of delinquency or non-payment? In essence we are a collection agency for you, said Mr. Smith.

Mr. Cornett replied, if someone comes in to apply for service and they have bad debt, we do not provide service until that is satisfied.

Mr. Smith asked if WCSA could notify the landlord.

Mr. Cornett said the new statute does allow us to inform the landlord after 15 days.

Mr. Lawson asked Mr. Smith if the landlords did credit checks on the tenants before approving them as renters. Mr. Smith said we do that many times, but sometimes people establish service in a different name.

Mr. Hutchinson said, one thing that happens frequently is what you just stated; tenants put service in another name making it difficult to run a credit check on them.

Mr. Smith said credit checks can be done, and we as landlords go through the process to check credit, but WCSA has to do something else rather than look to the landlord to collect the debt for you. That makes us a collection agency; or does that make us a utility; providing water for our tenants, asked Mr. Smith.

Mr. Music asked the Board if WCSA filled a person's bad debt against their credit. If not, it doesn't do us any good to do a credit check and not have that information available. He then asked the Board what action WCSA took when someone becomes delinquent.

Mr. Stout said the Board has no way of knowing who applies for service. We as a Board do not see the applications for service.

Mr. Music said, you have a good process, but what I am asking is what is your procedure when someone defaults? That is an excellent point, said Mr. Cornett and Mr. Lawson. We need to look into filing defaults against their credit added Mr. Cornett.

Mr. Deleon spoke again saying we have to compete against Russell County and Bristol. How do we do that when WCSA is requiring a \$150 deposit for service? Mr. Lawson said he thought more utilities would start requiring deposits due to the modifications in the law. Those utilities may not be as quick to act as WCSA, but they will have to protect themselves. I suspect before the year is out, most local utilities will be making sure their policies comply with the new statute, said Mr. Lawson.

Mr. Deleon asked if BVU just did a credit check instead of requiring a large deposit.

Mr. Lawson said he did not know what BVU's practices were.

Mr. Deleon said BVU's deposit was based on the results of a credit check. Mr. Deleon went on to say that he would like to see WCSA run a credit check for new service before requiring the landlords to sign a service agreement.

Joe Chase said, we as a Board will revisit this and hope we can work something out that will benefit us all, but we can't through it out.

One of the members of the audience asked the Board about forming a committee to meet with the landlords to discuss these issues further.

Mr. Darrell Vaught was the next to speak. Mr. Vaught said he has worked for Appalachian Power Company (APC)

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for 25 years. He said, the fact of the matter is, my wife was in court today over two tenants. It costs \$60 to \$80 per tenant to go to court. APC charges a deposit based on a customers' credit. If that APC customer doesn't pay a bill; I will assure you they have not paid rent; they have not paid their water bill, and stolen everything they can in the process. And the court system is going to take 60 to 90 days before we can get them out. The consensus here is this is getting to be a bigger burden than we landlords can bear. If you look at what we pay WCSA; I have 30 units that are master metered. I would love to have the option to master meter again. I have a letter from Robbie Cornett saying if I build 20 units beside the 6 units I have now, I did not have to have fire suppression because WCSA does not have the pressure or volume to carry the sprinkler systems the new code requires. What I am saying is, if I build 20 more units and pay for one meter instead of separate meters, it would help my burden. Having all the units on one meter would really help my burden said Mr. Vaught. Our water bill is about \$800 to per month and the town of Abingdon \$700 for the sewer. The impact on the landlords is something that you need to understand. Look at the economy. My wife is a realtor in Washington County, and the county talks about WCSA being the only place in town that has new construction going on. You have more new construction going on than anyone in the county. We are paying for all that new construction, said Mr. Vaught. I know it is an improvement and is vital to the Washington County; but we have to work together. Don't hand us something we can't swallow; that's all we are asking, stated Mr. Vaught.

Mr. Hutchinson asked if the landowners required their tenants to provide references from previous landlords.

Mr. Vaught said yes we do. He said the tenants show up clean cut, well dressed with cash in the pocket; and then we get them in. A lot are good, but a lot are bad. In this economy, they are more likely to be cooking meth on the stove than supper for the family. We don't know how to stop it because there are so many ways around the credit check, and they (tenants) know more about the system than we (landlords) do, said Mr. Vaught. Some tenants live day to day to beat us out of our money. They have more time than we do to learn the system. I know you have to do what you can to protect your interest, but so do we. We can raise rates but if the apartments are empty and the tenants won't pay anyway, we can't collect your debt; we can't even collect our debt, added Mr. Vaught.

Mr. Chase thanked the landlords for their questions and said the Board would revisit the issues at a later time, but needed to carry on with the meeting since there were time constraints.

Mr. Deleon said he had one more question for the Board. He asked the Board if WCSA would file liens against landlords that have delinquent tenants on federal assistance, since those on federal assistance are not required to pay a deposit.

Mr. Cornett said WCSA had to first go through ordinary collection means to collect. We use the Debt Set-off program to try to collect.

Mr. Deleon asked, so in this case, WCSA would not file a lien against the landowner because the tenant was on federal assistance, even though we signed the service agreement?

Mr. Lawson replied; WCSA has to go through the process that is outlined in

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the statute and go through the ordinary and customary debt collection process. There are multiple steps that WCSA must take before a lien is filed. And, that doesn't mean that WCSA is going to file liens. To be able to do that, WCSA had to adopt this resolution and has to follow very specific steps that are outlined in the statute, Mr. Lawson added,

Mr. Cornett stated that no liens have been issued since this resolution has been adopted. Mr. Cornett then discussed the time line for filing liens saying, if an account went delinquent this month, the earliest a lien can be filed, if WCSA was so inclined, would be sometime next year after WCSA has gone through the debt collection process. Mr. David Wall asked, what gives you the inclination to file a lien against a landlord? Is it the amount of the delinquent bill?

Mr. Cornett answered saying, we have had issues with landlords that have leaky water lines and haven't bothered to repair them; allowing the debt to build on tenants that can't afford to pay them.

Mr. Wall then asked; what if a tenant leaves a tub on and runs up a large bill? That falls upon us and increases our burden even more. The economy is tough. We have seen a decrease in our tenant application rate. If someone does something like that, are we responsible?

Mr. Cornett said if the landlord neglected the leak, then WCSA may be inclined to file a lien to collect for something that should have been repaired by the landlord. But if the tenant is the one who created the appearance of a leak, then it's not our intention to file liens.

Mr. Lawson said filing a lien would be on a case by case basis. We will have to look at the facts and see what happened.

WCSA currently calls if someone has high water usage. This legislation is new, so we are working through it. It may be that in a case like this, we call the landlord as well as the tenant. This is new and we are all going to have to sort through the process.

Mr. Wall asked if Mr. Cornett would be the sole person to make that determination.

Mr. Lawson said, I hear what you all are saying and I appreciate the point about a tenant that is trying to sabotage you and the call needs to go to the landlord instead of the tenant.

A brief discussion ensued between the landlords, WCSA Staff and the Board regarding water leaks.

Mr. Cornett said the issue is when the leak goes on for a while after WCSA has notified the customer and the landlord and nothing is being done to fix it. The types of cases where we are talking about applying the lien are cases where the landlord is clearly responsible for contributing to the bad debt.

Mr. Deleon then said; give some of the tenants time to understand the law and some will try to sabotage us and you. This service consent has us pinned down and we don't know if you are going to file a lien on us or not.

Mr. Lawson recognized the valid points made by the landlords and said that the Board would revisit the issues, especially the issue of filing a customer's bad debt with the credit reporting agencies.

Mr. Chase asked the audience if there were any additional questions, to please contact WCSA.

Mr. Vaught suggested that WCSA put in master meters so landlords could pay the bill and monitor the individual tenant service on their own.

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Mr. Chase thanked the landlords for their participation and said the Board would review the issues discussed.

**6. Approval of the Consent Agenda**

- Minutes: July 23, 2012 Regular Meeting Minutes
- Routine Reports for July 2012.
- Financial Statement for July 2012.
- Check Register and General Manager Financial Report for July 2012.

Mr. Miller made the motion to approve the Consent Agenda. The motion was seconded by Mr. Hutchinson and was approved by a 7-0-0 Board vote.

**7. Engineer's Report and Update**

***Mr. Bill Skeen of Maxim Engineering***

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

Mr. Skeen introduced Joey Mullins to the Board. Mr. Mullins will be presenting to the Board in Mr. Skeen's absence.

Mr. Skeen then reported that the environmental site visit with VDH Project Engineer and response to VDH pre-advertisement review comments were all complete. Maxim is working on resubmittal of plans and specifications to VHD incorporating WCSA Staff comments, as well as submittal of permit applications to appropriate agencies. Mr. Skeen said he would be providing WCSA Staff with environmental letters to agencies pertaining to VDH Categorical Exclusion request.

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

Mr. Skeen said Maxim would be meeting with officials concerning future development at I-81 Exit 74, and impact on Washington County. Mr. Skeen also reported that Maxim has contacted the developers of Bass Pro

Shop and hope to have a meeting scheduled within the next 2 weeks.

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

- **Abingdon Storage Tank Study**  
AHE is working on PER for WCSA Staff review.

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

Mr. Heath said AHE has submitted draft plans to WCSA for staff review. They have also met with VDH-FCAP Project Engineer for project drive troughs and discussions regarding environmental review requirements. AHE expects to receive Categorical Exclusion for Red Fox Lane. They also expect Categorical Exclusion with letters for Hallandale Road. An Environmental Assessment document is required for Rich Valley Road/ Whites Mill Road Extensions, reported Mr. Heath. AHE responded to WDHR comments received for RVR/WMR with the exception of the Department of Historical Resources.

- **Whites Mill Road**

Mr. Heath said AHE has prepared the final cleanup Change Order for Contract 1. Record Drawings have also been completed.

- **Route 58 Water Supply Improvements Project**

Mr. Heath reported they have identified potential water storage tank site locations for property owner negotiations. They have also addressed environmental review responses from the US Fish and Wildlife Service for Environmental Clearance. AHE did receive Environmental Clearance from the US Fish and Wildlife Service late last week.

- **Green Spring Water Line Replacement**

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Mr. Heath reported they have received Norfolk Southern Railroad Crossing Permits and the Town of Abingdon E&S Plan approval. Our next step will be advertising the project for bid, pending WCSA approval, he added.

**Mrs. April Helbert WCSA on behalf of Steven Steele of Anderson and Associates (A&A):**

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

Mrs. Helbert said all the people who have not submitted signed User Agreements for Phase 2A have been called. Within the next week, we will be sending out Final Notices requesting the signed User Agreement for Phase 2A. We will then begin collecting User Agreements for Phase 3.

Mr. Miller asked if we were close to the 75% required User Agreements.

Mrs. Helbert said she didn't have the specific percent with her but there was a landowner with a master meter who is interested in having 21 individual meters instead, that will increase the percentages.

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

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

Mr. Lane will have a Change Order for Board consideration later in the meeting.

Mr. Lane said the lake levels were dropping and the Intake contractor is expected to start work soon.

- **Bristol Area Water Service Restructuring from BVU to WCSA**

Mr. Lane reported on the restructuring saying the contractor was substantially

complete and is finishing the punch list. A Change Order for Terrace Drive will be presented at the next meeting for the Authority's consideration. The contractor has finished ahead of schedule and on budget. Water to these customers is now being furnished by WCSA.

- **Oak Park Sewer Project**

Mr. Lane said easement acquisitions are underway with both WCSA and TLG Staff working on them. Letters will be sent to property owners advising them that WCSA Staff will be surveying on their property. TLG will be requesting permission to advertise the project at the September meeting.

- **Reedy Creek Water System Design – Task Order 0809-2**

Mr. Lane stated the VDH has given TLG permission to add a section of line on Campground Road to the Teater's Trucking (Division 2) Contract. TLG will present a Change Order request to the Authority later in the meeting.

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

There are three parts to the selected alternative for the provision of Wastewater Service to Western Washington County, explained Mr. Lane. Those parts are; maximizing the benefit of our current Agreement with the Town of Abingdon; maximizing the benefits for our current Agreement with the Bristol Virginia Utilities Authority and the planned construction of a new Wastewater Treatment Plant owned by WCSA discharging to Beaver Creek. To move forward on the new Wastewater Treatment Plant, we plan to ask for three discharge tiers for Beaver Creek; 05 MGD, 1.0 MGD and 1.5 MGD.

In order to obtain a discharge permit for Beaver Creek, the Department of



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Environmental Quality (DEQ) has asked that a new calculation of Total Maximum Daily Loading (TMDL) for Beaver Creek be completed, Mr. Lane stated. There are only a few study contractors recommended and approved by DEQ who have successfully performed this TMDL calculation task, he explained. Two of these study contractors are Virginia Tech and MapTech. After several meetings and conversations with DEQ, we are now ready to select a TDML contractor for this work and we have requested proposals from both. We intend to have a recommendation for the Board at the September meeting. Mr. Lane went on to say, there will be benthic and bacteriological sampling and analysis associated with the TMDL formulation. DEQ has agreed to conduct the sampling program for WCSA. In addition to the TMDL calculations and meetings associated with them, we will also have public meetings to make the public aware of WCSA's intent to construct a Wastewater Treatment Plant on Beaver Creek. Those dates have not yet been established. We will have our first Technical Advisory Committee meeting sometime in October. That meeting will include Local Governments that have an interest in this discharge, such as the City of Bristol VA and TN, the Bristol Virginia Utilities Board, Washington County and other Local Governments that are interested.

Mr. Lane went on to say, we are encouraged with the response from DEQ on the Discharge Permit. The permit application and acquisition will be a lengthy process. We currently project that the permits should be in the hands of WCSA by about this time next year, reported Mr. Lane.

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

Mrs. Helbert discussed the Phase 2A project saying WCSA would be looking at reducing that area to fall into the 75% User Agreement requirement if that percentage is not reached.

She then reported on the Sutherland Community Project, saying documents were being submitted to a number of agencies next week and she expects to be able to advertise for this project in 30 to 60 days.

Mrs. Helbert then introduced Ryan Kiser, WCSA Staff Engineer, to the Board.

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

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

**Water Production**

- Produced over 219 million gallons of drinking water from WCSA and more than 30 million gallons of water for the Town of Abingdon.
- Continued coordination and support of the expansion of our Middle Fork Drinking Water Plant.

**Distribution**

- Coordinated the outside purchase of 11.5 million gallons of drinking water.
- In total, 7.4 million gallons per day (MGD) of drinking water was distributed to our customers in July.
- Continued coordination and support of WCSA's ongoing capital projects.

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**Meter Department**

- 201 customers were telephoned following unusually high usage.
- 662 customers were notified that their water was to be turned off for nonpayment.
- 99 meters were lifted for non-payment.

**Customer Service**

- \$8,146.90 was adapted for 79 customer water leaks.
- \$6,461.74 was written off as bad debt three years old.
- 6 water taps applied for.
- 204 reconnections/transfers of service.
- 4,575 accounts with late charges added.
- 1,164 disconnect notices processed.
- 99 disconnects for non-payment.

**Maintenance**

- 43 leaks.
- 8 major breaks repaired.
- 15 water taps.
- 1 wastewater tap.
- 62 after hour maintenance call-outs.
- Assisting Galvanized Line and Reedy Creek Road contractors.
- Began Damascus Sewer System inflow and infiltration investigative and corrective work. We have found a number of service lines that are cracked and we are in the process of fixing those. We are notifying customers of the need to repair those lines.

**Wastewater**

- Treated 7,939,000 gallons of wastewater.

**Administrative Items**

- Readers Digest recently published the "10 Jobs American Can't Live Without" and listed at #2 was Water and Wastewater Operators.

- On August 9, 2012, the Town of Damascus sewer collection and treatment system was transferred to WCSA. Consideration of this transfer dates back to at least 1998 (14 years). WCSA and the Town jointly resolved to Study the transfer about two years ago. The study findings and recommendations were presented to and approved by the Commissioners and Council in December 2011. Subsequent to approval, WCSA and the Town have been taking the necessary steps to finalize the transfer. We look forward to serving customers in that area and protecting the environment.
- Mr. Cornett reminded Mr. Miller and Mr. Taylor of the Joint Utilities Committee Meeting on Monday September 10<sup>th</sup> at 4:00 PM.

**10. Consideration of Change Order #1 for Contract 1 of the Whites Mill Road Water System Improvement Project Kevin Heath**

Mr. Heath began saying, construction of the Whites Mill Road Water Improvements Project is now complete. This Change Order provides a "clean-up" for all quantities of items installed versus quantities bid. In addition, the Change Order provides an increase in time to account for weather days and incorporates Liquidated Damages assessed on the project. It also includes an adjustment for quantities installed versus quantities bid in the amount of \$23,798.34; an increase which is detailed on the second sheet of the Change Order. It increases contract time by 36 days to account for weather days. Liquidated damages in the amount of \$58,500 are also assessed in this Change Order. After accounting for weather days, this project is 117 days past the

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allotted time of the contract. Those days are charged at \$500 per day, giving a net deduct of \$58,500. The Engineer has recommended the approval of the Change Order including Liquidated Damages. As you will note by the Contractors signature of the Change Order, they too (Tipton Construction) agrees. WCSA Staff and Legal Counsel has reviewed and concurred with the Engineer's recommendations. The total decrease of Change Order #1 is \$34,701.66.

Mr. Taylor asked Mr. Cornett if he concurred to the 117 days. Mr. Cornett answered, yes sir.

Mr. Taylor asked if the penalties were justified. Mr. Heath said the penalties are justifiable. Mr. Taylor stated he just wanted to be sure we were being fair. Mr. Heath said due to the additional days (117 days) we did have to authorize an extension of RPR services with AHE. And the other two contractors had to wait a considerable amount of time before they could close out their contracts.

Mr. Stephon Hutchinson motioned to approve Change Order #1 for Contract 1 of the Whites Mill Road Water System Improvement Project. Mr. Stephon seconded and the Board approved voting 7-0-0-0.

**11. Consideration of an Engineering Agreement Between WCSA and Adams Heath Engineering for the Smyth Chapel Area Water System Improvements Study – April Helbert and Kevin Heath**

Mrs. Helbert began by saying this Study was procured for in 2010-2011 and AHE was selected for RPR services for this project. The Study includes an evaluation of the problems and potential solutions that are currently experienced

in the water distribution system around the Smyth Chapel area north of Emory, Virginia. Problems include but are not limited to low pressure, inadequate supply due in part to small water lines, increased elevation and a substandard continuous operating pump station.

Mr. Heath said the scope of the project would be similar to the work that was done in the Whites Mill area, but on a smaller scale.

Mr. Stout motioned to approve the Engineering Agreement between WCSA and Adams Heath Engineering for the Smyth Chapel Area Water System Improvements Study. Mr. Miller seconded and the Board voted 7-0-0-0 approving the Agreement.

**12. Consideration of an Engineering Agreement Between WCSA and Adams Heath Engineering for the Eastern Washington County Water study April Helbert and Kevin Heath**

This Study was procured for in 2010-2011. AHE was selected for RPR services for this project as well. The Study includes an evaluation to determine the technical and financial feasibility of extending water service to un-served areas in Eastern Washington County. The Study includes two separate geographic areas: southeastern Washington County and North Fork River Road, said Mrs. Helbert. The Southeast area is generally defined as those areas near Route 58 without water service located east of Damascus and Taylor's Valley including Green Cove, Konnarock and Whitetop communities. The North Fork area is generally defined as those areas near the North Fork Holston River without water service from Route 19 east to Saltville. WCSA Staff negotiated this Agreement (estimated at \$20,000) with AHE over

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the past month, WCSA Legal Counsel have also reviewed, commented and approved the task order.

Mr. Stout motioned to approve the Engineering Agreement, Mr. Coleman seconded and the Board approved voting 7-0-0-0.

**13. Consideration of Reedy Creek Road Water System Improvement Project, Division 2, Change Order # 1 Resolution Bobby Lane**

Mr. Lane referred to tab 13 in the Board Book saying, construction of Division 2 is for the Campground Road area. After the project began, we discovered an additional 1,600 feet of 4" water line that was thought to have already been replaced. The contractor (Teater's Trucking) has agreed to replace this line for the same cost (\$24 / linear foot) as was bid on the original project. This Change Order provides an additional 190 days to substantial completion and 200 days to final completion. These days are justified by; 20 days to allow the contractor to complete some emergency work for the Town of Chilhowie. The contractor made a request to be pulled off the WCSA Project to complete this emergency work and WCSA Staff concurred; 140 days to obtain approvals for the additional line work (approvals from funding agency, VDH, WCSA Staff and WCSA Board); 30 days to complete the actual additional line work (1600 feet of water line) and 10 days to complete all work. The total decrease of Change Order # 1 is a decrease of \$2,848. The Engineer has recommended approval of the Change Order. WCSA Staff has reviewed and concurs with Change Order and Engineers recommendation, Mr. Lane added.

Mr. Miller motioned to approve Change Order #1 for Division 2 of the Reedy

Creek Water System Improvements Project. Mr. Stephon seconded the motion and the Board voted 7-0-0-0 approving the motion.

**14. Consideration of Bristol Area Restructuring Project Change Order #1 Bobby Lane**

Mr. Lane stated, on Terrace Drive, TLG found 375 feet of 2 inch galvanized line that should be replaced. Mr. Lane said this is also a Clean-Up Change Order adding the Terrace Drive line and an additional 45 days until substantial completion; including 22 days for review and Board approval. The total increase of the Change Order is \$26,588.82 and includes new water line, new service line and reconnection of meters. Also included is some prospecting costs and flagging time that the contractor was required to pay while working in the City of Bristol.

Mr. Lane reported that WCSA Staff has reviewed and concurs with the Change Order and TLG recommends the Board approve the Project Change Order.

Mr. Miller asked about the prospecting and flagging costs of about \$6,600 the contractor incurred. Mr. Miller asked if that prospecting was done around Bobby's Market.

Mr. Lane said yes. The line was not where the contractor expected it to be, so he had to do extra digging to locate it. Mr. Lane said the original request was decreased significantly and TLG felt the amount requested for prospecting was reasonable.

Mr. Miller then asked why there was an additional cost for flagging.

Mr. Lane said the City of Bristol required the contractor to hire a flagging company to flag for the contractors while in Bristol. The cost you see is the cost the contractor paid the flagging

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company minus the cost the contractor would have paid their own flaggers for the work.

Mr. Miller asked if anyone had validated the City of Bristol's requirement that the contractor hire a flagging company.

Mr. Lane said no one talked with the City of Bristol but Mrs. Brown at VDOT did recommend we pay the cost of the flagging.

Mr. Miller thought the requirement for a flagger should be confirmed and said WCSA should not pay for the cost of the flagging until it was validated. Mr. Miller then added, if the flagging cost was incurred during their prospecting work, he would consider it.

Mr. Lane then asked the Board to consider approving the Change Order less the City of Bristol Flagging cost.

Mr. Miller motioned to approve the Change Order minus the City of Bristol Flagging. Mr. Hutchinson seconded and the Board approved voting 7-0-0-0.

**15. Consideration of South Fork Intake and Middle Fork Drinking Water Plant Project, Change Order # 3 Bobby Lane**

Mrs. Lane began saying, this Change Order adds 6 doors closures on the finished Water Pump Station Filter # 4 Building since the work was not specified in the beginning when plans were drawn. This work is needed to prevent wind from catching the doors when opened and potentially causing damage. This will be an increase in contract price of \$1,843.

Mr. Lane continued saying, WCSA purchased a spare pump and motor at a discounted price directly from the supplier. To avoid potential warranty issues if someone other than Frizzell were to install the pump and motor, we propose this work be done by Frizzell.

To accomplish this, our current contractor (Judy Construction) will sub contract the work to Frizzell. This will prevent warranty issues and allow the work to be paid for from Project funding. This will be an increase in contract price of \$7,500; to remove and replace the pump and motor and all electrical work associated with it. Change order # 3 provides for a total increase in contract price of \$9,810, including a mark-up of \$467 from Judy Construction. The Change Order does not include any additional contract time. Mr. Hutchinson stated that 3 of the 4 pumps and motors had problems at startup.

Mr. Lane said, yes they did.

Mr. Hutchinson asked if the motors and pumps were covered under warranty; Mr. Lane said yes.

Mr. Hutchinson asked if those motors were replaced. Mr. Lane answered, no but they were repaired. Mr. Hutchinson then asked if we had used pumps and motors from this manufacturer. Mr. Lane said, yes; the problems with the pumps and motors have all been different. Mr. Lane went on to say the vendor has been responsive to our requests but we are still working on the issues.

There was a brief discussion regarding the issues with the pumps and motors.

Mr. Hutchinson motioned to approve Change Order # 3. Mr. Stout seconded and the Board approved with a vote of 7-0-0-0.

**16. Consideration of Various Project Funding Offers Robbie Cornett**

Mr. Cornett said Mount Rogers Planning District Commission (MRPDC) has approved funding for: Mendota Water System Improvements with a \$50,000 grant; Green Springs Road Water Line Replacement with a \$100,000 grant and

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Hidden Valley Road Area Water Study with a \$14,500 grant. Mr. Cornett discussed that the grant for Hidden Valley was smaller and WCSA expects to receive funding from other agencies as the project moves along. Mr. Cornett added, MRPCD has offered a grant for the Exit 13 Phase 2 and 3 Interest Survey Assistance totaling \$11,045.

The Virginia Department of Health has offered to fund the Childress Hollow Road Water Line Extension with a principal forgiveness grant of \$80,657 and the Haskell Station Road Water Line Extension project is a 30 year, 2.5% loan in the amount of \$185,830. Mr. Cornett then reviewed the Haskell Station Road Financial Feasibility sheet with the Board (see attached).

After his review, Mr. Cornett asked the Boards consideration to approve funding for Mendota, Green Springs Road, Hidden Valley, Exit 13 Phase 2 and 3 and Childress Hollow Road. Mr. Cornett said he was unable to recommend the Haskell Station Road Project at this time since accepting the funding offer for Haskell Station Road could result in further increases to the Connection Fee or if there is a policy change, then the revenue could come from increases in monthly User Fees or decreases in WCSA spending elsewhere; or a combination of these areas. Mr. Cornett said he would like to look at other funding options, such as grant funding, for Haskell Station Road based on the Financial Feasibility Study. Mr. Hutchinson said his concern was that there was 80% participation in that area and he would like to see us strive to provide service to that area.

Mr. Cornett said he would like to pair the Haskell Station Road Project with grant funding to make it feasible. Mr. Taylor motioned to approve funding

from Mount Rogers Planning District Commission and from the Virginia Department of Health with the exception of funding for the Haskell Station Road Project. Mr. Hutchinson seconded and the Board approved voting 7-0-0-0.

**17. Closed Meeting**

Mr. Stephon moved that the Board adjourn to Closed Meeting in accordance with the Virginia Freedom of Information Act, Code of Virginia Section 2.2-3711 Paragraph (A) (3): acquisition and disposal of property 2. To discuss and consider the acquisition of real property, Code of Virginia Section 2.2-3711 Paragraph (A) (6): investment of public funds, 4. To discuss various Inter-municipal and other agreements; Code of Virginia Section 2.2-3711 Paragraph (A) (7): legal advice, 5. To discuss potential litigation, 6. To discuss various Inter -municipal and other agreements, 7. To discuss potential contract litigation. In addition to the Board, the presence of Mr. Mark Lawson, WCSA Counsel, and Mr. Robbie Cornett, WCSA General Manager was requested. A second to the Motion of Closed Meeting was made by Mr. Stout and was approved by Board vote of 7-0-0-0. The Board adjourned to Closed Meeting at 9:07 PM.

**Return to Public Session:**

Mr. Stephon read the following **Return to Public Meeting**; Mr. Chairman, I move that the Board return to Public Session. The motion was seconded by Mr. Hutchinson and approved by Board vote of 7-0-0-0. The Board returned from Closed Meeting at 10:53 PM. Mr. Stephon read the following: **Certification of Closed Meeting**; Whereas, the Washington County Service Authority has convened a Closed Meeting on this date pursuant to

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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. Stephon, Mr. Chase, Mr. Coleman, Mr. Taylor and Mr. Stout confirming that no outside discussion took place other than Closed Meeting topics.

**18. Late Items**

**Late Item #1: Review Westchester Association Request for Consideration**  
***Robbie Cornett***

Mr. Cornett began by reminding the Board that in a letter dated June 21, 2012, John Puckett of Westchester Association wrote to Joe Chase asking the Boards consideration regarding our billing. More specifically, what is being questioned is our August 2001 policy of applying an equal number of (3/4") minimum bills as units downstream of the meter. Mr. Cornett went on to say, June 26, 2012, I provided the Board with an explanation of the policy, what the minimum bill is for, its application and its equality, along with some additional information for consideration.

Summarized, I find that Staff has followed WCSA policy as pertains to the number of units downstream of the meter and finds no compelling reason to change the policy. Mr. Cornett asked the Board if they had any questions or concerns regarding this matter.

The Board took no action to change the current policy. Mr. Cornett offered to write a letter to Mr. Puckett informing him of the Boards decision of non-action.

**Late Item #2: Negotiation**  
**Authorization**  
***Robbie Cornett***

Mr. Cornett said; as the Board is aware, WCSA is negotiation with a landowner for an easement obtained by WCSA through condemnation. Subject to our closed meeting review of the just compensation due to the landowners, the Board should consider delegating its General Counsel and General Manager the authority to negotiate a fair and reasonable cost on behalf of WCSA.

Mr. Taylor motioned to delegate authority to Legal Counsel and the General Manager to negotiate a reasonable cost with the landowners. Mr. Coleman seconded and the Board approved voting 6-0-1-0 with Mr. Stephon abstaining from the vote.

**Late Item #3: Building Permit Report**  
**Presentation**  
***Carol Ann Shaffer***

Mrs. Shaffer began by referring to the Building Permit handout at the Boards stations. She then referred to table 13.0 which indicates the total number of residential building permits issued annually within the various Southwest Virginia counties throughout years 2000 to 2011. According to the data, Washington County issued the highest number of permits from 2000 to 2005; the second highest in 2006 following

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Tazewell Count. Washington County issued the highest again in 2007, the second highest in 2008 and the third highest in 2009. Washington was the highest again in 2010 and 2011.

She the reviewed the number of building permits per county for 2011.

Mrs. Shaffer discussed table 13.2 that indicates the annual percentage change for each of the counties during the years 2001 to 2011, along with the total percentage change from 2001 to 2011.

The Board thanked Mrs. Shaffer for providing the information.

**Late Item #4: Discussion of Liens for Services to Lessee or Tenants Properties *Robbie Cornett***

Mr. Cornett said based on the number of landlords present at tonight's meeting, the points that were raised by the landowners and the requests from the landlords that WCSA form a Committee, I asked the Board to consider establishing a committee consisting of two volunteers from the Board. Mr. Cornett went on to say the committee would initially meet with WCSA Staff and Mr. Lawson; who understands the Statutes very well. Mr. Cornett proposed the committee would discuss changes that could be made to the policy and still meet the needs of WCSA. After the initial meeting, we would then invite some of the landlords that were present tonight to meet with the Committee. Mr. Cornett said "the landlords were very respectful tonight and would be a good group to work with to see if we can come up with something that would address both our needs".

Mr. Cornett presented the Board with some information detailing the deposit amounts for water and sewer customers. Another handout given to the Board was a survey showing the practices of other

Authorities and Utilities regarding their deposit and credit check requirements. Mr. Cornett then presented the Board with a handout showing what the 3 month deposit amounts and 4 month deposit amounts were. WCSA is charging customers a 4 month deposit added Mr. Cornett.

Mr. Cornett then asked if the Board would be inclined to take volunteers for the Committee.

There was a brief discussion among the Board, Mr. Cornett and Mr. Lawson regarding the WCSA required deposit amounts, the basis for those deposit amounts and the statutes that regulate required deposits and filing liens.

Part of our first meeting would be to discuss our goal, said Mr. Cornett. He went on to say, our goal is not to eliminate bad debt because that is unrealistic. Our goal is to improve our bad debt using as reasonable a measure as possible, Mr. Cornett stated. Do we want to do credit checks and base deposit amounts based on credit checks?

Mr. Lawson asked if WCSA wanted to start reporting to the credit reporting agencies; which I think is not a bad idea; he added.

Mr. Cornett said another question may be if and when we return a customer's deposit.

Mr. Hutchinson added another point of discussion may be to require references.

Mr. Chase and Mr. Hutchinson volunteered to sit on the Liens for Lessee to Tenant Properties Committee. Other Committee members will be Mark Lawson and Robbie Cornett. After the Committee members review their schedules, and coordinate a meeting date.

**Late Item #5: Discussion of Public Relations Committee *Robbie Cornett***



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Mr. Cornett stated there had been some discussion among the Board to form a Public Relations Committee. Some of the ideas behind that are, what is WCSA doing and what should or could we do to convey our message to the public. We should discuss if we should do more to convey messages to the public. If so, the messages could vary from Rates Fees and Charges to reports on water quality. Mr. Chase requested a work shop prior to the September 24<sup>th</sup> meeting to discuss the need for a Public Relation Committee and the responsibilities of the members.

**Late Item #6: Discussion of WCSA Rates and Revenue Requirements**  
*Robbie Cornett*

Among the Board there has been some discussion of our Rates; more specifically, the fifth and final phase in of our Water Connection System Fee, said Mr. Cornett. In light of our economy; there has been discussion of whether we should postpone that final fee increase. This may be a topic to consider in a workshop environment if the Board is so inclined to consider postponing the last increase. Mr. Chase requested a work shop on September 24<sup>th</sup> at 5:00 PM to discuss various options concerning the final increase of the WCSA Rates Fees and Charges.

At 11:30 PM, Mr. Stephon motioned to Recess until 5:00 PM on Monday, September 24, 2012. Mr. Miller seconded the motion and the Board approved voting 7-0-0-0.

  
\_\_\_\_\_  
Mr. Joe Chase, Chairman

  
\_\_\_\_\_  
Carol Ann Shaffer, Assistant Secretary

**19. Adjourn or Recess**

**Table 3 Damascus Out-of-Town Residential Rates**

		<i>Proposed Rates by Year</i>				
		2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
0 gallons	\$/1000 gal.	\$0.00	\$21.30	\$21.30	\$25.57	\$25.57
First 2000 gal.	\$/1000 gal.	\$34.00	\$12.70	\$11.70	\$8.43	\$0.00
0-2000 gal.	\$/1000 gal.	\$0.00	\$0.00	\$1.00	\$1.00	\$6.15
2001-4000 gal.	\$/1000 gal.	\$10.50	\$10.50	\$10.50	\$10.50	\$6.15
4001-6000 gal.	\$/1000 gal.	\$11.30	\$11.30	\$11.30	\$11.30	\$6.15
Over 6,000 gal.	\$/1000 gal.	\$11.60	\$11.60	\$11.60	\$11.60	\$6.15

**Table 4 Damascus Out-of-Town Commercial and Industrial Rates**

		<i>Proposed Rates by Year</i>				
		2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
0 gallons	\$/1000 gal.	\$0.00	\$21.30	\$21.30	\$25.57	\$25.57
First 2000 gal.	\$/1000 gal.	\$34.00	\$12.70	\$11.70	\$8.43	\$0.00
0-2000 gal.	\$/1000 gal.	\$0.00	\$0.00	\$1.00	\$1.00	\$7.23
2001-4000 gal.	\$/1000 gal.	\$10.50	\$10.50	\$10.50	\$10.50	\$7.23
4001-6000 gal.	\$/1000 gal.	\$11.30	\$11.30	\$11.30	\$11.30	\$7.23
Over 6,000 gal.	\$/1000 gal.	\$11.60	\$11.60	\$11.60	\$11.60	\$7.23

Table 1 Damascus In-Town Residential Rates

		<i>Proposed Rates by Year</i>				
		2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
0 gallons		\$7.00	\$9.00	\$21.30	\$24.50	\$25.57
First 2000 gal.	\$/1000 gal.	\$12.30	\$12.30	\$2.20	\$0.00	\$0.00
0-2000 gal.	\$/1000 gal.	\$0.00	\$0.00	\$1.00	\$2.00	\$6.15
2001-4000 gal.	\$/1000 gal.	\$5.25	\$5.75	\$6.00	\$6.15	\$6.15
4001-6000 gal.	\$/1000 gal.	\$5.65	\$5.75	\$6.00	\$6.15	\$6.15
Over 6,000 gal.	\$/1000 gal.	\$5.80	\$5.80	\$6.00	\$6.15	\$6.15

Table 2 Damascus In-Town Commercial and Industrial Rates

		<i>Proposed Rates by Year</i>				
		2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
0 gallons		\$7.00	\$9.00	\$21.30	\$24.50	\$25.57
First 2000 gal.	\$/1000 gal.	\$12.30	\$12.30	\$2.20	\$0.00	\$0.00
0-2000 gal.	\$/1000 gal.	\$0.00	\$0.00	\$1.20	\$2.50	\$7.23
2001-4000 gal.	\$/1000 gal.	\$5.25	\$6.00	\$6.50	\$6.75	\$7.23
4001-6000 gal.	\$/1000 gal.	\$5.65	\$6.00	\$6.50	\$6.75	\$7.23
Over 6000 gal.	\$/1000 gal.	\$5.80	\$6.10	\$6.50	\$6.75	\$7.23

## Haskell Station Road Financial Feasibility

1				4 of 5 connections or 80% agreed to take service (exceeds old and new policy)
2	\$	7,500		WCSA Cash Contribution (\$1500 / 5)
3	\$	185,830		Total Loan (4,700' of line)
4	\$	130,081		Extension (70% or 3,300') (does not include cash contribution)
5	\$	32,520		Cost / Connection (4) (exceeds current policy)
6	\$	55,749		Replacement (30% or 1,400')
7	\$	3,097		Cost / Connection (18)
8				
9	\$	130,081		Loan Amount for Extension Only
10	\$	6,214		Annual Debt Service Payment (2.5% for 30 years)
11	\$	1,698		Annual Revenue (for comparison) (payment is \$4,516 more than revenue)
12	\$	56,367		Interest on Loan (43% of the loan amount)
13	\$	186,448		Principal and Interest (P&I)
14				
15	\$	1,150	4	Connection Fee Revenue
16	\$	181,848		P&I less Connection Fee Revenue (amount to be funded by all users)
17	\$	50,933	4	Monthly Project User Income (30 years) <u>(primarily reserved for O&amp;M)</u>
18	\$	130,915		P&I less Connection and Monthly User Fee Revenue
19				
20	?			growth (connection fee) revenue (needs to meet or exceed value in line 16; 45 connections;
21				22.7 connection per mile in existing system; 72/mile needed here @ 45/3,300')
22				
23	?			Replacement of Line (added to replacement of all lines, pumps, tanks and treatment)
24				
25				<u>Result:</u> a project that appears to never pay for itself and always relies on the rest of the
26				system for subsidy.
27				<u>Danger:</u> If too many projects like this arise, it appears WCSA cannot continue without
28				rate increases to make the system self sufficient.
29				<u>Historically:</u> waterline extension projects have averaged \$38,699 /connection.

Current WCSA Bad Debt

1,721 Accounts	\$ 232,258
84 Greater than 4 month water and sewer deposit	\$ 79,637
334 Greater than 4 month water deposit	\$ 57,211
1,303 Less than 4 monthwater deposit	\$ 95,410
128 Greater than 3 month water and sewer deposit	\$ 94,071
1,083 Greater than 3 month water deposit	\$ 66,034
510 Less than 3 monthwater deposit	\$ 72,153

**Four month deposit:**

Water \$154.16 and Sewer \$238.80 (if applicable), for a total of \$392.96.

Damascus water and sewer: \$141.80 for a total of \$295.96 in-town and out-of-town is 265.20 for a total of \$419.36.

**Three month deposit:**

Water \$115.62 and Sewer \$179.10 (if applicable), for a total of \$294.72

Damascus water and sewer: \$106.35 for a total of \$221.97 in-town and out-of-town is \$198.90 for a total of \$314.52.

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The August 24<sup>th</sup> Recessed Meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 5:29 PM.

**ROLL CALL**

Commissioners Present:

Mr. Joe Chase, Chairman  
Mr. D.L. Stout, Vice President  
Mr. Prince Coleman  
Mr. Devere Hutchinson  
Mr. Dwain Miller  
Mr. Frank Stephon, IV

Commissioners Absent:

Mr. Kenneth Taylor

WCSA Staff Present:

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

Also Present:

Mrs. Dawn Figueiras, General Counsel

**3. Approval of the Agenda**

Mr. Cornett had no additions or corrections to the Agenda. Mr. Miller motioned to approve the Agenda. The motion was seconded by Mr. Coleman and approved with a Board vote of 6-0-0-1.

**4. Consideration of Rates, Fees and Charges and Revenue Requirements**

***Mr. Cornett***

Mr. Cornett referred the Board to the report on WCSA's Rates, Fees and Charges, revenue requirements and alternatives on postponing the fifth year installment in light of current economics located in the Board packet.

In 2009, we began implementation of a 5 year Rate, Fee and Charge Plan increasing the Water System fee each year for 5 years. Monthly fees for both water and sewer increase each year for 5 years and the Sewer System fee increasing for the first 3 years. We are now in the 4<sup>th</sup> year of the 5 year plan. We revised the 5 year plan in 2011 because of fewer new connections being sold than was estimated in 2009.

The purpose of the 5 year Rate Plan was to address revenue requirements WCSA envisioned needing over that 5 year period, knowing that some of the projects envisioned in 2009 may extend beyond that 5 year window. The Cost of Service Method was the method chosen by the Board for implementation, meaning customers pay for the service they receive. The rate, fee or charge a customer pays is for that specific service and not being subsidized by another customer group or class.

In 2011 that Rate Plan was adjusted and monthly user fees have increased subsequently so we are not working towards a full or true Cost of Service Method for rate making but somewhat of a hybrid approach at this point.

Cost of Service Rate, Fee and Charge Plan divides all expenses into two categories; growth or non-growth. Growth related expenses are capital projects that add capacity to the water or sewer system. Non-growth projects are anything but the capital projects that add capacity. The Connection Fees and Monthly User Fees are the two revenue sources making up 94% of the total revenue. The remaining 5% is made of miscellaneous services like reconnect fees, transfer of service and lift for non-payment.

The Connection Fee in theory is to pay for all growth related expenses and the

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User Fee pays for other expenses. All this information is a re-cap of what we began in 2009, Mr. Cornett stated.

There are several reasons for the Cost of Service Rate Making Plan but most notably we felt this was the best long term strategy for WCSA financially. It requires new customers in the system to cover growth related costs which they caused; leaving Monthly User Fee monies available of operation and maintenance of the system. Our water system is 100 years old and much of the early system has been replaced. This keeps monthly user fees available for replacement of existing infrastructure. As many of you know having seen reports from the American Society of Civil Engineers, according to the AWWA and EPA, the water and wastewater infrastructure in this country is in poor condition, most receiving a D or D- rating. Other utilities are looking at options for taking care of their systems and are moving to a Cost of Service approach to rate making.

However, since 2008 when we began the Rates, Fees and Charges Study, the economy has not done what we hoped. We are trying to be mindful of our current customers and prospective customers and their ability to manage a new connection or Monthly User Fee. Because of this, we decided we would discuss the possibility of postponing the fifth installment of the System Fee. We can also discuss postponing the fifth installment of the Monthly User Fee increase, if that be the Boards pleasure.

This report is primarily based on postponing the fifth Water System Fee installment, Mr. Cornett explained.

Mr. Cornett went on to say, to delay the fifth installment of the Monthly User fee, we must also reduce our revenue requirements; which are outlined in the

report. Contributions to reserves, planned capital improvements projects, outstanding debt and operating and maintenance expenses make up 100% of WCSA's revenue requirements.

Alternatives that could be considered are reducing reserve contribution and or tabling some planned capital improvement projects.

Mr. Cornett then added; there are some issues with delaying capital improvement projects as we have legal obligations to both existing and prospective customers. If we delay a project that is funded by an outside agency, we are likely to lose that funding. If we lose the funding, we would have to apply for funding in the future and may have a harder time securing funding later.

Mr. Cornett continued saying; WCSA's outstanding debt can only be reduced as we retire the debt, so we have no immediate control over that.

According to Mr. Cornett, operation and maintenance is the most expensive areas of our business. We currently have six vacant positions budgeted; Operations Manager, Sewer Crew Chief, Sewer Equipment Operator, Sewer Crew Member, Meter Technician and Customer Service Representative. If we delay filling these positions, it will lesson our revenue requirements.

Mr. Cornett continued saying, replacement of galvanized line is expected to save the Authority revenue. The auditing and corrections of water being consumed through unmetered fire lines will either increase revenue or decrease revenue requirements.

Mr. Cornett said another alternative is to increase Monthly User Fees. This appears problematic for at least two reasons. First is the economy; folks are no better off when it comes to paying the



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monthly bill. Second, using Monthly User Fee revenue to pay for significant growth related cost is short sided and in the long-term.

Mr. Cornett said review of policy was something we are doing, more specifically the Landlord Tenant Policy. Liens and deposits will cover the bad debt out customers historically have left to us. Over time our bad debt runs in the \$4,000 to \$5,000 range that we wright off each month.

The goal needs to be at least \$80,000 a year in annual savings to cover the System Fee increase we were expecting next year, Mr. Cornett stated

Mr. Cornett then gave his recommendations to the Board.

Recommendation 1:

Projects I feel we need to proceed with and are under construction. These projects are; the South Fork Intake and Middle Fork Drinking Water Expansion, Galvanized Line Phase 1, Exit 13 Wastewater Collection Project Phase 1, Exit 13 Force Main Project, Reedy Creek Road Water System Improvement Project and BVU to WCSA Water Switchover Project.

Recommendation 2:

The next group of projects are planned Capital Improvements Projects that are either fully grant funded, partially grant funded or we believe will become grant funded. The projects that are fully grant funded are; Mendota Area Water System Improvement Project, Hillandale Road Water System Extension Project, Red Fox Lane Water System Extension Project, North Fork River Road at Tumbling Creek Road Water System Extension Project, Oak Park Sewer System Expansion Project, Sutherland Water System Extension Project and Childress Hollow Road Project. We believe the Hidden Valley Road Water

System Extension Project will also be fully grant funded. The Green Springs Road Project is 50% grant funded at this point. We propose continuing with these projects due to the grant funding involved, Said Mr. Cornett.

Recommendation 3:

Mr. Cornett then proposed WCSA should continue with all our planned Capital Improvements Projects. Reapplying for funding for these projects could take years if we were able to get them funded. Though we have a greater responsibility to the existing customer, some of the existing Capital Improvements Projects can be delayed more easily than can these projects including; Tumbling Creek Road South Water Extension Project, Rich valley / Whites Mill Road Water Extension Project, Nordyke Road Water System Extension and Exit 13 Phase 2A (not currently funded). We have User Agreements in hand for Exit 13 Phase 2A.

Recommendation 4:

The next group Mr. Cornett discussed were Planned Capital Improvements Projects that are in the study phase are cash funded and nearly complete. These projects include; Abingdon Water Storage Tank Improvements Study, Emory / Meadowview / Glade Spring Sewer Capacity Study, Chilhowie WCSA Water Treatment Plant Study, Mid-Mountain Zone Water System Improvements Study, Larwood Acres / Exit 1 Sewer Feasibility Study and Hidden Valley Study.

Recommendation 5:

Mr. Cornett also recommended continuing with the Planned Capital Improvement Project that is nearly complete and cash funded; the WCSA Sewer Use Rules and Regulations Washington County Code Update.

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Recommendation 6:

The next group of projects discussed were projects Mr. Cornett proposed stopping or freezing work on. These projects include; Monte Vista Drive / Route 91 Water System Improvements Project, Route 58 Corridor Water System Improvement Project, Smyth Chapel Road Water System Improvement Study, Galvanized Line Phase 2 (funded by Rural Development) and Galvanized Line Phase 3 (funded by Rural Development). All the above listed projects may have some regulatory implications in that the studies that have been done have identified issues that need to be resolved for Waterworks Regulations.

Additional projects Mr. Cornett proposed freezing or stopping work on were: Eastern Washington County Water Study, Lee Highway / Clear Creek Water System Upgrade Project, Abingdon Water Storage Tank Improvement Project and Mid-Mountain Water System Improvement Project. He explained the Abingdon Water Storage Tank Project also has a past funding implication in that when the Town of Abingdon applied for funds for the Taylor Hill Neighborhood Revitalization Program, some of the matching funds that made the Town eligible were Whites Mill Road Water System Improvements Project and the upgrade of the Abingdon water storage tanks. I suppose the funding agency or regulatory agency that gave the Town the project grant could resend those funds if the matching funds aren't expended, said Mr. Cornett. Mr. Cornett went on to discuss the Mid-Mountain Zone 108 Water System Improvement Project saying with the addition of the Regional Jail, Harmony Hills and Johnston Memorial Hospital, the demand for water has increased

significantly in this zone in the past 6 to 8 years but the significance of these customers makes it important that we keep water supplied to this zone.

Mr. Chase asked if the Fox Fire Project was low priority for a grant.

Mr. Cornett said; grant prospects for Fox Fire are probably low. We can solicit User Agreements and make sure people know the project may be well in the future to verify interest. Mr. Cornett said he was concerned about securing User Agreements on a project that may be years out. This project is grouped as a sewer project and not a water project because we do not have funding and have no signed user agreements, he explained.

Mr. Chase asked if Phase 2 on Lee Highway would pick up residential customers.

Mr. Cornett explained Anderson and Associates subdivided Phase 2 into five sub-phases and there may be about six potential residential customers in the Phase 2A area. The majority of Phase 2A is commercial. If Phase 2A is successful, we can go in the direction of Abingdon creating different sub-phases of the project. Each phase costs between \$12,000 and \$20,000 per connection. Mr. Cornett said, when we charge \$2,400 per connection (the connection fee for Phase 2) and the cost is \$12,000 to \$20,000 per connection, we are spreading the difference (from \$2,400 to actual cost) to the rest of our customer base meaning it would require an increase in the Monthly User Fee to make those projects a reality, unless we are able to secure grants for them. Not listed on this report; the Emory, Meadowview, Glade Project, is wrapping up. There are about four projects that we believe have to potential to be grant funded and will add 500

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connections to our sewer system. If we are able to add those services through grants, we are able to provide much needed service to those areas and add them without increasing revenue requirements, Mr. Cornett added. The revenue generated from these new customers will help us do other work in the sewer system. There are other projects in the Damascus area that can work the same way. If we are able to secure grant funding for those projects, the revenue they generate can be used to pay down debt or to pay for other capital needs.

Mr. Chase said, when we received tobacco monies to get sewer service to Oak Park, we are obligated to continue with that project.

Mr. Cornett said yes; Oak Park and Exit 13 Phase 2A overlap. Phase 2A extends a line from Oak Park to the airport with branch lines from Oak Park to Lee Highway, servicing new customers in that area. Oak Park is on the list to proceed. Oak Park and Phase 2A are projects we need to move forward with if we receive enough participation. Participation is now better than 48% for the Phase 2A Project.

Mr. Chase asked if we postpone the fifth Monthly User Fee installment, which amounts to \$80,000; will that then affect all these projects?

Mr. Cornett answered; these projects have not yet gone to construction and will require loan funding and an increase of revenue requirements. We can still pick some of these projects to move forward with and still postpone the fifth year increase. We as a Staff have not tried to pick and choose which projects go and which stop. I show them in the stop category is because their progress is all similar, and they more than help us meet the decrease in revenue

requirements we need to meet. We can further divide Group 6 (Recommendation 6 above) to help us determine which projects we continue with.

There was a brief discussion about the different projects and their phases.

Mr. Chase then mentioned the Town of Abingdon study.

Mr. Cornett said he expected that study to cost from \$100,000 to \$200,000 and said he did not know how the cost would be divided between the Town, County and Service Authority. He went on to say he thought the study would begin this fiscal year but not finish until next. Mr. Cornett said there was money allotted in the Operating Budget for a Strategic Planning Study and he suggested using those funds for the Town of Abingdon Study and replacing those monies later.

Right now, it is a struggle to prioritize projects or to know which projects to move forward with, Mr. Cornett stated. The total savings proposed in this draft report would be \$1,000,045.

The Galvanized Line Phase 2 Project is essentially designed and should be ready for bids within 2 months. It is funded by Rural Development and so is the project that is most ready to "Go" at this point. This project may also solve the greatest number of problems we have, so we may want to put this project into a "Go" category, Mr. Cornett added.

Recommendation 7:

Mr. Cornett would like to continue applying for grant funds for projects identified on # 7 of the Report: Hidden Valley Road Water System Extension Project recommended by the Study currently underway and mentioned in Section 4 (Recommendation 4 above) Eastern Washington County Water Study, Smyth Chapel Road Water

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System Improvement Study, Emory/ Meadowview / Glade Spring Sewer Capacity Projects that are recommended by the Study currently underway and mentioned in Section 4 above and Larwood Acres / Exit 1 Sewer Feasibility Project that are recommended by the Study currently underway and mentioned in Section 4 above.

**Recommendation 8:**

Delay filling the open positions as mentioned previously.

**Recommendation 9:**

Subject to or in conjunction with Strategic, Financial and or Comparable Planning initiatives or studies, we can reconsider the status of planned capital improvements projects, filling open WCSA positions and Revenue Requirements with the Rate, Fee and Charge Study that is scheduled to begin in August 2013 and is to be effective July 1, 2004, Mr. Cornett added.

**Recommendation 10:**

Mr. Cornett then explained, we also need to consider the economic indicators. The new housing starts that we discussed in August in the Building Permit Report may be a good indicator of our local economy. Indicators are good reference points, but have nothing to do with Revenue Requirements of the utility. While I think we should be sensitive to the economic environment, we still must take care of our system. Our Rates, Fees and Charges are what they are because we have done a good job taking care of our system through the years. As you know, some of our neighboring utilities haven't and are now having to raise their rates significantly to catch up.

Mr. Cornett then referred to a handout showing the 2012 Southwestern Virginia Connection Fee results composed from a study done by Draper Aden and Associates (see attached). The counties

shown on this handout except Botetourt, extend west from Roanoke. WCSA is slightly higher at present.

Mr. Chase said we are higher than anyone adjoining us.

Mr. Cornett said; we are. As our Rate, Fee and Charge study shows, if you combine our Connection Fee with our Monthly User Fee and look at it over a 30 year period, we rank 20 out of 39. If you compare that to the median household income we are lower, ranking 18 of 39; so we are well below the median in immediate Southwest Virginia.

Mr. Chase said most do not look at that 30 year period.

Mr. Miller asked if this information was based on 2011 charges. Mr. Cornett answered yes it was based on last year's charges.

**Recommendation 11:**

We must also consider legal responsibilities associated with planned capital improvement projects; what must be done and by when to meet compliance standards, said Mr. Cornett.

Mr. Cornett used galvanized line replacement as an example. He said, we told the Virginia Department of Health several years ago; replacing galvanized line was one of the things we needed to do in order to comply with non-revenue water regulations.

**Recommendation 12:**

For the purpose of prioritizing WCSA's Capital Improvements Plan annually, Staff can develop a "statement of need" (SN) for each current and future capital project to identify all regulatory issues, impacts on customers and system, timing as relates to regulatory and impacts and all cost associated with the project, offered Mr. Cornett.

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Mr. Chase asked about the Connection Fee associated with the Fox Fire Project. Mr. Cornett said he recalls that Connection Fee was under \$20,000 per connection. In the most recent cost estimate done by Anderson and Associates for projects in Phase 2 and 3, all Connection Fee costs were under \$20,000 per connection. The Connection Fee was reduced to under \$20,000 per connection for Phase 2A because the Oak Park grant paid for the line.

Mr. Cornett said, all the savings identified in Recommendations 6 and 8 total \$1,000,045 which is more than we need in the next fiscal year so we have the opportunity to add projects back.

In Recommendation 8; three of those positions are waste water positions that we may not need if we are able to work something out with the Town of Abingdon.

Mr. Miller asked if we could maintain the Town of Damascus system with the man power we have there now.

Mr. Cornett said the issue is if you consider the number of connections and miles of pipeline we maintain versus our neighboring utilities; we are already short on maintenance manpower. Overtime, it impacts our response time for trouble, but we can make it work and are happy to do so. Since we decided to proceed with timely cut-offs, our Meter and Customer Service Department is working extra hard and on limited employees. We will benefit in the long run as it reduces our bad debt, but we sometimes borrow from maintenance to help the meter when needed. Our water, sewer and meter departments also borrow from maintenance when needed. So we can make it work for a while, Mr. Cornett added.

Mr. Hutchinson asked, in light of the new law that was passed regarding

landowners; what kind of additional burden will that put on customer service if we proceed with resolving the issue with landowners and tenants.

Mr. Cornett said the Landlord Consent to Serve form was the only additional paperwork involved for customer service.

Mrs. Harold then discussed collecting and returning the customer deposits saying customer service had to notify landlords with the tenant letter but deposits are maintained completely by the system. A customer's final bill is taken out of their deposit; that eliminates us having to send a final bill, eliminating some of the work for customer service. If the deposit does not cover a customer's final bill, there is additional customer notification that has to be done by customer service. There is also additional work notifying landlords when customers are 15 days past due.

Mr. Figueiras said; it may actually serve to decrease the amount of work for customer service in terms of notifications for cut-offs and scheduling cut-offs, taking payments and last minute calls for payment or reconnection if the landlord is notified when tenants are past due.

Mr. Hutchinson said; one thing that should help is not having consecutive extensions on past due notices and should help and should help increase revenue.

Mrs. Herald said she thought the greatest savings would be in customer service's collection efforts.

Mr. Chase asked if there were any additional comments or questions regarding the Rates, Fees and Charges.

Mr. Cornett asked if the Boards would like Staff to rank the projects listed on Recommendation 6 in order of priority. The Board agreed that they would be

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interested to see a ranking of projects with an emphasis on regulatory requirements and dollar amounts associated with each project.

**5. Discussion of Public Relations Ideas  
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Mr. Cornett began saying; from 2003 to 2007, we had a media and public relations firm who provided service to WCSA. They were responsible for the development and upkeep of our website, developing press releases about our notable achievements and or accomplishments and distribution to local media outlets. They also produced a video called "Know Your H2O" used in the school system. They developed an economic brochure designed to inform incoming businesses or industries about the utility that was to serve them. For various reasons, that relationship deteriorated and we discontinued their services.

Mr. Cornett went on to say that some of the Board members have expressed concerns that issues the public may have had with WCSA is from a lack in our efforts in the area of public relations. Mr. Cornett stated his desire to publish quarterly newsletter sent to customers with our bills.

Mr. Cornett said WCSA could attempt to procure for public relations services and see what firms may have to offer.

Mr. Chase suggested the Board look at hiring a firm to represent WCSA in the area of public relations.

There was a brief discussion among the Board regarding public mis-perception of WCSA and how a public relations firm would help with public communication.

Mr. Miller suggested WCSA solicit for proposals from public relations firms. Mrs. Figueiras said, from my experience

there is a wealth of knowledge and experience in this room on how to operate a water and sewer system but not a lot of knowledge or experience getting that message out the community.

The Board briefly discussed some common misconceptions the community had about the Authority.

The Board agreed that Staff could procure for public relations services.

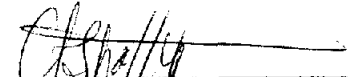
**6. Late Items Mr. Cornett**

There were no late items to be discussed.

**7. Adjourn or Recess**

Mr. Hutchinson motioned to Adjourn the meeting at 6:57 PM. Mr. Coleman seconded the motion and the Board approved with a vote of 6-0-0-1.

  
\_\_\_\_\_  
Mr. Joe Chase, Chairman

  
\_\_\_\_\_  
Carol Ann Shaffer, Assistant Secretary

2012 SWVA Connection Fee

Utility/Locality	Tap	System Fee	Total
Blacksburg	\$ 1,692	\$ 582	\$ 2,274
Bedford	\$ 1,000	\$ 2,250	\$ 3,250
Bedford City	\$ 795	\$ 2,000	\$ 2,795
Botetourt	\$ 1,000	\$ 3,000	\$ 4,000
Floyd County		\$ 1,000	\$ 1,000
Montgomery County	\$ 725	\$ 2,500	\$ 3,225
Radford	\$ 1,000	\$ 510	\$ 1,510
WCSA	\$ 1,200	\$ 3,360	\$ 4,560
Roanoke City	\$ 2,000	\$ 2,500	\$ 4,500
Roanoke County	\$ 2,000	\$ 2,500	\$ 4,500
Franklin County	\$ 2,000	\$ 2,500	\$ 4,500
State Average			\$ 3,165
State High			\$ 21,500
State Low			\$ 160
State Median			\$ 2,500