

**Washington County Service Authority Board of Commissioners
January 23, 2012 Regular Meeting Minutes**

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 7:01 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

Commissioners Absent:

Mr. Frank Stephon, IV

WCSA Staff Present:

Robbie Cornett, General Manager
Kimberly Harold, Controller
Carol Ann Shaffer, Administrative Assistant
Mark Osborne, Technical Manager

Consultants Present:

Bobby Lane, PE, The Lane Group, Inc.
Kevin Heath, PE, Adams-Heath Engineering
Stevie Steele, PE, Anderson & Associates

Also Present:

Mrs. Dawn Figueiras, General Counsel
WCSA Employees

3. Approval of the Agenda

Mr. Cornett proposed an Amended Agenda to allow Dr. Fowlkes the opportunity to address the Board following Closed Meeting.

Mr. Hutchinson approved the addition to the Agenda, followed by a second from Mr. Stout and approval of a 6-0-0-1 Board vote.

4. Public Query & Comment

There was no Public Query & Comment.

5. Approval of the Consent Agenda

- Routine Reports for December 2011.
- Financial Statement for December 2011.
- Check Register and General Manager Financial Report for December 2011.

Mr. Miller made the motion to approve the Consent Agenda. The motion was seconded by Mr. Coleman and was approved by a 6-0-0-1 Board vote.

6. Engineer's Report and Update

Mr. Bobby Lane of The Lane Group, Inc. (TLG) reported on the following projects:

- **Drinking Water Treatment Plant Expansion (6.6 MGD to 12 MGD) and Raw Water Intake**

Mr. Lane reported that work on the plant is on schedule. Walls have been placed and buildings are being erected. Contractors are fighting high water and a lot of rain setting back the work. We are planning to begin the directional bore from the lake to raw water pump station tomorrow (1/24/12). There is concern because the lake will begin to fill up in the later part of March, so contractors must be out by that time.

- **Raw Water Line**

Mr. Lane said this project is finished with the exception of final grading. We have met with the raw water line contractor state utilities. They are planning on completing the work on the Gray Property within a week or so.

- **Bristol Area Water Restructuring Project**

Mr. Lane held the pre-construction conference with the contractor on January 16 and are now ready to issue the prepared Notice to Proceed as soon

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as the Erosion and Sediment Control Permit has been issued by the County. We expect that permit to be issued within days. Materials have been delivered to the site so the project will be up and going soon.

- **Exit 13 Force Main Project Phase 1 (formally Exit 14 Project)**

Mr. Lane reported that the pump station work continues, there is one crew working on Contract 2B and expect to add another crew shortly. Another contractor is planning to start work on March 1st with two crews. There will be a total of about five crews working on the Exit 13 Sewer project by the middle of March.

- **Galvanized Line Replacement Project**

Mr. Lane reported that Division 1 at Glade Spring lacks one concrete drive way from being finished. Contractors are working on the punch list for original contract for Division 2 project. Mr. Jones will continue to work through winter on Division 3 and has completed a significant amount of paving.

Mr. Lane referred to the map placed at the Board's Stations to discuss relocation of water meters near Barter Drive. According to Mr. Lane, one goal of the Galvanized Line Project is to move meters back to the property line that divides private and public property. Rural Development; due to program requirements, is unable to pay for the replacement of water service lines on private property. Rural Development funding will cover the cost of meter relocation, the main line and the service line from the main line to the meter. Mr. Lane presented three change orders (see attached) to the Board for approval of funds that would pay the cost of replacing service lines not covered by Rural Development. Mr. Taylor made a

motion to approve all three change orders, Mr. Hutchinson seconded the motion and the Board approved with a 6-0-0-1 vote.

- **Mid Mountain Water System**

Mr. Lane submitted the PER to WCSA for review. The PER calls for a new one million gallon tank interconnection with the Whites Mill Zone and the replacement of inadequate water lines allowing adequate water service to Mid Mountain Zone 108.

- **Western Washington County Sewer Study**

The Tobacco Commission has approved funding in the amount of \$3,892,700 for the Oak Park Sewer System Project. Sara Williams, at the Tobacco Commission, worked closely with the WCSA staff and General Manager to put the grant application together and was instrumental in helping secure those funds. Currently, Oak Park has very little sewer capacity. This project will allow Oak Park the sewer capacity of 500,000 gallons per day.

Mr. Lane invited questions from the Board. Mr. Miller asked if the current projects would be finished on time. Mr. Lane said construction at the water plant was on schedule and the BVU switchover was a little ahead of schedule. Mr. Lane said his only area of concern was the Intake Project. Mr. Lane stated that with the efforts of the contractor and a break in the weather, he felt the project would be on time. If it isn't, Mr. Lane added, we have a permit allowing WCSA to use up to 12 million gallons a day from the Middle Fork of the Holston River.

Mr. Cornett and Mr. Chase offered their appreciation to Mr. Lane for his efforts in securing the grant from the Tobacco Commission.

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After the Board questioned the progress of the BVU switchover, Mr. Lane stated the contractor has not started construction yet. The pipeline and material are on site and the contractor plans to start work next week.

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

• **Whites Mill**

Mr. Heath reported that all the main line is in place. The contractor will be working this week on completing the bacteriological testing of the main line extensions. They will then switch over the remaining customers and abandon the six existing pump stations and expect to be wrapping up with the project by the end of January or first of February. They have a pay request meeting scheduled next week and expect to issue final completion on Contract 2 (the pump station), Contract 3 (the water storage tank) and be able to close out both contracts with no change orders.

• **Abingdon Tank**

Mr. Heath said Liquid Engineering Corporation is scheduled to do the interior inspections in conjunction with other work they will be completing for WCSA at the end of January or first of February.

• **Green Springs**

Mr. Heath has completed the draft set of plans for submittal to WCSA for review, and will move forward to obtain the necessary Health Department permits after the plans are approved.

Mr. Stephen Steele of Anderson & Associates

• **Exit 13 Sewer Project Phases 2 & 3**

Mr. Steele has submitted the PER to WCSA for approval. Phase 2 has been broken down into five sub-phases, and Phase 3 into two sub-phases; as the sub-

phases will be easier to manage. It may also open up funding options for the different sub-phases, allowing WCSA to better serve their customers. A portion of Phase 2 will be funded by the Tobacco Commission, allowing WCSA to keep the \$20,000 per connection threshold. Mr. Cornett stated that the Board has given authorization to proceed on Phases 2A and 3.

7. Water & Wastewater Construction Projects Report and Update Mark Osborne

• **South Fork River Crossing**

Mr. Osborne said work continues, but is slower than anticipated due to high river levels. He reported that the contractor has installed about 207 linear feet of water line, with approximately 80 linear feet of line yet to be installed (about 70% complete). He anticipates the project will be complete, weather permitting, by the February Board Meeting.

Mr. Osborne also reported that the WCSA staff has received Statement of Qualifications (SOQ) for Professional Engineering Services from engineering firms for procurement. Staff is in a process of review and plans to meet early February to discuss findings and a short list for interviews.

8. General Manager's Report & Update Robbie Cornett

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

- Produced little more than 185 million gallons of drinking water.
- Continued coordination and support of the expansion of our Middle Fork Drinking Water Plant.

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Distribution

- Coordinated the outside purchase of more than 15 million gallons of drinking water.
- In total, 6.475 million gallons per day (MGD) of drinking water was distributed to our customers, the lowest amount since December of 2005.
- In 2011 our average water distributed was 7.3 million gallons per day. This is up 100,000 gallons per day from one year ago.
- Continued coordination and support of WCSA's ongoing capital projects.

Meter Department

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

Customer Service

- \$3,240 was abated for 86 customer water leaks.
- \$2,637.95 was written off as bad debt, three years old.
- 7 water taps applied for.
- 0 wastewater taps applied for.
- 134 reconnections/transfers of service.
- Late charges were added to 4,026 accounts.
- 1,301 disconnect notices were processed.
- 17 disconnects for non-payment.

Maintenance

- Repaired 33 leaks and 9 major breaks.
- 3 water taps.

- 73 after hour maintenance call-outs assisting in Capital Improvement Projects.
- Assisting Galvanized Line contractors with mainline taps and ongoing prospecting.
- Replaced one to two pumps at Taylors Valley.
- Replaced a pump at Stone Mountain.
- Relocated two hydrants on the Case property. Mr. Case sent an appreciation letter for that.

Wastewater

- Treated more than 10 million gallons of wastewater.

Administrative Items

- Congratulations go out to April Helbert who successfully passed her licensing examine and is now a Professional Engineer (PE).
- I would like to welcome Carol Ann Shaffer to the WCSA team.
- December resulted in no changes to the nonresidential connection fees that are pending or paid.

9. Consideration of Assistant Secretary Vacancy *Robbie Cornett*

Mr. Cornett asked the Boards consideration in appointing Mrs. Shaffer as the Assistant Secretary to the Board of Commissioners.

Mr. Coleman motioned the Board to approve Mrs. Shaffer for the Assistant Secretary vacancy. The second was made by Mr. Stout and approved by a Board vote of 6-0-0-1. The Board welcomed Mrs. Shaffer to the position of Assistant Secretary.

10. Closed Meeting

Mr. Hutchinson moved that the Board adjourn to Closed Meeting in accordance with the Virginia Freedom of Information Act, Code of Virginia Section 2.2-3711 Paragraph (A) (1):

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Personnel, 1. To discuss and consider prospective candidates for employment, assignment, appointment, performance, demotion, salaries, disciplining or resignation of employees of the public body, Code of Virginia Section 2.2-3711 Paragraph (A) (3): Acquisition and Disposition of Property. 2. To discuss and consider the acquisition of real property, Code of Virginia Section 2.2-3711 (A) (5): Prospective Business, 3. Discussion concerning a prospective business, Code of Virginia Section 2.2-3711 (A) (6): Investment of Public Funds, 3. To discuss various Inter-municipal and other agreements, Code of Virginia Section 2.2-3711 Paragraph (A) (7): Legal Advice, 4. To discuss potential litigation. 5. To discuss various Inter-municipal and other agreements. 6. To discuss potential contract litigation. In addition to the Board the presence of Mrs. Dawn Figueiras, WCSA Counsel, and Mr. Robbie Cornett, WCSA General Manager, were requested. A second to the Motion of Closed Meeting was made by Mr. Miller and was approved by Board vote of 6-0-0-1. The Board adjourned to Closed Meeting at 7:40 PM.

Return to Public Session:

Mr. Miller read the following **Return to Public Meeting**; Mr. Chairman, I move that the Board return to Public Session. The motion was seconded by Mr. Coleman and approved by Board vote of 6-0-0-1. The Board returned from Closed Meeting at 8:56 PM. Mr. Hutchinson read the following: **Certification of Closed Meeting**; Whereas, the Washington County Service Authority has convened a Closed Meeting on this date pursuant to an affirmative recorded vote and in

accordance with the provisions of the Virginia Freedom of Information Act. And Whereas, Section 2.2-3712 Paragraph D of the Code of Virginia requires a certification by this Authority that such Closed Meeting was conducted in conformity with Virginia Law. Now, therefore, be it resolved that the Authority hereby certifies that to the best of each member's knowledge, (1) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the Closed Meeting to which this certification resolution applies, and (2) only such public business matters as were identified in the motion convening the Closed Meeting were heard, discussed or considered by the Authority.

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

Dr. Rachel Fowlkes Addresses the Board of Commissioners

Dr. Fowlkes addressed the Board and asked that they allow BVU permission to provide water and sewer to the site at Exit 7. The Chairman asked if anyone wanted to make a motion to grant a variance allowing BVU to provide water and sewer to this site. No motion was made by the Board.

Dr. Fowlkes said she was able to raise funds for two thirds of the cost of replacing the water and sewer lines at the Exit 7 site; one third coming from the property owners and one third from the developer. Dr Fowlkes asked the Board if WCSA would financially subsidize the remaining third of the project. Mr. Cornett reminded the Board of a long held policy not to participate

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financially in the extension of water and sewer services for private development. After a brief discussion, The Board did not motion to subsidize the project.

11. Late Items

Late Item #1: Reallocation of Budgeted Funds Kim Herald

Mrs. Harold requested the reallocation of previously budgeted funds for hydraulics software totaling \$15,000. She proposed that \$10,000 go toward the upgrade of the communication server, and the remaining \$5,000 be spent to upgrade the Board Room sound system.

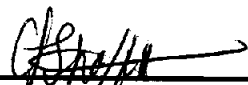
After a time of discussion about the upgrades, Mr. Stout motioned that \$15,000 be reallocated; \$10,000 to upgrade the communication server and \$5,000 to upgrade the Board Room sound system. Mr. Taylor seconded the motion and the Board approved with a 6-0-0-1 vote.

12. Adjourn or Recess

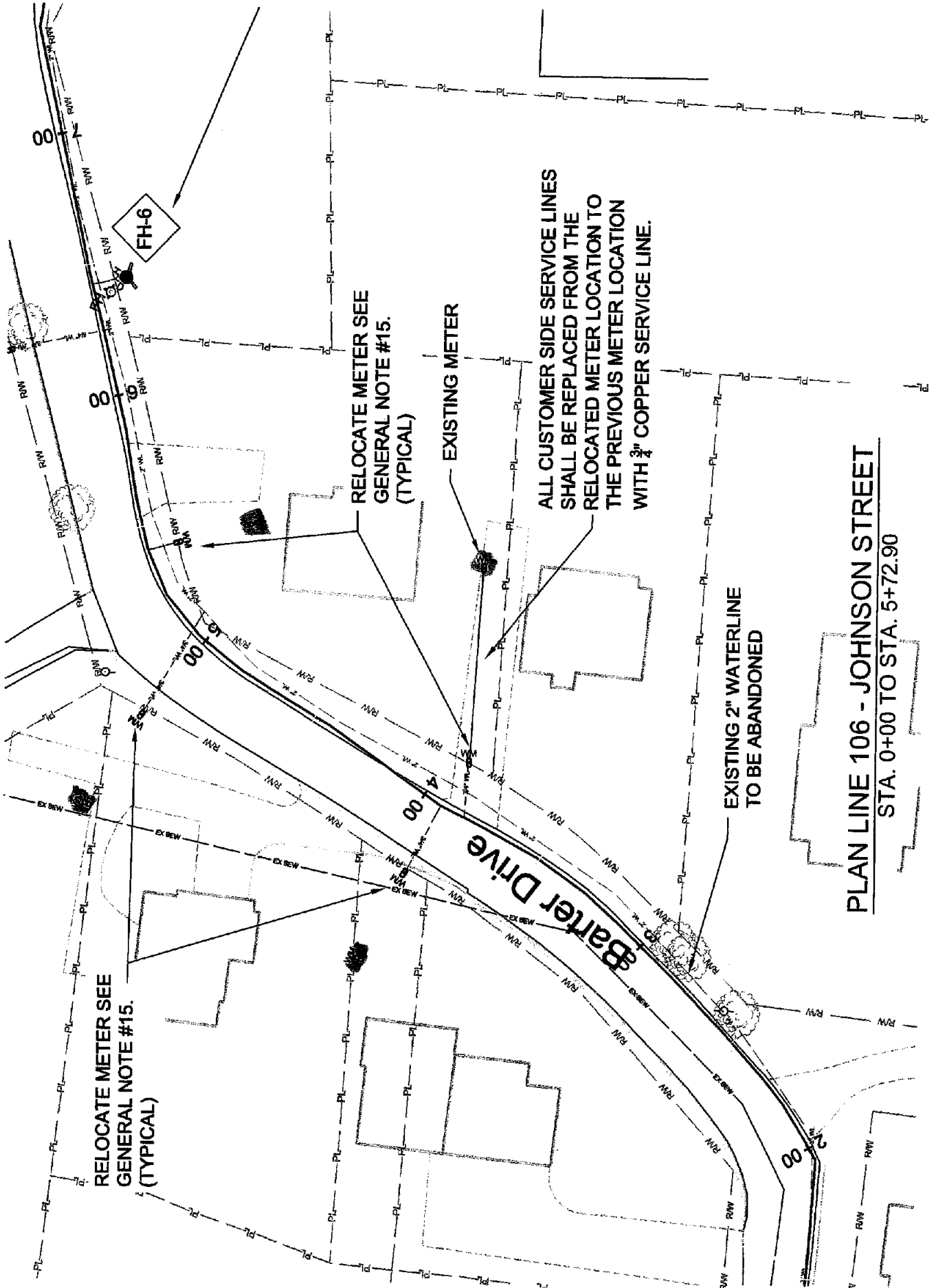
Mr. Cornett asked the Board to consider recessing the meeting until February 27 at 5:30 PM to allow time for a Budget Rate and Charge Workshop. Mr. Taylor motioned to recess, Mr. Hutchinson seconded and the Board approved with a vote of 6-0-0-1.



Mr. Joe Chase, Chairman



Carol Ann Shaffer, Assistant Secretary



RELOCATE METER SEE
GENERAL NOTE #15.
(TYPICAL)

RELOCATE METER SEE
GENERAL NOTE #15.
(TYPICAL)

EXISTING METER

ALL CUSTOMER SIDE SERVICE LINES
SHALL BE REPLACED FROM THE
RELOCATED METER LOCATION TO
THE PREVIOUS METER LOCATION
WITH $\frac{3}{4}$ " COPPER SERVICE LINE.

EXISTING 2" WATERLINE
TO BE ABANDONED

PLAN LINE 106 - JOHNSON STREET
STA. 0+00 TO STA. 5+72.90

Change Order

No. 1

Date of Issuance: December 19, 2011 Effective Date: December 19, 2011

Project: Galvanized Waterline Replacement – Phase I	Owner: Washington County Service Authority	Owner's Contract No.:
Contract: Division 1		Date of Contract: 1/31/2011
Contractor: Classic City Mechanical		Engineer's Project No.: 1029

The Contract Documents are modified as follows upon execution of this Change Order:

Description: **Following meter relocation, Contractor shall install ¾" copper service line (Item 13, \$10.80 per LF) From new meter location to previous meter location and reconnect service. Estimated quantity of 2,000 LF. Cost to be paid for directly by the Washington County Service Authority.**

Attachments: (List documents supporting change):

Excel spreadsheet showing net change in contract price of \$21,600.

CHANGE IN CONTRACT PRICE: **CHANGE IN CONTRACT TIMES: NONE**

Original Contract Price: \$ 986,794.85

Original Contract Times: Working days Calendar days
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

[Increase] [Decrease] from previously approved Change Orders No. N/A to No. _____: \$ N/A

[Increase] [Decrease] from previously approved Change Orders No. _____ to No. _____:
Substantial completion (days): _____
Ready for final payment (days): _____

Contract Price prior to this Change Order: \$ 986,794.85

Contract Times prior to this Change Order:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

Increase of this Change Order: \$ 21,600.00

[Increase] [Decrease] of this Change Order:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

Contract Price incorporating this Change Order: \$ 1,008,394.00

Contract Times with all approved Change Orders:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

RECOMMENDED:	ACCEPTED:	ACCEPTED:
By: _____ Engineer (Authorized Signature): THE LANE GROUP	By: _____ Owner (Auth. Signature): Washington Co. Svc. Auth.	By: _____ Contractor (Authorized Signature)
Date: _____	Date: _____	Date: _____
Approved by Funding Agency: USDA-RD _____		Date: _____

You are hereby requested to comply with the following changes from the Contract Plans and Specifications:

Description of Changes (Supplemental Plans and Specifications Attached)	DECREASE in Contract Price	INCREASE in Contract Price
<u>Waterline - Base Contract Adjustment</u>		
<u>Additional Work for Change Order No. 1</u> 3/4" service line, in place, complete (from relocated meter to previous meter location; i.e. the property owners side of the meter) (2,000 LF @ \$10.80 per LF)		\$21,600
TOTALS	\$ -	\$ 21,600.00
NET CHANGE IN CONTRACT PRICE:		\$21,600.00

Change Order

No. 2

Date of Issuance: December 19, 2011 Effective Date: December 19, 2011

Project: Galvanized Waterline Replacement - Phase I	Owner: Washington County Service Authority	Owner's Contract No.:
Contract: Division 2		Date of Contract: 1/31/2011
Contractor: Classic City Mechanical		Engineer's Project No.: 1029

The Contract Documents are modified as follows upon execution of this Change Order:

Description: **Following meter relocation, Contractor shall install 3/4" copper service line (Item 13, \$10.80 per LF)**

From new meter location to previous meter location and reconnect service. Estimated quantity of 300 LF.

Cost to be paid for directly by the Washington County Service Authority.

Attachments: (List documents supporting change):

Excel spreadsheet showing net change in contract price of \$3,240.

CHANGE IN CONTRACT PRICE:

CHANGE IN CONTRACT TIMES: NONE

Original Contract Price: \$ 1,769,604.00

Original Contract Times: Working days Calendar days
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

[Increase] [Decrease] from previously approved Change Orders No. 1 to No. _____: \$ 11,220

[Increase] [Decrease] from previously approved Change Orders No. _____ to No. _____:
Substantial completion (days): _____
Ready for final payment (days): _____

Contract Price prior to this Change Order: \$ 1,780,824.00

Contract Times prior to this Change Order:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

Increase of this Change Order: \$ 3,240

[Increase] [Decrease] of this Change Order:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

Contract Price incorporating this Change Order: \$ 1,784,064.00

Contract Times with all approved Change Orders:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

RECOMMENDED:	ACCEPTED:	ACCEPTED:
By: _____ Engineer (Authorized Signature): THE LANE GROUP	By: _____ Owner (Auth. Signature): Washington Co. Svc. Auth.	By: _____ Contractor (Authorized Signature)
Date: _____	Date: _____	Date: _____
Approved by Funding Agency: USDA-RD _____		Date: _____

You are hereby requested to comply with the following changes from the Contract Plans and Specifications:

Description of Changes (Supplemental Plans and Specifications Attached)	DECREASE in Contract Price	INCREASE in Contract Price
<u>Waterline - Base Contract Adjustment</u>		
<u>Additional Work for Change Order No. 2</u> 3/4" service line, in place, complete (from relocated meter to previous meter location; i.e. the property owners side of the meter) (300 LF @ \$10.80 per LF)		\$3,240
TOTALS	\$ -	\$ 3,240.00
NET CHANGE IN CONTRACT PRICE:		\$3,240.00

Change Order

No. 1

Date of Issuance: December 19, 2011 Effective Date: December 19, 2011

Project: Galvanized Waterline Replacement – Phase I	Owner: Washington County Service Authority	Owner's Contract No.:
Contract: Division 3		Date of Contract: 2/14/2011
Contractor: Boring Contractors, Inc.		Engineer's Project No.: 1029

The Contract Documents are modified as follows upon execution of this Change Order:

Description: **Following meter relocation, Contractor shall install 3/4" copper service line (Item 13, \$12.00 per LF)**

From new meter location to previous meter location and reconnect service. Estimated quantity of 10,500 LF.

Cost to be paid for directly by the Washington County Service Authority.

Attachments: (List documents supporting change):

Excel spreadsheet showing net change in contract price of \$126,000.

CHANGE IN CONTRACT PRICE:

CHANGE IN CONTRACT TIMES: NONE

Original Contract Price:

\$ 5,181,422.50

Original Contract Times: Working days Calendar days
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

[Increase] [Decrease] from previously approved Change Orders No. N/A to No. _____:

\$ N/A

[Increase] [Decrease] from previously approved Change Orders No. _____ to No. _____:
Substantial completion (days): _____
Ready for final payment (days): _____

Contract Price prior to this Change Order:

\$ 5,181,422.50

Contract Times prior to this Change Order:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

Increase of this Change Order:

\$ 126,000

[Increase] [Decrease] of this Change Order:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

Contract Price incorporating this Change Order:

\$ 5,307,422.50

Contract Times with all approved Change Orders:
Substantial completion (days or date): _____
Ready for final payment (days or date): _____

RECOMMENDED:
By: _____
Engineer (Authorized Signature): THE LANE GROUP
Date: _____

ACCEPTED:
By: _____
Owner (Auth. Signature): Washington Co. Svc. Auth.
Date: _____

ACCEPTED:
By: _____
Contractor (Authorized Signature)
Date: _____

Approved by Funding Agency: USDA-RD Date: _____

You are hereby requested to comply with the following changes from the Contract Plans and Specifications:

Description of Changes (Supplemental Plans and Specifications Attached)	DECREASE in Contract Price	INCREASE in Contract Price
<u>Waterline - Base Contract Adjustment</u>		
<u>Additional Work for Change Order No. 1</u> 3/4" service line, in place, complete (from relocated meter to previous meter location; i.e. the property owners side of the meter) (10,500 LF @ \$12.00 per LF)		\$126,000
TOTALS	\$ -	\$ 126,000.00
NET CHANGE IN CONTRACT PRICE:		\$126,000.00

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The recessed meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 5:35 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. Kenneth Taylor
Mr. Frank Stephon, IV

WCSA Staff Present:

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

Also Present:

Mr. Mark Lawson, General Counsel
WCSA Employees

3. Approval of the Agenda

Mr. Cornett had no corrections to the agenda. Mr. Coleman made the motion to approve the Agenda. The motion was seconded by Mr. Miller and approved with a Board vote of 7-0-0-0.

4. 2012-2013 Budget Rates, Fees and Charges Workshop. Mrs. Harold, Mr. Cornett

Mrs. Harold referred to the two packets presented to the Board. The first is the 2012-2013 Proposed Budget. Mrs. Harold referred to page one, Capital Budgets; Administrative Budgets. Mrs. Harold explained that she and Mr. Cornett meet yearly with Department Managers to access their needs and the managers provide justification of those needs for review, and then are added to the Capital Budget. Mrs. Harold then gave a refresher on how to read the

Capital Budget by discussing the layout of the Capital Budget for the Administration Department. Mrs. Harold explained monies budgeted for the hydraulics software in the Administrative Budget, were reallocated to replace the Board Room sound system and to upgrade the phone system.

The next department Mrs. Harold mentioned was Customer Service, then the Maintenance Department, followed by the Production, Filter Plant and the Distribution Department; then on to the Meter Department, the Sewer Department and Wastewater. She then referred to a new page for the Town of Damascus Operational Expenses. Mr. Cornett explained that WCSA would treat the Town of Damascus as a separate budget item to ensure that everything that needs to be accounted for in the Damascus Budget is being captured. The improvements you see listed are those identified by the Lane Group study and will need to be implemented soon, regardless of who owns the Town of Damascus system.

Mrs. Harold referred to the Capital Projects list which was developed by Mr. Cornett, Mrs. Harold, the Engineering, Distribution and Maintenance Department Managers to determining the financial time line Capital Projects will occur in the fiscal year. She then went reviewed the layout of the Capital Budget. Mrs. Harold explained the Cash Funded Projects were actually cash funded at this moment, but could become Bond Funded Projects in the future. Mr. Cornett added that projects 18, 23, 31 and 38 are projects we expect to seek loan and or grant funding for before they go to construction.

Mrs. Harold discussed the Total Budgeted column for fiscal year 2012

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that showed WCSA expects to spend \$1 million in cash this year, by the end of June and \$1.9 million for fiscal year 2013. That number is an accurate projection but we will not be spending all of that allocation since we will be seeking grant or bond funding for those projects.

Mrs. Harold then referred to the Grant Funded section of the Budget and added that projects 51, 59, 60 and 61 were completely grant funded.

She then discussed the layout of the Capital Equipment Purchases in the Budget. Mrs. Harold stated that for fiscal year 2013 we were requesting about \$1 million for Capital Equipment Purchases. Mr. Cornett said the FYE 2013 column for the Total Grant Funds total needs to be updated.

Mrs. Harold then referred to page 11, Fiscal Year 2012 summary. She reviewed the layout of the page and how the total was calculated. She added that after the revenue, expenses and debt services are paid, we have \$3 million available for Capital use. Based on the Capital Equipment and Capital Projects, we expect to spend about \$2 million in Capital Projects, leaving an increase in reserves of \$984,000. This time last year we were expecting to hit reserves of \$1.8 million. Instead of hitting reserves, we are going to increase our reserves this year.

Mrs. Harold discussed page 12, Fiscal Year 2013. Our income after Debt Service is projected to be \$527,000 and our Capital Outlay is \$3 million, hitting our reserves for \$2.4 million. Mrs. Harold stated that it is unusual that we actually hit reserves in the negative for a substantial amount. She then directed the Board to the Water Projects line item as the \$1.9 million referred to in the Capital Projects list for Fiscal Year 2013, saying

we do not intend to spend that money out of cash but expect to get funding instead. Right now it is showing Cash Funded on the Budget until we pursue bond or grant funding for the project, so a significant amount of what is shown now as Cash funded will not impact next year's Budget as it appears, said Mr. Cornett.

Mrs. Harold went on to the next page that shows supplemental information.

She then referred to the Compensation page. Mr. Cornett referred to the left column showing 77 fulltime, 4 part time, 5 open, 7 Commissioners, 5 proposed and 2 in Damascus positions. The 77 employees does include the 5 proposed positions, the 2 Damascus positions as well as the open positions. The positions not included there are the 4 part time positions and the 7 Commissioner positions. Mr. Cornett said the significance of sharing the total number is that each position is factored into the Compensation Budget. He then discussed last year's approved Compensation Budget of \$3,543,800, with 70 fulltime employees. WCSA had a 1.5% cost of living increase as well as a 1% average performance increase. The actual inflationary number used as a barometer for the cost of living adjustment was 3.16% so the adjustment made last year was about half of the inflationary number. He then referred to this year's Total Proposed Budget of \$3.9 million, a difference of \$360,327 from last year. We are proposing a 2% or \$75,000 cost of living adjustment for this year. The inflationary number is 2.93% for this year.

Mr. Cornett then said the proposed performance adjustment of 1% or \$38,405 is being proposed for this year. The remainder of the difference between last year and this year is the 5 proposed

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positions described in the Special Report and Update provided before the meeting that totals about \$116,000 which includes estimated overtime. The remaining \$61,000 is for the 2 Damascus employees. Mr. Cornett then referred to a comparative analysis for water and sewer of two local utility companies; BVU and the Town of Abingdon. They found that WCSA has a larger customer base, many more miles of main more pump stations, five times more water storage tanks and sources; our service area is much larger and so we have a larger maintenance department. WCSA has fewer sewer customers, less miles of sewer main, but we have at least five times more sewer pump stations. We have more treatment facilities than do the other two local utility companies. Our sewer service area is also larger. Mr. Cornett and the Board had a brief discussion about the number of sewer pump stations at the Virginian.

Mrs. Harold moved on to Benefits Information, stating there would be no changes in health insurance coverage or premium. We are budgeting a 10% increase in October for the October change. The long term disability rate is guaranteed until October 2013. There is no change expected in flexible spending.

No change expected in the VRS plans, however, the employer contribution rates are expected to change. Mrs. Harold referred the Board to a letter from VRS regarding the change in employer contribution rates.

The next section Mrs. Harold referred to is a detailed explanation of the Revenues and Expenses for WCSA. She explained the layout of the sheet to the Board. She pointed out that WCSA was ahead of month to date Budget projection for customer rents. We expect an increase based on rates, fees and charges

approved last year of 7%. We are below projection for the amount we receive in connection fees. We are under expectations in projected water taps for the year as well, said Mrs. Harold.

Mrs. Harold referred to the Sewer Budget on page 16 pointing out the account for the Town of Damascus Sewer System Rents that we will be tracking separately. Mrs. Harold then referred to page 19, pointing out the department created for the Town of Damascus to track salary and benefits for the rest of this year and the next fiscal year. Mr. Chase asked if the salary and benefits was expected to be about the same after WCSA took it over. Mr. Cornett said the two Damascus employees fall into the WCSA compensation pay schedule at their same rate, however, WCSA does provide a higher level of benefits than the Town of Damascus did for those employees. The biggest difference in the expenses is the necessary improvements that have to be made to the Damascus sewer system. There was a brief discussion regarding the Town of Damascus and WCSA rates. Mr. Cornett referred to the account created for the Town of Damascus, going over line items associated with the fixed costs of the Damascus Sewer System.

Mrs. Harold discussed page 21, a simple summary, showing a glance of each Department and Year. She discussed the sheet layout and how she calculated net income after debt service coverage for both Water and Sewer. She stated the adjustments done last year to revenues for MFSG has allowed us to build revenues enabling us to pay for upcoming debt service for the next fiscal years. For sewer, MFSG projects a shortfall of \$612,000 for 2011, and we project at shortfall of only \$378,000. In

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2013, MFSG projects a shortfall of \$6,000, our projections show a \$330,000 shortfall; the difference being \$439,000 needed in capital improvements for Damascus. This gives a glance of what the changes in Revenues and Expenses have done for the Authority.

Mr. Cornett referred to the list of six charges or fees the Authority proposes to add to the list of Rates, Fees and Charges. The only new item that has not been implemented is item 6, the Wastewater Surcharge. There is a very detailed explanation attached that shows how we came to that figure. Mr. Cornett advised the Board that Statutory Requirements state the Board must tentatively adopt any new Rates, Fees and Charges at the March Board Meeting. You will have more detail by the March Board Meeting on the first five items he said. Mr. Cornett then discussed the protocol for Public Hearings, stating the Board must tentatively approve the Rates, Fees and Charges at the March Board Meeting. That week we advertise that a Public Hearing will be held in June. We are required to advertise again one week following the first advertisement. In sixty days after the second advertisement, we can have a Public Hearing. So we can hold the Public Hearing as early as the first week in June. Mr. Cornett does not recommend making changes to other Rates, Fees and Charges other than the ones shown on this list. Although the Budget could be adopted anytime the Board makes a motion to do so, typically, it does not get final approval from the Board until the June Regular Meeting.

Mr. Cornett asked the Board take the Budget home for review and direct any questions about the Budget to Mr. Cornett or Mrs. Harold. Mr. Chase

suggested the Board direct all questions to Mr. Cornett or Mrs. Harold via email. Mr. Cornett and Mrs. Harold will then answer those emails and copy each Board member.

16. Adjourn or Recess

Mr. Taylor motioned to Adjourn the meeting at 6:25 PM. Mr. Hutchinson seconded the motion and the Board approved with a vote of 7-0-0-0.



Mr. Joe Chase, Chairman



Carol Ann Shaffer, Assistant Secretary