

Washington County Service Authority Board of Commissioners
June 8, 2009 May Recessed Meeting Minutes

The May Recessed Meeting of the Washington County Service Authority Board of Commissioners was called to order by Mr. D.L. Stout (the Commissioner with the longest tenure, besides the Chairman and Vice-Chairman) at 7:01 PM.

ROLL CALL

Commissioners Present:

Mr. Sam Blaylock
Mr. Joe Chase
Mr. Frank Stephon, IV
Mr. D.L. Stout
Mr. Kenneth Taylor

Commissioners Absent:

Mr. Gerald Cole, Chairman
Mr. Scott Rector, Vice-Chairman

Staff Present:

Robbie Cornett, General Manager
Kim Roberts, Controller
Amanda Paukovitz, Administrative Assistant

Also Present:

Mrs. Dawn Figueiras, General Counsel
WCSA Employees

3. Approval of the Agenda

There were no additions or corrections to the agenda. Mr. Chase moved to approve the agenda. Mr. Chase's motion was seconded by Mr. Stephon, and was approved by a Board vote of 5-0-0-2.

4. WCSA Fiscal Year 2009-2010 Budget and Rates

Ms. Roberts proceeded with a 10 minute PowerPoint presentation handout of the proposed budget and rates for Fiscal Year 2009-2010. The presentation addressed topics, such as: Considerations When Establishing Rates (Rates Must Satisfy Bond Covenants, Rates Must Cover Annual Operating Expenses, etc.), a Review of the WCSA

Rate History (Residential), the WCSA Relationship, WCSA Debt Structure, WCSA Revenue Analysis and the WCSA Debt Analysis.

Ms. Roberts briefly went through the complete proposed budget document. She noted that the requested budget with indicated page numbers was provided, and began going through the CIP. She prepared the budget in a different way this year, providing a more in-depth look at expenses. Ms. Roberts went through the departmental budget differently (listing each expense by its designated account number). Each departmental expense and capital need was reviewed in-depth with the department head individually. She also noted that each department was well under budget for the year. Every year that she has been at WCSA, Ms. Roberts remembers that we have made budget. She presented all expense projections, including detailed, departmental compensation budgets.

Ms. Roberts also noted that WCSA has not factored in a cost of living expense, due to an inflation rate of -.74%. She added that they have budgeted for a 1% performance-based adjustment that would be allotted through performance evaluations throughout the fiscal year. Mr. Cornett added that in the past, they have forfeited a portion of the cost of living adjustment and have reflected the appropriate compensation through employee benefit plans. In the past, he said they have also budgeted up to an average of 3% performance-based adjustments at the end of the calendar year for all employees.

Ms. Roberts provided a brief display of the rate study results/model from MFSG (which includes 22 schedules; it is a very expansive report). Based on Dave Hyder's recommendations, he inserted

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those numbers into the Cash Flow chart whether or not we were going to reach Bond Covenants as we're required to do. He also calculated and tested the recommended O & M reserve for efficiency; his tests showed that WCSA will meet the appropriate requirements. Ms. Roberts went through the tests in more detail and shared that Mr. Hyder was gracious enough to prepare the test for each year; it is a very useful tool. He also came in on the day of the public hearing to provide extensive training to staff as to how to update the model each year, along with changes needed in regards to the projects on the CIP.

Mr. Cornett shared that he does not think MFSG's Addendum needs much explaining but if there are any questions, he is happy to accommodate them. He also noted that if the system fees are phased in over a 3-/5-/7-year period, as some Commissioners have inquired, monthly user rates will have to be adjusted accordingly.

He went through the various parts of MFSG's Addendum. Part A is MFSG's recommendation for the Board to consider. Part B involves suggestions and recommendations in regards to funding capital projects, a timeline, how to fund, etc. The Addendum is a collective follow-up by MFSG and WCSA of additional information for the Board to have available for their decision-making process.

Mr. Cornett offered that he or Ms. Roberts could answer any and all questions the Board may have in regards to the budget and to rates/fees/charges. He thanked Ms. Roberts and all WCSA Department Heads for their hard work on the budget. Mr. Cornett feels that we have made much progress in regards to the budget, especially with the addition

of departmental essays that explain the need for requested items costing \$1,000 or more.

There was discussion amongst the Board. Mrs. Figueiras asked what the phase-in period was for water and sewer system fees. Mr. Cornett replied that there was a 5-year phase-in period for water system fees and a 3-year phase-in period for sewer system fees. In answer to Mr. Stephon's question, Mr. Cornett clarified that water connections must be made official within 30 days of application and must be using water within a year.

Mr. Blaylock referenced Mr. Roberts' projects that have been started and budgeted. He thinks they should be taken into consideration; this does not include brand new projects. The legal perspective, as provided by Mrs. Figueiras, is in regards to violating bond covenants. Everybody whose fees are being assessed at one time must be charged the same fee; otherwise, we would be breaking the bond covenant's compliance. Everyone must have the same amount of notice.

Mr. Blaylock understands how long it takes to get something going; "projects don't just happen overnight".

Mr. Taylor talked about how whatever they decide is going to be better [with a phase-in]; he works with developing too. Mr. Blaylock asked for reiteration about full-scale consumption (tap-in within 30 days, with the connection in use with water within 12 months).

Mr. Roberts gave reference to homes developed in Eagle Ridge, Wallace, etc. He has cut his crew from 40 guys to six. They have a couple million dollars invested in the property alone and have to base builds on whether or not the homes are selling. As said by Mr.

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Blaylock, it is not a good economic time period. Mr. Roberts did agree that the phase-in [of water connection fees] is a lot better than the initial rate increases. Mr. Cornett explained why the WCSA policy is being addressed the way it is, i.e. taps (from 1999 for a trailer court) that were just finished up last year.

Mr. Roberts asked about the timeliness of the locate company/tickets, etc. Mr. Cornett talked about how we are obligated to call the locate company, and to follow up on the ticket. He also talked about how we are working with some legislatures to change some VA Miss Utility laws to make them more plausible.

Mr. Chase referenced back to the budget, and inquired what the [projected compensation] total of \$3,441,146.36 would include. Mr. Cornett clarified that this includes: 1% [increase] for performance, 66 full-time employees, 5 part-time employees, 7 open positions and the 7 Commissioners. Mr. Chase asked what they approve; Ms. Roberts explained that the Board approves the whole budget (which includes: the CIP Projects, the departmental expenditures, the line-item expenditures and compensation).

Mr. Stephon asked if the Board would have to approve the 5- year phase-in; Mr. Cornett reiterated that the Board would have to give their approval, if necessary.

Mr. Taylor asked if they would still work out some kind of payment plan with customers. Mr. Cornett explained that the policy in the past has been to offer 12 months, interest-free financing. Liens have been used as a means to collect for those who refuse to pay. Mr. Cornett said that we could maximize payment plans to an eight year period of time with no interest; this is as long as the Board

does not object to financing customers for that period of time. However, he explained that we need to have a long-term payment plan policy to implement.

Mr. Taylor explained that he wants to look out for the citizens of Washington County, especially the average person who cannot afford the price of a lot. He thinks there needs to be a financial arrangement for all. He is a developer who keeps a budget and runs a business. However, he feels there is a limit to what a person can do and we need to look out for people. If we can come up with some kind of financial plan, then he thinks we can work it out. He asked if they will have the benefit to take a look at the rates and fees again next year; Mr. Cornett agreed. If changes are made to what they adopt though, Mr. Cornett explained that the Board will have to hold another public hearing process in the future (whether rates go up or down). Mrs. Figueiras explained that the debt from a system fee becomes a lien on the property. Nothing happens if the owner is making payments. However, the property cannot be sold until the lien is satisfied.

After asking Mr. Stout's permission to address Mr. Roberts, Mr. Cornett answered his question of why the water system fees need to go up. He explained that all projects (some of the water plant's expenses were included; all of which were attributed to water costs and most of which, not all, were attributed to growth) would be built and most would be paid by monthly user fees, opposed to system fees. If WCSA stays on its implementation plan, connection fees would be buying capacity. This would not just apply to certain projects, but would represent a policy shift [from monthly user fees to connection fees],

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combined with capital projects. Mr. Roberts presented the idea of increasing all customers' monthly user fees to cover the cost of connection fees for developers. He also presented some of his thoughts and questions from last week's public hearing.

Mr. Chase explained that one of the things he has been dwelling on is the cost of employee health benefits; he knows he has received more information recently. He has wondered about lower premiums like other utilities. Mrs. Figueiras explained that if we reduce the number of people insured, we will receive a higher rate and will still end up paying the same amount of money for less overall coverage. Mr. Cornett explained that he and Ms. Roberts have been considering some other options and ideas. However, he knows that we need to maintain our competitive edge; we have to be able to attract employees to WCSA and retain them, especially plant operators. He explained that we have only been able to hire three licensed operators and we are in need of additional hands. Mr. Chase asked if trainees have to meet certain qualifications to be a [water treatment plant operator] trainee. Mr. Cornett said there have been prerequisites for math, but requirements are somewhat low. However, WCSA has to have licensed operators on staff at all times, or we are required by law to shut down the plant. Ms. Roberts explained that they are informed of updated rates on August 1 and receive bids from other companies if [health benefit premiums] are high; Anthem is going up 12-15% in renewals, while other companies are projecting increases as high as 30%. Unfortunately, insurance rates are very dynamic from year to year. However, we do need to

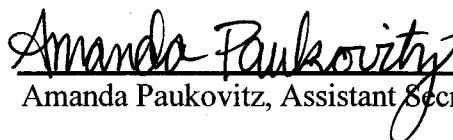
look at new ways to attract employees.

5. Adjourn

Mr. Chase made a motion to adjourn the May Recessed Meeting. Mr. Chase's motion was seconded by Mr. Stephon. The motion was passed by a 5-0-0-2 vote. The Board adjourned at 8:31 PM.



Mr. D.L. Stout, Commissioner



Amanda Paukovitz, Assistant Secretary