

**Washington County Service Authority Board of Commissioners
February 25, 2008 Regular Meeting Minutes**

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by the Vice-Chairman at 7:00 PM.

ROLL CALL

Commissioners Present:

Mr. Scott Rector, Vice-Chairman
Mr. Joe Chase
Mr. Frank Stephon, IV
Mr. D.L. Stout
Mr. Daniel Reynolds

Commissioners Absent

Mr. Sam Blaylock
Mr. Gerald Cole, Chairman

Staff Present:

Robbie Cornett, Interim General Manager
Kim Roberts, Controller
Doug Canody, Chief Engineer
Ella Ratcliffe, Information Systems Manager
Rick Clevenger, Water Treatment Plant Manager

Consultants Present:

Randall Hancock, PE, Draper Aden Associates
Bobby Lane, PE, Lane Engineering

Also Present:

Ms. Mark Lawson, General Counsel
Mr. Ron Bostic, Bostic, Tucker and Company
WCSA Employees

3. Public Query and Comments

None

4. Approval of Agenda

Mr. Cornett stated that he had no changes to the agenda. A motion was made by Mr. Chase to approve the agenda. Mr. Chase's motion was seconded by Mr. Stephon and approved by a unanimous vote.

5. Consent Agenda

- Minutes from January 28th, 2008

- Routine Reports for January 2008
- Financial Statements for December 2007
- Check Register ending 01/31/08

Items removed from Consent Agenda

None

Mr. Reynolds made a motion to approve the Consent Agenda. Mr. Reynolds' motion was seconded by Mr. Chase. The motion was approved by a 5-0-2 vote.

6. Engineer's Report and Update

Mr. Randall Hancock with Draper-Aden reported on the following projects:

Sewer O & M Analysis

Mr. Hancock reported that they had received preliminary indications from the Department of Housing and Community Development that they have approved the planning grant for the Exit 13 PER and hoped to hear something for sure about this by the end of March. He also stated that legal counsel was still working on the agreements on the capacity issues.

Glove Drive Waterline Improvements

Mr. Hancock reported that they had received comments back from staff and have proceeded with the final design and WCSA is still obtaining easements for this project.

Route 58 Water Storage Facilities

Mr. Hancock reported that he had met with the property owner Mr. Jones and had worked with him to obtain the easements. They had also agreed on

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some adjustment to the proposed water line. They had forwarded the information to the WCSA contract surveyors to finalize the easement plats and documents for the geotechnical work for final design.

Route 58/Watauga Road Waterline Improvements

Mr. Hancock reported that they hoped to have the last easement within the next day or so. Mr. Hancock requested the Board's approval for advertisement for bid of this project. A motion was made by Mr. Chase and seconded by Mr. Stephon to advertise for bid of the project. The motion was passed by a unanimous vote.

Mr. Bobby Lane with Lane Engineering reported on the following projects:

Lime Hill/Walker Mountain Road Project

Mr. Lane reported that the easements and permit approvals are in place and they are recommending that the project be advertised for bid. He requested the authorization to do the advertisement for bids. He stated that they would like to open the bids on March 20th at 3:00p.m. so they could have time to analyze the bids and be able to have a report to the Board by the March meeting. A motion was made by Mr. Stephon that the Board authorizes advertisement for the Lime Hill/Walker Mountain Road Project. Mr. Stephon's motion was seconded by Mr. Stout and passed by a 5-0-2 vote.

Mr. Kevin Heath was absent at the meeting and Mr. Cornett reported on the following projects:

White's Mill Road

Mr. Cornett stated that Mr. Heath had made a partial submittal of plans to the Health Department in regards to the Whites Mill Road water line project.

Orchard Hill Road

Mr. Cornett stated that Mr. Heath had heard from the Army Corps of Engineers on the Orchard Hill Project and is preparing a couple of requests for them.

7. General Manager's Report and Update

Mr. Cornett reported on the following:

Significant Field Work

- 32 leaks were repaired
- 5 breaks were repaired
- 9 water taps made
- 1 wastewater taps made
- 52 after hours maintenance call-outs
- 118 customers were telephoned following unusually high usage
- 484 customers were notified that their water was to be turned off
- \$10,266.50 was abated for 70 customers with water leaks
- \$5026.19 was written off as bad debt three years old (January 2005)

Construction in Progress

- Green Valley Poultry Waterline and Fire Hydrant- The contractor has begun work and is about 50% complete.
- Wild Cherry Lane- WCSA in-house capital projects that began in January. All easements have been obtained and construction is underway.
- Forsythia Lane- WCSA in-house replacement of 260' of galvanized waterline. This waterline is outside of the project area of VDOT's roadway Project on Route 736 Indian Run Road. Both WCSA and VDOT's Projects eliminates all

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galvanized waterline from the Indian Run Road area.

Projects in Design or Pre-Construction Phase

- Chestnut Mountain Road- Due to land acquisition issues on this project we are evaluating other alternative solutions for this waterline extension.
- Mendota Road (Phase 1)- This project is nearly ready to advertise for bids; we expect to be able to advertise by May 2008.
- Denton Valley Road- This project is nearly ready to advertise for bids; expect to be able to advertise by May 2008.
- Tumbling Creek Road- This project is nearly ready to advertise for bids; we expect to be able to advertise May 2008.
- Fire Hydrants in Westwood- A letter is drafted to area residents updating them on the proposed project and is anticipated to go out in March.

8. Loan Refinancing

Mr. David Rose and Mr. R. T. Taylor with Davenport and Associates from Richmond, Virginia presented the Board with a proposal showing different ways and opportunities that the Authority may have to save money on refinancing their Rural Development Loans. Mr. Rose reported that the interest rates have come down substantially and the interest on the current loans are financed for more than 40 years. Mr. Rose recommended that they would like to go out and solicit from a number of financial institutions and see if they could get a more favorable interest rate and be able to shorten the period of the these loans. He stated that if the Board

would agree to this that they would like to be able to make a presentation at the next meeting to show them what may be considered for the refinancing. He stated that if they did receive bids from these financial institutions and the Board chose not to refinance that WCSA would not incur any costs until this happened. He stated that on page 11 of the handout that Davenport and Associates had done many Rural Development refinancing for other local utilities and provided a listing of their experiences. He requested the Board turn to page 12 of the handout which showed debt service impacts and cash flow comparisons. He stated that currently WCSA had debt service payments between now and the year 2042 which totaled a little over 7.3 million dollars. If they did successfully refinance at the current interest rates as of that date WCSA could possibly look at saving around \$873,322.00. Mr. Rose suggested that the Board look at page 10 of the handout which indicated the strategy that their firm would like take to be able to present this to the Board by the next meeting. Mr. Cornett stated that he, Ms. Kim Roberts and Mr. Mark Reeter had spoken to Mr. Rose extensively on his proposal and he felt like this would give the Authority an opportunity to improve WCSA's financial position. Mr. Chase questioned when Davenport and Associates would receive compensation for their work on this proposal. Mr. Rose stated that they would receive this only at the time of possible closing or financing. Mr. Rose also stated that they would charge a fee of less than 1% of the 4

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million dollars to be possibly financed. This would be a fee around \$40,000 dollars. A motion was made by Mr. Stephon to approve Davenport and Associates to obtain bids from financial institutions for refinancing and pass a reimbursement resolution for intent of the refinancing. The motion by Mr. Stephon was seconded by Mr. Stout and passed by a 5-0-2 vote.

9. Master Agreement and Task Orders between WCSA and Lane Engineering related to the New Raw Water Intake and Water Treatment Plant Expansion

Mr. Doug Canody stated that at the last Board meeting the Board had received a proposed contract between WCSA and Lane Engineering for engineering services related to the New Raw Water Intake and Water Treatment Plant Expansion. He stated that this contract was drawn up in a meeting between Lane Engineering, Olver Corporation, Mrs. Dawn Figueiras, Mr. Robbie Cornett, Mr. Mark Osborne and himself. He stated that they had a general agreement contract and 4 task orders that he recommended for approval. He stated that the first task order would be an interim water withdrawal permit for a period of time to obtain additional water from the Middle Fork of the Holston River and reduce some the purchase of water from the City of Bristol. The second task order included a Raw Water Transmission Line Review. The third task order is a Preliminary Engineering report of the South Fork Intake and the fourth task order included the Preliminary Engineering Report for the Water

Treatment Plant Expansion to 12 MGD. Mr. Canody stated that the agreement had originally been given to the Board and there had been 15 changes made in the presented agreement. He said that all of these changes were minor changes and did not change any of the meaning of the original contract. He provided a listing to the Board of these changes. He recommended that the Board accept the Master Agreement and Task Orders and designate a WCSA representative for the Raw Water Intake and Water Treatment Plant Expansion. Mr. Lawson presented a handout to the Board of motions and resolutions to be read. A motion was made by Mr. Chase that the Board agree to the motions and resolutions for acceptance of the Master Agreement and Task Orders which included (1) To accept the Master Agreement with Lane Engineering as proposed; Lane Engineering, Inc. has proposed a Master Agreement for Professional Services for the South Fork Intake and Water Treatment Plant Expansion and that Agreement has been presented to the Board tonight. WCSA staff and legal counsel were involved in the negotiation and final drafting of the Agreement and have recommended that the Board accept this Agreement. I move that the Washington County Service Authority enter into the Master Agreement that has been presented to the Board tonight. Mr. Chase's motion was seconded by Mr. Stout and passed by a 5-0-2 vote. Mr. Chase made a motion for (2) To accept Task Order No. 1 (Interim Water Withdrawal Permitting) as proposed that Lane Engineering, Inc.

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has proposed a Task Order for Professional Engineering services for the Interim Water Withdrawal Permitting Process, which WCSA staff and legal counsel were involved in the negotiation and final drafting, and have recommended that the Board accept this Task Order. Whereas, the Board previously resolved to enter into the Master Agreement with Lane Engineering, Inc., I move that the Washington County Service Authority enter into Task Order No. 1 that has been presented to the Board tonight. Mr. Chase's motion was seconded by Mr. Stout and passed by a 5-0-2 vote. Mr. Chase made a motion for (3) To accept Task Order No. 2 (Raw Water Transmission Line Review) as proposed that Lane Engineering, Inc. has proposed a Task Order for Professional Engineering services for the Raw Water Transmission Line Review, which WCSA staff and legal counsel were involved in the negotiation and final drafting, and have recommended that the Board accept this Task Order. Whereas, the Board has previously resolved to enter in the Master Agreement with Lane Engineering, Inc., I move that the Washington County Service Authority enter into Task Order No. 2 that has been presented to the Board tonight. Mr. Chase's motion was seconded by Mr. Stephon and passed by a 5-0-2 vote. Mr. Chase made a motion for (4) To accept Task Order No. 3 (Preliminary Engineering Report for the South Fork Intake) as proposed that Lane Engineering, Inc. has proposed a Task Order for Professional Engineering services for the Preliminary Engineering Report of

the South Fork Intake, which WCSA staff and legal counsel were involved in the negotiation and final drafting, and have recommended that the Board accept this Task Order. Whereas, the Board has previously resolved to enter into the Master Agreement with Lane Engineering, Inc., I move that the Washington County Service Authority enter into Task Order No. 3 that has been presented to the Board tonight. Mr. Chase's motion was seconded by Mr. Reynolds and passed by a 5-0-2 vote. Mr. Chase made a motion for (5) to accept Task Order No. 4 (Preliminary Engineering Report of the Water Treatment Plant Expansion to 12MGD) as proposed that Lane Engineering, Inc. has proposed a Task Order for Professional Engineering services for the Preliminary Engineering Report and Water Treatment Plant Expansion to 12 MGD, which the WCSA staff and legal counsel were involved in the negotiation and final drafting, and have recommended that the Board accept this Task Order. Whereas, the Board has previously resolved to enter into the Master Agreement with Lane Engineering, Inc., I move that the Washington County Service Authority enter into Task Order No. 4 that has been presented to the Board tonight. Mr. Chase's motion was seconded by Mr. Stout and passed by a 5-0-2 vote. Mr. Chase moved that Mr. Robbie Cornett be designated as the WCSA representative with respect to services rendered under the Master Agreement and any Task Order issued. Mr. Chase's motion was

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seconded Mr. Reynolds and passed by a 5-0-2 vote.

10. Request for Temporary Water and Wastewater Service

Mr. Cornett stated that he had been recently contacted by Mr. David Phillips of D & L Construction Company AKA of Crown Point Development regarding a property at the end of Indiana Avenue in Washington County. He said that Mr. Phillip contacted him to see if he could get consent to purchase one water and wastewater connection to service a single family dwelling from BVU. Mr. Cornett said that he had spoken to Bristol Virginia Utilities and they had agreed to sell Mr. Phillips a water and wastewater connection and also said that any further connections beyond the one would require Mr. Phillips to extend the main lines into the county for the purpose of serving multiple developments with master meters for both water and wastewater. He stated that BVU was unwilling to go beyond one connection to serve him. Mr. Cornett said that Mr. Phillips was requesting the Board's pleasure in granting this connection. Mr. Cornett stated the he felt obligated to let the Board know that under the tentative agreement that WCSA has with BVU that the wastewater capacity from that connection would go against WCSA's wastewater capacity but he would be a customer of BVU. Mr. Stout questioned who would bill Mr. Phillips for this connection. Mr. Cornett stated that Mr. Phillips would pay BVU a monthly bill at one and half times the in city rate for water and wastewater. He also said that the Authority would not pay the same

bill but this would count against our wastewater capacity. Mr. Stephon questioned if this was not granted what alternatives Mr. Phillips would have to connect. Mr. Cornett stated that we do have a wastewater line off of Sinking Creek Road around 3000 feet away. He said that Mr. Phillips previously was hoping to sub divide the property and develop a multi-family housing development however, he now was building only one house. He also said he could extend the wastewater line from Sinking Creek road to the development or install a septic system for the property. He said that as far as public water options he could buy a meter and extend the water line around 1500 feet from Sinking Creek Road or drill a well. He said that the Board should keep in mind that this is for only a single family dwelling not for a development. Mr. Reynolds and Mr. Rector questioned on who was going to check this in the future to make sure this did not grow into a development. Mr. Cornett said that this would be checked when he applied for a Building Permit thru the County agencies. After a brief discussion the Board took no action on this matter.

11. Closed Meeting, Personnel, Investment of Public Funds, Acquisition and Disposition of Property and Legal Advice

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 (1): Personnel: Discussion, consideration or interviews of

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prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specified public officers, appointees, or employees of any public body; and evaluation of the performance of departments where such evaluation of performance of departments necessarily involve discussed specific individuals; and Code of Virginia Section 2.2-3711 Paragraph A (6): Investment of Public Funds, Discussion or Consideration of the investment of public funds where competition or bargaining is involved where if made public initially the financial interest of the governmental unit could be adversely affected and Code of Virginia Section 2.2-3711 Paragraph (A) (3): Acquisition and Disposition of Property; the discussion or consideration of the acquisition of real property for public purposes, or of the disposition of publicly held property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body and Code of Virginia Section 2.2-3711 Paragraph (A) (7): Legal advice; Consultation with Legal counsel and briefing by staff members or consultations pertaining to actual or probable litigation, where such consultation with legal counsel employed or retained by the public body regarding specific legal matters requiring the provision of legal advice by such counsel. For the purposes of this subdivision, "probable litigation" means litigation that has been specifically threatened or on which the public body or its legal counsel has a reasonable basis to believe will

be commenced by or against a known party. Nothing in this subdivision shall be construed to permit the closure of a meeting merely because an attorney representing the public body is in attendance or is consulted on this matter.

In addition to the Board, the presence of Mr. Mark Lawson, WCSA Counsel and Mr. Robbie Cornett, WCSA Interim General Manager, and Mr. Ron Bostic, Bostic, Tucker and Company are requested. The motion by Mr. Stephon was seconded by Mr. Chase. The motion passed (5-0-2). The Board adjourned to Closed meeting at 8:05 p.m.

Return to Public Session

Upon motion by Mr. Stout and second by Mr. Stephon, the Board returned to Public Session at 10:45 p.m.

Certification of Closed Meeting

Whereas, the Washington County Service Authority has convened to a Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provision 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

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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. The motion passed 5-0-2.

AYE: Mr. Chase, Mr. Stephon, Mr. Stout, Mr. Rector, Mr. Reynolds

NAY: none

Absent: Mr. Blaylock, Mr. Cole

12. Late Items

Mr. Stephon made a motion to pass the following resolution;

Resolution Declaring the Official Intent of Washington County Service Authority to Reimburse Certain Expenditures with Proceeds of Bonds

WHEREAS, the Washington County Service Authority (the Authority) intends to design and construct and/or acquire certain facilities and/or equipment to upgrade existing Water Treatment facility (the "Project"), to make expenditures to pay costs of the Project prior to the issuance or incurrence of bonds or other debts by or of the Authority (the "Bonds"), and to reimburse itself for such original expenditures (the "Expenditures"), from the proceeds of the Bonds; and,

WHEREAS, Legal Counsel has advised that Treas. Reg. & 1.150-2 requires the Board of the Authority to adopt a resolution in the form set forth below to preserve the Authority's ability to use portions of the proceeds of the Authority's upcoming issues of Bonds to reimburse itself for such expenditures;

NOW, THEREFORE BE IT RESOLVED by the Board of the Washington County Service Authority;

1. The Authority intends to finance the Project through issuance of Bonds in the principal amount of approximately \$20,000,000.
2. This Resolution represents a declaration of "official intent" under Treas. Regs. & 1.150-2.
3. On the date each Expenditures is paid, it will be a capital expenditures (or would be with a proper election) under general federal income tax principles or will otherwise comply with the requirements of Treas. Regs. & 1.150-2 (d) (3).
4. The Authority reasonably expects to reimburse any Expenditure from the proceeds of the Bonds and the adoption of the Resolution is consistent with the budgetary and financial circumstances of the Authority.
5. This resolution shall be in effect from and after its adoption. This adopted at a duly called and held meeting of the Washington County Service Authority on February 25, 2008.

The motion by Mr. Stephon was seconded by Mr. Chase and passed by a 5-0-2 vote.

13. Adjournment

Mr. Rector made a motion to adjourn. Mr. Stout seconded. The motion passed 5-0-2. The Board adjourned at 10:50 p.m.

Mr. Scott Rector, Vice-Chairman

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Ella Ratcliffe, Assistant Secretary