

Washington County Service Authority Board of Commissioners
April 28, 2008 Regular Meeting Minutes

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 7:04 PM.

ROLL CALL

Commissioners Present:

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

Commissioners Absent

None

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
Kevin Heath, Adams Heath Engineering

Also Present:

Mr. Mark Lawson, General Counsel
Mr. R. T. Taylor, Davenport and Associates
WCSA Employees

3. Public Query and Comments

Mr. Mike Charnego of 21497 Lime Hill Road addressed the Board stating that last summer his well went completely dry for two months and he requested that the Board approve putting a water truck on his property around June or July so he could have access to water until the water line would be installed. He

said that it was a struggle to do without water and would appreciate any help the Board could give him on this matter.

Mrs. Nancy Denton of Lime Hill Road questioned the Board on the status of the Lime Hill Road Project and was told that the project may be awarded at the meeting tonight. She said that her water was tested and they found e-coli in the sample. She told the Board that she would appreciate any help that they could give to all of the residents on Lime Hill Road. Mr. Cornett said that this matter would be discussed later in the meeting and it looked favorable that the project would be awarded at this meeting.

Mr. Mike Wilkinson of Wilkinson Dr. and Matthew Dr. addressed the Board concerning his mobile home park that he owned on Watauga Road. Mr. Wilkinson stated that he had added another phase to his mobile home park and he had previously paid for 4 taps for the park and he wanted to extend from his existing water another 500 feet. He said that the line had already been installed and approved by WCSA and he had received a letter from Mr. Doug Canody. He stated that WCSA is requesting a fee to hook up and sanitize the line. He said that he understood the WCSA had a program of \$1500 per tap that WCSA would pay for him to extend the line. He said that he didn't want the \$1500 but he did want WCSA to come and hook up the line, pressure test and sanitize the line. He stated that the residences were already there. Mr. Cornett stated that Mr. Canody had already been coordinating with Mr. Wilkinson and

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WCSA does charge a main line connection fee for all water line extension projects that occur in our system. He said that Mr. Wilkinson had been quoted a fee of \$1800 for the main line connection. Mr. Cornett also stated that anytime there is a water line extension project whether WCSA undertakes the project or it is a private developer and we do the pressure testing and sanitizing of the water line there is a fee charged for time and materials. This has been the policy of the Board in the past and no fees have been waived for these types of services. Mr. Rector questioned whether the new line would be adequate to serve the additional homes being added. Mr. Cornett stated that Mr. Canody might want to comment on this also but the line in question to his knowledge was installed without the submission of plans and inspection by WCSA and had not been installed to our standards. He did say that WCSA had looked at the line and subject to the disinfection and pressure testing we had agreed to take over ownership of line. He felt that hydraulically the line would be adequate but we needed to confirm this line like other lines in our system would pass the pressure testing and disinfection tests. Mr. Canody commented that Mr. Wilkinson's mobile home park is on Watauga Road and it is served from two different directions and is a 2 inch line. He said that we do have some concerns of excessive pressure loss because when additional connections are made on this size of a line it could cause future pressure problems. Mr. Canody had already indicated in his discussions with Mr.

Wilkinson in 2005 that WCSA would accept the maximum of 5 connections at that point and after those connections were installed then we would need to do further pressure testing and evaluations to seek more connections on this line because of the line issues on Watauga Road. Mr. Canody said that the 5 connections should work properly but before additional connections were made WCSA needs to do additional pressure testing to see what kind of impact there would be on the rest of the system. Mr. Rector questioned how many connections Mr. Wilkinson already had in the mobile home park. Mr. Wilkinson stated that he had 18 connections now and had a permit for a total of 30 connections to the park. Mr. Rector wanted to know if he was planning on adding more connections in future. Mr. Wilkinson stated that WCSA approved this when he received his permit from the county to install the trailer park. He said that a plat had already been signed that WCSA would supply the water and pressure testing to the park. He said that WCSA did not commit to installing the lines. He said that he was responsible for installing the lines in the park. Mr. Stout wanted to know if a WCSA inspector had been present when the lines were installed. Mr. Wilkinson said that the lines had been inspected before they were covered up. Mr. Canody stated that the line that had been installed was SDR17 and SDR21 (not Aquamine) and our current requirement is the Aquamine SDR17 pipe. Mr. Cole requested that Mr. Cornett take a

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look at this matter and report the findings at the next meeting.

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. Stout and approved by a unanimous vote.

5. Consent Agenda

- Minutes from March 24th, 2008
- Routine Reports for March 2008
- Financial Statements for February 2008
- Check Register ending 03/31/08

Items removed from Consent Agenda

Mr. Cornett had one correction to the minutes on March 24th, 2008. Mr. Cornett requested a change to Item 8 to show a vote of 4-1-2 instead of 4-0-2.

Mr. Stout made a motion to approve the Consent Agenda. Mr. Stout's motion was seconded by Mr. Rector. The motion was approved by a 7-0-0 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 DHCD already knows who the award of the Southern Rivers Grants will be but they have not announced the results to them at this time.

Glove Drive Waterline Improvements

Mr. Hancock reported that they still have some easement issues and the I-81 crossing to get to the golf course property. They hoped to have these to the Health Department soon for approval.

Route 58 Water Storage Facilities

Mr. Hancock reported that they had received the geotechnical work and the field work complete and are waiting on the final report from the geotechnical engineer on the soil borings and they will put together the final estimates and proceed with final design.

Route 58/Watauga Road Waterline Improvements

Mr. Hancock reported that they had approved the award of this project to Boring Contractors and Little B Construction at the last meeting. He said that they had received all of the contracts and are waiting on the permits to issue notice to proceed.

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

Lime Hill/Walker Mountain Road Project

Mr. Lane reported that at the last meeting they presented the results of the bid opening which were held on March 20th, 2008 with the low bidder being S & B Construction. He said that they recommended at this time that the Authority authorize the staff to work with the Virginia Department of Health to obtain additional funding for the project. He said the results of these efforts would be discussed on Item 9 of the agenda tonight.

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Raw Water Intake and Water Treatment Plant Expansion

Mr. Lane reported that they had been working on the forecast orders associated with the New Water Intake and Water Treatment Plant Expansion that had been presented to the Board at tonight's meeting. He said that there were a couple of things that he did want to highlight to them in their packet. He said that Task Order # 1 deals with a request for an Interim Withdrawal Permit for the existing Middle Fork Intake and they have requested a withdrawal limit from 4.6 MGD to 6.6 MGD. He said that they had prepared this information for Mr. Cornett to request the interim increase. He said that staff is working on this at this time and they hoped to have this reported and get some good news back on this soon. He stated that Task Order #2 includes the provision of services for review of the location and design of the proposed raw water line from the raw water intake to the Water Treatment Plant. He stated since the last meeting they had completed their review and had completed a foot survey of the water line and had talked to a couple of property owners and made recommendations to Mr. Cornett on the raw water line. He stated that Task Order #3 included the provisions of service for the completion of a preliminary study and report and the preliminary layout of a new Raw Water Intake. He said that they would be completing the first 3 chapters of the preliminary engineering reports and have talked to the Health Department concerning ultra violet disinfection and have schedule a meeting with Dr. Jane Malley to meet with them and the staff. They also had coordinated a meeting on May 7th with Dr. James Edzwald who is

an expert on sedimentation, coagulation and filtration. He stated that they had submitted the first 3 chapters to the staff along with a data collection plan and they felt they were well under way and on schedule with the work. Task Order #4 is a Preliminary Study and Report for Preliminary layout for the expansion of the Water Treatment Plant to expand to a capacity of 12 MGD. He said that one of the things that they are tasked to do on these projects is to assist WCSA on any potential funding. He said that they had found a window of opportunity that the Board might want to consider. He stated that sometime in June the Virginia Tobacco Commission would be receiving applications for funding and he believed the Water Plant Expansion and Water Intake projects would be very competitive projects with some of the data that supports the additional water intake from the Middle Fork considering growth and economic development in Washington County. He felt that this would be a good time to approach the Tobacco Commission and ask them for some help on these projects. He recommended that the Authority consider applying for half a million dollars for the planning and design funds at the upcoming round of funds being given. He said by doing this it would bring our project to the attention of the Commission and put us in line for future funds for the construction phase. He said that they would meet again prior to the Tobacco Commission meeting and had brought this matter to Mr. Cornett's attention for discussion. He said that we may need to take action on this matter at the next Board meeting.

Mr. Kevin Heath reported on the following projects:

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White's Mill Road

Mr. Heath said they had received plan review comments from the Health Department and they are continuing to work with the Authority's staff on evaluating the tank site alternatives.

Orchard Hill Road

Mr. Heath stated that they continued to negotiate with the Marine Resource Association and the Game of Inland Fisheries for the stream crossing permits.

7. General Manager's Report and Update

Mr. Cornett reported on the following:

Significant Work

Water Production

- Produced 190,801,724 gallons of drinking water

Distribution

- Coordinated the outside purchase of 22,940,000 gallons of drinking water

Meter Department

- 68 customers were telephoned following unusually high usage
- 428 customers were notified that their water was to be turned off due to non-payment

Customer Service

- \$8431.29 was abated for 71 customer water leaks
- \$5735.17 was written off as bad debt three years old (March 2005)

Maintenance

- 33 Leaks
- 4 major breaks
- 20 water taps
- 3 wastewater taps
- 68 after hours maintenance call-outs

Wastewater

- Treated 11,123,000 gallons of wastewater

Construction in Progress

- Wild Cherry Lane- About 2,000 feet of water line has been installed before hitting rock. Options for excavation of the rock are now being considered.
- Burson Lane- After learning that VDOT planned to repave Burson Lane and that as a result we would be unable to repair our water line in that road, WCSA replaced and relocated 1200 feet of 2" galvanized water line with 6" PVC and jumped 15 connections to the new water line.

Projects in Design or Pre-Construction Phase

- Chestnut Mountain Road- Due to land acquisition issues on this project we continue to evaluate and pursue alternative solutions for this project.
- Mendota Road (Phase 1)- We had previously reported a readiness to advertise each of the projects for bid next month (May). Because we have not received all of the regulatory comments yet, some or all of these projects may not be advertised until June.
- 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 has been issued asking for a \$40 contribution from each resident. A \$40 contribution from ALL area residents would pay for the installation of 5 hydrants and place each resident within 1,000' of a hydrant. Thus far 49% of the residents have responded favorably. Later this week we plan to consider

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our options for obtaining the funding shortfall.

- Fire Hydrants in Wolf Creek Estates- Area residents of Wolf Creek Estates have expressed interest in a fire hydrant. In this situation only one hydrant is needed to cover the entire development or about 17 homes. For these reasons, one of the residents has volunteered to solicit applications from the residents.

Administrative Items

- Water Production Trainee Joe Baldwin recently passed his Class 4 licensure exam to become a water operator.
- Mr. Cornett reported that at his request Mr. Mark Lawson and Mrs. Dawn Figueiras of Elliott, Lawson and Minor conducted Workplace Harassment Training on Tuesday, April 8th, 2008.

8. Loan Refinancing

Mr. R. T. Taylor with Davenport and Associates from Richmond, Virginia presented a handout to the Board including a formal resolution for adoption of the refinancing of Sewer Rural Development Loans that are now outstanding. Mr. Taylor stated that the approach presented to the Board shortens the debt by 8-9 years and is freeing restricted cash reserves related to 1995, 1997, 2001 and 2002 Rural Development loans that are currently outstanding. He said that for each of these loans a reserve fund was set aside in an amount of 10% per month until the end of the debt service. He said additionally the 2002 series has a special reserve which was initially set in the amount of \$157,000. He was proposing to save 20,000 dollars a

year and over the life of the loan would save around 1.8 million. He said this would free up cash reserves, and WCSA would get an annual savings a year and with the projects coming in the next few years would allow in these later years after year 25 a debt capacity to bring on new projects and the debt related to these projects. Mr. Cornett stated to the Board that they had been presented with 3 documents related to the refinancing which included form of bond, a resolution of the Washington County Service Authority authorizing the issuance of and sell of up to 4.1 of the principal amount and a Certificate of the Secretary. He said that all of these documents had been issued to them about a week ago in draft format and these are final formats with comments from the staff and legal counsel. He said all of these had been approved by Davenport and Associates, McGuire Woods, who is WCSA Bond Counsel for the Rural Development loans and WCSA staff and WCSA legal counsel. Mr. Cornett requested the Board approve all of the recommendations for the loan refinancing. Mr. Chase moved to approve the resolutions for the loan refinancing. Mr. Chase's motion was seconded by Mr. Stephon and passed by 4-0-3 with Mr. Reynolds, Mr. Stout and Mr. Rector abstaining.

9. Walkers Mountain/Lime Hill Road

Mr. Doug Canody presented the Board with the results of the bids received on the Walkers Mountain /Lime Hill Project. Mr. Canody stated that the low bid would be highlighted

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in yellow. He also presented a sheet showing the opinion of probable cost that was generated by Lane Engineering prior to the bid opening. Mr. Canody stated that the amount stated for the probable cost of the project was \$1,016,019.90. He said that the low bidder of this project was S. B. Construction, Inc. with the bid of \$895,298.00. He said that he felt that we had received very competitive bids for this project. Mr. Canody stated that they had requested the funding agency to approve another \$333,000 which made up the shortfall of the cost estimate when we applied for funding about 3 years ago. He said that the Health Department had responded to this request with an additional loan of \$333,000 at a percentage rate of 3% for 20 years. He stated that with WCSA's contribution of \$96,000 we did have enough money to do the project. Mr. Canody presented these bids for consideration and requested approval to the low bidder. Mr. Cornett stated that the Department of Health does require a motion by the Board to accept the additional funding and the terms thereof and also a motion for the low bidder which was S. B. Construction, Inc. A motion was made by Mr. Blaylock that the Board accept both recommendations presented. Mr. Blaylock's motion was seconded by Mr. Stout and passed by a unanimous vote. Mr. Blaylock questioned when this project could possibly begin. Mr. Lane stated that they would need to have an award procedure and this would be reviewed by the contractor and be signed and submit back to WCSA

with bonds and insurance statements. These contracts would be reviewed by WCSA staff and Legal Counsel and concurrence from the Health Department with an order to proceed.

10. 2008-2009 Budget Preview

Ms. Kim Roberts presented a power point presentation preview of the 2008-2009 proposed budget. Ms. Robert stated that since they had extra time to prepare the budget this year she wanted to get this information to the Board early for their review. She reviewed consideration when establishing rates. She stated that the rates must satisfy bond covenants. She said that the Water Fund debt required WCSA's net income be sufficient to cover 115% of its total debt service. She also reported that the Wastewater Fund required reserve accounts to an amount equal to 10% of the annual debt service. She said that rates must also cover annual operating expenses and fund depreciation. She said that the depreciation helps to cover replacement costs of our fixed assets. The rates should also show that the Authority is progressive in preparing for future debt service requirements. She showed a slide that reviewed WCSA rate history for residential customers. She reviewed interrelationships between rate funded capital and debt service coverage. Ms. Roberts stated that if they looked at example one with a debt service of 4 million with operation and maintenance expenses and taxes reduced from this amount it would leave WCSA with a net income of debt service

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and construction and progress of 1 million. She said that if our debt service payments were 1 million they would be funding at a 1 to 1%. She stated that this would leave a balance of capital project at 0%. She stated that if revenues had increased to 4.3 million with everything else remaining the same our net income would be 1.3 million which would cover the debt service at 1.3% and leave a balance for capital projects of \$300,000. She said that the operation and maintenance expenses did include funding depreciation and replacement of capital assets. She showed example 3 which reflected 5 million dollars in revenues which would leave a net income for debt service and construction in progress of 2 million with a debt service payment of 1 million and covering debt service at 2% and the balance for capital projects would be around 1 million. She stated that these were all examples of how interrelationships work. She said that the next slide reflected WCSA's relationship. She had taken all of the revenues thru February to June of 2008. She expected WCSA to have current revenues of 1.47 million. The operation and maintenance expenses were around 7.7 million leaving our net income for debt service and construction and progress of 1.4 million. Our current debt service and interest payments for the current fiscal year are \$780,000 in the water fund which covers our debt service around 1.8%. This leaves a balance for capital projects and construction and progress funded by rates only by \$637,000. She said that this was a

good time to point out that our capital projects had averaged around 1.2 million a year. She said that the sewer revenue was projected to make around 1.2 million with operation and expenses around \$943,000. This would leave a net income available for debt service and construction and progress of \$257,000. She stated that the debt service payments this year was \$273,000 which would show a deficit of \$16,000. Ms. Roberts looked at projections for this upcoming budget without changes to rates. She presented a graph that showed WCSA Debt Structure. This graph included net income before debt payments and CIP net income. She stated that to cover all of these categories we would need a projected rate increase of around 31% to net income. She brought their attention to a jump and drop in this graph that represented the Blue Ridge Debt that was funded and refunded in 2003 with increasing principal balloon payments. She said that these payments would come due in the next seven years and they are significantly high. She said that if we proposed to refund this debt and level out the debt service payments we would need only a 5% increase in net income to cover these payments and this does not cover depreciation. She did say that we would still need a rate increase to cover depreciation and to prepare to replace our fixed assets for the future. Mr. Cole questioned when this needed to happen. Ms. Roberts stated that this would need to happen in our next budget year. She said that a gradual increase would be good so a large

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increase would not be such an impact to the customers. Mr. Cornett said that they wanted to give the Board a review of the proposed budget as soon as possible to show where everything stands concerning cash flows, revenues with current debt and pending debt including the Water Treatment expansion. Mr. Cornett stated that WCSA has issued a request for proposals to undertake a rate study and hoped this would generate a stable source of income for WCSA going forward in the future and segregate our customer base. He also said that the format for extending water lines is good at this point but he felt like there may be a need to look at alternatives in the future. He said that he didn't realize that with each of our DWSRF projects to not served areas of the county that we have brought these on with little or no increase to rates. He said that he felt that these had been covered by our utility improvement projects at WCSA by optimizing our treatment processes, cutting back on electricity, chemicals, and our distribution system. Mr. Cornett said that this preview would give the Board an idea of what we need to plan for in the next 2-3 budget years.

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

Mr. Chase 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 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

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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. The motion by Mr. Chase was seconded by Mr. Stephon. The motion passed (7-0-0). The Board adjourned to Closed meeting at 8:03 p.m.

Return to Public Session

Upon motion by Mr. Stephon and second by Mr. Rector, the Board returned to Public Session at 11:09 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 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 7-0-0.

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

NAY: none

Absent: none

12. Late Items

Mr. Rector presented a letter from the Meadowview Fire Department requesting for 4 fire hydrants to be installed along Hillman Highway between Glenbrook Avenue and College Drive. Mr. Rector presented the letter to Mr. Cornett and requested him to see if funding could be available for these installations.

Mr. Stout moved that the Authority direct the General Counsel to negotiate an employment agreement with Mr. Robbie Cornett to be the General Manager of the Authority upon terms and conditions to be set forth in the agreement. Mr. Stephon stated that this would go with the condition that Mr. Cornett hire an Assistant General Manager and Administrative Assistant for assistance.

The motion by Mr. Stout was seconded by Mr. Rector and passed by a 7-0-0 vote.

13. Adjournment

Mr. Rector made a motion to adjourn. Mr. Stephon seconded. The motion passed 7-0-0. The Board adjourned at 11:15 p.m.

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Mr. Gerald Cole, Chairman

Ella Ratcliffe, Assistant Secretary