

**Washington County Service Authority Board of Commissioners
June 16, 2008 Special Called Meeting**

A Special Called 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. Gerald Cole, Chairman
Mr. Sam Blaylock

Staff Present:

Robbie Cornett, Interim General Manager
Kim Roberts, Contoller
Ella Ratcliffe, Information Systems Manager

Also Present:

Mrs. Dawn Figueiras, General Counsel

3. Approval of Agenda

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

4. Budget for 2008-2009 Fiscal Year

Ms. Roberts stated that a brief format of the budget had been presented to the Board in the last two meetings. Ms. Roberts said she had updated some financial numbers since the last Power Point presentation to the Board. She reviewed the consideration in establishing rates structures, interrelationships between rate funded capital and debt service

coverage, WCSA debt structures, and WCSA debt analysis. She also presented the updated proposed schedules of line extensions/upgrades, departmental capital needs, and a summary of funding needs for a 5 year capital improvement plan and a supplemental sheet showing totals of all departments.

Mr. Rector questioned the meter change out request and wanted to know if this would all need to be done in a one year's budget. Mr. Cornett said the battery life was around 5 to 6 years and they are coming due next year to be changed. He said that the price to replace these batteries was around \$300,000 for a five year battery. He said that they were recommending a new 20 year battery and mxu. He said that they were starting to have some failures with the current mxu's and we were also recommending changing these when the 20 year battery is installed. This was the most effective way for replacement. Mr. Cornett said that he would check to see if this could be delayed for a period of time until they could check to see how many failures they were having on these and if we could wait to do this change out in years down the road. Ms. Roberts stated that we would want to consider doing this before 2009 because the warranty would run out on the mxu unit at that time and these would have to be replaced at our cost.

Mr. Rector questioned Mr. Cornett about the Westwood sewer area. Mr. Cornett said in the last couple of weeks Rural Development is offering WCSA besides what our current rates will fund the remaining balance

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of our funding in grant money if we will agree to raise rates for the 5,000 gallons usage amount \$2.00 more per thousand this year and \$2.00 more per thousand for next year. He said that if we did consider raising these rates that they could possibly give us an additional 1 million in extra grant funding with a low interest rate. He said that this increase would require action by the Board before this would be considered. He said that the rate structure had been evaluated and it would require a rate increase not only to industrial and commercial but also residential customers.

Mr. Rector also questioned why the Administrative budget had increased substantially from amount that had been requested in the last year's budget. Mr. Cornett said that we had ran into some issues with licenses on some of the software that we use daily in the Engineering and Water Distribution departments and we would be required to purchase additional licenses to use this software in the future. He also said that the other amounts increased were due to needing a new roof on our office building, lobby renovations, architectural service and extra lighting for our parking lot. Mr. Cornett said that he estimated these to be around \$200,000 but felt this amount would not be used.

Ms. Roberts explained the other department expenditures and also reviewed our Capital Expenditure plans and Project Summary list. She reported on the total Budget Summaries by Department and water and sewer revenue projections and consolidated net incomes without rate increases including

depreciation. She reviewed the compensation worksheet and was requesting a cost of living increase in the amount of 3% for WCSA employees an average performance evaluation increase of around 2%. She reported that the Health Insurance premiums did show an anticipated increase of around 15% this budget year. She said the current rate of inflation increase was around 3.9% so we would be abating part of this increase, around \$30,000, to go toward our insurance premiums. Mr. Cornett said that in the compensation budget they did include salaries for an Administrative Assistant, Inventory Control Clerk, General Manager and Assistant General Manager. Mr. Chase questioned if WCSA requested for proposals for Health insurance on a yearly basis. Mr. Cornett said that we do not do this on an annual basis but if we see an increase in premiums that are not measured up with what is being seen in increases across the industry or we would like to change our plan coverage we would advertise for proposals but normally we do not request for proposals every year. Mr. Roberts said that we were looking a 20-25% increase in premiums last year so we sent out the request for proposals to check other companies coverage and pricing. Mr. Rector questioned what the average cost amount was that WCSA was paying for each employee to be covered on Health Insurance. Mr. Cornett explained that there are 3 different tier rates based on Family, Employee and Spouse and Employees only. Mr. Cornett said he believed the prices were around \$1400 for family

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coverage around \$900 for employee and spouse and around \$750 for employee only. Mr. Chase questioned if it had ever been considered in requiring a new employee to pay for part of the Health Insurance premium. Mr. Cornett said that in the past we have tried to reduce the premiums that WCSA pays but we also wanted to maintain good coverage for the employees. He said that we now offer a flexible spending plan that allows the employee to contribute up to \$2000 pre tax that helps them with paying the higher deductibles that is not covered by the insurance. Mr. Cornett also said that after speaking with our Insurance broker that they have seen when an employer only pays for the employee part of the insurance that the employee would not add their spouse and family and be required to pay for another policy to have this type of coverage. He said that a concern that they have seen is the spouse and the family sometimes have fewer claims which helps us by having more people on the policy which decreases our cost based on the number covered on the plan and less payouts due to fewer claims. Mr. Cornett said that this was a great benefit and helps us to retain our current employees and is also a major bargaining factor when hiring new employees. Mr. Cornett also said that they had checked with other utilities on benefits and most of them do offer the same insurance benefit and retirement packages as we currently have.

Ms. Roberts and Mr. Cornett reviewed three different scenarios on proposed water and wastewater increases. They reviewed each

scenario explaining how each one could increase our revenue for the upcoming budget year. Mr. Cornett said that he would recommend Scenario #2 that could possibly generate an additional income of around \$800,000 more per fiscal year. He said the reasoning for this was because last year was really a drought year which was unanticipated in our planning and also would put us in a better position to meet our Capital needs for DWSRF projects and our incoming Intake and Water Treatment Plant expansion project debt. He also said this puts us in a better position to be able to borrow additional funds to cover these upcoming projects. Mr. Cornett said that it would be really helpful to look at our rate structures individually based on residential, commercial and industrial rates and we hoped to be able to do this soon since we have received request for proposals for a rate study to be done to help validate our rates and fees. Mr. Cornett explained to the Board the system fee calculations and the basis of these fees. He also reviewed the current equivalent residential living unit fees and current tap fee charges for water and wastewater connection fees.

5. Closed Meeting; Personnel

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 prospective candidates for employment; assignment,

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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.

In addition to the Board, the presence of Mrs. Dawn Figueiras, WCSA Counsel and Mr. Robbie Cornett, WCSA Interim General Manager. The motion by Mr. Stephon was seconded by Mr. Stout. The motion passed (5-0-2). The Board adjourned to Closed meeting at 9:15 p.m.

Return to Public Session

Upon motion by Mr. Stephon and second by Mr. Stout, the Board returned to Public Session at 09:34 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 5-0-2.

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

NAY: none

Absent: Mr. Cole, Mr. Blaylock

6. General Manager's Opening

Mr. Chase moved that the Board enter into an employment agreement with Mr. Robert Cornett for the WCSA General Manager's position. Mr. Chase's motion was seconded by Mr. Stout and passed by a unanimous vote.

7. Late Items

Mr. Cornett stated that presently they had been contacted by Byrd Construction Company about developing some property on Route 609 (Hillman Hwy) between Emory and Meadowview. This property has recently been residential property for a number of years and is being developed into 18 apartments in addition to the single residence already on the property. The former owner H. C. Carter of the single family residence remodeled the home so it could be rented for apartments. Mr. Cornett said that Byrd Construction bought the property from Mr. Carter about 2 or 3 years ago and has begun to develop this property into an apartment complex and already have them under roof at this time. Mr. Cornett said before they built this complex they did not check thoroughly into

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how they would be able to access the water and wastewater system. The house currently has water and wastewater service. Mr. Cornett stated that the neighboring property owner across the street where the wastewater line is located will not agree to give an easement for Byrd Construction to hook on to serve the apartment complex. Mr. Cornett said that the house can be served by the existing lateral but is now being questioned by Michael Heath, the owner of the property across the street and also by his attorney Mr. Reelia Watson. He said that Mr. Watson claimed that Byrd Construction is trespassing on the Heaths' property because there is no easement recorded for their private service lateral. Mr. Cornett stated that this line is not a favorable line to connect the apartment complex to because of the location and size of the line. He stated that this line needs to be relocated and a larger line in place to handle the apartment usage. Mr. Cornett stated that Byrd Construction needs to obtain an easement from the Heaths to get service. Mr. Watson and the Heaths have claimed that they are trespassing and they would need to disconnect the line or they would disconnect it for them. Mr. Cornett stated that WCSA Legal Counsel has written a letter to Mr. Watson and Byrd Construction's attorney has requested a meeting with all parties involved to resolve the situation. Mr. Cornett also said the neighboring landowners would not be willing to give an easement to Byrd Construction to receive service for the development. After a brief

discussion of the Board no action was taken on this matter.

8. Adjournment

Mr. Stephon made a motion to adjourn. Mr. Chase seconded. The motion passed 5-0-2. The Board adjourned at 09:55 p.m.

Mr. Scott Rector, Vice-Chairman

Ella Ratcliffe, Assistant Secretary