

**Washington County Service Authority Board of Commissioners
November 26, 2012 Joint Recessed Meeting Minutes (Held December 12, 2012)**

The Joint Recessed Meeting of the Washington County Service Authority Board of Commissioners and Washington County Board of Supervisors was called to order at the County Government Center at 7:00 pm.

ROLL CALL

Commissioners Present:

Mr. Joe Chase, Chairman
Mr. D.L. Stout, Vice Chairman
Mr. Prince Coleman
Mr. Devere Hutchinson
Mr. Frank Stephon, IV
Mr. Kenneth Taylor

WCSA Staff Present:

Mr. Robbie Cornett, General Manager

WCSA Legal Counsel:

Mr. Mark Lawson, General Counsel

Supervisors Present:

Mr. Joseph Straten, Chairman
Mr. Phillip McCall, Vice Chairman
Mr. William Gibson
Mrs. Dulcie Mumpower
Mr. Odell Owens
Mr. Randy Pennington
Mr. Wayne Stevens, Jr.

Washington County Administration Present:

Mrs. Nadine Culberson, County Administrator
Lucy Phillips, County Attorney
Mrs. Naoma Norris, Executive Assistant/Recording

2. Call to Order

The meeting was called to order by Mr. Joe Straten, Chairman of the Board of Supervisors, who welcomed everyone in attendance.

Mr. Joe Chase, Chairman, Washington County Service Authority Board of Commissioners called their Board

meeting to order and stated that all members are present.

3. Approval of the Agenda

On motion of Mr. Owens, second by Mr. Stevens, the Board of Supervisors acted to approve the agenda as presented with a vote of 7-0-0-0.

Mr. Coleman made the motion to approve the agenda. Mr. Hutchinson seconded the motion and was approved by WCSA Board vote of 7-0-0-0.

4. Presentation by Washington County Administrator, Nadine Culberson and WCSA General Manager, Robbie Cornett.

Mr. McCall began the discussion by asking Mr. Cornett if the replacement of galvanized line was considered growth or non-growth. Mr. Cornett said galvanized line replacement projects were considered largely to be non-growth and were being paid for almost exclusively by existing customers.

Mr. Owens asked Mr. Cornett how WCSA's connection fees compared to other southwestern counties. Mr. Cornett said he did not have those surveys in front of him for exact information. He said the closest areas to the best of his recollection, with connection fees comparable were in Roanoke or Botetourt County.

Next, Mr. Gibson said information for surrounding counties provided for their 2012 to 2013 connection fees showed Lebanon charged \$1500 per connection and the rest were under \$1000.

Mr. Owens then asked why Washington County Service Authority had such high connection fees. He went on to say "I hear more criticism of WCSA than any other about the connection fee".

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It has been a deliberate decision on the Board's part not to require existing customers to pay growth related stated Mr. Cornett. Combined WCSA's connection and monthly user fee (water bill) is below the median for the 5000 gallon user.

Mr. Owens asked if most counties in Virginia were using the cost of service approach.

Mr. Cornett said over 100 utilities were using the same approach (cost of service approach). More and more utilities are going moving to this approach. Growing localities use this approach to take the burden off existing customers. According to a story in USA today, utilities that did not use the cost of service approach had as much as a 230% increase on customer's monthly bills. More utilities are going to this model.

Mr. Gibson then asked what the actual cost of the connection put in the ground was.

Mr. Cornett said it was about \$1200 for the actual connection piece.

Mr. Gibson asked if the other \$4560 was for labor.

The balance is for the purchase of capacity in the system answered Mr. Cornett.

The next to speak was Mr. Owens. He asked "It is fair to say the customer is buying into the system?"

Yes this is precisely the approach said Mr. Cornett.

Mr. Cornett said in 1997 there were many complaints about user fees doubling. In order to eliminate the system fee, monthly user fees would have to increase 112% and this wouldn't go unnoticed by our customers.

The biggest complaint we hear is the cost of the hookup, said Mr. Pennington.

If growth doesn't happen, what then, he asked.

Mr. Chase responded to Mr. Pennington's question saying "I have asked Mr. Cornett several time if we are on solid ground with our connection fees." The cost is there. If we raise user fees is will affect 100% of our customers' residential, small business and industries. Everything is high and we know it is an issue. If industries look at the user fees, they have to be impressed with them. There are many things to consider. Mr. Chase went on to say, "We are here to work with you" (the Board of Supervisors).

The next to speak was Mr. Pennington saying, someone building a \$290,000 home could afford the connection fee but "we can't pass the connection fee onto someone in a trailer".

Mr. Chase reminded the Board about the interest free loans WCSA offered customers. We are willing to work with you on this issue, he said to the Board.

Mr. Miller said WCSA has expanded the system more than other neighboring counties and so you can't compare our costs to the other counties.

Mr. Chase added, WCSA was adding a lot of work in this county with new sewer and water line projects and the new water treatment plant. WCSA is upgrading our infrastructure and you can't compare us to other authorities that are not expanding.

Mr. Hutchinson spoke about the number of homes listed in the paper for sale. He discussed the number of WCSA customers that were called for non-payment, the number of accounts lifted for non-payment and the amount of bad debt WCSA wrote off in October. He said if you raise monthly user fees to

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cover connection fees, those numbers will only increase.

Mr. Pennington stated, "Everyone shares in the high cost of gas". Washington County growth depends on it. They (contractors, industries) don't look at user fees, they look at connection fees. We have to have common ground. Growth paying for growth is not working.

Mr. Chase said since 2008 when the economy bottomed out, housing starts have been down everywhere, not just Washington County. Mr. Chase agrees on having a common ground and said WCSA needed information from the Board of Supervisors on how much they expected the connection fees to be.

Mr. Hutchinson said, "We (WCSA) need you (the board of Supervisors) to give us a figure. What do you want connection fees to be so we know where we can cut?"

Mr. Stevens said to decide what people could pay for service and go from there. He said those buying a \$60,000 home couldn't pay \$9,000 to connect to water and sewer. Those paying \$900,000 for a new home could afford it. He went on to say he hated to see young couples and those on fixed incomes struggle to pay the connection fees and WCSA has to come up with a better way.

Mr. McCall asked how projects like the galvanized line and the new water treatment plant were being paid for.

Mr. Cornett said those were being paid for by a 20, 30 or 40 year loans depending on the funding agency. He then discussed other projects and how those projects were being paid for, He said the water plant expansion was growth related and WCSA had a 40 year loan at 2% interest to pay for that project. Galvanized line affects 22% of

WCSA's system. 86% of leaks and breaks occur on galvanized line since 2004. WCSA couldn't wait 20 years to replace galvanized line. If that project was done by a "pay as you go" method and we spent \$1 million annually it would take 30 years by the "pay as you go" method, Mr. Cornett added.

Mr. Stevens comment. It is going to be very difficult to get connection fees down enough for the low income. When I tell people monthly user fees have to go up to get connection fees down, nobody wants that, said Mr. Chase. He again stated, we WCSA Board of Commissioners) want to work with the Board (Board of Supervisors) on this issue.

No one likes to raise taxes said Mr. Taylor. We need businesses and jobs in this county. We have the businesses to attract industries. I am willing to do what needs to be done. We have a lot of lower income and we need to get it lowered for them. I will do what I think is right for the people and our (WCSA) Board is willing to do that. We are here to serve the people.

Mr. Owens then spoke saying, only an entity can apply the cost of service approach. When we upgraded the schools, we spread that cost to all the people; not just those who had children in those schools. We do not mind to share in the cost of the connection fees to get new business in the county, he added Mr. Owens then asked if Oak Park would free up any sewer capacity for WCSA.

Mr. Cornett said yes and explained why. Mrs. Mumpower said WCSA needs to look internally when determining the costs for connection fees. Industries complain about the connection fee and it

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has caused businesses to stay away from Washington County.

Mr. Gibson said the new 5 year plan implemented in 2009 to raise rates caused the downfall in the housing market in Washington County. He suggested WCSA staff review the figures and develop a combination of options for reducing the connection fees.

Mr. Stephon asked the Board of Supervisors if they had any idea what they thought the connection fees should be.

Mr. Gibson said "No, look at your figures."

Mr. Chase asked the Board of Supervisors where the connection fees should be.

Mrs. Mumpower said the connection fee for sewer about 10 or 12 years ago was about \$2500. She said "I have no idea; my guess is about \$2500 for sewer."

Mr. Stout said a well will last 3 to 5 years before it gets contaminated. So those individuals will eventually have to go to public water. So there is two ways to look at it.

Mr. Owens said a well will eventually be a problem, it will either go dry or become contaminated. He went on to say, "We must find a combination. We all serve the same people."

Mr. Hutchinson discussed the differences in well water and public water. Mr. Hutchinson said WCSA provided excellent service and water quality. He went on to say, WCSA did more for the public health of the county than the local doctors because they provided safe drinking water to all the residences. He then went on to talk about a single lady he know who had two children and had to work 3 jobs to provide for her family. He said what Washington County needs are industries

that pay better than minimum wage and offer benefits. The county used to say, build it and they will come. So Washington County grew with new restaurants, retail establishments and a new theater and the industries have not followed. I understand how hard it is for a new couple to make it. Contractors will not build a \$60,000 home because they can make more building one \$120,000 home than two \$60,000 homes.

One of the issues we have here is the lack of a skilled work force. Industries look at the work force in this region. According to a recent study, there is a lack of skilled labor in this area, said Mr. Hutchinson. It isn't so much the connection fees; it is the lack of skilled workers who can pass a background check.

Mrs. Mumpower addressed Mr. Hutchinson's concerns saying the Board of Supervisors was currently working on a Work Force Training Center and had been for the past year. She said it was a goal for 2013 to have a training center operational in Washington County.

Mr. Hutchinson thanked Mrs. Mumpower for addressing that need. He said you have to look at the big picture and it seems the two Boards are in agreement to bring much needed industries to the area; industries that pays better than minimum wage and that offer benefits to their employees.

Mr. McCall said you can't make everyone happy. I understand WCSA can't do away with the system fee and I realize user rates will go up to cover the decrease in connection fees, he stated.

Mr. Chase agreed and proposed forming a committee that would include members from both boards. The committee will review options and costs associated with lowering the connection

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fees and report those options to both Boards, he added.

Mr. Miller asked the Board of Supervisors if their priority was to lower residential or industrial connection fees. Mr. Taylor suggested the committee look into all the data.

It was consensus of the Board of Supervisors and Board of Commissioners to establish an Ad Hoc Committee comprised of two members of the Board of Supervisors, two members of the WCSA Board of Commissioners, the County Administrator, Nadine Culberson and WCSA General Manager, Robbie Cornett. The Committee will be charged with looking into different fee structures for water and sewer connections and to produce hybrid options and recommendations for both full Boards review and consideration

5. Adjournment for the Washington County Board of Supervisors.

Mrs. Mumpower motioned to Adjourn followed by a second from Mr. Stevens and approved by Board of Supervisors vote of 7-0-0-0.

6. Washington County Service Authority Closed Meeting

At 8:30 pm, 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) (6): investment of public funds, 4. To discuss various Inter-municipal and other agreements; Code of Virginia Section 2.2-3711 Paragraph (A) (7): legal advice, 5. To discuss potential litigation, 6. To discuss various Inter-municipal and other agreements, In addition to the Board, the presence of Mr. Mark

Lawson, WCSA Counsel, and Mr. Robbie Cornett, WCSA General Manager was requested. A second to the Motion of Closed Meeting was made by Mr. Coleman and approved by vote of 7-0-0-0 by the WCSA Board

Return to Public Session:

Mr. Stephon read the following **Return to Public Meeting**; Mr. Chairman, I move that the Board return to Public Session. The motion was seconded by Mr. Taylor and approved by Board vote of 7-0-0-0. The WCSA Board returned from Closed Meeting at 9:43 pm. Mr. Stephon read the following:

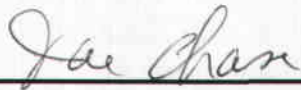
Certification of Closed Meeting;

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

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8. Adjournment for Washington County Service Authority

Mr. Stephon motioned to adjourn, Mr. Stout seconded the motion and the WCSA Board approved voting 7-0-0-0. The meeting was adjourned at 9:41 PM.



Mr. Joe Chase, Chairman



Carol Ann Shaffer, Assistant Secretary