

Washington County Service Authority Board of Commissioners
April 26, 2010 Recessed Meeting Minutes (Meeting Held May 24, 2010)

The Washington County Service Authority Board of Commissioners' recessed meeting was called to order by the Vice Chairman at 5:37 PM.

ROLL CALL

Commissioners Present:

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

Commissioners Absent:

Mr. Gerald Cole, Chairman

Staff Present:

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

Also Present:

Mrs. Dawn Figueiras, General Counsel

3. Approval of the Agenda

Mr. Cornett had no additions or changes to the agenda.

Mr. Stout moved to approve the agenda.

Mr. Stout motion was seconded by Mr. Coleman and was approved by a 6-0-0-1 vote of the Board.

4. Dinner

The Board of Commissioners and WCSA Staff proceeded with dinner.

5. Roundtable Discussion of the Line Extension Under Review

Mr. Cornett wanted to take some time to discuss the alternatives, based on the Board's discussions and insight from MFSG. They are at the point to decide on four basic aspects of Water & Sewer Line Extensions.

Mr. Cornett took the liberty to update the Board, for discussion purposes, on the

proposed options. For User Agreements, the proposed level of commitment is 75% of existing residents. However, the Board may need to come back and revisit that number if they move to implement mandatory connection or how they decide to fund the various projects. Mr. Cornett reiterated that none of this is carved in stone; it is not even a recommendation at this point. What has been identified is what's on his mind, but this doesn't mean that it is necessarily on the Board's [minds]. He also made two suggestions in regards to the funding aspect. The Board also discussed a hybrid plan of customers' rates and a Front Footage Fee to introduce the latter. Mr. Cornett thought plugging some numbers in to scenarios was a way to get things started. He was hoping for some feedback from the Board, even if they would like to change direction of these options all together. Mr. Taylor wanted to discuss the user agreement percentage in greater detail. He noted that our current requirement is 50% + 1; another project currently has only 60% support at this point. With the remaining places in the County that need water being located on the outskirts, Mr. Taylor thinks 75% participation is high. Mr. Chase does not think 75% support is high if they do go towards mandatory connection. In fact, if WCSA decides to do so, he feels it may be wise to move the requirement closer to 90%. Mr. Cornett clarified that WCSA already enforces mandatory connection for sewer. He explained that Rural Development (RD), which has better terms and conditions than the health department (VDH), will not fund projects if mandatory connection is not enforced. Mr. Cornett affirmed this as the reason WCSA has been able to use

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RD Funding for the Water Treatment Plant Expansion and the Galvanized Line Replacement Projects; there are no new extensions involved in those projects. Mr. Cornett explained that when WCSA came through Emory-Meadowview and Glade Spring, although the project area had 60% considered LMI (low to moderate income), they had over 90% participation.

Mr. Blaylock expressed that he does not care for the terminology "mandatory". Mr. Cornett elaborated on the connotation of a "connection ordinance". He feels the previously mentioned project was successful despite the LMI customer base because 1) the need was there and 2) DHCD (the Department of Housing and Community Development) was involved, picking up the connection fees for the LMI households; not every water project we build would necessarily have those conditions.

Mr. Stout asked if residents have to sign an easement if the water line is on their side of the street, but they do not have to connect. Mr. Osborne clarified that a better synopsis is portrayed through the phrase mandatory participation.

Mr. Cornett explained that the Front Footage Fee obligates the homeowners and the landowners. A higher percentage of participation comes with the Front Footage Fee, in regards to how the project is funded. This can also be consistent with enforcing mandatory connection. In regards to the Front Footage Fee, Mr. Chase gave the example of a home on Nordyke Road. He expressed that if a Front Footage Fee came down Nordyke Road, it would not come to fruition.

Mr. Cornett affirmed that a Front Footage Fee requires payment from both

sides of the road. He believes other utilities that do practice a Front Footage Fee may have exceptions, for example, if the land is undevelopable, etc. Just like a connection ordinance, there are a half dozen exceptions; for example, if a resident lives more than 300 feet from the line, if their residence cannot receive gravity flow, etc. Mr. Blaylock also noted that both sides of the road might be unable to participate, due to bluffs and such.

Mr. Cornett expressed that if a Front Footage Fee concept is something the Board wants to look at more closely, it would be wise to follow-up with the utilities currently practicing the system. Mr. Taylor asked for examples. Mr. Cornett noted that Albemarle County, Roanoke County, etc. currently practice a Front Footage Fee concept.

Mr. Blaylock noted that WCSA already has fees on meters and taps. He wondered if a Front Footage Fee could turn things upside down. Mr. Cornett reminded the Board that in a Front Footage Fee policy, the system fee is waived for anyone who buys a tap. Mr. Taylor still feels that whatever is left will be too expensive to implement. He voiced that he would like to see more data, examples of the policy within other utilities, etc.; Mr. Chase agreed. Mr. Stout added that a person could build a house anywhere if they have money. Mr. Cornett clarified the referenced percentages. He noted that according to MFSG's reports of utilities they have surveyed, they had minimum participation on user agreements ranging from 50-70%. Some utilities require customers to pay all, while some had no minimum but residents and the utility each had to pay half of the cost. Many utilities require residents to sign user

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agreements or projects will not continue. Most utilities implemented policies requiring participation between 50-75%. Mr. Chase expressed that he would like to see more information regarding the hybrid option. Mr. Cornett does not know for sure if there are any hybrid examples, but he is sure they do exist. The question is how is the unpaid half of the fee accounted for? Currently, WCSA is using monthly user fees. He reminded the Board that our principle interest payment is \$1.6 million a year. When thinking about a hybrid plan, the Board will have to decide how they would plan to implement each part. The Board has to question where money needs to come from and what that means long term. Mr. Cornett suggested that maybe the Board wants to limit itself to \$1 million in debt per year, but that may require an increase in customer rates. He noted that the only plans that alleviates the current customer base from paying all of the burden is Options 3, 5 & 6: Front Footage Fee, Surcharge on Usage and Equal Assessment, respectively (Note: only a handful of utilities use the last two options; they could likely put most of WCSA's projects financially out of reach). Mr. Cornett explained that a Front Footage Fee is the only legitimate plan to employ that still makes the projects affordable for our customers. He expressed that this is a fairly straight forward way to calculate how much customers will have to pay with a Front Footage Fee. However, it is not this way with the two other options (Equal Assessment & Surcharge on Usage). Mr. Cornett gave examples of what project prices for customers would be with Options 5 and 6, which are out of reach. Discussion erupted amongst the Board. Mr. Cornett explained that the goal is to

move away from financing some or all of the project expenses. He referenced MFSG's example of an average utilized within a Front Footage Fee.

Mr. Chase asked what the most expensive average would be. Mr. Cornett clarified that the most expensive average would be for the Rich Valley Road/ Maiden Creek Road/ Litchfield Road Project: \$111.42 [per foot] for 100 feet. Mr. Osborne affirmed that if this was so, residents would forgo the cost of meters. (Note: Mrs. Dawn Figueiras of Legal Counsel joined the meeting at 6:35 PM.) Mr. Cornett reiterated that for funding to make a difference, the only option is RD. He does not share this to scare the Board. Mr. Cornett expressed that, personally, he is not real fond of mandatory connection. However, with RD funds, projects become much more financially viable; projects become eligible for \$1 million in RD grant funds. RD enforces mandatory connection to the point that Mr. Cornett has to sign an affidavit assuring RD that he will actively enforce it for funded projects. Mr. Blaylock asked for clarification of what constitutes adhering to mandatory connection. Mr. Cornett affirmed that the County's current connection ordinance requires "mandatory participation"; a paid connection fee would be sufficient. Mr. Cornett explained that RD is more financially minded, while VDH is more health minded. He is afraid VDH has not yet figured out that when 50% of residents are required to participate/hook on to the system, it is really not the best use of anyone's money.

Mr. Chase inquired if the County already has a [connection] ordinance in place. Mr. Cornett affirmed that yes, the County does, but it is not enforced by WCSA. He clarified that if we go the

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mandatory connection route, he feels WCSA should update the ordinance. He clarified that the portion of the ordinance that pertains to water was drafted with no expectation it would be implemented. Mr. Chase noted that some of the Board of Supervisors seemed unaware that the ordinance was already in place. Mr. Cornett agreed and affirmed that the situation is very interesting. He noted that prior to the Public Hearing on Rates, Fees and Charges, six of the seven Supervisors told Mr. Cornett that we should be implementing mandatory connection for water so that WCSA can complete more projects with funding. However, when a policy of mandatory connection was suggested by MFSG, Mrs. Mumpower, Mr. [Paul] Price and Mr. McCrady claimed they would not support such a policy. During the last two joint meetings, however, Mr. [Tom] Taylor has specifically mentioned his desire to see WCSA enforce mandatory connection to allow for more projects and access to funding within the County. Mr. Cornett believes MFSG's report may possibly have been misread. From his understanding, all Board of Supervisor members support mandatory connection. Mr. Stout asked if a front footage fee and mandatory connection would go hand in hand. He expressed that if residents have to pay for a connection, but the amount comes off his front footage fee, they would be [unwise to not support this]. Mr. Cornett affirmed that enforcement of mandatory connection would bring about much higher levels of participation. Mr. Stephon feels that if WCSA is going to implement mandatory connection, we also need to establish the policy of 100% participation and 100% easements; this is strictly from the "business/money side of things". Mr. Blaylock affirmed that if

WCSA does not require 100% of easements, we will be in the same mess we are in now if one resident disagrees. Mr. Cornett clarified that if we go in the abovementioned type of direction and mandatory connection is enforced for water, RD will fund projects with grants up to \$1 million and will cover the gap; VDH can typically only fund \$1-1.5 million per project. However, if WCSA divides our projects accordingly with RD funds, a Front Footage Fee policy is naught. If WCSA does not enforce mandatory connection, the only way to go is the Front Footage Fee route; again, RD will not fund a project that does not actively enforce mandatory connection. Mr. Cornett doubts if anyone likes mandatory participation. He does not, nor does he like condemnation, hence why the Board and Staff have avoided implementing such a practice thus far. Mr. Blaylock talked about some areas of the County where you almost have to [practice mandatory connection]. Mr. Chase believes that if WCSA goes with Mr. Stephon's suggested "100%"s, you almost have to implement mandatory connection. Mr. Cornett agreed, as mandatory connection is the moved point. Usually one requirement cannot change without another being affected. Mr. Blaylock inquired if WCSA could look at [cost per connection] averages with jobs in the past five years or so; Mr. Cornett affirmed that this has been done. Mr. Osborne asked, with Front Footage Fee, if WCSA will solicit only residences or properties as well. Mr. Cornett clarified that a Front Footage Fee would be accessed through taxes. Mr. Taylor questioned if such a decision would require a public hearing. Mr. Cornett affirmed that the Board of Supervisors would have to adopt such a

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policy through a public hearing process; a Front Footage Fee would be accessed through taxes and collected through the Commissioner of Revenue's Office. He also clarified that properties would have to be solicited if the owner(s) have the intention to build on the land.

Mr. Chase thinks implementation could be sketchy if it involves the Board of Supervisors. Mr. Stephon does not think so; if WCSA approaches the subject from the perspective that implementation could bring about more grant funding. Mr. Cornett believes that if presented properly and broken down the right way with a lot of facts (such as: noting how the front footage fee works, why WCSA would implement it, how to implement it in the best way, approaching it as the most equitable solution among the options, etc.), they would need to have at least two public hearings before adopting it as an ordinance; he thinks all would need to be present to help answer questions that the Supervisors may have. Mr. Cornett expressed that they need to finish up this recessed meeting in time for the next meeting [at 7 PM]. He quickly referenced the averages that Mr. Blaylock had previously inquired about.


6. Adjournment

Mr. Taylor made the suggestion that this meeting be recessed until June or July to discuss [the line extension policy] with additional information. Mr. Cornett recommended, in order for Mrs. Paukovitz to finish up these meeting minutes, this meeting be adjourned and the June Meeting be recessed until July [for the purpose of further discussion]. Mr. Taylor made the motion to adjourn the April Recessed Meeting. Mr. Taylor's motion was seconded by Mr. Blaylock and was approved by a 6-0-0-1

vote of the Board at 6:56 PM.



Mr. Joe Chase, Vice Chairman


Amanda Paukovitz, Assistant Secretary