

Washington County Service Authority Board of Commissioners
June 28, 2010 Recessed Meeting Minutes (Meeting Held July 26, 2010)

The Washington County Service Authority Board of Commissioners' recessed meeting was called to order by the Vice Chairman at 5:47 PM.

ROLL CALL

Commissioners Present:

Mr. Joe Chase, Vice Chairman
Mr. Prince Coleman
Mr. Dwain Miller
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
Doug Canody, Engineering Services Manager
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. Consideration of Questions From the Previous (May 24, 2010) Water and Sewer Line Extension Workshop

Mr. Cornett reminded the Board that at the May 24th Workshop, they left with a few questions. He prepared a short presentation to address those questions. Slide two of Mr. Cornett's presentation addressed the following three main questions: "Would we Consider and Average Front Footage Fee?", "Could we Consider a Hybrid Funding Approach—Utilizing Front Footage Fee

and Customer Revenue?" and "If Adopted, Is it Appropriate to Have Exceptions to a Front Footage Fee?" The average front footage fee was addressed on slide 3. After further discussion with Municipal and Financial Service Group (MFSG), he learned that it is not uncommon to have an average front footage fee. A utility's average is usually acquired by analyzing project statistics over the previous three to five years for the following year; the average would adjust annually. He noted that an average front footage fee does not limit the cost per connection. The average project comes in at about \$30,000 or less per connection. However, no average would bring about an adverse excessive front footage fee.

Slide 4 addressed the Hybrid Funding Approach. A \$1 million project was used as an example, utilizing a 50/50 combination of front footage fee and customer revenue. The Hybrid Approach requires current customers to pay some of the fee; currently, they are paying all of it. It could potentially make our line extension projects more affordable and would also take some of the burden off of our customer rates.

Ms. Figueiras asked how long the terms last. Mr. Cornett explained that the terms last the life of the loan. For example, a RD loan's terms last 40 years and for VDH, 20 years. He explained that our current policy, however, makes us ineligible for RD funding, as we do not enforce mandatory connection for water. Mr. Cornett also noted that the front footage fee is making principal interest payments on the debt-service of the loan. The front footage fee would, project by project, go away.

A Board member inquired whether or not WCSA could use the real property

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[erroneously listed as personal property] tax assessment mailing address to collect such fees on our own. Mr. Cornett expressed that the only trouble is that our real leverage in collecting is the ability to turn a resident's water off. With more landowners than customers, he does not think we would be able to collect the funds on a long term basis; they are collected twice a year. Mr. Stout inquired if fee payments could be collected monthly. Mr. Cornett clarified that fee payments could not be collected every month.

The Board had inquired at the last workshop if there could be exceptions to a Front Footage Fee; slide 5 affirms this question and strives to address those exceptions. Mr. Cornett added that if this became WCSA Policy, we would probably develop a dispute type process to allow the landowner to speak their peace for exceptions and voice disputes. Mr. Stout asked if the person on both sides of the road have to assess payment for both sides. Mr. Cornett affirmed this and explained that taps are charged, regardless of what side of the road the line is on.

Mr. Cornett opened the floor for discussion and questions by the Board. He proposed that we take what we have and draft it into a policy that reflects decisions and recommendations; that which has been discussed seems like the best option for WCSA. He thinks a joint meeting after the fact to go through the process with them would be good as well. The Commissioners could then explain why they think it is in the best interest for WCSA, long term and financially; however, it may take more than one meeting to do so. In order to allow WCSA to collect the front footage fee on the real property tax assessment,

the Board [of Supervisors] would then have to pass a resolution. He added that several of the Supervisors have expressed to him that they would like us to enforce mandatory connection.

Mr. Taylor thinks it would be a mistake to go full front footage fee at this time. Mr. Cornett proposed drafting WCSA's policy involving a process flow diagram, as utilized throughout the workshops. Mr. Stephon expressed that he would like to see user agreements at a 95% requirement level; Mr. Chase agreed. Mr. Miller asked if in working with some of the more low income areas, if their fee could be assessed by the taxes. Mr. Cornett believes the answer is yes. However, he feels that if we go this route, it is important to have a higher degree to which we acquire information. He reiterated that there are three different organizations that could assist with those fees for low income residents. Mr. Canody added that VDH funding looks at the economic conditions of residents within a project area, along with the health effects of the project. Mr. Canody cited an example on Red Fox Lane. WCSA and the residents were confident the project would be funded, and it has been denied funding for two to three years, despite its bad samples and location within a LMI area.

Mr. Cornett added that an average front footage fee sounds good until we face a project like Red Fox Lane, where residents would get the short end; opposed to paying \$.31/ft., they would be required to pay an average of \$3-4/ft. Mr. Cornett asked Mr. Canody to reference the Old Mill Road scenario. Mr. Canody added and Mr. Cornett affirmed that the Old Mill Road Project was a Community Development Block Grant (CDBG) project, in which

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connection fees could not be charged for low to moderate income households. The good thing about CDBG is if they fund a project, it is almost always fully paid for with grants; the bad news is they expect WCSA to eat the connection fee, which goes against our bond covenants. WCSA's contribution to the project has amounted to what the total connection fees would be. They provide a majority of the funding conditionally if WCSA will front the remaining cost (Note: this is subject to further review). This is still better than most received funding offers. Mr. Cornett explained that if WCSA were to become RD fundable, RD may have the best funding opportunities; most RD projects are grant eligible up to \$1 million. If we become grant eligible with RD, WCSA may be able to take advantage of some more attractive funding alternatives. Old Mill Road was the last project WCSA has done with CDBG. They have also funded the Glade Spring Sewer and the Emory-Meadowview Sewer Projects. Mr. Cornett added that WCSA did not get funding this year from Department of Housing and Community Development (DHCD) in the form of a CDBG. Mr. Cornett affirmed that Staff will work with Mrs. Figueiras to create a policy that reflects the Board's opinions and present it to the Board for their approval. Mr. Miller asked if an average of three to five years is the best way to go. Mr. Cornett explained that with mandatory connection, we increase the number of users. Therefore, we may want to look at the front footage fee on a project by project basis. He gave the example of Red Fox Lane, where the front footage fee was nothing for 100 ft. and the upfront cost was \$18.97/ft. He provided other examples as well.

Mr. Chase asked Mr. Stephon if he would like to see a project stand on its own; Mr. Stephon affirmed this. Mr. Stout thinks there is a place for it, "someplace and sometime"; it would reduce the connection fee, help keep our user fee costs down, and WCSA would not have to raise rates. Mr. Cornett clarified that for anyone who becomes a customer, the front footage fee is reduced by the system fee.

Mr. Stephon noted that the higher the requirement percentage, the more pressure there is on neighbors to comply. Mr. Stout inquired, "Is there mandatory connection enforced with sewer, but not with water at this time?" Mr. Cornett affirmed that this correct. He added that with sewer, there really is no other option besides mandatory connection. At this time, the only place to get revenue is from the existing sewer customer base. Mr. Stout asked Mr. Cornett to clarify that the Supervisors have expressed their desire to see us enforce mandatory connection. Mr. Cornett clarified that from what he has understood, that is correct. Many Supervisors have expressed this to him at various times. For example, he noted that two supervisors had opposed mandatory connection at the Rates, Fees and Charges Public Hearing, but later expressed that they had misunderstood. Mr. Cornett reiterated that the policy requires mandatory participation, not necessarily mandatory connection; residents can choose to pay a non-user fee. He thinks we need to speak with the Supervisors about editing the ordinance, as it does not accurately portray our current standards.

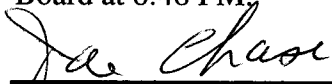
Mr. Canody asked, if we did enforce mandatory connection, would it buy us favor with any funding agencies? Mr.

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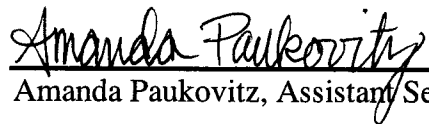
Cornett expressed that with RD it would. Upon Mr. Canody's inquiry, Mr. Cornett explained that mandatory connection would not eliminate the need for a front footage fee, but would provide the opportunity through RD to gain more grants, etc. Even through a combination of loans and grants, RD is a better source of funding for WCSA and they would let us do a county-wide, magisterial district, project specific survey to see if we are grant eligible or not (on a per project basis). Mr. Stephon thought that this resource would be an excellent selling point with the Board of Supervisors. Mrs. Figueiras expressed that she has had a great opportunity to get to know RD; they have expressed a large respect and the highest level of praise for the WCSA Staff; Mr. Chase reiterated hearing that same praise. He also commended Staff for the successful [Middle Fork Drinking Water Plant & Route 58 Water Storage Facilities] Groundbreaking Ceremony.

5. Adjourn

Mr. Taylor made the motion to adjourn the June Recessed Meeting. Mr. Taylor's motion was seconded by Mr. Stout and was approved by a 6-0-0-1 vote of the Board at 6:48 PM.



Mr. Joe Chase, Vice Chairman



Amanda Paukovitz, Assistant Secretary