

**Washington County Service Authority Board of Commissioners**  
**December 28, 2009 Regular Meeting Minutes**

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by the Vice Chairman at 7:01 PM.

**ROLL CALL**

Commissioners Present:

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

Commissioners Absent:

Mr. Gerald Cole, Chairman  
Mr. Sam Blaylock

Staff Present:

Robbie Cornett, General Manager  
Kim Roberts, Controller  
Amanda Paukovitz, Administrative Assistant  
Doug Canody, Chief Engineer

Consultants Present:

Kevin Heath, PE, Adams-Heath Engineering  
Randall Hancock, PE, Draper Aden Assoc.  
Bobby Lane, PE, The Lane Group, Inc.

Also Present:

Mrs. Dawn Figueiras, General Counsel  
WCSA Employees

**3. Public Query & Comment**

There was no Public Query & Comment.

**4. Approval of the Agenda**

Mr. Cornett asked that the presenter for Item #14 be changed from Draper Aden Associates to Mr. Doug Canody.

Mr. Stephon moved to approve the agenda. Mr. Stephon's motion was seconded by Mr. Coleman and was approved by a 5-0-0-2 vote of the Board.

**5. Approval of the Consent Agenda**

- Minutes for November 23, 2009.
- Routine Reports for November 2009.
- Financial Statement for November

2009.

- Check Register and General Manager Financial Report for November 2009.

Mrs. Paukovitz requested that the approval of the Consent Agenda include the attachment of all adopted resolutions into the Board Meeting minutes.

Mr. Stout made a motion to approve the Consent Agenda. Mr. Stout's motion was seconded by Mr. Stephon and was approved by a 5-0-0-2 vote of the Board.

**6. Engineer's Report and Update**

*Mr. Randall Hancock of Draper Aden Associates (DAA) reported on the following projects:*

- **Seven Springs Secondary Supply**

They received the Board's approval to award a contract to Frizzell Construction at the last meeting. They had their pre-construction conference on December 7 and their construction time started on December 14; DAA is not sure if they have been able to start construction yet. DAA is also looking at ways to cut costs.

- **Route 58 Corridor Study & Monte Vista Drive Study**

Hope to have reports to WCSA this month. They did have some issues with calibrating the model, but hope to have these issues worked out in the next week or so.

- **Exit 13/14 Sewer Project**

Project is proceeding well. Have had one person who has made complaints. 85-90% of the lines have been laid out. They will be providing some info for easements next week.

- **Fox Fire & Lowry Hills**

Have put together two task orders, one for each project; WCSA staff has asked for additional financial analysis.

- **Route 58 Water Storage Tank**

Mr. Canody has some task orders. They

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are hoping to get the PER and Environmentals prepared for RD. The abovementioned agencies requested that DAA look at different kinds of tanks to evaluate what can be used on site. They received permission from RD to move forward, despite no response from the US Department of Fish & Wildlife.

***Mr. Bobby Lane of The Lane Group, Inc. reported on the following projects:***

- **Lobby & Building Renovations**

Item #10 of the Agenda is the Administrative Master Plan; this will be discussed later in more detail.

- **Interim Drinking Water Plant Improvements**

Written approval of final plans and specs were received today; item #12 seems to be the last item to be addressed before obtaining full funding from RD. Hope to receive funding before advertising for the project in the very near future.

- **Western Washington Co. Study**

Have completed the document's final draft and submitted this to staff. Was able to meet with Mr. Cornett, Mr. Canody & Mr. Osborne; should be able to present at the January Board Meeting.

- **DWP Expansion**

Mr. Cornett has approved the contract. They are working with Mr. Boswell, the Town Manager for the Town of Chilhowie, to receive a signature and to proceed. He is out of town, but they hope to get approval next week and to obtain approval of the PER.

***Mr. Kevin Heath of Adams-Heath Engineering reported on the following projects:***

- **White's Mill Road Improvements**

They heard back from RD; the State Office has approved the project's PER and Environmentals. Funding and the Letter of Conditions should be received

in the near future.

- **Orchard Hill Road Improvements**

Mr. Heath reported at the last meeting that the project is behind schedule. King General Contractors was able to complete the remainder of their work, with the exception of the stream crossing, prior to the December 1 deadline; the project is substantially complete. King has completed service reconnects and is waiting on the final stream crossing. The Contractor has had a crew there over the last month to finish final stream crossing; they have run into problems.

Mr. Chase asked what the timeline is. Mr. Heath explained that there should be a day left with getting the Pilot across the stream and the subcontractor said it should take two weeks to do the backline. Overall, the timeline to finish the project should span 2-3 weeks.

Mr. Stephon asked Mr. Heath if they are satisfied with King's work. Mr. Heath expressed that the Contractor has had a crew at the site working every day. They have had some trouble, have lost completed work due to rain and have had to start over. Over the last couple days, they have not worked due to the extreme cold; their equipment and the liquids they need to work with would freeze. They do anticipate warmer weather this week and plan to keep working.

***Mr. Bill Aden of Draper Aden Associates made the following announcement:***

He explained that Mr. Cornett handed out a letter at the last Board Meeting, announcing Mr. Aden's stepping down. He will be stepping down as President and CEO of DAA as of July 1. He will still be Chairman of the Board of Directors. He expressed that he is not retiring, just rewiring things to keep

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DAA going. Mr. Aden is going to be doing different things and this is all part of a transition plan. He emphasized that he values WCSA as a client and he will continue coming to Board meetings like he has been for the past 28 years; he will merely be taking on a different role.

**7. Water & Wastewater Construction Projects Report and Update**

Mr. Canody referred the Board to the Engineering report in the Board Books. He noted the following changes/updates:

- **Chestnut Mountain Road**

They are still having difficulty obtaining property for the pump station; still have been unable to catch up with the property owner.

Mr. Stout asked if they have tried contacting the property owner or his son; Mr. Canody replied they've been in contact with the property owner's son.

- **Litchfield/Maiden Creek Projects**

The bidding climate was favorable and they anticipate submitting final plans and specs to VDH at the first part of next week. With their current work load, Mr. Canody anticipates a 45 day period for comments. Once comments are received, they feel comfortable moving forward with advertisement. They would like to start construction in the spring in order to avoid traffic of property during the growing season. February 15<sup>th</sup> is the anticipated date for advertisement.

- **Sutherland**

They have been in discussion with the US Forest Service. This is an opportune time to speak with them, as their recreation area is under investigation for surface water. Extending the system would be in their best interest, financially. They are waiting to see how much money the US Forest Service is willing to pitch in. They are looking at a

lower cost design at this time and are looking to get the design to TDEC and VDH in January.

- **Tumbling Creek**

1,500 of 3,700 feet have been installed; probably have not had much progress.

- They are waiting to hear from VDH about funding. There are three projects in front of VDH for funding (**Whites Mill/Rich Valley, Red Fox Lane, Mendota Rd. Phase 2**), as they are further behind in the process than they were last year.

- **New Johnston Memorial Hospital**

JMH is still interested in taking the line cross country from the Regional Jail to the new property. This adjustment would strengthen our system's reliability, rather than installing another storage tank.

- **Lowe's**

The project is substantially complete and they are awaiting a statement from the engineer. Lowe's is to take possession of the building on January 12 and open for business a month later.

- **MXI Wastewater Enforcement Activities**

WCSA has been watching MXI's wastewater discharge and suspect unapproved discharge substances/levels. They are administrative ordering MXI. The report is under review by regulatory agencies and Legal Counsel; the report should go out in the next couple weeks.

**8. General Manager's Report & Update**

Mr. Cornett reported on the following noteworthy WCSA performance and Staff accomplishments:

**Water Production**

- Produced over 189 million gallons of drinking water.

**Distribution**

- Coordinated the outside purchase of more than 23 million gallons of water.

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- In total, an average of 6.8 million gallons per day of drinking water was distributed to our customers.

**Meter Department**

- 102 customers were telephoned following unusually high usage.
- 491 customers were notified that their water was to be turned off for nonpayment.

**Customer Service**

- More than \$10,000 was abated for 82 customer water leaks.
- \$3,556.48 was written off as bad debt [more than three years old].

**Maintenance**

- Repaired 33 leaks and 9 major breaks.
- Constructed 15 water taps & 3 wastewater taps.
- Responded to 35 after hours maintenance call-outs.

**Wastewater**

- Treated more than 9 million gallons of wastewater.

**Administrative Items**

- Buddy Mann is retiring after more than 27 years of employment at WCSA. Buddy served in various departments. For the last 10 years, he has worked as an operator in the Maintenance Department. Buddy will be missed and we wish him the best in his retirement.
- Effective December 31, 2009, Ernie Sutherland will resign his position at WCSA as GIS Specialist. Ernie served as GIS Specialist for more than four years. Ernie has been a valued team member and he will be missed.
- WCSA is currently advertising for the positions of Staff Engineer, Wastewater Operator and Wastewater Operator Trainee. There will be advertisements for GIS Specialist and Maintenance [Crew] Worker coming soon.
- WCSA responded to two significant weather related events:
  - Between December 9-11, a wind event resulted in widespread power outages. It required WCSA to deploy four generators and operate

five standby power generators.

- Between December 8-17, a rain event resulted in high turbidity water, resulting in continuous chemical cleaning at Mill Creek (9 CIPs). Reservation Spring was offline for two and a quarter days during the period.
  - The estimated cost to WCSA for these events exceeded \$35,000.
  - Thank you to the Maintenance and Water Production Departments for their extra efforts during this period, most of which were after hours and over weekends.
- WCSA has begun to dismantle the Woodsdale Pump Station. This Station was replaced by the newly constructed Lime Hill Station.

**9. WCSA 2008-2009 Audit Report**

Deanna Cox, the partner from Robinson, Farmer, Cox Associates who is in charge of the WCSA audit, addressed the Board for the 2<sup>nd</sup> year, this time regarding the 2008-2009 Audit Report. Despite the fact that she is here addressing the Board later than usual, this year's audit went smoother than the report from last year. Ms. Cox pointed out a couple things that did change on WCSA's report. The final page of last year's report did note significant insufficiencies. However, the firm had no significant negative findings this year; last year's finding has gone away. WCSA did have one minor management comment in regards to unrecorded liabilities, which were subsequently added to the trial balance by Staff. Other than that, they did not find anything negative that needed to be added to this year's report.

One thing that did change was this is the first year of implementation of the GASB45. It requires liability reporting of future expenses, opposed to reporting when liabilities happen. This was

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reported by the Government Finance Officers Association (GFOA). Larger utilities are opting to expense yearly; this doesn't mean anything to us except it does show on each year's statement. The policy does not effect operating cash, but does require its reporting. Other than those two things (the lack of a finding and the new reporting procedure), WCSA is doing things in accordance with standards. WCSA received an unqualified opinion (or a clean opinion), which is the utmost positive rating.

Mr. Stephon complimented the WCSA Accounting Staff for their efforts. Ms. Cox complimented the WCSA staff as well; she expressed that WCSA is the best of the small utilities that they have had experience working with.

Mr. Chase expressed that he was worried, due to the delay of their presentation. Ms. Cox reiterated that initially the delay was due to GASB45; this requirement pushed back everything as a domino effect. She reiterated that the delay did not affect WCSA's report, and she does not foresee any future delays with next year's audit.

**10. Consideration of WCSA Administrative Building Master Plan**

Mr. Cornett expressed that WCSA Staff's initial efforts were to renovate the lobby and to address the HVAC system and roof inefficiencies. However, it is hard not to think forward and to address future staffing needs for WCSA over the next decade or so. A Committee was formed (comprising of Board Members Mr. Blaylock & Mr. Coleman, along with WCSA Staff members Mr. Canody, Mrs. Manuel and Mr. Cornett). The Lane Group was employed for their Architectural Services. Mr. Cornett felt like now is the proper time to evaluate

which portions of the office may need some space reworking. It is difficult to decide if now is the appropriate time to address the change in scope for the expansion (Note: there are already four staff members sharing two office spaces, and that is without the addition of any future staff members), or if we should address that need when it is more immediate. He noted that the original budget for the project is about \$240,000. With the addition of 25% space to the building, the budget would increase to \$1 million for the Master Plan; the \$240,000 is in the current fiscal year's budget, while the \$1 million, if adopted, would need to be implemented into next year's budget. He wanted to touch base with the Board to see if they see the large renovation as necessary now, or if it should be considered later.

Mr. Taylor questioned what all the \$240,000 worth of renovations would include. He wondered if the funds cover a renovation of the lobby, fix/replace roof (Note: at this time, The Lane Group thinks it can be repaired) and necessary repairs/upgrades to the HVAC system? Mr. Cornett clarified that Mr. Taylor's understanding is correct. Mr. Taylor asked if the HVAC system needed to be fixed, or if we merely needed to replace the thermostats. Mr. Cornett explained that we have had thermostat issues, have corrected them with new thermostats and we still have temperature problems. For example, there are thermostats on the other side of the building for rooms across the hall.

Mr. Chase inquired if the \$240,000 includes any work on the drive thru, etc. Mr. Cornett expressed that it does not include drive thru work. Mr. Chase explained that he had asked Mr. Coleman of his opinion, since he is a

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member of the Building Renovations Committee. Mr. Coleman mentioned his concern for the drive thru.

Mr. Cornett explained that we have had two issues with the drive thru. The current design creates a crossing path. Customers have to turn at a sharp angle to not hit the building but get close enough to the window. Duly side trucks cannot get through and we have had folks hit the building (no serious accidents though). Traffic crosses when one car is leaving and another is coming. The drive thru's design and obstacles have been this way for 15 years. The Committee thought this should be looked at as well. The \$1 million budget also included some work on the drive thru area to make it safer for those trying to go thru and for those crossing paths.

Mr. Taylor asked if the \$240,000 budget is a good estimate or not. Mr. Lane explained that the estimate was established before they started doing the work. At one time, the budget was based on an educated guess. However, when they engaged in the study, The Lane Group came to believe that they can renovate the lobby, make changes to the HVAC system and create/repair the roof within that estimate. He thinks the work will be tight within those numbers, but he thinks it can work; they did fairly specific cost estimates. The Committee looked at relationships of people who work within the building, their interaction with others, etc. The \$1 million master plan provided about 25% more space that has been identified as area needed for current and also future personnel. \$240,000 is a good estimate for the initial renovations/changes and the \$1 million is a good estimate for implementing the entire master plan.

Mr. Stout asked what comprises the roof

now. Mr. Lane explained that the current roof is made up of architectural shingles. He thinks repairs can be made to get a couple more years out of the current roof. If additions are made or when the roof needs replacement, he encourages a new metal roof.

Mr. Chase noted that Mr. Cole had asked for time to consider the options and asked Mr. Cornett if he had heard back from him; Mr. Cornett clarified that he had not heard back from Mr. Cole.

Mr. Stephon asked what Mr. Cornett's recommendation is. Mr. Cornett explained that we can make the existing building work. If we do not add the 25% space, however, we will need to address the wall coverings and the carpet, which need some updating (they are coming apart), along with the outside lighting, as the parking lot is not very well lit. He expressed that if we do not take on the Master Plan, there are some adjustments to be considered. The limit will be set at placing a maximum of two people per office; Mr. Cornett believes we can do that to get by. He shared that the recommendation of the five individuals on the Building Committee was to move forward with the Master Plan; his recommendation would concur with the committee's recommendation. Do we have to have the addition to provide our service? He explained that no, we do not. However, the Committee recommends the addition of 25% more space and additional changes to allow employees to work more smoothly. If adopted, the Master Plan expenses would be implemented into next year's budget. WCSA would not get to the construction phase until next year's budget has been established. Mr. Cornett explained that he did not want The Lane Group to move forward without the

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Board's approval.

Mr. Stout asked, if the Board adopts the Master Plan, would The Lane Group recommend a new metal roof? Mr. Lane expressed that yes, they would. With economies of scale and new roof lines, it would make a lot of sense to go ahead and replace the roof. Mr. Cornett reiterated that if the building is not expanding, WCSA could get a couple more years out of the current roof.

Mr. Taylor noted that they have previously talked about selling the building. If WCSA was to engage in the expansion, what will we do with the building 15 years from now? He expressed that \$1 million is a lot of money. He feels that spending that amount of funds right now, with the economy the way it is, does not send a good message. He feels he would be totally supportive of the project if it was paid for with stimulus money. However, this current scenario would be paid for with taxpayers' money; Mr. Taylor cannot support it.

Mr. Chase asked, if we stuck to the original renovations, would this waste the Master Plan for future use? Mr. Lane explained that no, the Master Plan would not be wasted. He expressed that Mr. Cornett was very clear that he wanted the plan to be created in phases. In a few years, the roof will need to be replaced; If we do the renovations (changes to the lobby, HVAC system and roof), Mr. Lane expressed that they will do everything they can to make the changes into a phase, opposed to a lost project, should they go with the Master Plan in the future. There may be small losses, but not much.

Mr. Cornett reiterated that the development of the Master Plan has not been a major loss. However, there are

some relational space issues where people work together from across the building that will remain unresolved, should the Master Plan not be adopted at this time. However, the plan will be just as good, in that regard, 5-10 years from now as it is currently. Mr. Cornett thinks Mr. Taylor makes a good point, although WCSA has not been hit hard by the troubled economy; WCSA has, in fact, benefited from the stimulus funding for other projects. However, with respect to the time period and in regards to spending our customers' funds, WCSA's actions could possibly look bad.

Mr. Lane added that with the Master Plan completed, they are in a good place to start seeking funding for the Master Plan, if they see fit. They have the plan, the study and the cost estimates complete. With WCSA's blessing and Mr. Cornett's direction, The Lane Group could find funding to help with the expansion costs. At this time, he does not know what's available, but he is willing to look.

Mr. Stephon suggested possibly Board approval on the renovations now and possibly discussing the Master Plan later.

Mr. Taylor made the motion to move forward with the building renovation plan for the front lobby, improvements to the HVAC system, roof repairs and funds to fix the drive thru traffic flow, lighting outside, floors & wall covering issues (if needed), along with exploration of funding sources for the Master Plan in the future.

Mrs. Figueiras asked if Mr. Taylor was also making the motion in concurrence with the \$240,000 budget. Mr. Taylor explained that he does not know what a good estimate is. Mr. Cornett expressed that the Committee could bring back an

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adjusted budget in January, if the Board would like. He noted that the budget would be slightly over \$240,000 [with the addition of the improvements to the drive thru, needed floor and wall coverings and the lighting outside]. Mr. Cornett agreed to bring the information back to the Board at the January Meeting. Mr. Taylor's motion was seconded by Mr. Stephon and was approved by a 5-0-0-2 vote of the Board.

**11. Draft Water and Sewer Line Extension Policy Review**

Mr. Cornett explained that in the past decade, \$20 million has been taken on as debt for needed line extension projects without much policy to support these actions; he and members of Staff felt this was something to be addressed.

He expressed that tonight's presentation is the first of a two part presentation series. Tonight's presentation follows the three basic ways that a water or sewer line is extended and the flow of each kind of project. The second part of the series will take place in January, along with a workshop.

Mr. Cornett noted that Mr. Canody has been at the head of our line extension project efforts. Assisting him and Mr. Canody has been Karen Barger; she has done the heavy lifting for this project. Mr. Osborne has also assisted with the project as of late.

Mr. Cornett proceeded with a 40 minute presentation, in which he walked through the complete Water and Sewer Line Extension Policy flow chart diagram. There is also an accompanying Project Ranking Matrix; this will be incorporated next month. Mr. Cornett explained that the Board approved this resource a few years ago to priority rank each project as appropriate.

The most recent loan interest rate from VDH is 3%; the rate was 0% for 20 years originally. The RD rate is currently at about 2.5% for 40 years.

In regards to projects where easements were not easily obtained, he gave the example of two years spent on easements for the Chestnut Mountain Road and Rich Valley Road projects.

Mr. Cornett noted a change on Page 9 of the flow chart diagram. He instructed the Board to change the green square to read as follows, "Owner must pay connection fee and begin using WATER service"

Mr. Chase thanked those involved for their efforts in creating this diagram.

Mr. Canody emphasized that this represents a process that evolves over time. He gave the example of when JMH came in for assistance, they said "tell us what you need and we'll give it to you."

Because of this, the process with the hydraulic analysis has taken them a total of seven days. He emphasized that WCSA tries to treat everyone the same and when developers do not cooperate, the process can take months and months.

Mr. Cornett explained that this policy or decision tree, once adopted by the Board, will be helpful when explaining our policy to customers. An abbreviated version was used for a presentation to Hidden Valley residents; the process and the presentation seemed to resonate well with those residents. He believes this resource should help folks visualize a project from conception to completion.

Mr. Chase thanked Mr. Cornett for presenting the first part of this series and expressed that the Board looks forward to seeing the second stage at a later date.

**12. Consideration of Water Treatment Plant Expansion, Resolution Authorizing and Approving the**

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**Issuance, Award and Sale of not to Exceed \$26,580,000 Water System Revenue Bonds**

Ms. Roberts reminded the Board that last month, they approved the resolution for RD to be in compliance with our loan documents [for the Water Treatment Plant Expansion]. She referenced the resolution at the Board's stations. Also, she explained that the resolution in front of them is the same resolution voted on last month; it is simply in a different format for Bond Counsel.

Upon Mr. Chase's inquiry, Ms. Roberts affirmed that the Board does need to take action to approve this resolution as well.

Mr. Taylor asked for clarification of part 3 on page 3 of the resolution. He asked if the rates tie us to a certain length of time. Ms. Roberts explained that the resolution provides them with a rate of 2.5% for 40 years. Mr. Lane noted that the loans can be paid off early.

Mr. Chase asked if we were initially making interest only payments. Ms. Roberts expressed that it is beneficial to pay interest only at first, as construction is beginning and pay requests are starting.

Mr. Cornett explained that WCSA has paid off many of its loans early. Ms. Figueiras noted that we have refinanced some others also. Mr. Cornett expressed that there is no penalty for paying off loans early and we typically defer principal payments for two years because we have a debt we are able to retire; we will be able to do more after the next three fiscal years. These actions keep our rates stable, opposed to new balloon rates. Ms. Roberts reiterated that this does not change our rates in anyway.

Mr. Stephon made the motion to approve the resolution (see attached). Mr. Stephon's motion was seconded by Mr.

Coleman and was approved by a 5-0-0-2 vote of the Board.

**13. WCSA Capital Projects Presentations**

Mr. Cornett noted that he made the following presentation a couple weeks ago to the Rotary Club. However, he wanted to review its content with the Board and bring newer members up to speed. His 15 minute presentation included the following facts about WCSA:

- The Authority operates 900 miles of pipe which, if laid flat, would span from Virginia Beach to St. Louis.
- It is the third largest waterworks utility in Southwest Virginia.
- WCSA has an approved (yet unexecuted) agreement with the Town of Abingdon.
- The previous audience of his presentation was surprised that the Authority receives NO tax dollars; our revenue is not tax-based.
- WCSA received criticism during its 2008-2009 Rate Study that grants were not incorporated in to the analysis; that statement is not true, as grants are incorporated within.
- The Authority has the following notable projects:
  - \$10.8 million in completed waterline extension projects.
  - Six wastewater projects completed since 2002, totaling over \$3 million.
  - Over \$63 million in future water projects over the next six years.
  - Future extension projects, totaling about \$6 million.
  - Over \$27 million in future wastewater projects over the next six years.
- Mr. Cornett believes the results of

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the Eastern Washington County Study could have results that are similar to the Western Washington County Study.

Mr. Cornett opened the floor for any questions the Board may have.

Mr. Chase asked if this is a presentation Mr. Cornett has thought of making for the Board of Supervisors. Mr. Cornett expressed that he would be happy to do so, if the Board consents; the Board seemed to be in support of this action.

**14. Consideration of Three Task Orders Authorizing Additional Engineering Services Related to the Access, Land Acquisition and Environmental Review for the Route 58 Tank Project**

According to Mr. Canody, to say that getting the site for the Route 58 Tank has been a challenge is an understatement; they have had to do more additional work with DAA than anticipated.

He referenced the Board to Tab #5 of the Board Book, in which they will find three DAA Task Orders for the Route 58 Tank Project. They are: 1) TO 09-09 Evaluation of Access Alternatives, 2) TO 09-10: Preparation of Plat for Property & Easement Acquisition Assistance and 3) TO 09-11: Preparation of Environmental Report, as required by RD. Mr. Canody explained that the abovementioned services were not included in the original contract. He also noted that behind Tab #5 is a chronology of events and an enumeration of additional service fees; some of these have already been paid, while others have not yet been invoiced. He expressed that the staff hopes the Board will approve these changes to the contract. The contract is not the funding

agency edition of the document; they will probably be bringing back a revised contract next month that is in line with the funding agency's format. When the project was first initiated, Staff and DAA thought we would have to use WCSA funds for the tank. However, now it looks as if the tank will be funded by an outside source. They are 99% sure that RD will be the source of funding.

Mr. Taylor asked if there is any additional work that needs to be done. Mr. Hancock expressed that there may be a few minor tasks. If so, these items should be covered within the contract's fee curve. Mr. Canody explained that when we look at fees, we also look at the RD fee curve; it is the best source of this type of information and is what they reference. Mr. Taylor inquired if there is a possibility the tank could change again, or if it is pretty well set. Mr. Cornett assured him that the "wheels are in motion" for the tank.

Mr. Taylor made the motion to approve the task orders. Mr. Taylor's motion was seconded by Mr. Stephon and approved by a Board vote of 5-0-0-2.

**15. Closed Meeting: Acquisition and Disposition of Property, Investment of Public Funds & Legal Advice**

Mr. Stephon moved that the Board adjourn to Closed Meeting in accordance with the Virginia Freedom of Information Act, Code of Virginia § 2.2-3711 Paragraph (A) (3): Acquisition and Disposition of Property, 2. To Discuss and Consider the Acquisition of Real Property and to Discuss and Consider the Disposition of WCSA Real Property, Code of Virginia § 2.2-3711 Paragraph (A) (6): Investment of Public Funds, 3. To Discuss Various Inter-municipal and Other Agreements, Code of Virginia §

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2.2-3711 Paragraph (A) (7): Legal Advice, 4. To Discuss Various Inter-municipal and Other Agreements.

In addition to the Board, the presence of Mrs. Dawn Figueiras, WCSA Counsel, and Mr. Robbie Cornett, WCSA General Manager, are requested.

Mr. Stephon's motion was seconded by Mr. Taylor and was approved by a 5-0-0-2 vote of the Board. The Board adjourned to Closed meeting at 9:17 PM.

**Return to Public Session**

Upon a motion by Mr. Stephon, a second by Mr. Stout, and a 5-0-0-2 vote by the Commissioners, the Board returned to Public Session at 10:01 PM.

**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, § 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: Mr. Stout, Mr. Taylor, Mr. Coleman, Mr. Stephon, and Mr. Chase.

**16. Late Items**

Mr. Chase brought to the Board's attention a phone call he received from a Westwood resident about the rates of connection for [the Exit 13 Wastewater Collection Project]. The resident is disappointed that they cannot currently obtain the original connection fee rate.

Mr. Cornett explained that he has responded to two or three residents who live within Phase 1 of the project area. He has wanted to be clear with them about our policy and would like to provide the Board with the letters mailed out to prospective participants, each of which addresses the urgency of their response. The last letter that was sent had a deadline of January 2009 (Note: this deadline was six months before connection fees went up; residents had plenty of time to change their minds). The connection fee increased, effective July 1, 2009; this was after more than adequately informing those folks of their last chance. Mr. Cornett feels we did a pretty good job of following through with those individuals. Some residents have admitted that they did not sign up for the project because they didn't want it to come to fruition. The aforementioned, in essence, has been his response to inquiring residents.

Mr. Stout asked for clarification: "They didn't want the project to go through, but now they do?" Mr. Cornett clarified that now, because it is going through, they want to connect on to the system.

Mr. Chase asked for confirmation that those residents within Phases 2 & 3 of the project will still be grandfathered in at the \$2,400 rate. Mr. Cornett affirmed that yes, they will have the one time offer of the reduced rate; that was a condition of the Board's initial approval. He reiterated that inquiring residents

**Washington County Service Authority Board of Commissioners**  
**December 28, 2009 Regular Meeting Minutes**

within Phase 1 had 10 months to follow through and agree to connect on to the project. However, they did not act accordingly.

Mrs. Figueiras added that there was even a period of time when the new rates were being transitioned in (directly after the Board made the decision to raise the rates), for which new connections were discussed; these residents had time to act. Mr. Cornett expressed that we do need to properly inform folks, but he would be very leery of changing what has been done and in turn, undermining the decision that was previously made. If so, projects in the future will not move. Mr. Chase shared that he went to a Washington County Fair committee meeting and they are trying to reduce costs. Committee members indicated that they use a lot of water to wash the animals and wondered if there is any way to make an adjustment for the Fair. Mr. Cornett explained that in order for that to happen, such an adjustment may require coordination between someone associated with the fairgrounds, someone at WCSA and someone for the Town of Abingdon in order to take action on this. He noted that between the fairground buildings and the livestock watering, WCSA could put in a second or "deduct" meter to get a deducted figure (water usage minus the sewer usage) for the Town. Mr. Cornett reiterated that we've done [such adjustments] for food companies and irrigation systems when they are on public sewer. It is a matter of the Town knowing the layout of the system to make sure the water downstream is not coming to the meter. Mr. Stout asked if the fairgrounds lie within the Town limits. Mr. Cornett is unsure if the fairgrounds lie within the Town limits, but he believes the grounds

are within the Town's coverage for the sewer system.

He also noted that the abovementioned scenario is the simplest way to do the adjustment. This set-up allows WCSA to subtract the deduct meter from the first meter to figure out what water actually went into the sewer system. There may be other ways to do this, but Mr. Cornett has found that this way has been the easiest and most effective.

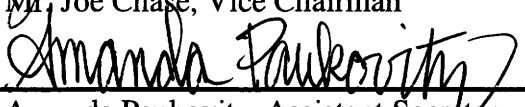
Mr. Stout asked Mr. Cornett if WCSA has done such an adjustment and set-up before. Mr. Cornett explained that we don't have a policy, per se. However, WCSA has used its own meters and we have provided the sewer readings to the Town of Abingdon.

Mrs. Figueiras reminded the Board of their Financial Disclosure statements. They are due and the Board should have received them from the County Attorney's office. She noted that they will be filed in State records on January 15<sup>th</sup>. Due to the media scrutiny this past summer, the County Attorney has asked for the statements to especially be returned on time. Mrs. Figueiras has extra copies and is available to answer any questions the Board may have.

**17. Adjournment**

Mr. Stephon made the motion to adjourn the meeting. Mr. Stephon's motion was seconded by Mr. Taylor and was approved by a 5-0-0-2 vote of the Board at 10:13 PM.

  
Mr. Joe Chase, Vice Chairman

  
Amanda Paukovitz, Assistant Secretary

## CERTIFICATE OF SECRETARY

The undersigned Secretary of the Washington County Service Authority (the "Authority"), hereby certifies that:

1. A regular meeting of the Board of the Authority (the "Board") was duly called and held on December 28, 2009 (the "Meeting"), at which the following Board members were present and absent:

PRESENT: Joe Chase, Vice Chairman  
Frank Stephon  
Prince Coleman  
Ken Taylor  
D.L. Stout

ABSENT: Gerald Cole, Chairman  
Sam Blaylock

2. A resolution (the "Resolution") of the Authority entitled "RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF NOT TO EXCEED \$26,580,000 WATER SYSTEM REVENUE BONDS, TAXABLE SERIES 2010, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF" was duly adopted at the Meeting by the recorded affirmative vote of at least a majority of all of the members of the Board of the Authority, the ayes and nays being recorded in the minutes of the meeting as shown below:

<u>MEMBER</u>	<u>VOTE</u>
Joe Chase	aye
Frank Stephon	aye
Prince Coleman	aye
Ken Taylor	aye
Du Stout	aye

3. Attached is a true and correct copy of the Resolution.

WITNESS my signature and the seal of the Washington County Service Authority this 28th day of December, 2009.



Robert Cornett  
Secretary, Washington County Service Authority

[SEAL]

**WASHINGTON COUNTY SERVICE AUTHORITY**

**RESOLUTION AUTHORIZING AND APPROVING THE  
ISSUANCE, AWARD, AND SALE OF NOT TO EXCEED \$26,580,000  
WATER SYSTEM REVENUE BONDS, TAXABLE SERIES 2010,  
AND SETTING FORTH THE FORM, DETAILS, AND  
PROVISIONS FOR THE PAYMENT THEREOF**

A. The Washington County Service Authority (the "Authority") is a public body politic and corporate of the Commonwealth of Virginia (the "Commonwealth") created pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act").

B. The Authority has determined that it is necessary and desirable to issue its Water System Revenue Bonds, Taxable Series 2010, in a principal amount not to exceed \$26,580,000 (the "Series 2010 Bonds"), and to use the proceeds thereof, along with other available funds, if any, to finance the costs of the expansion of the Authority's existing water treatment plant and the construction of a new raw water intake, together with related expenses, including without limitation the costs of the issuance of the Series 2010 Bonds (the "Project").

C. The Bonds will be sold by the Authority to the United States of America, acting by and through the United States Department of Agriculture, Rural Development (the "Government"), under the terms of a letter of conditions from the Government to the Authority dated September 24, 2009 (the "Conditions Letter");

D. The Conditions Letter has been presented at this meeting and filed with the Authority's records;

E. In accordance with the terms of the Conditions Letter and the terms set forth in this Resolution, the Series 2010 Bonds will be secured by a pledge of the Revenues (as defined below). The Series 2010 Bonds will be issued as "Parity Bonds," as defined in the Financing Agreement dated August 1, 1999 (the "1999 Financing Agreement"), the Financing Agreement dated as of September 1, 2000 (the "2000 Financing Agreement"), and the Financing Agreement dated as of August 1, 2001 (the "2001A Financing Agreement"), each between the Authority and the Virginia Water Supply Revolving Fund (the "Fund"); the Financing Agreement dated as of September 1, 2001 (the "2001B Financing Agreement") and the Financing Agreement dated as of December 1, 2002 (the "2002 Financing Agreement"), each between the Authority and Virginia Resources Authority ("VRA"); the Financing Agreement dated as of April 1, 2003 (the "2003A Financing Agreement"), between the Authority and VRA, as Administrator of the Fund; the Financing Agreement dated as of July 15, 2003 (the "2003B Financing Agreement"), between the Authority and Blue Ridge Bank; the Financing Agreement dated as of October 1, 2003 (the "2003C Financing Agreement"), the Financing Agreement dated as of January 1, 2005 (the "2005 Financing Agreement"), the Financing Agreement dated as of December 1, 2005 (the "2005B Financing Agreement"), the Financing Agreement dated as of January 1, 2007 (the "2007A Financing Agreement"), the Financing Agreement dated as of March 1, 2007 (the

"2007B Financing Agreement"), the Financing Agreement dated as of December 1, 2008 (the "2008A Financing Agreement"), the Financing Agreement dated as of December 1, 2008 (the "2008B Financing Agreement"), and the Financing Agreement to be dated as of a date yet to be determined but expected to occur prior to the issuance of the Series 2010 Bonds (the "2009 Financing Agreement"), each between the Authority and VRA, as Administrator of the Fund. The Bond will be secured on parity with respect to the pledge of Revenues with the Authority's outstanding Water System Revenue Bond, Series 1999 (the "1999 Bond"), Water System Revenue Bond, Taxable Series 2000 (the "2000 Bond"), Water System Revenue Bond, Taxable Series 2001 (the "2001A Bond"), Water System Revenue Bond, Taxable Series 2001B (the "2001B Bond"), Water System Revenue Bond, Taxable Series 2002 (the "2002 Bond"), Water System Revenue Bond, Taxable Series 2003A (the "2003A Bond"), Water System Revenue Refunding Bond, Series 2003B (the "2003B Bond"), Water System Revenue Bond, Taxable Series 2003C (the "2003C Bond"), Water System Revenue Bond, Taxable Series 2005 (the "2005 Bond"), Water System Revenue Bond, Taxable Series 2005B (the "2005B Bond"), Water System Revenue Bond, Taxable Series 2007A (the "2007A Bond"), Water System Revenue Bond, Taxable Series 2007B (the "2007B Bond"), Water System Revenue Bond, Taxable Series 2008A (the "2008A Bond"), Water System Revenue Bond, Taxable Series 2008B (the "2008B Bond"), a taxable Water System Revenue Bond expected to be issued pursuant to the 2009 Financing Agreement prior to the issuance of the Series 2010 Bonds (the 2009 Bond and, together with the 1999 Bond, the 2000 Bond, the 2001A Bond, the 2001B Bond, the 2002 Bond, the 2003A Bond, the 2003B Bond, the 2003C Bond, the 2005 Bond, the 2005B Bond, the 2007A Bond, the 2007B Bond, the 2008A Bond, and the 2008B Bond, the "Existing Parity Indebtedness") and Additional Parity Indebtedness (as defined below).

F. The Series 2010 Bonds will be issued as "Additional Prior Bonds" as defined in the Subordinate Financing Agreement dated as of June 1, 2002 (the "2002 Subordinate Financing Agreement"), between the Authority and VRA. The Series 2010 Bonds will be secured on a senior basis to the Authority's Water System Revenue Bond, Subordinate Series 2002 (the "Subordinate 2002 Bond"), with respect to the pledge of Revenues.

**NOW, THEREFORE, after consideration and in furtherance of the public purposes for which the Authority was created, be it resolved that:**

1. **Authorization of Bonds and Use of Proceeds.** The Authority hereby finds and determines that it is advisable and in the best interest of the Authority to contract a debt and to issue the Series 2010 Bonds in an aggregate principal amount not to exceed \$26,580,000 to be designated the "Washington County Service Authority, Water System Revenue Bonds, Taxable Series 2010" or such other designation as may be approved by the Chairman or Vice Chairman of the Authority. The proceeds from the issuance and sale of the Series 2010 Bonds shall be used, together with other available funds, if any, to pay the costs of the Project.

2. **Sale of Bonds and Acceptance of Conditions Letter.** After mature consideration of the possible methods of sale of the Series 2010 Bonds and current conditions of the municipal bond market, the Authority hereby finds and determines that it will benefit the customers of the Authority through the promotion of their safety, health, welfare, convenience or prosperity for the Authority to contract a debt and to issue and sell the Series 2010 Bonds to the

Government and that it is in the best interest of the Authority to accept the offer of the Government to purchase the Series 2010 Bonds upon the terms set forth in the Conditions Letter. Such offer is hereby accepted, and the Authority hereby agrees to meet such terms.

3. **Details of Bonds.** The Series 2010 Bonds shall be in such denominations as requested by the Government. The series designation of the Series 2010 Bonds may be altered by the Chairman or Vice Chairman to reflect the year and sequence in which the Series 2010 Bonds are issued or the requirements of the Government. The Series 2010 Bonds shall bear interest at the rate of the lower of (i) 2.50% per year, or (ii) the rate quoted by the Government as the interest rate effective on the Closing Date (as defined below). The execution and delivery of the Series 2010 Bonds on the Authority's behalf shall conclusively evidence the interest rate stated in the Series 2010 Bonds as having been approved and authorized by this Resolution. The Series 2010 Bonds shall be in fully registered form, shall be numbered consecutively beginning with R-1 and shall be dated the date of their delivery to the Government or such other customary date required by the Government (the "Closing Date"). Installments due the first 24 months on the Series 2010 Bonds shall consist of interest only and shall be paid annually on the first and second anniversaries of the Closing Date. Payments for the next 456 months will be equal amortized monthly installments to be paid until the principal of the Series 2010 Bonds is paid in full. If not sooner paid, the final installment on the Series 2010 Bonds shall be due and payable 40 years from the Closing Date. Any payment on the Series 2010 Bonds shall be applied first to interest accrued to the payment date and then to principal. Installments shall be payable in lawful money of the United States of America and shall, in accordance with the Preauthorized Debit (PAD) payment process or such other subsequent payment process specified by the Government, be electronically debited from the Authority's account on each day payment is due.

4. **Form of Bonds.** The Series 2010 Bonds shall be in substantially the form presented at this meeting, with such variations, insertions or deletions as may be approved by the Chairman or Vice Chairman, whose approval shall be evidenced conclusively by his execution and delivery of the Series 2010 Bonds on the Authority's behalf. There may be endorsed on the Series 2010 Bonds such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

At the request of the Government, the Series 2010 Bonds may be delivered as fully registered Series 2010 Bonds in the alternative form presented at this meeting providing for principal advances to be made from time to time by the Government in an aggregate amount not to exceed \$26,580,000. An authorized officer of the Government shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances attached to each of the Series 2010 Bonds when the proceeds of such advance are delivered to the Authority. Each such principal advance shall bear interest from the date of such advance so entered on the certificate.

5. **Execution of Bonds.** The Series 2010 Bonds shall be signed by the Chairman or Vice Chairman and the Authority's seal shall be affixed thereto and attested by the Secretary or Assistant Secretary of the Authority.

6. **Registration, Transfer and Exchange.** The Series 2010 Bonds shall be fully registered as to both principal and interest. Transfer of the Series 2010 Bonds may be registered upon books maintained for that purpose at the office of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner of each Series 2010 Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner. The Treasurer of the Authority is appointed as the initial Bond Registrar. The Authority may appoint a subsequent Bond Registrar and/or one or more paying agents for the Series 2010 Bonds upon giving written notice to the registered owners of the Series 2010 Bonds specifying the name and location of the principal office of any such Bond Registrar or paying agent. The Series 2010 Bonds shall be registered initially in the name of the "United States of America."

7. **Prepayment of Bonds.** Installments of principal due on the Series 2010 Bonds may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of maturity) without premium. Notwithstanding the above, the Authority may at any time deliver moneys to the Government with instructions that such moneys be credited against future installments due on the Series 2010 Bonds in inverse chronological order. Prepayments shall not affect the obligation of the Authority to pay the remaining installments payable as provided in Section 3 of this Resolution.

8. **Definitions.** Each of the following capitalized terms shall have the meaning given to it below:

(a) "Operating Expenses" means the costs of operating and maintaining the Water System determined under generally accepted accounting principles, exclusive of (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

(b) "Parity Indebtedness" means, collectively, (i) the Series 2010 Bonds, (ii) the Existing Parity Indebtedness, and (iii) any Additional Parity Indebtedness described in Section 11 of this Resolution.

(c) "Revenues" means (i) all rates, fees, rentals, charges, income and money properly allocable to the Water System under generally accepted accounting principles (provided that the Authority may determine to include any cash or deferred revenues derived from availability or connection fees, even if all or a part thereof are excluded from current revenues under generally accepted accounting principles) or resulting from the Authority's ownership or operation of the Water System, excluding customer and other deposits subject to refund until such deposits have become the Authority's property, (ii) the proceeds of any insurance covering business interruption loss relating to the Water System, (iii) interest on any money or securities relating to the Water System held by or on behalf of the Authority, and (iv) any other money from other sources pledged by or on behalf of the Authority to the payment of the Series 2010 Bonds.

(d) "Water System" means all plants, systems, facilities, equipment or property owned, operated or maintained by the Authority, and used in connection with the supply, treatment, storage or distribution of water as the same may from time to time exist.

9. **Pledge of Revenues and Debt Service Reserve.** Subject to the Authority's right to apply the Revenues to the payment of Operating Expenses, the Revenues are hereby pledged to secure the payment of the principal of and interest on the Series 2010 Bonds. This pledge shall be valid and binding from and after the issuance and delivery of the Series 2010 Bonds. The Revenues, as received by the Authority, shall immediately be subject to the lien of this pledge without any physical delivery of them or further act. The lien of this pledge of the Revenues shall be on a parity with the lien of the pledge securing the Existing Parity Indebtedness and any Additional Parity Indebtedness (as defined Section 11 of this Resolution). The lien of this pledge shall, subject to the right of the Authority to apply Revenues to the payment of Operating Expenses, have priority over all other obligations and liabilities of the Authority, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Authority regardless of whether such parties have notice of this pledge.

In addition, the Authority shall establish a debt service reserve (the "Debt Service Reserve") pursuant to the terms of the Conditions Letter, which is hereby pledged solely to secure the payment of the principal of and interest on the Series 2010 Bonds.

10. **Covenants.** It is hereby covenanted and agreed with the registered owners of the Series 2010 Bonds that so long as any of the installments of principal or interest on the Series 2010 Bonds are outstanding and unpaid, the Authority will:

(a) Charge rates, fees and other charges to users of the Water System and fix and maintain such rates, fees and other charges at such level as will produce sufficient Revenues in each fiscal year of the Authority to pay (i) the Operating Expenses with respect to the Water System for such fiscal year, (ii) the installments of principal and interest on the Series 2010 Bonds and the other Parity Indebtedness, as the same respectively become due during such fiscal year, and (iii) to maintain the minimum requirements with respect to such fiscal year in the reserves to be established and maintained as provided in the Conditions Letter (the "Reserves"), including the Debt Service Reserve;

(b) Apply the Revenues received by the Authority in each fiscal year first to the payment of the Operating Expenses during such fiscal year, then to the payment of the installments of principal and interest on the Series 2010 Bonds and the other Parity Indebtedness becoming due during such fiscal year, then to restore the balances in the Reserves to their minimum requirements with respect to such year, and then to any other lawful purpose of the Authority;

(c) Segregate and keep segregated from all other Authority funds all Revenues and keep proper records and accounts therefor, separate and apart from all other municipal records and accounts;

(d) Not permit connections to or use of the Water System or provide any services of the Water System without making a charge therefor;

(e) Use its best efforts to collect all rates, fees and other charges due to it, including, when appropriate, by perfecting liens on premises served by the Water System for the amount of all delinquent rates, fees and other charges where such action is permitted by law.

(f) To the full extent permitted by law, discontinue and shut off, or cause to be discontinued and shut off, services and facilities of the Water System, and use its best efforts to cause to be shut off water service furnished otherwise than through the Water System, to customers of the Water System who are delinquent beyond any customary grace periods in the payment of rates, fees and other charges due to the Authority.

11. **Additional Parity Indebtedness.** Subject to the provisions of Section 12 of this Resolution, the Authority may issue or incur additional bonds, notes or other evidences of indebtedness secured by a pledge of the Revenues of the Water System on a parity with the pledge securing the Series 2010 Bonds as provided in Section 9 of this Resolution ("Additional Parity Indebtedness") (i) in the form of the 2009 Bond (if the 2009 Bond is not issued prior to the Series 2010 Bonds), (ii) to finance the costs of completing the Project, (iii) to finance the costs of improvements, additions, extensions, replacements, equipment or betterments and of any property, rights or easements deemed by the Authority to be necessary, useful or convenient for the Water System, (iv) to refund any of the Series 2010 Bonds or other Parity Indebtedness then outstanding or (v) to effect some combination of (i), (ii), (iii), and (iv). Any Additional Parity Indebtedness shall be in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

12. **Issuance of Additional Parity Indebtedness.** Additional Parity Indebtedness may be issued (i) in the form of the 2009 Bond (if the 2009 Bond is not issued prior to the Series 2010 Bonds) or (ii) to complete the Project. Otherwise, Additional Parity Indebtedness may not be issued unless acceptable documentation is provided establishing that Net Revenues for the fiscal year following the year in which such Additional Parity Indebtedness is to be issued will be at least 120 percent of the average annual debt service requirements on all outstanding Parity Indebtedness, including the Additional Parity Indebtedness proposed to be issued. For purposes of this Section 12, Net Revenues means the Revenues less amounts necessary to pay Operating Expenses. This limitation may be waived or modified by the written consent of the holders representing 75 percent of the then outstanding Parity Indebtedness.

13. **Junior or Subordinate Indebtedness.** Bonds, notes or other evidences of indebtedness that are secured on a junior or subordinate basis to the Parity Indebtedness with respect to the pledge of the Revenues may be issued in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

14. **Delivery of Bonds.** The Chairman and Vice Chairman and the Secretary and Assistant Secretary are hereby authorized and directed to take all proper steps to have the Series 2010 Bonds prepared and executed in accordance with their terms and to deliver the Series 2010 Bonds to the Government upon (i) payment of the purchase price thereof or (ii) if the Series 2010 Bonds are delivered in the alternative form providing for principal advances to be made from time to time by the Government, receipt by such officer of the Government's agreement to make such advances.

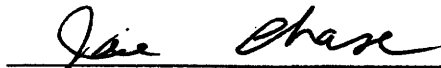
15. **Mandatory Refinancing of Bonds.** The Authority shall refinance the unpaid principal balance of the Series 2010 Bonds upon the request of the Government if at any time it shall appear to the Government that the Authority is able to refinance the amount of the Series 2010 Bonds then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time. The Authority will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take all such actions as may be required in connection with such loan.

16. **Further Actions.** The Chairman and Vice Chairman, Secretary and Assistant Secretary, and General Manager and Deputy General Manager of the Authority and such other officers and agents of the Authority as they may designate are authorized and directed to take such further actions as they deem necessary or appropriate regarding the issuance, sale and delivery of the Series 2010 Bonds, including, without limitation, the preparation, execution and delivery of any agreement relative to the Series 2010 Bonds, the proceeds thereof, or the security therefor, or the Project, as contemplated by or required under the Conditions Letter. All such actions previously taken by officers and agents of the Authority in connection with the issuance, sale, and delivery of the Series 2010 Bonds are hereby ratified and confirmed to the extent that they were consistent with this Resolution.

17. **Filing of Resolution.** Counsel to the Authority is authorized and directed to file a certified copy of this Resolution with the Circuit Court of Washington County, Virginia, pursuant to Section 15.2-5126 of the Code of Virginia of 1950, as amended.

18. **Effective Date.** This Resolution shall take effect immediately.

Adopted this 28th day of December, 2009.

  
Gerald Cole Joe Chase

Vice-Chairman, Washington County Service Authority



Robert Cornett  
Secretary, Washington County Service Authority

## FORM OF SERIES 2010 BOND

*The Washington County Service Authority makes no representations or warranties and is providing no legal opinion regarding the status of interest on this Bond, if any, for federal income tax purposes. Interest on this Bond, if any, is expected to be included in gross income for federal income tax purposes.*

No. R-1

\$26,580,000

### UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA

#### WASHINGTON COUNTY SERVICE AUTHORITY

#### Water System Revenue Bond, Taxable Series 2010

Washington County Service Authority, a public body politic and corporate of the Commonwealth of Virginia (the "Authority"), for value received, hereby acknowledges itself indebted and promises to pay to the United States of America, or registered assigns, the principal sum equal to [the aggregate amount of principal advances shown on the attached Certificate of Principal Advances, but not to exceed the sum<sup>1</sup>] of

TWENTY-SIX MILLION FIVE HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS  
(\$26,580,000)

and to pay to the registered owner hereof interest on the unpaid principal from the date hereof [or the date of each principal advance shown on the attached Certificate of Principal Advances<sup>1</sup>] until payment of the entire principal sum at the rate of two and one-half percent (2.50%) per year. Interest only on this Bond is due and payable on \_\_\_\_\_, 201\_ and \_\_\_\_\_, 201\_. Installments of combined principal and interest of \$\_\_\_\_\_ are payable beginning \_\_\_\_\_, 201\_, and continuing on the same day of each month thereafter until the principal of this Bond is paid in full. Any payment on this Bond shall be applied first to interest accrued to such payment date and then to principal. If not sooner paid, the final installment shall be due and payable 40 years from the date hereof. Such installments shall be payable in lawful money of the United States of America and shall be electronically debited from the Authority's account on the day payment is due.

This Bond is one of a series of bonds (the "Series 2010 Bonds") that have been authorized by a resolution duly adopted by the Authority on December 28, 2009 (the "Bond Resolution"), and issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended, to provide funds to finance the costs of the expansion of the Authority's existing water treatment plant and the construction of a new raw water intake, together with related expenses, including without limitation the costs of the issuance of the Series 2010 Bonds. Reference is hereby made to the Bond Resolution and any amendments thereto for the provisions, among others, describing the pledge and covenants securing the Series 2010 Bonds, the nature and extent of the security, the terms and conditions upon which the

<sup>1</sup> Alternative language to be used if the Government requests provision for principal advances.

Series 2010 Bonds have been issued, the rights and obligations of the Authority, and the rights of the registered owner of this Bond.

The principal of and interest on this Bond are secured by a pledge of the Revenues (as defined in the Bond Resolution) of the Water System (as defined in the Bond Resolution) pursuant to the terms of the Bond Resolution. Such pledge is on parity with the pledge of the Revenues of the Water System securing the Authority's Existing Parity Indebtedness (as defined in the Bond Resolution) and any Additional Parity Indebtedness (as defined in the Bond Resolution) that may be issued from time to time pursuant to the terms of the Bond Resolution. **NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS BOND OR THE OTHER COSTS INCIDENT TO IT, IF ANY, EXCEPT FROM THE REVENUES AND ANY OTHER MONEY OR PROPERTY PLEDGED FOR SUCH PURPOSE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND OR OTHER COSTS INCIDENT TO IT, IF ANY. THE ISSUANCE OF THIS BOND DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, TO LEVY ANY TAXES FOR THE PAYMENT OF THIS BOND.**

This Bond is fully registered as to both principal and interest in the name of the United States of America. Transfer of this Bond may be registered upon the registration books of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

Installments of the principal due on this Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of their maturities), without premium. Prepayments of installments of principal shall not affect the obligation of the Authority to pay the remaining installments payable as provided above.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed, and this Bond, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[REMAINDER OF PAGE LEFT BLANK; SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Washington County Service Authority has caused this Bond to be signed by the Chairman and the Authority's seal to be affixed and attested by the signature of the Secretary.

[SEAL]

WASHINGTON COUNTY SERVICE  
AUTHORITY

By: *Joe Chase*  
~~Gerald Cole, Chairman~~  
Joe Chase, Vice Chairman

ATTEST:

*Robert Cornett*  
Robert Cornett, Secretary

[SIGNATURE PAGE TO WASHINGTON COUNTY SERVICE AUTHORITY  
WATER SYSTEM REVENUE BOND,  
TAXABLE SERIES 2010]

## TRANSFER OF BOND

The transfer of this Bond may be registered by the registered owner or its duly authorized attorney upon presentation hereof to the Bond Registrar who shall make note of such transfer in books kept by the Bond Registrar for that purpose and in the registration blank below:

Date of Registration

Name of Registered Owner

Signature of Bond Registrar

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## CERTIFICATE OF PRINCIPAL ADVANCES<sup>2</sup>

The amount and date of principal advances not to exceed the face amount hereof shall be entered hereon by an authorized officer of the United States of America, when the proceeds of each such principal advance are delivered to the Authority.

<u>Amount</u>	<u>Date</u>	<u>Authorized Signature</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

<sup>2</sup> Certificate of Principal Advances to be used if the Government requests provision for principal advances.