

**Washington County Service Authority Board of Commissioners**  
**March 22, 2010 Regular Meeting Minutes**

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by Mr. D.L. Stout (the Commissioner with the longest tenure, besides the Chairman and Vice Chairman) at 7:01 PM.

**ROLL CALL**

Commissioners Present:

Mr. Sam Blaylock  
Mr. Prince Coleman  
Mr. Frank Stephon, IV  
Mr. D.L. Stout  
Mr. Kenneth Taylor

Commissioners Absent:

Mr. Gerald Cole, Chairman  
Mr. Joe Chase, Vice Chairman

Staff Present:

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

Consultants Present:

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

Also Present:

Mr. Mark Lawson, General Counsel  
WCSA Employees

**3. Public Query & Comment**

***Daniel Leonard of 18015 Nordyke Rd.***

Mr. Leonard is trying to obtain County water. He explained that someone tested his family's water and it is full of e coli; he has a young child, so he is concerned. The County water circles their property, and it is 3/10 of a mile from his house. He noted that his family has been there for 38 years and cannot get County water. If he digs another well, it is going to be the same story. His mom and dad signed a user agreement and the water

did not come (when they first came down there); it is 3/10 of a mile away. Mr. Cornett clarified that later tonight on the agenda, WCSA is proposing that the Board apply for funding of a project that will serve this area.

Mr. Leonard thanked Mr. Cornett and followed up by explaining that their land is just short of four miles, so they cannot get another well. He only needs an acre a piece for County water, where you need two acres of land per well.

***Brandon Martin of  
8226 Hidden Valley Rd.***

Mr. Martin explained that his Uncle Gene has served as a project champion of the Hidden Valley Road project. He noted that many families are multiple to a well in their area and the community has had many wells go dry. On his property, there are 4 wells that are all dry. Mr. Martin has a lot of completed paperwork in hopes that they can get water for their area; Mr. Stout asked that the paperwork be left with Mr. Cornett. Mr. Cornett clarified that having received the user agreements, Staff will be able to look at them for the sections unserved to pursue funding for the area. He explained that they will need to have one more than 50% approval in order to receive funding; they will evaluate user agreements in the existing area. Mr. Cornett noted that he will be contacting Mr. Martin and/or his dad, along with Mr. Taylor once WCSA has a good hand on the status of the project area. Mr. Taylor reiterated that Mr. Martin's uncle, Gene, is the project champion. They have even had an 89-year-old lady helping garner support. There are many elderly residents in the area; there are 11 individuals over 85-years-old. There is even an area within the community where six families are living on one

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spring. Mr. Taylor has two wells on his property alone. On the opposite side of the road, residents "can't hold a well for nothing". He asks for the Board's help to get this project moving; Mr. Taylor wants to get water to everyone who needs it. He expressed that Gene would have been present tonight, but he had to work.

***Nicole Price of 24113 Rich Valley Rd.***

Mrs. Price approached the Board to request for their favor (at the request of Mr. Cornett) on two separate pieces of property that are holding up the two phases of the Rich Valley Road project: the two pieces of property belong to Mr. Owens and the Thompsons. The property across from Mr. Owens is co-owned by two ladies, Mrs. Joyce Correll and her daughter, Sabrina Blackwell [erroneously referred to as Samantha]. They are prepared to sign the easement, but they want Sabrina to receive the \$1,150 connection fee rate as well. This recommendation is being made by Mrs. Price because addressing these two pieces of property are all that remains before this project can go out for bid; a project which could provide water for 60 families. The connection fee [for Sabrina Blackwell] would be in exchange for the easement. This would allow the project to go around the remaining property (a cost of \$18,000 avoided). There is nothing tying the projects together, except the funding requires both phases be bid together. The residents are afraid that they will lose the funding if too much time passes.

Mr. Cornett expressed that the matter can be discussed now if the Board is inclined. Otherwise, he explained that it is scheduled for discussion later as a matter of property acquisition within the Closed Meeting. Mrs. Price affirmed that

she understands if the Board needs to get back with her; the Board agreed to wait to discuss the matter later during the Closed Meeting.

- Mr. Blaylock asked if the user agreement discussed previously by Mr. Leonard is current. Mr. Cornett explained that the lines must travel cross country and the existing line is not large enough to extend any further; it must be upgraded. He also noted that the farther out one goes [in the Nordyke Road community], the higher they are in elevation. Mr. Cornett explained that when service was sought for Nordyke Road 15 years ago, WCSA was unable to complete the project then. The Reedy Creek Road project would set up the area for the project on Nordyke Road. He noted that the current status of the Reedy Creek Road project makes WCSA confident in pursuing funding for Nordyke Road. The project would involve extending the existing line and going from there. A gentleman by the name of Vernon Tier, who has recently moved from the area, was the project champion two to three years ago. Later, the petition was followed by a user agreement to test the seriousness of interest in the area. Certified letters were sent out a little while ago to everyone who had not returned a petition, in an effort to make sure everyone was notified and had the opportunity to purchase a connection, if interested. Mr. Cornett noted that Mr. Canody will address the topic later to seek approval in funding applications for this project, along with others. Mr. Blaylock asked if the user agreements are recent; Mr. Cornett affirmed that

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they are. He explained that Mr. Leonard received the letter a few months ago (which he later affirmed as sometime in February).

#### **4. Approval of the Agenda**

Mr. Cornett referenced an amended agenda at the Board's stations; Agenda Item # 14 has been reworded and #18 has been added. He asked the Board to consider approving the amended agenda. Mr. Taylor moved to approve the agenda. Mr. Taylor'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 February 16, 2010.
- Routine Reports for February 2010.
- Financial Statement for February 2010.
- Check Register and General Manager Financial Report for February 2010.

Mr. Stephon made a motion to approve the Consent Agenda with no additions or corrections. Mr. Stephon's motion was seconded by Mr. Blaylock and was approved by a 5-0-0-2 vote of the Board.

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

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

- **Task Order #8: Interim Drinking Water Plant Improvements (4.6 to 6.6 MGD)**

The Board authorized the award of contract at the last meeting. Mr. Cornett has sent the contracts and they have been sent to the contractor. They expect to receive the bonds and insurance in their office later this week. These items will be passed along to Legal Counsel before they are passed along to RD. The plan is to have the loan closing and be able to proceed by mid April of this year.

- **Task Order 9: Design of the 12 MGD DWP Expansion**

Since the last meeting, they have received comments on the preliminary 50% drawings; these drawings have been submitted to Staff. They have a meeting Wednesday to go over those comments and continue work on the plans.

- **Mill Creek Expansion PER**

They have submitted Technical Memorandum (TM) #1 and #2 to Staff, are addressing comments and working on TM #3; the project is up and running.

- **Galvanized Line Replacement Study**

Have submitted funding applications for Phase 3 and the application is beginning to move through RD's review.

- **Western Washington Co. Study**

They wanted to work with the Board of Supervisors to receive grant block funding for the Mendota Community. They had the first public hearing; the second public hearing is scheduled for tomorrow evening and the application for funding is due March 31<sup>st</sup>.

- Mr. Taylor asked if water is being received from Scott County PSA for the Mendota Road Project; Mr. Cornett affirmed that this is correct.

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

- **Orchard Hill Road Improvements**

Since the last meeting, the subcontractor has remobilized to the site to try and complete the last stream crossing. He started drilling last week and will drill this week, as long as weather permits. Mr. Blaylock later asked if they are making progress with the drilling. Mr. Heath expressed that slowly, they are. Mr. Stout has noticed that the subcontractor has changed direction. Mr.

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Heath affirmed that yes, they have changed the angle and that this subcontractor is now working on the other side of the road; they are optimistic.

- **Whites Mill Road Improvements**

They have received the two funding offers since the last meeting; one from VDH, the other from RD. They have met with WCSA Staff and are proceeding to move towards completing the requirements in order to receive the proper funding.

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

- **Glove Drive Water Line**

Have completed this project and it is in service, minus some restoration work; will be done in the next couple months.

- **Seven Springs Secondary Supply**

They have started work at the Wise Pump Station. They have had some initial schedules that weren't where they wanted them. These schedules have been resubmitted and they are moving along.

- **Route 58 Water Storage Tank**

This project has been resubmitted for funding to RD and they have also resubmitted the specifications and plans. They thought the project was going to be funded by stimulus funding, but they've changed their minds. RD has reviewed the PER, and DAA has received the comments. They have to put the engineering agreement under their format. At the last meeting, the Board authorized DAA to bid the project once we meet requirements; they plan to proceed as soon as that is taken care of.

- **Route 58 Corridor Study**

They have submitted the study to Staff for review; they will make a presentation to the Board later on in the meeting.

- **Exit 13 Sewer Project**

Have most of the plans done and are working to secure the pump station site. They have also submitted a list of needed easements to Staff.

- **Exit 14 Sewer Project**

Have obtained the provided easement and applications for that project, along with the go ahead from Mr. Cornett and funding from the private developer; hope to get the project going soon.

- **Foxfire, the Backside of McCray Drive and Route 11 of Exit 13**

They provided some preliminary layouts for Staff to review and once this happens, they can proceed; are also waiting on some information regarding the Lowry Hills area.

- Mr. Taylor noted that the Route 58 project is back on schedule and bid opening is set for April 28th.

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

Mr. Canody referenced the Engineering Report in the Board Books and noted the following changes and project updates:

- **Chestnut Mountain Road**

Mark Osborne and other Staff members are continuing efforts to obtain the needed easement.

- **Rich Valley Road Projects**

As Supervisor Price said awhile ago, they are two easements short of proceeding with that project; will be discussing further later in the meeting

- **Sutherland**

For the money that they have received, it requires WCSA to pay Davis Bacon Wage Rates. They are double in Tennessee than they are in Virginia; this has provided some challenges.

- **Tumbling Creek**

The contractor is back working and doing a good job. They have had to wait for the ground to thaw; they are about

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60% complete.

- **Membrane Study**

They have been provided comments. The Lane Group and WCSA are attending the second public hearing tomorrow night for the Mendota water supply. This project will be funded by the Community Development Block Grant.

- **Monte Vista Drive**

DAA continues to work on the Monte Vista Drive Project; they want to make sure the model is correct.

- **Route 58 Tank**

Will be discussed in an agenda item to come later in tonight's meeting.

- **Whites Mill Road**

They have received two funding offers for Whites Mill from VDH and RD; Mr. Cornett will speak of this shortly.

- **New Johnston Memorial Hospital**

JMH has made another inquiry about running the line cross country from the regional jail; this would allow the new JMH to reinstall without a fireflow tank. Littlejohn Engineering is currently dealing with the easements that would bring the line cross country; they have not had much luck, but will keep trying. JMH will fall back to the fireflow tank if acquiring the easements is not possible.

- **Damascus Estates**

They are in the process of writing the approval letter. They will be able to serve the first phase with WCSA water, but do not have adequate pressure to do so for the second phase; residents in that area will have to install private wells.

- **Western Washington Co. Study**

On April 7, they are to interview the three firms to be considered for the Western Washington County study: The Lane Group with Olver, Inc., Draper Aden Associates with Dr. Cliff Randall, and Anderson & Associates with Wiley & Wilson.

- They continue to implement WCSA's new fire hydrant policy and they had a meeting with MXI to discuss discharge issues.

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

Mr. Cornett referenced his General Manager's report at the Board's stations. He reported on the following noteworthy WCSA performance and Staff accomplishments for the past month:

### **Water Production**

- Produced over 189 million gallons of drinking water.

### **Distribution**

- Coordinated the outside purchase of more than 26 million gallons of water.
- In total, an average of about 6.9 million gallons per day of drinking water was distributed to our customers.

### **Meter Department**

- 132 customers were telephoned following unusually high usage.
- 271 customers were notified that their water was to be turned off for nonpayment.
- 90 meters were lifted for nonpayment.

### **Customer Service**

- Little more than \$11,900 was abated for 69 customer water leaks.
- \$771.55 was written off as bad debt [three years old].
- 6 new water taps [erroneously read as 3, but Mr. Stout later inquired and Mr. Cornett clarified].
- 0 new wastewater taps.
- 146 reconnection/transfers of service requests (Note: When asked, Ms. Roberts affirmed that about half could have been performed the next day).

### **Maintenance**

- Repaired 15 leaks and 6 major breaks.
- Constructed 6 water taps & 1 wastewater tap.
- Responded to 40 after hours maintenance call-outs.

### **Wastewater**

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- Treated little more than 11 million gallons of wastewater.

**Accounting**

- Through the Debt Setoff Collection, 21 claims were matched for little more than \$8,000; have collected little over \$924.
- Total Submissions: little more than \$92,000.
- Coordinated with Legal Counsel to collect all accounts over \$500.

**Administrative Items**

- Mr. Cornett would like to welcome WCSA's newest staff member, Kirk Maiden of Saltville, VA. He has accepted an offer to become our Draftsman/GIS Specialist in the Distribution Department, replacing former employee, Ernie Sutherland. Mr. Maiden comes to WCSA from VDOT, where he worked as a Draftsman for about 10 years.
- He also welcomed another new staff member, Jimmy Mullins of Bristol, VA. He has accepted an offer to become a Wastewater Operator Trainee at the Hall Creek Wastewater Treatment Plant in the Wastewater Department, replacing a former employee. Mr. Mullins was the Chief Operator of the Town of Clintwood's Wastewater Treatment Plant for about 10 years.
- On February 5<sup>th</sup>, WCSA held a monthly staff meeting and received helpful training from Kim Roberts on our time keeping software.
- Mr. Cornett announced that our new Staff Engineer, April Helbert, is present tonight if the Board has not met her.

**9. Consideration of Revised Engineering Contract for Route 58 Water Storage Tank Project**

Mr. Canody has received another revised engineering services contract for the Route 58 Water Storage Tank Project; the Board has approved about three contracts so far. Due to land acquisition issues, various designs of access roads,

etc., this most recent change has been acquired as they are anticipating receiving funding and the contract needs to be in RD's format. This revised contract takes the previous contracts and puts it in the format of RD. They have specific requirements on what is allowed to be paid for basic services, etc. This contract, while 49% of the project has been paid for by previous invoices under the old contract and payment represented by staff, this contract represents a slightly different format; Mr. Canody could go into much more detail. One service required for this tank is called Geotechnical Construction Fade Services, which will require the presence of a Geotechnical Engineer to be present. This service could be completed in as little as three months and will cost approximately \$100,000. Nonetheless, this will add a report phase to the plans. DAA proposes to charge WCSA 8.0%, which is less than the 8.4% that RD allows for the project. After reviewing this with Rick Smith, the engineering representative RD that checks to make sure contracts comply with their requirements, it is the Staff's recommendation that the Board move into this agreement with Draper Aden. Mr. Taylor asked if the Geotech services were included in the [final cost]. Mr. Canody explained that yes, they have allowed for the expense of Geotech services to be included. It has been worked out with RD. Nothing has been increased. Mr. Hancock explained that they were going to increase the administrative costs due to the responsibilities that accompany stimulus funds. However, they had to take that out. This is the same, if not a very similar amount as was approved before. Mr. Stephon made the motion to approve

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the [revised] contract. Mr. Stephon's motion was seconded by Mr. Coleman and was passed by a 5-0-0-2 vote.

**10. Consideration of DWSRF Applications**

Mr. Canody explained that since the last Board meeting, of the eight projects applied for last March, WCSA has received notification from VDH of which projects they are proposing to fund: the Whites Mill Road project was ranked at #21 on the project funding priority list and the Reedy Creek Road project at #23. They do not have exact terms for Whites Mill Road. However, the terms from RD seem to be better than the terms being offered by VDH. Mr. Canody asked the Board to turn down the Whites Mill Road project funding from VDH and approve the funding by RD. The #20 project on their list would have received stimulus funds. Staff has received info from VDH as to what will be funded. Mr. Canody believes that the six projects which were not addressed by VDH were not funded. He wants to ask the Board to apply for funding of two old projects, and two new projects. However, WCSA needs the endorsement of the Board before applications are sent off; applications must be stamped and in the mail before the Thursday prior to Good Friday. The recommended project applications are:

- **Whites Mill Road/ Rich Valley Road:** Project will connect to the other Whites Mill Road project, has an estimated cost of \$1.35 million, will provide 31,250 ft. of waterline, 1 PRV station, has the potential of connecting 52 homes (already have 28 homes committed or 54%) and the cost per connection for the committed residents is \$52,575/connection (but could potentially end up costing \$28,309/connection if all residents commit). This is a much needed

project for the residents and is of strategic importance to WCSA. It can bring water to the Greendale area; Greendale Elementary School does not have adequate fire flow and water is desperately needed for the Rich Valley Road residents.

- **Red Fox Lane:**

Project involves 2,775 ft. of new waterline added to a small dead end line in the Clinchfield area. Residents who live near railroad line were been moved from the railroad due to the "Rails to Trails Project". Since then, the water quality has been very poor; the conditions have been blamed on construction techniques. Project has the potential of connecting four homes (already have three of the four committed through user agreements or 75%), has a total construction cost of \$67,045, the total project cost is about \$77,436 and the cost per committed connection is \$25,835/connection (but could potentially end up costing \$19,359/connection). This is a low income area, but the project has surprisingly been turned down for funding multiple times. They have completed low income surveys and want to see what they can do to fund this project.

- **Nordyke Road Extension:**

Project is new; this is the project Mr. Leonard requested earlier. Project involves 7,830 ft. of waterline, there is a potential of 18 connections (14 of which have already committed [or 78%]), the total construction cost is \$380,000, the total project cost is \$415,000 (Note: this costs were acquired from a cost estimate by The Lane Group) and the cost per committed connection is \$29,631/connection (but could potentially end up costing \$23,046/connection). Mr. Blaylock asked for clarification of the cost per connection; Mr. Canody provided this.

- **South Tumbling Creek:**

Project is south of Poor Valley Road, will provide 2,540 ft. of waterline, involves seven potential connections (already have four committed [or 57%]), the total construction cost is \$26,500, the total project cost is \$83,400 and the cost per

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committed connection is \$20,853/connection (but could potentially end up costing \$10,932/connection).

Mr. Canody clarified that all these numbers are calculated, considering that WCSA will contribute \$1,500 per connection; VDH looks favorably on local contributions. He would like to request the Board to endorse reapplications for the two old project (**Whites Mill Road/Rich Valley Road & Red Fox Lane**) and new applications for the two new projects (**Nordyke Road & South Tumbling Creek**). Mr. Taylor asked if the requested action would require separate motions. Mr. Cornett clarified that one motion would suffice for all actions together. He explained that a couple projects were taken off the Capital Improvements Project list year to be replaced by the Nordyke Road & South Tumbling Creek Projects. Mr. Cornett expressed that endorsing projects for funding does not automatically endorse a rate increase commiserate with the initial cost. Otherwise, that would have been part of the motion. There was one more thing that he'd like to clarify; the contribution of \$1,500 per connection is a payment that we have to say we are willing to commit to VDH. He noted that other than the connection fee that we connect from the residents, we are paying for every dollar. The \$1,500 per connection has to be paid at the onset, while the remaining cost of these projects is financed for over 20 years; all funds must be repaid. Mr. Canody affirmed that is indeed the case, unless WCSA receives grant funding, which have been few and far between; we've had three projects funded by grants. He explained that even if the Board moves to apply, there is nothing binding that says the

Board has to accept the funding offers. Mr. Blaylock made the motion to permit WCSA to apply for funding for these four projects. Mr. Blaylock's motion was seconded by Mr. Taylor, and was passed by a Board vote of 5-0-0-2.

Mr. Canody thanked the Board. Mrs. Paukovitz asked Mr. Canody if there were five or six projects that we applied for and did not receive funding. He affirmed that he thinks there were five projects WCSA did not hear a response for from last year; he committed to verify this info tomorrow.

#### **11. 2010-2011 Fiscal Year Budget Review**

Ms. Roberts referred the Board to copies of the budget at their stations. She noted that there were no substantial changes to the budget since last month apart from an update on the revenues. WCSA had hoped to get insurance renewal rates in by today; they did not come. Ms. Roberts expressed that as this time, they are still projecting the annual 15% increase. However, she is happy to make a thorough review, a brief review, or the Board could forgo until a more in-depth budget summary is available next month. Mr. Cornett explained that having not received insurance renewal rates, Staff is not in the place to make proper recommendations. He noted that they have been promised renewals from Anthem by the first week of April. However, if there are any adjustments to be made to the rates, fees and charges, the Board would have to approve that tonight so it could be advertised before the next meeting. He believes WCSA is still on target for revenue but offered to go through the budget line by line, if the Board would prefer; the Board chose to forgo a budget summary until it became



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more up to date next month.

**12. 2010-2011 Fiscal Year Rates, Fees and Charges Review**

Ms. Roberts put together a packet of revenue updates at the Board's stations; they show the February revenue and the rolling calendar revenue. She explained that they are not expecting to make any changes to the rates this year. Ms. Roberts did include a couple pages from the MFSG rate study that they provided WCSA with last year; they were able to plug statistics into the model. She asked MFSG to provide two tests: if WCSA's cash balances were still going to meet with bond covenants and with O & M reserves. With all projections, WCSA still does meet all bond covenants and O & M reserves with projected increases. Mr. Stout asked if a motion was not required if the Board did not seek any changes; Ms. Roberts affirmed that this is indeed correct.

Mr. Taylor asked why there seemed to be a dip in revenue during the month of November. Ms. Roberts referred Mr. Taylor to the statistics for the same time last year, where there was also a dip. She explained that this could be: a seasonal issue, due to rain, newly purchased taps, etc. However, she explained that for her to tell without November details in front of her would be speculation. Ms. Roberts explained that is why she provided a two year summary at a glance, to show how the revenues vary throughout the year, depending on the weather.

**13. Consideration of Whites Mill Road USDA Rural Development- Resolution of Governing Body and Loan Resolution**

Mr. Cornett referenced a report and update in the Board Book on both resolutions. He did not have much to

add, except to briefly bring the Board up to speed. Mr. Cornett explained that the Whites Mill Road project hit the radar screen about 10 years ago. These areas have created maintenance problems for WCSA and a lack of flow for customers. There are about 600 connections in this area that could be impacted by this project. He noted that this was one project applied for through VDH last year and we thought we would not get funding, due to the project's ranking on the list. Mr. Cornett explained that WCSA received this funding offer from RD a couple weeks ago; it is a simple interest loan with a 2<sup>3</sup>/<sub>8</sub>% interest rate for 40 years, which are good terms by RD. WCSA could pay the loan off early or pay as we go, if we so choose. He expressed that there are a number of items needed in order to meet the letter of conditions prior to an advertisement for bid. Apart from meeting these conditions, WCSA has the necessary easements and the project is ready to be advertised. All that remains is to meet the letter of conditions. Two of the items they ask for consideration of are: the Resolution of the Governing Body and the Loan Resolution; the loan would be for \$2,755,000 at 2<sup>3</sup>/<sub>8</sub>% for 40 years. Mr. Cornett feels that rate is as good as WCSA has seen in a very long time. He does recommend that the Board motion to approve the Resolution of the Governing Body and the Loan Resolution. Mr. Cornett offered to answer any of the Board's questions. Mr. Stout asked if there needed to be one motion or two. Mr. Cornett affirmed that the Board could reference both resolutions in one motion.

Mr. Stephon made the motion to approve both resolutions. Mr. Stephon's motion was seconded by Mr. Coleman, and was

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approved by a Board vote of 5-0-0-2. Mr. Taylor asked if loan was for \$2,755,000; Mr. Cornett affirmed that as the correct amount.

**14. Consideration of Whites Mill Road Water System Improvements, Resolution Authorizing and Approving the Issuance, Award and Sale of not to Exceed \$2,755,000 Water System Revenue Bonds**

*(Note: Item #14 was reworded through approval of the Amended Agenda.)*

Ms. Roberts noted that WCSA did receive an offer of funding from RD for Whites Mill Road. WCSA has asked Bond Counsel to submit the Bond Resolution as well to get all items taken care of in one evening. She is seeking from the Board the same approval, but it is needed as two separate motions to approve the issuance of the Bond. Mr. Lawson affirmed the Board can see the Resolution of the Bond at their stations. Mr. Taylor made the motion to approve the resolution. Mr. Taylor's motion was seconded by Mr. Blaylock and was approved by a Board vote of 5-0-0-2.

**15. Consideration of Buy American Bond Reimbursement on Interest Resolution**

Ms. Roberts brought the Board's attention to the thinner of the two bond resolutions at their stations. She has been discussing with Bond Counsel the concept of the Buy America Bond, made possible by the American Reinvestment and Recovery Act. Ms. Roberts explained that through a Buy America Bond, governments can issue to receive 35% subsidy back on any interest paid on loans. However, this would require signing an additional resolution and the policy would only apply to bonds issued in 2010. The bond we are applying for

today is the Water Treatment Plant, which is a \$26 million bond. For example, on the Water Treatment Plant's bond, a 35% subsidy would save WCSA \$5 million in interest on this loan. Mr. Blaylock asked if this was guaranteed. Ms. Roberts clarified that the government can rescind this at any time, but otherwise it is guaranteed. Mr. Cornett added that the government reserves the right to change their mind and WCSA would have to apply for the reimbursement each month for the next 40 years. Every month, Ms. Roberts would have to file a form 45 days prior to the loan payment; eventually, the file can be completed electronically online. However, this effort should guarantee a 35% return.

Mr. Blaylock made the motion to approve this interest resolution. Mr. Blaylock's motion was seconded by Mr. Taylor and was approved by a 5-0-0-2 vote of the Board.

**16. Consideration of WCSA Administrative Building Master Plan, Phase 1**

Mr. Lane referenced the final report for the Master Plan in the Board's packet behind Tab #5. He explained that the committee discussed this plan, and looked at several things needed, including potential to expand the office building. WCSA asked The Lane Group to go back, review the Master Plan and get back to the original parts of this study. He affirmed that they have done that and if one looks at the final master plan, the third page from the cover is the existing full plan; the fourth page shows renovations to the lobby area. Mr. Lane explained that following that is an updated cost estimate, which is really close to WCSA's budgeted amount.

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They are estimating the cost of renovation to total \$229,000, the roof repair (not replacement) would be \$37,000 and the HVAC improvements would total approximately \$42,000, bringing the total estimated construction cost to \$309,000; this total does contain the 25% renovation contingency. He noted that one item that was not clear in the report (and he has spoken to the architect about) is the inclusion of the drive-thru area and circle within the contingency; this also includes some exterior lighting improvements in the parking lot. Mr. Lane expressed that The Lane Group believes these are the raw minimum things needed to be done; the Master Plan is still in place and they have tried to do everything they can to not waste anything. He offered to answer any questions the Board may have. Mr. Taylor wanted to make sure the HVAC system was included. Mr. Lane affirmed that approximately \$42,000 of \$309,000 is geared towards the HVAC, \$37,000 is for roof repair and the rest is for [building renovations].

Mr. Blaylock asked if the plans still include a public restroom. Mr. Cornett clarified that yes, a public restroom is still included in the lobby area; it is just not labeled in the plans very clearly. Mr. Stout asked if the Board needed to make a motion. Mr. Cornett expressed that he thinks this plan is within what the Board has budgeted. He feels a motion would be good, if the Board is so inclined. Mr. Blaylock asked if the motion would be to approve the design. Mr. Cornett clarified that the motion would be to allow The Lane Group to move towards the design phase and then onto the bidding award.

Mr. Taylor asked for a timeline. Mr. Cornett noted that they are hoping to

advertise the project for bid in order to get the roof done during construction season; this would be finished later this year. Mr. Lane affirmed that they can have plans and specifications ready in six to eight weeks. Mr. Lane feels the best they can do is six weeks. He clarified that they can have plans and specs ready in six weeks, along with time for WCSA to review. He feels to shoot for 30 days is too close and 60 days is too long; they will go as fast as they can. Mr. Lane wants the committee to have time for review. Mr. Taylor asked when they plan to have the work executed; Mr. Lane said about six months, or before the dead of winter. Mr. Taylor emphasized that in order to do so, they need someone in here before May 15. Mr. Lane explained that they have to advertise [the bids] for at least 20 days. Mr. Cornett thinks procurement would allow a bid opening as soon as 10 days after advertisement, but they could rule out better pricing in haste. Mr. Lane expressed that he could get ads out for the roof and HVAC aspects as soon as possible. Mr. Taylor asked if they were planning on advertising separate bids. Mr. Lane explained that he does not think it would be a bad idea, especially for the kinds of work being commissioned. Mr. Blaylock asked if the new roof would be made of shingles. Mr. Lane explained that they believe the roof merely needs a shingle repair job for this phase of the Master Plan.

Mr. Stout asked if anyone was willing to make the motion to approve the [Building] Master Plan, Phase 1; Mr. Coleman made this motion. Mr. Coleman's motion was seconded by Mr. Blaylock, and was approved by a Board vote of 5-0-0-2.

Mr. Blaylock asked if the work has been

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scheduled for two phases. Mr. Cornett expressed that the lobby renovation will be constructed as outlined in Phase 1. Mr. Blaylock also inquired about Phase 2. Mr. Cornett explained that Phase 2 could be a later phase, involving a 2,500 square foot addition, if they receive grant funding. Mr. Taylor thanked Mr. Cornett for the clarification.

**17. Consideration of Direct Purchase of Construction Materials/Supplies and Exemption from Sales & Use Tax**

Mr. Lawson referred the Board to the [Tab #5] to the document following the Phase 1 report. He noted that the Board would find a memo from Elliott, Lawson & Minor and a letter dated February 22. He explained that WCSA as a government entity can purchase materials without sales tax. Mr. Lawson asked the rhetorical questions, how do you do that in a bid situation and bidders know that WCSA will be receiving those materials tax-free without blowing procurement requirements? He believes this could be advantageous to WCSA. However, bidders will need to know that we want them to submit bids with the assumption that WCSA will be purchasing the materials and be getting a savings on sales tax. The typical situation is that the contractor may make some of his margin on handling the materials; they need to know upfront that they will not have the materials to make their margin on.

Mr. Blaylock asked how this would affect us from a warranty standpoint. Mr. Lawson explained that the Contractor will have to stand behind their labor. He noted that they can save quite a bit in not having to pay the tax; the memo explains all that this system entails.

Mr. Taylor explained that he deals with

these kinds of things and the big issue is the timing. In his experience, the client could not meet their schedule; his company had to rework schedules and they couldn't go because the purchasing agent had a problem with the schedule. Mr. Lawson noted that the contractor would have to make purchases with a PO from WCSA. Mr. Taylor reiterated that he is sure this situation does not happen all the time, but it did for them. Mr. Blaylock is afraid the incentive would not be worth the time spent; he thinks the bids will come in higher. Mr. Cornett affirmed that the procedure is a little different than the procedures WCSA has utilized in the past. He gave examples of when WCSA bid out labor in the past. Mr. Cornett explained that if approved in this case (and he asked Mr. Lawson to correct him if he's wrong), WCSA provides the contractors with the purchase orders (POs) for the materials and/or equipment as specified in the bid documents. Mr. Cornett explained that the contractor would then use the POs to purchase the materials, which are shipped directly to the contractor, he pays for the materials and this would allow their contractors to forgo the tax. This way, the relationship between the supplier and contractor remains intact. He noted that this does involve extra administrative work, as materials are identified in the front end documents; these [front end documents] must be supplied to the contractor the day the project is awarded. However, Mr. Cornett explained that if we want to identify front end documents, but the project changes direction, those projects cannot be subject to a tax-less purchase. Mr. Blaylock asked for clarification; "Are bids the same, but just tax free?" Mr. Cornett confirmed this. Mr. Taylor

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asked if these individuals would receive a tax identification number. Mr. Cornett explained that it would be equivalent to contractors using WCSA's tax identification number, buying materials with a PO and being authorized to sign. There was some discussion regarding how this would affect warranties; it was agreed that the process would be the same, there would just be no tax paid. Mr. Canody expressed that he is afraid the contractor could avoid damages because the equipment is in WCSA's name. Mr. Blaylock and Mr. Taylor clarified that all the contractor is doing is avoiding the tax; they are still making the purchases.

Mr. Hancock affirmed that [DAA] deals with DEQ in the same way for sewer projects, such as the Exit 13 Project, for example. He expressed that the contractor is still responsible for the materials; they are merely purchased tax-free with a Tax ID number. [The contractor] is still responsible for all the warranties. He gave the example of flawed pipe, in which DAA was liable to the contractor in the past. However, he affirmed that this policy is different. Mr. Blaylock asked if the contractor would know upfront. Mr. Lawson reiterated that the contractor has to know upfront. Mr. Cornett clarified that this structure is to prevent abuse. He expressed that anything we want to identify as not subject to tax has to be identified ahead of time in the contract documents when the project goes out to bid; the contractor cannot use the Tax ID number for things outside of what is identified. However, there is extra work on our part. Contract documents have to identify products purchased under this program and WCSA has to issue POs (Note: we cannot do ahead of time, as

we do not know how many purchases the contractor will make). He explained that once this is worked out, WCSA would have to work out issuing the proper number of POs. Mr. Cornett affirmed that if the contractor uses the Tax ID number on the project and it is more than WCSA bargained for, the Board can discontinue the program; a motion is required to put this system into practice. Mr. Canody reiterated his concern and expressed that he would like to check WCSA's standard contract documents to make sure this standard is allowed by our contract documents. He is afraid that the wording, "Contractor will supply and install" would not be permitted within the contracts. Mr. Blaylock reaffirmed that the contractor is still making the purchases, but is merely saving on tax. Mr. Lawson referenced page four of the memo for proper wording of the motion. Mr. Taylor made the motion to accept the memorandum under two pilot projects with the understanding that if the process works, WCSA would have permission to carry it out [from then on]. Mr. Taylor's motion was seconded by Mr. Blaylock and was approved by a Board vote of 5-0-0-2.

**18. Consideration of an Offer of Funding for Whites Mill and Reedy Creek Road Water System Improvement Projects from the Virginia Department of Health**  
*(Note: Item #18 was added through approval of the Amended Agenda.)*

Mr. Cornett referenced two letters at the Board's stations from VDH, dated March 4<sup>th</sup>. He provided brief background information regarding the letters. He explained that the Board approved a list of eight projects last year, for which WCSA would apply for funding. He also