

Washington County Service Authority Board of Commissioners
March 23, 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 7:02 PM.

ROLL CALL

Commissioners Present:

Mr. Scott Rector, Vice-Chairman
Mr. Sam Blaylock
Mr. Joe Chase
Mr. Frank Stephon, IV
Mr. D.L. Stout
Mr. Kenneth Taylor

Commissioners Absent:

Mr. Gerald Cole, Chairman

Staff Present:

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

Consultants Present:

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

Also Present:

Mrs. Dawn Figueiras, General Counsel
WCSA Employees

3. Public Query and Comment

There was no Public Query or Comment.

4. Approval of the Agenda

Mr. Cornett explained that he had no additions or changes to the agenda. Mr. Taylor moved to approve the agenda. Mr. Taylor's motion was seconded by Mr. Stephon, and was approved by a unanimous vote.

5. Approval of the Consent Agenda

- Minutes for January 26, January 26 Recessed (February 23) & February 23, 2009.

- Routine Reports for February 2009
- Financial Statement for January 2009

- Check Register ending 2/27/09

Mr. Chase made a motion to approve the Consent Agenda. Mr. Chase's motion was seconded by Mr. Stout. The motion was approved by a unanimous vote.

6. Engineer's Report and Update

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

- **Orchard Hill Road**

Contractor still under construction; 1,000 ft. or so of waterline is in place. Contractor is currently working there and making good progress.

- **White's Mill Road**

Had some coordination issues over the last month with additional easements, but are getting some assistance with that. Has opportunity for stimulus funding; hopefully, that will bring positive results for WCSA.

Mr. Randall Hancock with Draper Aden and Associates reported on the following projects:

- **Watauga Road Waterline Improvements**

Contract 1 with Boring Contractors: have finished work with restoration; should be able to close out soon. Contract 2 with Little B Construction: have a little bit of restoration and asphalt work left to do, but will be closing out shortly.

- **Glove Drive Waterline Improvements**

Working on Stagecoach Rd. and it is moving along fairly well. Mr. Rector had some calls about restoration; Mr. Hancock said they will investigate

- **Route 58 Water Storage Tank**

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

Have had all plans approved, but are still working on some negotiations.

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

Have provided some info to WCSA staff regarding data for study; will proceed upon receipt.

- **Seven Springs Water System Improvements**

They have practically finished up, but are working on a site for a new pump station.

- **Exit 13 Sewer Project**

Last week, the joint meeting between the County's Board of Supervisors and the WCSA Board of Commissioners went well. They are waiting on RD to give a letter of commitment on that. Mr. Hancock will get engineering together to finalize.

Mr. Rector asked about the Big Box Development; Mr. Hancock explained that we are waiting on a letter of commitment from RD. Mr. Cornett explained that the letter of commitment is to commit funds; until the loose ends are tied up, they cannot obligate the funds. He explained the difference between earmarked and obligated funds. WCSA is probably about 30 days away from receiving a letter of conditions; we are waiting to hear back from them. He explained that both agreements were passed. DHCD is not going to withdrawal the funds, and we are waiting on RD. Mr. Cornett clarified that the developer is still committed to developing that line. He has another meeting with the landowners and developer this upcoming Friday.

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

The Lane Group, along with Adams-Heath Engineering and Draper Aden & Associates, has been working closely

with WCSA staff to get stimulus funding applications out.

- **Galvanized Line Impact Study**

Have completed the environmental assessment and it has been submitted to USDA RD. The Lane Group has done the system mapping; is also working with WCSA and DAA to coordinate a system wide hydraulic model so they will have a way to prioritize and size the galvanized line(s). Have met with RD and WCSA on March 19 to talk about funding applications; they are in a good position to submit that application. Should be ready for Mr. Cornett's signature on that application by the end of the month; RD was confident about funding the project.

- **Reedy Creek Water System Design**

Have submitted preliminary drawings and maps showing property owners along Reedy Creek; will be submitting final plans and specs on May 1st. Are working on hydraulics to make sure it is coordinated so work can be completed. Environmental review was done about a year and a half ago, but they are updating. New letters are going out this week for another environmental review.

- **Western Washington County Water Study**

WCSA's ability to serve Washington County will really depend on the Reedy Creek Project. Their ability to serve will be much improved. They are completing hydraulics and want to meet with Robbie and Doug to finalize study within the very near future.

- **Raw Water Intake/ Treatment Plant PER**

The archaeologist was able to complete his review of the raw water line and the existing water treatment plant; his findings were negative, which is good. When coupled with the Memorandum of

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

Agreement at the pump site, this clears the environmental for all portions. Has been forwarded to RD and are positioning themselves to make the application again; should be able to do so in the next week or so. The Lane Group has been happy with the Pilot Study on Middle Fork; that Pilot testing has been completed, and has been moved to the South Fork site. The WCSA DWP staff has been very helpful, and Mr. Lane wanted to thank them for their help. He will give a fairly detailed report at the next meeting; once reviewed by Robbie and Doug, Mr. Lane would like to present it. The testing has been very positive; they are seeing a decrease in the potential formation of disinfection byproducts, which is exciting. He will have a detailed report by next meeting.

- **Lime Hill/ Walker Mountain Road**
Staff has completed the final inspection and the contractor is addressing various punch list items, some of which are weather and asphalt dependent. They are working to complete this as soon as they are able.

7. WCSA In-House Construction Projects Report and Update

Mr. Doug Canody reported to the Board that the Engineering Department has been very busy this month with funding applications, i.e. those for federal stimulus funds. He also reported on the following:

- DWSRF Projects:

Chestnut Mountain Road

Money for the project has already been committed by DWSRF in the form of a loan. They are still in need of a few user agreements. A novation letter has been drafted, is under review, and will be distributed to the residents.

Denton Valley Road

Project is just about complete. Project was constructed by Farmers' Construction; they did an excellent job. The project manager for this project was Mark Osborne, WCSA Staff Engineer, who did an excellent job as well. His compliments also went to Stephen Sproles, WCSA Inspector. The project is just about complete.

Maiden Creek Rd./ Rich Valley Road & Litchfield/ Rich Valley Road

For both projects, they will be acquiring easements in April and will be scheduling a public hearing, possibly in conjunction with next month's Board Meeting. Final design and layout is underway.

Mendota Road

Construction is substantially complete and the project is in operation. Several issues have arisen regarding site restoration and road rehabilitation. Discourse between WCSA staff, VDOT representatives and representatives of Tipton Construction have begun with expectations that these things will be promptly resolved. They are in the process of writing a letter to the contractor, and are holding quite a bit of money to make sure the job gets done right.

Sutherland Project

Novation letters are being prepared to be sent out. Mr. Cornett and [Mr. Canody] met with the County Mayor, Dick Grayson and Gary Stothart of the First Tennessee Development District who is administering the funding for the project and they have set a pretty aggressive schedule to get the project back on the street. Mr.

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

Canody plans to ask the Board for permission to advertise the project for bid at the April meeting.

Lime Hill/Walker Mountain Road

Some restoration work, mostly asphalt, remains to be done. Mr. Canody wanted to compliment SB Construction on the fine work they have done. He also wanted to acknowledge The Lane Group for an excellent job of project management.

Orchard Hill Road Waterline Replacement

Construction is going well. They've just started, but King General Contractors is doing a good job.

Glove Drive/ Stagecoach Road Waterline Replacement & Extension

Was reported on by Draper Aden & Associates; construction is going well.

Exit 13 Sewer Project

Mr. Hancock of Draper Aden & Associates has reported on this.

Route 58 Tank Project

Was reported on by Draper Aden & Associates.

Watauga Road Waterline Extension

Mr. Canody explained that we have a few tie-ins left, and they will be killing some old lines in the next week or so. A few punch list items remain for both contractors. He wanted to compliment the contractors and Draper Aden & Associates for their work.

- CIP 2008 Outside Engineering Projects:

Membrane Plant Study

They have a scoping proposal for the project that is in the process of being reviewed. After that, they will attempt to negotiate the contract for

that study with The Lane Group/Olver, Inc.

Green Spring Road Waterline and Abingdon Storage Tank Replacement

Within the next month, they are planning to have scoping meetings with Adams-Heath Engineering, who has been selected for the Green Spring Road Waterline and the Abingdon Tank Replacement projects.

- Other Projects Coordinated by WCSA Engineering Staff:

In the next month, they plan to meet with The Lane Group, who has been selected to do the **WCSA Office Building Improvements Project**, to discuss scoping. The Lane Group has a scoping letter proposed that is currently under review.

- WCSA Waterline Replacement Projects (utilizing WCSA Staff):

Friendship Road

The project has been completed with the exception of restoration that will likely begin this week. They have had several compliments from residents in the project area expressing their appreciation for better water pressure.

Stonegate Subdivision

They will start in the next 6-8 weeks replacing a 2-inch galvanized water line next to TN that has given them much trouble.

- \$1,500 Projects (where WCSA contributes \$1,500 of materials):

There has been no change with the following \$1,500 Projects since our last meeting: **Scott Ridge Road, King Mill Pike, Rich Valley Road, Hite Lane & Spring Lake Road**. At this point, they are waiting on participation from residents.

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

Lindell Road

Mr. Canody has met with Scott Rector. They have tried several times to contact the landowner who wants the \$1,500 project, but they have not been able to reach her; he may write her a letter this month.

Hillandale Road

WCSA has met with the owner and they are evaluating options at this point.

- **Fire Hydrant Projects:**

Hillman Highway

They are still having trouble contacting Mr. Mark Venable (the Meadowview Fire Chief).

Vances Mill Road

WCSA has installed a fire hydrant in the Sterling Manor area. WCSA is hoping that once residents are aware that a hydrant has been installed, there may be additional support for hydrants in other areas. They would like to install six to seven hydrants; they have installed one.

- **Developer Related Projects (Private Development Projects that WCSA is inspecting & approving plans for):**

Deer Run

They are still working on the punch list items.

The Ridges

This is an extension of Country Club Estates; this project is still under construction.

The Village (adjacent to Foxfire)

Plans have been approved; still waiting to start construction.

Stoneybrook Phase V

Plans have been approved; still waiting to start construction and to have a pre-construction conference (to get everyone on the right foot).

Gunter Glen

Plans have been approved; still

waiting to start construction

Highlands Commercial

They have a proposal for a commercial site next to Industrial Park road, along Rt. 11. Comments were presented by WCSA engineering staff to the developers' consulting engineer.

Heartwood Artisan Center Connection

Comments were made by WCSA. Revised plans have been received from the architect/engineer, and they are awaiting WCSA review in the next couple weeks.

Willowbrook

Comments were made by WCSA engineering staff to the consulting engineer; they are presently awaiting his response.

Commercial Development, Exit 19

They continue to be working with the developer's engineer to establish the available fire flow for the shopping area. Draper Aden & Associates is helping with the hydraulics.

- The WCSA engineering staff is also involved in the following: 1) **Cross-connection Control Program rewrite**, 2) **Fire Hydrant Policy review & revisions**, 3) **Participation in the WCSA Policy and Procedures Manual rewrite**, and 4) **Funding Application Activities**.

8. General Manager's Report & Update

Mr. Cornett reported on the following for the month of February:

Water Production

- Produced more than 179 million gallons of drinking water.

Distribution

- Coordinated the outside purchase of more than 28 million gallons of drinking water.

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

Meter Department

- 132 customers were telephoned following unusually high usage.

Customer Service

- Abated 70 bills for water leaks, totaling more than \$18,000.
- \$4,700 was written off for bad debt three years old.

Maintenance

- Repaired 32 leaks & 6 major breaks.
- Constructed 9 water taps.
- Responded to 40 after hours maintenance call-outs.

Wastewater

- Treated over 9 million gallons of wastewater.

Administrative Items

- Joe Baldwin, an operator at the Drinking Water Plant, has successfully obtained his Class 3 License. He has been a trainee for two years. Once an operator has achieved a Class 2 License, they are able to tend to the plant by themselves if need be; that is the prime goal with our trainees. We are very excited that his licensure is bringing him even closer to that goal.

- **2008-2009 WCSA Grant Savings & Report Update**

Mr. Cornett explained that this past month, they have been taking a look at the budget and began to take notice of (combined) grants and savings totaling about \$3.6 million for WCSA over the past 14 months; he wanted to bring that to the Board's attention.

9. Closed Meeting: 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 Section 2.2-3711 Paragraph (A) (6): Investment of Public Funds, 2. Discussion of Various Inter-Municipal and other Agreements, Code of Virginia Section 2.2-3711 Paragraph (A) (7):

Legal Advice, 3. Briefing by counsel of opinion given by the Attorney General relative to the Department of Transportation right-of-way.

In addition to the Board, the presence of Mrs. Dawn Figueiras, WCSA Counsel, and Mr. Robbie Cornett, WCSA General Manager, are requested. The motion by Mr. Stephon was seconded by Mr. Stout. The motion was passed by a unanimous vote of the Board. The Board adjourned to Closed meeting at 7:32 PM.

Return to Public Session

Upon a motion by Mr. Chase, a second by Mr. Taylor, and a unanimous vote by the Commissioners, the Board returned to Public Session at 8:20 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, Section 2.2-3712 Paragraph D of the Code of Virginia requires a certification by this Authority that such Closed Meeting was conducted in conformity with Virginia law;

Now, therefore, be it resolved that the Authority hereby certifies that to the best of each member's knowledge, (1) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the Closed Meeting to which this certification resolution applies, and (2) only such public business matters, as were identified in the motion convening the Closed Meeting were heard, discussed or considered by the Authority.

AYE: Mr. Blaylock, Mr. Chase, Mr. Stephon, Mr. Taylor, Mr. Stout and Mr. Rector.

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

10. 2009 DWSRF/DEQ/Rural Development Funding Applications (In Response to Federal Stimulus Funding)

Mr. Canody identified which projects they wanted to apply for, and who they wanted to apply with. He also referenced his prepared spreadsheet.

On behalf of WCSA, Mr. Canody is asking the Board to endorse Funding Applications for all noted projects (Note: just because the Board endorses applications, doesn't mean they have to accept the funding). Adams-Heath Engineering has completed some applications, Draper Aden & Associates has done two applications, The Lane Group has completed one DWSRF application (and is preparing to do three more) and the WCSA In-House Engineering Department has completed four applications. If they wanted projects submitted for funding, the requests/application descriptions had to be posted on the Governor's website by March 9. DEQ applications were required by March 9 and VDH applications are due on March 27. They hope this is not just an exercise in paperwork; they hope to receive funding. Shovel ready projects are determined by each agency's deadline. The stimulus money is meant to get the economy going again. All projects they applied for were in regards to water, with the exception of one sewer project. Of all the projects they are applying for, three are to extend the water distribution system (**Whites Mill, Red Fox Lane & Mendota Road, Phase 2**); the rest are merely shovel ready and are improvement projects. Mr. Canody recognized the work of: Adams-Heath Engineering (Kevin Heath & Shannon), The Lane Group (Bobby & Matthew Lane), DAA (Randall Hancock

& Jay Lester) and WCSA staff (Robbie, Kim, Karen Barger, Ella & Mark).

The Lane Group is waiting on a letter of conditions for the remaining applications they have been working on (Note: there is no deadline for those apps.); Mr. Cornett clarified the delay. Mr. Canody described the various projects as follows: **White's Mill Rd. (gave description; will need an environmental review):** the project involves the replacement of 39,000 ft. of 8" or smaller lines, the elimination of six pump stations, the installation of a 400,000 gallon storage tank, etc.; it is shovel ready. This will affect 700 current customers. Adams-Heath is overseeing this project; cost is about \$2.575 million.

Green Springs Rd. Waterline Improvement (gave description; acknowledged conflict from public health standpoint): Adams-Heath has been awarded this project as well; it is in the process of scoping. Cost is about \$260,000. The line will help customers in the immediate area, and will help with water transmission to many customers.

Seven Springs Secondary Supply (gave description): this project will facilitate WCSA to be a back-up source for the Town of Chilhowie; will affect over 600 of WCSA's own connections as well. The cost is about \$570,000 (they already have a grant for \$300,000, so the application is for \$270,000). The PER is done; DAA is preparing the project.

Route 58 Storage Tank Improvement (gave description): they are in negotiations for the property, plans & specs are practically complete, and have some comments to answer from VDH. Should be ready to start in summer of 2009. Projected project cost is \$4.633 million. DAA has been awarded this project and environmentals have been

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

initiated.

Interim Water Treatment Plant & Expansion: this project will improve the plant from 4.6 to 6.6 MGD; target date for that is February 2011. Ultimate expansion will bring the plant up to 12 MGD capacity. They have earmarked this project for RD funding; RD spoke with encouragement about funding for this project. The Lane Group has been awarded this project.

South Fork Waterline (gave description): they are in the process of negotiating easements and they project construction could begin as soon as August 2009; design is pretty far along. Property acquisition and contract documents are being worked on. The Lane Group is overseeing this project.

Galvanized Line Impact Study (gave description): many businesses/residents are connected to the system with galvanized line(s), and the soil is corroding the pipes from the outside. Funding for this project is approximated at \$18.75 million. This project would involve 600,000 feet or 60% line replacement. They hope to raise inadequate pressures, correct poor reliability and reduce the potential for cross-connection, etc. with this project; it is a big task, has the potential to last a couple years and involve many. It was posted on the governor's website; The Lane Group is overseeing this project.

Reedy Creek Waterline Replacement (gave description): this project would replace over 12 miles of waterline; the cost to execute is \$4.334 million. Should improve reliability of the lines, improve public health protection and save energy; will reduce leakage and is considered a "green" project. The Lane Group has been awarded this project.

White's Mill Rd/Rich Valley Road Ext (gave description): this project involves waterline extension all the way to Rt. 19. If awarded, VDH will have funded the entire line. The project connects the area to Whites Mill, is undergoing some renovations (i.e. a visitors' center), and will help improve fireflow, especially for Greendale Elementary School. This extension will make serving the area, along with Abingdon, possible from two different directions.

Red Fox Lane Waterline Extension (gave description): this project could qualify for grant funding; this is because of income surveys. They have requested about \$.071 million for this project. They could provide water for four potential connections, of which three have taken (petition) action at this point.

Mendota Road Extension, Phase 2 (gave description): this community is presently served by a single well and the system is at maximum service. The well is poor in quality (has large remnants of iron and manganese), and is overused; the people of this project area have a legitimate complaint. This is the second year this project has been applied for funding. It will take a long time for water service to get to Mendota Road at this point; this will be addressed in the Western Washington County Study by The Lane Group. The cost estimate for this project is about \$583,000. It will provide 13 potential connections; seven of these have committed.

Mr. Canody provided the cost per connection for three of the extension projects, which are as follows:

White's Mill Road/ Rich Valley Road: approximately \$42,800/connection.

Red Fox Lane: approximately \$23,700/connection.

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

Mendota Road Phase 2: approximately \$93,300/connection.

He explained how the Board typically provides \$1,500 for each potential connection for waterline extension projects; it helps the appearance of the application for funding when the Board makes a contribution. He proposes to obligate WCSA's contributions per project as follows: \$84,000 for **White's Mill Road/Rich Valley Road**, \$6,000 for **Red Fox Lane** and \$19,500 for **Mendota Road Phase 2**.

The only sewer project they submitted an application for was the purchase of a **Sewer Vac Truck** (for the Maintenance Dept. to use during sewer backups, overflows, etc.) opposed to having to rent one every time a problem occurs. In regards to the **Sewer Vac Truck** application (for about \$300,000), Mr. Canody felt it was worth taking a shot at. Mr. Canody asked for consideration of endorsement of all applications for submittal to the various agencies.

Mr. Cornett added that each project presented, with the exception of the **Sewer Vac Truck**, is in the Rate Study Report. He explained that those projects are in the budget already; this provided further reassurance to the Board.

Mr. Chase expressed appreciation for the tour of the 2008 Capital Improvement Projects and for being able to see the various project areas. He said the tour allowed him to see the actual project areas and the resources involved in the process; Mr. Chase said this makes it easier to see why and where funds are necessary. Mr. Stephon thanked Mr. Canody for his comments and explanation of the projects throughout the tour. Mr. Chase thanked Mrs. Paukovitz for coordinating the transportation. Mr. Rector & Mr. Taylor

expressed regret for not being able to go on the tour. Mr. Stout expressed his appreciation for the tour as well; he made reference to the Buffalo Pond project area and that he'd never been to that area of Washington County before.

Mr. Blaylock made the motion to approve all the [abovementioned] projects for funding. Mr. Blaylock's motion was seconded by Mr. Stout, and the motion was approved by a unanimous vote of the Board.

11. WCSA Rates/Fees/Charges Report and Recommendation

Mr. Cornett shared that both he and Ms. Roberts have some information to help the Board with their deliberations. Ms. Roberts referenced the green-tabbed document, which is a "snapshot in time" comparison of WCSA's proposed rates/fees/charges vs. those of seven comparable neighboring utilities (Note: there are several details about the neighboring utilities that are unknown). She noted that the two primary sources of our revenue are connections and monthly user fees; the connection fees are for growth, and the monthly user fees are for operation and maintenance. To make ends meet, the money has to come from either the connection fees or monthly user fees. Ms. Roberts took some time to explain the detailed spreadsheet and each utility's equivalency point. Mr. Cornett explained that both he and Ms. Roberts thought the information could be useful and would also show how WCSA compares to its neighbors. He also noted that some utilities have had outside sources that have contributed towards or paid for certain utilities' facilities, making it hard for WCSA to compare itself to or to compete with.

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

Mr. Cornett referenced another handout (with blue bars at the top), titled "Cost Comparison: Privately Owned & Operated Systems vs. Public Water & Sewer". As prepared by Scott Honaker of the Virginia Department of Health (VDH; has a lot of experience and knowledge of wells & septic systems) and Amanda Paukovitz who formatted it, the document gives an idea of the cost (for comparison purposes) of a well or septic system, opposed to the cost of a WCSA water tap or sewer connection.

Mr. Cornett explained that your basic septic tank and conventional drainfield can cost anywhere from \$4,500-\$6,000. If one had to pump to a conventional drainfield, one could add \$1,500-\$2,000. A secondary treated effluent and conventional drainfield could cost an additional \$4,000-\$10,000, while a secondary treated effluent with drip dispersal would cost at least another \$20,000-\$25,000. By comparison, those are the types of capital costs for someone looking into those types of systems. He also added that for a typical family of four, they would need to have the septic tank pumped every 5-7 years, which costs \$200-\$400. Also, as of July 1, all new alternative onsite design sewage disposal systems will be required to have a maintenance and monitoring plan (contract) included. The price of that varies greatly; one firm has quoted \$200, another quoted \$350-\$630 annually. He referenced the section of the document regarding repairs, upkeep and/or replacement, which is a difficult category to put an exact price on. Based on recent encounters with Westwood residents, their repair costs have ranged anywhere from \$5,000-\$25,000; that is, if they had the land to make the repairs. He explained that on the water side, a

well with casing or grout would cost about \$10/foot, while a well where casing or grout is not needed would cost about \$8/foot. A recent report noted that for a 350' well with casing, grouting, pitless adaptor, pump and well cap (along with the other costs) was about \$8,000-\$10,000.

Mr. Cornett noted that we've had individuals comment on [WCSA's] costs for water and sewer taps. However, he believes that if they were looking to build a new home, our connection fees are much less than the alternatives, along with the peace of mind that comes with our service (and not having to perform additional maintenance).

He referenced some prepared resolutions (indicated by a red tab) should the Board decide to adopt the report tonight. Mr. Cornett also wanted to mention a couple changes that have been made to the report since the previous version had been issued. They did find that the Debt Set-off Collection fee that we can charge is a maximum of \$25, which in the report is noted as \$30. If the Board does adopt [the study] tonight, they would need to say it is subject to the change from \$30 to \$25. He also noted some sample bills located at the end of the report that were initially calculated incorrectly by a couple of dollars; that methodology has been corrected to indicate the report's "final version". With that, Mr. Cornett opened up the floor for questions.

Some of the following concerns were expressed by the Board:

- Concern for the proposed connection fee costs.
- Looking out for the good of everyone in the county.
- Acknowledgement that the connection fee not only pays for the

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

tap, but also for the capacity in the treatment plant.

- Concern for those who have been customers and whose monthly user fees have subsidized growth [residential/industrial/commercial] in the county for years.
- Some Board Members represent districts that are fully equipped with water service, while others represent districts very much in need.
- Concern for future growth.
- Conviction to not extend the system beyond what can be afforded, and improve the system already in place instead.
- Acknowledgement that the proposed (water and sewer) connection/system fees would be more affordable than drilling a new well or installing a new septic tank.
- Concerns for those who are income challenged, have wells going bad, and cannot afford the alternatives.
- Question of whether adjusting the fees would matter, since those in need did not connect prior when the rates were even lower.
- Acknowledgement that organizations (i.e. People Inc.) could assist those in need with connection fees.
- Talk of continuing to offer payment plans, which span up to 48 months (and could span up to 8 years).
- Either way, this is a difficult decision for the Board.
- Acknowledgement by Mr. Cornett that these rates/fees reflect the costs of service; there is no profit attached.
- Recognition that costs have to be paid by either connection fees or monthly user fees; one or the other has to compensate the costs or WCSA cannot serve without going into debt.
- If the Board adopts a “growth pays for growth” plan, growth would exceed the existing system (which currently spans 80% of the county); the remaining 20% of the county would be affected and the monthly bill would decrease for the current 80% being served.
- An understanding that if connection fees increase and residents utilize extended financing (without any additional outside assistance), they would pay about \$50/month; this is less than what residents are paying now.
- The need for good public relations and guidance in this transition.
- Concerns for the cost per connection for each project; there is a need to consider those costs carefully.
- Discussion of how WCSA compares to other municipalities.
- Acknowledgement that a 5,000 gallon water bill has to be at least \$41/month in order for WCSA water projects to be grant eligible through Rural Development.
- Concerns for industrial customers and whether or not new connection fees would send them elsewhere; that is ultimately up to the county.
- Discussion of the system fee cap [at \$60,000 for large developments, which are most likely commercial & industrial customers]; the report suggests eliminating it, but the decision is ultimately the Board’s.
- Concern for those who would have to pay the new connection fees opposed to those who’ve had their connection fee subsidized by monthly users in the past.

Discussion erupted amongst the Board. Mr. Cornett clarified that the Board’s motion would be to adopt the [rate

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

study] resolution. Mrs. Figueiras further noted that there are two resolutions up for adoption; one to adopt the rate study (including the inclusions and recommendations, and uses the rate study as the basis for moving forward; note: this is a multi-year resolution) and another is to adopt the recommendations to proceed with the rates for this upcoming year (Note: this is a one year resolution).

Mr. Rector had some questions regarding the time frame schedule for the system fee cap. Mr. Cornett clarified that the cap, to date, is set to increase 10% each year through 2016.

Mr. Stephon made the motion to accept the resolutions with the exception of keeping in place the \$60,000 system fee cap; his motion died by lack of a second. Mr. Cornett responded to a question by Mr. Blaylock and explained (the protocol) that WCSA is obligated to hold a public hearing. For example, if the resolution is adopted tonight, they are to publish a notice of hearing, along with a schedule of fees in the newspaper; they are to publish these items a second time at least six days after the first notice is published. The public hearing cannot be held less than 60 days after that [second notice]. Mr. Blaylock asked if a public hearing could overturn the Board's motion. Mr. Cornett said no; he explained that they are obligated to hold a public hearing to hear out residents. Mrs. Figueiras explained that the Board would adopt the resolutions again at the meeting following the public hearing. Mr. Cornett further explained that by adopting the resolutions, the Board is adopting them preliminarily. They will hold the public hearing (which allows the Board to hear public perception) and afterwards, the final decision will come

to the Board; they will have the chance to adopt the resolutions finally. Mr. Blaylock asked for clarification if the resolution isn't set in stone until the vote after the public hearing; Mrs. Figueiras agreed, and expressed that the public could theoretically change the Board's mind if they are so convinced. In order to come to the public hearing though, the Board has to adopt the resolutions preliminarily.

Mr. Chase expressed the need for the Board to be united in their decision, whatever they decide.

Mr. Cornett further explained the logic around the time payments for the new proposed connection fees; they could be as low as \$54/month for eight years (with no public assistance). He noted that in case of non-payment, we have the Debt Set-Off Collection program and are looking into having the ability to file liens on property; both of which he believes will satisfy Bond Counsel.

Mr. Chase suggested reducing the system fee by 25%; Mr. Cornett and Mrs. Figueiras explained that if that is the case, before anything is adopted, rates would have to increase by 3.5-4.5% for the next five years to break even with the adjustment. Discussion erupted amongst the Board. Certain Commissioners asked why a change is needed when the current set-up has worked for so long; Mrs. Figueiras pointed out that the rate study suggests it hasn't worked. Mr. Cornett explained that it has always worked, but the fundamental question is whether or not WCSA wants to continue to subsidize growth with its current customer base. He noted that the reason the study says the set-up will not work in future years is because they have to have rate increases in future years, regardless of whether

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

they adopt the report, because of upcoming debt. Mr. Rector noted that 25 years ago, the reason the system worked previously is because the system fees were already subsidizing upcoming growth. Mr. Blaylock added that monthly rates wouldn't nearly be where they are at; Mr. Cornett affirmed this. Mr. Cornett expressed that [the system] could continue to work, but as Mr. Blaylock noted, monthly rates could get very high.

Mr. Chase suggested the Board preliminarily adopt the resolutions so they can move forward with a public hearing and residents can make their voices heard if need be.

It was asked if growth is needed, to which Mr. Cornett responded not if it doesn't pay for itself. It was also asked, "If we don't need growth, do we still need a new filter plant?"; Mr. Cornett answered yes because we are out of water already. Someone asked if we need so much additional capacity; Mr. Cornett said that our projections say we do. Discussion erupted amongst the Board.

When asked whether or not he could convince the public of the connection fees, Mr. Cornett expressed that he doesn't think it's his job to convince the public that the connection fee costs \$5,200; he explained that his job is to explain why the connection fee costs \$5,200. He said that this is the reason why they have conducted the rate study: the Board has known about the disparity between the connection fees and monthly user fees for well over time and have asked for this report since before Mr. Cornett was appointed Interim General Manager. They have followed through to quantify what they've known. He expressed that he thinks no matter what rates/fees/charges are decided, he

and the WCSA staff will need to explain it to someone. Mr. Cornett reiterated that our responsibility is not to convince anyone of anything; it is to explain.

Further concern was expressed for the cost of new connections. Mr. Cornett noted that of the current projects, three of which involve new connections and they are already locked in at the connection fee rate that was offered to them at the time (of petition, user agreement, etc.). The next petition that comes in/goes out after this is finally adopted would reflect the changes.

Mr. Blaylock asked, "If a water line already runs by someone's house and they decide to hook on after the Board's final adoption, would they have to pay the \$5,200?"; Mr. Cornett clarified that yes, they would have to pay the new connection rate.

Mr. Cornett explained that the \$5,200 [water] connection fee results from: \$1,200 to physically make the connection tap, and \$4,000 to purchase 5,000 gallons of capacity and the resources it takes (for transport, treatment, etc.) to haul it to and from the plant. That is not the operating side; those costs come from monthly user fees. (Note: these are actual costs; the \$5,200 includes no profit).

Mr. Stout asked that if they preliminarily adopted the resolutions tonight, whether or not the Board could back out. Mrs. Figueiras answered yes and explained that it takes two resolutions to adopt [the study and the rates]; one before the hearing, and one after.

After some discussion and clarification, Mr. Stephon made the motion to adopt both resolutions, but 1) keep the \$60,000 system fee cap with the 10% yearly increase (through 2016), 2) contingent on the changes [to the fees (from \$30 to

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes

\$25) involved with the Debt Set-Off Collection program and the calculation corrections to the included sample bills, and 3) to honor the same sewer connection fees for Phases 2 & 3 of the Exit 13 Wastewater Collection Project. Mr. Chase seconded Mr. Stephon's motion with Board discussion following. The discussion that followed focused on the topic of reducing the connection fees by a 50% subsidization (Note: this would involve reducing the water system fee from \$4,000 to \$2,000). Over time, that reduction would decrease the next year to reflect a 25% subsidization, the next year to 10% and so on until the fee is where it needs to be; a gradual increase. Someone asked about the monthly user fees; Mr. Cornett explained that if the connection fees were reduced (to reflect subsidization), the monthly rates would have to increase in correlation and they could decrease in response to connection fees increasing over time.

The Board began to talk details of the increases/decreases and agreed that the former could be discussed further after the public hearing. Mr. Cornett asked if the Board would like to see a chart that demonstrated what the user fees [and monthly rates] would look like over time with respect to the discussed adjustments; the Board affirmed this.

Mr. Stephon's motion [to adopt both resolutions, but 1) keep the \$60,000 system fee cap with the 10% yearly increase (through 2016), 2) contingent on the changes [to the fees (from \$30 to \$25)] involved with the Debt Set-Off Collection program and the calculation corrections to the included sample bills, and 3) to honor the same sewer connection fees for Phases 2 & 3 of the Exit 13 Wastewater Collection Project]

was brought to the floor again; Note: Mr. Chase had previously made the second. The motion was passed by a 5-1-1 vote by the Board

12. Late Items

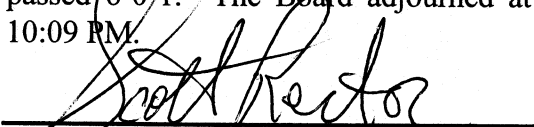
Mr. Cornett had a couple late items. He referenced Ms. Roberts' report, which showcases WCSA's Debt Set-Off Collection efforts to date; they plan to continue to update the Board as their efforts progress. Ms. Roberts noted that our matches were going down significantly in March, but they were able to enter 553 customers into the VA Department of TAX system; this generates a potential of \$53,000 in matches. 145 claims have been matched through the month of February for \$10,000, which is approximately 18% of what they submitted; \$4,700 of that being matched in January and \$5,200 of that being matched in February. Their efforts triggered \$1,000 from people coming in and paying their bill opposed to them having it taken out of their tax return. However, 11 of these claims had to be released because they became over three years old (before they would have been paid). She noted that so far, \$854.18 has been collected through January and February by people coming to pay their bill, or in addition to what WCSA has matched. Mr. Cornett added that these matches were from SSN that we had as a part of applications before it was a requirement and that due to this program, we have been able to collect \$10,000 that we wouldn't have otherwise collected. He thinks future collections will be improved greatly. These unpaid balances stem from water abatements due to bad debt, renters, etc. Lastly, Mr. Cornett referenced a letter at each Board Member's station that was

Washington County Service Authority Board of Commissioners
March 23, 2009 Regular Meeting Minutes


written to them from Bobby Ingle of the White's Mill Foundation, thanking them for their support of a project that was funded last year by VDH to bring water down to White's Mill. They have communicated to us that it is their sincere hope that by 2012, our water project will be complete; this would line up well with their projected completion date of the White's Mill Visitors' Center. Mrs. Paukovitz asked for clarification of the exact wording of the previous motion (regarding the rate study and the newly proposed rates/fees/charges); Mrs. Figueiras read aloud her new draft of the resolutions. Mr. Cornett further clarified various details and Mr. Stephon verified his motion.

13. Adjourn or Recess

Mr. Stephon made a motion to adjourn the meeting. Mr. Stephon's motion was seconded by Mr. Taylor. The motion passed 6-0-1. The Board adjourned at 10:09 PM.



Mr. Scott Rector, Vice-Chairman



Amanda Paukovitz, Assistant Secretary