

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

The regular meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 7:03 PM.

ROLL CALL

Commissioners Present:

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

WCSA Staff Present:

Robbie Cornett, General Manager
Kimberly Harold, Controller
Amanda Paukovitz, Administrative Assistant
Mark Osborne, Technical Manager
April Helbert, Staff Engineer

Consultants Present:

Bobby Lane, PE, The Lane Group, Inc.
Kevin Heath, PE, Adams-Heath Engineering
Jay Lester, PE, Draper Aden Associates
Stevie Steele, PE, Anderson & Associates
Matthew Lane, PE, The Lane Group, Inc.

Also Present:

Mrs. Dawn Figueiras, General Counsel
WCSA Employees

3. Approval of the Agenda

Mr. Miller made the motion to approve the Agenda. Mr. Miller's motion was seconded by Mr. Hutchinson and was approved by a 7-0-0 Board vote.

4. Public Query & Comment

Luke Taylor, Resident of the Westwood Community, Abingdon, VA

Mr. Luke Taylor moved to Westwood in July 2009. The gentleman he bought his house from was elderly and in the hospital upon the close of the home sale. Mr. Taylor knew a water/sewer plan was coming through the area, but that was

all. He provided an easement [for the Exit 13 Sewer Project Phase 1], but learned through casual conversation with a neighbor that there were interest-free payment plans available for the connection fee. [Karen Barger] of WCSA has graciously answered his questions and has provided him with the requested paperwork. However, Mr. Taylor would like to have access to the \$2,400 connection fee; a user agreement was not signed by the previous owner. He is even willing to pay the necessary retroactive payments. Mr. Taylor seeks "fair treatment, the same as that which all [his] neighbors have received." Upon inquiry by Mr. Chase, Mr. Taylor affirmed that he has spoken with WCSA representatives. Mr. Cornett expressed that he has also spoken with Mr. Taylor and that unfortunately, WCSA's Bond Covenants prevent WCSA from honoring a prior connection fee rate now that rates have increased. Mrs. Figueiras reiterated that Virginia Statutes on Rates and Fees provide the same restrictions. The date at which a user agreement is signed has to correlate with the rates in place at that time. Had the prior owner signed a user agreement when the lower rate was in effect, that rate could have been transferred over to Mr. Taylor. Mrs. Figueiras expressed that this issue has come up multiple times throughout the Exit 13 Sewer Project Phase 1 and both she and Mr. Lawson have done countless research on this issue. However, the law is pretty strict regarding this matter. Mr. Stephon assured Mr. Taylor that interest-free payment plans are still available to him; Mr. Taylor expressed he understands. He inquired why he was not notified, as the new homeowner, when the connection fees were increasing.

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

Upon inquiry by Mr. Stout, Mr. Cornett clarified (via Mrs. Barger's research) that Mr. Taylor has subsequently provided an easement for his property. However, the previous owner did not sign a user agreement.

Mr. Taylor clarified for the Board that he moved into his home within the Westwood Community in July 2009. Mr. Chase assured Mr. Taylor that the Board is sympathetic towards his cause, but because of the aforementioned restrictions, the Board is unable to provide him any relief. He thanked Mr. Taylor for coming to the meeting and stating his case. Mr. Taylor thanked the Board.

5. Approval of the Consent Agenda

- Minutes: June 27 Regular Meeting and June 27 Recessed Meeting (Held on 7/25/11).
- Routine Reports for July 2011.
- Financial Statement for July 2011.
- Check Register and General Manager Financial Report for July 2011.

Mr. Coleman made the motion to approve the Consent Agenda. Mr. Coleman's motion was seconded by Mr. Stephon and was approved by a 7-0-0 vote of the Board.

6. Engineer's Report and Update

As noted in a voicemail received by Mr. Cornett, Mr. Stevie Steele of Anderson & Associates, Inc. (A&A) has been stopped in traffic on the interstate for the past hour; he will update the Board upon his arrival.

Mr. Jay Lester of Draper Aden Associates (DAA) provided the following update:

- **Route 58 Water Storage Tank**

The project is almost substantially complete (SC). A pressure test is

remaining on the outlet line between Route 58 and the tank itself; they are hoping to do so tomorrow. Mr. Lester provided some background information. WCSA Staff has filled the tank, but is waiting to put the tank into service.

Mr. Bobby Lane of The Lane Group, Inc. (TLG) reported on the following projects:

- **Drinking Water Treatment Plant Expansion (6.6 MGD to 12 MGD)**

They continue to work on the expansion, which is going well. The Intermediate Booster Station is about to go online.

- **Raw Waterline**

The excavation is complete. The contractor plans to begin installing reinforcing steel next week, forming the actual pump station structure. Final inspections have been completed and the project was finished well within budget. They are in the process of finishing up some paperwork. Some contingency funds remain, which they will recommend be transferred to the Raw Water Intake and the Drinking Water Plant Expansion.

- **Bristol Area Water Restructuring Project**

The Board gave approval to advertise at the last meeting. A couple easements need to be finalized before the project is closed out for bids. August 28 was the advertising target date; they are very close, but will not make that ad date.

- **Exit 13 Sewer Project Phase 1**

Bids were received and opened today; will be discussed in a later agenda item.

- **Galvanized Line Replacement Project**

The project continues to go well. They have quite a bit of waterline replacement in the ground. A proposed amendment will be discussed in a future agenda item

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

tonight concerning additional waterline.

- **Interim Water Treatment Plant Expansion (4.6 MGD to 6.6 MGD)**

They have had some setbacks with the contractor. However, WCSA will be at 6.6 MGD capacity prior to the September Board Meeting.

- **Reedy Creek Road Project**

The project has concurrence from VDH to award the contract; the pre-construction conference is being scheduled and they hope to begin construction in September.

- **WCSA Administrative Office**

They are mostly finished except for final paperwork and the roof is nearing completion. There are a few items that they are not totally satisfied with, but completion is close.

- **Damascus Sewer Study**

TM#3 was completed and submitted to WCSA Staff. There is a meeting scheduled for August 31 to discuss the needs assessment and evaluate future conditions in the Damascus service area to accumulate final recommendations.

- **Western Washington County Sewer Study**

They have meetings scheduled with DEQ, the Town of Abingdon and BVUA. RD meetings are scheduled in mid September and meetings will potentially take place with the Tobacco Commission to create a final funding strategy.

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

- **Whites Mill Road Improvements**

The project has three open contracts. Contract 1 (Tipton Construction; linework)- they are currently working with two of its own crews and one subcontracted crew. One crew lacks

about 600 feet on one side and another crew lacks 400 feet on the other side from tying in the tank; they are working within rock. Contract 2 (Sun Contractors; pump station)- the plumbing and electrical work is completed to the extent they can. Service has been requested for some time, but there has been substantial backlogging. The pump station testing is to follow. Contract 3 (Mid Atlantic; tank)- the tank is erected and some pipe work is remaining. The electrical situation is pushing time back on all contracts from substantial completion.

Mr. Chase affirmed that residents in the project area have expressed excitement to him regarding the project's progress.

7. Water & Wastewater Construction Projects Report and Update

Mrs. Helbert referred to the Engineering Report in the Board Books, printed on purple paper. She provided the following updates:

- **Chestnut Mountain Road**

SC was to be accomplished before today; the date has been postponed due to some requested changes by WCSA to the pump station. Residents should be able to connect before the end of the week.

- **Rich Valley Road/Maiden Creek**

The project is about 90% complete. The revised SC date has passed and the contractor has requested an extension, to be further addressed by Mark Osborne.

At Mr. Cornett's request, Mr. Osborne provided the following update from a handout he distributed regarding the Rich Valley Road/Maiden Creek Water System Extension's Contract Time:

PRESENTATION REGARDING THE
RICH VALLEY ROAD/MAIDEN CREEK
ROAD WATER SYSTEM
EXTENSION PROJECT

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

As [the Board knows], Crosspointe Contracting, Inc. (the Contractor) was successful in acquiring the WCSA project known as Rich Valley Road/Maiden Creek Road Water System Extension [the Project]. The Project was awarded by the Board to the Contractor on August 16, 2010 and the Notice to Proceed was issued on September 22, 2010.

The Contractor began work on the Project on September 30 [2010], approximately eight days after the Notice to Proceed. Overall, the work completed by the Contractor has been quite complementary. However, the Contractor's allotted time according to our contract is about to expire and for that reason, he has asked for additional time. Enclosed for [the Board's] reference is a letter dated August 2 [2011], sent by the Contractor making an "undefined" request for additional time. Upon April Helbert's inquiry pertaining to the number of days requested, the Contractor indicated that an additional 60 days be granted regarding inclement weather, summing to 117 days.

On August 18 [2011], WCSA Staff, i.e. Robbie Cornett, April Helbert and [Mark Osborne] met to discuss and consider the number of days reasonably entitled to the Contractor since the project began. [Their] findings are as follows:

- Inclement weather days (as documented by a Resident Project Rep.) **57 days**
- Installation of 11 additional meters beyond the contract **9 days**
(recommended)
- Relocation of 1,180' water line **4 days**

TOTAL: 70 days beyond original SC date
[The Board] will note in the Letter that the Contractor mentions additional "meters" and "extremely hard rock" as the cause of the delays, but does not mention the relocation of 1180' of line, at which point WCSA granted an additional four (4) days to the Contractor as aforementioned. In our evaluation, the Contractor is due additional time for the additional 11 water meters and the relocation of 1,180 feet of water line,

but in our opinion, is not due any time for what the Contractor classifies as "extremely hard rock".

[WCSA Staff] would like to remind the Board that the Project was bid as "unclassified", which means it is up to each Contractor to consider and evaluate the conditions and bid the Project accordingly. Moreover, though the Contractor claims the "extremely hard rock" was limited to Maiden Creek Road, the Contractor (Little B) who began construction of the adjoining project (Rich Valley Road/Litchfield section, which began at the Maiden Creek Road/Rich Valley Road Intersection) at the same time had no trouble with the rock and substantially completed their work in February (four months ahead of schedule). Little B installed approximately 28,000 linear feet (LF) of water line, two pressure reducing valves (PRV; the current contractor has one PRV), and all water line related appurtenances in approximately five months; the Notice to Award and Notice to Proceed dates were the same for both contractors, as was the contract time. The Maiden Creek Project did have approximately 2,000 more feet of water line than the Litchfield project. However, Little B averaged 185 feet installed per day, whereas Crosspointe has only averaged 90 feet per day. Allowing more time for the claim of "extremely hard rock" puts WCSA at risk for a valid bid protest from another contractor and establishes a dangerous precedent for the future; thus, our reason for not recommending more time.

Though the Contractor has faithfully been "on-the-job" since September 30, 2010, it has been [WCSA's] observation that he has neither had the equipment nor manpower necessary to complete the Project on time. The Contractor has had only one to two crews (typically only one crew, as documented) working on the Project, though the Project would accommodate more. Compared to the adjoining project, the Contractor has installed 95 feet per day less pipe than [Little B]. Additionally, WCSA's Resident Project Representative has

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

documented more than 14 work days in which the contractor's equipment was inoperable/broken down with no one on-site. For these reasons, [WCSA] is concerned that the Contractor underestimated the amount of equipment and manpower necessary to perform the work required by the contract.

It should also be noted that WCSA Staff has worked diligently with the Contractor in an effort to better accommodate the construction of the project. These efforts have included, but have not been limited to: the relocation of one PRV vault, the relocation/realignment of four road crossings, the relocation of 600 feet of water line to a less rocky location, the relocation of a stream crossing, and the relocation of several fire hydrants, all of which resulted in WCSA Staff securing and recording additional or revised easements.

The original SC date for the Project was June 19, 2011. With the addition of 70 days, the current SC date is August 28, 2011, per the recommendation of Staff. For that reason, the Staff recommends the Board grant 70 additional days to the contract time. If there are any further days to be added between the date of this recommendation and August 28, 2011, the Staff will evaluate and make further recommendation.

Mr. Osborne affirmed that the WCSA Staff recommends the Board consider and approve the extension of these 70 days to the original SC date, changing it from June 19, 2011 to August 28, 2011. He offered to answer any questions the Board may have.

Mr. Stout inquired if [Mr. Osborne] thinks the project will finish in another month. Mr. Osborne expressed "it would be pushing it, quite honestly". Mr. Stout expressed he has been out towards the project area a time or two and has seen very little activity. Mr. Osborne and Mrs. Helbert clarified the outstanding tasks remaining for the project's completion. Discussion erupted amongst the Board.

Mr. Osborne clarified that the SC date has been known by the Contractor since the beginning of the project. He noted that Steve Sproles [WCSA's RPR] has continuously checked in with them and reminded them of the deadline. The Contractor has proceeded without much haste and Staff is not so inclined to consider the amount of time for the reasons given.

Mr. Chase affirmed it seems as if WCSA Staff has gone out its way to assist the Contractor in any way possible.

Mrs. Figueiras added, if WCSA does not recommend more than the 70 days, and completion is not expected within that time, it looks like WCSA is setting up for a liquidated damages claim. Mrs. Helbert and Mr. Osborne are positive construction would not be complete within the 70 days; Mr. Osborne does not think the Contractor can complete a portion of the meters within that time. Mrs. Figueiras noted that the 70 days only run through next week.

Mr. Cornett explained that when we look at contract time, we consider what the contractors ask for, but we also try to be as fair as possible. It is very unlikely the Contractor will finish by August 28. We are not trying to accommodate his schedule; we are trying to adhere to the contract. WCSA has a great deal of concern that if we start ignoring or overlooking one part of the contract, it could make all parts just as vulnerable and invites protest from bidders. He reviewed the bid opening results. Discussion erupted amongst the Board. Mrs. Helbert added that she reviewed [Mr. Sproles'] report and on average, the Contractor had 5-7 people on-site daily, sometimes as low as 2-3 people. Mr. Stout made the motion to follow Staff's recommendation of granting an

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

additional 70 days, bringing the completion date to August 28, 2011 (see attached for the extended contract). Mr. Stout's motion was seconded by Mr. Stephon and was approved by a Board vote of 7-0-0-0.

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 & accomplishments from all departments during July:

Water Production

- Produced more than 214 million gallons of drinking water.

Distribution

- Coordinated the outside purchase of little more than 30 million gallons of drinking water.
- In total, about 7.910 million gallons per day (MGD) of drinking water was distributed to customers. This broke the all time high of 7.899 (MGD), set in September 2007.
- Regarding the purchase of outside water, WCSA has decreased these purchases by about 50%, beginning next month. This will result in about \$24,000/month less costs in spending and result in about \$12,000/month in cost savings, due to the cost difference between what it costs [WCSA] to produce water and what we're purchasing it for.

Meter Department

- 215 customers were telephoned following unusually high usage.
- 119 meters were lifted for non-payment.

Customer Service

- Little over \$7,700 was abated for 65 customer leaks (19 of which were tornado victims, comprising \$1,977.26).
- More than \$5,200 was written off as bad debt more than three years old.
- 3 water taps and 1 wastewater tap were applied for.

- Managed 200 reconnections/transfer of service requests in the last month.
- Late charges were added to 3,806 accounts.
- 966 disconnect notices were processed, resulting in 119 disconnects for non-payment.

Maintenance

- Repaired 36 leaks and 6 breaks [erroneously listed as 8 breaks].
- Constructed 6 water taps and 0 wastewater taps.
- Responded to 63 after hour call-outs.

Wastewater

- Treated little more than 9.3 million gallons of wastewater in the last month.

Accounting

- Debt Set-Off Collections have slowed down this time of year. However, our end/beginning of a new fiscal year activities, including inventory, financial statement and year-end audit activities, have picked up.
- Additionally, we were successful in renewing our health insurance benefits for 7.17% or ≈2.83% less than the previously approved budgeted amount.

Administrative Items

- July resulted in no changes to the nonresidential connection fees that are *pending or paid* for in our water systems for the current fiscal year.
- The Board of Commissioners' iPads are ready for work-related use. Mr. Cornett suggested the Board recess tonight's meeting to have a workshop prior to the September Regular Meeting for training with Jennifer Ball, WCSA Information [Systems] Manager.
- Mr. Cornett read in an article that Houston, Texas experienced 700 water main breaks per day in July, requiring some 40 crews to work around the clock. Normally, they have 200 breaks per day. Their system is 3-4 times the size of WCSA's. However, due to temperatures over 100 degrees for 15 straight days, the ground moves and lines break. Kemp, Texas (15 miles

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

south of Dallas) was without water for three days due to drought and main breaks. Many other Texas localities are suffering.

- Galvanized line samples from Norfolk Street in Abingdon and Lowry Hills were passed around. He noted numerous clamps from repair. Many customers have been grateful [for the Galvanized Line Replacement Project]. Lowry Hills residents expressed their gratitude at their Homeowners' Meeting last week. Mr. Chase expressed the galvanized lines are a great visual; Mr. Cornett plans to "take these pipes on the road".

6. Engineer's Report and Update

Mr. Stevie Steele of Anderson & Associates, Inc. (A&A) thanked the Board for their patience; he finds their time important. He reported on the following project:

- **Exit 13 Sewer Project Phases 2 & 3**
A&A made a site visit on August 15 to look for any physical constraints on both sites. They are preparing to move forward with caution, and to avoid backpedaling. All GIS elevations, tax parcel IDs, etc. have been gathered from the County. They have a conference call set up with WCSA to have discussion regarding project boundaries, the list of residents and mapping. A&A wants to be 100% upfront with residents and are preparing for on-site community meetings. He offered to answer any questions the Board may have.

Mr. Chase shared a situation regarding a neighbor of his who accidentally double paid her bill. WCSA Staff caught the error and called this customer to let her know. On her behalf, Mr. Chase expressed appreciation for WCSA Staff.

9. Consideration of Amendment #4 to the WCSA DAA Engineering Service Contract for the Route 58 Water

Storage Tank Project

Mr. Lester explained that the Route 58 waterline is not yet SC. He explained they have been having trouble with completion of a pressure test over many weeks. So far, the reasoning has been traced to trouble within the WCSA Water System. It is because of this they have been unable to pressure test the contractor's lines. Due to delays, the duration of construction has extended, along with the need for on-site RPR hours to witness the test and report documentation. Mr. Lester noted that they are in need of \$2,580 in 43 additional RPR service hours. They are able to transfer \$900 from geotechnical services, bringing the proposed amendment's total change to \$1,680. Mrs. Helbert affirmed that although there is a draft amendment within the Board Books, DAA has submitted a revised amendment, referencing what Mr. Lester has noted tonight. She explained DAA has already expended \$1,244.63, along with the \$900 to be transferred, of the total \$2,580. This would allot \$435 remaining, which translates over to eight hours of RPR services.

Mr. Hutchinson inquired what WCSA has done to address the issues within the system. Mr. Cornett explained that in 2004, VDOT widened Route 58 outside the WCSA Administrative Office down to Watauga Road. When they did so, they replaced a 20", 14" and 12" waterline with two 20" waterlines. WCSA knew at that time we would build the tank on the hill, so we had the contractor install four Ts and valves on the end of those Ts (stub outs) for the tank. Two of them would come over and tie together and supply a 20" line to the tank. There would be a separate outlet

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

line to the tank, tying into the other valves, to force the water in the inlet line and bring it out to an outlet line. He explained that WCSA thought that when the water line was installed, including the stub outs, they were pressure tested like the rest of the water line. They were installed, the bins were concreted like the rest of the line and the valves were turned off because they did not need to be on. However, when the contractor came, connected the water lines from the tank to these stub outs and we began to pressure test, the line failed. The question became, "Since a short section of this line that has been tested is existing WCSA owned line, is it [failing due to] the line that has just been installed by the contractor or the older WCSA line from 2004? On the inlet line, we had the benefit of another valve that separated the two contracts; we turned that valve off. Immediately, we found that the problem was on the WCSA side of that valve. This facilitated the further pressure testing of the inlet line going to the Route 58 tank, which eventually passed and is ready for service. The outlet line, however, did not have the benefit of the other valve. When the outlet line was pressure tested, it would not pass. The question then became, "Whose side is the problem on?" WCSA Staff went and dug down, cut the line in two with the intention of putting the valve on it and needed an extra part, so they put a cap on it. They tried to pressure test our side and it did not pass. When some concrete was broken off, WCSA Staff found nuts and bolts that could be turned by hand. They received the parts for the valve, installed it, put it all back together, tried it again, and it still would not hold on WCSA's side. Mr. Cornett explained we have

spent most of the last two weeks busting concrete off the 45° bends and fittings all the way back to the 20" lines. We have found several fittings that were never tightened beyond hand tight by the contractor, who laid the line in 2004. WCSA has subsequently tightened up all of those lines. Two of the four stub outs have been pressure tested and are ready to go. More importantly, WCSA has a valve between the old 2004 system and the new system so that either could pressure test simultaneously. Mr. Cornett noted that the abovementioned work is what has facilitated the trouble that WCSA has had and has required the RPR services. He expressed we are thankful we have found the cause of the problem before the tank was put in service and leaks occurred on live lines. Mr. Cornett is not sure what happened in 2004, but the previous work was not up to standard. We have learned a lesson, which was the cause of the delay in time. Mr. Osborne noted that one of the lines, which is a WCSA section of line, was tested this afternoon and it passed. The other line is being tested and is expected to pass as well. Mr. Hutchinson thanked WCSA Staff for the explanation and is glad the problem is resolved.

Upon an inquiry from Mr. Hutchinson, Mrs. Helbert and Mr. Lester explained that the Contractor is going to come tomorrow and pressure test from Route 58 (where the new valve has been installed) to the tank; they are testing part of Contract 2's line by doing that. There is some question whether the butterfly valves are leaking; one is, and WCSA's Rick Boyd believes another [valve] is leaking as well. Mr. Lester explained that the valve between the two contracts could be leaking, but he is unsure. This could complicate things,

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

but Mr. Lester expects that they are going to find tomorrow that the line between [Route] 58 and the tank is tight. The only remaining questions will be, "Where are the butterfly valves up there?" just to make sure they are not passing water and are closed.

Mr. Stephon made the motion to [approve Amendment #4] and increase the Route 58 Tank contract by \$1,680 and transfer the \$900 from geotechnical services for RPR hours (see attached). Mr. Stephon's motion was seconded by Mr. Hutchinson and was approved by a Board vote of 6-0-0-1 (1: Taylor abstained, due to conflict of interest).

10. Consideration of Taxable Fringe Benefits

Mrs. Harold referred to Board Book Tab #10 and explained that WCSA has recently learned it may not be in compliance with the IRS Tax Code concerning fringe benefits. WCSA did contact Jim Fern, our CPA Advisor; he strongly recommended we review taxable fringes due to some recent sanctions placed by the IRS on neighboring utilities/localities. WCSA did review that and the items we felt needed to be addressed are Employer-Provided Company Vehicles and WCSA Employee Uniforms, which were also addressed by the IRS in neighboring areas. The Authority has a policy that does not allow for personal use of these items; however, the IRS considers commute from home to work as personal use. These implications were presented and discussion erupted amongst the Board. Suggested alterations to deter utilization of items for everyday use, such as a WCSA patch attached to the pocket of uniform pants, were discussed. The question of who should pay for

taxable fringe benefits, the employer or the employee, was discussed.

Mr. Taylor discussed how these issues were handled at his work [W&L [Construction]]. At the request of the Board, Mrs. Harold is going to contact [W&L's] controller. She added that WCSA's auditors will be here next week and she can gather their insight as well. Upon question, Mrs. Harold explained that the Taxable Guide does not discuss an employee's position, rather the type of vehicle they drive as taxable (i.e. SUV, pick-up truck or a vehicle that has not been substantially modified). She noted that the meeting she attended explained that a vehicle is considered a taxable fringe "if the vehicle can be taken on a date". Upon inquiry, Mrs. Harold affirmed we have 13 WCSA vehicles that could be under question. Mr. Cornett and the Board agreed to table this Agenda Item until a later date, when more research has been gathered. Mrs. Figueiras affirmed the Board does not need a motion to table discussion.

11. Consideration of the Exit 13 Wastewater Collection System Phase 1 Construction Bids

Mr. Lane noted that Mr. Cornett opened bids at 2 PM today for the Exit 13 [Phase 1] Sewer Project. Mr. Lane passed out two documents (a legal-sized bid tabulation and a letter-sized document with findings and recommendations). He reviewed the bid results in detail. Contract 1 contains the wastewater lift station and Contract 2A and 2B, which contains sections of the gravity sewer line and force main. Mr. Lane explained they received five bids on Contract 1, which is the pump station, and nine bids on Contract 2A and 2B for the sewer lines. The bids were very

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

competitive and the letter-sized document indicates TLG's findings and recommendations. The low bidder for Contract 1 was Frizzell Construction Company with a base bid of \$687,700 and a Bid Alternate 1 (Emergency Generator) of \$60,000. The low bidder for Contract 2A was Ramey, Inc. with a base bid of \$1,980,659. The low bidder for Contract 2B was Mendon Pipeline with a low bid of \$1,765,370. Mr. Lane explained that when the low bids are added, the project is significantly over budget; approximately \$1,659,000. He noted that the funding for this project comes through DHCD's Southern Rivers Enhancement Program. WCSA received a \$989,000 grant from Southern Rivers, a \$1 million grant from Rural Development (RD), and a \$1,579,000 loan from RD. The grant/loan split from RD is approximately 40% grant/60% loan. Mr. Lane expressed because of the time of the year and because the national pool has just occurred, we are hopeful that RD has some money they can use to assist us with this overrun and the grant/loan split could also apply to the overage. He noted that the bids were very close, very competitive and they are as good as they are going to get; they see no validity in re-advertising or rebidding the project. Mr. Lane added that as the Board may recall, these bids include a gravity sewer line, a force main and a pump station. When a portion of the project is eliminated, so is a portion of the users. As the project size is decreased, so is the revenue. Mr. Lane expressed it is their recommendation that WCSA issue a notice of intent to award the three low bidders on the three respective contracts, pending review and concurrence by Legal Counsel, the funding agencies and pending receipt of

an acceptable funding offer for the overrun. He offered to answer any questions for the Board.

Mr. Chase inquired what kind of delay Mr. Lane expects we would experience [because of the cost overrun]. Mr. Lane is hopeful there will not be one. He thinks they will move quickly and we will know soon whether or not we can move forward. Typically, it takes 60 days at least from the time of bid opening to being able to close loans and move into construction. Mr. Lane is hoping they will still make that schedule. He thinks WCSA will receive an answer back pretty quickly from RD. Mr. Chase also inquired if Mr. Lane was surprised by the amount of the overrun; Mr. Lane was. They thought there would be an overrun, but their guess was about \$1 million. He explained that when the contractors' bids are examined, especially the low bidders, they were balanced bids and very competitive. They also received bids ranging much higher than the low bids. However, they were surprised by how much over budget the low bids were. Mr. Lane noted they had several contractors who went out and did subsurface excavation boring to determine the depth of rock. He was told by many contractors that one aspect that drove the bids up was the line from the pump station into Westwood was solid rock and it was bid accordingly. Upon question and comment from Mr. Taylor, Mr. Lane affirmed that if everything works out accordingly, the project's loan will be closed and construction will begin right around New Years Day. The one thing the Authority will have to watch is the 60 Day Bid Grace. Mr. Lane affirmed they are prepared to move quickly and WCSA Staff is as well. Mr. Taylor made the motion to award the

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

Contract 1 Base Bid for \$687,700 and the Alternative Bid for \$60,000 to Frizzell Construction, pending review and concurrence by Legal Counsel, the funding agencies and pending receipt of an acceptable funding offer for the overrun. Mr. Taylor's motion was seconded by Mr. Hutchinson and was approved by a 7-0-0-0 vote of the Board. Mr. Miller made the motion to award Contract 2A for \$1,980,659 [erroneously listed as \$1,986,059] to Ramey, Inc, [pending review and concurrence by Legal Counsel, the funding agencies and pending receipt of an acceptable funding offer for the overrun]. Mr. Miller's motion was seconded by Mr. Coleman and was approved by a Board vote of 6-0-0-1 [1: Mr. Taylor abstained, due to conflict of interest].

Mr. Stout made the motion to award Contract 2B for \$1,765,370 to Mendon Pipeline, [pending review and concurrence by Legal Counsel, the funding agencies and pending receipt of an acceptable funding offer for the overrun]. Mr. Stout's motion was seconded by Mr. Hutchinson and was approved by a Board vote of 6-0-0-1 [1: Mr. Taylor abstained, due to conflict of interest].

12. Consideration of the Agreement Between WCSA and Wye River Group for Financial Advisor Services

Mrs. Harold explained that the Financial Advisory Committee met earlier this year, reviewed Financial Advisor Proposals and recommended that WCSA negotiate with Wye River Group for WCSA's Financial Advisory Services. She and Mr. Cornett have reviewed the services required in their contract, as well as their correlating compensation, and are presenting them to the Board.

Upon Mr. Chase's inquiry, Mrs. Harold affirmed the Board would vote to approve the indicated modification. Mr. Stephon made the motion to approve the indicated agreement modification (see attached). Mr. Stephon's motion was seconded by Mr. Miller and was approved by a 7-0-0-0 vote of the Board.

13. Consideration of Amendment #1 to the Lane Group WCSA Engineering Service Contract for the Reedy Creek Road Water System Improvement Project

Mr. Lane noted that when the abovementioned engineering agreement was executed, it was the feeling of WCSA Staff that they may provide their own RPR services for the project. The contract was written accordingly, also allowing WCSA to request RPR services (if desired) at a later date. At this time, WCSA is requesting that The Lane Group provide these RPR services for [the Reedy Creek Road Water System Improvement] Project. The Lane Group has estimated 52 forty hour weeks, with an additional 140 hours, for 3,120 hours total of RPR services and fringe expenses at a rate of \$55/hour, in the amount of \$171,600. Mr. Lane noted this amount is present in contingency within the project budget, should WCSA Staff so choose.

Mrs. Helbert noted that WCSA Staff waited until a later date to decide if we wanted to try to do RPR services in-house or utilize TLG. She expressed WCSA does not currently have the manpower to provide that service in-house; WCSA would prefer to use TLG's services.

Mr. Chase inquired if WCSA has considered hiring an additional inspector, where there are so many

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

projects needing RPR services. Mr. Cornett explained that WCSA has what he calls "one and a half inspectors" now; one full time and one part time inspector. The full time inspector is currently too busy to accommodate and handle any additional work. The part time inspector is a Maintenance employee that WCSA has used in the last six to nine months and is gaining experience. The only other choice WCSA has is to go out and hire someone that has the necessary experience. He believes RPR services is something that [WCSA and TLG] have to be mutually comfortable with. The person providing RPR services would have to certify TLG's work and a new hire would have to be someone with whom both parties feel comfortable. Mr. Cornett believes the amount of work is going to start slowing down in the next few years as well. There are a lot of projects needing RPR services right now, but he feels that is going to slow down. WCSA's short term evaluation is not to hire additional staff.

Mr. Stephon made the motion to amend the contract between WCSA and The Lane Group for the Reedy Creek Water System Improvement Project, increasing the contract by \$171,600 (see attached). Mrs. Figueiras had a question regarding wording of a section of the contract; Mr. Lane clarified the contract language. Mr. Stephon's motion was seconded by Mr. Stout and was approved by a Board vote of 7-0-0-0.

14. Consideration of Amendment #1 to the WCSA Lane Group Engineering Service Contract for the Galvanized Line Phase 1 Project

Mr. Lane explained that at the last meeting, they advised WCSA that due to good work by the contractor, they would

be able to save a considerable project budget intended for pavement restoration (about \$300,000 in savings). This money could be utilized instead for additional waterline in Contracts 1 and 2 (Glade Spring and Lowry Hills), amounting to about \$300,000-\$350,000. Mr. Lane also anticipates that there will be some savings in Contract 3 (Abingdon), again in pavement, which may also be used for waterline. In reallocating funds and rebudgeting for additional line, the proposed amendment would take \$25,000 from compaction testing and move it to design and construction administration. The compaction testing would still take place, but would be completed by the RPRs. He provided details of the project. The Lane Group is also requesting the project's RPR services be increased by 2,000 hours (at the rate of \$55/hour) for a total of \$110,000 to cover the contract's remaining field work. Similar to the Reedy Creek Project, WCSA has approximately \$750,000 in contingency funds for the Galvanized Line Project budget, from which to take the additional money for RPR services.

Mr. Stout made the motion to approve Amendment #2 for the addition of 2,000 RPR hours, in the amount of \$110,000 to the Galvanized Line Phase 1 Project (see attached). Mr. Stout's motion was seconded by Mr. Coleman and was approved by a Board vote of 7-0-0-0.

15. Consideration of the Appointment of a Dispute Committee

Mr. Cornett reminded the Board that the WCSA Rules and Regulations give customers who have the desire to dispute outstanding bills the right to do so. Tab #15 of the Board Book provides a brief summary of a customer filing such a

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

dispute and a written response. The dispute has gone through the WCSA Staff level dispute process. However, WCSA Staff were unable to favorably respond to the noted customer dispute; the customer desires to meet with a Dispute Committee (which consists of two Board Members, WCSA Staff and Legal Counsel). The customer is able to meet any day this week except Friday, August 26.

Mr. Cornett requested two Board volunteers to be appointed to this committee; Mr. Miller and Mr. Taylor volunteered to serve accordingly. (Note: upon inquiry, Mr. Hutchinson expressed personal circumstances for which he needed to exclude himself).

16. 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, 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 § 2.2-3711 Paragraph (A) (7): Legal Advice, 4. To Discuss Potential Litigation, 5. To Discuss Various Inter-municipal and Other Agreements, 6. To Discuss Potential Contract Litigation.

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. Miller and was approved by a

7-0-0-0 vote of the Board. The Board adjourned to Closed meeting at 9:01 PM.

Return to Public Session

Upon a motion by Mr. Stephon, a second by Mr. Stout, and a 7-0-0-0 vote of the Commissioners, the Board returned to Public Session at 10:23 PM.

Mr. Stephon read the following:

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. Miller, Mr. Hutchinson, Mr. Stephon, Mr. Chase, Mr. Coleman, Mr. Taylor and Mr. Stout.

17. Late Items

Late Item #1: Consideration of a Build America Bond Post-Issuance Compliance Policy

Mrs. Harold explained that Bond Counsel has provided WCSA with a document, located at the Board's stations, informing that in regards to the

Washington County Service Authority Board of Commissioners
August 22, 2011 Regular Meeting Minutes

Build America Bonds, we are to have a policy stating that we are monitoring post tax compliance. WCSA will receive a survey from the IRS, confirming we have the policy in place. Mrs. Harold is requesting the Board approve such a policy. She will have to confirm that the proper documents have been completed and filed in accordance with IRS Regulations.

Mr. Stephon made the motion to approve a policy for Build America Bond Post-Issuance Compliance (see attached). Mr. Stephon's motion was seconded by Mr. Hutchinson, and was approved by a Board vote of 7-0-0-0.

Late Item #2: Consideration of Two Board Members to Serve on a Strategic Planning Procurement Committee


Mr. Cornett noted he has issued an RFP for the abovementioned services, and hopes two Board members will volunteer to participate on a committee to select firms. It would be November/December before the committee would get through the procurement process and meet to shortlist firms. Proposals are due back to WCSA by Friday, September 9, [2011]. Mr. Chase and Mr. Taylor offered to volunteer accordingly.

18. Adjourn or Recess

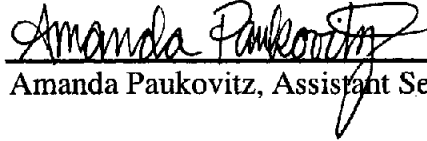
Mr. Cornett asked the Board to consider recessing tonight's meeting until 5:30 PM on [Monday,] September 26, 2011 for an iPad Workshop; dinner is to be served at 5:00 PM. As added by Mrs. Paukovitz, a group photo of the Board is to be taken for the WCSA website. Mr. Chase asked Mrs. Paukovitz to remind the Board via phone call.

Mr. Miller made the motion to recess the meeting until September 26 at 5:30 PM. Mr. Miller's motion was seconded by Mr. Hutchinson and was approved by a

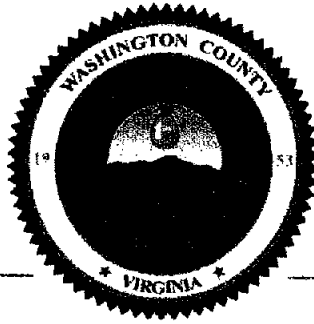
7-0-0-0 vote of the Board. The meeting was recessed at 10:30 PM.



Mr. Joe Chase, Chairman



Amanda Paukovitz, Assistant Secretary



Washington County Service Authority

August 25, 2011

Mr. Mitchel Crabtree
Crosspointe Contracting, Inc.
P.O. Box 1475
Abingdon, Virginia 24212

CERTIFIED MAIL

RE: Rich Valley Road/Maiden Creek Road – request for time extension and deviation

Dear Mr. Crabtree:

WCSA staff has reviewed the letter received in our office on August 11, 2011 requesting a time extension for the Rich Valley Road/Maiden Creek Road Water Project. According to your letter, the justification for the request is based on "extremely hard and abrasive rock" encountered on Maiden Creek Road and additional meters to install. The letter did not specify the specific time requested, however per your conversation with April Helbert, you were requesting an additional 60 days in addition to any inclement weather days.

Upon our review of the request, WCSA staff decided you are entitled to the following time extension:

- | | |
|--|---------------|
| • Inclement weather days | 57 days |
| • Installation of 11 additional meters | 9 days |
| • <u>Relocation of 1180 feet of water line</u> | <u>4 days</u> |
| • Total | 70 days |

WCSA gives inclement weather days at a rate of a day for a day. According to the documentation provided by you and agreed upon by the WCSA Resident Project Representative, 57 inclement weather days have been observed since the Notice to Proceed was issued.

WCSA staff concurs that additional time should be provided for the additional meters that need to be installed beyond what was called for in the original contract. We are willing to add 9 days to the contract time for the additional 11 meters that will be installed as part of the project.

The letter of request did not mention the relocation of 1180 feet of waterline from "off-road" installation to "on-road" installation; however upon further review of previously submitted documents, it appears you based your original bid on a production rate of 600 feet/day for water line located "off-road" and 300 feet/day for water line located "on-road", thus an additional 4 days has been allocated to the contract time.

We would like to remind you that the project was bid as "unclassified" which means that it is up to each contractor to evaluate the conditions and bid the project accordingly. Therefore, no additional time was given for rock excavation on the project.

The original substantial completion date for the Project was June 19, 2011. With the addition of 70 days aforementioned and validated the current substantial completion date is August 28, 2011. If there are any further days to be added between August 22, 2011 and August 28, 2011, WCSA Staff will evaluate and make further recommendation at a later time.

WCSA staff presented your request as well as WCSA Staff's review and recommendation as stated above to the WCSA Board of Commissioners during the regular board meeting on August 22, 2011. The Board of Commissioners voted unanimously to follow staff's recommendation. Thus, the revised substantial completion date for the project is August 28, 2011. Further, I regret to inform you that according to the contract, failure to meet substantial completion date will result in liquidated damages.

Finally, I would like to take this opportunity to make you aware that we are knowledgeable of your deviation from the plans and specifications without the consent of WCSA or the Virginia Department of Transportation (VDOT) when you deliberately "open cut" a road crossing after recently requesting permission from WCSA to relocate the "road bore." Presently, we are evaluating the infraction with VDOT and will have more to say about this at a later time. In the mean time we ask that no such actions be taken again without consent of the proper authorities.

If you have any questions on the above, please contact me at (276) 676-6790 or April Helbert at (276) 676-6795.

Respectfully,



Mark Osborne, P.E.
WCSA Technical Manager

cc: file
April Helbert, WCSA Staff Engineer
Steve Sproles, WCSA Inspector
Robbie Cornett, WCSA General Manager

AMENDMENT to

Agreement between Washington County Service Authority (Owner)
and Draper Aden Associates (Engineer), dated March 11, 2010,
for Route 58 Water Storage Facilities

This Amendment, dated August 19, 2011, amends the Agreement as indicated below.

EXHIBIT C – Payments to Engineer for Services

In Virginia RUS Bulletin 1780-1, Attachment 1, replace Page 2 (as modified by the Amendment dated March 10, 2011) with attached revised Page 2. This Amendment adds the equivalent of forty-three (43) hours to the duration of Resident Project Representative Services due to the extended duration of construction activities.

This Amendment also reduces the estimated fees for Geotechnical Construction Phase Services based on actual costs.

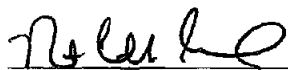
Under Paragraph C.2.06 (Summary of Payments to Engineer), under "Additional Services," change the amount for Resident Project Representative Services from \$76,800 to \$79,380, and change the amount for Geotechnical Construction Phase Services from \$94,800 to \$93,900, as follows:

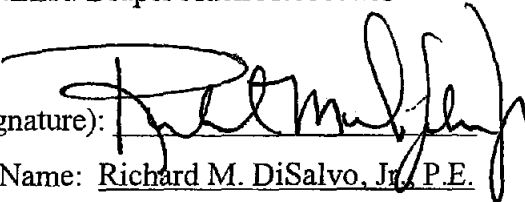
- | | |
|--|----------|
| e. Geotechnical Construction Phase Services (Quality Control, Monitoring, Testing, and Inspection) | \$93,900 |
| f. Resident Project Representative Services | \$79,380 |

The parties hereto have executed this Agreement:

OWNER: Washington County Service Authority

ENGINEER: Draper Aden Associates

By (Signature): 

By (Signature): 

Typed Name: Robbie Cornett

Typed Name: Richard M. DiSalvo, Jr. P.E.

Title: General Manager

Title: EVP/COO

Date: 26 SEPTEMBER 2011

Date: 8/22/11

AGENCY CONCURRENCE:

By: _____

Name: _____

Date: _____

If a project is divided such that a portion is eligible for TABLE I compensation and the remainder for TABLE II compensation, fee percentages for Basic Engineering services will be determined based on the total estimated construction cost with each corresponding percentage figure applied to the appropriate portion of construction. The appropriate fee percentage should be computed based on an interpolated value and rounded to the nearest tenth of a percent.

		<u>Cost</u>	<u>Basic Fee %</u>
For example:	Treatment Plant	\$400,000	15.2
	Distribution System	\$50,000	14.2
	Water Tank	<u>\$50,000</u>	10.0
	Construction Cost	\$500,000	

Projects bid simultaneously shall be considered as one project for the purpose of computing Basic Engineering fees and project representation fees.

For the purpose of calculating fees, construction cost estimates do not include construction contingencies.

Add a new paragraph C.2.04 with the following text:

(Check the applicable paragraph)

** [Construction observation services for the earthwork portion of the work are included in Geotechnical Construction Phase Services, which include Quality Control, Monitoring, Testing, and Inspection. Additional construction observation services, listed below, are for the waterline and tank construction portions of the work.]

A. Full-time project representation will be billed monthly on an hourly basis for the time the inspector spends at the project site. It is estimated that the project representation services will be necessary for 33.075 40 hour weeks and the hourly fee for the resident project representative will be \$60 per hour. This hourly fee includes any cost associated with Reimbursable Expenses. The total estimated not to exceed fee for this resident project representative is \$79,380.

Billing for additional resident project representatives will also be based on the amount of time the resident project representative(s) spend at the project site. It is estimated 1 additional resident project representative(s) will be provided for an estimated hours each. The hourly fee for the additional resident project representative(s) will be \$ per hour. This hourly fee includes any cost associated with Reimbursable Expenses. The total estimated not to exceed fee for the additional resident project representative(s) is \$.

The total estimated not to exceed figure for full-time project representation is \$.

 B. Part-time project representation will be billed monthly on an hourly basis for the time the resident project representative spends at the project site. It is estimated that the resident project representative's services will be required for a total of hours. The hourly fee for this resident project representative will be \$ per hour. This hourly fee includes any cost associated with Reimbursable Expenses. The total estimated not to exceed fee for part-time project representation is \$.



WYE RIVER GROUP
INCORPORATED

August 10, 2011

Mr. Robbie Cornett
General Manager

Ms. Kimberly Harold
Controller

Washington County Service Authority
25122 Regal Drive
Abingdon, Virginia 24210

Dear Mr. Cornett and Ms. Harold,

This Letter Agreement sets forth the basis on which Wye River Group, Incorporated ("WRG") will provide financial advisory services to the Washington County Service Authority (the "Client") with respect to the Client's financing requirements.

The parties to this Agreement agree as follows:

1. **SERVICES REQUIRED:** The Client hereby engages WRG to provide financial advisory and general consulting services to the Client with respect to its capital planning and project financing needs. Pursuant to the general parameters of the attached Work Plan, as modified from time to time with the input and approval of the Client, WRG's services may include but are not limited to (1) conducting a general review of the Client's financial condition and preparing a written report of WRG's findings and recommendations, (2) reviewing the Client's financial operations and history and preparing a written report that includes a draft of proposed Financial Planning Policies & Procedures, Roadmap and Scorecard, (3) providing such analysis and assistance in connection with the Client's strategic planning activities as the Client may reasonably request from time to time, (4) providing analysis, advice, presentations and other services in support of securing credit ratings, (5) identifying, and determining the feasibility of, financing alternatives for the Client, (6) assisting in the development of quantitative analysis, financial models, projections and other financial planning materials for the Client, (7) developing a definitive Finance Plan for the Client for each transaction, (8) developing a comprehensive financing solicitation package for each financing, (9) coordinating the solicitation, evaluation and selection of candidates to provide financing, (10) assisting in the execution of each Finance Plan and implementation of each financing and (11) providing any other management consulting services which the Client may reasonably require from time to time.

2. COMPENSATION: For advisory services rendered, the Client shall compensate WRG as follows:

(a.) General Advisory Services. On an hourly rate basis, billable monthly, as follows:

- Principal: \$300/hour
- Vice President: \$200/hour
- Associate: \$150/hour

Monthly billings shall contain detail regarding number of professional hours and activities of WRG professionals.

(b.) Other Reimbursable Costs. In addition to the fees described above, The Client shall also reimburse WRG for all reasonable direct out of pocket expenses incurred by WRG with respect to the Projects. WRG will not incur any single expense exceeding \$250 without the prior permission of the Client.

3. TERM: The period of this Agreement shall be for 36 months from the date of execution and may be extended for an additional twelve-month period upon mutual agreement of the parties. However, nothing herein shall prohibit the Client from terminating this Agreement without cause at any time upon five (5) days' written notice.
4. STANDARD OF CARE: WRG warrants that it is professionally competent to provide the services specified herein and agrees to provide said services in accordance with the highest standard of care of similar professionals in the field.
5. LAWS OF THE COMMONWEALTH OF VIRGINIA: This Agreement shall be governed in all respects by the laws of the Commonwealth of Virginia.

If the foregoing is acceptable, please sign and return the enclosed copy of this agreement. Thank you.

WYE RIVER GROUP, INCORPORATED

By: Kevin G. Quinn (Sign)

Title: President

Agreed to and
accepted this 22nd
day of August, 2011

WASHINGTON COUNTY SERVICE AUTHORITY

By: [Signature] (Sign)

Title: GENERAL MANAGER



Financial Advisory Work Plan

The following is the Financial Advisory Work Plan and preliminary schedule for services to be rendered by Wye River Group to WCSA. Tasks are organized so that there is a logical progression of information dissemination, education, analysis, consultation and dialogue and report/presentation development, culminating ultimately in the Strategic Financial Plan. The Work Plan includes an estimate of the amount of professional time required by phase and tasks. The Plan outlines the proposed timeframe encompassing each phase of the process. The specific timing of financing related activities will depend largely on the expected timing of capital need for projects by WCSA. Tasks may be added, subtracted and modified at the discretion of WCSA.

<u>Phase/Activity</u>	<u>Tasks</u>	<u>Proposed Timeframe</u>	<u>Estimated Hours</u>
1. <u>Financial Condition Review</u>	<ul style="list-style-type: none"> ▪ Review the following information: <ul style="list-style-type: none"> ▫ Financial Model and 5 Year Projections ▫ Current/Next Year Budgets ▫ Financial Statements ▫ Current F.Y. Financial Statements to date ▫ Audited Financial Statements – past 5 Fiscal Years ▫ Investment Portfolio/Practices ▫ Capital Improvement Plan ▫ Financial Policies (Debt, Investment, Banking) ▫ Terms of Outstanding Loans, Leases and other Financial Obligations (Basic Transaction Documents) ▫ All Relevant, Recent Internal Planning Memoranda/ Presentations 	Aug./Sept., 2011	40-50

Phase/Activity

Tasks

Proposed
Timeframe

Estimated
Hours

- All Relevant Consultant Reports/Presentations (including MSFG Rate Studies, Engineering Reports, Presentations by other Financial Services Firms)

- Interview management team (and possibly board members) either one-on-one or through a group meeting/workshop regarding WCSA's major strategic, corporate and financial issues, goals and objectives; WCSA's legal/regulatory/ political issues; relationship with County, Commonwealth, EPA and major regulators; system needs and challenges; demographic/growth trends in service area

Aug./Sept., 2011 15 - 25

- Develop Written Report which addresses the following topics:
 - Overview of WCSA system operations, finances, objectives and needs
 - Assessment of current financial strength
 - Comparative analysis of finances versus reference systems and industry standards
 - Evaluation of current policies and practices and recommendations of changes/improvements
 - Financial operations scorecard for future self-evaluation

Sept./Oct., 2011 50 - 75

Subtotal (Phase 1)

105 - 150

<u>Phase/Activity</u>	<u>Tasks</u>	<u>Proposed Timeframe</u>	<u>Estimated Hours</u>	
2. <u>Financial Planning Policies and Procedures</u>	<ul style="list-style-type: none"> ▪ Review WCSA's operating history (at least past 10 years) of spending, operations, maintenance, replacement and system growth 	Oct./Nov., 2011	25 - 50	
	<ul style="list-style-type: none"> ▪ Examine WCSA's revenue sources and key metrics (including rates, fees and charges) and physical assets 		15 - 20	
	<ul style="list-style-type: none"> ▪ Based on financial/operational review and understanding of WCSA's key goals and objectives, develop an assessment of feasibility of achievement and recommended policies/procedures for achieving goals. Also develop from high level policies/procedures a detailed roadmap for goal/objective achievement and scorecard for post-implementation evaluation 		40 - 50	
	<ul style="list-style-type: none"> ▪ If goals/objectives appear to be beyond WCSA's reasonable financial capacity, assist WCSA in reevaluating and adjusting goals and objectives, and repeat process step immediately above 		(included above)	
	<ul style="list-style-type: none"> ▪ Develop Written Report comprising draft of Financial Planning Policies & Procedures, Roadmap and Scorecard; review initial and subsequent drafts with management until acceptable final draft for presentation to the Board 		25 - 50	
		<i>Subtotal (Phase 2)</i>		105 - 170
			SUBTOTAL (Phases 1-2)	210 - 320

<u>Phase/Activity</u>	<u>Tasks</u>	<u>Proposed Timeframe</u>	<u>Estimated Hours</u>
3. <u>Credit Rating Assistance</u>	<ul style="list-style-type: none"> ▪ Analyze WCSA's historic/projected finances in context of credit rating criteria for investment grade rated water/sewer systems and provide assessment for rating prospects and likely rating range 	TBD	15 - 25
	<ul style="list-style-type: none"> ▪ Develop Written Report on (1) WCSA's finances with reference to key credit rating criteria and financial ratios, (2) merits of pursuing/securing credit ratings and (3) implications of credit ratings for purposes of Strategic Plan, financing activities and system growth 	TBD	25 - 40
	<i>Subtotal (Phase 3)</i>		40 - 65
4. <u>Financing Services</u>			
A. <u>Alternative Analysis</u>	<ul style="list-style-type: none"> ▪ Once specific capital needs, and timing considerations and specific financing requirements are determined, assist WCSA in evaluation of financing alternatives and potentially available sources of credit enhancement 	TBD	25 - 50
B. <u>Financing Planning</u>	<ul style="list-style-type: none"> ▪ Once preferred financing alternative is selected by WCSA, develop competitive solicitation materials for use on selecting preferred financial institutions or underwriters and verifying financing terms and costs; make recommendations to management and Board in support of selection process; assist in coordination of financing process 	TBD	50 - 75

<u>Phase/Activity</u>	<u>Tasks</u>	<u>Proposed Timeframe</u>	<u>Estimated Hours</u>
C. <u>Pre-Issuance Briefings/ Recommendations</u>	<ul style="list-style-type: none"> ▪ Prepare a written recommendation to the Authority for each bond issue regarding financial feasibility, bond covenants, and pricing of the bonds 	TBD	15 - 20
D. <u>Financing Implementation</u>	<ul style="list-style-type: none"> ▪ Participate in all organizational, document review, and special meetings related to bond financing ▪ Evaluate, advise, and consult with the Authority and bond counsel regarding financial and non-financial bond covenants of each bond issue ▪ Prepare written report to the Authority regarding the feasibility of issuing bonds and sufficiency of revenues and funds pledged to support of the bonds ▪ Assist in furnishing materials and data to rating agencies, bond insurers, letter of credit providers ▪ Assist in structuring bond transaction for competitively sold bond issues ▪ Official Statement Review and Preparation (if needed) ▪ Lead team discussions in conjunction with bond counsel on form, content, and sufficiency of information in the Official Statement ▪ Prepare the Official Statement in conjunction with bond counsel for competitively sold bond issues ▪ Review Closing Memorandum with bond counsel to confirm activities at the closing and the role of each party ▪ Perform financial analysis and yield calculations associated with the closing ▪ Assist participant in evaluating the investment of bond proceeds for construction funds, debt service funds, escrow, etc. 	TBD	100 - 125

<u>Phase/Activity</u>	<u>Tasks</u>	<u>Proposed Timeframe</u>	<u>Estimated Hours</u>
	<ul style="list-style-type: none"> ▪ At WCSA's request, attend WCSA board meetings and any special meetings with WCSA, bond counsel, bond insurers, and rating agencies 		
E. <u>Post-Issuance Assistance</u>	<ul style="list-style-type: none"> ▪ Advise participant and the Authority on post issuance changes, credit enhancement, management consultants, etc. at the WCSA's request 	TBD	TBD
	<i>Subtotal (Phase 4)</i>		190 - 270
	<i>SUBTOTAL(Phases 3-4)</i>		230 - 335
5. <u>Program Development</u>	<ul style="list-style-type: none"> ▪ Assist staff by evaluating program proposals or changes in policy 	TBD	TBD
6. <u>Strategic Financial Planning Assistance</u>	<ul style="list-style-type: none"> ▪ Provide such analysis, advice and support services as WCSA and/or its designated consultant may request from time to time 	TBD	TBD
	<i>TOTAL (Phases 1-4)</i>		440 - 655
	<i>Blended Hourly Rate:</i>		\$250
	<i>Estimated Fee Range:</i>		\$110,000 - \$163,750


WYE RIVER GROUP
 INCORPORATED
 July 26, 2011

AMENDMENT # 1

To the Engineering Contract for Reedy Creek Water Line Project

This is **Amendment #1**, consisting of 1 page, Part of the Agreement between **OWNER and ENGINEER for Professional Services – Funding Agency Edition**, dated **September 8, 2008**.

Initial:
OWNER
ENGINEER BRL

Agreement between OWNER and ENGINEER for this project states that the Owner may request the Engineer to provide Resident Project Representative Services at a cost to be agreed upon. The Engineer proposes the addition of the following paragraph C. 2.04.A2 to the Agreement for Engineering Services:

Full-time project representation will be billed monthly on a hourly basis for the time the inspector spends at the project site. It is estimated that the project representation services will be necessary for 52 - 40 hour weeks and the hourly fee for the resident project representative will be \$55.00 per hour. This hourly fee includes any cost associated with Reimbursable Expenses. The total estimated not to exceed fee for this resident project representative is \$114,400.00.

Billing for additional resident project representatives will also be based on the amount of time the resident project representative(s) spend at the project site. It is estimated 1 additional resident project representative(s) will be provided for an estimated 1040 hours each. The hourly fee for the additional resident project representative(s) will be \$55.00 per hour. This hourly fee includes any cost associated with Reimbursable Expenses. The total estimated not to exceed fee for the additional resident project representative(s) is \$57,200.00.

The total estimated not to exceed figure for full-time project representation is \$171,600.00.

The Owner concurs and this Amendment # 1 adds the above paragraph to the Agreement for Engineering Services.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment, the Effective Date of which is August 22, 2011.

OWNER: **Washington County Service Authority** ENGINEER: **The LANE GROUP, INC.**

By (Signature): _____

By (Signature): Bobby R. Lane

Typed Name: Robbie Comett

Typed Name: Bobby R. Lane, P.E.

Title: General Manager

Title: Project Manager

Date: _____

Date: AUGUST 22, 2011

AGENCY CONCURRENCE: USDA- Rural Development

By (Signature): _____

Typed Name: _____

Title: _____

Date: _____

AMENDMENT # 2

To the Engineering Contract for Galvanized Line Replacement

This is **Amendment #2**, consisting of 3 pages, Part of the Agreement between **OWNER** and **ENGINEER** for Professional Services - Funding Agency Edition, dated April 13, 2010.

Initial:
OWNER
ENGINEER

GENERAL

When the Agreement between OWNER and ENGINEER was developed, the Budget for Resident Project Representation (RPR) services was set at \$199,980 and assumed 1 inspector for 78 weeks with 1 assistant inspector for 516 hours (3636 total hours). During the advertisement of the Project, the decision was made to break the Contract into three parts, thereby giving small and medium sized contractors the opportunity to bid the work. This strategy proved beneficial and the Bids taken for the project in three contracts were lower than the Project Bid as one Contract. In order to cover the three contractors, each working multiple crews, the Engineer was required to provide four inspectors (3 full time and 1 part-time) rather than the 1 full time and 1 part time envisioned at the time of the Professional Services Contract execution and as a result the budget for RPR services will be expended prior to completion of construction.

In addition, significant savings in Unit Bid Quantities have been realized as the result of Contractor performance in the area of pavement restoration leaving funds budgeted for pavement restoration available for use on additional galvanized line replacement. At this time it appears that approximately \$300,000 in funds from Contract 1 and Contract 2 will be available for use to construct additional galvanized line replacement.

The Owner has requested that the Engineer continue to provide RPR services for the construction of the Project and has requested that the Engineer provide additional engineering services to design and provide construction administration for the additional galvanized line replacement. The Engineer requests that the Agreement for Engineering services be amended.

1. The Budget Line Item amounts for Additional Engineering be adjusted to compensate for the design and construction of the additional line as follows:

	Current	Amended
Easements and Property Plats	\$25,000	\$25,000
Compaction Testing	\$35,000	\$10,000
Specialized Topo and Utility Surveys	\$28,000	\$28,000
Permitting	\$12,000	\$12,000
Additional Line Design & Con. Ad.	\$ 0	\$25,000
Total	\$100,000	\$100,000

2. The Budget Estimate for RPR services be increased from 3636 hours at \$55.00 per hour (\$199,980) to 5636 hours at \$55.00 per hour (\$309,980).

The Owner concurs in these adjustment and this Amendment # 2 changes the line items in the Agreement for Engineering Services in accordance with the Engineer's request.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment, the Effective Date of which is August 22, 2011.

OWNER: Washington County Service Authority ENGINEER: The LANE GROUP, INC.

By (Signature): Robbie Cornett

By (Signature): Bobby R. Lane

Typed Name: Robbie Cornett

Typed Name: Bobby R. Lane, P.E.

Title: General Manager

Title: Project Manager

Date: 31 AUGUST 2011

Date: 8/22/2011

AGENCY CONCURRENCE: USDA- Rural Development

By (Signature): _____

Typed Name: _____

Title: _____

Date: _____

WASHINGTON COUNTY SERVICE AUTHORITY

Post-Issuance Compliance Policy for Tax-Favored Obligations

Statement of Purpose

This Post-Issuance Compliance Policy (the "Policy") sets forth specific policies of the Washington County Service Authority (the "Authority") designed to monitor post-issuance compliance of tax-favored obligations* issued by the Authority (the "Obligations") with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder (the "Treasury Regulations").

The Policy documents existing practices and describes various procedures and systems designed to identify on a timely basis facts relevant to demonstrating compliance with requirements that must be satisfied subsequent to the issuance of Obligations in order that the interest on such Obligations be, or continue to be, or but for certain provisions of the Code would be, excludable from gross income for federal income tax purposes. The Authority recognizes that compliance with applicable provisions of the Code and Treasury Regulations is an on-going process, necessary during the entire term of the Obligations, and is an integral component of the Authority's debt management. Accordingly, the analysis of those facts and implementation of the Policy will require on-going monitoring, and may entail consultation by the Authority's staff (the "Authority Staff") with bond counsel beyond the scope of bond counsel's initial engagement with respect to the issuance of particular Obligations.

Policy Components

Specific post-issuance compliance procedures address the relevant areas described below. The following list is not intended to be exhaustive and further areas may be identified from time to time by the Authority Staff in consultation with bond counsel and appropriate representatives of the Authority Attorney's office.

- I. General Policies and Procedures – the following policies relate to procedures and systems for monitoring post-issuance compliance generally.
 - A. The Treasurer of the Authority (the "Treasurer") shall be responsible for monitoring post-issuance compliance issues on behalf of the Authority. The Treasurer shall be responsible for ensuring an adequate succession plan for transferring post-issuance compliance responsibility when changes in Authority Staff occur.
 - B. The Treasurer will coordinate procedures for record retention and review of such records.

* For purposes of the Policy, tax-favored obligations shall include (a) obligations the interest on which is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code") ("tax-exempt obligations"), and (b) obligations the interest on which is not excludable from gross income for federal income tax purposes, but which federal law otherwise requires to satisfy requirements of the Code applicable to tax-exempt obligations. For example, Section 54AA of the Code, added by the American Recovery and Reinvestment Act of 2009, authorizes the issuance of "Build America Bonds," the interest on which is includible in gross income for federal income tax purposes, provided that (a) the interest on the bonds would, but for such Section 54AA, be excludable from gross income for federal tax purposes under Section 103 of the Code, (b) such bonds are issued before a specified date (currently January 1, 2011), and (c) the issuer makes an irrevocable election to have Section 54AA apply. Accordingly, the Policy will apply to Build America Bonds issued by the Authority.

- C. The Treasurer will review post-issuance compliance procedures and systems on a periodic basis, but not less than annually.
- D. Electronic media will be the preferred method for storage of all documents and other records related to Obligations and compliance with the Policy maintained by Authority Staff and the Authority. In maintaining such electronic storage, the Treasurer will comply with applicable Internal Revenue Service ("IRS") requirements, such as those contained in IRS Revenue Procedure 97-22.

II. Issuance of Obligations – the following policies relate to the issuance of a specific issue of Obligations by the Authority.

The Treasurer will:

- A. Obtain from bond counsel and store a closing binder and/or CD or other electronic copy of the relevant and customary transaction documents.
- B. Confirm that bond counsel has filed the applicable information report (e.g., IRS Form 8038-G or 8038-B) for such issue with the IRS on a timely basis.
- C. Coordinate receipt and retention of relevant books and records with respect to the investment and expenditure of the proceeds of such Obligations with other applicable Authority Staff.

III. Arbitrage – the following policies relate to the monitoring and calculating of arbitrage and compliance with specific arbitrage rules and regulations.

The Treasurer will:

- A. Coordinate the tracking of expenditures and any investment earnings.
- B. Obtain a computation of the yield on such issue from the Authority's financial advisor for such issuance or other relevant third party (e.g., the underwriter for such issuance, the State Non Arbitrage Program ("SNAP"), or other outside arbitrage rebate specialist) and maintain a system for tracking investment earnings.
- C. Maintain a procedure for the allocation of proceeds of the issue and investment earnings to expenditures, including the reimbursement of pre-issuance expenditures.
- D. Monitor compliance with the applicable "temporary period" (as defined in the Code and Treasury Regulations) exceptions for the expenditure of proceeds of the issue, and provide for yield restriction on the investment of such proceeds if such exceptions are not satisfied.
- E. Coordinate with the bond trustee to ensure that investments acquired with proceeds of such issue are purchased at fair market value. In determining whether an investment is purchased at fair market value, any applicable Treasury Regulation safe harbor may be used.

- F. Coordinate with the bond trustee, if any, to avoid formal or informal creation of funds reasonably expected to be used to pay debt service on such issue without determining in advance whether such funds must be invested at a restricted yield.
- G. Coordinate with the bond trustee and consult with bond counsel prior to engaging in any post-issuance credit enhancement transactions (e.g., bond insurance, letters of credit) or hedging transactions (e.g., interest rate swaps, caps).
- H. Coordinate with the bond trustee to identify situations in which compliance with applicable yield restrictions depends upon later investments and monitor implementation of any such restrictions.
- I. Coordinate with the bond trustee to monitor compliance with the six-month, 18-month or 2-year spending exceptions to the rebate requirement, as applicable.
- J. Coordinate with the bond trustee to arrange, as applicable, for timely computation of rebate liability and, if rebate is due, for timely filing of IRS Form 8038-T and to arrange payment of such rebate liability.
- K. Arrange for timely computation and payment of "yield reduction payments" (as such term is defined in the Code and Treasury Regulations), if applicable.
- L. In the case of any issue of refunding Obligations, (i) coordinate with the Authority's financial advisor, the bond trustee and any escrow agent to arrange for the purchase of the refunding escrow securities, (ii) obtain a computation of the yield on such escrow securities from an outside arbitrage rebate specialist and (iii) monitor compliance with applicable yield restrictions.

IV. Private Activity Concerns – the following policies relate to the monitoring and tracking of private uses and payments with respect to facilities financed or refinanced by Obligations.

The Treasurer will:

- A. Maintain records determining and tracking which specific issues of Obligations financed which facilities and in what amounts.
- B. Maintain records, which should be consistent with those used for arbitrage purposes, to allocate the proceeds of an issue of Obligations to expenditures, including the reimbursement of pre-issuance expenditures.
- C. Maintain records allocating to a project financed with Obligations the proceeds of such issue of Obligations and any funds from other sources that will be used for non-qualifying costs.
- D. Monitor the expenditure of proceeds of such issue for qualifying costs.
- E. Monitor any private use of financed facilities to ensure compliance with applicable percentage limitations.
- F. Consult with bond counsel as to any possible private use of financed facilities.

V. Reissuance – the following policies relate to compliance with rules and regulations regarding the reissuance of Obligations for federal tax purposes.

The Treasurer will:

- A. Consult with bond counsel regarding any post-issuance change to any terms of an issue of Obligations which could potentially be treated as a reissuance for federal tax purposes.
- B. Confirm with bond counsel whether any "remedial action" in connection with a "change in use" (as such terms are defined in the Code and Treasury Regulations) would be treated as a reissuance for federal tax purposes, and if so, confirm the filing of any new IRS Form 8038-G.

VI. Record Retention – the following policies relate to retention of records relating to Obligations.

The Treasurer will:

- A. Maintain sufficient records to ensure that the issue remains in compliance with applicable federal tax requirements for the life of such issue.
- B. Comply with federal and state law provisions imposing specific recordkeeping requirements.
- C. Generally maintain the following:
 - 1. Basic records relating to the transaction (e.g., supplemental indenture, loan agreement, any non-arbitrage certificate and the bond counsel opinion);
 - 2. Documentation evidencing expenditure of proceeds of the issue;
 - 3. Documentation regarding the types of facilities financed with the proceeds of an issue, including, but not limited to, whether such facilities are land, buildings or equipment, economic life calculations and information regarding depreciation.
 - 4. Documentation evidencing use of financed property by public and private sources (e.g., copies of management contracts and research agreements);
 - 5. Documentation evidencing all sources of payment or security for the issue; and
 - 6. Documentation pertaining to any investment of proceeds of the issue (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received by the investment of proceeds, guaranteed investment contracts, and rebate calculations).
- D. Coordinate the retention of all records in a manner that ensures their complete access to the IRS. While this is typically accomplished through the maintenance of hard copies, records may be kept in electronic format so long as applicable requirements, such as IRS Revenue Procedure 97-22, are satisfied.

- E. Keep all material records for so long as the issue is outstanding, plus three years after the final maturity or redemption of such issue and any bonds issued to refund such issue in whole or in part.