

**Washington County Service Authority Board of Commissioners**  
**December 19, 2011 Regular Meeting Minutes**

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

**ROLL CALL**

Commissioners Present:

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

Commissioners Absent:

Mr. D.L. Stout, Vice Chairman

Damascus Town Council Present:

Mr. Jack McCrady, Mayor  
Mr. Don Morgan, Vice Mayor  
Mr. Aaron Sizemore, Town Manager  
Mr. Tony Bebbber  
Mr. Lannis Greene  
Mr. Mitchel Greer  
Mr. Tommy Hayes  
Mr. Ken Upchurch  
Ms. Tuesday Pope, Town Clerk

WCSA Staff Present:

Robbie Cornett, General Manager  
Kimberly Harold, Controller  
Amanda Paukovitz, Administrative Assistant  
Mark Osborne, Technical Manager

Consultants Present:

Bobby Lane, PE, The Lane Group, Inc.  
Kevin Heath, PE, Adams-Heath Engineering  
Stevie Steele, PE, Anderson & Associates

Also Present:

Mr. Mark Lawson, General Counsel, WCSA

Thomas Dene, Attorney, Town of Damascus

**3. Approval of the Agenda**

Mr. Coleman from WCSA Board and Mr. Bebbber from Damascus Town Council made the motion to approve the Agenda. The motion was seconded by Mr. Miller from the WCSA Board and Mr. Morgan with the Town of Damascus Council. This motion was approved by a 6-0-0-1 WCSA Board vote and a 7-0-0-0- Damascus Town Council vote.

**4. Consideration of a Resolution to Acquire the Town of Damascus Wastewater Collection Treatment System Mr. Bobby Lane**

Mr. Chase thanked the Town of Damascus Council for their attendance and asked Mr. Bobby Lane to come forward.

Mr. Bobby Lane made a presentation. He noted that as both the Damascus Town Council and Authority were aware, it is there recommendation that ownership and the debt be transferred from Town of Damascus to the WCSA. The Lane Group (TLG) explained that base on their findings, both local governments, especially town customers, will benefit from the transfer. The upcoming improvements that will be necessary can be made more efficiently and with less financial impact on the customers if done so by the WCSA. USDA Rural Development and Virginia Department of Environmental Quality have supported and encouraged the recommended action on this study. WCSA Legal Counsel worked on developing the resolution for consideration this evening (see attached) On behalf of TLG and Oliver, Inc., Mr. Lane recommended the execution of the agreement pending rural development

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approval and legal matters that govern the transfer. TLG appreciates the opportunity to serve and is happy to address any questions either party has at this time. As there were no further questions, Mr. Lane turned the meeting over to the Damascus Town Mayor and the Chairman. Mr. Bebbler motioned, Mr. Greer seconded and the Town of Damascus Town Council authorized the resolution with a vote of 7-0-0-0. Mr. Stephon motioned, Mr. Hutchinson seconded and the WCSA Board authorized the resolution with a vote of 6-0-0-1. The Damascus Town Mayor recommended a motion to adjourn. Upon a motion by Mr. Greer, a second by Mr. Morgan and a 7-0-0-0, the Town of Damascus Town Council adjourned their meeting.

**5. Recess**

The Chairman called a recess, which began at 7:09 PM.

**6. Public Query & Comment**

There was no Public Query & Comment. A Motion was made by Mr. Taylor to move Dr. Fowlkes up, Mr. Stephon second the motion. The board approved with a 6-0-0-1 vote.

**7. Presentation Regarding the Proposed Clean Energy Research and Development Center Dr Rachel Fowlkes**

According to Dr. Fowlkes, four years ago the Tobacco Commission awarded one of two grants to the Higher Education Center (HEC) and so the HEC was willing to donate land for the building. Dr. Fowlkes stated the reason the program's building was not yet completed was because they discovered a large sink hole as they were ready to break ground. Some repairs were done to

take care of the sink hole. As they were ready to break ground again, there was a tremendous cavern that was discovered required emergency funding from the State of Virginia in the amount of approximately \$200,000. The Department of Environmental Conservation decided the land would be unstable for construction. They have been looking for a different site for over a year. One site is now the location of the King College Medical School. Bristol has offered land at Exit 7, the preferred site, where the Granite Company is located, and another property on State Street. Smyth County has offered land; however, land purchase is not in the budget at this time. Water is currently provided to the site at Exit 7 by BVUA. There are no additional funds in our budget to add water to this site or make upgrades to the road that would be required by VDOT and the City of Bristol. If they have to do this, they will not be able to build. Dr. Fowlkes does not feel the Tobacco Commission will look favorably on a request for additional money because of the delay in the project. The owner of this property, Intermont Partners, is renting the property to Granite Company, who would relocate and the existing building would be demolished. That site would be the location for this particular building. Included in the handouts is a tract along with an architect rendering of what the building would look like. It is to be a Clean Energy Demo building with a lot of energy innovations; a proposed LEED Gold Certified building. She asks the Board's consideration of their decision and offered to have Stevie Steele of A&A answer technical questions. It was discussed by Mr. Chase and Dr. Fowlkes that the Tobacco Commission has not been asked for additional money because

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it was not anticipated that additional monies would be required. The Tobacco Commission did not offer additional funds for the project. Mr. Taylor asked if this property joined the new street going into Alpha. Dr. Fowlkes said it did not join that street. Dr. Fowlkes said the property joined Resting Tree Drive, which had a TVA easement; and was located directly behind Mellow Mushroom. Their understanding is that they would be responsible to install water lines from the church to this property at a cost of up to \$200,000. Dr. Fowlkes feels if that land is ever to be developed commercially; it would be the developer's responsibilities to add lines. The parcel of land being considered is 3.2 acres and is currently serviced by BVU. The plan is to tie into the current septic system and to pay the fee to meter it. Intermont Partners is not interested in investing the money to install additional water lines. Dr. Fowlkes said new water lines would need to be installed for WCSA water access to that property. Mr. Chase commented on the importance of the project but isn't ready to take action at this time.

Mr. Chase said the partners for the land closing may make an extension in January but no guarantees.

Dr. Fowlkes stated they were originally planning a land piece farther back, but could not afford to purchase the lines for water and sewer or to fix the roads to that site. Mr. Chase asked how many would be involved in that building once it is erected. They are working with four energy companies, said Dr. Fowlkes; that have been located to Southwestern Virginia. The first company is called Optifuel. They produce an ethanol cotton product and are getting ready to build a pilot plant in the R&D Building in Wise County. Another company, Wire Tough,

is currently located in Zenith Fuel Building in the Washington County Industrial Park. Wire Tough makes compressed natural gas cylinders for fleet vehicles. The third company, Cavatronics, makers of the unit that goes on top of an oil burning furnace, is looking for place. The final company, Tazewell Co, is looking for a location. Mr. Hutchinson asked if the property would be donated or purchased. Dr. Fowlkes answered that the property would have to be purchased and downscaling would be required to accommodate the land.

**8. Approval of the Consent Agenda**

- Minutes: November 28, 2012 Regular Meeting.
- Routine Reports for November 2011.
- Financial Statement for November 2011.
- Check Register and General Manager Financial Report for November 2011.

Mr. Miller made the motion to approve the Consent Agenda. The motion was seconded by Mr. Taylor and was approved by a 6-0-0-1 vote of the Board.

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

***Mr. Stephen Steele of Anderson & Associates***

**• Exit 13 Sewer Project Phases 2 & 3**

It was reported that Exit 13, Phase 2-PER is completed, the draft final report is being reviewed by WCSA Staff. Mr. Steele reported that though the costs have been adjusted much higher, they were able to increase service area, thus, increasing customer base This allowed Phase 2 & Phase 3 to fall under the \$20,000 per connection threshold that the Board has put in place. Anderson & Associates were also able to structure it



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so there are multiple phasing options. Smaller portions of monies will be required due to the addition of phases and will be ready to start work in certain phases shortly. They can scale the project according to the amount of money they can find. The written report is in the Board book.

*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) and Raw Water Intake**

Mr. Lane reported that work on the plant is moving along; the contractor has been placing a lot of reinforcing steel, and pouring concrete. Can see some of the buildings are coming out of the ground. Operators are reporting significantly long filter runs of 100 hours.

- **Raw Water Intake**

The contractor is now in the lake to work on the intake and is scheduled to get the directional boring underway very soon. Heavy rain has done damage to the dam and they are addressing it with the Army Corps of Engineers.

- **Bristol Area Water Restructuring Project**

The contractor is getting bonds and insurance together for review. Hope to have Pre-C shortly after the first of the year.

- **Exit 13 Sewer Project Phase 1 & Exit 14 Project**

Mr. Lane stated the loan closing and the preconstruction conference was held. The pump station contractor has begun. Notice to proceed on Jan. 3. The Department of Environmental Quality has advised that they will not have categorical exclusion. Exit 13 Force Main will be pushed to March of this

year. Should have both projects constructed by May 2013.

- **Galvanized Line Replacement Project**

Mr. Bobby Lane reported that there were considerable monies remaining in Division 1 and 2. They were preparing to do additional work to two trailer parks between Abingdon & Bristol. Asphalt plants will be closing shortly for the winter.

- **Interim**

This is finished with change orders totaling 1.5% of construction costs as of last report.

- **Reedy Creek Road**

Work has started. Last Friday, did get significant runoff and mud in the road. Have worked with the contractor and he has everything seeded, strawed and matted, continuing to work with him to minimize those issues, but did have complaints from citizens in the area. Mr. Miller was on Reedy Creek and reported that it was "looking good".

- **Town of Damascus Sewer Study Completed.**

- **Western Washington County Sewer Study**

Washington County Sewer Study is being completed. Currently awaiting word from the Tobacco Commission concerning funding for the first phase of the project.

*Mr. Kevin Heath of Adams-Heath Engineering(AHE)*

- **Whites Mill**

Mr. Heath stated that on Thursday, AHE conducted the substantial completion inspection with Virginia Department of Health on PS Tank and good amount of line work. Virginia Department of Health allowed for that portion of project in service. Work does continue to progress. Contract 1, Tipton, has a fair

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amount of line remaining to construct, and expects to have a better feel of progress at meeting Tuesday of next week. There have been a number of incidents since the project went into service such as customers not having pressure reducing valves that were operating properly. WCSA went to great lengths to inform citizens that their pressure would increase during this time. Citizens were informed again prior to going into operation. Currently, addressing reports on a case by case basis.

- **Abingdon Tank**

Mr. Heath reported that the Abingdon tank continues to work. Draft plan expected to be completed very soon.

- **Green Springs**

Mr. Heath expects draft plans to be ready very soon.

#### **10. Water & Wastewater Construction Projects Report and Update April Helbert**

Mrs. Helbert referred to the handout and the report in the Board Books. Ms. Helbert provided the following updates:

- **South Fork River Crossing**

South Fork River Crossing has been held up by weather days and is about 70% complete. Weather days are being documented daily by Resident Project Representative (RPR) and Distribution.

#### **11. General Manager's Report & Update Robbie Cornett**

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 November:

##### **Water Production**

- Produced little over 187 million gallons of drinking water.

- Continued coordination and support of the expansion of our Middle Fork Drinking Water Plant, as well as construction of the Appalachian Power Company Arrowhead Substation.
- As of Tuesday of last week, substation is in service and produced 5,000 gallons per minute and voltage was less than 100 volts of clean reliable power. 400 feet of line between AEP substation and plant.

##### **Distribution**

- Coordinated the outside purchase of little more than 18.5 million gallons of drinking water; lowest amount of the year and second lowest amount since May 2006.
- In total, 6.6 million gallons per day (MGD) of drinking water was distributed to our customers; lowest amount since December of 2005.

##### **Meter Department**

- 98 customers were telephoned following unusually high usage.
- 167 meters were lifted for non-payment.

##### **Customer Service**

- Little more than \$9,000 was abated 63 customer water leaks.
- More than \$3,450 was written off as bad debt; three years older.
- 5 water taps applied for.
- 0 wastewater taps applied for.
- 177 reconnections/transfer of service.
- Late charges were added to 4381 accounts.
- 1,308 disconnect notices were processed.
- 167 disconnects for non-payment.

##### **Maintenance**

- Repaired 31 leaks and 12 breaks.
- Constructed 58 water taps; 45 on Rich Valley Road and Chestnut

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Ridge were "set" by Maintenance but "made" by the contractors.

- Responded to 60 after hour call-outs.
- Assisted Galvanized Line contractors with mainline taps and ongoing prospecting.

**Wastewater**

- Treated more than 9.9 million gallons of wastewater in the last month.

**Administrative Items**

- November has resulted in no changes to the nonresidential connection fees that are pending or paid on our water systems for the current fiscal year. Please see attached.

Mr. Cornett reported that because of plant expansion, from 4.6 to 6.6 MGD; we would no longer need to purchase as much water from BVUA. We are obligated to purchase just over 12 from BVUA. Expect that number to be 13.5 to 14.5 by next month. Mr. Osborne added BVU's number as of last week was 12.87.

**12. Consideration of Modifications to WCSA's 457 plan *Kim Harold***

Ms. Harold reported that due to recent legislation that was passed in 2008, our 457 plan administrator; Hartford, asked that we update our plan documents. That is in process. She reported on the changes and referenced the Specimen Plan Prep Document at the Boards Stations. No changes on page 1, Page 2-section 5 included the wording military differential pay. Pay in the verbiage, Section 7 is new; not applicable, Section 8, uniform age used to be 55; Hartford allows a catch up provision of 5 years prior. Employees have only five years to catch up. Our plan did not line up with VRS because employees could only catch up at 50-55, where they would already be retired. Upon

recommendation by Hartford, employee can select age to retire, they just have to plan ahead and inform WCSA. WCSA would send out a memo to allow deferrals to 457 ahead of time. This concept lines up better with VRS. Section 11 is highlighted; new bill but not applicable as it is for retired public safety officers. Section 12 is new; withdrawal due to qualified military service. It allows military personnel to take deferrals. They must suspend deferrals for six month or wait 180 days and not be suspended for six months. We chose yes on both enabling employees to choose the option they want. No other changes to the 457 plan other than it to be compliant with the Pension Protection Act, the Hero Earnings Assistance Act, and the Workers Retiree and Employer Recovery Act. In front of Board, is the entire plan document for review, as well as the Resolution for Board approval.

Mr. Coleman made a motion to approve the Resolution as outlined (see attached), followed by a second from Mr. Stephon. The Board approved with a 6-0-0-1 vote.

**14. Closed Meeting**

Mr. Cornett gave corrections to change date from December 28<sup>th</sup> to December 19<sup>th</sup> and to change legal counsel representative from Ms. Figuerias to Mr. Lawson. 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) (1): Personnel, 1. To discuss and consider prospective candidates for employment, assignment, appointment, performance, demotion, salaries, disciplining or resignation of employees of the public body, Code of Virginia Section 2.2-3711 Paragraph (A) (3): Acquisition and Disposition of Property. 2. To discuss



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and consider the acquisition of real property, Code of Virginia Section 2.2-3711 (A) (6): Investment of Public Funds, 3. To discuss various Intermunicipal and other agreements, Code of Virginia Section 2.2-3711 Paragraph (A) (7): Legal Advice, 4. To discuss potential litigation. 5. To discuss various Intermunicipal and other agreements. 6. To discuss potential contract litigation. In addition to the Board the presence of Mr. Mark Lawson, WCSA Counsel, and Mr. Robbie Cornett, WCSA General Manager, were requested. A motion to Closed Meeting was made by Mr. Stephon, a second by Mr. Miller and was approved by Board vote of 6-0-0-1. The Board adjourned to Closed Meeting at 8:10 PM.

**Return to Public Session:**

A motion to Return from Closed Meeting was made by Mr. Stephon, seconded by Mr. Hutchinson with a Board vote of 6-0-0-1. The Board returned from Closed Meeting at 9:38 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, 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 by Mr. Miller, Mr. Hutchinson, Mr. Stephon, Mr. Chase, Mr. Coleman & Mr. Taylor confirming that no outside discussion took place other than Closed Meeting topics.

**14. Late Items**

***Late Item #1: Consideration of the Operations Manager Position Proposal***

Mr. Hutchinson moved to accept Mr. Cornett's proposal that he fill the open Operations Manager position subject to finding a replacement General Manager. Mr. Miller seconded the motion, followed by Board approval vote of 6-0-0-1 Mr. Stephon read the following, I would like to note for the record that Mr. Cornett's decision to apply for the Operations Manager position was his and for personal reasons, Mr. Cornett has made it clear that his decision has nothing to do with the Board, Staff or business condition of WCSA. Simply said, Mr. Cornett believes that he is unable to balance the needs of the General Manager position and his personal life. With that demands of the General Manager position, Mr. Cornett's work ethic and his having a young family, I now only see how this could be the case but commend him for recognizing this and proposing to do something about it before it became problematic. Moreover, I think Mr. Cornett's 20 plus years experience at WCSA, mostly in operations, makes him

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the ideal candidate for the Operations Manager position and for that reason we are delighted that we can retain that knowledge and experience.

Mr. Cornett responded (assuming a favorable response from the Board) Mr. Chairman and members of the Board of Commissioners, I would like to express my heartfelt gratitude to the Board for their support over the past five, almost six years, as I have served as General Manager and now for accepting my proposal to assume the position of Operations Manager once we have hired a new General Manager.

***Late Item #2: Consideration of the a GM Search Committee***

Mr. Hutchinson motioned that we seek two volunteers from among the Commission to serve on a search committee for a new General Manager. He also propose that Mr. Cornett and WCSA Counsel, Mark Lawson, serve on the search committee. Further I propose we empower the search committee to:

1. Update and if necessary edit the General Manager job description.
2. Advertise the position both locally and nationally as they deem appropriate.
3. Conduct the first round of interviews, and
4. When one or more applicants are deemed to be a candidate, recommend to the full Board that we as a Board conduct a second interview of any such candidates.

A motion was made that Mr. Stephon and Mr. Chase serve on the search committee as well as Mr. Cornett and Mr. Lawson. The second by Mr.

Coleman and approved by a Board vote of 6-0-0-1.

***Late item # 3: Dr. Rachel Fowlkes Presentation***

Mr. Chase would like the Board to have more information before a final decision is made. Mr. Stephon and Mr. Hutchinson would like the decision to be presented to Dr. Fowlkes in writing. Mr. Cornett offered the letter would be composed as soon as possible.

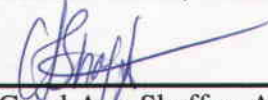
Mr. Chase thanked the WCSA team for their hard work. The Board thanked Ms. Paukovitz for all her hard work and wished her well in her future endeavors. The Board also thanked Mr. Cornett for his service, and wished him well in his continuing service with WCSA.

**16. Adjourn or Recess**

Mr. Cornett proposed the below recess [2012, opposed to 2011]. He also provided some information with updated PER from A&A, the cost overrun to the Exit 13 Phase 1 project, and the created a Comprehensive Sewer Capital Improvement Project Report & Update. A motion to Recess until 5:30 PM Monday, January 23, 2011 for a Comprehensive Sewer Capital Improvement Project Report and Update was made at 9:50 PM by Mr. Miller, a second by Mr. Stephon and approved by the Board with a vote of 6-0-0-1



Mr. Joe Chase, Chairman



Carol Ann Shaffer, Assistant Secretary



**TOWN OF DAMASCUS, VIRGINIA  
RESOLUTION AUTHORIZING TOWN MANAGER  
TO NEGOTIATE AND EXECUTE AGREEMENT TO  
TRANSFER SEWER SYSTEM**

WHEREAS, pursuant to Code of Virginia Section 15.2-2109, the Town of Damascus, a body corporate and politic and a municipality of the Commonwealth of Virginia ("the Town"), is duly authorized to establish, maintain, and operate a sanitary sewer system within or outside its limits, and pursuant to said Code Sections 15.2-5147 and 15.2-5148, the Town may convey to a water or wastewater authority a sanitary sewer system or any right or interest in facilities pertaining thereto; and

WHEREAS, pursuant to the Virginia Water and Waste Authorities Act, Chapter 51 of Title 15.2 of the Code of Virginia, ("the Act"), and in particular, Section 15.2-5114 thereof, Washington County Service Authority ("WCSA") is duly authorized and empowered to acquire, purchase, construct, improve, extend, operate, and maintain a sanitary sewer system within Washington County, Virginia;

WHEREAS, pursuant to the foregoing Code sections, WCSA owns and operates a public sanitary sewer system with approximately 1,600 connections in Washington County, Virginia, and the Town owns and operates a public sanitary sewer system with approximately 471 connections inside and adjacent to its municipal boundary; and

WHEREAS, the Town and WCSA jointly asked The Lane Group to prepare a preliminary engineering report ("PER") to study the desirability and feasibility of WCSA taking ownership of the Town's sanitary sewer system, including its waste water treatment plant, and in a public hearing conducted by the Town Council, The Lane Group reported that both the Town and WCSA would benefit from transfer of ownership;

NOW, THEREFORE, after consideration of the PER, the Town Council does hereby RESOLVE that the Town Manager is authorized to negotiate and execute a suitable agreement with the WCSA to effect transfer of the Town's sanitary sewer system to WCSA, subject to (1) approval of such agreement by Rural Development, USDA, and (2) the Town's compliance with Art. VII, § 9 of the Constitution of Virginia, Chapter 18 of Title 15.2 of the Code of Virginia, and Article V of Chapter 50 of the 2002 Code of Damascus.

Adopted by the Town Council of the Town of Damascus, Virginia this 19<sup>th</sup> day of December, 2011.

By: \_\_\_\_\_

MAYOR

Attest: \_\_\_\_\_

CLERK

## RESOLUTION

### *Pertaining to the sewer system serving Damascus, Virginia*

WHEREAS, pursuant to the Virginia Water and Waste Authorities Act, Chapter 51 of Title 15.2 of the Code of Virginia, 1950, as amended ("the Act"), and in particular, Section 15.2-5114 thereof, Washington County Service Authority (WCSA) is duly authorized and empowered to acquire, purchase, construct, improve, extend, operate, and maintain a sanitary sewer system within Washington County, Virginia;

WHEREAS, pursuant to Code of Virginia Section 15.2-2109, the Town of Damascus, a body corporate and politic and a municipality of the Commonwealth of Virginia (the Town), is duly authorized to establish, maintain, and operate a sanitary sewer system within or outside its limits, and pursuant to said Code Sections 15.2-5147 and 15.2-5148, the Town may convey to a water or wastewater authority a sanitary sewer system or any right or interest in facilities pertaining thereto; and

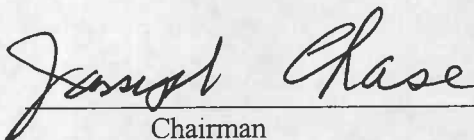
WHEREAS, pursuant to the foregoing Code sections, WCSA owns and operates a public sanitary sewer system with approximately 1,600 connections in Washington County, Virginia, and the Town owns and operates a public sanitary sewer system with approximately 471 connections inside and adjacent to its municipal boundary; and

WHEREAS, the Town and WCSA jointly asked The Lane Group to prepare a preliminary engineering report (PER) to study the desirability and feasibility of WCSA taking ownership of the Town's sanitary sewer system, including its waste water treatment plant, and in a public meeting of WCSA, The Lane Group reported that both the Town and WCSA would benefit from transfer of ownership;

NOW, THEREFORE, after consideration of the PER, the WCSA Board of Commissioners does hereby RESOLVE that WCSA's General Manager is authorized to negotiate and execute a suitable agreement with the Town and to effect transfer of the Town's sanitary sewer system to WCSA, subject to (1) approval of such agreement by Rural Development, USDA, and (2) the Town's compliance with Section 15.2-1800 of the Code of Virginia.

Dated: December 19, 2011

WASHINGTON COUNTY SERVICE AUTHORITY

By:   
Chairman

Attest:

  
Secretary

## **Board Resolution**

**ACTION BY THE BOARD OF COMMISSIONERS ("Board")**

**OF WASHINGTON COUNTY SERVICE AUTHORITY ("Employer")**

**The undersigned, Secretary ("Title"), hereby certifies that the following extract of resolutions below was taken from a duly called meeting of the Board:**

**RESOLVED**, that the Board has previously approved and adopted the Washington County Service Authority DCP ("Plan") to provide employees of the Organization/Agency with retirement benefits.

**RESOLVED**, that the Board does hereby declare the intention of the Organization/Agency to continue the Plan, but reserves the right to terminate or amend the Plan at any time.

**RESOLVED**, that the members of the Board are hereby jointly and severally authorized to take such actions and to execute such documents as they deem necessary or desirable in order to carry out the intent of the foregoing resolutions and required under the Plan to make the Plan fully effective in accordance with its terms and intent.

**I DO HEREBY CERTIFY that I am the Secretary ("Title") of the Organization/Agency, and the keeper of its records and seal.**

**I FURTHER CERTIFY that the above is a true, correct and complete extract of resolutions adopted at a duly called and held meeting of the Board, and that said resolutions are still in effect and have not been modified or revised and are not in conflict with the by laws of this Organization/Agency.**

**IN WITNESS WHEREOF, I have set my hand and the seal of the Organization/Agency**

**SEAL**

  
\_\_\_\_\_  
**Signature**

**Secretary**  
\_\_\_\_\_  
**Title**



**Washington County Service Authority Board of Commissioners  
December 19, 2011 Recessed Meeting Minutes (Held on January 23, 2012; 5:30 PM)**

The recessed meeting of the Washington County Service Authority Board of Commissioners was called to order by the Chairman at 5:35 PM.

**ROLL CALL**

Commissioners Present:

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

Commissioners Absent:

Mr. Frank Stephon, IV

WCSA Staff Present:

Robbie Cornett, General Manager  
Kimberly Harold, Controller  
Carol Ann Shaffer, Administrative Assistant  
Mark Osborne, Technical Manager

Also Present:

Mrs. Dawn Figueiras, General Counsel  
WCSA Employees

**3. Approval of the Agenda**

Mr. Cornett had no corrections to the agenda.

Mr. Taylor made the motion to approve the Agenda. The motion was seconded by Coleman and approved with a Board vote of 6-0-0-1.

**4. Comprehensive Sewer Capital Improvement Project Report and Update. Mr. Robbie Cornett**

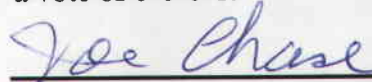
Mr. Cornett referred to an updated map that detailed the breakdown of the Exit 13 Phase 2 and 3 projects as they relate to the report and update given to the Board, (see attached). After a time of discussion, Mr. Cornett presented the Board with a Resolution to the Exit 13 project (see attached). Mr. Cornett

offered to answer any questions about the Resolution. Mr. Chase stated he may have a conflict of interest concerning the Resolution. After being advised by Mrs. Figueiras, Mr. Chase abstained from the vote due to conflict of interest.

Mr. Miller motioned to approve the Resolution, Mr. Stout seconded and the board approved with a 5-0-1-1 vote.

**16. Adjourn or Recess**

Mr. Hutchinson motioned to Adjourn the meeting at 6:25 PM. Mr. Stout seconded the motion and the Board approved with a vote of 6-0-0-1.



Mr. Joe Chase, Chairman



Carol Ann Shaffer, Assistant Secretary



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## Washington County Service Authority

Date: January 9, 2012

To: WCSA Board of Commissioners

From: Robbie Cornett

Regarding: Comprehensive Capital Improvement Report and Update

### **Purpose:**

Using current information, reevaluate the Exit 13 Wastewater Collection Project to identify the best strategy for providing public sewer service to the Exit 13 area of Washington County, Virginia over time.

### **Background:**

From time-to-time over approximately 20 years, residents in the Exit 13 area have expressed interest in public sewer service. In 2007 WCSA commissioned Draper Aden Associates (DAA) to prepare a preliminary engineering report (PER) which addresses the feasibility of providing public sewer service. The PER was issued on January 16, 2008 and revised on March 20 and October 21, 2008.

The PER suggested subdividing the area into four separate phases:

Phase 1: Westwood Area was to include 218 residential and 1 commercial connections, line work and pump station at an estimated cost of \$4,088,550.

Phase 1 A: Westminster Avenue Area was to include 9 residential connections, line work and pump station at an estimated cost of \$187,000.

Phase 2: Lee Highway Area was to include 148 residential and 37 commercial connections and line work at an estimated cost of \$3,645,900.

Phase 3: Fox Fire Area was to include 104 residential and 1 commercial connections, line work and pump station at an estimated cost of \$1,871,600.

Phase 4: Wyndale Area was to include 72 residential and 2 commercial connections and line work at an estimated cost of \$1,502,100.

The PER recognized that WCSA did not have sewer treatment facilities in the area but the Town of Abingdon (the Town) did; however, to get flow from the Exit 13 area, another project would

have to be constructed that would allow the conveyance of flow from Exit 13 to the Town for treatment. Initially this project was labeled the Exit 14 Interceptor Project and currently is titled Exit 13 Phase 1 Force Main Project.

Project funding in the PER for Phase 1: Westwood Area was addressed and outlined as follows:

- Residential Connection Fees – 218 at \$2400 each = \$523,200
- Commercial Connection Fee – 1 at \$56,000
- Southern Rivers Grant – \$980,000
- USDA RD Grant - \$1,406,400
- USDA Loan - \$1,145,963

In total the funds equal \$4,111,563 (slightly above the cost estimate) and based on revenue projections, WCSA could debt service a USDA RD loan of \$1,145,963 at interest rate was 2.875%. (WCSA applied for the loan and grant monies outlined in the PER and by 2009 had secured these funds.) The recommendation of the PER was to pursue the Exit 13 Phase 1 Project with no mention of the Exit 14 Interceptor Project.

The PER made no mention that a portion of the Exit 13 Area was by agreement the Town's exclusive sewer service area. Between March 2008 and February 2010, WCSA and the Town negotiated an agreement whereby the Town relinquished a portion of its exclusive service area to WCSA and reserved 1 million gallons per day of sewer treatment capacity in its Wolf Creek Water Reclamation Facility. The agreement was executed in February 2010.

During the fall of 2008 WCSA, with the help of project champions, solicited user agreements from Exit 13 Phase 1 area residents to gauge certified interest in public sewer service. By January 2009 the WCSA Board of Commissioners determined that there was sufficient interest in public sewer service to complete project design. By May 2009, WCSA reached agreement with DAA for the design and construction phase services associated with the Exit 13 Phase 1 Project.

WCSA and DAA reached agreement in November 2009 for the design and construction phase services required to construct the Exit 14 Interceptor Project. This project was brought to WCSA's attention in 2005 when the Town notified WCSA that a private developer proposed to construct an 8" sewer line from Exit 14 to its (the Town's) West Interceptor which leads to the Town's Wolf Creek Water Reclamation Facility. The purpose in notifying WCSA of the construction of this line was to afford WCSA the opportunity to "upscale" the line in the event we wanted to convey flow to the Town for treatment in the future. This 8" was to become a Town owned line. The WCSA Board of Commissioners in December 2005 approved paying \$85,000 to increase the size of the line from 8" to 15".

During the design of the Exit 13 Phase 1 Project it was determined that the Exit 13 Phase 1A area could and should be served without a pumping station. For that reason, this area was incorporated into the Exit 13 Phase 1 Project. By May 2011, WCSA and DAA had encountered a number of design and easement related challenges with both the Exit 13 Phase 1 and Exit 14 Interceptor Projects. WCSA terminated its contract with DAA in May 2011 for convenience and hired the second ranked firm during procurement (The Lane Group). The Lane Group (TLG) completed project design for the Exit 13 Phase 1 Project and expressed concern about sufficient funding to construct the project and suggested abandoning the Exit 14 Interceptor Project in



favor of continuing the Exit 13 Phase 1 sewer force main all the way to the Town's Wolf Creek Water Reclamation Facility.

In August 2011 WCSA received construction bids on the Exit 13 Phase 1 Sewer Project. The bids were \$1,677,000 over budget. The WCSA Board of Commissioners awarded the bids subject to suitable additional funding. After months of inquiry, by November 2011 WCSA was offered \$1,677,000 in additional loan funds for the Project which was accepted by the Board. An evaluation of project cost in the DAA PER and construction bid quantities revealed little change in the amount of pipe line associated with the project. In the PER it appears that the unit cost of the pipe line was under estimated, items we absent from the estimate and the quantity of some appurtenances were off all of which made up the shortfall.

WCSA compared the advantages and disadvantages of the recommendation that we abandon the Exit 14 Interceptor Project in favor of continuing the Exit 13 Phase 1 sewer force main all the way to the Town's Wolf Creek Water Reclamation Facility. WCSA decided to accept the recommendation. It should be noted that the private developer who was to construct the 8" line, that WCSA was to pay \$85,000 to upsize to 15", had subsequently disappeared. The private developer project fell through and was initially picked-up by the landowner who committed financial resources to the project but they too pulled out in 2010. This left WCSA responsible for 100% of the cost associated with the project to convey flow from the Exit 13 Phase 1 Project to the Town for treatment. This was further complicated by easement issues.

During the progression of the Exit 13 Phase 1 Project, various stakeholders continued to inquire about public sewer service in the Exit 13 Phase 2 and 3 Project areas. WCSA being interested to provide the service procured the firm of Anderson and Associates (A&A) to assist us with these projects in July 2011. In light of the Phase 1 Project developments, WCSA asked A&A to first update the DAA 2008 PER and DAA letter updates from April 2010 both in terms of project cost and scope. By scope, I mean the project service area as the Phase 1 project area wasn't as well established as it should have been.

The 2008 PER identified a cost of \$5,517,500 to construct both projects. The update by A&A shows a cost of \$9,050,889 for a difference of \$3,533,389 more than was previously anticipated. There appears to be two reasons why the project cost has increased:

1. The previous cost estimate prepared by DAA is lower than the prevailing bid prices we see today.
2. The scope of the Phase 2 and 3 Projects have increased from the DAA PER of 2008 and letter update from April 2010.

In the 2008 DAA PER and letter updates from April 2010, not all of the areas that would flow by gravity were considered. For this reason, the scope of the two project areas has been expanded. There are several reasons for at least evaluating the entire area that can be serviced by gravity sewer. They are as follows:

1. As we learned in the Phase 1 Project, passing by residents who can be easily served without petitioning them for service can appear to the residents that we were not careful in our consideration.
2. If during the design of the project we decide to pick these areas up, it can lead to unwanted engineering amendments for the design and additional project construction cost.

3. Ultimately we may decide to initially limit the scope of Phase 2 or 3 and add additional phases; however, we need to have planned properly for the line(s) to be later extended by having them sized properly and installed at the proper location and elevation.
4. Finally, it is difficult for staff and the board to make an informed decision about precisely what area(s) should and should not be the next project when we do not have information about the entire area. Moreover, if we decided to postpone serving a certain area for a while, we will have to explain this to various stakeholders and we simply cannot do that without all the facts. For example, the DAA update reflects 210 connections in Phase 2 and 107 in Phase 3 whereas the A&A update reveals 358 connections in Phase 2 and 113 in Phase 3 for a combined difference of 154 existing residents or businesses. Within the two project areas we are responsible to serve, we would be expected to explain why we didn't petition them for service.

With respect to sewer, when the board last set rates this year, it was based on the below project financing costs ("Cost 2011"). Remember, these figures do not take into consideration grant monies because we do not have to repay grant and subsequently raise rates. The second set of cost figures ("Current Cost") is based on the bids obtained for the Exit 13 Phase 1 Project, the revised cost estimates provided by TLG for the Exit 13 Force Main Project, and the revised cost estimates provided by A&A (on 01/11/2012) for the remaining projects:

Project	Cost 2011	Current Cost
• Exit 13 Phase 1	\$1,579,000	\$3,256,000
• Exit 14 (now Exit 13 Force Main)	\$ 654,947	\$1,300,000
• Exit 13 Phase 2	\$2,430,000	\$6,817,854
• Exit 13 Phase 3	\$1,280,000	\$2,233,035
• <u>Lowry Hills</u>	<u>\$1,604,126</u>	<u>\$1,604,126*</u>
TOTAL	\$7,548,073	\$15,211,015

\*We do not have a revised cost estimate for the Lowry Hills Project. We have procured TLG to assist us with that project when we are ready; however in light of the current sewer treatment capacity issue with BVU, there is no need to work further on Lowry Hills until we obtain additional capacity in that area.

As you can see, the revised cost estimates are much higher than the previous estimates and the two primary reasons for this were outlined earlier; we have a total shortfall of \$7,662,942. The previous estimates totaling \$7,548,073 were previously used to establish customer rates for repayment of low interest loans. For that reason, before we proceed with Exit 13 Phase 2 or Phase 3 or Lowry Hills, we must consider our options and we believe they are as follows:

- 1) Raise rates.
- 2) Delay certain projects or portions of projects until we can afford them.
- 3) Seek grants to cover the additional costs.
- 4) Or some combination of the above.



## **Recommendation:**

Subject to the availability of grant funding and dependent upon sufficient (75%) interest from the existing residents/business in the project areas, we would recommend option #4, a combination. More specifically, I would propose the following:

1. Because Lowry Hills cannot move forward any time soon, reallocate those funds (revenue) to the Exit 13 Force Main Project (the Board considered and did this in September 2011). If bids come in as estimated, we may have \$304,126 more than we need. This is DEQ loan money; therefore, I am uncertain at this time whether or not we could apply the leftover to another project or if we would have to return it. We would propose we wait and see how bids come in on the Exit 13 Force Main Project before we decide. We expect to advertise the Exit 13 Force Main Project in March 2012. We propose to confirm the delay of Lowry Hills for now and await bids on the Exit 13 Force Main project before reallocation of any leftover funds if that is even possible.
2. Break the Exit 13 Phase 2 Project into more financially manageable pieces. A&A has broken this project into the five following subparts:

2A	\$1,475,295	Lee Hwy Airport to Lilly's
2B	\$ 943,860	Lee Hwy Airport to Abingdon
2C	\$1,382,025	Majority of Oak Hill Estates
2D	\$ 808,480	Melvin Hills
2E	\$ 488,800	Oak Hill Northwest

The related cost for these projects totals \$1,734,194 for a total project cost of \$6,817,854 or \$19,044 per existing customer (based on estimates provided by A&A on 01/11/2012).

Due to geography (gravity flow), the Phase 2A Project must be constructed before any of the other sub phases. For this reason, it must be the first (next) project. This is almost an exclusively commercial area and involves 92 connections at a cost of \$1,917,884 or \$20,847 per connection, including related costs. WCSA policy is to only pursue projects that are \$20,000 per connection or less.

Much of the Phase 2A project overlaps with the Oak Park Project, for which we have just received a grant offer from the Tobacco Commission (TC). Since the TC is planning to fund the Oak Park Project, the cost of the 2A project would be reduced by about \$1 million. This reduction would bring the cost per connection for the remainder of the Phase 2A project to \$9,977; well below the \$20,000 cap. We would recommend proceeding with solicitation of user agreements in the Phase 2A area to see if we are able to obtain 75% participation. If so, we would further recommend that we proceed with funding, design and construction phase services.

The Phase 2B Project could proceed after Phase 2A. It requires a pump station and involves 65 connections, resulting in a cost of \$1,274,211 or \$19,603 cost per connection including related costs. We would not recommend soliciting user agreements in the Phase 2B area until Phase 2A is funded, easements to construct the project are secure and bids are received.

The Phase 2C Project could proceed after Phase 2A and involves 109 connections, resulting in a cost of \$1,934,835 or a cost per connection of \$17,751 including the related



costs. We would not recommend soliciting user agreements in the Phase 2C area until Phase 2A is funded, easements to construct the project are secure and bids are received.

The Phase 2D Project could proceed after Phase 2A and involves 53 connections resulting in a cost of \$1,051,024 or a cost per connection of \$19,831 including the related costs. We would not recommend soliciting user agreements in the Phase 2D area until Phase 2A is funded, easements to construct the project are secure and bids are received.

The Phase 2E Project could proceed after Phase 2C and involves 39 connections resulting in a cost of \$639,900 or a cost per connection of \$16,408 including the related costs. We would not recommend soliciting user agreements in the Phase 2E area until Phase 2A and 2C is funded, easements to construct the project are secure and bids are received. This project would require 6 residents to own, operate, and possibly maintain their own private pump station. This is the type of system that former Board of Supervisor Tom Taylor has proposed to us in the past.

3. Though we could break Exit 13 Phase 3 into two subparts, because this project is almost exclusively one residential neighborhood, it would almost certainly be very unpopular to try and only serve half now and half later. This project involves a pump station and 113 connections at a cost per connection of \$19,761 including related costs. We would recommend proceeding with solicitation of user agreements in this area to see if we are able to obtain 75% participation. If so, we would further recommend that we proceed with funding, design and construction phase services.

Proceeding with Exit 13 Phase 2A and 3 would result in a total estimated cost of \$4,150,919, including related costs. Since the Oak Park Project is grant funded, this would reduce that cost to approximately \$3,150,919. At present, we can debt service \$3,710,000 without increasing rates. If things develop as outlined above, there would be approximately \$559,081 of debt service capacity remaining and possibly \$304,126 of excess DEQ funding from the Exit 13 Force Main Project for a **grand total of \$863,207.**

Subsequent to the bid and award of the Exit 13 Phase 2A and 3 Projects, we would then recommend that we reconsider Exit 13 Phase 2B, 2C, 2D, 2E and Lowry Hills. Should either of these projects not make it to that stage, we would reevaluate. Funding and user agreement work should be completed in 2012 along with any necessary engineering agreements to accomplish the Oak Park and Exit 13 Phase 2A and 3 work.

Washington County Service Authority

RESOLUTION

**WHEREAS**, the Washington County Service Authority (WCSA) is a water and wastewater utility chartered under the Virginia Water and Waste Authorities Act to provide public water and sewer services in a responsible manner in its service area; and

**WHEREAS**, WCSA Staff and Board of Commissioners has from time to time revisited, updated, and memorialized WCSA's capital improvement projects; and

**WHEREAS**, WCSA Staff developed a Comprehensive Capital Improvement Project Report and Update for some (Exit 13 Phases 1-4, Exit 14 Interceptor, Exit 13 Force Main, Lowry Hills and Oak Park) sewer projects dated January 9, 2012 and presented it to the Board of Commissioners; and

**WHEREAS**, the purpose of the January 9, 2012 report and update was to provide a clear understanding of the relationship each project has to the other; explain the circumstances we now find ourselves in with respect to our ability to move forward with all of the projects; and to propose a strategy for moving forward;

**NOW THEREFORE, BE IT RESOLVED**, that WCSA's Board of Commissioners hereby adopts the Capital Improvement Project Report and Update for some (Exit 13 Phases 1-4, Exit 14 Interceptor, Exit 13 Force Main, Lowry Hills and Oak Park) sewer projects dated January 9, 2012. Summarized this includes:

1. Delaying pursuit of the Lowry Hills Project until WCSA develops additional sewer treatment capacity and then reevaluate.
2. Near the end of the Exit 13 Force Main Project, consider asking the funding agency if we may reallocate leftover funds for other sewer related purposes.
3. Proceed with the solicitation of user agreements in the Exit 13 Phase 2A service area and should 75% or more of the residents of that service area respond favorably, proceed with funding, design and construction.
4. Delay any further action on Exit 13 Phases 2B, 2C, 2D AND 2E until after Exit 13 Phase 2A is awarded to a contractor(s) for construction at which time we would reconsider.
5. Proceed with the solicitation of user agreements in the Exit 13 Phase 3 service area and should 75% or more of the residents of that service area respond favorably, proceed with funding, design and construction.
6. Based on current debt service capacity without any further rate adjustments and current construction cost information it appears that we can proceed with the Exit 13 Phase 2A and 3 Projects with a possible surplus of between \$560,000 and \$860,000.

Motion by: Miller

Seconded by: Stout

Aye 5 Nay 0 Absent Stephon Abstain due to conflict of interest Chase

This 23 day of January 2011 2012

Joe Chase  
Joe Chase, Chairman

Attest: Kimberly Harold  
Kimberly Harold Treasurer