V I R G I N I A:

At a joint recessed meeting of the Washington County Board of Supervisors and Washington County Service Authority Board of Commissioners held Wednesday, December 12, 2012, at 6:30 p.m., at the County Government Center in Abingdon, Virginia the following were present:

PRESENT:

Board of Supervisors:

Joseph C. Straten, Chairman
Phillip B. McCall, Vice Chairman
William B. Gibson
Dulcie M. Mumpower
Odell Owens
Randy L. Pennington
C. Wayne Stevens, Jr.

Nadine S. Culberson, County Administrator
Lucy E. Phillips, County Attorney
Naoma A. Norris, CAP, Executive Assistant/Recording Clerk

Washington County Service Authority Board of Commissioners:

Joe L. Chase, Chairman
Prince A. Coleman
Wanson D. "Devere" Hutchinson
Dwain D. Miller
Frank J. Stephon IV
Donald L. Stout
Kenneth Taylor

Robbie Cornett, General Manager
Mark Lawson, Legal Counsel

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1. Call to Order

The meeting was called to order by Mr. Joe Straten, Chairman of the Board, who welcomed everyone in attendance.

Mr. Joe Chase, Chairman, Washington County Service Authority Board of Commissioners called their Board meeting to order and stated that all members are present.

2. Approval of Meeting Agenda

Board of Supervisors:

On motion of Mr. Owens, second by Mr. Stevens, the Board acted to approve the agenda as presented.

The vote on this motion was as follows: (7-0)

Mr. Gibson	***Aye***
Mr. McCall	***Aye***
Ms. Mumpower	***Aye***
Mr. Owens	***Aye***
Mr. Pennington	***Aye***
Mr. Stevens	***Aye***
Mr. Straten	***Aye***

Washington County Service Authority Board of Commissioners:

On motion of Mr. Coleman, second by Mr. Hutchinson, the Board of Commissioners acted to approve the agenda as presented.

The vote on this motion was as follows: (7-0)

Mr. Chase	***Aye***
Mr. Coleman	***Aye***
Mr. Hutchinson	***Aye***
Dwain D. Miller	***Aye***
Frank J. Stephon IV	***Aye***
Donald L. Stout	***Aye***
Kenneth Taylor	***Aye***

3. Presentation of Washington County Administrator and Washington County Service Authority Manager

Ms. Nadine Culberson, County Administrator, and Mr. Robbie Cornett, General Manager, Washington County Service Authority (WCSA), provided the following PowerPoint Presentation to the Boards:

Topics Covered the Presentation:

- **Where We Are – WCSA**
  - Aging Infrastructure
  - Demand for greater capacity
  - **Strong desire** to **protect the existing customers** from high rate increases
  - Cost of service approach allocates cost to customer based **only** on **services they consume**
  - All expenses are divided into growth or non-growth

- **Where We Are – Washington County**

- Receive regular complaints from citizens and developers concerning connection and system fees
- The connection fees make it **difficult to attract industries and bring new jobs** to Washington County
- Frustrated by WCSA's position of growth pays for growth

- **Issues – WCSA**

  - Began implementation of 5 year rate plan in 2009
  - Goal: Monthly user fee revenue would equal the annual debt service costs for water and sewer replacement projects, operations and maintenance (non-growth projects)
  - Goal: Connection fees would equal annual debt service costs for infrastructure resulting in greater available capacity (growth projects)

- **Issues – Washington County**

  - Growth connection fees may be a burden for a new customer joining the system, especially a new industry.
  - The connection fees make it **difficult to competitively market Washington County to new industries**
  - **Desire WCSA to consider** spreading **more** of the cost for new connection and system fees over the entire customer base.
  - **Washington County Philosophy**

    - Traditional Government Model
      Everyone contributes to the cost -- Not unlike the process used to pay for education, public safety and solid waste services

  Washington County Philosophy

    - Emerging Model
      Cost of Service – Existing and prospective customers pay only for the services they consume

- **Options**

  - Water Capacity Purchase Options (New Industry):
    - Option 1: Lower connection fee and raise monthly user fee for new industry
      - Industry specific application
      - Monthly user fee would require surety to cover growth costs
    - Option 2: Presale capacity financed over time
      - Requires interest to cover WCSA financing costs
    - Option 3: Presale capacity unfinanced (lump sum)
      - Would not require interest because WCSA would apply funds directly to principal (lower total cost)
    - Option 4: WCSA and County invest in capacity
      - Oak Park Sewer Project – System Fee $8.7M (The Tobacco Commission grant paid $3.89M and WCSA closed the system fee gap of $4.81M themselves)
    - Option 5: Combination
  - Freeze or Reduce Connection Fee (All New Applicants):
    - Option 1: Increase monthly user fees for existing customers and further subsidize growth (immediate)

- Option 2: Decrease growth projects (long-term)
- Option 3: Delay/spread growth related projects over a longer period of time (long-term)
- Option 4: Consider PAYGO approach to growth related projects (long-term)
- Option 5: Strategically seek grants for growth related projects (immediate and long-term)
- Option 6: Washington County begin to subsidize a growth fund for reducing connection fees (short – long term)
- Option 7: Combination

Strategies – Seeking Middle Ground

Current Hybrid Cost of Service Approach

- Existing Customer Usage Fees Are Slightly Impacted by New Customer Growth
- New Customers Pay for Growth with Connection and System Fees
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Example: Water

Daily Demand	Monthly Demand	System Fee
50,000	1,500,000	$1,008,000
100,000	3,000,000	$2,016,000

Strategies – Lower Connection Fees/Raise Monthly Usage Fee

- Existing Customer Usage Fee Stays the Same
- New Business/Industry Customers Pay No or Reduced Connection Fee, but Pay Higher Monthly Usage Fees

Strategies - Purchase Capacity

- Existing Customer Usage Fee Stays the Same
- Washington County/SWIFA/IDA pre-purchase capacity
- New Customers Pay No or Reduced Connection Fee

Strategies – Eliminate System Fee

- Eliminate all System Fees
- Existing Customers Would See Bills Increase 112% for water and 72% for sewer
  - (5,000 gallon residential customer monthly bill would increase from $85 to $157. Annual increase $864)
- New Customers Would Pay No System Fee and Pay the Same Increased Rate as Existing Customers

Strategies – Combination

- Strategize paying for existing debt service by spreading the connection fee costs across existing and new customers (short-long term)

- Designate which growth projects can realistically be pushed out on the timeline to avoid accumulating more debt and debt service (long term)
- Implement the strategy of PAYGO over the next 6-8 years for financing growth projects (long term)
- Partner with each other to pre-purchase capacity in anticipation of economic development needs. (short and long term)

Middle Ground

- Which strategies appeal to you?
- Which strategies do not appeal to you?
- Do you have other options you would like to explore?
- What are you willing to compromise to find some middle ground?
- Can we find consensus on any strategy to begin to move forward

This concluded the presentation by Ms. Culberson and Mr. Cornett

4. Washington County Service Authority Board and Washington County Board of Supervisors Discussion Concerning Joint solutions to Cost of Service Issues

The Board of Supervisors, WCSA Board of Commissions, Ms. Culberson, County Administrator, and Mr. Cornett, General Manager, discussed at length issues outlined in the above presentation, as well as, the costs other localities in Southwest Virginia charge for water and sewer connections and the comps used in the report prepared for the WCSA by an independent consultant; the on-going infrastructure improvements being undertaken by the WCSA and the pro-active approach by the WCSA to build the infrastructure necessary to meet growth in the County that will create demand for additional water and sewer capacity; the complaints Board of Supervisor members receive from their constituents concerning what is perceived as extremely high water and sewer connection fees; and possible solutions and compromises by both bodies to address these issues.

After lengthy debate of the issues it was consensus of the Board of Supervisors and Board of Commissioners to establish an Ad Hoc Committee comprised of two members of the Board of Supervisors, two members of the WCSA Board of Commissioners, the County Administrator and WCSA General Manager. The Committee will be charged with looking into different fee structures for water and sewer connections and to produce hybrid options and recommendations for both full Boards review and consideration.

5. Adjourn or Recess

On motion of Ms. Mumpower, second by Mr. Stevens, the Board adjourned their meeting.

The vote on this motion was as follows: (7-0)

Mr. Gibson ***Aye***
Mr. McCall ***Aye***

Ms. Mumpower	***Aye***
Mr. Owens	***Aye***
Mr. Pennington	***Aye***
Mr. Stevens	***Aye***
Mr. Straten	***Aye***

6. Washington County Service Authority Closed Meeting

On motion of Frank Stephon the Board of Commissioners 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 and consider the acquisition of real property.~~

~~**Code of Virginia Section 2.2-3711 Paragraph (A) (5): prospective business**~~

3. ~~Discussion concerning a prospective business.~~

Code of Virginia Section 2.2-3711 Paragraph (A) (6): investment of public funds

4. To discuss various inter-municipal and other agreements existing and proposed.

Code of Virginia Section 2.2-3711 Paragraph (A) (7): legal advice

5. To discuss potential litigation, contract litigation or both.
6. To discuss various inter-municipal and other agreements.

In addition to the Board the presence of Mr. Mark Lawson, WCSA Counsel and Mr. Robbie Cornett, WCSA General Manager are requested. The motion was seconded by Prince Coleman at 8:30 PM; 7-0-0 vote.

Return to Public Meeting

Frank Stephon moved that the Board of Commissioners return to Public Session, seconded by Kenneth Taylor at 9:43 PM; 7-0-0 vote.

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. (7 Aye's; 0 Nays)

On motion of Frank Stephon, second by D. L. Stout, the WCSA Board of Commissioners adjourned; 7-0 vote.

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Prepared by:

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Naoma A. Norris, Recording Clerk

Approved by the Washington County Board of Supervisors:

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Joseph C. Straten, Chairman

Approved by Washington County Service Authority Board of Commissioners

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Joe L. Chase, Chairman