

Augusta County Service Authority
Called Board Meeting - Retreat, Thursday, November 19, 2020, at 9:00 a.m.
Smith East/West Meeting Rooms

PRESENT: Andrew C. Middleton, Chairman, North River District
Garry R. Gordon, Vice Chairman, Middle River District
Harvey Almarode, South River District
Allen Dahl, Beverley Manor District
Matthew Egeli, Wayne District
Michael L. Shull, Riverheads District
Timothy Simmons, Pastures District
Phil Martin, Executive Director
Brent Canterbury, Board Treasurer
Jean Marshall, Board Secretary

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Freedom of Information Act and Conflict of Interest Act

Staff introduced Mr. Randy Perdue, legal counsel for Augusta County Service Authority.

Mr. Perdue gave a PowerPoint training presentation on the Freedom of Information Act and the Conflict of Interest Act to Board members and Staff.

The Freedom of Information Act affords the public the right to access public records from governmental agencies, including authorities, and requires such agencies and authorities to disclose any information requested unless protected by mandated exclusions.

The Conflict of Interest Act assures public officers and employees of governmental agencies, including authorities, will be guided by a law that defines and prohibits inappropriate conflicts and requires disclosure of economic interests.

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Private Lateral and Leak Adjustment Insurance Program

Jim Golden and Jenna Hazelet of HomeServe, gave a presentation via Webex describing a warranty program offered by HomeServe to homeowners for repair and maintenance of utility service lines.

Mr. Golden stated one purpose of the program is to educate homeowners on their responsibility for service line maintenance and repairs. Many homeowners do not realize the water and sewer lines going into the home are their responsibility to maintain and repair. Homeowners also have the misconception the repairs of utility service lines are covered by homeowner's insurance. A possible challenge for homeowners may be the lack of funds for sudden expensive utility service line repairs.

Mr. Golden explained coverage through the warranty program includes educating homeowners on their service line responsibility, up to \$8,500 in coverage per repair incident, and additional allowance for public street and sidewalk cutting. There are no annual or lifetime limits, no

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deductibles, service fees, forms or paperwork. The rates are affordable, and there are multiple payment methods for those enrolled in the program. Other advantages of the program include bringing homeowner water and sewer systems into compliance with building code when repairs and replacements are made through the program, and the Service Authority has the opportunity to collect additional revenue through pricing options offered by the program.

Ms. Hazelet explained ServLine is an insurance backed program designed to protect customers from high utility bills due to leaks. ServLine is designed to alleviate the financial stress on both the homeowner and the utility company and helps reduce staff workload and the time the utility is currently spending on customer leak adjustments. The program ensures customer's utility bills get paid and utility companies are able to recapture lost revenue resulting from compassionate adjustments and bad debt. ServLine would create a leak adjustment program for the Service Authority and insure the program. The Service Authority would be responsible for billing the customer for the service. There is no cost to the utility for the program. The program is typically paid on a monthly basis by the customer. Customers will automatically be enrolled in the program but have the option of declining the insurance.

There were no questions by Board members.

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2020 Draft Strategic Plan

Staff presented the draft version of the 2020 Strategic Plan to the Board and discussed the existing Values and Mission statements as outlined in the presentation. The suggested changes to the Values and Mission statements are based on input from the Service Authority's departmental directors and the Executive Director, as well as guidance from Mr. Perdue. There were no changes suggested to the Vision statement.

Staff reviewed the strengths, weaknesses, opportunities, and threats identified in the plan. Strengths include good customer service and customer interaction; employee compensatory benefits; excellent service and product; the dedication, knowledge, positivity, reliability, strength, and flexibility of employees; and good regulatory and inter-agency relationships. Weaknesses include challenges of a wide-spread organization; perception of a low pay scale; insufficiently distinct identity from Augusta County; conflicting priorities between Augusta County and the Service Authority and intrusion of politics; and inefficient analyzation of data.

Dr. Middleton suggested the strengths should also include superb specialized technical skills of employees.

Mr. Dahl asked for Staff to explain what is meant by the intrusion of politics.

Staff stated the most recent example of intrusion of politics is when employee pay increases were being discussed during the 2021 budget review. It was often suggested Service Authority employees should not receive a pay increase because Augusta County employees were not receiving an increase.

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Mr. Dahl stated he thought the original intent of being an independent service authority was to remove politics from decisions on where utility lines should be placed and to remove politics from decisions on how the Service Authority deals with customers. The idea is the Service Authority will put utility lines in the places making the most economical sense and not where someone politically thinks they should go.

Mr. Simmons stated if it was the intent for the Service Authority to be independent, Board of Supervisors (BOS) members should not have been allowed on the Service Authority Board.

Staff stated when the Service Authority was initially created, the by-laws prohibited elected officials and their assistants from serving on the Service Authority Board. In the 1990's, a member of the Augusta County Board of Supervisors appointed himself to fill the position of a Service Authority Board member who was no longer able to serve due to an emergency. The by-laws were changed to allow the appointment of a member of the BOS to the Service Authority Board.

Mr. Dahl stated he never thought it was a good idea for BOS members to serve on the Service Authority's Board.

Mr. Almarode asked if any member of the BOS can appoint themselves to serve on the Service Authority Board.

Staff stated they can appoint themselves or they can appoint someone else to serve on the Service Authority board.

After discussion, Board members agreed to discuss any proposed revisions to the by-laws at a future meeting.

Mr. Egeli stated the notion the Service Authority should make decisions or implement a certain policy based on Augusta County's decisions or policies is unpersuasive.

Staff explained the opportunities of the Strategic Plan include increasing and enhancing employee development and appreciation, increase public education on the duties and functions of the Service Authority as an independent organization, increase training for software systems, and enhance the Service Authority brand by providing information to the public defining who the Service Authority is and the functions of the Service Authority.

Staff explained the threats listed in the Strategic Plan are external and are things the Service Authority may not have control over or have any ability to change. Threats include loss of employees to competing employers, regulatory changes, such as WIP III, and the attacks on the IT and financial systems. Another threat is disgruntled or violent customers who may be in Service Authority offices or encountered by employees while in the field. Staff noted steps are currently being taken to add security measures for employee protection.

Staff stated the goals of the Strategic Plan include consolidating employee locations where possible; continuing to see the plan through to relocate Field Operations; perform regional salary surveys utilizing government and local industries; prepare a benefits value statement for

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employees showing the Service Authority's total compensation package; continue efforts to define distinction between Augusta County and the Service Authority; revisit the rebranding effort in order to create a new name for the Service Authority; pursue signage for the Service Authority to bring notice to the different facility locations; provide advanced Lucity training and provide training on the Finance Plus system for non-finance team members; create communications through bill inserts, the Service Authority website and through social media emphasizing identification and functions of the Service Authority; continue involvement in groups which lobby for authorities at the state and federal level regarding legislation and continue to seek opportunities to comment on prospective regulations; complete the transition to a separate email domain; pursue strengthened security and complete security measures already in progress; provide conflict resolution training for field and office personnel; and pursue increased cyber independence.

The next step will be to incorporate any changes or recommendations made by the Board into the plan and submit the final plan to the Board for approval.

Dr. Middleton asked if the Service Authority has considered bottling and selling Dice's Spring water as part of the rebranding effort.

Staff stated bottling and selling Dice's Spring water has not been a consideration in the rebranding effort.

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CITY OF STAUNTON CONTRACTS

A PowerPoint presentation was given by Staff reviewing the agreement the Service Authority has with the City of Staunton (Staunton) for obtaining water and sewer service. A copy of the presentation was also given to each Board member. There are three key sections within the agreement: 1) Article Two – Potable Water; 2) Article Three - Middle River Wastewater Treatment Plant; and 3) Article Four - Wastewater Treatment Not at the Verona Regional Facility.

Staff noted several highlights of Article Two – Potable Water. Article Two has a term that began on January 1, 1997 and ends December 31, 2036. This section of the agreement requires the Service Authority to purchase one million gallons of water a day (MGD) from Staunton, and requires Staunton to provide the Service Authority with up to 3 MGD. The rate the Service Authority pays Staunton for water is calculated by adding Staunton's retail rate to the Service Authority's retail rate, dividing by two and multiplying by 0.575.

Staff discussed several items within the agreement. The Service Authority averages \$1M per year on water purchases from Staunton. There are some Service Authority areas lacking fire flow due to Staunton's limited storage capacity. There are no guarantees by Staunton the requested volume of water will be provided at any particular location, only that 3 MGD will be provided across all connection points. Staunton does not have a process or requirements for coordination on service disruptions.

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Mr. Shull asked what the daily average usage has been by the Service Authority for water purchased from Staunton.

Staff stated recently the average use has been approximately 800,000 gallons per day.

Mr. Shull asked what Staunton's water consumption averages and if Staunton would ever reach the point of needing more water than they are currently producing.

Staff is unsure of Staunton's water consumption average or if they have any projected increases in capacity.

Mr. Shull stated if Staunton is ever at the point where they are unable to supply both themselves and the Service Authority, negotiations should take place to release the Service Authority from the agreement.

Mr. Dahl asked if the Service Authority has the capability of handling its water needs without the Staunton agreement.

Mr. Shull stated if Berry Farm was developed, the Service Authority would have the capability to handle the water needs.

Staff stated if Berry Farm was developed it would be necessary to build inter-connects where needed. The Service Authority has a lot of water; however, it is not in the areas where it is needed the most.

Staff noted the guaranteed 3 MGD capacity the Service Authority receives from Staunton is definitely a benefit and provides flexibility for the location of the next development. The location of the next big development will determine if Berry Farm or Blue Hole needs to be built first. Staff also noted there is no guarantee of a requested volume of water from Staunton at any particular location; only availability of 3 MGD in total.

Mr. Shull asked if the Service Authority has infrastructure plans in place for Berry Farm and Blue Hole.

Staff stated plans are in place for Berry Farm. The 10-year capital plan includes projects for the inter-connects to feed the infrastructure at Mill Place. There have been discussions with the property owner of Blue Hole on where to locate the infrastructure, but there are no final plans or agreement in place.

Mr. Shull stated it would be prudent to have plans in place in case multiple businesses relocate to the area simultaneously.

Staff stated it is possible to move forward with the plans for Blue Hole. A new well has recently been drilled in Stuarts Draft on Dodge Street, which would also provide a water source for the Blue Hole area.

Dr. Middleton asked if there are access agreements in place to lay pipe at Blue Hole.

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Staff stated the needed easements have not been obtained. Staunton guaranteeing the 3 MGD makes the need of easements less urgent.

Mr. Shull asked how much it costs the Service Authority to treat water.

Staff stated it is complicated to put a price on just the treatment. There are other factors to be considered and the cost will vary between the different treatment plants. Base treatment, depending on the facility, ranges between \$0.52 and \$1.47 per gallon.

Mr. Shull stated for informational purposes, it would be good to see what it cost for water when it leaves the plant. He would also like to know which wastewater plants are operating more efficiently than others.

Staff stated the cost for water when it leaves the plant can be shown, but it would also be advantageous to show all other costs to get an overall idea of the total cost to treat water.

Dr. Middleton stated he would be interested in knowing what the system-wide cost is.

Staff explained the 1985 Operational Agreement was replaced in 1992 and 1996, and the 1985 Annexation Agreement is still in effect. The 1992/1996 Agreement allows for Staunton to connect to Service Authority lines with no connection fees to the Service Authority.

Dr. Middleton asked if a Staunton resident connects to one of the Service Authority's lines, which locality collects the payment.

Staff stated Staunton would collect the payment because the customer is on a Staunton meter.

Dr. Middleton asked, since the meter is connected to a Service Authority water line does the Service Authority receive any reimbursement for the water used.

Staff explained the Service Authority does bill Staunton at the wholesale rate for water used by Staunton customers.

Highlights of Article Three – Middle River Wastewater Treatment Plant were given by Staff. The term of the agreement is for the life of the treatment plant. The site is owned by Staunton and the Service Authority in direct proportion to each entity's percentage of capacity. At the time of the agreement, Staunton's percentage of capacity was 4.5 MGD and the Service Authority's was 1 MGD. Currently, Staunton's percentage is 4.9 MGD and the Service Authority's is 1.9 MGD. The ultimate capacity of the plant is 8 MGD, allowing Staunton 5 MGD and the Service Authority 3 MGD. Capital improvement costs of the facility are shared based on capacity percentage. The agreement contains regional assets and properties which are shared by both Staunton and the Service Authority. The agreement defines capital expenditures, addresses I & I responsibilities for each party, and requires enforcement of pretreatment programs. The agreement designates the Service Authority as the plant operator, designates fines and penalties will be assessed to the responsible party for any violation, and divides operating costs based on flow delivered by each party.

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Dr. Middleton asked if there would be adequate capacity at the Middle River treatment plant for future industries locating in Mill Place Commerce Park.

Staff stated the Service Authority currently has a total of 1.9 MGD capacity at Middle River. Currently there is approximately 600,000 GPD remaining. The 10-year capital plan allows for the purchase of additional capacity from Staunton should it be needed in the future and if Staunton has the additional capacity to sell. Upgrades may be needed at Middle River, if a large wastewater producer would locate in the area.

Mr. Egeli asked if there is a provision in the contract for terminating the wastewater agreement.

Staff explained both parties would need to agree to terminate the wastewater agreement.

Staff continued discussing the highlights of Article Three. The operation of the plant is governed by an Operations Committee consisting of the Augusta County Administrator, the Service Authority's Executive Director, and Director of Accounts, Staunton's City Manager, Director of Engineering and Utilities, and Director of Finance.

Staff shared the following information regarding the agreement: the agreement was executed prior to the current regulatory environment; the current remaining Service Authority volume allocation is approximately 600,000 GPD and Staunton's is approximately 800,000 GPD; Mill Place Commerce Park has a significant amount of developable land; and the original outfall line for Staunton is regional property and currently the Service Authority has no connection to this line; however, maintenance costs of the line are shared; pipeline capacity to get flows to the Middle River plant through Service Authority systems is not addressed; pipeline capacity for the Blackburn service area was omitted; and the Blackburn flow is currently counted against Staunton because it goes into the city line.

Staff discussed the highlights of Article Four – Wastewater Treatment Not at Regional Facility. This Article addresses provision of treatment for city flow at the Fishersville Wastewater Treatment Plant (Fishersville WWTP). The term of the agreement began on December 31, 1996 and is set to end on December 31, 2036. Fishersville WWTP is not a regional facility. The Service Authority owns the plant and is responsible for all maintenance of it. Staunton pays a percentage of the cost for 375,000 GPD of reserved capacity and is currently utilizing 28% of the reserved capacity. Staunton does not pay any operational costs of the plant. A future consideration may be to make Fishersville WWTP a regional facility. The agreement addresses the provision of treatment for the Staunton flow at the Fishersville WWTP. The agreement does not address use of the Service Authority's pipeline capacity between Staunton and the treatment plant. Staunton provides no capital contribution (availability fee) for connections to assist with treatment or collection system improvements. The Service Authority has no review or approval authority for projects in Staunton affecting Service Authority's collection system capacity and compliance.

Staff noted future planning for the Service Authority could be impacted by the Staunton Agreement. Several things should be considered for future planning including the possibility of becoming independent from the need to purchase water from the City of Staunton. Staff will seek direction from the Board as revisions to the Master Plan are being considered.

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Staff noted in the past when Staunton has had a rate increase, only water rates were increased, not sewer rates. This means the amount the Service Authority pays to Staunton for wholesale water goes up. Typically, the Service Authority raises rates on both water and sewer. If the Service Authority increased sewer rates and decided not increase water rates, the wholesale water rate would not go any higher. Customer affordability is a consideration when applying for grant money. If sewer rates were raised and exceeded certain thresholds, the Service Authority may qualify to receive grant money

Mr. Dahl asked what Staunton's sewer and water rates are.

Staff stated Staunton's water rate is \$5.16/thousand gallon and the Service Authority's is \$5.87/thousand gallon. Sewer rates are \$6.52/thousand gallons and the Service Authority's is \$9.92/thousand gallon. Over the life of the Staunton Agreement, the Service Authority rates have increased more often than Staunton's; however, when Staunton does increase their rates, they are increased by a large percentage.

Dr. Middleton stated the Service Authority and the City of Staunton are interconnected in a number of ways on water and wastewater and the agreements governing the interconnection have some gray areas that could be exploited. One approach to address concerns would be to meet with Staunton officials and suggest a new agreement be put into place which will benefit both Staunton and the Service Authority. Another option is to continue with the current agreements until they expire at which time the Service Authority would become independent of Staunton. This option may cause the Service Authority to spend quite a bit of capital.

Dr. Middleton suggested there be an agenda item for the December meeting to discuss the Board's thoughts and recommendations on the Staunton water agreement.

There being no further discussion, the meeting was concluded.

Board Secretary

Chairman