

Augusta County Service Authority
Regular Board Meeting, Wednesday, April 15, 2020, at 1:30 p.m.
Board Meeting Room

PRESENT: Andrew C. Middleton, Chairman, North River District
Garry R. Gordon, Vice Chairman, Middle River District
Carolyn S. Bragg, South River District
Allen Dahl, Beverley Manor District - *via phone conference from his home due to COVID-19 social distancing efforts as mandated by Governor Northam.*
John H. Graves, Wayne District - *via phone conference from his home due to COVID-19 social distancing efforts as mandated by Governor Northam.*
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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CALL TO ORDER

The Chairman called the meeting to order at 1:35 p.m.

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ADOPTION OF AGENDA

Mrs. Bragg moved, seconded by Mr. Gordon to adopt the revised Agenda.

Vote was as follows:

Yeas: Middleton, Gordon, Bragg, Shull and Simmons
Nays: None
Absent: Dahl and Graves

Motion approved.

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APPROVAL OF MINUTES

Mrs. Bragg moved, seconded by Mr. Shull, to approve the minutes of the Regular Board Meeting of March 19, 2020, which have been mailed to the members with no corrections made.

Vote was as follows:

Yeas: Middleton, Gordon, Bragg, Shull, and Simmons
Nays: None
Absent: Dahl and Graves

Motion approved.

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EXECUTIVE DIRECTOR’S HIGHLIGHTS

A. COVID-19 Update

Staff is working with organizations such as VAMWA to make sure the Service Authority’s interests are reflected, should a fourth federal stimulus bill be passed through legislation to provide a means for governmental agencies to provide funding and recoup expenses due to the effects of COVID-19. Staff referred to a letter included in the Board packets from the National League of Cities (NLC) and addressed to Capitol Leadership in Washington, DC expressing concerns regarding the CARES Act and the Coronavirus Relief Fund not addressing the necessary increases in spending or the shortfall in revenues local governments are facing due to COVID-19. The letter is calling on Congress to advance a fourth stimulus package to address the needs of cities, towns and authorities. Staff referred to a letter from the National Association of Counties (NACo) given to the Board at this meeting and addressed to the Capitol Leadership in Washington, DC. It was noted the letter does not include any language addressing funding needs of water utilities or authorities. Staff has reached out to the legislative director of NACo explaining the current position of the Service Authority due to the effects of COVID-19. The concerns the Service Authority has that NACo did not include authorities in their letter sent to the Capitol Leadership were also conveyed. The representative at NACo assured Staff they would do their best to incorporate authorities in their efforts for funding.

B. Impact of 2020 Legislative Session

Staff explained the Service Authority spends approximately \$40,000 annually for required drinking water testing. If EPA/VDH developed regulations for PFOS maximum water contaminant levels and if the Service Authority is unable to meet those required levels, water treatment would be required. The only established treatment currently available for PFOS is granulated activated carbon. The installation of a granulated activated carbon system is very expensive, as is the replenishment costs. The Service Authority has done very little testing, but the testing that has been done returned results of non-detection of PFOS contaminants.

Mr. Shull asked if drinking water required treatment, would the treatment be 100% effective.

Staff stated it is unclear if the treatment would be 100% effective, but it would be enough to meet the requirement levels set by EPA/VDH.

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PROGRESS REPORT

The Progress Report for March is on file in the Secretary's office and was reviewed with the Board.

Dr. Middleton asked if the Service Authority is still working at the same pace as it was two months ago.

Staff stated there has been no delay in the progression of work. Crews are still working on the replacement of substandard waterlines and the leak in the Jolivue tank has been repaired and the tank is ready to be filled.

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COMMITTEE REPORTS

Land and Water Committee

Mr. Shull reported due to the pandemic, he and Mr. Dahl have not toured the former Kmart building, which may be considered as a possible relocation property for Field Operations. Mr. Shull and Mr. Dahl recommended the tour be put on hold until the pandemic is over.

There was discussion regarding the viability of the former Kmart building due to the location and the age of the building. Also, the property would require rezoning by the City of Waynesboro, the Service Authority would be required to pay for water and sewer services to the City of Waynesboro, and work order travel distance would increase.

Board member discussion indicated the relocation of Field Operations has been delayed too long. Since the Service Authority currently owns land at the Middle River Treatment Plant, it would make sense to use the property for the new location. There are funds in the budget to build a new building, which is estimated to cost \$6 million and may possibly cost less if some of the work is completed by qualified Service Authority employees. Construction of a new building would ensure efficiency, as opposed to an existing building with older heating, electrical and plumbing systems, and would also allow for customization to ensure the needed amenities are included.

The Board and Staff discussed the possibility of moving ahead with the design phase for a new structure, which would provide a more firm cost estimate and also provide a base to compare to other possible properties.

Mrs. Bragg moved, seconded by Mr. Simmons to allow Staff to proceed with the selection and interview process for a site engineer and architect to design both new and retrofitted facilities.

Vote was as follows:

Yeas:	Middleton, Gordon, Bragg, Dahl, Graves, Shull, and Simmons
Nays:	None

Motion approved.

Personnel Committee

Mr. Graves reported the Personnel Committee met on April 2. The Committee is recommending the Service Authority provide a 3% COLA increase and a 4% merit increase for employees, and increase all pay ranges by 3%.

Staff explained the starting pay at the Service Authority for a Pay Grade I position is \$12.29 an hour. There are currently nine employees, some having been with the Service Authority for nearly five years, making within \$3 an hour of the proposed 2023 minimum wage. Due to the proposed increase, the minimum wage is catching up with the starting pay of Pay Grade I employees. Recently, four employees have left the Service Authority indicating they were leaving for a higher salary. The Personnel Committee expressed to Staff an interest in exploring innovative ways to reward employees for high job performance.

Mr. Shull asked if COVID-19 has had any effect on customers being unable to pay for their services.

Staff stated since customers are billed every other month, it is uncertain if their ability to pay has been affected. Staff showed a comparison on water consumption from January to present, which indicates there has been no significant changes during the pandemic.

Mr. Simmons informed the Board when the Personnel Committee was considering pay increases, it was noted some high paying positions were decreasing due to retirements within the Authority.

Staff stated if salaries are not increased in FY-21, the payroll will drop by \$220,000 due to the retirements. The proposed pay increase will have a net 2.6% effect on the budget.

Mr. Shull asked how much health insurance costs increased.

Staff stated it increased by approximately \$33,000.00. Since the Service Authority is self-insured, there are no premiums to pay.

Mr. Graves stated another consideration is Service Authority employees are currently working without any incentives during the pandemic.

Mrs. Bragg stated the Service Authority employees are considered essential and are expected to work whether there is a pandemic or not.

Mr. Simmons stated there are businesses that are considered essential whose employees are able to work from home through telecommunications or are given an extra incentive such as

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hazard pay to report to work. Service Authority personnel do not have that option due to the type of services being provided.

Mr. Shull stated there are many jobs that are considered essential whose employees report to work every day without added incentives.

Mrs. Bragg stated employees of other businesses who are receiving extra incentives will only receive them during this particular crisis.

Mr. Simmons stated the pay increase would not have a massive impact on the overall budget. The Personnel Committee is not just addressing the incentive pay during the pandemic, they are also addressing the missed pay increases from previous years and the low pay scale. It is important to show the employees the Board supports them and to show the Service Authority has the financial stability to support them, especially during this time when there may be households generating only one income. Mr. Shull stated pay increases eventually fall back to the rate payers with an increase in rates.

Mrs. Bragg stated it may not be fitting to propose a 3% rate increase to rate payers who are also going through hardships and turn around and propose a 7% pay increase to employees.

Mr. Shull stated the Service Authority, County of Augusta, and Augusta County Public Schools have always tried to keep wages about the same among the three entities. Due to the effects of COVID-19 on the County, the proposed 2% increase to Augusta County employees is in jeopardy.

Mr. Simmons asked if the Service Authority received any funding from the County.

Mr. Shull stated the County does not fund the Service Authority.

Staff stated the big expenses of the Service Authority are the capital projects and capital equipment.

Mr. Gordon stated the Service Authority is behind on merit increases, COLA, and pay scale increases. The increase will not have that much of an effect on the budget and it is important to support the employees.

Mr. Graves stated the work the employees are doing is worth the merit increase. All employees do an excellent job.

Mr. Dahl asked what has changed this year versus the previous six years to allow for this pay increase.

Mr. Simmons stated part of the change was due to the impact on payroll because of the retirement of those in high paying positions.

Staff stated the Committee took previous increases into account, noting the Service Authority remained conservative and did not give any more of a pay increase during a stable economy than when the economy was unstable. Due to several years without a pay increase, the

average COLA increase over the past nine years was 0.67%. That is a shortfall of 4% compared to the consumer price index.

Dr. Middleton stated the Board has a responsibility to the rate payers, but there is also a need to have a capable work force that can work on behalf of the rate payer. If the Service Authority had to contract out work, it would be very costly.

Mr. Graves moved, seconded by Mr. Simmons to recommend the Service Authority provide a 3% COLA increase, a 4% merit increase for employees, and adjust all pay ranges up by 3%.

Vote was as follows:

Yeas:	Middleton, Gordon, Bragg, Dahl, Graves, and Simmons
Nays:	Shull

Motion approved.

FINANCE COMMITTEE

Mrs. Bragg stated the Finance Committee met on April 3, 2020 to discuss the FY-21 budget. The Committee was pleased with the overall budget as it was presented.

Staff gave a review of the FY-21 draft operational and capital budget to the Board.

Staff explained a 5% rate increase on health insurance has been budgeted and equates to \$33,000 in additional expenses. The increase will allow for the continuation of building a reserve for future insurance claims. Currently there is \$1,033,000 set aside for insurance claims. This money is restricted and cannot be used other than to pay claims. The budget also includes the earlier proposal given by the Personnel Committee for a 3% COLA increase, which is \$1,500 per employee, and 4% merit/performance adjustment.

Staff recommended a 3% increase to the water and sewer usage rates for FY-21. For an average residential customer, this would result in a \$3.50 bi-monthly increase and a yearly increase of \$21.00.

The following are projections for the FY21 operating budget:

Total revenue - \$21.6 million; total operating expenses - \$13.7 million; depreciation (non-cash) - \$6.1 million; and debt payments - \$4.3 million. Taking all of this into consideration, the net income will be approximately \$1.3 million for FY-21. The debt coverage ratio would be 2.03, which is within the Board specified guidelines.

Staff explained to the Board the projected expense changes in the FY-21 operating budget:

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Increases/(Decreases)

Salaries & Benefits	\$241,000
Depreciation (noncash)	\$150,000
Equipment Charges	\$ 89,000
Fees & Assessments	\$ 70,000
Lab Testing	\$ 39,000
Purchased Water	\$ 36,000
Engineering Consulting	\$(119,000)
Interest Expense	\$(101,000)

The FY-21 draft Capital Budget includes water projects with an approximate cost of \$4.0 million and sewer projects with an approximate cost of \$1.9 million. Vehicle, equipment and miscellaneous costs are projected at \$1.7 million. The proposed total capital budget is \$7.6 million.

Key projects for FY-21 include residential meter replacement with an approximate cost of \$1.8 million; substandard water line replacement with an approximate cost of \$0.9 million; Rt. 250 control valve project at a cost of \$0.2 million; and Dooms-Waynesboro booster pump station with an approximate cost of \$0.2 million.

Mr. Graves asked if COVID-19 has had any effect on the budget.

Staff stated the pandemic has had no effect on the budget.

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EMERGENCY STANDBY GENERATOR STATUS

Staff stated the nine wastewater treatment plants and the 32 sewer pump/lift stations are the most critical infrastructures the Service Authority operates. All nine wastewater plants and 22 of the 32 sewer pump/lift stations are served by existing stationary generators.

All critical wastewater facilities are covered with stationary generators and less critical facilities have plans in place to avoid reportable overflows.

The Service Authority has 16 wells/treatment plants and 12 booster pump stations. Water facilities are less critical than wastewater plants and can be operated periodically storing water for later use. Four of the 12 water booster stations are served by existing stationary generators. The water plants are not served by stationary generators, but are served by mobile generators with manual transfer switches, can be left off and fed from other sources, or have significant storage available.

Water systems are adequate but may require more work to keep customers in water.

It is the goal of the Service Authority to continue to fund generators annually at the current levels, focusing on placing new generators in water systems, and replacing older generators as necessary for wastewater treatment plants.

There was no discussion by the Board.

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AUTHORIZATION TO PURCHASE REPLACEMENT LANDFILL COMPACTOR

Staff explained the Service Authority currently utilizes a 2015 Bomag 772 landfill compactor to compact solid waste at the active fill area of the Augusta Regional Landfill. The compactor has approximately 9,000 run-hours and is approaching the end of its useful life. The approved FY 2021 landfill capital budget includes \$650,000 for a replacement landfill compactor.

The Service Authority obtained a Sourcewell quote from Carter CAT for a 2020 CAT 826K. The net balance for the new CAT 826K, including trade allowance for a 2010 CAT 826H, is \$611,957.00.

The compactor would not be delivered to the Augusta Regional Landfill until after July 1, 2020, which would push the actual purchase into FY 2021.

Mrs. Bragg moved, seconded by Mr. Gordon to purchase the 2020 CAT 826K, with delivery and payment of \$611,957.00 being made after July 1, 2020.

Vote was as follows:

Yeas:	Middleton, Gordon, Bragg, Dahl, Graves, Shull, and Simmons
Nays:	None

Motion approved.

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BOARD COMMENTS

Mr. Simmons would like employees to know how much their dedication and hard work is appreciated.

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There being no further business, the meeting was adjourned at 4:10 p.m.

Board Secretary

Chairman