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Augusta County Service Authority
Called Board Meeting, Thursday, June 25, 2020, at 1:30 p.m. (REVISED)
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
John H. Graves, 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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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 Agenda.

Vote was as follows:

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

Motion approved.

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EXECUTIVE DIRECTOR'S UPDATE

Staff stated notice has been received from Misty Cook, Finance Director of Augusta County, stating the County is willing to reimburse the Service Authority for expenses incurred during COVID-19 through funding received from the CARES Act. The County is asking for receipts and for additional information on employees who were symptomatic and required to stay home for 14 days. The County is also asking for the total number of days any employee was absent from work. Due to HIPAA regulations, names of employees will not be provided to the County. It is estimated the total expenses are less than \$10,000.00.

Staff reminded the Board of an agreement drafted in 2017 between developer, P.J. Wright, County of Augusta, and the Service Authority for fire flow improvements in the Verona area needed for Mr. Wright to develop Greystone Village townhomes. The agreement was never

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signed and Mr. Wright has decided not to move forward with development. Augusta County had originally agreed to fund the project and the Service Authority had agreed to supply labor and materials for the project. Mr. Wright also agreed to provide a portion of the funding. Even though the agreement was not signed, the Service Authority acted in good faith and made waterline improvements at the Stuart Hall/Hunter McGuire School property in Verona to ensure school grounds could be restored prior to the start of the 2019 school year. The Service Authority is requesting a reimbursement from Augusta County in the amount of \$49,000 for labor and materials used for the improvements. This amount is a portion of the total costs of the improvements.

CONSIDER ADOPTION OF FY-21 BUDGET

Staff informed the Board due to the proposed rate increase motion being defeated at the regular Board meeting on June 18, revised budget considerations are being presented at this meeting. As background information, Staff showed the Original Proposed “Budget Dashboard” with the 3% rated increase to the variable water and sewer rates. Staff mentioned past Board guidance to maintain small, consistent rate increases rather than less frequent but larger rate increases. Staff then presented information showing what the budget looks like if spending remained the same and with no rate increase in FY-2021. By 2023, the budget would be \$1.6 million below the mandated reserves. Staff also discussed the “Rate Burden” and the Board guidance for that, which has been to keep the combined Burden below 2%.

Staff presented two alternatives to the ORIGINAL budget, considering the rates were not increased in FY-21. The first alternative showed no adjustment to expenses, but an increase in rates by 7.75% in FY-2022 in order to bring future years back into compliance with mandatory operating reserves. The yearly planned 3% rate increase would resume in FY-2023. The 7.75% increase would mean an increase of approximately \$52 per year on the average water and sewer customer.

Staff mentioned again the Board guidance that the Rate Burden not exceed 2% of the Median Household Income for annual water and sewer bills. By comparison, DEQ recommends that the sewer only portion be 2% or greater than the Median Household Income to be eligible for State Grant funding.

The second alternative would be to adjust spending over several years to bring future years back into compliance with mandatory operating reserves. This alternative would also project that the yearly planned 3% increases would resume in FY-22. Staff was asked by one Board member if they were proposing to remove the employee pay increases from the original proposed budget. Staff did not give serious consideration to that option because the pay increases included in the proposed budget were recommended by the Personnel Committee and the full Board did vote on and accept that recommendation. The proposed adjustments to spending would include removing the \$300,000 substandard waterline replacement line item from FY-2021, moving the \$411,000 for blowers at the Stuarts Draft WWTP from FY-2022 to FY-2025, and shifting the Seasons Ridge pump station replacement out for one year. The yearly planned 3% rate increase would resume in FY-2022. These changes will allow us to meet our mandated reserves.

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If the second of the two alternatives is selected, the 3% rate increase proposed in FY-2021, which totals approximately \$500,000, will never be recouped. Therefore, since the ten year Capital Plan is based upon a 3% rate increase each year, it would need to be modified to account for the \$5 million shortfall. It is possible to rearrange some items within the Capital Plan to accommodate a 0% rate increase.

Accepting either of the two alternatives would allow the Service Authority to meet the mandated reserves, allow a 0% rate increase for FY-2021, and allow for a 3% rate increase in subsequent years.

Staff recommended that the Board select the second option, modifying capital spending as detailed and for the Board to approve that revised budget.

Mr. Dahl asked what causes the draw downs on the different balances on the dashboard.

Staff stated the largest expense for the Service Authority is the \$7.5 million capital budget. Capital spending and debt service are the big expenses drawing down the cash reserves. Staff also differentiated between “Repair and Replace” projects paid for from the Operating Fund and capacity projects paid for from Capital Reserve Funds.

Mr. Dahl asked how the balances in the cash reserves are built up.

Staff stated the reserve balances are built up by availability fees. The Board mandates the balances that are kept. Also, in prior years, projects were fully funded but not completed, thereby leaving funds in reserve.

Mr. Dahl stated having a steady rate increase each year is not a bad idea, but right now it is a question of timing for the rate increase, as well as the proposed wage increases.

Mr. Simmons asked for clarification from Mr. Dahl if he meant it is not the right time for a rate increase or for a wage increase.

Mr. Dahl stated it is not the right time for either one and it is a matter of perception.

Mrs. Bragg agreed it is a matter of perception considering the current pandemic situation. While the Board is charged with the business of the Service Authority, each Board member is responsible to the citizens in the district they represent.

Mr. Gordon stated that we have to look at the facts. April unemployment in Augusta County was only 2.9% higher than it was in 2019. For May it was only 3.5%. Mr. Gordon stated that these are small increases and that unemployment has not had a large impact on Augusta County. Looking at our revenues, our consumption is up across the board. Our revenues are up. The facts are that things have gotten better.

Mr. Simmons stated if the Service Authority were to move forward with the 3% rate increase, at any point disconnections for non-payment could be suspended. The fact the Board has the power at any time to prevent cutoffs, should help with the perception issue. Mr. Graves asked for clarification that the Revised Budget included the employee wage

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increase. Staff stated that the Revised Budget does include the 3% Cost of Living and 4% Merit increases. Mr. Graves stated that Service Authority employees should be considered “heroes” for maintaining services during the pandemic. He felt that the perception would not be negative.

Mr. Gordon stated that with the retirement of several higher paid employees, the net effect on the Service Authority budget would only be about \$168,000. Staff confirmed that about \$160,000 of increase seen in the FY-21 Budget is directly related to the salary increase.

Mr. Dahl stated that he was not as concerned for the perception of the 3% Rate increase that was defeated, but was more concerned for the perception of the employee wage increase. He voiced specific concern about how others who work in the Government Center would perceive the employee increase.

Mrs. Bragg and Mr. Shull expressed concern regarding the proposed 7% wage increase stating it was unprecedented considering the times. Mr. Shull stated that it would have a negative effect on others working in the Government Center. He also stated that other localities were not giving increases this year. Mr. Shull was concerned Service Authority employees will expect a large wage increase each year. Mrs. Bragg stated that for the Service Authority to give an increase of this amount when nobody else is giving anything is an issue. Mrs. Bragg stated she would be in favor of possibly a 4% wage increase with a possible bonus during the year. Mrs. Bragg also stated she was not against the 3% rate increase.

Mr. Gordon stated that he disagreed with the statement that nobody is getting anything. He pointed out the Federal Government has given money to businesses and that they have also increased the amount that people get for unemployment. Mr. Gordon stated that the Service Authority turned in a stellar year last year. Mr. Gordon stated the Board needs to consider the facts. Unemployment has not hit Augusta County like it has in other areas during COVID-19. Consumption is up among the largest customers and revenues are up from a year ago.

Dr. Middleton stated the Service Authority needs to take care of its employees in order to retain them and attract them away from competitive businesses.. In his travels throughout the country, he has seen businesses opening up, and opening up fast. Dr. Middleton stated that there is also a high likelihood that there will be a massive infrastructure bill coming which will create more demand for our employees. Dr. Middleton stated that it is his belief that we have gotten behind on wages and that if we have employees leaving for higher wages, and have to hire to replace them, it will be at a higher cost than if we had kept our employees. The Service Authority needs to be prudent to the rate payers by keeping equipment in service and keeping skilled employees

At this point, Mr. Simmons moved, seconded by Mr. Graves to renew the motion for a 3% rate increase (from the June 18th meeting) for FY-2021. Dr. Middleton asked for additional discussion and there was none.

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Vote was as follows:

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

Motion approved.

Dr. Middleton asked for any discussion on a Proposed Budget. Dr. Middleton stated he would entertain a motion for either the original Proposed Budget or a Revised Budget. Mr. Dahl asked if we could still remove the \$300,000 from the Substandard Waterlines. Mr. Gordon moved, seconded by Mr. Simmons to approve the original proposed budget without the \$300,000 substandard waterline project. There was no further discussion.

Vote was as follows:

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

Motion approved.

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AUTHORIZATION TO PURCHASE VERONA PUMP STATION SWITCH GEAR

In the FY-21 Middle River Capital Improvements Budget, \$131,147 was approved to replace the aged and un-reliable Switch Gear that powers the Verona Pump Station at the Middle River WWTP. To accomplish the project within the approved budget, ACSA is directly purchasing the Switch Gear equipment and contracting with an electrical contractor for installation of the equipment. To further reduce costs, ACSA is providing temporary power while installation is occurring.

Per the Service Authority’s agreement with the City of Staunton, the City funds 72.1% of the cost and the Service Authority funds 27.9% of the cost for this replacement project. The 27.9% portion of the project is included in the FY-21 ACSA Capital Improvements budget. Staff has determined suitable Switch Gear is available from Capital Electric, via a cooperative procurement contract through the University of Virginia. Since funding for this purchase would come from the FY-21 Approved Capital Improvements budget, delivery of the equipment will be after July 1, 2020.

Board members expressed concern about the City of Staunton’s ability to follow through with the portion they agreed to fund due to the effects COVID-19 may have had on the City’s budget. Staff informed the Board the City of Staunton has already adopted their portion of the project into their FY-2021 budget and the Service Authority has an existing agreement with the City.

Dr. Middleton stated regardless whether or not funds are received from Staunton, the switch gear is necessary and the Verona pump station cannot operate without it.

Mrs. Bragg moved, seconded by Mr. Dahl to authorize the purchase of a QED2 SWBD and ATO start up switch gear in the amount of \$95,340.00 from Capital Electric.

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Vote was as follows:

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

Motion approved.

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AUTHORIZATION TO PURCHASE VERONA PS REPLACEMENT GENERATOR

In the FY-21 Middle River Capital Improvements Budget, \$135,075 was approved to replace the existing 1979 generator at the Verona Pump Station at Middle River WWTP. This project is to ensure safe dependable automatic transfer to emergency power in order to maintain pump station operation, prevent sewage overflows, and remain in compliance with VPDES permit.

Per the Service Authority’s agreement with Staunton, the City funds 72.1% of the cost and the Service Authority funds 27.9% of the cost for this replacement project. The 27.9% portion of the project is included in the FY-21 ACSA Capital Improvements budget. Staff has determined suitable emergency generators are available from Carter Machinery, via cooperative procurement through Sourcewell Contract #120617-CAT. Since funding for this purchase would come from the FY-21 Approved Capital Improvements budget, delivery of the equipment will be after July 1, 2020.

Mrs. Bragg moved, seconded by Mr. Graves to authorize the purchase of a Caterpillar diesel packaged generator set, Model C15 Tier II stationary/emergency emissions with brushless generator for the amount of \$127,575.00.

Vote was as follows:

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

Motion approved.

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RESOLUTION FOR CAROLYN BRAGG

WHEREAS, Carolyn Bragg has served as a Member of the Augusta County Service Authority Board of Directors from April 2014 through June 2020; and

WHEREAS, Carolyn Bragg has demonstrated exemplary qualifications and capabilities in the performance of her duties over those six years; and

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WHEREAS, Carolyn Bragg has served on the Executive Committee, Finance and Audit Committee, Land and Water Committee, and Personnel Committee, and served as Vice Chairman during her six year tenure; and

WHEREAS, Carolyn Bragg has conducted the affairs of the Augusta County Service Authority in a courteous, understanding manner; and

WHEREAS, Carolyn Bragg, by her loyalty and devotion to the Augusta County Service Authority, has greatly enhanced the prestige and stature of Augusta County; and

WHEREAS, the Augusta County Service Authority Board of Directors wishes to give due recognition to Carolyn Bragg for her years of faithful and devoted service.

NOW, THEREFORE BE IT RESOLVED that the Augusta County Service Authority Board of Directors, mindful of the service, devotion, and loyalty of Carolyn Bragg, on behalf of the Augusta County Service Authority which she so ably served, does hereby express humble, sincere, heartfelt thanks of this body and wish for her many years of good health and happiness.

NOW, THEREFORE BE IT RESOLVED that the Secretary of the Board is hereby instructed to incorporate this Resolution into the official minutes of this Board, and a copy of this Resolution is presented to Carolyn Bragg.

Dr. Andrew Middleton, Chairman
Augusta County Service Authority

Signed this 25th day of June, 2020

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RESOLUTION FOR JOHN HENRY GRAVES

WHEREAS, John Henry Graves has served as a Member of the Augusta County Service Authority Board of Directors from January 2016 through June 2020; and

WHEREAS, John Henry Graves has demonstrated exemplary qualifications and capabilities in the performance of his duties over those four years; and

WHEREAS, John Henry Graves has served on the Land and Water Committee and Personnel Committee during his four year tenure; and

WHEREAS, John Henry Graves has conducted the affairs of the Augusta County Service Authority in a courteous, understanding manner; and

WHEREAS, John Henry Graves, by his loyalty and devotion to the Augusta County Service Authority, has greatly enhanced the prestige and stature of Augusta County; and

WHEREAS, the Augusta County Service Authority Board of Directors wishes to give due recognition to John Henry Graves for his years of faithful and devoted service.

NOW, THEREFORE BE IT RESOLVED that the Augusta County Service Authority Board of Directors, mindful of the service, devotion, and loyalty of John Henry Graves, on behalf of the Augusta County Service Authority which he so ably served, does hereby express humble, sincere, heartfelt thanks of this body and wish for him many years of good health and happiness.

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NOW, THEREFORE BE IT RESOLVED that the Secretary of the Board is hereby instructed to incorporate this Resolution into the official minutes of this Board, and a copy of this Resolution is presented to John Henry Graves.

Dr. Andrew Middleton, Chairman
Augusta County Service Authority

Signed this 25th day of June, 2020

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BOARD COMMENTS

Dr. Middleton stated he appreciates the dedication and service Mrs. Bragg and Mr. Graves have provided to the Service Authority board.

Mrs. Bragg stated she has enjoyed her time serving on the Service Authority Board and has enjoyed the relationships she has made. She looks forward to working with the Service Authority from her new role serving on the Augusta County Planning Commission.

Mr. Graves thanked the Board for their support and for the opportunity to serve on the Service Authority Board. He has enjoyed his time of service and has become more knowledgeable on water and sewer issues. His plans are to enjoy his retirement.

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There being no further business, the meeting was adjourned at 2:40 p.m.

Board Secretary

Chairman