

Augusta County Service Authority
Regular Board Meeting, Thursday, June 16, 2022, at 1:30 p.m.
Board Meeting Room

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, *via phone conference due to being out of the country on vacation*
Matthew Egeli, Wayne District
Michael L. Shull, Riverheads District
Timothy Simmons, Pastures District
Phil Martin, Executive Director
Brent Canterbury, Treasurer
Jean Marshall, Board Secretary

ABSENT: None

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CALL TO ORDER

The Chairman called the meeting to order at 1:34 p.m.

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PUBLIC RATE HEARING

Dr. Middleton opened the Public Hearing at 1:37 p.m.

The purpose of this hearing is to receive comments regarding the proposed increase in water and sewer user rates, becoming effective July 1, 2022. This hearing and the proposed changes were properly advertised in The News Leader on Thursday, May 26, and Wednesday, June 1, 2022 and in The News Virginian on Wednesday, May 25, and Wednesday, June 1, 2022.

Mr. Canterbury reminded the Board they are tasked with setting and maintaining rates and fees that are high enough to comply with bond requirements and all state laws, as well as being fairly structured for rate payers, and sufficient to meet the Authority’s future capital needs.

The proposed budget for FY-2023 follows a carefully thought-out four-year plan set forth in the Service Authority’s rate model and is preceded by many years of long-term financial planning and annual updates to the rate model. The budget proposes an increase in water variable rates of 3% and an increase in sewer variable rate of 3%. The July 1, 2022 increase for the average residential user will be \$3.73 bi-monthly. The average combined public water and sewer residential bill will be \$165.96 bi-monthly. An unmetered residential sewer bill will be \$103.37 bi-monthly.

With no members of the public present to comment, the Public Hearing was declared closed at 1:42 p.m.

Mr. Egeli stated the 3% rate increase is fiscally prudent and has been endorsed by the Finance Committee. He stated he is in favor of the rate increase.

Mr. Shull asked if the Public Rate Hearing is advertised on the Service Authority's website and if a notice is sent in the bi-monthly billing to customers.

Mr. Canterbury explained state code requires advertising the Public Rate Hearings in the newspaper. A notice of the Public Rate Hearing is not put on the website, and a notice is not included in the bi-monthly billings. The Public Rate Hearing can be advertised on the Service Authority website, but it will still need to be advertised in the local circulars.

Mr. Shull was concerned many Service Authority customers may no longer subscribe to the local circulars and may be unaware of the public hearings.

Mr. Egeli asked for confirmation the Operating Procedures were recently changed to eliminate advertising in the newspaper.

Mr. Martin stated a recent change to state code eliminated the need to advertise RFP's in the newspaper, and the change was made to the Service Authority Purchasing Policy accordingly.

Mr. Egeli stated there is a statutory acknowledgement newspaper advertisement is old fashioned, and advertising on the internet is less expensive and is a more modern way to communicate.

Dr. Middleton asked Staff to explore ways to announce public hearings more broadly. The Board can create a resolution if Staff feels one is needed, clarifying where and how public hearings are to be advertised.

Mr. Martin stated he and Staff will explore different advertising avenues and, at the July Board meeting, will make a recommendation for additional ways in which to advertise.

Mrs. Marshall, Secretary for the Board and Records Officer for the Service Authority, informed the Board and Staff caution is needed when posting on the Service Authority's Facebook page. From a records retention standpoint, certain public comments on Facebook may constitute a record and would need to be retained for a certain period of time. While the date and time for a public hearing could be posted on Facebook, it may be best not to include the details of the hearing there, but to include a link to the Service Authority website where they could be obtained by customers.

Mr. Almarode asked if comments on Facebook can be blocked.

Mrs. Marshall stated Facebook does not allow blocking comments made by the public.

Mr. Dahl asked Staff to investigate how other authorities advertise their public hearings and if they have faced any challenges by advertising on their websites and social media.

Mr. Martin confirmed he will contact other authorities to determine how they advertise their rate hearings and if they have faced any challenges by advertising on their website and on social media.

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Dr. Middleton stated he is also interested in public attendance at other authority’s rate hearings.

Mr. Shull asked how many bills are mailed to customers and how many are sent electronically.

Mr. Canterbury stated currently all bills are mailed; however, with the purchase of a new software program, electronic bills will be an option in approximately six months or earlier.

There being no further discussion, Mr. Gordon moved, seconded by Mr. Simmons to adopt the proposed user rates as advertised, effective for all bills created after July 1, 2022.

Vote was as follows:

Yeas: Middleton, Gordon, Almarode, Dahl, Egeli,
Shull, and Simmons
Nays: None

Motion approved.

There being no further business Dr. Middleton adjourned the Public Hearing at 2:05 p.m.

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ADOPTION OF AGENDA

Mr. Almarode moved, seconded by Mr. Gordon to adopt the Agenda as presented.

Vote was as follows:

Yeas: Middleton, Gordon, Almarode, Dahl, Egeli,
Shull, and Simmons
Nays: None

Motion approved.

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APPROVAL OF MINUTES

Mr. Gordon moved, seconded by Mr. Simmons, to approve the Minutes of the Regular Board Meeting of May 19, 2022, which have been mailed to the members.

Vote was as follows:

Yeas: Middleton, Gordon, Almarode, Dahl, Egeli,
Shull, and Simmons
Nays: None

Motion approved.

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MATTERS PRESENTED BY THE PUBLIC

No members of the public were in attendance to make comments and no public comments were brought forth by Staff.

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EXECUTIVE DIRECTOR’S HIGHLIGHTS

Mr. Martin gave a report to the Board on issues which came about after the Board packet was sent to Board members.

1. The Producer Price Index increased to 0.8% in June.
2. Mr. Timmy Fitzgerald, Augusta County Administrator, notified Mr. Martin of a letter and check received from the Virginia Attorney General’s office. The letter declared the check was a settlement from a company named Chemtrade, who was accused of keeping prices high on treatment chemicals. The Service Authority was required by FOIA to provide pricing information for chemicals purchased from Chemtrade. Under the Fraud Against Taxpayers Act, the Service Authority is eligible to receive a settlement of \$20,000.00. The County will remit the funds to the Service Authority.
3. Mr. Martin presented a report regarding new Health Advisory Levels (HALs) issued by the EPA on June 15. The EPA updated its HAL for PFOA and PFOS from a combined 70 parts per trillion (ppt) to 0.004 ppt for PFOA and 0.02 ppt for PFOS. While HALs are not legally binding or enforceable the new limits are below the levels at which analytical methods can measure PFOA and PFOS. Staff expects the EPA will go through its formal rule making process to determine Maximum Contaminate Level (MCL) and Virginia VDH-ODW will create its own version to be at least as stringent as EPA’s MCL. Should the Service Authority need to treat its raw water to remove PFAS/PFOA compounds, certain technologies may need to be installed and may be extremely costly. VDH is continuing its study of PFAS/PFOA compounds. SERCAP (in conjunction with VDH-ODW) has reached out to the Service Authority to coordinate sampling of systems in Virginia. The samplings will be performed at no cost to the Service Authority and the process is being funded by EPA funds through VDH. The systems being requested for sampling are South River, Churchville, Augusta Springs, Deerfield, and Middlebrook. The Service Authority plans to participate in the sampling.

Dr. Middleton urged Mr. Martin to ask for a sampling plan and quality assurance plan before allowing SERCAP to take samples from the Service Authority’s drinking water systems. Mr. Martin indicated he would ask for the mentioned plans.

4. Staff reviewed the Workforce Status Update as presented in the Executive Director’s Highlights, which was included in the Board packets.

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PROGRESS REPORT

There were no questions or discussion by Board members regarding the Progress Report.

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COMMITTEE REPORTS

Executive Committee

Dr. Middleton, Chairman of the Committee, submitted the following report:

The Executive Committee met with Mr. Martin for the purpose of reviewing his FY-22 Performance Goals. Mr. Martin provided a list of the FY-22 Goals and discussed the progress made toward these goals. After discussion of these goals with Mr. Martin, the Executive Committee concluded Mr. Martin made very good progress toward all of these goals. The Executive Committee accepts the list provided by Mr. Martin as an accurate description of the goals and progress made toward them.

The Executive Committee requests, prior to the July 2022 Board meeting, the Personnel Committee meet with Mr. Martin and review the FY-22 goals. The Personnel Committee is to provide a verbal recommendation to the Executive Committee regarding Mr. Martin's compensation to be effective on his hiring anniversary in August, and provide a draft of Mr. Martin's FY-23 Performance Goals.

During closed session at the July 21, 2022 Board meeting, the Executive Committee will consider the recommendations of the Personnel Committee and make a final determination regarding Mr. Martin's FY-23 Performance Goals and compensation, to be effective on August 21, 2022 or the nearest applicable pay period,

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BOARD ELECTIONS

The Nominating Committee presented the following slate of officers for Board approval to take effect July 1, 2022:

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| Chairman | Dr. Andrew Middleton |
| Vice Chairman | Mr. Garry Gordon |
| Treasurer | Mr. Brent Canterbury |
| Secretary | Mrs. Jean Marshall |

There being no nominations from the floor, the Board unanimously approved Dr. Middleton as Chairman, Mr. Gordon as Vice Chairman, Mr. Canterbury as Treasurer, and Mrs. Marshall as Secretary.

Mr. Simmons moved to recommend appointments be filled as presented.

Vote was as follows:

Yeas:	Middleton, Gordon, Almarode, Dahl, Egeli, Shull, and Simmons
Nays:	None

Motion approved.

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CONSIDER ADOPTION OF FY-23 BUDGET

Mr. Canterbury stated there has been one change to the proposed FY-23 budget since it was presented at the May Board meeting. The construction of the Weyers Cave water tank has been removed from the FY-23 budget, decreasing the FY-23 capital projects by \$163,000.00 and increasing the capital reserve balance by \$163,000.00.

Dr. Middleton asked if the Service Authority owns the property in Weyers Cave where the water tank is proposed to be constructed.

Mr. Martin stated the Service Authority is in the process of purchasing the property and is set to close on the purchase on June 24. The purchase of the property was included in the FY-22 budget.

Mr. Egeli asked for an explanation of the Chesapeake Bay Debt Fee listed in the Operating Revenues.

Mr. Canterbury stated the fee is a fixed charge on sewer customer's bills. A previous Board instituted the fee as a way to recover \$60M of debt incurred to meet the Chesapeake Bay initiatives.

Mr. Egeli asked for confirmation the fee was assessed by a previous Board and the fee is not mandated by a higher authority. Staff confirmed Mr. Egeli's statement.

Mr. Egeli asked if the \$60M debt has been paid, and if not, how long before it would be paid in full.

Mr. Canterbury stated it has not been paid in full and it will be approximately 10 years before it is, because the majority of the bonds are 20-year bonds.

Mr. Egeli asked if the fee will be removed from customer's bills once the bonds are paid off.

Mr. Canterbury stated it is unpredictable at this point if the fee will be removed from customer's bills, as there has been no discussion regarding this issue.

Dr. Middleton stated the debt was incurred in order to meet the Chesapeake Bay initiative regulations by expanding the Middle River, Fishersville, and Stuarts Draft wastewater treatment plants.

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Dr. Middleton asked if the capital budget being presented is only for projects being completed in FY-23, and is it accounting for those projects which may carry over into FY-24.

Mr. Canterbury stated the budget being presented is for new capital projects budgeted for FY-23, with the realization some projects may carry over into FY-24. There may be some FY-22 projects carried over into FY-23. When creating the budget, it is estimated how much will be spent during the remainder of the current year and how much will be carried over into the next year. The budget being presented at this meeting assumes every penny of the FY-22 budget has already been spent.

Mr. Martin pointed out the expenses for the Field Operations building should be \$4.571M, which was the total amount approved for the project; however, the report shows the expense as \$3.571M for FY-23 and \$1M in FY-22. The budget will be changed to reflect the total amount of the project as \$4.571M in FY-23, since the change to the Purchasing Policy approved at the May meeting allows for approved projects to carry over into the next fiscal year.

Mr. Martin presented a report to the Board regarding the estimates for the construction of the Field Operations facility. Rhodenizer Construction submitted an estimate of \$1.708M (shown on the report) for the 20,000 square foot structure, including the slab foundation, under-slab piping, and the insulated shell. The estimate for the HVAC system from Riddleberger was higher than expected at \$491,333.00; staff is obtaining quotes from other contractors. All other costs have a 25% contingency added to them. Staff is confident the structure can be built at the estimated cost. Mr. Martin stated he is encouraged by the recent decrease in the cost of steel.

Mr. Shull asked how many contractors have been contacted to perform work aside from the work being performed by Service Authority employees.

Jesse Roach, Director of Field Operations stated he spoke with Davenport regarding the inside framing, sheetrock, drop ceiling, and painting. He only contacted one contractor per item for the remaining work.

Mr. Martin stated Mr. Roach will be contacting Commonwealth Excavating and A & J's Excavation to obtain estimates for the site work.

Mr. Shull asked if the 25% contingency is included in the total estimate or is it on each line item.

Mr. Martin stated there is a 25% contingency on every line item other than the building shell.

Mr. Shull asked for the amount of square footage the building has been decreased by from the original plans.

Mr. Martin stated the building has been decreased by approximately 4,000 square feet. Based upon the Lineage study, the new building will still be 25% larger than the space Field Operations currently occupies.

Mr. Shull asked if the proposed building size will be sufficient for operations.

Mr. Martin and Staff confirmed, even with the decrease in square footage, the building will meet the needs of Field Operations and Maintenance.

Mr. Shull is concerned the square footage of the building is being decreased in order to compensate for the current cost of materials and in a couple years Staff will want to expand the building resulting in costs exceeding the original budget.

Mr. Martin stated the new building will be 25% larger than the current structures. Field Operations and Maintenance employees currently occupy multiple buildings. Having all employees in one building will be more efficient.

Mr. Martin asked Mr. Roach if the staff at Field Operations feels the size of the buildings they currently occupy is sufficient.

Mr. Roach stated there haven't been any complaints about the size of the buildings they are working out of now and he doesn't foresee any complaints about the size of the new building.

Mr. Martin asked Tim Castillo, Director of Maintenance if the Maintenance staff feels the new building size is adequate.

Mr. Castillo stated the Maintenance Department is satisfied with the size of the new building.

Mr. Dahl stated he has been unable to hear all of the comments and asked for clarification on the total cost of the building and the estimate given for the HVAC system.

Mr. Martin stated the estimate for the HVAC system is \$491,333.00 and \$4,571,348.00 is budgeted for the total cost of the building.

Mr. Dahl asked for the total square footage of the building.

Mr. Martin stated the new building will be 20,408 square feet.

Mr. Dahl asked how many square feet the office space and warehouse space were reduced by.

Mr. Gordon stated the new building will consist of 7,757 square feet for office space, 5,061 square feet for warehouse space, 2,324 square feet for the F & M shop, and 5,266 square feet for the garage with the wash bay, for a total of 20,408 square feet.

Mr. Dahl asked for the original size of the office space.

Mr. Martin stated the office space was reduced by 2500 square feet. The warehouse and facilities maintenance shop were reduced by 2500 square feet.

Mr. Dahl stated he shares the same concerns as Mr. Shull and asked if Staff believes the proposed building can handle the needs of Field Operations and Maintenance for the next 10 years?

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Mr. Martin stated the size of the current facilities has been sufficient for many years. The new building will be 25% larger than the current facility and should meet the needs of Field Operations and Maintenance.

Mr. Dahl asked Mr. Shull if Mr. Martin’s answer addressed his concerns.

Mr. Shull stated he is concerned about the pricing of materials, as most contractor’s estimates are only good for 30 days.

Mr. Gordon stated, based on the New York Stock Exchange, he believes prices of steel will be dropping. The proposed square footage of the building is the same as the original report provided by Lineage Architects. Throughout the planning process, square footage was added to the original plans, which increased the costs. The plans have now been reduced back to the original size.

Mr. Dahl stated he agrees with Mr. Shull about the lack of commitment for pricing from contractors, but he also agrees costs of materials should be decreasing.

Dr. Middleton asked what percentage of depreciation is funded by the budget.

Mr. Canterbury stated 68% of depreciation is funded in the FY-23 budget.

Dr. Middleton stated he is pleased depreciation funding is increasing and noted the yearly rate increases have been getting the Service Authority in a much stronger position to replace older equipment and infrastructure.

There being no further discussion, Mr. Gordon moved, seconded by Mr. Egeli to accept the capital budget and the operating budget as presented.

Vote was as follows:

Yeas:	Middleton, Gordon, Almarode, Dahl, Egeli, and Simmons
Nays:	Shull

Motion approved.

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BOARD COMMENTS

There were no comments made by Board members.

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Mr. Shull moved, seconded by Mr. Simmons to adjourn the meeting at 2:39 p.m.

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Vote was as follows:

Yeas: Middleton, Gordon, Almarode, Dahl, Egeli,
Shull, and Simmons
Nays: None

Motion approved.

Board Secretary

Chairman