

AT A MEETING OF THE MIDDLESEX WATER AUTHORITY HELD IN THE BOARD ROOM OF THE HISTORIC COURTHOUSE AT 6:00 P.M. ON WEDNESDAY, MAY 19, 2021:

Present: Greg Chambers, Chair
Janet Riggs, Vice Chair
James Michael Reed, Treasurer
Lud Kimbrough

Absent: Carlton S. Revere, Secretary

Matt Walker, Executive Director
Betty Muncy, Staff Secretary
Heather Lewis, Authority Attorney

CALL TO ORDER

Mr. Chambers called the meeting to order at 6:00 p.m. This was a regular meeting of the Middlesex Water Authority.

PUBLIC COMMENT

Mr. Chambers opened the meeting for public comment. There being no comments, the public comment period was closed.

MINUTES

Minutes from the meeting of March 17, 2021, were considered. Minor corrections were made and the motion to approve the minutes as corrected was made by Mr. Reed, seconded by Mrs. Riggs, and carried unanimously.

DOMINION ENERGY EASEMENT

Brian Horsley, representing Dominion Energy, was present by audio to request permission to encroach and share an exclusive easement previously acquired by the Water Authority, abiding by all National Electric Safety Code regulations for separation and installation of above ground pad equipment and underground electric lines in conduit off Jackson Creek Road in Deltaville. Mr. Walker noted that he was working with Dominion Energy's partner, Team Fishel on a blanket policy, so Dominion Energy would not have to come back to the Authority on a case-by-case basis such as this. According to Mr. Horsley, a minimum separation of 4 feet is required from fire hydrants and water meters and minimum 1 foot from water lines for any underground conductors in conduit. Documentation was included in the Authority's packet that depicted the portion of easement encroachment required. Mr. Chambers stated that he presumed all work would be done to any code requirements and separations required for utilities, to which Mr. Horsley responded affirmatively.

Ken Baybutt, Bowman Consulting, questioned if 1' of separation would be enough to allow for repair. Mr. Horsley stated that the 1' separation is a minimum required by the Code, however Dominion's policy is to try to leave as much separation as possible. The waterlines will have been installed by the time Dominion is ready for their installation at this location and their work will be done by directional boring, which gives them more flexibility to obtain more than the 1' separation. Mr. Horsley explained further that during their installation, they will expose all utilities and then be able to obtain between 2 and 3 feet of separation. Mr. Baybutt questioned whether the MWA wanted to increase the minimum separation required. Mr. Chambers asked about the average depth for installing power lines. Mr. Horsley explained that it depended on the location of other utilities that are crossed, but the minimum depth for their secondary conductor lines is 24" and primary conductors is 30". If there was already a water line at 30", the power lines would go below and would have enough room below that to have at least a 2' separation before reaching their maximum depth allowed. Mr. Chambers stated that the water lines going in are at a minimum 3' deep and the larger lines are being installed by digging trenches by backhoe and wide and deep enough that additional equipment is required to shore up the sides of the trench. Using this equipment would make it difficult to work around underground utilities if there was need of repair, so any additional information Dominion could provide would be helpful.

Mr. Horsley stated that Dominion had not moved forward on the design but would be happy to prepare information that would overlay the proposed line information onto the construction drawings. Mr. Chambers suggested holding off on a decision until this information could be provided and reviewed by the Authority's engineering team. Mr. Horsley was fine with the delay and wanted the two groups to work together.

Mr. Baybutt asked where the underground lines would go, if between the waterline and pavement or on the opposite side. Mr. Horsley stated that it depended on the location of other utilities. If Dominion is the first to use an easement that can be used by others, they typically try to stay to one side or the other. If there are other utilities already present, they work around them to get the maximum amount of separation.

Mr. Walker suggested the Authority approve the proposal contingent upon the Authority engineer's acceptance and approval. The motion to approve sharing the easement with Dominion Energy, contingent on acceptance of a final engineering plan by Bowman Consulting, was made by Mrs. Riggs, seconded by Mr. Reed and carried unanimously by roll call vote. Mr. Horsley stated that digital and paper copies of the plan could be available by the end of the next week.

Mr. Walker also thanked Mr. Horsley for his assistance in movement with acquiring power for the wells and pump storage facilities.

FINANCIAL

The motion to approve checks written since the last meeting, numbers 3039-3069, totaling \$2,202,236.48, was made by Mr. Reed, seconded by Mr. Kimbrough and carried unanimously.

The motion to approve Budget Supplements FY 2021-06 and FY 2021-07 was made by Mrs. Riggs, seconded by Mr. Reed and carried unanimously by roll call vote.

BS 2021-06: 3-1—41050-1101 Transfer from Construction Fund	- \$945,979.38
4-1 – 99010-0042 Construction	\$945,979.38

Appropriating a portion of USDA funds received 3/26/21 (total \$950,561.38) to fund Requisition #4 for Construction and Inspection Services.

BS 2021-07: 3-1—41050-1101 Transfer from Construction Fund	- \$1,185,746.53
4-1 – 99010-0042 Construction	\$1,185,746.53

Appropriating a portion of USDA funds received 4/21/21 (total \$1,249,513.63) to fund Requisition #5 for Construction and Inspection Services.

REPORTS FROM OFFICERS AND STAFF

Easement Update:

Mrs. Lewis reported that she was starting on the condemnation litigation and still hopes to negotiate more. There are currently approximately 80 unresolved property easements plus the private roads; approximately 15 of these are outside of Phase 4, Deltaville.

Construction Update:

Ken Baybutt, Bowman Consulting, reported on construction. Phase 1A – 19% complete based on invoicing. The well pumps have been purchased and installation is in progress; electrical testing is complete for some of underground services; pipes for under the tank have been installed, slab should be poured in the next week or so; tank foundation piles are installed, the hydro-pneumatic tank is on site and awaiting installation. Once it starts, the above ground storage tank will go up in just a couple of days. Within the next 60 days, the building will be going up and the vertical booster pumps will be installed. Phase 1B – 91% complete; questioning the source of water for pressure testing. Meter vaults and tracer wire will be installed in the next 60 days. Mr. Walker will be meeting with the school maintenance staff to see about using their water for 1B. Phase 2 – 54% complete. In the next 60 days, connections will be made to the schools. Phase 3A – granted their notice to proceed on May 3. Some materials have been delivered and Garney will begin mobilizing next week with two crews working, one from the Route 3/33 intersection and the other from Hartfield – east. Phase 3B – 13% complete and piles are installed; this phase is running behind Phase 1A as the same subs are at 1A and then will come to 3B for tank installation. Phase 4 – 17%

complete with most of the 12” pipe in; they should be 25-35% complete in the next 60 days. Documentation was just sent out to contractor to re-educate his crews on installation procedures.

Contractors are anxious about change orders as they recognize that prices are going up daily for pipeline and other materials.

Billing, Operation & Maintenance

Mr. Walker reported that a Request for Proposals for billing, operation and maintenance services has been released and is due back on June 11. The RFP was written so that contractors could submit a proposal for individual components. Mr. Walker knows of several local firms that could handle the maintenance part of it that may apply. A review/interview committee will be needed. Mr. Walker anticipates a variable contract with a term for transition and then maybe a longer fixed period after that. At least one solid year of revenues and cash flow experience will be needed to address the direction of the Authority. Mr. Chambers reminded members that as a new utility, “we don’t know what we don’t know” and someone is needed to initially do as much as possible. Mr. Walker stated that if the Authority can begin with an operator, even if the system is not in operation yet, he may be able to give good deployment of assets and operational experience.

Mr. Kimbrough asked if the operator would be reading the meters? Mr. Walker said that it is possible that Authority staff may do it – meters are read with “drive by” technology that is uploaded by computer and can be forwarded to the billing company. It would be good to have the operator doing it, riding the system with their eyes on it, checking for leaks or any problems.

Mr. Chambers asked for a volunteer to serve on the review/interview committee. Mr. Reed volunteered and Mr. Chambers said that he would be the other reviewer.

In addition, having an operator on board would help the Authority with firm guidance with policies. Also, there is the possibility of operating Phases 1B and 2 by the fall, which will require operations and reporting.

UNFINISHED/NEW BUSINESS

Authorization for Approval:

Mrs. Lewis requested the Authority approve the list of easements included in their packets and any others received between this meeting and the next meeting, and that the chair or vice chair be authorized to sign. Mrs. Lewis noted that there may be some slight modifications needed for Sugar Toad Lane, but it could still be approved with this set. Any that are out of the ordinary will be brought to the Authority’s attention.

The motion to approve the following easements and to authorize the signing of these and any others received prior to the next meeting by the chair or vice chair was

made by Mr. Kimbrough, seconded by Mrs. Riggs, and carried unanimously by a roll call vote:

	40-38-7
	40-16-8
P	40-37-1
P	Sugar Toad Ln
	27-8-1

Budget – FY 22:

Mr. Walker presented a proposed budget for FY 22 in the amount of \$924,275, the majority of which is carry-over connection fees in the amount of \$642,725 (\$48,000 of which came from the River Counties Community Foundation Grant. There is \$12,000 remaining in Part 1 of the grant, which started with an initial \$60,000 allocation. Once that is used, the Authority can request an additional \$60,000 that was awarded. Mr. Walker will be reporting on the grant to the RCCF Board in June.

New revenues include user fees (\$5,000), the County availability fee (\$257,000) and new customer deposits - \$750 deposits for an additional 10 customers (\$7,500

On the expense side for operations, there is a new line created for debt service, as the MWA has to pay an interest payment in September based on monies received to date. A place holder of \$110,000 has been included, but Mr. Walker hopes this amount will be more like \$80-\$90,000. Also, there will need to be interim financing from Co-Bank in order for the USDA to close their final loans to the Authority. Those debt payments will not be due until some time in FY 23. There are increases shown in the line for Auditor, postage, general liability. Maintenance service contracts has a place holder of \$100,000. It is Mr. Walker’s intention to keep this amount as low as possible until a full time operator is on-board.

For reserve expenses, the total revenue in reserve, \$650,225, (\$642,725 carry-over + new deposits) has been divided into expenses for the current system (\$573,625) and reserve capital (\$76,600) to use on future projects. The \$76,600 are the deposits received to date from new customers that signed up after the initial project closed with USDA and includes the \$7500 in new connection deposits.

Mrs. Muncy explained how the construction monies were passed through to the operating budget. Requisitions are made to the USDA for project eligible expenses and the USDA deposits monies into the construction account. Funds are transferred from that account into the checking/operating account so that checks can be written to the contractors. The Authority approves amendments to the operating budget to appropriate those funds. Some of the requisitions include reimbursements for expenditures such as recording fees or easement payments.

New Neighborhood Connection Fee Policy:

Mr. Chambers stated that the Authority is getting to the point in the project where new neighborhoods are likely to ask about joining onto the system and a policy needs to be in place for when this happens, whether an incentivized rate would be offered for connection or whether it would be at a list price. Mr. Chambers added that the possibility of offering some sort of reduced rate, as a neighborhood comes to us with a bunch of customers, has been discussed before, as long as even with a little money invested for pipes to connect them there is a positive outcome. Today the Authority is at \$7500 for a connection; initially the fee was \$4,000, then increased to \$5,000, with the connection fee based on a final connection fee of \$10,000. Individual homeowners would still connect at whatever the current price is. This needs to be a policy to respond to a developer or a community of homes when a homeowners association approaches the Authority and desires to connect, potentially their existing water system, into the Authority system.

Mrs. Riggs said that it is hard to set a policy when the costs involved to provide the connection are unknown. Mr. Chambers said that the policy could be general and based on a return on investment. Mr. Walker stated that the Authority was asked this question a lot during the initial study period. Property owners outside the initial service area were told that if the project expanded, there was the possibility of offering an incentivized approach to neighborhoods, such as Chick Cove, Whiting Creek, Urbanna Harbor, Coves of Wilton, etc. The \$4,000 incentive that was originally offered with the current project, was primarily to offer a benefit to those property owners that had signed up with the initial PPE project with Sydnor and had their deposits returned. Mr. Walker stated he could recommend a tiered discount to existing neighborhoods for a period, however, for a developer, there would be no incentives offered. The developer should construct a water system to the Authority's specifications and build to the Authority line and pay whatever the base connection fee is. In disclosure, Mr. Walker informed the Authority that there is a development that has asked to connect to the MWA system.

There are different scenarios – new development, existing neighborhood, and existing neighborhood with a distribution system. Additional discussions and costs analysis would be needed for services beyond water service, such as the costs for upsizing lines for fire protection.

Mrs. Riggs stated that the policy needs to be based on firm logic because she does not want it perceived that the Authority is not addressing the issue uniformly. Mr. Chambers agreed and replied that that is why he wants a policy in place, possibly as general now that an incentive will be offered the incentive does not cover the costs to connect them, at which time, they are told it would cost a certain amount more. Mr. Walker suggested adding the caveat already in the current subscriber agreement, that the connection will be made if it is found to be economically feasible.

Mrs. Riggs asked where the Authority would get the money from to pay to connect a new neighborhood. Mr. Walker responded that there is a small possibility

that it would be borrowed from the USDA or depending on the amount needed, funding could come from the new connection fees, capital reserves, or contingencies. Mr. Chambers noted that looking to the future, he could see the Authority doing additional borrowings to bring on new neighborhoods.

Mr. Kimbrough stated that given the complexities of the different scenarios, each one would need to be looked at independently, because there could be neighborhoods with good infrastructure where the incentive could be greater than one where infrastructure needs to be replaced and the incentive would not be as great. Mr. Chambers noted that that was what he was looking for, really the lowest that could be offered from a best-case scenario, and then go up from there. Mr. Walker's recommendation was to go no lower than one-half of the final rate. Mr. Chambers also noted that he had some loyalty to the 486 customers that signed on to the current project at the \$4,000 level. He would not object to offering a new neighborhood the \$5,000 fee that was offered for a long time. Mr. Walker also suggested that the fee would need to be paid at one time, not installments, because those funds may be needed to connect them to the system.

There was consensus among the members present that any neighborhood requests would be handled on a case-by-case basis and Mr. Walker will work on a policy for consideration at the June meeting.

PUBLIC COMMENT

The public comment section was opened. No one presented a request to speak, and the public comment period was closed.

CLOSED SESSION

The motion to convene for a closed meeting pursuant to Code of Virginia Section 2.2-3711.A8 for consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel was made by Mr. Reed, seconded by Mrs. Riggs and carried unanimously.

Upon reconvening in the open meeting, the following statement was read by Mrs. Lewis, with a motion that the statement was true and certifiable was made by Mrs. Riggs, seconded by Mr. Reed and carried:

To the best of each members' knowledge, only matters lawfully exempted from the open meeting requirements and only matters that were identified in the motion by which the closed session was called, were discussed in said closed session.

There was no action as a result of the closed session.

ADJOURN

There being no further business, the motion to adjourn until a meeting scheduled for June 16, 2021, at 6:00 p.m. was made by motion of Mr. Kimbrough, seconded by Mrs. Riggs, and carried unanimously.

Greg Chambers, Chair