

Stafford County Utilities Commission
Meeting Minutes
March 24, 2016

I. Call to order

Chairman Joyce Arndt called to order the regular meeting of the Utilities Commission at the George L. Gordon, Jr. Government Center on March 24, 2016 in the Board Chambers.

II. Roll call

Members Present: Joyce Arndt, Alan Glazman, Mickey Kwiatkowski, Mike Makee, and Bill Tignor

Members Absent: DaBora Lovitt; Hartwood District seat is vacant.

Staff Present: Mike Smith, Dale Allen, Janet Spencer, Julie Elliott, and Cheryl Giles

III. Public Presentations

There were no public presentations

IV. Public Hearings – Pump and Haul Loan Policy

Mr. Smith provided a background report about the June 2015 revised pump and haul policy and highlighted the loan terms of the draft pump and haul loan policy.

Following the presentation, the following questions and responses were presented:

Mr. Tignor asked if the loan policy is for pump and haul customers who have had their septic system evaluated and identified that an alternative disposal system is available.

Mr. Smith responded an AOSE (Authorized On-Site Soil Evaluator) would be assigned to evaluate each grandfathered property to complete a survey and determine if an alternative disposal system option is available. If an alternative disposal system is available, the subsidized pump and haul services would be discontinued after six months. The loan policy would be an option available to discontinued subsidized pump and haul customers.

Ms. Kwiatkowski asked have the septic system evaluations been scheduled.

Mr. Smith responded the evaluations have been scheduled. The customers will be notified two weeks in advance of the scheduled evaluation of the property.

Ms. Kwiatkowski asked is the \$40,000 amount a realistic amount for the cost of an alternative disposal system.

Mr. Smith responded the amount will cover the cost of the survey and other costs associated with constructing an alternative disposal system. Staff contacted AOSEs to determine cost estimates for an alternative disposal system. Most systems range from \$25,000 to \$45,000.

Mr. Makee asked what happens if an alternative disposal system is not available.

Mr. Smith responded the customer will continue to be a subsidized customer until 2022. Then they may continue to be on a pump and haul permit, but will become an unsubsidized customer unless they meet the criteria requirements that were approved by the Board.

Mr. Tignor asked how many pump and haul customers do we currently have.

Mr. Smith responded we have 20 subsidized pump and haul customers.

Ms. Arndt opened the public hearing for statements from the public. Ivy and Patrick Walsh of 46 Greenleaf Terrace made statements about the proposed loan policy.

Following the public comments, Ms. Arndt closed the public hearing.

Mr. Tignor inquired about the loan costs recommended by the staff. Mr. Smith responded staff recommends the \$40,000 loan amount for a 5-year duration at a 5% interest rate.

Mr. Makee commented it was not negligence on the part of the homeowner that their sewer system failed. Undue stress or a burden should not be placed on the homeowner. He supports the cost of a loan at the \$40,000 amount for a 10-year duration at a 1% interest rate. As a county government, we should not try to make money, but tax at the lowest amount possible. In order to make a bad situation better and move forward, he recommended not putting any unnecessary financial burden on the homeowner.

Ms. Kwiatkowski commented that she agrees with Mr. Makee comments, but would recommend the \$40,000 loan for 10-year duration at a 3% interest rate. It is only a difference of about \$30. The current equity line interest rate is about 3.74%, which makes the 3% interest rate a fair rate. In order for the county to get some security, a Confession of Judgment should be included in the policy so that the county could still have a way to collect up to \$25,000 in General District Court.

Mr. Tignor inquired about the \$200,000 allocated for funding the loan costs. Mr. Smith explained that most of the properties that were subsidized were evaluated in 2000. It would allow us to provide a loan for up to five each year. The chances that all of the properties would require an alternative system are almost zero.

Mr. Makee asked if there are plans to have the properties reassessed for taxes after the evaluations. Mr. Smith responded he discussed with Scott Mayausky, Commissioner of Revenue, about the assessment. Mr. Mayausky stated that the pump and haul is not considered as part of the assessment; however, many pump and haul customers have stated that it does affect the resale of the property.

Mr. Makee suggested staff ask the commissioner of revenue or tax assessor to reassess the property after it has been re-evaluated. Mr. Smith responded the Commissioner of Revenue is a constitutional officer and staff has no authority with regards to assessment of properties; however, the homeowner could appeal the assessment.

Ms. Kwiatkowski made a motion to recommend a loan amount of \$40,000 for a 10-year duration period at a 3% interest rate. The motion was not seconded and died.

Mr. Tignor commented that he agrees with Mr. Makee that the interest rate should be a 1% interest rate and should not be a financial burden to the homeowner.

Mr. Glazman made a motion to defer the item until the April 12, 2016 Commission meeting. The motion was seconded by Ms. Kwiatkowski and passed with a 5-0 vote.

Public Hearing – Consider an Amendment to the Water and Sewer Fees

Mr. Smith highlighted the following information: the utilities enterprise fund, current utilities statistics, the need for rate adjustments, historical rates, consumption vs accounts, adjustments to the CIP, and the average rate increase based on average gallon usage.

Following the presentation, Ms. Arndt opened the public hearing for statements from the public. There were no public presentations. Ms. Arndt closed the public hearing.

Following the presentation, the following questions and responses were presented:

Mr. Tignor asked if the decrease in household water usage taking place nationwide. Mr. Smith responded it is taking place nationwide and is due to consumers using more efficient fixtures that use less water and consumers' conservation of water usage.

Mr. Makee asked if a fixed rate to cover all expenses was considered as an option. Mr. Smith responded that it was considered as an option; however, one issue with using the fixed rate is that it covers 100% usage. In May, when customers fill their swimming pools, a treatment facility and pipes would need to be built to cover peak flows.

Mr. Makee asked if the variable rate takes into account a projected decrease in consumer usage. Mr. Smith responded that it takes into account the current usage and the projected 2.2% customer growth. A consulting company was hired to complete the financial analysis for the projected rate increase.

Mr. Glazman asked if other rate increase options were proposed for the commission to review. Mr. Smith responded the CIP was selected by the Board of Supervisors. Staff had the rate study completed based upon the projects the Board selected and projects that were mandatory due to state and federal mandates.

Ms. Kwiatkowski commented that since the water consumption is higher in the summer months, she suggested making the rate increase effective in October 2016. It would be a smoother transition because customers typically have higher bills during the summer months and the increase would be less noticeable in October. Also, it would help the utilities billing staff have an easier transition because it doesn't happen during the fiscal year end.

Mr. Glazman asked what impact the delay in the rate increase would have on the revenue. Mr. Smith responded the three month delay would be about a \$300,000 reduction in revenue per year.

Mr. Makee suggested changing the percentages to a 6% increase to account for the variables in the financial model that may not have been included in the rate study. Mr. Smith commented that if the rates are changed, it would require the information to be re-advertised and another public hearing to be held. The rates can be decreased, but not increased without another public hearing being held.

Discussion ensued about making changes to the rate increase.

Mr. Tignor made a motion to recommend proposed ordinance O16-19.

Ms. Kwiatkowski made a motion to amend Mr. Tignor's motion to include changing the effective date of the rate increase to October 1, 2016. The amended motion was not second.

The original motion was seconded by Mr. Makee and passed with a 5-0 vote.

V. Approval of Minutes

The February 9, 2016 minutes were approved as written.

VI. Commission Members' Comments

Mr. Tignor asked for an update about reports of lead in pipes in several localities and in Washington DC. Mr. Smith explained that in the early 2000's, it was quite prevalent in Washington DC because they had a lot of lead pipes. Stafford County does not have lead pipes in our system. We do have some in older homes that have lead solder, but corrosion inhibitors are added to the water to prevent leaching and the homes are routinely tested for lead.

Mr. Glazman recommended a statement, perhaps from the Board, be made about the condition of pipes in Stafford County. Mr. Smith responded a Water Quality Report is published annually in July. The report states the condition of the water. Included in the report is a message from the Director and staff can ensure the message centers around the condition of pipes in Stafford County.

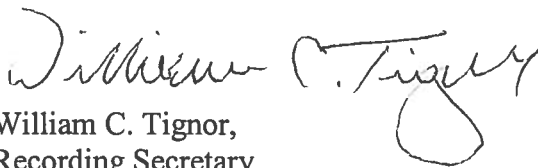
VII. Director's Report

Mr. Smith introduced Julie Elliott as the Utilities Enterprise Fund Manager.

VIII. Adjournment

There being no further business, Ms. Arndt adjourned the meeting at 8:06PM.

Minutes submitted by,



William C. Tignor,
Recording Secretary