

The regular meeting of the King George County Service Authority Board of Directors was called to order at 5:30 PM by Chairman Allen Parker in the Board Room of the Revercomb Building, located at 10459 Courthouse Drive, King George, Virginia, 22485.

Members Present: Chairman, Allen Parker
Vice Chairman Carrie Cleveland
Cathy Binder
Ann Cupka
James Morris

County Administrator: Christopher Miller, County Administrator

County Attorney: Kelly Lackey, County Attorney

Davenport & Co: Kyle Laux, Senior Vice President

Staff Present: Chris Dines, Director of IT
Jaci Fish, Executive Assistant

CALL TO ORDER

0:00:00.0 Chairman, Allen Parker: For this regular meeting of the King George County Board of Directors, we will have a call to order starting off with an invocation by Ms. Binder, and then followed by the pledge of allegiance by Mr. Miller. Please stand as you're able.

INVOCATION

0:00:11.3 Cathy Binder: Please, Lord, look over us to make sure we make the best decisions for the citizens and the rate payers of the King George Service Authority. Thank you. Amen.

PLEDGE OF ALLIGIENCE

0:00:26.4 ALL: I pledge allegiance to the flag of the United States of America and to the Republic for which it stands, one Nation under God, indivisible, with Liberty and Justice for all.

AMENDMENTS TO THE AGENDA

0:00:48.4 Chairman, Allen Parker: Mr. Miller, are there any amendments to the agenda?

0:00:50.6 Chris Miller: No, sir.

PUBLIC COMMENT

0:00:53.0 Chairman, Allen Parker: Moving on to public comment, is there anybody in the audience that would like to speak this evening? Seeing no one. Is there anyone online, Mr. Dines?

0:01:06.3 Chris Dines: No, Mr. Chairman.

CHAIRMAN PARKER CLOSED THE FLOOR FOR PUBLIC COMMENT

REPORTS OF MEMBERS OF THE BOARD

0:01:09.2 Chairman, Allen Parker: Reports from members of the Board. Ms. Binder?

0:01:13.1 Cathy Binder: The only thing I have is in speaking with the folks from DEQ, they had talked about coming and having us being able to ask questions. They just need a list of what we were interested in so that they can make sure they can arrange with Mr. Miller to send the right Department Head so that we can get our questions answered. So, I'm assuming we would like the water and sewer, and the renewables division because that concerns solar and data centers and battery storage. Is there any other thing that you guys were interested in?

0:01:47.5 Chairman, Allen Parker: Not of which I can think.

0:01:49.9 James Morris: Somebody for the surface water.

0:01:55.3 Cathy Binder: Right. That would be the water. But I'll write down surface water. You want surface water?

0:01:56.9 James Morris: Yes, because in some of the meetings I attended, we get different answers from DEQ and VDH.

0:02:05.1 Chris Miller: There is, there are some.

0:02:05.2 James Morris: What is it, 10 months now? And they still haven't given us an answer to my question, so, I think we need to.

0:02:10.5 Chris Miller: There are separate divisions, so there's groundwater or surface water.

0:02:17.5 Cathy Binder: So, is there any other?

0:02:18.8 Chairman, Allen Parker: Yes, groundwater, surface water. It might even be Storm Water Management.

0:02:24.0 Cathy Binder: Storm water?

0:02:26.3 Chairman, Allen Parker: Yes. And then obviously the sanitary sewer.

0:02:27.5 Cathy Binder: Wastewater. Okay. I'll pass that along. And then they will get with Mr. Miller to arrange when they can come in and bring those folks. But they're very excited to come and do an educational session. Thank you.

0:02:40.9 Chairman, Allen Parker: Ms. Cleveland?

0:02:44.8 Vice Chairman, Carrie Cleveland: Yes. I would like to give kudos to the staff at King George Service Authority. There are a few instances that happened in Potomac Landing where there were some posts on the King George County site about the filters in their homes and there were a lot of negative comments. And the very next day, the same person commented that the Service Authority was there, was able to come in and rectify the situation and fix the problem of the water. And I just said, how awesome was that, that it was literally just one day when they were able to service that client, which I think is just

amazing. So, thank you for that.

0:03:26.3 Chairman, Allen Parker: Ms. Cupka?

0:03:31.3 Ann Cupka: Thank you, Mr. Chair. I echo Ms. Cleveland's comments. They even posted video of the flush that they did. So perhaps later in Mr. Miller, in your report, if you could have staff just walk us through briefly on what they did to remedy the situation so everyone can hear about that. It was a real turnaround. It took a pretty ugly complaint, and it turned it right around. So, thank you very much to our staff for that.

0:04:07.8 Chairman, Allen Parker: Mr. Morris?

0:04:11.1 James Morris: Nothing, but again, to thank the staff for their quick response to that situation.

0:04:17.9 Chairman, Allen Parker: And as for myself, I don't have any particular report, but I do want to thank the staff. I did hear from some of my friends who live in Potomac Landing, they did see the Service Authority out there helping several customers, I think. I don't think it was even just one, because they said they were there for a couple days in a row. So, I do appreciate that and all of the hard work and effort that you guys put into helping the customers. Moving on to the consent agenda.

CONSENT AGENDA

0:04:45.6 Vice Chairman, Carrie Cleveland: I move to accept the consent agenda as written.

0:04:49.6 Cathy Binder: Second.

0:04:50.2 Chairman, Allen Parker: I have a motion made and properly seconded. Is there any discussion? Seeing no discussion. All those in favor?

0:04:57.4 Cathy Binder: Aye

0:04:57.4 Ann Cupka: Aye.

0:04:57.6 Vice Chairman, Carrie Cleveland : Aye.

0:04:57.8 James Morris: Aye.

0:04:57.9 Chairman, Allen Parker: Chair votes aye. Motion carries. Moving on to Board Commission Agency Reports and Public Hearing. We have a presentation by Davenport.

DAVENPORT & CO PRESENTATION, KYLE LAUX

0:05:10.0 Kyle Laux: Mr. Chair, members of the Board of Service Authority, nice to see you this evening. Are we up on the screen here, Mr. Dines? I'm going to hand out some hard copies here in a second as well. And so, with that up on the screen, again, nice to see everybody on an October afternoon. Somehow October came around. But what we have

tonight is a little bit of rehashing some topics we've talked about in the past. And I know we have discussed within the context of the Service Authority. And that really is this concept of, thank you Mr. Dines, concept of taking the Service Authority, which is an independent Water and Sewer Utility, and has been for a long time, and thinking about bringing it under the umbrella of the County as a County Utility Department. And in doing so, making sure that the finances of the Service Authority are maintained intact, and making sure that the finances and the credit ratings of the County are unimpacted by that process. And so, we just wanted to bring a little bit of that forward, certainly answer any questions. I know by virtue of background, that's been a topic that you've been discussing. So, we want to just give a little bit of background, talk about that, and then certainly answer any questions that you have in the context of everything that is going on with the County and the utility, which is a lot. So, on page one, if we just flip the page there and we have really had the good fortune at Davenport, myself, and my colleagues to really work with the County and the Service Authority effectively this entire time period. But you all know this. And for the public, the Service Authority was established in 1992. So, we are about 30 years in the business of the water and sewer side of things. And as you know, it is technically a separate political subdivision under state law. You see them pretty widely across the state to operate water and sewer that's really run by, you know, local government, but governed by a separate Board. And so, you see the composition of all that. I don't think I need to belabor this on page one so we can keep going. But as we get to page two, we get to a little bit more of the finances and the background. So, when that utility, when our Service Authority was set up in the '90s, it really was, it was small, it was startup, it was a bunch of neighborhoods, as you know. And so, to run that as a business, it required help from the General Fund, required help from the General Fund for a bunch of years, while it was a, call it a growing business, and one that was adapting to what was at the time a rural County in King George, we are still pretty rural, but growing. And so, we just, in that '90s time period into the early 2000s, needed some of that support from the General Fund to run the business. And I keep using that term business on purpose to make sure that the water and sewer service could be maintained. You fast forward to the 2008, and the 2009 time period, the, you know, great financial crisis of that time period, the great recession some people call it, and by that time, the pressures on both the County and the Service Authority were great enough that a plan was developed to say, you know what? We really need to run this utility, meaning water and sewer business just like a business, and make sure that the users of the system, the system had grown a bunch by that time, the users of the system were able to pay for the system and thus take some of the pressure off of the County and its General Fund because there's so many other needs that the County was having to take on. And so that transition and that plan was done in and around 2008, 2009. And since that time, the Water and Sewer Utility, the Service Authority has been self-supporting. What we mean by that is that the users of the system, the revenues of the system, are able to pay for and cash flow the operations, well, the operations and the debt service of that Service Authority, which is again, what we call a self-supporting enterprise. That's really the way you want to run any business, whether it is water and sewer, anything in that variety. And so, we've had that track record of running the Service Authority as a fully self-supporting entity, as a fully self-supporting business for basically over a decade. So, as we get to page three, we've obviously been in this time period the last several years, there's a lot going on in King George County in terms of call it updating and modernizing a lot of how the Water and Sewer Utility are operating. You're in the forefront of that. You're much more experts in that than we are. But that's involved certain things on the operational side of the house. It has certainly involved making some big investments



on the capital side of the house, some of that with grant funding, some of that with debt funding, some of that with cash funding. And so, we've worked through that time period where in the last five years been able to maintain the self-supporting nature, make sure the General Fund is not supporting the Water and Sewer Utility, keep it as a self-supporting business. And that, you know, last plan was really created and enacted about 2019 and continues until today. And so, as we get to page four, again, with a little bit of history, I purposely went through that quickly. I think you on the Board are obviously very much aware of that. As we get to page four, we make a couple of observations here, where we stand, you know, October 3rd, 2023, and thinking about the Service Authority. It is very intricately tied to the County and its future. So, your economic development growth is going to be dependent upon a lot of different factors. But one of those is certainly the availability of water and sewer service. We know King George as we do so well, you're going to continue to grow certainly at the pace that the Board of Supervisors knew so determined. But we really see that continuing to be your future. You got 301, you've got overall growth of 95, you've got potential, certainly data centers coming. A lot of that is going to continue to grow and evolve in a pretty quick fashion. And you need to make sure you've got good water and sewer in order to support that kind of infrastructure investment. As we get to the bottom of the page here, and we talk about that growth and development, one of the things that has really underscored the ability of the Service Authority to have such good financial results the last couple years is the fact that we've had good new connection related, whether it is residential or commercial. We've had nice revenues from that sort of economic development type of growth. That's been a big benefit. It is allowed the authority to be in a much stronger financial position today in 2023 than it was in 2019. But that kind of growth and development is always uncertain. You never have a crystal ball. You don't know exactly when it is going to come. And so, we always like to think about that separately from the way we think about our recurring, call it bimonthly bills that everyone that's already a user is paying for when indeed they get those for purposes of water and sewer service. So again, as we think about the future of the Service Authority, one of the things we think about is what is the trajectory of the growth, how much certainty do we have in that? And how do we build that into the plan? So, as we get to page five, we will talk about a little more specificity here in terms of where we are and maybe where we may be heading. And as we said here at the top of the page, I think what we are really being asked to do right now in the continuum of everything that is evolving in King George, is really be thinking about with you what is the future of the Service Authority look like and what does it really look like, whether it is a Service Authority or Water and Sewer Utility, to make sure that you've got the water and sewer service that you need for the residents to make sure that the County is insulated from a financial standpoint. And to make sure that you've got the capacity to continue to grow and make those investments into the future. So, as you get to the middle of the page and really thinking about, at least from our perspective, I know the County Attorney certainly has greater expertise in this in terms of the legal side. But as we maybe think about and evaluate if we as a County overall, and I use that term meaning the Board of Supervisors and the Board of the Service Authority, want to transition this from a Service Authority to a utility of the County, there's kind of four different areas here in the middle of the page that we would be thinking about and wanting to evaluate in terms of a plan. So, the first of those, we said day-to-day operations, not our expertise. That's your expertise working with Mr. Miller and others to make sure we can transition that. That probably works out just fine. The second, making sure that between the regulatory side of things, that all can kind of be worked through with the DEQ and VDH. The third is the legal side of things, in terms of making sure this kind of gets into our bond

documents, et cetera, are we able to transition that from a Service Authority over to a County? Which I'll just cut straight to the chase there and say we are able to do that. We've done some vetting of that. And the fourth aspect is on the financial and debt related side of things. And this really in fairness is where we can offer the greatest amount of commentary tonight in terms of how we really think about the finances which includes the debt of our Water and Sewer Utility in the context of whether it is a Service Authority or whether it is a County. And so, we will talk about that in the next couple pages. As we flip the page, so page number six, just to give a little bit of history here. So, from a financial standpoint, we mentioned this is really going back from 2014 to about 2022. So, about the last eight years of finance, you see your revenues, you see your expenditures both in terms of the operations and the debt service. If you really take your eye to that graph, what you see is that from 2014 to about 2019, right before we reset that last plan, we had pretty thin margins in the Service Authority. But we are able to make our way through, Mr. Dine, just flip back to that page if you don't mind, able to cashflow that, again, without any support from the General Fund. As we get to the 2020 time period when really the last plan was reset, what we are able to do is rework and restructure the existing debt, rework and restructure the operations, including the rates, and get to a place where if you just visually look at that, we have got a yellow line there. That's our revenues, the bars of the expenditures, that gap there is much, much greater financial flexibility on an annual basis that the Water and Sewer Utility has had over that last three-year time period. So, we are in a much stronger financial position today than we were going into that 2019 time period. And so what we really want to do is get to a point where we've got a new plan, probably a new five-year plan that whether it is under a Service Authority structure or a Water and Sewer Utility structure, keeps that same level of financial independence, keeps some good solid cash flows so that the reinvestment that needs to happen can happen for purposes of running the system all while doing so and limiting to the greatest extent possible, user rate increases on an annual basis. And so, we've got a good, you know, sort of wind in our sails to be thinking about that. But the challenge right now is, how do we do that and how do we think about it going forward? So, I think if we flip the page, go one more page here Mr. Dines, we will talk about, where does the existing debt profile of the Service Authority stand? And this is important, we know it is a topic of conversation often, so I want to give a little context around this. So the Service Authority has debt outstanding, just like most, if not every, but most water and sewer utilities across the state, across the country, it is a, what we say a capital intensive business, meaning the majority of the business requires pipes and pumps and heavy equipment running all over the County, interconnected, those types of things are, A, expensive, and B, they last a long time, and so they're things that you would, absent other choices, want to go and borrow and pay for over time, which allows the users of the system to pay for over time. The parallel I might draw as we look at this slide is the existing Service Authority debt, it is a little bit analogous to your home mortgage, and so if you've owned a home at some point in your life, you probably purchased that with a mortgage, at various points you may need to refinance that mortgage, you may have taken out a home equity loan to make some improvements, might have had to re-work the budget to make sure that you could fix the leaky roof or fix the air conditioning, etcetera. But really, at the end of the day, the house comes with the mortgage. In a perfect world, would you like to have a house and not the mortgage? Certainly, but for the majority of Americans, the house comes with the mortgage, the Service Authority, I think that is hopefully a decent parallel in terms of if we are going to have a Water and Sewer Utility, it is going to need capital investment, a lot of that capital investment dollars comes from borrowings that are done over time. And so that's really

what we have here. Currently outstanding, there's about \$21 million plus or minus in terms of outstanding debt, you can see, if you look at that graph on the right hand side, the structure of that debt, meaning the payments into the future, and what you see is it does gradually increase over the next couple of years, that's a by-product, it is not an accident, by-product of that 2019 financial plan that really carved out some time for you as a Water and Sewer Utility to grow your revenues, to kind of reset the operations of things, get to a point where the operations are modernized, we've been able to build fund balances and reserves, and so that sort of worked, it has worked over that 2019 to now time period. And so now what we look at is we've got a couple of years where that debt service will continue to increase, it is about \$1.5 million, plus or minus, it'll go up to about \$2.2 million over the next couple of years.

All of these are fixed rates, so as the market moves and you see interest rates increase, our debt is set, it is not moving, but it is something we need to work on the planning of things. Importantly, the existing Service Authority debt because it is entirely paid for and has been for a number of years by revenues of the Water and Sewer Utility, this does not count against the debt capacity of the County, so I know I'm talking to the Service Authority Board right now, and certainly all residents of King George County. So you're interested in both, but for the public, etcetera, so long as the debt of the Service Authority is paid for by the revenues of the Service Authority and it is not coming from the General Fund, this doesn't count, so to speak, against our General Fund ability to go to schools, to go to fire stations, to go to do all the other things that the County and the Board of Supervisors have identified as priorities and are moving forward with. Very importantly, if the Service Authority were to seed and become a utility department of the County, that same situation could still exist, meaning, if the Service Authority were brought underneath the umbrella of the County, this debt could be reworked, it can be brought under the umbrella of the County, but if it is done so in such a way that the revenues of the utility continued to pay for the operations and the debt service, and we are not sending money from the General Fund to support the Water and Sewer Utility, this debt in and of itself is not hindering, it is not counting against the County's ability to do schools and fire stations and all the other things that have been identified as priorities and projects for purposes of the County. The Service Authority debt does have behind it, and I think would continue to have behind it, what's called a moral obligation of the County. And so again, use a personal finance corollary. What that really means is that, first and foremost, the repayment mechanism of this debt is really from the revenues of the water and Sewer Utility, so that's first. If, for some reason, they're not sufficient, the county's moral obligation backing behind it really acts as kind of a co-signer on a loan, so again, use that personal finance corollary, no different than if maybe you wanted to buy a house or buy a car or something, those varieties, early in your adulthood, you didn't have quite the work history or the income to show to the bank, hey, I can do this by myself, your parents might have co-signed on something like that, that's a similar setup to what currently exists with the Service Authority debt. And I think would continue to exist with the County Utility but can be done in such a way that the County Utility would not be burdening the debt capacity of the County, again, to do the schools and the fire stations and the different aspects like that. So, I'll pause there and see if there are any suggestions are there' particular topics as we talk about all these different things, tends to drive a lot of top conversations, questions, etcetera, so let's see if there's any questions there from anyone on the Board.

0:26:00.8 Cathy Binder: I have a lot of questions, so if somebody else would like to go first. Okay, you're ready? So, one of the first things I have is you just mentioned a

clarification, because I know out and about that folks think that if it is brought onto the counties that everyone is going to be paying the debt of the Service Authority, so to keep the bond rating that really can have to come from the revenue that is brought in. So that really isn't a good idea, is what I'm trying to say.

0:26:30.5 Kyle Laux: Yes, so I think another way to say, Ms. Binder, is, if it is brought under as a County Utility, you can operate it the exact same way financially, and I think you want to operate it the exact same way financially, whereby the revenues of the Water and Sewer Utility, and I'm purposely using that term, a lot of terms get thrown up, but the revenues of the Water and Sewer Utility are fully paying for the operations and the debt service of the Water and Sewer Utility, so regardless of whether you call it a Service Authority or a utility fund, that same situation can and I think should exist if it is brought underneath the auspices of the County.

0:27:10.8 Cathy Binder: Now, you also brought up for economic development, so what happens if you have to go out for a bond for something, for infrastructure, not from that debt. This is something new. How is that treated? Would that go towards the Service Authority? Would the County be doing that, and would it become the County's debt?

0:27:29.4 Kyle Laux: It depends. So when you say infrastructure and economic development, it really depends on what the repayment source is, and so if we go borrow for whatever the infrastructure may be, and the repayment source is from the revenues of the Water and Sewer Utility, that would count against the Water and Sewer Utility, if we go borrow for infrastructure, whatever that may be, and the repayment source is from the general tax revenues of the County, that would count against the capacity and the ratios of the County itself. So, I think the way you want to look at that is, where is the money coming from, where is the revenue coming from to repay that debt service?

0:28:15.5 Cathy Binder: Which is understandable, but once it is under the County's umbrella, wouldn't it be thought of that what I'm thinking of, say there's a big economic project and you need to bring water lines and sewer lines. Is it normal that the locality then would pay for this because it is now under the County, or would it be the Service Authority?

0:28:34.7 Kyle Laux: Anything with economic development is going to have some nuances to it, and so it is going to depend upon, again, where that repayment source is. So, if the thought is you're going to go run some water lines, and you want the cost of those water lines to be borne and paid for by the Water and Sewer Utility, that'll count against the Water and Sewer Utility. If you want the cost of that debt service to be borne by the County residents, that'll be borne by the County and its debt ratios and its debt capacity.

0:29:12.5 Cathy Binder: So, I see this as a way to absorb and spread out the costs of any infrastructure improvements for economic development onto the citizens of the County, not just the rate payers, correct, in this model?

0:29:27.3 Kyle Laux: I'm not sure I'm entirely following.

0:29:33.2 Cathy Binder: We talk about all the new economic development that's coming, and not all economic development projects, as we see with the cloud infrastructure grant

get paid for by the business that's coming in, even though they're bringing these big projects that need infrastructure, so is this a way to spread out the cost of that site readiness to the whole County as opposed to just burdening with the rate payers?

0:29:56.3 Kyle Laux: No, not necessarily. I think wherever that infrastructure, which I think kind of the problem in answering that question is a little too vague to give kind of an exact specific answer. You've got to look at a specific project and say what is that project being constructed for, and how it is going to be repaid.

0:30:23.7 Chairman, Allen Parker: You can correct me if I'm wrong, I'll try to clarify, right? And it has been done before, it operates exactly the same, like when the Sheetz and Tractor Supply went in, economic development on the County side paid for the sewer and water lines to go out there. So that came up under economic development, and that was paid for by the County taxpayers. However, if you're adding a well or something like that to the system that's already on it, you need to replace that or whatnot, that's been handled under the utility. So, I think kind of where you get it. In general terms, things that are economic development-oriented only that are specifically going to advance the customers of the Service Authority or the current needs of the existing customers generally fall under an economic development, where the piping, the whatever, unless those fees can be absorbed back from whoever is going in as the final user or whatnot, so you have big pump upgrades or whatnot that are needed for X development, they may be paid for by economic development, which is currently what happens anyway, is the Economic Development kicks in funds and pays for it, but if it is something more along the lines of, you know, we are upgrading treatment plants and whatnot, they have to be done just for the growth, usually those things occur under the Service Authority themselves, is that correct?

0:32:00.3 Kyle Laux: Yes, I think that's right. I think that's probably maybe a more eloquent way and more precise way to talk about it, but Yes, when you're improving something that is specific to the existing system and you have to upgrade it, or if somebody's adding on a new housing development, something like that, you really want for that to be paid by the users of that water and sewer system. And so that tends to be in that area. If it is something that is not in the lines of a typical. You're adding a house, you're adding some other things, maybe have some other ancillary costs, then you might look at it with a different lens.

0:32:35.4 Cathy Binder: Right, I just wanted to clarify for those that are watching, what absorbing this means, because not all Economic Development projects pay for their own infrastructure, as we see with the Cloud Infrastructure Act, so this is a way to spread that cost over, which I understand for the rate payers, they would not feel that, you know, why are we paying for this, because this benefits the whole County. I just want citizens to be aware that are watching that there's a lot of nuances to absorbing the Service Authority, and it does hit the pocketbook.

0:33:09.9 Kyle Laux: There are nuances.

0:33:12.2 Cathy Binder: Mr. Miller, hold on a second, I'd like to hear the answer.

0:33:15.8 Chris Miller: Sure.

0:33:15.9 Kyle Laux: I think what you're describing can actually happen, whether it is a Service Authority or a County Utility.

0:33:22.6 Cathy Binder: Correct, correct. But this is all part of it.

0:33:25.7 Kyle Laux: Whether it is part of it or not, whether it is a Service Authority or utility, what you just described can and probably at some point in history has occurred, so it is not necessarily was a Service Authority or a County water utility that's really viewing and looking at maybe I think what you're talking about is an economic development project and some of the specifics or the nuances of it and how that fits in the overall picture of the County, that's not, at least in my opinion, what's driving this type of discussion.

0:33:53.8 Cathy Binder: Well, what I hear, and it is even in your documents, I hear to help with the economic development, so that's a clarifying question is why I ask is, this has been going on for a little while, but there seems to be a push right now to make this happen, and so I just want it clarified, and then I'm still concerned and I haven't heard how this will affect our ARPA funds, and I don't know if you're the person to ask that question or Ms. Lackey, because we have never gotten a clarification on that.

0:34:22.4 Kelly Lackey: So there was a representation at one point, I believe from VDH to Mr. Miller and others that if there were more than \$10 million of grant funding, then it wouldn't prohibit a merger, but if there was a large amount, you would have to follow Davis-Bacon rules, specific wage rules under Federal law, which would increase your project cost. So, when this discussion first came up two years ago, that was a deal breaker, so to speak. We wanted to maximize our grant funds between the County and the Service Authority and not join them together, but subsequently Ms. Hahn has looked at the issue, and she has clarified that it is 10 million per project, regardless of who does the project, and in fact, the Service Authority has one or more projects that would be over 10 million, so there's probably going to be a project that will be subject to some of those federal contracting rules, whether or not there is a merger, but to my knowledge, there has not been any further representation by VDH or DEQ that there's a prohibition on a merger of the Service Authority and the County.

0:35:42.5 Cathy Binder: Thank you for clarifying that. And then one of the other questions doesn't really go to finances. The employees that are of the Service Authority, so how does that work when you bring it under? And that you might not be the one to ask that one either.

0:36:00.5 Kyle Laux: I'm not the one to ask that. Mr. Miller.

0:36:03.6 Chairman, Allen Parker: I think I can answer this, haven't talked around a bunch and Mr. Miller can jump in if he wants, but how it is operating now, we are paying for the employees that are currently under the system with the rates and whatnot, those same employees would be paid through the system, they would be under the utility and the utility employees would be paid ostensibly by an enterprise fund. You can correct me if I'm wrong, we set this up as an enterprise fund, so it is basically its own bank account, it operates separate from the County's funds, and it is self-sufficient, so anybody, our maintenance crew, our administrative staff that's currently in the service are under the Service Authority right now, would be part of the utility department. That said, if there's a

utility, whoever the department head would be, would also be paid out of that same fund, so the employees would be part of the operations if I'm not mistaken.

0:37:13.8 Kyle Laux: That's how we would think about it. That's right, and it is done very frequently, so like Spotsylvania has a Water and Sewer Utility department, Henrico, Chesterfield, Richmond all have Water and Sewer Utility departments that you can look at their audit, it is all accounted for very distinctly from the General Fund and any of the other funds. And I'm probably over-simplifying a little bit, but there is a widespread precedent in the Commonwealth to have a Water and Sewer Utility enterprise fund is the correct term, that is fully accounted for, fully operated separate from the General Fund, operates under the Board of Supervisors as opposed to the Board of Director of the Service Authority, but is still financially entirely independent of the General Fund.

0:38:08.0 Cathy Binder: As you said earlier, you can set it up that way to make sure that there is that separation.

0:38:13.1 Kyle Laux: That's correct.

0:38:14.4 Cathy Binder: All right, thank you very much.

0:38:22.1 James Morris: Okay, I have a very weird scenario for you here, we've said that water and sewer funds would be separate, would not co-mingle with General Funds, and we won't get any money from General Fund. But can it go the other way? And the reason I bring this up, and we found this out, I believe it was 2008 at the state level, VDFP fire programs is totally funded by the insurance industry, they get no funds from the General Assembly, but under some state regulation the governor can take 10% of VDFP's budget. And there was somewhere else where money was taken from an outside source into the state's General Fund. And unfortunately, I'm drawing a blank right now as to who it was, but obviously we are not in a position now, but down the road, hopefully we are growing to the point we start making nice revenue, is there a possibility of them saying, oh, EMS billing, that's the other one I was going to think of, by state law, EMS billing has to go through into General Fund before it can be dispersed, and you know as well as I, is as soon as anything touches General Funds, it is up for anybody to try and grab. So, my question is, is there a way to protect water and sewer assets funds from being grabbed by General Funds?

0:40:25.2 Kyle Laux: Yes, is there a way to protect it? There definitely is. I think what would really happen, if this all were to play forward and the various Boards wanted to go forward with the County, part of what would need to be done is we'd need to for both financial reasons, and I think the reasons you're stating, we'd need to rework some of the documents around how the revenues flow for the Water and Sewer Utility. So, this is way in the weeds, it was a good question, there is a, what's called an indenture. And so, an indenture is a bond document that dictates the flow of funds in a business enterprise like this, and so it is basically going to lay out as a contract, it is going to say, okay, the dollars come in here and they can be used first for this and next for this and next for that. And so that is, if and when that all went forward, that's where that type of a provision could be worked into that, as you said, if you wanted to allow that, or not allow that, that's where that would be worked into the process.

0:41:35.4 James Morris: Thank you.

0:41:42.9 Chairman, Allen Parker: Any other questions? Okay.

0:41:47.8 Kyle Laux: We just have a couple of others, and we can certainly wrap up unless there's anything else you have, but I think if we flip to page eight, zoom out there just little bit. I'll try not to rehash too much here on page eight, but if indeed this, again, were to go forward and the Board wanted to do this, it is common to have a Water and Sewer Utility that is fully self-supporting under the umbrella of the County and accounted for as an enterprise fund, very much commonplace. As long as we don't have those General Fund transfers to support that utility, the debt is not a hindrance on the County, and I think, obviously knowing how much the County is going on, school needs, etcetera, we want to make sure that continues to be the case. And so, we are very much aware of that. Users of the system continue to pay for the system, if we get to nuances, things of that variety. Mr. Morris brings up a good question, which is when you really get into the details of this, there's ways to build in specific provisions to either allow or not allow certain transfers to the extent that's, you know, some details that need to be worked through in the future. As we talk about the debt, we've talked a fair amount about that, there is an ability to look at that existing \$21 million in the context of all the other capital infrastructure that has been identified as needing to be done in the context of the fact that we know we've got a bunch of grant funds and to really re-look at both the existing debt structure, how the CIP is funded, what the revenues and expenditures look like, what the rates and charges are. I think this could be a great opportunity for this utility to take a full and fresh look at rates and charges, make sure they're fair and reasonable, make sure that the rate structure, the tiers, make sure they are industry standard and in good shape. We look at the debt structure, make sure that makes sense in the context of how much has evolved in the last five years, knowing that we have a lot of investment to make, but also knowing we've got a bunch of grant dollars, and so it really provides I think an opportunity to take a fresh look and get a good restart on all of those different areas, all while not hindering and burdening the General Fund in the process of doing that. So lastly, on page nine, we've got a couple of next steps here, but really, this is entirely up to you as a County at large, and we basically said there over the fall I think what our plan would be, and really whether it is a Service Authority or utility, I think this is a good time to be doing this regardless, is first, go look at what our capital requirements are for the water and sewer system, they've grown over time, we have VDH and DEQ mandated things, we've got very nice grant dollars, go re-look at how all those puzzle pieces fit together and get a good new five-year plan going. That's step one, at least from our standpoint. By the fall, obviously, Donna is over my right shoulder somewhere, as we get a couple of months in, we will know how we are doing in terms of the finances, year-end '23, we will know what the middle of the year looks like. That's a good measuring point as you think about next year's budget. So really getting to winter 2024, getting a good new, at least five-year snapshot of what we think that whole trajectory looks like for the water and sewer system, and do that over the winter time, so as by the time you get to spring and summer, you can start enacting some of these things, whether it be reworking the debt, whether it be transitioning from the Service Authority to Utility, if it is now October, I think between now and call it the beginning of the next fiscal year, there'd be a bunch of work to be done, but that is kind of how maybe we would think about that process playing out. So hopefully, Mr. Chair, that was helpful, and happy to answer any questions that you have.

0:46:11.0 Cathy Binder: I want to say I thank you for the first part, the fall 2023 because I think we do really need to have a list of what our real needs are and down to what would be nice, and I think a strategic plan is in there too, that we really need to have for the Service Authority especially, to move it under a County Utility, that needs to all be, because of its history, needs all to be planned out, so I do appreciate. But I want to add one caveat on there, I know two years ago we did a water supply plan, that needs to even be updated because data campus was not in the water supply plan, it might have been a data center, but not a data campus. Thank you.

0:46:50.7 Chairman, Allen Parker: Yes, I agree with the water supply, also DEQ is doing a lot of wrenches in that water supply plan that weren't apparent a couple of years ago. I do really appreciate you making this presentation, I just want to kind of reiterate for the general public who may not have listened to the special meeting we had with the supervisors, the reason we are considering this switch to utilities, because for all intents and purposes right now, we are operating as a utility, if we were a separate entity, we'd have our own HR, our own finance department, our own Procurement, whatnot, every single thing is run through the County. Ms. Hahn does our finances, Procurement does our purchasing, and they put out the bids or requests for proposals for all the major things that we do, HR helps us staff, they find the staffing, they help us coordinate all that, and Mr. Miller is our interim general manager. So right now, the County is operating everything other than there's no utility, there's no utility and name, there's a small separation, and it is being looked at from a personal statement, but as the County grows, having the utility. The utility is an advantage, we are not going to get big enough and fast enough to be a separate entity operating on its own, being able to purchase land, do things.

Prince William, who is very, very large, and has a lot of customers. So as a County Utility, you are getting the benefit of all the knowledge and whatnot that the County has, I mentioned this before, the County and the supervisors are well attuned to the different grants and whatnot that are out there, not having them on the Board, but not getting us a lot of grants. Ms. Cupka, a lot of kudos for helping bring a lot of staff in on that end, but we just don't follow that staff from our end. We don't operate in that kind of governmental entity to get those extra funds, so I just think from a perspective of being very small, right now a utility makes more sense because you'll have better financial controls, not that we don't already, because everything's sort of been switched to the County running it. It has been taken out of the day-to-day operations of the Service Authority, it just makes it more official, so that's why it is being considered, so I just wanted to get that out there for the general public. Are there any other comments or questions? Alright. Well, thank you.

0:49:41.4 Kyle Laux: Thank you.

DISCUSSION ITEMS

0:49:46.3 Chairman, Allen Parker: Seeing as we have no action items, just some discussion items, Ms. Lackey, discussing the draft resolution.

0:49:56.1 Kelly Lackey: Yes. In your agenda packet, there is a proposed resolution, the recommendation of Mr. Parker was just to have a discussion on the drafting of that resolution this evening without an expectation that you necessarily voted up or down tonight, so I'm happy to take comments and questions about the drafting, the recitals, kind of just state the history, the relevant history, and then in pertinent part, Virginia statute

requires in order for the dissolution of a water and wastewater authority, that there be resolutions. The resolutions to originate from this Board of Directors, and then the Board of Supervisors would need to confirm by their own separate resolution that either it is impracticable to keep running the organization as a separate entity for whatever reason, or that it is absorbed entirely by another entity. So in this case, it would be a recognition of kind of as Mr. Parker was describing that for a lot of purposes, there's functions of the Service Authority that are already performed by the County, so it is relatively impracticable to continue operating as a separate entity from the County, but the request also to the Board of Supervisors in addition to concurring that there should be the dissolution of the Service Authority would be that the Board of Directors would also, a majority of the Board of Directors would need to be willing to accept the remaining functions of the Service Authority that are not being performed by the County. There's an additional provision that directs the County administrator to develop a transition plan and to work with the County Attorney and financial consultants on that, and to eventually, assuming there is action by the Board of Supervisors, and I just say assuming for purposes of moving forward, I'm not assuming anything, that they're going to act in a certain way, but should they choose to concur in that, the goal would be to have a full dissolution by June 30th to match with the fiscal year. Now, that's a little bit ambitious, it would definitely need action very shortly by both Boards. That date is likely to slip if we don't get action by the Boards, and it is perfectly understandable if you need to take more time in consideration, but for some of the reasons that were discussed at the work session as well as some of the reasons that were discussed by Mr. Laux and also by Mr. Parker, if the Board wanted to consider going in this direction, this would be the initial step towards that goal.

0:52:53.4 Chairman, Allen Parker: Are there any questions?

0:52:53.5 Cathy Binder: I would like to know, because this would all have to be part of this decision-making. Number one, is there a public comment period, or does there have to be a public comment period?

0:53:02.5 Kelly Lackey: There's not required to have a public comment, but you can always have more public comment that's required by law, so if you all wanted to advertise it for a public hearing item, that's certainly something that you could do.

0:53:16.7 Cathy Binder: And then two other questions, one is, what would the Board structure be like? Because one of the problems in the past was the Supervisor being all the Board members, sometimes to get re-elected they didn't make the best choices. Do you know what I mean? So that would have to be and then also the organizational structure after it is absorbed, that would be very important, because that's all part of the decision making to do it also.

0:53:41.7 Kelly Lackey: I agree, so that's part and parcel of this discussion, because typically at the department level, there's not quite as much operational oversight by the Board, you'd probably be looking at a department head, that I would defer to Mr. Miller and the developing of a transition plan to kind of structure that, and certainly if there was a need or a feeling you all might want to retain some folks on an advisory capacity, or that's just a suggestion or a thought, if you wanted to see through a transition because it is not going to happen overnight, and there's projects that are already in operation that you might want to have folks' eyes on and looking at. Again, I don't want to assume, but it would be a

new hire who would be in the position of department director, so some kind of continuity there would also be helpful.

0:54:53.5 Cathy Binder: Because that was one thing, we need that structure for oversight. And the question just went up right out of my head, but Ms. Cleveland has one and I think I'll remember it by the time Ms. Cleveland is done.

0:54:53.5 Vice Chairman, Carrie Cleveland: Yes, I was just going to make a comment and just ask the Board members, considering that we've been thinking about this and talking about this for two years now, would it be acceptable to have it as an action item on our next agenda?

0:55:08.2 Chairman, Allen Parker: That's the plan. Ms. Lackey can correct me if I'm wrong. These resolutions basically say, we are willing to switch it to a utility, the County is willing to take it as a utility, and there's a boatload of work and votes to actually make it finalized, which you have to figure out the structure, the financing, everything has to work out, and if I'm understanding there has to be almost the final vote on it to get it to the end, or am I misinterpreting something?

0:55:40.5 Kelly Lackey: And so you would need a resolution by each of the Boards, and then you would actually have to file what's called articles of dissolution with the state, so the state would have a role as well, they'd want to see what your transition plan is, and you could also phase things in, the example I've seen of Pennsylvania County, they in some ways, this is not even necessary here, but they adopted the Service Authority as it was on its way out the door, adopted the policies of the County for its employees, I think in large part that's already been accomplished here and things like that, steps moving in the direction of consolidating things. So, there may be things that phase through over time, and that's something that staff would certainly, and consultants would work with you all on.

0:56:32.9 Cathy Binder: And that's what I'm getting at. To make this big a decision, we need to have some structure before we start the process and you may be able to start the process, but we need some timeline and a structure that we vote on. And I said this in previous meetings, because a lot of times we make decisions and then don't have the structure and timeline, so there needs to be a process and a timeline and dates that have to be hit before we make such a big, monumental decision to absorb it into the County. And there is an election coming too. So that concerns me too, because the public feels that we are rushing things before an election.

0:57:09.8 Kelly Lackey: So, I can't speak for the timing necessarily. And that's up to the will of the Board. But I will say if you started the process now, the Board of Supervisors could be actively involved in setting the budget for the next fiscal year. So, in that way you wouldn't, the Board of Supervisors would be more involved from the outset rather than inheriting financial plans and budget. They would be involved in that process before they would necessarily agree to take on those obligations going forward.

0:57:45.9 Ann Cupka: Mr. Chair, I agree with Ms. Cleveland's suggestion to put it on for action at the next meeting. It is noted in the memo from staff that in the event the Board of Supervisors adopts a similar resolution, the draft would direct the interim general manager to develop a transition plan. So, we would be looking forward to that plan once we direct

the interim general manager to do so. And I would also note that we had an initial work session with the King George County Board of Supervisors to discuss a proposed merger with the County and formation of a utilities department on March 22nd, 2022. So, Ms. Cleveland is correct that we have been batting this around for about two years, so I'm willing to move forward with it at the next meeting. Thank you, Mr. Chair.

0:58:49.8 Chairman, Allen Parker: Do we have any other comments or questions? All right, thank you Ms. Lackey. General Manager's Report.

GENERAL MANAGER'S REPORT, CHRIS MILLER

0:58:58.5 Chris Miller: Thank you, Mr. Chair. So, let's go ahead and ask Mr. Eisenbeis to come up and brief you all on the Fairview Beach activities last week. And we certainly appreciate both Ms. Norris Barker and Mr. Eisenbeis and his crews for addressing all those things.

0:59:18.7 John Eisenbeis: Mr. Chair, members of the Board, as you well know, we had a complaint on Facebook about the water situation with filters. He did contact us that next morning, we went out and looked at his water service, fortunately he has a hydrant right next to his house, we flushed there. There was a lot of sediment in the system, so we just dropped back and started all the way up Fairview Beach and flushed all the way through Potomac Landing, all the dead ends. We are going to do it again this Friday, see what we have. And then on a monthly basis from there, it is a dead-end situation like we had in Hopyard before. Somebody must have pulled something from a hydrant and started it up and it just landed at that poor gentleman's house. But it is perfectly clear now and we will just keep up with it from here.

1:00:02.2 Chairman, Allen Parker: I really appreciate you doing that.

1:00:06.6 John Eisenbeis: No problem.

1:00:07.4 Chairman, Allen Parker: Any other questions?

1:00:09.1 Vice Chairman, Carrie Cleveland: Mr. Chairman? Yes, I have a couple questions, and thank you for that. That's my neighborhood, so I was very happy to see the King George Service Authority coming out so quickly. It was really great service. So, thank you for that. So, I have a couple questions because one of the comments I read after the flushing was done was it was recommended that it is done on an annual basis or every two years or something like that. And it was mentioning something about the actual homeowner who should be doing something. Do you know anything about that?

1:00:42.0 John Eisenbeis: In some of the situations where there's no hydrants where we can flush, the homeowner would have to do it. In the neighborhoods that do have hydrants we can flush, and we do annually. We don't try and do it too much if the water isn't already dirty because it does stir up more. It is just random, somebody grabs a hydrant, fire department grabs a hydrant, fills up a truck and that stirs everything up and we get those calls.

1:01:05.9 Chairman, Allen Parker : So, what comments might have been made, we are in a well system. There are dissolved minerals in the water. If you have your water heater

needs to be flushed every year. You need to flush it out because it is going to. The electrodes in the water heater are going to collect the mineral deposits on it as they heat. They are going to drop off into the bottom. And it is why, whenever a customer says, "I have yellow water." I always ask, is it coming out of the cold tap, or is it coming out of your hot water? If it is hot water, it is because the water heater needs to be flushed. And that really should be done on an annual basis for good maintenance.

1:01:51.9 Chris Miller: If I could also ask you to do a brief on some of the concerns that people had down in the Dahlgren where we have a tank that's going offline and people were, I guess, giving you information about leaking water tanks.

1:02:08.0 John Eisenbeis: We have started a slow drain of the Monmouth Tower because we are going to rehab that in a few weeks, and it is going to be about a six-week process. So, we started a slow drain of that, so it doesn't all hit the wastewater plant one time and overwhelm them. So, we have had some contact from some clients about wasting water and such, but that tower is completely shut off and we are draining what's in there, and we will just keep comments coming and there's not much we can do about it, it is just a dribble. So, but we did have a comment over the weekend that we were wasting water.

1:02:43.8 Vice Chairman, Carrie Cleveland: Mr. Chairman, when we were talking about the water heaters, there was a disconnect with that, because a lot of people were saying, "Oh well, I have this water and my water heater is giving yellow water". Am I understanding that this is something that happens with the water heater, it is not something that you are controlling at the Service Authority?

1:03:07.2 John Eisenbeis: Well, there are minerals in the water, as he said, which we do transfer in the system and there's iron and manganese and that ends up in the house and usually catches in the hot water heater due to the heating elements and such.

1:03:19.8 Vice Chairman, Carrie Cleveland: But it is pretty normal though?

1:03:21.3 Mr. Eisenbeis: It is a normal thing.

1:03:21.8 Vice Chairman, Carrie Cleveland: Yes.

1:03:22.4 Mr. Eisenbeis: It is a common thing to flush the hot water heater annually.

1:03:24.5 Vice Chairman, Carrie Cleveland: Yes. Okay. I just wanted to make sure that I understood that correctly and that people understand that, because I think there was a disconnect and they were sort of saying that it was the water system doing that, but really in reality, it is the water heater that's causing that.

1:03:38.9 Chairman, Allen Parker: Well, to be less technical. It is where you get your water. We are on a groundwater system and groundwater has lots of dissolved minerals, they don't hurt you. They're actually good for you in many cases. But whenever you heat something, they come out onto those heating elements and then they flake off. If you're more used to surface water where things have sedimented out and there's less mineralogy in the surface water, say up in Stafford, you don't have to clean your hot water heater as often. You may never clean it and never have the issue. It is just that we are on a

groundwater system. Groundwater has a lot more minerals in it than surface water does. And just because of the way things work, the hot water elements will dissolve out or bake out those minerals and then it causes eventually the water to become yellow brownish color and you have to drain it, flush it once a year. Whether you're on our system or you have a well here in the County, you really should flush your water heater once a year on well water.

1:04:46.9 Chris Miller: Two more items. One is, as you recall at the last meeting, you all talked about the, getting a blurb together and Ms. Southall is here. I'm not going to necessarily put her on the spot, we are in the process of developing that. I think when we found out that Mr. Laux from Davenport was going to be here, we wanted to take his information now and put it into a nice little framework that will help explain the comments that a lot of people have made on Facebook and the community page about the debt fee and when was it started and what's the status of everything. And so, you all now have a nice picture of information. So, we will go ahead and circle that together and present a nice little statement that can help explain some things for the rate payers. The other thing that's on there is, the Potomac Landing proposed water Well project, as you remember, the developers of Potomac Landing had presented a proposal that they would like to do a cost sharing or some kind of an extension of service so that they would then be able to be on the system. We are still working through all of that. We found out that we want to get some things nailed down on capacity and permit restrictions in Fairview Beach and Potomac Landing before we give the green light. But I know that they are looking at having a well drilled, a community well, private well, I believe the developer has indicated that's going to come next week. And so, we have been in conversations with their engineers, and we indicated that that might be the best course of their action at this time while we still work with the regulatory agencies, DEQ and VDH, on exactly how we can proceed with this. Like I said, we ran into some hiccups that Bryce Young has been working on with this project. And before we wanted to give a green light, we wanted to get some things resolved. So, very much a project that's still a great opportunity to expand the service of the system. But we just need to get nailed down some things. The other thing is just to point out a couple of meeting notes. So, your next meeting is not until the 14th of November, or excuse me, the 17th of October. So that's not on there. But I would note there's only one meeting in November and that is the 14th as November 7th is election day. And so, there is just one meeting in November. Oh, there is a document that, a couple documents there. There's some small print document that's for Fredericksburg, for the Freelance Star, which is the notice of the opening of the permit, public comment for Hopyard wastewater plant. We just wanted to show you, this is something that the folks with DEQ do. That's another item. It should be up there. It should be in your packet, I'm sorry. But that is a notice so that that is now active. And if you're interested in making comments about the Hop Yard Wastewater Treatment Facility, then you're able to go on the DEQ website and make a comment and get that to them. The other thing I would point out is that Ms. Norris Barker forwarded the exchange to us, there's some more revenue that's coming into the County on the exchange. And I think I'm going to have to give you a little bit more of which individual plants, wastewater plants this applies to, unless Ms. Norris Barker can answer them right here, right now. But we might in the course of brevity, just go ahead and give you a little report that we can send out to you all. But it is money that we put up for, we participate in the exchange. Some people bought some of our credits and so they paid us. And so, there is some revenue that's coming back to the Service Authority. That's it.

1:09:42.6 Chairman, Allen Parker: Are there any questions for Mr. Miller? All right. Seeing no questions, looking for a motion.

ADJOURNMENT

1:09:52.3 Vice Chairman, Carrie Cleveland: I move that we adjourned to Tuesday, October 17th, 2023, at 5:30 in the Boardroom.

1:10:00.4 Cathy Binder : Second.

1:10:01.5 Chairman, Allen Parker: I have a motion made and properly seconded. Is there any discussion? All those in favor?

1:10:03.9 Cathy Binder: Aye.

1:10:03.9 Vice Chairman, Carrie Cleveland: Aye.

1:10:04.7 Ann Cupka: Aye.

1:10:05.1 Jame s Morris: Aye.

1:10:05.1 Chairman, Allen Parker: Chair votes aye. Motion carries. We adjourn to Tuesday, October 17th, 2023, at 5:30 PM here in the Boardroom.