

RWSA BOARD OF DIRECTORS
Minutes of Regular Meeting
February 27, 2006

A regular meeting of the Rivanna Water and Sewer Authority (RWSA) Board of Directors was held on Monday, February 27, 2006 at 2:00 p.m., in the Conference Room, Administration Building, 695 Moores Creek Lane, Charlottesville, Virginia.

Board Members Present: Mr. William Brent, Mr. Michael Gaffney – Presiding, Ms. Judith Mueller, Mr. Gary O’Connell, and Mr. Robert Tucker.

Authority Staff Present: Ms. Anne Bedarf, Mr. Bruce Edmonds, Mr. Tom Frederick, Mr. Chuck Kent, Ms. Mary Knowles, Ms. Michelle Simpson, Ms. Andrea Terry, Mr. Norman Wescoat, Dr. Robert Wichser, and Mr. Lonnie Wood.

Also Present: Mr. Gary Fern – Incoming Albemarle County Service Authority Executive Director, Mr. Kurt Krueger – RWSA Attorney, members of the public and media representatives.

1.0 Call To Order

The regular meeting of the RWSA Board of Directors was called to order by Mr. Michael Gaffney on Monday, February 27, 2006 at 2:00 p.m., and he noted that a quorum was present.

2.0 Minutes Of Previous Board Meeting

Upon a motion by Mr. Tucker, and seconded by Ms. Mueller, the Board of Directors by a 5 – 0 vote approved the minutes of the regular Board meeting held on Monday, January 23, 2006.

3.0 Executive Director’s Report

There was no Executive Director’s Report this month.

4.0 Items From The Public

Ms. Liz Palmer, Albemarle County resident, commented that she had one question that she hoped could be addressed sometime during the Board meeting. It was stated in the Capital Improvement Plan (CIP) that the Sugar Hollow Raw Water Valving project was removed from the current Plan due to its cost. She asked that this action be explained in further detail as this was a high-priority project for the Friends of the Moormans River who had not been aware of this decision until its mention in the CIP.

Mr. Gaffney thanked Ms. Palmer for her comments and added that her question would be addressed at the appropriate time during the meeting.

5.0 Consent Agenda

Mr. Gaffney asked if there were any items that the Board members would like to pull for questions or further discussion from the Consent Agenda.

- 5a) Staff Report on Finance
- 5b) Staff Report on Operations
- 5c) Staff Report on On-going Projects
- 5d) Staff Report on Community Water Supply Plan

In regards to **Item 5c), Staff Report on On-going Projects**, Mr. O’Connell referenced the “Ragged Mountain Dam Rehabilitation Study” item on page 1 and asked if RWSA felt that the permit extension would be approved by the Department of Conservation and Recreation (DCR) after the current operational and maintenance certificate expires on March 31, 2006. Mr. Frederick responded that he attended the September DCR Board meeting when the six-month extension was granted. He felt the approval was handled as a routine action with little discussion on the floor. Since there have been no further discussions or questions raised by DCR staff concerning the information submitted to them previously, RWSA knew of no specific DCR issues at this time that would not allow the permit to continue to be extended.

Ms. Mueller asked if DCR was aware of the ongoing efforts towards the Community Water Supply Plan. Mr. Frederick replied in the affirmative and stated that the Board-approved schedule, which outlined the proposed steps from the completion of the Water Supply Plan through the construction of the dam, was submitted to DCR last May.

As there were no further questions or discussion, Mr. Tucker moved, which was seconded by Mr. O’Connell, that the Board of Directors vote to approve Items 5a), b), c), and d) of the Consent Agenda. The motion was approved by a 5 – 0 vote.

6.0 Other Business

In regards to **Item 6a), Five-Year Capital Improvement Plan**, Mr. Frederick reported that this was the same Plan that was introduced and discussed in some detail at the January meeting. The CIP proposed budgeting about \$92 million in capital improvements through FY 2011. Since the Plan was revisited on an annual basis, the projects of most importance for consideration of adoption were those scheduled for 2007. He also noted that for financial planning purposes, capital funding needs over the five-year period were reflected in the recommended wholesale rates for FY 07, which would be discussed under Agenda Item 6b.

Mr. Frederick then addressed a question that was posed by Ms. Liz Palmer during the Public Comment period concerning the removal of the proposal to replace a valve on the Sugar Hollow pipeline so that it could be operated electronically. At the time the valve replacement was proposed, RWSA staff was operating under the idea that the pipeline would be in service for the long-term future. RWSA has since learned that because the pipeline was located in a floodplain area, the cost to install a watertight valve to encase the electronic equipment was substantially higher than the original proposal. RWSA

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also reevaluated the need for a new valve for the long term based on the current proposal to phase out the use of that pipeline in favor of a pipeline from the South Fork Rivanna Reservoir. Based on those considerations, RWSA concluded that it was not necessary to spend over \$100,000 in order to waterproof the valve.

Mr. Brent moved, which was seconded by Ms. Mueller, that the Board of Directors vote to approve the Five-Year Capital Improvement Plan for Fiscal Years 2006-2011.

Prior to the vote, Mr. O'Connell requested that Mr. Wood provide him with a copy of the Debt Service Schedule. He also inquired as to how the cost share percentages for the wastewater projects would be calculated over the long term. Mr. Wood stated that until a cost share agreement was in place for wastewater projects, his rate estimates were presently based on a 50-50 split between the Albemarle County Service Authority (ACSA) and the City of Charlottesville. He added that since there is no cost share arrangement, the CIP would have more impact on the City based on its current flow.

As there was no further discussion, the Board of Directors approved the motion by a 5 – 0 vote.

In regards to **Item 6b), Proposed Budget for Fiscal Year 2007**, Mr. Frederick reported that RWSA was introducing for the first time the proposed operating budget for FY 07. He explained that each year at this time, the budget for the upcoming fiscal year beginning in July was presented and a public hearing on the budget was generally held in May. Virginia regulations required that preliminary wastewater rates be advertised 60 days prior to the public hearing. In order to meet that requirement, the operating budget and preliminary rate schedule were being introduced at this meeting along with a Resolution calling for the advertisement of the preliminary rate schedule and notification of a public hearing to be held on May 22, 2006 at 2:00 p.m. during the regularly scheduled Board meeting. RWSA was requesting that the Board formally adopt the resolution at today's meeting.

Mr. Frederick next provided a brief summary of the budget document. He stated that this had been a particularly "tough" year. Last year it was mentioned that the Authority had identified through a very lengthy process a number of capital improvements that were needed so that RWSA operations would continue to meet public expectations and would be sensitive to issues raised by the public. Most of the impacts to the wholesale rates were the result of proposals to the CIP. As outlined in his report, there were significant increases in this year's non-discretionary expenses in the areas of employee benefits and energy-related operational costs. These increases included health insurance benefits to employees, the employer's contribution to the Virginia Retirement System, electricity costs, and water and wastewater treatment chemical costs. Electricity and chemicals, which were major cost centers essential to water and wastewater operations, were being impacted by global fuel prices and other market factors.

Mr. Frederick then commented that it had been RWSA's mission for the past several months to make the necessary major repairs in order to restart the Hydroelectric Plant at

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the South Rivanna Dam. He was pleased to report that the plant would begin operations within the next few weeks. He commended the significant efforts of Mr. David Golladay and his staff at the South Rivanna Water Treatment Plant for the success of this project. RWSA was proposing to operate that facility during FY 2007 to generate enough “green power” to be equivalent to \$100,000 worth of electricity. He felt this was a very positive and significant step in realizing RWSA’s goal to reduce costs by optimizing energy use.

Mr. Frederick noted that increases were more significant for the wastewater wholesale rates than for water wholesale rates in the proposed FY 2007 budget. A major component for these proposed increases related to the need to build reserves to fund the upgrade of the Moores Creek Wastewater Treatment Plant in order to meet the nutrient goals established by the State Water Control Board in November for the Chesapeake Bay and the James River. He felt concerns with how this project would impact wastewater rates dealt with equity issues that had been previously raised and not with the merits of the project itself. He offered that the best strategy for addressing equity concerns was through the State Legislature. As discussed in his report, there were several bills that RWSA was tracking that would establish a dedicated funding source. Although none of those bills survived the “crossover” deadline, there were two that could be resurrected in the 2007 session. RWSA understood that outgoing Governor Warner’s request for a one-time \$200 million appropriation to the Water Quality Improvement Fund (WQIF) in 2006 was still alive in the appropriation bills of both houses. The \$200 million appropriation would still not be adequate to meet the demand if that were the only source of funding for nutrient upgrades at the 125 wastewater plants. This would necessitate that the state commit funding for future years so that all wastewater plants would have equal opportunity to access this funding source. Mr. Frederick further explained that due to the way the program was administered, WQIF would not be providing 100 percent grant funding. If RWSA were successful in receiving state funding, the amount would cover about 30 to 50 percent of the project costs. Although RWSA was continuing to promote concerted lobbying efforts, the Authority was at this time conducting its financial planning on a conservative basis and without reliance on state funding for the nutrient upgrades.

Mr. Frederick next reported that RWSA had been austere in its discretionary operational spending the past two years. Some requests from staff for funding increases were not being carried forward to the budget now being presented. He did feel some of those requests justify continued discussion, and staff would continue to fine tune its programs to recognize important needs. RWSA staff has been asked to assume additional responsibilities from a number of sources, including the public. Although it was fair and appropriate that RWSA staff should be challenged and continuously improve through their accomplishments, he did not want expectations to get far enough out-of-balance with resources as to become overwhelming.

Mr. Tucker referenced Mr. Frederick’s previous comments concerning the possibility of a 30 to 50 percent cost share arrangement with WQIF. He then asked if it were correct that RWSA assumed the “worst case scenario” by proposing that the total cost of the

project be funded through the CIP. Mr. Frederick replied that Mr. Tucker's statement was correct.

Mr. Tucker further inquired if Mr. Wood had received information from the City concerning whether employee health benefits would increase by 15 percent. Mr. Wood replied that to date he had not received that information. Mr. O'Connell then confirmed that employee health benefits would increase by 10 percent.

Mr. Brent moved, which was seconded by Ms. Mueller, that the Board of Directors vote to adopt the following proposed water and wastewater rates as preliminary rates, and authorize RWSA to advertise the rates as preliminary rates for the required 60 days for the purposes of notification of a public hearing to be held on May 22, 2006 at 2:00 p.m. during the regularly scheduled Board of Directors meeting:

RESOLUTION

WHEREAS, the Rivanna Water and Sewer Authority Board of Directors has reviewed the proposed budget and associated rate changes for Fiscal Year 2007; and

WHEREAS, Section 15.2-5136 (G) of the Code of Virginia requires the adoption of the preliminary rate schedule for notification of a public hearing prior to any rate change; and

NOW, THEREFORE, BE IT RESOLVED that the Rivanna Water and Sewer Authority hereby approves the preliminary rate schedule for purposes of notification of a public hearing to be held on May 22, 2006 at 2:00 during regularly scheduled Board of Directors meeting.

WATER RATES

Urban Area
City - \$2.150/1000 gal.
ACSA - \$2.718/1000 gal.
Crozet - \$ 43,656/monthly
Scottsville Water - \$ 31,189/monthly

WASTEWATER RATES

Urban Area
City - \$1.867/1000 gal.
ACSA - \$2.103/1000 gal.
Glenmore - \$ 18,824/monthly
Scottsville Wastewater - \$ 24,068/monthly

VOTE

AYES: Mr. Brent, Mr. Gaffney, Ms. Muller, Mr. O'Connell, and Mr. Tucker

NAYS: 0

ABSENT DURING VOTE: 0

ABSENT DURING MEETING: 0

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In regards to **Item 6c, Recognition of Mr. J. William Brent**, prior to reading the Resolution of Appreciation, Mr. Gaffney offered the Board members and RWSA staff the opportunity to provide comments concerning Mr. Brent at this time.

Mr. Tucker commented first that he would personally miss Mr. Brent's wisdom that he displayed during the 15 years that they served on the Board together. He felt that Mr. Brent provided a stable direction for this Board by not only considering ACSA needs but also looking at the larger picture with regard to the entire operation from a wholesale perspective. Mr. Brent had a lot of institutional knowledge that would certainly be missed. Mr. Tucker felt the ACSA made a good decision when they hired Mr. Fern, whom he felt would "step into his shoes and fill them as quickly as he could, but it might take him a little while." On a personal note, Mr. Tucker stated that he would miss a good friend too.

Ms. Mueller next commented that Mr. Brent was the only ACSA Executive Director that she had ever known during the 20 plus years that she has been with the City. She was not certain if people outside the community realized the respect that Mr. Brent has within his profession, which she felt was important to note. He took the ACSA from its infancy to a well-respected Authority, not just locally, but also in the waterworks profession. She would truly miss her monthly meetings with Mr. Brent, but he would still remain her friend. Ms. Mueller felt that due to their working relationship, the ACSA and the City managed to work through a cost share agreement and other negotiations both feeling that the people they represented were well served, which was to Mr. Brent's credit. She welcomed Mr. Fern and stated that she looked forward to working with him. Ms. Mueller then stated that she would miss Mr. Brent but knew he had great plans for his retirement. She wished Mr. Brent the best and looked forward to continuing to see him during his retirement.

Mr. O'Connell then stated that he felt Mr. Brent left a great legacy in the community. He also commented on the wisdom that Mr. Brent displayed while serving on the Board. Anytime he spoke, the Board members listened very carefully. His was an important voice with historical knowledge, which would be missed and hard to replace. He knew that Mr. Brent was getting ready for a nice trip, and Mr. O'Connell hoped that he enjoyed his well deserved retirement.

Mr. Frederick next commented that he had known Mr. Brent for a shorter period of time than the other Board members. Since he has been with Rivanna, there were occasions when Mr. Frederick needed information concerning this community's dynamics and knowledge of certain issues. He found Mr. Brent to be a very strong person in being able to share that information and was very thankful for his wisdom and guidance. In addition to representing ACSA in a superb manner, Mr. Frederick also appreciated Mr. Brent's long-term views and ability to think broadly in terms of how the community would be impacted. Mr. Brent was a true public servant, which Mr. Frederick had tried to emulate. He wished Mr. Brent a very happy retirement and looked forward to future communications with him.

Mr. Gaffney then stated that most people were probably not aware that he had known Mr. Brent for 10 or 15 years. One of his first actions after being appointed as Chairman of the RWSA Board of Directors was to tour Rivanna's facilities. He was somewhat amazed at the condition of the structures and staff morale. The following month, at Mr. Brent's invitation, he toured several ACSA physical plants and realized that he did not have to search any further for a model for Rivanna as Mr. Brent had accomplished that during his years at ACSA. He felt that Mr. Brent had provided this community with a great example for how a utility should be run or how any organization should be operated. Rivanna has made tremendous strides in the last few years with staff assistance and the dedication of the Board, but certainly using Mr. Brent's operation as an example.

Mr. Brent next commented that he appreciated all the kind words. He felt some of it was earned and some was not. He was excited to leave Rivanna in the hands of Mr. Tom Frederick. The Board made a great choice in the selection of an Executive Director, as

Mr. Frederick has accomplished great things and will continue to do so. However, when Mr. Frederick asked him about being recognized at today's meeting, he had requested that it be kept short and simple, but neither had been done.

Mr. Brent then shared some historical background as to how the ACSA became represented on the RWSA Board of Directors. The ACSA Board of Directors became interested in the early 1980's when Rivanna advertised one water and sewer rate and adopted another one without notifying ACSA. The decision was then made that ACSA needed a voice on the RWSA Board.

Mr. Brent concluded his remarks to the Board by stating "continue with the good work."

Mr. Gaffney then read the Resolution of Appreciation for J. William Brent as follows:

RIVANNA WATER & SEWER AUTHORITY
BOARD OF DIRECTORS

Resolution of Appreciation for J. William Brent

WHEREAS, Mr. Brent has served as a member of the Rivanna Water & Sewer Authority Board of Directors since October 1986; and

WHEREAS, over that same period in excess of 19 years, Mr. Brent has demonstrated leadership in the water and sewer field and has been a valuable resource to the Board of Directors and to the Authority; and

WHEREAS, Mr. Brent's understanding of the water and sewer operations of Albemarle County, City of Charlottesville, and Rivanna Water & Sewer Authority facilitated a decision-making process that considered not only the benefits to the customers served by the Albemarle County Service Authority but also the impacts to the combined utilities and the community as a whole; and

WHEREAS, the Rivanna Water & Sewer Authority Board of Directors is most grateful for the professional and personal contributions Mr. Brent has provided to the Rivanna Water & Sewer Authority and to the community; and

NOW, THEREFORE, BE IT RESOLVED that the Rivanna Water & Sewer Authority Board of Directors recognizes, thanks, and commends Mr. Brent for his distinguished service, efforts, and achievements as a member of the Rivanna Water & Sewer Authority Board of Directors, and presents this Resolution as a token of esteem, with its best wishes in his retirement.

BE IT FURTHER RESOLVED that this Resolution be entered upon the permanent Minutes of the Rivanna Water & Sewer Authority.

Michael Gaffney, Chairman
Robert W. Tucker, Jr., Secretary-Treasurer
Judith M. Mueller
Gary B. O'Connell

Ms. Mueller moved, which was seconded by Mr. Tucker, that the Board of Directors vote to approve the Resolution of Appreciation for J. William Brent as read by Mr. Gaffney.

VOTE

AYES: Mr. Gaffney, Ms. Muller, Mr. O'Connell, and Mr. Tucker

NAYS: 0

ABSTAINED: Mr. Brent

ABSENT DURING VOTE: 0

ABSENT DURING MEETING: 0

In regards to **Item 6d), Introduction of Mr. Gary W. Fern**, Mr. Frederick stated that RWSA was pleased to introduce to the Board and the public in attendance today the new ACSA Executive Director Mr. Gary Fern, who was seated in the front row. Mr. Fern has 25 years of experience in civil and environmental engineering and served significant parts of his career in Vermont, New York, and Missouri. Mr. Fern has also worked for some exemplary engineering consulting firms, including O'Brien & Gere Engineers for 13 years, and for 7 years he was the founder and President of his own consulting engineering practice. On behalf of the Authority, Mr. Frederick welcomed Mr. Fern to the RWSA Board of Directors. Mr. Frederick then asked Mr. Fern if he had any comments that he wanted to make at this time.

Mr. Gary Fern stated that he looked forward to working with and developing relationships with all the RWSA Board members and staff.

Mr. Gaffney also welcomed Mr. Fern to the RWSA Board of Directors.

7.0 Other Items From Board/Staff Not On Agenda

Mr. Frederick informed the Board that there was an additional report not on the Agenda that he would be presenting at this time. Copies of the report were then distributed to the Board and members of the public in attendance at the meeting.

Mr. Frederick then stated that one of the responsibilities of the Line Maintenance Technician in the Engineering Department was to provide preventive maintenance field inspections along RWSA pipeline routes. Recently, an issue was encountered along the Moores Creek Sanitary Sewer Interceptor in the vicinity of 5th Street and Interstate 64 where about a 30-foot section of pipe on one side had been exposed as a result of the erosion of Moores Creek itself. Immediately after that exposure had been detected, an evaluation was undertaken concerning repair of that pipeline section. During the Engineering Department's diligent work to develop a plan that allowed for the flexibility of dealing with contingencies, outside expertise was also obtained as warranted. The pipe was situated in a very difficult location and would need to be approached from the opposite side of the creek. Permission had already been obtained from all the property owners that were needed in order to access that area. The construction cost estimates received by RWSA for the emergency repair ranged from \$200,000 to \$225,000. The plan would also require bypass pumping during the pipe repair and stabilization of the stream bank at an additional estimated cost of \$40,000 to \$50,000.

Mr. Frederick further reported that the estimated construction costs also included the repair of a 10-foot section of exposed pipe located approximately 500 feet upstream of the emergency repair site, which had been detected during the same inspection. The second exposure resulted from a gully that was eroding from a parking lot at the top of the hill down toward the creek. Both repairs would be conducted simultaneously to restore appropriate conditions in that area.

Mr. Frederick then commented that after reviewing the risks and the potential consequences of delaying action, he had determined that this repair needed to be handled on an emergency basis, allowing construction to be procured on a time and material basis, without formal bidding. Negotiations were in an advanced stage with a local construction contractor.

Mr. Frederick added that RWSA was requesting that the Board approve the emergency repair of the Moores Creek Sanitary Sewer Interceptor as outlined in this report and also authorize the Executive Director to transfer funds from the Wastewater Reserve Account set aside for this purpose to the extent necessary to make the repairs. RWSA planned to begin the repair work as quickly as possible.

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Mr. Brent moved, which was seconded by Ms. Mueller, that the Board of Directors vote to approve the emergency repair of the Moores Creek Sanitary Sewer Interceptor as recommended by RWSA staff and authorize the Executive Director to transfer funds from the Wastewater Reserve Account to the extent necessary to make the repairs.

Prior to the vote, Mr. Gaffney asked Mr. Frederick if he could provide an estimate as to how quickly this repair work could get underway.

Mr. Frederick replied that negotiations were still being held with the contractor concerning two issues. He hoped to have those issues resolved this week so that the construction work could begin next week.

As there were no further questions or discussion, the Board of Directors approved the motion by a 5 – 0 vote.

Mr. Brent added that the ACSA had some surplus gabion stock that was left over from a similar job and offered RWSA the material if it could be used for the repair work. Mr. Frederick stated that part of RWSA's plan detailed the use of gabion, so he would have staff contact ACSA to make the necessary arrangements. He thanked Mr. Brent for his generous offer.

8.0 Closed Meeting

There was no need for a closed meeting.

9.0 Adjournment

There being no further business, Mr. Brent moved that the meeting be adjourned, seconded by Mr. Tucker. All members voted aye, and the meeting was adjourned at 2:40 p.m.

Respectfully submitted,

Mr. Robert W. Tucker, Jr.
Secretary-Treasurer