

RWSA BOARD OF DIRECTORS
Minutes of Regular Meeting
February 28, 2005

A regular meeting of the Rivanna Water and Sewer Authority (RWSA) Board of Directors was held on Monday, February 28, 2005 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, Mrs. Judith Mueller, Mr. Gary O’Connell, and Mr. Robert Tucker.

Authority Staff Present: Ms. Anne Bedarf, Mr. Bruce Edmonds, Mr. Tom Frederick, Ms. Mary Knowles, Mr. Norman Wescoat, Ms. Jennifer Whitaker, Dr. Robert Wichser, and Mr. Lonnie Wood.

Also Present: Mr. William Ellis – Legal Counsel for Community Water Supply Plan, Mr. Mark Graham – Albemarle County Community Development Director, Mr. Robert Huff – Principal with Robinson, Farmer, Cox Associates, Mr. Aaron Keno – Gannett Fleming Vice President and Project Principal, 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 28, 2005 at 2:04 p.m., and he noted that a quorum was present.

Mr. Gaffney welcomed his fellow Board members, RWSA staff, and members of the public in attendance at the meeting especially in view of the weather conditions.

2.0 Minutes Of Previous Board Meeting

Upon a motion by Mr. Tucker, and seconded by Mr. O’Connell, the Board of Directors by a 5 – 0 vote approved the minutes of the regular Board meeting held on Monday, January 24, 2005 and the minutes of the special Board meeting held on January 6, 2005 concerning the Public Outreach Meeting on the James River Concept.

After the vote, Mr. O’Connell inquired if the information from the February 17, 2005 Public Outreach Meeting would be placed on RWSA’s website. Ms. Knowles confirmed that the presentation from that meeting had been posted to the website.

3.0 Executive Director’s Report

Mr. Gaffney noted that there was no Executive Director’s Report this month.

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4.0 Items From The Public

Mr. Bob Gilges stated the following: “I came all the way in here to listen to The Nature Conservancy (TNC), and I was wondering if you could tell us what the circumstances are that they are not here.”

Mr. Frederick stated that the decision was made this morning that the Board needed to meet today, especially in preparation for the joint meeting to be held this Thursday concerning the Community Water Supply Plan. In the view of the weather, it was also decided to condense the Agenda and any non-urgent matters were tabled until the March meeting. Mr. Brian Richter was contacted regarding his availability on March 28. Mr. Richter indicated that he would be in Charlottesville that date and was agreeable to moving his discussion to the next meeting.

Mr. Gilges also asked if RWSA felt TNC’s presentation was important information to hear prior to the joint meeting on Thursday. Mr. Frederick responded that the issues that Mr. Richter would have been presenting today were simply an update of a study that TNC has embarked on that would take several months to complete. There was no new information that RWSA was aware of that has not already been provided in the Board report last month. Mr. Richter was also in agreement with the decision to postpone his presentation until next month.

Mr. Tucker suggested that the public could access this information if it were posted to the RWSA website. Ms. Knowles confirmed that the TNC report included in last month’s Board packet was available on the website.

Mr. Gilges questioned further if it was RWSA’s decision and not TNC’s request to postpone the presentation today. Mr. Frederick stated that it was a mutual decision. RWSA initiated an inquiry, again based on weather conditions and safety issues, and TNC was very agreeable to that decision.

Mr. John Martin, Free Union, Virginia, offered the following statement as a follow-up to Mr. Gilges’s comments:

“A lot of people think TNC’s work is extremely important, extremely novel, and that it is absolutely necessary for there to be a complete understanding of their work before a responsible water supply alternative can be selected and a water supply plan can be adopted. I would just suggest that TNC be contacted and see if they would be available on Thursday and ask them to do a presentation to the City Council and to the Board of Supervisors since it could not be presented today. I understand that it is only 10 minutes in length. It would not take up a lot of time. I’m sure the Board of Supervisors and City Council would very much like to hear what Mr. Richter has to say.”

4.0 Items From The Public (Cont.) February 28, 2005

Mr. Gaffney thanked Mr. Martin and stated that his comments would be kept under advisement. Mr. Gaffney did offer one comment to the TNC issue. He stated that TNC had not intended to give the Board any information until their report had been completed. At the Board's urging, TNC submitted a preliminary report last month. At that time, the Board requested that TNC attend this month's meeting to provide a more detailed description of their program. What is absent this month is the Board's opportunity to question TNC about the report they submitted last month.

Mr. John Martin stated that he would like to comment further on this issue. "I understand that there is some confusion over exactly what they gave you last month. There was a letter that was written that I think was not understood correctly by Rivanna, the Board, and staff. Then I understand that TNC wrote a follow-up letter to correct the understanding. It's my understanding that it was not a preliminary report of their findings. They did not present any preliminary flow values for any of the rivers and streams. It's a misunderstanding."

Mr. Gaffney thanked Mr. Martin again for his comments.

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
- 5e) Amendment to Personnel Manual – Technology Policy

In regards to **Item 5c), Staff Report on On-going Projects**, Mr. O'Connell stated that he had a question concerning the Rivanna Pump Station Odor Study. He inquired as to the degree of RWSA's concerns "related to variances to the contract specifications."

Dr. Wichser stated that RWSA had some concerns with the scrubber manufacturer meeting the contract specifications. RWSA's engineer on this project, Black & Veatch, recently sent a letter to the contractor which indicated that an inspection of the materials used on the project had been conducted to ensure contract specifications had been met, and the letter stated the variances.

Dr. Wichser also reported that the project is close to completion. The scrubber has been operating the last few weeks, and there have been noise issues related to the system. One of the neighbors felt the noise levels were actually higher with the new scrubber system than the existing biofilter blower. Last week, Dr. Wichser

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5.0 Consent Agenda (Cont.)

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took sounding readings off the motor systems. Although the readings were very close to specifications, he still felt that the sound issues would need to be addressed, possibly with some type of sound barrier.

Mr. O'Connell also inquired if the scrubber system was operating effectively from the standpoint of odor control. Dr. Wichser stated that the initial readings from the H₂S monitor were "0." The H₂S monitor was down last week. This malfunction was reported to the contractor who was on-site at the time, and RWSA requested that the equipment be repaired as soon as possible. Dr. Wichser added that since the system has been in operation, only one incidence of odor was reported by a neighbor, which could have come from another source.

Mrs. Mueller asked if odor issues tended to be influenced by seasonal conditions. Dr. Wichser stated that he felt it was more flow dependent. He explained that flows dictate the amount of solids that are flushed out of the collection system. During low flows, the environment is more favorable for the development of H₂S than during high flow events. He added that meteorological conditions, such as inversions, could also have an impact on the incidence of odor.

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

6.0 Other Business

In regards to **Item 6a), Resolution in Memory of Mr. Cecil G. Haney**, Mr. Gaffney read the Resolution as follows:

"WHEREAS, Cecil G. Haney for many years served both the City of Charlottesville and Rivanna Water & Sewer Authority as superintendent of water and wastewater treatment; and

WHEREAS, Cecil G. Haney's contributions to the development of modern water and wastewater systems in this community were significant; and

NOW THEREFORE, BE IT RESOLVED that the Board of Directors of the Rivanna Water & Sewer Authority gratefully acknowledges Cecil G. Haney's service to this community and expresses its sincere sympathy to his family upon his passing."

Mr. Brent moved, which was seconded by Mr. O'Connell, that the Board of Directors vote to adopt the Resolution in memory of Mr. Cecil G. Haney. Prior to the vote, Mr. Brent offered the following comments concerning Mr. Haney:

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“I think it is important that we recognize the important people who have developed the waterworks and wastewater works this community is living with today. There is no more important single individual in the development, particularly of the waterworks that we enjoy today, than Cecil Haney. Cecil Haney was Superintendent of the City’s water and wastewater treatment division for around 20 years. He was merged with the Rivanna Water & Sewer Authority and occupied the same position here for several years until he retired.

“To appreciate the accomplishments of the City during the two decades following World War II, you have to understand the enormity of the capital projects that the City undertook during that period. During the early 1950’s natural gas was brought to the City, which was an enormous undertaking. The airport was built. Major street projects – such as, Monticello Avenue, Belmont Bridge, 250 Bypass, Emmet Street, McIntire Road, Cherry Avenue, Route 29-250 Bypass, and Interstate 64 – were all developed during the 1950’s and 60’s. Sewage treatment plants, both at Meadow Creek and Moores Creek, were built in that period. There was an annexation in 1963 that annexed a large portion of the County and involved major public works. Not the least of the public works projects during this period was the development of the South Rivanna water system, the Reservoir itself, the treatment plant, and the merging of the two systems.

“There were a number of what I call towering figures during that period, and one of them was Cecil G. Haney. We have an exemplary base work for a water system, and we owe much of that to Cecil Haney. He was a recognized leader in both the water and wastewater fields. He served as President of the Virginia section of the American Water Works Association. In addition to being quite a character, he was certainly recognized as being a water and wastewater leader. He lived his job literally. He lived in the Superintendent’s house at the Observatory Water Treatment Plant and was never more than a few steps away from the nerve center of the waterworks and wastewater operations.

“I like to offer this Board’s expression of sympathy to Mr. Haney’s family.”

VOTE:

AYES: Mr. Brent, Mr. Gaffney, Mrs. Mueller, Mr. O’Connell, and Mr. Tucker

NAYS: 0

ABSENT DURING VOTE: 0

ABSENT DURING MEETING: 0

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In regards to **Agenda Item 6b), Comprehensive Annual Financial Report – Fiscal year Ending June 30, 2004**, Mr. Wood stated that the Board members should have received a copy of that report in their Board packets. Mr. Robert Huff, Principal with Robinson, Farmer, Cox Associates, was in attendance at the meeting to present a summary of the audit and to answer any questions the Board might have on the report.

Mr. Robert Huff reiterated Mr. Wood's comments that he was appearing before the Board today to report on the results of his firm's audit of RWSA's Comprehensive Annual Financial Report for the year ending June 30, 2004. He stated that the most important part of the audit results is the Auditor's Opinion. Mr. Huff reported that the opinions were unqualified, which is the highest level of acceptability that an auditor could possibly offer. The Financial Report was excellent with net assets increasing approximately \$4.3 million and revenues up 19 percent. He underscored that the Authority's financial position has continued to have a positive impact on its reserves. He referenced page 18 of the Report and read from the *Cash and Reserves* section as follows: "The Authority started in FY 2004 and has continued working to create rate stabilization funds and to better fund depreciation in the budgeting process. The debt service coverage has improved greatly over the past two years, from 1.1 in FY 2002 to 1.7 in FY 2004." Mr. Huff commended RWSA on its progress in those areas.

Mr. Huff concluded by stating that he was pleased to note that RWSA's Comprehensive Annual Financial Report was in compliance with all statutory matters.

Mr. Brent stated that the report listed the actual debt service coverage figure for issued bonds, but there was no indication of what the bond documents required. He asked if this requirement varied from issue to issue.

Mr. Wood replied that there was no real requirement in the bond covenants. It is an unofficial requirement that bond rating agencies would view higher rates more favorably and ratios differed among the types of authorities. Mr. Huff and Mr. Wood agreed there is, implicitly, a requirement to charge enough revenue to pay the debt service, which is a minimum 1 to 1 ratio.

Upon a motion by Mr. Tucker, which was seconded by Mr. O'Connell, the Board of Directors voted to accept the Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2004. The motion was approved by a 5 – 0 vote.

In regards to **Agenda Item 6c), Presentation on The Nature Conservancy's Adaptive Management Program**, Mr. Gaffney noted that due to weather conditions this report would be postponed until the March meeting.

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In regards to **Agenda Item 6d), Fiscal Year 2005-2006 Budget Request**, Mr. Wood stated that the Resolution attached to the Board report authorized the Authority to advertise the public hearing and the preliminary rate schedule for the required 60 days specified for wastewater rates. No rates would be adopted at today's meeting.

Mr. Wood next highlighted some items contained in the proposed budget. He stated that there were no new positions requested this year. RWSA had indicated last year that it would request two additional Operator positions. This request is still under review for inclusion in a future year's budget. Per City estimates, health insurance premiums are expected to increase about 15 percent. A 3.5 percent merit pool increase was also included for FY 2006.

Mr. Wood noted that several maintenance projects were listed in the Executive Summary, which would not increase the budget. Operations in general, including personnel items previously discussed, was expected to decrease by \$27,000 over the next year. He felt it indicated that rate increases were not the result of operating cost increases but were due to capital expenses.

Mr. Wood prefaced his discussion on the proposed water and wastewater rates by stating that a review of Rivanna rates was not always the best indication of financial impact to its two wholesale customer systems. He reported that water and wastewater rates for FY 2006 were being affected by the flow estimates and capital expenses as illustrated by the handout he distributed to the Board members. He stated that the first group of numbers on page 1 of the handout were the estimated flows for the City of Charlottesville and the ACSA. Mr. Wood noted that the total flows for RWSA are estimated to decrease during FY 2006. There was also a change in the split differential that caused the City to lose flow and the ACSA to gain flow. The financial impact in dollars is determined by taking the flows for each customer times the rates for each customer. He used the proposed water rate increases for the City to further illustrate this concept. Although the City would experience a rate increase of 3.8 percent, there would only be a .3 percent financial impact in actual revenue charged to the City.

Mr. Wood further explained this concept by stating that flows affect RWSA similar to assessed values for real estate property. After a property has been reassessed, an effective tax rate is computed based on the new assessed value. When assessed values are rising, the effective rate computation decreases. The exact opposite occurs for RWSA. When the flows are decreasing, the rates are increased in order to generate the same revenues.

Mr. Wood next discussed the wastewater rates. He stated that the City has a 5 percent decrease in their flow estimate, which has caused a substantial increase in

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their rate. Although the City's rate would increase by 9.2 percent, there would only

be a 3.6 percent change in the revenue charged to that system.

Mr. Wood added that the monthly impact to the average City customer, assuming a 5,000 gallon per month consumption rate, would be \$.04. The monthly impact for the average ACSA customer with the same consumption rate would be \$1.00. Over the year, it would amount to \$.50 for the City customer and a little over \$12.00 for the ACSA customer. Wastewater rate impacts to the average City and ACSA customer would be calculated similar to the water rates. The total impact of both rates over an entire year for a City customer would amount to \$4.32. The total impact for an ACSA customer would total \$34.08 for the entire year.

Mr. Tucker inquired if the wastewater rates would undergo further review due to the rate differentials between the City and ACSA. Mr. Wood replied that flows are determined by the reported retail flow by the City and ACSA that are summarized for the entire year. A review in the way the two systems are reporting wastewater flows could be undertaken.

Mr. Brent stated that a discussion of these proposed rates would be conducted in conference with the City to gain a better understanding of the numbers and the methodology used to compute the rates.

Mr. Brent further stated that he felt RWSA staff had done an excellent job in maintaining their operational costs, but he still had some unanswered questions concerning the budget.

Mr. Brent moved, which was seconded by Mr. Tucker, 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 23, 2005 at 2:00 p.m., during the regularly scheduled Board of Directors meeting. Mr. Brent also noted as a caveat during the motion that a penny rate increase from Rivanna does not translate into a penny rate increase to the customer. Rivanna's costs are only a portion of the costs for the delivery of water and wastewater services.

R E S O L U T I O N

WHEREAS, the Rivanna Water and Sewer Authority Board of Directors has reviewed the proposed budget and associated rate changes for Fiscal Year 2006; and

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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 23, 2005 at 2:00 during regularly scheduled Board of Directors meeting.

WATER RATES

Urban Area
City - \$ 2.071/1000 gal.
ACSA - \$ 2.582/1000 gal.

Crozet - \$ 45,316/monthly
Scottsville Water - \$ 32,497/monthly

WASTEWATER RATES

Urban Area
City - \$ 1.685/1000 gal.
ACSA - \$ 1.955/1000 gal.

Glenmore - \$ 17,453/monthly
Scottsville Wastewater - \$ 21,911/monthly

SEPTAGE RATES

Local Haulers - \$65.00/1000 gal. (\$.065/gal.)
Outside Haulers - \$90.00/1000 gal. (\$.090gal.)

After normal business hours:

Local Haulers - \$90.00/1000 gal. (\$.090/gal.)
Outside Haulers - \$125.00/1000 gal. (\$.125/gal.)

VOTE

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

NAYS: 0

ABSENT DURING VOTE: 0

ABSENT DURING MEETING: 0

7.0 Other Items From Board/Staff Not On Agenda

There were no other items from the Board or staff not on the Agenda.

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8.0 Meeting Recess

Mr. Tucker moved, which was seconded by Mrs. Mueller, that the Rivanna Water & Sewer Authority Board of Directors meeting be recessed at this time and be reconvened at the conclusion of the Rivanna Solid Waste Authority Board of

Directors meeting to enter into a closed meeting for consultation with legal counsel with respect to the Community Water Supply Plan. The motion was approved by a 5 -0 vote, and the meeting was recessed at 2:28 p.m.

9.0 Resumption of Open Meeting

The RWSA Board of Directors Meeting was reconvened at 2:37 p.m.

10.0 Closed Meeting

Mr. Tucker moved, which was seconded by Mrs. Mueller, that the Rivanna Water & Sewer Authority enter into a closed meeting for consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by counsel with respect to the Community Water Supply Plan as permitted by Section 2.2-3711.A.7 of the Code of Virginia. The motion was approved by a 5 – 0 vote, and the Board went into a closed session at 2:38 p.m.

ATTENDEES: Mr. Brent, Mr. Gaffney, Mr. Graham (Albemarle County Community Development Director), Mrs. Mueller, Mr. O’Connell, Mr. Tucker, Mr. Krueger, Mr. Frederick, Dr. Wichser, Ms. Whitaker, Mr. Keno, and Mr. Ellis.

11.0 Resumption of Open Meeting

The Rivanna Water & Sewer Authority Board of Directors meeting reconvened at 4:05 p.m.

Mr. Tucker made the following motion, which was seconded by Mr. O’Connell:

“**WHEREAS**, the Rivanna Water & Sewer Authority Board of Directors has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and,

WHEREAS, Section 2.2-3711.D of the Code of Virginia requires a certification by the Rivanna Water & Sewer Authority Board of Directors that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Rivanna Water & Sewer Authority Board of Directors certifies that, to the best of each member’s knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which the certification resolution applies, and (ii) only such public business matters as were

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11.0 Resumption of Open Meeting (Cont.)

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identified in the motion convening the closed meeting were heard, discussed or considered by the Rivanna Water & Sewer Authority Board of Directors.”

There being no further discussion, Mr. Gaffney called for a roll call vote:

Mrs. Mueller – Aye, Mr. O’Connell – Aye, Mr. Gaffney – Aye, Mr. Tucker – Aye,
and Mr. Brent – Aye.

12.0 Adjournment

There being no further business, Mr. Tucker moved that the meeting be adjourned,
seconded by Mrs. Muller. All members voted aye, and the meeting was adjourned
at 4:07 p.m.

Respectfully submitted,

Mr. Robert Tucker
Secretary - Treasurer