

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

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

Board Members Present: Mr. Gary Fern, 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, Mr. Cary Lang, Mr. Norman Wescoat, Ms. Jennifer Whitaker, Dr. Robert Wichser, and Mr. Lonnie Wood.

Also Present: 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, November 27, 2006 at 2:00 p.m., and he noted that a quorum was present.

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

2.0 Minutes of Previous Board Meeting

Mr. Fern stated that he did not understand the comment attributed to Mr. Karl Ackerman on Page 2, line 10, of the minutes that read as follows: “If every manhole cover smelled the way his neighborhood smelled, especially in October and April, he felt the odor problem would be fixed.” As directed by the Board, Ms. Knowles will re-listen to that portion of the meeting tape to ensure that Mr. Ackerman’s comment was reported correctly and she will advise the Board at the December meeting if any corrections to the October 23, 2006 minutes were needed.

Upon a motion by Mr. Tucker, and seconded by Mr. Fern, the Board of Directors by a 5 – 0 vote approved the minutes of the regular Board meeting held on Monday, October 23, 2006, subject to correction at the December Board meeting as noted above.

3.0 Executive Director’s Report

Mr. Frederick stated that although in recent past meetings the emphasis has been on water issues related in large part to the Community Water Supply Plan, there were also a number of

significant issues that RWSA would be addressing concerning its wastewater service. An update on some of those endeavors was included in this Board report, which he summarized as follows:

- Mandated Nutrient Upgrades at Moores Creek WWTP – A conference call with RWSA's consultant has been scheduled this week to review staff issues and questions concerning proposals provided by the consultant for internal discussion. Assuming a positive outcome, RWSA's goal was to move toward a public presentation in December on how the Authority planned to address the proposed nutrient wasteload allocations for wastewater treatment facilities throughout Virginia related to the health of the Chesapeake Bay and the lower James River. It is a very important project that will require significant capital in order to meet the state mandate. RWSA staff's continuing efforts to partner with other agencies through the Virginia Association of Municipal Wastewater Agencies (VAMWA) and the Virginia Nutrient Credit Exchange Association, as well as issues related to grant funding and limited monies from the Virginia Legislature, will be discussed in further detail next month.
- Wastewater Collection System Needs – "Master planning" for the wastewater system, called the Comprehensive Sewer Interceptor Study, was currently underway. RWSA was also increasing its efforts to inspect infrastructure and operating conditions in a more proactive and environmentally responsible manner. During this process, the Authority has identified priority repair needs and associated costs. RWSA staff will be requesting later in this meeting the addition of an agenda item related to new information on the Meadowcreek Interceptor sewer repairs.

RWSA's goal in 2007 related to the "master planning" process was to work closely with the Albemarle County Service Authority (ACSA) and the City of Charlottesville by sharing information obtained from the study concerning cost effective ideas and forecasts leading to decisions on flow allocations in each of RWSA's sewer interceptors.

- Enhanced Coordination and Cooperation – RWSA's challenges presented an opportunity for further coordination and cooperation with the City, County, and ACSA based on a broad range of perspectives and not just from a utility perspective. The Authority planned to utilize this integrated approach as the standard for all future projects. An example used in Mr. Frederick's report concerned RWSA's close working relationship with The Nature Conservancy (TNC) to ensure that the Authority's future wastewater interceptor improvement design west of Greenbrier Park was compatible with TNC's design for streambank improvements to Meadow Creek.

4.0 Items from the Public

Dr. Harry Wellons, who resided in the Earlysville area, stated that he owned farm property that bridged Buck Mountain Creek. He was sorry that he was unable to attend the Public Hearing

due to prior commitments, but he had two comments that he wanted to make at this time concerning the proposed Mitigation Plan.

Dr. Wellons next stated that 82 acres in the center of his farm was originally taken for the new reservoir, which meant that the only way that he could get from one side of his property to the other was to use backland. His concern with the proposed Mitigation Plan was that it would take a “fair amount” of the bottomland that he currently farmed. He did not have any problems with mitigation because he realized that it was needed. However, he felt with no plans for a reservoir there ought to be some flexibility with selling back the land to the former owners if possible. He would be happy to repurchase the land with easements or whatever was necessary to protect the watershed. If there was not going to be a reservoir, he felt it would be a “win-win” situation for both parties since RWSA would be able to recapture some of the capital investment and at least have some control over the use of the land. He recognized the need for easements along the waterways, but he felt there should be some flexibility as to how wide those should be. He understood from the proposed plan that it was twice the mitigation that was necessary for the upgrade of the reservoir. If that were the case, there should be some flexibility in the width of the buffers along some of the streams. He would “plead” for some consideration of these particular issues.

Mr. Matthew Lucas next commented that he was in attendance today concerning the Buck Mountain Reservoir matter. He had purchased a farmhouse in that area from Ms. Gertrude Via. The property currently has 40 acres, with 70 acres that had been originally condemned by the County for the purposes of building a new Buck Mountain Reservoir. He asked that his absence from the Public Meeting be excused, but he wanted to make two points at this time. He would first advocate as an opposed interest that there be no development rights with any part of the land that was not needed. He understood that he and the others purchased the property with certain assumptions, and he felt it would be “horrific” to allow a development of any kind in that area. Secondly, he would advocate to the degree that the property were to be available for repurchase that this right or availability is given first to the people who have purchased the land from those descendents or from the original landowner. He felt it would not be fair for the original landowner or descendents to have the option to repurchase the land. He paid a tremendous amount of money for the property and believed those rights would convey, although that was not explicitly stated in any agreement when he purchased the property about 2-1/2 years ago. However, he felt that since he paid a premium for that property it would be unfair to have a situation where the repurchase option was given to the original landowner who has no road frontage and has no need to give a right-of-way or allow access to that piece of property.

Mr. Gaffney thanked Dr. Wellons and Mr. Lucas for their comments and valuable input on some of the challenges the stakeholders and RWSA will face as the process moved forward.

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) Agreement to Authorize Research by Worrell Water Technologies at Moores Creek WWTP
- 5e) Engineering Contract Amendment for Community Water Supply
- 5f) Crozet Pump Station #4 Emergency Generator
- 5g) Proposed Schedule for the 2007 Board of Directors Meetings
- 5h) Additional Holiday Time Off

In regards to **Item 5e), Engineering Contract Amendment for Community Water Supply**, Ms. Mueller commented that she was not opposed to the Board action requested in this report but felt that a longer-term plan would provide a clearer budget picture rather than submitting contract amendment requests about every two months. She recognized that it was not always possible to predict long-range funding needs, but inquired if the Authority felt the additional \$75,000 being requested today would provide engineering services until July 1, 2007. Mr. Gaffney also asked about the amount of funding remaining in this project's budget if the Board approved the engineering contract amendment request today.

Mr. Frederick stated that the \$200,000 included in the approved CIP was allocated for engineering and legal expenses related to the Joint Permit Application process during FY 07. RWSA was making every effort to stay within that budget for the entire year while at the same time addressing all regulatory questions and steering the process in an expeditious manner. From his perspective it would be difficult to state that \$75,000 would cover all expenses until July 1, 2007, but every effort would be made to have that occur.

Mr. Gaffney rephrased Ms. Mueller's previous question by inquiring how much of the budgeted \$200,000 had been authorized prior to today's request. Mr. Frederick responded that the Board authorized \$75,000 to the Gannett Fleming contract in July 2006, which when added to today's \$75,000 request would equal \$150,000 for the year to date. With respect to the project budget, legal fees have been incurred, so there was less than \$50,000 remaining for this purpose. The \$3,000 to \$4,000 paid toward the escrow associated with the option to purchase the Franklin Street property did come out of this year's budget. RWSA anticipated that the purchase price would be funded through next year's budget. Ms. Whitaker added that as of October 31, 2006 the posted capital budget was about \$141,000, which included legal and other fees. Some of that funding was allocated for ongoing engineering and legal services, which would be spent down as part of the November spending.

Mr. Frederick next commented on the increased levels of discussions recently held between the Virginia Department of Environmental Quality (VA DEQ) and TNC related to TNC's ideas for minimum in-stream flows. As those discussions progress and proposals are submitted, the Authority felt it was important that the RWSA engineering staff be involved with this process by providing technical support and modeling resources through Gannett Fleming. RWSA was hopeful that a "win-win" solution could be found that kept the water supply objectives intact and

provided better goals in the area of minimum in-stream flows. Funding for the additional engineering work that RWSA felt was necessary to ensure that the Authority's objectives were not being compromised during this process were included in the contract amendment request.

Mr. Tucker stated that he felt the concern with these additional funding requests related to the expenses that will be incurred in next year's Capital budget for the Community Water Supply Plan, upgrades to the Moores Creek WWTP, the Comprehensive Sewer Interceptor Study, and the biosolids project. From his perspective, he felt the situation was "looking like a perfect storm was forming" with regard to the fees and rates that the City and ACSA would face during the next budgetary process. He felt that any of the projects that were optional would need to be prioritized in order to minimize the impacts to the water and sewer rates.

Mr. Frederick responded that he understood Mr. Tucker's concerns related to the impacts to water and sewer rates.

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), d), e), f), g), and h)** of the Consent Agenda. The motion was approved by a 5 – 0 vote.

6.0 Other Business

In regards to **Item 6a), Approval for Biosolids Contracts**, Mr. Frederick stated that RWSA was recommending that the Board approve the award of two contracts: A "primary" contract for off-site composting and a "back-up" contract for landfilling.

Mr. Frederick then reported that the "primary" contract would be for a one- year period with Environmental Solutions of Richmond, Virginia, to transport the biosolids from Moores Creek WWTP and compost the material at their Richmond facility. The contract would be effective about February 1, 2007, provided that VA DEQ has approved the facility's amended Biosolids Management Strategy. In order to obtain a competitive price, the contract included a condition that the ownership of the material would transfer to Environmental Solutions once it left the Moores Creek site. As long as regulatory requirements were met, the company could own and market the finished product. For recycling purposes, RWSA would get credit in this community for the beneficial reuse of the material.

Mr. Frederick next summarized the status of the bids as discussed in the Board report. Formal bids were received and opened on November 9, 2006 from two compost contractors. Neither bid met all of Rivanna's conditions. Environmental Solutions took exception to the bid requirement to post a performance bond, but agreed to include RWSA as an additional insured on its existing \$2 million pollution liability insurance policy. RWSA staff reviewed the risks associated with contracting this service in the absence of a performance bond and also conducted an extensive check of the company's references. Past performance indicated that Environmental Solutions could perform the conditions of this contract. After weighing all the risks, RWSA staff is

recommending a one-year contract be awarded to Environmental Solutions with a waiver of the performance bond requirements and the addition of the \$2 million pollution liability insurance.

Mr. Frederick then discussed the “back-up” contract for landfilling the biosolids, which was requested to be awarded to Waste Management in Jetersville, Virginia. The contract could be used on an “as-needed” and “on-call” basis with no minimum quantities guaranteed and provided a “back-up” should composting not be available due to the performance of the compost contractor or if RWSA’s biosolids for a limited period of time did not meet the contractor’s qualifications. Waste Management would pick up the material at the Moores Creek WWTP and transport it to its landfill. RWSA was hopeful that this contract would not be utilized very often.

Mr. Frederick next reported on the prices for the two contracts. Environmental Solutions’ bid to compost the material was \$42.00 per wet ton for either a one-year or three-year contract. The price for landfilling the biosolids begins at \$45 per wet ton for a three-year contract. The landfill contract includes a monthly escalator on fuel prices as determined by an index published by the U.S. Department of Energy.

Mr. Frederick also stated that if both contracts were awarded, RWSA felt it could be in a position by February 1, 2007 to cease its compost operations. The February 1 date was dependent upon RWSA receiving VA DEQ approval of its amended Biosolids Management Strategy, which RWSA was prepared to submit this week.

Mr. Frederick added that contingent upon Board approval, RWSA intended within the next week to issue a notice to its commercial compost customers announcing the February 1, 2007 target date for closing the Compost Yard. He explained that the target date was when RWSA would stop producing compost at the Moores Creek facility. RWSA expected to have a stockpile of finished material on site after the February 1 date and would continue to sell the product on a “first come, first served” basis until the supply was depleted.

Mr. O’Connell asked if RWSA staff had any idea how long it would take until the stockpile was depleted. Mr. Frederick stated that for an additional three to four weeks, RWSA might be finishing out some production of compost. It was anticipated that once notification was issued concerning the impending closure, vendors would come earlier than in previous years to purchase compost. Mr. Frederick then deferred to Mr. Norman Wescoat, RWSA Wastewater Manager, for his opinion on how long it would take to sell all the finished compost. Mr. Wescoat stated that he felt the stockpile would be depleted within about one or two months.

Mr. Frederick then discussed the section of the report concerning the “Financial Impact” for off-site composting. The award of the composting contract will require a supplemental budget increase of \$190,000 for the FY07 Urban Wastewater cost center. This amount included a net increase in expenditures of \$150,000, which took into account the contract for five months less operating cost savings. Labor savings have not been included at this time since the transfer of the two employees currently working at the Compost Yard might not be immediately possible. The remaining \$40,000 is anticipated lost revenues due to having less compost to sell than what was

originally budgeted. The impact to the Urban Wastewater cost center was expected to result in an on-going annual increase of about 6 percent for both the ACSA and the City. If a mid-year rate increase did not occur, rate impacts might be greater in next year's budget in order to restore the reserves that were used to meet this year's CIP needs.

Mr. Gaffney stated that monthly expenses for contracting compost operations would be roughly \$38,000. He inquired if this amount would be on-going or if that figure included closing costs. Mr. Frederick replied that the \$38,000 would be an on-going expense. Mr. Gaffney further asked if the monthly expense next year could be expected to be about \$38,000 as well. Mr. Frederick replied in the affirmative and stated that if a one-year contract were awarded, the contract would be rebid about the same time next year. RWSA has learned that another company was interested starting up a compost business in Virginia, which might increase competition.

Mr. Fern asked if it were RWSA's intent to take the \$190,000 out of reserves until July 1, 2007. Mr. Frederick stated that using reserves would be the only way for RWSA to cover that expense unless the Board were interested in entertaining a mid-year rate increase. Mr. Wood noted that before a mid-year rate increase could be implemented, regulations required a 60-day waiting period after the rate increase had been advertised. Mr. Frederick further stated that RWSA had sufficient reserves to cover this expense. Since those funds were earmarked for future debt service, future rates would need to be set in a way that restored those funds as quickly as possible. Both Ms. Mueller and Mr. Fern voiced their opposition to a mid-year rate increase at this time.

Mr. Fern and Dr. Wichser engaged in a discussion whereby Dr. Wichser clarified that RWSA actually composts 10,000 wet tons per year, and the annual cost of handling these biosolids through a composting contract would be approximately \$450,000 per year. Mr. Fern then asked about the past annual expenditures associated with composting. Dr. Wichser replied that it was about \$250,000. Mr. Frederick added that \$110,000 in revenue has been received from retail compost sales, so net expenses would total about \$140,000 per year.

Mr. Frederick next stated that in addition to the three actions being requested in the Board report, RWSA was also requesting that the Board approve a supplemental budget increase of \$190,000 for the FY 07 Urban Wastewater cost center to cover the costs for contracted composting. The additional required funds would be transferred from present reserves.

Mr. O'Connell moved, which was seconded by Mr. Tucker, that the Board of Directors vote to approve the award of a one-year biosolids composting contract to Environmental Solutions, a three-year "no minimum quantity" biosolids landfilling contract to Waste Management, set a target date for closing the Compost Yard to new biosolids for February 1, 2007 (date subject to VA DEQ approval; further, the Compost Yard will remain open to sales on a "first come, first served" basis until finished compost supply is depleted), and authorize a supplemental budget increase of \$190,000 for the FY 07 Urban Wastewater cost center with funds transferred from present reserves. The motion was approved by a 5 – 0 vote.

7.0 Other Items from Board/Staff not on Agenda

Mr. Frederick reported at this time on the additional agenda item concerning the **Meadowcreek Sanitary Sewer Repair near Banbury Road**. Copies of this report were then distributed to the Board and members of this public in attendance at the meeting.

Mr. Frederick next stated that RWSA presented a report to the Board in September 2006 concerning areas of the 24-inch Meadowcreek Sewer Interceptor adjacent to the Greenbrier neighborhood that were damaged and required a non-emergency repair. At that time the repairs were estimated to cost about \$70,000, which included some by-pass pumping and a point pipe repair. This area had been under observation by RWSA staff due to the age and deteriorating conditions of the sewer piping. After each significant rainfall event, staff noted that the visible amount of necessary repairs was increasing. It was felt that the pressure that the sewer placed on the infrastructure itself due to the high wet weather flows was a contributing factor.

Mr. Frederick then reported that staff has identified several additional point repairs that were needed in this same area. Once the by-pass pumping was in place, RWSA planned to videotape the entire internal sections of all the piping that will be taken off of the flow during that repair period. Since there were multiple locations that needed repair, the project cost is now anticipated to be about \$150,000 as opposed to the \$70,000 that the Board authorized in June.

Mr. Frederick also commented that inspections by staff have identified new deterioration along this interceptor on the opposite side of a railroad crossing, which will need to be accessed as a separate project. At this second area, the sewer line went under a railroad fill where culverts actually carried Meadow Creek under the same railroad fill. The working area would be very tight due to a large junction box manhole at a 90 degree turn where the sewer line actually crosses the stream. An older concrete apron that is located in the same area has actually served to help protect the sewer line, but the structure is now being eroded by the stream. There is the risk that the sewer line could also fail if the concrete apron fell apart. The access road for construction equipment will need to be about a half mile in length. RWSA anticipated that the preliminary cost for the repairs on the east side of the railroad would total more than the \$150,000 being requested today for the west side. Due to the early stage of the east side investigation, further assessment of repair needs in this area will be needed before a better estimate could be provided to the Board. A consulting engineer and standby contractor have been assisting RWSA on the most cost effective way to make the repairs.

Mr. Frederick next stated that as summarized by Ms. Jennifer Whitaker in the Board report, the Meadowcreek Interceptor was rapidly approaching the end of its useful life. In some cases, the stream's movement has been threatening the pipeline, and in other areas it was felt that the damage was caused by the buildup of pressure as a result of high wet weather flows. Action will be needed in the near future to replace the line to meet future capacity needs. RWSA staff was currently working on the long-term perspectives as well as the short-term repair needs.

Mr. Frederick then commented that RWSA was requesting today that the Board authorize the repairs needed to the Meadowcreek Interceptor at a site west of the railroad near Banbury Road

RWSA Board Minutes

7.0 Other Items from Board/Staff not on Agenda (cont.)

November 27, 2006

and also authorize the Executive Director to transfer up to \$150,000 from the wastewater reserve account to address this issue, which was an increase of \$80,000 over the September 2006 Board authorization. Additionally, RWSA was requesting that the Board authorize the transfer of funds in the amount estimated at this time to be \$75,000 toward the planning and access of the second repair site east of the railroad and authorize the Executive Director to declare the second repair an emergency if further deteriorating conditions warrant. RWSA staff planned to present an updated estimate on the costs for the second repair east of the railroad to the Board in December unless an emergency repair was needed before that time.

Mr. Tucker inquired if the nature of the damage involved cracks to the interceptor. Mr. Frederick stated that there were cracks in manholes and cracks in the pipe itself. Sewage was not leaking out of the pipe in dry weather conditions but was subject to leakage when the pipe surcharged during wet weather conditions. The repair work at the first site got underway today.

Mr. Tucker further asked when approximately in 2007 there would be some indication from the Comprehensive Sewer Interceptor Study concerning remaining capacity of the Meadowcreek Interceptor. Ms. Whitaker responded that RWSA has received some preliminary information from that study as it related to on-going discussions related to the repair work. The study was not scheduled to be completed until September 2007, which will cover the entire Interceptor system. There have been "pinpoint" areas in the system that have been accelerated in the study due to discussions concerning specific project needs.

Mr. O'Connell next inquired about the age of the Meadowcreek Interceptor. Ms. Whitaker stated that the sewer line was built in the mid-1950's.

Mr. Gaffney then asked about the total amount of funding currently in the wastewater reserves. Mr. Wood replied that before today's Board action he anticipated about \$1.8 million in undesignated reserves and \$400,000 in designated reserves.

Mr. Tucker moved, which was seconded by Mr. Fern, that the Board of Directors vote to authorize the expanded construction of repairs to the damaged Meadowcreek Interceptor at the site near Banbury Road (Phase I), authorize the Executive Director to transfer up to \$150,000 from the wastewater reserve account to address this issue, authorize the transfer of necessary funds from reserves toward a second repair east of the railroad at the current estimate of \$75,000, and authorize the Executive Director to declare this second repair an emergency if further deteriorating conditions warrant.

Prior to the vote, Ms. Mueller commented that RWSA intended to replenish the reserves used for the composting contract through increased sewer rates in next year's budget. She then inquired if the Authority planned to replenish the reserves used for the Meadowcreek Interceptor repair work in the same manner. Mr. Frederick stated that RWSA would need to replenish any reserves that were lost, although it might take more than one year to restore all the funds. The reserves issue will be reviewed related to identification of immediate funding needs versus optional items during the development of future CIP's. RWSA intended to restore the reserves in a financially

responsible manner while continuing to address these issues as necessary. Ms. Mueller next asked about the amount of money that was put into the reserves each year. Mr. Wood replied that the Authority had budgeted to transfer about \$750,000 to \$1 million per year into the Capital fund from the wastewater reserves over the next five years. This year \$872,000 was budgeted to be placed into the wastewater reserves account and \$750,000 transferred to the Capital fund. Mr. Wood added that it was hard to anticipate the amount of wastewater reserves due to the unpredictability of flows. During the past three months, the Authority went from a \$50,000 deficit to a \$160,000 surplus because of the increased rainfall the area experienced this fall.

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

8.0 Closed Meeting

There was no need for a closed meeting.

9.0 Adjournment

There being no further business, Mr. Tucker moved the meeting be adjourned, seconded by Mr. O'Connell. All members voted aye, and the meeting was adjourned at 2:43 p.m.

Respectfully submitted,

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