

RWSA BOARD OF DIRECTORS
Minutes of Regular Meeting
December 20, 2004

A regular meeting of the Rivanna Water and Sewer Authority (RWSA) Board of Directors was held on Monday, December 20, 2004 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, and Mr. Robert Tucker.

Board Member Absent: Mr. Gary O’Connell.

Authority Staff Present: Ms. Anne Bedarf, Ms. Miranda Baird, Mr. Bruce Edmonds, Mr. Tom Frederick, Ms. Mary Knowles, Ms. Michelle Simpson, Ms. Andrea Terry, Ms. Kathy Ware, Mr. Norman Wescoat, Ms. Jennifer Whitaker, Dr. Robert Wichser, and Mr. Lonnie Wood.

Also Present: Mr. Tom Griffin – Outreach Coordinator for DEQ’s Pollution Prevention Program, 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, December 20, 2004 at 2:00 p.m., and he noted that a quorum was present.

Mr. Gaffney welcomed his fellow Board members and members of the public in attendance at today’s meeting.

2.0 Minutes Of Previous Board Meeting

Upon a motion by Mr. Tucker, and seconded by Mrs. Mueller, the Board of Directors by a 4 – 0 vote approved the minutes of the regular Board meeting held on Monday, November 22, 2004, and the minutes of the special Board meeting held on November 18, 2004.

3.0 Executive Director’s Report

Mr. Frederick first reported that the Capital Improvement Plan would be introduced at today’s meeting, and he deferred making further comments until this item was presented during the “Other Business” segment of the Agenda.

Mr. Frederick stated that the second issue concerned an item that came before the Albemarle County Board of Supervisors recently as a follow-up to the Public

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3.0 Executive Director's Report Cont. December 20, 2004

Outreach Meeting held on the South Fork Rivanna Reservoir (SFRR) Dredging concept. He noted that during this discussion, a suggestion was made to hold a joint meeting sometime after the January 20, 2005 Public Outreach Meeting to include the governing boards that would ultimately approve the Community Water Supply Plan Update. The purpose of the meeting would be to review all four concepts and entertain questions from the respective Board members. The process for scheduling this meeting has been initiated, but it has not yet reached the point where an announcement could be made concerning a date and time for this event. It is hoped that this information could be made available in the near future.

Mr. Frederick added that a request was also made for follow-up information on the Dredging concept. The technical data is currently being developed in coordination with RWSA consultants and would be ready for distribution in the near future.

Mr. Tucker thanked Mr. Frederick for his efforts in following up those requests.

4.0 Items From The Public

Mr. John Martin, Free Union, Virginia, stated that he had a comment/question concerning Mr. Frederick's Memorandum on the Capital Improvement Plan. "The third paragraph of his memo, from a corporate government standpoint, is interesting and some of the statements somewhat curious. That paragraph contains the following sentence referring to the Technical Advisory Committee: *At the same time, there was an effort to avoid excluding a project for which exclusion could have a significant adverse effect on public health, safety, or liability risk.* I would hope so since it concerns public health, safety, and liability risk. There is one intervening sentence which appears before this sentence: *The TAC unanimously agreed on the worthiness of the projects proposed, although TAC members from the City staff expressed some concern about the impact on water and sewer rates.* Is County staff represented on the Technical Advisory Committee, and if County staff is not, why not?"

Mr. Tucker responded that the Albemarle County Service Authority was represented on the Technical Advisory Committee (TAC). It was his understanding that County government staff did not serve on the TAC since the County did not contribute any funding for Capital Improvement projects, whereas the City and Albemarle County Service Authority rates pay for these items.

Mr. Frederick noted that Ms. Jennifer Whitaker chaired the TAC. The Committee consisted of representatives from the City and the Albemarle County Service Authority, and as pointed out by Mrs. Mueller, are wholesale customers of RWSA that provide retail services. The reason that County staff have not served on the

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TAC is that the Committee was formed to discuss retail issues. This process did not preclude regular discussions with County staff on pertinent issues.

Mr. Gaffney thanked Mr. Martin 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) Staff Report on Environmental Management System (EMS)

In regards to **Item 5b), Staff Report on Operations**, Mr. Brent noted that in the Wastewater Operations section, the Total Suspended Solids Average for the Scottsville plant was at the permit level and inquired as to the reason for this high number. Dr. Wichser replied that the sampling occurred during minor operational problems. Since the problem had been corrected and the numbers did not exceed the permit level, it was decided by Wastewater management that it would not be necessary to do a retest.

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 4 – 0 vote.

6.0 Other Business

In regards to **Item 6a), DEQ Presentation to RWSA as Environmental Enterprise (E²) Participant in Virginia Environmental Excellence Program**, Mr. Gaffney read off the names of RWSA staff (listed below) who participated in the Environmental Management System (EMS) process and requested that those in attendance come forward and remain during the presentation.

- Executive Director Tom Frederick, for providing management support critical to development of a sustainable program.
- Leader: Anne Tate Bedarf, Environmental & Safety Manager

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➤ Core Team Members:

Patricia Defibaugh, Chemist
Mary Knowles, Executive Secretary
Cary Long, Assistant Wastewater Manager
Norman Wescoat, Wastewater Manager
Mike Ralston, Compost Operator
Robert Wichser, Director of Water & Wastewater Operations
Jennifer Whitaker, Chief Engineer

➤ Audit Team:

Jene Phillips, Lead Operator
John Howell, Mechanic

Mr. Gaffney added that the EMS team would like to acknowledge and thank the Board of Directors for approving the staff goal towards the Environmental Excellence Program.

Mr. Gaffney next asked Mr. Tom Griffin, Outreach Coordinator for DEQ's Pollution Prevention Program, to make the presentation.

Mr. Griffin thanked Mr. Gaffney and stated that it was a pleasure to be at today's meeting and also return to the Charlottesville area, as he was a University of Virginia graduate.

Mr. Griffin displayed the certificate that would be presented to Rivanna today. He stated that he had reviewed RWSA's application, and the Authority was well on its way to achieving an even higher level designation. RWSA had taken a very excellent and comprehensive approach, and he commended Rivanna for setting an example for other quasi-governmental entities.

Mr. Griffin next gave an overview of DEQ's Environmental Excellence Program. He stated that it is a voluntary program, which provides incentives for companies that are taking steps to better the environment. The Environmental Excellence Program represents a new way of conducting business for the Virginia DEQ. It is an outstanding example of how DEQ can work with and not against the regulated community to improve the environment and to achieve goals much higher than mere regulatory compliance. Regulatory compliance itself is an important standard, but compliance should be the starting point and not the end goal. Organizations should strive to get better and better. The comprehensive Environmental Management System or EMS creates the framework for this type of continuous improvement in environmental performance. Organizations that have EMS in place

make DEQ's job easier. A fully implemented and effective EMS creates a "partnership of trust" between the regulated community and DEQ, which allows DEQ to focus on agencies that are not as advanced in setting environmental improvement goals.

Mr. Griffin reiterated his earlier comments by stating that Rivanna's support of the EMS effort at the Moores Creek facility was to be commended. RWSA would hopefully be setting an example for other businesses in the region to develop Environmental Management Systems, and in turn, RWSA's operations would be enhanced and the overall water quality of the Rivanna River would be improved.

In recognition of RWSA as a community leader and a partner in DEQ's efforts to protect the environment, Mr. Griffin presented the award on behalf of the Commonwealth of Virginia. He also thanked the Core and Implementation Team, as well as the Board of Directors for their support of this effort, and congratulated them on achieving the designation of Environmental Enterprise.

Mr. Gaffney thanked Mr. Griffin for his efforts to attend today's meeting in order to present this award.

Mr. Gaffney next asked Ms. Anne Bedarf to comment on the EMS Team's plans for obtaining the E³ designation.

Mr. Bedarf commented that the EMS Team was looking forward to expanding the program to achieve higher status. There are also plans to expand the EMS Program throughout both Authorities. The Solid Waste Manager has already begun utilizing EMS procedures related to document control and the development of some written on-site work practices. The Water Department will be the next area to implement the EMS Program, and a January kick-off is anticipated.

In regards to **Item 6b), Report on Capital Improvement Plan**, Mr. Frederick stated that the plan was being introduced today and it was hoped that it would lead to an appropriate level of discussion. RWSA was suggesting that January 2005 be set as the goal for adopting the Capital Improvement Plan (CIP), recognizing that due to the size and scope of the document, some follow-up may be required.

Mr. Frederick noted that this plan represented a significant effort on the part of RWSA staff, and it was hoped that the document would facilitate the decision-making process of the Board concerning future Capital Improvement projects. He then identified specific staff members in recognition of their significant

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contributions toward the development of this plan. He first thanked Ms. Jennifer Whitaker, who coordinated the entire process. He next expressed appreciation to Mr. Lonnie Wood who provided great assistance to Ms. Whitaker, especially in the areas of financial review and clerical support. He also thanked Dr. Robert Wichser, Mr. Richard Defibaugh, and Mr. Norman Wescoat for their valuable input on critical operating needs and setting priorities for future projects.

Mr. Frederick stated that utilities could be very capital intensive and were heavily regulated by state and federal laws, rules, and regulations. As regulations become more complicated, additional burdens are placed on utility operations in order to achieve compliance and to make the necessary adjustments for effective and reliable customer service.

Mr. Frederick also reported that after careful review by RWSA staff, the proposed plan was developed in an attempt to include only those projects that were necessary to the critical mission of RWSA. The document also reflected the policies set by the Board concerning future priorities, particularly as it related to the Community Water Supply Plan.

Mr. Frederick pointed out that the plan was broken down into major categories. Implementation of the Community Water Supply Plan will be a major focus, followed by regulatory-driven improvements to the Moores Creek Wastewater Treatment Plant, as well as rehabilitation and improvement to the wastewater transmission system. Mr. Frederick added that the budget for the Community Water Supply Plan will need to be reviewed and revised once the preferred alternative has been selected.

Mr. Frederick also stated that in order to provide a financial planning document, an effort was made to estimate the impact of the proposed CIP on future water and wastewater rates. Preliminary estimates based on impacts to the current wholesale rates graduated over the entire five-year plan and current agreements in place, suggested that the proposed CIP would require an urban water and wastewater rate increase for the City in the area of 5 percent per year. ACSA wastewater rates would be impacted by 5 percent, while the urban water rate might approach 10 percent per year due to anticipated growth in the County. He further explained that there is less impact to wastewater rates since they are regulatory and maintenance driven.

Mr. Frederick stated that he would entertain any comments, questions or requests for further research at this time. He asked that the Board focus on projects assigned to FY 2005 and FY 2006. He noted that RWSA intended to review the CIP on an

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annual basis so that appropriate adjustments and refinements could be made to the five-year plan.

Mr. Gaffney asked if projects concerning the Sugar Hollow-Ragged Mountain Reservoir system were maintenance driven and not part of the Community Water Supply Plan. Mr. Frederick replied in the affirmative and added that the budget included in the Ragged Mountain cost center was only to restore the Dam to its original condition. Any proposed expansion of the Dam would be included in the Community Water Supply Plan.

In response to a question from Mr. Gaffney, Mr. Wood stated that the current bond level was at about \$50 million which would more than double that amount under this proposed plan.

Mr. Brent concurred with Mr. Frederick's earlier comments concerning water and wastewater utility operations being extremely capital-intensive. It had been reported that it took a greater investment of dollars to produce one dollar of revenue in the water industry than any other utility, including nuclear energy. Mr. Brent added that the water industry has recognized for some years what the public has just begun to understand that much of the infrastructure that currently provides water and sewer service was developed in the late 19th and early 20th centuries. The life expectancy of those structures was 75 to 100 years, which has been surpassed in many cases. There will be greater capital needs just to maintain the status quo of these facilities in the next few decades.

Mr. Gaffney commented that he felt it would be much better to fund new infrastructure than undertake continuous repairs to these systems.

Mr. Brent commended RWSA staff on their system assessment process during the preparation of this document. He felt it was the most comprehensive and realistic capital forecast ever presented to the Board.

In addition to the Community Water Supply Plan and improvements to the Moores Creek Wastewater Treatment Plant, Mr. Gaffney asked what other projects would require extensive permitting and design work. Mr. Frederick replied that most of the projects included in the proposed CIP were subject to a permit requirement.

Mr. Gaffney inquired as to the time frame and planning horizon for items such as the replacement of the 12-inch line with an 18-inch line. Mr. Brent stated that water facilities should look at a 50-year horizon similar to the Community Water Supply Plan study.

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Mr. Tucker asked what Board action was required today on this proposed CIP.

Mr. Frederick stated that it was RWSA's intent to provide this plan for the Board's review prior to requesting Board approval in January. Mrs. Mueller concurred with the January time frame and commented that the additional time would be needed to study the document and its potential impact to rates. Mr. Frederick noted that there were some projects listed in FY 2005 where design work is already in progress and gave the Sugar Hollow pipeline repairs as an example. At the end of January or first of February, RWSA would need feedback on this budget from the Board before the bidding and construction could proceed on these projects.

In response to a question from Mr. Gaffney on funding sources for FY 2005 projects, Mr. Wood stated that Board authorization would be needed for most of the projects as RWSA was using a temporary line of credit to fund those items.

Mr. Tucker asked when RWSA anticipated the 10 percent increase in water rates for the Albemarle County Service Authority would occur. Mr. Wood replied that the 10 percent increase would begin in FY 2006. Mr. Frederick added that when the plan was being developed, RWSA looked at the full five-year funding needs, as expressed in this budget, and estimated what the equivalent annual increase would be for each of the Fiscal Years beginning 2006 through 2009, to completely fund these projects.

Mrs. Mueller inquired as to when RWSA expected to sell bonds to fund this budget and for what amount. Mr. Wood replied that bonds would probably not be sold until the end of FY 2005 or the first part of FY 2006 for about \$11 million. Mrs. Mueller asked if it was correct that the amount of bonds to be sold in FY 2007 was \$18 million. Mr. Wood replied that it would more likely to be in the range of \$20 million.

Mr. Gaffney commented that he thought RWSA did a great job of compiling the CIP information, and felt it would be a helpful resource for the Board when considering the CIP budget.

As mentioned previously to RWSA staff, Mr. Brent stated that once the operating reserves had built up to a certain level, recurring items could be funded out of those monies rather than being included in the Capital budget each year.

As there were no further questions or comments, it was agreed that this item would be brought back to the Board in January.

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7.0 Other Items From Board/Staff Not On Agenda

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

8.0 Closed Meeting

There was no need for a closed meeting.

9.0 Adjournment

There being no further business, Mr. Tucker moved that the meeting be adjourned, seconded by Mr. Brent. All members voted aye, and the meeting was adjourned at 2:32 p.m.

Respectfully submitted,

Mr. Robert Tucker
Secretary - Treasurer