

## Albemarle County Service Authority Board of Directors

1 The Board of Directors of the Albemarle County Service Authority (ACSA) met in a  
2 regular session on March 19, 2009, at 9:00 a.m. at the Administration and Operations  
3 Center at 168 Spotnap Road in Charlottesville, Virginia.

4 **Members Present:** Mr. Wagner, Chairman; Mr. Roberts, Vice-Chairman; Messrs.  
5 Carter, Colbaugh, Martin; Dr. Palmer

6 **Members Absent:** None

7 **Staff Present:** Messrs. Fern, Gorham, M. Lynn, Henley, Bowling; Ms. Breeden, Mrs.  
8 Thraves, Mrs. Herr

9 **Public Present:** Mr. Brian Wheeler with Charlottesville Tomorrow and Mr. Brandon  
10 Shuleeta with The Daily Progress

11

### 12 1. Call to Order

13 The Chairman called the meeting to order and a quorum was established.

14

### 15 2. Approve Minutes of January 30, 2009, February 19, 2009 and March 9, 2009

16 **(Recording Time: 09:02:57 a.m.)**

#### 17 ***a. Minutes of January 30, 2009 (Special Session)***

18 Dr. Palmer stated that she had a variety of comments. She added that on  
19 Page 2, lines 9-14, that the South Fork Rivanna Reservoir Stewardship Task  
20 Force was requesting a legal opinion as to whether wetland formation would  
21 preclude dredging in year 2055. Dr. Palmer thanked Charlottesville  
22 Tomorrow for recording the January 30, 2009 meeting. Dr. Palmer added  
23 that on Page 3, line 2, the word "could", should be replaced with "should."  
24 She stated that on Page 4, line 3, with reference to an email sent to the ACSA  
25 Board, she requested that Mayor Norris better define his interests. She noted  
26 on Page 5, lines 7-28, that during the discussion, as the Board discussed  
27 Item 3 of the Memorandum of Understanding, there was concern that the  
28 Four Boards would be removed from the decision-making process.  
29 Throughout the discussion, the term "ourselves" was used and this was  
30 interpreted to be the ACSA Board. She requested that the "ACSA Board" be  
31 replaced with the "Four Boards." Dr. Palmer stated that on Page 5, lines 27-

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1 28, and on Page 6, on line 3, that the reference to the public be replaced with  
2 “opponents of the Community Water Supply Plan.” Dr. Palmer had discussed  
3 with Mr. Fern the extent of her proposed revisions, and it was agreed that the  
4 staff would bring the minutes of the January 30, 2009 meeting back to the  
5 Board at the next regular session.

6 ***b. Minutes of February 19, 2009 (Regular Session)***

7 Mr. Martin asked that on Page 25, lines 11-14, the paragraph be  
8 deleted and be replaced with the verbatim statement which he distributed at  
9 the meeting.

10 Dr. Palmer asked that on Page 24, line 18, the word “asked” be  
11 replaced with “stated.”

12 Mr. Colbaugh noted that, on Page 23, Mr. Fern was scheduled to  
13 present to the County of Albemarle Board of Supervisors a list of projects  
14 which may include areas that would need sewers in future years. Mr. Fern  
15 recalled that the Board had elected to wait until more information was known  
16 about the Oak Hill Phase 1 Sewer Project, before presenting that list to the  
17 Board of Supervisors. Mr. Colbaugh stated that he did not see a project  
18 converting the Southwood Mobile Home Park, from its use of a wastewater  
19 treatment plant, to be connected to the ACSA wastewater collection system.  
20 Mr. Fern stated that the Southwood Mobile Home Park was already a  
21 customer and was currently connected to the wastewater collection system.

22 ***Dr. Palmer moved to approve the minutes of the February 19,***  
23 ***2009 meeting as amended, seconded by Mr. Colbaugh. All members***  
24 ***voted aye.***

25 ***c. Minutes of March 9, 2009 (Special Session)***

26 ***Mr. Palmer moved to approve the minutes of the March 9, 2009***  
27 ***meeting, seconded by Mr. Colbaugh. Dr. Palmer, Messrs. Colbaugh,***  
28 ***Carter, Martin and Wagner voted aye. Mr. Roberts abstained.***

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1 **3. Matters from the Public Concerning Items not on the Agenda (Recording Time:**  
2 **09:13:20 a.m.)**

3 There were no matters from the Public.  
4

5 **4. Consent Agenda**

6 **For Information (Recording Time: 09:14:36 a.m.)**

7 Mr. Wagner asked if the Board had questions or comments regarding the  
8 Consent Agenda.

9 **a. *Monthly Financial Reports*** – Mr. Roberts noted that on Page 47, it  
10 appeared that 200 million gallons of water were lost last year. Dr. Palmer  
11 asked if water loss was calculated differently between the City and the ACSA.  
12 Mr. Fern stated that he knew the City reported their loss on an annualized  
13 basis. In calendar year 2008, the ACSA's loss in the urban area was 13.8%.  
14 As discussed previously, loss could be attributed to meter calibration at the  
15 RWSA, through the ACSA's numerous meters, and the result of specific  
16 reporting timeframes. The loss was not necessarily "leaks," when water is  
17 actually lost to the environment. Mr. Bowling asked when the differences  
18 were most pronounced. Ms. Breeden stated that it was hard to track, but  
19 based on the graph on Page 47, the larger differences appeared to be during  
20 the winter. Mr. Wagner stated that it could not be determined whether the  
21 majority of loss was in the City or the County, due to the piping configuration  
22 of the water system. He stated that these graphs should be viewed for long-  
23 term trends.

24 Dr. Palmer stated that in the meetings with Municipal & Financial Services  
25 Group (M&FSG), they have utilized a calculation which determines loss per  
26 length of water pipe. She asked Mr. Fern to comment. Mr. Fern stated that  
27 he had no experience with the calculation.

28 Mr. Colbaugh stated that previously he believed that a considerable  
29 amount of water was lost through the Fire Department; however, he had the  
30 opportunity to talk with some firemen regarding their practice of using water to

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1 fight fires and for training. Based on those discussions, he did not believe  
2 that a considerable amount of water was lost through firefighting or training.

3 Mr. Martin stated that the water use by the University of Virginia was billed  
4 through two main meters, which are owned by UVA. He noted that on a  
5 document provided by Mr. Fern, that the City makes “adjustments” to reduce  
6 their water reporting to RWSA. Mr. Fern stated that he would obtain a greater  
7 understanding of how the City prepares their reported water loss.

8 **b. Monthly CIP Report** – Mr. Martin stated that, regarding Item H, the Oak Hill  
9 Sewer Phase 1 Project, he was disappointed that the ACSA was not applying  
10 for the Community Development Block Grant (CDBG) funding for the project.  
11 In reviewing the results of the survey, he noted that there were 57 total units  
12 to be served by the project and of those 57, 40 responded to the survey. He  
13 further noted that of the 40 respondents, 25 met the low-to-moderate income  
14 (LMI) threshold. He stated that the main concern was getting people to  
15 respond to the income survey. Mr. Martin asked if residents were asked if  
16 they wanted to connect to the sanitary sewer. Mr. Gorham responded that  
17 previously, a sanitary sewer survey was sent to the Oak Hill Residents and  
18 only 14 people responded that they were interested in connecting to a public  
19 sewer system. The current survey addressed only their income. Mr. Wagner  
20 confirmed that only 80% of the total number of residents served by the project  
21 must respond. Mr. Martin asked that a letter be sent to the neighbors  
22 explaining the status of the project and the ACSA’s desire to apply for CDBG  
23 funds next year.

24 Mr. Fern asked if it was the Board’s intention to defer the project for one  
25 year, in order to obtain the CDBG funds, or to proceed with the project at this  
26 time. Mr. Martin stated that he understood that construction would not occur  
27 until next spring. Mr. Fern stated that construction of the project was not  
28 scheduled until FY 2010. If the letter was sent to residents now, they would  
29 defer wanting to connect to the sewer until later.

30 Dr. Palmer asked how the neighbors were contacted. Mr. Gorham stated  
31 that the Albemarle Housing Improvement Program (AHIP), in addition to the

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1 income survey letter, also sent a letter to the neighborhood. It was  
2 understood by ACSA staff that AHIP would go door-to-door and had been  
3 requested to concentrate on the 17 residences which did not respond to the  
4 income survey. In addition, a neighbor also distributed a letter to the  
5 residents. Dr. Palmer asked if all of these responses were included in the  
6 total number of respondents. Mr. Gorham responded affirmatively. Mr.  
7 Gorham added that separate letters were sent to owners of the rental units,  
8 since the owners would be making the decision on connection to the sanitary  
9 sewer system.

10 Dr. Palmer asked what the urgency was to construct the project. Mr. Fern  
11 stated that it has been documented that there was a definite impact on the  
12 stream in the area due to failed on-site wastewater systems.

13 Mr. Colbaugh stated that he believed staff should return to the Board for  
14 its consideration of the project, the confirmed number of connections. Mr.  
15 Martin stated that he was inclined to defer the project for another year, in  
16 order to obtain CDBG funding and potentially more connections. Mr. Fern  
17 stated that delaying the project could potentially result in a greater number of  
18 connections, from low-to-moderate income households. However, if the  
19 ACSA proceeds with the project now, residences which do not meet the low-  
20 to-moderate income threshold would be able to connect to the sewer sooner,  
21 and in addition, the Virginia Department of Health would have a remedy for  
22 identified, failing on-site wastewater systems. Mr. Gorham stated that when  
23 the Crozet Collection System was constructed, the Virginia Department of  
24 Health directed one resident to connect to the public sewer system, in lieu of  
25 repairing their on-site wastewater system.

26 Mr. Bowling asked about the feasibility of obtaining a CDBG grant. Mr.  
27 Fern stated that it was a competitive application process, but that Ron White  
28 with the County of Albemarle, Office of Housing, was very helpful in providing  
29 assistance on the project. Mr. Martin stated with the impairment of Biscuit  
30 Run the project met criteria, which would be helpful in obtaining a grant.

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1 Dr. Palmer asked if any of those who met the LMI threshold agreed to  
2 connect to the wastewater collection system. Mr. Gorham stated it was not  
3 known at this time whether they would agree to connect. Mr. Fern added the  
4 results of the income survey had not been cross-matched with those of the  
5 sanitary survey conducted earlier.

6 Mr. Colbaugh agreed the ACSA should delay the project until the following  
7 year. Mr. Roberts asked if grant funds could be used to reimburse LMI  
8 families. Mr. Fern replied that grant funds could not be used for  
9 reimbursement. The Board agreed that ACSA staff would not send  
10 connection letters until the FY 2010 Budget process was completed.

11 Dr. Palmer asked if the contractor who had installed the faulty pavement  
12 on West Leigh Drive would be making the repairs. Mr. Gorham stated that  
13 currently, the ACSA staff was working with both the contractor and the West  
14 Leigh Homeowners Association, who desired to have the entire road overlaid.  
15 Details were being worked out among the three parties.

### ***c. Monthly CIP Authorizations –***

### ***d. RWSA Minutes of January 26, 2009 -***

21 ***Dr. Palmer moved to approve the Consent Agenda, seconded by Mr.***  
22 ***Colbaugh. All members voted aye.***

### **5. Proposed FY 2010 Budget (Recording Time: 9:48:02 a.m.)**

25 Mr. Fern referred the Board to a PowerPoint presentation (Attached as Pages  
26 \_\_\_\_). He thanked Ms. Breeden, her staff, the management staff and employees who  
27 had input into the proposed FY 2010 Budget. He noted the considerable effort required  
28 to prepare the proposed budget while maintaining the highest quality of service daily.

29 Mr. Fern stated the goals of the ACSA in FY 2010 are to meet anticipated  
30 expenses, limit utilization of reserves while continuing to supplement those reserves,  
31 and to strengthen the ACSA assets including the system components and employees.

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1 Mr. Fern stated that approximately 35% of the anticipated expenses will be used  
2 to purchase water and wastewater services from the Rivanna Water and Sewer  
3 Authority (RWSA). These expenses are estimated at approximately \$11.4 million. The  
4 RWSA had proposed rate increases of 11.4% for water and approximately 13% for  
5 wastewater from FY 2009. Mr. Fern added that approximately 39% of the total  
6 expenses are attributed to the Capital Improvement Program (CIP). This in large part is  
7 due to the North Fork Regional Pump Station Project. Mr. Fern stated the department  
8 budgets account for approximately 19% of total expenses. He noted that the Buck  
9 Mountain Surcharge, which is a direct pass through to the RWSA, is reduced from FY  
10 2009 due to the anticipated reduction in new connections during the next fiscal year.

11 Mr. Fern stated that in each of the department budgets, a 2% merit pool increase  
12 is included. In addition, the ACSA is proposing to maintain the health and benefit  
13 dollars contribution of \$600 per month per employee, and to maintain the \$20 per month  
14 per employee match for their deferred compensation plan. Mr. Colbaugh asked if the  
15 retirement match program was being utilized. Ms. Breeden stated that 21 new  
16 employees were added last year to the program, bringing the total number of  
17 employees to 45. She noted that 13 employees were contributing the minimum \$20 per  
18 month.

19 Mr. Colbaugh stated he understood the proposed 2% merit pool was  
20 approximately \$65,000 and asked what other organizations were proposing in terms of  
21 merit increases. Mr. Fern stated that the RWSA, City of Charlottesville, and Albemarle  
22 County were not proposing merit increases this fiscal year. Mr. Martin stated that the  
23 County and City School Boards were also not proposing increases. However, upon  
24 further investigation, it was noted that the City School Board was considering an  
25 increase to bring their salaries to par with those in the area. Dr. Palmer asked if the  
26 ACSA salaries were at par. Mr. Fern stated that the ACSA is currently working with the  
27 RWSA and Ms. Carolyn Fowler to determine the salary levels of its employees. This  
28 information would be provided at the May Board meeting.

29 Mr. Martin asked the purpose of the 2% merit pool increase. Mr. Fern replied  
30 that it was to reward employees for their efforts over the past year. Mr. Roberts stated,  
31 while a 2% merit pool increase was being requested, the staff was being reduced by

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1 one position. He noted that last fall the Board requested a raise from the County Board  
2 of Supervisors. He thought that this would send an incorrect message if the Board  
3 received an increase but would not grant employees an increase. Dr. Palmer stated  
4 that the main question is whether the ACSA employee salaries are at par. Regarding  
5 the raise approved by the Board of Supervisors for the ACSA Board Members, she  
6 reminded everyone that the last increase was approximately 10 years ago. Mr. Martin  
7 stated that the Board Members should keep in mind that the economy is in poor  
8 condition and that while it was originally believed that the developers in the North Fork  
9 area were to contribute to the North Fork Regional Pump Station Project, the ACSA  
10 must now borrow money for that project. He added the \$65,000 will cost rate payers  
11 approximately \$120,000 based on a 30-year bond. Mr. Martin stated that other  
12 agencies in the area were not giving merit increases this year and that the ACSA is part  
13 of the entire community. He added he would find it difficult to vote for a merit increase.  
14 Mr. Carter asked that Mr. Fern be allowed to conduct the entire presentation before  
15 entering into these discussions.

16 Mr. Fern stated that the Administration Department budget is proposed at  
17 approximately \$1.3 million which is a decrease of 8.7% from FY 2009. Mr. Fern noted  
18 that increases in the Administration Department include additional landscaping and site  
19 materials to be utilized by the Maintenance Department, and additional funds for the  
20 fiscal agent which would be necessary to secure a bond for the North Fork Regional  
21 Pump Station Project. In addition, copying and printing costs will increase due to the  
22 Strategic Plan initiatives, such as the Fats, Oils, and Grease Program (FOG), and the  
23 Customer Quarterly Newsletter.

24 Mr. Fern stated that the Finance Department's proposed budget was  
25 approximately \$1.5 million, which is an increase of approximately 21% over FY 2009.  
26 He noted that while the increase may look to be substantial, the previous two years had  
27 shown the Finance Department's budget to be nearly level funded. One of the main  
28 increases in the proposed Finance Department budget is for anticipated increases in the  
29 number of mailings and postage during the fiscal year. In addition, approximately 600  
30 water meters are expected to be changed out during FY 2010. A major increase in the  
31 Finance Department budget is a proposed Automatic Meter Reading Test Program in

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1 Scottsville. This program is estimated to cost approximately \$200,000. The program  
2 will consist of meters with integral transmitters which would transmit data from each  
3 meter to the office on Spotnap Road. The program would allow the ACSA to identify  
4 leaks immediately on a property and not require a Meter Technician to drive to  
5 Scottsville to read meters on a particular cycle. If the test proves successful, it is  
6 anticipated that the entire urban area including Crozet will be retrofitted with this system  
7 over a 5-year period. Dr. Palmer noted that Scottsville is, by percentage, the greatest  
8 water loss in the ACSA system.

9 Mr. Fern stated that the Engineering Department's proposed budget of  
10 approximately \$1.2 million is a decrease of approximately 2% from FY 2009. Mr. Fern  
11 added that over the last two years, equipment and additional personnel have been  
12 added to the Engineering Department and it was intended that during FY 2010,  
13 programs such as Flow Monitoring, Comprehensive Modeling and the Fats, Oils, and  
14 Grease Program would be initiated and strengthened.

15 Mr. Fern stated that the Maintenance Department budget is proposed at  
16 approximately \$2.3 million, which is a decrease of approximately 14% from FY 2009.  
17 The budget proposes approximately \$80,000 for a Leak Detection Program. The  
18 program would consist of the purchase of approximately 40 transmitters which would be  
19 installed on valves by the Valve Maintenance Section of the department. Information  
20 would be downloaded from the transmitters to determine if a leak had occurred in the  
21 system. This method of leak detection could be utilized throughout the ACSA system  
22 and is proposed in lieu of hiring a leak detection company to perform a one time  
23 analysis.

24 Mr. Fern stated that the Capital Improvement Program (CIP) was estimated at  
25 \$12.6 million. Two major projects were included within the CIP. They include the North  
26 Fork Regional Pump Station Project estimated at \$5.7 million and the Meadow Creek  
27 Drainage Basin Sewer Rehabilitation Project estimated at \$2 million. Mr. Fern added  
28 that O'Brien and Gere Engineers had performed a Sewer System Evaluation Survey  
29 (SSES) of the Meadow Creek Drainage Basin and had provided the ACSA with a list of  
30 rehabilitation and repair projects intended to reduce infiltration and inflow.

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1 Mr. Fern stated that Debt Service and Reserves were estimated at \$1.8 million.  
2 Mr. Roberts asked how the 3R Reserves were calculated. Ms. Breeden stated that it  
3 was 0.4% of the ACSA's total assets. Mr. Fern stated that Projected Debt Service for  
4 the North Fork Regional Pump Station Project was estimated at approximately  
5 \$210,000. In summary, the Total Expenses were estimated at \$32.4 million.

6 Mr. Fern then stated that Volume and Service Charges represent approximately  
7 70% of the Total Revenues for the ACSA. It was estimated that approximately 1.6  
8 billion gallons of water would be sold in FY 2010, and less than 1.3 billion gallons of  
9 wastewater would be collected. Mr. Fern added that non-residential water use accounts  
10 were approximately 52% of the Total Volume of water.

11 Mr. Fern referred to a graph of the ACSA Volume History and Trends. He noted  
12 that the Drought in 2008 had affected the trend line. Mr. Fern stated that the following  
13 Volume and Service Charges would be necessary, in order to generate the revenues to  
14 meet expenses:

15

	Current Rates	Proposed Rates	Proposed Increase
Service Charge (per month)	\$ 5.27	\$ 5.74	9%
Water, SFR – Level 1 (per 1,000 gallons)	\$ 3.86	\$ 4.22	9%
Water, SFR – Level 2 (per 1,000 gallons)	\$ 6.10	\$ 6.95	14%
Water, SFR – Level 3 (per 1,000 gallons)	\$10.90	\$12.71	17%
Water, Non-residential (per 1,000 gallons)	\$ 6.04	\$ 6.81	13%
All Sewer (per 1,000 gallons)	\$ 7.00	\$ 8.11	16%

16  
17 Dr. Palmer asked what the proposed RWSA Wholesale Water Rate would be in  
18 FY 2010. Ms. Breeden stated that the RWSA Wholesale Water Rate was \$3.323 per  
19 1,000 gallons.

20 Mr. Fern stated that a Single-Family Residential customer, who uses  
21 approximately 4,800 gallons per month, would see an increase in their monthly bill of  
22 approximately 13% to \$69.84. Mr. Carter asked what the increase per month would be  
23 if RWSA had no increase in their wholesale rate. Mr. Fern stated that the staff would

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1 estimate the resulting increase. Mr. Fern added the Total Operating Revenues were  
2 estimated at \$22.5 million.

3 The ACSA staff was also proposing the following increases to connection fees:  
4

	Current Fees	Proposed Fees	Proposed Increase
Connection (meter or meter & tap)	Varies	Varies	Varies
System Development (water)	\$1,037	\$1,325	28%
System Development (wastewater)	\$1,532	\$1,911	25%
Rivanna Capacity (water)	\$2,095	\$2,364	13%
Rivanna Capacity (wastewater)	\$2,425	\$2,502	3%
Local Facilities (water)	\$2,590	\$2,754	6%
Local Facilities (wastewater)	\$3,690	\$3,690	0%

5  
6 Dr. Palmer asked if there would be discussions with Municipal & Financial  
7 Services Group (M&FSG) regarding connection charges. Mr. Fern stated that at the  
8 next meeting, with Dr. Palmer and Mr. Colbaugh, M&FSG would discuss connection  
9 charges. Mr. Fern stated that Total Non-Operating Revenue was estimated at \$9.9  
10 million. System Connection Charges, Transfer for Capital Expenses and Projected  
11 Debt from the North Fork Regional Pump Station Project accounted for 15%, 25%, and  
12 50% respectively of the Total Non-Operating Budget. Mr. Fern stated that the Total  
13 Revenue is estimated at \$32.4 million. Mr. Wagner asked about the anticipated number  
14 of connections in FY 2010. Ms. Breeden stated that ACSA is estimating 175 new  
15 connections, which is a decrease from approximately 300 in FY 2009. Dr. Palmer  
16 asked how this would affect the 3% planned growth rate. Ms. Breeden stated that in FY  
17 2008, the growth rate was projected at 3.2%, and that it will decrease because of the  
18 reduced number of connections in FY 2009. Dr. Palmer stated that approximately a  
19 year ago, Ms. Breeden provided her with a 5-year projection of costs, and that those  
20 projections are very close to what has been presented.

21 Mr. Wagner asked Mr. Fern if he would like to elaborate on the 2% merit  
22 increase. Mr. Fern stated that he believed the staff deserved more than a 2% merit  
23 increase, but that 2% was being proposed due to the current economy. He noted that  
24 based on information provided by Ms. Carolyn Fowler, 25% of businesses, governments  
25 and utilities were freezing salaries for the coming fiscal year, while 75% were not. This

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1 was a national average. He added that those companies not freezing salaries were  
2 projecting salary increases of 3.2%.

3 Mr. Fern stated that the staff had completed a significant amount of work over the  
4 past year. With the increase in the Capital Improvement Program (CIP) projects to  
5 approximately \$7 million, this program affects all four departments. While the  
6 Engineering Department manages the projects, the Administration Department is  
7 required to process and file more correspondence and distribute more contract  
8 documents. The Finance Department is required to process more contractor payments  
9 and invoices. Over the past year, the Maintenance Department has undertaken the  
10 Red Hill Community Water System Project and the Camelot Wastewater Treatment  
11 Plant Upgrade Project, both of which saved a significant amount of money for the  
12 ACSA.

13 In addition to the CIP, the ACSA staff developed the Strategic Plan, which will  
14 guide the organization over the next three years. Mr. Fern stated that he cannot speak  
15 for other organizations and their proposed lack of a merit increase, but he felt that the  
16 ACSA staff deserved more than the 2% proposed. Dr. Palmer asked if this was an  
17 across-the-board increase. Mr. Fern stated that the merit increase is based on  
18 performance evaluations; those whose evaluation rate higher receive a greater  
19 percentage and those whose performance was not as good, receive less.

20 Dr. Palmer stated that during a meeting with M&FSG, Mr. Fern proposed capping  
21 the CIP at \$8 million annually. She asked Mr. Fern to explain. Mr. Fern stated that the  
22 \$8 million cap is based on the approximate number of projects which could be  
23 undertaken by the staff. In FY 2010, the proposed CIP is \$12.6 million. However, \$7.7  
24 million is attributed to the North Fork Regional Pump Station Project and the Meadow  
25 Creek Drainage Basin Sewer Rehabilitation Project. The Engineering staff has  
26 discussed the number of projects and is comfortable with the proposed workload.

27 Mr. Fern stated that the Guiding Principles of the ACSA include valuing the  
28 employees. He added the health insurance premium is increasing 8%, and with the  
29 proposed ACSA contribution for Health and Benefit Dollars remaining constant at \$600  
30 per month, per employee, the employees will need to contribute more to the health  
31 insurance premium. Mr. Martin agreed that ACSA employees deserve more, but he

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1 added that both City and County employees also deserve an increase. He added that  
2 while the County is freezing positions, the ACSA is not and that the jobs at the ACSA  
3 appear to be more secure. He noted that the ACSA is an instrumentality of government  
4 and that the Board needs to take into consideration the morale of other area employees.  
5 He felt it was necessary for the ACSA to follow the rest of government.

6 Mr. Fern stated that in FY 2009, the ACSA employees received 0.5% less of a  
7 merit increase than the agencies' employees. Mr. Fern noted that each year, the ACSA  
8 staff starts with zero-based budgeting.

9 Mr. Colbaugh stated that he shared Mr. Martin's concerns, but that the ACSA has  
10 cut a position and has asked the employees to contribute to absorb the 8% health  
11 insurance increase. In addition, with the 0.5% merit increase not received last year, Mr.  
12 Colbaugh stated that he could justify a 2% merit increase. Dr. Palmer asked how the  
13 County is handling the health insurance increase. Mrs. Thraves stated that the  
14 supervisors are paying for the increase.

15 Dr. Palmer asked how the 8% health insurance premium increase affects  
16 salaries. Mr. Fern replied that the high option health insurance premium would increase  
17 to \$641.52. With the Health and Benefit Dollars remaining constant at \$600, per  
18 employee per month, the employee would be required to pay \$41.52, approximately  
19 6.5% of the health insurance premium.

20 Dr. Palmer asked how the 2% merit increase would affect a salary. Mr. Fern  
21 replied that based on an annual salary of \$40,000, a 2% increase equates to \$800 per  
22 year or \$66.00 per month. Mr. Wagner confirmed that the County was not increasing  
23 salaries, but would pay for the 8% health insurance premium increase.

24 Mr. Carter stated that he was more concerned if the customers could pay for the  
25 proposed \$9.00 increase per month on their bill. He has heard from customers that,  
26 while they may conserve water, they still see rate increases. He stated that, while the  
27 Board may need to review more than just the merit increase, he believed the real  
28 reason for the increase was the RWSA's wholesale rate increase.

29 Dr. Palmer stated that the merit increase was a public relations issue. Mr. Martin  
30 stated that he disagreed with Dr. Palmer in that the merit increase was not about public  
31 relations, but about what customers would have to pay. He added for every \$1.00 not

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1 borrowed by the ACSA, the customer would save \$2.00. He proposed that the ACSA  
2 Board look more to reducing the borrowing of monies to complete projects. He stated  
3 that he believed additional items could be cut from the budget to reduce the amount  
4 needed to be borrowed. He asked that Mr. Fern prepare a written document  
5 demonstrating the reasons for a merit increase.

6 Mr. Carter stated that he was not concerned about what the other organizations  
7 do, he believed it was important for the ACSA to show its customers that it was a  
8 properly run organization. Mr. Wagner stated the ACSA Board needed to show fairness  
9 to its employees and customers, and not other agencies. Mr. Colbaugh confirmed the  
10 ACSA staff would provide the Board with an on par analysis. Mr. Fern stated that the  
11 salary review presentation would occur at the May meeting.

12 Dr. Palmer clarified when she used the term "public relations", she meant for the  
13 ACSA customers and that it was important to show the work performed by the ACSA  
14 was done for the least amount of funds.

15 ***Mr. Roberts made a motion to allow ACSA staff to advertise for a Public***  
16 ***Hearing on June 4, 2009 at 7:00 P.M., and to publish the Proposed Water & Sewer***  
17 ***Rates. Mr. Carter seconded the motion.***

18 Upon discussion, Mr. Martin stated that a work session should be held to review  
19 the Operating Budget. Mr. Roberts stated that while it may be appropriate to have a  
20 work session, the Board still needed to authorize staff to advertise for the Public  
21 Hearing. Mr. Colbaugh stated that while a date needed to be set for the Public Hearing,  
22 he had a concern about publishing a rate which may be much higher than what the  
23 Board would eventually adopt.

24 Mr. Carter asked the requirements for advertising a Public Hearing. Mr. Fern  
25 stated the ACSA must advertise for a Public Hearing 60 days prior to the date of the  
26 hearing, and while only the sewer rate needed to be publicized, the ACSA historically,  
27 had publicized both water and sewer rates. Typically, the ACSA has established a  
28 Public Hearing date and then continued with discussions on the budget and rates up to  
29 the time of the Public Hearing. Mr. Carter stated he would like to advertise the rates in  
30 order to gauge public opinion.

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1 Mr. Wagner asked how the rates could be reduced. Mr. Colbaugh replied, by  
2 deferring the Oak Hill Sewer Phase 1 Project, the sewer rate could be less than the  
3 increase proposed by RWSA on the wholesale sewer rate. As it relates to the water  
4 rate, the Board may adopt a different rate structure proposed by M&FSG, which could  
5 be vastly different from the current rate schedule. Mr. Roberts stated the Board and  
6 staff needed to move forward on the proposed budget and rates. Dr. Palmer stated she  
7 would like to receive more information on the contamination of the Biscuit Run stream,  
8 prior to discussion of deferring the Oak Hill Sewer Phase 1 Project. She agreed with  
9 Mr. Carter in advertising the water and sewer rates to gauge public opinion.

10 Dr. Palmer asked about the schedule for the Rate Study. Mr. Fern stated a  
11 meeting with M&FSG, Dr. Palmer, Mr. Colbaugh, and ACSA staff was scheduled for  
12 March 26<sup>th</sup> and the presentation of recommendations by M&FSG was scheduled for the  
13 Board meeting on April 16<sup>th</sup>.

14 ***The Chairman called for a vote: Dr. Palmer, Messrs. Carter, Roberts, Martin***  
15 ***and Wagner voted aye, Mr. Colbaugh voted nay.***

16 Mr. Martin stated the Board could review each of the line items of the budget, but  
17 it would be a tedious process. In lieu of such a review, the Board could ask Mr. Fern to  
18 make a judgment call to reduce the budget by a specific percentage. Mr. Fern could  
19 then identify areas in the budget which could be reduced and provide an explanation.  
20 Mr. Colbaugh stated he was not interested in a set percentage, but he would prefer to  
21 ask questions about programs and projects in order to more fully understand the  
22 budget. He felt in this way he could identify ACSA needs instead of wants.

23 Mr. Martin stated that he would like to see the Operating Budget and CIP Budget  
24 separated. He had prepared a document separating the two budgets and provided  
25 copies to Ms. Breeden and Mr. Fern for their review. Mr. Martin noted that the  
26 Operating Budget has only increased 1.7% from FY 2009. Dr. Palmer stated she felt  
27 the staff was very capable of analyzing the budget. She noted that water is still less  
28 than a penny per gallon. In addition, Dr. Palmer stated that customers should be  
29 informed that by conserving water they not only reduce their monthly bill, but preserve  
30 area lakes and streams.

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1 Mr. Martin stated that while the staff may have a reasonable basis, he would still  
2 like to discuss such budget line items as the \$20,950 for Travel, and the Rain Barrel  
3 Program. Mr. Colbaugh reiterated that he would prefer analyzing the programs and  
4 projects and that he was not interested in individual line items. He added that his goal  
5 would be that rates should not exceed the proposed RWSA increases on the wholesale  
6 water and sewer rates. Dr. Palmer stated that she was concerned with deferring any  
7 CIP projects. Mr. Fern stated if the staff felt it was necessary to defer CIP projects, then  
8 reasons for deferring the projects and their potential impacts would be provided to the  
9 Board.

10 Mr. Colbaugh stated he would like to see how the \$5 million bond for the North  
11 Fork Regional Pump Station Project would be used. He would like the bond amount to  
12 only include the amount required for new development. Mr. Roberts stated that the  
13 projected debt service is estimated at approximately \$210,000 and asked when the  
14 bond would be necessary. Ms. Breeden stated that it was anticipated at the end of FY  
15 2010.

16 Mr. Fern reiterated the intention of the Board was to establish rates which would  
17 not exceed the proposed rate percentage increases by the RWSA on the wholesale  
18 water and sewer rates. A budget work session was scheduled for Wednesday, April 1,  
19 2009 at 9:00 a.m. at the ACSA Operations and Administrations Building.

20

### 21 **6. Proposed FY 2010 Capital Improvement Program (Recording Time: 11:21:28** 22 **a.m.)**

23 Mr. Fern referred the Board to Page 97 of the Board Packet and stated that the  
24 amounts listed for existing and new projects in the second paragraph should be revised  
25 to \$6,983,850 for existing projects and \$5,637,700 for new projects. The memo  
26 includes short discussions of each of the proposed projects in the FY 2010 CIP. The  
27 projects would be elaborated on at the Public Hearing scheduled for the April Board  
28 Meeting. Mr. Fern requested that the Board authorize staff to advertise for a Public  
29 Hearing to address the FY 2010 CIP at 9:00 a.m. on Thursday, April 16, 2009.

30 Mr. Colbaugh stated that he would like to know the age of the facilities and the  
31 reasons for the project at the Public Hearing.

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1            ***Dr. Palmer moved to authorize staff to advertise for the Public Hearing to***  
2 ***address the FY 2010 CIP at 9:00 a.m. on Thursday, April 16, 2009, seconded by***  
3 ***Mr. Roberts. All members voted aye.***  
4

5 **7. 2009 Strategic Plan (Recording Time: 11:24:17 a.m.)**

6            Mr. Fern stated that beginning with a process which started last summer, the  
7 staff was prepared to present to the Board of Directors the 2009 ACSA Strategic Plan.  
8 Included within the Board Packet were spreadsheets detailing the strategies and  
9 implementation tasks for the 6 goals of the plan which covered a 3-year period.

10           Mr. Martin noted a typographical error was present on the letter preceding the  
11 plan. The word “customers” should have an apostrophe. He added that the ACSA’s  
12 first goal should always be to provide the highest quality service to the customers.

13           Mr. Colbaugh asked the disposition of the document. Mr. Fern replied that it will  
14 be included on the ACSA website and used by all staff. Mr. Colbaugh suggested that  
15 the Strategic Plan be sent to members of the four Boards and that a 1-page letter also  
16 be distributed to the ACSA’s customers. Mr. Roberts recommended that spreadsheets  
17 be developed which would chart the percent completion of each of the items.

18           Mr. Fern requested that the Board of Directors adopt the 2009 Strategic Plan.

19           ***Dr. Palmer moved to adopt the 2009 Strategic Plan, seconded by Mr.***  
20 ***Colbaugh. All members voted aye.***  
21

22 **8. Rate Study Update (Recording Time: 11:31:11 a.m.)**

23           Mr. Fern stated that the Rate Study Committee consisting of Dr. Palmer and Mr.  
24 Colbaugh met with staff and Municipal and Financial Services Group (M&FSG). Mr.  
25 Fern stated the Rate Study was approximately 75% complete. During the last meeting,  
26 the group discussed the ACSA’s Capital Improvement Program. They reviewed each  
27 project determining if there would be additional growth to the system, or if a project was  
28 rehabilitation or repair of existing infrastructure. In addition, the group discussed the  
29 use of reserves in determining rates. Mr. Fern added the group also discussed rate  
30 design and the establishment of a Lifeline Rate up to 3,000 gallons. The group  
31 discussed an Excess Use Surcharge which could be assessed to those customers who

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1 use more water on a monthly basis than the system was designed for, and rates which  
2 would go into effect during drought conditions. Unfortunately, the group did not have  
3 time to discuss Connection Charges which would be addressed at the next committee  
4 meeting.

5 Dr. Palmer stated that the Excess Use Surcharge would be assessed to  
6 customers who use more than 270 gallons per day, which is the design amount utilized  
7 by the ACSA. She added that the group discussed a Lifeline Rate from 0-2,000 gallons  
8 per month which would be charged at the RWSA wholesale rate. That rate would  
9 protect those with a lower income, or older customers on a fixed income. Mr. Fern  
10 stated that the committee would meet again on March 26<sup>th</sup>, and it was intended that  
11 M&FSG would present their recommendations at the April 16, 2009 Board Meeting.

12 Mr. Martin stated, based on the Monthly Financial Reports, it appeared that multi-  
13 family residential customers who use up to 6,000 gallons per month, pay only slightly  
14 more per gallon than single family residential customers. However, those which use  
15 more than 6,000 gallons per month, appear to pay much less per gallon of water used  
16 than a single family residential customer. He asked if M&FSG would consider a Tier 2  
17 rate for multi-family residential customers. Mr. Wagner asked about the number of  
18 apartments which fall into a category using more than 6,000 gallons per month. Ms.  
19 Breeden stated that she did not have a firm count at that time but has forwarded Mr.  
20 Martin's request to M&FSG.

21 Mr. Colbaugh stated that during the committee meeting, it was presented that  
22 18% of the ACSA's single family residential customers who do not have irrigation  
23 meters use more than 6,000 gallons per month. He added that 6,000 gallons per month  
24 is approximately double the 270 gallons per day utilized by the ACSA for design of  
25 facilities. Dr. Palmer added, that was the intended logic for assessing an Excess Use  
26 Surcharge to those customers. Mr. Colbaugh stated that the Board should consider  
27 whether they should assess a special charge to 18% of the ACSA customers.

28 Mr. Colbaugh stated that regarding Connection Fees, it was important to note  
29 that the majority of the ACSA projects are rehabilitation and repair of existing  
30 infrastructure. However, the RWSA projects appear to be more growth oriented; so it

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1 was easy for the ACSA to say that growth pays for growth when ACSA projects are truly  
2 not experiencing growth.

3 Mr. Martin asked Mr. Colbaugh to clarify the discussion regarding the single  
4 family residential customer utilizing more than 6,000 gallons per month when Tier 3  
5 rates are structured to encourage the reduction of consumption below 6,000 gallons per  
6 month. Mr. Colbaugh stated that in addition to an Excess Use Surcharge, the  
7 committee discussed assessing double connection fees to those excess users. Mr.  
8 Wagner stated that unfortunately, the ACSA does not know ahead of time the water  
9 consumption use of customers before invoicing them for connection fees. He added  
10 that if 18% of single family residential customers are using more than 6,000 gallons per  
11 month, and the single family residential average is between 3,500 and 5,000 gallons per  
12 month, than a considerable number of single family residential customers are using  
13 much less water. Mr. Colbaugh stated that it was presented that approximately 25% of  
14 single family residential customers use less than 2,000 gallons per month.

15 Mr. Martin confirmed that separately metered apartments are counted as single  
16 family residential customers. Ms. Breeden replied in the affirmative.

17

### 18 **9. Travel and Credit Card Policy (Recording Time: 11:46:15 a.m.)**

19 Mr. Fern stated when Robinson, Farmer, Cox performed their most recent audit  
20 of the ACSA; they recommended that written policies be adopted regarding credit card  
21 use and travel. The Finance Department had prepared policies for the Board's  
22 consideration. The policies were based on those adopted by the Commonwealth of  
23 Virginia with minor modifications.

24 Mr. Colbaugh referred to Page 114 and the section of the policy which addressed  
25 airline travel of more than 2 Department Heads. Mr. Fern stated that in the event of a  
26 catastrophic airline crash, the ACSA would be greatly impacted if more than 2  
27 Department Heads were lost to the organization. Mr. Colbaugh asked if the policy  
28 would apply to Board Members. Mr. Fern stated that the policy does not apply to Board  
29 Members.

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1 Mr. Colbaugh referred to Page 115 and asked if the ACSA requires 2 people stay  
2 in a hotel room. Mr. Fern replied that the ACSA does not require employees to room  
3 together.

4 Mr. Colbaugh referred to Page 118 and asked if employees were to attend an 8-  
5 hour seminar in Richmond, would they be paid travel time to and from Richmond. Mr.  
6 Fern stated that the employee is only paid for 8-hours and that travel time is not paid for  
7 in that case. Ms. Breeden added that the ACSA would pay for meals.

8 Mr. Roberts referred to Page 123 and specifically referenced payment of mileage  
9 versus airline costs. He noted that wages, meals, and lodging need to be considered  
10 when evaluating the most economical way to travel. Mr. Fern stated that ACSA  
11 employees are encouraged to select the most economical way to travel.

12 The Chairman asked for the Resolution to be read. Mrs. Herr read the  
13 Resolution (Attached as Pages \_\_\_\_).

14 ***Dr. Palmer motioned to accept the Resolution as read, seconded by Mr.***  
15 ***Roberts. The Chairman called for a roll-call vote; Dr. Palmer, aye, Mr. Colbaugh,***  
16 ***aye, Mr. Wagner, aye, Mr. Carter, aye, Mr. Roberts, aye, Mr. Martin, aye.***

17

### 18 **10. Rain Barrel Program (Recording Time: 11:53:12 a.m.)**

19 Mr. Fern stated that at the previous Board Meeting, the Board of Directors asked  
20 that the staff meet with other agencies to discuss the Rain Barrel Program. On  
21 February 27, 2009, the ACSA staff met with representatives of the City of  
22 Charlottesville, Rivanna Conservation Society (RCS), and Thomas Jefferson Soil and  
23 Water Conservation District (TJSWCD). Each of the organizations modified their  
24 programs with the intent to return to their Boards to further discuss the Rain Barrel  
25 Program.

26 The RCS met with their Board which had some concerns with their proposed  
27 program. On March 16, 2009, Dr. Palmer, Mr. Martin, and Mr. Fern met with the RCS.  
28 Based upon the two meetings, the staff presented a revised Rain Barrel Program which  
29 would include rebates of \$30 each for ACSA customers who purchase rain barrels.  
30 Each customer would be limited to 2 rebates. The ACSA customers would be required  
31 to present dated receipts of the rain barrel purchase and sign a form agreeing to install

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1 the rain barrels. In the event that it was discovered that the rain barrel was not installed,  
2 the customer's account would be charged \$30 per rain barrel. Mr. Fern stated that the  
3 program would no longer include an educational component sponsored by the ACSA.  
4 In addition, the ACSA would not sell rain barrels nor endorse any one rain barrel  
5 supplier.

6 Dr. Palmer stated that she thought the educational component would remain in  
7 the program. Mr. Fern stated that initially, during those times when the ACSA planned  
8 to sell rain barrels, educational seminars would be held on the date of the rain barrel  
9 sales. Since the ACSA would no longer be involved in selling rain barrels, the  
10 educational component was not part of the proposed program. Dr. Palmer stated that  
11 she hoped the program would not preclude the ACSA from endorsing rain harvesting  
12 educational opportunities.

13 Mr. Roberts noted that the rebate program appeared to be very similar to the  
14 Toilet Rebate Program currently offered by the ACSA. Mr. Fern stated that the ACSA  
15 would promote the Rain Barrel Program through their website and flyers to their  
16 customers. Dr. Palmer stated that she was glad to hear that educational materials  
17 would be distributed to the ACSA customers.

18 Mr. Carter stated that in referring to the ACSA's Guiding Principles, the rebate  
19 program addresses a commitment to environmental stewardship; however, he did not  
20 believe that the ACSA was considering the best interests of its customers. Mr.  
21 Colbaugh stated that one of the other Guiding Principles was to collaborate with  
22 community partners, and there may be times when the principles need to be weighed.  
23 Mr. Carter stated that collaborating and conspiring with community partners are two  
24 different actions. Dr. Palmer noted that the ACSA has shared their source of less  
25 expensive rain barrels with other organizations. She stated that during the meeting on  
26 March 16, 2009, the RCS stated that the ACSA had eliminated an earlier fund raiser  
27 when the ACSA provided water conservation kits for free. She added that she believed  
28 the conservation kits provide a more direct reduction on water use than a Rain Barrel  
29 Program.

30 Mr. Martin agreed with Mr. Roberts that the Rain Barrel Program would operate  
31 very similar to the Toilet Rebate Program. He stated that rain barrels would not

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1 contribute significantly to the lowering of customer bills or the conservation of water.  
2 Mr. Carter questioned the need for a Rain Barrel Program. Mr. Martin replied that the  
3 ACSA customers want rain barrels, and such a program would encourage water  
4 conservation. He added that a rain barrel program is the first step in encouraging  
5 rainwater harvesting and he hoped that builders would begin to incorporate rainwater  
6 harvesting components into their home building. In the long run, such systems would  
7 reuse rainwater and control stormwater. Therefore, the most important part of this Rain  
8 Barrel Program is the educational component. In addition, he did not believe that the  
9 ACSA should harm another organization. Dr. Palmer added that the RCS does provide  
10 educational seminars which the ACSA will not provide. Mr. Martin stated that the RCS  
11 currently sells their rain barrels for approximately \$115 each. In the event ACSA  
12 customers obtain a rebate, they also receive a tax deduction for supporting the non-  
13 profit RCS. He added that he hoped the rebate program would encourage a greater  
14 sale of rain barrels.

15 Mr. Martin asked the amount allocated in FY 2010 for the Rain Barrel Program.  
16 Mr. Fern stated that \$15,000 was currently allocated for the program. Mr. Carter  
17 commented that the amount equates to 500 rain barrels. Dr. Palmer asked if it would  
18 be appropriate for the Board to defer action on the Rain Barrel Program until a program  
19 is adopted by the City of Charlottesville which would match the ACSA's proposed Rain  
20 Barrel Program. Mr. Martin stated that discussion was needed regarding the amount  
21 allocated for the Rain Barrel Program during the FY 2010 Budget process. Mr. Wagner  
22 agreed and added that the Rain Barrel Program could be suspended in FY 2010 if  
23 economic considerations warrant such action.

24 ***Dr. Palmer moved to approve the Rain Barrel Program and Pilot Program as***  
25 ***proposed, seconded by Mr. Martin. Dr. Palmer, Messrs. Colbaugh, Robert, Martin,***  
26 ***and Wagner voted aye. Mr. Carter voted nay.***

27

### 28 **11. Items not on the Agenda (Recording Time: 12:09:46 a.m.)**

29 There were no items not on the Agenda.

30

31

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1 **12. Adjourn (Recording Time: 12:09:58 a.m.)**

2 ***There being no further business, Mr. Colbaugh moved that the meeting be***  
3 ***adjourned, seconded by Dr. Palmer. All members voted aye.***

4

5 \_\_\_\_\_  
6 Gary W. Fern, PE, Secretary-Treasurer