

Albemarle County Service Authority Board of Directors

1 The Board of Directors of the Albemarle County Service Authority (ACSA)
2 conducted a work session April 16, 2009, at 9:00 a.m. at the Administration and
3 Operations Center at 168 Spotnap Road in Charlottesville, Virginia.

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

6 **Members Absent:** None

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

9 **Public Present:** Mrs. Betty Mooney, Ms. Dede Smith; Mr. Dave Hyder & Ms.
10 Lisa Zitomer, Municipal and Financial Services Group

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 and March 19, 2009 (Recording Time:**
16 **09:00:05 a.m.)**

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

18 ***Dr. Palmer moved to approve the minutes of the January 30,***
19 ***2009 meeting, seconded by Mr. Roberts. All members voted aye.***

20

21 **b. *Minutes of March 19, 2009 (Regular Session)***

22 ***Mr. Roberts moved to approve the minutes of the March 19,***
23 ***2009 meeting, seconded by Mr. Colbaugh. All members voted aye.***

24

25 **3. Matters from the Public Concerning Items not on the Agenda (Recording**
26 **Time:**

27 **09:01:05 a.m.)**

28 There were no matters from the public.

29

30

31

Albemarle County Service Authority Board of Directors

1 **4. Election of Officers (Recording Time: 09:01:07 a.m.)**

2 Mr. Wagner stated that prior to electing officers, he would like consensus
3 from the other Board members that it would be appropriate for newly elected
4 officers to assume an eight month term. It was the intent of the Albemarle
5 County Service Authority (ACSA) Board of Directors to conduct new elections in
6 January of 2010, such that the terms of office by Board members would coincide
7 with their appointment by the Albemarle County Board of Supervisors. All Board
8 members concurred with the eight month term. Mr. Wagner added there had
9 been discussion regarding the election of officers of the Board. He initially had
10 not intended to seek the nomination of Chairman, because he believed that he
11 would be moving from the area. He felt there were two equally qualified
12 candidates wishing to seek the position of Chairman. Since he was not going to
13 be relocating, Mr. Wagner stated that he would agree to be nominated for
14 Chairman. Mr. Wagner vacated the Chair and turned the meeting over to Mr.
15 Fern who opened the floor for nominations for the Office of Chairman.

16 ***Dr. Palmer nominated Mr. Wagner, seconded by Mr. Colbaugh. There***
17 ***being no further nominations; all members voted aye. Mr. Wagner was re-***
18 ***elected to Chairman.***

19 Dr. Palmer stated that she had a conversation with Mr. Robert Tucker,
20 Albemarle County Executive. She had asked Mr. Tucker how the Board of
21 Supervisors elected a Chairman. Mr. Tucker informed her that the Board of
22 Supervisors decided to alternate the duties of Chairman, and felt that it made for
23 a more cohesive Board. Dr. Palmer stated that rotating the Chair would
24 compliment Mr. Fern's management style. Mr. Carter stated that after seeing
25 how the City and the Board of Supervisors rotate the Chair position, he thought it
26 made all members of the Board feel important; he added that the Executive
27 Director did not report to just one individual. He would, however, suggest a term
28 limit. Mr. Colbaugh stated he would be in favor of a two year term, but would not
29 wish the By-Laws to be changed. He believed the Board should have some
30 discretion on who becomes the Chair. Mr. Carter asked how succession would
31 be achieved. Dr. Palmer suggested that staff investigate how other authorities

Albemarle County Service Authority Board of Directors

1 and organizations select a Chair, which could be discussed in a future meeting.
2 She believed by rotating the Chair, every member would have experience in the
3 position. Mr. Colbaugh reiterated that he preferred the Board have discretion on
4 who would be Chair.

5 Mr. Roberts stated that he respected all of the current Board members,
6 and that he would entertain the re-election of Vice-Chairman. Mr. Fern returned
7 the Chair to Mr. Wagner. The Chairman asked for nominations for Vice-
8 Chairman.

9 ***Dr. Palmer nominated Mr. Roberts, seconded by Mr. Colbaugh. All***
10 ***members voted aye. Mr. Roberts was re-elected Vice-Chairman.***

11 The Chairman asked for nominations for Secretary-Treasurer.

12 Mr. Colbaugh asked the Board members if there was any value in having
13 a Secretary or Treasurer as a member of the Board. Mr. Martin asked if the
14 duties of Mr. Fern would be divided among Board members. Mr. Colbaugh
15 stated that a Treasurer could be responsible for signing checks, and a Secretary
16 could be responsible for the meeting minutes. Mr. Martin stated that the current
17 process has worked fine for 40 years, and he saw no reason for change at this
18 time. Mr. Roberts concurred with Mr. Martin and stated that he was currently
19 involved in an organization in which he was required to sign checks, and that the
20 process was cumbersome. Dr. Palmer stated she, too, did not see a reason for
21 change at this time.

22 ***Dr. Palmer nominated Mr. Fern, seconded by Mr. Roberts. All***
23 ***members voted aye. Mr. Fern was re-elected Secretary-Treasurer.***

24 The Chairman asked for nominations for the Executive Committee. Mr.
25 Fern confirmed that the Executive Committee presently consisted of the
26 Chairman, the Vice-Chairman and Dr. Palmer. Dr. Palmer asked if the By-Laws
27 Committee could be the Executive Committee. Mr. Fern stated while the
28 Executive Committee could revise the By-Laws it was up to the Chairman to
29 appoint committees. Dr. Palmer asked about the future role of the Executive
30 Committee. Mr. Wagner stated since Dr. Palmer had served the ACSA well, as a
31 representative to the South Fork Rivanna River Reservoir Task Force, he would

Albemarle County Service Authority Board of Directors

1 seek to appoint Dr. Palmer as representative to the Four Boards. Dr. Palmer
2 asked if this could be done. Mr. Roberts felt that it could. Mr. Martin stated that
3 the Executive Committee was to be comprised of not less than two Board
4 members and the Chairman. He would propose that all six members be on the
5 Executive Committee; therefore, no one would be excluded. Mr. Wagner asked
6 Mr. Fern about the duties of the Executive Committee. Mr. Fern read the By-
7 Laws and stated "that the duties as the ACSA may from time to time determine."
8 Mr. Wagner confirmed the Executive Committee meetings must be properly
9 advertised. Mr. Fern replied yes, since three Board members would be in
10 attendance. Mr. Carter stated that it had been his experience that Executive
11 Committees typically act as a screening committee for the full Board. Mr. Martin
12 stated that based on the current size of the ACSA Board, he did not believe a
13 screening committee was necessary. Mr. Carter agreed. Mr. Bowling stated the
14 Executive Committee, to his recollection, had only met twice in 40 years. Mr.
15 Roberts stated that over the past year, two committees had been appointed by
16 the Chairman, the Rate Study Committee and the Strategic Planning Committee.
17 Mr. Colbaugh stated these types of committees should continue with two
18 members such that they can meet with staff, without requiring the taking of
19 minutes. Mr. Martin stated the Rate Study Committee had been working with
20 staff and Municipal & Financial Services Group (MFSG). Later in the meeting,
21 the Board would hear a presentation from MFSG. Mr. Martin stated he believed
22 that he was somewhat at a loss, since he had not been involved with the Rate
23 Study. He thought that all committees should be inclusive. Mr. Wagner agreed
24 with Mr. Colbaugh in limiting the size of committees.

25 ***Mr. Roberts nominated Dr. Palmer for a position on the Executive***
26 ***Committee. Mr. Carter nominated Mr. Roberts as a second position on the***
27 ***Executive Committee. Mr. Wagner stated that seeing there were no further***
28 ***nominations, he asked for a vote of the Board members. All members***
29 ***voted aye.***

30
31

Albemarle County Service Authority Board of Directors

1 **5. Consent Agenda**

2 **For Information (Recording Time: 09:31:34 a.m.)**

3 Mr. Wagner asked if the Board had questions or comments regarding the
4 Consent Agenda.

5 ***a. Monthly Financial Reports –***

6 Mr. Martin noted that on Page 41 of the Board Packet, the ACSA
7 was currently three fourths' through the Fiscal Year. Based on the
8 numbers presented in the Monthly Financial Report, Mr. Martin asked if
9 the ACSA could forecast the fourth quarter to know if sufficient
10 operating revenue would be received in order to fund the remaining
11 CIP, or would money be drawn from reserves? Mr. Fern stated that it
12 was always anticipated to draw from the 3R Fund, in order to fully fund
13 the CIP. He added the ACSA staff had anticipated spending
14 approximately \$6.9 million on the FY 2009 CIP; however, some
15 projects were running behind schedule, so it was likely the entire
16 amount would not be realized. Mr. Martin asked if the staff had a
17 forecast. Mr. Fern stated that since it was likely that less money would
18 be spent on the CIP, less money would need to come from the 3R
19 reserves. With lower revenues anticipated, less money would be put
20 into reserves at the end of the Fiscal Year. Ms. Breeden added that
21 reserves were always the first to be cut with insufficient revenue. Mr.
22 Martin confirmed that capital projects would not be deferred, but less
23 revenue would be deposited into reserves. Mr. Fern agreed, and
24 added all FY 2009 CIP projects had been initiated.

25 Mr. Roberts noted there were 14 CIP projects currently underway.
26 Mr. Martin referred to a graph he had prepared, plotting actual flows
27 with projected flows. He noted that actual flows were below projected
28 flows since September 2008. He asked if staff was confident that they
29 had reduced the projected water volume enough for FY 2010. Mr.
30 Fern stated that reviewing the actual water volume sales versus the

Albemarle County Service Authority Board of Directors

1 projected sales was an on-going analysis and that staff was confident
2 in the projections for FY 2010.

3 Mr. Martin asked if rates could be changed during the fiscal year to
4 generate sufficient revenues. Mr. Fern stated that while rates could be
5 changed, at any time during the fiscal year after the appropriate Public
6 Notice, the reducing of expenses would be the initial consideration
7 before any rate adjustment. Mr. Martin asked if, based on water flows
8 recorded through the third quarter, the ACSA was confident of the flow
9 projections for FY 2010. Mr. Fern replied the ACSA staff was confident
10 in the flow projections. Mr. Colbaugh added that reserves could be
11 utilized to supplement revenues, if it was necessary.

12 Mr. Colbaugh referred to Page 40 regarding the Single-Family
13 Residential Water Usage Chart. He stated the percent difference for
14 Tiers 2 and 3 should actually be a negative amount. Mr. Fern replied
15 this chart was developed from comments received from Mr. Roberts,
16 regarding the additional revenue gained through the changing of rates.
17 While the percent difference between the volumes of water in any tier
18 between any 2 months may be negative, the revenue generated would
19 never be lost, it would just never be gained. In essence, the volume of
20 water was not lost.

21 ***b. Monthly CIP Report –***

22 Dr. Palmer asked if a decision by the State Corporation
23 Commission (SCC) had been made regarding Embarq and the
24 Owensville Road Water Main Extension Project. Mr. Fern stated that
25 correspondence was received from the SCC last week and that they
26 were still reviewing the matter.

27 Dr. Palmer asked about the four easements for the Red Hill
28 Community Water System Project. Mr. Gorham stated these were final
29 easements for the pipe alignment from the Messina's, Simpson's,
30 Forbes', and McLaughlin's. He noted the pipe had been installed and

Albemarle County Service Authority Board of Directors

1 the entities had agreed to an easement, and added that these
2 easements were the final documentation.

3 Mr. Roberts asked how much money the ACSA would contribute to
4 the Red Hill Community Water System Project. Mr. Fern stated that
5 the current estimate was approximately \$250,000. He added based on
6 correspondence within the last week, the Virginia Department of
7 Environmental Quality (DEQ) was expecting to receive Stimulus
8 Funding for their Leaking Underground Storage Tank Program. Mr.
9 Fern stated that the ACSA would be requesting additional funds for the
10 project overrun.

11
12 ***c. Monthly CIP Authorizations –***

13
14 ***d. RWSA Minutes of February 23, 2009 -***

15
16 ***Dr. Palmer moved to approve the Consent Agenda, seconded by Mr.***
17 ***Carter. All members voted aye.***

18
19 **8. Proposed FY 2010 Capital Improvement Program Public Hearing (Recording**
20 **Time: 09:45:38 a.m.)**

21 Mr. Fern stated that the Public Hearing was advertised on March 22,
22 2009. Mr. Martin confirmed that the Board had previously agreed to move the
23 Automatic Meter Reading Test Program into the CIP for FY 2010. Mr. Fern
24 stated the change has been made but, for purposes of the Public Hearing, it was
25 not included in the list of projects.

26 Mr. Gorham prepared a PowerPoint presentation of all FY 2010 Proposed
27 CIP Projects (Attached as Pages _____). Mr. Gorham stated the first 20
28 projects included in the presentation were new projects, a couple were in-house
29 projects not completed in FY 2009, and the final four projects were currently
30 underway. He added there were additional projects that did not have a map
31 included in the presentation.

Albemarle County Service Authority Board of Directors

1 St. George Avenue/Buck Road Water Main Extension- Mr. Gorham stated
2 that cast iron and asbestos cement water mains along St. George Avenue and
3 Buck Road were believed to be approximately 70 years old. He added there had
4 been several breaks and the water mains were in poor condition. Mr. Gorham
5 stated that design would take place in FY 2010 with construction scheduled for
6 FY 2011. Mr. Colbaugh asked the condition of the remaining pipes in the area.
7 Mr. Gorham stated that approximately two to three years prior, the ACSA
8 replaced all of the pipes in Laurel Hills Subdivision, but there was still asbestos
9 cement pipe located in the area.

10 Dr. Palmer asked if the pipes were located under the roadway. Mr.
11 Gorham stated that pipes were located both under and along the side of the
12 roadway. He added that sewer pipes were also in the area. Mr. Martin asked if
13 public health and safety was a factor for including the project. Mr. Gorham
14 replied that public health and safety were a factor.

15 Crozet Streetscapes Water Extensions- Mr. Gorham stated the Crozet
16 Streetscapes Water Extensions project would be done in coordination with the
17 County of Albemarle's Streetscape Project, while the streets were under
18 construction. He noted the water extension on Carter Street would complete a
19 small CIP Project by connecting an 8-inch diameter water main and creating a
20 loop with Carter Street. He added that the other extension would also allow a
21 future extension to High Street to create a secondary feed with the Park Road
22 area.

23 Buckingham Circle Water Main Replacement- Mr. Gorham stated the
24 existing mains in the Buckingham Circle Subdivision were over 60 years old and
25 undersized 4-inch diameter asbestos cement pipe. Mr. Gorham noted the
26 system was originally a well system. He added that fire hydrants would be
27 installed for adequate fire protection coverage in the subdivision. The project
28 would consist of approximately 4,400 feet of 8-inch diameter ductile iron pipe.
29 Mr. Gorham added that design would take place in FY 2010 and construction
30 was anticipated to begin in FY 2011.

Albemarle County Service Authority Board of Directors

1 Mr. Colbaugh asked if standard ductile iron pipe was utilized only for water
2 and plastic pipe for sewer. Mr. Gorham replied in the affirmative for water pipe,
3 but added that sewer pipes are typically PVC, unless the depth of the pipe is 15
4 or more feet, in which case ductile iron pipe would be utilized. Mr. Martin asked if
5 public health and safety was a factor for including the project. Mr. Gorham
6 replied in the affirmative.

7 Canterbury Hills Water Main Replacement- Mr. Gorham stated the
8 Canterbury Hills Water Main Replacement Project was part of an on-going
9 program to replace all 2-inch diameter water mains in the ACSA system. He
10 added that the majority of the project would take place in the Canterbury Hills
11 subdivision; however, included in the project were cul-de-sacs located in the
12 Hessian Hills, Inglewood Court, and Old Forge area. Mr. Gorham stated that the
13 pipes were approximately 40 years old. The project would consist of 3,200 feet
14 of mostly 4-inch diameter ductile iron pipe and some 6-inch diameter pipe, and a
15 fire hydrant. He added that design would take place in FY 2010 with construction
16 scheduled for FY 2011.

17 Mr. Carter asked the life expectancy of the new pipe that would be
18 installed. Mr. Gorham stated that ductile iron pipe is expected to last 50 years.
19 Mr. Wagner asked if the fire hydrant spacing met current standards. Mr. Gorham
20 replied in the affirmative, with the exception of Cannon Place, where an
21 additional hydrant was needed.

22 Berwick Road Water Main Replacement- Mr. Gorham stated that the
23 Berwick Road Water Main Replacement Project was located in Ednam Forest.
24 He stated the current cast iron water main was in poor condition and was 45
25 years old. He added the project would create a loop with Ednam Drive to
26 eliminate a dead-end feed along Ednam Drive, and provide a secondary feed.
27 The project consisted of approximately 1,600 feet of 8-inch diameter ductile iron
28 pipe. Design will take place in FY 2010 and construction of the project was
29 proposed to begin in FY 2011.

30 Shoppers World Water Main Replacement- Mr. Gorham stated the
31 Shoppers World Water Main Replacement Project was an in-house project. He

Albemarle County Service Authority Board of Directors

1 stated the existing 8-inch diameter water main ran underneath a portion of the
2 building. Mr. Gorham stated that the project would include re-routing a new 8-
3 inch diameter water main around the building to serve the water meters located
4 at the back of the building. He added that the project consisted of approximately
5 500 feet of 8-inch diameter ductile iron pipe. The project was expected to be
6 completed in FY 2010.

7 Dr. Palmer asked if the owners of Shoppers World would contribute to the
8 cost of the project. Mr. Gorham replied that they had not been approached
9 regarding participation in the project. Mr. Fern stated they currently had a water
10 feed that was functioning properly, but that staff was not comfortable with the
11 location of the water main underneath a portion of the building. Mr. Colbaugh
12 asked if the building was permitted under the supervision of the ACSA. Mr. Lynn
13 replied that it was not. Mr. Roberts asked who the owner of the water main was.
14 Mr. Gorham replied that the ACSA owned the water main. Mr. Wagner
15 confirmed the owner of Shoppers World was not the ACSA customer, but the
16 individual stores leasing the space were. Mr. Martin asked if each store was
17 individually metered. Mr. Gorham replied that most of the stores had individual
18 meters, but some stores had constructed interior walls to create smaller stores.

19 Dr. Palmer asked if the ACSA should review their policy regarding
20 maintenance of commercial services. Mr. Gorham stated he felt the ACSA
21 should continue to maintain the pipes to insure they are being maintained. Dr.
22 Palmer stated she felt if commercial properties were made to maintain their
23 pipes, the financial burden would not fall on the ACSA to repair the pipes or to fix
24 previously made mistakes. Mr. Bowling stated the Board could vote to change
25 the policy. He added there were now policies, including construction supervision,
26 in place to prevent mistakes made during construction and to prevent pipes from
27 being installed under buildings. Dr. Palmer felt the ACSA should maintain the
28 pipes, but not necessarily pay for the entire cost of the maintenance, repair or
29 replacement of pipes for commercial facilities. Mr. Colbaugh stated, since
30 commercial customers pay into the CIP, the ACSA needed to cover the financial
31 costs.

Albemarle County Service Authority Board of Directors

1 Mr. Martin stated that the shopping center was a prime candidate for
2 redevelopment. He asked if staff had questioned the developer on future
3 redevelopment plans. Mr. Fern stated that staff discussions have been
4 concerning the pipe located under the building. He stated that if the 8-inch
5 diameter water main ruptured, it would cause considerable damage. He stated
6 the main focus of the project was to avoid a serious problem. Mr. Wagner stated
7 the ACSA would have an easement around the building where the pipe was to be
8 installed. He stated if the shopping center was redeveloped after installation, the
9 developer may have to relocate the pipe.

10 Hollymead Water Main Replacement- Mr. Gorham stated the Hollymead
11 Water Main Replacement Project was part of the ACSA's on-going program to
12 eliminate 2-inch diameter water mains and would be an in-house project. He
13 stated the work would primarily focus on several cul-de-sacs in the Hollymead
14 Subdivision. He added the pipes are approximately 40 years old, and the new
15 pipe will consist of approximately 1,400 feet of 6-inch diameter ductile iron pipe
16 and 3,900 feet of 4-inch diameter ductile iron pipe. He stated that hydrants
17 would also be added to some streets to provide an increase in fire protection
18 coverage.

19 Mr. Colbaugh asked if there was a reason to replace 2-inch diameter PVC
20 aside from the size. Mr. Gorham stated that today, one would not install PVC
21 pipe since it is not as durable. Mr. Colbaugh asked if the ACSA Maintenance
22 Department was experiencing leaks in that area. Mr. Lynn stated the
23 Maintenance Department had not experienced any leaks in the Hollymead
24 Subdivision, but it was difficult to upgrade services and re-create taps on PVC
25 pipe. Mr. Martin asked if a fire hydrant could be installed on a 2-inch diameter
26 water pipe. Mr. Lynn replied, no. Mr. Lynn stated most of the PVC pipes in
27 Hollymead did not have blow-off assemblies installed on them to flush for
28 improved water quality. He stated the pipes would have to be excavated to
29 install the assemblies. Mr. Lynn added due to the pipes being constructed of
30 PVC, they were not traceable.

Albemarle County Service Authority Board of Directors

1 Dr. Palmer asked if current developers were required to install 4-inch
2 diameter ductile iron pipes. Mr. Gorham replied in the affirmative. She asked if
3 installation of blow-off assemblies were also required. Mr. Lynn replied in the
4 affirmative. Dr. Palmer asked when the ACSA began requiring these
5 specifications. Mr. Gorham replied that the construction specifications were
6 revised to include these items by the early 1980's. Mr. Lynn stated the ACSA
7 began utilizing Construction Inspectors in 1977, and noted that any projects
8 constructed prior to then were not inspected by the ACSA. Mr. Colbaugh asked
9 if the project would entail repaving of the streets. Mr. Gorham replied the ACSA
10 was hoping to keep construction to the side of the road.

11 Ashcroft Water Improvements- Mr. Gorham stated the ACSA had initiated
12 an evaluation of this subdivision in FY 2008 and completed the evaluation in FY
13 2009. He stated that the main thrust of the evaluation was to review the existing
14 horizontal water storage tanks to examine if it would be viable to recoat or
15 replace the aging water storage tanks. He stated while analyzing the tanks, the
16 entire system was also reviewed. Mr. Gorham stated that based upon the
17 consultant's recommendation in the Preliminary Engineering Report, the ACSA
18 was proposing replacement of the horizontal storage tanks with a new 10,000
19 gallon storage tank and improvement of the pressure reducing valve vaults. He
20 stated that the project would improve the pressure for fire flows and provide a
21 reliable and redundant water system.

22 Mr. Colbaugh asked the age of the pipes. Mr. Gorham replied that the
23 original piping was constructed in the early 1980's, but some of the piping is only
24 five years old. He stated that the reason for the project was due to the age and
25 condition of the water storage tanks.

26 Glenmore Tank Study- Mr. Gorham stated the purpose of the Glenmore
27 Tank Study was to evaluate the feasibility of constructing a water storage tank
28 and address storage capacity, potential locations and water quality issues. He
29 stated the study would be conducted in FY 2010. He stated that the Glenmore
30 Subdivision was fed from a single pipe, and a water storage tank would be
31 invaluable if there were a water main break.

Albemarle County Service Authority Board of Directors

1 West Leigh Tank Study- Mr. Gorham stated the West Leigh Tank Study
2 would evaluate the feasibility of constructing a water storage tank and address
3 storage capacity, potential locations, and water quality issues.

4 Hardware Street Water Main Extension- Mr. Gorham stated the Hardware
5 Street Water Main Extension Project proposed connecting to the existing water
6 main at the South end of Hardware Street and connecting into the 12-inch
7 diameter water main at the James River Road intersection. Mr. Gorham stated
8 the primary goal for the project was to provide a secondary water feed into the
9 town and to increase the turnover in the Stony Point Water Tank, as well as to
10 abandon an approximate 400-foot section of asbestos cement pipe. The project
11 would consist of 4,000 feet of 8-inch diameter ductile iron pipe and a master
12 pressure reducing station.

13 Mr. Colbaugh asked if the ACSA would gain more customers from the
14 project. Mr. Gorham replied in the affirmative. Dr. Palmer asked if there were a
15 lot of citizens still on wells in that area. Mr. Gorham replied, yes. Mr. Colbaugh
16 asked if there were well problems in that area. Mr. Gorham replied that there
17 were not; he stated that the project was being proposed to draw more water from
18 the tank.

19 Meadow Creek Drainage Basin Sewer Rehabilitation- Mr. Gorham stated
20 a Sewer System Evaluation Survey (SSES) was completed in FY 2009. Based
21 on the survey, recommendations were made for the rehabilitation of manholes
22 and sewer mains throughout the Meadow Creek Drainage Basin. Mr. Gorham
23 stated the survey examined 1,300 manholes and 150,000 feet of sewer mains.
24 He stated the survey concluded that 508 manholes required rehabilitation,
25 including manhole cover replacement, repairing defects to the manholes,
26 resealing pipe connections, and recoating the entire manhole. He stated the
27 sewer segments were identified and prioritized due to urgency. Mr. Gorham
28 stated that Priority 1 included relining of 4,900 feet of 6-inch through 12-inch
29 diameter pipes, replacement of 1,500 feet of 6-inch through 10-inch diameter
30 pipes and 60 point repairs. Priority 2 included relining 3,300 feet of 6-inch
31 through 10-inch diameter sewer mains, replacement of 600 feet of 6-inch, 8-inch,

Albemarle County Service Authority Board of Directors

1 and 12-inch diameter sewer mains, and 47 point repairs. Priority 3 included
2 relining of 2,400 feet of 8-inch and 10-inch diameter sewer mains, replacement of
3 200 feet of 8-inch and 10-inch diameter sewer mains, and 19 point repairs. He
4 stated that 10,600 linear feet, or 7% of the total footage evaluated, required
5 relining, 2,200 feet, which was 1.5% of the total footage evaluated, required
6 replacement; and 39% of the total manholes evaluated required rehabilitation.
7 Mr. Gorham showed a map of the Ivy Road Area, Rio Road Area and Hessian
8 Hills Area. Mr. Gorham stated that the construction of the project would take
9 place throughout FY 2010.

10 Dr. Palmer asked the age of the manholes requiring rehabilitation. Mr.
11 Gorham stated the age varied, but approximately 50 years old. Mr. Gorham
12 stated some of the manholes were categorized under rehabilitation, but may just
13 need the frame and cover reset. He noted that the rehabilitation to the manholes
14 varied. Mr. Colbaugh asked the cost of the survey. Mr. Gorham replied that it
15 was done in three phases. Mr. Fern replied that the survey was approximately
16 \$450,000. Dr. Palmer asked how old the Rio Hill area was. Mr. Gorham stated
17 that it varied; some parts were constructed in the early 1960's and added that
18 Oak Forest was approximately 28 years old.

19 Scottsville Phase 2 Sewer- Mr. Gorham stated the project was a
20 combination of constructing a new sewer main on Plymouth Street, replacement
21 of an old clay sewer main, as well as rehabilitation of existing manholes and
22 relining of existing sewer mains. He stated the total footage involved was
23 approximately 760 feet. He stated that the construction was anticipated to begin
24 in FY 2010.

25 Mr. Colbaugh asked if the ACSA would receive connection fees from
26 customers who were currently connected, but utilizing a common lateral. Mr.
27 Gorham stated, since they were existing customers, no fees would be collected.

28 Georgetown Green Sewer Replacement- Mr. Gorham stated that this
29 project would be constructed in-house. He stated that when the ACSA
30 previously attempted to reline the Georgetown Green Area, several 6-inch
31 diameter sewer segments were unable to be relined due to the small diameter

Albemarle County Service Authority Board of Directors

1 and alignment issues. Mr. Gorham stated that 1,300 feet of new sewer main
2 piping was being installed. He anticipated that one-half of the segments would
3 be completed in FY 2010.

4 Mr. Colbaugh asked why 6-inch diameter pipes could not be relined. Mr.
5 Gorham replied they could, if they were perfectly aligned. He stated a machine
6 with a cutting bit travels within the pipe after it is lined; if the original pipe was
7 misaligned the machine could become wedged and the pipe would have to be
8 excavated and repairs made.

9 Pantops Drainage Basin SSES- Mr. Gorham stated that the project would
10 continue the current ACSA program of evaluating sanitary sewer drainage basins
11 for Infiltration/Inflow (I/I) each fiscal year. He stated that preliminary information
12 from RWSA showed that the lower Rivanna Drainage Basin, which included the
13 Pantops area, was the next priority for I/I reduction. Mr. Gorham stated that the
14 survey would cover 68,000 feet of sewers and 430 manholes.

15 Mr. Colbaugh asked if the project would be completed by a term
16 consultant. Mr. Gorham replied in the affirmative.

17 Buckingham Circle Sewer- Mr. Gorham stated that in conjunction with the
18 replacement of water mains in the Buckingham Circle Subdivision, a wastewater
19 collection system would be designed for construction to provide public sewer to
20 the area, which was currently served by septic fields. He stated that it would
21 entail approximately 5,600 feet of 8-inch diameter sewer mains, and 23
22 manholes. Mr. Gorham stated design would take place in FY 2010 and
23 anticipated construction to begin in FY 2011.

24 Mr. Colbaugh asked if the staff was aware of the potential interest in
25 connecting to the sanitary sewer. Mr. Gorham replied that he did not know. Mr.
26 Colbaugh asked if the project design should be done prior to a customer survey.
27 Mr. Gorham stated that a survey could be completed prior to the start of the
28 design of the project. Mr. Gorham stated that there would be savings since the
29 sewer mains would be done in conjunction with the Buckingham Circle Water
30 Main Replacement Project.

Albemarle County Service Authority Board of Directors

1 Ragged Mtn. Phases 2 & 3- Mr. Gorham stated that the Ragged Mtn.
2 Phases 2 & 3 projects were currently underway. He stated that the projects
3 entailed an extension of 4-inch, 6-inch, and 8-inch diameter water mains along
4 Reservoir Road to eliminate century-old 10-inch diameter cast iron water main
5 that previously served Camp Holiday Trails. He stated that the project would
6 consist of approximately 775 feet of 8-inch, 580 feet of 6-inch and 2,250 feet of 4-
7 inch diameter ductile iron pipe. Mr. Gorham stated that construction was
8 scheduled to begin the following week and carry over into FY 2010.

9 Boar's Head Inn Sewer Replacement- Mr. Gorham stated that existing
10 sewer mains within the Boar's Head Inn Complex were over 40 years old and in
11 poor condition. He also noted that a section of 8-inch diameter sewer is located
12 under a wing of the Inn. He added that the Inn was paying a portion of the
13 project cost in accordance with an earlier agreement. Mr. Gorham stated that the
14 project entails rerouting the sewer around the wing and also would give the
15 sewer main better slope characteristics. He stated that construction was
16 currently underway consisting of approximately 1,800 feet of 8-inch diameter
17 pipe, and carrying over into FY 2010.

18 Northfields Sewer Phase 4- Mr. Gorham stated that this project would
19 provide sanitary sewer to 16 lots on the western end of Huntington Road and the
20 south side of Wakefield Road. He stated that the project would consist of 2,200
21 feet of 8-inch diameter pipe. Mr. Gorham stated that construction was currently
22 underway, and would carry over into FY 2010.

23 North Fork Regional Pump Station- Mr. Gorham stated that the North
24 Fork Regional Pump Station Project would consist of two pump stations and their
25 respective force mains. He stated that the Camelot Pump Station would
26 transport all current and future wastewater flow in that drainage basin to the
27 North Fork Regional Pump Station (NFRPS) via a 12-inch diameter force main.
28 The NFRPS would pump wastewater south to the existing 18-inch diameter
29 Powell Creek Trunk Sewer. Mr. Gorham added that the project allows for the
30 decommissioning of the Camelot WWTP, and the abandonment of the North
31 Fork Research Park Pump Station currently located at the entrance to Lewis &

Albemarle County Service Authority Board of Directors

1 Clark Drive. Mr. Gorham stated that the project was currently in the design
2 phase and construction was anticipated to begin in early 2010.

3 Mr. Roberts asked when stating 2010, if Mr. Gorham meant FY 2010
4 which begins July 1, 2009? Mr. Gorham replied calendar year 2010.

5 Valve Insertion- Mr. Gorham stated that there were six areas where the
6 ACSA system interfaces with the City system. He stated that staff felt it was
7 beneficial to all parties to have a valve installed in those areas. He added that
8 the project would allow for more efficient maintenance by both organizations and
9 reduce the impact on customers during shut downs for repairs. Mr. Gorham
10 stated that some cost sharing for the project could be arranged with the City. Mr.
11 Gorham stated that the valves would be located on Avon Street Extended, Harris
12 Road (Willoughby Subdivision), 5th Street Extended, Old Lynchburg Road, Old
13 Ivy Road and Ivy Road intersection and Barracks Road.

14 Pump Station Improvements- Mr. Gorham stated that the Pump Station
15 Improvements Project includes three pump stations, one water and two sewer.
16 He stated at the Ashcroft Water Pump Station a need exists to repair the siding
17 and make an improvement to the piping arrangement to allow for better access.
18 He stated that project was estimated at \$15,000. Mr. Gorham stated that the
19 Redfields Sewer Pump Station required repairs to the siding and an emergency
20 bypass piping connection in case of a power outage. He estimated the project to
21 cost \$19,000. Mr. Gorham stated that the Glenmore Sewer Pump Station
22 required an emergency bypass piping connection, and was estimated to cost
23 \$11,000.

24 Pump Station Upgrades to PLC's- Mr. Gorham stated that the controls in
25 each of the seven water pump stations would be replaced with Programmable
26 Logic Controls (PLC's). The controls would prepare the water pump stations for
27 implementation of a System Control and Data Acquisition (SCADA) network.

28 SCADA System- The SCADA System Project would connect 1/3 of the
29 ACSA's assets so they can be monitored remotely. Mr. Gorham stated that
30 primarily the SCADA System would monitor pump stations and tanks and
31 potentially may monitor Pressure Reducing Vaults. Mr. Gorham stated that in the

Albemarle County Service Authority Board of Directors

1 next two years, the other two-thirds of the assets will be added to the SCADA
2 system.

3 Mr. Colbaugh asked if the SCADA system would be located in the
4 Administration and Operations Center. Mr. Fern replied that staff's intent was to
5 locate the SCADA system within the Administration and Operations Center.

6 Facility Improvements- Maintenance Shop/ Main Office- Mr. Gorham
7 stated that the Facility Improvements- Maintenance Shop/Main Office Project
8 encompassed several improvements related to safety, security, efficiency and
9 general repairs. He stated that the project included the installation of a new
10 security and fire monitoring system in the Operations Center, and installation of
11 an automatic gate opener and intercom system for the Maintenance Yard
12 entrance. Also included was replacement of the heat pump system, automation
13 of the gas pumps to eliminate manual level readings; and replacement of
14 weather strips and gaskets on the overhead doors at the Maintenance Shop.

15 Mr. Wagner asked for comments and questions from the Board. Dr.
16 Palmer stated that it was interesting to find out that a 4-inch diameter main
17 installed today would only be expected to last 50 years. Mr. Fern stated that the
18 ACSA planned for the main to last 50 years, but it was likely to last longer.

19 Mr. Wagner asked for any comments from the public on the Public
20 Hearing.

21 Mrs. Betty Mooney, a resident of the City of Charlottesville, addressed the
22 Board by asking which of the members were ACSA customers. She felt when
23 discussing water rates, it was important to know which Board members pay the
24 rates. Mr. Wagner stated that when the ACSA Board was organized, there were
25 representatives for all magisterial districts. He stated that he was not currently
26 living within the jurisdictional area of the Albemarle County Service Authority, but
27 he is a citizen of Albemarle County. He added that he, like the other Board
28 Members, was appointed by the Albemarle County Board of Supervisors. Mr.
29 Wagner stated that he was on private well and septic tank. He added that the
30 topic was something that had been true for a number of the ACSA Board,

Albemarle County Service Authority Board of Directors

1 because they represent various districts within the County and some of the
2 districts have very few people that were on public water and sewer.

3 Dr. Palmer added that just because someone does not have a residential
4 hook-up to the system doesn't mean they don't contribute; they also paid for and
5 used it through commercial activities. Mrs. Mooney confirmed that Dr. Palmer
6 did not pay a monthly water bill. Dr. Palmer replied that she did not.

7 Mrs. Mooney stated that she was curious to know which members did and
8 which members did not pay a monthly water bill. Mr. Martin stated that he was
9 interested in hearing Mrs. Mooney's comments regarding the CIP. Mrs. Mooney
10 replied that when discussing water rates, it was valuable for the public to know
11 which members of the Board paid rates.

12 Dr. Palmer asked Mrs. Mooney if she was suggesting that there would be
13 a difference in a member that did pay a monthly bill, opposed to a member that
14 did not. Dr. Palmer rejected that comment and added that because she lived in
15 the community and cared about the community, including its economic and
16 environmental health, she was not influenced one way or another because she
17 did or did not have a residential hook-up to the public water. Dr. Palmer added
18 that people in her neighborhood were customers of the ACSA, and she had tried
19 very hard to represent them to the best of her ability and felt that not being a
20 customer did not interfere with her ability to represent the constituents of her
21 district. Mrs. Mooney asked that the Board take into account how the public may
22 feel. Dr. Palmer stated that if the public would like to speak with the Board
23 Members, they were always welcome.

24 Ms. Dede Smith, a resident of the City of Charlottesville, addressed the
25 Board and commented on the level of detail given in the CIP. She asked the
26 Board to explain what the "Reserves" in the CIP were. Mr. Wagner stated that he
27 had been on the Board for a long time and the ACSA had been putting money in
28 the bank to pay for infrastructure as necessary. Mr. Wagner stated that the
29 ACSA had been fortunate to not have a significant amount of old infrastructure,
30 therefore being able to deposit money into the Reserves for future rehabilitation.
31 He added that in FY 2010, the ACSA would be deducting more from Reserves

Albemarle County Service Authority Board of Directors

1 than they would be depositing. He stated that the ACSA was being prudent by
2 putting money into Reserves so when the time came to fix the infrastructure,
3 there would be sufficient funds and the ACSA would not be required to
4 dramatically increase water and sewer rates. He stated that he expected, in the
5 future, there will be fewer years where the fund would increase.

6 Dr. Palmer stated that industry standards exist with respect to reserves
7 and the Municipal and Financial Services Group would discuss that with the
8 Board. Dr. Palmer also pointed out that the ACSA financials were available
9 online for viewing at any time. She stated that the ACSA did use best
10 management practices to manage its reserves.

11 Mr. Colbaugh stated that generally, there was approximately \$8 million
12 worth of replacement and rehabilitation projects that the ACSA planned to
13 complete this year and into the future. He added that there was a special project
14 regarding the North Fork Regional Pump Station that is estimated to expend
15 approximately \$5 million in FY 2010, for which the ACSA would sell bonds. He
16 stated that the ACSA had a 3R Fund that had approximately \$2 million included
17 as a reserve. Mr. Colbaugh stated that the ACSA hoped to fund the \$8 million
18 out of rates and fees, but if the projects were a little more or less, the amount in
19 the reserves would be adjusted. He stated that the reserves were approximately
20 one fourth of expected expenses.

21 Mr. Wagner asked if there were anymore comments regarding the Public
22 Hearing of the CIP. Hearing none, Mr. Fern stated the formal closing of the
23 Public Hearing.

24 **7. Rate Study – Municipal & Financial Services Group (Recording Time:**
25 **11:12:34 a.m.)**

26 Mr. Fern stated that Lisa Zitomer and Dave Hyder from Municipal and
27 Financial Services Group (MFSG) were present. He stated that they had been
28 busy meeting with Mr. Colbaugh, Dr. Palmer, Ms. Breeden and himself regarding
29 the Rate Study. He added that MFSG were at the meeting to present their
30 recommendations (Attached as Pages _____).

Albemarle County Service Authority Board of Directors

1 Mr. Hyder advised the Board of the rate setting process and gave the
2 objectives for each of the steps that needed to be followed. Mr. Hyder stated that
3 it was important to note that the operating expenses were based upon the
4 assumption that the RWSA would increase rates 3% each year. Mr. Hyder
5 presented the Capital Improvements Plan model. Mr. Hyder stated that the
6 recommendation of MFSG was, unless expenses exceed so much that there are
7 no longer 90 days of operating expenses, the ACSA would need to contribute to
8 that fund. He stated that based upon inflation of the operating expenses, MFSG
9 forecasts that the ACSA would not need to contribute to the operating reserves.
10 Mr. Hyder referred to Slide 8 and 9 to address what amounts would need to be
11 recovered from user rates.

12 Mr. Roberts asked where the North Fork Regional Pump Station Debt
13 Service was located on Slide 9. Ms. Zitomer replied that the Debt Service would
14 begin in FY 2011 under Projected Debt Service. Mr. Hyder stated that the total
15 calculated Projected Debt Service was approximately \$1 million per year. Mr.
16 Bowling confirmed that MFSG's projections were inflated 3% per year. Mr. Hyder
17 replied in the affirmative, that 3% was fairly standard.

18 Mr. Hyder explained Slide 10, showing the Board that water rates would
19 need to be raised 3% to avoid a shortfall in FY 2010, 8% to avoid a shortfall in FY
20 2011, 8% to avoid a shortfall in FY 2012, and 5% to avoid a shortfall in FY 2013.
21 For wastewater, Mr. Hyder explained that the sewer rates would need to increase
22 3% in FY 2010 to avoid a shortfall, 5% in FY 2011, 3% in FY 2012, and 3% in FY
23 2013.

24 Mr. Hyder explained Slide 11, showing the increase needed if the RWSA
25 raised their wholesale rate more than 3% and the ACSA did not change the
26 rates. Dr. Palmer stated that the RWSA gave the Board what they predicted as
27 future increases, and noted that wastewater was considerably higher. Mr. Hyder
28 stated that it was his understanding that 3% was still reasonable. Mr. Hyder
29 explained that the ACSA is charged a wholesale rate from RWSA. He stated that
30 the increased rate was related to Capital Projects which would provide additional
31 capacity. He stated that the ACSA would charge new customers for those

Albemarle County Service Authority Board of Directors

1 through connection fees. Thus, if the connection fees were raised, additional
2 revenue would be received to pay for the increase in wastewater rates. Dr.
3 Palmer stated that her understanding was that most of the sewer charges were
4 maintenance related rather than growth related.

5 Ms. Zitomer addressed the Board to discuss the Cost of Service Analysis.
6 Ms. Zitomer stated that the customer behavior was based on maximum day and
7 maximum hour usage. She stated that the standard MFSG used came from the
8 American Water Works Association Standard M1 Manual. She noted that Single-
9 Family Residential Customers had a higher maximum factor than Commercial
10 Customers. She noted that the sewer cost analysis service was based on both
11 hydraulic and pollutant loadings. She stated all customers were assumed to
12 have municipal strength sewage. Ms. Zitomer stated that administrative
13 expenses for both water and sewer was allocated based on customer units which
14 are based on meter size. She stated that MFSG recommended the ACSA base
15 service charges on customer units as well. She added that non-growth capital
16 expenses were based on rates. Ms. Zitomer stated that rate base allocation
17 looks at each asset class and the value of each asset.

18 Mr. Colbaugh asked Ms. Zitomer how MFSG knows that the cost should
19 be segregated the way it was presented in the model. Ms. Zitomer replied that
20 the model is based on national standards from the American Water Works
21 Association. She stated that Single-Family Customers have a maximum day
22 factor of 250% of their average day use as based on flows. Mr. Martin noted his
23 confusion in determining whether a customer is a single-family residential
24 customer or a multi-family non-residential customer is a function of whether or
25 not the building is separately metered. He added that the cost of service for an
26 apartment building which is separately metered would be the same as for a
27 single-family home in the suburbs. He stated that the concept confused him.
28 Ms. Zitomer explained that the behaviors of a single-family customer differ from
29 multi-family customers due to outdoor watering, and less people per residence.

30 Based on Ms. Zitomer's Revenue Requirement Cost Allocation slide, she
31 stated that the ACSA was not collecting as much as they should from the single-

Albemarle County Service Authority Board of Directors

1 family residential homes. She noted the difference was approximately 5%. Ms.
2 Zitomer stated that the next step in the process was to build a rate structure
3 based on the data that was presented thus far.

4 Dr. Palmer referred to Slide 16, and asked why the number of irrigation
5 accounts were blank. Ms. Zitomer replied that the number of irrigation accounts
6 was included in the other classes. Dr. Palmer confirmed that the consumption
7 number only represents the number of exclusion and auxiliary meters. Ms.
8 Zitomer replied that she was correct. Mr. Martin referred to irrigation
9 consumption and asked if the number given represented irrigation usage
10 separate from the other classes. Ms. Zitomer replied in the affirmative. Mr.
11 Colbaugh clarified that was irrigation broken out of all classes except for single-
12 family. She stated that the single-family residential number included auxiliary
13 meters. Ms. Zitomer stated that she separated the classes because irrigation
14 usage from all other classes is added to domestic use and billed through the
15 inclining block rate structure in the same manner as the single-family residential
16 customer.

17 Ms. Zitomer stated that MFSG took a specific look at single-family and
18 irrigation customers, comparing their number of gallons per month. Ms. Zitomer
19 presented Slide 17 showing single-family residential and irrigation customers'
20 behavior and why they were classed together. She stated that MFSG found that
21 single-family customers and irrigation customers behave similarly and the
22 patterns are the same. Ms. Zitomer concluded that MFSG felt that irrigation
23 customers should be charged the same as a single-family customer. She
24 explained the decision was made because irrigation customers cause the system
25 to incur more cost due to peaking the water system more severely than other
26 customers.

27 Mr. Martin asked if Ms. Zitomer took into account that irrigation usage is
28 water usage that is not essential to life. Ms. Zitomer replied that the decision was
29 based on customer behaviors only. Mr. Bowling reiterated it was the cost of
30 providing water.

Albemarle County Service Authority Board of Directors

1 Ms. Zitomer presented Slide 19 showing the rate structure as it currently
2 exists. The slide compared the percentage of customers and the percentage of
3 total consumption to each block or level in the current inclining block rate
4 structure and in an expanded, 4-tier, inclining block rate structure. Ms. Zitomer
5 stated that MFSG's proposed structure would add a 4th tier to include customers
6 who consume 6,000-9,000 gallons per month of water usage. She stated that
7 currently 6% of the ACSA customers use over 9,000 gallons per month.

8 Dr. Palmer asked if the 6% of ACSA customers who consume over 9,000
9 gallons of month have exclusion meters. Ms. Zitomer stated that she was not
10 sure, but would review this matter. Mr. Colbaugh asked if the customers who
11 used over 9,000 gallons include someone who waters a football field that has an
12 irrigation meter. Ms. Zitomer replied in the affirmative and reiterated that the total
13 included all customers, residential or commercial that used an irrigation meter.

14 Ms. Zitomer then presented Slide 20 showing the Proposed Rate
15 Alternatives. She stated that MFSG recommended the monthly service charge
16 be based on meter size. Mr. Martin asked if the greatest expense was the labor
17 in reading the meters. Mr. Hyder replied that historically the administrative costs
18 were included, but MFSG were proposing a fee that would cover the meter
19 maintenance, replacement, and repair.

20 Ms. Zitomer presented to the Board the Proposed Alternative B. She
21 stated that the variance in the charges was based on AWWA Meter Equivalents
22 which are calculated based on how much water the meter registers. Mr. Carter
23 asked what the normal size meter for a residence is. Mr. Colbaugh replied 5/8
24 inch. Dr. Palmer asked if the ACSA currently served a 6-inch meter. Mr. Lynn
25 responded that the ACSA currently does not. Mr. Martin referred to Alternative
26 B, and stated that the volume charge for irrigation would be less than it is now.
27 Ms. Zitomer replied only in Level 3. Mr. Wagner stated that service charges are
28 based on meter equivalence for the different meter sizes. He asked if that
29 amount had any relation to the cost of buying or replacing the meter beside the
30 fact a 1-inch meter would cost more. Mr. Colbaugh stated that a 1-inch meter
31 should require more maintenance, more frequently due to its size. Mr. Fern

Albemarle County Service Authority Board of Directors

1 stated that he was certain the AWWA took the information of many municipalities
2 to determine the amounts used.

3 Ms. Zitomer stated that one of the major design considerations on the rate
4 structure was the concept of affordability. She stated that the ACSA is currently
5 selling water at the rate it is purchasing the water for 41% of customers. She
6 added that another consideration was to take a 9% reduction in water usage, and
7 make an assumption that with the new rate there may be an increased
8 conservation effort from the customers. Mr. Colbaugh stated that the entire
9 ACSA operation, other than the small fixed costs, will rely on 59% of the
10 customers, who use more considerable amounts of water, since 41% of the
11 customers would never pay more than the wholesale rate. Ms. Zitomer stated
12 that the 41% would pay administrative service charges. Mr. Hyder stated that
13 41% is an annual average and added that there are some people who increase
14 water consumption to a different tier during summer months.

15 Mr. Roberts asked if the totals shown in the presentation include the
16 amount of water lost due to leaks. Mr. Hyder stated that the figures are based
17 solely on sales, not what is metered to the ACSA. Dr. Palmer pointed out that
18 there are large families and it would be hard for them to use under 3,000 gallons
19 of water per month. She stated that poorer people live in poorer neighborhoods
20 that have leaks. Ms. Zitomer stated that the end of the presentation would
21 address affordability issues. Mr. Hyder stated if the ACSA charged the first tier at
22 the wholesale rate, the next blocks would receive even multipliers. Mr. Hyder
23 stated that MFSG recommended the ACSA keep multi-family and non-residential
24 customers at a unit rate. Ms. Zitomer stated that the Cost of Service Analysis is
25 only accurate for approximately 5 years and then another study should be
26 conducted to assure that the ACSA adequately understands the customers and
27 their behavior patterns.

28 Mr. Martin stated that peak demand is an important consideration. He
29 added that the class that contributes highest to the peaks is irrigation users. Ms.
30 Zitomer added that single-family residences do as well. Mr. Martin stated that
31 total irrigation usage exceeds 2 present classes of customers. He asked if

Albemarle County Service Authority Board of Directors

1 MFSG considered changing irrigation to a separate class and charging them a
2 separate rate. Mr. Hyder stated that it was considered but was rejected. He
3 stated that the way you would treat people who own irrigation systems is the
4 same way that someone who irrigates with the hose is treated with the exception
5 of the sewer charge. Ms. Breeden added that the other customers who don't
6 have exclusion or irrigation meters, but water with a hose are paying a sewer
7 charge. Mr. Martin stated that he felt irrigation should be treated as a separate
8 class and priced accordingly. Mr. Martin felt that irrigation users would receive a
9 price break with Proposed Alternative B, if they consume less than 9,000 gallons
10 per month. Mr. Bowling stated that the person irrigating would still have to use
11 the water indoors for baths, etc., and would therefore catch most of the irrigation
12 users. He stated if you separate irrigation, those who cannot afford an irrigation
13 system would water their yard with a hose. Mr. Hyder stated that an irrigation
14 rate could be established, but he doubts that it would be any different than the
15 proposed alternative since the person would need to use water indoors as well.

16 Dr. Palmer stated that if you own an auxiliary meter, it can be turned off
17 during a drought. She added that those people do not pay sewer charges, but
18 during a drought they would not have access to their auxiliary meter. Mr. Martin
19 stated that most customers would obey drought regulations, and hose users
20 would not irrigate either. Mr. Colbaugh stated that irrigation by hose is allowed
21 during a drought, only in the early mornings.

22 Ms. Zitomer presented the Board with the Water and Wastewater Cash
23 Balances. She stated the rate increases recommended by MFSG, were the
24 minimum required without having to pull from Reserves. The slide provided
25 MFSG's recommended rate increases through FY 2014. Ms. Zitomer showed by
26 the end of FY 2009, the ACSA would use some of the Reserves, and due to an
27 aggressive CIP, the reserve balance will decline over time. Mr. Hyder stated that
28 the recommendation was not for the ACSA to adopt 5-year rate increases, but
29 just to show the process on the model. He stated that MFSG would provide the
30 ACSA with the model, which could be adjusted annually.

Albemarle County Service Authority Board of Directors

1 Ms. Zitomer presented Slide 24 and 25 showing sample single-family and
2 non-residential monthly bills should the Board adopt the Proposed Alternative B
3 rate structure. There was discussion amongst the Board regarding the difference
4 in the current bill opposed to if the Board decided to approve the Proposed
5 Alternative B rate structure. Mr. Colbaugh stated using the Alternative B rate
6 structure, 59% of customers would not see an increase in their rates. Ms.
7 Zitomer corrected that they would receive a 60 cent increase on their monthly bill.

8 Mr. Hyder presented Slide 26, referring to the RWSA Capacity Charge.
9 He stated the current capacity charge is calculated by using an average cost of
10 capacity methodology. The ACSA's percent of RWSA's value of current assets,
11 which is currently \$108 million, and projected cost for expansion, estimated at
12 \$23 million is included in the calculation. The projected cost for expansion
13 projects include the Ragged Mountain Dam and Reservoir Expansion, Route 29
14 Pump Station and Pipe Line, Moores Creek WWTP ENR Project and the
15 Meadow Creek Interceptor Project. Mr. Hyder stated that the costs are totaled,
16 and then divided by the capacity to determine the capacity charge. Mr. Hyder
17 stated if the ACSA took the non-financed costs of the future projects and used
18 the same methodology used in the past; the proposed FY 2010 fees would be
19 increased to approximately \$2,300 for water and \$2,400 for sewer. Mr. Hyder
20 stated that however, MFSG was recommending the ACSA include the cost of
21 debt issuance, since essentially RWSA would charge ACSA the interest fees that
22 RWSA will pay on their debt which is approximately 5% and administrative fees
23 which are approximately 8%. These amounts would increase the capacity
24 charge to approximately \$3,700 for water and \$2,700 for sewer. Mr. Hyder
25 stated that the methodology is similar, but would capture the costs of purchasing
26 capacity.

27 Dr. Palmer asked what constitutes maintenance and what constitutes
28 expansion. She stated that the Moore's Creek WWTP ENR Project is
29 categorized under an expansion project but is actually an upgrade. Ms. Zitomer
30 stated that it would still be included, because the project would be an
31 enhancement to the level of service. Mr. Wagner asked if the method would

Albemarle County Service Authority Board of Directors

1 generate enough funds through the fees to fully fund the increase. Ms. Zitomer
2 replied that it would be hard to tell without knowing the exact RWSA unit charges
3 for FY 2010. She added that the way the example is constructed; it would fully
4 fund the cost of the projects. Mr. Wagner stated that existing customers would
5 pay if the number of new connections anticipated were not realized. Mr.
6 Colbaugh clarified that new customers would need to pay the fees to buy into the
7 system. Ms. Zitomer clarified that only new customers would pay the fee up
8 front.

9 Mr. Hyder presented the slide referring to the System Development
10 Charge. He stated the purpose of the charge was to buy into the backbone of
11 the system and would be charged to new customers. He stated that the current
12 methodology used to calculate the current fee considers the value of the assets
13 less those that have been developer-contributed, and then divides by the total
14 number of customers. Mr. Hyder stated that MFSG was recommending a Hybrid
15 Cost Methodology. He stated it would be similar to the RWSA Capacity Charge
16 methodology, but incorporate an amount of the CIP for projects that would
17 potentially allow the ACSA to grow the back bone system. Mr. Hyder stated that
18 including those costs would increase the System Development Charge for water
19 to approximately \$1,500 and approximately \$2,500 for sewer.

20 Mr. Hyder then presented to the Board, the Local Facilities Charge. He
21 stated the fee is currently charged to a developer when he constructs a new
22 development and installs a pipe to connect to the ACSA main. He stated that a
23 customer not served, but requiring a pipe to connect to the ACSA main would
24 also pay the Local Facilities Charge. Mr. Hyder stated that the recommendation
25 of MFSG was to eliminate the charge since the majority of local infrastructure is
26 provided by the developer. He added that the local costs, not provided by the
27 developer, would be included in the System Development Charge. Mr. Hyder
28 stated that the ACSA would not lose revenue with the elimination of this charge.

29 Ms. Breeden stated, after the developer dedicates the infrastructure to the
30 ACSA, there are costs in maintaining the infrastructure. Mr. Wagner asked, if the
31 charge was eliminated, would a new homeowner have to pay a Local Facilities

Albemarle County Service Authority Board of Directors

1 Charge. Mr. Fern replied no, and added that the homeowner would only pay the
2 System Development Charge.

3 Mr. Colbaugh stated that the committee had reviewed the current assets
4 which value \$122 million. He stated that \$74 million of the assets were
5 contributed by developers. Mr. Colbaugh stated that because the ACSA
6 operates and maintains the \$74 million in assets, you would think that it would be
7 incorporated into the cost of buying into the system for the new homeowners, but
8 is not. He stated that the System Development Charge is only based on \$50
9 million, not \$122 million because the other portion was paid for by developers.
10 Mr. Fern clarified that the revenue required for maintenance would be received
11 through rates, and the Local Facilities Charge is the charge that the developer
12 pays to dedicate the infrastructure to the ACSA.

13 Mr. Wagner asked if the ACSA would be making a change that means the
14 homeowner purchasing a new home is paying more to cover the cost for the
15 infrastructure from the developer and the considerably higher Systems
16 Development Charge. Mr. Colbaugh asked how much extra the planned growth
17 improvement charge was. Ms. Zitomer replied that it is approximately \$500, and
18 the fee would remain approximately the same as it currently was.

19 Mr. Colbaugh asked Ms. Zitomer to explain how MFSG found \$3.6 million
20 worth of planned growth improvements. Ms. Zitomer replied that the amount was
21 determined over a 10 year planning period. Mr. Colbaugh asked why customers
22 would pay for growth for 10 years. Ms. Zitomer replied that typically when
23 estimating the cost to provide capacity, you review historical costs, and what the
24 cost would be over the next 10 years.

25 Mr. Colbaugh asked why MFSG only estimated 114 new customers over
26 the next 10 years. Ms. Zitomer stated that from the future projects planned and
27 loops being created, MFSG had identified 114 new customers, but there could
28 potentially be more. Mr. Hyder explained that if there is a loop created,
29 customers who have wells will connect to the system. He stated that when those
30 customers connect, they will pay a RWSA Capacity Charge and System
31 Development Charge. Mr. Colbaugh referred to a future project in Scottsville and

Albemarle County Service Authority Board of Directors

1 stated that it should not be categorized growth, since the goal of the project was
2 to improve water quality and provide a secondary feed. Mr. Carter stated that
3 whichever category it is under, it is an attempt to make the project pay for itself.

4 Mr. Carter asked why the charge should not be kept. Mr. Fern stated that
5 currently, the developer pays the charge to connect to the ACSA's water or
6 wastewater system and they have an opportunity to dedicate the infrastructure to
7 the ACSA. Ms. Breeden stated that with the new charge, the ACSA would
8 receive the charge per house rather than one connection fee. Mr. Carter stated if
9 only two houses connected to the system, the ACSA would lose money. Mr.
10 Fern replied that truly, the ACSA would not lose money. Ms. Breeden stated that
11 the ACSA could lose money if not all of the houses connected to the ACSA water
12 service. Mr. Hyder stated that the ACSA would receive the funding for
13 maintenance for the infrastructure through user fees. Mr. Carter asked if the
14 funding through user fees would fully fund the FY 2010 Budget. Ms. Zitomer
15 stated that it was the intent.

16 Dr. Palmer asked how the charges compare to the cost of installing a
17 septic and well. She stated, with the charges, the customer is still receiving the
18 better deal connecting to the ACSA water system.

19 Mr. Martin referred to the Oak Hill and Northfields neighborhoods. He
20 asked how much those households would be required to pay to connect to the
21 ACSA water system. Mr. Fern stated that they would pay a little more under the
22 new structure. Mr. Colbaugh referred to the Northfields neighborhoods and
23 asked how much would a homeowner that owned a septic tank adjacent to a
24 sewer main being constructed in Northfields, would the homeowner be required
25 to pay a Local Facilities Charge. Mr. Gorham replied that currently they would
26 pay the charge. Mr. Colbaugh stated that the homeowner would pay much less
27 in the proposed scenario.

28 Mr. Colbaugh stated that he was still concerned regarding the amount of
29 sewer projects that the ACSA is building to increase capacity. He stated that the
30 amount was high. Ms. Zitomer stated that \$6 million of the total was due to the
31 North Fork Pump Station. Mr. Fern stated that the amount might be higher.

Albemarle County Service Authority Board of Directors

1 The Board discussed the special rate district. Mr. Wagner stated that the
2 ACSA had anticipated that those getting the benefit from North Fork Pump
3 Station would pay for it. He stated that the ACSA would pay for the cost to
4 continue to service the current customers, but the new customers would pay the
5 remainder. Mr. Wagner added that paying for their percentage of the project now
6 would be the best deal possible for the developers. Mr. Hyder stated that based
7 on discussions, he recommended the North Fork Pump Station not be included in
8 the assets.

9 Mr. Hyder presented a slide showing Irrigation Meter Analysis. He stated
10 that the slide showed the comparison of a single-family resident with an irrigation
11 meter with a single-family resident without an irrigation meter. The annual
12 difference in cost was approximately \$450. He stated that a person who installs
13 an irrigation system would incur the meter cost, Buck Mountain Surcharge and
14 the cost of the irrigation system. Based on this information, Mr. Hyder stated that
15 it would take the single-family resident ten years to recover the cost.

16 Mr. Hyder presented to the Board a slide showing Customer Assistance
17 and Affordability. He stated that the majority of utilities around the Country do
18 not have dedicated programs for customer assistance. He added that typically,
19 the utilities refer customers to their local social services. Mr. Hyder stated that
20 those utilities that do have Customer Assistance Programs, either offer a Crisis
21 Assistance Program for customers who have a catastrophic crisis, or offer an on-
22 going assistance program based on age and/or income. He stated that the
23 program would provide on-going reductions in customer bills in the form of a
24 maximum bill or fixed reduction amount.

25 Mr. Hyder advised the Board that the District of Columbia Water and
26 Sewer Authority offers customer assistance through a SPLASH program which
27 provides customers with the ability to have their bill rounded up to contribute to
28 customers who need assistance with their water and sewer bills. He noted that
29 the other program offered provides eligible customers with a discount up to 400
30 cubic feet of water per month. Mr. Hyder stated that the most extensive program
31 he found was offered by the Portland Water Bureau. He stated that they offer

Albemarle County Service Authority Board of Directors

1 Crisis Vouchers which provide assistance once every 12 months. The other
2 programs offered include deferred water shut-off, a waiver of recent delinquency
3 charges, interest-free payment plans, and financial assistance.

4 Dr. Palmer stated that she had contacted Albemarle County Social
5 Services and asked if the ACSA could provide the funding for a similar program.
6 She stated that they were interested. She further stated that she questioned
7 whether Social Services receive inquiries regarding assistance with their water or
8 sewer bills. Dr. Palmer was advised that Social Services typically receive calls
9 from homeowners who do not have public water, but they did refer her to speak
10 with Social Services field directors to review the need. Dr. Palmer stated that
11 she would return to the Board with her findings.

12 Mr. Hyder stated that it was MFSG's recommendation for the ACSA to
13 adopt Alternative B Water Rate Structure with proposed increases for FY 2010.
14 He recommended continuing the ACSA's current sewer rate structure with
15 proposed increases for FY 2010. Also included in the recommendations were
16 annual updates to the financial model to monitor financial performance and to
17 track the level of cash funded capital expenditures in comparison with the \$8
18 million annual CIP targets.

19
20 **8. Adjourn (Recording Time: 1:06:47 p.m.)**

21 ***Due to time constraints, Mr. Colbaugh moved that the remaining***
22 ***agenda items be deferred until a later date can be established and that the***
23 ***meeting be adjourned, seconded by Mr. Carter. All members voted aye.***

24
25
26 _____
27 Gary W. Fern, PE, Secretary-Treasurer
28
29
30