BACKGROUND: This report continues the monthly updates on the Rivanna Water & Sewer Authority (RWSA) projects and Board meetings. Below are some updates from the Board meeting on March 22nd, and other RWSA projects:

- **Executive Director Resigned** – Executive Director Tom Frederick has announced his resignation, effective April 30th, for a new job at Loudon Water. Director of Finance Lonnie Wood will be acting Executive Director in the interim and a search will be established for a replacement.

- **Drinking Water GAC Project** – Work has begun at the South Fork Water Treatment Plant with excavations complete for the new chlorine contact tank and GAC building; work has continued on the reinforced concrete placement for structure foundations. GAC work at the Observatory Water Treatment Plant has begun. Work at Observatory includes foundation excavation for the GAC intermediate pump station, a new GAC building, and chlorine contact tank. Most of this work is complete. Rehabilitation of the Observatory flocculator system has been approved, within the CIP budget estimate. Work has begun at North Rivanna, with initial excavation underway, and a new finished water flow meter and filter backwash water piping corrections are complete. Start dates for the other water treatment plants GAC: Tentative: Crozet – April, 2016; and Scottsville – July, 2016. The anticipated completion dates are near the end of 2017.

- **Rivanna Pump Station** – Work is ongoing on the Rivanna Pump Station on RWSA property and the tunnel work is completed, with pipe installation also complete. Reinforcing steel, conduit installation, and concrete pours for the concrete walls of the new pump station are ongoing, and some wall portions have reached ground level. The 1,600 foot tunnel and installation of a new 60 inch sewer interceptor pipe is complete. Backfill grouting inside and outside the tunnel is complete. This project is several months behind schedule.

- **Schenk's Branch Sewer Line** – This is a 100% City funded project serving only the City, and City customers. This project is part of the DEQ Consent Order requiring completion. The project has been divided into two phases (1) a section between Schenk’s Greenway (at Allied Street) to the McIntire Recycling Center and (2) the Recycling Center to the Preston Avenue section (under negotiation between the City and County, which has not been finalized). We understand there is an active City-County effort underway to resolve this issue, but it is
unresolved at this point in time. The Phase 1 construction contract has been awarded and work began in early July. Excavation has begun on the project along McIntire Road in the Schenk’s greenway area, with some pipe and manhole installation work continuing over the next several months. This work is 60 days behind schedule due to rock excavation.

- **Reservoir Management Study** – The project work by Dinatale Water Consulting is well underway, and they are reviewing the background information that has been provided. The primary goal for the study is recommendations for improved reservoir water quality, especially dealing with the algal bloom issues that occur seasonally. The study will include all five reservoirs used for the public water supply: Beaver Creek, Ragged Mountain, South Fork Rivanna, Sugar Hollow and Totier Creek. Dinatelle has analyzed the water quality data being collected by RWSA staff at each of the reservoirs and watersheds. Initial findings are being reported. A report is expected later this spring.

- **Wholesale Water Metering** – This was a project required in the Water Supply Agreement to assure accurate water use data for future City and ACSA cost allocations. Additional easements were needed for two UVa sites. The RWSA staff is redesigning to locate these two meters on private property. This relocation should not impact the overall project schedule. New metering has been installed at three of the urban water plants with the GAC/Water Plant Improvement Projects (see attached memorandum on calibration of the meters). The contract for $2.03 million has been approved (under the CIP and engineer’s estimate). Construction has begun and is expected to be completed in February of 2017.

- **1983 “Working Agreement” (“Working Agreement on Urban Area Wholesale Flow Allocation and Billing Methodology”)** – The existing 1983 “Working Agreement” for water is currently used to establish monthly billings by RWSA to the ACSA and the City for the Urban water bill. The Wholesale Water Metering Project, once complete, will change the approach and consequently it is likely the “Working Agreement” will need to be amended. We are reviewing the agreement and will be having discussions with RWSA and City staff as a next step. It is expected that the metering project will be completed by early 2017. Timing wise the amendment, if needed, would need to be in place by the spring of 2017 in time for the FY ’18 budget submissions in March, 2017. The new billings would likely start in July of 2018, once there is 12 months of metering data.

- **VDOT Route 29 Solutions** – Route 29 Widening and Berkmar Drive Extension – The VDOT Route 29 Widening project includes widening of Route 29 (Seminole Trail) from a four-lane divided highway to a six-lane divided highway from Polo Grounds Road to Town Center Drive at Hollymead Town Center. Due to the proposed grade changes and full depth pavement replacement, VDOT has determined that RWSA’s existing 12-inch cast iron water line along Route 29 is in conflict and must be relocated for the entire length of the project. RWSA had previously identified through master planning that a 24-inch water main will be
needed from the South Rivanna Water Treatment Plant to Hollymead Town Center, in order to meet future water demands. RWSA has requested that VDOT and its Design-Build Contractor relocate the existing 12-inch water main as a 24-inch water main, and according to VDOT policy, VDOT would bear the cost of relocation as a 12-inch line and RWSA would bear the additional cost for the “betterment” from 12-inch to 24-inch. Design is already underway on this project and construction is anticipated to begin in the summer of 2016. Additionally, as part of the utility work for the Berkmar Drive Extension Project, RWSA has requested to include the installation of a casing pipe under the new roadway to carry a future sewer line from the South Rivanna Water Treatment Plant to an existing ACSA sewer line, subject to Board approval of the cost. The costs associated with the requested water line betterment were presented to the RWSA Board at the December meeting for inclusion in the Capital Improvement Plan for a total capital project of $3.075 million. The Betterment Agreement is under review. Design work is underway on this project, and construction is anticipated to begin in the summer of 2016.

- **Ragged Mountain and Sugar Hollow Reservoirs** – The Ragged Mountain Reservoir is at the full level (to top level of 671'), and the upper reservoir floating bridge has been delivered to Rivanna and will be installed during the month of April. See the attached memo on the Sugar Hollow Natural Inflows and transfers to Ragged Mountain.

- **Wastewater Flow Metering (Comprehensive Sanitary Sewer Study Update)** – Part of the 2014 Wastewater Cost Allocation Agreement was to base future allocation of costs on actual sewer flow metering. Field sewer flow meters were installed to measure wet weather flows. This will help take into account the infiltration/inflow, rainwater/groundwater, and dry and wet weather flows in the ACSA and City systems in the allocation of costs. Wastewater flow data was collected for six months which included sufficient wet weather information for modeling purposes and updates, as part of the process to determine flow projections throughout the collection system. The analysis comparing wet and dry weather flows has been completed. Population projections, which are part of the model, were updated. The initial future flow projections and accompanying tables were completed March 1st. A final report is scheduled for May. We are providing the Board with additional information at the May meeting, including background on how it affects the wastewater debt service allocation in the FY 2017 budget.

- **Moore’s Creek AWRRF (Advanced Water Resource Recovery Facility-new name) Odor Control** – Recommendations for odor control improvements that would significantly control odors from traveling beyond the Moore’s Creek AWRRF fence line were presented to the RWSA Board of Directors (BOD) in December, 2014 and a CIP project for $9.33 million was approved at the January, 2015 BOD meeting. The design for odor control improvements includes covering the head works and screening channels, installing grit facilities, constructing a bypass line through on equalization basin, covering the primary
AGENDA ITEM EXECUTIVE SUMMARY

clarifiers, building additional odor scrubbing facilities to treat the foul air from the covered sources and the New Rivanna Pump Station, removing the post-digestion clarifiers from service, modifying the handling, hauling and storage of biosolids on-site, cleaning the equalization basins and holding ponds, and coating the interior of the digesters. Additional design work has been completed to help reduce the cost of the project, and the project was rebid to complete odor control effectiveness. Bids were received and are under review for awarding. A budget shortfall of $400,000-$500,000 is anticipated. A report will be going to the RWSA Board at the April meeting.

- South Rivanna Hydropower Plant Rehabilitation – RWSA constructed a hydropower plant at the South Fork Rivanna Dam in 1987. Power generation at the plant was limited for a number of years due to various mechanical issues and has been completely offline for the past two years. The first step towards rehabilitation of the hydropower facility is to perform a feasibility study where previous recommendations and interaction with the Federal Energy Regulatory Commission (FERC) are taken into account to determine whether it will be cost effective for RWSA to rehabilitate the facility. An inspection of the plant’s mechanical equipment has occurred. The engineer anticipates completion of the feasibility report by late April 2016.

- South Fork Reservoir to Ragged Mountain Pipeline – The adopted RWSA CIP Budget has $2,250,000 budgeted to the right-of-way and feasibility phase, with funding beginning in July, 2017 (FY 2018). The future construction of a new pipeline is part of the 50-year Community Water Supply Plan to increase the future transfer capacity through replacement of the Sugar Hollow Pipeline along an alternative alignment to be determined. The pipeline project will involve a more detailed routing study to determine the most feasible alignment.

- Crozet Water Plant Capacity Study – As Crozet continues to grow, RWSA monitors the water treatment plant sizing to meet water demand (use) on the maximum day (24 hour period) of each calendar year. RWSA will be conducting a preliminary engineering evaluation of a future water plant expansion at Crozet, as part of the FY 2017 CIP. Current trending is indicating that the maximum day demand could reach the current capacity (1 MGD) of the Crozet Water Treatment Plant as soon as 2021.

- Crozet Ground Storage, Crozet Waterball and Stillhouse Tank Improvements – Following inspections of these water tanks, work identified was repairs, painting, and structural improvements. Also, an installation of a water tank mixing system is planned for the Crozet Ground Storage Tank. Bids were received and the low bid was within the budget estimate. A Notice to Proceed is to be issued in mid-April.

- Observatory Water Treatment Plant – The Observatory Water Plant was built in 1949, with some rehabilitation work done in 1988. There are several water treatment plant projects at Observatory scheduled in the 2015-19 Capital
Improvements Plan (CIP). The most immediate project is to replace the existing flocculator equipment and repair basin inlet troughs, replace valves, install a new baffle wall and SCADA control equipment. The flocculator work contract has been approved. Further work is phased over the five year CIP.

- **Northern Water Line Repair** - The North Rivanna Water System has a 12” diameter pipe that crosses the North Fork Rivanna River on the west side of Route 29. Due to streambank erosion, the existing water line is exposed and needs repairs. A large storm could cause further erosion, which is believed would cause structural damage to the water line, and the break would cause a major loss of water service in northern Albemarle (Airport and Hollymead Town Center). A repair contract was approved by RWSA to move this needed repair forward over the next several months. Wet weather has delayed this project.

- **Rivanna Water and Sewer Authority Strategic Plan** – The Board of Directors has requested that a Strategic Plan be developed for the Rivanna Water and Sewer Authority (RWSA). We have been waiting until the new Board takes office on January 1st, which has occurred. RWSA staff is now preparing a request for informal quotes for a procurement process to hire an experienced process facilitator to guide the Board and the RWSA through a Strategic Planning Process. This likely will be delayed with the departure of the Executive Director.

- **Maintenance Services** – On-call contract for major maintenance projects. The first of these projects is a repair to the Sugar Hollow Raw Water Line, near Buckingham Circle, which serves as a redundant line to the Ragged Mountain Raw Water Line that transmits to the Observatory Water Treatment Plant. See the attached memorandum.

- **February Wastewater Flows** – One of the highest in the past five years, due to wet weather. See attached chart.

- **Crozet Water Plant Clearwell Expansion** – An additional $168,390 added to the GAC project for the clearwell work, and a reduction in the Crozet Ground Storage Tank budget, result in no net increase. See the attached memo.

- **RWSA Operating Budget** – The FY ’17 budget and wholesale rates were presented to the Board at the March 22 meeting. We had previously received the rate information and have included it in the ACSA FY ’17 Budget and Rates proposal. The major changes for RWSA next year: wholesale water and wastewater increases, SCADA (computerized controls) improvements and staffing increase, debt service increases on $36 million capital projects, and operating increases. See the attached summary memo on the RWSA budget proposal.
MEMORANDUM

TO: RIVANNA WATER & SEWER AUTHORITY
    BOARD OF DIRECTORS

FROM: THOMAS L. FREDERICK, EXECUTIVE DIRECTOR

SUBJECT: EXECUTIVE DIRECTOR’S REPORT

DATE: MARCH 22, 2016

Sugar Hollow Reservoir Natural Inflows

As the Board is aware, during our initial year of implementation of the new stream flows last summer, we experienced a continued steady fall in reservoir levels in August and September after the transfer to Ragged Mountain had been closed. While we would expect a small drop in levels to account for evaporation and unmeasured seepage across the plane of the dam, the steady fall suggested that during this period the true natural inflow coming into Sugar Hollow was probably less than the calculated natural inflow using the Mechums River flow gage at Garth Road.

The use of the Mechums gage has always been known to be a reasonable indicator but not an exact calculation of inflow, and a study by Gannett Fleming in 2003-04 identified the Mechums gage along with several other gages in the regional area as a sufficient indicator to apply for safe yield calculation. We also believe the Mechums gage, as confirmed by the Virginia Department of Environmental Quality (DEQ), is also a sufficient indicator to mimic the patterns of natural inflow which is important to the ecology, without being “exactly correct”. Nevertheless, staff recognizes that the types of low levels we experienced last summer at the Sugar Hollow Reservoir suggest we should understand better the extent of periods when the Mechums gage might overpredict or underpredict true natural inflow, and to what degree.

On March 3 Rich Gullick and I were able to meet with DEQ, and learned that they are very receptive to alternative methods of estimating natural inflow at Sugar Hollow. Two possible alternatives discussed include installing a new river gage on either the North Fork or South Fork Moormans River (above Sugar Hollow), or using what is called a “mass balance” calculation. A “mass balance” is based on an equation that inflow=outflow + change in storage volume, where outflow includes release flow (measured), transfer flow (estimated now but could be measured if flow meter installed), evaporation (estimated based on reservoir surface area, ambient temperature, and ambient humidity), and seepage. DEQ expressed a willingness to bring a portable stream flow measuring device to measure Moormans River flow below the dam at one or two reservoir level conditions to provide an estimate of seepage. During 2016 we are simply
collecting data; no decisions are being made, and if there are future considerations, they will be
discussed publicly.

It is worth emphasizing that what we are discussing with DEQ at present is in no way a
change in the release formulas or a change in the percentage of natural inflow to be
released. The only issue being addressed is if there is a more accurate way to determine the
ture natural inflow to the Sugar Hollow Reservoir. We have also discussed with DEQ the
pros and cons of the two alternatives. “Mass balance” can be reasonably accurate but is more
difficult to follow for persons who are not regularly engaged in water science. A new river gage
is easier to follow and therefore may be viewed as more publicly transparent, but it is more
expensive (RWSA would need to bear the costs of installing and maintaining the gage).

Staff will be updating the Board as data is collected as well as periodically updating the Board
and public on decisions regarding the use of the transfer water line between Sugar Hollow and
Ragged Mountain. As of March 17, the transfer line was closed, with Sugar Hollow holding at
0.8 feet and Ragged Mountain remaining full. As of March 17, all water withdrawn to
Observatory was coming from river flow in the watershed above the Ragged Mountain
Reservoir.

Floating Bridge Installation

Last month the Board discussed the schedule for installing the floating bridge at the Ragged
Mountain Reservoir which will eventually be the means for reconnecting the walking trail loop
around the reservoir. The Board requested RWSA postpone the bridge installation until through
further discussions with the City, it was assured that trail connectivity to the bridge and public
safety were assured.

Staff has had several discussions with the City since the Board meeting, and as of the preparation
of this memo (March 17) a proposal was pending final approval from the City staff. We
anticipate having a final decision from the City by the time of the Board meeting and will update
the Board accordingly.

Save the Dates

National Drinking Water Week is May 1-7, 2016. In coordination with the ACSA and City, we
are planning a public event at the Ragged Mountain Dam on May 5 between 10:30 am and 12
noon, preceded by an invitation only gathering at 10:00 am to unveil a bronze plaque
commemorating the construction and dedication of the dam between 2012 and 2014. We are
hoping the event will include activities for youth education on the value of water and the process
for bringing drinking water from reservoir to tap. More details are coming as this event is
planned.

As a further note, we are very grateful to the Virginia Legislature for the passage of a resolution
in the 2016 Session proclaiming June 30 as the Commonwealth’s Water and Wastewater
Professionals Day. More is coming!
MEMORANDUM

TO: RIVANNA WATER AND SEWER AUTHORITY
    BOARD OF DIRECTORS

FROM: JENNIFER A. WHITAKER, CHIEF ENGINEER

REVIEWED BY: THOMAS L. FREDERICK, EXECUTIVE DIRECTOR
              RICHARD W. GULICK, DIRECTOR OF OPERATIONS

SUBJECT: CONTRACT AWARD: ON-CALL MAINTENANCE
         CONSTRUCTION SERVICES

DATE: MARCH 22, 2016

Rivanna Water and Sewer Authority (RWSA) operates and maintains approximately 67 miles of
water lines ranging from 4-inches to 36-inches in diameter, 37 miles of gravity sewer ranging
from 8-inches to 60-inches in diameter, 5 miles of sanitary force main ranging from 8-inches to
18-inches in diameter, and 704 sanitary sewer manholes. While RWSA has its own Maintenance
Department, it is not cost-effective to regularly staff that Department to perform complex repair
that occurs infrequently or to address all possible emergency situations associated with water
distribution and wastewater collection infrastructure. In the past staff has solicited proposals
from local contractors with this expertise when it was needed, but it was determined as part of a
recent review of this process that having “on-call” contractors under contract for this purpose,
with general provisions such as insurance, indemnification, and unit price compensation pre-
arranged could speed up response during an emergency. As a result, RWSA issued a Request for
Proposals (RFP) with the intent to augment the capabilities of our existing Maintenance
Department where it did not make business or economic sense to provide the department with
the resources necessary to handle all of these situations themselves.

The RFP indicated that work under this contract may include, but not be limited to, repair and/or
replacement of raw water lines, potable water lines, gravity sewers and sanitary force mains and
their appurtenances. In addition, it specified that the work may be short-term planned and
scheduled repair or may be performed under emergency conditions. As a result, the contractors
must be available 24-hours a day, 7 days a week and capable of being on-site within 4-hours of
notification to respond to an emergency condition. Finally, it was indicated that as part of this
contract it will be critical for the contractor to work effectively and communicate consistently
with RWSA’s Engineering and Maintenance Departments and that this work is generally
approached as a team or partnership between RWSA and the contractor, where innovative
thinking and problem solving to accomplish a task or expedite a schedule are encouraged.

The RFP was developed and advertised on January 29, 2016 and proposals were due on February
25, 2016. As part of the procurement process, competitive negotiation was approved as the
procurement method for this contract. This method would allow RWSA to evaluate not only the firm’s experience, capabilities and availability, but also their management approaches and key personnel. In addition, this approach would still allow RWSA to factor price into their decision making process, but not use it as the sole determining factor. The RFP also included the option for RWSA to select more than one firm in order to account for scheduling conflicts as well as differences in project type, experience, and size.

On February 25, 2016 four proposals were received. Based on the qualifications of the firms and their proposed project team, responsiveness to the scope of services, professional competence, qualifications, competitive labor rates, and depth of key personnel, firm’s experience with similar projects, quality of previous work performed for RWSA and/or other clients and other factors; it was determined that both Faulconer Construction Company and G.L. Howard, Inc. were the most meritorious candidates and that the selection of two firms would be in the best interest of RWSA.

The first work authorization under these proposed contracts involves a repair to the Sugar Hollow Raw Water Line (RWL). Currently two 18-inch raw water mains transmit water from the Ragged Mountain Reservoir to the Observatory Water Treatment Plant. Typically the Ragged Mountain Raw Water Line is the primary supply line. In the fall of 2015, there was a break near Reservoir Road on the Ragged Mountain RWL. The other 18-inch main, the Sugar Hollow RWL was placed into service. As the Ragged Mountain RWL repair was completed, a substantial leak in the Sugar Hollow RWL was discovered near Buckingham Circle. The Sugar Hollow RWL was isolated, drained and repair of the leak was identified as a needed repair to restore the resiliency of a back-up to the Ragged Mountain Water Line. As a result, staff propose to use this contract to perform this repair. Faulconer Construction Company performed the emergency repair on the Ragged Mountain RWL and since the repair of the Sugar Hollow RWL is very similar in nature, Faulconer Construction Company was selected to perform this repair. The Executive Director will be authorized to approve this repair if the action requested below is adopted by the Board.

**Board Action Requested:**

Staff requests that the Board of Directors authorize the Executive Director to execute contracts with an initial term of two (2) years with options to annually renew the contract following the initial term for a total term not to exceed five (5) years with both Faulconer Construction Company and G.L. Howard, Inc. for on-call maintenance construction services.

Staff also requests that the Board of Directors authorize the Executive Director to execute work authorizations under these contracts as needed when the estimated price of a specific repair is less than $100,000, and to execute work authorizations in estimated amounts exceeding $100,000 with notification of the Board when an emergency purchase is declared by the Executive Director pursuant to Section XVI of the RWSA Procurement Manual. Work authorizations for an individual repair project that is not declared an emergency and is estimated to exceed $100,000 will be presented to the Board for approval.
MEMORANDUM

TO: RIVANNA WATER & SEWER AUTHORITY
    BOARD OF DIRECTORS

FROM: JENNIFER A. WHITAKER, CHIEF ENGINEER

REVIEWED BY: THOMAS L. FREDERICK, EXECUTIVE DIRECTOR
               RICHARD W. GULLICK, DIRECTOR OF OPERATIONS

SUBJECT: CHANGE ORDER – CROZET WTP CLEARWELL EXPANSION

DATE: MARCH 22, 2016

The Crozet Water Treatment Plant (WTP) GAC Upgrade project includes work to enlarge an existing filtered water vault ("clearwell") on the exterior of the west wall of the Filter Building. The vault is made out of reinforced concrete, and currently is partially exposed above grade with the majority of the vault being buried. This vault needs to be enlarged to provide more pumping volume for the proposed GAC intermediate pump station, and to provide more space to install modern water level monitoring and reporting equipment.

As part of a separate CIP funded project, the Crozet Ground Storage Tank will be rehabilitated, including roof rafter repairs and interior painting of the tank shell. In order to complete the tank repairs, the tank will need to be taken out of service and drained for approximately 3 months, scheduled for June through August 2016. Since this tank is the source of the Crozet water system supply, an alternative means of treated water storage, greater than the previously proposed expanded clearwell for GAC, is necessary during this rehabilitation. One option for providing this alternative storage could be a temporary tank, but through the design process it was determined that an additional permanent expansion of the clearwell volume, through installing two new larger clearwell vaults adjacent to the existing one, would be more cost-effective. Although these vaults will provide a temporary service during tank painting, they will also provide permanent operational improvements if left in place after tank painting is complete, and can further serve the plant’s needs when a capacity expansion is installed within the next few years.

As the further permanent expansion of the clearwell would amend work already included in the GAC construction contract, and to meet the seasonal time constraints for the tank painting project, it was determined in RWSA’s best interest to execute Change Order No. 4 with the GAC contractor, Ulliman Schutte, based upon a negotiated price our engineer has independently confirmed as competitive, to complete the new clearwell vault installations. The final negotiated change order amount of $168,390 included a cost credit to eliminate the original GAC vault enlargement.
In order to accommodate this recommendation, it is also recommended that the adopted Capital Improvement Plan be amended to reduce the budget for the Crozet Ground Storage Tank by $168,390 (allowing for contingency on the change order price) and increasing the budget for the Crozet GAC project by the same $168,390. There is no net change in the amount of the CIP, and because both projects are in Crozet where ACSA is responsible to RWSA for all costs, there are no effects on cost allocation.

**Board Action Requested:**

Staff recommends that the Board of Directors authorize an additional $168,390 in contingency under the GAC construction contract for the Executive Director to approve a change order to the Ulliman Schutte construction contract for GAC, covering modifications to the Crozet WTP clearwell as described in this report.

Staff further recommends the Board of Directors amend the Capital Improvement Plan approved by the Board on February 23, 2016 to increase the Crozet Water GAC and Water Treatment Plant Improvements project from $3,250,000 to $3,418,390 and decrease the Crozet Ground Storage Tank Repairs and Upgrades from $520,000 to $351,610.
MEMORANDUM

TO: RIVANNA WATER & SEWER AUTHORITY
    BOARD OF DIRECTORS

FROM: THOMAS L. FREDERICK, EXECUTIVE DIRECTOR

SUBJECT: INTRODUCTION OF PROPOSED FISCAL YEAR 2016-2017
         OPERATING BUDGET

DATE: MARCH 22, 2016

Please find enclosed a draft copy of staff’s proposed operating budget for the Rivanna Water &
Sewer Authority for the fiscal year beginning July 1, 2016. The Board will be asked at this
meeting to adopt the attached Preliminary Rate Resolution which sets a public hearing on the
proposed budget for Tuesday, May 24, 2016 and requests staff advertise the attached Public
Notice showing the staff proposed changes to the wholesale rates to support the proposed budget.
As required by Virginia law staff will advertise the Public Notice twice in the local newspaper,
to be followed by a statutorily-required minimum 14-day period in advance of the scheduled
public hearing. Adoption of the preliminary rate resolution does not prejudice final Board actions
on the budget, including amendments or changes to the proposed budget the Board may want to
consider later. The Board’s final deliberations and actions on the budget will not be requested
until immediately after the public hearing, as required by the laws of the Commonwealth.

With the proposed budget the staff has maintained its previous position of providing water and
wastewater services as what it believes are essential to the requirements of federal, state, and
local regulations and previously chosen community preferences, in a fiscally prudent and
efficient manner. Most of the line-items reflect historical experiences without further increases.
However, there are a few areas where specific priorities are served. Debt service costs have been
adjusted to provide adequate funding to support the new five year Capital Improvement Program
adopted by the Board in February, which includes completing the new Rivanna Pump Station
construction, Granular Activated Carbon construction, and replacement of aging infrastructure
associated with water treatment and distribution. Further, debt service costs for wastewater have
been adjusted between the City and ACSA to represent new 2015 flow projections as required by
the Wastewater Projects Cost Allocation Agreement approved by the ACSA and City in 2014.
With respect to operating expenses, there are two major initiatives explained in the next two
paragraphs: (1) Granular Activated Carbon; and (2) the Supervisory Control and Data
Acquisition system (SCADA).

Granular Activated Carbon (GAC) facilities are presently under construction at RWSA’s water
treatment plants, with start-up of operations at some plants to take place in about one year. From
the discussions in 2012 when the community chose GAC technology it was clear that GAC
would take further what was already excellent drinking water in this community, and that there
would also be higher costs of water to pay for this technology. A significant increase in
operating expenses will occur in FY 2018 to fund the periodic regeneration of the carbon, but to
avoid a similar one-time jump in wholesale rates, staff is suggesting amortizing that increase
over three years with the first year being FY 2017. For Urban Water RWSA proposes to collect
a reserve of approximately $169,000 in FY 2017, and apply that reserve against increased
expenses in FY 2018, so that the wholesale rates will not see the full impact of GAC operation
until FY 2019. Of the 7% increase proposed in the Urban Water wholesale rate for operation and
maintenance for FY 2017, nearly half of the impact is from building this new reserve.

The SCADA system is an advanced digital system that provides for automation, programmable
control, and data collection for the complex components of water and wastewater treatment
facility operations, and is a key component of all of our facilities. As a result of challenges in
hiring qualified personnel to manage these systems, together with failures in capturing and
retaining historical data for trending, RWSA sought outside expertise within the past year to
guide staff on recommending a management system that provides necessary operation and
maintenance effort and expertise in an efficient way. The study concluded that RWSA has not
historically provided sufficient resources to manage and maintain its SCADA system, and this
budget attempts to implement the study recommendations, to include relocating most of the
SCADA responsibilities to the Information Technology Department and the addition of a
SCADA Specialist. This Specialist is the only new position recommended in the FY 2017
budget.

A 2% merit pool is included in the budget for salary increases for employees. Merit pay at
RWSA is offered once per year and the actual increases for each employee can vary as
determined by merit, but the sum total of all merit is set by the Board as part of the budget. We
attempt to seek equity with the overall pay incentives offered by the other public agencies in the
region, which is challenging given the diversity of decisions among the City, County, and
ACSA.

Staff is prepared to assist the Board or public with questions regarding the proposed budget.

**Board Action Requested:**

It is respectfully recommended that the Board of Directors adopt the attached preliminary
resolution at the March 22, 2016 meeting, which calls for a public hearing on the budget during
the Board's regular meeting on May 24, 2016, and authorizes the advertising of proposed
wholesale rates to the public.

Attachments