

Albemarle County Service Authority Board of Directors

1 The Board of Directors of the Albemarle County Service Authority (ACSA) met in
2 a regular session on November 19, 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, Bowling, Brown, Swartz; Ms.
8 Breeden, Mrs. Thraves, Mrs. Herr

9 **Public Present:** Ms. Kristen L. Choate, Robinson, Farmer, Cox Associates, Mr.
10 Randy Kohr, Jr., Kohr Brothers, Mr. Wayne Hall, Farmington Country Club, and
11 Ms. Archer Campbell, Virginia Department of Health

12

13 1. Call to Order

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

15

16 2. Approval of Minutes of October 1, 2009 and October 15, 2009 (Recording
17 **Time: 08:59:31 a.m.)**

18 The Chairman asked if there were any corrections, additions or comments
19 to the minutes of October 1, 2009.

20 **a. Minutes of October 1, 2009**

21 ***Mr. Roberts moved to approve the Minutes of October 1, 2009,***
22 ***seconded by Dr. Palmer. All members voted aye.***

23 The Chairman asked if there were any corrections, additions or comments
24 to the minutes of October 15, 2009.

25 **b. Minutes of October 15, 2009**

26 Dr. Palmer noted the minutes were well written. She stated that she had
27 one correction on Page 43, Line 11. The sentence ending in "other controversial
28 items included within Phase 1" should read "Phase 2." She stated the second
29 part of the decision making process was Phase 2.

30 ***Mr. Carter moved to approve the Minutes of October 15, 2009, as***
31 ***amended, seconded by Mr. Roberts. All members voted aye.***

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1 **3. Matters from the Public Concerning Items Not on the Agenda (Recording**
2 **Time: 09:01:17 a.m.)**

3 There were no matters from the public.

4
5 **4. Leak Waiver Request – 4900 Highlands Place (Recording Time:**
6 **09:41:41 a.m.)**

7 Mr. Fern stated that in June of this year, the Board amended the Leak
8 Waiver Policy [Rules and Regulations, Section 12, Rates and Fees] clarifying
9 that adjustments would only be made on piping from the meter to the exterior
10 base of the building. He stated that, no sooner did staff get the amendment
11 approved and in place, an exception occurred which he felt should be
12 considered. Mr. Fern stated that in Ms. Heather Taylor's home a hot water
13 heater, located in the crawl space (which was the interior of the building, not
14 exterior) leaked. Ms. Taylor was notified of the leak and promptly repaired the
15 hot water heater. Ms. Taylor was present to appeal the assessment of sewer
16 charges totaling \$160.78. Mr. Fern stated that he wished to bring the matter
17 before the Board for discussion, so a decision could be made to provide staff with
18 direction for future cases.

19 Mr. Carter asked if the policy would have been less confusing if instead of
20 being a hot water heater, it was just a water pipe that happened to break in the
21 crawl space, or would that still be a gray area. Mr. Fern stated that if it were just
22 a water pipe in the crawl space, that would be interior, and the regulation would
23 stand and an adjustment would not be granted.

24 The Chairman stated that he and Mr. Fern had discussed the matter
25 previously, and felt that action taken by staff, to date, was exactly what should
26 have been done, but felt this was the type of exception that should come before
27 the Board for appeal. He stated that if the Board decided to take action, other
28 than what staff had already done, it did not mean that staff was wrong; it meant
29 that staff only had the authority to go a certain distance, and the Board had
30 authority to go further and make an exception to the policy.

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1 Mr. Carter asked Ms. Taylor how long the hot water heater had leaked.
2 Ms. Taylor replied one month. She stated that she did not know where the water
3 went, but that it must have drained out from under the house because there were
4 no visible signs of water under the house. Ms. Taylor stated the lost water was
5 around 28,000 gallons. She stated that her bill was usually around \$40 a month,
6 but that month it was around \$500. Ms. Taylor stated that she had already paid
7 for the water, but was contesting the sewer charges since most of the water went
8 into the ground. Ms. Taylor stated that she read the Leak Policy. She stated that
9 she had a hard time paying for a service that she did not use.

10 The Chairman stated that in Ms. Taylor's case, she did everything
11 correctly, as had staff, and that it was up to the Board to make a decision. Mr.
12 Carter asked Ms. Taylor how much she paid in water charges? Ms. Taylor
13 replied around \$300.

14 Mr. Colbaugh stated "I believe that we ought to be able to have in the
15 regulation that if you have a leaky pipe, water heater, or whatever and if it is clear
16 that the water does not go in the sewer, we should not charge people for it. I just
17 don't see why we charge people for something that they did not receive, which is
18 sewer service. Charge them for the water, okay, but if it is clear that the water
19 did not go into the sewer, wherever it is, and if its in your pipe outside, if it's clear
20 that the leaked water did not go into the sewer, don't charge people for it. I just
21 don't see why we have the policy to start with."

22 Dr. Palmer stated "I have always had sort of a gray area on this, but it has
23 been explained to us several times that sewer meters don't work well, we don't
24 have a good sewer meter and that is why we don't have a meter on everybody's
25 house that measures the sewer. Therefore, we have this rate that really is not as
26 specific to the sewer use that we would like it to be and that it really is helping to
27 pay for the water too; is that my understanding? That seems to me what has
28 been explained to us in the past."

29 Ms. Breeden stated that the ACSA sent a water report once a month to
30 Rivanna Water and Sewer Authority reporting the total amount of water used and
31 the total amount of sewer that registers on the water meter. She stated that

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1 when adjustments were made, they were done as a courtesy to ACSA
2 customers, and that the ACSA did not send a revised report to RWSA asking for
3 a credit due to a customer's leak. Ms Breeden stated that the rate payers absorb
4 any adjustments made for standard leaks. She stated in Ms. Taylor's case, staff
5 did take the time to look at the situation carefully. Ms. Breeden stated that Ms.
6 Taylor had a very good argument and Ms. Taylor was very prompt in fixing the
7 leak. She stated that staff, based upon the past history of the ACSA and Ms.
8 Taylor's good payment history, offered to split the sewer charges in half with Ms.
9 Taylor, which was more than what the ACSA paid RWSA. She stated that
10 basically, the ACSA would only be charging Ms. Taylor what the ACSA paid for
11 sewer.

12 Mr. Colbaugh stated that the ACSA sends a revised report to RWSA for
13 exclusion meters, and he did not see why a revised report could not be sent for
14 adjustments for water not going into the sewer. Ms. Breeden stated the ACSA
15 has service leaks, many larger than Ms. Taylor's. The ACSA could possibly
16 modify the report to the RWSA each month. Mr. Colbaugh stated there was no
17 reason not to. He stated that staff could make a realistic estimate based on the
18 customer's usage, which showed how much water was actually used and how
19 much was due to a leak. Mr. Colbaugh felt that would not be unreasonable.

20 Mr. Martin stated "It seems to me that the issue is construction of our
21 regulation. If the leak occurred out in the yard, underground, there would not be
22 any question about how the regulation applies and conversely, if the leak
23 occurred in the kitchen, there would not be any question. The complicating factor
24 is that the leak occurred in the crawl space and how do we construe our
25 regulation. I would like to suggest that a crawl space is not something that a
26 homeowner has regular access to, or very little, if any, access." He suggested
27 that leaks in crawl spaces be handled like leaks in service lines. He
28 acknowledged that homeowners need to be responsible for leaks to which they
29 have access.

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1 Dr. Palmer stated “Then we are responsible for somebody else’s plumbing
2 in an older house . . .”. She stated she was uncomfortable with the ACSA having
3 that responsibility.

4 Mr. Martin stated the service line is the homeowner’s responsibility and
5 they should be responsible for areas which they have access, but a crawl space
6 is accessed infrequently, if ever. He added the regulation should allow for water
7 leaks in crawl spaces.

8 ***Mr. Carter moved to waive the sewer cost for Ms. Taylor, seconded***
9 ***by Dr. Palmer.***

10 The Chairman asked if there was further discussion.

11 Mr. Carter stated that he did not want the regulation revised and that the
12 Board and staff should handle these occurrences on a case by case basis.

13 Mr. Roberts stated that the relief Ms. Taylor was asking for was \$160.78
14 and asked Ms. Breeden how she derived at \$160.78. Ms. Taylor stated that her
15 sewer charge for that month was \$200 and her normal sewer charge is \$40. Ms.
16 Breeden stated that an average was used to calculate the \$160, which was
17 divided in half when the ACSA offered to split the difference. Mr. Roberts asked
18 if half of Ms. Taylor’s responsibility would then be \$80. Ms. Taylor stated she
19 was contesting the charge of \$80, because she did not use any of the water and
20 should not be charged at all. She stated that the ACSA was offering a courtesy
21 relief of \$80.

22 Mr. Colbaugh stated “I will certainly support the motion and I just think that
23 we ought to change the leak policy to give staff the authority to make
24 adjustments to sewer fees that clearly don’t go into the sewer.”

25 The Chairman stated that would have to be the subject of a different
26 motion, but that the matter before the Board was the motion to grant this
27 additional relief. ***All members voted aye.***

28

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1 **5. Public Hearing – Fats, Oils, and Grease (Recording Time: 09:01:39**
2 **a.m.)**

3 Mr. Fern recalled that at last month's Board Meeting, the Board arranged
4 to conduct a public hearing during today's meeting for proposed Section 19-Fats,
5 Oils, and Grease (FOG), to be added to the ACSA's Rules and Regulations
6 (Attached as Pages ____). He stated that Mr. Tim Brown and Mr. Peter Swartz
7 had put a lot of work and effort into the drafting of Section 19 and were in
8 attendance today to answer any questions.

9 Dr. Palmer referred to Page 54, Section 1-General Conditions, under 1-
10 04.Definitions, and stated that the definition for *Best Management Practices,*
11 *Kitchen* was worded confusingly. She suggested removing the third clause and
12 rewording the definition slightly. Dr. Palmer then referred to Page 68, Section
13 19-Fats, Oils, and Grease, under 19-22.Costs and Charges, Item 10, asking if
14 that sentence would be revised to read ... "up to \$10,000 per occurrence." Mr.
15 Fern confirmed that change, but noted the revision was not made until after the
16 original board packet was sent to the Board.

17 Mr. Roberts referred to Page 68, 19-22.Costs and Charges, and asked if
18 the monetary penalties assessed for violating this policy should include an
19 appeal process. He felt an appeal process should be included in Section 19 to
20 allow the public the ability to appeal extenuating circumstances. Mr. Roberts
21 stated that the Virginia Administrative Process Act included an appeal process
22 for the public when agencies assessed monetary penalties.

23 Mr. Bowling agreed that an appeal process should be included in Section
24 19.

25 Mr. Roberts asked that staff include an appeal process within Section 19,
26 if the Board had consensus to do so.

27 Mr. Carter agreed, and felt that it was the same situation with the Leak
28 Policy which allowed customers to appeal. He stated particularly, if the fine was
29 up to \$10,000, there should be an appeal before the ACSA Board.

30 Mr. Fern stated that appeal of any penalties outlined within the ACSA's
31 Rules and Regulations, after discussed by staff, came before the Executive

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1 Director, who either made the decision or brought the matter before the Board for
2 consideration. Mr. Carter stated that process was fine, but felt that Section 19
3 needed to state what the appeals process was.

4 Mr. Martin agreed with Mr. Carter.

5 The Chairman asked if amending Section 19 to include an appeal process
6 was the consensus of the Board. The Board agreed.

7 The Chairman asked if there were any other questions, comments or
8 changes by the Board before opening the floor to the public.

9 Mr. Randy Kohr, Jr., President of Kohr Brothers, stated that his company
10 used grease traps and had no problem doing so, because they did not want to
11 discharge grease into the system. He stated the fine, up to \$10,000, was
12 excessive and asked how that amount was determined.

13 Mr. Fern stated that fine was for commercial waste haulers, not for single-
14 business owners. Mr. Kohr asked what was required for restaurants to be in
15 compliance.

16 Mr. Tim Brown noted that a general mailing was sent to all food service
17 establishments that were currently being monitored, as well as an advertisement
18 placed in The Daily Progress advertising today's public hearing. He stated
19 essentially, the FOG Program had been in place for over a year. Mr. Brown
20 stated that Board action today would continue the regular monitoring of
21 restaurants and other food service establishments in which cooking was part of
22 daily operations. He stated the ACSA had observed that regular visits were
23 having a positive affect and, in general, the ACSA was very pleased with the
24 cooperation from food service establishments in keeping their devices clean. He
25 noted that, on occasion, there was a need to clean a sewer lateral because
26 devices had not been properly cleaned, or not cleaned regularly. Mr. Brown
27 stated that the regulation was the attempt of the ACSA to keep their wastewater
28 collection system free of excessive grease.

29 Mr. Kohr asked what an average restaurant would pay to be in compliance
30 with the regulation. Mr. Brown stated to obtain a permit related to this regulation,
31 the charge would be \$250 for a three year period. He stated that the ACSA had

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1 reviewed the cost of managing the program over a period of one to three years,
2 based on the proposed charges, and estimated that 35% of the program costs
3 would be recovered. Mr. Kohr stated that \$250 was not an excessive amount,
4 and asked what time period was allowed for someone who was not in
5 compliance to achieve such, and if the ACSA would provide a solution. Mr.
6 Brown stated that verbal discussion with the restaurant establishment would be
7 held to determine a solution; if the ACSA were not to have cooperation from the
8 establishment, in a reasonable period of time, a notice of non-compliance would
9 be followed by a notice of violation, which would then be followed by a fine. He
10 stated that at this point, within the first year of operation, the ACSA had only sent
11 letters thanking food establishments who had been very cooperative and who
12 had cleaned their laterals when excessive grease had been identified.

13 Mr. Colbaugh asked how the ACSA's FOG Program intertwined with the
14 Virginia Department of Health's program. Mr. Brown stated the Environmental
15 Protection Agency (EPA) mandated the requirement for FOG programs of each
16 individual State, to be managed by the Department of Environmental Quality
17 (DEQ) for Virginia. He stated there had been certain instances where
18 municipalities were under consent order because of excessive sewer overflows,
19 especially in the eastern area of Virginia. The ACSA decided to have a proactive
20 program to prevent the chance of overflows or by directing its attention to grease
21 build-up.

22 Mr. Kohr asked if the ACSA would allow chemical treatment of grease.
23 Mr. Brown stated that the ACSA was willing to review individual requests. He
24 stated that a distinction was being made between enzyme treatments, which are
25 chemical enzyme application, vs. enzyme treatment, which comes from live
26 bacteria. Mr. Brown noted that there was a fine line between the two and, at this
27 point, the ACSA was willing to agree to the bacteria enzyme treatment. He
28 stated that the ACSA would continue to monitor an establishment who chose to
29 use this type of treatment, as well as to monitor laterals by televising.

30 Mr. Kohr asked if there was a cap on the cost required to comply. Mr.
31 Brown stated cost would depend on the size of the establishment, the type of

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1 cuisine that was being prepared, and the hours of operations. The larger, often
2 fast-food, related restaurants typically had the larger grease interceptor, which
3 would be outside, in a vault. Mr. Brown stated based on the services of Kohr
4 Brothers, the inside, under-sink grease trap, or pair of traps, would be very
5 sufficient to comply with the mandates of this program.

6 Mr. Wayne Hall, Farmington Country Club (Farmington), stated
7 Farmington's situation was unusual. He explained that their grease interceptor
8 was built into a private system, which ran about a half mile into a wet well grinder
9 system and was then pumped about a mile before being discharged into a
10 manhole belonging to the ACSA. He asked, with regard to testing procedures, if
11 that was the location where testing took place, or if it was the first manhole on the
12 private line? Mr. Peter Swartz stated that in Farmington's situation, grease was
13 being discharged into the pump station along with domestic wastewater, which
14 caused dilution, so the ACSA was taking samples closer to the grease
15 interceptor. Mr. Swartz added that if the ACSA knew a grease trap was
16 discharging grease at a concentration [greater than 100 parts per million] into the
17 first manhole, the ACSA could determine that the grease trap was not functioning
18 properly and would work with the establishment to correct the device.

19 Mr. Brown stated that the intent of the regulation and program was not to
20 have a heavy reliance on testing, especially where there was not a clear site of
21 discharge.

22 Mr. Gorham stated that in regard to retrofitting, Section 19-08.
23 Grandfathering of Existing Establishments, did state that the ACSA reserved the
24 right to go back and ask that a sample valve or box be installed on an interceptor
25 or trap.

26 Dr. Palmer stated prior to today's discussion, someone had asked the
27 question about what the fats, oils, and grease costs were to our system, and she
28 wondered if there was a national average of costs to a system? She also stated
29 that, in researching the issue, it seemed a lot more areas were starting to
30 implement a program and wondered if that was based on the size of the system
31 or the area? She also asked what prompted a community to develop a program

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1 of this type? Mr. Brown stated it was surprising that there were many
2 municipalities that only very recently established a program or were still in need
3 of developing a more formal program. He stated there were certain states, such
4 as North Carolina and Florida, that had strong state-wide oversight of such
5 programs. He added that the proposed regulation was one of the most complete
6 in Virginia. Mr. Brown stated that first year costs were estimated around
7 \$46,000. He stated without such a program the ACSA would return to situations
8 where grease would be accumulated in laterals of individual facilities, in the
9 ACSA's wastewater collection system, placing a far heavier reliance on
10 maintenance personnel to clean lines and repair pump stations. Mr. Brown
11 stated that the educational part of the program would also include residential
12 neighborhoods, as well as commercial. He felt that the ACSA needed to be very
13 proactive in this area.

14 Mr. Kohr stated that he operated stores in various states, and in most
15 municipalities the Department of Health was responsible for the grease traps. He
16 stated the Department of Health did not conduct testing, but did require
17 maintenance of the grease traps. Mr. Kohr indicated he had three stores in
18 Virginia Beach, Virginia. Mr. Brown stated that Virginia Beach has had a solid
19 regulation in effect since March of 2009. Mr. Brown stated that he had many
20 contacts with the local Department of Health, which had been very supportive of
21 the program and agreed this is a situation where the two agencies can assist
22 each other.

23 Ms. Archer Campbell, Virginia Department of Health (VDH), stated that
24 she was familiar with the State regulation to which the VDH adhered. She stated
25 that if sewer overflows were reported, the VDH had authority over the ACSA.
26 Ms. Campbell stated the VDH did not review designs of grease traps in new
27 establishments. She stated that responsibility has always been left to the County
28 organizations, to size the grease trap and determine what type of device is
29 required.

30 Mrs. Katrina Thraves, ACSA, stated that from a risk management
31 standpoint, and a customer service standpoint, sewer back-ups were a great

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1 liability. She recalled one claim, that was \$20,000 in damages, from a sewage
2 backup into a home where grease was part of the problem.

3 Mr. Hall stated that if the regulation were to go into effect, it would only be
4 commercial establishments that would have to pay the fees to be in compliance,
5 not residential.

6 Mr. Kohr asked if the ACSA knew what the percentage of grease was for
7 residential vs. commercial.

8 Mr. Brown stated there were two ACSA CCTV crews that televised both
9 residential and commercial areas daily. He agreed that there was need for an
10 educational effort in the residential community; the ACSA had already begun
11 planning a mass mailing of information to neighborhoods. The mailing would
12 include a grease cap to fit various size cans to store grease, where it could
13 solidify in the refrigerator for eventual disposal. The volume of grease from
14 restaurants and other large institutions such as hospitals, schools, etc. however,
15 did warrant the need for a device and the ACSA had to pay close attention to
16 how that device was being cleaned.

17 Mr. Roberts stated "An interesting point that was made is that the \$250 fee
18 represents 35% of the costs of the program. The other comment that I heard
19 was letters of "thank you" for doing a good job, and I wanted to commend staff for
20 looking for what people are doing right and not necessarily what they are doing
21 wrong; therefore, fix the issue along the way." Mr. Roberts asked if the public
22 supported the program.

23 Mr. Kohr stated as far as asking for money, yes he was opposed, because
24 that meant he would have to charge more money which would basically come
25 right out of somebody else's pocket.

26 Mr. Roberts asked if the public felt this was a burdensome or cumbersome
27 regulation?

28 Mr. Kohr stated that he felt staff was putting their best efforts forward, but
29 he would like to see an equal version of the regulation for the residential burden.
30 He stated that his restaurant already had a meals tax in place and did not need
31 the additional costs.

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1 Mr. Roberts stated “I oppose a cumbersome and unnecessary regulation,
2 but I am very much in favor of protecting our system that we have in place.” He
3 added that this program would address DEQ concerns, if raised.

4 Mr. Kohr stated that as long as the ACSA was fair with implementation,
5 providing the solutions to the problem, and not overly punitive, he saw no reason
6 why anyone would be seriously opposed.

7 Mr. Roberts agreed, stating he had asked that an appeal process be in
8 place.

9 Dr. Palmer stated that this type of regulation was more about education
10 than being punitive.

11 There being no further comments from the public, the Chairman closed
12 the public hearing and stated the matter was now before the Board.

13 Mr. Roberts asked the Board if they wished to discuss the matter further
14 or if they were ready to vote on the regulation. The Chairman stated that he was
15 ready to vote if someone was ready to make a motion.

16 Mr. Fern stated that staff needed to amend the regulation by adding an
17 appeal’s process to Section 19, and change the definition for “Best Practices
18 Management” in Section 1. He stated that staff would bring the regulation back
19 before the Board for adoption once those changes were made.

20 Mr. Carter stated “I think at the end of the day, it is going to save
21 everybody money. We are only talking about recovering a third of the costs. It
22 would seem to me that nobody likes regulations, but sometimes you have to
23 have them. This has a good reason behind it. When it comes back I would be
24 inclined to vote [for the regulation].”

25 Dr. Palmer stated “Since we are only picking up a third of the costs via this
26 \$250 charge every three years, that means the rest of the residential rate payers
27 are also paying for it too. So you are bringing them into the equation.”

28 Mr. Roberts asked Mr. Fern if the City and RWSA had similar regulations
29 regarding grease. Mr. Fern replied no they do not. Mr. Brown stated he
30 understood that the City had no regulation, but were in the early stages of
31 developing an inspection program.

32

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1 **6. Robinson, Farmer, Cox Associates (Recording Time: 10:08:41 a.m.)**

2 Ms. Kristen L. Choate with Robinson, Farmer, Cox Associates (RFC)
3 stated auditing standards required certain topics to be discussed with the Board.
4 She stated that for Fiscal Year ending June 30, 2009 (FY 2009), there were no
5 new accounting policies adopted, as well as no new debt issues or significant
6 changes in the financial reporting for FY 2009. Ms. Choate stated the most
7 significant estimate that affected the financial statements was depreciation. She
8 stated that it was hard to determine how long an asset would last; therefore, the
9 life of each capitalized asset was estimated. Ms. Choate stated that RFC was
10 pleased to report there were no significant difficulties or discrepancies
11 encountered during the auditing process. She stated that information obtained
12 during the auditing process was relayed in a Management Letter to the Board of
13 Directors, signed by the Finance Director, which was standard policy and
14 required by RFC. Ms. Choate stated there were two opinions issued by RFC,
15 and the first opinion was located in the Independent Auditors' Report of the
16 Comprehensive Annual Financial Report (CAFR) on Pages 9 and 10 (Attached
17 as Pages ____). She stated the first opinion was based on financial statements
18 as a whole; on these an "unqualified" or "clean" opinion was issued. She stated
19 RFC conducted a detailed review of the CAFR for FY 2009 with the Finance
20 Director and were comfortable with the report, which was another "clean" opinion.

21 Ms. Choate stated that RFC issued an opinion, in accordance with
22 Government Auditing Standards, on Pages 53 and 54, on internal control and
23 compliance. RFC was pleased to report that there were no significant
24 deficiencies nor material weaknesses to report. She stated this year a
25 management letter was not required; this typically included internal control
26 matters, or deficiencies which do not warrant the level of a significant deficiency
27 required to be reported in the Government Auditing Standards opinion. Ms.
28 Choate stated most of the time operational suggestions were included within the
29 Management Letter, such as last year, when RFC suggested the creation of a
30 Credit Card and Travel Policy, which was developed by staff during FY 2009.

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1 She stated this year there were not any comments or suggestions, and overall
2 the year was a very good year.

3 Ms. Choate stated for planning and communication, RFC was asked to
4 review how supply inventory was handled, and more importantly the disposal of
5 supplies and items which did not meet the capital asset threshold of \$5,000. She
6 stated the supply inventory matter was discussed with the Finance Director; this
7 process was up to the Department Head and the Finance Director to review the
8 purchases and use of supplies such as staplers, etc. Ms. Choate stated that
9 larger items possibly would go into auction and were sold, with the proceeds
10 included in revenue and included in the "miscellaneous" category on the
11 Statement of Revenues.

12 Mr. Colbaugh asked Ms. Choate if she was comfortable with the control
13 ACSA had on Information Technology equipment? Ms. Choate replied yes. She
14 stated that for FY 2009 there were a lot of computers that were disposed of; the
15 ACSA supplied an inventory listing, as well as the manner they were disposed of.
16 Ms. Choate stated some of the computers disposed of dated back to computers
17 built in-house; some were disposed of at auction or donated to the Goodwill.

18 Mr. Colbaugh recalled a discussion with RFC prior to the audit about the
19 Rivanna Water and Sewer Authority (RWSA) receiving grants. Ms. Choate
20 stated that the discussion was in reference to Recovery Act Funding. She stated
21 that RFC discussed with staff whether or not the ACSA would be receiving
22 Recovery Act Funds or Stimulus Funding, and were told no. Mr. Colbaugh asked
23 if the Investment Reporting Policy was reviewed by RFC during the auditing
24 process. Ms. Choate stated a review of the Investment Reporting Policy was
25 discussed with the Finance Director during field work. She stated that her
26 understanding was the format was changed, but was not updated by the end of
27 the fiscal year. Ms. Breeden stated that the policy was updated, but after June
28 30, 2009. Ms. Choate stated that for the next auditing process, RFC will ask to
29 review updated policies and procedures; for example, this year the Credit Card
30 and Travel Policy were reviewed. She stated that as part of the auditing process,
31 RFC reads through the Board of Directors minutes in order to flag any major

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1 items which have happened throughout the year, including revisions to policies
2 and new policies.

3 The Chairman asked if the Board had any further comments or questions.
4 Being none, the Chairman thanked Ms. Choate.

5

6 **7. Review of FY 2009 Comprehensive Annual Financial Report (Recording**
7 **Time: 10:16:46 a.m.)**

8 Ms. Lisa Breeden, Finance Director of the Albemarle County Service
9 Authority (ACSA), referred the Board of Directors to the Comprehensive Annual
10 Financial Report (CAFR) for Fiscal Year ending June 30, 2009, and her
11 memorandum dated November 12, 2009 (Attached as Pages ____). She noted
12 for FY 2009 the memorandum of transmittal was changed in order to provide
13 updated information on the budget and how year-end results affected the budget.

14 Ms. Breeden stated preparation of the CAFR took several months. She
15 stated the fiscal year ended on June 30, 2009, but it took staff several months to
16 gather and prepare all the information needed to provide the most complete
17 information for the end of the fiscal year and for reports that were stated "fairly."
18 Ms. Breeden stated FY 2009 was a good year for the ACSA and noted that
19 Operating Income, (after depreciation and before capital contributions), was
20 \$884,197.

21 She stated FY 2009 was the first time since FY 1999 that the ACSA
22 finished the year with an Operating Income. She stated since 1999, the ACSA
23 had been essentially operating at a loss in order to keep water and sewer rates
24 reasonable.

25 Ms. Breeden referred to Page 40 of the CAFR, Financial Trends, and
26 stated the ACSA Operating Income had improved each year since 2003.

27 Mr. Roberts asked if Operating Income included Capital Improvement
28 Expenses. Ms. Breeden replied no, that Operating Income was solely water and
29 sewer volume charges and connection fees, which included taps for regular
30 connections, meters and local facilities fees. She stated that Operating

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1 Expenses were payments made to RWSA for the treatment of water and sewer;
2 as well as other departmental expenses.

3 Mr. Bowling asked what the contributing factor was for the large increase
4 in Operating Income? Ms. Breeden replied, "water and sewer rates." She stated
5 the ACSA had raised rates in order to break even, not necessarily to increase the
6 Operating Income.

7 Mr. Colbaugh asked what the reason was for increase in depreciation.
8 Ms. Breeden replied that new infrastructure and equipment was added to the
9 ACSA's system. Mr. Colbaugh asked if the increase was also due to
10 replacement of developer dedicated infrastructure. Ms. Breeden replied yes, the
11 value of any projects or repairs starts to depreciate once they were dedicated
12 and accepted into the ACSA system. She stated 3R funds were set aside so the
13 ACSA could save and plan for future repairs.

14 Mr. Martin asked if the "good news" was due in part to the frugality of the
15 four departments and their spending. Ms. Breeden replied, "of course!" Mr.
16 Martin stated that all departments were under budget for the year. Ms. Breeden
17 stated the ACSA had made a concerted effort to review all operating procedures
18 and day-to-day activities in order to cut expenses. She stated that type of review
19 was also done as part of the ACSA's Equipment Replacement Schedule every
20 year, which was not related to the Operating Budget. Ms. Breeden stated the
21 ACSA had equipment, which was old and fully depreciated, that technically could
22 be replaced, but as long as the equipment worked and was serviceable, the
23 ACSA would continue to use the equipment. She stated for FY 2009 the ACSA
24 only had \$185,000 worth of equipment replacement expenses. Ms. Breeden
25 stated the ACSA's Operating Loss for FY 2008 was \$697,331.

26 Mr. Roberts asked Ms. Breeden if she had any thoughts on what the
27 ACSA's Operating Income would be for next fiscal year. Ms. Breeden replied it
28 was likely to be the same as last year.

29 Mr. Roberts stated "I have heard so many positive things today, thank you
30 letters, no audit points by the auditors, and a positive report here. All the
31 agencies in the world would love to have that report."

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1 Dr. Palmer referred to Page 41 of the CAFR, Revenue Capacity, and
2 asked why industrial water usage had declined dramatically. Ms. Breeden stated
3 that Hyosung in Scottsville had limited production at their tire plant. She stated
4 nearly all industrial users had decreased usage. Ms. Breeden referred to Page
5 43, Top Ten Revenue Payers, and referred to the comparison showing the top
6 ten users from FY 2000 to FY 2009. She stated the table showed that ten years
7 ago, ConAgra was ranked No. 1, followed by Squire Hill Apartments, but since
8 then the larger users were apartment complexes, which was residential usage.

9 Dr. Palmer stated that residential usage had also decreased. Ms.
10 Breeden stated in reviewing water and sewer revenue for FY 2009, the difference
11 from FY 2008 was not that great. She also noted there were mandatory drought
12 restrictions in effect for FY 2008, which was not the case in FY 2009. Dr. Palmer
13 stated FY 2009 was also an unusually wet year. Mr. Colbaugh added FY 2009
14 was a regular “wet year;” there was a “reoccurring sprinkle” all the time and many
15 people did not have to irrigate. Dr. Palmer stated that the wettest year on record
16 for the Charlottesville area was FY 2003.

17 Ms. Breeden stated that it is for such cases, unusually wet years, that the
18 ACSA had an operating reserve.

19 Mr. Martin asked when using the term “this year” was Ms. Breeden
20 speaking of FY 2009? Ms. Breeden replied yes.

21 Ms. Breeden stated that Non-Operating Revenues were fair, but varied
22 from what the ACSA had hoped for because of declining interest earnings. She
23 stated the ACSA had budgeted \$600,000; and received \$220,000. Ms. Breeden
24 stated the ACSA had to adjust for the fair value of the ACSA’s long-term
25 investments at the end of the year. She stated that if “market value bonds were
26 lower; the ACSA had to reflect that in interest earnings.” Ms. Breeden stated the
27 ACSA actually earned more than \$220,000, but because of adjustments that
28 amount decreased.

29 Ms. Breeden provided the following breakdown of Miscellaneous
30 Revenues:

- 31 • Inspection Fees decreased by 28%;

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- 1 • Plan Review fees decreased by 34%;
- 2 • Administration fees (temporary water meters) decreased 38%;
- 3 • Reconnections, Initial Bill Fees, & Late Charges increased 8%;
- 4 • “Invoiced” Water Usage – Hydrants, etc. increased 73%;
- 5 • Late Payment Penalties – increased 31%;
- 6 • Gain on Sale of Fixed Assets decreased by 23%.

7

8 Ms. Breeden stated there was no increase in the number of customers
9 disconnected for non-payment in FY 2009. She noted that the economy did not
10 seem to affect the number of customers being disconnected, but the ACSA did
11 collect more in terms of late charges and penalties.

12 Mr. Carter asked Ms. Breeden to explain the difference between a late
13 charge and late payment penalty. Ms. Breeden stated the late payment penalty
14 was established separately by the Virginia Water and Waste Authorities Act,
15 which allowed a late payment penalty to be assessed up to 10% on any
16 outstanding balance, in addition to late charges. She stated after instituting a
17 late payment penalty, the ACSA initially hoped the number of delinquent
18 accounts would decrease. Ms. Breeden stated the enforcement of a late
19 payment penalty has not changed customer patterns. She noted that there were
20 other charges associated with a late payment penalty. Mr. Colbaugh asked if
21 those charges were in addition to a late charge of 10%. Ms. Breeden replied the
22 late charge assessed by the ACSA was 1.5%. Mr. Colbaugh verified his
23 understanding that this was a “carrying” charge assessed by the ACSA.

24 Mr. Roberts asked if there had been opposition to this assessment. Ms.
25 Breeden replied yes, but that ACSA service charges were lower than anyone
26 else providing services. She stated most private industries charge at least \$20 to
27 have a service.

28 Ms. Breeden stated “Gain on Sale of Fixed Assets” were items the ACSA
29 could no longer use or had to replace, which were fully depreciated, and sold
30 during the year. She stated most of the time those items were taken to the

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1 auction conducted by Albemarle County. Ms. Breeden stated for FY 2009, there
2 were two trucks sold in addition to a number of miscellaneous items.

3 Mr. Colbaugh asked if staff was allowed to attend the auction and
4 purchase any of those items. Ms. Breeden replied yes, the auction was open to
5 the public. Mr. Colbaugh asked if staff could buy those items directly from the
6 ACSA. Ms. Breeden replied "absolutely not!"

7 Ms. Breeden stated that new connections "seriously" decreased in FY
8 2009, with only 204 new water connections, the lowest number in nearly three
9 decades. She stated the ten year average used to project new connections
10 decreased from 3.2% last year to 2.93%. Ms. Breeden stated that prepaid
11 connection fees in FY 2009 were \$468,957, which was an increase from prepaid
12 connection fees received in FY 2008 of \$310,920. She stated it was interesting
13 that the majority of prepaid meters were set in the first quarter of FY 2010,
14 between July and September 2009.

15 Ms. Breeden stated the ACSA's billed water and sewer volumes in FY
16 2009 were nearly the same as FY 2008; a 16% increase in sewer charges was
17 due to new customers.

18 Ms. Breeden stated that Net Assets increased by over \$6.7 million. She
19 noted the following operating indicators, located on Page 48 – Operating
20 Information for Last Ten Fiscal Years:

- 21 • New connections - 204;
- 22 • Water meters read - 204,587;
- 23 • Service orders processed - 10,618;
- 24 • Water main breaks - 8;
- 25 • Sewer overflows - 6;
- 26 • Sewer blockages - 11.

27

28 Ms. Breeden noted the following Capital Asset Statistics:

- 29 • Number of Water Connections – 16,670;
- 30 • Number of Sewer Connections – 13,671;
- 31 • Miles of water lines – 341.33;

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- 1 • Miles of sewer lines – 244.49;
- 2 • Fire hydrants – 2,370;
- 3 • Water pumping stations – 11;
- 4 • Sewer pumping stations – 11;
- 5 • Water storage tanks – 8.

6

7 Ms. Breeden noted that history, for the past ten years, for Capital Asset
8 Statistics was located on Page 49.

9

10 Mr. Colbaugh asked what the difference was between Net Assets and
11 System Value. Ms. Breeden referred to Page 21 of the CAFR, Statement of Net
12 Assets, and stated that Net Assets were comprised of:

- 13 • Investment in capital assets, net of related debt, meaning the
14 infrastructure in the ground [\$92,181,770];
- 15 • Funds restricted for debt service [\$157,601];
- 16 • And funds unrestricted [\$12,861,396], which included cash,
17 investments, and receivables.

18

19 The total Ms. Breeden stated, was \$105,200,767.

20 Mr. Colbaugh asked why the ACSA System Value was much lower than
21 Net Assets. Ms. Breeden stated that developer contributions were deducted
22 from the ACSA System Value when calculating connection fees.

23 Ms. Breeden stated that since it was close to “budget time,” she wanted to
24 show the correction between the CAFR and budget figures because the numbers
25 in the report would be the numbers relied upon to set rates and fees, primarily
26 connection fees for next fiscal year. She stated these numbers in the report
27 would give reliable basis for rate-setting.

28 Ms. Breeden referred to a chart on Page 6 of the Appendix, Gross
29 Revenue Requirement, and stated that the ACSA started FY 2009 with a Gross
30 Revenue Requirement of \$26,975,731 (Attached as Pages ____). She felt that
31 it was helpful to view a chart, showing how the ACSA reached that Gross

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1 Revenue Requirement, in terms of how fees and rates were set. Ms. Breeden
2 stated after the ACSA determined how much Gross Revenue Requirement was
3 needed, the ACSA then determined how much money the ACSA could depend
4 upon, or project, in terms of connections to the system.

5 Ms. Breeden then referred to Page 7 of the Appendix, Estimated
6 Availability of Funds from Customer Buy-in and Connection Fees, and stated the
7 pie represented what current and previous ACSA customers have invested in the
8 system. She stated that all of the items shown were shares or costs that were
9 assessed to new customers connecting to the system. Ms. Breeden noted these
10 costs included [the collected] Farmington [Capital Recovery Costs]. She recalled
11 that the Buck Mountain Surcharge fees were paid directly to RWSA. Ms.
12 Breeden stated that Connection and Local Facilities Fees (no longer in effect)
13 represented physical connections to the system to be completed, and RWSA
14 Capacity and System Development Fees were contributions made by customers.
15 She stated for FY 2009, the following were estimates of availability of funds from
16 customer buy-in and connection fees:

- 17 • System Development Fees - \$812,870;
- 18 • Buck Mountain Surcharge - \$104,600;
- 19 • Farmington Capital Recovery - \$31,900;
- 20 • Connection and Local Facilities Fees - \$129,400;
- 21 • RWSA Capacity Fees - \$1,410,000.

22
23 Ms. Breeden referred to Page 8 of the Appendix, ACSA Water & Sewer
24 System Development – FY 2009, and stated that during the budget planning
25 process for FY 2009, an “ACSA System Value” of \$39,698,794 (as of June 30,
26 2007 after developer contributions), was used as a guideline. She stated the
27 ACSA-calculated System Development Charges were based upon how many
28 customers could be served by the total value of the ACSA System. Ms. Breeden
29 stated the projected buy-in (connection fees) was calculated at \$812,870, with
30 the actual buy-in (connection fees) at \$837,849. She stated the projected buy-in

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1 (connection fees) was a set number of connections, not a revenue target, which
2 represented the value of each connection as of June 30, 2007.

3 Mr. Colbaugh asked if the CAFR would be used for budget planning for FY
4 2011. Ms. Breeden replied yes. Mr. Colbaugh asked if the Total Net Assets of
5 \$105,200,767 would be used as a guideline. Ms. Breeden referred to Page 30 of
6 the CAFR, Note 5 - Capital Assets, and stated those numbers would be used as
7 a guideline for budget planning. She stated the value of structures and
8 improvements, and land, purchased by the ACSA was used to determine the
9 Total Net Assets; equipment was not included. For the preparation of the CAFR
10 for FY 2009, she noted, construction in progress was not included as well,
11 because the infrastructure had not been placed in service at that time. Ms.
12 Breeden stated the year-ending balance of structures and improvements would
13 be higher than \$25,333,425, less developer contributions.

14 Mr. Colbaugh asked if the Total Net Assets were less depreciation and
15 developer contributions. Ms. Breeden replied yes. Mr. Colbaugh asked if
16 developer contributions were close to \$40 million. Ms. Breeden replied yes, but
17 to keep in mind that as older contributions (infrastructure) start to deteriorate and
18 have to be fixed, the proportion would change. Mr. Colbaugh added “and
19 connection fees therefore will likely go up, because they will be paying the buy-in
20 of the new facilities, which is going to cost more.”

21 Dr. Palmer referred to Page 19 of the CAFR, Footnote No. 3, and read the
22 following sentence. “Current customers bear the current cost of operations with
23 future customers bearing the cost of expansion through connection,
24 development, and capacity fees.” She stated the pie chart located on Page 8 of
25 the Appendix, ACSA Water & Sewer System Development - FY 2009, showed
26 that was not the case. Ms. Breeden stated the goal of the ACSA was to have
27 future customers bear the cost of expansion through connection fees, if they
28 were received; if not, then current customers would pay for expansion, because
29 the ACSA would have to draw from Reserves. She reminded the Board that was
30 for System Development only. Dr. Palmer asked, “Not RWSA Capacity Fees?”
31 Ms. Breeden replied correct.

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1 Ms. Breeden referred to Page 9 of the Appendix, RWSA Water & Sewer
2 Capacity - FY 2009, and stated that June 30, 2007 numbers were used to be
3 consistent, but that June 30, 2009 numbers would be used for the calculation of
4 RWSA Capacity Fees for the FY 2011 Budget. She stated the RWSA System
5 Value was used as a representation on the graph to provide an insight as to how
6 large RWSA's system value was, and how little the ACSA was actually collecting
7 with ACSA fees. Ms. Breeden stated the ACSA-calculated-fees, collected from
8 customers, were only based upon the ACSA's share of the system's worth, which
9 was roughly 56% to 65%, depending upon how it is classified. She stated the
10 RWSA System Value was funded by current and previous rate payers through
11 volume charges paid to the RWSA for operating expenses and debt service.

12 Mr. Colbaugh stated the graphics located in the Appendix would be very
13 helpful to have for discussions on connection fees during a public hearing. He
14 stated the graphics clearly showed that new development was not paying for
15 growth, rather just a small portion. Ms. Breeden stated that during the Public
16 Hearing last August developers implied that the ACSA would receive greater
17 revenues than estimated, so connection fees do not need to be raised. She
18 added that while the ACSA will receive revenue from connection fees, the
19 developers are not contributing sufficiently for the buy-in, which is then
20 subsidized by current customers.

21 Mr. Martin stated "How does that relate to what we often say, that "growth
22 pays for itself;" does growth pay for itself, Lisa?" Ms. Breeden replied "Growth
23 will not pay for itself if we don't make sure that the numbers are updated and we
24 properly assess them. They need to be updated every year. That is the only
25 way we can ever hope to get close to it."

26 Mr. Colbaugh stated "The new connection fees for this current year that
27 we are in, will be old on March 1, 2010, and after March 1, we will have exercised
28 our six-month leniency period and go into [rates that will offset costs that] we
29 think should be taken off the rate payers and put back on the developers."

30 Mr. Martin stated "But, everybody who connects between now and March
31 1st gets a break, which puts an additional burden on the rate payers."

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1 Ms. Breeden referred to Page 6 of the Appendix, Gross Revenue
2 Requirement, and stated the first decision made by the ACSA was how much
3 revenue the ACSA could depend upon for new connections to ease the burden
4 on current rate payers, which was \$2,488,700. She stated that other
5 miscellaneous charges and fees, such as reconnections, inspection fees, and
6 late charges were also part of that estimate. Ms. Breeden stated the ACSA then
7 estimated how much the ACSA could use from previous Reserves and the prior
8 year appropriations, which was \$2,522,692. She stated after the ACSA made
9 their best estimates, the Net Revenue Requirement put toward construction and
10 reserves was \$21,061,019, which was the basis used for setting rates and
11 charges in FY 2009. Ms. Breeden stated the Net Revenue Requirement was a
12 projected amount to be collected by customers through volume charges, but that
13 connection fees were only based on system value and were not included within
14 that projection.

15 Mr. Martin stated, "On connection fees, related to the concept that growth
16 pays for itself, as I understand it, and please correct me if my understanding is
17 not right; I understand that the Service Authority spends money every single day
18 to develop our systems and to pay for RWSA Capacity. The money that we are
19 spending every single day is rate payer money coming in through volume
20 charges. That being the case, the theoretical buy-in amount would change every
21 single day and go up a little bit every single day, as we are paying money so that
22 those customers, the rate payers, get reimbursed for what they have invested for
23 system development and RWSA capacity. So if you had a little box on your
24 desk, called the buy-in box, and a developer came in on the same day the meter
25 was going to be [set] to pay connection fees, you could press a button on your
26 box and that developer would be paying the full amount of the buy-in on that
27 particular day. That is just theory and that is not reality. In reality, we set
28 connection fees once a year, and we also sometimes delay the effective date of
29 connection fees. Right now, according to our current policy, we allow developers
30 to buy in at the time a building permit [is issued], which could be months or years
31 in advance of actual placement of the meter. With all these delays between

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1 payment of connection fees and actual placement of the meter, my
2 understanding is that revenue has to be picked up by rate payers, because the
3 developers are really not paying the full amount for buy-in. Is that basically
4 right?" Ms. Breeden replied yes.

5 Mr. Colbaugh stated "It sure helps to get the money in when the permits
6 are issued because we earn interest on that money." Ms. Breeden replied no,
7 and stated the chart provided to the Board last month showed that calculations
8 were made on the present value of that money, and connection fees increase.
9 Mr. Colbaugh stated, "We also increased the fees by 20%." Ms. Breeden replied
10 that this was the reason developers were paying connection fees in advance.
11 Mr. Colbaugh stated, "If we looked at connection fees going up at the rate of our
12 investment returns. . ." Ms. Breeden stated that she understood that was the
13 goal of the Board, but if that was the goal, then growth would never pay for
14 growth.

15 Dr. Palmer stated "I don't see how we can have growth paying for growth
16 now anyway." Mr. Fern agreed, stating the ACSA would not be able to charge
17 the fees necessary so that growth paid for growth. Ms. Breeden stated ACSA
18 fees were defensible, because the ACSA had audited numbers that stated what
19 the system was worth. She added the ACSA's system was valued at what it cost
20 at the time it was installed.

21 Dr. Palmer stated "We have talked about this before; we use historic costs
22 of the system. We can't use current cost of the system? We can't adjust it for
23 inflation or anything like that because of accounting standards?" Ms. Breeden
24 stated that current rates could be justified with an audited statement. Mr.
25 Bowling stated the ACSA had to show that rates were reasonably related to the
26 cost of the system. Dr. Palmer stated "I thought we just had this discussion when
27 we were doing connection charges once before about using the historic value
28 and how incorrect that historic value is and what can you do to make that more
29 representative of what the system really is. The replacement cost of the system
30 is hardly \$105 or \$92 million." Dr. Palmer further stated, "You are saying that
31 there is the opportunity, if we should ever want to do that in the future, of valuing

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1 the system differently. The only thing that we have to do is take out those
2 developer contributions, because we did not pay for those, so that is required.
3 There is the opportunity to value the system differently by correcting for inflation.”

4 Ms. Breeden replied, “We could, but people complain about the rate
5 increases as it is.” Mr. Bowling stated the ACSA could value the system
6 differently, but would need to show that rates were reasonably related to the cost
7 of the system. Mr. Colbaugh stated, “We can’t use the developer-contributed
8 facilities in the calculation, even though we own and are operating them?” Mr.
9 Bowling replied no; the ACSA could reflect the fact that the ACSA has to
10 maintain those facilities, forever, which includes repair and replacement, but you
11 cannot include the actual cost of the dedicated facility. Dr. Palmer stated that
12 maintenance costs were not allowed to be reflected in connection charges. She
13 asked if there were other communities in Virginia that do inflation rate
14 adjustments for connection fees. Ms. Breeden replied that she was not sure, but
15 could check.

16 Dr. Palmer referred to Page 16 of the CAFR, Budget Objectives, and read
17 the following sentence. “The objective of the budgeting process for fiscal year
18 2009 was 1) to operate within the revenues anticipated from those newly adopted
19 rates and fees and 2) to fund, through the use of reserves, \$2,000,000 of the
20 \$6,927,660 anticipated capital costs associated with construction in progress.”
21 She stated that \$2,000,000 was coming from Reserves with the remainder from
22 Volume Charges. Ms. Breeden replied correct.

23 Dr. Palmer asked if 0.4% of the ACSA system’s book value each year was
24 placed into the Repair, Replacement, and Rehabilitation (3R) Reserve Fund?
25 Ms. Breeden replied yes.

26 Dr. Palmer asked how comfortable Ms. Breeden was with the schedule
27 from the Rate Model for managing Reserves. Ms. Breeden stated in order to
28 hold down fees, there was no choice; the schedule was an attempt to avoid the
29 fluctuation and ever-increasing rates for ACSA customers. She stated the ACSA
30 wished to control fees, and were not saving as much as the ACSA should by
31 employing that theory.

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1 Mr. Martin referred to Page 6, 3rd paragraph of the CAFR, and read the
2 following sentence. "The Authority is required by Trust Agreements for its Bond
3 to prepare and adopt an annual operating budget." Ms. Breeden replied that was
4 correct. Mr. Martin stated "I understand that we are not required to have a
5 budget by statute, like the County is, but we are by our Trust Agreements. I
6 guess we are in the process of getting ready to negotiate a new bond for the
7 North Fork area, which will have a requirement that we have a budget." Ms.
8 Breeden replied correct. Mr. Martin asked if the Trust Agreements stated
9 anything more specific in terms of what the budget should be or how it should be
10 formatted. Ms. Breeden replied not as to format. She stated, "Basically, they
11 want to see that we are going to be able to collect the revenue necessary to pay
12 them back in volume charges essentially, not in many of those other fees. They
13 want to see connection fees, and they want to see a pattern of us collecting
14 revenue to cover, which was why I was glad our operating loss was declining
15 over the years, because we are making an effort to have operations cover
16 operations."

17 Mr. Martin stated, "With respect to our budget, we traditionally in
18 revenues, operating revenues, list water and sewer in volume charges and then
19 water connection charges and sewer connection charges as if they're revenue
20 sources, but as I understand from the discussion today, connection charges are
21 a different kind of "animal" than volume charges." Ms. Breeden replied
22 connection charges were different, which was why connection charges were not
23 listed in Operating Revenue. She stated there were two line items on the
24 Revenue Summary for FY 2009, separated as Operating Revenues and Non-
25 Operating Revenues.

26 Mr. Martin stated that he recalled during a telephone conversation with
27 Ms. Breeden, that she was considering some changes for the FY 2011 Budget to
28 set forth that difference. Ms. Breeden replied yes, in an appendix, she needed to
29 show the format as to how the ACSA achieves those revenues. She stated that
30 she would be adding more information to the proposed budget.

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1 Mr. Martin stated, "With respect to how we did it in FY 2009, I looked at
2 the budget and the net change in the Reserves that we budgeted in 2009, there
3 was a net change of \$1,258,850; that is how much we were going to reduce our
4 reserve accounts for 2009. In fact, the way the year turned out, we increased
5 Reserves by \$31,357. That's tremendous, that is a good result to me." Mr.
6 Bowling asked when that had last happened. Ms. Breeden stated Reserves
7 were low last year, but the year before the ACSA was able to add to Reserves.
8 She stated the ACSA was able to add to Reserves every year. Mr. Bowling
9 asked if that was net? Calculating the amount that we had to contribute, to fund
10 the budget during the year? Ms. Breeden replied yes. She noted that out of the
11 \$2.4 million budgeted to be withdrawn from Reserves, only \$698,000 was
12 transferred to cover capital projects, with the remainder transferred back into the
13 3R Reserve Fund, which was a net increase.

14 Mr. Martin asked if the ACSA traditionally over-estimated the amount of
15 funds needed to be withdrawn from reserves to cover the budget. Ms. Breeden
16 stated most years, no. She noted that the ACSA finished the year under budget
17 in terms of construction projects. Mr. Martin asked, for budget preparation
18 purposes, if the amount shown to be withdrawn from reserves was a "worst case"
19 figure? Mr. Colbaugh stated "You hope it is!"

20 Mr. Wagner stated that in some instances the ACSA doesn't complete
21 construction of a project, but will need the funds the following year.

22 Mr. Fern added that the ACSA has been fortunate over the past year with
23 construction costs being reduced.

24 Ms. Breeden stated that the ACSA spent less in FY 2009. She stated that
25 the ACSA could have reduced rates further if the ACSA had not included using
26 \$2.4 million.

27 The Chairman stated that he appreciated the Appendix attached to Ms.
28 Breeden's memorandum.

29 Mr. Martin stated "I also think, based upon the discussion today, we need
30 to drop from the Service Authority "lexicon" the term that "growth pays for itself"
31 because it doesn't. It just doesn't work and it really misleads people, without a

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1 complete understanding of what is going on, about how we set connection fees
2 and what connection fees do.” Ms. Breeden stated “The ACSA is trying and we
3 are moving in the right direction.”

4 Dr. Palmer stated that Ms. Breeden’s explanation on the RWSA Capacity
5 Charges, of how much of the debt was actually paid through connection fees in a
6 year, was helpful in seeing that they were an incredibly small percentage.

7 ***Dr. Palmer moved to approve the transfer of \$342,794.00 from the***
8 ***Water and Sewer Revenue Fund to the Operating Reserve Fund, and***
9 ***\$386,818.00 from the Water and Sewer Revenue Fund to the 3R Reserve***
10 ***Fund, seconded by Mr. Colbaugh. All voted aye.***

11

12 **8. Consent Agenda**

13 **For Information (Recording Time: 11:17:48 a.m.)**

14 Mr. Wagner asked if the Board had questions or comments regarding the
15 Consent Agenda.

16 ***a. Monthly Financial Reports-***

17 Mr. Martin asked why the ACSA paid Roto Rooter \$1,800.

18 Mr. Fern stated this was due to a grease problem at the Glenmore
19 Pump Station. He explained that there was a severe grease problem
20 in the Glenmore Subdivision, such that the pump station was
21 continually inundated with grease.

22 Mr. Martin asked why there were payments made to the American
23 Red Cross. Mr. Fern replied for First Aid Training.

24 Mr. Fern stated there were two new graphs related to sewer
25 charges located on Pages 107 and 109 of the packet.

26 ***b. Monthly CIP Report-***

27 Dr. Palmer stated, in regard to easement acquisition for the North
28 Fork Regional Pump Station Project, that the ACSA needed to be
29 prudent in stating [to property owners (developers)], that at the time
30 future infrastructure was required, the ACSA should be granted
31 easements at no cost, or some type of an arrangement made. Dr.

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1 Palmer hoped that in the future this would be done. Mr. Fern replied
2 the ACSA would be making that request in the future. Dr. Palmer felt
3 the ACSA had spent a lot of money in acquiring necessary easements
4 for the project, which should not have been spent. Mr. Fern stated the
5 ACSA would eventually receive that money back from developers who
6 would be paying for the system. Dr. Palmer asked if the cost of
7 easement acquisition had been included in the fees charged to those
8 developers. Mr. Fern replied yes.

9 Dr. Palmer asked if there were any areas on the west side of Route
10 29 the ACSA should review with respect to “rescue” operations during
11 the course of the project. She noted the Cedar Hill Mobile Home Park
12 was on septic. Mr. Fern stated the ACSA had informed the public in
13 that area that the project would be ongoing.

14 Mr. Gorham stated that part of the design for the North Fork
15 Regional Pump Station included installing a casing pipe under Lewis
16 and Clark Drive, for a gravity sewer that would eventually serve
17 customers to the south. He stated the ACSA anticipated that the North
18 Pointe Development would be responsible for installing the gravity
19 sewer in order to achieve gravity flow to the pump station. Mr. Gorham
20 stated that was not to say that another property owner on the west side
21 would want to develop also, and install a gravity sewer. He stated if
22 that were the case, the ACSA would look at oversizing the pipe.

23 Dr. Palmer asked if the ACSA had asked property owners in the
24 area if there would be future development. She also asked if there
25 was the possibility of an “Oak Hill” situation in the future. Mr. Gorham
26 stated the owner of the Cedar Hill Mobile Home Park had been
27 interested in connecting to sewer at one point, and had looked into
28 either connecting to the existing North Fork Research Park Pump
29 Station or actually going over the ridge and pumping into the North
30 Fork Research Park Collection System. He stated there had been
31 some preliminary discussions with the University Research Foundation

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1 to obtain an easement, as well as talks with the ACSA in regard to
2 capacity at that pump station. Mr. Gorham stated another developer,
3 located in the Northside Industrial Park, was interested in connecting,
4 but never received enough interest from other property owners to
5 proceed. He stated the fees associated with connecting may have
6 been a deterrent.

7 Dr. Palmer asked if “rescue” operations comparable to Northfields,
8 where the ACSA installed sewer and only charged the property owner
9 to connect, were being considered in the area of the North Pointe
10 development. She felt the ACSA should perhaps install infrastructure
11 in the area in order to plan ahead.

12 Mr. Fern stated the ACSA had included the cost of the gravity
13 sewer within the Special Rate District to allow property owners, who
14 wish to connect, to do so and pay connection fees.

15 Dr. Palmer asked if the ACSA was installing a gravity sewer along
16 the west side. Mr. Fern replied no, the ACSA was only making
17 provisions so future infrastructure could be installed along the west
18 side of Route 29. Dr. Palmer asked if the ACSA would be responsible
19 for installing infrastructure for Cedar Hill Mobile Park if a “rescue”
20 operation was performed. Mr. Fern replied currently, the ACSA was
21 not aware of any problems at Cedar Hill Mobile Park. The Chairman
22 stated that doing so could cause problems. He stated in the case of
23 the Northfields Subdivision there were many individual homeowners;
24 Cedar Hill Mobile Park had only one property owner, who rented lots to
25 many residents.

26 Mr. Martin asked, with regard to the concept of installing a gravity
27 sewer on the west side of Route 29, if there would be a problem
28 involving eventual regrading of the southbound lanes of Route 29. Mr.
29 Fern replied yes, that it could change the contours along that entire
30 stretch of Route 29. Mr. Martin stated perhaps that was the primary
31 reason the decision was made to redirect the pipeline at Fabrics

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1 Unlimited back to the North Pointe property and through North Pointe.
2 Mr. Gorham stated that was one of the reasons, along with the very
3 narrow corridor, to try and install those pipes further south.

4 Dr. Palmer asked, if during negotiations, the ACSA contacted
5 property owners to see if they were interested in connecting to sewer.
6 Mr. Fern stated the ACSA would only be installing the force main up to
7 Fabrics Unlimited and then the force main would move over to the east
8 side of Route 29. Dr. Palmer asked if the casing was being installed
9 under Route 29 at Fabrics Unlimited. Mr. Fern replied yes. Mr.
10 Gorham stated that a force main would be installed. Dr. Palmer stated
11 that one could not connect to the force main, but that it was her
12 understanding that another pipe could be installed through the casing.
13 Mr. Gorham replied correct.

14 **c. *Monthly CIP Authorizations-***

15 Mr. Martin referred to the Ashcroft Water System Improvements
16 Project and stated that within the FY 2010 Budget, \$211,200 had been
17 set aside for the project. He stated that staff was requesting the Board
18 to appropriate \$143,550, and wondered if that was over and above the
19 \$211,200 already budgeted. Mr. Fern stated a preliminary engineering
20 report was completed last year and estimated the improvements at
21 \$211,200. He stated that staff was requesting \$143,550 from the 3R
22 Fund, but stated that \$143,550 was part of the \$211,200 budgeted for
23 FY 2010. Mr. Martin stated that \$143,550 was just for design and
24 asked what the estimate for construction would be. Mr. Gorham stated
25 the original estimate was \$211,200, based on the Technical
26 Memorandum (Memorandum) from the Preliminary Engineering Report
27 (PER). He stated within the memorandum, prices were provided for
28 several different phases of construction or improvements to the
29 Ashcroft System, with most construction completed by the ACSA. He
30 stated that the part of the construction cost that would go out to bid

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1 would be removal of the existing tanks and installation of a new 10,000
2 gallon tank, at a rough estimate of \$75,000.

3 Mr. Martin asked if construction could be accomplished within the
4 budgeted amount of \$211,200. Mr. Gorham stated that the ACSA
5 hoped to, but would not be able to determine that until the project was
6 advertised for.

7 Mr. Martin noted that the fire flow was 750 gallons per minute
8 (gpm), and asked when the Ashcroft subdivision was built. Mr.
9 Gorham replied 1980. Mr. Martin asked if the developer installed the
10 water lines. Mr. Gorham replied yes, in addition to three storage tanks.
11 Mr. Martin asked if the ACSA was making improvements to increase
12 fire flow that should have been done in 1980. Mr. Gorham replied no,
13 that the developer designed the fire flow based on 750 gpm and there
14 were issues with the horizontal tanks originally installed by the
15 developer, with one having to be taken out of service. He stated the
16 improvements were to replace aging infrastructure.

17 Mr. Martin stated the Camp Holiday Trails Water Quality Evaluation
18 was a new capital improvement project and was budgeted at \$23,050.
19 He asked if an estimate for construction cost had been determined.
20 Mr. Gorham replied no, that construction costs were to be determined
21 during the PER prepared by the consultant. Mr. Martin asked if the
22 ACSA was aware that RWSA provided low alkalinity water at the time
23 the 4,000 foot water main was designed. Mr. Gorham replied that the
24 ACSA was not aware at the time of design that the water had low
25 alkalinity. Mr. Fern stated the ACSA only became aware of the low
26 alkalinity since identifying the problem.

27 Dr. Palmer asked if RWSA had made a change in the level of
28 alkalinity in the water. Mr. Fern replied that he was not able to say
29 whether or not the level of alkalinity had been changed, but that it was
30 not brought to the ACSA's attention until Camp Holiday Trails noticed
31 there was something different about the water. He stated after the

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1 ACSA conducted testing of the water, a flushing program was
2 instituted to temporarily lower the pH of the water. Mr. Fern stated that
3 the water from the storage tank going into the brand new pipe to Camp
4 Holiday Trails was leaching concrete encasement within the ductile
5 iron pipe; this caused the pH to increase by the time it reached Camp
6 Holiday Trails. Mr. Martin stated the leaching was because the water
7 delivered to Camp Holiday Trails was seasonal, and during the winter
8 months, the water sat in the pipe for longer periods of time. He stated
9 if there was constant flow, from what he has read, there would not be a
10 problem. Mr. Fern replied affirmatively.

11 Mr. Colbaugh stated that because this was a water quality issue, he
12 would like staff to bring before the Board the PER, when received on
13 what alternatives there were to correct the problem. He felt that it was
14 important since the project involved water quality issues for ACSA
15 customers.

16 Dr. Palmer asked if RWSA released a statement, on a regular
17 basis, on what the pH and alkalinity levels were in the water. Mr. Fern
18 replied that he was not aware of any statement. He stated that the
19 ACSA was only aware of that information because of regular
20 discussions with RWSA.

21 Mr. Brown stated that RWSA did provide information that pH,
22 alkalinity and residual chlorine parameters were tested daily at their
23 treatment plants. He stated that the water delivered from the South
24 Rivanna Tank and the Observatory Tank, which feeds Camp Holiday
25 Trails, was typically labeled as “aggressive.” Mr. Brown stated that the
26 Virginia Department of Health was aware of the water quality situation
27 at Camp Holiday Trails, but that it was not a primary containment
28 issue. He stated the situation experienced at Camp Holiday Trails was
29 due to a mile-long water main, erratic seasonal use of the water, and
30 the type of pipe, which was ductile iron with cement mortar lining. Mr.
31 Brown stated that the ACSA had spoken with RWSA about the

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1 situation, and one of the options discussed was to modify the treatment
2 of the water to correct the issue. He stated that modifying the
3 treatment process would be a very expensive proposition and would
4 adjust the water for a great majority of ACSA customers. Mr. Brown
5 stated the ACSA initially thought the water being supplied to Camp
6 Holiday Trails was being supplied from the Observatory Tank only, but
7 later learned from a fluoride tracer study that the Camp was also being
8 served by the South Rivanna Tank, which increased the complexity of
9 modifying treatment. Mr. Brown stated that other options were being
10 considered by the ACSA apart from asking RWSA to adjust their
11 treatment operations.

12 Dr. Palmer asked if staff felt that the highly aggressive water was
13 causing other leaks in the ACSA's system. Mr. Brown replied no, that
14 the ACSA had a wonderful water supply, which included great
15 mountain water that was very soft with a low mineral content, which at
16 times could present a problem. He stated the water was so low in
17 mineral content, that when you factored in the pH of the water, the
18 water could have the potential to be "aggressive," but if the water was
19 used regularly, constantly flowing, there typically were no issues.

20 Dr. Palmer stated she had always envisioned that certain parts of
21 the City were only served by the Observatory Tank. She asked if the
22 fluoride tracer studies suggested that was not the case for other areas.
23 Mr. Brown stated that his understanding was the great majority of
24 water treated at the Observatory Tank was distributed to the University
25 of Virginia. Dr. Palmer asked if Fry Springs received their water from
26 the Observatory Tank. Mr. Lynn stated that RWSA altered treatment
27 plants based on the availability of water in the reservoirs and plant
28 operation. He stated that the South Rivanna Tank operated 24 hours a
29 day, 7 days a week, but the Observatory Tank closed at times due to
30 manpower situations and maintenance; there were many variables that
31 determined which tank the water was distributed from.

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1 Dr. Palmer stated that she had always heard there were portions of
2 the City that operated on a different pressure than what pressure came
3 from the South Rivanna Tank, which was higher and was one of the
4 reasons the City received their water from the Observatory Tank. She
5 stated that was once explained to her by Mr. Tom Frederick. Mr.
6 Gorham stated that the pressure bands for both the South Rivanna
7 Tank and the Observatory Tank were the same and all part of the
8 Urban Pressure Band.

9 Mr. Brown stated that all water treatment plants contained an anti-
10 corrosive agent called orthophosphate, which was part of normal
11 treatment operations to help as a buffering agent. He stated in the
12 Camp Holiday Trails situation, by the time the water reached the main,
13 there was probably minimal affect of that agent.

14 Dr. Palmer asked if the Supervisory Control and Data Acquisition
15 System (SCADA) would help to locate water leaks in the ACSA's
16 system. Mr. Fern replied no, that the SCADA System would assist the
17 Maintenance Department with monitoring and controlling system
18 components, as well as assist the Engineering Department with
19 compiling data on the ACSA system.

20 Mr. Colbaugh felt that it was "a bit much" to monitor pressures at
21 Pressure Reducing Stations.

22 ***d. RWSA Minutes of September 22, 2009-***

23
24 The Chairman asked for a motion that the Consent Agenda be approved.

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

27

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1 **9. Items Not on the Agenda (Recording Time: 11:47:13 a.m.)**

2 **a. *Ragged Mountain Dam* –**

3 Mr. Martin shared a presentation of old photographs taken during
4 construction of the Ragged Mountain Dam, which he had obtained
5 from Mr. Richard Defibaugh, a retired employee from the Rivanna
6 Water & Sewer Authority.

7 **b. *Virginia Public Records Act* –**

8 Mr. Bowling stated that he had provided a copy of the Virginia
9 Public Records Act (Act) to the Board. He stated that it was a
10 requirement that each member have a copy and become familiar with
11 the Act.

12 Mr. Colbaugh asked if the Act was updated each year and if the
13 Board had received previous copies. Mr. Bowling replied that he was
14 not aware of the Act until last year and that this was the first copy
15 provided to the Board.

16 **c. *Thanksgiving Holiday* –**

17 Mr. Fern stated the Governor had granted State employees a half-
18 day holiday on Wednesday, November 25, 2009, prior to the
19 Thanksgiving Holiday, and that the County Executive and Board of
20 Supervisors had granted the same for County employees. He asked
21 that the ACSA Board of Directors grant ACSA employees the same.

22 ***Dr. Palmer moved to approve the half-day holiday for ACSA***
23 ***employees on Wednesday, November 25, 2009, prior to the***
24 ***Thanksgiving Holiday, seconded by Mr. Roberts. All members***
25 ***voted aye.***

26 **d. *ACSA Christmas Luncheon* –**

27 Mr. Fern stated this year's Christmas Luncheon would be held on
28 Friday, December 18, 2009 at Noon. He hoped all members could
29 attend.

30

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1 **e. *December Work Session –***

2 Mr. Fern stated that December 3, 2009 was the first Thursday of
3 the month and he had not heard whether or not the Board had a topic
4 they wished to discuss in a work session.

5 Mr. Carter asked what date the regularly scheduled Board of
6 Directors' Meeting was for December. Mr. Colbaugh replied,
7 December 17, 2009.

8 Dr. Palmer stated that she was not aware of any topics that needed
9 to be discussed. Mr. Colbaugh stated there would not be any budget
10 preparation conducted or strategic planning in December.

11 The Board agreed not to hold a work session for the month of
12 December.

13 **e. *City Council Meeting –***

14 Dr. Palmer encouraged all Board members and staff to listen to the
15 first part of the last City Council meeting. She stated during the
16 meeting, there were accusations made toward RWSA and the
17 Executive Director of RWSA which were quite strong. Mr. Colbaugh
18 asked if those remarks were made by a Councilor. Dr. Palmer replied
19 the remarks were made by a member of the public.

20
21 **10. Executive Session- (Recording Time: – Due to Executive Session, no**
22 **recording was conducted during this time period.)**

23 Mrs. Herr read a resolution to enter into Executive Session pursuant to
24 Virginia Code Section 2.2-3711 A (3) to discuss the North Fork Regional Pump
25 Station Project Land Acquisition; Virginia Code Section 2.2-3711 A (6) and A (7)
26 to consider a Cost Allocation Agreement between the City of Charlottesville and
27 the Albemarle County Service Authority; and Virginia Code Section 2.2-3711 A
28 (1) to discuss a personnel matter (Attached as Page _____).

29 ***Dr. Palmer moved to enter into Executive Session, seconded by Mr.***
30 ***Carter. The Chairman asked for a roll-call vote: Dr. Palmer, aye; Mr.***
31 ***Colbaugh, aye; Mr. Wagner, aye; Mr. Carter, aye; Mr. Roberts, aye; Mr.***

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1 ***Martin, aye. Due to the possible perception of a conflict of interest, Mr.***
2 ***Wagner excused himself from the portion of the Executive Session that***
3 ***dealt with Great Eastern Management Company and the North Fork***
4 ***Regional Pump Station Project Land Acquisition.***

5 The Board of Directors came back into regular session. Mrs. Herr read
6 into record a resolution stating that only matters so previously stated and
7 exempted from open discussion in regular session were discussed in Executive
8 Session (Attached as Page _____).

9 ***Mr. Roberts moved to adopt the resolution, seconded by Mr. Carter.***
10 ***The Chairman asked for a roll-call vote: Dr. Palmer, aye; Mr. Colbaugh,***
11 ***aye; Mr. Wagner, aye; Mr. Carter, aye; Mr. Roberts, aye; Mr. Martin, aye.***

12 ***Mr. Carter moved that the Executive Director be authorized to enter***
13 ***into a purchase and sale agreement with HMC Holdings, LLC to acquire***
14 ***permanent and temporary easements and land acquisitions regarding the***
15 ***North Fork Regional Pump Station Project for a price of \$42,000, seconded***
16 ***by Dr. Palmer. Mr. Wagner abstained from the vote. All other members***
17 ***voted aye.***

18 The Chairman stated after further discussion, it was agreed that a work
19 session would be held on December 3, 2009 at 9:00 a.m.

20

21 **11. Adjourn (Recording Time: 12:49:43 p.m.)**

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

24

25

26

Gary W. Fern, PE, Secretary-Treasurer