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**RWSA BOARD OF DIRECTORS**  
**Minutes of Regular Meeting**  
**May 26, 2015**

A regular meeting of the Rivanna Water & Sewer Authority (RWSA) Board of Directors was held on Tuesday, May 26, 2015 at 2:15 p.m. in the 2<sup>nd</sup> floor conference room, Administration Building, 695 Moores Creek Lane, Charlottesville, Virginia.

**Board Members Present:** Mr. Ken Boyd, Mr. Tom Foley, Mr. Mike Gaffney – presiding, Ms. Kathy Galvin, Mr. Maurice Jones, Ms. Judith Mueller, and Mr. Gary O’Connell.

**Board Members Absent:** None.

**Staff Present:** Mr. Tim Castillo, Ms. Victoria Fort, Mr. Tom Frederick, Rich Gullick, Ph. D., Mr. Doug March, Mr. Phil McKalips, Mr. Scott Schiller, Ms. Andrea Terry, Ms. Jennifer Whitaker, and Mr. Lonnie Wood.

**Also Present:** Mr. Kurt Krueger – RWSA Counsel, members of the public, and media representatives.

**1.0 Call to Order**

The regular meeting of the RWSA Board of Directors was called to order by Mr. Gaffney on Tuesday, May 26, 2015 at 2:24 p.m., and he noted that a quorum was present.

**2.0 Minutes of Previous Board Meeting**

*a. Minutes of the Regular Meeting of the Board on April 28, 2015*

**Mr. O’Connell moved that the Board of Directors approve the minutes of the regular meeting of the Board held on April 28, 2015. Ms. Mueller seconded the motion. The motion passed by a vote of 5-0. Mr. Foley and Mr. Jones abstained from the vote on the minutes, as they were absent from the meeting of April 28, 2015.**

**3.0 Executive Director’s Report**

Mr. Tom Frederick reported that on May 7, 2015 at 11:00 a.m., the RWSA remotely turned a valve through the electronic system at the Observatory Water Plant to increase flow released to

the Moorman's River from one million gallons per day to two million gallons per day. He stated that approximately 15 citizens gathered to witness the event, which was quite positive, and said that this occurrence was part of RWSA's commitment to the community to release more flow to the Moorman's River as part of the adopted water supply plan. Mr. Frederick stated that there was one more opportunity for increased flow as the Ragged Mountain Reservoir completes its initial fill. He stated that this review also served a reminder to expect, as the dry season occurred as a result of releasing more water to the river, that the Sugar Hollow Reservoir would fluctuate more than it had in the past.

Mr. Frederick stated that RWSA had a computer model that, with certain assumptions entered, could provide an interesting outlook as to the completion of the Ragged Mountain Reservoir fill and the potential impact to other reservoirs. He emphasized that this was not a prediction of the future, as no one knew what the weather would be, but the model used assumptions based on historical weather data from any of the 80 years on record. Mr. Frederick stated that staff chose the year 2013 and put that into the model, and with that data, the expectation was for the Ragged Mountain Reservoir to be completely full by early February 2016. He noted that the South Fork Reservoir, based on 2013 rain and stream data, would remain full throughout the summer. Mr. Frederick stated that the simulation showed that in late October to late November, Sugar Hollow would be empty – meaning that at the water level would be 30 feet below the spillway height, and the entire water supply pool would be depleted with only a small amount of water remaining, at a level below the lowest intake, which was called “dead storage”. He noted that this was not expected to happen every year, but said that there were years when this would be seen at Sugar Hollow. Mr. Frederick stated that this could occur until the South Fork to Ragged Mountain pipeline was built, which would allow Sugar Hollow to remain full year-round.

Mr. Gaffney asked if staff were intending to have Sugar Hollow to go all the way down.

Mr. Frederick responded that the water supply plan does allow for the use of all water in the water supply pool, and if RWSA maintained a schedule to release four-million gallons per day through a pipeline to keep filling Ragged Mountain – while at the same time meeting the conditions for streamflow releases, including the upgrade he mentioned earlier – without getting adequate rain, it could happen. He stated that it was dependent on the weather, and if there was a wet summer, it would probably not happen, but if the summer was dry it could happen. Mr. Frederick stated that if the Board did not desire to drop Sugar Hollow to that level, the tradeoff this Board would need to make would be to halt the filling of the Ragged Mountain Reservoir, which would mean delays with the initial filling planned. He stated that he was aware this issue could result in future public comment, which was why he was bringing it to the Board's attention in advance.

Mr. O'Connell asked if the original model had predicted this.

Mr. Frederick stated that it had, and emphasized that the decision to release more water to the river was not a miracle of creating water, which would need to be a conversation with our Creator. He stated that the “in-stream flow” decisions in the water supply plan were about how to manage the water that was available – essentially whether to store it or release it.

Mr. Gaffney stated that his initial observation – without thinking this through completely – he would prefer to have Ragged Mountain filled at a later date than to take the water level down “that much”. He added that he knew there would be more discussions this summer with better projections, as more information becomes available.

Mr. Boyd agreed, stating that the Ragged Mountain project was part of a 50-year plan, so he was not sure if it was necessary to accomplish it all in year two or three.

Mr. Frederick stated that they had enough water currently to sustain a severe drought with current demand and storage, so the Board did have the option to halt the fill so that Sugar Hollow was not depleted – and that would just mean it would take longer to fill. He said that the pipeline between Sugar Hollow and Ragged Mountain was 18-inch pipe, with a limit of four-million gallons per day; and offsetting that by producing a million gallons and taking it out of Ragged Mountain every day to provide to the Observatory Water Plant would not allow gain at a very rapid rate.

Mr. Boyd asked if this were a topic to add to a future agenda for more discussion.

Mr. Frederick suggested that the staff monitor the water levels in the coming months and report to the Board, and once the level were reached that the Board deemed to be enough, it could direct the flow transfer to Ragged Mountain be stopped for a while.

Mr. Gaffney stated that he had been at Ragged Mountain the day before running the trails, and there were 2.5 miles completed, and it was nice to see the water level increasing as quickly as it had. He commented that it would be great to get the rest of the trails done, but that was a future project.

Mr. Boyd stated that completion of the trails could not occur until the floating bridge could be installed.

Mr. Frederick said that RWSA had the floating bridge in its possession, but because of how the structure was anchored on the ends, it could not be installed until the water level was less than 10 feet from full.

Mr. Gaffney mentioned that there was a sign up that said, “Use the floating bridge at your own risk.”

Mr. Frederick said that Ragged Mountain currently had 850 million gallons of usable storage, and within the next two weeks would be the largest reservoir in the system, exceeding the storage in the South Fork.

Mr. O’Connell asked Mr. Frederick if he could update the chart for every Board meeting, to reflect some of these changes and happenings.

Mr. Foley stated that looking at it monthly was a good idea, as there may be some time when the Board wished to make some decisions.

Mr. Frederick stated that he could provide monthly updates, and also reminded the Board members that RWSA provides a Daily Report of water demand and water levels as an email to all citizens who have requested, a mailing list that already includes some Board members, and those who received this Report would have already seen that the Sugar Hollow levels had begun to drop.

#### **4.0 Items from the Public**

Mr. John Martin of Free Union addressed the Board and stated that the May 7 event for Sugar Hollow was a very fun event, and one of the RWSA Board members went fishing in the Moorman's after the increased flow, and caught three trout. He stated that the ultimate solution for the Sugar Hollow pool level was building the pipeline from South Fork to Ragged Mountain, and it was in the CIP for acquisition of right of way at \$1.5 million for FY17 and \$750,000 for FY18. Mr. Martin stated that perhaps the schedule could be moved up, acknowledging the proposed new pipeline was the only means to fill or refill the Ragged Mountain Reservoir without lowering the Sugar Hollow pool.

#### **5.0 Responses to Public Comments**

There were no responses this month.

#### **6.0 Consent Agenda**

Mr. Gaffney asked if there were any items that Board members wanted to pull for comments or questions from the Consent Agenda.

- a) Staff Report on Finance*
- b) Staff Report on Operations*
- c) Staff Report on Ongoing Projects*
- d) Cooperative Procurement – Sanitary Sewer Rehab Services*
- e) Additional Engineering Services: Design of Odor Control for Moores Creek Advanced Water Resource Recovery Facility*

Mr. Frederick requested that Item 6d be pulled from the agenda, due to the latest development in negotiations between RWSA and Linco, and stated that a revised copy of the report was before the Board in hard copy. He asked Jennifer Whitaker to come forward and explain the change.

Ms. Whitaker stated that RWSA had been working with City and ACSA staffs to provide cooperative procurement for sewer rehabilitation, and also has had an existing contract with Linco – with whom RWSA had been negotiating toward a scope of work to correct the last few deficiencies with the Meadow Creek Interceptor. She stated that the hope was to reach agreement to add this work before the contract term expired, but Linco failed to get their final documents together in time. Ms. Whitaker stated that RWSA then talked with the City's new contractor regarding completing those deficiencies beginning in June, but that contractor indicated that they had a large VDOT contract they had to complete over the summer, so would

not be able to begin the Meadowcreek work until the fall. She noted that staff wanted that work to get completed sooner, and hence have decided to prepare separate bid documents. Accordingly, the Board report was revised to remove the Meadow Creek work.

Mr. Gaffney asked if RWSA still had the ability to work with the other contractors later, should the bids come in too high.

Ms. Whitaker responded that RWSA absolutely did.

Mr. Boyd asked if advertising for bid negated the old contract.

Ms. Whitaker stated that the old contract terminated as of 30 days ago.

Mr. Frederick noted that the underlying issue here was the Virginia Public Procurement Act as adopted by the state legislature, which stipulated that there be maximum terms to renewals of agreements such as the Linco agreement, placing RWSA in a legal position where it could not further renew the contract.

Mr. Boyd asked if the old contractor was not “in a fallback point”.

Mr. Frederick responded that its contract with Linco had expired and could not be renewed by law, and the City had also terminated its contract with Linco in favor of a new contract with a separate firm. RWSA could cooperatively procure services with the new firm, except that the firm expressed it was not presently available, should it become the better approach in the future.

Mr. O’Connell stated his appreciation to the City in taking the lead to help save money, as the ACSA was cooperatively procuring those services as well.

Ms. Mueller stated that the City was making significant improvements in its procurement of sewer rehabilitation services, which was really a result of cooperation among all three partners.

**Mr. Foley moved to approve the Consent Agenda, with Item 6d as amended. Ms. Galvin seconded the motion, which was approved by a vote of 7-0.**

## **7.0 Business Regarding Proposed Operating Budget**

- a) Public Hearing*
- b) Personnel Matters – FY 2015-2016*
- c) Adoption of Operating Budget for FY 2015-16*

Mr. Gaffney opened the public hearing on the proposed annual operating budget and wholesale rate schedule for FY2015-16 and invited citizens interested to come forward.

Mr. John Martin of Free Union addressed the Board, and suggested that the RWSA move the acquisition of right of way for the South Fork to Ragged Mountain pipeline up one fiscal year.

Mr. David Hannah, Executive Director of StreamWatch, addressed the Board and thanked RWSA for its continued financial support of his organization. He stated that the funding was very important to StreamWatch as it allowed them to perform local water quality monitoring, which they were happy and proud to do. Mr. Hannah stated that their report on the results of last year's stream health assessment would be finalized within the next few weeks, and he would return to the Board in the coming months to present those findings. He stated that StreamWatch had expanded its bacteria-monitoring of local waters over the last year, and presented a report for 2014. Mr. Hannah noted that the organization had worked with the City of Charlottesville and had identified a leaky sewer line on private property in the City, which was creating a large pollutant bacteria inflow into local streams, and as a result the City was able to resolve the issue "in short order".

As no other persons wished to speak, Mr. Gaffney closed the public hearing and asked Mr. Frederick to provide a summary of the proposed budget.

Mr. Frederick stated that there were two separate memorandums related to the budget, including one for the budget itself and one specific to personnel matters. He stated that the Board had received the budget in March and staff had advertised the wholesale rate proposed, so RWSA had fulfilled its legal requirements for the Board to begin to deliberate the budget. Mr. Frederick reported that the RWSA budget had increased one position over a year ago – an Environment & Safety Manager, which the Board had approved in February. He stated that there was also a 2% merit pool being requested in the budget, parallel to the RSWA. Mr. Frederick stated that RWSA continued to hold operating expenses as tightly as possible, but due to government mandates, aging equipment, and public input to the Board, there were some increases in the budget. He stated that one of those items included the granular-activated carbon water treatment now being constructed, which would be paid through new debt. Mr. Frederick noted that the debt service plan was based on needs identified in the five-year financial analysis, and stated that the RWSA Board did not have to make a decision on a schedule for the South Fork to Ragged Mountain pipeline today in order to adopt this budget, because the financing of the right of way acquisition was in the five-year analysis and therefore amortized into the operating budget.

Mr. Frederick stated that revenue projections were fundamental to an operating budget, and wet weather tended to suppress water consumption but increase metered wastewater at the treatment plants due to inflow and infiltration. He said that RWSA was using projections similar to what had been used a year ago, and in looking at a five-year trend, those projections had held fairly steady – with slight increases in consumption through that period. Mr. Frederick noted that wholesale rate increases ranged from 2.9% to 3.7%.

Mr. Frederick reported that both the RSWA and RWSA had undertaken salary market survey studies at the same time, and RWSA staff was making the same recommendation as for RSWA to increase the salary schedule by 2%, reflecting an increase in the overall job market. He stated that there were six positions identified in the Board report where one pay grade increase was being recommended, including Chief Engineer, Environment & Safety Manager, Director of Finance and Administration, Director of Operations, HR and Office Manager, and Information Technology Administrator.

Mr. Frederick stated that during this type of review, staff also evaluated the required responsibilities and duties of current positions to identify if the positions best represented what the organization currently needed, or whether adjustments needed to be made. He stated that this year staff was recommending adjustments to two administrative positions that were hired by the RWSA but served both authorities. Mr. Frederick stated that the first position was currently entitled Payroll Technician, with a proposed change to Payroll and Benefits Coordinator – with no change in pay grade, but a reflection that the authorities were now directly administering its healthcare benefits instead of going through the City. He stated that he was proposing to reclassify the Executive Assistant position, which was now vacant, as Communications Manager/Executive Coordinator, with increased levels of responsibility as explained in the Board report. Mr. Frederick explained that since the position was vacant, he had the opportunity to consider comments from the previous incumbent, along with an evaluation of how he spent his time and how he could best utilize the position to fulfill some of those responsibilities.

In completing his summary of the personnel recommendations related to the budget, Mr. Frederick noted that attachments to the Board memo included sections of the Personnel Manual being edited, in “track changes” to assist the Board in reviewing what was edited, including the organizational chart, a list of positions with assigned pay grades, and a modified salary schedule.

Mr. O’Connell asked if the budgetary impact of this was just \$600, which was how he was interpreting the financial information presented.

Mr. Frederick confirmed affirmatively and added that the amount would increase the salary of one employee presently paid below what would be the new minimum salary for that position if the salary schedule adjustment were approved.

Mr. Boyd asked what the net impact was of the adjustments in the job classifications.

Mr. Frederick responded that it was undetermined at this time, because with the six positions identified, when a pay grade changed it expanded the potential for future merit increases to a new higher maximum. He stated that there was no immediate impact, but there could be over time – because in order to retain qualified people over time, an organization would need to pay people comparably to what the market was offering. Mr. Frederick noted that the pay in July 2015 would change for everyone based on the merit pool, but not the salary schedule or pay grade assignment changes unless an employee was below the new minimum.

Mr. Foley confirmed his understanding that there was no automatic increase for a “reclassification”.

Ms. Mueller stated that she would like to pull the pay grade assignment changes for the six positions, as she was concerned about comparable positions in “other entities,” including the City, and how comparables were determined, as the Board was given no background information. She noted that this delay would not impact the budget.

Mr. Gaffney asked for clarification that Ms. Mueller was asking that the proposed reassignment of pay grade changes for positions be pulled, but agreeing that the remainder of what was proposed was fine.

She confirmed that this was her intent.

Mr. O'Connell asked if she was looking for more information on the salary survey, noting that the ACSA was part of it.

Ms. Muller confirmed that she was seeking more information on the salary survey.

Mr. Lonnie Wood stated that the localities of Hanover, Louisa, Augusta, Frederick, Rockingham and Harrisonburg participated in the salary survey.

Mr. Gaffney asked if ACSA and the City also participated.

Mr. Wood confirmed that they had.

Ms. Mueller said that she also wanted to know which positions in the City and ACSA were used for comparables.

**Ms. Mueller moved that the Board defer action on the reclassification of the six positions as proposed, until more information was obtained regarding the process. She noted that it would not impact the budget and should have little if any other impact. Mr. Jones seconded the motion.**

Mr. Frederick suggested for clarification that the terminology in the report and Personnel Manual be used in the motion, which would be "postponing the grade assignment for selected positions."

Mr. Krueger asked Ms. Mueller to modify her motion to state that the Board would approve the changes in the report as presented, with the exception of changing grade assignments for six selected positions.

**Ms. Mueller moved that the Board approve the changes in the personnel matters item as presented in the staff report, with the exception of changing grade assignments for six selected positions. Mr. Jones seconded the motion, which passed by a vote of 7-0.**

Mr. O'Connell asked if there was any change in the allocation of the administration salaries between the RSWA and RWSA, or if they would stay the same as what they had been.

Mr. Wood responded that the new position and the overall allocation would change, both in terms of dollars and percentage. He stated that on page 33 of the administrative budget, there was an overall allocation increase of 12.8%, including the new position for Environment & Safety – with RSWA paying 40% of that position and paying that amount to RWSA.

Mr. O'Connell asked Mr. Wood if he could review the Crozet and Scottsville water project one-time expense increases.

Mr. Wood explained that there were a few items in the Crozet rate center that were one time in nature, and for example the engineering services item included the design for the finished pump station, with the current one being original to the plant. He stated that Dave Tungate was trying to get the pump station reconfigured to better maintain it and to address some safety issues. Mr. Wood stated that there was also a reservoir management study that would include evaluating water quality issues in all RWSA reservoirs, through a consulting contract in which the cost would be split among the three rate centers – with Ragged Mountain, Sugar Hollow, and South Fork for the urban system; Beaver Creek for Crozet; and Totier Creek for Scottsville. He explained that the urban water was funded with watershed reserve funds, but Crozet and Scottsville did not share in creating that reserve fund, which is why those rates were increasing. Mr. Wood stated that the other major items were for the cost of chemicals, and the Beaver Creek Reservoir had required algae treatment in recent years, with last year's budget going over because of those treatments. He stated that costs of \$55,000 had been added to cover those costs in FY16.

Mr. Frederick stated that one of the objectives of the reservoir study was to help identify non-chemical approaches to help protect the quality of the reservoir water, with Beaver Creek likely getting the heaviest focus. He stated that it may need chemicals in the short-term, but there also may be an expense in the future for alternative treatments, which staff would address at the conclusion of the study.

Mr. Wood stated that the final budgetary item of a fairly large amount was new filter valves and flow meter valves for the treatment plant itself, which were original to the plant. He stated that RWSA was attempting to address some of these needs outside of the CIP process, and Mr. Tungate had wanted to get several items done over the next several years.

Mr. O'Connell asked if there was a five-year plan for those two plants, because there was enough cost represented here to drive an increase of several percent for the ACSA, given how small the budgets were.

Mr. Wood agreed that the rural rates were so small that any big item would cause a noticeable increase.

Mr. Frederick stated that RWSA was trying to hold down costs, and one approach to achieving that objective was to accomplish only the most critical issues through the operating budget and limit the amount being put into the capital improvement plan. He noted that given the age and history of the water treatment plants, occasionally something would arise that did not pass the CIP "filter" but later proved really needed to be achieved. An alternative remedy may be to expand the capital budget.

Mr. O'Connell stated that RWSA could look at these items as being amortized as a five-year expense, so that there was not a single jump in the rates. Then he asked about Scottsville and its two pumps.

Mr. Wood responded that it was a similar situation, with the one at the lake being original to the installation – and an upgrade to the one in the stream, but a redundancy issue with no backup if one pump failed. He stated that Mr. Tungate has had these items in the budget request the last few years, and staff had now finally included it. Mr. Wood stated that the two pump replacements and reservoir management study were driving the Scottsville costs up, but noted that the wastewater side did go down because RWSA had finally paid off the bond charged to that account.

**Mr. O’Connell moved to approve the following resolution adopting the FY2015-16 operating budget, and approving the wholesale rate schedule for FY2015-16 as included in the resolution:**

**R E S O L U T I O N**  
**PRELIMINARY RATE SCHEDULE**

**WHEREAS**, the Rivanna Water and Sewer Authority Board of Directors has reviewed the proposed budget and associated rate changes for Fiscal Year 2016; and

**WHEREAS**, Section 15.2-5136 (G) of the Code of Virginia requires the adoption of the preliminary rate schedule for notification of a public hearing prior to fixing rates for sewer charges; of which there is a 14 day requirement between the date of the last of two public notices and the actual date fixed for the public hearing;

**NOW, THEREFORE, BE IT RESOLVED** that the Rivanna Water and Sewer Authority hereby approves the preliminary rate schedule for purposes of notification of a public hearing to be held on May 26, 2015 at 2:15 during the regularly scheduled Board of Directors meeting.

**WATER RATES**

Urban Area

City - \$2.756/1000 gal. ACSA - \$3.795/1000 gal.

Crozet Water- \$111,330/monthly Scottsville Water - \$49,012/monthly

**WASTEWATER RATES**

Urban Area

City - \$3.954/1000 gal. ACSA - \$3.560/1000 gal.

Glenmore Wastewater - \$25,211/monthly Scottsville Wastewater - \$21,425/monthly

**Ms. Galvin seconded the motion, which passed by a vote of 7-0.**

**8.0 Other Items from Board/Staff Not on Agenda**

*a) Personnel Manual Annual Review*

Mr. Frederick reported that the Personnel Manual item was the same information as presented to the Rivanna Solid Waste Authority, a discussion and vote for which all Board members in attendance at this meeting had been present.

**Ms. Mueller moved to approve the changes to the Personnel Manual as presented. Mr. Foley seconded the motion, which passed by a vote of 7-0.**

*b) Bond Resolution – Series 2015A – State Revolving Loan for Schenks Branch Interceptor*

Mr. Wood stated that the first bond item requested that the Board approve Bond Series 2015A to finance the remaining part of the Schenks Branch Interceptor, to be issued in the amount of \$1.189 million. He stated that RWSA had originally applied for the entire remaining part of the project, but the project later was split into two different phases and the bond was funding the first phase. Mr. Wood explained that DEQ was not comfortable closing on the full bond amount until the entire project was under contract, but RWSA could between now and the end of first phase construction ask them to increase the loan amount to the original application amount, which was approved at \$3.4 million. He stated that the bond came with an attractive interest rate of 1.5% over a 20-year period, which was similar to previous revolving fund loans, with annual debt service anticipated to be approximately \$70,600 per year. Mr. Wood stated that in the Board packets were the legal documents required to execute and close on the loan, to include: (1) the resolution to authorize issuance of the bonds; (2) the Twenty-Seventh Supplemental Agreement of Trust between RWSA and its trustees; and (3) the amended Financing Agreement between the Virginia Resources Authority and RWSA. He noted that closing was scheduled for June 17, and the terms could change very slightly before then.

Mr. Kurt Krueger stated that the Financing Agreement was not amended as stated but a stand-alone document. He noted that because the Executive Director had to sign a certificate for bond counsel, and he as attorney would have to give an opinion on this, he would like to ask for a roll call vote.

**Mr. O’Connell moved to approve the following resolution authorizing the issuance of the Series 2015A revenue bond, in an amount not to exceed \$1,189,672, and authorize the other Board actions requested in the agenda item. Ms. Galvin seconded the motion.**

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND AWARD OF A TAXABLE REGIONAL WATER AND SEWER SYSTEM REVENUE BOND OF RIVANNA WATER AND SEWER AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,189,672 AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF**

**WHEREAS**, the Rivanna Water and Sewer Authority (the “Authority”) has entered into a Service Agreement dated June 12, 1973, as amended (the “Service Agreement”), by and between the Authority, the Albemarle County Service Authority (the “Service Authority”), the City of Charlottesville, Virginia (the “City”), and the County of Albemarle, Virginia (the “County”), providing for the acquisition by the Authority of certain existing water and wastewater facilities from the City and the Service Authority, the construction by the Authority

of new facilities requested by the City and/or the Service Authority, and the financing, operation and maintenance by the Authority of all such facilities (collectively, the “System”);

**WHEREAS**, pursuant to the provisions of the Service Agreement, the Authority desires to issue its Taxable Regional Water and Sewer System Revenue Bond, Series 2015A, in an aggregate principal amount not to exceed \$1,189,672 (the “Series 2015A Bond”) and use the proceeds to finance the acquisition, construction and equipping of capital improvements to the System, including without limitation replacing the final phase of the Schenks Branch Interceptor (collectively, the “Project”), together with related expenses;

**WHEREAS**, there have been presented to this meeting a draft of a Twenty-Seventh Supplemental Agreement of Trust (the “Twenty-Seventh Supplemental Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), providing for the issuance, security and details of the Series 2015A Bond as an “Additional Bond” pursuant to an Agreement of Trust dated as of October 1, 1979, as heretofore amended and supplemented, between the Authority and the Trustee (the “Trust Agreement”); and

**WHEREAS**, the Authority has applied to the State Water Control Board for the financing of the Project, and VRA, as Administrator of the Virginia Water Facilities Revolving Fund, has agreed to purchase the Authority’s Series 2015A Bond (the “Series 2015A Bond”) in accordance with the terms of a Financing Agreement to be dated as of a date specified by VRA, between the Authority and VRA (the “Financing Agreement”), the form of which has been presented to this meeting.

**BE IT RESOLVED BY RIVANNA WATER AND SEWER AUTHORITY:**

**1. The Authority determines that it is in the best interests of the Authority and its customers for the Authority to issue the Series 2015A Bond and to use the proceeds thereof to finance the Project, to pay the issuance costs of such Bond and otherwise to further the purposes of the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended). Accordingly, the Authority authorizes the issuance and sale of the Series 2015A Bond in accordance with the terms of this resolution and the Financing Agreement and as an “Additional Bond” in accordance with the terms of the Trust Agreement. It is further determined that the Project will be part of the System as contemplated by the Service Agreement and the Trust Agreement.**

**2. The Chair and Vice-Chair of the Authority, either of whom may act, are authorized to execute and deliver the Twenty-Seventh Supplemental Agreement. The Twenty-Seventh Supplemental Agreement shall be in substantially the form submitted to this meeting, which is approved, with such completions, omissions, insertions and changes not inconsistent with this resolution as may be approved by the Chair or Vice-Chair, whose approval shall be evidenced conclusively by the execution and delivery thereof.**

**3. The Chair and the Vice-Chair of the Authority, either of whom may act, are authorized to execute and deliver the Financing Agreement. The Financing Agreement shall be in substantially the form submitted to this meeting, which is approved, with such**

completions, omissions, insertions and changes not inconsistent with this resolution as may be approved by the Chair or Vice-Chair, whose approval shall be evidenced conclusively by the execution and delivery thereof. For purposes of this resolution, all capitalized terms used but not otherwise defined herein shall have the same meaning as set forth in the Financing Agreement.

4. The Series 2015A Bond shall be payable solely from Revenues, certain reserves or proceeds of insurance and secured on a parity as to such pledge with the Authority's outstanding bonds and any Additional Bonds issued pursuant to the Trust Agreement. The Series 2015A Bond shall be a limited obligation of the Authority, and nothing in the Series 2015A Bond, the Trust Agreement or the Financing Agreement shall be deemed to create or constitute a pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the Authority.

5. The Series 2015A Bond shall be issued as a single, registered bond, designated "Taxable Regional Water and Sewer System Revenue Bond, Series 2015A" or such other designation as the Executive Director shall determine, shall be dated the date of its delivery to VRA, shall be numbered R-1, shall mature no later than December 31, 2038, and shall provide for VRA to make principal advances from time to time in an aggregate amount not to exceed \$1,189,672 and to note such advances on the Series 2015A Bond as moneys are advanced by VRA thereunder. The Cost of Funds of the Series 2015A Bond shall be computed on the disbursed principal balance thereof from the date of each disbursement at a rate not to exceed 1.50% per year (including the part thereof that VRA has determined to allocate to an administrative fee), calculated on the basis of a 360-day year of twelve 30-day months. An authorized representative of VRA shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances on the Series 2015A Bond when the proceeds of each such advance are delivered to the Authority.

The Series 2015A Bond shall be substantially in the form attached as an exhibit to the Twenty-Seventh Supplemental Agreement.

6. The Series 2015A Bond shall be payable in installments in such amounts and on such dates as shall be determined by the Executive Director of the Authority. If principal disbursements up to the respective maximum authorized amount of the Series 2015A Bond are not made, the principal amount due on such bond shall not include such undisbursed amount. However, unless the Authority and VRA agree otherwise in writing, until all amounts due under the Series 2015A Bond and the Financing Agreement shall have been paid in full, less than full disbursement of the respective maximum authorized amount of the Series 2015A Bond shall not postpone the due date of any installment due on such Series 2015A Bond, or change the amount of such installment. In addition, the Authority shall pay (but only from its legally available funds) a late payment charge as provided in the Financing Agreement if any payment is not received within 10 days of its due date. All payments due on the Series 2015A Bond shall be payable in lawful money of the United States of America by check or draft mailed to the registered owner at its address as such appears on the registration books kept for that purpose by the Trustee. Notwithstanding any provision of this resolution to the contrary, the final payment on the

Series 2015A Bond shall be payable upon presentation and surrender of such Bond at the office of the Trustee.

7. The Chair, the Vice-Chair and the Secretary-Treasurer of the Authority are hereby authorized and directed to have the Series 2015A Bond prepared and executed pursuant to the Trust Agreement, to deliver it to the Trustee for authentication and to cause the Series 2015A Bond so executed and authenticated to be delivered to VRA upon payment of the first advance thereunder.

8. In accordance with Section 503(b) of the Trust Agreement, the following matters are stated:

(a) The Series 2015A Bond shall be subject to prepayment as set forth in Section 7.1 of the Financing Agreement.

(b) The amounts required to be on deposit at all times in the Bond Fund are as determined pursuant to Section 707 of the Trust Agreement.

(c) The costs of each purpose for which the Series 2015A Bond is issued are estimated as follows:

Purpose	Cost
Preliminary & Final Design Engineering	\$ 104,432
Construction Administration	161,370
Construction Contractor	819,600
5% Contingency	54,270
Closing Costs	<u>50,000</u>
Total	\$1,189,672

(d) No deposit to the Debt Service Reserve Fund will be made with respect to the Series 2015A Bond.

(e) No capitalized interest is to be financed by the Series 2015A Bond.

9. The officers of the Authority are authorized and directed to execute and deliver all certificates, instruments and documents and to take such further action as they may consider necessary or desirable in connection with the issuance and sale of the Series 2015A Bond pursuant to this resolution, the Financing Agreement, the Trust Agreement and the Twenty-Seventh Supplemental Agreement.

10. All other actions of the officers of the Authority in conformity with the purposes and intent of this resolution and in furtherance of the issuance and sale of the Series 2015A Bond are ratified and approved.

**11. The Secretary-Treasurer of the Authority is authorized and directed to arrange for a certified copy of this resolution to be filed with reasonable dispatch in the office of the Clerk of the Circuit Court of Albemarle County, Virginia.**

**12. This resolution shall take effect immediately.**

**Mr. Krueger called for a roll call vote: Ms. Mueller – aye; Mr. Jones – aye; Ms. Galvin – aye; Mr. Gaffney – aye; Mr. Foley – aye; Mr. Boyd – aye; and Mr. O’Connell – aye. The motion passed by a 7-0 vote.**

*c) Bond Resolution Series 2009A Bond – Rate Reset/Refinancing*

Mr. Wood reported that RWSA had an opportunity to reset the interest rate on its 2009A bond issue, as DEQ had refinanced their bonds that supported the RSWA’s original 2009A bond issue. The 2009A bond financed the enhanced nutrient removal at the wastewater treatment plant. He explained that the action was fairly simple and would change the rate from 3.35% to 2.65%, and DEQ was trying to coordinate this with closure of the other bond. He stated that the rate change would provide approximately \$82,000 in annual debt service savings over the remaining term of the bond, or \$1.23 million in cash flow savings. Mr. Wood stated that the Board packet included a resolution authorizing the change in the cost of the bonds, an attachment to the original bond that would go to VRA’s trustee – U.S. Bank, the first amendment to the Twentieth Supplemental Agreement of Trust that accompanied the 2009A bond, and the amended Financing Agreement with VRA and RWSA.

Mr. Krueger noted that this was an instance in which the Commonwealth of Virginia was actually passing on its cost savings to the RWSA.

Mr. Wood stated that there were some closing costs, including paralegal costs, bond counsel, and the VRA’s legal costs, but those were small in comparison to the savings to be realized.

**Mr. O’Connell moved to approve the following resolution authorizing the execution of documents to effect a rate change in the RWSA’s 2009A revenue bonds from the present 3.35% to a lower value presently estimated at 2.65%, and authorize other actions requested of the Board in the Board report for this agenda item. Ms. Galvin seconded the motion.**

**RESOLUTION AUTHORIZING CERTAIN AMENDMENTS IN CONNECTION WITH A COST OF FUNDS REDUCTION ON THE RIVANNA WATER AND SEWER AUTHORITY’S TAXABLE REGIONAL WATER AND SEWER SYSTEM REVENUE BOND, SERIES 2009A**

**WHEREAS**, on August 27, 2009, the Rivanna Water and Sewer Authority (the “Authority”) issued its Taxable Regional Water and Sewer System Revenue Bond, Series 2009A, in the maximum principal amount of \$24,000,000 (the “2009A Bond”), to the Virginia Resources Authority (“VRA”), as Administrator of the Virginia Water Facilities Revolving Fund (“Fund”), pursuant to the terms of (a) an Agreement of Trust dated as of October 1, 1979, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the

“Trustee”), as supplemented and amended from time to time including a Twentieth Supplemental Agreement of Trust dated as of August 1, 2009 (the “Twentieth Supplemental”), between the Authority and the Trustee, and (b) a Financing Agreement dated as of August 1, 2009, between the Authority and VRA, as amended and restated by the terms of an Amended and Restated Financing Agreement dated as of March 1, 2011 (together, the “Financing Agreement”);

**WHEREAS**, the Authority, with the consent of VRA and DEQ, proposes to amend the Financing Agreement to lower the Cost of Funds on the 2009A Bond and to reduce the debt service payments thereunder; and

**WHEREAS**, there has been presented to this meeting the form of an Allonge to be attached to the 2009A Bond (the “Allonge”), evidencing the reduction in the applicable Cost of Funds and corresponding debt service payments on the 2009A Bond;

**BE IT RESOLVED BY THE RIVANNA WATER AND SEWER AUTHORITY:**

**1. Authorization of Cost of Funds Reduction.** The Authority hereby determines that it is in the best interests of the Authority to authorize a decrease in the Cost of Funds rate applicable to the 2009A Bond from 3.35% per year to 2.65% per year, resulting in a decrease in the remaining semi-annual installments from \$843,076.50 to \$802,099.45, except for the final installment which shall decrease from \$843,076.73 to \$802,099.47. The Authority hereby finds that the reduction of the debt service payments due under the 2009A Bond will promote the governmental purposes for which the Authority was formed.

**2. Approval of Allonge.** The form of the Allonge submitted to this meeting is hereby approved. The Chair and Vice-Chair of the Authority, either of whom may act, are hereby authorized and directed to execute and deliver the Allonge in substantially such form to reflect the amended terms of the 2009A Bond, together with such other completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Chair or Vice-Chair, whose approval shall be evidenced conclusively by the execution and delivery thereof. The Secretary-Treasurer is hereby authorized to affix the seal of the Authority on the Allonge and attest thereto.

**3. Authorization of Amendments to Financing Agreement and Twentieth Supplemental.** The Chair and Vice-Chair of the Authority, either of whom may act, are authorized to execute amendments to the Financing Agreement and the Twentieth Supplemental as may be necessary to reflect the terms of the amended 2009A Bond and such other matters as VRA may reasonably request and be approved by the Chair or Vice-Chair of the Authority. Such amendments shall each be in a form approved by the Chair or Vice-Chair, after consultation with bond counsel and general counsel to the Authority, whose approval shall be evidenced conclusively by the execution and delivery thereof.

**4. Arbitrage Covenants.** The Authority covenants that it shall not take or omit to take any action the taking or omission of which will cause either the Series 2009 VRA Bonds (as defined in the Financing Agreement) (or any bonds issued to refund such bonds) to be “arbitrage bonds,” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, including regulations applicable thereto (the “Code”), or otherwise

cause interest on the Series 2009 VRA Bonds (or any bonds issued to refund such bonds) to be includable in the gross income for federal income tax purposes of the registered owners thereof under existing law.

**5. Private Activity Bond Covenants.** The Authority reaffirms its covenants that it shall not permit the proceeds of the 2009A Bond or the facilities financed therewith to be used in any manner that would result in (a) 5% or more of such proceeds or facilities being used in any trade or business carried on by any person other than a governmental unit, as provided in Section 141(b) of the Code, (b) 5% or more of such proceeds or facilities being used with respect to any output facility (other than a facility for the furnishing of water), within the meaning of Section 141(b)(4) of the Code, or (c) 5% or more of such proceeds being used directly or indirectly to make or finance loans to any person other than a governmental unit, as provided in Section 141(c) of the Code; provided, however, that if VRA and the Authority receive an opinion of nationally recognized bond counsel that compliance with any such covenants need not be complied with to prevent the interest on the Series 2009 VRA Bonds (or any bonds issued to refund such bonds) from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law, the Authority need not comply with such covenants.

**6. Other Actions.** All other actions of officers of the Authority in conformity with the purposes and intent of this Resolution and in furtherance of the execution and delivery of the Allonge and the amendments to the Financing Agreement and the Twentieth Supplemental are hereby ratified, approved and confirmed. The officers of the Authority are authorized and directed to execute and deliver all certificates and other instruments considered necessary or desirable in connection with the execution and delivery of the Allonge and the amendments to the Financing Agreement and the Twentieth Supplemental.

**7. Filing of Resolution.** The Executive Director is hereby authorized and directed to file a certified copy of this Resolution with the Clerk's Office of the Circuit Court of Albemarle County, Virginia.

**8. Effective Date.** This Resolution shall become effective immediately.

**Mr. Krueger called for a roll call vote: Ms. Mueller – aye; Mr. Jones – aye; Ms. Galvin – aye; Mr. Gaffney – aye; Mr. Foley – aye; Mr. Boyd – aye; and Mr. O'Connell – aye. The motion passed by a 7-0 vote.**

#### **9.0 Other Items from Board/Staff not on the Agenda**

Mr. O'Connell thanked Dr. Gullick and Mr. Castillo for taking several ACSA Board Members on a tour of the advanced water resource recovery facility, which was an interesting and "well-done" tour that featured the pit where the tunnel would go.

Mr. O'Connell reported that at the ACSA's Board meeting the previous week, the issue regarding the deed transfer of the Crozet and Scottsville facilities had been addressed. He stated

that there had been ongoing legal work with Mr. Krueger, the County and the ACSA attorney, with a deed prepared that would transfer the water facilities. Mr. O'Connell stated that the deed transfers were required by the original 1973 four-party agreement.

Mr. Frederick reported that RSWA staff engineer Victoria Fort had recently passed her professional engineering exam.

Mr. Frederick also announced that recent RSWA retiree Chuck Benz, who had been assistant wastewater manager, had passed away on May 25, and extended RSWA's condolences to the family.

#### **10.0 Closed Session**

There was no Closed Session held.

#### **11.0 Adjournment**

**Mr. Jones moved to adjourn the meeting. Mr. O'Connell seconded the motion, which was approved by a vote of 7-0.**

**There being no further business, the meeting adjourned at 3:19 p.m.**