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South Central Wastewater Authority

Board of Directors Meeting

DATE: January 18, 2018

TIME: 2:00 PM

LOCATION: Appomattox River Water Authority
Board Room, Administration Building
21300 Chesdin Road
South Chesterfield, Virginia 23803

AGENDA

1. Call to Order/Roll Call
2. Approval of Minutes: Minutes of the Work Session on October 19, 2017 and the Regular Meeting of the Board on November 16, 2017
3. Public Comment
4. Executive Director's Report
 - Approval of Contractor Prequalification Process
 - Status Report: 6 Month Work Plan Update/Ongoing Projects/Financials/Inflow and Infiltration
 - Discussion on Status of Landfill Leachate
 - Presentation of Proposed FY 2018/19 Operating Budget
5. Items from Counsel
6. Closed Session
7. Other Items from Board Members/Staff Not on Agenda
 - Financial Disclosure
8. Adjourn

Cc:W. Dupler/G. Hayes, Chesterfield
J. Byerly, Petersburg Public Works
W. Henley, Colonial Heights
K. Massengill, Dinwiddie County
A. Anderson, McGuire Woods

1. Call to Order/Roll Call

2. Approval of Minutes: Minutes of the Work Session on October 19, 2017 and the Regular Meeting of the Board on November 16, 2017

Following are the minutes of the Minutes of the Work Session on October 19, 2017 and the Regular Meeting of the Board on November 16, 2017.

Absent any corrections or revisions, we recommend approval of the minutes as submitted.

BOARD OF DIRECTORS WORK SESSION MEETING
Appomattox River Water Authority and South Central Wastewater Authority
October 19, 2017 at 1:00 p.m.
Location: Appomattox River Water Authority
21300 Chesdin Road, S. Chesterfield, Virginia

PRESENT:

Percy Ashcraft, Chairman (Prince George)
Joseph Casey, Vice Chairman (Chesterfield)
Kevin Massengill, Secretary/Treasurer (Dinwiddie)
Aretha Ferrell-Benavides, (Petersburg)
Douglas Smith, (Colonial Heights)
George Hayes, Secretary/Treasurer (Alternate, Chesterfield)
Robert B. Wilson (Alternate, Dinwiddie)
Jerry Byerly, (Alternate, Petersburg)
Dickie Thompson, (Alternate, Prince George)

ABSENT:

William Henley, (Alternate, Colonial Heights)
William Dupler, (Alternate, Chesterfield)

STAFF:

Robert C. Wichser, Executive Director, (ARWA & SCWWA)
James C. Gordon, Asst. Executive Director (ARWA & SCWWA)
Arthur Anderson, (McGuire Woods)
Melissa Wilkins, Accounting/Office Manager (ARWA & SCWWA)
Kathy Summerson, Administrative Assistant (SCWWA)

OTHERS:

John Mastracchio, (Raftelis)
Seth Garrison, (Raftelis)
Jimmy Sanderson, (Raftelis)
Scott Morris, (Chesterfield County Utilities)
March Altman, (Petersburg)

Mr. Ashcraft, Chairman, called the meeting to order at 1:03 p.m.

1. Call to Order/Roll Call.

The roll was called.

2. In-Plant Project Funding Committee (Casey & Ferrell-Benavides)

Dr. Casey reported on the In-Plant Project and introduced Ted Cole with Davenport. Dr. Casey stated that he, Ted Cole, Ms. Ferrell-Benavides, George Hayes, Jerry Byerly, Dr. Wichser and Arthur Anderson visited the Virginia Resources Authority (VRA) on October 16, 2017. He stated that this was their first Committee meeting but the purpose was to illustrate to VRA our intentions, that ARWA by itself would be issuing the debt and SCWWA was not part of this conversation. He further stated that to VRA's credit, they had five people around the table including the Interim Director and the former Director who were familiar with this transaction. He stated there were honest discussions about abilities to refund any borrowed funds. He further stated we've been talking about this In-Plant Project, which we view as a necessity based project for the care and maintenance of our system. It was viewed as something so important two years ago that we had it imbedded in our capital budget and in essence had a rate structure adopted to be prepared to fund debt service. He stated they made the point clear to VRA that Petersburg has been paying their debt service to ARWA during the last two years. He further stated that VRA heard, understood and respected us. Dr. Casey stated what they were trying to do, where we were going in with the presumption that we would need to have moral obligations from four of the ARWA members towards a fellow member/locality. He further stated what they are trying to figure out is what each of us may need to do to disclose to our own Boards our own commitments for our own shares and not trying to cover someone else whether they pay or don't pay.

Dr. Casey stated that we are just making a statement that it is our intent to pay, and if we don't pay our own shares, that our own state intercept programs that VRA has for our own issuances that we deal directly with VRA, they use it as a back stop for their own debt. He further stated if any one of us pays, it's not intercepting someone else's sales tax and there would be no mention of other localities specifically in any of our individual resolutions. He stated that VRA may not be the only game in town. Dr. Casey stated that Mr. Cole and Davenport will give us an informed decision of a traditional bank loan process, which may have a shorter amortization schedule. He further stated if the rates are low it may be within the debt service capacities that we have or the debt service imputed in our budgets. He stated Mr. Cole could go through that exercise prior to the spring issuance of VRA, and we can be on both tracks and hopefully be poised to make an informed decision. He further stated he and Ms. Ferrell-Benavides felt confident that by the springtime we can have the funding for the "In-Plant" capital project. He stated we are in action mode right now with the soft costs which this Board has approved to do thus far. There is nothing slowing down the projects, and whether it's a bank loan, which Mr. Cole feels it's completely permissible for this Authority to get, or the VRA, which again they need to confirm to us. He stated we are doing the due diligence on the "In-Plant" capital project.

Discussion with Davenport

Mr. Cole stated that he thought it was a good meeting as we brought some things to light with them that would give them at VRA an opportunity to look at a term sheet for ARWA a little differently. He further stated the primary sticking point has been that series of moral obligations that they (VRA) want to cover Petersburg's share. He stated if you think about

your credit, you can pledge your revenues, and each of the five members can do a moral obligation for their own share. He further stated the sticking point was the additional level of moral obligation with the other four members to cover Petersburg. He stated he felt we provided VRA information and concepts that might allow them to get to a place where they can approve the credit without the additional Petersburg specific moral obligation. He further stated they are looking at that, and the next scheduled opportunity for VRA would be the spring of 2018. He stated VRA has an application process that would kick off in February 2018 so we are not talking about an immediate opportunity with VRA to participate in a funding program. He thinks we have started the conversation appropriately, so that if we find that's the preferred method, we should be in a position to participate in the spring. He stated something we did do in August of 2016 for these projects, and something he would recommend we move forward with an RFP for a bank loan to compare with VRA. He further stated they have drafted it in the event that members would want Davenport to move forward with it. It is a non-obligation process, which means they go out and solicit proposals from banks for the borrowings.

Mr. Cole stated the RFP is out for about three weeks and they bring it back and they would set out a schedule where they could come back to the next scheduled Board meeting in November with the results of that RFP. They would assess the results with interest rates, terms of conditions, how it compares to a VRA program, and, at the November meeting, give everyone an opportunity to say how to proceed. He stated if nothing materializes or is compelling, the RFP process is just set to the side and they would focus on the other efforts. He further stated as they look at the Authority's credit for these projects we are talking \$13-14 million. The Authority has had an excellent financial performance on all key metrics that a bank would look at; debt service coverage, cash flow and reserves. He stated he is cautiously optimistic that we should receive some reasonable proposals from banks, but we won't know until we request it and bring it back. That is something they need direction on if they should go ahead and get that. They are in a position to send it out tomorrow. Mr. Cole stated, Mr. Anderson and Dr. Wichser have reviewed the RFP and it is a straight forward document. He asked the Board to think about if we were to get a bank proposal that was compelling. The question would become, are all of you in a position to want to move forward to a closing on a bank loan in the November, December or even January time frame prior to these projects being fully bid.

He stated another question is if we do move forward, how do we size the bond issue? He asked do we work off the engineer's estimate as that's the best information we have, and what do we do in the event that bids in February/March come in a little bit higher? He stated if they come in lower it wouldn't be a problem. He asked if we were to get a viable bank option are we ready to move forward with the borrowing prior to the projects being bid or not. He stated he felt it was solely the Board's decision and that he didn't think outside influence that said you need to bid your projects first, and Mr. Anderson stated unless it comes back with one of the bank's, but there is nothing that compels the Authority otherwise. Mr. Cole stated this doesn't have to be decided today but maybe in November if they come back with a handful of banks that are interested. He further stated if we decide to wait he doesn't think those banks go away, but their interest rates and proposals may change as we go into 2018, however, their interest and their credit is unlikely to expire. Mr. Cole suggested we wait and see what we get from the RFP process before we make any firm decisions. He stated the VRA conversation can evolve even if we get a good bank financing. He further stated he thinks at some point in the future we may find other needs for you and get some other clarity from VRA even if they are not going to fund the In-Plant Project. He stated, they asked VRA at what point with what sort of performance from Petersburg we can evolve back to a more normal looking financing process with them.

Dr. Casey stated that part of him says it would not hurt to know the environment for the bank loan and kind of requirements they may put on us that we are not otherwise aware of to know which is the lesser of the two, not just the interest rate process, not just the flexibility, but what resolutions they might want our own governing bodies to state. He stated he thinks the proposal is not a traditional proposal that we may be used to. He further stated they can say you almost need to frame the terms and conditions by which ARWA could issue such loan to such institution.

Dr. Wichser stated it's a good RFP and he would recommend that we go with it. Mr. Ashcraft asked what it would be if it was a downside to going ahead and moving forward to bid the project and Dr. Wichser replied we are only about 50% of design that's not scheduled to be finished until the end of December. He further stated the bid documents have to be prepared and that would take the engineers a few weeks. It should be ready to be bid by the third or fourth week of January. Mr. Ashcraft asked if we were a couple of months ahead with this and Dr. Wichser replied that was one question he might have if a kicker be put in here. Mr. Ashcraft stated Mr. Cole knows they were holding until December 15th and could we broaden that out to sixty or ninety days and Mr. Cole replied he could see the point and we may be able to. He stated one way to remedy that would be to ask for an extended rate lock period. He stated normally thirty to forty-five days is standard and requesting longer may cost you something but that would be the lesser of two evils. He further stated we could assess that when they come in. He stated as part of the RFP process the benefit is to identify that universe of banks that are willing to participate. He further stated it would be helpful to know that sooner, even if we are not quite ready to close as early as December, we have to work with them to either extend the rate lock or refresh their interest rate bid in January if we are not ready to close. Dr. Casey stated we need to be sensitive to time lines as Chesterfield only has one Board meeting per month and their December meeting date was moved up earlier, if there is a sense that any of the bank loans require us to report back to our local bodies and/or getting some resolution for them. He further stated that we have to let you know the Board meeting dates for such action, as we may need that date to be later than December 15th. Mr. Cole stated the way the indenture is written, which we have put out is the credit, if they bid on this in a way that is consistent with that, it wouldn't be any member jurisdictions Board approvals and Mr. Anderson replied correct. Mr.

Cole stated only if they put in there something that was not contemplated but we won't know that. He further stated if there were terms and conditions like that it would definitely push us into January.

Mr. Ashcraft said what he was having trouble understanding is, if any of us had a \$13-14 million project in our locality, we would be seeking financing from all sources, but right now we are doing it separately. He asked if typically, we would be doing all that at one time and Mr. Cole replied we would typically try and look at a bank option compared to VRA, so you could make that decision but in a normal sense. He stated they could model this for us easily. He further stated what is difficult is knowing how to model the bank. He further stated he could tell it was going to be 3.5% for fifteen or twenty years but we won't know until we actually get those proposals because every bank is going to be different.

Ms. Ferrell-Benavides arrived at 1:22 p.m.

Mr. Cole stated we needed to isolate those, and in our case, it was not just the best option, at some level it's do we have an option with all the complexities going on with certain members. Mr. Ashcraft stated to Mr. Cole that you needed the bank information to compare it with what you already know about VRA notwithstanding the moral obligation and Mr. Cole replied correct with VRA he could say where the interest rate would be today. He stated the question with VRA would be here is the interest rate and then the unknown would be what are their additional terms and conditions beyond their normal program. Mr. Ashcraft asked if they would offer their opinion prior to that. Dr. Casey stated he would like to encourage all of us to look online and look at the VRA Board of Directors as we know many of them because they are respected peers. He further stated that Rue Harris is the Vice-Chair. Dr. Casey stated he thought it was the unknown of VRA as when is VRA's Board of Directors meeting. It's governed by our peers. They know how we operate better by what we can and can't do.

Mr. Ashcraft asked if they left that meeting anticipating some letter coming to the Authority saying they were going to accept this. Mr. Cole stated what it really boiled down to is what they have already provided, which is the series of moral obligations that is the base case. He further stated the viable alternative that VRA is looking at, is there an amount of unrestricted reserves that the Authority has, that could be Board restricted and VRA restricted to serve as an additional level of collateral for Petersburg's share. Mr. Cole stated the question becomes is that \$1 or \$2 million what Petersburg owes over the entire term of the loan which could be \$3 or \$4 million. He stated they fall somewhere in between there and, if they can do that, then that would eliminate the need to do that special moral obligation. Dr. Casey stated one of his concerns is that it may be twenty years if we have to put \$1 million of our monies we've saved up in the bank in a special escrow account for one or two years, but whatever the determining factor is, that's giving VRA pause with Petersburg. He further stated if it goes away, we don't need to be carrying some special escrow for twenty years if in three years the burdens are lifted. He would want whatever agreements not to encumber this Authority for the duration of the loan. He further stated a slight variation on what he explained is there may be an opportunity to borrow an additional amount of money to fund that additional level of reserves rather than encumbering cash that you have accumulated. He knows the cash is there for emergencies and other things and, if it's encumbered, it will restrict your ability to use it. One alternative that gets you to the same place is if VRA says they need \$1 or \$2 million of additional reserves we may be able to include that in the borrowing, so we are increasing the size of the borrowing, but you are not having to restrict monies you have already accumulated. We can ask VRA for a more specific time table for the decision on those things to coincide with this bank process so you have as much information as possible.

Mr. Ashcraft stated all the information collected could help us make a decision. He asked about the pre-ordering and how it interfaced with what we have learned since the last meeting. Dr. Wichser replied as was stated at the last Board meeting, with pre-ordering we could shave approximately twelve months off the project. There is a potential to save half a million dollars in costs and we would expect pre-ordering to be invoiced in eleven to twelve months from when we order. Mr. Cole stated that you would be pre-ordering perhaps without having a known source of long term funding depending on timing of pre-ordering and these other things. Mr. Ashcraft stated he thinks we are on page where we need to be for these projects. He asked what is the best recipe for this and if pre-ordering saves money its' reasonable. Mr. Ashcraft asked members if we want to give guidance to the Authority to move with RFP's for bank information and Dr. Wichser said the plan is to have the RFP's issued on October 20, 2017, which are due back on November 8, 2017 and be ready for the November 16, 2017 Board meeting with the results. Mr. Ashcraft asked the Committee if it was a too hurried process and Dr. Casey said if he needed to update his Board on something and he would only have two more meetings to do so. He stated he didn't know the date of the second Wednesday in December but he needed that time period to be passed that point. Mr. Cole stated his understanding was that this Board doesn't meet in October, but if there were the ability to hold a meeting that would provide more flexibility. If there were a meeting in December they would allow the RFP to be out on the street a little longer. He asked Mr. Anderson if we needed locality Boards' input and Mr. Anderson replied not unless they come back with a requirement.

Upon a motion made by Dr. Casey and seconded by Ms. Ferrell-Benavides the following resolution was adopted:

RESOLVED, that the Board gives guidance to the Authority staff to move forward with the RFP's for bank information:

For: 5 Against: 0 Abstain: 0

Discussion as needed

3. Davenport/Raftelis presentation of draft ARWA Valuation/Governance Report

Mr. Cole stated with this Raftelis report you will see he deliverable from Raftelis for Task #1. He further stated depending upon conversations today; there may be a need to do some tweaking. Based on his and Raftelis' opinion this is largely the deliverable for Task #1 as authorized.

Mr. Cole introduced John Mastracchio and Seth Garrison of Raftelis. Mr. Mastracchio went over the Valuation Report Section. He stated that Phase #1 of the Preliminary Valuation Assessment involved valuing water system assets using several methods. In valuing the assets, they utilized three of the methods (Cost Approach, Income Approach, Sales Comparison Approach and Rate Base Approach). He further stated that estimates under each of these methods varied. Mr. Mastracchio stated they looked at what it would cost to replace the system today deducting for age and condition. He stated that value was estimated at about \$156 million. He further stated they also converted this cost per MGD of capacity that then translates to \$2.2 million per MGD of capacity. He stated with the Income and Sales Approach they didn't find anything since 2015 directly comparable with the exception of a project underway in Henrico County. He further stated that project is a \$280 million project, which will provide raw water to Henrico County and will provide 47 MGD per day capacity. The cost per unit of capacity new is about \$6 million per MGD. He stated they looked at the Rate Base Approach by looking at original cost of the facility and then deducting depreciation factoring in aging condition on the system and that value estimate came in around \$1.4 million per MGD or just under \$100 million. Mr. Mastracchio stated when you combine these three approaches the overall range is in the \$100 million to \$327 million in total.

Mr. Mastracchio stated this is a preliminary assessment and there are a number of items that make it preliminary. He stated the first reason for the preliminary assessment is the value range provided also has an estimate of the value of land at \$6,000 - \$7,000 per acre. He further stated that right along the reservoir they saw some land valued at \$40,000 per acre. They took the perspective of undeveloped land as the basis of their evaluation. Mr. Mastracchio stated the second reason for preliminary is they discussed with ARWA and corresponded with a dam engineer; they had the indication that replacement costs of Brasfield dam may be understated in the valuation report. He further stated as more information is gathered and becomes available in terms of replacements costs, that's one area they can re-assess. Mr. Mastracchio stated the third reason is related to the fixed assets records provided by ARWA. He reported there appears to be no assets on that list with an in-service date of earlier than 1980. He stated recent information did reveal there was a line item in the fixed assets that listed an in-service date of 1980. He further stated there was a lumping of several assets from the 1960's and this will be corrected in the report. He stated they came up with \$155 million for replacement costs, and when they make the adjustment, it will drop the costs to \$150-152 million. The fourth reason for terming this a preliminary assessment, as they noted in the report, is that when you look at value, the treatment plant, the dam and transmission main, is the differences in capacity. He stated they didn't make any adjustments for stranded capacity. Mr. Mastracchio stated the fifth reason is they didn't analyze the impact a purchase price might have on how the price of water would result. He stated the sixth reason is looking at ownership control premiums, minority control versus majority control. He further stated this is important to be looked at in the future phase of the work.

Dr. Casey asked what would you pay for ARWA and Mr. Mastracchio replied the answer to that depends on what perspective the buyer is going to be in. He stated when you look at different options of valuing the system personally he would weigh the replacement cost less depreciation value method rather than the original cost method or the comparable sales method. He stated from his experience in terms of water system sales that tends to be the number most relevant, so he would start there. Dr. Casey stated concerning the desire of your customers, who are very mindful of rates, and asked how much does that weigh in on the value of a product. Mr. Mastracchio replied it is not factored in, but he recognizes it is a consideration, and if you want rates to stay low presumably the acquisition price gets re-capitalized into the rate charged, then the acquisition price needs to be lowered. He stated if you are willing to pay more for the price of water in the future that can support a higher transaction price. Dr. Casey stated with these different valuation methods with some values on the higher end, if he were the new owner, is the expectation that he is recovering his investment through higher rates that otherwise exist, and asked if that was a fair statement and Mr. Mastracchio replied yes. Dr. Casey stated if they desire to maintain the same rates or stay at or below inflationary increase that warrants right away that you as a buyer are saying "I am only going to pay you this amount much less because I am not going to get that same return". Mr. Mastracchio replied that those were valid considerations and developing a rate model that can look at how much can rates be supported by certain levels of acquisition prices may be worthwhile to do. He stated from a pure valuation perspective you have these standard methods to come up with what the range of value can be. He further stated these other factors, i.e., do you want rate stabilization, do you want to go higher or lower. He stated, those factor into the price negotiation. Dr. Casey stated one of the things that impede this Authority from succeeding in the aggregate from all the ways we approach this entity, is you as a perspective buyer knowing you have a dysfunctional nature, we are trying to operate our own lines of businesses collectively. We have something that is running into some walls and he would assume that makes the value of an entity less than more. He stated if this was a perfect operation and all that we are handing over the keys to is, at most, a well-oiled machine. It's different if you are picking up something that has an inherent stress to it, which lends itself into another factor adjustment down. Mr. Mastracchio replied it lends itself to consideration in terms of the value, where he put it into the control discount in terms of value in how you look at that. He stated if a new owner has complete control, that system will be operated and can maximize it for the benefit of the customer it serves. He further stated it's a benefit to that entity.

Mr. Ashcraft asked members if this is what they were looking for and Dr. Casey stated that we have never had a product like this before so going from nothing to something is a good exercise. He further stated that Chesterfield feels that the cost comparison between a dammed up whole in the ground like Cobb's Creek is not a good comparison for a run of the river reservoir that works off mother nature. He further stated he is focused on the value of ARWA, the value of what is the rate structure that is expected from this entity for which you, as a buyer, would have a price for it. He stated he wrestles with if you were nice enough to take the values of the total breaking it down to a per MGD cost. He thinks we have to be careful what the denominators of that are. He further stated he saw somewhere in the report that the permit is used for permitted ways we can operate this place and pull water out to have the waters be 32' below the spillway. He stated Chesterfield and Dinwiddie doesn't have an operating mindset for it to be 32' below the spillway, so to him what you think is a higher value to pull that much water is inherently restricted, therefore, the price has to change to what it's actually worth. He stated he thinks the denominator factor that is converting things to MGD may not be the proper denominator. He further stated he thinks it's a start of a conversation not the end whether it's through a firm who helps us determine what the end is or ourselves just working off ranges and adjustments. He stated that at some point in time we know the business of this place and what the nuances and pathways are as well as anyone. Mr. Ashcraft asked how long the numbers like this hold and Mr. Mastracchio replied they put a date on the analysis and the month to month changes in cost of materials won't have a huge impact on the value, but year to year does have some impacts because the system will be one year older and price inflation will occur. Mr. Ashcraft asked if every time the Authority does an improvement will it affect this and Mr. Mastracchio replied yes, as newer assets will affect the value.

Mr. Seth Garrison of Raftelis reported they work with a lot of utilities across the country using different models and depending on the jurisdiction; there are a lot of things that can work for them. He stated they talked with everyone on what their challenges were and honed it down to five key areas: 1) ability to transfer capacity shares among members; 2) different interests concerning system expansion; 3) different members drawing at different rates; 4) capacity limitations with the transmission system; and 5) financing changes and less regional cooperation. He further stated when they looked at alternative models these were the five major issues which was narrowed down to three alternatives. He stated the first alternative was focusing in on maintaining the fundamental Authority model, but looking at either revising the Service Agreement or revising changes in the voting structure which could be a way of voting or additional seats. He further stated the second alternative was looking at converting to a municipal model, where one of the members would take sole ownership of the Authority's assets and basically contract to the other members. He stated the third alternative was fairly new, and that was looking at the hybrid approach which involves keeping the fundamental structure of the treatment and supply assets but looking at potentially selling the transmission system assets which seems to be a focal point of a lot of issues recently. He stated an advantage of that approach is it doesn't fundamentally do anything to your supply shares but it does allow some flexibility in terms of how those supplies are distributed. It may address some of the issues of distribution in service capacity. He further stated beyond those three alternatives and that very few utilities have requirements that you have unanimous agreement in service requirements. These are usually set with a simple majority vote at the Board level. He stated the only thing he found unusual is a lack of specificity in the Service Agreement in terms of what pressure and how water is delivered, which created some stress for you. He further stated in some cases you will see where there is a certain number of MGD over a certain period. He stated basically the Authority's Service Agreement states you get the capacity over a twenty-four hour period. There aren't any allowances for peaks and valleys in usage. He stated others have requirements for minimum and maximum PSI. He further stated the big issue they came away with is there are a lot of restrictions by requiring a unilateral agreement on things that are difficult to move certain issues forward.

Dr. Casey stated the price per MGD, while it was reflected in the prior presentation, how lateral is it if we are talking about how to smooth one MGD increment among ourselves and asked if that is the same bases of evaluation or are there factors to consider to raise or lower that price and Mr. Mastracchio asked if he were referring to shipping capacity among the members, and Dr. Casey replied correct as we all had our permitted share. Dr. Casey further stated it's all of our individual assets but in the future, we might want to switch an asset to someone else who wants that asset. He told Mr. Mastracchio that his valuation was on the whole of it, but the question is how is the micro equal to your whole, as he did the math for us, but he is not sure it's actually a fair assumption that it's a lateral discussion. Mr. Mastracchio replied he thinks the considerations in terms of valuation are still the same, but he thinks when you look at the possible sale of units of capacity between the members, that the other issues that can impact what is negotiated are different. He further stated we are talking about the rate impact which is not the rate impact in terms of the whole, because the new owner would be providing service to all the members and there would be a rate negotiated. He stated that consideration would completely go away if you're looking at share capacity among members. He further stated he thinks you can use the unitized cost of unit capacity for each component in the system, which in the report it is broken down at what's the cost per unit of sources, supply, treatment and transmission. He stated you can use those as comparable if you are willing to share capacity or willing to sell the whole. He further stated you can group them in different combinations in terms of what you are looking to negotiate. Mr. Garrison asked how he felt about the flexibility of values for each of the system assets, a transmission asset versus a supply asset. He thinks there is less variability in a transmission asset for example versus the supply asset. Mr. Mastracchio replied there are certainly preliminary aspects in looking at raw water supply and has a lot of other considerations that make for valuing that asset much more challenging than a transmission pipeline. He further stated those things are tighter in terms of what the value range is.

Dr. Wichser stated that he agrees with Mr. Mastracchio disclaimer that the Board needs to be aware the replacement price of a concrete gravity dam that was valued at \$42 million and also the cost of water front property. Mr. Ashcraft referred to the table on advantages, disadvantages and considerations and Mr. Garrison stated those were somewhat subjective and they

generally frame out the different perspectives. Mr. Ashcraft asked the Board if they wanted to take a month or two to show to their staff. Dr. Casey stated everyone probably would like to talk to their own staff, and everyone deserved the chance to say here are some questions if something is not clear. He further stated what he wants to know should someone pick this up to read it and understands what's being said or not said. He stated he thought Raftelis should solicit that from all of us. He further stated he has had this report for a while, but hasn't had a chance to do due diligence. He suggested that whatever our changes are, whether they are edits or summary, Raftelis could provide saying it's based upon other input. He stated after that he would say for everyone to read that final product and see what is actionable amongst us and what are other manners and ways in which we could work collectively or individually. He further stated that part of it is what are the five things and how can they be solved individually. Mr. Garrison stated one thing that could be helpful for them is to have the Authority or Davenport validate comments from everyone. Mr. Mastracchio added that they would need a time frame on when the comments would come in so they can produce the final version. Dr. Casey stated the date would be November 10, 2017. Mr. Ashcraft asked if Raftelis had any other work to do in this scope other than finishing this up. Dr. Wichser stated this was an unbudgeted project and the range given on this project was \$87,500 to \$175,000. He further stated Mr. Cole is getting ready to send another invoice and to date we will be at \$72,000 expended. Dr. Wichser stated the Authority spent quite a lot of time on this first draft. He further stated we provided extensive comments back to Mr. Mastracchio on this document and also provided extensive technical corrections/comments and also comments on facility replacement costs. Mr. Ashcraft stated one thing that concerned him was if he wanted one member of his Board to read this, it doesn't flow like a book and it doesn't allow you to know why this was even called for. He further stated it just jumps into the nuts and bolts. He asked if there was a call for a narrative or introduction. Mr. Garrison asked how we felt about putting the governing section in the front and the valuation towards the back. He stated the governing section tends to frame out some of the issues that the members have had and the valuation really explores the cost associates with that. Dr. Casey suggested an executive summary before both the governing and valuation areas. He further stated that as an official he would want to read the executive summary. He stated we wanted to get a qualitative and quantitative assessment. Mr. Ashcraft suggested that they work on two executive summaries for each section. Dr. Casey suggested in the executive summary to put one table of sales, cost or whatever the valuation methods were along with columns with summation. Mr. Ashcraft stated we wanted a better understandable document for anyone who wanted to read this, as members of the press may want to read it, and he would hate to see the Authority be misrepresented because someone couldn't understand the content. He further stated everyone will send questions/comments to Dr. Wichser by December 1, 2017, who will then forward them on to Mr. Cole. Dr. Casey suggested Dr. Wichser work through Mr. Ashcraft instead of getting a confusing exercise from five different directions.

Mr. Massengill stated in the process moving forward the County was approached by one jurisdiction wishing to purchase the Authority and unless Dinwiddie hits the lottery they won't be buying it. He stated since one jurisdiction has the ability to purchase, the fundamental question is who wants to sell. He further stated we had numbers from Chesterfield and the thought process was third party independent review which was accomplished. In addition to that, that's actually the governance and ownership piece of this. He stated this is being complete now and he sees the report needs to be accurate and there may be some things that Dinwiddie wishes to comment on. He further stated he would like to talk to his Staff and make sure the report we paid for is what it should be. He stated the question is, where do we go from here? He further stated he sees us going and not necessarily to an ARWA Committee, but doesn't see us going back to Chesterfield, who now that they have this type of information to submit some type of proposal. He stated at some point each of us has to go back to our governing bodies with the question of "do you want to sell". Mr. Massengill asked if there was any sketch of timeline or expectation of what that's to look like. He asked if this was a two-year process or something we are going to be asked to take to our governing bodies in three months? He further asked if we should have a discussion of that from meeting to meeting feeling ourselves through it. He stated he would like to know where we are going with this. Mr. Ashcraft stated that's a fair question and he would think that whether it be Chesterfield or whether it be any entity or private entity that wanted to read this Study and put together a proposal to purchase all or part of the system, that we would have to have an offer from the person wanting to buy it. He stated he didn't know how it compares with the thoughts of the original numbers that were out there and he thinks some of this validates it. He further stated if there is a proposal to come to the table that is when all the action starts.

Dr. Casey stated he thought each of the localities earns its respect for what is additional knowledge and perspectives as far as what we think it means, and you may think it means something different on ranges and things that were given. He stated what they did as part of an initial exercise was a fairly quick exercise and was basically a book value type and there was a methodology behind it. He further stated using the factors that they have presented, and everyone heard his comments, so you are seeing how he is trying to frame what is something worth on the free market and what does it mean to this area. He thinks at a minimum we could and should work toward what those four individual proposals worked off of before and the methodologies, and if there were changes to them now that we may have other knowledge and factors to consider. He stated it's a very fair exercise to say there's a whole exercise as one and there is individual exercise as well. He further stated sometimes it can be completely separate and sometimes they can be layered together and how that changes the valuation is something we should all put our thinking caps on. He stated that's why he asked the questions is 1 MGD times 70 equal to a 70 MGD. He further stated we need to learn and form our own opinions. He stated that out of respect for all of us we are not here to rush something and he thinks everyone feels the same. He further stated he isn't here to say we need Phase 2 yet. He stated to let us digest this information and see what we can talk and think through, and as we come to our own conclusions, we can determine clearly whether or not we need a third party for Phase 2 or whether we get to Phase 2 on our own.

Mr. Ashcraft asked if we think we need to know from our governing bodies whether we would be willing to relinquish our share of the Authority if the right proposal came along. He stated the reason he says that is because there is no need for us to

spend maybe all the time on the governance if we are not going to be governing. Mr. Massengill stated it had to be approved by every Board and Council and at some simple level it may be yes, if the right proposal came along to sell or we are not going to relinquish control, and we like the structure the way it is. He further stated we don't get to make that decision as the Boards and Councils do. Ms. Ferrell-Benavides stated she knew her Council would not want to discuss it. She further stated they are going into election season and anything with the word "water" is the hottest topic they have, and the firestorm of her residents is more than she really wants right now. She stated they may just quiet down and sell just the internal structure, so with her being in next year's election season and this discussion, she sees it becoming something that you would have to do a lot of marketing to educate, because even with what we were just discussing, which was a simple process, it was complicated, so she is not convinced that her Council would put it on the Agenda. Dr. Casey stated we are not coming out loud and announcing from the rooftops this is what we are going to pay for what we want. He stated we do this as a professional exercise amongst the Administrative officers to know what that standing perspective is, whether it's a year from now or five years from now or pieces and parts of it and that's how we are all going to work together. He further stated we all have to keep in the backs of our minds what elements of the governing side are constrained because of various elements. Mr. Ashcraft commented to Dr. Casey when the Committee did the due diligence they brought back a breakdown for each locality and what that would mean. Mr. Ashcraft asked Mr. Mastracchio if their report did that and Mr. Mastracchio replied it didn't and that they looked at individual localities and how a deal may be made between individual localities as a whole. Mr. Ashcraft stated that Chesterfield's was as a whole and the benefits from each locality were spelled out what that would be in terms of how much to purchase. Mr. Mastracchio stated they had included in the report the shares identified in the Agreement in terms of the usage of the system. He further stated if you utilized that to say what does the value mean for each locality, you can infer that, but they didn't directly address that. Mr. Ashcraft stated that if Ms. Ferrell-Benavides went to her Council about the benefit of us selling. He stated we have to have some kind of idea otherwise the fear of the unknown tells you to say no. Mr. Ashcraft stated that Mr. Hayes did a good job that day with Dr. Casey explaining all that to him and that they had it broken down where, if they were to take over the system that this is what it means for Prince George for ten years. He further stated this report didn't do that, and Mr. Hayes replied they didn't provide Raftelis any of the information they provided as they didn't want to sway them. Mr. Hayes stated Raftelis provided an evaluation of the Authority and Chesterfield's proposal took it two or three steps further. Chesterfield not only gave an evaluation of the Authority they created with their Finance staff in Chesterfield, so that you put in the evaluation and then you figure out where your rates may be going forward. He further stated they also looked at the Authority's ten-year CIP and put that on a rate model so they could do rates. He stated that Raftelis didn't do that and they didn't look at debts. Mr. Hayes stated they looked at the debt of each of the members and if they paid off that debt what it would take. He further stated theirs was the first step of multiple steps that Chesterfield would have taken.

Dr. Casey stated he had to leave for another appointment at 2:31 p.m. and Mr. Hayes took his place.

Mr. Ashcraft asked if Phase 2 is to do what we are talking about and Mr. Mastracchio stated their Phase 2 is to do some of the things talked about in terms of having an independent valuation. He further stated if you were to build a financial model that included an acquisition price and what would the impacts be that is part of Phase 2. Mr. Mastracchio told Mr. Ashcraft that one of the things that they could do in the Phase 1 report is to take that range and take the percentages that are in the Agreement and show that by community and break down the value, they can do that.

Mr. Massengill stated one reason he asked about a time line is because he doesn't want this exercise to somewhat hijack the ability to sell capacity with the bigger feeling or fault that there may be the purchase of the whole Authority. He further stated if it's a year plus coming back, does that mean that we're not going to fix the issue of being able to sell capacity during that same time frame. Mr. Massengill stated a lot of these issues are dovetailed nicely, but if what we are saying is in order to go through the process of making an informed decision, even getting a fundamental feeling of the Boards and Councils whether they wish to sell and to allow Chesterfield to be able to purchase, somehow really does limit the ability of a member jurisdiction to be able to sell capacity, he doesn't know if that timeline of twelve or twenty-four months is something that we as a Board of Directors should feel comfortable with. He further stated we had other subjects too like off-site storage and subjects not necessarily in the plant improvements. He stated he just didn't want this part of the project to hijack any other really important decisions the Board needs to make. Mr. Ashcraft said Mr. Massengill brings up a very relevant point that there were many votes that have been postponed waiting on this document so now what does that mean? He asked do we have to wait a year before we do the Amended Service Agreement as some of us have already approved the Amended Service Agreement and others have been waiting on this document. He asked; how does this document make you make it or break it?

Ms. Ferrell-Benavides stated that for Petersburg she knows the feedback she has received from the City on the ability to sell capacity would be the first priority and next, what would it be at what cost. She further stated that was the question they were trying to get to and once they get to at what cost, then they could move into that. She stated that as to the future of the Authority that is a very large, philosophical discussion that will take for her at least a year or two years before she has the credibility to have that discussion, but she does have that support that she needs internally and externally in her community for the capacity, if that's something that is needed and that can be shared with others. She further stated she doesn't want to lose sight of that focusing on the vision, but we have a few other things she thinks they can solve pretty quickly if they can figure it out.

Mr. Ashcraft stated as we send the comments on this to Raftelis, we can come to a decision as to how or if these items need to come back before the Board and the Amended Service Agreement that is still out there.

Mr. Massengill stated to amend the Service Agreement and for Dinwiddie one of the questions specifically was the concern of how much capacity is there to sell in Petersburg and what is the value of the asset. He asked if this was work that could be assigned in third party? He stated one concern of Dinwiddie was specifically two communities we have good working relationships with both Prince George and Chesterfield and trying to work out an arrangement with both people could win from this and as a result capacity could be sold. He stated if Petersburg had a third-party review of this to determine that, is that additional work that is required changing the scope or is there some other avenue that Petersburg needs to go forward with to get that number. Dr. Wichser asked if they were talking about the value per MGD and stated that we could not do that in-house. Mr. Cole stated elements of what Raftelis have done have stated a range of value for an MGD and different parties may not agree or there may be one methodology that is preferred over others. He thinks that is at least a starting point for valuing an MGD for the purposes of getting capacity, but it would also establish a basis for what the whole thing would be worth at that point. Mr. Ashcraft asked if we were going to set that number for localities or maybe it's the same for all localities or free market value if they wanted to put 10 million on one MGD they could do that, so what precludes that? He further stated there isn't anything there except the Amended Service Agreement's ability right now to be able to do that. He stated if the Amendment had gone through 5-0 and we were sitting here talking about the Amendment, then she could have sold it for whatever she wanted and Mr. Anderson replied correct. Mr. Ashcraft stated that to answer your question, would it be up to each of the localities to figure out what they think the value of their MGD is and Mr. Massengill stated as far as what they want to purchase it for. Mr. Massengill stated to Ms. Ferrell-Benavides that prior to her Mr. Tyrrell, not knowing the baseline to start, because they were using ranges from \$1 million to \$10 million per MGD and really didn't know what was a good honest starting point and for Petersburg they had to defend this back to the public because at the moment it is one, people are going to say it should have been seven, and the moment that it's seven then that's too high. He further stated they have a public perception issue of not being able to make decisions that are somehow backed up. He stated that was some of the concern of Petersburg as they needed somebody that could tell them that an academic approach in the range is truly from here to here. He further stated if you want to get into a bidding war and go to a premium amount it benefits Petersburg greatly. Mr. Massengill stated from when he was briefed when Mr. Tyrrell was here, they didn't have the concept of what the value of it was, not even a starting price and the range was significant.

Mr. Hayes stated the Raftelis report was trying to do that and if you look at the different cost of approaches they estimate between \$1 million and \$3.4 million per MGD in the report based on different analysis. He further stated they have some comments from Chesterfield they would like to give on some of the items in the report. He stated one concern he would have and he believes each member would have to determine what additional capacity they have on their own. He further stated he wouldn't want a consultant from ARWA determining what each member should sell. He stated he thinks each jurisdiction would have to determine that on their own. He further stated that Raftelis did just that, they tried to put a valuation and used different valuation methodologies to come up with a range. Mr. Mastracchio stated that one of the things that you might want to consider in terms of unit capacity between entities is what is that capacity from a treatment perspective and that's going to be different than a transmission capacity so whether you proportion it or whether it's a fixed MGD of treatment correspond to a fixed MGD of transmission. He stated there are nuances there that you want to work through so what does that mean. He further stated once you know that, then you can hone in on a price because there are lots of things like that that should be considered.

Mr. Ashcraft asked if there was anybody else in the meeting that was a customer of Petersburg and the reason he asked is because that number was reached through their rate structure. He stated this wasn't reached by ARWA or SCWWA and it was through their rate structure. Mr. Massengill asked if he was talking about the transmission agreement and Mr. Ashcraft answered correct because their governing bodies set rates and as customers we pay it and it has nothing to do with the Authorities and was told he was correct. Mr. Ashcraft stated he didn't know if the MGD's the same concept or not. Mr. Hayes asked Mr. Ashcraft if his question was, could Petersburg be a wholesale supplier and Mr. Ashcraft replied no that he was trying to find out how much money they could get out of one MGD as he doesn't think it's this Authority's scope to set that for any of us. He further stated if we were ever able to sell it and buy it are we going to set the cap. He stated the Amended Service Agreement states you can only buy so much and we did establish that. Mr. Anderson stated that the Amended Service Agreement doesn't say anything about buying as it's completely silent about that. Mr. Massengill stated he doesn't know if it has to be uniform and he doesn't know if you have to set a cap, he is simply saying when Dinwiddie was briefed by Petersburg, prior to Ms. Ferrell-Benavides coming, they wanted to know what a good fair market rate is and what a good starting point is. He further stated they felt if they didn't have a good starting point even if there was a deal made and it was sold, they wanted to be able to represent to the citizens of Petersburg that they weren't being taken for granted. Mr. Massengill stated that obviously he thinks if you go higher than you choose to except different prices from different localities, but what was the average price is what the hurdle was for Petersburg.

Mr. Mastracchio asked about the question referring to the transfer of capacity share and stated one consideration would be whether the seller of that capacity would have to transact with ARWA, and then ARWA transacts with the buyer, or would it go from seller to buyer directly. He stated he thought the Agreement would have ARWA in the middle, and that may lean you towards having more of a uniform price because it's ARWA kind of orchestrating the actions between entities. He further stated he didn't know how the amendment was written, but that would be one consideration in terms of who has the ability to sell capacity would be a factor in terms of transacting first ARWA and then to the opposite party. Mr. Ashcraft stated that still didn't decide how much we have to sell or what we own and Mr. Mastracchio agreed. Mr. Ashcraft stated this could be put back on future Agendas to try to narrow it down to where we can figure out how to get an answer to it.

Mr. Massengill stated another reason Dinwiddie didn't vote on the Amended Service Agreement was that they knew Chesterfield wanted to make modifications and offer some friendly Amendments of which he doesn't think has been done yet. He stated they wanted to review those instead of taking them to the Board, have them approved inevitably knowing they wouldn't be approved by Chesterfield. He further stated his Chairman felt that wasn't necessary. Mr. Massengill stated if this is still an action item or an item that needs to be addressed, he would like to request Chesterfield make the modifications and send them to the members so we have something to work off of. He further stated if Chesterfield submits it and everybody agrees to it, we can take it back to our Councils and Boards and get it approved. Mr. Hayes stated at this point anyone could make a motion to make a change to the Amended Service Agreement and Mr. Massengill agreed. He stated that Chesterfield indicated they had some issues and some good recommendations and they are waiting to see those recommendations. He further stated he could take it back to the Board and it would be 4-1 for an extension but we would still have to go back again. Mr. Hayes stated one issue was that the Amendment wasn't clear with the limitations on the Amendment as there were two different terms interpreted two different ways. He further stated there were other issues we've talked about for years about pump stations, etc. Mr. Ashcraft suggested Mr. Hayes talk with Dr. Casey and see if the information received from the report will cause them to move forward any quicker with anything to do with the Amended Service Agreement, and if it doesn't, just let everyone know so that we can do something different as right now, it is kind of sitting out there. He further stated, we still have this Amendment to the existing Service Agreement, three jurisdictions have approved and two have not, pending a lot of circumstances. He stated if we are not going to move on that and do something different, then we have to start addressing it.

4. Dam Raise Committee (Casey & Massengill): Discussion as needed

This item to be updated at next regular Board meeting.

5. SCWWA "True-Up" Committee (Smith & Ashcraft): Discussion as needed

Mr. Smith reported on the hand-out he gave to members. He stated the chart has three options following up from the discussion that we had previously about what to do with the additional leachate revenue and the possibility of setting up a capital reserve. He further stated it would be a new opportunity for us here with future needs that would be coming down the road that staff has brought to our attention. He reported this chart shows the original option of each locality under Option #1 with them getting a share back from the overage that has been paid in for Operations and Maintenance and the full \$1.9 million additional leachate revenue potentially going to that capital fund. He stated Option #2 is very similar and would be at Petersburg's option, if they wanted to apply some of that funds that they would have received to offset past monies due. He further stated that Option #3 is another one for discussion and consideration in which the total amount going to the potential capital improvement reserve would be reduced and part of that funding could help Petersburg with offsetting their previous amounts due and that same percentage for Petersburg's amount of the total \$1.9 million being applied to each locality, so each locality received some additional funding and that is about a \$400,000 difference from where the original \$1.9 million would have been. He stated he had the opportunity to have a conversation with Mr. Anderson about the Service Agreement and about us moving forward with this without doing an Amendment. Mr. Anderson stated it was just a follow up to the conversation we had at the previous meeting and the Agreement right now, unlike the situation with ARWA where we do have creditors/lenders that would oversee what we do with the Service Agreement. He stated his advice has been this could be done on a Board level at SCWWA, and if there is a need down the road to make an Amendment, we are going to be facing Amendments for any future capital project. He further stated that we just add this to the list and bring it up then. He stated this leachate was never contemplated in the original Agreement. Mr. Smith stated obviously that doesn't mean if somebody raised a concern or challenged us that we would necessarily win that regard, but the Agreement is not as ambiguous regarding this particular topic and Mr. Anderson agreed. Mr. Smith suggested that we pursue one of the first two options, but also suggested that we go ahead and set this fund up without doing the Service Agreement Amendment and that we look at it on an annual basis at this time of the year we are getting the numbers back so that we can evaluate. He stated it might be a year to year thing that we determine how much of the surplus funds go in which direction. Dr. Wichser stated the Authority recommends Option #2, and this would be favorable to the City of Petersburg that will bring them up-to-date on their arrears. He further stated everyone gets a little payment back. Dr. Wichser stated that SCWWA doesn't presently have any funds or reserves for capital improvements. He further stated that there is one capital project that we estimated that is going to come in at \$5.5 million to \$6 million, and that is upgrading the Solids Building equipment. He stated if we take this excess money and set up a capital improvement reserve now, we should be able to fund that project through design and construction with this cash. He further stated; we then phase the nutrient upgrade project that we expect in the 2022 to 2024 era, and we won't be facing potentially a \$50 to \$70 million project. We might be facing a \$35 to \$40 million project instead. He stated we are going after what we can get at the plant using cash. He further stated his goal was to get this capital improvement reserve fund set up. He stated he can't guarantee leachate forever, so we are taking advantage right now while we have it.

Mr. Ashcraft asked if this was time sensitive and Dr. Wichser replied yes due to the need to complete the annual financial audit numbers.

Upon a motion made by Mr. Smith and seconded by Ms. Ferrell-Benavides the following resolution was adopted:

RESOLVED, that the Board proceed with Option #2 as outlined in the Staff Table which will result in funds going to or due from the localities as shown on the attachment with the miscellaneous revenues in the amount of \$1.9 plus million going into a newly established capital improvement reserve from the leachate revenues:

For: 5 Against: 0 Abstain: 0

6. Other Items from Committee Members Not on Agenda

Ms. Ferrell-Benavides introduced March Altman as the new Deputy City Manager for Operations of Petersburg.

7. Adjourn

Upon a motion made by Mr. Massengill and seconded by Mr. Smith the meeting was adjourned at 3:00 p.m.

The next regularly scheduled Board meeting is Thursday, November 16, 2017 at 2:00 p.m. at the South Central Wastewater Authority.

MINUTES APPROVED BY:

Kevin Massengill
ARWA Secretary/Treasurer

George Hayes
SCWWA Secretary/Treasurer

BOARD OF DIRECTORS MEETING

South Central Wastewater Authority

November 16, 2017 at 2:00 p.m.

**Location: South Central Wastewater Authority
900 Magazine Road, Petersburg, Virginia**

PRESENT:

Percy Ashcraft, Chairman (Prince George)
Douglas Smith, Vice Chairman (Colonial Heights)
Joseph Casey, (Chesterfield)
Robert B. Wilson, (Dinwiddie)
George Hayes, Secretary/Treasurer (Alternate, Chesterfield)
Kevin Massengill, (Alternate, Dinwiddie)
Jerry Byerly, (Alternate, Petersburg)
Dickie Thompson, (Alternate, Prince George)

ABSENT:

Aretha Ferrell-Benavides, (Petersburg)
William Henley, (Alternate, Colonial Heights)
William Dupler, (Alternate, Chesterfield)

STAFF:

Robert C. Wichser, Executive Director, (ARWA & SCWWA)
James C. Gordon, Asst. Executive Director (ARWA & SCWWA)
Arthur Anderson, (McGuire Woods)
Melissa Wilkins, Accounting/Office Manager (ARWA & SCWWA)
Kathy Summerson, Administrative Assistant (SCWWA)

OTHERS:

Ted Cole, (Davenport & Company, LLC)
Matt McLearen, (Robinson, Farmer, Cox Associates)
Denny Morris, (Crater PDC)
Stephen Crowe, (AECOM)
March Altman, (Petersburg)

Mr. Ashcraft, Chairman, called the meeting to order at 3:42 p.m.

7. Call to Order/Roll Call.

The roll was called.

2. Approval of Minutes: Minutes of the Regular Board Meeting on September 21, 2017:

Upon a motion made by Mr. Smith and seconded by Dr. Casey the following resolution was adopted:

RESOLVED, that the minutes of the Regular Meeting of the Board on September 21, 2017 are hereby approved:

For: 5 Against: 0 Abstain: 0

3. Public Comment

There were no public comments.

4. Executive Director's Report

• Annual Financial Report Year Ended June 30, 2017: Robinson, Farmer, Cox Associates

Dr. Wichser introduced Matthew McLearen of Robinson, Farmer & Cox Associates who provided a presentation on SCWWA's Annual Financial Accounting Audit. Mr. McLearen stated SCWWA received a clean compliance report from VRS, which has been submitted to the Auditor of Public Accountants. Dr. Casey referred to Net 10 Commitments, which states the Authority is in the initial stages of a \$55 million plant improvements. He asked how long we have had this commitment disclosed, and if we don't have it in our capital plans, when is it not a commitment disclosure. He further stated it seems like in 2010 it was a smart idea to stick it in here, and guessed since it was \$55 million in 2010 dollars that the verbiage has not changed one iota in seven years. He stated the Auditor in him says that a commitment is something that is more forthcoming than seven years, and we haven't started moving it. Mr. McLearen stated that some of those commitments are a little more finite, some construction commitments are underway and sometimes you think if there is a commitment it would speak to the age of the Authority and the Authority's plan. He further stated it should be re-evaluated for next year. Dr. Casey stated he wanted this in the minutes as he thinks it should be talked about for next year's audit or capital plan. Mr. Smith asked where is the new reserve that we set up for the excess leachate revenue, and Ms. Wilkins stated this reflects the fiscal year, and it was not approved until the work session meeting, so it would not be reflective in the June 30th Statement. Dr. Casey stated even the \$55 million should be updated. He doesn't recall this the last time we talked about it so he's not sure how it was relayed that it was still \$55 million.

Upon a motion made by Mr. Smith and seconded by Dr. Casey the following resolution was adopted:

RESOLVED, that the financial statements are hereby approved as presented:

For: 5 Against: 0 Abstain: 0

- **Status Report: Ongoing Projects/Operational/Financial**

Mr. Gordon reported on the Status Report of Ongoing Projects/Operational/Financial and I&I. In regards to the Warehouse design and the establishment of a conservation easement, Dr. Casey asked what were the pros and cons of storm water management facilities versus conservation easements. Dr. Wichser stated that with the cost of the warehouse, we were going to have to actually install a rather expensive BMP storm water management treatment system. He further stated when we talked to DEQ and the City of Petersburg we were able to put a small amount of land into conservation. Mr. Gordon stated this is land that we would not be able to use for anything else. Dr. Casey asked if it had a value for someone else and Dr. Wichser stated the proposed conservation easement were wetlands in the front area of the plant that cannot be built on. Mr. Hayes stated he didn't know how large an easement it was, but he had spoken to the Director of Revenue in Chesterfield and he would be more than happy to review for the Authority as that's his expertise. He further stated that Scott Smedley, Director of Environmental Engineering, said there could be other options available as you could potentially pipe the storm water from the warehouse to the Headworks of the facility. Dr. Wichser stated that we considered that and didn't want to put the run-off amount we calculated into the treatment plant and take up plant hydraulic capacity. SCWWA's goal is to decrease I & I from the influent. Mr. Hayes stated the Director Scott Smedley would be more than happy to lend his expertise.

- **Proposed 2018 Board Meeting Dates**

Dr. Wichser presented the 2018 Board meeting dates. The meeting scheduled for June 21, 2018 was re-scheduled to June 14, 2018.

5. Items from Counsel

Mr. Anderson stated he was asked by a Board member to look into the question of whether the subcommittees were subject to FOIA and the answer is yes, and we will need to comply with the open meeting requirements. He further stated that one thing he doesn't believe is necessary is to keep minutes of those subcommittee meetings unless you want to. Mr. Smith asked if there were two of us as part of one of those groups and are conversing on topics by phone or email, what is the correct protocol for that and Mr. Anderson stated he didn't have an answer for that but would get an answer to that question. He stated what he was addressing was a called meeting of the subcommittees.

6. Closed Session

There was no Closed Session.

7. Other Items from Board Members/Staff Not on Agenda

There were no other items from Board Members/Staff not on Agenda.

8. Adjourn

Upon a motion made by Mr. Wilson and seconded by Mr. Smith the meeting was adjourned at 4:03 p.m.

The next regularly scheduled Board meeting is Thursday, January 16, 2018 at 2:00 p.m. at the Appomattox River Water Authority.

MINUTES APPROVED BY:

George Hayes
Secretary/Treasurer

3. Public Comment

The Guidelines for Public Comment are:

GUIDELINES FOR PUBLIC COMMENT AT SCWWA/ARWA BOARD OF DIRECTORS MEETINGS

If you wish to address the SCWWA/ARWA Board of Directors during the time allocated for public comment, please raise your hand or stand when the Chairman asks for public comments.

Members of the public requesting to speak will be recognized during the specific time designated on the meeting agenda for “Public Comment Period.” Each person will be allowed to speak for up to three minutes.

When two or more individuals are present from the same group, it is recommended that the group designate a spokesperson to present its comments to the Board and the designated speaker can ask other members of the group to be recognized by raising their hand or standing. Each spokesperson for a group will be allowed to speak for up to five minutes.

During the Public Comment Period, the Board will attempt to hear all members of the public who wish to speak on a subject, but it must be recognized that on rare occasion presentations may have to be limited because of time constraints. If a previous speaker has articulated your position, it is recommended that you not fully repeat the comments and instead advise the Board of your agreement. The time allocated for speakers at public hearings are the same as for regular Board meeting, although the Board can allow exceptions at its discretion.

Speakers should keep in mind that Board of Directors meetings are formal proceedings and all comments are recorded on tape. For that reason, speakers are requested to speak from the podium and wait to be recognized by the Chairman. In order to give all speakers proper respect and courtesy, the Board requests that speakers follow the following guidelines:

- Wait at your seat until recognized by the Chairman;
- Come forward and state your full name and address. If speaking for a group, state your organizational affiliation;
- Address your comments to the Board as a whole;
- State your position clearly and succinctly and give facts and data to support your position;
- Summarize your key points and provide the Board with a written statement or supporting rationale, when possible;
- If you represent a group, you may ask others at the meeting to be recognized by raising their hand or standing;
- Be respectful and civil in all interactions at Board meetings;
- The Board may ask speakers questions or seek clarification, but recognize that Board meetings are not a forum for public debate; Board Members will not recognize comments made from the audience and ask that members of the audience not interrupt the comments of speakers and remain silent while others are speaking so that other members in the audience can hear the speaker;
- The Board will have the opportunity to address public comments after the Public Comment Period has been closed;
- At the request of the Chairman, the Executive Director may address public comments after the session has been closed as well; and
- As appropriate, staff will research questions by the public and respond through a report back to the Board at the next regular meeting of the full Board. It is suggested that citizens who have questions for the Board or staff submit those questions in advance of the meeting to permit the opportunity for some research before the meeting.

4. Executive Director's Report

- **Approval of Contractor Prequalification Process**

Following is a memo and policy regarding an ARWA and SCWWA Contractor Prequalification Process.

MEMORANDUM

**TO: SOUTH CENTRAL WASTEWATER AUTHORITY: BOARD OF DIRECTORS
APPOMATTOX RIVER WATER AUTHORITY: BOARD OF DIRECTORS**

**FROM: ROBERT C. WICHSER, EXECUTIVE DIRECTOR
JAMES GORDON, ASSISTANT EXECUTIVE DIRECTOR**

SUBJECT: PREQUALIFICATION PROCESS

DATE: JANUARY 18, 2018

In the best interest of either Authority, staff has provided for Board review and approval a contractor Prequalification Process conforming to the requirements of Code of Virginia Section 2.2-4317.

The proposed Prequalification Process has been reviewed and approved by McGuire Woods and once Board approved, will be implemented today. The upcoming Appomattox River Water Authority's "In-Plant" project will utilize the prequalification of contractors. Any future capital projects at the Appomattox River Water Authority or South Central Wastewater Facility will be reviewed for the need to prequalify contractors based on the objectives of the Authorities.

BOARD ACTION REQUESTED:

Staff requests that the Board of Directors approve adoption of the contractor Prequalification Process, and that the Executive Director be authorized to implement this process in the best interest of either Authority.

**APPOMATTOX RIVER WATER AUTHORITY (ARWA)
SOUTH CENTRAL WASTEWATER AUTHORITY (SCWWA)
PREQUALIFICATION PROCESS**

January 18, 2018

Pursuant to Code of Virginia §2.2-4317, the Appomattox River Water Authority and the South Central Wastewater Authority (each an “Authority” and together the “Authorities”) adopt the following as their prequalification process to prequalify prospective contractors to bid on selected projects:

1. The Executive Director or his designee may, in his discretion, when he believes it to be in the best interests of either Authority, require prequalification of prospective contractors to bid on a specific project for such Authority. The purpose of such prequalification shall be to limit prospective bidders for such project to contractors who show themselves to be qualified to perform the project. When the prequalification process is used for a project, only contractors who have complied with the prequalification process and have been determined qualified will be eligible to submit bids for the project.
2. The Executive Director or his designee shall develop the appropriate documentation for potential contractors to apply for prequalification. The Executive Director or his designee may prescribe in such documentation specific mandatory requirements contractors must meet in order to prequalify for specific projects.
3. In conducting prequalification of potential contractors, the Executive Director or his designee shall follow this prequalification process and the requirements of Code of Virginia §2.2-4317.
4. The documentation used in the prequalification process shall set forth the criteria upon which the qualifications of prospective contractors will be evaluated. The documentation shall request of prospective contractors only such information as is appropriate for an objective evaluation of all prospective contractors pursuant to such criteria. The documentation shall allow the prospective contractor seeking prequalification to request, by checking the appropriate box, that all information voluntarily submitted by the contractor as part of its prequalification application shall be considered a trade secret or proprietary information subject to the provisions of subsection F of Code of Virginia §2.2-4342.
5. In all instances in which an Authority requires prequalification of potential contractors for projects, advance notice shall be given of the deadline for the submission of prequalification applications. The deadline for submissions shall be sufficiently in advance of the date set for the submission of bids or proposals for such project so as to allow the prequalification process to be accomplished.
6. At least thirty (30) days prior to the date established for submission of bids or proposals under the procurement for which the prequalification applies, the Authority conducting the prequalification shall advise in writing each contractor who submitted an application whether that contractor has been prequalified. In the event that a contractor is denied prequalification, the written notification to the contractor shall state the reasons for the denial of prequalification and the factual basis of such reasons.

7. A decision by the Executive Director or his designee under this prequalification process shall be final and conclusive unless the contractor appeals the decision as provided in Code of Virginia §2.2-4357.
8. An Authority may deny prequalification to any contractor only if such Authority finds one of the following:
 - a. The contractor does not have sufficient financial ability to perform the contract that would result from such procurement. If a bond is required to ensure performance of a contract, evidence that the contractor can acquire a surety bond from a corporation included on the United States Treasury list of acceptable surety corporations in the amount and type required by the public body shall be sufficient to establish the financial ability of the contractor to perform the contract resulting from such procurement;
 - b. The contractor does not have appropriate experience to perform the project in question;
 - c. The contractor or any officer, director or owner thereof has had judgments entered against him within the past ten (10) years for the breach of contracts for governmental or nongovernmental projects, including, but not limited to, design-build or construction management;
 - d. The contractor has been in substantial noncompliance with the terms and conditions of prior contracts with a public body without good cause. If the Authority has not contracted with a particular contractor in any prior contracts, the Authority may deny prequalification if the contractor has been in substantial noncompliance with the terms and conditions of comparable contracts with another public body without good cause. The Authority may not utilize this provision to deny prequalification unless the facts underlying such substantial noncompliance were documented in writing in the prior project file and such information relating thereto given to the contractor at that time, with the opportunity to respond;
 - e. The contractor or any officer, director, owner, project manager, procurement manager or chief financial official thereof has been convicted within the past ten years of a crime related to governmental or nongovernmental contracting, including but not limited to, a violation of (i) Article 6 of the Virginia Public Procurement Act (§ 2.2-4367, et seq.), (ii) the Virginia Governmental Frauds Act (§ 18.2-498.1 et seq.), (iii) Chapter 4.2 (§ 59.1-68.6 et seq.) of Title 59.1 or (iv) any substantially similar law of the United States or another state;
 - f. The contractor or any officer, director or owner thereof is currently debarred pursuant to an established debarment procedure from bidding or contracting by any public body, agency of another state or agency of the federal government; and
 - g. The contractor failed to provide to the Authority in a timely manner any information requested by the Authority relevant to subdivisions a through f of this Paragraph 8.
9. In determining if a contractor has the “appropriate experience” under Paragraph 8.b. to be prequalified, an Authority may consider and use specific minimum experience requirements established by the Executive Director or his designee for the specific project. Such Authority may also consider the contractor’s past performance on the projects that provide its past experience to determine if the projects provide the appropriate experience required.

10. To the extent any provision in this process is deemed to be inconsistent with Code of Virginia §2.2-4317, whether due to amendment of that statutory provision or otherwise, then the provisions of §2.2-4317 shall control as to such inconsistency.
11. The provisions of this process and its implementation are intended to be severable, and if any provision is deemed invalid, this shall not be deemed to affect the validity of other provisions.
12. This prequalification process does not apply to any procurement done under the Public-Private Education Facilities & Infrastructure Act of 2002 (the “PPEA”), Code of Virginia §56-575.1 et seq., and is in no way intended to limit an Authority’s discretion in the way it selects contractors under the PPEA.
13. A determination that a contractor is prequalified does not necessarily preclude an Authority from determining that such contractor is not responsible following bid opening. Among other things, a change in circumstances or change in information, as well as different criteria allowed to be considered for prequalification versus responsibility, may lead to a different result. For example, a prequalified contractor that becomes debarred between prequalification and bid opening, or a contractor who is subsequently discovered not to have been totally candid in answering its prequalification questionnaire, might be deemed non-responsible.
14. Prequalification of a contractor to bid on one project does not prequalify that contractor to bid on a different project or mean that the contractor will necessarily be deemed to be a responsible bidder for a different project.
15. Neither this prequalification process nor its implementation by the Authorities shall be deemed to create any contract right in any prospective contractor or to give any prospective contractor any right beyond that conferred by Code of Virginia §2.2-4317. All prospective contractors shall be responsible for their own expenses in applying for prequalification, and the Authorities shall have no liability for any such expense.

END OF PREQUALIFICATION PROCESS

- **Status Report: 6 Month Work Plan Update/Ongoing Projects/Financials/Inflow and Infiltration**

Following are status reports concerning an update on the 6 Month Work Plan, the Ongoing Projects, Operations, Financials, and I&I for SCWWA.

South Central Wastewater Authority

Executive Level Strategic Work Plan Summary/Update

July 1, 2017 to December 31, 2017
UPDATE: January 1, 2018 to June 30, 2018

Purpose: Provide the South Central Wastewater Authority with a plan to ensure 100% total compliance with the Virginia Pollution Discharge Elimination System Permit discharge limitations.

This information is provided at the request of the Board and is intended to highlight key/critical activities that are planned and expected to be accomplished during the next six months. We realize that unplanned circumstances could occur that impact the Authority's financial capability to complete the tasks and projects, and are totally out of the control of Authority management. Projects are dependent on funding, engineering consultants and contractors.

Overarching Goal: The Authority will continue to meet permit discharge limits by operating and maintaining the wastewater plant system in an efficient and economical manner, consistent with good business and operating practices.

The Authority's goal is to meet or exceed the requirements of the Virginia Pollution Discharge Elimination System Permit discharge limitations.

Construction Projects:

1. Implement and complete the ON-HOLD grit classifier project that was programmed for the FY 2016/17 year: July 1, 2017 - *Project is currently out to bid with bid opening date of July 27, 2017.* This project is expected to be completed along with the scum concentrator unit's replacement by June 30, 2018.
Update: *Bid process was completed with Anderson Construction awarded the construction contract. Notice to Proceed was issued on January 9, 2018. This project is expected to be completed along with the scum concentrator unit replacement by October 2018.*
2. Implement and complete the ON-HOLD Waterline replacement project that was programmed for the FY 2016/17 year: Project design complete, project has been bid and presently under construction. Expect completion of project by September 2017.
Update: *The project was completed in December 2017 and closed-out the second week January 2018.*
3. July 1, 2017-December 31, 2017: Enter design phase on new warehouse with office.
Update: *The new warehouse design was completed in December 2017. Awaiting the City of Petersburg site review. Next phase: Bid project and enter into construction. Expect construction to be completed by December 31, 2018.*
4. July 1, 2017-December 31, 2017: Clarifiers No. 1 & 2 grout base replacement: Expect to seek Board approval to replace grout bases in both clarifiers.
Update: *This project was awarded to Anderson Construction as part of the above Scum & Grit project. We expect that Clarifiers No. 1 & 2 grout work will be completed by June 2018.*

Administration:

****** Extensive analysis and legal review over five months in notifying the Board related to the City of Petersburg's financial situation and potential upcoming financial impacts on the Authority.

Update: This issue has been addressed and closed out.

****Ensured that ancillary income from landfill leachate continued in order to forgo a mid-year rate increase to all SCWWA members.**

Update: This issue will be addressed at the January 18, 2018 SCWWA Board meeting.

**** Continued difficult discussions over the past eight months on a City of Petersburg industrial pre-treatment permit. Expect this issue to be complete by September 2017.**

Update: This item was successfully completed with the industrial customer.

- 1. January-May 2017: Develop, present, defend and public notice proposed 2017/18 Operations & Maintenance Budget including Capital Projects proposed: *Completed***
- 2. July 1, 2017-December 31, 2017: Working with department managers and Assistant Director to develop 2018/2019 operating and replacement budgets and present to member engineers in November for review and comments.**

Update: This item was completed on November 9, 2017.

Virginia Pollution Discharge Elimination System Permit

January 2017-July 2017: Development of renewal permit application to be submitted to VA-DEQ and U.S.E.P.A. for review, approval and issuance of permit limits: Permit renewal package was submitted to VA-DEQ in April. July 1, 2017 –December 31, 2017: Work with VA-DEQ on VPDES permit renewal acceptable to SCWWA.

Update: This VPDES Permit renewal process was completed successfully with the issue of a new VPDES permit for five years (2017-2022)

Facility Instrumentation/SCADA Upgrades:

- January-June: Replace the servers that are >5 years old: *Completed***
- Fill the two vacant IT/Computer Positions by May 2017: *Completed***

Financial Auditing: March 2017- Issue RFP for annual financial auditing services for both ARWA & SCWWA and recommend three year contract by June 2017: ***Completed***

Facility Process Chemicals: January 2017- Issue new contracts based on the annual ARWA IFB on major process chemicals: Complete award of annual chemical supplier contracts by February 1, 2017: ***Completed***

Update: February 1, 2018 to February 2, 2019-chemical bids opened on January 10, 2018 for award.

May 2017- Issue IFB for SCWWA specific process chemicals. Complete award of annual chemical supplier contracts by July 1, 2017: ***Completed***

Facility Warehouse Office Temporary Relocation: Complete move into trailer out of Headworks Building by March 2017: ***Completed***

New Item: Schedule with Chesterfield University a two day (February 12 & 13, 2018) “Exemplary Leadership” course for all South Central Wastewater Managers and Supervisors. This course will address the five practices of exemplary leadership using the Leadership Challenge Model.

On-Going Department Goals

Administration/Warehouse:

- Develop digital archiving system for all documents that fall under record retention requirements: ***After seeking outside vendor costs to complete, costs were considered entirely too expensive to proceed.***
- Implement inventory control processes and procedures so that “Cycle Counts” of inventories can be performed throughout the year: ***Update: Continues to be underway***
- Develop and implement a compensation plan that will allow the Authority to pay employees “In Arrears” while providing minimal financial impact during such implementation: ***Under review and consideration***

Maintenance Department:

- Complete mechanical/electrical training for employees as needed
- Maintain schedule of preventive maintenance activities
- Effective and rapid response on corrective actions towards equipment failures
- Maintain parts and equipment inventory in a cost effective manner: ***Inventory control has been reviewed and warehouse control efforts are underway.***

Laboratory Department:

- Maintain Discharge Permit analytical testing requirements
- Maintain effective Pre-Treatment Program which includes supporting SCWWA Member needs related to DEQ’s Pre-Treatment regulatory requirements

Operations Department:

- Maintain wastewater plant effluent quality at all times to meet federal/state discharge permit limits
- Ensure all Operators maintain DPOR required annual training requirements
- Ensure all Operators continue to strive for Class 1 Wastewater Operator license
- Maintain Wastewater Facility in a clean and orderly manner

IT/Instrumentation Office:

- Ensure all process instrumentation is functional and accurate
- Ensure the Supervisory Control and Data Acquisition System is functioning to enable Operations Department to operate the process control equipment
- Determine if a contracted IT provider similar to what we currently have is needed once the department is fully up and running. If so, obtain proposals for the service(s) needed: ***Review of IT Contractor proposals under review: Update: This item has been completed.***

MEMORANDUM

TO: SOUTH CENTRAL WASTEWATER AUTHORITY BOARD OF DIRECTORS

FROM: ROBERT C. WICHSER, EXECUTIVE DIRECTOR
JAMES C. GORDON, ASSISTANT EXECUTIVE DIRECTOR

SUBJECT: STATUS REPORT – ON-GOING PROJECTS

DATE: JANUARY 18, 2018

The following projects are underway. This report includes sections on Capital projects and large replacement projects.

Waterline Replacement Project

- Waterline was completed in December, 2017.
- Project closeout is ongoing.

Wastewater Treatment Plant Improvements, Phase 2

- This project includes 2 new grit classifier assemblies, 2 new scum concentrators, and repairs to the grout in Final Clarifiers No.'s 1 and 2.
- Project has been awarded to Anderson Construction.
- Shop drawings have been reviewed and equipment is now being fabricated.
- Notice to Proceed date has been established as January 9, 2018.

Warehouse Project

- Warehouse project design has been completed in December, 2017.
- Awaiting City of Petersburg site review.
- Anticipate bidding the project in February, 2018.
- To resolve the need for stormwater management, the current plan is to purchase nutrient credits as per the recommendations of Chesterfield County.

MEMORANDUM

TO: SOUTH CENTRAL WASTEWATER AUTHORITY BOARD OF DIRECTORS

FROM: ROBERT C. WICHSER, EXECUTIVE DIRECTOR
JAMES C. GORDON, ASST. EXECUTIVE DIRECTOR

SUBJECT: OPERATING & FINANCIAL STATUS REPORT

DATE: JANUARY 18, 2018

Operating Status Report:

General:

- The next scheduled Board of Directors Meeting is Thursday March 15, 2018 at South Central Wastewater Authority at 2:00 pm.
- Current the Authority is only receiving 1 load of Leachate per day.
- Staff is currently investigating other potential Leachate sources.
- W-2s have been completed and distributed.

Status of Nutrient Waste-load

- Total Phosphorus (TP)
 - Waste-load allocation Total Phosphorus: 28,404 lbs. on a calendar basis (reduced from 35,024 in 2016)
 - Total waste-load for 2017 was 16,961 lbs. (The SCWWA was 11,443 lbs. of TP under our 2017 waste-load allocation)
- Total Nitrogen (TN)
 - Waste-load allocation Total Nitrogen: 350,239 lbs. on a calendar basis
 - Total waste-load for 2017 was 562,631. (The SCWWA was 212,392 lbs. of TN over our 2017 waste-load allocation)
 - Note: The SCWWA is locked-in to purchasing an additional 165,451 credits for 2017. The SCWWA has also budgeted for additional nutrients if needed. We plan to see what additional credits Chesterfield can provide us under the current agreement. Any additional credits can be purchased from the Virginia Nutrient Exchange.

Operations:

- Plant effluent met all discharge permit requirements for the months of November and December. Copies of the discharge monitoring reports (DMR's) for the VPDES permit and the general permit are available.
- Synagro continues to remove biosolids on a more regular monthly basis.
- The new alum feed line has been installed and staff has switched over.
- Staff is coordinating with the contractor installing the new SS caustic feed lines to maintain feed capabilities.
- Staff is preparing for operational adjustments required during the Wastewater Improvement Phase 2 project.

Maintenance:

- Work continues on upgrading power to the Chlorine Contact Tanks to prepare for the installation of the actuators.
- Stainless Steel piping has been received for the Caustic feed line upgrade. The welder is now onsite to install the new lines.
- Staff is constructed a small attachment to the alum feed building to house a water heater. This will allow for tepid safety shower water and volume to flush the alum feed lines to clean out scale.

- Parts for live bottom bin #1 on the solids lime system have been received.
- Recently both BFPs went down after normal business hours and staff had to come in for emergency repairs. They were able to repair one and additional supplies was needed to repair the other. Additional spares are also being ordered to ensure we can maintain the equipment.

Instrumentation

- Staff has been troubleshooting an issue with the BFP oil sensor.
- Heaters in the remote feed/sampling huts went out during the recent cold weather and needed replacement.
- Staff is investigating UPS (power supply) trip issues.

Laboratory

- Performing data entry to close out 2017 and prepare the annual report.
- Finalizing 2017 inspection reports.

Financial Status Report:

Following is the Executive Summary of the Monthly Financial Statement that includes the YTD Budget Performance and the Financial Statement for December 2017.

South Central Wastewater Authority
YTD Income Statement for the period ending December 31, 2017

Wastewater Rate Center

Revenues and Expenses Summary

Operating Budget vs. Actual

Revenues

	<i>Budget</i> <i>FY 17/18</i>	<i>Budget</i> <i>Year-to-Date</i>	<i>Actual</i> <i>Year-to-Date</i>	<i>Budget</i> <i>vs. Actual</i>	<i>Variance</i> <i>Percentage</i>
Septage/Misc Revenue	\$ 1,500,000	\$ 750,000	\$ 858,370	\$ 108,370	14.45%
O&M Revenue	\$ 7,084,300	\$ 3,542,150	\$ 3,542,150	\$ 0	0.00%
Reserve Policy	\$ 685,868	\$ 342,934	\$ 342,934	\$ (0)	0.00%
ER&RF Revenue	\$ 429,215	\$ 214,608	\$ 214,607	\$ (0)	0.00%
Total Operating Revenues	\$ 9,699,383	\$ 4,849,692	\$ 4,958,062	\$ 108,370	2.23%

Expenses

Personnel Cost	\$ 2,629,500	\$ 1,314,750	\$ 1,357,200	\$ 42,450	3.23%
Contractual/Professional Services	\$ 346,300	\$ 187,189	\$ 117,509	\$ (69,680)	-37.22%
Utilities	\$ 490,000	\$ 245,000	\$ 199,130	\$ (45,870)	-18.72%
Communication/Postage/Freight	\$ 20,000	\$ 14,000	\$ 13,688	\$ (312)	-2.23%
Office/Lab/Purification Supplies	\$ 73,500	\$ 37,550	\$ 28,399	\$ (9,151)	-24.37%
Insurance	\$ 65,000	\$ 65,000	\$ 46,807	\$ (18,193)	-27.99%
Lease/Rental Equipment	\$ 11,000	\$ 5,500	\$ 4,115	\$ (1,385)	-25.17%
Travel/Training/Dues	\$ 63,600	\$ 49,575	\$ 22,886	\$ (26,689)	-53.84%
Safety/Uniforms	\$ 41,500	\$ 20,750	\$ 19,798	\$ (952)	-4.59%
Chemicals/Sludge Disposal	\$ 910,000	\$ 455,000	\$ 355,392	\$ (99,608)	-21.89%
Repair/Maintenance Parts & Supplies	\$ 492,500	\$ 246,250	\$ 193,531	\$ (52,720)	-21.41%
Total Operating Expenses	\$ 5,142,900	\$ 2,640,565	\$ 2,358,455	\$ (282,109)	-10.68%
Operating Suplus/(Deficit)	\$ 4,556,483	\$ 2,209,127	\$ 2,599,607	\$ 390,480	17.68%

Replacement Outlay Budget vs. Actual

Machinery & Equipment	\$ 350,000	\$ 175,000	\$ 60,468	\$ (114,532)	-65.45%
Instrumentation	\$ 43,500	\$ 21,750	\$ 708	\$ (21,042)	-96.75%
SCADA	\$ 36,000	\$ 18,000	\$ 24,361	\$ 6,361	35.34%
Computer Equipment	\$ 25,600	\$ 12,800	\$ 16,399	\$ 3,599	28.12%
Motor Vehicles	\$ 75,000	\$ 37,500	\$ -	\$ (37,500)	-100.00%
Construction	\$ 1,540,000	\$ 770,000	\$ 324,629	\$ (445,371)	-57.84%
Special Studies	\$ 35,000	\$ 17,500	\$ -	\$ (17,500)	-100.00%
Total Replacement Outlay	\$ 2,105,100	\$ 1,052,550	\$ 426,564	\$ (625,986)	-59.47%

Other Income/Expense Budget vs. Actual

Nutrient Credit Purchases (Expense)	\$ 860,000	\$ 430,000	\$ 433,125	\$ 143,333	33.33%
Nutrient Reduction	\$ -	\$ -	\$ 4,342	\$ -	#DIV/0!
Interest-Jurisdictions (Income)	\$ -	\$ -	\$ (220,864)	\$ (220,864)	#DIV/0!

South Central Wastewater Authority

For Month Ending December 31, 2017

Assets

Current Assets

Petty Cash	\$	250
Wells Fargo Operating Account	\$	2,494,201
Total Unrestricted Cash	\$	2,494,451

Wells Fargo Reserve	\$	3,562,050
Wells Fargo Capital Improvement Reserve	\$	1,989,616
ERRF	\$	2,643,842
Total Restricted Cash	\$	8,195,507

Total Checking/Savings **\$ 10,689,958**

Accounts Receivable	\$	265,857
Long Term Receivable (Petgs/Legal)	\$	-

Total Current Assets **\$ 10,955,815**

Fixed Assets

Sewer System Plant	\$	33,352,033
Equipment & Vehicles	\$	2,974,264
Plant Machinery	\$	7,408,956
Construction in Progress	\$	1,907,962
Land	\$	92,968
Accumulated Depreciation	\$	(27,480,849)
Total Fixed Assets	\$	18,255,333

Other Assets

Inventory	\$	656,081
Pension	\$	113,903

Total Other Assets **\$ 769,985**

Total Assets

\$ 29,981,134

Liabilities & Equity

Current Liabilities

Accounts Payable	\$	169,070
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Total Current Liabilities **\$ 169,070**

Other Current Liabilities

Payroll Accruals	\$	216,180
Retainage Payable	\$	-
Suspense-Clearing Account	\$	430,000
Refunds Due Member Localities	\$	-

Total Other Current Liabilities **\$ 646,180**

Long Term Liabilities

Net OPEB Obligation	\$	71,800
Def Inf Res-Net Dif Pension Inv	\$	100,446
Net Pension Liability	\$	495,295

Total Long-Term Liabilities **\$ 667,541**

Total Liabilities

\$ 1,482,791

Equity

Retained Earnings	\$	12,808,125
Initial Locality Contribution Cap.	\$	14,166,822

Net Income	\$	1,523,395
	\$	28,498,343

Total Equity

Total Liabilities & Equity

\$ 29,981,134

MEMORANDUM

TO: SOUTH CENTRAL WASTEWATER AUTHORITY BOARD OF DIRECTORS

FROM: ROBERT C. WICHSER, EXECUTIVE DIRECTOR
JAMES C. GORDON, ASSISTANT EXECUTIVE DIRECTOR

SUBJECT: INFLOW AND INFILTRATION

DATE: JANUARY 18, 2018

November and December 2017 were both very dry months. November 2017 saw only 1.52" of rain for the month. On November 12th we received the largest rain event for the month (0.62") and the highest flows were experienced on November 13th. As stated earlier, December was also very dry and at only 1.43" was the driest December based on the 7 year comparison. The average and minimum flows were also the lowest based on the 7 year comparison. The vast majority of the rain was received during a rain event from December 8th to the 10th. We received the month's maximum flow on the 9th. This information continues to show that the SCWWA continues to experience I and I issues.

Month	Rainfall (inches)	Average Flow (mgd)
December 2016	2.28	9.980
January 2017	3.31	14.509
February 2017	1.03	10.873
March 2017	4.90	11.681
April 2017	1.46	11.152
May 2017	6.88	12.444
June 2017	2.19	10.264
July 2017	4.38	9.741
August 2017	8.78	13.098
September 2017	1.27	11.028
October 2017	3.64	8.988
November 2017	1.52	9.464
December 2017	1.43	9.487

PRIMARY FLOW DATA

December	2017	2016	2015	2014	2013	2012	2011
Minimum (mgd)	8.186	8.345	9.112	8.697	10.398	8.186	11.478
Maximum (mgd)	13.568	16.647	40.289	22.529	26.881	13.432	16.130
Average (mgd)	9.487	9.980	14.116	11.014	15.226	9.789	13.198
Rainfall (inches)	1.43	2.280	5.57	4.05	6.82	2.84	1.64

- **Discussion on Status of Landfill Leachate**

- **Presentation of Proposed FY 2018/19 Operating Budget**

Following is a memo and presentation of the Proposed FY2018/19 Operating Budget.

MEMORANDUM

**TO: SOUTH CENTRAL WASTEWATER AUTHORITY
BOARD OF DIRECTORS**

**FROM: ROBERT C. WICHSER, EXECUTIVE DIRECTOR
JAMES C. GORDON, ASSISTANT EXECUTIVE DIRECTOR**

SUBJECT: FISCAL YEAR 2018-2019 PROPOSED BUDGET

DATE: JANUARY 18, 2018

We are pleased to present to you the South Central Wastewater Authority proposed 2018-2019 budget for your review and consideration. The proposed annual expenses for FY 2018/19 are decreasing by \$385,200 (- 4.6%) from the current fiscal year budget due to the decreases in Operations & Maintenance Equipment Replacement, Reserve Policy (-\$685,868) and the Equipment Repair and Replacement Fund (-\$429,215).

Cost items increasing are:

- Employer FICA: \$5,000
- OPEB Health Insurance: \$10,500
- Consulting Engineers: \$40,000

Cost items reducing are:

- Nutrient Credit Purchases: -\$243,000
 - Legal Services: -\$30,000
 - Electricity: -\$25,000
- Miscellaneous Revenue, which includes Landfill Leachate Treatment revenue, is planned to be deposited in the Capital Reserve Fund

Debt Service:

Debt service for FY 2018/19 is zero.

Salaries & Wages:

It is important to understand the maintenance and operations of our wastewater infrastructure, not only by implementing the latest technologies, but also by investing in a skilled workforce. Thus we are requesting a performance based salary increase up to three (3%) percent. As you are aware, a significant portion of the Authority's workforce will exit the field in the next three to five years (Hazen and Sawyer Merger Analysis, April 2014), depleting the pool of experienced certified and licensed professionals. The job sector in the wastewater field is now necessitating a more skilled workforce. The upcoming retirement of experienced mentors who can train new personnel further exacerbates the problem. The anxiety will grow higher as both retiring employees, aging infrastructure, competition for certified and licensed employees between other local

utilities will force the Authority to make decisions to attract and maintain new employees. We must continue to invest in our skilled employees and maintain market competitive salaries. Each employee will be rated in May 2018 on the following:

- Knowledge & Ability
- Productivity
- Initiative
- Interpersonal Relationships
- Time Management
- Communication
- Attendance
- Judgment
- Adaptability
- Meeting defined goals

An average employee would receive a 2% salary increase with only the highest scoring employees eligible for an increase higher up to 3% maximum. Non-performing employees will receive less than 2% with certain employees with a lower score being placed into a required performance improvement probation period.

O&M Equipment Replacement and Equipment Repair and Replacement Fund:

The Replacement Fund is decreased \$1,469,100 to a total of \$636,000 and does not contain any major projects, yet it does still include a number of smaller activities (concrete repairs, flooring replacement), along with SCADA/communication equipment and treatment process instrumentation replacement.

REVENUE:

	PRESENT FY2017/18 Costs	PROPOSED FY2018/19 Costs	ANNUAL Cash Diff.	% Difference
City of Petersburg	\$4,511,706	\$4,576,617	\$64,911.01	1.44%
City of Colonial Heights	\$1,707,986	\$1,659,788	-\$48,198.13	-2.82%
Chesterfield County	\$745,223	\$699,349	-\$45,873.91	-6.16%
Prince George County	\$550,486	\$570,021	\$19,534.64	3.55%
Dinwiddie County	\$683,983	\$693,327	\$9,343.68	1.37%
Total	\$8,199,383	\$8,199,100	-\$283	

BOARD ACTION REQUESTED:

No budget approval action is required by the Board at this time. Board approval to advertise the FY2018-2019 proposed budget is requested. The public hearing on the proposed budget will be at the March 15, 2018 BOD meeting (to be held at SCWWA). Final Board action on budget approval is scheduled to be taken at the May 17, 2018 ARWA Board of Directors meeting (to be held at ARWA). Any budget changes or edits required or requested by the Board can be taken before or during the May Board of Directors meeting.

SOUTH CENTRAL WASTEWATER AUTHORITY**PROPOSED: January 18, 2018****APPROVED:****OPERATION & MAINTENANCE BUDGET 2018/2019**

				Change	
		Fiscal Year 2017/2018	Fiscal Year 2018/2019	Increase/ (Decrease)	Reason for changes
Acct #	ITEM	Budget	Budget	FY17/18 to FY18/19	
51000	SALARY	\$ 1,835,000	\$ 1,900,000	\$ 65,000	Budget includes up to a 3.0% pay for performance increase.
52000	EMPLOYEE BENEFITS	\$ 794,500	\$ 800,000	\$ 5,500	Increase is due to OPEB adjustment for post employment benefits.
52100	Employer FICA	\$ 140,000	\$ 145,000		
52200	Virginia Retirement System	\$ 162,000	\$ 150,000		
52300	Hospitalization Insurance	\$ 460,000	\$ 460,000		
52400	Group Life	\$ 23,000	\$ 25,000		
52450	Supplemental Group Life	\$ 1,500	\$ 1,500		
52500	Health Insurance Credit	\$ -	\$ -		
52700	Employee Promotions	\$ 3,500	\$ 3,500		
52900	OPEB Health Insuranc ARC Adj	\$ 4,500	\$ 15,000		
52952	Net Pension Adjustment				
53000	Contractual Services	\$ 338,300	\$ 339,000	\$ 700	
53121	Auditing Services	\$ 15,000	\$ 12,500		
53122	Accounting Services	\$ 7,000	\$ 7,000		
53123	Administrative Service	\$ 1,700	\$ (5,000)		
53140	Consults - Engineering	\$ 60,000	\$ 50,000		
53145	Consults - General	\$ -	\$ 50,000		
53150	Legal Services	\$ 80,000	\$ 50,000		
53152	Software Support	\$ 40,000	\$ 40,000		
53160	Medical	\$ 3,500	\$ 5,000		
53162	Bank Service Charges	\$ 3,500	\$ 1,000		
53170	Payment in Lieu of Taxes (City of Petersburg)	\$ 33,500	\$ 33,500		
53190	Samples and Testing	\$ 44,500	\$ 44,500		
53220	VPDES Permit Fee	\$ 9,600	\$ 10,500		
53320	Maintenance Service Contracts	\$ 15,000	\$ 15,000		
53600	Grounds Maintenance	\$ 25,000	\$ 25,000		
55000	Other Charges	\$ 989,900	\$ 972,400	\$ (17,500)	
55050	Advertising	\$ 8,000	\$ 6,000		

55110	Electricity	\$ 450,000	\$ 425,000		
55120	Natural Gas	\$ 22,000	\$ 20,000		
55130	Solid Waste	\$ 2,500	\$ 3,500		
55140	Water (City of Petersburg)	\$ 10,000	\$ 8,000		
55150	Storm Water (City of Petersburg)	\$ 5,500	\$ 6,000		
55160	Sludge Disposal	\$ 350,000	\$ 350,000		
55210	Postage and Freight	\$ 5,000	\$ 15,000		
55230	Telecommunications	\$ 15,000	\$ 16,500		
55308	General Liability Insurance	\$ 65,000	\$ 65,000		
55410	Lease/Rent of Equipment	\$ 11,000	\$ 11,000		
55530	Meals and Lodging	\$ 7,500	\$ 5,000		
55540	Education and Training	\$ 19,400	\$ 19,400		
55550	Safety Supplies	\$ 19,000	\$ 22,000		
56000	Materials and Supplies	\$ 1,185,200	\$ 1,194,700	\$ 9,500	Increases due to repair and maintenance supplies
56001	Office Supplies	\$ 15,000	\$ 15,000		
56004	Laboratory Supplies	\$ 50,500	\$ 51,000		
56005	Process Chemicals	\$ 560,000	\$ 560,000		
56006	Repair and Maintenance Supplies - IT	\$ 50,000	\$ 53,000		
56007	Repair and Maintenance Supplies - Shop	\$ 400,000	\$ 415,000		
56008	Vehicle and Equipment Fuels	\$ 34,000	\$ 25,000		
56010	Janitorial Supplies	\$ 8,000	\$ 8,000		
56011	Uniforms	\$ 22,500	\$ 22,500		
56012	Dues and Subscriptions	\$ 36,700	\$ 36,700		
56015	Small Equipment Purchases	\$ 8,500	\$ 8,500		
57000	Equipment Replacement	\$ 2,105,100	\$ 636,000	\$ (1,469,100)	
58000	Nutrient Credit Purchases	\$ 860,000	\$ 617,000	\$ (243,000)	
59000	Rate Stabilization Funds to be deposited to Capital Reserve Fund	\$ 476,300	\$ 1,740,000	\$ 1,263,700	Used to offset future capital expenditures
	Total(Operations & Maintenance)	\$ 8,584,300	\$ 8,199,100	\$ (385,200)	
	Reserve policy (50% O&M)	\$ 685,868	0	\$ (685,868)	50% reserves achieved 2 years early
	ERRF (5% of Operations & Maintenance)	\$ 429,215	\$ -	\$ (429,215)	Account has achieve the max of \$2.5 m
	Debt Service	\$ -	\$ -	\$0	
	Total	\$ 9,699,383	\$ 8,199,100	\$ (1,500,283)	

**South Central Wastewater Authority
Replacement Fund Budget - 57000**

Acct#	Proposed FY ITEM	Budget 17/18	FY18/19 Proposed Budget 18/19	INFORMATIONAL & PLANNING				Beyond	
				19/20	20/21	21/22	22/23	FY	Estimate
57010 - Machinery & Equipment	Emergency / Miscellaneous Repairs	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000		
	Major Component Replament Parts	\$ 185,000	\$ 150,000						
	Generator Control Panel Upgrade	\$ 30,000							
	Convert Caustic Feed lines with stainless steel	\$ 50,000							
	Replace RAS and Headworks Moyno Seals	\$ 25,000							
57020 - Instrumentation	Misc. Instrumentation Equipment/Supplies	\$ 35,000	\$ 75,000						
	Misc. Process Instrumentation	\$ 8,500							
	Field Sampler		\$ 5,000						
57030 - SCADA	Misc. SCADA/Communication Equipment	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000		
	SCADA/Network Master Plan Development		\$ 15,000						
	Replacement of 3 non-supported 90-30 PLC with new RX3i PLC	\$ 21,000							
57040 - Computer Hardware & Software	Replacement Computers/Servers	\$ 6,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000		
	2 new servers + SANS storage	\$ 14,600							
	License renewal and software	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000		
57050 - Motor Vehicles	Maintenance F-150	\$ 40,000							
	Trailblazer	\$ 35,000							
	Case Loader (Big Loader)				\$ 160,000				
	Operations Dodge Pickup			\$ 35,000					
	Operations Colorado				\$ 35,000				
	Golf carts		\$ 6,000	\$ 6,000	\$ 6,000				
57060 - Construction	General Concrete Repair	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000		
	Replace administration building flooring		\$ 20,000						
	Scum Concentrator (2)	\$ 500,000							
	Roof Inspection/Repairs			\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000		
	Roof Replacement - PB 5, Sodium Bi, Blower, Vehicle Storage, and Sodium Hypo					\$ 250,000			
	Roof Repairs	\$ 15,000							
	Plastic Chain in Primary Tanks	\$ 39,000							
	Lime conveyor screws (10)	\$ 17,000							

	Live Bottom Bin 1 Overhaul	\$ 25,000							
	Warehouse with office	\$ 800,000							
	Perimeter Fence			\$ 100,000					
	Elec. Actuators	\$ 94,000	\$ 50,000						
	Electrical Eval work - Year 3			\$ 2,000,000					
	Asphalt overlay from gate to Septage		\$ 175,000						
	RAS Pumps					\$ 1,000,000			
57070 - Special Studies	Local Limit Study	\$ 35,000							
TOTALS:		\$ 2,105,100	\$ 636,000	\$ 291,000	\$ 2,351,000	\$ 400,000	\$ 1,150,000		

NOTE: FY 18/19 TO BE APPROVED WITH BUDGET

**South Central Wastewater Authority
Nutrient Credit Purchase - Acct # 58100
FY18/19**

Acct# 58100	ITEM	Budget 17/18	Proposed Budget 18/19	INFORMATIONAL & PLANNING					
				19/20	20/21	21/22	22/23	23/24	24/25
	Private Purchase - Henrico County								
	Private Purchase - Chesterfield County	\$ 460,000	\$ 467,000	\$ 472,000	\$ 500,000				
	Contingency - Exchange Purchase if needed	\$ 400,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
	Private or Exchange					\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
	Totals	\$ 860,000	\$ 617,000	\$ 622,000	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000

NOTE: FY 18/19 TO BE APPROVED WITH BUDGET

**South Central Wastewater Authority
Capital Budget
FY18/19**

ITEM	Budget 17/18	Proposed Budget 18/19	INFORMATIONAL & PLANNING					
			19/20	20/21	21/22	22/23	23/24	24/25
Solids Building Upgrade (4)		\$ 500,000	\$ 3,000,000	\$ 3,000,000				
Nutrient Upgrade (3)					\$ 3,000,000	\$ 25,000,000	\$ 25,000,000	
Replace Hypochlorite with UV							\$ 7,500,000	
Totals	\$ -	\$ 500,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 25,000,000	\$ 32,500,000	\$ -

NOTE:

- 1) The above items for information only. Approval required from Board of Directors at time of project award.
- 2) Bond Funding will be required for these Proposed Capital Project.
- 3) Project cost defined by regulator requirements.
- 4) Funded with capital reserve fund/miscellaneous revenue fund

SOUTH CENTRAL WASTEWATER AUTHORITY

FY 2018/2019 Budget

Proposed: January 18, 2018

Approved: _____

Operations and Maintenance, Equipment Repair and Replacement Funds and Debt Service billing per July 2, 1996 Service Agreement

Operation and Maintenance, Section 10, Para. 2

Budget: \$8,199,100.00

Community	Petersburg	Colonial Heights	Chesterfield	Prince George	Dinwiddie
% O&M (1)	55.819%	20.244%	8.530%	6.952%	8.456%
O&M	\$ 4,576,616.58	\$ 1,659,787.51	\$ 699,348.73	\$ 570,020.53	\$ 693,326.65

Equipment Repair and Replacement Fund, Section 11, Para. E, 5% of O&M

Budget: \$ -

%ERRF(2)	52.5%	20.0%	10.0%	7.5%	10.0%
ERRF	\$ -	\$ -	\$ -	\$ -	\$ -

Debt Service, Section 11, Para. A.2

Budget: \$ -

% Participation	0.00%	0.00%	0.00%	0.00%	0.00%
P&I Owed	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred	\$ -	\$ -	\$ -	\$ -	\$ -
Total P&I	\$ -	\$ -	\$ -	\$ -	\$ -

Reserve Policy (includes rate stabilization / reserve funding)

Budget: 0

% Participation (3)	52.5%	20.0%	10.0%	7.5%	10.0%
Reserve Policy	\$ -	\$ -	\$ -	\$ -	\$ -

Annual Total	\$ 4,576,616.58	\$ 1,659,787.51	\$ 699,348.73	\$ 570,020.53	\$ 693,326.65
O&M Due Monthly	\$ 381,384.71	\$ 138,315.63	\$ 58,279.06	\$ 47,501.71	\$ 57,777.22
ERRF Due Monthly	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve policy Due Monthly	\$ -	\$ -	\$ -	\$ -	\$ -
P&I Due Monthly	\$ -	\$ -	\$ -	\$ -	\$ -
Total Due Monthly	\$ 381,384.71	\$ 138,315.63	\$ 58,279.06	\$ 47,501.71	\$ 57,777.22

Notes:

(1) Participation percentage based on flow data for period from FY13 to FY17

(2) Participation percentage based upon Section 6 of the Service Agreement

(3) A Reserve Policy of 50% O&M was adopted with the FY15/16 Budget to be funded initially over a 5 year term. Participation is based on Plant Allocation

SOUTH CENTRAL WASTEWATER AUTHORITY

FY 2018/2019 Budget

Proposed: January 18, 2018

Approved: _____

<u>Proposed Revenues</u>	<u>Petersburg</u>	<u>Colonial Heights</u>	<u>Chesterfield</u>	<u>Prince George</u>	<u>Dinwiddie</u>	<u>Total</u>
Estimated Share of Plant Flow	55.819%	20.244%	8.530%	6.952%	8.456%	100.000%
Estimated Share of Operations & Maintenance	\$ 4,576,616.58	\$ 1,659,787.51	\$ 699,348.73	\$ 570,020.53	\$ 693,326.65	\$ 8,199,100.00
Share of Plant Capacity (%)	52.50%	20.00%	10.00%	7.50%	10.00%	100.00%
Share of Equipment Replacement Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Policy - Rate Stabilization/ Reserve Fund (50% O&M)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Share of Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly Amount	\$ 381,384.71	\$ 138,315.63	\$ 58,279.06	\$ 47,501.71	\$ 57,777.22	\$ 683,258.33
Annual Total	\$ 4,576,616.58	\$ 1,659,787.51	\$ 699,348.73	\$ 570,020.53	\$ 693,326.65	\$ 8,199,100.00
Electrical Credit						\$ -
Funds Carried over from Previous FY						\$ -
Miscellaneous Revenue - PROPOSE THIS REVENUE IS DEPOSITED TO A CAPITAL RESERVE FUND						\$ -
Total Budget						\$ 8,199,100.00

Budget Comparison

	<u>FY18/19 Proposed Budget</u>	<u>FY17/18 Budget</u>	<u>FY18/19 - FY17/18</u>	
<u>Locality</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Difference</u>	
City of Petersburg	\$ 4,576,617	\$ 4,511,706	\$ 64,911	1.44%
City of Colonial Heights	\$ 1,659,788	\$ 1,707,986	\$ (48,198)	-2.82%
Chesterfield County	\$ 699,349	\$ 745,223	\$ (45,874)	-6.16%
Prince George County	\$ 570,021	\$ 550,486	\$ 19,535	3.55%
Dinwiddie County	\$ 693,327	\$ 683,983	\$ 9,344	1.37%
Sub-totals	\$ 8,199,100	\$ 8,199,383	\$ (283)	
Deferred Debt (Petersburg)	\$ -	\$ -	\$ -	
Deferred Debt (Colonial Heights)	\$ -	\$ -	\$ -	
Deferred Debt (Prince George)			\$ -	
Electrical Credit	\$ -	\$ -	\$ -	
Funds Carried over From Previous FY	\$ -	\$ -	\$ -	
Miscellaneous Revenue	\$ -	\$ 1,500,000.00	\$ (1,500,000.00)	
Total Budget	\$ 8,199,100.00	\$ 9,699,382.71	\$ (1,500,282.71)	

50% Reserve Policy:

Reserve Fund Calculation (Year 4 of 5)

	Total expected reserves on June 30, 2018	Recommended 50% O&M Reserves	Charges required to achieve 50% reserves	Annual Charge spread over 2 years (adjusted annually)
SCWWA O&M Budget				
\$8,199,100	\$4,392,714.58	\$4,099,550.00	-\$293,164.58	0

5. Items from Counsel

Following is a Resolution regarding the establishment of a Capital Reserve Account and the application of certain funds in such account in fiscal year 2017-2018

**RESOLUTION OF THE BOARD OF THE SOUTH CENTRAL WASTEWATER
AUTHORITY AUTHORIZING THE ESTABLISHMENT OF THE CAPITAL RESERVE
ACCOUNT AND THE APPLICATION OF CERTAIN FUNDS
IN SUCH ACCOUNT IN FISCAL YEAR 2017-2018**

A. On May 21, 2015, the Board of the South Central Wastewater Authority (the "Authority") adopted the Financial Policy Guidelines (the "Financial Policies") prepared by the Authority's staff and financial advisor.

B. Under the section entitled "Operating Budget Policies," the Financial Policies provide, among other things, that (i) the Authority will budget for all current operating and maintenance costs ("operating expenses") to be paid for with current operating revenues and (ii) one-time or other special revenues will not be used to financing continuing Authority operations, but instead will be used for funding specific one-time projects or adding to Authority reserves.

C. For the past several years the Authority has been collecting and treating landfill leachate from certain central Virginia landfills.

D. The revenues from leachate treatment have been used to pay Authority operating expenses and have been critical in sustaining the Authority through periods of cash shortfalls; however, the Authority's financial condition has stabilized and the Board has recognized that leachate treatment revenue stream is uncertain and should henceforth be treated more like the one-time or special revenues described in the Financial Policies.

E. The Authority is currently holding a balance of approximately \$1,989,616 in leachate revenues received in the current Fiscal Year 2017-2018 and past Fiscal Years that to date have not been budgeted or otherwise required to be used to pay Authority operating expenses.

F. The uncertainty of the leachate revenue stream has been demonstrated by the recent decline from \$125,000-160,000 per month to approximately \$10,000-12,500 per month, which Authority staff has attributed to the start-up of an advanced landfill leachate treatment facility in Sussex County.

G. The Authority's budget for Fiscal Year 2017-2018 projected that the Authority would receive \$1,385,000 in leachate revenues, all of which are to be used to pay Authority operating expenses.

H. If current trends continue, the reduction in leachate revenues will produce an approximately \$600,000 shortfall in total revenues over total operating expenses.

I. Authority staff is recommending an addition to the Financial Policies to authorize the establishment of a fund or account (to be referenced below as the "Capital Reserve Account") into which the leachate revenues described in Recital E and all future leachate revenues and other revenues not paid by the member jurisdictions pursuant to the Service Agreement (collectively, the "Special Revenues") would be deposited and held for use only with Board approval to fund future capital improvement projects or to pay Authority operating expenses in the event of unanticipated financial emergencies, but that the Special Revenues not be programmed for the payment of Authority operating expenses in the budgets for Fiscal Years 2018-2019 and thereafter.

J. In addition, Authority staff recommends that the Board authorize the expenditure of up to \$600,000 of the balance in the Capital Reserve Account to pay Authority operating expenses in Fiscal Year 2017-2018.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE SOUTH CENTRAL WASTEWATER AUTHORITY THAT:

1. Establishment of Capital Reserve Account. The Board hereby authorizes and directs the Executive Director to establish the Capital Reserve Account as described herein as an account within the General Fund described in the Financial Policies. The accumulated leachate revenues described in Recital E above and all future Special Revenues shall be deposited into the Capital Reserve Account. Amounts in the Capital Reserve Account may be spent only with Board approval to fund future capital improvement projects or to pay Authority operating expenses in the event of unanticipated financial emergencies. The balance in the Capital Reserve Account shall not be counted towards the target balance for all Tier 2 reserve funds described under the section entitled "Reserve Policies" in the Financial Policies of at least 50% of the Authority's annual operating expense budget or the equivalent of 182.5 days of operating cash on hand.

2. Authorization of Expenditures from the Capital Reserve Account. To address the recent steep reduction in leachate revenues and the possible adverse effects on the Authority's budget, the Board hereby authorizes the use of up to \$600,000 of the balance in the Capital Reserve Account to pay the Authority's budgeted operating expenses in Fiscal Year 2017-2018. No other expenditures from the Capital Reserve Account are authorized at this time.

3. Direction to Staff in Preparing Budgets. The Board hereby directs Authority staff not to provide or program the use of any Special Revenues for the payment of Authority operating expenses in the budgets for Fiscal Years 2018-2019 and thereafter. All such Special Revenues shall be directed into the Capital Reserve Account.

4. Effective Date. This Resolution shall take effect immediately.

6. Closed Session

7. Other Items from Board Members/Staff Not on Agenda

- Financial Disclosure

8. Adjourn