

WESTERN VIRGINIA WATER AUTHORITY

MINUTES OF BOARD MEETING

October 21, 2010

The Board of the Western Virginia Water Authority (Authority) met on Thursday, October 21, 2010 at 3:00 p.m., in the 2nd Floor Board Room, Coulter Building, 601 S. Jefferson Street, Roanoke, Virginia. Chairman Marc Fink called the meeting to order at 3:00 p.m.

ROLL CALL: Present: Board Members Marc Fink, Donald L. Davis, Shirley B. Holland and H. Odell "Fuzzy" Minnix-----4.

Absent: Board Members John Bradshaw, Gray Goldsmith and Robert C. Lawson, Jr.-----3.

OTHERS PRESENT: Michael McEvoy, Executive Director, Wastewater Services; Gary Robertson, Executive Director, Water Operations; Bruce Grant, Treasurer; Jeremy Carroll, Acting Counsel to the Authority; Jean Thurman, Secretary; Mary Sweeney, Assistant Secretary and Sarah Baumgardner, Environmental Communications Coordinator.

Other guests were: Bob Benninger, Director, Water Operations; Phil Martin, Director, Field Operations; Tanya Catron, Senior Accountant; Tammy Lawfield, Staff Accountant/Budget Analyst; Rick DiSalvo, Draper Aden; Dave Miller; Gary Rookstool, GHD (formerly Stearns & Wheeler); Todd Havelaar, Honeywell.

Mr. Fink declared that a quorum was present.

APPROVAL OF MINUTES: Mr. Minnix moved approval of the minutes of the September 16, 2010 Board meeting. His motion was seconded by Mr. Davis. Hearing no discussion, the minutes of the September 16, 2010 Board meeting were approved by unanimous voice vote.

COMMUNICATION FROM EXECUTIVE DIRECTORS: Mr. McEvoy introduced Jeremy Carroll of Glenn Feldman Darby and Goodlatte who was in attendance to fill in for Mr. Darby.

Mr. McEvoy gave a summary of the September 2010 Executive Directors' Report. His summary included the Water System, Wastewater System, Administration and Regional Efforts/Contract Operations. A copy of this report in its entirety is filed with the Secretary and made a part of these minutes.

Water System: As reported, the reservoir levels are well within acceptable limits for this season of the year with 80% capacity in both Carvins Cove and Spring Hollow.

A. J. Conner is continuing work on the Wirtz Road water line extension project. This is the project off the U. S. Route 220 line that is going to serve areas, including a mobile home park and several other properties, that were impacted by an underground storage tank leak.

Five bids were received for the Liberty Road Water Line Replacement project. Portland Utilities Construction Company of Portland, TN was the low bidder. The project consists of replacement and/or rehabilitation of approximately 1,540 lineal feet of 12-inch water line utilizing a combination of pipe bursting, slip lining and open trench construction methodologies.

Glen Heather Farms Area Water Line Replacement – Phase I project commenced during the month of September. The project, located in western Roanoke County, consists of replacement of approximately 3,074 lineal feet of 8-inch and 1,381 lineal feet of 6-inch water line.

Jones & Son Excavating continued to make good progress on the Club Lane water line replacement project.

Progress picked up during September on the Belle Meade Area and Harrison Area – Phase 3 projects which are being constructed by S. C. Rossi.

A total of 23 water main breaks were repaired by Field Operations crews during the month of September. Mr. Minnix asked if these water main breaks were continuing because of age. Mr. McEvoy responded that the breaks were continuing because of worn out infrastructure.

The Authority's CIP crew continued to work on the Ingal Boulevard water line replacement project located in the Glenvar area of Roanoke County.

The State Corporation Commission has approved the Authority's application to acquire the water system which serves the Contentment Island development at Smith Mountain Lake. Closing for the purchase of the system occurred on September 24th.

Staff has been in discussions with two neighborhoods which are in close proximity to the Scrugg's Road project about the possibility of water service to their properties. The first development is Key Lakewood and would serve approximately 20 customers. The second development is Bluewater Bay and has the potential for serving 110 customers.

Wastewater System: As reported, average daily flow at the Regional Water Pollution Control (WPC) Plant was typical for September at 33 million gallons per day (mgd).

While most of September was dry, the service area received 5.5 inches of rain in the last week of the month during two separate rain events. Total rainfall for the month was 6.92 inches, the highest September total since September 2004. The two events serve to illustrate the effect ground water saturation can have on sewer system inflow and infiltration. Roughly the same amount of rain fell during the two storms with both being slightly less than 2-year events. During the first rain, no plant or collection system overflows were recorded, river level rise was moderate and plant flows were not high enough to require diversion to the equalization basin. The second rain, which followed three days later, caused 43 collection system overflows and resulted in a peak day flow at the WPC Plant of 101.8 mgd. This is the third highest peak day flow in the Authority's history. Fortunately no plant overflows occurred as staff were able to manage flows diverted for equalization. Saturated ground conditions

created more runoff during the second event impacting the collection system to a higher degree.

Field Operations staff is to be commended for its efforts in renovating the 15-inch sewer main in the 100 block of Williamson Road. Staff was able to complete the conventional excavation and main replacement portion of the project, approximately 100 feet of pipe, in four days. The excavation was difficult as the main was more than 25 feet deep and the work area on the surface was quite restricted. The work was completed at night. Overall, the short duration and night work limited traffic disruption of Williamson Road significantly.

Field Operations staff spent approximately 805 man-hours in September relocating water lines and valves for the City of Roanoke's Market Building rehabilitation project. Jones and Sons Excavating has completed the Market Street Sewer Relocation project. The sewer ran directly under the building and the planned building renovations provided an opportunity to relocate this main for better access and maintenance.

Engineering Services has received bids for the Shaffer's Crossing Sewer Replacement. The project includes replacing 3000 feet of sewer currently located under Norfolk Southern's rail yard and in a drainage channel. The low bid, \$990,000, was significantly higher than budget estimate of \$550,000 due to changes in traffic control procedures that the City of Roanoke instituted during bidding. Staff has negotiated with both the low bidder, Pace Construction, and the City and expects to get the price under \$750,000, While this exceeds the original budget amount, construction reserves are sufficient to cover the balance with the Board's concurrence. The Board gave unanimous consent.

The Lockridge Road Sewer Rehabilitation project is substantially complete with the exception of some landscaping restoration.

Staff was also notified by the Department of Environmental Quality that the loan requests for both plant and collection system projects were tentatively approved by the State Water Control Board. Final approval is expected at their December meeting after a November comment period.

Billed consumption for September was higher than September 2009 and in line with billings for July and August. Success continues with the automated calling system to customers who are in delinquent status.

Work continues on replacement of the Coulter Building's roof and is expected to be complete by early November. Some minor repairs are underway at the Field Operations Building on Hollins Road.

VML Insurance Programs, the Authority's liability and workers compensation insurance carrier has awarded the Authority a \$14,000 grant. After VML meets all of its financial requirements, they rebate premiums back to customers on a competitive basis. The grant money will be used to buy steel plates to put over rough pavement to minimize auto accidents.

The Authority has been awarded a state-wide Psychologically Healthy Workplace Award for 2010. Mr. McEvoy asked Ms. Baumgardner to summarize this award for the Board. Ms. Baumgardner noted that the award is a part on the American Psychological Association. The first step is winning the state award and if you win state you are entered into the national competition. The award is based of the organization's wellness programs, employee involvement programs, structure and how well employees are included in decision making. After a multiple-step process, the Authority received the state award. Notification will be received in early November of the presentation that will be made in Roanoke for the Authority to receive the award.

Mr. Minnix noted that this is another indication of staff doing so well and that the number of awards the Authority receives and the number of awards directors receive from time-to-time really makes him proud of this organization and the work that is being done.

Mr. McEvoy noted that the Authority has been invited to take part in a second wellness study being conducted by Virginia Tech. This study involves surveying employees about use of social media that could help in design of wellness delivery programs. Authority employees are currently part of a two-year study through Virginia Tech tracking weight loss trends in the workplace.

The prescription drug take-back event on Saturday, September 25th was very successful. The Authority partnered with the City of Roanoke Police Department, the Roanoke Area Drug Enforcement Administration and the Roanoke Area Youth Substance Abuse Coalition for this event. Ms. Baumgardner noted that the event was hugely successful, much more so than the local police department and DEA expected it to be. Over 334 pounds of prescription drugs were collected. Ms. Baumgardner noted that most of these drugs were not in containers and therefore the weight reflected the actual poundage of the pills themselves. The goal of this effort was to help prevent drug abuse, protect our valley's waterways and make our communities safer. The event was so successful that the police department and DEA would like for this event to take place again in the spring and continue to make this a twice-a-year event. Mr. McEvoy noted that another impressive part of this event was the fact that it was a first-time event that wasn't widely advertised and still had a tremendous turnout.

Mr. Minnix noted that he was very glad to hear of this success. As a member of the school board, he noted that many of the expulsions and the problems concerning drugs are often students that are taking prescription drugs out of their home and either taking them themselves or selling them to someone else.

Mr. McEvoy noted that the Authority participated in the Fall Waterways Clean-up on October 2. Over thirty bags of trash and miscellaneous household items were collected by members of the Authority's team.

The Executive Directors and Greg Reed, Director of Engineering Services, will be meeting with staff from Virginia Tech's College of Engineering as part of a delegation headed by Roanoke's City Manager. The meeting is intended to explore ways the City and Authority can utilize the College's technical resources for better infrastructure management.

FINANCIAL REPORT FOR SEPTEMBER 2010: Mr. Robertson gave the financial report for the month of September 2010. His report included the Water Fund, the Water Pollution Control Fund and Combined Financial Operations. A copy of this report is filed with the Secretary and made a part of these minutes.

As reported: The month of September represents 25% of the budget year. Water Fund Revenues are at 26% of budget and Expenses are at 21%. Net Income for the Water Fund is at 32%. Wastewater Fund Revenues are at 25%, Expenses at 23% and. Net Income for the Wastewater Fund is at 22%. Overall, the Combined Funds Operating Revenues are at 25%, Expenses at 22% with an overall Net Income at 27% .

Mr. Davis asked if the water had picked up any at all. Mr. Robertson responded that he doesn't know that it has picked up like anything related to the economy. It is just that the summer was fairly hot and dry and people used more water during that period of time.

REPORT FROM AUTHORITY COUNSEL: Mr. Carroll noted that Mr. Darby wanted him to thank everyone for their understanding of his inability to attend today's meeting. Mr. Darby had one item that he wanted Mr. Carroll to bring to the Board's attention. The LakeWatch property examination requested by the Board at the September meeting has been performed. There are two pieces of property that the Authority is interested in. One is a smaller parcel, 2.11 acres, where the wastewater plant is located. This parcel has three deeds of trust totaling \$15,300,000. All three deeds of trust are held by StellarOne. The second piece of property is where the drain fields are. This parcel consists of 330 acres and has the same three deeds of trust plus an additional \$2.5M. Between the two properties, there is \$17.8M of secured debt. Mr. Fink asked if the second property was StellarOne also. Mr. Carroll responded all the properties are StellarOne. Mr. McEvoy noted that the second property is the development itself.

Mr. Carroll noted that these deeds of trust secure more than just these two parcels. The deeds secure parcels in Bedford and in Roanoke County as well. Mr. Carroll noted that StellarOne has a lot of security for the debt and whether or not they would be willing to release these deeds of trust as partial payment is something that could be explored, but needless to say it is an impediment that would have to be overcome for marketable title to this property.

Mr. McEvoy noted that he talked with the Franklin County Zoning Administrator and he has had some contact from the bank about what would be required if the bank were to take over operation of the wastewater plant.

The consensus of the Board was to take no further action until the bank contacts the Authority.

REPORT FROM COMMITTEE CHAIRS: Mr. Minnix, Chair of the Audit Committee, reported that the Audit Committee had a very successful cordial meeting with Robinson, Farmer, Cox, the Authority's auditors. They had many good things to say about the Authority's process and the Audit Committee recommends approval of the FY 2010 audit report.

The FY 2010 audit report was adopted by the following roll call vote:

AYES: Board Members Davis, Holland, Minnix and Fink-----4.

NAYS: None-----0.

Mr. Davis congratulated Mr. Grant and his staff on an excellent job. Mr. Grant expressed his appreciation to Ms. Catron and Ms. Lawfield for their work on the audit.

REVIEW OF ESCO CONTRACTING METHOD AND METER REPLACEMENT PROPOSAL: Staff has been exploring various options to accelerate the implementation of automatic meter reading (AMR) technology and to address the issue of unaccounted for water throughout the water distribution system. As part of this evaluation, staff has also considered a comprehensive program to identify, design, install, maintain, monitor and arrange other financing of large-scale energy and operational efficiency programs. Development and implementation of this comprehensive program would involve contracting with an Energy Services Company (ESCO) qualified to provide a turn-key energy and operational efficiency program in accordance with Virginia Code §11-34.3 "Energy Performance-Based Contract Procedures". This legislation authorizes governmental units to enter into guaranteed energy cost savings contracts not to exceed 20 years.

Staff proposes to implement a program to upgrade outdated and obsolete equipment and perform operation improvements that will provide sustained operational avoided costs through the program. The Authority would structure the

program's implementation schedule in a manner to minimize financed capital needs.

Components of the system-wide water infrastructure improvement program would include:

- Water meter replacement and implementation of an automatic meter reading system using a fixed-base network
- Implementing a zone/district metering system in the distribution system
- An aggressive water leak detection monitoring program and installing equipment that would measure water moving through the system during low demand times
- Energy management to include water pumping systems, HVAC systems and equipment related to renewable energy

A Request for Proposal (RFP) went out in January 2010. On February 19, 2010 staff received proposals and qualifications statements from several ESCO's. These proposals were reviewed and evaluated and three firms were selected for interviews which were held on June 9th and 11th, 2010. Following the interview phase, staff requested additional information and clarifications from each of the ESCO's in a letter dated August 4, 2010. A second interview was held with the three firms and Honeywell Building Solutions was selected as the top ranked firm.

Mr. Robertson introduced Todd Havelaar of Honeywell. Using a PowerPoint presentation, Mr. Robertson and Mr. Havelaar summarized for the Board what Honeywell brings to the table, what the Authority's next steps would be and what the Authority's goals would be. During the PowerPoint presentation, questions and comments from the Board were addressed by Mr. Robertson and Mr. Havelarr.

A copy of the PowerPoint presentation is filed with the secretary and made a part of these minutes.

Mr. Minnix said that he did not think any decision should be made about having Honeywell conduct an initial audit without a full board present. Mr. Fink asked if he and Mr. Robertson could poll the other members one-on-one instead of waiting until the next Board meeting. The Board gave unanimous consent for Mr. Fink and Mr. Robertson to poll the other Board members one-on-one before the next meeting and

proceed with an initial audit by Honeywell. No work other than the initial audit is authorized at this time.

UPDATE ON ENERGY IMPROVEMENTS AT THE WATER POLLUTION CONTROL PLANT: Mr. McEvoy noted that the Board's October agenda packet included a history and update on energy improvements at the Water Pollution Control Plant.

Mr. McEvoy gave a PowerPoint presentation on a methane generator project that is currently underway at the Water Pollution Control (WPC) Plant. The project began after Staff explored options for using methane that would meet the Commonwealth's regulations governing reliability at wastewater treatment plants. When the project is complete in 2011, two generators will be able to supply better than 90 percent of the plant's heating requirements as well as 45 percent of the plant's total electrical demand. These units will run continuously, helping to power the aeration system offsetting purchased power. The ability to switch to purchased natural gas is also available should plant methane be unavailable.

A copy of the PowerPoint presentation consisting of the project's goals, project description, how it works, cumulative electric and heating savings and project savings is filed with the secretary and made a part of these minutes.

APPROVAL OF BULK WATER CONTRACT WITH BEDFORD COUNTY: Mr. Robertson noted that this item was removed from the agenda.

CITIZENS COMMENTS: None

COMMENTS FROM BOARD MEMBERS: Mr. Minnix expressed appreciation for the time Mr. McEvoy and Mr. Robertson spent with the Board touring the Falling Creek Water Treatment Plant before today's regular Board meeting. He noted that the operation seems to be going very well and will obviously be an asset to the Authority in times when water is low.

Mr. Davis noted that the two reports today, Review of ESCO Contracting Method and Meter Replacement Proposal and the Update on Energy Improvements at the Water Pollution Control Plant are examples of how thoughtful the Executive Directors are of

the Authority in always looking for ways of improving service as well as monitoring day-to-day operation and expressed appreciation to them on behalf of the Board.

Mr. Davis asked the Executive Directors to pass along to the employees how appreciative the Board is for the outstanding work that they do all hours of the day and night and in all kinds of weather.

OTHER BUSINESS: None

Mr. Fink adjourned the meeting at 4:12 p.m.

APPROVED NOVEMBER 18, 2010

ATTEST:

A handwritten signature in cursive script that reads "Jean Thurman".

Jean Thurman

Secretary

WVWA Board of Directors