

Minutes of the 762<sup>nd</sup> Meeting  
***“Celebrating Over 50 Years of Continuous Environmental Excellence.”***  
City of Alexandria, Virginia, Sanitation Authority  
6:00 p.m., Tuesday, May 18, 2010

On Tuesday, May 18, 2010 at 6:00 p.m., the regular meeting of the Authority was held in the offices of the Authority with the following present:

Members: Mr. Edward Semonian, Chair  
Mr. Thomas Van Wagner, Vice Chair  
Ms. Elise Fulstone, Secretary-Treasurer

Staff: Ms. Karen Pallansch, Engineer-Director  
Mr. Joel Gregory, Process Manager  
Mr. Jeff DuVal, Solutions Manager  
Ms. Angela Tibbs, Acting Controller  
Ms. Patricia Wheeler, Secretary to the Board

Fairfax County Representative: Mr. Gilbert Osei-Kwadwo, Chief, Engineering Analysis Branch  
Mr. Jeff Kent, Financial Manager

City Representative: Mr. Maurice Daly, P.E., Division Chief/Engineering, T&ES

Counsel: Mr. Jonathan Rak, McGuire Woods

Public Financial Management:  
(PFM) Mr. Dan Schroeder  
Mr. Nelson Bush

Public Resource Management  
Group: (PRMG) Mr. Rob Ori  
Mr. Thierry Boveri

Citizen: Mr. Stephen Kuhr, Consultant, Parsons Brinckerhoff

Call & Minutes

The Chairman called the meeting to order at 6:07 p.m. and asked for any additions or corrections to the minutes for the meeting held Tuesday, April 20, 2010 and the Special Board Meeting held on May 1, 2010. Ms. Fulstone moved adoption of both sets of minutes. Mr. Van Wagner seconded and the vote was unanimous in favor.

Public Comment

None

Reports

April Activities Report: Ms. Fulstone raised some questions concerning the Financial section of the Monthly Report. She asked for an explanation of two line items on Page 17 titled “Sewage Charges-Arlington County” and “Voluntary Payment (V.A.W.)”. Ms. Tibbs stated that the Sewage Charges-Arlington County account shows a large amount for the current month because the Authority paid 2 quarters in one month and the Voluntary Payment account includes amounts that were recorded as bad debts that have been received from Virginia American Water. Ms. Fulstone asked about the balance on the “Wachovia Bank, Operating Fund” on page 18 and Ms. Tibbs replied that the operating account is set up as a clearing account for payables which requires transfers to cover the amount of

checks written. The negative value was created because of the accounting system and was not a real account balance.

### Old Business

Review of Settlement Agreement with Hooff-Fagelson Tract, LLC: Mr. Rak reported that the Settlement Agreement and Release was signed on May 3, 2010 ending the lawsuit between the Authority and Hooff-Fagelson Tract, LLC. The Authority has until June 17<sup>th</sup> to pay Hooff-Fagelson Tract, LLC the settlement payment. Once paid, the Authority will submit a Final Order to the Court concluding the case and confirming the amount of just compensation and the title in the Authority's name.

CITGO Gas Station Incident: Mr. Van Wagner asked for a follow up on the outcome of the CITGO Gas Station incident that was reported in last month's Monthly Report. Ms. Pallansch reported that this incident was an oil/water separator as opposed to an unknown tank. She will report the final outcome to the Board within the month.

### New Business

Review and Approval of Supervisor Control and Data Acquisition System (SCADA) Engineering and Maintenance Services Contract: Mr. DuVal reported that the SCADA maintenance contract that provides engineering and maintenance support is due for renewal. The plant-wide SCADA system is an integral part of plant operations for the Authority's Water Resources Facility. The purpose of the SCADA system is to provide for accurate and continuous control of all unit processes and to provide easy monitoring and adjustment of the process equipment by plant employees.

This contract will provide maintenance support for the existing SCADA system including troubleshooting, training, data management, and system programming changes. These services will be on a planned basis to meet recurring maintenance needs and enhance operating efficiencies. It will also provide support for changes and additions needed for the upcoming nitrogen project. The funds were approved as part of the FY10 approved budget.

The Public Notice of the Invitation to Bid was posted as required by the VA Public Procurement Act. The bid specification was distributed from the eVA procurement site and three (3) firms responded to the solicitation.

M.C. Dean was the lowest responsive and responsible bidder. The initial contract terms shall be for up to two (2) years, with the possibility of extension for up to five (5) years.

Staff recommends that the Board authorize the Engineer-Director to execute a contract with M.C. Dean of Harrisonburg, VA for a cost not to exceed \$479,000 over a contracted period not to exceed five years.

Mr. Van Wagner asked about the security and use of firewalls for the Authority's SCADA system and the potential for a breach by an outside party. Mr. DuVal replied that the SCADA system is carried on a separate server with individual passwords needed to access. Ms. Pallansch stated that the security of the Authority's SCADA system has also been addressed in our Security Contract.

Mr. Van Wagner moved that the Board authorize the Engineer-Director to execute a contract with M.C. Dean for a cost not to exceed \$479,000 and a term not to exceed five years. Ms. Fulstone seconded and the vote was unanimous in favor.

**Be it RESOLVED that:** the Engineer-Director is authorized to execute a contract with M.C. Dean for a cost not to exceed \$479,000 and a term not to exceed five years.

Year 2011 Preliminary Draft Budget: Ms. Pallansch presented to the Board the recommendations for the Fiscal Year 2011 Preliminary Draft Budget. She asked that the Board hold any questions until next month so that the Board can integrate not only the budget information but the added financial management policies and rate information to be presented later in the meeting. The proposed draft budget shows an overall increase in projected costs of less than 2.5%.

Preliminary Draft of Financial Policies: Mr. Dan Schroeder of Public Financial Management, Inc. (PFM) has prepared an outline for the investment policy and investment strategy recommendations. Mr. Schroeder introduced Mr. Nelson Bush of PFM who reported that in 1995, the Authority Board had adopted an Investment Policy and PFM's efforts will be focused on reviewing and expanding the existing guidelines. This investment policy will be designed to help the Authority meet standards for best practices, line up with the prudent aspects of similar policies utilized by the Authority's peers, and focus the Authority's investment process on achievable goals. A preliminary draft was issued for the Board's review and comment.

Review of the Authority Rate Model Results and Recommendations: Ms. Pallansch reported that as part of its financially sustainable business model, the Authority embarked on a review of its long term financing needs through the use of a rate model as developed by Public Resources Management Group, Inc. (PRMG). PRMG performed a detailed rate analysis for the Authority to determine its cash flow and long term needs for the next ten years. The firm has provided the Authority with a detailed rate model and rate structure recommendations. These recommendations are in keeping with the current investment policy and the draft financial and updated investment policies as provided by the Authority's financial advisors.

Ms. Pallansch introduced Mr. Rob Ori of PRMG who presented the Board with an overview of the 10 Year Financial Plan Forecast and Rate Evaluation. This plan identifies the Authority's service and demand requirements as well as expenditures and funding requirements. It is also designed to promote the Authority's credit worthiness with an ability to attract capital and long term rate stability.

PRMG recommends that the Authority consider the following changes:

1. Consider approval of a 9.75% rate increase each year for the next three years
2. Continue to annually review the financial forecast
3. Adopt a recommended rate design as follows:
  - a) Addition of Base Charge tied to meter size based on customer class
  - b) Phase-in rate structure changes over 3 years
  - c) Quarterly residential billing cap (9kgal or Winter use)

Ms. Fulstone asked when this new proposed rate structure would go into effect. Mr. Ori replied it would start October 1, 2010 with a 3 year phase-in to minimize impact on the rate payer. Mr. Van Wagner asked if the Authority could project beyond the 10 year span and Ms. Pallansch replied that while possible, it would not allow for the level of confidence needed for rate setting. Mr. Semonian asked when PRMG will be prepared to present their final recommended rate adjustment. Mr. Ori said the rate adjustment will be ready for review no later than the July Board Meeting. Mr. Van Wagner commented that the base charge concept provided a sound approach to fiscal management. Ms. Fulstone inquired as to whether other jurisdictions in this area use this base charge approach, to which Mr. Ori responded yes.

Mr. Semonian thanked Mr. Ori for the presentation. Ms. Pallansch asked the Board to e-mail or call her with any questions or recommendations they might have and seeks any additional information that might be needed in order to approve the recommendations for rate structure by October 1, 2010.

Adjournment

There being no further business Ms. Fulstone moved to adjourn the meeting at 8:02 p.m. Mr. Van Wagner seconded the motion and the vote was unanimous in favor.

The next regular meeting date is June 15<sup>th</sup> at 6:00 p.m.

**APPROVED:**

  
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**Secretary-Treasurer**