Appomattox River Water Authority

Board of Directors Meeting

DATE: August 17, 2017
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 Regular Board Meeting on July 20, 2017
3. Public Comment
4. Executive Director’s Report:
   - Reservoir Status Update for July/August 2017
   - Review of Kruger (KEI) Hydro-Facility Amended Deed of Easement
   - Board Discussion on Phase 1, Step 1 & 2 - Brasfield Dam Raise Project
   - Permit Required Letter to Virginia DEQ
   - Board Discussion on Amendment Four to the 1964 Water Service Agreement
   - Status Report: Ongoing Projects/Financials
5. Items from Counsel
6. Closed Session
7. Executive Director’s Annual Review
8. Other Items from Board Members/Staff Not on Agenda:
   - Change in location for September Board Meeting: ARWA not SCWWA
9. Adjourn

Cc: W. Dupler/George Hayes, Chesterfield
D. Harrison, Petersburg Public Works
W. Henley, Colonial Heights
R. Wilson, Dinwiddie Water Authority
A. Anderson, McGuire Woods
1. Call to Order/Roll Call

2. Approval of Minutes: Minutes of the Regular Board Meeting on July 20, 2017

Following are the Minutes of the Regular Board Meeting on July 20, 2017.

Absent any corrections or revisions, we recommend approval of the minutes as submitted.
Mr. Ashcraft, Chairman, called the meeting to order at 2:35 p.m.

1. Call to Order/Roll Call.

   The roll was called.

   Mr. Ashcraft introduced Ms. Ferrell-Benavides, the new City Manager of Petersburg.

2. Approval of Minutes: Minutes of the Regular Board Meeting on March 16, 2017 and May 18, 2017:

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

   RESOLVED, that the minutes of the Regular Meeting of the Board on March 16, 2017 and May 18, 2017 are hereby approved:

   For: 5  Against: 0  Abstain: 0

3. Public Comment

   There were no public comments.

4. Executive Director’s Report

   The Agenda for the Board meeting was changed.

   - Executive Level Strategic Work Plan Study

   The ARWA Executive Level Strategic Work Plan Summary Update for January 1, 2017 through June 30, 2017 was presented to the Board by the Executive Director, which also included projects and goals looking forward from July 1, 2017 to December 31, 2017.

   Dr. Wichser stated that Amendment Four to the Water Service Agreement was developed and presented to the ARWA Board on May 18, 2017 and adopted for their respective Supervisors/Council members for approval. Mr. Anderson stated that he has information that Prince George, Colonial Heights and Petersburg have all approved Amendment Four but we are still waiting for Dinwiddie’s and Chesterfield’s approvals. Dr. Casey stated that he and Mr. Massengill were able to attend the Stakeholder Public Meeting related to the permit required Storage
Management Plan which was a well-attended session. He further stated that in the future as you go into these meetings that’s billed as a community meeting sometimes when you have a meeting in these localities people think you’re the host that’s having the community meeting (Editor’s note: At the opening of this meeting, ARWA announced that this meeting was an ARWA meeting with a hosted Chesterfield County site location). He further stated that as a recommendation any time in the future that you get a four year window to get a permit item done, he would rather knock it off in the first year instead of starting three and a half years in the process since we now will be running with a November 2017 deadline. He recalled seeing a letter of November 2013 stating within the next four years you will do this exercise. (Editor’s note: The Authority’s 2013 Virginia Water Protection Permit requires that a Storage Management Plan “shall be submitted to DEQ for review and approval within four (4) years of permit issuance.”)

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

Mr. Gordon reported on the Status Reports of Ongoing Projects, Operational, and Financial.

**Davenport Presentation: Scope of Work – Future of the Authority**

Ted Cole of Davenport presented a report on the Scope of Work related to the Water System Governance & Valuation Analysis and Related Consulting Services. He introduced Jimmy Sanderson of Davenport and John Mastracchio of Raftelis Financial Consultants. Mr. Cole stated that at the May Board meeting we talked about advertising and soliciting proposals from subcontractors to look at some combination of review of the Authority as it relates to governance structure, ownership structure and valuation. He further stated that Davenport sent an RFP to nineteen firms and received back four proposals. Davenport is bringing to the ARWA Board their recommendation today to move forward with Raftelis as the subcontractor. He stated their proposal is made up of two primary phases with a number of tasks. Raftelis laid this proposal out in a very methodical way so the Authority can get started on certain things without committing to the entire Scope of Work and evolve from there on one or more areas of further review that you might want to have completed. He further stated it is essentially a sixteen week schedule which could accelerate or take longer. Mr. Cole stated that pricing is laid out by phase or task and that we should expect some additional expenses.

Mr. Smith asked Mr. Cole to explain the $20,000 in work done so far and Mr. Cole replied that this goes back to the inception of this discussion in talking with ARWA staff and the Board, attending a number of Board meetings, talking to almost every one of the individual members about the engagement concepts, preparing the RFP, reviewing the RFP’s received, preparing this report and attending various meetings. Mr. Smith asked Mr. Cole if his fees presented here were based upon his already existing Agreement of hourly fees and is it based on how much time you have actually put in. Mr. Cole replied they will track their fees and if they are not at fifty percent ARWA will get the benefit of that, but not knowing what the time of their role will be in any one task, that was used as an estimate fifty to seventy-five percent possible range of Davenport’s utilization. He further stated that they will keep track of their time in accordance with their agreement with ARWA. Mr. Smith asked Mr. Cole what their anticipated role would be working along with Raftelis as based on the estimate as Davenport’s fees are half the total of project costs. He further asked what the subcontractor’s role would be compared to Davenport. Mr. Cole replied it’s difficult to answer definitively as they didn’t know how this will evolve. He stated he envisioned the work they would be doing not replicating what Raftelis is doing; however, they will facilitate it, attend meetings, do additional review of Raftelis’ work, develop memos and presentations or further clarify Raftelis’ report. There could be any number of tasks. Mr. Cole stated they will track their time and bill the Authority for only actual time spent.

Mr. Cole introduced John Mastracchio of Raftelis. Mr. Mastracchio stated their approach is to get as much information to help set a direction going forward, and if additional analysis needs to be done, they can use the Phase 2 part of the Scope of Work. Dr. Casey asked Mr. Mastracchio if he could perceive that the preliminary valuation will at least yield a dollar amount per MGD for us individually and Mr. Mastracchio said that is their intent. The Phase 1 valuation is a desktop valuation of the system, which will come up with a range of value. If that part of the analysis becomes more important as you perceive through the alternatives you have available, they would then in Phase 2 refine that valuation analysis and get more close to a plan.

Mr. Ashcraft referred to Tasks 1, 2, 3 and 7 and asked Mr. Mastracchio to talk about this. Mr. Mastracchio stated Tasks 1, 2 and 3 were the preliminary tasks. Tasks 4, 5 and 6 are the more detailed evaluation efforts associated with any one of those options that may be attractive to the Board about ownership considerations and more extensive valuation assessments. Task 7 is a facilitated workshop for the Board on how to come to a consensus on alternatives and/or how to work together to evaluate options. Mr. Ashcraft asked if Tasks 4, 5 and 6 have been cost out yet and Mr. Mastracchio replied yes. Dr. Casey asked Mr. Mastracchio to define the pros and cons of
Task 7. Mr. Mastracchio stated in the past they were able to bring in a professional facilitator to try to get out of it as much as they possibly could. They want to produce a product that works. Mr. Smith asked what added value Davenport will bring to this project separate to what Raftelis is doing and Mr. Cole replied that they had put all this together and brought the proposal to the Board. He further stated in going forward he thinks in the context of what they know about the Authority with some of the things the Authority has studied previously. They have looked at different ways to try to work a Service Agreement. They are very familiar with the financials of ARWA, the debt structure and challenges they had on borrowing previously and their day to day involvement in municipal finance business. In the evaluation of ownership, there are going to be things that flow through that as it relates to what they are going to do with the debt outstanding, how the debt of ownership is transferred. Mr. Smith asked Mr. Cole as this moves forward if he could keep the Board updated on summaries of Davenport’s role and involvement with the project from their standpoint and Mr. Cole replied yes that they would do it on any schedule the Board would like to see. Mr. Massengill asked Dr. Wichser if he had evaluated this and Dr. Wichser replied that he had and he estimated the complete project (including all levels of Tasks) including Hazen & Sayer along with McGuire Woods’ fees to be approximately $225,000 to $230,000.

Mr. Ashcraft asked the Board if they wanted to go forward and at what level. Dr. Casey stated he was supportive of Tasks 1, 2 and 3. He wouldn’t commit to Task 4, 5 or 6 until we see a good product in October.

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

RESOLVED, that the Board approves the Executive Director to enter into an Agreement with Davenport/Raftelis for Phase 1 Tasks 1, 2 and 3:

For: 5  Against: 0  Abstain: 0

Mr. Cole stated he will get with Mr. Mastracchio and work out a more detailed schedule for these tasks and share this with Dr. Wichser and present monthly reports to the Board.

5. Items from Counsel

• Status of Amendment 4 to 1964 Water Service Agreement

Dr. Casey stated he appreciated the fact that three localities have voted and one may be voting at some point in time. He further stated if it were to be voted in Chesterfield that would be the fourth Wednesday in August for a full meeting. Dr. Casey stated there have been many discussions with Board members. He further stated with all the matrices in the draft Water Service Agreement in his opinion he thinks there is a window for us to figure out a way to be as forthcoming as possible on who needs MGD and what amount would they like and who has the abilities to sell that. He stated if supplies equal to demands let’s actually do that as a nice insertion of a place holder. He further stated we all need to work as a team and respect that if somebody has a need for MGD then he would want to respect that that was a fair request. He stated there are a couple of things we can solve with cash flow. We have the constraint of borrowing monies for needed capital projects. There will be a decision making point in January/February of 2018 on that. He has done some preliminary discussions with issuing Authorities that if we can do the purchase of the monies go to Chesterfield County for capacity and what portion of those funds can be put into some type of escrow, debt service reserve or operating reserve. He further stated that hopefully a nominal amount to remove the moral obligation over the Authority’s ability to issue debt. You have four localities that have to issue a moral obligation on behalf of one other and it creates a parent/child relationship that he wouldn’t want to bring attention to as we are all brothers and sisters here. The second transaction that he thinks we need to discuss is if there is an inflow of money to one member of the Authority for which the other Authority, South Central Wastewater Authority, has a delinquent obligation, then how do we remedy and solve that. He stated it’s going to create a division of cash to one entity and then us having potentially a constraint down the road in collection of another obligation. He further stated we can make some amends or payment plans with those regards for that inflow of cash and that lifts a cloud over both Authorities. He stated he thought we did have the opportunity possibly as well to relieve something that has been around for a long time and that’s the Branders Bridge Pump Station. He further stated with cash and cash flows from one to another that we were close in having a third partnership towards a $3.5 million Branders Bridge Pump Station Project/throttling valve removal project together; then that partnership of three can be a partnership of four if not five. It brings the costs to something he thinks we were all ready to sign our names to last July. The next point is to agree there are multiple buyers and sellers. He stated we should try being as transparent as possible and determine the dollar amount of MGD for the transaction so that one person is not trying to negotiate something better or higher than another person. That makes it seem that we are all above board and there is a certain value to capacity. If there is a differential as far as
distance that creates a valuing difference but if it’s a matter of our water getting into our respective jurisdictions and velocity is the same then it should have the same price. He further stated if we can get through those then we need to define what capacity is. Is it a plant transmission of raw water and so what does the percentage apply to. There has been an absence of the absolute in the definition in the Service Agreement and the absence of it creates confusion. Dr. Casey stated that at some point in time as we start reaching our peaks, there needs to be some kind of enforcement mechanism for what we need to define what is our rightful share of the grand total and what is that grand total. He stated he would help interpret and further discuss this information. He further stated he is trying to look out for Chesterfield’s interest but with the heart in mind that he is trying to be respective of points and decision points that he thinks will actually position ARWA in a better shape as well as SCWWA to be in a sustainable function going forward.

Mr. Ashcraft stated that the Authority voted for an Amendment to the Service Agreement that was dispensed to the localities to take either action or inaction. He further stated if for any reason Chesterfield or Dinwiddie decided to move forward with a vote in the negative he thinks it throws the whole thing back to the Authority for further action or discussion. He asked that all the things that Dr. Casey mentioned if that is going way past the Service Agreement or does it fall in that parameter in which it came to the narrow Amendment that we ended up passing. Mr. Anderson stated it would be reflected in the Amended Service Agreement which he was talking about. It is certainly beyond the scope of what was brought before the Board. He further stated that is really the governing document that governs relationships. Dr. Casey stated he didn’t want to come out with a negative Board vote. He added this is such a complex topic that a no can be interpreted in a negative way. He further stated he is trying to create more votes. As far as the three to five issues that he has seen as well as two or three other issues that could arise invariably over this next year we can resolve it with those five items that he mentioned. Mr. Ashcraft asked what we send to our localities, if they are expected to table it, and Mr. Anderson stated it wasn’t clear what the protocol was. Mr. Anderson stated he thinks it’s a matter of courtesy or perhaps it would be tabled for further discussion. Mr. Ashcraft asked what the procedure is for their Boards to have direction on what they need to get back to us and Mr. Anderson replied that he thinks if the recommendation is going to be not to adopt then perhaps a vote to say to come back and make some additional proposals would be appropriate. Mr. Massengill stated he had briefed his Board in closed session. He stated while the amendment is simplistic he thinks for his Board it lacked some of the more technical details on the business side of things. He further stated that anything Dinwiddie can do to better position Petersburg they need to do that. They also recognize the relationship we have with the other communities and not knowing the total amount of capacity there may be to sell, not knowing what the price for MGD would be and where that would put us between communities they work on several different levels in other Board and Commissions. On the relationship basis, the Board has some concerns what this may do as far as a vote. If there are further amendments that may be made to this he stated he would avoid putting it back for a formal vote because if there are modifications being made to this either by Dinwiddie or Chesterfield ultimately those have to be accepted by this body and other communities as well. He further stated if there were modifications to this and everyone agreed, it would be a slam dunk. He stated in the order of procedure that the Chair is asking for, we need to table it officially to come back and do it. Mr. Ashcraft stated this has been before the three jurisdiction Boards and they ratified it. There has to be some communication back to each of them saying what did Chesterfield and Dinwiddie do. Dr. Casey stated from a local perspective he is not opposed to presenting some positive resolution if they were under the consideration of this, but it is also their objectives to accomplish “X” to give him direction to represent the Board in a further presentation back to the Authority for consideration. He further stated he had been through his lists since July of what’s going to be happening over this next year and he feels for this entity that we can help position it so we can sail the ship again for another year or two. Dr. Casey added if any of the transactions proposed provides Petersburg the net cash to accomplish what they need to do, then there’s a possible win/win there. He stated he would be glad to work in crafting such a resolution and he suspects that Dinwiddie has a similar resolution that need to be represented by Mr. Massengill. This may need to be discussed at our next meeting. Mr. Massengill stated if friendly amendments can be made that gets us to where Dinwiddie needs to be. He further stated with what we have today he didn’t know if Dinwiddie would pass it. There are some key things in this: 1) How much does it cost, and 2) Who benefits. Mr. Ashcraft stated that three bodies took action and he would like for those two entities to bring something back for further discussion and review. Mr. Anderson stated this was not a “no” vote but a direction to explore to bring forth some amendments.

Ms. Ferrell-Benavides left at 3:45 p.m. Mr. Byerly took over Petersburg’s position on the Board. Dr. Casey suggested everyone to position a resolution over the next few weeks. He stated he would be willing to share a draft of a resolution.

5. **Closed Session**

Mr. Anderson read the Resolution to go into Closed Session (attached).
Upon a motion made by Dr. Casey and seconded by Mr. Smith the Board went into Closed Session at 3:49 p.m.

For: 5  Against: 0  Abstain: 0

Upon a motion made by Mr. Massengill and seconded by Dr. Casey the Board came out of Closed Session at 4:14 p.m.

For: 5  Against: 0  Abstain: 0

Mr. Anderson read the Certification regarding the Closed Session and, upon a motion made by Dr. Casey and seconded by Mr. Massengill, it was approved by a unanimous roll call vote (attached).

7. Executive Director’s Annual Review

This item will be taken up during a separate Closed Session.

- Discussion of Phase 1, Step 1 & 2 – Brasfield Dam Raise Project

Dr. Wichser briefed the Board on the present status related to Phase 1, Step 1&2 towards the Brasfield Dam Raise Project as approved at the May 18, 2017 Board meeting to begin Phase 1, Step 1. He stated on May 22, 2017 DEQ was contacted in writing and we immediately received a written response back from DEQ stating they would defer to the Federal Energy Regulatory Commission (FERC) Atlanta Regional Office. After an initial meeting in Atlanta with FERC on May 25, 2017, the FERC Atlanta Office stated that the Authority must have permission with the FERC license holder (Kruger Energy Inc., [KEI] located in Montreal, Canada) in order to move this project forward. He further stated that on June 2, 2017, we discussed with KEI the need for their approval and KEI stated to Dr. Wichser that they would not stand in the way of ARWA moving forward on raising the dam. Dr. Wichser stated that on June 9, 2017 he notified KEI in writing that a legal agreement would be needed between the Authority and KEI on the FERC license permit modification to address the costs responsibility during the license permit modification process. He further stated that KEI requested that ARWA develop a draft agreement and send to KEI for review. On June 13, 2017 Dr. Wichser contacted McGuire Woods to discuss drafting the draft Agreement. On June 20, 2017 there was a conference call with FERC Washington D.C. and Atlanta Offices, KEI (who holds the FERC permit on the dam), Schnabel Engineers of Atlanta and McGuire Woods. Dr. Wichser went over the information he gave out to the Board members.

Dr. Wichser stated that ARWA needs to factor in multiple Federal and State agencies in the Phase 1, Step 2 process. He further discussed the three stage FERC consultation process that we will go through in Phase 1, Step 2 requiring that we will have to reach out to multiple federal and state agencies, members of the public, environmental groups, and conducting public meetings. He added there could potentially be many additional studies required by the various agencies and then the Authority, through KEI, would file a final FERC permit modification application with the FERC in Washington. FERC along with the other federal agencies will likely examine any and all other alternatives for means to increase the Authority’s raw water.

Dr. Wichser stated that the Authority did not presently have the O&M funds to support the level expected to be spent completing Phase 1, Step 2. Dr. Casey asked Dr. Wichser what were the annual revenues we get from the hydro-electric tank and Ms. Wilkins replied $63,000 this past fiscal year. Dr. Casey asked when the last time we renewed with them was and Dr. Wichser replied January 31, 2016 and from July 2012 to June 2017 the Authority took in revenue of $350,745 from ten percent of the hydro facility profits. Dr. Casey stated that for this amount of money, the cost of a project that we have known we have needed since 2012, when have we discussed in ARWA Board meetings the pros and cons of continuing a contract arrangement with somebody, we are getting a nominal revenue source from; when there is no cost in dealing with a regulatory environment for an eighteen inch dam raise. He further stated that doesn’t change in essence a contract with a Canadian company. Dr. Wichser replied that KEI stated they would not stand in the way of ARWA moving forward. Dr. Casey asked Dr. Wichser why we would want to negotiate with KEI some of shared costs to the benefit of their contract and Dr. Wichser replied that could be noted in development of an agreement between ARWA and KEI. Dr. Casey further stated what would make us not try to take advantage of those things during contract renewal. Mr. Anderson stated we would have an opportunity now to talk about that. Dr. Casey asked if there was a way to revise and improve the contract to pay for this cost. Dr. Wichser stated in negotiations with KEI we actually renewed an Agreement where we negotiated what is called a “rent” easement.

Mr. Massengill asked from a time standpoint how long a time period would Phase 1, Step 2 take and Dr. Wichser stated it’s almost impossible at this time to estimate based on the fact that if there is some form of opposition to the project, which could then slow things down. Dr. Wichser stated if no opposition occurred, this project could be done in approximately two and one-half years. Mr. Massengill stated that in their meeting with the Speaker,
typically the Governor’s budget will come out in December, the House and the Senate will start talking, going into
dividual meetings in November/December and you are about four to five months away from that process. He
further stated that at a minimum he thought this Authority owes a conversation to Delegate Kirk Cox on what we
are seeing. Mr. Massengill stated that we have to make some bigger decisions and obviously we don’t have the
funds necessary to do some of this. He asked at what point are we spending too much money with this permit
being open, if we are not thinking how this will be paid for. He further stated based on the grant itself, this
preliminary work cannot be part of the grant because it’s based on the regulatory permitting, not construction.

Mr. Ashcraft asked if everyone wanted to digest this information and discuss it at the next Board meeting. Dr.
Casey suggested we digest this for a month. He stated to Dr. Wichser that if he could go through the Kruger/KEI
contract for the next meeting of what it is and is not and have a discussion or a case study with someone who has
done the Phase 1, Step 2 similar kind of exercise. He further stated many of these places who have raised dams
have done so with hydro-electric power. Dr. Casey asked for key dates in the future for the project.

- Reservoir Status Update for June/July 2017

Dr. Wichser reported on the Status of the Reservoir for June/July 2017. He stated that the reservoir was down four
inches. He stated that the reservoir pool level would need to be down 28.8 inches to go into a voluntary drought
watch. Based on recent NOAA model results, it appears presently there is no drought predicted for our area
through July, August and September.

Closed Session

Mr. Anderson read the Resolution to go into Closed Session (attached).

Upon a motion made by Mr. Massengill and seconded by Dr. Casey the Board went into Closed Session at 4:45 p.m.

For: 5 Against: 0 Abstain: 0

Upon a motion made by Mr. Massengill and seconded by Mr. Smith the Board came out of Closed Session at 5:20 p.m.

For: 5 Against: 0 Abstain: 0

Mr. Anderson read the Certification regarding the Closed Session and, upon a motion made by Mr. Massengill and
seconded by Mr. Smith, it was approved by a unanimous roll call vote (attached).

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

There were no items from Board Members.

Mr. Ashcraft stated to Dr. Wichser that he would be in contact with him at some point to discuss his review.

9. Adjourn

Upon a motion made by Mr. Massengill and seconded by Dr. Casey the meeting was adjourned at 5:21 p.m.

The next regularly scheduled Board meeting is Thursday, August 17, 2017 at 2:00 p.m. at the Appomattox River Water
Authority.

MINUTES APPROVED BY:

_______________________________________
Kevin Massengill
Secretary/Treasurer
CLOSED MEETING RESOLUTION

(First Session—Land Acquisition)

APPOMATTOX RIVER WATER AUTHORITY

July 20, 2017

I move that we go into a closed meeting for discussion and consideration of the acquisition by the Appomattox River Water Authority of real property for a public purpose pertaining to the proposed Brasfield Dam raising project where discussion in an open meeting would adversely affect the Authority's bargaining position and negotiating strategy as permitted by Section 2.2-3711A.3 of the Virginia Freedom of Information Act:

MOTION: Casey
SECOND: Smith

VOTE

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<td>Ashcraft</td>
<td>Aye</td>
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<td>Casey</td>
<td>Aye</td>
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<td>Ferrell-Benavides</td>
<td>Aye</td>
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<td>Massengill</td>
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<td>Smith</td>
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ABSENT DURING VOTE: None.

ABSENT DURING CLOSED MEETING: None.
CERTIFICATION OF CLOSED MEETING

WHEREAS, the Board of the Appomattox River Water Authority (the "Authority") convened a closed meeting on July 20, 2017, pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law;

NOW THEREFORE, BE IT RESOLVED that the Board of the Authority hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by the Virginia Freedom of Information Act were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board.

MOTION: Massengill
SECOND: Casey

VOTE
Ashcraft Aye
Casey Aye
Ferrell-Benavides Aye
Massengill Aye
Smith Aye

ABSENT DURING VOTE: None.

ABSENT DURING CLOSED MEETING: None.
CLOSED MEETING RESOLUTION

(Second Session—Personnel)

APPOMATTOX RIVER WATER AUTHORITY

July 20, 2017

I move that we go into a closed meeting for discussion and consideration of the performance and salaries of specific employees of the Appomattox River Water Authority as permitted by Section 2.2-3711A.1. of the Virginia Freedom of Information Act:

MOTION: Massengill

SECOND: Casey

VOTE

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<td>Ashcraft</td>
<td>Aye</td>
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<td>Byerly</td>
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<td>Casey</td>
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<td>Massengill</td>
<td>Aye</td>
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<td>Smith</td>
<td>Aye</td>
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ABSENT DURING VOTE: Ms. Ferrell-Benavides was present for open session, but had to leave due to a previous engagement. Mr. Byerly is her alternate.

ABSENT DURING CLOSED MEETING: None.
CERTIFICATION OF CLOSED MEETING

WHEREAS, the Board of the Appomattox River Water Authority (the "Authority") convened a closed meeting on July 20, 2017, pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by this Board that such closed meeting was conducted in conformity with Virginia law;

NOW THEREFORE, BE IT RESOLVED that the Board of the Authority hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by the Virginia Freedom of Information Act were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board.

MOTION: Massengill
SECOND: Smith

VOTE

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<td>Ashcraft</td>
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<td>Aye</td>
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<td>Smith</td>
<td>Aye</td>
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ABSENT DURING VOTE: None.

ABSENT DURING CLOSED MEETING: None.
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:

- Reservoir Status Update for July/August 2017

- Review of Kruger (KEI) Hydro-Facility Amended Deed of Easement

  Following is a written Review of KEI (USA) Power Management Inc. Rights to Use Hydro-electric Facility and a memorandum dated March 17, 2016 regarding the Kruger (KEI) Hydro-Facility Amended Deed of Easement
DATE:       AUGUST 17, 2017

TO:        ARWA BOARD OF DIRECTORS

FROM:      ROBERT WICHSER, EXECUTIVE DIRECTOR
            ARTHUR ANDERSON, McGuire Woods

SUBJECT:   REVIEW OF KEI (USA) POWER MANAGEMENT INC. RIGHTS TO USE HYDRO-ELECTRIC FACILITY

History of Original Easement for Hydro-Electric Facility (the "Facility")

- On September 16, 1992: ARWA and STS Hydropower & Appomattox River Associates (both now effectively superseded by KEI (USA) Power Management Inc. ("Kruger")) entered into an Amended and Restated Deed of Easement (the "Original Easement") providing Kruger with access to the Brasfield Dam and certain other ARWA facilities to construct, operate, and maintain the Facility.

- The Original Easement gives Kruger the exclusive right to take and utilize, solely for the purpose of power generation, water from above the Brasfield Dam that would otherwise be available as overflow or discharge from the Brasfield Dam.

- Basic Rent: Under the Original Easement Kruger was required to pay to ARWA ten percent (10%) of its annual electric sales revenues.

- Between July 2012, through June 2017, Kruger paid ARWA $350,745. ARWA had no costs incurred during this period related to the Facility.

- The Original Easement requires Kruger to provide for the clearing of dead trees and other reservoir obstructions, monitoring water quantity and quality, wildlife activities and habitat, maintenance of safety buoys, warning signs and other public safety measures, performance of dam safety studies required under applicable law or by any relevant underwriter association in order to obtain necessary insurance coverage.

- The initial term of the Original Easement was to end on January 1, 2019; however, if ARWA did not give notice by January 1, 2016 (extended by Kruger to March 31, 2016), that ARWA wanted to take title to the Facility, then the term of the Original Easement would be extended to January 31, 2032, which is the expiration date of Kruger's FERC license.

- If ARWA had elected to take title, ARWA would have had to arrange for the transfer of all of the FERC and other licenses and permits to run the Facility and paid Kruger either (i) the original Facility construction cost or (ii) one dollar plus 5% of Facility's gross revenues through 2029.
Events Leading up to Approval of the Amended Easement

- January 20, 2015: The ARWA Board (all Five members) accepted by resolution the ARWA staff’s recommendation to suspend any further investment of ARWA resources on the dam raising project and continue to formalize a long term off-site storage facility, and directed ARWA staff to provide an annual report in January tracking the supply/demand projections that were provided by ARWA and their consultants to enable the Board to consider restarting the project. The member vote was “For-5, Against-0”.

- Fall 2015: Kruger approached ARWA to discuss the early termination provision described above and to begin negotiations on an extension of the initial term, which as provided in the Original Easement entailed a renegotiation of the Basic Rent.

- At the ARWA Board meeting on November 19, 2015, the renegotiation of the Original Easement was discussed in closed session. Representatives from all five member jurisdictions (including Mr. Stegmaier) were present for the entire closed session. Messrs. Wichser and Anderson believed they had direction from the Board to explore the available options for the extension and/or modification of the Original Easement and to make a recommendation to the Board by no later than March 31, 2016.

- In the Board package for the March 17, 2016 Board meeting, ARWA staff provided a memorandum (see attached) to the ARWA Board for consideration regarding the amendment to the Original Easement (the amendment to be referenced below as the “Amended Easement”).

- On March 17, 2016 the ARWA Board approved the Amended Easement and authorized the ARWA Chairman to sign it. Vote was “For-4, Against-0” (Jay Stegmaier was absent; William Dupler and George Hayes were present, but may have arrived after the vote).

- On March 31, 2016, ARWA Chairman Tom Mattis signed the Amended Easement.

Specifics of the Amended Easement

- Renewal Term: January 1, 2016 to January 31, 2032.

- Kruger made a one-time lump sum payment to ARWA of $16,000 as part of the easement renewal process.

- For the first ten years of the renewal term, the Basic Rent increases from 10% annual electric sales to 12% and then through the end of the renewal term increases to 15% of annual sales.

- Beginning January 1, 2026, if ARWA desires Kruger to pursue a new FERC license in Kruger’s name and at Kruger’s cost and expense, then ARWA and Kruger will begin to negotiate and
finalize a mutually acceptable extension of the term of the Amended Easement. This provision was included in recognition of the need to begin the FERC license renewal process by January 31, 2027. If ARWA doesn't want Kruger to continue to operate the Facility, it will let Kruger know and Kruger will operate the Facility until the end of the Renewal Term in 2032, at which time title to the Facility will pass to ARWA.

**Observations**

- One reason ARWA staff recommended continuing the arrangement with Kruger because it does provide a source of funds to ARWA outside of the water service agreement. As was demonstrated at South Central, this type of funding is valuable as a cushion against financial problems in the member jurisdictions.

- Although the current annual Basic Rent Kruger pays is far less than in the past, the type of “green energy” produced by the Facility may become increasingly valuable.

- The existing Hydro-Facility infrastructure is presently in poor mechanical shape (example: Kruger is using a residential freezer to cool the hydraulic oil line to the turbine. Replacement parts for the turbine would be difficult to find and most likely need to be custom built).

- Kruger has repeatedly stated that the raising of dam as proposed will not harm the operations of the Facility and Kruger will not oppose it.

- It is true that the presence of the Hydro-Electric Facility has caused FERC to be the lead agency in permitting the proposed dam raising. This was common knowledge that was discussed with the Board numerous times since 2012. However, whether the Virginia Department of Recreation & Conservation (state agency for the Virginia Dam Program) or FERC is the lead agency overseeing this potential project, the U.S. Fish & Wildlife Service, U.S.E.P.A. and the U.S. Corps of Engineers (USACE) all will be consulted with as part of the project approval process and, due to the impacts on wetlands and streams, ARWA will need to obtain a federal Section 404 permit from the USACE along with project approval from the other federal environmental agencies. ARWA staff has stated over the past three years to the Board and continues to believe that the environmental (wetlands & streams) related permit is the most difficult hurdle for the dam raising. In review of the Authority’s alternatives to potentially increase availability of raw water (raising the dam versus an off-site water storage facility), it appears that the federal agencies will base their regulatory approval on the alternative that is the most practicable and has the least environmental impacts.
MEMORANDUM

TO:              APPOMATTOX RIVER WATER AUTHORITY
                 BOARD OF DIRECTORS

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

SUBJECT:         RENEWAL OF BRASFIELD DAM HYDROELECTRIC FACILITY
                 EASEMENT

DATE:            MARCH 17, 2016

During November and December of 2015, the Authority entered into discussions with Kruger
Energie of Montreal towards the renewal of the easement of the hydroelectric facility located at
the Brasfield Dam. The Authority holds the easement while Kruger has been fully responsible
for the operation and maintenance of the hydroelectric facility. The initial easement agreement
with Kruger had an effective date of July 19, 1993. The existing easement agreement required
that Kruger comply with all regulatory requirements related to the dam under the Federal
Regulatory Energy Commission (FERC) and any normal maintenance needed on the dam.

Presently the Kruger/ARWA Easement Agreement requires that Kruger pay quarterly to the
Authority ten (10) percent of the net proceeds generated from the annual sales of electricity
generated by the hydroelectric facility.

The Renewal Term and Basic Rent stated in the renewed Easement Agreement includes the
following conditions:

1. Renewal Term: Expiration of the initial term of the FERC license which is January 31,
   2032;
2. By January 1, 2026 the Authority will need to determine if it desires Kruger (the
   Partnership) to pursue a new FERC license or if the Authority wishes to pursue a new
   FERC license at its own cost and expense;
3. For the first ten (10) years of the Renewal Term, the Basic Rent shall equal twelve (12)
   percent of Annual Sales, then through the end of the Renewal Term, Basic Rent shall
   equal fifteen (15) percent of annual sales;
4. Kruger (the Partnership) will make a one-time lump sum payment to the Authority of
   $16,000.
BOARD ACTION REQUESTED:

Staff recommends that the Appomattox River Water Authority Board of Directors grant approval for the Executive Director to sign the amended Renewal Term and Basic Rent Agreement with Kruger Energie inc. of Montreal.
• Board Discussion on Phase 1, Step 1 & 2- Brasfield Dam Raise Project

Following is a Directors Update dated July 20, 2017 regarding the Brasfield Dam Raise Project.
ARWA Board of Directors Update
Phase 1, Step 1
Raising the Brasfield DAM
July 20, 2017

- May 18, 2017: ARWA Board approves moving forward with Phase 1, Step 1 towards raising the Brasfield Dam
- On Monday May 22, VA-DEQ was contacted in writing to begin the process of discussing and determining what license/permit actions the Authority needs to begin towards raising the Brasfield Dam
- On Monday May 22, VA-DEQ responded back to ARWA in writing that they would defer to FERC Atlanta Regional Office due to the dam being under FERC regulatory control
- On Thursday May 25, an initial meeting was held at FERC Regional Office in Atlanta to discuss the ARWA dam raise
- FERC Atlanta Office stated that ARWA must have permission with the FERC license holder in order to move this project forward; the FERC license holder is Kruger Energy Inc. [KEI (USA) Power Management Inc. (Kruger)] located in Montreal, Canada
- On Friday June 2, ARWA discussed with KEI the need for their approval of a potential modification to their FERC license/permit and KEI verbally stated that they would not stand in the way if ARWA moved forward to raise the dam
- On Friday June 9th, KEI was notified in writing by ARWA that a legal Agreement would be needed between ARWA and KEI on FERC license/permit modification cost responsibilities during the FERC license/permit modification process; KEI requested that ARWA develop the draft Agreement to send to KEI for review
- On Tuesday June 13, McGuire Woods was contacted by ARWA to begin discussions on development of the ARWA/KEI Agreement
- On Tuesday June 20, a conference call was held between FERC Washington & Atlanta/KEI/ARWA/Schnabel Dam Engineers on FERC’s recommendations/guidance for ARWA
Office of Energy Projects

**FERC License Non-Capacity Modification Process**

- A Licensee wishing to modify some aspect of its project must first obtain authorization from the Washington DC FERC Commission.
- Pursuant to 18 CFR, licensees seeking an amendment to a license for a hydropower project must consult with the resource agencies.
- The FERC Division of Hydropower Administration and Compliance will determine whether to issue formal public notice of an application.
- In recent years many license amendments have involved legal settlements that include protection, mitigation, and enhancement measures to protect environmental resources.
- ARWA needs to factor in multiple federal/state agency potential consultation requirements in developing schedules for filing any studies, plans, or reports requiring FERC Commission approval.
- The three-stage consultation process consists of:
  1. Reaching out to relevant agencies and members of the public; holding a public meeting
  2. Conducting any studies requested by the interested parties and providing a draft of the FERC license modification application to relevant resources agencies, tribes, and other interested entities for review and comment
  3. Filing the final FERC modification application with Washington DC FERC Commission.
- During FERC’s initial review of the permit modification application, FERC will likely examine any and all other alternatives (for the increase in raw water) and the likely effects to environmental resources from the proposed FERC permit amendment.
- The Clean Water Act Section 230.10(a) allows for only the least environmentally damaging practicable alternative.
- Once an applicant files the FERC license amendment request, the subsequent issuances it might likely expect to see from the Commission are: one or more requests for additional information, a public notice soliciting comments, motions to intervene, protests, and possibly resource agency conditions; one or more NEPA documents; and a final Commission order approving, denying, or approving with modification the amendment request.
Consultation Agencies/Contacts (not complete):

US Advisory Council on Historic Preservation
US Bureau of Indian Affairs
FEMA
NOAA
USCOE
US Coast Guard
US Dept. of Agriculture
USEPA
US Fish & Wildlife Service
USGS
American Canoe Association
American Rivers
VA Dept. of Historic Resources
VMRC
VDH
DCR
VADEQ
VA Game & Inland Fisheries
Friends of the Lower Appomattox River
City of Hopewell
City of Petersburg
City of Colonial Heights
Dinwiddie County
Chesterfield County
Virginia American Water Company
Environmental Groups
Reservoir Marina Owners
Landowners along Chesdin Reservoir and lower Appomattox River shoreline
HOAs
General Public
Planning level (Phase 1, Step 2) cost *estimate* in filing the Brasfield Dam KEI FERC License Modification Application is:

- FERC application & studies: $350,000
- KEI's Engineering Consultant participation: $15,000
- Environmental Consulting & Studies: Range of $320,000 to $927,000 based on Federal/State agency requests.
- Property & Easement Research (Legal): $150,000
- New Easement Development and negotiations: $350,000
- Court Costs related to Easements: $250,000
- VA-DEA & CORPS Studies: $150,000

**Estimated cost for completion of regulatory related Phase 1-Step 1 & 2: Range of $1,585,000 to $2,192,000.**

- (Note: ARWA Phase 1, Step 1 & 2 consulting support, studies, permits, environmental and technical analyses required to obtain the modification to the existing KEI FERC license are included at this time, however additional costs are expected in order to provide specific information that will be required from the multitude of federal/state regulatory agencies review process. We do know that additional costs could also be incurred in addressing the major modification required to the Virginia Department of Environmental Quality's ARWA Water Protection Individual Permit No. 01-1719 along with the FERC required technical modeling and studies related to the Brasfield Dam.)
See capacity related amendments under 18 CFR §4.201(b).


3 Does the proposed modification entail substantial changes to the plan of project development or in the terms and conditions of the license, or adversely affect the rights of property holders not contemplated by the license?
Estimated Phasing Schedule
Raising the Brasfield Dam
PHASE 1

• Year 2017-2018
  • Virginia Water Protection Permit Opening & Modification with CORPS/DEQ: Estimated cost: $150,000
  • ONLY PROCEED TO STEP 2 IF PERMIT CHANGES ARE DEEMED ACCEPTABLE

STEP 2
• Year 2018-2020
  • Submit federal application for approval to the Federal Energy Regulatory Commission
  • Complete technical studies required by FERC: Estimated cost: $450,000
  • If FERC approval deemed acceptable then proceed to STEP 3 only after DEQ Matching Grant Terms acceptable
  • Concurrent with FERC required work, hold Local Public Meetings (2) introducing project and proposed schedule
  • Concurrent with FERC required work - Complete Grant Contract with VA-DEQ
  • If VA-DEQ Matching Grant Terms are Acceptable, then proceed to STEP 3

STEP 3
• Year 2019-2020
  • Completion of Additional Studies/Purchase of Environmental Credits
  • Potential impacts on landowners/marinas (Only if needed): Estimated cost: $200,000
  • Bridge replacement permitting and approvals: Estimated Cost: $50,000
  • Preliminary Engineering Report on Dam Raise: Estimated Cost: $150,000

STEP 3 continued
• Year 2020-2023
  • Initial Purchase of Environmental Credits: $3,000,000 (2014 estimates)
  • Construction: Bridge Replacements (2): $6,000,000 (2014 estimates)
  • Assume no cost impacts from landowners/marinas

• TOTAL ESTIMATED COST OF PHASE 1: $10,000,000
 Permit Required Letter to Virginia DEQ

Following is a letter required by Part I, E, 4.e. of the ARWA's VWP Permit.
October 27, 2017

Mr. Brian McGurk
Office of Water Supply
Commonwealth of Virginia Department of Environmental Quality
P.O. Box 1105
Richmond, Virginia 23218

Re: Virginia Water Protection Individual Permit No. 01-1719

Dear Mr. McGurk:

As required by Part I, E, 4.e., the Appomattox River Water Authority (Authority) is providing the permit require biannual report to the Department of Environmental Quality documenting the progress towards procurement of a future source of supply that is due to you by November 1, 2017.

Based on extensive water resource modeling completed by the Authority in 2013, it appears that the acute need for an alternative source of raw water have been alleviated. The modeling results showed that average regional day demands versus available raw water supply deficit would be expected in 2060 and regional peak day deficit would be expected in 2048. Based on current reservoir storage and plant operations the below chart shows that the current modeling results indicate the need for additional raw water supply by 2052. The Authority's annual modeling update results continue to conform to the 2013 model calibration.
The Authority continues to pursue a preferred alternative for a future additional supply of raw water that would be implemented by 2040. The Authority expects that capital funding and investment related to the preferred raw water supply alternative would begin to occur by 2035.

If you have any questions, please contact me directly at 804-590-1145.

Sincerely,

Robert C. Wichser Ph.D., P.E., BCEE
Executive Director
• Board Discussion on Amendment Four to the 1964 Water Service Agreement.

• Status Report: Ongoing Projects/Financials

Following are status reports concerning the Ongoing Projects, Operations, and Financials for the ARWA.
The following projects are underway. This report includes sections on Capital projects and large replacement projects.

**In-Plant Capital Projects:**

- The Preliminary Engineering Report has been completed and submitted to VDH for review.
- Field surveys have been completed as of this August 4th.
- Preliminary pump selections have been made and equipment procurement documents are in preparation.
- The 35 percent submission is scheduled for the last week of August.
MEMORANDUM

TO: APPOMATTOX RIVER WATER AUTHORITY BOARD OF DIRECTORS

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

SUBJECT: OPERATING AND FINANCIAL STATUS REPORT

DATE: August 17, 2017

Operating Status Report

General:
- The next scheduled Board of Directors Meeting is Thursday September 21, 2017 at the Appomattox River Water Authority at 2:00 pm.
- The ARWA In-Plant Project Engineering Selection Committee met on April 12th to review proposals and met again on April 25th to interview and discuss potential engineering firms for this project.
- The ARWA’s VPDES permit application and Data has been submitted. Staff has been informed we should receive a draft permit in late July or early August.
- Pre-audit work has been completed and Auditors will be here the week of August 14th.
- Staff has provided Raftelis with the information they requested to begin their evaluation.
- On August 8th ARWA staff and Hazen and Sawyer held the second of three stakeholder meetings for our VWP permit required Storage Management Plan. The 3rd and final meeting will be held at the September ARWA Board meeting.

Operations:
- Finished water met all permit requirements for the month of July. Copies of the VDH monitoring reports are available if anyone would like to see them.
- The ARWA treated and distributed 1.2 billion gallons of water in July 2017.
- Working with our Instrumentation/IT to get the SmartFilter system up and running. Operations will begin using this to optimize filter backwash.
- After the Reservoir was treated for Algae our filter runs have increase from 30 hours to 60+ hours.
- DuPont is changing out the autovalves on the Chlorine Dioxide Generator to improve reliability.

Maintenance:
- Valve stems for the Sluice gate and 14’ gate have been removed and are out for repair.
- Transitioning all the information from the old maintenance management software to the new system
- Advertising for the open Painter/Laborer/Carpenter position.
- Scheduling and planning the in-house projects for the year.

Instrumentation/IT:
- Evaluating lighting protection proposal. Staff corrected many of the issues resulting from the recent lightning damage at the ARWA.
- Order electronics for the installation of the new Alum feed system (pumps 7 and 8)
• Working with our integrators to plan projects for this Fiscal Year. Projects include upgrading the Filter operation tables for 1-8 and implementation of MDT Autosave to manage SCADA upgrades

Laboratory:
• Continues to monitor blue-green algae levels
• In the process of having one of the GC detectors replaced.

Financial Status Report:
Following is the Executive Summary of the Monthly Financial Statement that includes the YTD Budget Performance and the Financial Statement for July 2017.
# Appomattox River Water Authority
## Monthly Financial Statements-July 2017

### Water Rate Center

Revenues and Expenses Summary

#### Operating Budget vs. Actual

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Budget</th>
<th>Actual Year-to-Date</th>
<th>Budget Year-to-Date</th>
<th>Variance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Sales</td>
<td>$ 9,649,733</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Rent Income</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Misc. Revenue</td>
<td>$ 32,490</td>
<td>$ 2,708</td>
<td>$ 200</td>
<td>$ (2,508)</td>
<td>-92.61%</td>
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<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$ 9,682,223</td>
<td>$ 2,708</td>
<td>$ 200</td>
<td>$ (2,508)</td>
<td>-92.61%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Budget</th>
<th>Actual Year-to-Date</th>
<th>Budget Year-to-Date</th>
<th>Variance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Cost</td>
<td>$ 2,240,100</td>
<td>$ 186,662</td>
<td>$ 182,124</td>
<td>$ (4,537)</td>
<td>-2.43%</td>
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<tr>
<td>Contractual/Professional Services</td>
<td>$ 809,200</td>
<td>$ 67,444</td>
<td>$ 73,851</td>
<td>$ 6,407</td>
<td>9.50%</td>
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<tr>
<td>Utilities</td>
<td>$ 798,000</td>
<td>$ 66,500</td>
<td>$ 68,833</td>
<td>$ 2,333</td>
<td>3.51%</td>
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<td>Communication</td>
<td>$ 32,200</td>
<td>$ 2,683</td>
<td>$ 2,309</td>
<td>$ (374)</td>
<td>-13.95%</td>
</tr>
<tr>
<td>Office/Lab/Purification Supplies</td>
<td>$ 96,500</td>
<td>$ 8,042</td>
<td>$ 11,256</td>
<td>$ 3,214</td>
<td>39.97%</td>
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<td>Insurance</td>
<td>$ 90,000</td>
<td>$ 7,500</td>
<td>$ 7,063</td>
<td>$ (437)</td>
<td>-5.82%</td>
</tr>
<tr>
<td>Lease/Rental Equipment</td>
<td>$ 20,000</td>
<td>$ 1,667</td>
<td>$ 478</td>
<td>$ (1,189)</td>
<td>-71.31%</td>
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<td>Travel/Training/Dues</td>
<td>$ 46,400</td>
<td>$ 3,867</td>
<td>$ 3,450</td>
<td>$ (417)</td>
<td>-10.77%</td>
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<td>Safety/Uniforms</td>
<td>$ 22,000</td>
<td>$ 1,833</td>
<td>$ 3,068</td>
<td>$ 1,235</td>
<td>67.37%</td>
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<tr>
<td>Chemicals</td>
<td>$ 2,200,000</td>
<td>$ 183,333</td>
<td>$ 218,014</td>
<td>$ 34,681</td>
<td>18.92%</td>
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<tr>
<td>Repair/Maintenance Parts &amp; Supplies</td>
<td>$ 425,000</td>
<td>$ 35,417</td>
<td>$ 16,254</td>
<td>$ (1,163)</td>
<td>-54.11%</td>
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<td><strong>Total Operating Expenses</strong></td>
<td>$ 6,779,400</td>
<td>$ 564,948</td>
<td>$ 586,702</td>
<td>$ 21,755</td>
<td>3.85%</td>
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<td><strong>Operating Surplus/(Deficit)</strong></td>
<td>$ 2,902,823</td>
<td>$ (562,240)</td>
<td>$ (586,502)</td>
<td>$ (24,262)</td>
<td>4.32%</td>
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</table>

#### Replacement Outlay Budget vs. Actual

| Machinery & Motors                | $ 125,000  | $ 10,417            | $ -                 | $ (10,417)| -100.00%   |
| Instrumentation                   | $ 86,000   | $ 7,167             | $ -                 | $ (7,167) | -100.00%   |
| SCADA                             | $ 230,000  | $ 19,167            | $ -                 | $ (19,167)| -100.00%   |
| Computer Equipment                | $ 10,000   | $ 833               | $ -                 | $ (833)   | -100.00%   |
| Furniture/Fixtures                | $ -        | $ -                 | $ -                 | $ -       | #DIV/0!    |
| Motor Vehicles                    | $ 50,000   | $ 4,167             | $ -                 | $ (4,167) | -100.00%   |
| Flocculation Basins               | $ -        | $ -                 | $ 19,000            | $ 19,000  | #DIV/0!    |
| Valve Replacement                 | $ 100,000  | $ 8,333             | $ -                 | $ (8,333) | -100.00%   |
| Warehouse Racks & Shelving        | $ -        | $ -                 | $ -                 | $ -       | #DIV/0!    |
| Concrete                          | $ 50,000   | $ 4,167             | $ -                 | $ (4,167) | -100.00%   |
| Pre-Chem Boiler                   | $ -        | $ -                 | $ -                 | $ -       | #DIV/0!    |
| Off-Site Reservoir                | $ 250,000  | $ 20,833            | $ -                 | $ (20,833)| -100.00%   |
| Reservoir Storage                 | $ -        | $ -                 | $ 11,350            | $ 11,350  | #DIV/0!    |
| Lime Feed Improvements            | $ -        | $ -                 | $ -                 | $ -       | #DIV/0!    |
| In-Plant Capital Upgrade          | $ -        | $ -                 | $ 8,182             | $ 8,182   | #DIV/0!    |
| Replacement-Other                 | $ -        | $ -                 | $ 5,390             | $ 5,390   | #DIV/0!    |
| **Total Capital Outlay**          | $ 851,000  | $ 70,917            | $ 43,922            | $ (26,995)| -38.07%    |

### Debt Service Budget vs. Actual

| Interest Income                   | $ -        | $ -                 | $ 4,770             | $ 4,770   | #DIV/0!    |
| Interest Jurisdictions (Income)    | $ -        | $ -                 | $ -                 | $ -       | #DIV/0!    |
| Interest Expense                  | $ -        | $ -                 | $ -                 | $ -       | #DIV/0!    |
| Principal Payments                | $ 1,576,426| $ -                 | $ -                 | $ -       | #DIV/0!    |
### Appomattox River Water Authority-Balance Sheet

For Month Ending July 31, 2017

#### Assets

**Current Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petty Cash</td>
<td>$400</td>
</tr>
<tr>
<td>SunTrust Operating Fund</td>
<td>$627,907</td>
</tr>
<tr>
<td>SunTrust Replacement Fund</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Total Unrestricted Cash</strong></td>
<td><strong>$628,307</strong></td>
</tr>
<tr>
<td>Water Revenue</td>
<td>$5,939,298</td>
</tr>
<tr>
<td>Reserve Account</td>
<td>$1,852,301</td>
</tr>
<tr>
<td>Replacement Account</td>
<td>$380,929</td>
</tr>
<tr>
<td>Debt Service Reserve</td>
<td>$1,534,404</td>
</tr>
<tr>
<td>Bond Principal/Interest</td>
<td>$576,216</td>
</tr>
<tr>
<td><strong>Total Restricted Cash</strong></td>
<td><strong>$10,283,147</strong></td>
</tr>
<tr>
<td>Total Checking/Savings</td>
<td>$10,911,454</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>$140</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$87,727</td>
</tr>
<tr>
<td>Inventory</td>
<td>$358,541</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>$11,357,861</strong></td>
</tr>
</tbody>
</table>

**Fixed Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Land Rights</td>
<td>$1,044,167</td>
</tr>
<tr>
<td>Water System</td>
<td>$84,179,582</td>
</tr>
<tr>
<td>Equipment</td>
<td>$1,055,242</td>
</tr>
<tr>
<td>Hydro</td>
<td>$34,873</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>$65,940</td>
</tr>
<tr>
<td>Accumulated Amortization</td>
<td>$(31,386)</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>$(41,906,838)</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td><strong>$44,440,579</strong></td>
</tr>
</tbody>
</table>

**Other Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$295,870</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$56,094,311</strong></td>
</tr>
</tbody>
</table>

#### Liabilities & Equity

**Current Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$72,069</td>
</tr>
<tr>
<td>Retainage Payable</td>
<td>$1,721</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>$130,308</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>$204,098</strong></td>
</tr>
</tbody>
</table>

**Long Term Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>$238,787</td>
</tr>
<tr>
<td>Bonds Payable-2010</td>
<td>$8,209,985</td>
</tr>
<tr>
<td>Bonds Payable-2012</td>
<td>$2,815,000</td>
</tr>
<tr>
<td>Accrued Leave Payable</td>
<td>$156,919</td>
</tr>
<tr>
<td>Post Employment Benefit</td>
<td>$65,000</td>
</tr>
<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td><strong>$11,485,690</strong></td>
</tr>
</tbody>
</table>

**Total Liabilities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$11,689,788</strong></td>
</tr>
</tbody>
</table>

**Equity**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained Earnings</td>
<td>$(1,812,427)</td>
</tr>
<tr>
<td>Reserve for Operations</td>
<td>$3,273,180</td>
</tr>
<tr>
<td>Reserve for Water Revenue</td>
<td>$6,780,931</td>
</tr>
<tr>
<td>Reserve for Replacements</td>
<td>$500,000</td>
</tr>
<tr>
<td>Reserve for Bond Interest</td>
<td>$130,308</td>
</tr>
<tr>
<td>Reserve for Debt Service</td>
<td>$1,532,664</td>
</tr>
<tr>
<td>Reserve for Bond Principal</td>
<td>$1,031,300</td>
</tr>
<tr>
<td>Reserve for Reserve</td>
<td>$1,209,895</td>
</tr>
<tr>
<td>Fixed Assets, Net of Debt</td>
<td>$32,384,295</td>
</tr>
<tr>
<td>Net Income</td>
<td>$(625,624)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>$44,404,523</strong></td>
</tr>
</tbody>
</table>

**Total Liabilities & Equity**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities &amp; Equity</strong></td>
<td><strong>$56,094,311</strong></td>
</tr>
</tbody>
</table>
5. Items from Counsel

6. Closed Session

7. Executive Director’s Annual Review

8. Other Items from Board Members/Staff Not on Agenda:
   
   • Change in location for September Board Meeting: ARWA not SCWWA

9. Adjourn