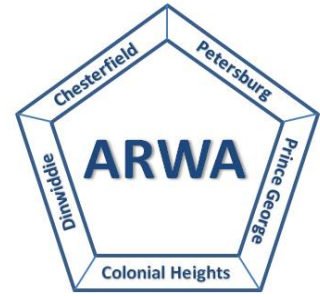


Appomattox River Water Authority



21300 Chesdin Rd. - S. Chesterfield, VA 23803 - Phone (804) 590-1145 - Fax (804) 590-9285

APPOMATTOX RIVER WATER AUTHORITY Board of Directors Meeting

DATE: September 23, 2021

TIME: 2:00 pm

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

AGENDA

1. Call to Order/Roll Call
2. Approval of Minutes: Minutes of the Board Meeting held on July 22, 2021 (Exhibit A, pages 2 to 6)
3. Public Comment (Exhibit B, page 7)
4. Executive Director's Report:
 - Financial Policy Discussion (Exhibit C, pages 8 to 43)
 - Maintenance Lake Level Drawdown Request (Exhibit D, pages 44 to 48)
 - Status Report (Exhibit E, pages 49 to 52)
 - Financials (Exhibit F, pages 53 to 56)
5. Items from Counsel
6. Closed Session
7. Other items from Board Members/Staff Not on Agenda
8. Adjourn

BOARD OF DIRECTORS MEETING
Appomattox River Water Authority
July 22, 2021 at 2:00 p.m.
Location: Appomattox River Water Authority
21300 Chesdin Road, Petersburg, VA 23803

MEMBERS PRESENT:

Doug Smith, Chairman (Colonial Heights)
Kevin Massengill, Vice-Chairman (Dinwiddie)
Joseph Casey, (Chesterfield)
Stuart Turille, (Petersburg) (remote)

ALTERNATES PRESENT:

Frank Haltom, Secretary/Treasurer (Alternate, Prince George)
George Hayes, (Alternate, Chesterfield)
Scott Morris, (Alternate, Chesterfield)
Tangela Innis, (Alternate, Petersburg) (remote)

ABSENT:

Percy Ashcraft, (Prince George)
Todd Flippen, (Alternate, Colonial Heights)

STAFF PRESENT:

Robert B. Wilson, Executive Director, (ARWA & SCWWA)
James C. Gordon, Asst. Executive Director (ARWA & SCWWA)
Arthur Anderson, (McGuire Woods)
Melissa Wilkins, Business Manager/FOIA (ARWA & SCWWA)
Kathy Summerson, Administrative Assistant (SCWWA)

OTHERS PRESENT:

Andrew Rives, (Citizen)
Brigitte Rives, (Citizen)
Peter Nash, (Golder Associates)
Chris Pomeroy, (AquaLaw)
Ted Cole, (Davenport) (remote)
Ben Wilson, (Davenport) (remote)
Andrew Barnes, (Petersburg) (remote)
Elizabeth McDonald, (Petersburg) (remote)
Alec Brebner, (Crater Planning District) (remote)
Debbie Cosgrove, (Chesterfield) (remote)

The ARWA meeting was called to order by Mr. Smith, Chairman, at 2:06 p.m.

1. Call to Order/Roll Call

The roll was called:	Doug Smith	Present
	Kevin Massengill	Present
	Joseph Casey	Present
	Frank Haltom	Present

2. Approval of Minutes: Minutes of the Regular Meeting of the Board on May 20, 2021

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

RESOLVED, that the Minutes of the Regular Meeting of the Board on May 20, 2021 are hereby approved:

For: 4 Against: 0 Abstain: 0

3. Public Comment

There were no Public Comments.

4. Executive Director's Report:

- **Hydrilla Update**

Mr. Wilson introduced Peter Nash, Golder Associates, who provided an update on hydrilla and sampling to date. Mr. Nash stated they had been working with ARWA for approximately three years to develop a management plan for hydrilla issues. He detailed some of the activities completed over the past year. He stated a *Hydrilla verticillate* survey was done to determine distribution of hydrilla in the lake. This was performed in July and September of 2020. A hydrilla tuber survey was performed in March 2020. Hydrilla emergence surveys were performed in the spring of 2020 and 2021.

Mr. Nash stated hydrilla is widespread throughout the upper section of Lake Chesdin except in the main channel. They observed growths to the surface with dense clumps in water depths of 5 feet or less. Downstream of Namozine Creek hydrilla is isolated to a couple of tributaries and along the waterfront of Chesdin Landing. It is observed in Cattle Creek, Stoney Creek, Miry Run and two unnamed tributaries. No hydrilla was observed in the main waterbody along the rocky exposed shorelines. He further stated that boating access from docks and launches is affected, particularly for docks located in tributaries. The best options for waterfront properties and docks include clearing the vegetation and installing benthic mats. If a resident decides to remove hydrilla, the hydrilla must be removed from water to prevent redistributing downstream. Benthic mats are applied after the start of growing season to smother vegetation. They are removed after 4-6 weeks. This method is effective for infestations from Turions but may need repeating over several seasons to eradicate hydrilla tubers.

Dr. Casey stated this presentation should be shared with the people upriver as well. He knows a lot of silt that comes down is coming from upstream, and what we need to do is impress upon our neighbors upstream what they can do for silt-controlled measures. Their dirt becomes our silt, and our silt becomes breeding grounds for hydrilla making it tough for docks and boaters and others to enjoy the lake. He stated he has heard that you must be careful with clearing the evasive species along the bottom if you are also killing good species of plants. When it comes back you will have nothing but invasive species. He stated he didn't know the roles of carp or other fish mitigation strategies that don't become predators, but that are designed to eat hydrilla. Maybe Lake Chesdin is too big for such fish mitigation measures, but he knows it works elsewhere in smaller lakes. Mr. Nash stated this would be looked at with the Management Plan. Dr. Casey spoke to Mr. Wilson, Mr. Gordon and Mr. Massengill and stated he wouldn't mind sitting down with the upstream neighbors and just talking about the value of the Appomattox, and if there are any combined strategies everyone could have for their river or lake. Mr. Wilson stated we could arrange that.

Mr. Massengill thanked Mr. Nash for his presentation. He stated he thought Dr. Casey was right and that we needed to look at this from a stakeholder education standpoint and educate people on both sides of the lake. One area highlighted for him is Whippemock Creek. Dinwiddie has a commercial asset in the marina that dispenses gas, and he knows it's very busy this time of year. We want to make sure from a recreational side that George and Bobbie Williams know specifically what they should be doing and focusing on.

Mr. Smith opened the meeting for Public Comments.

Mr. Andrew Rives stated they lived just down from Cozy Cove. They appreciate everything the Water Authority is doing to get input from everyone and doing a great job. They catch everything that comes out of the Appomattox River. Two years ago, it was pumpkins and they had about 500. He stated by their boat house it is very shallow and they have about 2 ½ feet, which is fine for getting a boat in and out, but the hydrilla clogged up a brand-new jet ski. He stated one thing they need to know is if it's okay for them to pull the hydrilla out of the water. Is it okay to do that and clear up around the docks? Dr. Casey asked if a property owner could put down their own benthic mats or work out some partnership. Mr. Wilson stated it is not a permitting process. If it is impacting your recreation, then yes you can pull it away from your dock. The main thing is it has got to be put on the ground, allowed to dry out and then disposed of. Dr. Casey asked if someone had a benthic mat around their dock and laid it down for as long as possible, how long would that take to kill the hydrilla around the dock. Mr. Nash stated it would take a few seasons to remove all the potential growth in the sediment, so that could be a long-term thing. Ms. Rives asked about draining the lake, and Mr. Nash replied that there was talk about draining the lake to see if freezing would kill the hydrilla, but he's not sure that would be effective. Mr. Wilson stated from where he sits this Board has fought so hard to change the flow by requirements to keep it full. If we drew the lake down for a maintenance level, five feet, the other issue is we probably killed some other native vegetation within that same area. Mr. Wilson stated he is concerned if we drew the lake down and it didn't recover, what would we tell the residents around the lake and our customers. Mr. Rives stated they like the water levels at full pool. Mr. Nash stated the idea is to have multiple treatment methods and maybe locally using some sort of matting, but if there were certain concerns you could use and procedures like harvesting or chemicals with no potential impacts to the treatment water supply, that would work as well. Mr. Rives asked if this was being looked at by the professionals here, and Mr. Nash answered yes. He stated the next step in this phase is developing a plan. Ms. Rives asked how easy it is to put the matting down and Mr. Nash stated you could weigh them down depending on the size. He further stated some are smaller, which makes them easier. Ms. Rives asked if some sink and was told yes but you must weigh them down. Mr. Rives asked if they could be bought at Home Depot and Mr. Nash stated you could make them, but there are companies that make them. Dr. Casey stated we needed to find ways that people could do this for themselves. He further stated that the five feet or less is the sweet spot, and he knows we have some dock owners that want to do dredging around their docks. Mr. Wilson stated he had everyone's information and the next step would be to start public information.

Mr. Haltom stated these are great questions of what the public could have. It may be in our best interests to get ahead of all these questions and have educational material we could distribute to show these are the possible ways we could do this, so we don't harm the water. Mr. Smith asked about the informational brochure being put together. Mr. Wilson stated the next task is the public information part, and we've got to put together a Frequently Asked Questions page for the website. We must capture these questions and come up with appropriate answers. Mr. Haltom asked if that was part of the process and Mr. Wilson stated it was. Mr. Smith asked as far as Mr. Nash speaking about the Hydrilla Management Plan, what are the next steps in that process. Mr. Nash stated we need to develop a stakeholder group based on finding some residents, recreational users, people from government bodies, and experts. We tried to have public meetings last year which was held up due to covid. Mr. Wilson stated the main thing is getting out in the public eye and having meetings with the citizens.

Ms. Innis joined the meeting at 2:40 p.m. by remote. The policy adopted by the Authority does require that the Board vote to permit remote participation.

Upon a motion made by Mr. Haltom and seconded by Mr. Massengill the Board voted to approve Ms. Innis to be present by conference call.

For: 4 Against: 0 Abstain: 0

- **Financial Policy Review and Update**

Mr. Wilson gave a brief overview on the Financial Policy. On July 12, 2021, each member's financial representatives attended a work session at ARWA. Mr. Cole of Davenport gave the same report he gave at the May 20, 2021, meeting.

Mr. Wilson went over the flow chart which showed how the funds were distributed through the Trust Funds. In the same fashion, if we run short any month that there is a drought or did not collect enough revenue, etc., the funds can flow upward also. If we had funds in the Surplus Fund Account, and we were short with any of the Trust funds, we would take it out of this account, then the Operating Reserve Fund Account, and then the ERRF. What we are asking the Board to take under consideration for the September meeting is we want to put \$1,500,000 million in a separate account that will take care of the VWP permit renewal. A lot doesn't happen until 2025 – 2028, but the bathymetric survey must be completed by 2023. There have been some questions about sedimentation around the lake by some citizens on both sides. If we complete that part of the process, that will give the Board an analytical document so we can answer those questions properly.

Mr. Wilson stated with the ERRF we want to increase the balance in the Trust Agreement from \$500,000 to \$2,500,000 and increase the operating reserve from six months operating only expenses to twelve months of operating expenses. That requires a transfer of approximately \$3,700,000 from the surplus.

Mr. Wilson stated proposed revisions to the Trust Agreement are included in the Board package. There was a question if any money gets spent out of the ERRF what the time requirement is to fill it back up. The suggested timeframe was five years or less.

The only action we are requesting is to allow Counsel to start talking to the bond holders on the suggested changes to the Trust Agreement.

Mr. Turille joined the meeting at 2:49 p.m. by remote. The policy adopted by the Authority does require that the Board vote to permit remote participation.

Upon a motion made by Mr. Massengill and seconded by Mr. Haltom the Board voted to approve Mr. Turille to be present by conference call.

For: 4 Against: 0 Abstain: 0

Ms. Innis left the meeting at 2:50 p.m.

Mr. Smith asked Mr. Anderson what would happen regarding the five year period for the replenishment of the ERRF, if we were not able to make the five years. Mr. Anderson replied by stating that you wouldn't have to fill it all the way back. If you were three years down the road and there was another catastrophic event, your five years would pick up the deficit.

Mr. Smith asked if it were set up in a similar fashion for SCWWA, and what are the ramifications there on the five year repayment. Mr. Gordon stated he believed it was five percent of the O&M until it's back to \$2,500,000. It comes out to about five years. Mr. Smith asked if there was any merit to making the timeframe a little longer. Mr. Anderson stated the lenders like to have a set timeframe and five years is the longest he has seen. It is a legal question that Mr. Cole may have an answer to. Mr. Cole asked if this language was going in the Trust Agreement or the Policy. Mr. Anderson replied and stated that it would be in the Trust Agreement, and if it goes in the Trust Agreement it is essentially in the Policy. Mr. Cole stated that right now that language related to the \$500,000 now there is no deadline to fill it up, is that correct? Mr. Anderson stated it is unclear right now how quickly it gets filled up and one of the benefits of making this change is we will have a specific maximum period to fill it back up. He further stated it is unclear under the current Trust Agreement exactly how long you would have to fill it up. Now it would be clear that we have up to five years to do it.

Mr. Cole asked Mr. Anderson if you could say something like within a period of five years with such other time as approved by the Board. Mr. Smith stated he would like to see some flexibility on that because it may make us as a Board hesitant to use very much out of the fund. Mr. Anderson stated we could explore that with the lenders. Mr. Haltom stated it sounds like we are going to make it more stringent with a higher number more difficult to obtain and, therefore, more time being more beneficial at the Board's discretion, each budget year on what they want to contribute. Mr. Anderson stated we are trying to make it clear certainly in the policies that the ERRF is really a catastrophic reserve fund, so you could only hit that if there was a real problem.

Mr. Massengill asked for examples of catastrophic events. Mr. Wilson provided examples of catastrophic events. Mr. Massengill asked if the \$2,500,000 would be in addition to the funds you already have. Mr. Wilson replied you go through the other buckets first and that's the third line of defense. Mr. Wilson stated the one goal he understood from the Board was to increase transparency and make it easier for the Board members to see where everything was going as far as tracking it.

Mr. Smith asked Mr. Wilson if we were planning on additional staff discussion before it comes back to the Board. Mr. Wilson replied yes. We will incorporate the points from today's discussion and forward to financial representatives for comment.

Mr. Smith stated the action that Staff is requesting is the Board authorize Counsel to begin discussions with bond holders on the proposed revisions to the Trust Agreement.

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

RESOLVED, that the Board authorizes the discussion of the potential uses for the Surplus Fund and be in a position at the September 23rd meeting to take action to distribute. Counsel requests the Board's authorization to begin discussions of the proposed changes to the Trust Agreement with the Authority's three bondholders to be in a position to obtain the Board's approval of the changes at the September 23rd meeting:

Vote:

Doug Smith	Aye
Kevin Massengill	Aye
Joseph Casey	Aye
Frank Haltom	Aye
Stuart Turille	Aye

Absent During Vote: **None**

- **2020 Gold Water Treatment Plant Performance Award for Excellence in Clarification, Filtration, and Backwash**

Mr. Wilson reported what this means is that the operations staff did an excellent job of exceeding what the requirements are for filter runs, the turbidity, etc. Mr. Smith stated this is the first time that we have achieved this award.

- **Status Report**

Mr. Wilson reported on the status report. He stated the next meeting is September 23, 2021. We have been having issues at the dam with boats going beyond the buoys to fish at the dam. Staff is working with the game warden for resolution. We are adding some additional buoys.

Dr. Casey referred to the tragedy that occurred about a month or so ago. He doesn't know what the best practices are for notifications when people get close to the dam and the risks involved. Mr. Massengill asked who was paying for the buoys and was told ARWA was paying for them.

- **Transformer Project Update**

Mr. Wilson reported on the transformer project update. The PMT-2 is the one that does the whole backside of the plant. This was approved at the May 20, 2021 Board meeting. Since that time there has been a price increase of \$15,618.00. This brings the total to \$129,915.00.

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

RESOLVED, that the Board authorizes the executive director to increase the purchase order for the transformer by \$15,618.00 to a new total of \$129,915.00:

Vote:

Doug Smith	Aye
Kevin Massengill	Aye
Joseph Casey	Aye
Frank Haltom	Aye
Stuart Turille	Abstain

Absent During Vote: **None**

- **Financials**

Ms. Wilkins reported on the Financials. She stated we are in the midst of closing our books for FY2020-21. That's why no preliminary financials have been presented. The first week of August we will be meeting with our CPA and do a preliminary financial audit including looking at all the assets and inventory value. The third week of August is the full financial audit with our audit team. We are confident for the November Board meeting we will be able to present those financial results. As the Board moves forward with the approval of moving operating reserve from the Trustee back to the Authority as it is currently indicated in policy, that LGIP account has been set up, so it is ready for monies to flow to it. Along with any revenue surplus, a separate LGIP account has been set up. As of July 19th, all five members have remitted their fourth quarter revenue checks. Those payments were successfully wired to the US Bank for the first time in ARWA's history. Dr. Casey referred to the Financial Policy, buckets, and agreements, etc., and stated he didn't want to create hardships for the annual audit if we are doing a lot of things in September. There may be things we come up with that are good going forward for the June 30, 2022 financial statements, unless they are easy things to incorporate

into a final audit report. He just does not want to burden you in September of having to go back to the auditors and reclassify balance sheets and disclosures. Mr. Wilson stated one of the main things that will be a point of discussion is if we have open P.O.'s that we closed because we physically couldn't get the assets, can it be carried over.

5. Items from Counsel

There were no items from Counsel.

6. Closed Session

There was no Closed Session.

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

Mr. Smith welcomed Mr. Turille to the Board and congratulated him on his new position as City Manager of Petersburg.

Mr. Massengill stated in talking about the buoy with Officer Chester an indication he made to them was that in Dinwiddie and Chesterfield, there is not a speed limit on the lake. There are assumptions but not an enforceable speed limit. There is some thought as to who the right entity would be to impose a speed limit. Would it be ARWA or each jurisdiction individually, Dinwiddie individually, or Chesterfield? We need to be consistent as to what that speed limit is. Today the enforcement is by Chesterfield County, and Mr. Wilson stated that ARWA pays Chesterfield County. Mr. Wilson asked if we needed to have an ordinance approved in the adjacent localities. Mr. Anderson stated his recollection is you must do it together. Dr. Casey asked if there was a role for DGIF at all, and Mr. Anderson replied once you take the action, he thinks they enforce it. Dr. Casey commented about the high wake boats, and there are rules you can create. His preference would be that that's a DGIF enforcement mechanism. Mr. Massengill stated on the wake boat side as far as the people on the water they have five or six people that have wake boats. The boats start off about \$80,000. A citizen came to the Dinwiddie meeting asking that no wake boat could operate within two hundred yards of either shore way, which would ban wake boats throughout the lake. From his Board's perspective they did not want to tell someone who had just bought an \$80,000 boat that it cannot be used on the lake. Office Chester's point is that jet skis turning around close to shorelines have much more impact than the wake boats have. He further stated that from the Dinwiddie side they are not interested in the wake boat conversation, however, for a speed limit, if there is something that could be worked out to give DWR more authority to write tickets. Dr. Casey said the state of emergencies lapsed July 1st and we may be reminded as they expire what we can or can't do going forward.

Mr. Wilson stated he wasn't sure how we would address this in the future, but with the changes in the law about marijuana, if anyone has policies that they want to share we would like to see them.

8. Adjourn

Mr. Smith stated, if there is no other business, and asked for motion to adjourn.

Upon a motion by Mr. Massengill and seconded by Dr. Casey the meeting was adjourned at 3:25 p.m.

MINUTES APPROVED BY:

Frank Haltom
Secretary/Treasurer



APPOMATTOX RIVER WATER AUTHORITY
21300 Chesdin Road
Petersburg, VA 23803



SOUTH CENTRAL WASTEWATER AUTHORITY
900 Magazine Road
Petersburg, VA 23803

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.

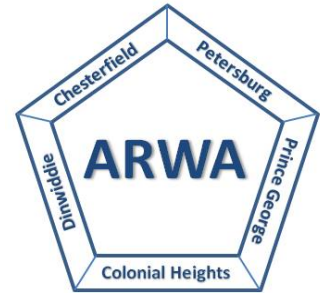
When two or more individuals are present from the same group, it is recommended that the group designate a spokesperson to present its comments to the Board and the designated speaker can ask other members of the group to be recognized by raising their hand or standing. Each spokesperson for a group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

Appomattox River Water Authority



21300 Chesdin Rd. - S. Chesterfield, VA 23803 - Phone (804) 590-1145 - Fax (804) 590-9285

Exhibit C

TO: Appomattox River Water Authority Board of Directors

FROM: Robert B. Wilson, Executive Director
James C. Gordon, Assistant Executive Director

DATE: September 23, 2021

SUBJECT: Financial Policies and Procedures

At the July 22nd meeting staff presented the recommendations for the excess funds in the Revenue Fund:

- \$1,200,000 be placed in a separate account for transparency to fund the renewal for the Virginia Water Protection (VWP) Permit. This will be a multiyear project with the permit renewal due in 2028. The first task will be to update the bathymetric study. The bathymetric study must be completed and submitted to the Department of Environmental Quality (DEQ) by October 2023. This study will also assist with determining raw water capacity. A report on raw water capacity is due to the Board in 2023.
- Increase the balance in the Equipment Repair and Replacement Fund (ERRF), formally called the Replacement Fund in the Trust Agreement, from \$500,000 to \$2,500,000. This would require \$2,000,000 out of excess funds. This would be a catastrophic emergency account only.
- Increase the Operating Reserve from six months of Operating Expenses excluding Capital Outlay Expenses to twelve months. This would require approximately \$3,700,000 of the excess funds.
- Retain the remaining excess funds in the Surplus Fund (approximately \$2,000,000) in an account for the future filter rebuilds. This project is illustrated in the budget for FY2025 with an estimated cost of \$5,500,000.

The Board requested that staff discuss these options and the proposed Financial Policies and Procedures with the member financial representatives. The executive director authored an email that included the proposed recommendations for the excess funds in the Revenue Fund, proposed Financial Policies and Procedures and proposed revisions to the Trust Agreement. This information is included as Attachment 1.

We received input from the City of Colonial Heights, Dinwiddie County and Chesterfield County. Ms. Minor from the City of Colonial Heights is comfortable with the information as presented. Ms. Howerton from Dinwiddie County stated she supported the remaining excess funds in the Surplus Fund going to capital projects and a majority vote.

Chesterfield County responded with a couple of recommended revisions and a question about a true-up. Mr. Hayes suggested the following revisions to the Surplus Fund found on page 3 of the proposed Financial Policies and Procedures:

Surplus Fund. The Surplus Fund is a placeholder for all ~~surplus~~ excess funds collected and swept from the Revenue Fund after the audited financials have been presented to and accepted by the ARWA Board. The amount of surplus funds available for each fiscal year is determined by the audit team during the annual audit. After the audit team determines the amount of the surplus, if any, and presents the audit findings to the Board, the Executive Director will make a recommendation to the ARWA Board for the allocation or distribution of the surplus funds. **The ARWA Board action must be unanimous for the allocation of the Surplus Fund to a specific project.** ARWA Board action ~~must be unanimous is required~~ for ~~distribution~~ allocation of funds from the Surplus Fund account except in the case of a shortfall in the Trust Agreement funds and the Operating Reserve Fund to make the required deposits under the Trust Agreement. **Without a unanimous vote, the Surplus Fund will be distributed back to the members based on their prorata contribution to the Surplus Fund.**

There are two items the Board needs to discuss with these suggested revisions:

1. The current Service Agreements require a majority vote. At the July 22nd meeting counsel advised a unanimous vote could be written into the Financial Policies and Procedures if desired by the Board. We are happy to include either majority or unanimous vote, whichever is desired by the Board.
2. This revision states that if there is not unanimous consent, then excess funds from the Surplus Fund are sent back to the members at their prorata contribution. For ARWA that is each member's five year running average. We ask that the Board discuss this provision and provide further guidance.

In a further discussion with Mr. Hayes, he questioned where a true-up was an option for excess funds in the Surplus Fund. I explained that my interpretation is that the true-up is included on page 3 under "Surplus Funds":

- After the audit team determines the amount of the surplus, if any, and presents the audit findings to the Board, **the Executive Director will make a recommendation to the ARWA Board for the allocation or distribution of the surplus funds. ARWA Board action is required for distribution of funds from the Surplus Fund account** except in the case of a shortfall in the Trust Agreement funds and the Operating Reserve Fund to make the required deposits under the Trust Agreement.

The term "allocation" and "distribution" include a true-up as an option. The further check and balance is the Board has to take action on all Surplus Fund account transfers except for shortfalls as outlined in the Trust Agreement – shortfalls between Trust Agreement fund accounts.

At the July 22nd meeting the Board also authorized counsel and our financial advisor to begin conversations with our lenders. Mr. Anderson will provide an overview of his discussions with our lenders to date at the meeting.

A clean copy of the Financial Policies and Procedures is included as Attachment 2.

The actual surplus will not be identified until the completion of the FY21 audit that is scheduled to be presented at the November 18th meeting.

Board Action Requested:

Staff requests the Board discuss the proposed recommendations for distribution of surplus funds and come to a consensus on the proposed distribution and methodology. Staff also requests the Board provide direction for voting approval to be included in the Financial Policies and Procedures. A formal resolution will not be requested until after the findings of the FY21 audit.

Attachment 1

From: Robert Wilson
Sent: Monday, August 16, 2021 4:00 PM
To: Anne Howerton; bdrewry@princegeorgecountyva.gov; Deborah Cosgrove (CosgroveD@chesterfield.gov); 'George Hayes'; Sheila Minor; Stuart Turille; Tangela Innis
Cc: James Gordon; Melissa Wilkins; Andrew Barnes (abarnes@petersburg-va.org); Casey (caseyjoe@chesterfield.gov); 'Kevin Massengill'; 'Percy Ashcraft'; smithd@colonialheightsva.gov
Subject: Policy Review
Attachments: Financial_Policies_and_Procedures_08162021.docx; Redline - Provision Inserts-147091777-v1 and 2021 Changes to Trust Agreement-147091777-v4_08132021.pdf; Financial_memo_08162021.docx

At the July 22nd meeting, the Board asked that I review the following items with the Financial Member Committee:

- Review ARWA's recommendations for distribution of excess funds from the Revenue Fund.
- Determine if there are any outstanding questions or revisions to the proposed Financial Policies.
- Outline the proposed revisions to the Trust Agreement.

Attachments:

[Financial_memo_08162021.docx] – outlines request for input and highlights changes proposed, also includes recommendations for excess funds in Surplus Fund.

[Financial_Policies_and_Procedures_08162021.docx] – draft policies with recent suggestions highlighted in yellow. Main changes include requirement to debt service reserve being “maximum annual debt service on all outstanding bonds” and the ERRF being filled over a period of not more than five years.

[Redline – Provision Inserts – 147091777-v1 and 2021 Changes to Trust Agreement – 147091777-v4_08132021.pdf] – proposed changes to the Trust Agreement. This includes the repayment timeframe of up to five years for the ERRF. Counsel has begun conversations with the bond holders.

Please provide your input by August 30th. If you have any questions or need any additional information please let me know.

Robert B. Wilson, P.E.
Executive Director ARWA/SCWWA
21300 Chesdin Road
South Chesterfield, VA 23803
(804) 590-1145 ext. 101 (office)
(804) 586-7420 (mobile)
rwilson@arwava.org

Draft

Financial Policies and Procedures
Appomattox River Water Authority
Effective Date: _____

A. 1986 Agreement of Trust

The Appomattox River Water Authority (ARWA) is governed by the 1986 Agreement of Trust as amended (Trust Agreement). The Trust Agreement established five funds to be applied as described below:

- **Revenue Fund.** This is the fund where all revenue from billing the five participating jurisdictions is deposited. It is held by U.S. Bank as Trustee (Trustee). Participating jurisdictions are billed on a quarterly basis—9/30 (payment due 10/25), 12/31 (due 1/25), 3/31 (due 4/25), and 6/30 (due 7/25). Currently, on a monthly basis, the Trustee makes deposits to the other four funds in the order described below and illustrated in the chart attached as Annex 1. ARWA (acting through the business manager) normally directs the Trustee through each step of the process.
- **Operating Fund.** This is the fund that ARWA uses to pay all the expenses for operating and maintenance including Operating Capital Outlay Expenses (Operating Expenses). This fund is held by ARWA. On a monthly basis the business manager advises the Trustee of the upcoming Operating Expenses for the next four months. The Trustee transfers from the Revenue Fund to the Operating Fund the amount necessary, less any money already on deposit, to pay any outstanding checks plus the next four months of Operating Expenses based on the current ARWA annual budget. ARWA then processes checks on the Operating Fund for payment of Operating Expenses. The reason for the four months amount of Operating Expenses is that participating jurisdictions are billed quarterly and have until the 25th of the following month to pay their invoice, which works out to four months.
- **Bond Fund.** This is the fund for the principal and interest payments for each fiscal year on ARWA's bond. This fund is held by the Trustee. Once the Trustee has transferred sufficient money to ARWA to fully fund the Operating Fund, the Trustee then transfers money to the Interest Account of the Bond Fund to make the next six months of interest payments and to the Principal Account of the Bond Fund enough to make the next 12 months of principal payments. The Trust Agreement is designed to accommodate ideally fixed rate bonds that pay interest semiannually and principal once a year. The

Trustee applies the balances in the Interest Account and Principal Account to make the debt service payments on each bond when due.

- **Debt Service Reserve Fund.** The Debt Service Reserve Fund is held by the Trustee and is designed to maintain a minimum balance of **the maximum annual** debt service on all of the outstanding bonds. If there is ever a deficiency in the Bond Fund to pay debt service on the bonds and the deficiency is not covered by amount in the Operating Reserve Fund, the Surplus Fund and the ERRF (as described below), the Trustee will apply the Debt Service Reserve Fund to the extent necessary to cover the deficiency. Each month after the Trustee makes the required transfers from the Revenue Fund to the Operating Fund and the Bond Fund, the Trustee will then transfer the amount, if any, necessary to restore the Debt Service Reserve Fund to its minimum balance.
- **Equipment Repair and Replacement Fund (ERRF).** The ERRF is held by the Trustee. The ERRF is to be used in the following order of priority:
 - To pay Operating Expenses if the Operating Fund is insufficient.
 - To make transfers to the Bond Fund as needed to pay debt service.
 - To make transfers to the Debt Service Reserve Fund to restore its minimum balance.
 - To pay reasonable and necessary expenses with respect to the System for major repairs and replacements, System reconstruction or the construction of additions to, or extensions of, the System.

Although the Trust Agreement authorizes a wider range of uses, ARWA intends to reserve the ERRF to address catastrophic events. **After the Trustee makes the required transfers from the Revenue Fund to the Operating Fund, Bond Fund and Debt Service Reserve Fund, it will then transfer from the Revenue Fund to the ERRF the amount, if any, necessary to restore the balance in the ERRF to \$2,500,000 over a period of not more than five years.**

The Trust Agreement provides that, not less frequently than annually, any amount in the Revenue Fund in excess of \$100,000 be transferred to ARWA; provided that all of the required transfers to the Operating Fund, the Bond Fund, the Debt Service Reserve Fund and the ERRF have been made as of the date of the transfer. ARWA intends to request the Trustee to make the transfer within 30 days after ARWA's audited financials have been presented to and accepted by the ARWA Board. The Trust Indenture permits ARWA to apply the transferred funds for any of several listed purposes, including to pay the cost of System improvements or extensions and for any other lawful purpose permitted by the Virginia Water and Waste Authorities Act and the Trust Indenture. ARWA intends to deposit the transferred funds into the below-described ARWA reserves and apply them as set forth below.

B. ARWA Reserves

In addition to the five funds required in the Trust Agreement, ARWA maintains two reserve funds:

- **Operating Reserve Fund.** The Operating Reserve Fund is intended to be ARWA's first source of funding to pay any Operating Expenses and debt service on ARWA's bonds in the event current revenues from the participating jurisdictions is insufficient. The Operating Reserve Fund may be eliminated or its purpose changed at any time by the ARWA Board and nothing in these policies is intended to create a pledge of the Operating Reserve Fund to secure ARWA's bonds.

The minimum balance for the Operating Reserve Fund is six months of Operating Expenses for the current fiscal year. For purposes of the Operating Reserve Fund, the term "Operating Expenses" does not include budgeted Operating Capital Outlay Expenses. If the balance in the Operating Reserve Fund falls below the minimum requirement, the shortfall will be included in the budget for the next fiscal year. The maximum balance in the Operating Reserve Fund is twelve months of Operating Expenses.

- **Surplus Fund.** The Surplus Fund is a placeholder for all surplus excess funds collected and swept from the Revenue Fund after the audited financials have been presented to and accepted by the ARWA Board. The amount of surplus funds available for each fiscal year is determined by the audit team during the annual audit. After the audit team determines the amount of the surplus, if any, and presents the audit findings to the Board, the Executive Director will make a recommendation to the ARWA Board for the allocation or distribution of the surplus funds. ARWA Board action is required for distribution of funds from the Surplus Fund account except in the case of a shortfall in the Trust Agreement funds and the Operating Reserve Fund to make the required deposits under the Trust Agreement.

C. Monthly Cash Flow

ARWA bills its member jurisdictions on a quarterly basis in arrears based on actual consumption occurring in the prior quarter:

Quarter	First	Second	Third	Fourth
Invoice Date	September 30	December 31	March 31	June 30
Due Date	October 25	January 25	April 25	July 25

Each jurisdiction sends payment to ARWA by the 25th of the following month billed. ARWA, in turn, makes electronic transfers into the Revenue Fund and the amounts in the Revenue Fund are applied as described above.

D. Budget Process

The proposed fiscal year budget for the succeeding fiscal year is discussed with the member jurisdiction utility directors in December of each year. After that presentation, a Budget Narrative is prepared with the proposed budget and the budget is presented to the Board at the January meeting.

The budget is broken down into five categories:

- Operating Expenses (other than Operating Capital Outlay Expenses)
- Operating Capital Outlay Expenses
- Debt Service
- Operating Reserve Fund
- Construction Fund

The Operating Expenses are the proposed expenses to support daily operations and maintenance for the next fiscal year.

The Operating Capital Outlay expenses are large, budgeted projects that either rehabilitate or replace an existing asset and are approved on an annual basis. To meet this criteria, the project must be at least \$5,000. These projects are not “improvement” or “expansion” projects within the meaning of the Service Agreements.

The debt service portion of the budget is broken down by issuance to identify the annual debt service payment. This portion of the budget fills up the Bond Fund for the next fiscal year. In addition, we are also required to maintain an amount at least equal to the maximum annual debt service for all of the outstanding bonds in the Debt Service Reserve Fund. The Debt Service Reserve Fund should remain fully funded and only require minimum adjustments with changes in debt service per set debt service payment schedules. For the final year of an issuance, the debt service reserve for that issuance should make the final payment.

In the event the Operating Reserve Fund is less than six months of budgeted Operating Expenses (less Operating Capital Outlay Expenses), there will be an amount shown in the Operating Reserve Fund section of the budget to increase the Operating Reserve Fund to six months of Operating Expenses. The Operating Reserve Fund should remain fully funded to at least the six-month requirement and not require additional funding annually.

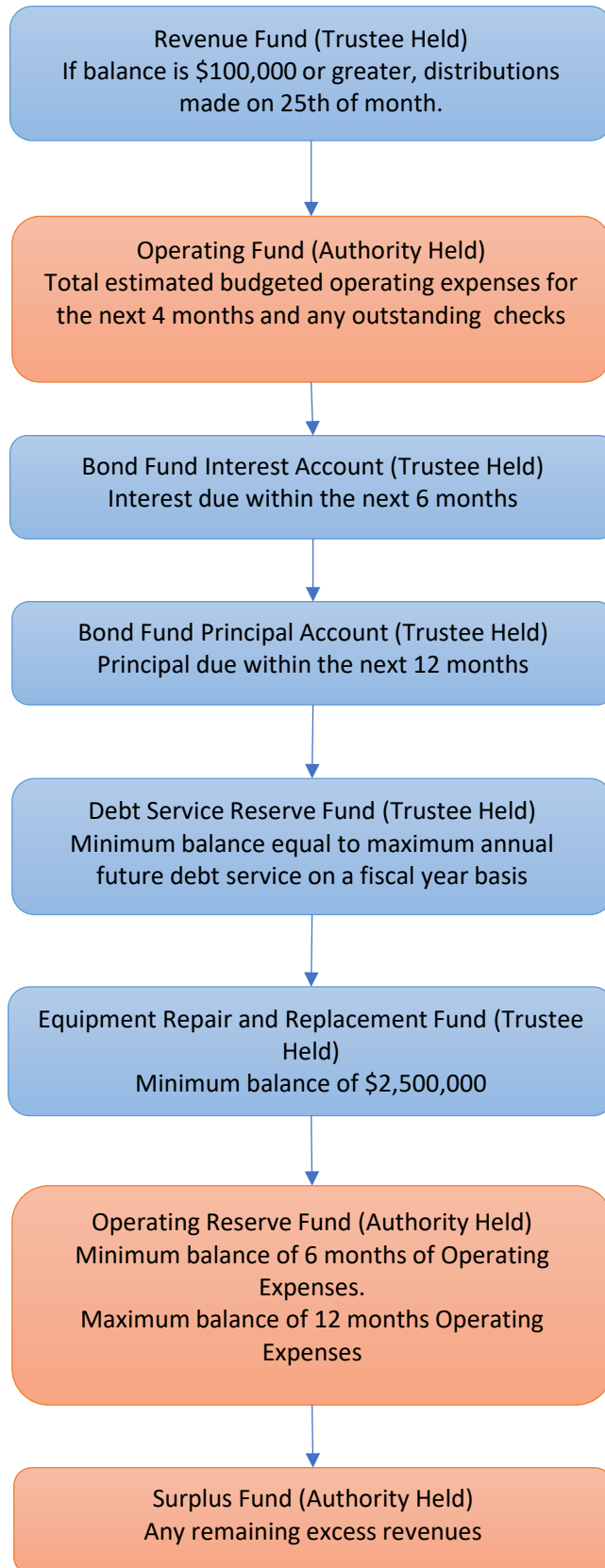
The Construction Fund identifies proposed large projects within the ten year planning window that will most likely require an issuance (debt service) to finance. This section is provided for members for planning purposes. The estimated debt service for these proposed projects is included in future rate estimates for the members to illustrate potential impact to their future water rates. Structurally, the fiscal budget is approved on an annual basis. Once a large project is approved and there is a debt issuance approved by the Board, this cost moves to the debt service portion of the budget. In addition, a deposit may need to be made to the Debt Service Reserve Fund to maintain the balance at maximum annual debt service.

E. Investments

The funds held by the Trustee are invested by the Trustee at ARWA's direction in permitted investments under the Trust Agreement. The funds held by the Authority are invested in interest bearing accounts in the Local Government Investment Pool (LGIP) or such other investment option as approved by the Board. Investments are reviewed quarterly with recommendations to the Board for any changes in investment strategy.

F. ARWA Bonds – Post-Issuance Tax Compliance – See Annex 2

Annex 1



Annex 2

ARWA Bonds – Post-Issuance Tax Compliance

General. ARWA has historically debt financed its large improvement and expansion projects with tax-exempt governmental bonds. The Internal Revenue Code (Tax Code) contains numerous requirements to qualify and maintain tax-exempt status for these bonds, many of which are addressed on or before closing with the assistance of ARWA’s counsel and financial advisor. However, the two most important requirements call for on-going post-issuance compliance. Those requirements are that, following the date of issuance of any tax-exempt governmental bonds:

- The issuer will take no deliberate action to cause the bonds to become “private activity bonds” under Section 141 of the Tax Code; and
- The issuer will comply with the arbitrage yield restriction and rebate requirements under Section 148 of the Tax Code.

ARWA’s Executive Director is the officer charged with the responsibility of maintaining the tax-exempt status of ARWA’s bonds.

Avoiding Private Activity Bond Status. The easiest way for a wholesale utility operator such as ARWA to keep its bonds from becoming “private activity bonds” is to avoid any post-issuance “private business use.”

Use of bond proceeds or bond-financed property by a nongovernmental person in furtherance of a trade or business activity is considered private business use.

A “nongovernmental person” is any corporation, partnership or any other entity or person (including a natural person), except for a state or local governmental unit. Note that the federal government is considered a nongovernmental person for purposes of Section 141 of the Tax Code.

For this purpose, any trade or business activity of a natural person is treated as a trade or business, and any activity carried on by a person (including a governmental entity or corporation) other than a natural person is treated as a trade or business.

Private business use can arise in a number of ways. In most cases, private business use results if a nongovernmental person has “special legal entitlements” to use bond-financed property under an arrangement with the issuer.

For ARWA, private business use is likely to arise from the following three types of special legal entitlements:

- Ownership of bond-financed property by a nongovernmental person (including through a post-issuance sale);
- Leases of bond-financed property to a nongovernmental person; and

- Management or service contracts under which a non-governmental person provides services involving all, a portion of, or any function of, bond-financed property, other than contracts for services that are solely incidental to ARWA's primary governmental function or the functions of the bond-financed property (for example, contracts for janitorial, office equipment repair, billing, or similar services).

The Executive Director will maintain an inventory of ARWA's bond-financed property and update it at least annually. The Executive Director will seek the advice of counsel before entering into any arrangement providing to a nongovernmental person a special legal entitlement to use any of the proceeds of ARWA's tax-exempt governmental bonds or the property financed or refinanced with such proceeds. The purpose of seeking such advice is to preserve ARWA's ability to (i) avoid private business use by applying certain provisions of the Tax Code, the Treasury Regulations and other pronouncements of the Internal Revenue Service or (ii) take advantage of the remedial action provisions of the Treasury Regulations, all of which have strict time requirements measured from the date the deliberate action is deemed to have occurred.

Compliance with the Arbitrage Requirements. Section 103 of the Tax Code provides generally that interest on an "arbitrage bond" is not excluded from gross income for federal income tax purposes. Under Section 148 of the Tax Code, arbitrage bond status will result from violation of either (i) the "yield restriction" rule of Section 148(a) or (ii) the arbitrage rebate requirement of Section 148(f).

Under Section 148(a) of the Tax Code, arbitrage bond status generally results from the investment of gross proceeds in higher yielding investments and requires a comparison of the yield on the related issue of bonds to the yield on investments acquired with the gross proceeds of those bonds. Not all gross proceeds are required to be yield-restricted. For example, properly sized debt service reserve funds and gross proceeds eligible for "temporary periods" may be invested without yield restriction, either throughout the term of the bonds or for the duration of the temporary period.

Contemporaneously with the closing of each ARWA bond issue, the Executive Director will work with counsel and ARWA's financial advisor to develop a list of the gross proceeds that are required to be yield-restricted, either from the closing date or starting at a later date. As part of the quarterly review of investments as described in the section above "Investments," the Executive Director will update the list and work with counsel and financial advisor to ensure each of ARWA's bonds is in compliance with the applicable yield restriction requirements.

Under Section 148(f) of the Tax Code, arbitrage bond status also results from a failure of an issuer to "rebate" to the Internal Revenue Service amounts attributable to investments of gross proceeds at a yield in excess of the yield on the related bonds. Even gross proceeds that may be invested at an unrestricted yield are generally subject to the rebate requirement.

Contemporaneously with the closing of each ARWA bond, the Executive Director will collaborate with counsel and the financial advisor to identify any applicable exceptions to the rebate requirement. Two of the more commonly used exceptions are the six-month and two-year spending exceptions, by which an issuer can avoid the rebate requirement on certain gross proceeds by spending them within certain time periods following closing. The Executive Director will take

reasonable and appropriate steps to qualify the gross proceeds of ARWA bonds for the applicable exceptions. In addition, the Authority will engage an arbitrage rebate calculation service as required to calculate any rebate amount owed to the Internal Revenue Service.

Updates to Post-Issuance Tax Compliance Policy. Contemporaneously with the closing of each issue of ARWA bonds, the Executive Director will review the post-issuance tax compliance policy and work with counsel and the financial advisor to update it to address changes in applicable law or ARWA's circumstances and to cover any new type of tax-exempt or tax-advantaged bonds that ARWA may issue.

PROPOSED CHANGES TO 1986 AGREEMENT OF TRUST

McGuireWoods LLP Draft of 07/15/2021

Changes to Pertinent Provisions of the 1986 Agreement of Trust (as previously amended by the First, Second and Fourth Supplemental Trust Agreements) shown via Workshare Compare

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 101. Definitions. The following words as used in this agreement shall have the following meanings unless a different meaning clearly appears from the context:

"Act" means the Virginia Water and ~~Sewer~~Waste Authorities Act (Chapter ~~28~~51, Title ~~15.1~~15.2, Code of Virginia of 1950, as amended.)

"ERRF" means the Equipment Repair and Replacement Fund established in Section 604. [The amended 1986 Agreement of Trust will provide that the term "Replacement Fund" will be changed to "ERRF" in each place the term is used.]

"Operating Capital Outlay Expenses" means reasonable and necessary expenses with respect to major repairs to or replacements or maintenance of the System, including expenses of a type not recurring annually or at shorter intervals, which have been designated as "Operating Capital Outlay Expenses" in the Annual Budget, regardless of whether such expenses may be capitalized under generally accepted accounting principles.

"Operating Expenses" means all current expenses directly or indirectly attributable to the ownership or operation of the System, including, without intending to limit or restrict any proper definition of such expenses under any applicable laws or generally accepted accounting principles, reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and charges for the use of or the services furnished by the System, insurance and surety bond premiums and other charges and fees necessary for the maintenance of adequate insurance coverage for the Authority and the System, legal, engineering and auditing expenses, expenses and compensation of the Trustee, ~~and~~ other current expenses of the Authority required to be paid by law or under this Agreement and Operating Capital Outlay Expenses, but shall not include any allowance for depreciation, deposits or transfers to the Bond Fund, the Debt Service Reserve Fund, or the ~~Replacement Fund~~ERRF, or ~~expenditures for capital costs of "improvements and extensions" or "expansions"~~ of the System within the meaning of the Service Agreements.

~~"Replacement Fund" means the~~ Replacement Fund established in Section 604.

"Revenues" means all revenues, receipts and other income derived by the Authority from the ownership or operation of the System, including without limitation, all amounts received by the Authority from the Participating Jurisdictions pursuant to the Service Agreements, except for amounts received pursuant to a Participating Jurisdiction's election to provide its available funds to pay its share of any Future Expansion Costs pursuant to paragraph 2(a) ~~at~~of the Third Amendment to the ~~1964~~ Service Agreements.

"Service Agreements" means the Service Agreements between the Participating Jurisdictions and the Authority, entered into with respect to the City of Colonial Heights on September 15, 1964, the City of Petersburg on August 28, 1964, the County of Chesterfield on September 9, 1964, the County of Dinwiddie on September 9, 1964, and the County of Prince George on September 8, 1964, all as amended by a First Amendment thereto dated December 16, 1982, by a Modification Agreement dated as of September 1, 1983, ~~and~~ by the Second Amendment to Service Agreements and by the Third Amendment to Service Agreements, and as any of the foregoing may be further amended or supplemented from time to time.

"Third Amendment to Service Agreements" means the Third Amendment to 1964 Service Agreements between the Participating Jurisdictions and the Authority, dated as of September 4, 2001.

[To be deleted: Definitions of "Series 1986 Bonds" and "Underwriter"]

ARTICLE VI

REVENUES AND FUNDS

Section 601. Annual Budget. (a) Prior to the beginning of each Fiscal Year, the Authority shall adopt a budget for the ensuing Fiscal Year which shall be called the Annual Budget.

(b) Prior to preparing the Annual Budget, the Authority shall obtain a report from the Consulting Engineer giving advice and making recommendations as to the proper maintenance, repair and operation of the System during the ensuing Fiscal Year and estimating the amount necessary for such purposes.

(c) The Annual Budget shall be prepared in such manner as to show in reasonable detail all ~~rates, fees and other charges~~ Revenues projected to be derived by the Authority ~~to pay and the amounts of~~ (A) the Operating Expenses estimated to be incurred in connection with the ownership or operation of the System, (B) any amount required to be paid into the Replacement Fund (including the estimated Operating Capital Outlay Expenses, which shall be separately stated), (C) the amount of principal of and premium, if any, and interest on the Bonds, that shall become due, including (iii) any amount necessary to be paid into the Debt Service Reserve Fund to restore the balance therein to the amount of the Debt Service Reserve, (iv) the amount required to be paid into the ERF as provided in Section 609(d), and (D) any other lawful costs and expenses the Authority deems necessary or desirable. Copies of the

Annual Budget shall be filed with the Trustee ~~and the Underwriter~~ not later than the first day of the Fiscal Year for which it is prepared.

(d) If for any reason an Annual Budget has not been adopted within the time required by subsection (a) of this section, the last previously adopted Annual Budget shall be deemed to provide for and regulate and control expenditures during such Fiscal Year until an Annual Budget for such Fiscal Year shall have been adopted.

(e) The Authority may amend the Annual Budget at any time during the Fiscal Year. The Authority shall follow the same procedure regarding any such amendment as provided in subsection (c) of this section for the adoption of the Annual Budget. Copies of all such amendments shall be filed promptly with the Trustee ~~and the Underwriter~~.

Section 602. Revenue Covenant. The Authority shall fix, charge and collect such rates, fees and other charges for the use of and for the services furnished by the System, and will, from time to time and as often as shall appear necessary, revise such rates, fees and other charges, so as to produce ~~revenues~~ Revenues in each Fiscal Year sufficient to pay (a) the budgeted ~~cost of operation and maintenance~~ Operating Expenses of the System, less the budgeted Operating Capital Outlay Expenses, (b) ~~the amount, if any, required to be paid into the Replacement Fund,~~ (e) principal of and premium, if any, and interest on the Bonds and all other indebtedness of the Authority, as the same become due, and (d) (iii) any amount necessary to be paid into the Debt Service Reserve Fund to restore the balance therein to the amount of the Debt Service Reserve, and (iv) the amount required to be paid into the ERRF as provided in Section 609(d),.

Section 603. Billing and Enforcement of Charges. The Authority shall bill the parties to the Service Agreements for all charges under the Service Agreements and any other user of the services of the System no less frequently than quarterly. The Authority shall take all appropriate steps to enforce collection of any overdue charges by any remedy available at law or in equity.

Section 604. Establishment of Funds. The following funds are hereby established:

- (a) Appomattox River Water Authority Revenue Fund, to be held by the Trustee;
- (b) Appomattox River Water Authority Operating Fund, to be held by the Authority;
- (c) Appomattox River Water Authority Bond Fund, in which there are established an Interest Account and a Principal Account, both to be held by the Trustee;
- (d) Appomattox River Water Authority Debt Service Reserve Fund, to be held by the Trustee; and
- (e) Appomattox River Water Authority Equipment Repair and Replacement Fund or the "ERRF", to be held by the Trustee.

Section 605. Revenue Fund. (a) The Authority shall collect and deposit in the Revenue Fund as received all ~~rates, fees, charges and other Revenues derived from the ownership or operation of the System~~. Moneys on deposit in the Revenue Fund shall be used only in the

manner and priority set forth below. As of the twenty-fifth day of any month during which there is on deposit in the Revenue Fund at least \$100,000, but not later than the last day thereof, the Trustee shall make the following deposits in the following order of priority:

(a1) To the Authority for deposit in the Operating Fund such amount needed to increase the balance in the Operating Fund to the sum of (1i) the estimated amount of the Operating Expenses for the next succeeding four months as provided in the Annual Budget and (2ii) the aggregate amount, as certified by an Authorized Representative of the Authority, of all checks outstanding and unpaid drawn upon the Operating Fund.

(b2) To the Bond Fund such amount as shall be necessary to make the following deposits:

(1A) first, in the Interest Account, such amount, if any, as may be required to make the total amount on deposit therein equal to the amount of interest which will become due on the ~~Series 1986 Bonds and any Additional~~ Bonds within the next succeeding six months; and

(2B) then, in the Principal Account, such amount, if any, as may be required to make the total amount on deposit therein equal to the amount of principal of the ~~Series 1986 Bonds and any Additional~~ Bonds maturing or required to be redeemed pursuant to any sinking fund requirement with respect to Term Bonds within the next succeeding 12 months.

(e3) To the Debt Service Reserve Fund, such amount as may be necessary to increase the amount on deposit therein to the amount of the Debt Service Reserve.

~~(d)~~
(4) To the ~~Replacement Fund the~~ERRF, such amount ~~necessary to increase as~~ may be required to be deposited therein under Section 609(d) until the ~~amount~~balance in such ~~fund~~the ERRF is equal to \$~~500,000~~2,500,000.

(eb) ~~To~~At least once each Fiscal Year, on the twenty-fifth day of any month following the deposits described in subsection (a) above, and provided that all of the deposits required under subsection (a) above have been made, the balance in the Revenue Fund shall be transferred to the Authority as directed by an Authorized Authority Representative, for use by the Authority for any of the following purposes:

(1) to pay costs of completion of the System;

(2) to pay the cost of replacements of major components of the System and the cost of acquisition or construction of improvements, extensions, additions or replacements required to be charged to capital account by generally accepted accounting principles and which constitute or will constitute a part of the System;

(3) to purchase, for cancellation, Bonds at or below their current redemption price;

(4) to redeem Bonds at the earliest practicable date; and

(5) for any lawful purpose permitted by the Act and this agreement.

Section 606. Operating Fund. The Authority shall pay Operating Expenses from the Operating Fund as the same become due and in accordance with the purposes and amounts provided in the Annual Budget. ~~In the event~~ If the balance in the Operating Fund is insufficient for the purposes thereof, the Trustee shall transfer to such fund such amounts as may be necessary therefor from the ~~Replacement Fund~~ ERRF pursuant to Section 609.

Section 607. Bond Fund. The Trustee shall pay the principal of, whether upon redemption or maturity, and interest on the Bonds from the Principal Account and the Interest Account, respectively, as the same become due. The Trustee shall provide for redemption ~~of the Series 1986 Bonds maturing on October 1, 2006, and October 1, 2013, in accordance with the schedule set forth in Section 303 and the redemption~~ of any ~~Additional~~ Bonds which may be issued as Term Bonds in accordance with the schedule in a supplement to this agreement authorizing their issuance; provided, however, that on or before the 70th day next preceding any such sinking fund payment date, the Authority may:

(a) pay to the Trustee for deposit in the Principal Account such amount as the Authority may determine, accompanied by a certificate signed by an Authorized Representative of the Authority directing the Trustee to apply such amount to the purchase of Bonds required to be redeemed on such sinking fund payment date, and the Trustee shall thereupon use all reasonable efforts to expend such funds as nearly as may be practicable in the purchase of such Bonds at a price not exceeding the principal amount thereof plus accrued interest to such sinking fund redemption date; or

(b) deliver to the Trustee for cancellation Term Bonds required to be redeemed on such sinking fund payment date in any aggregate principal amount desired; or

(c) instruct the Trustee to apply a credit against the Authority's sinking fund redemption obligation for any such Term Bonds that previously have been redeemed (other than through the operation of the sinking fund) and canceled by the Trustee but not theretofore applied as a credit against any sinking fund redemption obligation.

Each Bond so purchased, delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof against amounts required to be transferred from the Revenue Fund to the Principal Account on account of such Term Bonds. Upon the occurrence of any of the events described in subsections (a), (b) or (c) of this ~~paragraph~~ Section, the Trustee shall credit against the Authority's sinking fund redemption obligation on the next sinking fund payment date the amount of such Bonds so purchased, delivered or previously redeemed. Any principal amount of such Term Bonds in excess of the principal amount required to be redeemed on such sinking fund payment date shall be similarly credited in chronological order against future transfers from the Revenue Fund to the Principal Account and shall similarly reduce the principal amount of the Term Bonds to be redeemed on the next sinking fund payment date.

Within seven days of receipt of such amount, Term Bonds or instructions to apply a credit, any amounts remaining in the Principal Account in excess of the amount required to fulfill the sinking fund redemption obligation on the next sinking fund payment date shall be paid to the Authority for use by the Authority for any of the purposes described in Section 605(~~eb~~).

Any funds received by the Trustee pursuant to subsection (a) of ~~the preceding paragraph~~this Section but not expended as provided therein for the purchase of Bonds within seven days after such 70th day shall be paid to the Authority for use by the Authority for any of the purposes described in Section 605(~~eb~~).

~~In the event~~If the balances on deposit in the Principal Account or the Interest Account are insufficient for the purposes thereof on the day immediately preceding any principal or interest payment date, the Trustee shall transfer to such accounts such amounts as may be necessary therefor first from the ~~Replacement Fund~~ERRF pursuant to Section 609 and then from the Debt Service Reserve Fund pursuant to Section 608. ~~In the event~~If the balance on deposit in the Interest Account on any April 1 or October 1 or the balance in the Principal Account on any October 1 shall exceed the amount payable on account of interest or principal on the Bonds on such date, the excess ~~shall~~may be paid to the Authority for use by the Authority for any of the purposes described in Section 605(~~eb~~).

Section 608. Debt Service Reserve Fund. The Debt Service Reserve Fund shall be used to make transfers to the Bond Fund to the extent necessary to pay the principal of (whether at maturity or by mandatory sinking fund redemption) and interest on the Bonds as the same become due if the amounts on deposit therein are insufficient therefor. ~~In the event~~If the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve, the Trustee shall transfer funds to the Debt Service Reserve Fund to restore the Debt Service Reserve, to the extent and in the manner provided in Section 605(~~ea~~)(3), from the Revenue Fund. ~~In the event~~If the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve after such transfers from the Revenue Fund, the Trustee shall transfer from the ~~Replacement Fund~~ERRF pursuant to Section 609 funds sufficient to restore the Debt Service Reserve Fund to the amount of the Debt Service Reserve, or such lesser amount as may be available. ~~In the event~~If the amount on deposit in the Debt Service Reserve Fund shall exceed the Debt Service Reserve, the Trustee shall transfer such excess not less frequently than ~~monthly~~annually to the Bond Fund to be deposited, as directed by an Authorized Representative of the Authority, in the Interest Account or the Principal Account to the extent amounts in such accounts are less than the amounts required to be paid on the next interest payment date and principal payment date respectively, and then any excess remaining shall be deposited in the Revenue Fund.

Section 609. Equipment Repair and Replacement Fund. (a) The Trustee shall use amounts in the ~~Replacement Fund~~ERRF as needed in the following order of priority:

(1) to pay to the Authority for payment of Operating Expenses for which the balance, as certified by an Authorized Representative of Authority, in the Operating Fund may be insufficient;

(2) to make transfers to the Bond Fund to the extent and in the manner provided in Section 607; and

(3) to make transfers to the Debt Service Reserve Fund to make up a deficiency in the Debt Service Reserve.

(b) The Trustee shall use amounts in the ~~Replacement Fund~~ERRF not needed for the uses described in subsection (a) of this ~~section~~Section as and when directed by the Authority for any of the following purposes:

(1) reasonable and necessary expenses with respect to the System for major repairs, replacements or maintenance items of a type not recurring annually or at shorter intervals;

(2) reconstruction of parts of the System; or

(3) construction of additions to, or extensions of, the System.

(c) When the balances in the Bond Fund, the Debt Service Reserve Fund and the ~~Replacement Fund~~ERRF are sufficient to redeem all the Bonds then outstanding, the balances in the Bond Fund, the ~~Replacement Fund~~ERRF and the Debt Reserve Service Fund shall be transferred to a special account in the Bond Fund to be held by the Trustee for redemption of the Bonds at the earliest practicable date and for no other purpose.

(d) If at any time the Trustee determines that the balance in the ERRF is less than \$2,500,000, the Authority agrees to include in each of its Annual Budgets following such determination at least such amount as may be necessary to restore the balance in the ERRF to \$2,500,000 in substantially equal monthly installments starting with the first complete Fiscal Year following such determination and ending by not later than the end of the fifth complete Fiscal Year following such determination.

Section 610. Pledge of Revenues and Funds. All Revenues derived from the ownership or operation of the System and all moneys in the Construction Fund, the Revenue Fund, the Operating Fund, the Bond Fund, the Debt Service Reserve Fund and the ~~Replacement Fund~~ERRF shall be trust funds and are hereby pledged to the payment of the principal of and interest on the Bonds, subject only to the right of the Authority to make application thereof to other purposes as provided herein. The lien and trust hereby created are for the benefit of the bondholders and for their additional security until all the Bonds have been paid.

Section 611. Disposition of Balances in Funds after Payment of Bonds. After the principal of and premium, if any, and interest on all of the Bonds and all expenses and charges herein required have been paid or provision therefor has been made, the Trustee shall pay to the Authority any balance remaining in any fund then held by it.

Section 612. Bond Anticipation Notes. Notwithstanding any other provisions of this article, Bond Anticipation Notes shall not be secured by moneys in the Bond Fund or the Debt Service Reserve Fund, and any transfer required to be made to such funds pursuant to Sections

607 and 608 upon the issuance of Bonds shall not be required upon the issuance of Bond Anticipation Notes.

Section 6.13. Acceptance of Other Monies. The Trustee is authorized to accept any monies the Authority may transfer to the Trustee from any reserve, surplus or other funds or accounts maintained by the Authority outside of this agreement. The Trustee shall deposit into any of the funds and accounts established under this agreement and apply such monies for the purposes of such funds or accounts as may be directed by an Authorized Representative of the Authority.

ARTICLE VII

INVESTMENTS AND SECURITY FOR DEPOSITS

Section 701. Bank Accounts. All amounts held by the Authority or the Trustee under this Agreement in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously held in savings accounts, time deposits, demand deposits or other transaction accounts, or certificates of deposit of qualified public depositories provided that the amounts are secured in the manner required by the Virginia Security for Public Deposits Act, Chapter 44 of Title 2.2 of the Code of Virginia of 1950, as amended, or any successor provision of law; provided, however, that this provision shall not apply to amounts used to purchase investments permitted under Section 702 below.

Section 702. Investment of Moneys in Funds. (a) Any moneys held in the Construction Fund, the Revenue Fund, the Operating Fund and the ~~Replacement Fund shall~~ ERRF may be separately invested and reinvested by the Authority, or if the holder of such fund is the Trustee, by the Trustee as directed by an Authorized Representative of the Authority in the following, so long as such investments are ~~authorized~~ at the time legal investments for ~~investment of~~ public funds ~~by section 2.1-328 or 2.1-328.1~~ of the type to be invested under Virginia law, including without limitation the Investment of Public Funds Act, Chapter 45 of Title 2.2 of the Code of Virginia of 1950, as amended, ~~or any subsequent provision of law applicable to such investments:~~

(~~a~~1) bonds, treasury notes and other evidences of indebtedness of the United States of America and securities unconditionally guaranteed as to the timely payment of principal and interest by the United States of America;

(~~b~~2) obligations of the Federal ~~Home~~Home Loan Banks, Federal Farm Credit Banks, Federal Intermediate Credit Banks and Federal Banks for Cooperatives;

(~~e~~3) bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia and securities unconditionally guaranteed as to the timely payment of principal and interest by the Commonwealth of Virginia;

(d4) commercial paper with a maturity of 270 days or less ~~rated by Standard & Poor's Corporation within its ratings of A-1 or A-2, and which~~that complies with the requirements of Section ~~2.1-328.1~~2.2-4502 of the Code of Virginia of 1950, as amended;

(5) investments pursuant to the Local Government Investment Pool Act, Chapter 46 of Title 2.2 of the Code of Virginia of 1950, as amended;

~~(e) — savings accounts, time deposits, certificates of deposit or other interest bearing accounts of any commercial bank, within the Commonwealth of Virginia, including the Trustee, provided that (1) such funds are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law, (2) such funds are fully insured by the Federal Deposit Insurance Corporation or any successor Federal agency, the Federal Savings and Loan Insurance Corporation or any successor Federal agency or fully collateralized in investments described in subsections (a) and (b) of this section, and (3) that no deposits made under this subsection shall be made for a period in excess of five years;~~

~~(f) — savings accounts and certificates of deposit of (1) savings and loan associations which are under supervision of the Commonwealth of Virginia and provided that such funds are fully insured by the Federal Deposit Insurance Corporation or any successor Federal agency, the Federal Savings and Loan Insurance Corporation or any successor Federal agency or fully collateralized in investments described in subsections (a) and (b) of this section, and (2) Federal associations organized under the laws of the United States of America and under Federal supervision, but only to the extent that such accounts and certificates are fully insured by the Federal Savings and Loan Insurance Corporation or any successor Federal agency, provided that no deposits made under this subsection shall be made for a period in excess of five years.~~

(6) investments pursuant to the Government Non-Arbitrage Investment Act, Chapter 47 of Title 2.2 of the Code of Virginia of 1950, as amended; and

(7) such other investment as may be permitted for public funds of the type to be invested under Virginia law, including without limitation the Investment of Public Funds Act, Chapter 45 of Title 2.2 of the Code of Virginia of 1950, as amended; provided at the time of purchase the investment is rated in one of the two highest debt rating categories by at least one of the nationally-recognized rating agencies.

(b) Any ~~moneys~~amounts held in the Bond Fund or the Debt Service Reserve Fund shall be separately invested and reinvested by the Trustee as directed by an Authorized Representative of the Authority in investments described in ~~subsections~~subsection (a), ~~(e1)~~, ~~(e3)~~, ~~(5)~~, ~~(6)~~ and ~~(f7)~~ of this section so long as such investments are authorized for investment of public sinking funds by ~~§ 2.1-327~~ Section 2.2-4500 of the Code of Virginia of 1950, as amended, or any ~~subsequent~~other provision of ~~law applicable to such investments~~ Virginia law.

(c) Any investments described in ~~subsections~~subsection (a) ~~(1)~~, ~~(b2)~~ and ~~(e3)~~ of this section may be purchased by the Authority or the Trustee pursuant to a repurchase agreement

with any bank, including an affiliate of the Trustee, within or without the Commonwealth of Virginia having a combined capital, surplus and undivided profits of not less than \$50,000,000 and acceptable to the Authority or the Trustee, as the case may be, provided that the obligation of the bank to repurchase is within 12 months at the date the investment is purchased. Such repurchase agreement shall be considered a purchase of such securities even if title to and/or possession of such securities is not transferred to the Authority or the Trustee, as the case may be, so long as (A*i*) the repurchase obligation of the bank is collateralized by the securities themselves, (B*ii*) such investments have on the date of the repurchase agreement a fair market value equal to at least 100% of the amount of the repurchase obligation of the bank, including principal and interest, (C*iii*) such securities are held by a third party as agent for the benefit of the Trustee as fiduciary for the holders of the Bonds and not as agent for the bank serving as Trustee in its commercial capacity or any other party and are segregated from securities owned generally by such third party, and (D*iv*) a perfected security interest in such securities is created for the benefit of the holders of the Bonds under the Uniform Commercial Code of Virginia or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. In addition, investments in a money market or other fund, investments of which fund are exclusively in obligations or securities described in ~~subsections~~subsection (a)(1), (b2) and (e3) of this section, shall be considered investments in obligations described in ~~subsections~~subsection (a)(1), (b2) and (e3) of this section.

(d) Any such investments shall be held by or under the control of the Authority or the Trustee, as the case may be, and while so held shall be deemed a part of the fund in which such moneys were originally held. The interest accruing thereon and any profit realized therefrom shall be credited to such ~~funds~~fund, and any loss resulting from such investments shall be charged to such ~~funds~~fund. The Authority or the Trustee shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund is insufficient for the purposes thereof.

~~Moneys~~(e) Investments held in the following funds shall ~~be invested in obligations described in Section 701 of~~have the following ~~maturities~~maximum terms to maturity:

(A1) Construction Fund - not later than the dates on which such moneys will be needed to pay the Costs of the ~~system~~System;

(B2) Revenue Fund - not later than the ~~last~~25th day of the month in which such moneys shall be transferred pursuant to Section 605;

(C3) Operating Fund - not later than the date on which such moneys will be needed to pay Operating Expenses;

(D4) Bond Fund - not later than the date on which such moneys will be needed to pay principal of or interest on the Bonds;

(E5) Debt Service Reserve Fund - not to exceed ~~the earlier of fifty-six months~~ten years from the date of ~~acquisitions or October 1, 2013~~acquisition of the investment; and

(F6) ~~Replacement Fund~~ERRF - not to exceed ~~the earlier of seven~~ten years from the date of acquisition of the investment ~~or October 1, 2013.~~

(f) For purposes of this ~~section~~subsection (f) investments shall be considered as maturing on the date on which they are redeemable without penalty at the option of the holder or the date on which the Authority or the Trustee may require their repurchase pursuant to a repurchase agreement.

~~Notwithstanding anything herein to the contrary, the Trustee shall not invest moneys held in the Construction Fund that represent transferred proceeds from the Prior Bonds.~~

~~Notwithstanding anything in this Agreement to the contrary, moneys held in the Debt Service Reserve Fund shall only be invested in investments described in clauses (a) and (b) of the first paragraph of this Section 701.~~

~~Section 702~~

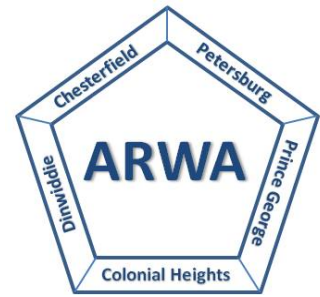
Section 703. Valuation of Investments. In computing the amount ~~of~~in any fund created by this ~~Agreement, obligations purchased as an investment of money will be valued~~agreement, the Trustee shall value investments on deposit in the fund at their costs~~cost~~ or the market value thereof, whichever is lower, exclusive of unpaid accrued interest, except ~~that investments in the Debt Service Reserve Fund will be valued at their cost plus any accreted value less any amortized premium unless money has been transferred from the Debt Service Reserve Fund to the Bond Fund to pay debt service on the Bonds, in which event~~for investments in the Debt Service Reserve Fund ~~will be valued at their market value until the balance~~and the ERRF. The Trustee shall value investments in the Debt Service Reserve Fund has been restored toand the ~~amount of the Debt Service Reserve.~~

~~Section 703. Security for Deposits. All moneys held in the funds created by this agreement which are on deposit with any bank shall be continuously secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law~~ERRF at par, exclusive of unpaid accrued interest; provided, however, that any investment purchased at a price of less than 98% of par or in excess of 102% of par shall be valued at the market value, exclusive of unpaid accrued interest. The Trustee shall make such valuations semiannually and at such other times as the Authority may reasonably request.

Section 704. Investments ~~through~~Made By ~~Trustee's Bond Department.~~ The Trustee may make investments permitted by ~~section 701~~Section 702 through its own bond department.

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147091777_4

Appomattox River Water Authority



21300 Chesdin Rd. - S. Chesterfield, VA 23803 - Phone (804) 590-1145 - Fax (804) 590-9285

TO: Deborah Cosgrove, Chesterfield County
George Hayes, Chesterfield County
Ann Howerton, Dinwiddie County
Betsy Drewry, Prince George County
Sheila Minor, City of Colonial Heights
Stuart Turille, City of Petersburg
Tangela Innis, City of Petersburg

FROM: Robert Wilson, ARWA

DATE: August 16, 2021

SUBJECT: Proposed uses of Surplus Funds in the Revenue Fund
Proposed changes to Financial Policies
Proposed Revisions to the Trust Agreement

At the July 22nd meeting we updated the Board on the input received from the July 12th financial workshop. As part of the discussion, the Board asked that I review the following information with the financial representatives:

1. Review ARWA's recommendations for distribution of excess funds from the Revenue Fund.
2. Determine if there are any outstanding questions or revisions to the proposed Financial Policies.
3. Outline the proposed revisions to the Trust Agreement.

○ Recommendations for distribution of excess funds in the Revenue Fund

Staff is recommending the following distribution for excess funds in the Revenue Fund:

1. \$1,200,000 be placed in a separate account for transparency to fund the renewal for the VWP permit. This will be a multiyear project with the permit renewal due in 2028. The first task will be the bathymetric study. A formal report on raw water capacity is due to the Board in 2023. The completion of the bathymetric study is necessary to complete this report for the Board.
2. Increase the balance in the Equipment Repair and Replacement Fund (ERRF), formally the Replacement Fund (from the Trust Agreement), from \$500,000 to \$2,500,000. This would require \$2,000,000 out of the excess funds.
3. Increase the Operating Reserve from six months of Operating Expenses excluding Capital Outlay Expenses to twelve months. This would require approximately \$3,700,000 of the excess funds.

4. Retain the remaining excess funds in the Surplus Fund (approximately \$2.0 million) in an account for the future filter rebuilds. We have a project shown in the budget for FY2025 to rebuild the filters from the original plant construction in the amount of \$5,500,000.

From the July 12th meeting I think there was a consensus for items 1 – 3. Item 4. has not been resolved. Some members indicated they preferred a true-up with the remaining funds being distributed back to members based on their current five year running average for consumption instead of using the remaining funds towards upcoming capital projects. Another question raised during this discussion was the type of vote required to approve the distribution of the excess funds, majority or unanimous. The bylaws require a majority vote and not a unanimous vote to take action. If unanimous action is preferred, this requirement would need to be written into the Financial Policies.

Action Items:

1. Recommend to your respective Board member how you think the excess funds in item 4. should be distributed. The two most popular recommendations are: (1) placed in a separate account for future capital projects; and (2) true-up back to the participating members per their five-year running average consumption.
2. Recommend how the voting should take place for distribution of excess funds out of the Surplus Fund, majority or unanimous.

○ Financial Policies

A couple of revisions have been added since the July 12th meeting:

- Under the definition of the Debt Service Reserve Fund we added the clarification for the maximum annual debt service for all of the outstanding bonds.
- Under the section on the definition of the ERRF, we added “In the event the ERRF balance falls below \$2,500,000 the Authority will refill the ERRF as quickly as feasible not to exceed five years”

The revisions are notated in red on the attached draft Financial Policies.

Action Items:

1. Review the Financial Policies and advise staff if you have any additional questions or need any additional clarifications.

○ Revisions to the Trust Agreement

At the July 22nd meeting the Board authorized counsel to begin contacting the three bond holders and begin discussing the proposed revisions to the Trust Agreement. Our counsel has begun this process.

One point raised during the discussion was the duration to refill the ERRF if the ERRF was depleted for a catastrophic event. Counsel recommended a duration not to exceed five years. That is the same duration outlined in the ERRF definition section of the proposed Financial Policies. A copy of the proposed Trust Agreement changes is attached for your review. Under the current Trust Agreement, the ERRF would need to be refilled within twelve months.

Please have your comments back to me by August 30th.

Draft

Financial Policies and Procedures
Appomattox River Water Authority
Effective Date: _____

A. 1986 Agreement of Trust

The Appomattox River Water Authority (ARWA) is governed by the 1986 Agreement of Trust as amended (Trust Agreement). The Trust Agreement established five funds to be applied as described below:

- **Revenue Fund.** This is the fund where all revenue from billing the five participating jurisdictions is deposited. It is held by U.S. Bank as Trustee (Trustee). Participating jurisdictions are billed on a quarterly basis—9/30 (payment due 10/25), 12/31 (due 1/25), 3/31 (due 4/25), and 6/30 (due 7/25). Currently, on a monthly basis, the Trustee makes deposits to the other four funds in the order described below and illustrated in the chart attached as Annex 1. ARWA (acting through the business manager) normally directs the Trustee through each step of the process.
- **Operating Fund.** This is the fund that ARWA uses to pay all the expenses for operating and maintenance including Operating Capital Outlay Expenses (Operating Expenses). This fund is held by ARWA. On a monthly basis the business manager advises the Trustee of the upcoming Operating Expenses for the next four months. The Trustee transfers from the Revenue Fund to the Operating Fund the amount necessary, less any money already on deposit, to pay any outstanding checks plus the next four months of Operating Expenses based on the current ARWA annual budget. ARWA then processes checks on the Operating Fund for payment of Operating Expenses. The reason for the four months amount of Operating Expenses is that participating jurisdictions are billed quarterly and have until the 25th of the following month to pay their invoice, which works out to four months.
- **Bond Fund.** This is the fund for the principal and interest payments for each fiscal year on ARWA's bond. This fund is held by the Trustee. Once the Trustee has transferred sufficient money to ARWA to fully fund the Operating Fund, the Trustee then transfers money to the Interest Account of the Bond Fund to make the next six months of interest payments and to the Principal Account of the Bond Fund enough to make the next 12 months of principal payments. The Trust Agreement is designed to accommodate ideally fixed rate bonds that pay interest semiannually and principal once a year. The

Trustee applies the balances in the Interest Account and Principal Account to make the debt service payments on each bond when due.

- **Debt Service Reserve Fund.** The Debt Service Reserve Fund is held by the Trustee and is designed to maintain a minimum balance of the maximum annual debt service on all of the outstanding bonds. If there is ever a deficiency in the Bond Fund to pay debt service on the bonds and the deficiency is not covered by amount in the Operating Reserve Fund, the Surplus Fund and the ERRF (as described below), the Trustee will apply the Debt Service Reserve Fund to the extent necessary to cover the deficiency. Each month after the Trustee makes the required transfers from the Revenue Fund to the Operating Fund and the Bond Fund, the Trustee will then transfer the amount, if any, necessary to restore the Debt Service Reserve Fund to its minimum balance.
- **Equipment Repair and Replacement Fund (ERRF).** The ERRF is held by the Trustee. The ERRF is to be used in the following order of priority:
 - To pay Operating Expenses if the Operating Fund is insufficient.
 - To make transfers to the Bond Fund as needed to pay debt service.
 - To make transfers to the Debt Service Reserve Fund to restore its minimum balance.
 - To pay reasonable and necessary expenses with respect to the System for major repairs and replacements, System reconstruction or the construction of additions to, or extensions of, the System.

Although the Trust Agreement authorizes a wider range of uses, ARWA intends to reserve the ERRF to address catastrophic events. After the Trustee makes the required transfers from the Revenue Fund to the Operating Fund, Bond Fund and Debt Service Reserve Fund, it will then transfer from the Revenue Fund to the ERRF the amount, if any, necessary to restore the balance in the ERRF to \$2,500,000 over a period of not more than five years.

The Trust Agreement provides that, not less frequently than annually, any amount in the Revenue Fund in excess of \$100,000 be transferred to ARWA; provided that all of the required transfers to the Operating Fund, the Bond Fund, the Debt Service Reserve Fund and the ERRF have been made as of the date of the transfer. ARWA intends to request the Trustee to make the transfer within 30 days after ARWA's audited financials have been presented to and accepted by the ARWA Board. The Trust Indenture permits ARWA to apply the transferred funds for any of several listed purposes, including to pay the cost of System improvements or extensions and for any other lawful purpose permitted by the Virginia Water and Waste Authorities Act and the Trust Indenture. ARWA intends to deposit the transferred funds into the below-described ARWA reserves and apply them as set forth below.

B. ARWA Reserves

In addition to the five funds required in the Trust Agreement, ARWA maintains two reserve funds:

- **Operating Reserve Fund.** The Operating Reserve Fund is intended to be ARWA's first source of funding to pay any Operating Expenses and debt service on ARWA's bonds in the event current revenues from the participating jurisdictions is insufficient. The Operating Reserve Fund may be eliminated or its purpose changed at any time by the ARWA Board and nothing in these policies is intended to create a pledge of the Operating Reserve Fund to secure ARWA's bonds.

The minimum balance for the Operating Reserve Fund is six months of Operating Expenses for the current fiscal year. For purposes of the Operating Reserve Fund, the term "Operating Expenses" does not include budgeted Operating Capital Outlay Expenses. If the balance in the Operating Reserve Fund falls below the minimum requirement, the shortfall will be included in the budget for the next fiscal year. The maximum balance in the Operating Reserve Fund is twelve months of Operating Expenses.

- **Surplus Fund.** The Surplus Fund is a placeholder for all excess funds collected and swept from the Revenue Fund after the audited financials have been presented to and accepted by the ARWA Board. The amount of surplus funds available for each fiscal year is determined by the audit team during the annual audit. After the audit team determines the amount of the surplus, if any, and presents the audit findings to the Board, the Executive Director will make a recommendation to the ARWA Board for the allocation or distribution of the surplus funds. ARWA Board action is required for distribution of funds from the Surplus Fund account except in the case of a shortfall in the Trust Agreement funds and the Operating Reserve Fund to make the required deposits under the Trust Agreement.

C. Monthly Cash Flow

ARWA bills its member jurisdictions on a quarterly basis in arrears based on actual consumption occurring in the prior quarter:

Quarter	First	Second	Third	Fourth
Invoice Date	September 30	December 31	March 31	June 30
Due Date	October 25	January 25	April 25	July 25

Each jurisdiction sends payment to ARWA by the 25th of the following month billed. ARWA, in turn, makes electronic transfers into the Revenue Fund and the amounts in the Revenue Fund are applied as described above.

D. Budget Process

The proposed fiscal year budget for the succeeding fiscal year is discussed with the member jurisdiction utility directors in December of each year. After that presentation, a Budget Narrative is prepared with the proposed budget and the budget is presented to the Board at the January meeting.

The budget is broken down into five categories:

- Operating Expenses (other than Operating Capital Outlay Expenses)
- Operating Capital Outlay Expenses
- Debt Service
- Operating Reserve Fund
- Construction Fund

The Operating Expenses are the proposed expenses to support daily operations and maintenance for the next fiscal year.

The Operating Capital Outlay expenses are large, budgeted projects that either rehabilitate or replace an existing asset and are approved on an annual basis. To meet this criteria, the project must be at least \$5,000. These projects are not “improvement” or “expansion” projects within the meaning of the Service Agreements.

The debt service portion of the budget is broken down by issuance to identify the annual debt service payment. This portion of the budget fills up the Bond Fund for the next fiscal year. In addition, we are also required to maintain an amount at least equal to the maximum annual debt service for all of the outstanding bonds in the Debt Service Reserve Fund. The Debt Service Reserve Fund should remain fully funded and only require minimum adjustments with changes in debt service per set debt service payment schedules. For the final year of an issuance, the debt service reserve for that issuance should make the final payment.

In the event the Operating Reserve Fund is less than six months of budgeted Operating Expenses (less Operating Capital Outlay Expenses), there will be an amount shown in the Operating Reserve Fund section of the budget to increase the Operating Reserve Fund to six months of Operating Expenses. The Operating Reserve Fund should remain fully funded to at least the six-month requirement and not require additional funding annually.

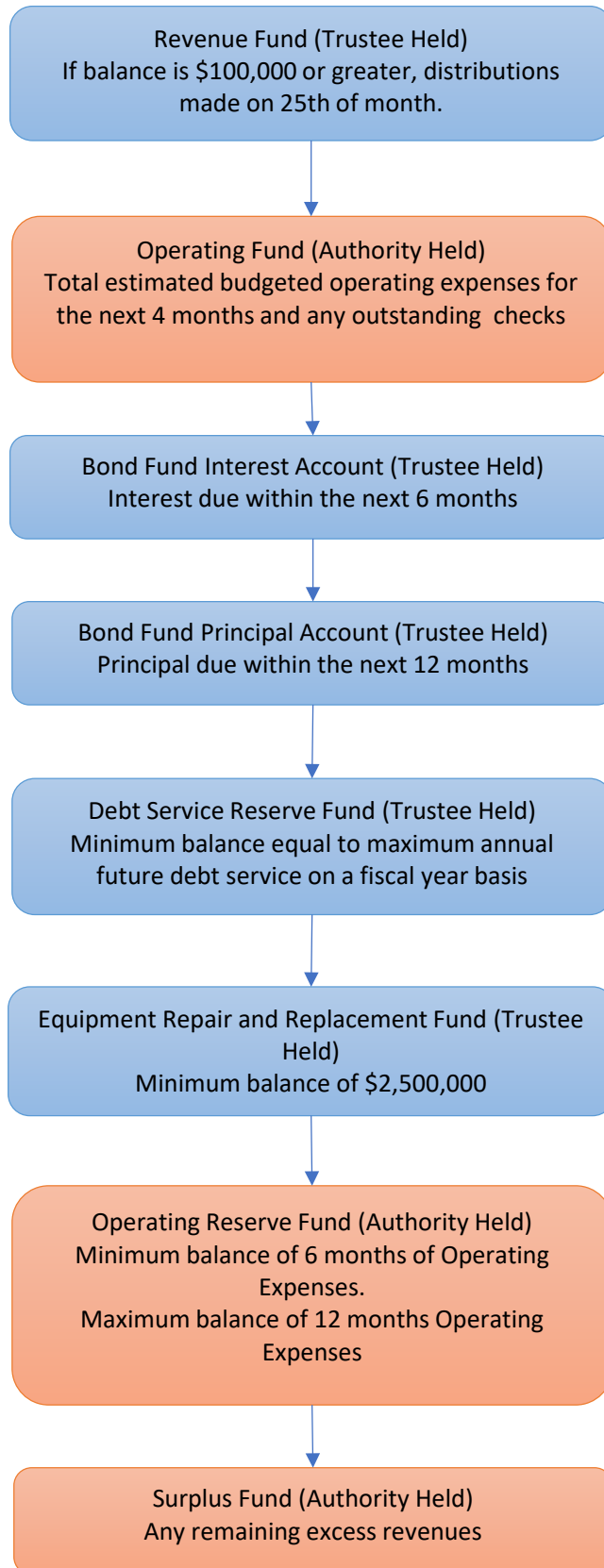
The Construction Fund identifies proposed large projects within the ten year planning window that will most likely require an issuance (debt service) to finance. This section is provided for members for planning purposes. The estimated debt service for these proposed projects is included in future rate estimates for the members to illustrate potential impact to their future water rates. Structurally, the fiscal budget is approved on an annual basis. Once a large project is approved and there is a debt issuance approved by the Board, this cost moves to the debt service portion of the budget. In addition, a deposit may need to be made to the Debt Service Reserve Fund to maintain the balance at maximum annual debt service.

E. Investments

The funds held by the Trustee are invested by the Trustee at ARWA's direction in permitted investments under the Trust Agreement. The funds held by the Authority are invested in interest bearing accounts in the Local Government Investment Pool (LGIP) or such other investment option as approved by the Board. Investments are reviewed quarterly with recommendations to the Board for any changes in investment strategy.

F. ARWA Bonds – Post-Issuance Tax Compliance – See Annex 2

Annex 1



Annex 2

ARWA Bonds – Post-Issuance Tax Compliance

General. ARWA has historically debt financed its large improvement and expansion projects with tax-exempt governmental bonds. The Internal Revenue Code (Tax Code) contains numerous requirements to qualify and maintain tax-exempt status for these bonds, many of which are addressed on or before closing with the assistance of ARWA’s counsel and financial advisor. However, the two most important requirements call for on-going post-issuance compliance. Those requirements are that, following the date of issuance of any tax-exempt governmental bonds:

- The issuer will take no deliberate action to cause the bonds to become “private activity bonds” under Section 141 of the Tax Code; and
- The issuer will comply with the arbitrage yield restriction and rebate requirements under Section 148 of the Tax Code.

ARWA’s Executive Director is the officer charged with the responsibility of maintaining the tax-exempt status of ARWA’s bonds.

Avoiding Private Activity Bond Status. The easiest way for a wholesale utility operator such as ARWA to keep its bonds from becoming “private activity bonds” is to avoid any post-issuance “private business use.”

Use of bond proceeds or bond-financed property by a nongovernmental person in furtherance of a trade or business activity is considered private business use.

A “nongovernmental person” is any corporation, partnership or any other entity or person (including a natural person), except for a state or local governmental unit. Note that the federal government is considered a nongovernmental person for purposes of Section 141 of the Tax Code.

For this purpose, any trade or business activity of a natural person is treated as a trade or business, and any activity carried on by a person (including a governmental entity or corporation) other than a natural person is treated as a trade or business.

Private business use can arise in a number of ways. In most cases, private business use results if a nongovernmental person has “special legal entitlements” to use bond-financed property under an arrangement with the issuer.

For ARWA, private business use is likely to arise from the following three types of special legal entitlements:

- Ownership of bond-financed property by a nongovernmental person (including through a post-issuance sale);
- Leases of bond-financed property to a nongovernmental person; and

- Management or service contracts under which a non-governmental person provides services involving all, a portion of, or any function of, bond-financed property, other than contracts for services that are solely incidental to ARWA's primary governmental function or the functions of the bond-financed property (for example, contracts for janitorial, office equipment repair, billing, or similar services).

The Executive Director will maintain an inventory of ARWA's bond-financed property and update it at least annually. The Executive Director will seek the advice of counsel before entering into any arrangement providing to a nongovernmental person a special legal entitlement to use any of the proceeds of ARWA's tax-exempt governmental bonds or the property financed or refinanced with such proceeds. The purpose of seeking such advice is to preserve ARWA's ability to (i) avoid private business use by applying certain provisions of the Tax Code, the Treasury Regulations and other pronouncements of the Internal Revenue Service or (ii) take advantage of the remedial action provisions of the Treasury Regulations, all of which have strict time requirements measured from the date the deliberate action is deemed to have occurred.

Compliance with the Arbitrage Requirements. Section 103 of the Tax Code provides generally that interest on an "arbitrage bond" is not excluded from gross income for federal income tax purposes. Under Section 148 of the Tax Code, arbitrage bond status will result from violation of either (i) the "yield restriction" rule of Section 148(a) or (ii) the arbitrage rebate requirement of Section 148(f).

Under Section 148(a) of the Tax Code, arbitrage bond status generally results from the investment of gross proceeds in higher yielding investments and requires a comparison of the yield on the related issue of bonds to the yield on investments acquired with the gross proceeds of those bonds. Not all gross proceeds are required to be yield-restricted. For example, properly sized debt service reserve funds and gross proceeds eligible for "temporary periods" may be invested without yield restriction, either throughout the term of the bonds or for the duration of the temporary period.

Contemporaneously with the closing of each ARWA bond issue, the Executive Director will work with counsel and ARWA's financial advisor to develop a list of the gross proceeds that are required to be yield-restricted, either from the closing date or starting at a later date. As part of the quarterly review of investments as described in the section above "Investments," the Executive Director will update the list and work with counsel and financial advisor to ensure each of ARWA's bonds is in compliance with the applicable yield restriction requirements.

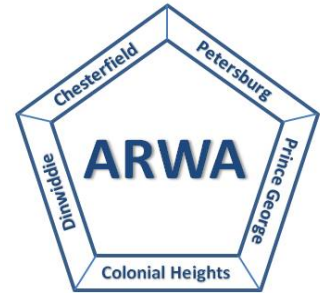
Under Section 148(f) of the Tax Code, arbitrage bond status also results from a failure of an issuer to "rebate" to the Internal Revenue Service amounts attributable to investments of gross proceeds at a yield in excess of the yield on the related bonds. Even gross proceeds that may be invested at an unrestricted yield are generally subject to the rebate requirement.

Contemporaneously with the closing of each ARWA bond, the Executive Director will collaborate with counsel and the financial advisor to identify any applicable exceptions to the rebate requirement. Two of the more commonly used exceptions are the six-month and two-year spending exceptions, by which an issuer can avoid the rebate requirement on certain gross proceeds by spending them within certain time periods following closing. The Executive Director will take

reasonable and appropriate steps to qualify the gross proceeds of ARWA bonds for the applicable exceptions. In addition, the Authority will engage an arbitrage rebate calculation service as required to calculate any rebate amount owed to the Internal Revenue Service.

Updates to Post-Issuance Tax Compliance Policy. Contemporaneously with the closing of each issue of ARWA bonds, the Executive Director will review the post-issuance tax compliance policy and work with counsel and the financial advisor to update it to address changes in applicable law or ARWA's circumstances and to cover any new type of tax-exempt or tax-advantaged bonds that ARWA may issue.

Appomattox River Water Authority



21300 Chesdin Rd. - S. Chesterfield, VA 23803 - Phone (804) 590-1145 - Fax (804) 590-9285

Exhibit D

TO: Appomattox River Water Authority Board of Directors

FROM: Robert B. Wilson, Executive Director
James C. Gordon, Assistant Executive Director

DATE: September 23, 2021

SUBJECT: Maintenance Lake Level Drawdown Request

Mr. Tom Yeager of 9260 Eagle Cove Circle requested the Board consider allowing a scheduled drawdown of the lake to allow residents to perform maintenance on their docks and breakwaters. His request is included as Attachment 1. Mr. Yeager made a similar request in 2019 that was reviewed and denied.

Staff looked at the potential impacts to stakeholders if the lake level was dropped for this reason:

- We contacted Ms. Hamilton with the Corp of Engineers to see if there was any type of notification or permitting required with the Corp. Ms. Hamilton advised this type of drawdown falls under a non-reporting permit and as long as the drawdown is less than twelve months, no additional authorization is required. We presented another question to Ms. Hamilton asking if sediment could be removed from around docks when the level was drawn down without requiring permitting from the Corp. Ms. Hamilton advised permits would be required for removing sediment in excess of twenty-five cubic yards below the normal water level.
- We reviewed the Deed of Easement with Krueger. There is a provision in the deed where we would have to mutually agree with Krueger and the Department of Game and Inland Fisheries, now the Department of Wildlife Resources (DWR), on the temporary period of the drawdown. We did not initiate discussions with Krueger, but we did review their power generation for last winter:

October 2020	31 out of 31 days
November 2020	30 out of 30 days
December 2020	31 out of 31 days
January 2021	31 out of 31 days
February 2021	25 out of 28 days
March 2021	31 out of 31 days

We did check with DWR to see if there were any potential details. Officer Chester stated he checked with the district biologist and his command. From a migration point of view, there are no issues. He did advise they would like to post some additional buoys to mark hazards if the lake level is drawn down.

- Dropping the lake level 3' reduces the lake capacity from approximately 9.3 billion gallons to 6.9 billion gallons or a 26% reduction in volume.
- Duck hunting would be impacted. The duck hunting season is most of the winter months: October 8th – 11th, November 17th – 28th, and December 18th – January 20th.
- There are two 60" square gates at the base of the dam that would be used to drop the lake level. The last time one of the gates was operated was 2011 for the IFIM study. There was an issue closing the gate. The stop logs that would be used to isolate the wet well for Raw Water Pump Station #1, that includes the gates, are not in the budget until FY22/23.
- Drawdown may assist with hydrilla management. At the same time drawing down the lake may also reduce beneficial plants.
- Some type of public input or informational meetings would be necessary to inform and capture the potential concerns of the lake front residents.

The Authority has fought long and hard for the favorable flow-by release requirements that have aided in the lake remaining at full pool.

Staff's recommendation would be not to perform a lake level draw down for maintenance purposes. Staff would only suggest drawing down the lake level when catastrophic storm events are on the way and drawing down the lake is necessary for the safety of the dam and the downstream localities.

Board Action Requested:

Staff requests that the Board discuss the merits of drawing down the lake and provide guidance to staff. Staff's recommendation is not to lower the lake level for maintenance of docks and breakwaters.

Attachment 1

From: T Yeager <yeagerte@gmail.com>
Sent: Sunday, August 8, 2021 11:40 AM
To: Robert Wilson
Subject: Fwd: November Board Meeting proposal
Attachments: Lake Chesdin draw down.pdf

Mr. Wilson,

I hope you are doing well during the "dog days of summer". At least our basin is getting a lot of rain to keep the lake full.

The other day, Virgil Walker and I were talking about a very popular homeowner project I talked to Bob Wichser about in the fall 2019 before his retirement (see attached email and attachment). The idea was to request Board approval to drop the lake level sometime during the winter to enable shoreline repairs and cleanup by the homeowners. I recall that Bob and his staff generally supported the concept and proceeded to put the topic on the Board's November 2019 agenda. The Board did not approve the idea, and I recall that Bob told me the Board's concern was primarily due to the lake level being down at the time and they were unsure of the winter refill rate. While weather forecasting always has an element of risk, it seems that past spring refills have more than compensated for a temporary draw down.

I'd like to respectfully request that your staff again consider taking the concept to the Board for consideration during the winter 2022. Timing, amount of a draw down and duration is completely at your professional discretion. If approved, I know that the homeowners will be very appreciative. I'd be happy to discuss with you further if you desire.

Thank you for your continued stewardship of the lake.

Tom Yeager
9260 Eagle Cove Circle
South Chesterfield, VA 23803
(804) 229-9549 (mobile)
(804) 590-2627

----- Forwarded message -----

From: T Yeager <yeagerte@gmail.com>
Date: Mon, Oct 28, 2019 at 11:25 AM
Subject: November Board Meeting proposal
To: Robert Wichser <rwichser@arwava.org>

Bob,

Thank you for your recent call regarding the idea of having a winter draw down of the lake. Now that the lake has returned to full pool, hopefully your legitimate concern about the Board's possible reaction has diminished.

I have attached a formal letter and request that you can add to the Board's Agenda if you choose. I am sorry that I am not able to attend the meeting as I have an out of town commitments on the 14th. If I can provide any additional information in advance of the meeting, I am happy to do so.

As a caveat, if the Board is agreeable to the general concept, you may want to "tack on" the idea that the scheduled draw down would occur every 2 years (e.g. even years) subject to the Boards specific approval. Then everyone could plan accordingly.

I mentioned in my letter but I want to personally wish you a long, happy and healthy retirement. The stewardship of the lake during your tenure has been exemplary, especially after the turmoil prior to your arrival. Thank you for professional and personal attention during the multiple times we have interacted over the years.

Thank you.

Tom

YEAGER
9260 Eagle Cove Circle
South Chesterfield, Va. 23803
(804) 590-2627

October 28, 2019

Dr. Robert Wichser
Executive Director
Appomattox River Water Authority
21300 Chesdin Rd.
South Chesterfield, VA 23803

Dear Bob:

Thank you for your recent phone call about the idea of dropping the water level of the lake during the winter for a defined period in order to make shoreline repairs and cleanup. When you called, the lake level was down about 1.5 feet and you were concerned about the Board's possible reaction to dropping the lake during drought conditions. Now that the lake has returned to full pool after the recent rains, I assume that concern is mitigated.

As we discussed, for the past several years, the lake has remained at virtually full pool, and has experienced several periods of excess levels. This extended blessing of a full pool has inhibited lakeside property owners from being able to make customary repairs/improvements to bulkheads, docks and shorelines. When we discussed the idea of a scheduled "draw down" during the slower winter months to facilitate shoreline/property improvements and cleanup, you were supportive of the idea which you said you would add it to the ARWA Board's November meeting agenda. I hope that this idea is still appropriate. I was planning on attending the November meeting, but I now have an out of town commitment that prohibits my attendance.

Specifically what I would propose is this. "That the ARWA Board approve a scheduled draw down of the Lake Chesdin for a defined period to permit shoreline repairs and cleanup".

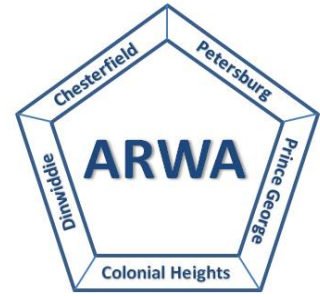
The amount and timing of the draw down would be at the discretion of ARWA with the idea of providing the greatest opportunity for work, while not triggering other regulations that would complicate the request. A publicized draw down schedule in advance would allow for engagement of contractors for work and provide a definite timeline for project completion. The neighbors with whom I have spoken were very enthusiastic about the prospect of being able to complete repairs and projects and wholeheartedly support whatever action the ARWA Board would approve. We also talked about organizing a general lake "clean up" when the lake would be down further improving the condition of the lake.

On behalf of many lake front property owners, we appreciate the Board's consideration of this proposal. We also join in wishing you well on your upcoming retirement and thank you for your excellent stewardship of the lake during your tenure. Please feel free to contact me if I can provide any additional information.

Sincerely,



Appomattox River Water Authority



21300 Chesdin Rd. - S. Chesterfield, VA 23803 - Phone (804) 590-1145 - Fax (804) 590-9285

Exhibit E

TO: Appomattox River Authority Board of Directors

FROM: Robert B. Wilson, P.E., Executive Director
James C. Gordon, Assistant Executive Director

DATE: September 23, 2021

SUBJECT: Ongoing Projects\Operations

Operating Status Report

This report hits the highlights and does not cover the day to day operations, maintenance or preventive maintenance summaries.

➤ General

- The next scheduled Board of Directors Meeting is Thursday, November 18, 2021 at the Appomattox River Water Authority at 2:00 pm.
- We were contacted by the Virginia Department of Health (VDH), Newport News office, about a positive legionella sample on the Central State Campus in Dinwiddie County. Central State is directly connected to the ARWA transmission line and is a customer of Dinwiddie County. Central State has their own distribution system, elevated storage tanks and fire suppression systems. However, Central State is not considered a regulated waterworks. Several buildings on site have been closed with the utilities still connected to the buildings. VDH is working directly with Central State on a resolution.
- We have a security exercise scheduled with the Chesterfield County Police Department on October 20th.
- We have selected a vendor, The Archer Company, to perform the classification and compensation study for both plants.

➤ Operations

- The A shift lead operator turned in his resignation on September 10th. He is moving out of state. This is the third operator we have lost in the last six months, two Class 1 operators and one Class 2. One of the member jurisdictions picked up one of the Class 1 and the Class 2 operators.
- The assistant operations manager is going back on shift until we find a replacement. We are

advertising for a replacement.

- Finished water met all permit requirements for July and August.
- Addressed VDH inspection concerns from April 23rd that were conveyed to us August 3rd.
- The average daily finished water consumption for July was 40.00 mgd and the total delivered was 1.240 BG. The average daily finished water consumption for August was 36.55 mgd and the total delivered was 1.133 BG. The maximum VWP permit criteria is:
 - Daily maximum withdrawal is 86.24 mgd.
 - Monthly maximum withdrawal is 2.289 billion gallons.
 - Maximum annual withdrawal is 17.934 billion gallons (49.1 mgd average)
- The July 1st lake level was 1.00' and the August 31st lake level was 0.50'.
- Continuing to cope with delayed chemical deliveries.
- Worked through a manganese issue in mid-August. Did not receive any customer complaints from members.

➤ Maintenance

- Repaired check valve for raw water pump station #2, pump #23.
- Pulled motor for pump #16 sent out for rewiring and replaced.
- Going around with Khrono representative for biannual meter calibrations.
- Developing critical parts inventory.
- Developing training for other departments to use the work order system, COGZ, for initiating work orders for maintenance.

➤ Instrumentation

- Working with SCADA vendor on pilot project for new SCADA host system.
- Setting up field laptops so IT techs can troubleshoot PLC's.
- Working with vendor to replace power transfer protocol and install new PLC's for power transfer. This is a budgeted project - \$200K.
- Developing backup strategies for file maintenance.
- Added additional system security to servers.
- Developing a list of necessary hardware spares.

➤ Laboratory

- Met all the VPDES requirements for July and August for the outfalls.
- Met monthly requirements for VDH report submittals.
- Lake study.
- Gathering weekly algae data per management plan for taste and odor.
- Completed two year testing for lagoon outfalls. Working with consultant, Golder & Associates, to develop necessary regulatory report.
- Completed toxicity testing for outfalls – no issues for most recent testing.
- Installed new Wallace and Tieman ampimetric titrator.

➤ Phase II In-plant Project

- No change from July 22nd report.
- 42” actuated valve has been delivered. 54” valve still outstanding.
- Installation contract awarded to MEB and is scheduled for this fall.

➤ 30” Transmission Fortification

- No change in status from July 22nd.
- No issues with the crossing. It is checked on a set frequency.
- Soliciting additional proposals. Contractor not responsive.

➤ Prince George Meter Replacement

- There is an issue with delivery of the magmeter.

➤ Replace PMT-2

- Current estimated delivery date is March 2022.

➤ Liquid Lime Study

- No change from July 22nd report.
- We received approval for the PER submitted to VDH.
- The construction for this conversion is currently shown in FY23/24 in line 58090 – Construction in the operating budget.

➤ Hydrilla

- I talked with a resident off Sutherland Road in Dinwiddie that is not happy with our progress on the hydrilla management plan. The resident wanted to know if the Authority performed or would pay for the hydrilla removal in front of her residence. I provided a summary of the method for removal that was presented at the July 22nd meeting. She was not satisfied with my response. I passed this information to the Dinwiddie County member representative in case he received any calls.

➤ Docks

Date	Address	Locality	Construction
9/2/2021	13555 Chesdin Landing Drive	Chesterfield	New

Update on the dock for 18200 Whipponock Way. This is in the narrow section as you go into

Whippernock Creek. Originally this was going to be a built in place dock. Now it is going to be a floating dock. We have the property owner talking with the game warden, Officer Chester, to ensure proper navigational clearances and signage for boaters in the area. The property owner wanted to install “No Wake Zone” signage. We re-emphasized that this is the route to the Whippernock Marina that sells gas. I have also discussed this dock installation with George Williams, one of the owners of the Whippernock Marina.

➤ Miscellaneous

We will be meeting with Chesterfield County and an owner at the end of September to discuss a sedimentation issue in the back of a cove in Chesdin Landing.

Appomattox River Water Authority-Balance Sheet
For Month Ending August 31, 2021

Assets**Current Assets**

Petty Cash	\$	400
SunTrust Operating Fund	\$	1,882,019
SunTrust Replacement Fund	\$	-
Total Unrestricted Cash	\$	1,882,419

Water Revenue	\$	9,776,869
Reserve Account	\$	4,034,482
Replacement Account	\$	500,000
Debt Service Reserve	\$	2,090,691
Bond Principal/Interest	\$	1,428,610
Bond Construction	\$	730,997
Total Restricted Cash	\$	18,561,648

Total Checking/Savings **\$ 20,444,067**

Accounts Receivable	\$	14,800
Other Current Assets	\$	10,779
Inventory	\$	831,667

Total Current Assets **\$ 21,301,313**

Fixed Assets

Land and Land Rights	\$	1,044,167
Water System	\$	85,582,831
Equipment	\$	1,738,287
Hydro	\$	34,873
Construction in Progress	\$	12,773,550
Accumulated Amortization	\$	(34,873)
Accumulated Depreciation	\$	(53,451,019)
Total Fixed Assets	\$	47,687,816

Other Assets

Def Outflow-OPEB GLI	\$	19,307
Def Out Res-Post ER Pension Costs	\$	35,851
Deferred Outflow-OPEB GLI	\$	8,063
Def Out Res-Net Dif Pension Inv	\$	-
Def Out Res-OPEB Experience	\$	43,133
Def Out Res-OPEB Assumptions	\$	1,873
Total Other Assets	\$	108,227

Total Assets **\$ 69,097,356**

Liabilities & Equity**Current Liabilities**

Accounts Payable	\$	156,747
Retainage Payable	\$	12,492
Accrued Interest Payable	\$	126,732
Total Current Liabilities	\$	295,970

Long Term Liabilities

Def Inf Res-Net Dif Pension Inv	\$	261,124
Def Inf Res-Pen Chg Assumptions	\$	(61,850)
Def Inf Res-Pens Dif Proj/Act E	\$	(184,803)
Net Pension Liability	\$	(335,122)
Def Infl-OPEB Chg of Assumptions	\$	1,092
Deferred Inflow-OPEB GLI	\$	9,788
Deferred Inflow-Expect & Actual	\$	11,985
Bonds Payable-2010	\$	-
Bonds Payable-2012	\$	1,901,000
Bonds Payable-2017	\$	11,192,000
Bonds Payable-2019 Refunding Bond Payment	\$	6,730,000
Bonds Payable-2019 Def Amt on Refunding	\$	(91,617)
Accrued Leave Payable	\$	190,641
Post Employment Benefit	\$	125,096
OPEB Liability-GLI	\$	129,368
Total Long-Term Liabilities	\$	19,878,702

Total Liabilities **\$ 20,174,672**

Equity

Retained Earnings	\$	3,606,744
Reserve for Operations	\$	2,880,200
Reserve for Water Revenue	\$	7,145,445
Reserve for Replacements	\$	500,000
Reserve for Bond Interest	\$	126,732
Reserve for Debt Service	\$	2,094,831
Reserve for Bond Principal	\$	1,601,000
Reserve for Reserve	\$	3,750,300
Fixed Assets, Net of Debt	\$	28,744,065

Net Income	\$	(1,526,633)
Total Equity	\$	48,922,684

Total Liabilities & Equity **\$ 69,097,356**

\$ -

Appomattox River Water Authority
YTD Income Statement for the period ending August 31, 2021

Water Rate Center

Revenues and Expenses Summary

Operating Budget vs. Actual

Revenues

	Budget FY 21/22	Budget Year-to-Date	Actual Year-to-Date	YTD Budget vs. Actual	Variance Percentage
Water Sales	\$ 10,699,057	\$ -	\$ -	\$ -	#DIV/0!
Rent/Misc. Income	\$ 30,000	\$ 5,000	\$ 614	\$ (4,387)	-87.73%
Total Operating Revenues	\$ 10,729,057	\$ 5,000	\$ 614	\$ (4,387)	-87.73%

Expenses

Personnel Cost	\$ 2,590,100	\$ 431,683	\$ 394,360	\$ (37,323)	-8.65%
Contractual/Professional Services	\$ 1,049,500	\$ 174,917	\$ 190,227	\$ 15,310	8.75%
Utilities	\$ 830,500	\$ 138,417	\$ 143,154	\$ 4,737	3.42%
Communication/Postal/Freight	\$ 56,500	\$ 9,417	\$ 6,497	\$ (2,919)	-31.00%
Office/Lab/Janitorial Supplies	\$ 104,000	\$ 17,333	\$ 12,928	\$ (4,405)	-25.42%
Insurance	\$ 100,000	\$ 100,000	\$ 100,353	\$ 353	0.35%
Lease/Rental Equipment	\$ 25,000	\$ 4,167	\$ 2,412	\$ (1,754)	-42.10%
Travel/Training/Dues	\$ 55,000	\$ 9,167	\$ 3,279	\$ (5,888)	-64.23%
Safety/Uniforms	\$ 40,000	\$ 6,667	\$ 6,687	\$ 20	0.30%
Chemicals	\$ 2,300,000	\$ 383,333	\$ 356,851	\$ (26,482)	-6.91%
Repair/Maintenance Parts & Supplies	\$ 350,000	\$ 58,333	\$ 91,549	\$ 33,215	56.94%
Total Operating Expenses	\$ 7,500,600	\$ 1,333,433	\$ 1,308,297	\$ (25,136)	-1.89%
Operating Results Suplus/(Deficit)	\$ 3,228,457	\$ (1,328,433)	\$ (1,307,684)	\$ 20,750	-1.56%

Replacement Outlay Budget vs. Actual

Machinery & Motors-Process	\$ 179,000	\$ 29,833	\$ -	\$ (29,833)	-100.00%
Instrumentation	\$ 281,000	\$ 46,833	\$ 14,375	\$ (32,458)	-69.31%
SCADA	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Motor Vehicles	\$ -	\$ -	\$ 26,348	\$ -	
Maintenance Equipment	\$ 40,000	\$ 6,667	\$ -	\$ (6,667)	-100.00%
Valve Replacement	\$ 100,000	\$ 16,667	\$ -	\$ (16,667)	-100.00%
Roof Repairs	\$ 100,000	\$ 16,667	\$ -	\$ (16,667)	-100.00%
Dock Improvements	\$ 80,000	\$ 13,333	\$ -	\$ (13,333)	-100.00%
Lagoon Splitter Box Access	\$ 25,000	\$ 4,167	\$ -	\$ (4,167)	-100.00%
Sedimentation Basin Improvements	\$ 235,000	\$ 39,167	\$ -	\$ (39,167)	-100.00%
Single Pane Windows	\$ 100,000	\$ 16,667	\$ -	\$ (16,667)	-100.00%
Prince George Meter Vault	\$ -	\$ -	\$ 2,251	\$ 2,251	#DIV/0!
Security Infrastructure Upgrade	\$ -	\$ -	\$ 30,992	\$ 30,992	#DIV/0!
Warehouse Restroom	\$ -	\$ -	\$ 22,147	\$ 22,147	#DIV/0!
Total Capital Outlay	\$ 1,140,000	\$ 190,000	\$ 96,113	\$ (175,625)	-92.43%

Construction Outlay Budget vs. Actual

In-Plant Capital Upgrade	\$ -	\$ -	\$ 123,379	\$ 123,379	#DIV/0!
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Debt Service Budget vs. Actual

Interest Income	\$ -	\$ -	\$ 543	\$ 543	#DIV/0!
Other (Income)	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Sell of Asset	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Interest Expense	\$ 487,457	\$ 487,457	\$ -	\$ (487,457)	-100.00%
Bond Issuance Cost	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Principal Payments	\$ 1,601,000	\$ 1,601,000	\$ -	\$ (1,601,000)	-100.00%

Other Income/Other Expense

Alum Litigation Proceeds-Received YTD	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Alum Litigation Proceeds-Credited to Members YTD	\$ -	\$ -	\$ -	\$ -	#DIV/0!

**Appomattox River Water Authority
Executive Review
Cash And Debt Highlights
As of May 31, 2021**

Highlights: ARWA Cash Positions		30-Jun-21	31-Aug-21	Change	Explanation
Unrestricted Cash & Investments:					
Petty Cash	\$	400.00	\$ 400.00	\$ -	see explanation (a) below
SunTrust Operating Account	\$	2,922,353.47	\$ 1,882,019.04	\$ (1,040,334.43)	see explanation (b) below
SunTrust Replacement Fund	\$	200.00	\$ -	\$ (200.00)	see explanation (c) below
Restricted Cash and Investments:					
Water Revenue	\$	6,843,188.10	\$ 9,776,868.73	\$ 2,933,680.63	see explanation (d) below
Reserve Account	\$	4,003,336.28	\$ 4,034,481.64	\$ 31,145.36	see explanation (e) below
Replacement Account	\$	474,195.15	\$ 500,000.00	\$ 25,804.85	see explanation (f) below
Debt Service Reserve	\$	2,090,700.24	\$ 2,090,690.61	\$ (9.63)	see explanation (g) below
2012 Bond Principal/Interest	\$	220,519.40	\$ 220,526.78	\$ 7.38	
2017 Bond Principal/Interest	\$	757,674.23	\$ 757,699.56	\$ 25.33	
2019 Bond Principal/Interest	\$	450,368.77	\$ 450,383.82	\$ 15.05	
2017 Construction	\$	800,124.01	\$ 730,996.69	\$ (69,127.32)	
Total Cash and Investments	\$	18,563,059.65	\$ 20,444,066.87	\$ 1,881,007.22	

Highlights: ARWA Outstanding Bonds		30-Jun-21	31-Aug-21	Change
2012 Bond	\$	1,901,000.00	\$ 1,901,000.00	\$ -
2017 Bond	\$	11,192,000.00	\$ 11,192,000.00	\$ -
2019 Bond	\$	6,730,000.00	\$ 6,730,000.00	\$ -
2019 Bond-Def Amt on Refund	\$	(91,617.07)	\$ (91,617.07)	\$ -
Total Bonds Outstanding	\$	19,731,382.93	\$ 19,731,382.93	\$ -

Explanation of Unrestricted and Restricted Cash positions:

- a. On-Hand Petty Cash for incidental expenses
- b. Financial Policy: Based on next four months of O&M expense
- c. Pass-through account: From US Bank to SunTrust Bank for Replacement Fund Requisitions
- d. Financial Policy: Held by Trustee for all operating water revenues
- e. Financial Policy: 50% of current FY O&M Budget
- f. Financial Policy: Must maintain a minimum of \$500K
- g. Financial Policy: Held by Trustee, funded at such amount as may be necessary.

