

SEPTEMBER 15, 2022

A REGULARLY SCHEDULED MEETING OF THE BOARD OF DIRECTORS OF THE UPPER OCCOQUAN SERVICE AUTHORITY WAS HELD SEPTEMBER 15, 2022 IN THE CHARLES P. BOEPPLE BUILDING LOCATED AT 14631 COMPTON ROAD, CENTREVILLE, VIRGINIA 20121.

A. Calling of the Meeting to Order

1. The Board of Directors of the Upper Occoquan Service Authority convened its Regularly Scheduled Meeting at 4:00 P.M.

**Directors Present:**

Tony Dawood	Shahram Mohsenin
Gary L. Fields	Allan Rowley
Michael McGrath	Glenn Simpson
	Nancy Vehrs

Calvin D. Farr, Jr. (via electronic video conferencing)

**Directors Absent:**

None

**Others Present:**

UOSA Staff:	Robert W. Angelotti
	Brian L. Owsenek
	Kevin D. Wolfe
	Mishelle R. Noble-Blair
	John W. Airhart
	June A. Mahoney
	Doug Hague

Legal Counsel:	Sally Ann Hostetler, Odin, Feldman, & Pittleman, P.C.
----------------	---

Engineer:	Don Forgacs, Jacobs
-----------	---------------------

Financial Advisor:	James E. Sanderson, Jr., Senior Vice President Davenport & Company, LLC
--------------------	--

B. Approval of Board Member Electronic Participation

1. Chairman Mohsenin advised that Director Farr wished to participate electronically. Pursuant to UOSA's Electronic Meeting Policy, Director Farr was asked to identify the reason for this request and his current location.
2. Director Farr (who was attending via video conference) stated that he was feeling ill and did not want to expose those at the meeting and therefore was attending remotely at his personal residence in the Prince William County.

MOTION: Director McGrath moved to allow Director Farr to participate in the Board meeting electronically.  
SECOND: Director Simpson  
VOTE: Unanimous by those physically present in the room (vote excludes Director Farr)

C. Approval of Minutes

1. Chairman Mohsenin referenced the Board Minutes dated July 21, 2022 and asked the Board for their approval.

MOTION: Director Vehrs moved to approve the minutes of the July 21, 2022 Board meeting.

SECOND: Director Fields

VOTE: Unanimous

D. Public Comment Time

1. Chairman Mohsenin asked if there was any known interest or request received by the Public to speak at the meeting.
2. Ms. Mahoney stated that none were received ahead of the meeting.

E. Financial Reports

1. Chairman Mohsenin referenced staff memorandum, *July 2022 Financial Summary* (filed as Exhibit A) and *August 2022 Financial Summary* (filed as Exhibit B) and asked for Mr. Wolfe to focus his report on the later of the two.

- a. Mr. Wolfe reported there was nothing out of the ordinary for July and then moved on to discuss the August Financial Summary. He stated that the August Financial Summary reflected lower O&M expenses than planned primarily due to lower Personnel and Miscellaneous expenses and budget timing differences for Contract Services, partially offset by higher Facilities Maintenance, and Administration expenses than planned. Flows were 10.9 percent lower than planned for the month. Year-to-date FY-23 expenses through August were lower than budget by approximately \$419,000, primarily due to a combination of lower Personnel and Electric Power expenses, and budget timing differences for Contract Services. Year-to-date flows were 7.7 percent lower than planned.

MOTION: Director Simpson moved to receive and file the July and August 2022 Financial Summaries.

SECOND: Director Vehrs

VOTE: Unanimous

2. Chairman Mohsenin referenced staff memorandum, *UOSA Bond Issuance* (filed as Exhibit C).

- a. Mr. Wolfe said the Board may recall from the July board meeting they approved having UOSA's Financial Adviser, Mr. Sanderson attend the September board meeting to discuss borrowing options and timing for our next bond issuance. He stated that staff is requesting the Board's

guidance on whether to issue bonds this Fall or wait until mid-2023. He introduced Mr. Sanderson to present and discuss the subject further.

- b. Mr. Sanderson thanked the Board for having him at the meeting and began his presentation. He said that since this past February when the annual Plan of Finance was updated, interest rates have risen, and this resulted in staff reconsidering when to borrow for the next bond issuance (i.e., this Fall as it was originally planned or wait until early to mid-next year closer to when the existing proceeds will be depleted). He suggested that the last few years have been an anomaly as far as interest rates go and that when you look at where the market is now versus historical averages, interest rates are still favorable even as they move up. His slides provided the Board with a sense of what was happening in the current market while interest rates continue to remain at historical lows, as well as the status of the favorable revenue bond rates.
- c. In response to Director Vehrs, Mr. Sanderson stated that his recommendation for moving forward would be to lock in rates on part of the capital program since interest rates are unpredictable. He said there is the expectation that rates are going to increase. One of the benefits that UOSA has is that the reinvestment rates are much better than they used to be. UOSA's cost to carry debt is going to be mitigated materially from previous numbers. And when rates move up by this much, it's not unheard of for rates to move 50-100 basis points, but the velocity that they seem to be moving is something that gives him pause. Thinking that 100 basis point move between now and March of 2023 is certainly not out of the realm of possibility. He stated that rates have already gone up by 50 basis points since putting the presented data together a few weeks ago in preparation for the mailing. He suggested that the Board consider borrowing for 3 years of construction projects costs, versus only 2 years so that you capture the interest rate now before it rises further, and this gives the option to refinance later if the market environment becomes favorable.
- d. Director Fields said that 100 basis points would be approximately 1 percent and considering that information he would be in favor of borrowing now.
- e. Mr. Angelotti added that historically, UOSA's projections for the Capital Improvement Program (CIP) are conservative with respect to the magnitude of expenses and the schedule for planned projects. For example, the dollars planned for something like a 60 mgd expansion assume the most extensive project from the Master Plan and an aggressive schedule compared to the actual need. Historically, when the CIP is reevaluated annually with respect to timing and cost, actual expenses typically do not keep pace with what is planned. He said that while the results of the rerating study are not complete yet, staff expects that results from it could bring down the cost of the next expansion in future CIPs.
- f. In response to Director Rowley, Mr. Sanderson said if you borrowed \$50 million, an increase of 100 basis points equals \$500,000/year. Therefore, basis points would have to increase substantially, like 300 basis points, before the initial savings would be lost.
- g. In response to Director Fields, Mr. Sanderson provided the call provisions that this bond issuance could have. The federal government has eliminated the ability of advanced refunding, so you cannot refund them before that call date on a tax-exempt basis. You can refund them

before that call date on a taxable basis, which we have done in the past. If the taxable rates allow you to refund it early and save money, then great, but you absolutely will be able to refund them on a taxable basis after ten years at par with no penalty.

- h. In response to Chairman Mohsenin, Mr. Sanderson said whether short-term rates keep rising versus the relative stability of long-term rates is a really good question. Short term rates in some instances are higher than long term rates. So, the six-month treasury rate is a 3.80 and the ten-year treasury is a 3.44. He said right now the treasury market is telling you that rates need to be higher in the short term because the Fed is going to continue to raise rates, but in the longer term we expect rates to come back down. If things work perfectly, if long term rates rise 50 basis points and short-term rates rise 50 basis points, you'd be in the same place. But the question is whether the Fed will pivot and either stop raising rates or give some guidance that they are no longer planning to raise rates. If that were to occur, you might see those short-term rates start to come back down below long term rates as opposed to the inversion that we observe now.
- i. Mr. Sanderson said to move forward with a Fall transaction, staff would present the Board with a formal resolution for adoption after speaking with legal and bond counsel. The resolution would need to be adopted at the October meeting or no later than November's meeting. In the meantime, staff would need to begin the process to obtain required documentation and hold rating agency discussions if a closing were to be completed by the end of December. Mr. Wolfe added that a soft start recommendation for a Fall transaction would need to be given at this meeting to allow enough time to process everything in December. In response to Director Fields, Mr. Sanderson stated that the adopted resolution would have key parameters (i.e., a certain range of interest rate) listed to give staff the ability to execute the transaction. He said a schedule would also accompany the resolution, so the Board understands the timing of the transaction.
- j. Ms. Hostetler reminded the Board that any jurisdiction interested in cash funding any portion of a transaction would need to give a 90-day notice before bonds were issued. Mr. Wolfe stated that meeting that deadline would be extremely tight now. The consensus of the discussion was that no jurisdiction would be interested in cash funding.

MOTION: Director Simpson moved to endorse having staff begin the process of preparing formal resolution documentation for borrowing options and provide a schedule with the timing for our next bond issuance to occur this Fall.

SECOND: Director Dawood

VOTE: Unanimous

#### F. FY-24 Budget Projection

- 1. Chairman Mohsenin referenced staff memorandum, *FY-24 Budget Projection* (filed as Exhibit D).
  - a. Mr. Angelotti said staff is aware that a conservative September budget projection for the next fiscal year is valuable to jurisdictions for rate setting calculations. With that in mind, staff prepared the FY-24 Budget Projection with an eye towards sustained inflation pressures that are

being observed for the economy. It is difficult to fully predict where things might go with the cost of labor, fuel, power services or materials while we are observing unusual market responses in economic indicators following classical manipulations by the Fed. In any case, staff is presenting what is a reasonable estimate with the understanding that there is embedded risk, particularly regarding energy pricing points.

- b. Director Fields was impressed that staff reported a projected increase of only \$49 for the Debt Service category!
- c. In response to Director Farr, Mr. Angelotti said that a 4 percent market rate adjustment was provided last year, along with a zero to 5 percent merit scale and that such salary moves are typically reevaluated each year. He said the labor market is tight and there is continued pressure on salaries from historic inflation, which staff tried to incorporate in the future projection. Mr. Angelotti acknowledged the need for UOSA to remain competitive in the regional labor pool and that staff would come back with suggestions on how to deal with this challenge.
- d. Mr. Wolfe said the projection is a very high-level look ahead and staff will sharpen their pencils as we know more coming into the actual budget preparation in the Spring.

MOTION: Director Vehrs moved to receive and file the FY-24 Budget Projection.  
SECOND: Director Simpson  
VOTE: Unanimous

#### G. FY-22 Constituent Loading Report

- 1. Chairman Mohsenin referenced staff memorandum, *FY-22 Constituent Loading Report* (filed as Exhibit E).
  - e. Mr. Owsenek reported that staff performed its annual analysis of chemical constituent loadings as compared to jurisdictional allocations. Mr. Owsenek introduced Mr. Doug Hague, UOSA's Deputy Director of the Treatment Process Division, to provide a brief presentation (filed as Exhibit F) on how staff calculate the loadings.
  - f. In response to Director Vehrs, Mr. Angelotti explained that when the flow trend shows similar bumps with specific component load bumps that occur in multiple jurisdictions at the same time, then it can be assumed that the load increases are due to a seasonal pattern driven by flow. He reported no unusual mitigations were needed as a result of the observed exceedances and there are efforts already underway to address the nitrogen related exceedances to ensure there is no harm to the plant with the current loading levels expected for the next year. He also said that while Prince William County (PWC) may appear to be close to its allowance at 95 percent, the proposed Service Agreement amendments that staff have been working on will address an expansion which would provide more nitrogen capacity to PWC. In addition, construction of the MFF facility will address exceedances by the City of Manassas (COM). In summary, there are already solutions that are moving forward to address the exceedances identified.
  - g. Mr. Owsenek added that one of the observations over time is the amount of ammonia in the wastewater has increased relative to the plant

design so every jurisdiction is actually closer to their nitrogen limits than for flow. Director Rowley stated the use of water saving fixtures and other water conservation efforts were likely the cause for that.

MOTION: Director Vehrs moved to authorize the Executive Director to advise the COM that they exceeded their TKN and Ammonia allocations in FY-22 pursuant to Section 6.7 of the Service Agreement, pending completion of the Methanol facility. The Executive Director is also authorized to advise the COM that it may continue to deliver sewage in accordance with existing section 6.7 of the Service Agreement and that UOSA will assess associated charges in accordance with the 2019 Ammonia Cost Agreement.

SECOND: Director McGrath

VOTE: Unanimous

#### H. 2022 Restated and Amended Service Agreement

1. Chairman Mohsenin referenced staff memorandum, *2022 Restated and Amended Service Agreement* (filed as Exhibit G).

a. Mr. Angelotti said the effort on the Service Agreement amendment had progressed and that a draft with amendment language was reviewed and approved by bond counsel and legal counsel from each jurisdiction and PWCSA. Staff asked the board to approve the proposed 2022 Restated and Amended Service Agreement so staff could forward it on to authorized officers at each member jurisdiction for their final signature and execution.

b. Ms. Hostetler said the attachments for this agenda item may look daunting, but each piece of the document has already been reviewed by the Board. She reminded the Board that the first piece pertaining to the expansion to 60 mgd was blessed by bond counsel and sent to local jurisdiction's counsel. When that came back to the Board, the Board advised it did not want to do a series of amendments, but wait for adoption with the amended exceedance language that was being discussed. She said there were just a couple of minor tweaks on language, for example, using the word "during" instead "of" with regards to the three consecutive months language. This appeared to make it clearer as people unfamiliar with the agreement felt it was better understood with the change. (i.e., each month during any three consecutive month period vs. each month of any three consecutive month period). The extraneous word "maximum" was deleted as well. The last piece was to bring the 2014 Amendment into the Service Agreement and have it all restated as one single document.

c. Director McGrath thanked all of those involved for their considerable efforts over the past few years to help update and consolidate the Service Agreement.

MOTION: Director Simpson moved to approve the 2022 Restated and Amended Service Agreement and direct staff to forward it to the duly authorized officers of the member Political Subdivisions for execution.

SECOND: Director Fields

VOTE: Unanimous

I. Major Project Reports

1. Chairman Mohsenin referenced staff memorandum, *September 2022 Project Summary* (filed as Exhibit H).
  - a. Mr. Airhart reported on Plant Projects. He said for the NOVEC transformer replacement project, the first transformer ship date has slipped from the second week of August as previously reported and is tentatively set for September 14, 2022.
  - b. Mr. Airhart stated that the Contract AWT (Advanced Wastewater Treatment) contractor started sandblasting pipes ahead of preparing for coating applications and is in the process of completing the replacement of the exterior metal siding on Building P and Building L/1. The large 36-inch diameter buried valves at the ballast pond pump station have been completed and installed. Staff has requested a recovery schedule from the contractor. The project is currently fifteen days behind schedule; the Substantial Completion Date is unchanged at May 10, 2023.
  - c. The Ozone Biofiltration engineer received the approved site plan permit. The engineer is responding to comments from the building permit office of Fairfax County.
  - d. The Building U Centrifuge Upgrade (Project U2) 90 percent design workshop was held with the engineer in August 2022. The engineers are working on addressing those comments and developing 100 percent design documents.
  - e. The P2NR Plus (Phase 2 Nutrient Reduction Plus) design workshop was scheduled for the end of September 2022.
  - f. Once the MFF (Methanol Feeding Facility) site plan permit is issued, the engineer will be able to formally address comments pertaining to the building permit with the application for the Certificate to Construct (CTC) to follow.
  - g. Mr. Airhart reported on the single active Delivery System Project. He said for the YPIU (Yorkshire Park Interceptor Upgrade), NOVA Parks has provided some draft conditions for licensing agreements, staff has reviewed the conditions and are in the process of negotiations. The Route 28 alignment of the bypass is presenting some conflicts and staff continue to coordinate with PWC DOT design team.

MOTION: Director Simpson moved to receive and file the September 2022 Project Summary reports.

SECOND: Director Vehrs

VOTE: Unanimous

2. Chairman Mohsenin referenced staff memorandum, *Phase 1 RM CIP – Remaining Chemical Treatment Facilities Improvements (CTFI)* (filed as Exhibit I).
  - a. Mr. Angelotti said the remaining Chemical Treatment Facility renewal and replacement (R&R) is a \$1.32 million RM type project included in the February 2022 CIP. The project involves demo and replacement of the liquid carbon dioxide storage tanks, improvements to the plate press washing system in Building H/1, and some work needed to address

aging building envelopes for some of the structures in that East Chem portion of the treatment plant. Staff plan to execute this work with a combination of project delivery methods that yields the best bang for our buck. Some of the work components are more conducive to UOSA's direct procurement of specialty contractors without major outsourced engineering efforts, while some other pieces are better suited to doing with more conventional design, bid, build methods. Staff is seeking board authorization to proceed with the first phase of this RM CIP project to address some near-term building envelope needs and for some preliminary engineering services to better define the scope of the construction effort.

MOTION: Director Vehrs moved to authorize the Executive Director to proceed with the necessary improvements described herein to complete the Phase 1 R&R needs in the east Chemical AWT facilities, expending RM CIP funding.

SECOND: Director McGrath

VOTE: Unanimous

#### J. FY-22 Performance Measures and Savings Report

1. Chairman Mohsenin referenced staff memorandum, *FY-22 Performance Measures and Savings Report* (filed as Exhibit J).
  - a. Mr. Angelotti acknowledged some highlights from the metrics provided with the report:
    - UOSA received the National Clean Water Agencies Platinum 17 Award, which recognizes that UOSA has now completed 17 consecutive calendar years with perfect compliance.
    - We have had zero sanitary sewer overflows in the last decade of operations.
    - UOSA's safety metrics are in line with state and national case rates, and these metrics don't really reflect one remarkable statistic that we had in FY-22, which was that UOSA has now gone 535 days with no lost-time accident.
    - Financial metrics are sound with reasonable year-over-year budget variances. The record level inflationary pressures have driven costs up, however, the average of the last two fiscal year end budgets have been very competitive and averaged about 3 percent compared to the annualized inflation rate for the same period, which had been around 10 percent in FY-22.
    - The monthly O&M cost per household was just over \$20 and, when adjusted for inflation, the rate in FY-22 is less than it was ten years ago. That reflects increasing fiscal efficiency.
    - The pelletized biosolids percentage remained very high at 97-98 percent for three consecutive years. Chemical costs per million gallon treated, as we track it, was for the past two years, the lowest its been for the decade of record.
    - Emergency work order rates remain low at three percent of the total work orders that were processed.
    - Capital projects continue to show low change order rates and staff continue to look for innovative ways to defer or save on capital expenses.
    - The hydrocyclone pilot allowed for UOSA to defer or eliminate \$35 million from the capital program that otherwise would have been needed for a new bio reactor. This estimate does not consider savings on interest if funding that need with borrowed debt.



- Workforce metrics are mixed depending on one's perspective. Our vacancy rates were the highest in a decade, while overtime usage was lower than budgeted for the fiscal year. Workforce wages increased. The reported organizational FTE count remained the same level in FY-22 as it was ten years ago.
- b. Mr. Angelotti summarized the text portion of savings report to be a comprehensive look at many of the ways that staff brought value to UOSA's bottom line, not only by finding innovative ways to save, but also through staff's dedication to sound and prudent business practices and a day-to-day commitment to cost efficient operations. This is the UOSA culture. If you were to total all of the estimated savings and cost avoidance initiatives into a single saved amount, it would total tens of millions of dollars that we've been able to save for our member jurisdictions.
  - c. Director McGrath congratulated staff on a very impressive report. Director Vehrs suggested that staff have access to this report if it is not already being publicized for them.

## K. Staff Reports

### 1. Safety Briefing

- a. Ms. Noble-Blair provided a quick safety update and said the outside counter that you see when you enter the plant was at 535 days without a lost time accident. She said that once staff surpassed September 25<sup>th</sup> with no lost time a tentative lunch celebration would be held for staff on October 5<sup>th</sup>.
- b. Ms. Noble-Blair reported that UOSA has seen twelve COVID-19 cases since last month with a total of 78 cases since the start of the pandemic, over two years ago. She said this increase is similar to trends observed within the county and country with approximately 1-2 positive case per week. She said UOSA will initiate additional measures should it become necessary to protect the UOSA workforce and comply with laws and regulations, as well as the internal COVID-19 Policy.
- c. Ms. Noble-Blair said the monthly Safety Newsletter was left at the Board's places. The newsletter contained a lot of information about our recent safety training activities. She stated that UOSA is using in-house Red Cross certified trainers to provide CPR, First Aid and AED training to a significant number of staff in our Treatment Process and O&M Divisions. Both our safety officer and our security officer are certified to train which allows a lot of flexibility working with the diverse schedules for a 24/7 plant operation and is more efficient than hiring an outside firm for the training. We do a blended learning, some of it online, which was great during COVID, followed up with the in-person portion.
- d. Ms. Noble-Blair advised that the UOSA Health Fair, hosted by the HR Division, was held the day before and was a success. The Safety office was provided a space at the fair to continue its outreach, promote its safety programs and hand out a few goodies to staff.
- e. Ms. Noble-Blair took this time to introduce UOSA's new Environmental Compliance Coordinator, Mr. Philip Pericak. Philip has a bachelor's degree in Environmental Science from Christopher

Newport University, and he spent the last year or so in UOSA Treatment Process Division and that Regulatory Affairs is fortunate to have him in his new role.

2. Executive Director's Report

- a. Mr. Angelotti mentioned in a prior board meeting that UOSA was in the running for a prestigious construction industry award and he is pleased to announce that the UOSA Contract R2D2, its first CMAR project, did receive the Association of Builders and Contractors Excellence in Construction Award, otherwise known as the ABC EIC Eagle Award, as the Best Public Works Environmental Project in the Southeast Region. He mentioned this positions the project for the national Eagle award.
- b. Mr. Angelotti referenced staff memorandum, *In Memory of Dr. Adil N. Godrej, Prior Director of the OWML* (filed as Exhibit K). He said he previously reported Dr. Adil Godrej's passing and loss of partner and ally to UOSA at OWML. He wanted to let interested board members know about a dinner that is planned by his family and friends to honor him. The details of the event are provided at the bottom of the board memo in the package. He felt it was appropriate for UOSA to have something at the dinner event (e.g. a framed and matted resolution) honoring Adil's service to UOSA and the Region as a thoughtful gesture in that regard. The staff requested adoption of the resolution.

MOTION: Director Vehrs moved to approve the Resolution in honor of Dr. Godrej's service to UOSA and the Region.

SECOND: Director Fields

VOTE: Unanimous

3. Legal Counsel's Report

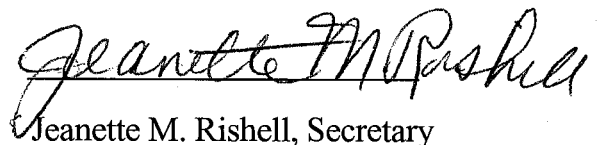
- a. Ms. Hostetler stated there was nothing to report.

L. Adjournment

MOTION: Chairman Mohsenin moved to adjourn at 5:35 P.M.

SECOND: Director Vehrs

VOTE: Unanimous



Jeanette M. Rishell, Secretary  
UOSA Board of Directors

Date: October 20, 2022

*These minutes are unofficial until signed.*