

Albemarle County Service Authority Board of Directors

1 The Board of Directors of the Albemarle County Service Authority
2 (ACSA) met in a regular session on December 15, 2022, at 9:00 a.m. at the
3 Administration and Operations Center at 168 Spotnap Road in
4 Charlottesville, Virginia.

5 **Members Present:** Mr. Richard Armstrong; Mr. Nathan Moore; Dr. Lizbeth
6 Palmer (joined remotely from home); Mr. John Parcels; Mr. Clarence
7 Roberts, Chair; Mr. Charles Tolbert, Vice-Chair.

8 **Members Absent:** None.

9 **Staff Present:** Jim Bowling, Tim Brown, Brendan Ganz, Jeremy Lynn,
10 Michael Lynn, Quin Lunsford, Angel Monterrozo, Alex Morrison, Gary
11 O’Connell, Emily Roach, Danielle Trent, April Walker, Justin Weiler.

12 **Staff Absent:** None.

13 **Public Present:** Mike Derdeyn, Flora Pettit PC; Neil Williamson, Free
14 Enterprise Forum (virtual); Scott Fleming, PFM Asset Management; Leslie
15 Weaber, PFM Asset Management.

16
17 1. Call to Order and Establish a Quorum – Statement of Board Chair

18 Mr. Roberts called the meeting to order, and a quorum was
19 established. He then read the opening Board Chair statement (Attached as
20 Page _____). For the record, Dr. Lizbeth Palmer joined the meeting
21 virtually.

22
23 2. Recognitions – Service Recognition/Retirement – Calvin
24 Underwood, Operations Supervisor

25 Mike Lynn, Director of Operations, came forward to say a few
26 words about Calvin Underwood. He stated that Calvin began his career
27 with the ACSA on October 4, 1976 at 20 years old, when he still had dark
28 hair. He stated that Calvin was promoted two years later, from a Utility
29 Worker to an Equipment Operator. He mentioned that in 1980, Calvin
30 became a Hydrant and Valve Mechanic, followed by a Crew Leader in
31 1985, and finally Operations Supervisor in 1996.

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1 Mr. Lynn stated that the first few winters Mr. Underwood worked at
2 the ACSA separate the men from the boys. He stated that the maintenance
3 department then had about 10 employees that worked 12-hour shifts in the
4 freezing cold. Mr. Lynn stated that Calvin is an employee that can be
5 counted on to get the job done. He mentioned that Calvin has shown
6 himself to be a man of integrity and honesty, who always holds himself
7 accountable and did not make excuses.

8 Mr. Lynn stated that Calvin has made a difference for the
9 betterment of the ACSA. He stated that he would like to thank Mr.
10 Underwood for his commitment, dedication, and sacrifice over the course
11 of his career. He added that he would also like to thank Mr. Underwood's
12 wife Dawn, for her patience in dealing with the challenges of Calvin's job as
13 well. He noted that only the spouses and children understand what a
14 dedicated employee working for a utility goes through, which he can attest
15 to as well. He added that his last request of Calvin would be, in retirement,
16 to sleep in, fish as often as he can, and live well.

17 Mr. O'Connell stated that the first he knew or heard of Calvin
18 Underwood was from the City utilities staff. He stated that they knew him
19 as the "go-to" person for the ACSA in terms of system knowledge. He
20 stated that Calvin has been a valuable asset, employee, and supervisor at
21 the ACSA. He congratulated Calvin on his 46 years of service.

22
23 3. Approve Minutes of November 17, 2022

24 Mr. Parcels stated that he had a couple of corrections. He stated
25 that the first correction is on page 14, line 30. He stated that the word
26 "pain" should be "paint." He stated that the second correction is on page
27 15, line 12. He stated that the word "difficult" should be "difficulty." He noted
28 that he thinks on the same page, line 16, the comma after "meter" should
29 be removed and the word "where" added after "and."

30 ***Mr. Armstrong moved to approve the minutes as amended,***
31 ***seconded by Mr. Tolbert. All members voted aye.***

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1 4. Matters from the Public

2 There were no matters from the public.

3
4 5. Response to Public Comment

5 There was no response to public comment.

6
7 6. Consent Agenda

8 **a. *Monthly Financial Reports*** – Mr. Parcels stated that on page 29, the
9 first page of the consent agenda, water and wastewater revenues for
10 FY 2023 are shown to be above budgeted expectations by 3.7%, and
11 4% lower than budgeted expectations on the trend analysis chart. He
12 asked if this was a concern. Mr. Lunsford replied that whether the
13 ACSA exceeds or does not make budget is dependent upon the
14 weather. He stated that last year, the weather was reasonably dry, and
15 consumption was high. He noted that this was not the case this
16 summer.

17 **b. *Monthly CIP*** – Mr. Parcels stated that the Ragged Mountain Water
18 Main Replacement design was dependent upon the Morey Creek
19 Bridge Replacement project, which is no longer active. He asked what
20 this means for the Ragged Mountain project. Jeremy Lynn, Director of
21 Engineering, replied that the ACSA has been looking at other options
22 to install the water main, none of which are very cost effective. He
23 stated that the goal is to get the Morey Creek project back on the radar
24 in early 2023 and find a different funding source to make it happen. Mr.
25 Parcels asked if the ACSA can still proceed with the Ragged Mountain
26 project if the Morey Creek project does not happen. Mr. Lynn replied
27 that there are other options, but they are not cheap.

28 **c. *CIP Project Close-Outs***

29 **d. *Monthly Maintenance Update*** –

30 **e. *Rivanna Water and Sewer Authority (RWSA) Update*** – Mr. Parcels
31 stated that easement negotiations like the ones with the UVA

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1 Foundation for the Ragged Mountain water line projects on pages 95
2 and 98 are slow. He asked if this affects design or the timeline in terms
3 of the design. Mr. Lynn replied that it certainly does. He stated that
4 when there are projects ready for construction, they can be delayed if
5 the necessary easements have not been obtained. He noted that the
6 ACSA was able to successfully negotiate its easement for their Ragged
7 Mountain water main project, and RWSA is currently working on their
8 easements for their raw water line project. Mr. O’Connell added that
9 RWSA just received a signature a couple of days ago from the final
10 private property owner for that project. He added that they have one
11 more negotiation to complete with UVA.

12 Mr. Parcels stated that he was a bit confused about the difference
13 between the ACSA’s easement negotiations and RWSA’s. Mr.
14 O’Connell replied that it is project dependent. Mr. Lynn stated that the
15 ACSA’s easement was much smaller than the easement RWSA is
16 pursuing, and it was located in an area that had limited growth
17 potential. He mentioned that he is not sure of the development
18 potential in the area of the easement RWSA is looking to obtain. He
19 added that these factors would affect the negotiations and the cost. Mr.
20 O’Connell added that typically, the ACSA’s goal is to have all of the
21 easements in place before bidding a project, and RWSA is the same.

22 ***f. ACSA Board Policy Future Issues Agenda 2022 –***

23 ***g. Advanced Metering Infrastructure (AMI) Project Update –***

24 ***h. Holiday Schedule for 2023 –***

25 ***i. ACSA Board Meeting Schedule for 2023 –***

26 ***Mr. Parcels moved to approve the consent agenda, seconded by***
27 ***Mr. Tolbert. The Chair asked for a roll-call vote: Mr. Parcels, aye;***
28 ***Mr. Tolbert, aye; Mr. Roberts, aye; Mr. Armstrong, aye; Mr. Moore,***
29 ***aye.***

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1 7. Annual Investment Report

2 Scott Fleming, Director with PFM Asset Management, came
3 forward to present the first half of the ACSA's Market & Portfolio Update
4 (Attached as Pages _____). He stated that he would give a brief update
5 with respect to the economy and the market.

6 Mr. Fleming stated that one of the current market themes, which is
7 stating the obvious, is high inflation. He stated that some would say the
8 Federal Reserve waited a bit too long to take action to combat inflation
9 and, as a result, have had to be very heavy-handed. He mentioned that
10 rates have risen to historic highs creating a lot of volatility in the market. He
11 noted that the values of securities have been affected by this. He
12 mentioned that the hope is that the Federal Reserve can get to a level that
13 makes sense to bring inflation down to their target. He added that the
14 Federal Reserve has two mandates, which are maximum employment and
15 price stability.

16 Mr. Fleming stated that the next slide illustrates various projections that
17 show weaker economic growth and an extended timeline for tighter
18 monetary policy. He noted the chart in the upper left-hand corner of the
19 slide, which showed projections for the Gross Domestic Product (GDP). He
20 noted that it is projected to grow just 0.5% from 2023 to 2024.

21 Mr. Fleming moved to the next slide which shows estimates of where
22 rates should be, put forth by members of the rate setting committee. He
23 stated that the following slide outlines the monetary policy. He noted the
24 graph on the right-hand side, which shows a staircase approach to raising
25 rates from 2015-2018. He stated that in 2021, the graph shows a vertical
26 increase in rates. He stated that the last half of 2021 and the first few
27 months of 2022 is when the Federal Reserve should have began raising
28 rates. He mentioned that if they did, there would have been more of a
29 gradual increase, but they did not, so now they are playing catch up to
30 bring inflation down.

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1 Mr. Fleming moved to the slide illustrating the unemployment rate. He
2 mentioned that the U.S. economy added 263,000 jobs last month, and the
3 unemployment rate remained at 3.7%. He stated that the Federal Reserve
4 actually wants to see a higher unemployment rate because of demand
5 destruction. He stated that more people out of work will bring the demand
6 down, which will stabilize prices. He noted that the problem with this is the
7 labor force participation rate decreasing. He stated that less people looking
8 for the same amount of jobs causes wage inflation.

9 Mr. Fleming stated that the last thing he wanted to mention was the
10 U.S. Treasury curve. He stated that this is a plot of different yields with a
11 maturity of 3 months to 30 years. He stated that this graph provides an
12 indication of the investment sector. He mentioned that if there is a curve
13 going upward, that means the economy is likely going to improve. He noted
14 that an inverted curve, like the one in this graph, indicates that investors
15 believe there is the likelihood of a recession on the rise.

16 Leslie Weaber, Senior Managing Consultant, came forward to give the
17 Board an update on the ACSA's portfolio. She stated that when the ACSA
18 first invested its core funds, there was a very low interest rate environment.
19 She mentioned that in March 2022, the ACSA adopted a new investment
20 policy, which allowed PFM to include credit sector securities in the ACSA's
21 portfolio. She noted that they have provided a lot of value in today's
22 environment.

23 Ms. Weaber moved to the next slide, which provided a snapshot look at
24 the ACSA's portfolio. She stated that the portfolio market value is about
25 \$29 million, and the duration is about 1.25 years. She noted that most
26 securities will mature in about 6-12 months. She mentioned that the various
27 sectors in the portfolio are very high in credit quality. She noted that the
28 takeaway from this slide is that the portfolio is more diverse across high-
29 quality sectors.

30 Ms. Weaber stated that the next slide outlined the ACSA's portfolio
31 performance. She mentioned that there is an inverse relationship between

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1 the dramatic increase in interest rates and market value. She stated that
2 the rates shot up so quickly, it had a negative effect market value. She
3 stated that moving forward, as the Federal Reserve gets inflation in check
4 and stabilizing pricing, the ACSA may start to see a higher market value.
5 She stated that the important thing to look at is total return, which considers
6 interest earned, unrealized gains and losses, as well as market value
7 fluctuation. She noted that inflation caused negative performance for the
8 quarter. She stated that as older securities are turning out and being sold,
9 the interest earned will be higher and will hopefully offset any market
10 volatility. She added that the portfolio was still able to outperform the
11 benchmark, which is a testament to the ACSA's Investment Policy and
12 allowing other security types in the portfolio. She stated that the next slide
13 shows the accrual basis earnings. She noted that the total earnings for the
14 quarter was about \$76,000 and almost \$280,000 since inception.

15 Ms. Weaber stated that PFM recommends that the ACSA stay the
16 course with its 0–3-year strategy. She stated that PFM will keep in touch
17 and make recommendations every quarter as the market changes. She
18 stated that they can then shorten or lengthen the portfolio if necessary.

19 Mr. Parcels asked if there is any advantage to increasing the
20 investment amount to take advantage of the interest rate. Ms. Weaber
21 replied yes because currently, the ACSA would be purchasing at a much
22 higher yield. Mr. Parcels asked if the ACSA had other types of money. Mr.
23 Lunsford replied that the second component of the ACSA's portfolio is
24 \$13.5 million in the Local Government Investment Pool (LGIP), which is
25 very liquid, much like cash. He mentioned that the ACSA is seeing
26 improved returns from the LGIP compared to the two last years. He noted
27 that today, it is outperforming this portfolio.

28
29 8. Operational Presentation – 4-Story Backflow Prevention Program

30 Alex Morrison, Senior Civil Engineer, came forward to present a
31 Power Point presentation to the Board (Attached as Pages _____). He

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1 stated that he would begin with some background on what backflow is,
2 followed by the ACSA's Backflow Prevention Program and how it ties into
3 the creation of the 4-Story Backflow Prevention Assembly Retrofit Project.
4 He mentioned that he would also touch on the status of the project and
5 some of the delays.

6 Mr. Morrison stated that backflow is the undesirable reversal of flow
7 of a liquid, gas, or suspended solid into the potable water supply due to
8 back siphonage or back pressure. He stated a backflow prevention
9 assembly is used to protect potable water supplies from contamination or
10 pollution due to backflow. He mentioned that there two types of assemblies
11 generally seen in the ACSA system – a Double Check assembly (DC) for
12 low hazard and a Reduced Pressure Zone assembly (RPZ) for high
13 hazard. He noted that both of these assemblies have two check valves, but
14 the RPZ assembly will actually dump water to prevent backflow. He stated
15 that because of this, RPZ assemblies have to be installed above ground
16 with proper drainage. He noted that RPZs are usually seen on domestic
17 services for non-residential buildings. He added that DC assemblies are
18 seen on the residential side or fire suppression systems.

19 Mr. Morrison stated that the next few slides outline the State
20 regulations and Virginia code regarding backflow prevention. He stated that
21 there are a couple different sections within the Virginia code that helped to
22 create the ACSA's Backflow Prevention Program. He stated that Section
23 610 is where the requirement for backflow prevention assemblies for four-
24 story residential structures comes from. He stated that the State
25 regulations are what created the Cross-Connection and Backflow
26 Prevention Program at the ACSA, which is outlined in Section 8 of the
27 ACSA's Rules and Regulations. He mentioned that the program is enforced
28 by the Environmental Group within the Engineering department, which is
29 made up of Tim Brown, Environmental Compliance Specialist, Eric Nutter,
30 Regulatory Compliance Specialist, and Angel Monterrozo, Engineering
31 Technician I. He mentioned that these three employees track 4,126

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1 backflow prevention assemblies within the system. He noted that of those,
2 a little over 2,900 are RPZ assemblies and just over 1,200 are DC
3 assemblies. He stated that the following slide shows a pamphlet the
4 Environmental Group created for educational purposes.

5 Mr. Morrison moved to the next slide, outlining the background and
6 development of the Four-Story Residential Backflow Prevention Assembly
7 Retrofit Project. He stated that in 2018, the ACSA identified structures that
8 had been built with a fourth story that had water service. He stated that
9 historically, these would be identified during the building permit review
10 because the application specifically asks how many stories the structure
11 has. He noted, however, that the Virginia Building Code changed the
12 definition of a fourth story in 2011, instead calling it a habitable area. He
13 mentioned that this is how those fourth story structures made it through the
14 permit review without being identified.

15 Mr. Morrison stated that the ACSA staff had some meetings with
16 the Virginia Department of Health (VDH) to determine where the backflow
17 assemblies would be required, as some of the structures do not have
18 plumbing on the fourth story. He stated that it was determined that the
19 backflow assemblies only needed to be installed in those structures that
20 have plumbing on that fourth story, or habitable area. He stated that the
21 ACSA then identified the builders that constructed the four-story structures
22 and through meetings with these builders, determined that there were 87
23 structures that were built and were required to have a backflow device, but
24 did not have one. He noted that this number later went down to 81, as 6 of
25 them did not have plumbing on the fourth story.

26 Mr. Morrison stated that the ACSA put together the project and
27 went before the Board of Directors to request funding, which was granted.
28 He stated that the funds were for installation, inspection, and initial testing
29 of the backflow prevention assemblies. He stated that the staff then rolled
30 out the customer contact and started working on data acquisition to
31 determine things like where the customer wanted the assembly installed,

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1 impacts on drywall and landscaping, and if the structures already had an
2 expansion tank. He noted that the ACSA contracted with Dewberry, one of
3 its term contract engineers, to create bid documents.

4 Mr. Morrison stated that when the staff began customer data
5 collection, there were quite a few delays in that process, the first being
6 COVID. He stated that the pandemic began before the first customer letter
7 went out requesting information. He mentioned that initially, the staff
8 planned on making site visits and working one on one with the customers.
9 He noted that this got delayed due to social distancing, thus the staff had to
10 try and meet with customers via phone. He stated that there was also a lot
11 of change in ownership for these structures, as interest rates were low, and
12 people were buying and selling a lot. He mentioned that this has slowed
13 down due to the increase in rates. He stated that there were some property
14 owners that were just unresponsive, and it was difficult to get in touch with
15 them. He stated that there were also some owners that were difficult to
16 reach because they live out of the state or country. He noted that this
17 project was put out to bid in the summer of 2022, but there were no bids
18 received. He added that the staff did follow up with some interested
19 contractors, who advised that their workload was too heavy to take on the
20 project.

21 Mr. Morrison stated that because of the reasons he just listed, the
22 project was restructured and split into three phases based on geographic
23 location. He stated that Phase 1 is the Out of Bounds subdivision which
24 includes 24 structures, Phase 2 is the Cascadia subdivision with 29
25 structures, and Phase 3 is the Avinity, Hollymead, Lochlyn Hill, and Old
26 Trail subdivisions that includes 28 structures. He stated that the ACSA
27 developed a request for proposals (RFP) for each phase in lieu of the
28 sealed bidding, which is a quicker process. He noted that the RFP for
29 Phase 1 is underway, and the proposals are due on December 21st at 2pm.
30 He stated that the staff anticipates awarding this project before the end of
31 the year and beginning construction by the middle of January.

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1 Mr. Morrison stated that one of the changes the staff made is that
2 both of the ACSA's DPOR certified staff members, Angel Monterrozo and
3 Eric Nutter, will be completing the County backflow inspections on behalf of
4 the County of Albemarle, as third-party inspectors. He noted that this way,
5 the ACSA can conduct the inspection on the backflow device at the same
6 time it is installed, as opposed to requiring access to each structure for a
7 second day. Mr. Parcels stated that it was nice of the County to allow the
8 ACSA to do so. Mr. Morrison replied that it is a good set-up to have, as it is
9 a more linear approach.

10 Mr. Morrison stated that the ACSA has since made a few changes
11 to its review process that will help prevent missing required backflow
12 protection on structures with fourth story plumbing. He stated that the first
13 change is in the initial plan review. He stated that if the staff comes across
14 one of these structures, notes are being added to the site plan itself to
15 make everyone aware of the requirement. He stated that with the building
16 permit process, the staff is ensuring to look closely to identify any structure
17 that has a habitable area that is not considered a fourth floor. He noted that
18 currently, the building permit form that comes to the ACSA asks for the
19 number of floors, including a fourth story habitable area. He added that in
20 terms of active construction, before the meter installation, the ACSA's
21 inspectors are keeping an eye out in the field for any of these structures
22 and ensuring that a backflow device is required and installed.

23 Mr. Tolbert stated that it seems the State has two different
24 definitions for a fourth story. He stated they refer to it s a fourth floor and a
25 habitable area. He stated that they should choose one or the other, as
26 opposed to it being referred to as both. Mr. Morrison replied that it can be
27 confusing. He stated that what it comes down to is the height of the water
28 column above the water meter. He stated that when the structure reaches
29 four floors, the head pressure gets close to what is in the system at
30 minimum pressure. He noted that if a structure had fourth story plumbing,
31 but the main floor was below the water meter, the backflow device would

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1 not be required because the fourth story would only technically be three
2 floors above the meter. He agreed, however, that the disconnect between
3 the Water Works regulations and the State code can be confusing.

4 Mr. Tolbert asked if the customers are agreeable to this project. Mr.
5 Morrison replied that the staff has not come across any customer that was
6 opposed to the project. He stated that as soon as they realize that the
7 ACSA is funding the installation, inspection, and initial testing of the device,
8 they are agreeable to it. He mentioned that most of the conversation has
9 been around educating the customer on the reason for the project. Mr.
10 Parcels asked, in that same vein, how the annual testing requirement is
11 being handled. He asked if the customers signed something
12 acknowledging that they will be responsible. Mr. Morrison replied that they
13 are aware of their responsibility to fulfill the annual testing requirement. He
14 stated that the ACSA also has a list of DPOR certified backflow testers that
15 the ACSA has worked with.

16
17 9. **Budget Guidelines and Schedule for FY '24 Budget/Rates**

18 Mr. Lunsford stated that he had a short Power Point presentation
19 (Attached as Pages _____) to review the preliminary budget guidelines
20 and schedule for FY 2024, and budgetary information, including RWSA
21 charges for water and wastewater treatment.

22 Mr. Lunsford stated that the schedule is pretty much the same as
23 years past, with the proposed CIP being presented to the Board in March,
24 along with the scheduling of the CIP public hearing. He stated that in April,
25 the preliminary rate schedule and proposed FY 2024 budget will be
26 presented. He mentioned that the public hearing for the budget and rates
27 will be scheduled at the April Board meeting as well. He noted that an in-
28 depth budget and rates workshop will take place in May, followed by the
29 public hearing on the budget and rates in June, as well as a request for
30 adoption of the budget and rates by the Board.

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1 Mr. Lunsford stated that typically during this time of year, the staff
2 updates the rate model. He stated that they will be using the budgeting
3 module within the ACSA's newly deployed financial system. He noted that
4 customers will receive a budget and rates newsletter in May.

5 Mr. Lunsford stated that RWSA projections show larger than
6 expected increases in the cost of water and wastewater treatment to the
7 ACSA. He stated that there have been significant increases in RWSA's CIP
8 program on projects that have either already started or will be starting. He
9 stated that the overall increase is about \$140 million, with \$77 million of
10 that due to inflation, supply chain issues, and increased borrowing costs.
11 He mentioned that the other large component of the increase, \$54 million,
12 is due to the acceleration of some projects.

13 Mr. Parcels asked why RWSA wants to accelerate projects at the
14 cost of \$54 million. Mr. Lunsford replied that from what he can gather,
15 RWSA feels the need for redundancy in the system outweighs the financial
16 impact at this time. Mr. O'Connell stated that the two main projects being
17 accelerated are the South Rivanna Reservoir (SRR)- Ragged Mountain
18 Reservoir (RMR) Waterline Project and additional GAC filters at the water
19 treatment plants. He stated that these discussions are just beginning, but
20 he thought it was important for the Board to get an idea of where things
21 were.

22 Mr. Lunsford stated that the next slide shows the projected increase
23 in costs to ACSA from RWSA, over the next five years. He noted the
24 double-digit percentage increases year over year, with an over 13%
25 increase next fiscal year. He stated that the increases will be funded
26 through water and sewer fees, but also through connection fees. He
27 mentioned that those components of RWSA's CIP that are growth related
28 can be funded through connection fees, so all of the burden will not be on
29 water and sewer customers. He noted that the staff will very carefully
30 evaluate this over the next few months and transparently present its
31 findings to the Board.

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1 Mr. Lunsford stated that the ACSA has about \$16 million in
2 reserves that is to be specifically allocated to RWSA growth-related
3 projects. He stated that the ACSA uses system development funds to pay
4 for any RWSA project that increases capacity in the system. He mentioned
5 that the ACSA has about \$16 million in ACSA capacity charges and those
6 funds are used similarly, but only for ACSA CIP projects that increase
7 capacity for growth. He noted that non-growth-related ACSA CIP projects
8 are paid through water and sewer rates. He added that there is \$12 million
9 in operating reserves to help smooth rate increases.

10 Mr. Lunsford moved to the next two slides which illustrated
11 increases in cost estimates in FY 23-27 RWSA projections and the FY 24-
12 28 projections. He stated that the intent of the slides is to show some of the
13 unpredictability in the budget process. He mentioned that it is helpful to
14 receive projections from RWSA given that it is such a big portion of the
15 ACSA's budget, but that those numbers can change any given year. He
16 noted that reserves will be critical to help mitigate the increases each year
17 from RWSA.

18 Mr. Lunsford stated that the ACSA wanted the Board to have some
19 preliminary information at the onset of the budget process, but there is still
20 much work to be done. He stated that the ACSA's operating budget will
21 have an impact on what will ultimately be presented to the Board. He noted
22 that the next slide shows roughly what the monthly impact will be on a
23 single-family residential customer at various consumption levels. He added
24 that these projections reflect a 10% increase across the board for water
25 and sewer rates.

26 Mr. Lunsford stated that in terms of next steps, the ACSA staff will
27 be meeting with RWSA to better understand the needs of both
28 organizations. He stated that the ACSA is fully committed to analyzing
29 different options for Board consideration and will be seeking guidance from
30 the Board throughout the process. He noted that it will be difficult, but that
31 the increases are not unexpected. He added that some of the cost is

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1 inevitable, but that the ACSA should be able to offset some of it through the
2 strategic use of reserves.

3 Mr. Parcels stated that in terms of connection charges, the
4 ACSA seems to be right in the middle compared to other areas. He asked if
5 there is ever any pushback from developers about the connection charges
6 being high. Mr. Lunsford replied that there is some pushback sometimes,
7 but it is usually from an out-of-town developer. He noted that local
8 developers, or those that have developed here before, understand the
9 charges.

10 Mr. Parcels asked if the connection fees could be set specific to an
11 area. Mr. Lunsford replied that the ACSA had a special rate district for the
12 North Fork Regional Pump Station that was set a number of years ago
13 when the 2010 bond was issued. Mr. Lunsford replied that it is possible,
14 and something the staff can evaluate in the future. Mr. O'Connell added
15 that increased connection costs are not really tied to one geographic area.
16 He stated that builders know the fees up front and usually just build them
17 into the base cost.

18 Dr. Palmer asked, through chat, if the ACSA received complaints
19 from residential customers about the rates and if so, how often. Mr.
20 Lunsford replied that there are complaints on occasion, with some of them
21 related to the tiered billing system. He stated that some customers with
22 larger households do not think that it fairly considers their situation. He
23 mentioned that they also receive complaints from irrigation customers, but
24 not often. Mr. O'Connell added that the staff will share the responses from
25 the customer survey when they present it. He stated that customers
26 probably comment more on how fast the rates grow, as opposed to the
27 amount.

28 Mr. Moore stated that essentially, over the next five years, the
29 ACSA is looking at increase of 57%. He stated that if this were passed on
30 fully to the ACSA's customers, it would take an average household monthly
31 bill from \$60 to \$100. He mentioned that he does not see where much can

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1 be done about the increase from RWSA, as that is the only source of
2 water.

3 Mr. Parcels asked if the Albemarle County Board of Supervisors
4 (BOS) would tell RWSA that they are being too aggressive with their CIP
5 program. Mr. O'Connell replied that the BOS does not fund any of RWSA's
6 or the ACSA's projects and do not necessarily have a vote on either's CIP
7 programs. Mr. Parcels stated that he was speaking more from the
8 perspective of being customers. Mr. O'Connell replied that he has not
9 heard anything from a customer perspective.

10 Mr. Tolbert stated that he imagines the City has the same issue
11 with rising rates. He stated that it seems RWSA has two captive customers,
12 the ACSA and City of Charlottesville, and there is nothing either one can do
13 about the increased costs. He asked how the ACSA has any control over
14 the situation. Mr. Lunsford replied that informally, Mr. O'Connell can share
15 this conversation with the RWSA Board.

16 Mr. O'Connell stated that there are seven members on the RWSA
17 Board. He stated that three are from the City, three are from the County
18 and he is one of those three, and one Chair selected by both the County
19 and the City. He mentioned that the City is facing a similar situation,
20 although their numbers are not as great, but they have not discussed it yet.

21 Dr. Palmer stated that RWSA's Board is very much controlled by
22 the City and the ACSA. She stated that prior to 2004, infrastructure was
23 failing terribly because the City and the County were not supporting
24 investments in that infrastructure. She mentioned that now, she feels both
25 the City and the County have a better appreciation for what needs to be
26 done for the future.

27 Mr. Moore stated that he definitely supports robust infrastructure
28 that is going to last for a long time, which is the reason he enjoys being on
29 the ACSA Board. He stated that in terms of the budget philosophy and
30 smoothing out rate increases, it seems that doing so now only increases
31 the gap for the future. Mr. O'Connell replied that he felt it was important

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1 that the Board understand the unlikeliness of the ACSA staff presenting a
2 budget with a 5% increase. He added that some of the RWSA projects are
3 committed and need to be done to ensure we are able to deliver water to
4 customers in a reliable way, but the cost estimates are significantly higher
5 than estimated. He noted that these are the projects where there will be a
6 change in cost. He noted that there are some choices, but whether they will
7 make much a difference remains to be seen.

8 Mr. O'Connell stated that the Water Supply Plan was originally the
9 Ragged Mountain Dam Project, which has been completed. He stated that
10 the plan also provided for several other projects. He stated that in 2018,
11 there was a debate about the timing of the Ragged Mountain Reservoir to
12 South Rivanna Reservoir Raw Water Line Project. He stated that the ACSA
13 Board at the time supported the 2027-2035 timeframe, which was a bit
14 more aggressive than some of the other schedule options. He mentioned
15 that RWSA has revised that time for completion from eight to six years. He
16 stated that the ACSA Board also took the position that the Ragged
17 Mountain Dam additional 12 feet be in place when the pipeline is finished.

18 Mr. O'Connell stated that the other project the ACSA was interested
19 in was the Observatory Water Treatment Plant Expansion Project, which is
20 under construction and should be finished within the next year. He stated
21 that this is an important project, as it will allow the treatment plant to fully
22 utilize the Ragged Mountain Reservoir. He stated that the Central Water
23 Line Project, which was called the Avon/Pantops Water Line before the
24 redesign pushed it more towards the center of the City, better connects the
25 Observatory Water Treatment Plant to the Urban system, particularly
26 ACSA customers. He noted that this project is double the cost that was
27 presented in the budget a year ago, but it is a big project that needs
28 prioritization. He mentioned that there are also a bunch of piping projects,
29 particularly between the Observatory Water Treatment Plant and Ragged
30 Mountain, and those costs are going up dramatically as well.

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1 Mr. Parcels stated that this brings him back to his initial question of
2 how accelerating these projects makes financial sense. He stated that the
3 new pipeline from Ragged Mountain to Observatory Hill is necessary for
4 the expansion of the Observatory Hill expansion capacity, which is crucial
5 to infrastructure support, which he understands. He stated that the pipeline
6 project cost has probably doubled now. Mr. O’Connell replied that there is
7 the issue of current day costs vs. future costs and if there are any savings
8 by doing the project sooner rather than waiting a few years. He stated that
9 there are a lot of different moving parts. He noted that these are the biggest
10 cost increases he has seen in a long time. He mentioned that the
11 investment in infrastructure is necessary, but the ACSA will have to
12 determine what level is affordable for its customers, which will be a policy-
13 level decision. He added that he does not think a 5% increase will be
14 feasible.

15 Mr. Roberts stated that the ACSA made a 5% increase work last
16 year. Mr. Parcels stated that the ACSA is seeing a much bigger increase
17 from RWSA this year. Mr. Roberts stated that perhaps if the ACSA had of
18 passed on a larger increase to its customers last year, like 8%, there
19 wouldn’t be such a great increase this year. Mr. O’Connell replied that last
20 year, the ACSA saw an 8% increase from RWSA last year. He mentioned
21 that this year, the increase is almost 14%, which is close to being double.
22 He noted that this is a bigger jump to mitigate than last year.

23 Mr. Roberts asked if the staff is looking for Board approval of the
24 FY 2024 Budget and Rate Schedule. Mr. Lunsford replied yes. Mr.
25 O’Connell stated that it is the same schedule as previous years, and the
26 staff just wanted to check with the Board to make sure they agree with that
27 schedule.

28 Mr. Parcels asked what the chance is that RWSA will surprise the
29 ACSA and change the projected numbers. Mr. O’Connell replied that he
30 thinks the surprise will be that the numbers will continue to go up over the
31 next few years, given inflation. He stated that RWSA’s projects are very

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1 big, and these are design numbers. He mentioned that the further RWSA
2 gets into the design phase, the more costs they see. He noted that the
3 construction marketplace is another piece to consider.

4 Mr. Parcels asked what number from RWSA the ACSA will use
5 when it begins its budget planning in April. Mr. O’Connell replied that the
6 current projected 14% increase is the starting point. He stated that
7 hopefully it will go down some. He mentioned, however, that if RWSA
8 revises a cost estimate on a project, they could come back to the table with
9 more costs, but he does not think that will be the case.

10 ***Mr. Parcels moved to approve the FY 2024 Budget and Rate***
11 ***Schedule, as presented to the Board, seconded by Mr. Armstrong. All***
12 ***members voted aye.***

13
14 10. Appointment of New ACSA Attorney

15 Mr. O’Connell stated that Jim Bowling will be ending his position as
16 ACSA Attorney at the end of this month. He stated that he was not able to
17 physically be at the meeting today, thus there will be a presentation in
18 January or February to recognize and honor his 50 years of representing
19 the ACSA.

20 Mr. O’Connell stated that Mike Derdeyn of the Flora Pettit law firm
21 has been doing some work with the ACSA staff and getting brought up to
22 speed. He stated that there have been a series of work sessions with Mr.
23 Derdeyn to give him some background, mostly around CIP projects. He
24 mentioned that the staff has worked on gathering all the legal documents
25 electronically to share with him as well.

26 Mr. O’Connell stated that before the Board today is an official
27 representation agreement for approval. He stated that the staff is also
28 asking the Board to authorize the Executive Director to sign the agreement.
29 He noted that if the Board approves the agreement, the ACSA will move
30 forward with Mike Derdeyn as its official attorney beginning January 1,
31 2023.

