

**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 May 18, 2023, 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, Chair; Mr. Nathan Moore; Dr.  
6 Lizbeth Palmer; Mr. John Parcels (remote participation); Mr. Clarence  
7 Roberts; Mr. Charles Tolbert, Vice-Chair.

8           **Members Absent:** None.

9           **Staff Present:** Mike Derdeyn, Brendan Ganz, Terri Knight, Jeremy Lynn,  
10 Quin Lunsford, Gary O’Connell, Emily Roach (remote participation), Debbie  
11 Herr, April Walker, Michael Lynn

12           **Staff Absent:** Danielle Trent.

13           **Public Present:** None.

14  
15           1.       Call to Order and Establish a Quorum – Statement of Board Chair

16           Mr. Armstrong called the meeting to order, and a quorum was  
17 established. He then read the opening Board Chair statement (Attached as  
18 Page \_\_\_\_). He stated that John Parcels, Board member, would be  
19 participating remotely in today’s meeting. Mr. Parcels stated that he was  
20 joining the meeting virtually, due to a personal family matter. Mr. Armstrong  
21 noted that this would be Mr. Parcels’ first time joining remotely this  
22 calendar year. He noted that Mr. Parcels did contact him in advance of the  
23 meeting to notify him of his plan to participate remotely. Mr. Armstrong then  
24 asked the Board to vote on approving his remote participation.

25           ***Mr. Moore moved to approve Mr. Parcels’ remote participation***  
26 ***in the May 18, 2023, ACSA Board of Directors meeting, seconded by***  
27 ***Dr. Palmer. All members voted aye.***

28  
29           2.       Recognitions – Debbie Grady – 45 Years of Service; William  
30 Defibaugh – 25 Years of Service

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1           Mr. Armstrong stated that since Debbie Grady is not present at the  
2 meeting, the Board would recognize her in a future meeting, along with her  
3 recognition for retirement.

4           Mr. Armstrong stated that the second recognition is for William  
5 “Billy” Defibaugh, for 25 years of service. He stated that Mike Lynn,  
6 Director of Operations, would share a few words. Mr. Lynn stated that Billy  
7 has been with the ACSA since May of 1998. He stated that Billy joined the  
8 ACSA family as an Electrician/Pump Technician, and his primary duties  
9 were to perform preventative maintenance and repairs on all the water and  
10 sewer pump stations. He mentioned that Billy was also responsible for the  
11 ACSA water tanks accessibility and maintenance. He noted that in July  
12 2008, Billy was promoted to his current position as Facilities Supervisor. He  
13 stated that in this position, his responsibilities include, but are not limited to,  
14 ensuring that all pump stations and water tanks are properly maintained.  
15 He stated that Billy supervises a staff of four employees that perform tasks  
16 like preventative maintenance. He added that Billy also supervises a staff  
17 of two that are responsible for building maintenance and repairs.

18           Mr. Lynn stated that Mr. Defibaugh takes a lot of pride in his work,  
19 which is evident in the condition, inside and outside, and the curb appeal of  
20 the ACSA Operations Center. He stated that when Billy began working at  
21 the ACSA, the pump stations were rudimentary in their operations but over  
22 the years, Billy has advanced in his knowledge and skills as the technology  
23 has advanced. He noted that the pump stations now have SCADA systems  
24 and are a lot more technical in their operation. He stated that Billy cares  
25 about his staff and is willing to put forth the effort to mentor them and help  
26 them to succeed. He stated that Billy is willing to step in and “get dirty,” as  
27 needed, and his expectations of himself have made his job a lot easier. He  
28 noted that Billy has always stepped-up during times of emergency and has  
29 always been someone he could count on. He added that he has a lot of  
30 admiration and appreciation for what Mr. Defibaugh has done for the  
31 Maintenance department and the ACSA in general.

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1 Mr. Armstrong stated that there is a recognition resolution for both  
2 Debbie Grady and William Defibaugh and asked the Board to vote on those  
3 resolutions. He stated that he would read the resolution for William  
4 Defibaugh (Attached as Page\_\_\_\_\_)

5 ***Dr. Palmer moved to approve the recognition resolutions as***  
6 ***presented to the Board; seconded by Mr. Tolbert. All members voted***  
7 ***aye.***

8  
9 3. Approve Minutes of April 20, 2023

10 Mr. Parcels stated that he did not have any corrections, but he did  
11 have a couple of questions. He stated that on page 17, there was a  
12 discussion about the Avon Street property and there was a remark made  
13 about the water tank belonging to the RWSA, but he assumed that it  
14 belonged to the ACSA. He asked if it is an RWSA water tank, who  
15 manages the security and how is that paid for. Mr. O'Connell replied that  
16 there is an agreement with RWSA for that space, which has its own  
17 security fence. He stated that as part of the expansion plan, the ACSA is  
18 preserving a site that could be a second tank site in the long-term future.  
19 He mentioned that RWSA oversees the tank maintenance, such as  
20 painting and cleaning, and the security as well. He added that the tank will  
21 be inside yet another fence once the ACSA finishes its project, as that  
22 whole area will be fenced in, and there will be security cameras as well.

23 Mr. Parcels asked, since the ACSA will have its own security, if  
24 there will be a security overlap. Mr. O'Connell replied that he was not sure,  
25 as they have not gotten that far into the design of the project. He stated  
26 that it will be more secure, as there will be another layer of fencing,  
27 cameras, and access control. He added that RWSA also has SCADA on  
28 their tanks, which will monitor tank levels and any type of intrusion into the  
29 site.

30 Mr. Parcels stated that his second question was regarding the  
31 discussion on page 18 about the easements in Scottsville. He stated that

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1 none of them have been acquired yet, and there is no budget for it, but it  
2 states that there will be effort made in FY 2024 to acquire them. He asked  
3 how that will be done if there is no money allocated in the budget to acquire  
4 them, and how that will end up in the budget. Jeremy Lynn replied that  
5 there is money already in the budget from previous fiscal years that will  
6 cover the easement acquisition efforts. He noted that the Board has  
7 already authorized the plat preparation.

8 Mr. Parcels stated that his third question was regarding the  
9 Ragged Mountain Phase 1 Water Main Replacement. He noted that VDOT  
10 has decided not to do the bridge work, and asked if the ACSA was working  
11 with the design group to figure out an alternate path. Mr. Lynn replied yes,  
12 that was correct. He stated that the staff met with the consultant last week  
13 and identified a few alternatives. He mentioned that there would likely be a  
14 proposal before the Board next month to prepare a technical memorandum  
15 that will look at some alternatives and their costs, as well as weigh out the  
16 pros and cons of each.

17 Dr. Palmer stated that in the last meeting, she asked if the  
18 American Rescue Plan Act (ARPA) funding would be used for the  
19 Northfields sewer project. She stated that Mr. O'Connell noted there was  
20 some funding put aside to assist people who want to connect to public  
21 sewer, albeit not for this specific project. She asked, however, how that  
22 funding would be used and how ACSA customers can access the funding.  
23 Mr. Lynn replied that there is a Septic to Sewer Program. He stated that the  
24 ACSA has been asked to identify parcels within its service area that have  
25 readily available access. He noted that these are the customers the County  
26 was attempting to engage in the program, not those areas like Buckingham  
27 Circle or Northfields where sewer needs to be extended before it is  
28 available.

29 Dr. Palmer asked how much money was set aside for the program.  
30 Mr. Lunsford replied that \$1 million was dedicated to the program. Dr.  
31 Palmer asked if the homeowners needed to meet certain financial criteria

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1 or be in need, to participate in the program. Mr. Lunsford replied that the  
2 program will be run through the County, so he does not know the answer to  
3 that question. Mr. O’Connell added that it is the County’s program. He  
4 noted that the ACSA will assist once they decide who can participate, and  
5 the funding is approved for those participants.

6 ***Mr. Tolbert moved to approve the minutes as amended,***  
7 ***seconded by Dr. Palmer. All members voted aye.***

8  
9 4. Matters from the Public

10 There were no matters from the public.

11  
12 5. Response to Public Comment

13 There was no response to public comment.

14  
15 6. Consent Agenda

16 ***a. Monthly Financial Reports –***

17 ***b. Monthly CIP –*** Mr. Parcels stated that the Broadway Street Water  
18 Main Replacement project summary comments about ductile iron pipe  
19 from the 1970s. He asked what the life expectancy is of ductile iron,  
20 since that is now the material that the ACSA is using for all its water  
21 replacement projects. He further asked what would be the life  
22 expectancy of the ductile iron that is now being put in, before it must be  
23 replaced. Jeremy Lynn replied that the life expectancy is 75-100 years.  
24 Mr. Lynn stated that the issue with Broadway, is that there has been  
25 some very corrosive soil identified in that area, which is causing an  
26 issue with the ductile iron pipe. Mr. Parcels asked if there is any type  
27 of soil treatment that can prevent corrosion. Mr. Lynn replied that  
28 currently, are two ways of protecting the pipe. He stated that the first is  
29 a zinc coating applied by the pipe manufacturer, and the second is a  
30 product called V-Bio. He explained that V-Bio is a wrap placed around  
31 the pipe as it goes into the trench. He noted that both products are

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1 recommended by the Ductile Iron Pipe Research Association (DIPRA)  
2 to handle corrosive soil.

3 **c. *Monthly Maintenance Update*** – Mr. Parcels stated that, according to  
4 the memo, there are still 30-35% of installed ACSA water system  
5 valves that were installed before 2007. He asked how many valves this  
6 is, and, although they may not be able to predict a failure rate, if the  
7 staff foresees having to create a project to deal with the issue. Jeremy  
8 Lynn replied that about 1,400 valves in the ACSA’s system were  
9 identified as being installed prior to 2007 and fall within a high  
10 corrosive soil area. He mentioned that there are four concentrated  
11 areas where the ACSA will have some inspections and excavation to  
12 determine if the valves are progressing towards failure. He noted that  
13 there are three other concentrated areas that are already in the CIP  
14 program for pipe replacement.

15 **d. *Rivanna Water and Sewer Authority (RWSA) Update*** –

16 **e. *ACSA Board Policy Future Issues Agenda 2023*** –

17 **f. *Advanced Metering Infrastructure (AMI) Project Update*** –

18 **g. *Annual Water Quality Report – CCRs*** – Mr. Parcels asked why the  
19 Red Hill Annual Drinking Water Report includes test results for volatile  
20 organic compounds (VOCs), but the other reports do not. Mr.  
21 O’Connell replied that the original water service for that area were  
22 wells that became contaminated by a gas station upstream. He stated  
23 that a new well was drilled, but there is still testing to ensure there is  
24 not any contamination. He mentioned that the system serves 12  
25 customers, a school, and several residential customers. He stated that  
26 RWSA manages the treatment for that area and there have been some  
27 upgrades, including granular activated carbon.

28 Dr. Palmer asked about the GAC system. Mr. O’Connell stated that  
29 they applied for a grant – federal funding water quality infrastructure  
30 program. He stated that it is \$1 million and will be fully grant funded.  
31 He noted that the grant includes for additional GAC facilities that will

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1 occur at Crozet. He added that there will be future applications for the  
2 other water treatment plants in the system as well. Dr. Palmer stated  
3 that she remembers the studies on where the spill went, and she  
4 knows the current well location was chosen because it is well outside  
5 of that. She asked if there is still monitoring of the areas around the  
6 new location, as there has been some new building in that area.  
7 Jeremy Lynn replied that he would assume the Department of  
8 Environmental Quality (DEQ) continues to keep an eye on the wells in  
9 that area.

10 ***Dr. Palmer moved to approve the consent agenda, seconded***  
11 ***by Mr. Tolbert. All members voted aye.***

12  
13 7. FY 2024 Proposed Budget and Rates Workshop & Presentation

14 Mr. Lunsford stated his presentation today (Attached as  
15 Pages\_\_\_\_\_) would begin with a brief overview of the ACSA, followed by  
16 a FY 2023 update and forecasts. He stated that he would then share some  
17 of the different analyses that were done for the FY 2024 budget, as well as  
18 some of the highlights of the budget. He mentioned that he would review  
19 the proposed rates, as well as present some customer bill comparisons. He  
20 stated that lastly, he would go over some of the highlights from the  
21 departmental budget proposals, briefly touch on the CIP program, and then  
22 provide the Board with anticipated next steps.

23 Mr. Lunsford stated that the vision and mission statements on the  
24 next slide boil down to the ACSA strives to provide clean, safe, reliable  
25 water at a very good value. He stated that this is the main goal in a few  
26 words, and he feels the upcoming budget shows that.

27 Mr. Lunsford stated that the next slide is an illustration of the  
28 ACSA's jurisdictional area, which everyone is familiar with. He noted that  
29 the ACSA currently serves over 84,000 customers, which is almost 22,000  
30 water connections and the system is still growing.

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1           Mr. Lunsford stated that the FY 2023 update on the next slide  
2 shows water revenues a little behind budgeted expectations. He mentioned  
3 that there was about a 60-million-gallon reduction in metered water use. He  
4 noted that the last irrigation season from July-October was wetter than  
5 expected, which is driving the largest part of the reduction. He stated that  
6 sewer revenues are right in line with what was expected. He pointed out  
7 that water expenses are slightly over budgeted expectations, which is  
8 contrary to what is being seen with the water revenues. He stated that this  
9 variance is largely due to the change RWSA brought to their Board in July,  
10 which reallocated costs related to the Northern Area Water Project  
11 Agreement. He stated that about \$200,000 was allocated to the ACSA after  
12 the budget was finalized. He added that sewer expenses are below  
13 budgeted expectations, which is correlated to improvements in infiltration  
14 and inflow (I&I). He noted that departmental expenses are well below  
15 budgeted amounts which is being driven, in part, by staff vacancies and the  
16 difficulty in procuring goods.

17           Mr. Lunsford moved to the next slide, showing the forecast for the  
18 remainder of fiscal year 2023. He stated that little change is expected in  
19 water and sewer revenue variances for the next two months. He stated that  
20 water revenues are expected to be about 3% less than what was expected,  
21 and sewer revenues are expected to be about 1% more. He mentioned that  
22 the ACSA does not expect a lot of change in water and sewer expenses  
23 from RWSA, and departmental expenses are expected to be about 10%  
24 below budgeted amounts.

25           Mr. Lunsford stated that the next slide was an attempt to show how  
26 the ACSA's Strategic Plan is a driving force in the FY 2024 budget. He  
27 stated that key components of the four strategic themes can be found in  
28 various items throughout the budget. He stated that those four themes are  
29 data optimization, business resilience, customer experience, and employee  
30 experience.



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1           Mr. Lunsford moved next to the water and sewer rate analysis. He  
2 stated that the ACSA had a full-fledged rate study performed last fiscal  
3 year, which was presented to the Board in March 2022. He stated that in  
4 subsequent years after the rate studies, ACSA staff will update estimates in  
5 the model with known amounts. He noted that given RWSA is the largest  
6 driver of the ACSA's budget at nearly 62% of the operating portion, any  
7 change from them will impact what the ACSA proposes to its Board. He  
8 mentioned that the expected annual increase in RWSA charges to the  
9 ACSA, as provided by RWSA for FY 2024-FY 2028, is about 12% year  
10 over year. He stated that an important item to note is that the expected  
11 year over year change for the same time last year was 7.5%.

12           Mr. Lunsford stated that the next slide shows the rate study update  
13 and analysis recommendations. He stated that RWSA provides the ACSA  
14 with their budget and estimates for the fiscal year. He stated that the ACSA  
15 takes that information and makes minor adjustments based on historical  
16 experience. He noted that what RWSA presents to their Board and what  
17 the ACSA staff presents to its Board are similar but may be slightly  
18 different. He stated that the ACSA's combined water and sewer bill charge  
19 is proposed to increase by 8.9% for FY 2024. He noted that this follows an  
20 increase of 4.6% last year, 5% in FY 2022, and no increase in FY 2021. He  
21 noted that for the first time since 2017, there is a recommendation to  
22 increase the system development/capacity charges, by 7%. He added that  
23 there is also a recommendation to use reserves to smooth customer rate  
24 increases over time. He stated that \$2.8 million in rate stabilization  
25 reserves has been included in the budget to offset some of the necessary  
26 increases in water and sewer customer bills. He mentioned that there is  
27 also \$4.6 million budgeted in growth reserves to help offset those costs as  
28 well.

29           Mr. Lunsford stated that the graph on the next slide is a snapshot of  
30 the proposed FY 2024 budget and the five years prior. He noted that the  
31 red bar is the increase to the ACSA from the RWSA, and the blue bar is the

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1 increase to water and sewer customers through their rates. He stated that  
2 looking at FY 2022-2024, RWSA has had a 13.4% average increase over  
3 those three years, which is significant. He noted that over the same period,  
4 the ACSA's increase to its customers has been 6.2%. He added that the  
5 ACSA is expecting a 12% increase year over year from RWSA through FY  
6 2028.

7 Mr. Lunsford moved to the next slide which was a pie chart  
8 illustrating where the ACSA's dollars come from. He stated that almost  
9 70%, or a little over \$37 million, of all the ACSA's revenues are collected  
10 through water and sewer charges. He mentioned that the ACSA is  
11 expecting about \$8 million in connection charges for FY 2024, which  
12 equates to about 554 equivalent residential connections (ERCs). He noted  
13 that the ACSA does anticipate using about \$7.5 million of reserves - \$4.6  
14 million of growth reserves and \$2.8 million of rate stabilization reserves.

15 Mr. Lunsford stated that the next slide is one he has used before  
16 and is powerful in showing where the ACSA's dollars are going. He stated  
17 that the operating charge from RWSA for water and sewer treatment and  
18 growth-related RWSA debt allocated to the ACSA is nearly \$28 million. He  
19 stated that the next largest part of the ACSA's budget are capital costs and  
20 the \$11.5 million CIP program presented in detail last month.

21 Mr. Lunsford stated that the graph on the next slide is an illustration  
22 of RWSA charges to the ACSA from FY 2000-FY 2022, with actual  
23 numbers. He noted that the last two months of FY 2023 on the graph are  
24 projected, ACSA budgeted amounts are used for FY 2024, and RWSA  
25 estimates are used through FY 2028. He mentioned that the slope of this  
26 chart is getting steeper and is not expected to flatten for some time. He  
27 added that it is important for the ACSA to responsibly raise rates over time  
28 to help offset these increases in RWSA charges.

29 Mr. Lunsford moved to the next slide, which showed the projected  
30 costs from RWSA from FY 2024-FY 2028, and the difference between the  
31 estimates from last fiscal year and this year. He stated that the very first

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1 line showing RWSA estimates from FY 2023 is what was included in the  
2 budget for planning purposes throughout the rate study. He noted that last  
3 year, the ACSA expected \$25.5 million in charges from RWSA in FY 2024.  
4 He pointed out, however, that has increased this year to \$27 million, so the  
5 increase in charges this year is actually 13.4% and not the 8.1% the ACSA  
6 was expecting last year. He added that the ACSA is actually projecting a  
7 13.8% increase from RWSA for FY 2024. Dr. Palmer stated that Mr.  
8 Lunsford mentioned before that the increase in RWSA's CIP costs is  
9 predominantly inflation. Mr. Lunsford replied that there is a \$120 million  
10 increase from last year's 5-year RWSA budget, to this year. He noted that  
11 of that amount, \$75 million was related to inflation and project scope  
12 adjustment. He added that RWSA created a great slide that illustrates the  
13 reconciliation between the two, and he can include that in the presentation  
14 next month. Dr. Palmer asked for a link to the slide so she could look at it  
15 before next month's meeting.

16 Mr. Lunsford continued to the bottom line of the slide. He stated  
17 that this line, which shows the increase in RWSA estimates from FY 2023  
18 to FY 2024, is where the story lies. He stated that the ACSA will need to  
19 fund an additional \$1.5 million in FY 2024 and \$2.7 million in FY 2025 that  
20 was not anticipated.

21 Mr. Lunsford stated that the next slide shows the proposed water  
22 and sewer rates for FY 2024, compared to what they currently are for FY  
23 2023. He stated that there is a proposed 10% increase for the service  
24 charge and water charges, and a proposed 8% increase in sewer charges,  
25 all based on a rate model update to cover water and sewer charges from  
26 RWSA, ACSA departmental expenses, and the ACSA's CIP on the non-  
27 growth side. Dr. Palmer asked how much more the average customer  
28 would be paying on their bill. Mr. Lunsford replied he does have a slide  
29 prepared to illustrate that, but the average residential customer would see  
30 an increase of about \$5.30.

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1           Mr. Lunsford stated that there is a recommendation to change  
2 some of the ancillary charges to help recover actual costs of those  
3 services, and those changes are in line with the recommended changes on  
4 the water and sewer rates.

5           Mr. Lunsford moved to the next slide showing the ACSA's proposal  
6 to the Board for FY 2024 water and sewer rates. He noted that the  
7 proposal is largely driven by the 18% increase in water charges from  
8 RWSA, which is almost \$2.5 million more than what they billed the ACSA in  
9 FY 2023. He stated that on the sewer side, there is an 8.5% increase in  
10 charges from FY 2023. He mentioned that ACSA departmental operating  
11 charges are expected to increase as well, by almost 10%. He added that  
12 he would speak to why but, overall, most of the departmental increases are  
13 driven by the ACSA's Strategic Plan initiatives.

14           Mr. Lunsford stated that the next slide on the use of reserves and  
15 projections was provided last year, and the two slides that follow will  
16 hopefully illustrate how those different reserves are funded and how the  
17 funds are used. He mentioned that the proposed budget for FY 2024  
18 includes the use of \$2.8 million of the rate stabilization reserves to help  
19 offset ACSA non-growth-related CIP. He stated that there is also a  
20 projection of \$4.6 million being used from growth reserves to offset growth-  
21 related ACSA projects and RWSA-related debt service.

22           Mr. Lunsford stated that the next slide was an attempt to illustrate  
23 and reconcile use of the reserves. He noted that the left side of the slide  
24 shows RWSA capacity reserves at almost \$16 million in FY 2023. He  
25 stated that the ACSA budgeted in FY 2023 to collect \$3.8 million in RWSA  
26 capacity charge revenue. He mentioned that the ACSA was able to  
27 calculate, based on information provided to RWSA, what part of the debt  
28 service charge from RWSA to the ACSA is related to growth-related RWSA  
29 projects. He noted that the ACSA estimated that amount to be \$5.2 million  
30 in FY 2023. He stated that if everything in the budget was as estimated, the

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1 ACSA would have used \$1.4 million of growth-related reserves to fund  
2 RWSA growth-related projects.

3 Mr. Lunsford stated that the right side of the slide shows actual  
4 information through April 2023 for the revenue and through June 2023 for  
5 the growth-related debt service. He noted that the ACSA has collected \$6.5  
6 million in RWSA capacity charge revenue through the end of April, which is  
7 a large difference from the expected \$3.7 million. He stated that there was  
8 no change in the expected growth-related debt service costs from RWSA to  
9 the ACSA, and the ACSA actually added \$1.4 million to the growth reserve  
10 for FY 2023.

11 Mr. Parcels asked if the RWSA's debt service was fixed or if it  
12 varied from year to year. Mr. Lunsford replied that it varies from year to  
13 year. He stated that also, in an attempt to help smooth their charges to the  
14 ACSA, RWSA will start to charge five years out and slowly build up to that  
15 debt service. Mr. Parcels stated that he always thought the debt service  
16 was from bonds that have been obtained, but this must not be the case.  
17 Mr. Lunsford replied that Mr. Parcels is exactly right. He stated that RWSA  
18 is issuing bonds to fund their capital program, and then passing that debt  
19 service along to the ACSA and the City for repayment. Mr. Parcels stated  
20 that this means the overall debt the RWSA has increases every year. Mr.  
21 Lunsford stated that was correct.

22 Mr. Lunsford stated that the next slide is a similar presentation as  
23 the previous one, but for the ACSA system development charges and  
24 reserves. He stated that the left side of the slide shows the ACSA began  
25 with \$15 million in system development reserves, with \$2.1 million  
26 budgeted for ACSA system development revenue, which is added to that  
27 reserve. He mentioned that \$4.6 million was budgeted in FY 2023 for  
28 growth-related ACSA CIP. He noted that if all of this were true for FY 2023,  
29 the ACSA would have reduced the reserve balance by \$2.4 million.

30 Mr. Lunsford stated that the right side of the slide, showing actual  
31 projections, illustrates why it is important to maintain a healthy reserve

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1 balance due to the timing of the CIP projects. He noted that the ACSA  
2 collected \$3.6 million in system development revenue and only incurred  
3 \$1.7 million in ACSA growth-related CIP costs, which is a major change in  
4 what was budgeted for. He stated that instead of spending \$2.4 million in  
5 growth reserves, there was actually \$1.9 million added. He stated that it is  
6 important to keep in mind that the ACSA has budgeted for certain projects  
7 in FY 2023 and the ACSA is responsible for the costs. He mentioned that  
8 the reserves have essentially been encumbered to pay for those projects in  
9 the future, as those costs happen. He noted that the Avon Street project is  
10 a good example of this. He stated that \$2 million was budgeted in FY 2023  
11 for that project, and the ACSA has not spent anywhere near that amount  
12 on the project. He stated that as those costs are incurred in the future,  
13 these reserves will be used to pay for that.

14 Mr. Moore asked if the system development revenue is primarily  
15 from connection charges. Mr. Lunsford replied that it is all from connection  
16 charges. Mr. Roberts asked what caused the increase in connection  
17 charges. Mr. Lunsford replied that inflation is part of it, but growth-related  
18 charges are a driver of those increases as well. He mentioned that looking  
19 at RWSA specifically, growth-related debt service was \$5 million. He stated  
20 that in FY 2024, the ACSA expects it to be over \$6 million. He stated that  
21 costs are increasing, and new projects are coming on to the books, thus  
22 the ACSA has proposed a 7% increase in connection charges to fund  
23 those projects.

24 Dr. Palmer stated that part of the connection charge is the overall  
25 value of the system, so there is a natural growth in connection charges as  
26 the system gets bigger and more expensive. Mr. Lunsford concurred. He  
27 stated that the ACSA's current rate model uses a hybrid methodology. He  
28 stated that what Dr. Palmer is referring to is the system buy-in method that  
29 takes into account costs that have been incurred and capacity that is  
30 available for us, to calculate an ERC for water and sewer. He stated that  
31 there is also an incremental method which does not look at historical costs,

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1 but rather the future and the cost to add additional capacity needed in the  
2 system. He stated that the ACSA has historically used a hybrid  
3 methodology that considers historical and incremental costs. Mr. Roberts  
4 asked how many years of historical information are used to project future  
5 costs. Mr. Lunsford replied that he thinks it is around 10-15 years.

6 Mr. Parcels asked how much of a total encumbrance there is on  
7 the ACSA's growth-related reserve. Mr. Lunsford replied that \$4 million is  
8 encumbered for the Avon Street Operations Center, and about \$3.5-\$4  
9 million for the AMI project that is not in the FY 2024 future budget.

10 Mr. Lunsford moved to the next slide, which illustrated sample  
11 monthly combined water and sewer bills by customer type, and the  
12 projected increase for each in FY 2024. He stated that the average user is  
13 highlighted on the table, and that user is expected to see about a \$5.30  
14 increase to their monthly bill for FY 2024.

15 Mr. Lunsford stated that the next slide was a graphic depicting the  
16 value of ACSA water. He noted that it has been used plenty times in the  
17 past, but still adds value to the presentation. He mentioned that one penny  
18 purchases 1.8 gallons of clean, safe, reliable ACSA water.

19 Mr. Lunsford moved to the next slide which compared an ACSA  
20 monthly bill to comparable utilities that are geographically close to the  
21 organization. He noted that even with the projected increase, the ACSA still  
22 compares favorably with its peers. He mentioned that 3,000 gallons is used  
23 in this comparison. He mentioned that the ACSA is still considerably less  
24 than the composite rate that the City of Charlottesville customers pay. He  
25 noted that the City has winter and summer rate, and the average of the two  
26 is what is shown on the graph.

27 Dr. Palmer stated that one thing she has heard from people that  
28 move here from bigger cities is that the water rates here are so high  
29 compared to where they moved from. She stated that there are obviously a  
30 lot of factors that go into the rate, but one of the arguments she has heard  
31 is that there should be some economy of scale as the system grows. She

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1 asked if Mr. Lunsford could speak to this. Mr. Lunsford replied that the  
2 economies of scale related to various things helps bigger cities provide  
3 services at a comparable or cheaper rate. He noted that larger utilities are  
4 able to negotiate, with their purchasing power alone, at a level that the  
5 ACSA cannot. He mentioned that they can leverage mega IT systems to do  
6 a lot of work for them, that is just not reasonable for the ACSA. He stated  
7 that another thing that makes comparison difficult is the ACSA may do  
8 things above and beyond what other utilities are doing, to exceed  
9 regulatory standards. He noted that GAC is a prime example of this, as it is  
10 an incredible water treatment process that is very expensive. He stated that  
11 it is a bit disingenuous to compare a system that is using GAC to one that  
12 is using chloramines and barely meeting regulatory requirements. He  
13 stated that another part of the economies of scale and the increase in  
14 ACSA charges is that even though the system has continued to grow, the  
15 consumption per customer has declined over the years.

16 Mr. Lunsford stated that the next slide is in response to a question  
17 that came up at last month's meeting. He stated that it is a graph that  
18 shows what ACSA customer bills have looked like over the last few years.  
19 He mentioned there is a proposed \$5.30 increase in FY 2024 to the same  
20 customer from FY 2023. He stated that the year before that, there was a  
21 \$2.60 per month increase, and the year before that there was a \$2.69 per  
22 month increase.

23 Mr. Lunsford moved to the next slide to discuss the increase in  
24 system connection charges. He stated that there are a lot of large growth  
25 and capacity-related projects that are either underway or will begin soon.  
26 He stated that the ACSA is seeing significant increases in construction and  
27 capital costs for those projects. He mentioned that there is a lot of time  
28 spent with various consultants to project what these projects might cost,  
29 and a lot was missed due to covid-related impacts. He stated that it is  
30 important to note that this is the first increase in these charges since FY  
31 2017. He added that because this is the first increase in several years,



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1 ACSA staff met with members of the development community to review the  
2 increases, as it will impact them the most. He noted that there was a  
3 question related to costs to drill a well or establish a septic system. He  
4 stated that the costs range wildly, but to do both will cost anywhere from  
5 \$13,000-\$30,000. He stated that connecting to clean, safe, reliable water  
6 continues to be a value.

7 Mr. Lunsford stated that the pie chart on the next slide breaks down  
8 the operating budget by expense type/department. He stated that the  
9 purchase of water and wastewater treatment, which also includes non-  
10 growth related RWSA CIP, totals almost \$22 million or 62% of the  
11 operating budget.

12 Mr. Lunsford stated that the next six slides, which outline the  
13 individual departmental budgets, is where the staff took some time to tie  
14 together Strategic Plan initiatives and goals and the budget. He stated that  
15 all the bullet points are included in the budget document, thus he will not go  
16 through each one but rather highlight a few that are important to note. He  
17 stated that beginning with Administration, one item to note is the expansion  
18 of customer communications. He stated that there is a Strategic Plan item  
19 to hire a communications manager to assist with that. He noted that the  
20 ACSA is using funds previously allocated through consulting services to  
21 help fund that in-house.

22 Mr. Lunsford stated that in the Engineering department, the  
23 administration of the CIP program is an incredible endeavor and a huge  
24 strategic item.

25 Mr. Lunsford stated that in the Finance department, the AMI project  
26 is in the final phases of deployment and nearing completion. He stated that  
27 the most exciting item to note is the Customer Information System (CIS)  
28 development, which includes the billing system, phone system, and  
29 website redesign. He stated that this is a customer experience focused  
30 project that is emphasized throughout the strategic plan.

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1           Mr. Lunsford stated that there is an additional position being  
2 proposed for the Information Technology (IT) department, to help that team  
3 leverage technology even more for the organization. He stated that he  
4 wanted to note the scheduled replacement and upgrade of the firewall. He  
5 noted that the IT team continues to be proactive in protection of the  
6 ACSA's IT assets and infrastructure.

7           Mr. Lunsford moved next to the Maintenance department. He noted  
8 that some of the most important items in the FY 2024 proposed budget are  
9 related to succession planning, and ensuring that the same thoughtful,  
10 professional work being done now continues as employees transition to  
11 retirement. He stated that another important item to note is the leverage of  
12 the Cityworks CMMS workorder and inventory system.

13           Mr. Lunsford stated that part of the ACSA's Strategic Plan is to  
14 work on the organization's carbon footprint and environmental impacts. He  
15 stated that planned capital equipment purchases, which are listed on the  
16 next slide, include an electric vehicle.

17           Mr. Lunsford stated that the next slide outlines the Proposed FY  
18 2024 CIP, which Jeremy Lynn did a great job of presenting last month. He  
19 stated that \$11.5 million is proposed in FY 2024 for the CIP program. He  
20 noted that of that \$11.5 million, about \$6.4 million is growth-related and the  
21 other \$5.1 million is non-growth related.

22           Mr. Lunsford stated that the next slide shows a picture of the flyer  
23 that has been mailed or emailed to customers with their bills. He stated that  
24 the last batch of customers will receive the flyer with their statements on  
25 May 25<sup>th</sup>. He stated that in terms of next steps, there will be a scheduled  
26 public hearing on the budget and rates, as well as a second workshop to  
27 focus on any items that need to be presented in more detail. Mr. Roberts  
28 asked if there has been any feedback thus far from customers that have  
29 received the flyer. Mr. Lunsford replied that there has been none to his  
30 knowledge. He stated that after the workshop, the staff will request  
31 adoption of the proposed FY 2024 budget and rates by the ACSA Board.

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1           Mr. Lunsford stated that he wanted to thank the team of people that  
2 helped to create the budget and the ACSA Board of Directors. Dr. Palmer  
3 asked if Mr. Lunsford could speak to the across-the-board increase to  
4 ACSA employee salaries that has been suggested, and how much of the  
5 budget goes towards those salaries. Mr. Lunsford replied that, on the spot,  
6 he thinks it is about \$500,000-\$600,000. Dr. Palmer asked if this was the  
7 10%. Mr. Lunsford replied yes, that is the 10% on the salaries. He stated  
8 that there are benefit components of that on the VRS side, where the  
9 ACSA is paying a percentage on employees' monthly credible  
10 compensation taxes.

11           Mr. Roberts asked if workers' compensation insurance was only  
12 \$600 for new employees for the entire year. Mr. Lunsford replied no. He  
13 stated that workers' compensation is calculated at the employee job level.  
14 He stated that the ACSA pays a higher rate for those employees that  
15 perform job duties more likely to result in injury.

16  
17       8.       Resolution Authorizing Easement Acquisition – Crozet Phase 4  
18 Water Main Replacement Project

19           Jeremy Lynn stated that before the Board today is the Crozet  
20 Phase 4 easement acquisition resolution. He stated that the ACSA  
21 Engineering staff takes a lot of pride in doing all they can to reach an  
22 agreement with customers. He noted that for this project, the staff was able  
23 to successfully negotiate 17 out of 18 easements. He stated that approving  
24 this resolution will begin the condemnation process, but the hope is to not  
25 get to that point. He stated that if the resolution is approved, the ACSA will  
26 make an official final offer to the property owner. He stated that if the ACSA  
27 is unable to negotiate the easement with the property owner over the next  
28 month, the staff will come back before the Board to request an official filing  
29 of the certificate of condemnation.

30           Mike Derdeyn, ACSA attorney, stated that if the Board approves  
31 the resolution, a final offer letter will be sent to the property owner. He

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1 stated that there is a statutory reason the approved resolution is necessary  
2 before the final letter can be considered a bonafide offer. He stated that if  
3 no agreement is reached at that point, then the ACSA will institute  
4 condemnation procedures. He noted that the ACSA will have to send  
5 another letter to the property owner before filing the certificate of  
6 condemnation.

7 Mr. Tolbert asked if the ACSA knows what the issue is with the  
8 property owner. Mr. Lynn replied that when the ACSA staff first engaged  
9 with the property owner, their offer was considerably different than what the  
10 owner had in mind. He stated that the property owner made a counteroffer,  
11 which the ACSA did not agree to. He mentioned that this all happened  
12 within the first few months of their initial offer. He stated that since that  
13 time, the property owner has not responded to the ACSA's attempts to  
14 reengage in negotiations. He added that the property in question is a small  
15 piece of land, which overlaps an easement that was granted to another  
16 utility.

17 ***Mr. Tolbert moved to approve the Resolution as presented***  
18 ***to the Board; seconded by Mr. Parcels. The Chair asked for a roll-***  
19 ***call vote: Mr. Parcels, aye; Dr. Palmer, aye; Mr. Tolbert, aye; Mr.***  
20 ***Armstrong, aye; Mr. Roberts, aye; Mr. Moore, aye.***

21 Mr. Roberts stated that he has been on the Board for a while, and  
22 he does not recall ever having to go to court for condemnation  
23 proceedings. Dr. Palmer stated that there was a condemnation proceeding  
24 for an easement in Red Hill. Mr. Roberts replied that Red Hill would be the  
25 only one he can remember. Mr. Lynn stated that the last resolution the  
26 Board considered was in 2019 with the Camelot Water Main Replacement  
27 project, but the ACSA was able to successfully reach an agreement with  
28 that property owner.

29 Mr. Parcels asked if, in filing a certificate of condemnation with the  
30 court, the ACSA still pays the property owner for the easement. Mr. Lynn  
31 replied that the ACSA does still pay the property owner. He stated that if

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1 the matter goes to court, the property owner will present his side and what  
2 he feels the value of the easement is and the ACSA would do the same.  
3 He stated that a decision would then be made on the true value of the  
4 easement.

5  
6 9. Scottsville Water Infrastructure Transfer

7 Mr. O'Connell stated that he would begin the presentation  
8 (Attached as Pages\_\_\_\_\_) with some background information. He stated  
9 that RWSA operates the Totier Creek Reservoir and Scottsville Water  
10 Treatment Plant, as well as some limited piping and the .25MG water tank.  
11 He stated that the ACSA operates the system transmission and distribution  
12 piping, control valves, and a .3MG water tank at Stoney Point. He noted  
13 that there is also a pump station located on James River Road that is jointly  
14 operated by the RWSA and ACSA.

15 Mr. O'Connell stated that the second slide shows a map of the  
16 current system. He noted the water treatment plant in the middle left of the  
17 map that feeds off Totier Creek. He stated that the water treatment plant  
18 and the two water tanks are the infrastructure that will be involved in the  
19 transfer. He stated that the next slide shows some of the objectives of the  
20 transfer. He stated that the proposed set up is similar to that of the Urban  
21 and Crozet water systems, and it makes sense at a staff level. He noted  
22 that there are some legal changes that would need to be made if the ACSA  
23 Board approves the transfer.

24 Mr. O'Connell stated that the next slide shows the future system  
25 mapping, should the transfer be approved. He stated that the pump station  
26 adjacent to the first tank, the pipeline that connects the two tanks, and the  
27 second tank would all be transferred to RWSA. He mentioned that one of  
28 the things the ACSA has been working on is replacing the pipeline, which  
29 he will have Jeremy Lynn speak on.

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1           Mr. Lynn stated that the Scottsville Phase 4 Water Main  
2 Replacement project shown on the next slide was discussed last month  
3 during the CIP presentation. He stated that it is important to note that this  
4 project has grown. He stated that originally, the plan was to begin at the  
5 ACSA's pump station and replace the portion of the line along James River  
6 Road up to the intersection at Warren Street, and the rest of the project  
7 was in the downtown area. He mentioned that this left an asbestos-cement  
8 pipe between the water treatment plant and the pump station/RWSA tank  
9 that the entire system relied upon. He stated that the ACSA expanded the  
10 scope of this project to bring the replacement all the way back to the filter  
11 plant. He noted that this will get rid of the remaining asbestos-cement and  
12 cast-iron water mains within the Scottsville water distribution system. He  
13 added that a lot of coordination with RWSA has gone into this project. He  
14 stated that they are jointly reviewing the plans, as part of the main that will  
15 be replaced already belongs to them, and the ACSA is hoping to transfer  
16 ownership of the part of the main it currently owns to RWSA. He stated that  
17 the ACSA and RWSA are working together to create a joint RWSA-ACSA  
18 easement that they will obtain from the customers along the portions of the  
19 project that RWSA will own in the future.

20           Mr. Lynn stated that RWSA's Board of Directors approved the  
21 transfer at their April Board meeting. He stated that today, the ACSA staff  
22 is asking the Board for approval of the transfer. He stated that if the Board  
23 approves, the ACSA staff will work with RWSA to finalize and record the  
24 transfer documents, and then work with RWSA staff to transfer the  
25 operation and maintenance responsibilities.

26           Mr. Parcels asked if the ACSA will still be responsible for the water  
27 main replacement project. Mr. Lynn replied yes. He stated that it can be  
28 difficult to attract contractors in Scottsville, thus it was advantageous to do  
29 the replacement all at once as opposed to leaving a vulnerable section of  
30 asbestos-cement pipe between the filter plant and the first water tank. Mr.  
31 Parcels asked of the total project budget of \$6.8 million, how much is

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1 encumbered. Mr. Lynn replied that only \$100,000 was budgeted for the  
2 project in FY 2023. He stated that there has not been any construction  
3 money included in the budget up to this point. He noted that FY 2025 is  
4 when construction dollars for the project will be added into the CIP budget.

5 ***Mr. Parcels moved to approve the transfer of portions of the***  
6 ***Scottsville Drinking Water System from the Albemarle County Service***  
7 ***Authority (ACSA) to the Rivanna Water and Sewer Authority (RWSA)***  
8 ***and authorize the Executive Director to execute any required***  
9 ***documents to implement that transfer; seconded by Dr. Palmer. The***  
10 ***Chair asked for a roll-call vote: Mr. Parcels, aye; Dr. Palmer, aye; Mr.***  
11 ***Tolbert, aye; Mr. Armstrong, aye; Mr. Roberts, aye; Mr. Moore, aye.***

12  
13 10. Items Not on the Agenda

14 Mr. O'Connell stated that the ACSA is exploring transcription  
15 services to outsource the monthly board meeting minutes. He stated that  
16 the staff has been in communication with a firm that handles minutes  
17 transcription for RWSA. He stated that there will be a trial run first, with  
18 minutes done in-house and by the firm, so the Board can compare the two  
19 sets.

20 Mr. O'Connell stated that the second item he wanted to mention is  
21 that RWSA meets on Tuesday to consider approving their budget and CIP.  
22 He noted that there have been significant cost increases, as the Board has  
23 seen.

24 Mr. O'Connell stated that he also wanted to celebrate the AMI  
25 project reaching 3,500 installations this week, so the project is moving  
26 along. He noted that the contractors have been staying on top of the  
27 installations, with very few issues.

28  
29 11. Executive Session – Executive Director Annual Review – Part II

30 The Clerk read a Resolution to enter Executive Session  
31 pursuant to Virginia Code §2.2-3711 A (1) to discuss a personnel matter

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1 concerning the Executive Director’s Annual Performance Review (Attached  
2 as Page\_\_\_\_\_).

3 ***Mr. Tolbert moved to approve the Resolution as presented to***  
4 ***the Board; seconded by Dr. Palmer. The Chair asked for a roll-call***  
5 ***vote: Mr. Parcels, aye; Dr. Palmer, aye; Mr. Tolbert, aye; Mr.***  
6 ***Armstrong, aye; Mr. Roberts, aye; Mr. Moore, aye.***

7 The Board of Directors came back into regular session. Ms. Herr  
8 read into record a Resolution stating that only matters so previously stated  
9 and exempted from open discussion in regular session were discussed in  
10 Executive Session (Attached as Page \_\_\_\_\_).

11 ***Mr. Parcels moved to approve the Resolution as presented***  
12 ***to the Board, seconded by Dr. Palmer. All members voted aye.***

13

14 12. Adjourn

15 ***There being no further business, Mr. Tolbert moved that the***  
16 ***meeting be adjourned, seconded by Mr. Parcels. All members voted***  
17 ***aye.***

18

19

\_\_\_\_\_  
Gary B. O’Connell, Secretary-Treasurer