

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 14, 2023, at 9:00 a.m. at the
3 Administration and Operations Center at 168 Spotnap Road in
4 Charlottesville, Virginia.

5 **Members Present:** Dr. Lizbeth Palmer; Mr. John Parcels; Mr. Clarence
6 Roberts; Ms. Swanson; Mr. Charles Tolbert, Vice-Chair.

7 **Members Absent:** Richard Armstrong.

8 **Staff Present:** Mike Derdeyn, Brendan Ganz, Terri Knight, Quin Lunsford,
9 Jeremy Lynn, Alex Morrison, Gary O’Connell, Emily Roach, Sabrina Seay,
10 Danielle Trent, April Walker.

11 **Staff Absent:** None

12 **Public Present:** Leslie Weaber, PFM Asset Management; Scott Fleming,
13 PFM Asset Management; Neil Williamson, Free Enterprise Forum (virtual).

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

16 Mr. Tobert called the meeting to order. He then read the opening
17 Board Chair statement (Attached as Page _____), and a quorum was
18 established.

19
20 2. Employee Recognition – Management & Supervisory Leadership
21 Training Program

22 Mr. O’Connell stated that as part of the ACSA’s overall succession
23 planning efforts, employees have been given the opportunity to take training
24 in leadership and supervisory development. He stated that over the last
25 year, six employees have participated in a program run by the Public
26 Utilities and Waterworks Management Institute. He stated that those
27 employees are John Anderson in Engineering, Josh Chidester in Finance,
28 Jake Duff in Maintenance, Jeffrey Sprouse in Maintenance, Justin Ray in
29 IT, and Jami Roach in Customer Service. He stated that the staff
30 congratulates them and looks forward to seeing them in leadership positions
31 within the organization in the future.

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1 3. Approve Minutes of November 16, 2023

2 Ms. Swanson stated that even though she was not present at the last
3 meeting, she did come across a typo on page 23, line 9. She stated that the
4 word “his” should be “is.”

5 ***Mr. Parcels moved to approve the minutes of November 16,***
6 ***2023, as amended, seconded by Dr. Palmer. All members voted aye.***

7
8 4. Matters from the Public

9 There were no matters from the public.

10
11 5. Response to Public Comment

12 There was no response to public comment.

13
14 6. Consent Agenda

15 **a. *Monthly Financial Reports*** – Ms. Swanson stated that it was identified
16 last meeting that the ACSA is running up against the increases from
17 RWSA. She asked Mr. Lunsford how the ACSA is planning to address
18 this. Mr. Lunsford stated that page 49 is an illustration of actual revenues
19 collected compared to budgeted revenues. He stated that the illustration
20 shows that the ACSA is performing a little stronger than last year during
21 the same period. He mentioned that the ACSA did increase rates in FY
22 2024 to combat some of the increases from RWSA. He noted that on
23 page 28, the income statement shows that water and sewer sales are
24 over budgeted expectations, not normalized for seasonal expectations.
25 He stated that currently, with the reasonably dry summer and early fall,
26 water sales exceeded expectations.

27 Mr. Parcels stated that he had an observation, which is that State
28 Farm is using ten times the water they used last year. He asked if there
29 was any idea as to why. Mr. Lunsford replied that there is a new tenant
30 in the building that is a water-intensive user. He noted that prior to them
31 moving into the building, State Farm was essentially using much less

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1 water. Dr. Palmer asked Mr. Lunsford to remind the Board who the
2 tenant was that moved into the building. Mr. Lunsford replied that it is a
3 company called Bonumose, who manufactures healthy sugar
4 alternatives.

5 ***b. Monthly Capital Improvement Program (CIP) Report –***

6 ***c. Monthly Maintenance Update –***

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

8 ***e. ACSA Board Policy Future Issues Agenda 2024 –***

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

10 ***g. 2024 Holiday Schedule –***

11 ***h. 2024 ACSA Board of Directors Meeting Schedule –***

12 ***Dr. Palmer moved to approve the consent agenda, seconded by***
13 ***Mr. Parcels. All members voted aye.***

14
15 7. Annual Investment Report

16 Mr. Lunsford stated that the staff provides the Board with an annual
17 update on the ACSA's financial performance related to investments. He
18 stated that Leslie Weaber and Scott Fleming from PFM Asset Management
19 manage the ACSA's portfolio and will be presenting to the Board today. He
20 mentioned that they would discuss items such as the ACSA's earnings over
21 the year and economic conditions and forecasts over the next 12 months,
22 but the presentation (Attached as Pages_____) will focus on market and
23 investment program updates including investments with the Local
24 Government Investment Pool (LGIP).

25 Mr. Fleming came forward to address the Board. He stated that to
26 refresh the Board's memory, PFM Asset Management has been the
27 investment advisor for the ACSA since 2019. He stated that PFM has a
28 customized investment portfolio for the organization based on risk
29 parameters, the ACSA's investment policy, and intended use of the funds.
30 He stated that he and Ms. Weaber would give the Board a brief update on

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1 the market, as their job as investment advisor is to diligently track the market
2 and implement strategies based upon the changing conditions.

3 Mr. Fleming moved to the first slide outlining current market themes.
4 He stated that the economy overall has proved to be very strong. He stated
5 that last year, their thought like many others was that there would be a
6 recession at this point. He mentioned that the market is far from that, as they
7 have seen steady growth in the third quarter. He noted that the federal
8 reserve raised rates over five percentage points and the general consensus
9 was that economic activity would go down to help combat inflation and
10 unemployment rates would increase. He stated that they have seen the
11 exact opposite of this, or what some may call a soft landing. He stated that
12 a soft landing is when the federal reserve does what it needs to do to bring
13 down inflation, while economic growth stays positive and employment rates
14 stay high.

15 Mr. Fleming stated that the next slide shows a graph of Consumer
16 Price Index (CPI) which is a big inflation indicator that people pay attention
17 to. He stated that the green line on the graph shows that the inflation rate
18 was 4% at last check. He noted that the federal reserve would like to see a
19 long-term inflation rate closer to 2%. He mentioned that there has been a lot
20 of progress in bringing inflation down over the last 18 months, but there is
21 still more progress to be made.

22 Mr. Fleming moved to the next slide showing unemployment and
23 payroll growth rates over the past few years. He stated that the
24 unemployment rate was 3.9% as of October, and the most recent rate for
25 November is 3.7%, which is even lower. He mentioned that unemployment
26 is staying at historically low levels. He noted that the right side of the slide
27 shows the number of jobs being created every month. He stated that looking
28 at the trend, the numbers are coming down but still quite positive. He added
29 that about 200,000 new jobs were created every month over the last quarter
30 in the United States, which is double the amount the federal reserve likes to
31 see.

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1 Mr. Fleming stated that consumer spending is roughly 2/3 of overall
2 economic growth, thus PFM ensures that they are tracking that and using
3 the information to help determine how the portfolio is managed. He stated
4 that the left-hand side of the next slide shows that personal saving rates have
5 gone down overall, while the right-hand side shows that debt has gone up.
6 He stated that people are continuing to spend, perhaps even more than they
7 did 12 months ago, but they are starting to dip into their savings and accrue
8 additional debt. He added that these are the types of things PFM considers
9 when managing investment funds.

10 Mr. Fleming moved to the next slide, which illustrated the U.S. Real GDP
11 contributors and detractors. He stated that there were a few bumps in the
12 road during the first two quarters of last year with negative numbers, but it
13 has been all positive since then. He noted that the growth rate in quarter
14 three of 2023 was revised since this presentation was made, going from
15 4.9% to over 5%. He noted how large the consumer spending portion of that
16 growth was in the third quarter.

17 Dr. Palmer asked what private inventories are, which were represented
18 by orange on the graph. Mr. Fleming responded that private inventories are
19 what companies are gathering in terms of goods and services for sale.

20 Ms. Swanson asked how government expenditures are looking for the
21 next quarter and coming year. Mr. Fleming replied that they see government
22 expenditures tamping down a little bit, as they were a large portion of quarter
23 three. He noted that there were relatively little government expenditures in
24 the first two quarters, partly due to debt ceilings and not being able to spend,
25 thus this third quarter is a bit of a catch-up period.

26 Mr. Fleming stated that the next slide was a series of graphs illustrating
27 projections put forth by the federal reserve. He stated that the federal reserve
28 met yesterday but did not raise rates as expected. He noted that the inflation
29 projections graph in the lower left-hand corner shows that inflation rates are
30 not expected to normalize back to 2% until about 2026.

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1 Mr. Fleming stated that the next slide showing the U.S. Treasury Yield
2 Curve. He stated that the blue shaded line shows the span over the last 12
3 months of where rates have gone, which speaks to a lot of volatility. He
4 mentioned that PFM is taking a conservative approach, keeping that volatility
5 in mind.

6 Dr. Palmer stated that the previous slide shows that inflation is expected
7 to continue to go down, and the federal reserve is talking about lowering
8 interest rates. She asked what the federal reserve thinks is going to bring
9 the inflation rate down. Mr. Fleming replied that as rates were increased from
10 the federal reserve, overall economic activity was decreased. He stated that
11 there are long lags that take place as a result of actions taken by the federal
12 reserve. He noted that, as a result of what was already put in place, inflation
13 is already on its way down. He added that it is a matter of what has already
14 put in place that will cause inflation to go down.

15 Ms. Swanson asked if the federal reserve was going to lower interest
16 rates a full percentage point, as opposed to the 4% they increased them by
17 previously. Mr. Fleming replied no. He stated that they are looking at going
18 down 75 basis points over the next year, in quarter point increments. Ms.
19 Swanson asked how PFM sees management of the portfolio shaping over
20 the next year, with the announcement that interest rates were staying the
21 same. Mr. Fleming replied that it will certainly help the portfolio, as it is
22 managed on a total return basis. He mentioned that as interest rates are
23 lowered, the value of the securities in the ACSA's portfolio will increase
24 because of the inverse relationship between the two. He stated that they
25 typically would also extend the portfolio out a little longer, knowing that long-
26 term rates are now set to decrease as opposed to increasing as they have
27 done the past 18 months.

28 Ms. Weaber came forward to give an update on the investment program.
29 She stated that looking at the investment program overview graph, the Local
30 Government Investment Pool (LGIP) has been included because that is
31 where some of the ACSA's funds are also invested. She stated that the LGIP

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1 is managed by the Virginia Treasury. She mentioned that about 40% of the
2 funds are invested in the LGIP, and all the other sectors are individual
3 securities that are also invested within the portfolio. She noted that the LGIP
4 is very high credit quality, with a yield of 5.54% as of yesterday. She stated
5 that this is because that type of fund is managed ultra-short, so the maximum
6 maturity is about 45 days. She stated that the portfolio managed by PFMAM
7 average duration is about 1.25 years, which is because those are core funds
8 that are not needed in the near future so they can invest out a little longer.

9 Ms. Weaber stated that looking at the operating portfolio overview on
10 the next slide, all of the data is as of the third quarter or September 20, 2023.
11 She stated that the total market value is about \$30 million. She stated that
12 the portfolio duration as of the third quarter is 1.22 years, compared to the
13 benchmark of 1.28 years. She noted that because of the inverted yield curve
14 environment where the shorter-term securities are higher than the long-term
15 securities, the duration tends to be a bit shorter. She stated that this allows
16 more flexibility in terms of what is bought in the portfolio.

17 Ms. Weaber stated that the yielded cost is what the whole portfolio is
18 yielding as of the third quarter, and the yielded market is what the market is
19 yielding at that point of time. She stated that because rates are volatile and
20 they rose much higher because of the time period where the Fed increased
21 rates over a short period of time, the yielded market is higher than the yielded
22 cost.

23 Ms. Weaber stated that the overall credit quality is AA, which is high
24 quality investment grade. She stated that looking at the sector allocation, the
25 more colorful the chart is, the more diversified the portfolio is. She noted that
26 a good chunk of the sector allocation is in U.S. Treasuries because they are
27 very liquid, which helps with one of the key objectives of managing the
28 portfolio and safety. She mentioned, for example, if the ACSA needed to
29 liquidate a portion of its portfolio, they would look to sell the U.S. Treasuries
30 first as they are very liquid.

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1 Ms. Weaber stated that looking at duration distribution, the graph shows
2 the different types of maturities from 0-1 years to 2-3 years, in comparison
3 to the benchmark. She stated that she mentioned the inverted yield curve
4 being short in duration, which is why there is more invested in the 0–1-year
5 space. She stated that the credit quality is very high across the whole
6 portfolio, which is based on the S&P.

7 Mr. Parcels stated that it seems to him, the expectation would be that
8 the duration distribution will balance across all three. He stated for example,
9 0-1 year would go down and 1-2 years to 2-3 years would go up. Ms. Weaber
10 stated going forward yes if they expect rates to say the same. She stated
11 that they would want to lock in those yields across the whole curve.

12 Mr. Parcels stated that looking at the portfolio statistics, the yield at cost
13 is 3.72% but when looking at the monthly statements, the value is always
14 higher than the market value, even with accrued interest. He stated that he
15 is puzzled about where the 3.72% comes from. Ms. Weaber stated that the
16 3.72% is as of the third quarter and comes from securities that were
17 purchased originally. She stated that going forward as higher yielding
18 securities are introduced, the yield at cost will grow closer to the yield at
19 market. Mr. Fleming added that in terms of difference in yield, a lot of the
20 securities that were purchased over the last year to year and a half were
21 lower yielded and still on the books, which is bringing the yield down. He
22 noted that as those roll off, they will be replaced, and the yield will start to
23 increase.

24 Ms. Weaber stated that the next slide showing issuer diversification is a
25 great snapshot to see what types of issuers are in the ACSA's portfolio and
26 the specific issuer names. She noted that there are a lot of strong household
27 names such as Apple, Microsoft, and Amazon. She stated that according to
28 the ACSA's Investment Policy, there are guidelines set around issuer
29 limitations. She noted that each issuer in the private space has a limit of 5%,
30 and as you look down the list, some of the percentages are nowhere near
31 that 5%. She mentioned that PFM conducts its own credit research. She

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1 stated that they do look at the credit rating assigned to the issuer but those
2 are the opinions of the credit rating agencies, thus PFM does their own
3 research and ensures that they are on a credit issuer list that they are
4 comfortable with. She stated that there is a credit committee that meets
5 monthly and if there is an issuer on the list that is in trouble, PFM can see
6 that before the rating agency puts them on negative outlook or downgrades
7 them.

8 Ms. Weaber moved to the next slide to discuss the portfolio
9 performance. She stated that the third quarter was strong and positive. She
10 stated that a few years ago, the ACSA expanded its investment policy which
11 she feels has helped as well. She mentioned that PFM was able to introduce
12 negotiable CDs and corporate types of names into the portfolio. She stated
13 that the credit types of securities are yielding much higher in comparison to
14 U.S. Treasuries or other types of governmental securities because the ACSA
15 is being compensated for taking on more credit risk. She noted that on a
16 gross basis for the third quarter, the return on the portfolio is about 1.05%.
17 She stated that the ACSA stuck the course during the volatile time when
18 rates rose quickly over a short period of time, which has benefited the
19 organization as well.

20 Ms. Weaber stated that the last slide illustrates accrual basis earnings.
21 She stated that the chart shown should always be upward sloping, as the
22 ACSA owns fixed income securities and is earning coupons and interest over
23 time. She stated that looking at the first three months, the total earnings on
24 accrual basis was about \$190,000 as of September 30, 2023, and about
25 \$865,000 since inception. She noted that in the realized gains section there
26 are negative numbers, which is because of how the portfolio is actively
27 managed. She stated that there were some securities in the portfolio that
28 were lower yielding, so they were sold to pick up higher yielding securities
29 and to diversify in that maturity range.

30 Mr. Parcels asked if the realized gains/losses relate to some of the
31 difference between the par and the market shown in the monthly statement.

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1 Ms. Weaber replied yes. Mr. Parcels asked if the interest of the portfolio is
2 what is being reported. He stated that he thought the interest rate would have
3 been better. Ms. Weaber replied that it is the interest on a total return basis,
4 which takes market value fluctuation into account. Mr. Fleming stated that
5 he could provide some additional analytics to help explain how they arrived
6 at those particular numbers. Dr. Palmer asked if that information could be
7 shared with the rest of the Board as well.

8 Mr. Roberts asked how the benchmark is set. Ms. Weaber replied that
9 the benchmark is based on risk tolerance of the ACSA. She stated that 0-3
10 years was chosen in 2019. She mentioned that if the ACSA wanted to extend
11 further out, there may be more volatility as interest rates will fluctuate. Mr.
12 Fleming added that the benchmark is also an industry standard.

13 Ms. Swanson asked if the ACSA Investment Policy establishes a limit
14 on security types. Mr. Fleming replied that the limit is on the issuer as well
15 as the type of investment. Ms. Swanson asked if the limit was 5%. Mr.
16 Fleming replied that it was only for certain credit issuers. Ms. Weaber added
17 that Virginia code does not put limitations on some issuers, thus one could
18 invest 100% of their portfolio in one name as long as it matures in 5 years.
19 Mr. Lunsford added that he would be sure to get everyone on the Board a
20 copy of the ACSA Investment Policy.

21 Mr. Parcels stated that there was a discussion several years ago about
22 introducing some additional types of instruments, supranationals being one.
23 He stated, however, that supranationals only make up .9% of the issuer
24 types in the portfolio. He asked if this was because the risk has been
25 assessed as being high. Mr. Fleming replied that it is more of an issue of
26 availability. He mentioned that a supranational is a AAA rated security, which
27 is higher than U.S. Treasuries, and they actually are yielding more than U.S.
28 Treasuries. He stated that everyone wants them, but it is a matter of getting
29 access.

30
31

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1 8. FY 2025 Budget Guidelines & Schedule

2 Mr. Lunsford stated that each December, the staff brings the budget
3 guidelines and schedule for the next fiscal year before the Board for
4 approval. He stated that the schedule before the Board today is very similar
5 to years past. He mentioned that he did want to point out a couple of items.
6 He stated that the ACSA staff has not yet met with RWSA staff for preliminary
7 budget meetings and expectations on what they plan to charge. He noted
8 that they will meet next week to discuss some early budget expectations. He
9 stated that there are not any major initiatives that are not already included in
10 the CIP program expected in the budgeting process, thus it should be
11 comparable to years past on how the budget is developed. He added that
12 the ACSA is not scheduled for a rate study this year, but there is one planned
13 as part of the FY 2026 budget.

14 Mr. Parcels asked if Mr. Lunsford could speak to the utilization of a
15 budgeting module within the ACSA’s new ERP system. Mr. Lunsford replied
16 that historically, the ACSA has maintained all of its budget information in
17 Excel workbooks, which is terribly inefficient. He stated that the budgeting
18 module was used last year, but it required building a foundation within that
19 year so there wasn’t much efficiency realized last year. He noted, however,
20 this year the staff and team will be able to use the information to move
21 through their departmental budgeting and expenses much more smoothly.

22 ***Dr. Palmer moved to approve the FY 2025 Budget and Rate***
23 ***Schedule, seconded by Mr. Parcels. The Vice-Chair asked for a roll-***
24 ***call vote: Mr. Roberts, aye; Dr. Palmer, aye; Mr. Tolbert, aye; Mr.***
25 ***Parcels, aye; Ms. Swanson, aye.***

26
27 9. Corporate Roles & Responsibilities – Proposed Bylaws Change &
28 Resolution

29 Mr. O’Connell stated that the staff is bringing the proposed changes
30 to the Bylaws, as well as a signing authority resolution before the Board
31 again today, after several discussions over the last two months. He stated

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1 that several questions were raised since the last meeting, and ACSA
2 Attorney Mike Derdeyn has gone through the entire Bylaws document, as
3 well as state law and the Albemarle County Code to ensure consistency. He
4 stated that the edits and resolution were primarily an effort to clarify the role
5 of the Executive Director. He stated that this latest draft makes an effort to
6 clean up a few items, such as remote participation in Board meetings.

7 He stated that before the Board today is a draft that hopefully reflects recent
8 discussions and input from the Board on the Bylaws, which the staff is asking
9 for separate consideration of, as well as the resolution that addresses
10 signatory authority of the Executive Director.

11 Dr. Palmer thanked the staff and Mr. Derdeyn for making the
12 changes, which she stated she was good with. Ms. Swanson stated that she
13 had one thought on the signing resolution. She stated that since one of the
14 goals is identifying the duties of the Executive Director, who does not need
15 to also be the Secretary-Treasurer, she wonders if it makes sense to
16 eliminate the word Secretary-Treasurer from the “Now, therefore” clause.

17 Mr. Tolbert stated that he wanted to clarify how the Board would go
18 about addressing each document. He stated that the Bylaws amendments
19 would be approved or not through a roll-call vote by the Board. He stated
20 that they would then address the resolution and approve it or not by a roll-
21 call vote. Mr. Derdeyn stated that this was correct. He noted that they should
22 be approved as separate items. Mr. Tolbert stated that given that, they
23 should start with consideration of just the Bylaws first.

24 ***Mr. Parcels moved to approve the proposed Bylaws***
25 ***amendments, seconded by Dr. Palmer. The Vice-Chair asked for a roll-***
26 ***call vote: Mr. Roberts, aye; Dr. Palmer, aye; Mr. Tolbert, aye; Mr.***
27 ***Parcels, aye; Ms. Swanson, aye.***

28 Mr. Tolbert stated that the Board would now consider the signing
29 authority resolution, and asked Ms. Swanson to reiterate her comment on
30 the resolution. Ms. Swanson stated that the wording of the “Now, therefore”
31 clause does not need to say, “Executive Director as Secretary-Treasurer,”

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1 because they could be two different people. Mr. Derdeyn stated that the
2 resolution was written that way because historically, the Executive Director
3 has also served as the Secretary-Treasurer, but that Ms. Swanson raises a
4 good point. He stated that in the future, there may be an Executive Director
5 that is not the Secretary-Treasurer. He stated that the Board can adopt this
6 resolution as drafted and recognize that if those roles are uncoupled, it will
7 have to be amended in the future, or the clause “as Secretary-Treasurer”
8 can be deleted and it will not have to be amended in the future. Mr. Tolbert
9 stated that the phrase “as Secretary-Treasurer” shows up in several other
10 places throughout the resolution as well.

11 Dr. Palmer asked if signing contracts and other instruments would
12 ever be the Secretary-Treasurer’s job. Mr. Derdeyn stated that the
13 Secretary-Treasurer is going to execute documents related to the funds of
14 the authority. He stated that there is no call-out for specific signatory
15 authority for the Secretary-Treasurer, but certain things like signing the
16 minutes are implicit within the title. Mr. Parcels stated that item 8 of the
17 resolution lists signing authority of the Secretary-Treasurer that are not
18 elucidated in section 4-3 of the Bylaws.

19 Mr. Roberts asked what the drawback would be in implementing Ms.
20 Swanson’s suggestion. Mr. Derdeyn replied that there would be no
21 drawback, and it would make the document more flexible for the future. He
22 stated that item 8 of the resolution is calling out the current Executive
23 Director’s duty as Secretary-Treasurer and does not need to be changed in
24 order to implement Ms. Swanson’s suggestion. Mr. Roberts stated that he
25 feels Ms. Swanson’s suggestion should be implemented. Mr. Derdeyn stated
26 that if the Board would like to implement Ms. Swanson’s suggestion, there
27 just needs to be a motion to approve the resolution as amended. He noted
28 that the Bylaws do not have to be re-noticed and brought up at another
29 meeting.

30 Dr. Palmer asked if it would be a good idea for a new Board in the
31 distant future to be very clear as to who is signing what. She stated that, not

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1 alluding to this Board, but sometimes nefarious things happen and wondered
2 if there is any value in making sure a new Board is very clear as to who signs
3 what. Mr. Derdeyn stated that if “Secretary-Treasurer” is removed, it would
4 clarify that the Executive Director signs all documents, except for those
5 pertaining to the custodian of the funds which is the Secretary-Treasurer
6 role.

7 Mr. Tolbert stated that the resolution is defining the authority of the
8 Executive Director, not the authority of the Secretary-Treasurer. He stated
9 that including “Secretary-Treasurer” implies that there is an attachment to
10 the Executive Director, which there is not, and the implication should be
11 removed. He mentioned that the clause would then read “Executive Director
12 (or a designee) ...” He stated that this means the Executive Director could
13 designate a Secretary-Treasurer.

14 Mr. Tolbert stated that he did have a concern about the signature line
15 at the end of the resolution where Mr. O’Connell is supposed to sign. He
16 stated that the resolution addresses the Executive Director and Mr.
17 O’Connell is signing it as the Executive Director. Mr. Derdeyn stated that he
18 understands Mr. Tolbert’s point. He stated that technically, because the
19 document is a resolution, it should be signed by the Secretary-Treasurer and
20 Mr. O’Connell happens to serve in that role as well. He added that both of
21 his roles are being accurately represented in that signature line, so it can be
22 left as-is or the Executive Director part can be removed.

23 ***Ms. Swanson moved to adopt the resolution concerning***
24 ***authority of the Executive Director, as amended by removing***
25 ***“Secretary-Treasurer” from the “Now, Therefore Be It Resolved”***
26 ***clause, seconded by Dr. Palmer. The Vice-Chair asked for a roll-call***
27 ***vote: Mr. Roberts, aye; Dr. Palmer, aye; Mr. Tolbert, aye; Mr. Parcels,***
28 ***aye; Ms. Swanson, aye.***

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1 10. Ragged Mountain Reservoir Project Agreement – Amendment

2 Mr. O’Connell stated that he has a Power Point presentation to share
3 with the Board today (Attached as Pages_____) that will give a better
4 understanding of the Ragged Mountain Reservoir and what it looks like in its
5 current state, but he would first give a little bit of background. He stated that
6 the Ragged Mountain Reservoir has been in existence since 1897, thus it is
7 a longstanding source of water supply for the community. He stated that
8 there were originally two dams, the one built in 1897 and another one built
9 in 1908. He stated that the community went through a lengthy discussion in
10 the early 2000s to arrive at an agreement in 2012 on the long-term water
11 supply in the community. He stated that there were two major projects that
12 were part of the agreement, one of which was construction of the new
13 Ragged Mountain Dam which created a new reservoir. He mentioned that
14 the other project was the longer-term South Rivanna Reservoir to Ragged
15 Mountain Reservoir Pipeline. He noted that both of these projects are in the
16 RWSA’s CIP.

17 Mr. O’Connell moved to the next slide and stated that the proposal
18 before the Board is an amendment to the Ragged Mountain Dam Project
19 Agreement that was approved in 2012, that constructed the new earthen
20 dam. He noted that the photo in the slide is an aerial view of the dam.

21 Mr. O’Connell stated that the next slide would get into some of the
22 history surrounding the height of the dam. He stated that, simply put, this
23 proposal would allow RWSA to increase the reservoir level by 12 feet. He
24 mentioned that the dam and intake tower, which he would show the Board
25 in a few minutes, were built to full height. He noted that 671 feet is the current
26 reservoir fill level, and the proposed level at full height would be 683 feet. He
27 stated that this is a big deal from a community water supply perspective, as
28 it takes the current reservoir and increases the capacity from 1.4 billion
29 gallons of water to 2.1 billion gallons of water.

30 Mr. O’Connell stated that currently, Ragged Mountain Reservoir is
31 filled by a transfer from the Sugar Hollow Reservoir using an older, 13-mile

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1 pipeline that was constructed in 1925. He stated that long-term, part of the
2 new pipeline construction will replace that transfer. He mentioned that based
3 on RWSA’s construction and design documents, it is estimated that the new
4 pipeline will be completed in 2030. He noted that upon completion of that
5 pipeline, the transfer from Sugar Hollow will cease. He added that this is a
6 condition that is included in the agreement as well.

7 Mr. O’Connell stated that the next slide shows a different shot of the
8 Ragged Mountain Dam. He stated that it was a \$27 million project, and the
9 dam is 129 feet tall. He stated that there was a lot of community discussion
10 and debate about the dam, which was completed in 2014 and full two years
11 later in 2016 and has been a major water supply for our area since then. He
12 mentioned that the ability to transfer water from Sugar Hollow varies based
13 on seasonal changes. He noted that currently, the dam is down about 4.5
14 feet. He added that as there are major rains over the winter season, the level
15 will return to normal.

16 Mr. O’Connell stated that the photo in the next slide is a good photo
17 to explain the approval being sought for the additional 12 feet. He stated that
18 there is a lot of space at the top of the dam, and the red line to the left shows
19 the pool level at 683 feet. He noted that the intake tower can also be seen in
20 the photo, which was built to mimic the historical intake tower that was built
21 in the early 1900s. He mentioned that there are some gate improvements
22 that need to be made with the additional 12 feet.

23 Mr. O’Connell moved to the next few slides to discuss the proposed
24 agreement before the Board today. He stated that the amendment does
25 several things, with the main one being approval of the additional 12 feet.
26 He stated that it also imposes some conditions about the operation of the
27 reservoir, pre-pipeline, and post-pipeline. He stated that currently, the
28 practice is to transfer from Sugar Hollow to Ragged Mountain using the
29 existing pipeline to fill at the current reservoir level of 671 feet during wet
30 weather. He mentioned that if and when Sugar Hollow stops overflowing,
31 then that transfer would stop. He noted that there is also a condition in the

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1 agreement amendment that during a water emergency, there would be the
2 authority to raise the reservoir the additional amount.

3 Mr. O’Connell stated that when the additional 12 feet is in place,
4 which RWSA estimates will take about two years, there will be operational
5 guidelines in place. He stated that the transfer from Sugar Hollow can only
6 happen when the water coming into Sugar Hollow is greater than 30 million
7 gallons a day.

8 Mr. O’Connell stated that the next slide is a picture of the top of the
9 Ragged Mountain Dam, in which the pool level can be seen. He stated that
10 the final two slides outline the amendment recommendations and ACSA
11 Board action being requested. He stated that the Board is being asked to
12 approve the amendment, which authorizes RWSA to raise the Ragged
13 Mountain Reservoir the additional 12 feet. He mentioned that Charlottesville
14 City Council approved the agreement unanimously on December 4th, and
15 the RWS Board approved it on Tuesday. He stated that it is now before the
16 ACSA Board today for approval.

17 Dr. Palmer stated that she has received some questions about what
18 the tree removal will look like along the trails and away from the dam. She
19 asked if RWSA has provided any information on this that could be sent to
20 the Board. Mr. O’Connell stated that it has not been designed yet, but the
21 original trails were built above the 12 feet so there will not be a direct effect
22 on any of those trails. Dr. Palmer stated that some of the trails are right at
23 the water line, but it is not just about how the trails will be affected. Mr.
24 O’Connell stated that some of the tree removal from the previous project
25 were burned onsite in burn boxes. He mentioned that he does not know what
26 the removal method will be, as that is part of the design process, but he
27 expects something similar to before. He added that he will have to get the
28 details from RWSA. Dr. Palmer stated that the public needs to be notified if
29 there is going to be burning because the area is heavily used. She stated
30 that it has also become a mountain biking destination, even though the
31 County says no to mountain biking.

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1 Dr. Palmer stated that she is going to vote in favor of the amendment
2 to the agreement, but she has mixed emotions about it. She stated that the
3 Sugar Hollow pipeline would never have been approved today, as it is
4 draining the headwaters of our watershed. She stated that her concern is
5 now that Observatory Hill's capacity is being increased and more water is
6 being put into Ragged Mountain, that the pipeline construction might be
7 delayed. Mr. Roberts stated that he had the same concern about the pipeline
8 being delayed, which he stated they do not want to happen.

9 Mr. O'Connell stated that the pipeline project schedule was moved
10 up, easement acquisition has been completed, and design work is
11 proceeding. He stated that with all of the planning that has been done and
12 financing that has occurred to support the pipeline, he only sees the project
13 speeding up not slowing down. He noted that there is a section of the pipeline
14 that has already been built and is in the ground, thus there are clearly efforts
15 to move the project along.

16 Ms. Swanson stated that she is happy this amendment is being made
17 to the agreement. She stated that the water supply plan predated her
18 previous time on the ACSA Board, but during her service she was always
19 confused as to how there was a trigger to move the 12 feet forward, which
20 may not have come until long after the pipeline was built. She stated that
21 she is happy to see the trigger removed and to move forward with the 12 feet
22 before the pipeline. Dr. Palmer noted that the trigger was put into place
23 because of all the blowback and resistance to raising the dam that much in
24 the first place. She stated that it was a fight just to build the dam all the way
25 up. She mentioned that they were able to get it built all the way up, they just
26 were not able to fill it all the way.

27 Mr. Parcels asked if there was an estimate of how long it will take to
28 fill. He stated that given the transfer can only happen when Sugar Hollow is
29 at or greater than 30 million gallons a day, he estimates that it will take about
30 seven years to fill it up. Mr. O'Connell stated that depending on seasonal
31 rains, it will clearly take several years to reach a full level.

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1 ***Ms. Swanson moved to approve the first amendment to the***
2 ***Ragged Mountain Dam Project Agreement and authorize the Executive***
3 ***Director to sign the agreement on behalf of the ACSA, seconded by Dr.***
4 ***Palmer. The Vice-Chair asked for a roll-call vote: Mr. Roberts, aye; Dr.***
5 ***Palmer, aye; Mr. Tolbert, aye; Mr. Parcels, aye; Ms. Swanson, aye.***
6

7 11. Items Not on the Agenda

8 Mr. O’Connell stated that as RWSA moves forward on the PFAS
9 settlement, it has become clear that it makes the most sense for the ACSA
10 to file a claim jointly with RWSA. He stated that the ACSA, City, and RWSA
11 are an interconnected system with the same water supply. He mentioned
12 that if that plan does not pan out, then the ACSA will seek to file an individual
13 claim. He noted that either way, given the details found in the interconnected
14 system language in the settlement, the ACSA can only apply once. He stated
15 that he wanted to make sure the Board was aware of this matter.
16

17 12. Adjourn

18 ***There being no further business, Mr. Parcels moved that the***
19 ***meeting be adjourned, seconded by Dr. Palmer. All members voted***
20 ***aye.***
21
22
23
24

25 _____
 Gary B. O’Connell, Secretary-Treasurer
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