

Albemarle County Service Authority Board of Directors

1 The Board of Directors of the Albemarle County Service Authority (ACSA)
2 met in a regular session on July 17, 2025, at 9:00 a.m. at the Administration
3 and Operations Center at 168 Spotnap Road in Charlottesville, Virginia.

4 **Members Present:** Mr. Richard Armstrong; Ms. Lizbeth Palmer; Mr. John
5 Parcels; Mr. Clarence Roberts; Ms. Kimberly Swanson.

6 **Members Absent:** Charles Tolbert.

7 **Staff Present:** Tim Brown, Mike Derdeyn, Tanya Johnson, Quin Lunsford,
8 Jeremy Lynn, Emily Roach, Keane Rucker, Sabrina Seay, Danielle Trent.

9 **Staff Absent:** Alex Morrison, April Walker.

10 **Public Present:** David Mitchell, Great Eastern Management Co.; Courtney
11 Rogers, Davenport & Co.; Drs. Doug and Victoria Weiss (remote), Albemarle
12 County Citizens.

13
14 1. Call to Order and Establish a Quorum – Statement of Board Chair

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

18
19 2. Approve Minutes of June 19, 2025

20 There were no corrections to the minutes. Mr. Roberts noted that the
21 minutes were shorter this time. Ms. Palmer agreed and stated that she was
22 glad Mr. Roberts mentioned it. She stated that Mr. Parcels asked a question
23 last month about the health and retirement benefits and it seemed that the
24 minutes offered a shorter explanation that did not cover the entire answer to
25 the question at the time. She stated that she asked Mr. Parcels to send her
26 the answer that he got from ACSA staff via email. Mr. Lunsford stated that
27 he would review his notes, but he does not recall them going into an in-depth
28 conversation about it at the meeting. Ms. Palmer stated that she does not
29 remember how in-depth it was, but she is remembering more than what was
30 reflected in the minutes. Ms. Palmer asked if she was correct in noting that
31 the minutes were shorter than usual and if they were pared down for any

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1 specific reason. Ms. Trent replied that she transcribed the minutes as she
2 always does.

3 ***Ms. Palmer moved to approve the minutes of June 19, 2025;***
4 ***seconded by Mr. Roberts. All members voted aye.***

5
6 3. Matters from the Public & Response to Public Comment

7 Dr. Vicky Weiss, who joined the meeting remotely with her husband
8 Dr. Doug Weiss, stated that they were customers who live at 1705 Jumpers
9 Run. She stated that her comment would be brief as she and her husband
10 would both be seeing patients in a few. She stated that they wanted to
11 comment about the Airport Trunk Sewer project and how it relates to their
12 property. She stated that she wanted to ensure the Board was aware that
13 the scope of the project on their property has increased and now includes
14 the removal of 32 trees, 27 of which are not in permanent easements. She
15 mentioned that their property is disproportionately the most impacted by the
16 project, which the ACSA and its contractor agreed on during a recent site
17 visit. She noted that the project affects their property on multiple sides, as
18 well as their access. She stated that they are losing a lot of mature trees as
19 well. She added that they look forward to working with the ACSA to reach a
20 resolution to this difficult situation and are awaiting a comprehensive
21 proposal from the ACSA in that regard.

22 Mr. Lynn stated that Keane Rucker, ACSA Senior Civil Engineer, met
23 with Drs. Weiss late last week. He stated that the ACSA staff does recognize
24 the impact the project will have on their property. He stated that they
25 presented a revised landscape plan to Drs. Weiss yesterday for their
26 consideration and are currently working through that with them. He noted
27 that the ACSA is hopeful and optimistic that they will reach a resolution that
28 works for both parties.

29 Mr. Armstrong thanked Drs. Weiss for attending the meeting and
30 looks forward to hearing from them in the future.

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1 David Mitchell with Great Eastern Management Company was
2 physically present at the meeting and came forward to address the Board.
3 He stated that he wanted to speak to the Board today about one of their
4 properties in particular – the Pantops Shopping Center. He stated that he
5 was not sure if the Board had an opportunity to review the email Mr. Lynn
6 sent them about the meter service issue, but he would give them a brief
7 synopsis of what is going on. He stated that tenants come and go, and
8 sometimes they help them with improvements and sometimes they do not.
9 He noted that they have added an Enterprise Rental Car to the shopping
10 center and had to upgrade the meter because they added fixtures, which
11 they understood they would have to do.

12 Mr. Mitchell stated that in the case of Jim's Gym in the shopping
13 center, there were not any upgrades. He stated that they simply replaced
14 two existing toilets and two existing sinks. He mentioned that nowadays, new
15 fixtures use significantly less water than older ones and they do not leak as
16 often. He stated that the ACSA looked at all of the spaces served by the
17 meter that serves the gym and asked for an account of all the fixtures in that
18 section. He stated that the ACSA then determined that they needed to
19 upgrade the meter from a 3/4-inch meter to a 1-inch meter.

20 Mr. Mitchell stated that his argument today is multi-faceted. He stated
21 that he feels that the fee should be proportionate to what is going on and
22 what is being changed. He stated that he has to believe that they are not
23 using more water or sewer but actually reducing it over time. He mentioned
24 that paying an additional \$22,000 to upgrade the meter is not fair or
25 equitable. He noted that it is also a burden on the tenants. He stated that
26 Great Eastern paid the fee for them temporarily in the hope that they could
27 get a refund. He stated that this was not a foreseen cost. He stated that they
28 knew if they added fixtures, they may have additional costs, but they were
29 not adding anything in this case. He stated he would like the Board to
30 reconsider the way ACSA staff reviews entire sections of buildings when
31 someone applies for a building permit, which they apparently started in 2023.

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1 He stated that the key should be if someone is adding or changing fixtures,
2 as opposed to simply replacing them. He stated that they would like the
3 Board to change the policy so it only applies if fixtures are being added and
4 not replaced.

5 Mr. Mitchell stated that Mr. Lynn gave him a list from the last 18
6 months of instances where the meter size was increased. He stated that he
7 read through the list, and it seems to him that they were all cases where
8 fixtures were being added. Mr. Lynn noted that this was the big difference.
9 He stated that in all the other cases, there was a clear addition to the number
10 of fixtures. He stated that this situation was unique in that the fixtures were
11 simply being replaced. He noted that the ACSA Rules and Regulations apply
12 to adding or modifying, which the ACSA took to mean making changes. He
13 stated that if the Board feels differently, the ACSA staff is open to considering
14 changes to the Rules and Regulations.

15 Mr. Mitchell stated that he did take engineering classes and there
16 used to be a time when a single-family house had a 1/2-inch meter, then it
17 went to a 5/8-inch meter and now a 3/4-inch meter. He mentioned that no
18 one has ever complained about the water pressure or supply in that
19 particular section of the building. He stated that he just does not feel that the
20 larger meter size is necessary.

21 Mr. Parcels asked if Mr. Mitchell was saying that there was no
22 increase in the number of fixtures across all the entities that are served by
23 that one meter. Mr. Mitchell replied that he does not know. He stated that the
24 meter was set 30 years ago, and it is a retail shopping center, so tenants
25 come and go. Mr. Parcels stated that he thought Mr. Mitchell said they
26 added another business. Mr. Mitchell replied that the new business was in
27 another section of the shopping center, on a separate meter.

28 Ms. Palmer asked Mr. Mitchell if he was suggesting that the ACSA
29 should take into consideration all the different water pressures that are
30 around the whole community. He stated that he understands that it would be
31 an unreasonable request. Ms. Palmer stated that it would be too complicated

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1 to have a sliding scale, and she understands they feel they should be
2 grandfathered because they have been there for 30 years. Mr. Mitchell
3 stated that he feels the meter should be grandfathered with the meter that is
4 there and what is being used. He stated that he understands they are open
5 to evaluation if they add fixtures in the future.

6 Ms. Palmer stated that, to her knowledge, there is no grandfathering
7 policy. She asked if the Board were to do anything at all, which she is not
8 suggesting they should, would that be the direction they would be going in.
9 Mr. Lynn replied that there is a legal definition of grandfathering that he does
10 not want to mess up. He stated that there are likely customers throughout
11 the ACSA's service area that have an improper meter size, but it is meeting
12 their needs. He stated that the thought process, which is a practice the ACSA
13 has had for a long time, is that if they are presented with information through
14 a building permit, they will take that opportunity to evaluate whether the
15 current meter is the right size. He mentioned that one could say there are
16 other people that are currently being grandfathered because the ACSA is
17 not pursuing the issue and accepting them the way they are, until they come
18 through the County's permitting process.

19 Mr. Mitchell stated that in his case, it does not involve just one
20 business owner. Ms. Palmer stated, however, that Mr. Mitchell is the owner
21 of the whole building. Mr. Mitchell replied he is, but tenants pay their fees
22 through the goods and services they sell, and customers pay their fees
23 through buying those goods and services. He stated that his point is, this
24 business owner did not change their usage, they actually reduced it.

25 Ms. Palmer stated that she remembers the ACSA going through the
26 backflow situation where the staff proactively went out and checked
27 everyone's property. Mr. Mitchell stated that backflow is a matter of safety.
28 Ms. Palmer replied that she knows backflow is a safety issue, but she is just
29 thinking about proactively doing things versus waiting for a trigger, which is
30 what they have decided to do with the meter issue. Mr. Mitchell stated that
31 he thinks the ACSA should focus on the fact that the ACSA is not providing

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1 any additional water or sewer capacity for the space due to changing out the
2 toilets, but they collected \$22,000.

3 Ms. Swanson asked if there was something that happened with the
4 international plumbing guidelines. She stated that they installed low-flow
5 fixtures, but the building permit process triggered a review. She stated that
6 the ACSA has to now look at that flow rate and asked why it kicked over to
7 the larger meter size all of a sudden. Mr. Lynn replied that in this case, there
8 was a large quantity of fixtures. He stated that when all of the fixtures are
9 taken into consideration, they are well beyond the threshold to move from
10 the $\frac{3}{4}$ inch meter to a 1-inch meter. He added that based on the fixture counts
11 that were provided, they were at 43 gallons per minute and the cut-off
12 between the meter sizes is 20 gallons per minute. Mr. Mitchell stated that
13 this has been the case for at least the 20 years he has been around.

14 Mr. Armstrong stated that someone might say the tenants received
15 a benefit for 20 years. He stated that perhaps they can ask Mr. Lynn to put
16 this on the regular agenda for next month's meeting and discuss whether
17 there is any interest in changing the Rules and Regulations. He stated that
18 the Board appreciates Mr. Mitchell coming in and sharing, and they certainly
19 understand how it impacts him from a business standpoint. Mr. Mitchell
20 stated that it does not impact Great Eastern Management as they pass the
21 cost on to the tenant who ultimately passes it on to the community. He stated
22 that they paid the cost upfront for the tenant because they were halfway
23 through the project when they were told the meter had to be upgraded. He
24 stated that the tenant signed the lease, purchased all of the gym equipment,
25 and began doing some of the work, and then were told they could not open
26 until they paid the \$22,000. He noted that this is the reason Great Eastern
27 stepped in and paid the cost.

28 Mr. Roberts stated that he thinks it is a good idea for the Board to
29 discuss this because of the definition for making this change that Mr. Lynn
30 mentioned. He stated that he needs to know more about it.

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1 4. Response to Public Comment

2 See Item #3 above.

3
4 5. Consent Agenda

5 **a. Monthly Financial Reports –**

6 **b. Monthly Capital Improvement Program (CIP) Report –** Mr. Parcels
7 stated that he had a question about item #2 on page 58. He stated that there
8 is a passage that says the ACSA was unable to secure an easement for the
9 alternative alignment, thus WRA is reverting to the original design. He asked
10 if this would change the cost or number of easements. Mr. Lynn replied that
11 it will not change the number of easements, but it will probably make
12 construction a bit more difficult. He mentioned that this was an area that the
13 ACSA was trying to avoid from a constructability standpoint, thus they were
14 exploring alternatives. He noted that they ran into roadblocks with the
15 alternative alignment that are forcing them back to the original design. Mr.
16 Parcels asked, in terms of negotiating the easement, if the property owner
17 refused. Mr. Lynn replied yes, they refused.

18 Mr. Parcels stated that his next question was about the Airport
19 Trunk Sewer project on page 62. He stated that when Mr. Wood attended
20 the meeting last month, part of the discussion was about partially
21 completing the project so that he could begin development. He asked how
22 that was progressing. Mr. Lynn replied that when the ACSA staff met with
23 Mr. Wood, it did not seem like it would be necessary. He stated that the
24 timing to do the rezoning and site plan works out with the ACSA's current
25 construction schedule. He stated that he does not think they will need to
26 consider incremental construction, which is probably to the benefit of the
27 neighborhood.

28 Mr. Parcels asked how many more easements the ACSA needs to
29 move forward with the project. Mr. Lynn replied that they have 8 more to go.
30 He stated that the Board heard from Drs. Weiss this morning, which will be
31 a challenging one to get. He mentioned that the staff has met twice with

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1 them over the last couple of weeks and they are working on a landscape
2 plan. Mr. Parcels asked if, as part of the negotiations with Drs. Weiss, the
3 ACSA would come back at the end of the project and replant the 32 trees
4 they would lose. Mr. Lynn replied that the landscape plan will be included in
5 the contract documents, so the contractor will be responsible for them
6 following the installation of the new sewer main.

7 Ms. Palmer stated that Dr. Vicky Weiss stated that 27 of the 32
8 trees are not in the easement and asked why those would be replanted. Mr.
9 Lynn replied that they are in the temporary construction easement. Ms.
10 Palmer asked how big the temporary construction easement was. Mr. Lynn
11 replied that he thinks they have a 20 ft. permanent easement and are asking
12 for an additional 10 ft. Mr. Rucker added that they are asking for 10 ft. on
13 one portion of the alignment and 20 ft. on another portion going across their
14 driveway. Ms. Palmer stated that 10 ft. sounds standard for an easement.
15 Mr. Lynn replied that the landscape on the property is very mature and
16 secluded from the road, which will be impacted by the construction.

17 Mr. Roberts asked if this was the same parcel of land that the
18 owners expressed a concern about early on with the long driveway and
19 trees on both sides. Mr. Lynn replied yes. He stated that they had about 8
20 nice-looking Bradford Pears. He noted that they have lasted much longer
21 than normal, but they are very beautiful. Ms. Palmer stated that they are
22 non-native and very invasive trees.

23 Mr. Parcels stated that his next question was about the
24 Miscellaneous Sanitary Sewer Rehab on page 65. He asked if the
25 installation of the 50 lateral liners was helping the I&I issues. Mr. Lynn
26 replied that the liners have not been installed yet. He stated that they did
27 their CCTV before the work, and the contractor will be back at the end of
28 July to complete the work. He stated it should seal all the connections where
29 the two pipes meet each other and help with I&I reduction.

30 Mr. Parcels asked if the aerial sewer that they had to obtain pipe
31 thickness measurements for was an iron pipe. Mr. Lynn replied that it is a

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1 steel pipe that is a long-span aerial sewer crossing the creek. He stated that
2 there is some visible deflection in it, thus they think they may need some
3 concrete piers to support it in one or two locations. Mr. Parcels asked what
4 the timeline is for replacing it. Mr. Lynn replied that there are probably
5 alternatives to replacing it, but they will have Dewberry evaluate the
6 thickness and whether it can be relined, or if they need to look at a
7 replacement. Mr. Parcels asked if, in the meantime, they were going to go
8 with pier support. Mr. Lynn stated that they will probably look at all of that
9 wholistically. He mentioned that if they are going to have a contractor do the
10 pier work, it would make sense to replace the pipe at the same time. Mr.
11 Parcels stated that the CIP report says that project completion was last
12 month, yet there is a lot of work to be done. Mr. Lynn stated that he would
13 get that corrected.

14 Mr. Parcels stated that his next question was about the Energy
15 Audit. He noted that only one proposal was received, and he was curious
16 as to what the proposal was for. Mr. Lynn replied that the proposal was for
17 providing EV services. He mentioned that it was considerably higher than
18 what they anticipated, so Mr. Morrison is working with the facilities team to
19 see if they can perform some of the site work such as conduit installation,
20 to cut down on some of that cost. Mr. Parcels stated that they are
21 simplifying the project to make it more attractive to electrical contractors.
22 Mr. Lynn stated that they are trying to simplify it and remove some of the
23 unknowns.

24 Mr. Parcels stated that his next question was about item 20. He
25 stated that the third request for proposals resulted in no contractors for the
26 ACSA Operations Center Improvements. He asked what the next options
27 are. Mr. Lynn replied that they are waiting for some feedback from the
28 ACSA's procurement team to see what their next option is.

29 Mr. Parcels stated that his next question was about the private
30 development section. He stated that in Old Trail, there was a request for 52
31 additional units from the contractor, but he noticed that since May of 2023

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1 there have been about 290 units added and there is still more building to
2 take place. He asked if Mr. Lynn knew what the total buildout would be by
3 the time it is finished. Mr. Lynn stated that he does not know the answer to
4 the question, but he does think the Old Trail development is winding down.
5 He stated that this is probably one of the last big pieces of land that is left
6 to be developed. He mentioned that there are some small pockets in the
7 Village Center that may see some additional buildings, but he thinks they
8 are pretty close to finishing development in Old Trail. He added that he will
9 follow-up and find out what their ultimate buildout schedule is and share that
10 with the Board.

11 Ms. Palmer stated that sometimes these things change from phase
12 to phase. Mr. Lynn stated that a lot of it has to do with what product they
13 can sell. Ms. Palmer stated that one of the best examples of this is from
14 around 2002 when the Albemarle County Board of Supervisors approved
15 North Pointe. She stated that they had around 893 single-family units
16 planned and now it is down to 297. She stated that it depends on what they
17 can sell at any given time. Mr. Parcels stated that part of his concern is that
18 the ACSA was aware of the potential volume that would be needed and
19 whether the supply lines are sufficient to support that need. Mr. Lynn replied
20 that they are sufficient.

c. Monthly Maintenance Update –

22 ***d. IT Monthly Update –*** Mr. Parcels stated that moving the servers to the
23 cloud, as he understands it, will be a subscription service. He asked how
24 the cost compares to physically replacing a server. Mr. Lunsford replied that
25 Ms. Walker has analyzed it long-term, and movement to the cloud is a
26 benefit from a cost perspective. He mentioned that the purchase and
27 maintenance of servers on premises is considerably more costly.

28 Mr. Parcels stated that his next question was about a phrase that
29 really struck him under the cybersecurity upgrades section. He stated that
30 it mentioned the latest threats in our area and asked if there were threats in
31 our area that are problematic. Mr. Lunsford replied yes. He stated that the

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1 County of Albemarle had a ransomware attack within the last month. He
2 stated that they were able to restore everything from backup, and the ACSA
3 only knows what has been released publicly. He stated that the ACSA staff
4 is very aware of the potential for an attack and are doing everything they
5 can to ensure no one is in our system that should not be.

6 Ms. Palmer stated that she noticed when all of this happened, the
7 County's GIS was down for quite a while. She stated that she saw in a
8 newsletter from the County the other day, that they are revising the entire
9 GIS. She asked if the revision was an already existing project, or if they are
10 doing it faster or differently because of the ransomware attack. Mr. Lunsford
11 replied that he does not know the answer to that, but he will find out and
12 follow up.

13 Mr. Parcels stated that security has been a conversation they have
14 been having for the last five years or so. He stated that he knows the ACSA
15 IT staff has done a lot to improve security, so he is hopeful that the fortress
16 is strong. Mr. Lunsford replied that they take security incredibly seriously,
17 albeit ever-changing and difficult. Mr. Roberts asked if they performed daily
18 backups and moved that data to an off-site storage. Mr. Lunsford replied
19 yes. He noted that some of the ACSA's systems are already in the cloud,
20 so that provides redundancy as well.

21 Ms. Swanson stated that she had a question about the new
22 telephone system and the AI ability that it will have. She asked if it is just a
23 feature that Ring Central offers, or if it is something that the ACSA will
24 actually want to use. Mr. Lunsford replied that there is functionality built in
25 the system to use some AI features, which they are currently not using. He
26 mentioned that one of the strategic items that the staff is looking at is a
27 formal ACSA AI policy to determine what they are willing to consider and
28 what will be off-limits. He noted that there are incredible benefits that can
29 be derived from using AI, as well as significant risks. He added that there
30 are some features that would allow the staff to analyze the efficiency of
31 phone calls, but they have not taken that step yet.

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1 Ms. Swanson asked if it would only be relatable to customer service
2 and not other data points within ACSA operations. Mr. Lunsford replied that
3 there are web-based features that could be deployed such as an AI chat.
4 He stated that they are not interested in that at this point, because they do
5 not feel they could adequately manage the responses or anticipate the
6 types of questions they may receive. Ms. Swanson asked the staff to keep
7 the Board updated on that.

8 ***e. Rivanna Water and Sewer Authority (RWSA) Monthly Update*** – Ms.
9 Swanson asked, in terms of the wholesale water meter replacements, if any
10 of the meters involved in the true-up process impacted the calculations. Mr.
11 Lunsford replied as far as he knew, they did not. Mr. Lynn added that he
12 does not think they made a considerable difference one way or the other in
13 terms of what is allocated to the City and the ACSA. He stated that each
14 month, RWSA puts together a report in their board packet that indicates the
15 water being sold to the ACSA versus the City of Charlottesville. He noted
16 that, big picture, the ACSA is still well below the threshold that was defined
17 in the water allocation agreement. Mr. Lunsford stated that from a billing
18 perspective, the allocation on the operating rate is based on actual meter
19 readings from the ACSA and the City. He noted that both entities provide
20 that information to RWSA and they allocate costs based on the percentage
21 consumed by both.

f. ACSA Board Policy Future Issues Agenda 2025

22 ***Mr. Parcels moved to approve the consent agenda, seconded***
23 ***by Ms. Palmer. All members voted aye.***
24
25

6. Operational Presentation – Private Development Process

26 Mr. Lynn stated that he wanted to introduce Keane Rucker, Senior
27 Civil Engineer at the ACSA, who would be presenting this item with him
28 (Attached as Pages_____). He stated that they would be talking about the
29 ACSA's process related to private development within the County. He stated
30

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1 that he first wanted to introduce and give an overview of the ACSA's team of
2 engineers.

3 He stated that Justin Weiler, Senior Civil Engineer, has been with the
4 ACSA since 2022. He stated that Mr. Weiler spent about seven years at
5 RWSA, as well as some time in Hanover County on both the operations and
6 the engineering side. He stated that Justin has a wealth of valuable
7 experience that he has brought with him to the ACSA.

8 Mr. Lynn stated that Richard Nelson, Senior Civil Engineer, spent
9 some time with a contractor before coming to the ACSA so he has a lot of
10 field experience in sewer rehab and maintenance. He stated that Mr. Nelson
11 is the ACSA's longest tenured staff engineer at this point.

12 Mr. Lynn stated that Keane Rucker, Senior Civil Engineer, began as
13 an intern at the ACSA while he was a student at the University of Virginia.
14 He stated that following graduation, he began working at Shimp Engineering,
15 who is a local design consultant. He noted that Keane is the newest member
16 of the team, coming onboard last year. He added that Mr. Rucker has a lot
17 of experience in design and brings a different skill set to the team. He stated
18 that he chose him to help present today, as he is very knowledgeable in the
19 County development process.

20 Mr. Lynn stated that John Anderson, Senior Civil Engineer, was
21 previously introduced to the Board and is one of the project managers for
22 the Avon Operations Center project. He stated that Mr. Anderson has a
23 wealth of experience in various state and local governments. He stated that
24 John has worked with the Nelson County Service Authority, as well as a
25 contractor. He noted that Mr. Anderson came to the ACSA from the County's
26 Community Development office where he was a project manager in both
27 engineering and facilities environmental services.

28 Mr. Lynn stated that he feels this is the most well-rounded
29 engineering team they have had at the ACSA. He stated that they have so
30 many skills and experience in utility operations and engineering, knowledge

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1 in construction and sewer maintenance, as well as expertise in and
2 understanding of private development processes and design.

3 Mr. Lynn stated that before they get into the details, he wanted to talk
4 about the Albemarle County Growth Management Policy. He stated that the
5 ACSA is part of promoting the efficient use of County resources through a
6 combination of protecting the rural area and promoting the development
7 areas where they want most of the development to occur. He stated that the
8 County has laid out a 95% rural area and 5% development area. He noted
9 that even with the new AC44 Comprehensive Plan that is under
10 development, they are still targeting those percentages.

11 Mr. Lynn stated that within the Comprehensive Plan, which is the
12 guiding document for growth, development, and investment in Albemarle
13 County, the ACSA falls within the community facilities goal with the objective
14 to provide public water and sewer in the development areas. He stated that,
15 as he mentioned, the County is currently going through an update to the plan
16 and those efforts are entitled AC44. He mentioned that updates to the plan
17 will offer opportunities to integrate new plans, policies, and plan for future
18 growth. He stated that would now turn the presentation over to Mr. Rucker
19 who would discuss the types of applications the ACSA receives.

20 Mr. Rucker stated that there are five types of applications that the
21 ACSA reviews in the community development process. He stated that they
22 are zoning map amendments, site development plans, subdivision plats,
23 jurisdictional area amendment requests, and building permits. He stated that
24 a zoning map amendment (ZMA) is an early-stage development application
25 constituting a request to change the zoning of a property, usually to allow
26 more dense or intensive development. He stated that with ZMAs, they tend
27 to look at big picture items and take a birds' eye view of the situation. He
28 mentioned that during these reviews, they identify challenges such as the
29 need for off-site easements or water and sewer capacity issues.

30 Mr. Rucker stated that site development plans (SDPs) constitute a
31 large portion of the staff's weekly reviews. He stated that these applications

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1 usually include development or redevelopment designs for commercial,
2 industrial, or multi-family residential use. He mentioned that a few recent
3 examples of these are the Rio Point Apartments on Rio Road, Flow Hyundai
4 on Pantops, and the Home Depot on Route 29. He stated that during their
5 review, the ACSA staff enforces compliance with the ACSA Construction
6 Specifications for the public water and sanitary sewer infrastructure. He
7 mentioned that they determine meter sizing and the corresponding
8 connection fees. He noted that they also begin the process of backflow
9 prevention and the Fats, Oils, and Grease (FOG) program, depending on
10 the type of development.

11 Mr. Parcels asked if a ZMA was the type of application Mr. Wood
12 submitted for his development and asked if the ACSA was aware of the
13 zoning changes when they sized the new trunk sewer. Mr. Lynn replied that
14 the ACSA goes by what is in the comprehensive plan. He stated that the
15 ZMA will change what is anticipated for his property, so the ACSA will have
16 to take another look to ensure the trunk sewer is sized appropriately. Mr.
17 Parcels asked if Mr. Wood would then submit an SDP for his development
18 project. Mr. Rucker replied yes. He stated that there is also a third application
19 that the ACSA typically does not review, which is the Virginia Stormwater
20 Management Program (VSMP) and involves things like erosion control. He
21 noted that this is another major hurdle that any developer has to get over
22 when disturbing 10,000 square feet or more of land. He stated that Mr. Wood
23 has three of these application processes before he can get to the building
24 permit process and begin actual construction.

25 Mr. Rucker stated that the other common type of application the
26 ACSA reviews is a subdivision (SUB) application. He stated that SUBs
27 include development plans for single-family neighborhoods, such as Dunlora
28 Village off of Rio Road, Old Trail in Crozet, and North Pointe on Route 29.
29 He mentioned that for these reviews, the ACSA ensures all individual parcels
30 are served by water and sanitary sewer, and that the infrastructure complies
31 with ACSA requirements set forth in the construction specifications. He

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1 noted that their review often considers, and coordinates, how the
2 development can achieve a cohesive network to allow for smarter growth.
3 He added that the ACSA engineers work with the developers to achieve a
4 design that allows adjacent properties to connect in the future. He stated that
5 they also identify any pipe oversizing opportunities to preempt future
6 capacity challenges, which promotes system integrity and provides capital
7 cost savings.

8 Mr. Rucker stated that Jurisdictional Area amendment requests is
9 another type of application that the ACSA reviews. He stated that the
10 Albemarle County Board of Supervisors (BOS) established the ACSA's
11 Jurisdictional Area (JA) which determines the type of utility service the ACSA
12 can provide to individual parcels. He mentioned that most parcels are in the
13 rural areas and are defined as no service. He stated that within the JA, there
14 are many properties served by both water and sewer, while properties on
15 the outskirts of the system may be water only, water only to existing
16 structures, or limited service. He stated that in this area, interested parties
17 may apply to add a property to the JA. He stated that the BOS is responsible
18 for approving or denying those request and the ACSA staff provides
19 technical support to help inform that decision. He noted that some of the
20 things taken into consideration are if the area is adjacent to existing ACSA
21 infrastructure, can the property be served by ACSA infrastructure without
22 issue, are onsite well and septic systems prohibited, and is there a public
23 health danger or risk.

24 Ms. Palmer stated that there was a property owner a while back that
25 requested to connect to public water and they were adjacent to the JA but
26 they had a lot of iron in their well water. She stated that she thought the iron
27 in the water was treatable and was always perplexed as to why the County
28 staff recommended to allow them to connect. She asked if the iron in the
29 water could be so intense that it is not treatable. Mr. Rucker replied that he
30 does not have knowledge of that specific situation, but he imagines there
31 could be certain iron levels that would cause the water to be non-potable.

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1 Mr. Lynn replied that they go off of health and safety, thus there must have
2 been some information shared that led the County to make that decision. He
3 noted that they are pretty tough about approving those requests.

4 Ms. Swanson stated that there are a number of places in the Urban
5 area that are within the JA and are not served by water and sewer. She
6 asked if those people would have to go through this same process. Mr.
7 Rucker replied that is correct. He stated that for a majority of these
8 applications, that is the situation. Mr. Lynn stated that he wanted to clarify
9 that if someone is already in the JA, they do not have to go through this
10 process to apply for public service. He mentioned that anyone can apply for
11 service, but more of the conversations happen for those property owners
12 that are close to the JA. He added that there are probably properties in the
13 designated growth area but not in the ACSA's JA. He stated that when those
14 properties come up, it is almost a no-brainer that the County will recommend
15 the JA be amended to add those properties to the service area.

16 Ms. Palmer stated that around 2012, there was an entire
17 development off of Old Lynchburg Road that was added to the JA because
18 it was in the development area. Mr. Lynn replied that the development was
19 Whittington. Mr. Brown asked what the advantage is to the application
20 coming through the ACSA, as opposed to going directly to the BOS. Mr. Lynn
21 replied that the application always goes through the County's process. He
22 stated that the ACSA's role is to be a technical resource for the County so
23 they can make an informed decision.

24 Mr. Rucker stated that the other type of application the ACSA reviews
25 is building permits. He stated that these are applications to construct or
26 remodel substantial portions of a building, electrical work, plumbing, decks,
27 and remodels. He stated that the ACSA staff reviews these for compliance
28 and one of the most frequent issues they encounter is confirming that the
29 proposed improvements are not located within ACSA easements. He noted
30 that the review also confirms that there are no opportunities for cross-
31 connections with private wells, and backflow prevention is enforced. He

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1 added that they also review meter sizing based on any change in plumbing
2 fixtures.

3 Mr. Roberts asked if this applied to all County building permits, or
4 just those within the JA. Mr. Rucker replied that the County has recently
5 implemented a new permitting system. He stated that those permits that are
6 outside of the JA are automatically excluded from the ACSA's review.

7 Ms. Swanson stated that she had her water line replaced soon after
8 the ACSA completed the water line project in her neighborhood. She stated
9 that one of the things that was confusing to her was that she had to go
10 through the County process to have them sign off on her water line
11 replacement and asked what the reason was for that. Mr. Rucker replied that
12 the private portion of plumbing is regulated by the International Plumbing
13 Code (IPC), which is a subset building code. He stated that the ACSA's
14 purview does not extend to that area. He noted that with building permits,
15 the ACSA is primarily looking for easement encroachments, backflow
16 prevention, and the appropriate meter sizing. He added that for private
17 plumbing, that is all regulated under the County building department.

18 Mr. Lynn replied that this is mainly for the property owner's
19 protection, to ensure that the contractor is using the right material and the
20 line was installed properly. He stated that the permit ensures that the
21 contractor the homeowner hired is following all of those requirements.

22 Mr. Rucker stated that earlier he mentioned the new permitting
23 system the County recently implemented to improve service in the
24 community and provide greater transparency. He stated that the County's
25 new permitting and licensing software is called Civic Access and was
26 implemented in January. He stated that Civic Access allows public
27 applicants to view and track all types of development applications, as well
28 as the permitting process and inspections that are needed.

29 Mr. Rucker stated that behind the public-facing portion of Civic
30 Access is a view of the regulatory compliance side called Enterprise
31 Permitting and Licensing (EP&L). He stated that ACSA engineering staff log

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1 in daily to their internal dashboard. He noted that the system is a product of
2 Tyler software, similar to the ACSA's current financial system which made
3 the transition earlier this year smoother. He added that this internal
4 dashboard has helped with review management and gives the staff at-a-
5 glance tracking and management capability for the dozens of reviews that
6 occur weekly.

7 Mr. Rucker stated that looking at some of the internal details on the
8 SDP application summary page, there are steps to approval, contact
9 information, involvement of various reviewing agencies, fee estimates, and
10 deadlines. He stated that looking at a view of the dashboard that lists the
11 SUB and SDP reviews, it shows things like staff assignments and due dates.
12 He noted that this is what the staff sees when they log into the system. He
13 added that having all these details at a glance makes for a very smooth and
14 streamlined process.

15 Mr. Rucker noted that when EP&L was launched, there were about
16 200 building permits in the system for review. He stated that the new
17 dashboard was a useful tool for managing those and helped the staff
18 complete the reviews in a timely manner.

19 Mr. Lynn reiterated that EP&L has been a very powerful tool for the
20 ACSA engineering team from a tracking perspective. He stated that
21 throughout the review process, the staff is focused on deadlines, team
22 collaboration, and best-in-class service. He stated that the EP&L system
23 indicates when projects are loaded and when their reviews are due, which is
24 usually within 30-45 days. He stated that team collaboration is important,
25 especially with a younger team, so they meet weekly to go over all the EP&L
26 assignments. He added that they also look at construction drawings and
27 ensure that they are consistent with their reviews. He mentioned that it also
28 allows them to share knowledge and experience among team members. He
29 stated that all of these efforts are to ensure they are providing best-in-class
30 service to their community partners and development community. He stated
31 that they work closely with the development community to make sure new

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1 developments are designed and constructed in accordance with the ACSA's
2 general construction standards.

3 Mr. Lynn stated that once plans are approved, the ACSA will issue
4 an approval through EP&L, and the developer will post a bond through the
5 County. He stated that the ACSA holds a pre-construction conference with
6 the contractor and usually the developer, after which time construction
7 activities begin. He mentioned that there are ACSA construction inspectors
8 assigned to each project to ensure the utilities are installed according to the
9 plans. He stated that the utilities go through testing, disinfection, and
10 bacteriological sampling. He stated that once everything is installed, tested,
11 and placed into service, the ACSA goes through the dedication process. He
12 stated that this is the formal process to turn the utilities over to the ACSA,
13 which includes granting the necessary easements, review and approval of
14 as-built drawings, completion of punch list items, and the execution of the
15 letter of dedication.

16 Mr. Parcels asked if the ACSA or the developer was responsible for
17 the pressure and vacuum testing that is part of the construction activities.
18 Mr. Lynn replied that the developer's contractor performs the test and ACSA
19 staff witnesses the test. He stated that they also collect the samples for the
20 bacteriological testing, but the ACSA takes the samples to the lab and
21 receives the results as well.

22 Ms. Palmer stated that she saw something on the map of the major
23 river basins and watersheds on the last slide of the presentation. She asked
24 if the North Fork Rivanna Reservoir that was listed refers to the slight
25 enlargement of the river behind the dam or is there something actually called
26 the North Fork Rivanna Reservoir. Mr. Lynn replied that he thinks it is the
27 small impoundment right at the filter plant. He noted that there is a low head
28 dam there, so it is probably referring to that. He stated that they got the map
29 from the County's website. Ms. Palmer stated that the County needs to
30 correct the map.

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1 Ms. Swanson asked, with all the systems capturing data on utilities
2 being added to the system, how easy it will be for the public to look at the
3 easements online to see what is on their property or a property they are
4 looking to purchase. Mr. Lynn replied that easements are recorded in the
5 County Clerk's office. He stated that, from a security standpoint, the ACSA
6 keeps its utilities under lock and key. He mentioned that they will give out
7 paper maps to show utilities on a specific property, but the ACSA does not
8 provide public access for all of its utilities. He noted that they do share some
9 limited pipeline information with the County staff, as well as fire hydrant
10 information for the fire department and the general public. Ms. Swanson
11 asked if the ACSA is the repository for the utility side. Mr. Lynn replied that
12 is correct.

13 Ms. Swanson asked if the goals, objectives, and strategies
14 mentioned earlier in the presentation were from the current Comprehensive
15 Plan. Mr. Lynn replied yes. Ms. Swanson asked if they were envisioning any
16 changes during the AC44 process. Mr. Lynn replied that there were some
17 minor revisions but overall, they remained pretty consistent. He stated that
18 he thinks the County was attempting to remove some of the specific callouts
19 of projects and make them more general.

20 Ms. Palmer asked what the lifespan of the meter is when someone
21 changes meter size. Mr. Lynn replied that the lifespan is 15-20 years. Ms.
22 Palmer asked if they would have to replace it. Mr. Lynn replied that the ACSA
23 replaces meters when they reach the end of their useful life, which is an
24 expense covered in the monthly service charge that customers pay. Ms.
25 Palmer stated that earlier it was mentioned that the ACSA is not proactive in
26 re-evaluating meters unless there is a building permit. She asked if the
27 meters are reevaluated when the ACSA changes them out or if staff ever
28 thought of doing it as a matter of policy. Mr. Lynn replied that it is not
29 something that has been done in the past. He stated that there will be more
30 data now with AMI, where the staff could do that. He noted that it would mean
31 possibly reassessing someone and if they are not changing anything, it

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1 would be a difficult argument to make. Ms. Palmer asked if there could be a
2 conversation about this particular subject at next month's meeting. Mr. Lynn
3 replied yes and stated that he would also try to find the practice of some
4 other utilities to see what options are out there if they would like to deviate
5 from what is currently being done.

6 Mr. Parcels added that the trend analysis of those shopping center
7 meters would be helpful as well.

8 9 7. Comprehensive Financial Review and Plan of Finance

10 Ms. Johnson stated that Courtney Rogers from Davenport &
11 Company would be presenting the ACSA's comprehensive financial review,
12 which will provide an overview of the organization's financial position, debt
13 profile, and funding strategy (Attached as Pages_____).

14 Mr. Rogers stated that it has been several years since he has spoken
15 with the Board, and it was great to be back. He stated that Harrison Monette
16 was joining him today and is an intern at Davenport this summer. He noted
17 that Harrison is from Richmond, VA, but would be returning to
18 Charlottesville in a month to complete his senior year at the University of
19 Virginia.

20 Mr. Rogers stated that the ACSA has some big CIP projects and is
21 probably the largest 5-Year CIP that he has seen for the organization. He
22 stated that back in 2018, there were not these types of numbers and there
23 may be a policy in place that does not make sense anymore because of the
24 size of the CIP. He stated that the ACSA's 5-Year CIP is about \$88 million,
25 with about \$11 million projects that have been approved but not
26 implemented yet. He added that this is roughly about \$100 million in projects
27 that will need to be funded over the next five to six years.

28 Mr. Rogers stated that what is important for the public to understand
29 is that RWSA, the ACSA's wholesale water and wastewater provider, has
30 an even larger CIP. He stated that today he would not be doing a rate study
31 or talking about rates, but rather necessary revenue increases that are

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1 really driven by RWSA. He stated that he would also be talking about a plan
2 for the ACSA to fund its CIP projects in the future. He mentioned that there
3 is a lot of information, and he would try to move quickly, but was happy to
4 stop and answer questions along the way.

5 He stated that in terms of goals and objectives, a lot of what they will
6 be looking at are things that rating agencies would look at. He stated that
7 he would first discuss the Comprehensive Financial Report, followed by
8 financial policies, capital funding needs, and strategies.

9 Mr. Parcels asked if the ACSA did not have a rating with the first
10 bond they had. Mr. Rogers replied that the ACSA went through the bank
11 process for that bond, given the smaller size. He stated that since the 2017
12 tax decrease, it is not as efficient for banks and their rates have not been
13 as competitive as the public bonds which the ACSA will need a rating for.

14 Mr. Rogers stated that historically, the ACSA has been doing very
15 well. He stated that in terms of revenues, a good bit of them come from new
16 homes that are added each year. He mentioned that roughly 1/3 of the
17 ACSA's total revenues come from those fees. He stated that, even though
18 the ACSA has made increases from a rate standpoint, operating expenses
19 have been growing faster than the operating revenues in the last several
20 years due to inflation. He added that the ACSA does not have a lot of debt,
21 thus the debt coverage looks very good.

22 Mr. Rogers stated that in terms of the service charge history, the
23 ACSA has been increasing those rates, but the expenditures have been
24 growing a bit faster. He stated that the connections are strong and have
25 shown a good trend over the last ten years. He noted that the number of
26 new connections has averaged around 450 for both water and sewer and
27 has been fairly steady.

28 Mr. Rogers stated that because the ACSA does not have a lot of
29 debt, the debt service coverage has been very high. He stated that rate
30 agencies like to see, for a triple A rating, 2x debt service coverage. He
31 stated that this means, after operations are paid, net revenues are at least

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1 2x greater than the annual debt service. Mr. Parcels asked what the
2 ACSA's bond interest rate is currently. He stated that since the bond is down
3 to around \$2.5 million, he wonders if it would make sense to just pay it off.
4 Mr. Rogers replied that he would say it depends on the rate the ACSA is
5 getting on the money that is sitting in the bank. He noted that there are six
6 years left, including this year, before the bond is paid off. Mr. Lunsford
7 stated that he is comfortable saying that the LGIP is currently earning in
8 excess of what the rate is. He stated that his recollection is the interest rate
9 was 4.65% in 2010, but they refinanced at a better rate. He added that he
10 does not recall what the new rate is.

11 Mr. Rogers stated that he thought it might be helpful for the Board
12 to see a peer comparison of debt service coverage. He stated that the bar
13 graph shows Aaa and Aa1/Aa2 credits in the Commonwealth of Virginia. He
14 noted that the ACSA is at the top of the chart with very strong debt service
15 coverage. He noted that those on the graph that are much stronger, such
16 as Chesterfield, Loudon Water, and Prince William, are receiving a lot of
17 capital contributions which is driving up their debt service coverage ratio.

18 Ms. Swanson asked how the ACSA compares to other
19 organizations throughout the state in terms of issuing debt in general. Mr.
20 Rogers stated that he would show them a debt comparison in just a
21 moment.

22 Ms. Palmer asked if the data centers have a big impact on the debt
23 service coverage ratio. Mr. Rogers replied yes. He stated that Loudon
24 County is one of their clients and a lot of their capital contribution comes
25 from data centers. He stated that a data center will come in and say they
26 need a certain amount of water and then use more later, which results in
27 more money down the road as they increase their consumption. He added
28 that there are still a lot of homes being built in Loudon County as well, so
29 he does not know the exact split between data centers and the new homes.

30 Mr. Rogers stated that another important statistic that measures the
31 financial health of a utility system is how many days cash on hand it has.

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1 He stated that if there is a downturn in new connections and the revenue is
2 not coming in from connection fees, the ACSA will need to have cash on
3 hand. He stated that for utilities, there may be projects in the pipeline that
4 need to be taken care of and if they do not have the cash, they will have to
5 go to the market to find those funds. He noted that the ACSA's days cash
6 on hand is currently very strong in the 500-600 range. He added that the
7 rating agencies like to see 250 days cash on hand for a strong Aaa rating.
8 He mentioned that S&P looks at days cash on hand as well as the dollar
9 amount. He noted that the ACSA's numbers are currently in the AA+ range
10 in terms of the dollar amount. He stated, however, that when looking at the
11 dollar amount along with the days cash on hand, the ACSA still scores on
12 the higher end of the spectrum.

13 Mr. Rogers stated that in comparison to the other utilities throughout
14 the state, the ACSA still scores pretty strongly in terms of days cash on
15 hand. He mentioned that Chesterfield has a lot of cash on hand. He noted
16 that they do have a lot of capital needs that they will need to fund eventually,
17 but they also do not have a lot of debt. He added that Henrico County is
18 seeing a lot of growth as well. Mr. Parcels asked where Chesterfield is
19 located. Mr. Rogers replied that it is south of the James River, and Henrico
20 sort of curves around the City of Richmond to the north and west. He noted
21 that Spotsylvania and James City were other areas of growth as well.

22 Mr. Rogers stated that the next slide shows a comparison of the
23 combined residential utility rate for an average use of 4,000 gallons per
24 month. He noted that Northern Virginia was left out of the comparison as it
25 is a different world in that area. He stated that the ACSA is right in the middle
26 and is in pretty good shape.

27 Mr. Rogers stated that in terms of debt, the ACSA has about \$3
28 million left of existing debt, which will take roughly six years to pay. He
29 stated that to Ms. Swanson's question from earlier, the next slide shows a
30 peer comparison of outstanding debt. He mentioned that excluding the
31 RWSA portion, the ACSA, outside of James City, is the only entity that

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1 basically has no debt. He mentioned that including RWSA's debt, the ACSA
2 is still at the lower end of existing debt. He noted that even the Aaa entities
3 have existing debt. He stated that Chesterfield is the only one that does not
4 because they have a lot of cash.

5 Ms. Swanson asked if the peer entities the ACSA was being
6 compared to were similar in structure to the ACSA. Mr. Rogers stated that
7 the entities included in the chart are rated utilities throughout the state. Ms.
8 Swanson stated that what she meant was entities similar to the ACSA in
9 that they do not produce water. Mr. Rogers stated that it is a mixed bag.
10 Ms. Swanson asked how many entities in the state that the ACSA would be
11 compared to are similar in structure. Mr. Rogers replied that there are not
12 that many. He noted that UOSA would be similar to RWSA in that they are
13 a wholesaler. He stated that almost everyone else on the chart is retail, like
14 the ACSA. He noted that some of the entities may buy from each other. He
15 stated, for example, that Chesterfield will buy water from the City of
16 Richmond and Loudon County purchases water from Fairfax.

17 Ms. Palmer stated that they tried to find other interjurisdictional
18 water authorities that really represented the ACSA, but it was extraordinarily
19 difficult. She stated that she thinks there was maybe one other similar entity.
20 Mr. Lunsford added that he does not know of any that are purely retail either.
21 He noted that even some of the entities that purchase treatment from UOSA
22 have treatment plants as well.

23 Mr. Parcels asked when the line on the graph was set at about \$100
24 million to represent the ACSA's debt, including the RWSA portion, if it was
25 based on the ratio between the City and the County. Mr. Lunsford replied
26 that it is an estimate. He stated that it is essentially half of RWSA's debt that
27 has been allocated for presentation purposes.

28 Mr. Rogers stated that another ratio that agencies look at is the debt
29 to operating revenue ratio. He noted that the previous slide showed the
30 amount of debt each entity had, and Fairfax was off the chart. He
31 mentioned, however, in the debt to operating revenue chart, Fairfax comes

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1 back in line due to the revenue that they have. He added that the ACSA is
2 close to the Aaa rating with a debt to revenue ratio of 2x.

3 Mr. Rogers stated that credit ratings are important because of
4 interest rates. He stated that the higher the rating an entity receives, the
5 lower the interest rate will be. He mentioned that the ACSA does not
6 currently have a rating, but the organization has given itself a path at least.
7 He stated that he feels at worst, the ACSA would be at the top of the A
8 range but could solidly be in the Aa range also. He mentioned that there is
9 a lot of debt coming and the ACSA is very unique in that it is mainly retail.
10 He noted that because of this, the ACSA is very dependent upon connection
11 fees, which is something that gives rate agencies pause. He stated that a
12 slowdown in the economy could be a concern, which is why the cash side
13 is so important.

14 Mr. Rogers stated that one of the things that helps when going
15 through the process of talking to rating agencies is to have policies in place.
16 He stated that in 2018, they went through the ACSA's financial policies and
17 revised them. He mentioned that the agencies periodically change their
18 policies and the debt to revenue ratio is a new policy they have come up
19 with. He stated that currently, the ACSA's cash on hand policy is 270 days.
20 He noted that Loudoun County's policy is a minimum of two years and a
21 maximum of three years. He stated that this policy has served them well
22 and helped them to keep their Aaa rating for years. He stated that he thinks
23 270 is a good target for the ACSA and they are not recommending any
24 changes to that policy.

25 Mr. Rogers stated that the policy they are recommending the ACSA
26 change is the debt management policy, specifically the debt service
27 coverage. He stated that when they set the policy at 1.2x in 2018, the ACSA
28 did not have the \$100 million CIP that it has now. He stated that there is a
29 fine line of raising revenues too high and at the same time maintaining good
30 practices and having enough cash on hand. He stated that they are
31 suggesting a new, two-part policy. He stated that the first part is to get

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1 through the hurdle of debt over the next several years to get back to a policy
2 that is not dependent upon connection fees. He stated that the second part,
3 in the meantime, is to implement a secondary policy that includes the
4 connection fees to reach a debt service coverage of 1.70x over the next
5 several years. He stated that, in summary, there will be a policy that
6 includes connection fees and a policy to get back to not relying on
7 connection fees.

8 Mr. Parcels asked if there was a projection of a buildout getting to
9 the point of satisfying all the building that will be done. He stated that
10 population growth will continue but asked if the County planned to expand
11 the current development area in the next 5-10 years. Ms. Palmer stated that
12 it would not be in the next five years. Mr. Parcels stated that it seems awfully
13 risky to depend on growth in today's uncertain times.

14 Ms. Palmer stated that for years, the ACSA has had the policy of
15 growth pays for growth. She stated that, in her mind, the ACSA was not
16 going to depend on growth to meet its obligations, but they clearly are now.
17 She stated that when it gets to a certain point, they will have to have a new
18 water supply plan and then the whole thing starts all over again. Mr.
19 Lunsford stated that a good way to frame this is to make it smaller and look
20 at the North Fork Regional Pump Station and the special rate districts. He
21 stated that in 2010, the ACSA issued debt for about \$12 million to construct
22 the pump station. He stated that the ACSA had to pay for that project then,
23 with the idea that they would collect revenues to offset that debt issuance.
24 He stated that what he thinks Mr. Rogers is trying to illustrate is that the
25 ACSA may not have all of its growth funds ready to go on day one. They
26 are spreading that over the course of that term.

27 Mr. Rogers added that there is about a six-year period of modeling
28 out this policy, and they cannot do it all with operational revenues. Mr.
29 Parcels asked, in modeling this, what inflation rate is being used. Mr.
30 Lunsford stated that it was 3%. Mr. Rogers stated that 3% is correct on
31 operational expenditures. He noted that RWSA's numbers come from

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1 RWSA. Mr. Parcells stated that it was probably around 10% or so for RWSA.
2 Mr. Lunsford replied that it was 15%-20% year over year.

3 Ms. Palmer stated that the ACSA works with the County on the
4 Comprehensive Plan and their buildout, and her understanding is that the
5 developers are asking for less density rather than more density. She asked
6 if the ACSA uses the County's maximum buildout numbers in the
7 development area. Mr. Lynn replied that when they are sizing, they have to
8 look at the worst-case scenario if they are going to invest in infrastructure
9 to serve a new area. He stated that he thinks the County is feeling some
10 pressure around the 95/5 split and trying to figure out how to give some
11 more growth without truly expanding the growth area to where it is too
12 expensive to put in the infrastructure to serve the area. Ms. Palmer stated
13 that her understanding is that the County would have to do so in the context
14 of a Comprehensive Plan review. Mr. Lynn stated that he thinks the County
15 was trying to put triggers or processes in place if they need to expand, which
16 he thinks is in the AC44.

17 Mr. Rogers stated that there were a couple of other smaller policies
18 he wanted to mention. He stated that in terms of reporting, agencies look at
19 things like how often the Board is receiving reports from the staff regarding
20 finances and related items. He mentioned that the ACSA currently has good
21 policies regarding reporting, as the Board receives monthly reports. He
22 stated that the investment policy is another area that is important to the
23 agencies. He stated that they are currently not recommending any changes
24 to the existing policy but will take a look at it and see if there is anything to
25 tidy up.

26 Mr. Rogers stated that when developing the pro-forma model, they
27 assumed a 3% increase in operating expenses and 450 new system
28 connections per year beginning in FY 2027, which is roughly the 5- and 10-
29 year averages. He mentioned that the ACSA currently projects 627 new
30 connections for FY 2026, but they were being conservative. He stated that
31 looking at Davenport's projections for long-term debt, they assume a 30-

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1 year borrowing term and a 5% interest rate. He noted that this is typical for
2 all of the utilities they looked at earlier in the comparison charts. He added
3 that some may have a shorter term, but they are not going beyond 30 years.

4 Mr. Rogers stated that the chart on the next page shows, on a
5 graphic basis, what is going on with the numbers at the bottom of the page.
6 He noted that the purchase of water and wastewater, as well as the debt
7 service contribution, from RWSA is very high. He stated that there is a 21%
8 increase for the purchase of water and wastewater just in FY 2026 alone,
9 followed by 16% and 14% in FY 2027 and 2028 respectively. He stated that
10 these increases will correlate very closely with the revenue increases the
11 Board will see in a moment. He stated that he was going to show the Board
12 the pro forma with no new debt on the ACSA side, and then what happens
13 if the ACSA's CIP is included.

14 Mr. Rogers stated that the next slide shows a summary of the pro
15 forma model with the impact of RWSA increases only. He noted the 1.70x
16 highlighted at the bottom, which is required to keep coverage on the ACSA's
17 existing debt without adding any new debt. He mentioned that the yellow
18 highlighted line at the top shows the rate increases needed to keep cash
19 levels in check, which very closely correlate to the increases on the previous
20 slide from RWSA. He added that essentially, over the next several years,
21 the ACSA's payments to RWSA are expected to increase by about 66%.

22 Mr. Rogers stated that the ACSA's CIP over the next five years is
23 roughly \$100 million, counting those projects that have already been
24 approved but not yet funded. He stated that the five years following that, or
25 the second half of the 10-year CIP, is about \$63 million. He mentioned that
26 currently, they are focused on the first five years of that 10-year program.

27 Mr. Rogers stated that it does not make sense, under IRS rules, for
28 the ACSA to take on a full \$100 million. He stated that the IRS set rules in
29 the late 1980s to prevent entities from borrowing money, arbitraging it,
30 putting it in the bank, and earning more. He stated that when an entity issues
31 debt, it must expect to spend those funds in 36 months. He mentioned that

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1 typically, for utilities, Davenport uses 24-month blocks. He stated that in
2 terms of a funding strategy, they have broken it up into three different bond
3 issues, with the first being \$29 million in FY 2026 to fund the first two years
4 of anticipated CIP expenditures. He noted that they are looking at the actual
5 spending of funds, not just appropriating. He stated that the second bond
6 issuance would be in FY 2028, at \$28 million and finally, \$22 million in FY
7 2030. He stated that part of this strategy is driven by the IRS, but part of it
8 is to spread out the cost to allow the use of other capital contributions.

9 Mr. Rogers stated that the next slide is a snapshot of the proposed
10 capital funding strategy. He noted that the highlighted line at the top shows
11 the revenue increases. He mentioned the highlighted numbers at the
12 bottom, reflecting the new policy of 1.70x debt service coverage. He stated
13 that the days cash on hand begins to decrease as they use more to reduce
14 the amount being borrowed. He added that the 1.20x debt service coverage
15 shown in the bottom right corner reflects the other policy, which begins two
16 years after the last bond issuance that is being proposed.

17 Mr. Rogers stated that the next chart shows the difference between
18 RWSA and the ACSA, with respect to required revenue increases. He
19 stated that the ACSA's CIP only requires about a 6% increase in operating
20 revenues. He stated that the majority of the increases are driven by the
21 RWSA. He noted that the only increase the ACSA needs to take care of the
22 three bond issues he just discussed is roughly 6% one time.

23 Mr. Parcels asked what RWSA is planning in terms of their funding,
24 and if they would be issuing bonds also. Mr. Lunsford replied that they do
25 issue bonds. Mr. Parcels asked if their interest cost is included in their cost
26 to the ACSA. Mr. Rogers replied yes, based on the projections they have
27 given. Mr. Parcels asked how much interest was included. Mr. Lunsford
28 replied that it is whatever the actual interest is on their bond issuance. Mr.
29 Parcels asked if RWSA has done a study similar to this one. Mr. Rogers
30 replied that his firm does work with RWSA, but he has not had a chance to
31 talk to his partners about it. Ms. Palmer stated that RWSA operates on debt.

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1 Mr. Lunsford stated that he thinks RWSA will be issuing another \$395
2 million over the next several years.

3 Mr. Rogers stated that he wanted to look at the projected credit
4 rating after incorporating the new debt and changes from RWSA. He stated
5 that, based on their modeling, the ACSA is in the Aaa range and is expected
6 to be there in 2032 as well. He stated that in terms of debt service coverage
7 is projected to be a little lower in 2032 but still good.

8 Mr. Rogers stated that if the ACSA exceeds the 450 new
9 connections for FY 2026, the ACSA can downsize the bonds, but it is a
10 matter of timing. He stated that they may have to borrow the amount
11 projected for FY 2026 but by the time they get to FY 2028, the amount may
12 decrease. He noted that conversely, if the 450 connections are not made,
13 the ACSA may have to borrow more. He stated that with days cash on hand,
14 the ACSA is in the Aaa range and is expected to be there again by 2032.
15 He stated that it does come down from where the ACSA is currently, but
16 they feel 270 is a solid number and do not recommend changing that policy.

17 Ms. Palmer asked if there are any projections as to what the interest
18 rates would be for the bond issuances. Mr. Rogers stated that they used
19 5% for their projections. He stated that if the ACSA went to the market today,
20 the rate would probably be in the 4.5% range.

21 Mr. Rogers stated that in summary, the ACSA will need substantial
22 revenue increases to fund both increases from RWSA and its own CIP. He
23 stated that the ACSA may want to have a full rate study done to look at the
24 rate structure. Mr. Parcels asked if Davenport has done an 85% possibility
25 of success comparison. Mr. Rogers replied no, they have not made any
26 comparisons like that. He stated that this is a best guess of where the ACSA
27 may end up financially. Mr. Parcels asked if the bond issue amounts are
28 estimated figures to get close to covering the \$100 million CIP in portions,
29 while knowing that the ACSA has historically been able to cover up to \$20
30 million without bond funding.

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1 Mr. Lunsford stated that for years, the ACSA has aimed for about
2 \$10 million per year in CIP projects, which is just not the case anymore. He
3 stated that the ACSA has been seeing \$15-\$20 million years, based off of
4 what needs to happen and the cost of construction. He mentioned that
5 keeping up with those costs is becoming more difficult without financing.

6 Mr. Parcels asked with the current status of the Avon Street project
7 and the issues with rock, if the \$8 million left to go was still on target. Mr.
8 Lynn replied that they are still within the total budget of \$18 million for the
9 project.

10 Ms. Palmer asked Mr. Rogers if he could say a few words about the
11 rating process. Mr. Rogers stated that it generally takes about 60-90 days.
12 He stated that the first 30 days would be spent putting together a
13 presentation outlining the financial plan, service area, development plans,
14 etc. He noted that the Moody's analyst they would talk to would be very
15 similar to the analyst they spoke with for the County. He stated that the S&P
16 has separate analysts that only cover utilities. Ms. Palmer asked if the
17 ACSA would try to get Aaa rated. Mr. Rogers replied that they would do
18 their best. He stated that it is a lot of debt to take on but there is a triple A
19 base in the area which will help.

20 Mr. Parcels asked if the presentation to obtain the rating would be
21 similar to this one today. Mr. Rogers replied yes. He stated that it would not
22 be exactly like this one, but it would include similar slides. He mentioned
23 that it would include some of the things going on around the County driving
24 the growth, the demographics and income levels, as well as finances. Mr.
25 Parcels asked what RWSA's rating is. Mr. Rogers replied that he is pretty
26 sure they are Aa rated. Ms. Palmer stated that this is because RWSA is
27 heavily dependent upon its two customers, the City and County.

28 Mr. Parcels asked when they would present to the rating agencies.
29 Mr. Rogers replied that it depends on when the ACSA is ready to start
30 spending the money. He stated, for example, if Mr. Lunsford said the ACSA
31 needed the money by May 1st, he would suggest gearing up in February

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1 and shoot for a bond settlement by April. Ms. Palmer asked what they think
2 would happen if they do not follow this plan. Mr. Lunsford stated that the
3 intent of this presentation was to paint the picture of where the ACSA is and
4 where they need to be. He stated that the staff will happily consider any
5 comments from the Board and will continue conversations with Mr. Rogers.
6 He noted that there is a formal rate study scheduled for this fall, which can
7 be incorporated into what they present to the rate agencies. Mr. Rogers
8 stated that in terms of the rate study, they will probably use the same firm
9 to put something together for the official statement to the rating agencies.

10 Ms. Palmer asked how RWSA's debt will play into the ACSA's
11 rating. Mr. Rogers replied that what is unique is that they have never done
12 a rating for the ACSA before. He stated that they will work closely with
13 Lonnie Wood and his group at RWSA and find out when they are going to
14 market. He stated that the hope would be that they will use the same
15 analyst, so they already have some knowledge of what is going on. He
16 noted that he cannot pick the analyst, but he can request it.

17 Ms. Swanson stated that she thought RWSA had on their agenda at
18 some point to conduct a study on affordability. Mr. Lunsford stated that it is
19 not on their current agenda. He mentioned that there was a request from
20 RWSA to some of the utilities in the general region about rates, but he does
21 not know that much came out of that.

22 Mr. Lunsford stated that a lot of the costs on the RWSA side are
23 related to generational projects that have been in the water supply plan for
24 a number of years and are finally being constructed. He stated that it is very
25 important that those projects continue so that the current and future needs
26 are met from a capacity and resilience perspective. Ms. Palmer stated that
27 Crozet is a wild card, as their water supply plan will not be available until
28 next May.

29 Mr. Roberts asked Mr. Rogers if he said the ACSA's average debt
30 service interest rate is 2.70%. Mr. Rogers stated that 270 is days cash on
31 hand. He stated that this measures how many days the ACSA could

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1 continue to operate if revenues shut down today. He stated that 1.70x is the
2 new debt service coverage ratio they are recommending.

3 4 8. ACSA Strategic Plan Update

5 Mr. Lunsford suggested that this item be moved to next month, if it
6 pleased the Board, to ensure enough time for Executive Session. The Board
7 concurred and this item was moved to next month's agenda.

8 9 9. Items Not on the Agenda

10 There were no items not on the agenda.

11 12 10. Executive Session

13 The Chair read a Resolution to enter into Executive Session
14 pursuant to Virginia Code §2.2-3711 A (1) to discuss a personnel matter
15 (Attached as Page _____).

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

20 The Board of Directors came back into regular session. The Chair
21 read into record a Resolution stating that only matters so previously stated
22 and exempted from open discussion in regular session were discussed in
23 Executive Session (Attached as Page _____).

24 ***Mr. Parcels moved to approve the Resolution as presented***
25 ***to the Board, seconded by Mr. Roberts. The Chair asked for a roll-***
26 ***call vote: Mr. Parcels, aye; Mr. Armstrong aye; Mr. Roberts, aye; Ms.***
27 ***Swanson, aye.***

28 29 11. Adjourn

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1 *There being no further business, Mr. Parcells moved that the*
2 *meeting be adjourned, seconded by Mr. Roberts. All members voted*
3 *aye.*

4 _____
5 Quin Lunsford, Secretary-Treasurer