

## **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 December 18, 2025, at 9:00 a.m. at the  
3        Administration and Operations Center at 168 Spotnap Road in  
4        Charlottesville, Virginia.

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

7        **Members Absent:** None.

8        **Staff Present:** Mike Derdeyn, Terri Knight, John Lewter, Quin Lunsford,  
9        Jeremy Lynn, Alex Morrison, Emily Roach, Danielle Trent, April Walker.

10       **Staff Absent:** None.

11       **Public Present:** Scott Fleming, PFM Asset Management; Jack Schnorbus,  
12       PFM Asset Management; Neil Williamson, Free Enterprise Forum; Rebecca  
13       Haley, Hazen and Sawyer.

14

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

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

19             Mr. Armstrong stated that he wanted to begin the meeting by talking  
20       about a colleague of theirs and a big friend of the Albemarle County Service  
21       Authority and its employees, Charlie Tolbert. He stated that Mr. Tolbert  
22       would be terribly missed, and his input and sensibility during debates about  
23       various topics was very much appreciated. He stated that their thoughts go  
24       out to Mr. Tolbert's family and they would now have a moment of silence  
25       in honor of him.

26

27       2.       Recognitions – Emily Roach, Human Resources Excellence Award

28             Mr. Lunsford stated that earlier this month, the Society of Human  
29       Resources Management (SHRM) awarded Ms. Roach the Human  
30       Resources Excellence Award. He stated that the award celebrates  
31       outstanding achievement in the field of human resources and is a prestigious

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1 honor. He noted that the award is given annually to people that have made  
2 significant contributions to advancing human resources excellence. He  
3 mentioned that Ms. Roach was nominated by a group of her peers, and the  
4 nominations were evaluated on five criteria which included strategic impact,  
5 human resources relevance, best practice potential, notable results, and  
6 innovation and creativity. He stated that Ms. Roach is incredibly deserving  
7 of this award and her contributions have significantly benefited the ACSA.

8

9       3.     Approve Minutes of November 20, 2025

10       Mr. Parcells stated that he had a few comments. He stated that the  
11 first one is about the remark from Mr. Morrison on page 5 about there being  
12 a handful of vacancies. He stated, however, that the employee count for  
13 maintenance only shows one. Mr. Morrison replied that there are currently  
14 four vacant positions in the maintenance department. Mr. Parcells asked  
15 why. Mr. Morrison stated that they have struggled to find qualified applicants  
16 for some higher-level positions. He stated that they have also had some  
17 internal promotions that have opened up Utility Worker I positions that they  
18 are looking to backfill. Mr. Parcells asked if the vacancies were affecting the  
19 workload. Mr. Morrison stated that it is, but they are able to handle it through  
20 reallocating resources and prioritizing different projects.

21       Mr. Parcells stated that there was a typo on page 6, line 10. He stated  
22 that the word “won” should be “own.” He stated that on page 7, line 24, the  
23 word “he” is missing before the word “assumes.” He stated that on page 8,  
24 line 1, he thinks the word “granulated” should be “granular.” He stated that  
25 on page 9, line 21, Ms. Walker references “pen testing,” and asked what that  
26 meant. Ms. Walker stated that it is short for penetration testing. Mr. Parcells  
27 stated that on page 14, line 13, the word “made” should be “making.”

28       ***Ms. Palmer moved to approve the minutes of November 20,  
29 2025; seconded by Mr. Parcells. All members voted aye.***

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31       4.     Matters from the Public & Response to Public Comment

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1                   There were no matters from the public.

2        5.    Response to Public Comment

3                   There was no response to public comment.

4

5        6.    Consent Agenda

6        a. ***Monthly Financial Reports*** – Mr. Parcells stated that the summary  
7                   memo mentions that ACSA staff met with RWSA to review the preliminary  
8                   RWSA CIP and rate projections. He asked if there was anything the Board  
9                   should get a heads up, such as likely increases or projections that are  
10                  different from last year. Mr. Lunsford replied that last year, RWSA projected  
11                  a 15% increase in charges to the ACSA. He stated that when they had their  
12                  initial meeting this year, the increase was higher than 15%. He stated that  
13                  since that meeting, they have had an additional meeting and RWSA is  
14                  actively working to adjust their CIP and mitigate additional increases above  
15                  the 15%. He mentioned that they have not seen the results from the last  
16                  meeting, but they expect them to be a bit more moderate than what was  
17                  presented in early December. He noted that some of the anticipated needs  
18                  in the Northern Area could potentially drive the increase higher than what  
19                  was expected last year.

20                  Ms. Palmer asked if the Board could be notified of what projects the  
21                  RWSA will be postponing before they vote on it. She stated that her  
22                  assumption is that they will be mitigating the rate increases, in part, by  
23                  postponing different projects. Mr. Lunsford replied that he would ask the  
24                  Board to give them until January to see RWSA's latest proposal, and then  
25                  they can absolutely spend some time reviewing it.

26                  Mr. Parcells stated that looking at the Statement of Net Position, he  
27                  was surprised to see that the investment number went down, and capital  
28                  assets have gone up. He stated that it seems like an imbalance, but at the  
29                  same time he assumes some of that is because of the way funds are being  
30                  spent. Mr. Lunsford replied that the investment balances include two  
31                  different investments – the LGIP and the PFM investments. He stated that

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1 the LGIP is incredibly liquid and it is what the ACSA uses to transfer to  
2 operating cash, to pay for different projects. He stated that when  
3 investments decrease as they are moved to cash to pay for capital assets,  
4 those capital assets will increase. He noted that when the ACSA presented  
5 the budget for FY 2026, a considerable amount of reserves were allocated  
6 to offset rate increases, and that is what is happening right now. He  
7 mentioned that the rate study they are currently going through is evaluating  
8 where they are and what they will need long term. He stated that the  
9 consultant will work with the ACSA and Davenport & Co. to develop a plan  
10 that may include financing some of the ACSA's infrastructure moving  
11 forward. He stated that this will help to keep rate increases lower over time.  
12 He added that they expect to present a high-level overview to the ACSA  
13 Board in January.

14 ***b. Monthly Capital Improvement Program (CIP) Report*** – Mr. Parcells  
15 asked about the extra 300 feet of PVC pipe that will need to be replaced as  
16 part of the Briarwood water main project and how much it would cost. Mr.  
17 Lynn replied that they are expecting it to cost about \$175,000-\$200,000,  
18 including the associated water services and repaving efforts. Mr. Parcells  
19 asked if the staff will need to ask the Board for additional funding. Mr. Lynn  
20 replied that he believes they will still be within the total budget, but they will  
21 evaluate that as they continue to move forward.

22 Ms. Swanson stated that she had a question about the Townwood  
23 project on page 64. She asked Mr. Lynn when he expected to have the  
24 public meeting. Mr. Lynn replied that they are looking at the first half of 2026,  
25 but no date has been set yet. He stated that they received confirmation that  
26 the County does own Townwood Drive, so the ACSA will also need an  
27 easement from the County, in addition to the easements needed from the  
28 HOA and an adjoining property owner. He stated that as they start  
29 conversations with the HOA, that will likely lead to a public meeting. Ms.  
30 Swanson asked if there has been much discussion with the residents in that

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1 neighborhood about the project. Mr. Lynn stated no, none other than  
2 communication with the HOA.

3 Ms. Swanson stated that her next question was about the Energy  
4 Audit on page 71. She asked for clarification on the Letter of Revision (LOR)  
5 that is required for the electricity upgrades. Mr. Morrison stated that the firm  
6 the ACSA contracts with submitted their electrical permit to the County to  
7 install the EV chargers. He stated that the County contacted the ACSA to  
8 advise that their procedure requires that EV charging locations be shown  
9 on an approved site plan. He mentioned that they were able to do an LOR,  
10 which is a simplified update to the site plan, to show those locations. He  
11 noted that the LOR is currently under review by the County, and they are  
12 hoping to have the approval in place by the end of the month which will  
13 release the electrical permit. He added that even though the chargers will  
14 be for ACSA vehicles only, the County still requires that those locations be  
15 shown on the approved site plan. Ms. Swanson asked if the County followed  
16 the same procedure when they installed their own. Mr. Morrison replied that  
17 he did not know.

18 ***c. Monthly Maintenance Update –***

19 ***d. IT Monthly Update –*** Mr. Parcells stated that the County of Albemarle  
20 had a ransomware attack in June and they have issued a follow-up. He  
21 asked if there has been any discussion with them and if the attack connects  
22 to the ACSA in any way. Ms. Walker replied that they have not spoken with  
23 ACSA staff about it, but the ACSA has reached out a few times. She stated  
24 that they do connect with the County for GIS purposes and they have  
25 assured her that it is safe.

26 Mr. Parcells asked if the estimated costs for the installation of  
27 network and security infrastructure for the Avon Operations Center will be  
28 separate, additional costs from the project budget. Ms. Walker replied that  
29 the costs are folded in with the overall costs for the project.

30 Mr. Parcells asked when the staff will be able to present the final  
31 report on the Facilities Condition Assessment to the Board. Ms. Walker

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1 replied that she believes Mr. Lynn is going to present that report in the next  
2 few months, but they have met to receive final clarification on the report. Mr.  
3 Lynn added that they are looking at how to share the results of that  
4 assessment, as well as the Risk and Resilience Assessment, without  
5 making the information public.

6 **e. Rivanna Water and Sewer Authority (RWSA) Monthly Update** – Ms.  
7 Palmer stated that the Sugar Hollow Pipeline that was transferring water to  
8 Ragged Mountain busted during a period of very cold weather and flooded  
9 the road. She asked if Mr. Lunsford could update the Board on that. Mr.  
10 Lunsford stated that the incident happened late last week and RWSA  
11 originally thought they had it under control, but the situation deteriorated as  
12 there was a break in the 100-year-old cast iron pipe. He stated that they  
13 were working on it this week and he thinks they are slowly performing some  
14 testing. He mentioned that under the preferred operations, it takes about 20  
15 hours to slowly open or close those valves to be as gentle as they can with  
16 the infrastructure. He noted that there was impact to the roadway and  
17 RWSA did their best to treat the road to ensure it did not ice over.

18 Ms. Palmer stated that this is a 100-year-old pipe and they were  
19 lucky that it broke near a road as opposed to the middle of nowhere,  
20 because the pipe runs cross-country. She stated that it takes 20 hours to  
21 close the pipeline, and a lot of water can be lost from the Moormans River  
22 in that amount of time. She asked if there has been any discussion about  
23 not doing the transfer during the very cold months, especially since we do  
24 have an adequate amount of water. Mr. Lunsford stated that he has not  
25 been involved in those conversations, but he will certainly ask. He  
26 mentioned that Ragged Mountain has receded some. He stated that it is  
27 about 3 feet lower than full pool, so he thinks RWSA was trying to fill it. Ms.  
28 Palmer stated that with the treatment capacity at Observatory Hill, it seems  
29 reasonable that they do not have to fill that reservoir with that water.

30 Mr. Roberts stated that he had a question about the dam concrete  
31 and steel repairs on page 98. He asked how they are going to repair

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1                   concrete and steel in a dam. Mr. Lynn replied that he is not familiar with the  
2                   project and would need to follow up with Jennifer Whitaker at RWSA. Mr.  
3                   Lunsford added that dams are regularly assessed and there is significant  
4                   oversite related to that. He stated that as he understands it, a lot of the work  
5                   is proactive to identify possible future deficiencies and remedy those before  
6                   they become an issue.

7                   Ms. Palmer stated that her understanding of the matter is that RWSA  
8                   performs dam inspections more often than required. Mr. Lunsford stated  
9                   that Ms. Victoria Fort (RWSA) is dedicated to ensuring that the dams meet  
10                   all of the requirements.

11                   ***f. ACSA Board Policy Future Issues Agenda 2025***

12                   ***g. 2026 ACSA Board of Directors Meeting Schedule –***

13                   ***h. 2026 ACSA Holiday Schedule –***

14                   ***Mr. Parcells moved to approve the consent agenda, seconded***  
15                   ***by Ms. Palmer. All members voted aye.***

### **7. ACSA Annual Investments Report**

18                   Scott Fleming, Director with PFM Asset Management, came forward  
19                   to address the Board. He stated that in their duty as the ACSA's investment  
20                   advisor, PFM comes before the Board every year to provide an update on  
21                   the investment program (Attached as Pages\_\_\_\_\_ ) to include the  
22                   investment environment they have had to operate in over those last 12  
23                   months. He stated that it has been a very tumultuous time but are happy to  
24                   report that the ACSA's assets are safe and liquid, and they have been able  
25                   to provide an above market return.

26                   Mr. Fleming stated that this is his fourth time before the Board and  
27                   today he has a new member of the team with him, Jack Schnorbus. He  
28                   stated that Mr. Schnorbus joined PFM last year from Morgan Stanley and  
29                   was with S&P before that. He stated that between the two of them, they  
30                   manage the assets on behalf of the ACSA. He stated that he would discuss  
31                   investment performance shortly, but he wanted to begin by giving Mr.

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1 Schnorbus a few moments to discuss the overall market environment. He  
2 noted that to Mr. Parcell's earlier point about some of the changes with the  
3 LGIP, all of the investments they have are truly liquid and they are  
4 safeguarding those.

5 Mr. Schnorbus stated that it has been a very interesting and complex  
6 year. He stated that a good way to look at the year as a whole is that it shows  
7 the economic resilience of the consumer. He stated that they have had to  
8 handle a lot of headlines and changes in policy whether monetary or fiscal  
9 and determine whether the investments they are making are prudent. He  
10 stated that when the tariff policy came into the arena, there was a lot of  
11 uncertainty around it. He stated that this translated to Q1 data where they  
12 saw a pull forward in inventory as companies tried to jump ahead of tariffs.  
13 He mentioned that as they were pulling in that inventory, the overall GDP  
14 went down. He noted that simultaneously, the U.S. consumer pulled back  
15 their money as they were uncertain about what the market was going to look  
16 like. He stated, however, there was a revival in Q2. He stated that the  
17 effective tariff rate was reduced and the U.S. consumer started to get back  
18 into the game. He mentioned that there was a large swath of investment in  
19 artificial intelligence (AI). He stated that while this was going on, inflation  
20 started to simmer a little but overall, the main concern has been the cooling  
21 labor market.

22 Mr. Schnorbus stated that in April, the effective tariff rate was about  
23 28%, which is the highest in U.S. history. He stated that some companies  
24 had to change their trading pattern, while others moved their manufacturing  
25 from China to Vietnam. He mentioned that there was margin compression  
26 as companies either had to absorb the tariff or pass it down. He noted that  
27 as it stands today, inflation is where it was last year this time. He stated that  
28 looking at the graph on inflation conditions, the Core Personal Consumption  
29 Expenditures (PCE) excludes volatile food and energy, whereas the  
30 Headline PCE includes it. He noted that the Core PCE is just a tick above  
31 where it was last year, at about 2.6%. He mentioned that they continue to

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1 see a material impact from tariffs in areas like apparel goods, leather, steel,  
2 and lumber. He stated, however, that what continues to drive inflation right  
3 now is shelter costs. He stated that renters are paying rent that is about 6%  
4 higher than it was last year. He mentioned that this has a lot to do with  
5 housing availability, the increased cost of building a home, and higher  
6 mortgage rates. He added that healthcare services costs are going up as  
7 well, which creates a downstream effect on the consumer.

8 Mr. Schnorbus stated that the U.S. unemployment rate is at 4.4%.  
9 which is historically lower than where it has been. He stated that if we go  
10 back to 1948 and take the average, it has been about 5.7%. He mentioned  
11 that the best statistic in the entire economic update is the VA unemployment  
12 rate of 3.6%. He noted that there were a lot of federal layoffs and Virginia is  
13 second in the United States, in terms of having the most federal workers. He  
14 stated that there were roughly 300,000 federal workers laid off, but the 3.6%  
15 unemployment rate shows the depth of the VA labor market. He added,  
16 however, that it still continues to be a low hire/low fire environment. He stated  
17 that this takes us to where we are with consumer sentiment.

18 Mr. Schnorbus state that consumer sentiment has weaned  
19 throughout the year, with the lowest recording in history for the Michigan  
20 University Consumer Sentiment Survey in November. He stated that the  
21 consumer is more selective in what they are buying and is looking for deals.  
22 He noted that they are not buying at the same levels that they used to, which  
23 ultimately sets the stage for where the Fed is today and how they have had  
24 to navigate the dual mandate.

25 Mr. Schnorbus stated that when the year started, the Fed had two 25  
26 basis point cuts in mind. He stated, however, that this was put on hold  
27 because the Fed is dependent on data and they did not really get that data  
28 until July. He stated that as the Fed began making cuts in September, the  
29 labor market began to soften. He mentioned that when we went into the  
30 government shutdown, the Fed went into a fog because they were not getting  
31 the same amount of data. He stated that this caused some dissention among

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1 the committee. He noted that, in total, there was a cut of 75 basis points this  
2 year. He noted that the Fed is expected to get a new Chairman in May, and  
3 the likelihood of having someone that is inclined to lower interest rates is  
4 strong.

5 Mr. Schnorbus stated that, finally, looking at the overall yield curve,  
6 the slide only shows two cuts, but there has been another since then. He  
7 stated that the front end of the curve has dropped 75 basis points. He noted  
8 that this is great for the ACSA, as the portfolio is appreciating in market  
9 value. He mentioned that on top of that, these yields have not been seen  
10 since 2006. He added that the portfolio has been able to appreciate but also  
11 build on accrued interest.

12 Ms. Palmer asked if Mr. Schnorbus could say a few words about  
13 consumer credit. Mr. Schnorbus stated that one thing they are seeing right  
14 now is a k-shaped economy, where high-income households are spending  
15 a lot more and making up the difference at the lower end of the income level.  
16 He mentioned that, overall, consumers are digging a little deeper into credit  
17 card purchases but they have not necessarily seen default rates on credit  
18 cards. Mr. Fleming added that on page 23 of the appendix, the credit card  
19 balances chart shows that they are up. He noted that the percentage of GDP  
20 spent on credit is up as well. He added that one thing that is not on the chart  
21 is auto delinquencies, which are up as well.

22 Mr. Fleming stated that Mr. Schnorbus has discussed where the  
23 economy is, and he would now discuss where the ACSA needs to go moving  
24 forward. He stated that the risk they see is certainly to the upside, whether it  
25 relates to inflation, which means additional passthroughs, or companies  
26 being able to absorb a certain amount of those additional costs at the onset.  
27 He noted that even for the latter, they still believe that there will be some  
28 passthrough which will impact inflation overall. He mentioned that the Fed  
29 does not look at a one-time price increase to offset tariffs as technically being  
30 inflation, but it is to the consumer. He noted that they expect inflation to  
31 increase over the next 6-12 months. He stated that in terms of labor markets,

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1 the Fed cut rates. He stated that the reason they cut rates is the hope that  
2 because money is cheaper to borrow, companies will borrow more and they  
3 then invest in the companies, put the capital to work, and bring more  
4 employees onboard. He noted that this will impact the labor market in the  
5 long-term, but it will take a while to filter through.

6 Mr. Fleming stated that in terms of global monetary policy and U.S.  
7 financial conditions, the Fed has tried to make it easier and more  
8 accommodating for people to invest. He stated that Mr. Schnorbus is right in  
9 that the consumer drives everything but, in his opinion, the labor market  
10 drives everything. He mentioned that if people have jobs, it means they are  
11 spending and when people spend, it creates economic growth. He stated  
12 that the Fed took a proactive step in September by making a risk  
13 management rate cut to mitigate any additional risks. He noted that in 2022,  
14 the Fed was a little behind the curve and had to raise rates dramatically in a  
15 short period of time because they started too late.

16 Mr. Fleming stated that when it comes to overall management of the  
17 ACSA's portfolio, PFM is always conservative but given the current  
18 landscape, they do not feel it makes sense to take on any additional risks.

19 Ms. Swanson asked if Mr. Fleming could talk about the reserve  
20 management purchase announcement and where that will possibly land. Mr.  
21 Fleming stated that over the last five years, the Fed has done what is referred  
22 to as quantitative tightening and quantitative easing. He stated that the Fed  
23 has used its balance sheet, like buying securities, to help balance the  
24 market. He stated that after inflation began to go down, they started  
25 quantitative easing. He mentioned that there was too much cash in the  
26 market, so the Fed allowed the securities on their balance sheet roll off. He  
27 stated that the Fed took back that cash and other market participants  
28 digested those bonds. He stated that, to Ms. Swanson's question, the Fed  
29 mentioned at their meeting last week that they are going to begin purchasing  
30 short-term treasury securities through the spring. He stated that the Fed is

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1 trying to create liquidity in the market. Ms. Swanson asked if it is essentially  
2 repatriating dollars. Mr. Fleming replied that it could be looked at that way.

3 Ms. Swanson asked if it would impact investments in mortgage-  
4 backed securities. Mr. Fleming replied no because the Fed is not going to  
5 invest in those. He stated that it may drive rates up a little bit. Ms. Swanson  
6 asked if the ACSA was investing in the residential or commercial sector. Mr.  
7 Fleming referred to the slide showing the 3<sup>rd</sup> quarter managed portfolio  
8 snapshot. He noted that under sector allocation, Agency CMBS are  
9 commercial mortgage-backed securities. He noted that the residential  
10 mortgage-backed securities make up less than 1% of the portfolio. He stated  
11 that the commercial securities are being issued by entities like Fannie Mae  
12 and those cash flows are guaranteed by the agency.

13 Mr. Fleming stated that he wanted to jump back to the slide showing  
14 the overview of the ACSA's investment program. He stated that, looking at  
15 the pie chart on the right, the ACSA's investment portfolio is made up of two  
16 components- what PFM manages, which is \$34 million, and the LGIP, which  
17 is \$11 million. He noted that the LGIP has seen some reductions, and the  
18 total portfolio has gone down about \$9 million since last year. He added that  
19 there are about 89 securities in the ACSA's portfolio, which are very well  
20 distributed and diversified.

21 Mr. Fleming stated that the next slide showed a snapshot of the  
22 overall portfolio value. He stated that PFM began managing the account in  
23 August 2020 and it was a slow road, but they love to see the upward slope  
24 on the graph. He mentioned that the Feds cutting rates is a double-edged  
25 sword as it is fantastic for the securities they own but as they reinvest dollars,  
26 they will be investing in securities that are lower yielding.

27 Mr. Fleming stated that in terms of portfolio yields, this time last year  
28 the managed portfolio was around 4.5% but has since moderated down to  
29 around 4.2%. He stated that the LGIP provides liquidity but when the Fed  
30 makes cuts, the rate starts to go down overnight. He noted that with the

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1 portfolio that PFM manages, the rate will still go down because they are  
2 investing in lower yielding securities, but it goes down at a much slower pace.

3 Mr. Fleming stated that the next slide outlines the portfolio  
4 performance. He stated that the gross yields are shown in blue, while the net  
5 yields are shown in green and the benchmark in grey. He stated that there  
6 is a difference of 15-23 basis points between the net yield and the  
7 benchmark, depending on the time frame. He noted that it is important to  
8 understand that the securities in the portfolio include things that the  
9 benchmark does not. He stated that the benchmark only includes treasury  
10 securities, but the ACSA's portfolio has different types of credit instruments.  
11 He stated that if PFM is doing its job from a risk management perspective,  
12 the portfolio should not be beating the benchmark by 50 basis points or a full  
13 point. He stated that this would mean they are probably taking too much risk.  
14 He added that if the portfolio is 5-15 basis points above the benchmark, that  
15 would mean they are being diligent and performing as such while remaining  
16 conservative.

17 Mr. Fleming stated that they are proud of their results on behalf of  
18 the ACSA. He stated that they take the investment objectives of the ACSA  
19 very seriously, which are safety, liquidity, and yield, in that order.

20 Mr. Parcells asked if the supranationals and agency MBS pass  
21 throughs are riskier because they are such small percentages of those. Mr.  
22 Fleming replied that as far as supranationals, PFM would love to have more  
23 but they are very hard to come by. He noted that they are triple A rated but  
24 every time they are issued, it is essentially a fight because everyone wants  
25 them.

26 Mr. Parcells stated that he also had a question about the historic  
27 perspective for current economic data in the appendix. He stated that in  
28 2025, it shows the U.S. GDP for the first quarter as red and then 1.7%  
29 estimated at the end of 2025, along with 1.5% estimated for consumption.  
30 He asked Mr. Fleming to say what that means in terms of what they expect  
31 to happen and how they will manage the portfolio going forward. Mr. Fleming

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1 stated that this heat map takes 30 years of data and compares the most  
2 recent economic statistics to that 30-year average. He stated that in terms  
3 of the GDP for the first quarter, there was a pull forward with companies  
4 trying to port as much as possible to get ahead of tariffs. He noted that this  
5 is a net detractor from GDP. He noted that then those inventories were being  
6 pulled down and consumers spending, which is reflected by the green. He  
7 stated that looking at consumption, outside factors dramatically affect those  
8 numbers. He stated that looking at things going forward, because there is  
9 such a wide spread for GDP and consumption, PFM will need to be even  
10 more conservative in how it manages the portfolio.

11 Ms. Swanson asked Mr. Fleming to talk a little bit about where crypto  
12 is going. Mr. Fleming stated that, as a bank, PFM is heavily invested in  
13 building out its crypto platform and accepting it as payment. He stated that  
14 as it relates to investments, they are much more insulated especially when  
15 it comes to public funds. He mentioned that there are some states and  
16 localities that are opening up to allowing crypto payments and investing  
17 crypto. He noted that Virginia is very conservative, and they do not see that  
18 coming down the pike. He added that overall, crypto is here to stay and it will  
19 only become more prevalent as people become more comfortable and adopt  
20 it.

21 Mr. Lunsford stated that regardless of whether Virginia makes crypto  
22 allowable, PFM would have to come before the Board for input before doing  
23 anything. Mr. Fleming stated that they have a belt and suspenders approach  
24 to investing. He stated that Virginia Investment Code is the minimum  
25 investment policy. He stated that the ACSA or anyone can then make their  
26 policy even more restrictive. He stated that a change in Virginia code would  
27 mean nothing to the ACSA until it is brought before the Board and approved.

28 Ms. Swanson asked if the ACSA is only able to make that change if  
29 given permission by the State. Mr. Fleming replied yes. He stated that all  
30 authorities can invest in single A rated securities, but in Albemarle and  
31 Charlottesville authorities can only invest in double A securities. He noted

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1 that there is a push to allow authorities to invest in lower rated securities. He  
2 stated that they are currently having discussions with Charlottesville to  
3 determine if they want to write it into their policy, because it does not matter  
4 what the code says. He added that if they were to get wind of crypto coming  
5 up, they would reach out to the ACSA to begin a discussion about it.

6 Ms. Palmer asked Mr. Fleming to help make the comparison  
7 between trading in currencies and trading in crypto. Mr. Schnorbus stated  
8 that he feels crypto is still perceived as a speculative investment. He stated  
9 that it trades seven days a week, 24 hours a day. He stated that a lot of  
10 people purchase bitcoin to transfer assets rather than using a money service  
11 like Western Union. Mr. Fleming added that crypto is not tied to any  
12 sovereign nation, which is part of the allure. Mr. Parcells asked if it would be  
13 considered an international currency.

14 Mr. Armstrong stated that the ACSA is not questioning whether they  
15 are going to invest in crypto any time soon and it is not even permissible  
16 under Virginia law. He stated that, as Board chair, he appreciates the  
17 comments and questions, but he would suggest they move back to the  
18 presentation and stick to the agenda.

19 Mr. Fleming stated that PFM is very committed to communication,  
20 reporting, and providing information. He noted that he and Ms. Swanson  
21 have been in somewhat frequent contact as it relates to the markets and  
22 some of the information the Board has at its disposal. He stated that if any of  
23 the Board members are interested in receiving additional updates, PFM can  
24 include them in those updates. He noted that they do have a 30-minute  
25 market update call every month, if they would like to be included on that call.  
26

### **27 8. FY 2027 Budget Guidelines and Schedule**

28 Ms. Roach stated that the rate study consultants will be presenting  
29 some preliminary information to the Board. She stated that she was happy  
30 to answer any questions about the schedule.

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1                   ***Mr. Parcells moved to approve the fiscal year 2027 budget and***  
2                   ***rate schedule; seconded by Ms. Palmer. All members voted aye.***

3

4                   9.        Imagine a Day Without Water (IADWW) 2025 Art Contest Winners  
5                   Ms. Roach stated that this was another successful year for the art  
6                   contest, with participation doubling from last year. She stated that  
7                   she would now show the Board a short video.

8

9                   10.      Items Not on the Agenda

10                  Mr. Lunsford stated that RWSA had their Board meeting this past  
11                  Tuesday and their Board approved the bid related to construction of the  
12                  pipeline and pump stations between South Rivanna and Ragged Mountain  
13                  reservoirs. He stated that this will be the largest single project that RWSA  
14                  has ever undertaken. He noted that, along with the pool level raise at  
15                  Ragged Mountain, the cost is about \$119 million. He added that this is  
16                  slightly below budgeted expectations by about \$3.5 million, which is a  
17                  positive.

18                  Mr. Parcells asked about rising healthcare costs and how that will  
19                  impact the budget. Mr. Lunsford replied that it should be moderately  
20                  impactful to the budget making process in FY 2027.

21

22                  11.      Adjourn

23                  ***There being no further business, Ms. Palmer moved that the***  
24                  ***meeting be adjourned, seconded by Ms. Swanson. All members voted***  
25                  ***aye.***

26

27

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Quin Lunsford, Secretary-Treasurer